

Digitizing Isn't the Same as Digital Transformation

In the given Harvard Business Review, the authors provide a distinction between digitization and digital transformation. The authors have presented the concepts articulately and straightforwardly. Although I feel there could have been more thorough examples of “digitizing”, this was an insightful read. Following is the summary of the article.

Digitization is all about using the newer tools and digital technologies for carrying out business routinely. Digital transformation, on the other hand, is all about building a long-term competitive advantage to succeed. Ever since the pandemic hit companies have been busy digitizing. Almost every sector like banking, financial, shopping for groceries, goods, education, and “work” have all moved online. Retrospectively, businesses have always been reinventing themselves. Hence many were able to maintain high levels of growth even after the greatest recession and epidemic in history. The majority of the companies combined their forces to focus on digitizing what they already did. In hindsight, companies have been digitizing for years now, but the pandemic has accelerated their efforts and it is a race to keep up with the technological innovations. Reassessing, reimagining, and rethinking practices or concepts create value. The value thus created leads to transformation in the organizations. That sets the wave of digital transformations. Companies shape their business models by recognizing and adapting to said transformations.

The authors mentioned three companies- Philips, Komatsu, and Microsoft where digital transformation was implemented without any external stimuli. They r just to keep their businesses fresh and relevant to the time, and how that added value to those businesses. Philips was restructured from a multi-industry manufacturing company into a company that makes devices to help people get better health care at a reduced cost. As a result, Philips immediately created and manufactured new ventilator equipment with biosensors that streamed patient data into a remote monitoring platform, ensuring the safety of highly contagious COVID-19 patients. They also set up an internet gateway to assist doctors in sharing patient data. This new business strategy led to consistent company growth for Philips. Komatsu transformed from selling construction equipment to providing digitally enabled smart construction solutions. GPS-enabled equipment with sensors and IoT devices to track their performance has made its platform available to a wide range of users. With this transformation, they became the leader in digital construction services. Lastly, Microsoft corporation evolved from being a software seller to providing technology-enabled solutions to improve client operations and daily living experiences. They now serve various customer demands and generate revenue from cloud-based solutions.

The aforementioned examples provide a segue to understanding three principles that leaders and members within an organization should adopt to bring out digitization and eventually digitally transform their company. They are as follows-

1. Reimagine your place in the world: This can be brought about by identifying new goals/needs of the customers and the company alike. Then recognizing the technologies that can be used to fulfill those goals are a key to initiating any form of digitization in the companies. It may be required to revisit previous company models, assets, and value creation principles but those are parts and pieces of developing new things. As discussed above many companies moved their primary mode of operation to “online” after COVID-19 struck.

2. Create value through ecosystems: This correlates to the concept of demand and supply. Companies that successfully innovate and scale up their capabilities as per the social or organizational circumstances can sustain value in the marketplace. Say, Philips in the above example, maintained its value by promptly providing products to help with the pandemic. This will result in a loyal customer base and market value. To fulfill some of the most basic consumer demands, executives must think more aggressively about the business growth, and challenges and be willing to open to competitors and give sources of revenue.

3. Reimagine the organization: Discarding the old organization model and creating a new one instead of it refines and organization and helps in keeping it relevant to the industry trends. We briefly went through this before while mentioning Microsoft. It was able to identify and address “reimagination” with new cloud-based services. Along with its proprietary Windows services and then the Azure cloud deployment opening new doors, Microsoft was able to sustain itself in the tech game.

I previously used the terms “digitization” and “digital transformation” interchangeably. Upon reading the article, I was able to tell the aforementioned two things apart from each other to some extent. In my inference, digitization is turning the traditional analog system into digital. For instance, converting signatures electronically to sign documents online. Whereas, digital transformation pertains to aligning with the changing times and altering the ways of operation. While a physical component is present in digitizing, digital transformations are executively automated. At the core, acknowledging a need for change is essential for both of these concepts.

Digitization		Digitalization
Definition	Converting data, documents and processes from analog to digital.	Transforming business processes by leveraging digital technologies, ultimately resulting in opportunities for efficiencies and increased revenue.
Examples	<ul style="list-style-type: none"> Scanning a photograph to create a digital file. Converting a paper report to a digital file, such as a PDF. Inputting an existing paper checklist into a digital checklist app, such as Apple Reminders. Recording a presentation or phone call, turning physical sound into a digital file. 	<ul style="list-style-type: none"> Analyzing data collected by Internet-connected devices to find new revenue streams. John Deere¹ does this, using data it collects to advise farmers, helping them maximize crop yield. Using digital technology to transform your reporting processes, collecting and analyzing data in real time and using insights to mitigate risk and promote efficiency on future projects. TruQC provides this service to its clients.