

Coronavirus, Digital Transformation and Lessons to be Learned

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Spanish Tit-Bits



Having a professional background built in ecommerce and online services, I was always an advocate for digital disruption and new technologies that could usher users and clients into a better online shopping experience. In my own view, digital transformation was invariably the only path to achieve success in any type of digital business.

According to tech giant Sales Force, *digital transformation is the process of using digital technologies to create new – or modify existing – business processes, culture, and customer experiences to meet changing business and market requirements.*

The process driven by a technology disruption perspective has suddenly been stricken by another type of breakdown: the global Covid-19 pandemic. And as workplaces require that employees work from home, universities shift fully to online teaching, restaurants transition to online ordering and delivery, we're seeing the most swift organizational transformation in the history of modern business.

Companies have dealt with financial crises like the Great Recession in 2008 or the dot-com bubble of the early 2000s. Many have endured wars and terrorist attacks, election surprises, and previous health crises, but never before have established and evolved economies faced this kind of shock. And nothing quite compares to the physical-digital divide

Covid-19 is revealing and how it affects the nature of work.

In some ways, you can trace what's happening today to a big digital transformation that's already well underway. Businesses have been moving to an increasingly digital core based on software, data, and digital networks for years, requiring a fundamentally new operating architecture. The new digital firm gains its competitive advantage in three ways: by producing more at a lower unit cost, by achieving a greater production variety, and by pushing for improvement and innovation.

This digital scale, scope, and learning paradigm is already difficult for even established organizations to adopt. The pandemic is only making this more challenging by adding an increasingly important fourth dimension to digital operating models: virtual work. Today, rather than digitizing the relationship between firm and customer alone, the virtual model digitizes the relationship between firm and employee. As a result, offices are less important; working from home is not only possible, but often even preferable.

This need to virtualize work due to Covid-19 is driving digital transformation and deepening differences across people and across firms at an incredible rate. In a period of days, almost any process that could be rapidly digitized has been virtualized – think of video conferencing enabling a case discussion and telemedicine enabling remote diagnosis and treatment. We are seeing the digitization of many ancient bastions of traditional business.

The stakes for digital transformation have increased dramatically. Now, digitizing the operating architecture of the firm is not simply a recipe for higher performance, but much more fundamental for worker employment and public health. This is creating a new digital divide that will deepen fractures in our society. Businesses that cannot change overnight will be left way behind, exposing their employees to increasing risk of financial and physical distress.

Global companies that are leading the way in the digital transformation have been using similar actions and here we outline 5 key lessons that can help you and your business beyond the coronavirus pandemic.

Lesson 1: Figure out your business strategy before you invest in anything

Leaders who aim to enhance organizational performance through the use of digital technologies often have a specific tool in mind. Digital transformation should be guided by the broader business strategy because there is not a single technology that will deliver “speed” or “innovation” by itself. The best combination of tools for a given organization will vary from one vision to another.

Lesson 2: Leverage insiders

Organizations that seek transformations (digital and otherwise) frequently bring in an army of outside consultants who tend to apply one-size-fits-all solutions in the name of “best practices.” Relying on the company's employees is definitely a better strategy because they are the ones who have intimate knowledge about what works and what doesn't in their daily operations. Often new technologies can fail to improve organizational productivity not because of fundamental flaws in the technology but because intimate insider knowledge has been overlooked.

Lesson 3: Design customer experience from the outside in

If the goal of the digital transformation is to improve customer satisfaction and intimacy, then any effort must be preceded by a diagnostic phase with in-depth input from customers. The only way to know where to alter and how to alter is through obtaining extensive and in-depth input from the customers.

Lesson 4: Recognize employees' fear of being replaced

When employees perceive that digital transformation could threaten their jobs, they may consciously or unconsciously resist the changes. If the digital transformation then turns out to be ineffective, management will eventually abandon the effort and their jobs will be saved (or so the thinking goes). It is critical for leaders to recognize those fears and to emphasize that the digital transformation process is an opportunity for employees to upgrade their expertise to suit the marketplace of the future.

Lesson 5: Bring Silicon Valley start-up culture inside

Silicon Valley start-ups are known for their agile decision making, rapid prototyping and flat structures. The process of digital transformation is inherently uncertain: changes need to be made provisionally and then adjusted; decisions need to be made quickly; and groups from all over the organization need to get involved. As a result, traditional hierarchies get in the way. It's best to adopt a flat organizational structure that's kept somewhat separate from the rest of the organization.

This need for agility and prototyping is even more pronounced than it might be in other change-management initiatives because so many digital technologies can be customized. Leaders have to decide on what apps from which vendors to use, which area of business best benefit from switching to that new technology, whether the transition should be rolled out in stages, and so on. Often, picking the best solution requires extensive experimentation on interdependent parts. If each decision has to go through multiple layers of management to move forward, mistakes cannot be detected and corrected quickly. Furthermore, for certain digital technologies, the payoff only occurs after a substantial portion of the business has switched to the new system.

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