

MIT Sloan

Management Review

COLUMN

Your Company Doesn't Need a Digital Strategy

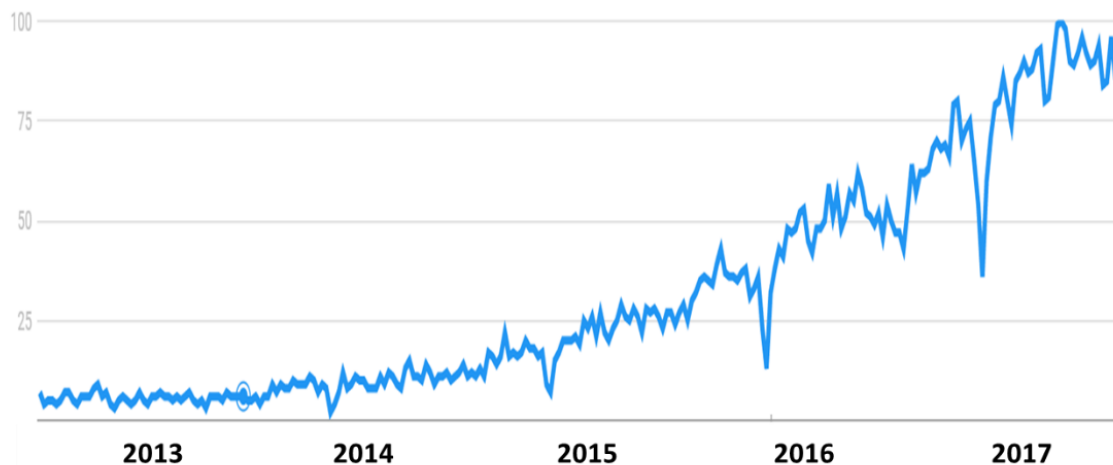
**George Westerman** •

October 25, 2017 • Reading Time: 6 min

It seems that the whole business world is talking about digital transformation these days. Just look at the search trends for the term:

Searches for “Digital Transformation” on Google

Source: Google Trends



But while more people are talking more about digital transformation, it's pretty clear that most are missing the point.

advertisement

As sexy as it is to speculate about new technologies such as AI, robots, and the internet of things (IoT), the focus on technology can steer the conversation in a dangerous direction. Because when it comes to digital transformation, *digital* is not the answer. *Transformation* is.

Technology doesn't provide value to a business. It never has (except for technology in products). Instead, *technology's value comes from doing business differently because technology makes it possible*. E-commerce is not about the internet — it's about selling differently. Analytics is not about databases and machine language



[\(http://sloanreview.mit.edu/projects/analytics-as-a-source-of-business-innovation/\)](http://sloanreview.mit.edu/projects/analytics-as-a-source-of-business-innovation/)

algorithms — it's about understanding customers better, or optimizing maintenance processes, or helping doctors diagnose cancer more accurately. IoT (<http://sloanreview.mit.edu/projects/data-sharing-and-analytics-drive-success-with-internet-of-things/>) is not about RFID tags — it's about radically synchronizing operations or changing business models.

In the digital world, a strategic focus on digital sends the wrong message. Creating a “digital strategy” can focus the organization in ways that don't capture the true value of digital transformation. You don't need a digital strategy. You need a better strategy, enabled by digital

[\(http://sloanreview.mit.edu/article/the-nine-elements-of-digital-transformation/\)](http://sloanreview.mit.edu/article/the-nine-elements-of-digital-transformation/).

Better Strategy, Enabled by Digital: Real World Examples

This idea of focusing on transformation instead of technology extends to industries ranging from food to mining. Here are some industry-specific examples of what I mean:

- **In the paint industry**, Asian Paints Ltd. transformed itself from a maker of coatings in 13 regions of India to a provider of coatings, painting services, design services, and home renovations in 17 countries. The technology the company's leaders used wasn't rocket science. The organization's transformation was powered by Enterprise Resource Planning (ERP) software, call centers, mobile phones and tablets, analytics, and some machine learning and autonomous manufacturing. More important was strong leadership that reimagined how the company worked and continuously drove for new business opportunities.
- **In the banking industry**, many companies are using chatbots — voice-activated software that is capable of engaging in conversation — to make customer service more efficient. Executives at DBS Bank Ltd. did something different. After improving the company's processes, profitability, and customer satisfaction in high-cost Singapore, these leaders turned their focus to low-cost markets. Building on the knowledge and systems in Singapore, plus chatbots and other technologies, DBS has now entered India with a mobile phone-based banking model that requires no human intervention. This model can make money from small accounts that other banks would never find profitable enough to accept. While thinking about chatbots led many bankers to focus on reducing costs in existing channels, DBS's focus on developing a model for low-cost new markets made chatbots, along with other technologies and significant organizational rethinking, into a much greater opportunity.
- **In the shipbuilding industry**, while many companies use virtual reality (VR) technology to help designers envision complex product designs, leaders at Newport News Shipbuilding, a division of Huntington Ingalls Industries Inc., used the technology in other strategic ways. In an effort to speed the development of large U.S. Navy aircraft carriers, the Virginia-based manufacturer had invested in digital design tools and new product designs. But coordinating and motivating thousands of workers remained a challenge. It was tough for employees to understand how their work fit into the broader story of building a giant aircraft carrier or recognize how their work interacted with that of others. VR became a useful tool in the company's broader effort to transform the work process: Now workers can don VR glasses to see what is behind a wall they are drilling or how a new bracket should look when mounted. They get warnings when a part is too heavy to lift without special equipment, and instructions on the correct sequence for installing components. And they can always see where their part of the work fits into the bigger project that they are collectively building.

