

# Book Review:

## Research Handbook on Digital Strategy

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### ABSTRACT

Bringing together contributions from international experts in digital strategy, the research handbook depicts the contours of the major threads of investigation that shape the digital transformation process at firm, platform, market, and industry levels. Chapters explore the fundamentals of digital strategy and digitization, the design of digital organizational architectures, how value is created and captured through data strategies, and the manifold challenges that firms face in the digital era. From the impact of big data analytics and artificial intelligence on management thinking and practice to the nature of digital competition and user engagement on social media platforms, the research handbook takes stock of emerging issues and advancements in digital strategy research and ultimately considers how future digital strategy frameworks might be cultivated.

### KEYWORDS

Corporate Strategy, Digital Business Model, Freemium Strategy, Graph Theory, P2P, Physical Reality, Platform Sponsor, User Engagement Strategy, Value Conceptualization

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This state-of-the-art research handbook presents a comprehensive overview of the key strategic challenges that firms face when dealing with digital markets, platforms, and products and services, from old strategy questions in need of different solutions to entirely novel issues posed by the new competitive digital context (Nadkarni & Prügl, 2021).

This book is split into four distinct parts. Part 1, “Digital Strategy as Digital Business Model Choice”, includes Chapter 1 through Chapter 6. The first chapter integrates the traditional literature on corporate strategy with more recent literature on digital in business and strategy research, to examine new mechanisms and drivers offered by digital diversification. This chapter thus offers various contributions: First, the authors advance a definition and conceptualization of digital diversification and compare it to traditional (non-digital) diversification. In doing this, the authors explore how digital diversification changes the traditional cost-benefit drivers in traditional diversification, and

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how the relationship between relatedness and performance shifts from a classic inverted U-shape curve in traditional diversification to an S-shaped curve in digital diversification (Schommer, Richter, & Karna, 2019), which increasingly favors less related diversification. Second, the authors characterize digital diversification across two key dimensions: locus (i.e., supply-side vs demand-side); and type (i.e., product vs business model), which the authors investigate by pointing to opportunities for firm growth. Finally, the authors present a series of promising yet underdeveloped areas for future investigation, and the authors advance an agenda to foster our understanding of digital diversification for both research and practice.

Firms are increasingly shaken by the challenges triggered by today's unpredictable landscapes. In this context, they are constantly searching for new ways to address fast-moving marketplaces more rapidly and with greater flexibility. Chapter 2 investigates how strategic agility helps organizations innovate their digital business models to adapt to changing market conditions. To this end, the authors perform an exploratory single-case study focusing on Clickio, a leading firm in programmatic marketing that offers innovative technological solutions for digital publishers. This study provides a structured analysis of how strategic agility assists firms in accomplishing digital business model innovation across three intertwining dimensions – the business model's content, structure, and governance. Our study may support managers seeking to redefine their digital business model by learning more about how strategic agility can be embedded into their strategic and operational efforts to develop a more significant digital value proposition, and adapt to the uncertainty of today's shifting business contexts more effectively.

Chapter 3 explores how digital business models come into being and how they develop over time. A focus on how digital business models form is important for theory and practice because managers and entrepreneurs cannot stop at identifying a particular digital business model design but must inevitably deliver digital strategy by creating and constantly developing digital business models. The chapter opens with a review of the two principal ways to design digital business models identified in prior literature: business model innovation and imitation (Ramon & Zhu, 2013). Both business model innovation and imitation are viable ways to form business models in the digital economy, and they are not mutually exclusive. Rather, they may be conceived as two ends of a continuum along which real-world strategies to design digital business models lie. This chapter integrates emerging and established research to develop this notion and explores strategies along the spectrum. These include pioneer, architect, blender, adapter, and copycat. The chapter also discusses some basic principles and underlying mechanisms behind these strategies. Finally, an agenda for future research on strategies to design digital business models is proposed.

The management literature has recently witnessed a considerable escalation of research around the implications of digitalization for firms and their environment. Yet, the conceptualization of the construct of digitalization remains elusive at best. In Chapter 4, the authors develop a taxonomy of the outcomes of the digitalization of physical reality, and of the interaction amongst digitalized units of physical reality (Lyytinen, 2021). The authors maintain that these taxonomies may enhance the scope for combining extant research in integrative frameworks as well as informing management research that links digitalization and its agency in a more systematic way.

In Chapter 5, the authors identified some key forces that influence the framing of business model choices of 14 important firms in the global messenger industry from 1998 to 2018. As suggested by the established literature, diversified large US firms (AOL, Yahoo!, Microsoft, Facebook, etc.) that entered this industry typically followed and firmly established advertising-supported business model choices in their other divisions. By contrast, Korean entrants adopted a complementor business model approach that successfully challenged US firms in their domestic markets. One such firm is Kakao Talk, which achieved significant financial success. The authors found that the successful strategies of Kakao Talk and other Asian firms (Line and Tencent's WeChat) have not been emulated by US firms. In this study, the authors examined the apparent cognitive motivations of US and Korean actors and determined their significance in our

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