Interview: BTA Hub North America

Since year 2013, the Business Transformation Academy’s Hub North America (BTA Hub NA) has been closely collaborating with The Paul Merage School of Business at the University of California, Irvine (UCI), on the topic of digital transformation (for the healthcare industry). In this interview, Tim Hornung, the Head of the BTA Hub NA, asks Dr. Vijay Gurbaxani about the Center for Digital Transformation and the research co-operation with the BTA.

Dr. Vijay Gurbaxani is the Founding Director of the Center for Digital Transformation and Taco Bell Professor of Business and Computer Science at The Paul Merage School of Business, UC Irvine.

BTA: What is the Center’s perspective on the digital economy?
Dr. Vijay Gurbaxani: We see the digital world as a software-driven world. In the past, proprietary information technologies enabled companies to achieve strategic differentiation. Only large companies could afford to make the investments needed to compete with technology.

With the emergence and advancement in infrastructure – the cloud, mobile technologies, the Internet, and even many software services – many of the building blocks of the digital economy are being commoditized. All businesses now have easy access to technology. So technology by itself cannot lead to competitive advantage. It is the use of the technology, the data that a company captures, and more precisely, the insights generated from the data that will provide benefit. Perhaps more importantly, businesses with better strategic foresight of where the digital world is heading and businesses that are able to leverage this understanding to adapt to a changing environment, will be more successful.

A company’s ability to differentiate itself will result from its unique knowhow, which is then deployed in its business model, products, and processes. But knowhow itself only takes you so far. It is the ability to codify knowhow in software, make it repeatable, and deploy it on the shared
technology platforms that will confer competitive advantage. This is not easy to do. Companies that master the art and science of competing in a software-driven world are the ones that will succeed.

**BTA: Why is moving to the digital world so difficult?**

**Vijay:** Interestingly, many incumbent companies were designed for the physical world – their strategy and structure reflect the economics of the physical world. But the economics of the digital world are fundamentally different from those of the physical world, so companies must undergo a significant transformation to adapt.

This transformation is very challenging and fraught with risk. The move to a new economy will take a long time, as we have learned from previous industrial revolutions. Most incumbent businesses, in the short term, will continue to derive revenues and profits from their traditional business models, but must simultaneously move to new business models and technologies even when these compete with their traditional businesses. It is very difficult for executives to cannibalize their existing products and services with healthy revenues and profits with the introduction of new products with uncertain revenues.

Moreover, the managerial capabilities required in a digital economy are quite different from those we have required in the past. The pace of change has accelerated, decision-making is data driven and more scientific; this has deep implications for recruiting strategy and human capital development.

**BTA: What advice would you offer to companies trying to compete in today’s environment?**

**Vijay:** Many executives ask me if they should keep investing in traditional technologies or switch to new digital investments. The reality is that to survive and succeed in the future, you have to do both. Businesses must invest simultaneously in the new digital opportunities while maintaining their investments in more traditional technologies. It is an “and”, not an “or” decision. This creates a lot of conflict in businesses.

**BTA: What sort of research does the Center for Digital Transformation conduct?**

**Vijay:** Our goal is to conduct research that is academically rigorous and simultaneously relevant to practitioners. The Center takes both an industry and a cross-cutting approach in its studies. We study broader technology trends in the economy as well as their impact on specific industries. As an example, we have been researching the digital transformation of healthcare with the support of SAP’s Business Transformation Academy. SAP has provided us both funding and access to industry experts who have shared valuable insights with us. This partnership allows us to meld rigorous conceptual thinking with deep industry expertise, resulting in the ability to derive robust actionable insights.

**BTA: What are your future plans for collaborating with the BTA?**

**Vijay:** As we conducted the first set of research studies, we recognized that there are common principles that apply consistently throughout the economy, and others that are industry specific. Our goal is to develop a consistent framework, identify durable management principles, and highlight best practices that we can then share with executives who are leading their companies through this transformation. We can achieve our goal by studying multiple industries, focusing on how companies, new and established, are competing in the digital economy. This will allow us to identify the themes and principles that are common across all sectors and are driven by the move to the digital world, and which of them depend on specific features of industries. To this end, we will partner with BTA to study a number of industries, such as high-tech manufacturing and financial services.