

# MANAGING DIGITAL ENTERPRISE

## Lecture 4

### Digital Strategy Development

By

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## *Flash back to the previous lesson 3*

1. Understanding digital innovation and its drivers
2. Digital entrepreneurship and start-up ecosystems
3. Developing and scaling digital products
4. Business model innovation in the digital age

# Lecture 4 Agenda

- Overview of Digital Strategy Development
- Frameworks and methodologies for developing digital strategies,
- Aligning digital strategy with overall business goals,
- Creating competitive advantage through digital initiatives.

# Overview of Digital Strategy

## What is Digital Strategy?

- It's a comprehensive plan integrating digital tools into business operations, enhancing processes, and customer interactions. *Gobble, M. M. (2018).*
- Example: Starbucks integrates mobile ordering, payments, and rewards systems into its digital strategy.

# Overview of Digital Strategy Cont.

## Key Objectives of Digital Strategy:

- **Business Growth:** Expand reach and revenue through digital channels (Example: Netflix's global streaming expansion).
- **Innovation:** Constantly improve using emerging technologies (Example: Tesla's self-driving features).
- **Sustainability:** Build long-term adaptability (Example: Microsoft's transition to cloud services).

# Overview of Digital Strategy Cont.

## Key Components of a Digital Strategy

### 1. Vision and Objectives:

Clear vision aligned with business goals.

Example: Nike's digital strategy for personalized customer experiences through apps and social media.

### 2. Digital Tools and Technologies:

- Leverage cloud, AI, IoT, and other tools.
- Example: Google's use of AI for search algorithms and personalized ads.

# Overview of Digital Strategy Cont.

## Key Components of a Digital Strategy

### 3. Data and Analytics:

- Data-driven decision-making is central to strategy.
- Example: Spotify uses user data to curate personalized playlists.

### 4. Customer-Centric Focus:

- Prioritize improving the customer journey and experience.
- Example: Amazon's recommendation system enhances customer experience.

### 5. Culture and Leadership:

- Shift to a digital-first culture driven by leadership.
- Example: Satya Nadella transformed Microsoft with a focus on cloud and AI.

# Frameworks and methodologies for developing digital strategies,

# Frameworks for Developing Digital Strategies

## What are Frameworks?

Structured approaches to plan and implement digital strategies, ensuring that people, processes, and technology are aligned with business goals.

## Importance of Frameworks:

Ensure adaptability and flexibility in responding to market and technological change

# Frameworks for Developing Digital Strategies

## 4 frameworks for Development Digital Strategies

1

McKinsey's 7-S Framework

2

The Digital Transformation Framework

3

The Balanced Scorecard Approach

4

Agile Methodologies

# Frameworks for Developing Digital Strategies Cont.

## 1: McKinsey's 7-S Framework *Kocaoglu, B. (2019)*.

### □ 7-S Model:

- **Shared Values:** Aligns core values with the digital vision.
- **Strategy, Structure, Systems:** Core elements for digital transformation.
- **Skills, Style, Staff:** Focuses on developing the right digital skills and culture.

### □ Example:

- IBM shifted from hardware to a cloud-based and AI-driven company using this framework.

# Frameworks for Developing Digital Strategies Cont.

## 2. The Digital Transformation Framework

- **People, Process, Technology:**
  - ▣ Focus on human resources, business processes, and technology integration.
- **Steps for Transformation:**
  - ▣ Identify pain points, select digital tools, implement change, and monitor progress.
- **Example:**
  - ▣ GE Digital uses IoT and data analytics to boost operational efficiency

# Frameworks for Developing Digital Strategies Cont.

## 3. The Balanced Scorecard Approach

- **Four Perspectives:**

- Financial, Customer, Internal Processes, Learning & Growth.
- Helps align digital goals with overall business performance.