VR by itself is an interesting digital tool. VR as part of a broader work transformation strategy is much more powerful.

RESEARCH UPDATES FROM *MIT SMR*

Get semi-monthly updates on how global companies are managing in a changing world.

[Privacy Policy](#)

How to Keep the Focus on Transformation, Not Technology

In industries ranging from hospitality to chainsaw manufacturing, great leaders are transforming their businesses through technology. They focus on strategic transformation, not technology adoption, and they get more powerful results. They keep four things in mind to avoid common pitfalls that often come from taking a technology focus:

- **Get away from silo thinking.** *The mobile strategy. The Big Data strategy. The VR strategy.* These are silo ways of thinking. Focusing on the technology can direct aspirations toward what technology can do, rather than what a transformed business should look like. A mobile strategy ends when the company has implemented mobile, and it fails to consider opportunities that are not enabled by mobile. The result is incremental thinking that misses much bigger opportunities across silos. The most valuable transformations, instead, come from changing the business through a range of technologies and management interventions. A customer intimacy strategy, for instance, uses mobile along with other digital technologies to constantly increase personalization, engagement, and satisfaction. And it finds uses for technologies well beyond mobile.
- **Don't push the envelope too far, too fast.** Before focusing on self-driving truck fleets, cars, and fully robotized call centers, many companies can still find a tremendous amount of value in transforming business processes through data-informed decisions, mobile collaboration, and even ERP. Looking too far forward toward advanced digital innovations can make these more-mundane technologies less palatable. But business leaders leave easy money on the table if they ignore incremental steps and pursue risky opportunities that may not be ready to pay off yet.
- **Don't ask your tech leaders to drive transformation alone.** "It's technology, so it must be the job of the CIO/IT manager." This kind of thinking, abdicating the task of transforming the company through technology, is ill-conceived. Even the best IT leaders won't be able to transform a business if they don't run that part of the business. While I've seen many successful digital transformations led by great tech leaders, the transformation comes from working with them, not asking them to do it alone.
- **Build essential leadership capabilities, not just technical ones.** The top digital leaders think of digital transformation not as a project but as a capability. They create a transformative vision, engage their people in that vision, and then govern strongly to chart a course across a whole portfolio of digital transformation efforts — some planned and some yet to be discovered. The benefit of focusing on *transformation* instead of *digital* is that it highlights the fundamental role of leadership and organizational capabilities in creating the real business value from technological innovations.

As an engineer turned manager turned management researcher, I love technology. I've spent my life making, using, and studying some of the greatest innovations of the past few decades, and I have [studied digital transformation for the past six years \(http://sloanreview.mit.edu/article/the-advantages-of-digital-maturity/\)](http://sloanreview.mit.edu/article/the-advantages-of-digital-maturity/), starting before it was even a thing. I would never tell a company to avoid new technologies, and I would never tell managers to ignore fast-emerging digital innovations. But I will continue to warn managers when I see digital transformation conversation going in the wrong direction.

Technology helps you do business differently, but the right strategy is not technology-focused. It incorporates the right technologies for the right jobs. It uses high tech where those capabilities are important and low tech where a simple solution can do the job. And when done right, it can help a company launch wave after wave of business innovation — innovation that becomes possible as new technologies become real.

advertisement

ABOUT THE AUTHOR

George Westerman is a principal research scientist with the MIT Initiative on the Digital Economy and coauthor of the award-winning book *Leading Digital: Turning Technology Into Business Transformation*, published by Harvard Business Review Press in 2014. He tweets [@gwesterman](https://twitter.com/gwesterman).

REPRINT #: W53033

Copyright © Massachusetts Institute of Technology, 1977-2017. All rights reserved.

Permission is required to copy or distribute MIT Sloan Management Review articles.

Buy permissions here:

<http://sloanreview.mit.edu/article/your-company-doesnt-need-a-digital-strategy/>

FROM OUR PARTNERS

Where's my mag?
If you didn't receive your print edition, check your mailing address on our **easy-to-use** subscription self service page.



[click here now](#)

ADVERTISEMENT

Forgot your account#?
Look up your account via our **easy-to-use** self service page. You'll find your account number, payments, expire date, mailing address.



[click here now](#)

ADVERTISEMENT

Where's my mag?
If you didn't receive your print edition, check your mailing address on our **easy-to-use** subscription self service page.



[click here now](#)

ADVERTISEMENT