# THE FOUR LEVELS OF DIGITAL TRANSFORMATION

Do you know that digital transformation, particularly in times of crisis, is a critical success factor? It enables organizations to remain relevant, rather than slowly (and in some cases abruptly) die.

However, many organizations think that if their operations are not broken you don't need to fix them. But as soon as they are seriously affected by the crisis and/or industry disruptions, they try to react. These knee-jerk responses are costly and frequently late.

Additionally, organizations confuse digital transformation with the use of systems that allow paper files to be digitized. Other companies believe that digital transformation focuses on automating their current operations.

True digital transformation is proactive and systemic. Organizations use technologies to enable new business models, create richer customer experiences, and become agile and adaptable vis-à-vis changing market needs. Digital transformation adds value to every element of the customer interaction chain. The transformation process begins with customers—knowing their needs, issues, and opportunities—and ends with customers—implementing unique value propositions and rich experiences to achieve lifetime customers.

Systemic digital transformation encompasses four areas, which, if not addressed systemically, could waste much of the power of this undertaking. Below, we describe each stage and also synthesize them in the following Mind Map:
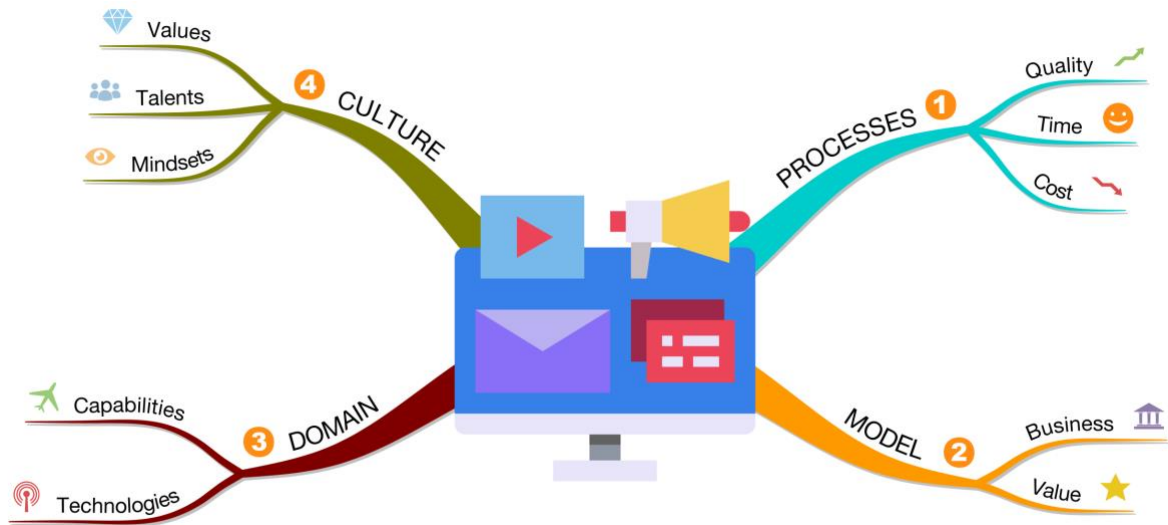
I - PROCESSES

The first level of transformation focuses on redesigning processes to reduce costs, shorten cycle times, and increase quality. Organizations use technologies such as supply chain automation, analytics, artificial intelligence, machine learning, the Internet of Things (IoT), and robotics, to enable their revamped processes.

For example, the restaurant industry, in the face of the current health crisis, had to redesign its supply chains so that customers can order food online and receive it at home in the best possible conditions.

In another example, Domino's launched their "Anyware" service, which allows its customers to place orders from any device, including smartphones, text or voice messages, social networks, as well as in-car apps.

II – BUSINESS MODEL

A second and deeper level of transformation entails the reinvention of the business model. The digital revolution, in conjunction with the current crisis, is forcing organizations to change their value propositions to remain competitive. Customers are more demanding than ever; they want greater value for what they pay for, better quality, improved service and enriched experiences.

While process transformation focuses on specific areas, business model transformation spans the entire value chain. Organizations use cutting-edge technologies such as AI, Big Data, augmented reality, and IoT to enable the new business models, not the other way around.

Transforming business models in times of crisis is even more important since it takes advantage of the opportunities that arise precisely because of the crisis, such as the significant growth in the number of people who need to communicate digitally, or the significant increase of online education.

There are several examples of this type of innovation: from the redesign of video content distribution by Netflix, to the reinvention of the hotel (Airbnb) and taxis (Uber) industries. It may sound more complicated than process redesign, but this transformation can be achieved by any type of organization and at any scale: From solopreneurs to large corporations. The good news for start-ups is that they are not constrained by outdated processes, hard-to-move infrastructures, or sunken costs.

By systemically reinventing the value components that enrich customers experience, organizations open up significant opportunities to quickly recover from the crisis and outgrow the competition.

III - DOMAIN

Very few organizations focus on extending their domain, which represents a huge opportunity. New technologies are redefining products and services, blurring industry boundaries and enabling organizations who leverage digital technologies to position themselves in new segments (domains) of the industry. For example, technology platforms used in their revamped operations models allow organizations to unlock entirely new businesses that go beyond the markets currently served and offer excellent opportunities to create value without incurring significant costs.

An example is the Airbnb value proposition, which has been adapted to offer accommodation to healthcare providers that need, during the health crisis, spaces for their doctors and traveling equipment. Another example is Tesla, which converted some of its automated manufacturing lines to the production of ventilators for intensive care units. Yet another example is Amazon, which expanded to a new market domain with the launch of Amazon Web Services (AWS), based on its server infrastructure and its skills to operate complex databases. AWS now offers a variety of cloud computing services. This line of business accounts for nearly 60% of Amazon's net profits and has positioned Amazon as the Western leader in the cloud computing arena.

The important thing is to recognize opportunities for redefining business boundaries that leverage the capabilities that organizations have built through their digital transformation.

IV - CULTURE

Sustainable digital transformation requires redefining the way organizations think.

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The most effective organizations recognize that their culture requires key ingredients such as customer-focused behaviors, agile project management, decentralized decision-making, as well as continuous innovation and learning.

For example, Pitney Bowes, a postal services organization with more than 100 years in the market, made the successful transition to becoming a technology company, promoting a culture of innovation and refocusing the company's values towards customer service.

Another success story in cultural transformation is Brazil's Dauper, which, despite its small size, was able to consolidate a long-term agreement with McDonald's to become its exclusive cookie supplier, thanks to its ability to implement the right digital tools and optimize its supply chain.

Although cultural change is a key factor for sustainable transformation, effective companies understand that the creation of these cultures and capabilities is a product of systemic digital transformation, rather than a prerequisite for embarking on the transformation process.

SYSTEMIC DIGITAL TRANSFORMATION

As the digital revolution continues, which accelerates in times of crises, organizations ought to transform, or else, they are condemned to slowly (and in some cases abruptly) die. Organizations that implement digital transformation in a multidimensional and systemic way will find much greater success than the rest.

It goes well beyond updating technologies and digital platforms. It involves cultural change, a new way of thinking, and the reinvention of business processes and models to generate differentiated value for our customers.

Digital transformation, at its core, is driven by the basic desire to improve customer experience. As a byproduct, the organization becomes more competitive and profitable.

If you're interested in learning how to use Mind Maps for propelling your digital transformation as well as other powerful applications such as mapping books, taking notes, creativity and innovation, strategic planning, and project management, click on the following link to learn more about our premier online Mind Mapping certification: ADVANCED MIND MAPPING