- **Example:**

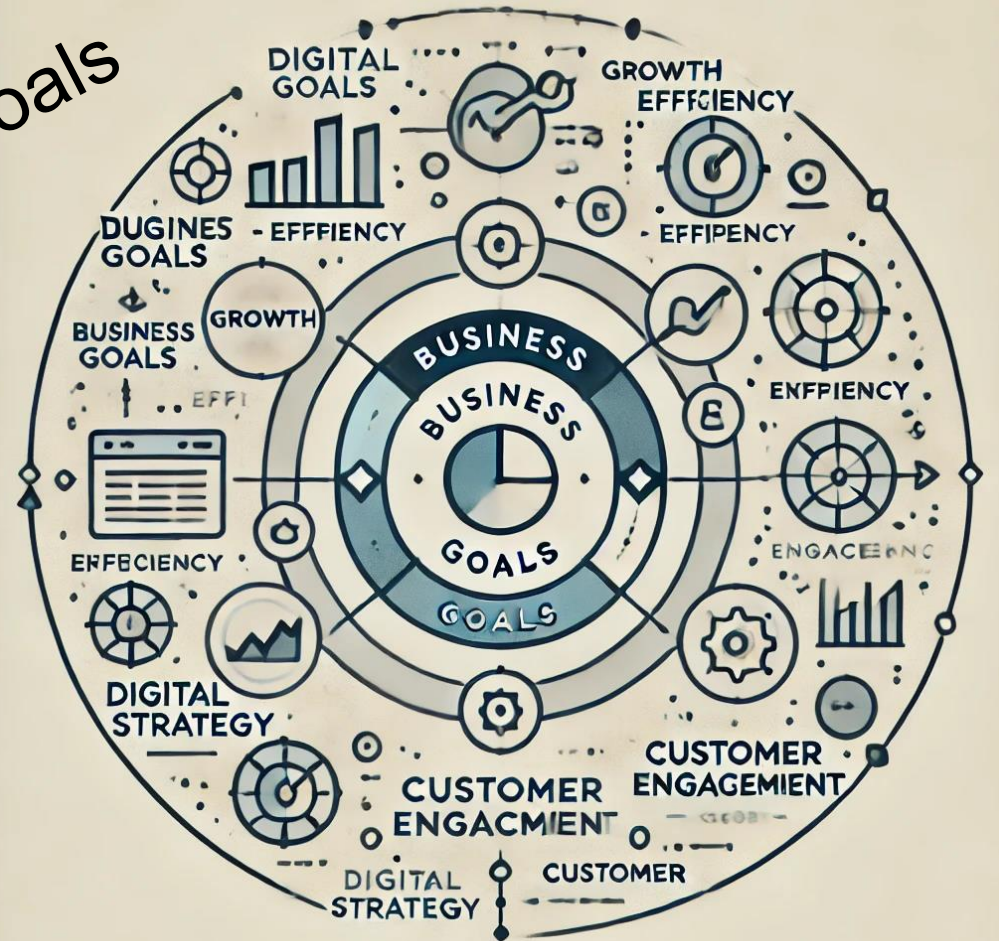
- Apple links digital innovation and customer-centric goals through the Balanced Scorecard.

# Frameworks for Developing Digital Strategies Cont.

## 4. Agile Methodologies in Digital Strategy

- ▣ Emphasizes rapid iterations, continuous improvement, and collaboration.
- ▣ Benefits:
  - ▣ Flexibility, faster time to market, and customer feedback integration.
- ▣ Example:
  - ▣ Spotify uses agile methods for continuous updates to its platform.

Aligning digital strategy with overall business goals



# Aligning digital strategy with overall business goals

## Why Align Digital Strategy with Business Goals?

### □ For Key Success Factor:

- Digital strategies must support the core business objectives to drive value and growth.
- Misalignment leads to wasted resources, failed initiatives, and a disconnect between digital investments and business outcomes.

### □ Ensuring Long-term Sustainability:

- Aligning digital strategy ensures that digital initiatives contribute to the overall vision and mission, supporting sustainable growth.

# Aligning digital strategy with overall business goals

## Why Align Digital Strategy with Business Goals Cont.?

- **Bridging the Gap Between Technology and Business:**
- Digital strategy acts as a bridge between technology investments and business priorities, ensuring that technology supports the company's strategic goals.

# Aligning digital strategy with overall business goals

**Steps for Aligning Digital Strategy with Business Goals involves;**

## **1. Start with Business Goals:**

- Digital strategy development must begin with a deep understanding of the company's overarching goals.
- Regularly engage business leaders to ensure alignment.

## **2. Prioritize Digital Initiatives Based on Business Impact:**

- Not all digital projects have equal value; prioritize those that have the greatest potential to impact key business outcomes.

# Aligning digital strategy with overall business goals

**Steps for Aligning Digital Strategy with Business Goals involves;**

## **3. Use of Key Performance Indicators (KPIs):**

- Establish measurable KPIs that link digital efforts to business results (e.g., ROI from digital investments, customer lifetime value).

