
A Framework for Driving Digital Transformation



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Leading an organisation's digital transformation requires simultaneously tackling three questions.

With digital disruption no longer a question of “if” but “when”, CEOs are increasingly focused on transforming their organisations to reap the benefits, and meet the challenges brought by the successive waves of technological innovations.

Over the last two decades, disruptions have taken various forms: from social media platforms empowering customers, to the internet of things equipping objects with the ability to create, send and receive data. New ecosystems and business models have evolved, redesigning the competitive landscapes across industries.

At its core, the disruptive nature of digital technologies stems from their ability to significantly reduce information asymmetry between different actors within an ecosystem (such as a driver and a potential passenger, or a lender and a borrower) by making information instantaneously and easily accessible.

Digitally transforming an organisation and capturing these opportunities is often challenging as it requires C-suite executives and entrepreneurs to identify possibilities and drive change concurrently in three areas where digital technologies can make significant differences and change the face of organisations.

- **Intelligence** – Seeing digital data as a source of insight and using this data in knowledge-creation processes to create competitive advantages.
- **Integration** – Leveraging digital channels to transform organisational processes and create agility.
- **Impact** – Rethinking how digital dynamics can improve a company's value proposition.

To successfully lead the digital transformation across these three building blocks, leaders need to measure their progress and the extent through which their organisation has embraced change, from an *initiation* phase (focusing on the discovery of new opportunities) to a *ritualisation* phase (looking at ways to interact with the digital ecosystem) and to a final *internalisation* phase (prioritising digital solutions; see table below). Only then can they assess where they lag behind and where they are on par or ahead, and establish a roadmap for moving the digital transformation forward.

Roadmap for Assessing an Organisation's Digital Transformation

	<i>Intelligence (Competition)</i>	<i>Integration (Organisation)</i>	<i>Impact (Value)</i>
<i>Internalisation</i>	Digital Foresights	Digital Autonomy	Driving Innovation
	Focus on predictive analyses & scenario-planning	Ability to continuously self-generate and collect digital data	360 customer centricity with a focus on continuous value creation
<i>Ritualisation</i>	Digital Insights	Digital Sensory Capabilities	Driving Engagement
	Focus on social media & search data to generate short-term insights	Ability to extract & share digital information within the organisation	Accelerate customer journey and increase brand engagement
<i>Initiation</i>	Social Listening	Digital memory	Driving Audience
	Focus on social media and blog analytics	Ability to keep track of online & offline initiatives	Increase customer reach through digital channels

Intelligence

With search engines such as Google processing a staggering 3.5 billion requests a day and massive quantities of content available through social media, digital data represents the richest reservoir of insights that has ever existed. Building intelligence capabilities based on this data starts with social listening. This initiation stage thus typically involves acquiring basic social media analytical skills giving instant **access to online conversations and activities about brands and topics**. For instance, when the power went out during the Super Bowl 2013, it only took a few minutes for creative teams at Oreo to post a tweet featuring an Oreo cookie and the caption “You can still dunk in the Dark”. The quick response successfully grasped the attention of spectators, many of whom were already on social media to pass the time during the power outage.

The ritualisation stage focuses on using digital data from social media and online searches to generate short-term insights and optimise operational decision-making. **A good example of this is L’Oréal** which, after assessing the size and scope on social media of a new hair-colouring trend blending light to dark shades, integrated these insights into its key operational decisions and launched a brand of products to help customers achieve the effect, even naming the brand after the term consumers used for the style, “Ombre”.

The internalisation stage entails using multiple sources – social media, search sites, geolocalised data, etc. – and integrating findings at a strategic level. The combined sum of insights from consumers, competitors and the media often reveals fresh new insights about a brand – the “unknowns-unknowns”. To this end, **Tsquared**, a pioneer in search analytics, works with large fast-moving consumer goods firms to help them understand their digital footprint and better leverage their brand. Tsquared identifies potential threats, determines opportunities to extend into new categories and helps companies develop a better understanding of their digital ROI.

Integration

While the majority of executives identify digital as a key priority, when it comes to integration many outsource the design and implementation of digital initiatives to agencies or consultancies. This is an easy, albeit risky, option. By outsourcing this crucial step, companies become less familiar with

digital technologies and the continual advancements in communication and risk losing control of their digital data. By keeping the task in-house, firms advance organisational learning and ultimately increase company performance.

The initiation stage for Integration involves creating a digital memory, a transparent repository or sharing mechanism accessible across the company's different divisions to keep track of online and offline initiatives. The form these 'memories' take is often unique to each company and could be as simple as a spreadsheet or a collection of videos. This toolkit helps companies learn much faster from their mistakes, build best practices and leverage their successes in the digital race with their competitors.

The move into the ritualisation phase involves gaining the ability to extract and share digital information within the organisation, integrating digital sensory capabilities, such as social media analytics. To illustrate, a number of hotel chains have listening capabilities to track e-reputation locally and integrate these new metrics into the staff incentive structure.

In the internalisation stage of Integration, a company acquires the ability to track data about processes and customers. With this ability, companies become truly responsive and can rapidly improve quality and learning across the organisation. For instance, Rolls-Royce inserted a tracker within each aircraft engine it produced to monitor potential defects as well as the engine's resistance and performance in different weather conditions. By increasing its knowledge, the company was able to extend its services to become a data provider for airline companies and pilots to help them better programme flight efficiency.

Impact

During the initiation stage of Impact transformation, digital technologies create a tremendous opportunity to connect firms with their audience – customers, collaborators and the media – helping to increase awareness about their brands and services through channels such as Facebook and Twitter.

The ritualisation phase increases brand engagement using digital and non-digital interactions and involvement from customers to increase value. For instance, a widely used strategy entails 'seeding' products to key influencers in order to facilitate and speed up product adoption.

In the internalisation stage, companies will take the lead in the disruption, using digital technologies and a customer-centric focus to drive changes through a stream of self-generated innovations. Reaching this stage often means that companies have developed a complex data-collection system providing unique information that the company can leverage in another market or context.

Pacing change

In a world where the digital revolution transforms markets and rapidly changes the competitive landscape, embracing the digital transformation can mean the difference between retaining leadership, losing ground and eventually being pushed out of the game. To win this challenge, company leaders need to be able to identify where their organisation stands as they progress through the transformation process, assess performance and anticipate change as they go.

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