## **4. Create a Feedback Loop:**

- Ensure ongoing alignment through regular reviews of business strategy and adjusting the digital roadmap as business needs evolve

# Aligning digital strategy with overall business goals Cont.

## Leadership's Role in Aligning Digital and Business Strategies

- **C-Suite Involvement:**
  - ▣ The CEO, CIO, and CTO play critical roles in ensuring digital strategy supports the overall business mission.
  - ▣ Cross-functional leadership ensures that digital strategy aligns with every aspect of the business
- **Engagement Between Business and IT Teams:**
  - ▣ A strong collaboration between business leaders and IT teams ensures is very pertinent

**Examples of Leadership-Led Alignment:** Microsoft and Walmart demonstrate how digital leaders effectively did alignment.

Creating **Competitive advantage** through  
**Digital initiatives.**

## Creating competitive advantage through digital initiatives.

- Competitive advantage is the ability of a company to outperform its competitors by offering superior value or efficiency.
- Digital initiatives provide businesses with unique ways to stand out in the market.

# Creating competitive advantage through digital initiatives.

When Building or creating a Competitive advantage it take some key Steps

## 1.Leveraging Data for Competitive Advantage

- Use data to gain insights into customer behavior, market trends, and internal processes.
- Big data and predictive analytics help in creating personalized experiences and optimizing supply chains.
- **Example:** Uber uses real-time data to match riders with drivers efficiently, optimizing operations and customer satisfaction.

# Creating competitive advantage through digital initiatives.

When Building or creating a Competitive advantage it take some key Steps Cont.

## 2. Digital Innovation in Strategy Development

- Foster a culture of innovation and experimentation.
- Encourage cross-functional teams to explore new digital opportunities.
- **Example:** Google's "20% time" initiative encourages employees to spend time on innovative projects outside their regular tasks, resulting in products like Gmail.

# Creating competitive advantage through digital initiatives.

When Building or creating a Competitive advantage it take some key Steps Cont.

## 3. Enhance Customer Experience through Digital Channels

- **Digital Customer Engagement:**
  - Digital initiatives such as personalized marketing, mobile apps, and interactive websites improve customer engagement and satisfaction.
- **Omnichannel Experience:**
  - Companies create a seamless customer experience across all digital and physical touchpoints, which builds loyalty and competitive advantage.

# Creating competitive advantage through digital initiatives.

When Building or creating a Competitive advantage it take some key Steps Cont.

## 4: Operational Efficiency

### ▣ Automation and Process Optimization:

- Digital technologies like robotic process automation (RPA) streamline operations, reducing costs and increasing efficiency.

### ▣ Cloud Computing:

- Cloud infrastructure allows companies to scale rapidly and manage operations more efficiently without significant upfront investment.

# Creating competitive advantage through digital initiatives.

## Risk Management in Digital Strategy

- Identify potential risks: cybersecurity threats, technology failures, and regulatory challenges.
- Implement strategies for mitigating risks and ensuring business continuity.
- **Example:** Target's data breach in 2013 led to significant investments in cybersecurity and risk management.

# Creating competitive advantage through digital initiatives.

## Common Challenges in Developing Digital Strategy

- Resistance to change among employees.
- Legacy systems and outdated technologies.
- Lack of clear vision or leadership.
- **Example:** Kodak failed to innovate digitally, leading to its downfall despite being a leader in photography.

# Conclusion

In conclusion, a strong digital strategy is essential for enterprises to thrive in today's business environment. Effective frameworks help align digital initiatives with strategic goals, ensuring technology investments yield results. Utilizing digital tools enhances operational efficiency, customer experiences, and data-driven decisions. As enterprises embrace digital transformation, integrating these strategies is crucial for sustainable growth and long-term success.

# Summary

- Overview of Digital Strategy Development
- Frameworks and methodologies for developing digital strategies,
- Aligning digital strategy with overall business goals,
- Creating competitive advantage through digital initiatives

# References

Gobble, M. M. (2018). Digital strategy and digital transformation. *Research-Technology Management, 61*(5), 66-71.

Demir, E., & Kocaoglu, B. (2019). The use of McKinsey's 7S framework as a strategic planning and economic assessment tool in the process of digital transformation. *PressAcademia Procedia, 9*(1), 114-119.

THANKS

