'Digital Transformation' Is a Misnomer

Kane, Gerald C . Weblog post. MIT Sloan Blogs , Cambridge: Massachusetts Institute of Technology, Cambridge, MA. Aug 7, 2017.

FULL TEXT

The more I study digital transformation, the more I realize that it's not mostly about either "digital" or "transformation."

1) Digital transformation is not about technology. A key misconception about digital transformation is that it is something that companies choose to do with technology or is primarily about their implementation and use of technology.

It isn't.

Instead, digital transformation is about how technology changes the conditions under which business is done, in ways that change the expectations of customers, partners, and employees.

For example, the rise of new disruptive businesses like Uber Technologies Inc. and Lyft Inc. resulted in large part from changes in the technological infrastructure that were not initiated by the company's founders. Instead, these startups recognized that the widespread adoption of personal mobile devices equipped with certain features provided new opportunities to bring people together to exchange goods and services. They responded to these opportunities by developing novel services that catered to changing customer (and driver) expectations. The success of these platforms further changed business conditions, creating even more new opportunities. For instance, the New York-based restaurant technology company Mobo Systems Inc., doing business as Olo, is building upon the Uber platform to offer restaurant delivery that relies on Uber drivers as delivery people.

So, while Uber, Lyft, and Olo are certainly technology companies, at least in part, the more significant technological shifts that gave rise to their businesses were those over which they had little influence and took place before the companies were founded. Likewise, many of the most significant technological changes to the competitive environment your company faces lay outside your control, but they are created by a pervasive digital infrastructure that continues to evolve. The key question of digital transformation is whether you are paying close enough attention to these changes to respond to the resulting changes in expectations of customers, partners, and employees for how business is done - or whether a competitor or a startup will respond first?

2) Digital transformation is not about transformation. Looking up a number of definitions for the word "transformation" demonstrates that they exhibit a common characteristic - they all define transformation as a singular process that occurs and is then completed.

Digital transformation, however, does not work that way. It is not a process that will ever be complete, at least not in the near future. Moore's Law continues to suggest that processing power per dollar doubles every 18 months. Storage capacity and networking speeds increase at an even faster rate (doubling every 12 and nine months, respectively). New classes of technologies - artificial intelligence, blockchain, autonomous vehicles, augmented and virtual reality - will likely become widely adopted over the coming decade or two, fundamentally changing expectations yet again. By the time you adapt to today's digital environment, that environment will have likely already changed significantly.

Therefore, digital transformation is better thought of as continual adaptation to a constantly changing environment. The need for transformation won't abate, even if you successfully transform. It involves ongoing scanning of the environment to recognize evolving trends, continual experimentation to determine how to

effectively respond to those trends, and then propagating successful experiments across the company.

What is digital transformation about, then? At its most fundamental level, digital transformation is about the ability of organizations, its leaders and employees, to adapt to rapid changes wrought by evolving digital technologies. Thus, understanding digital transformation is both good news and bad news.

It's good news in the sense that all companies can make the types of changes necessary to become more digitally mature. Digitally mature organizations exhibit certain organizational similarities that have nothing to do with technology. For example, our 2017 report on digital business notes that digitally mature companies tend to be organized into cross-functional teams Last year's report found that digitally mature companies had a distinct set of cultural characteristics, and throughout our research we have found that employees of all ages want to work for digitally mature companies. All companies can develop these traits.

It's bad news in the sense that almost all companies find these types of changes to their culture, talent, and structure to be difficult to accomplish. Organizations typically change much more slowly than technology does, and these types of changes will not happen without the intentional effort to make them happen. Furthermore, organizations tend to become more static over time, so the necessary adaptability can be difficult to maintain even if it is established.

What can companies, leaders, and employees do now?

1. Pay attention. We are nowhere near the end of the disruption that digital technologies will have on business. Companies should periodically review the digital landscape for potential changes that can threaten a business. Leaders and employees should develop a fundamental digital literacy and keep that knowledge up to date. Claiming that "we're not a digital company" or "I'm just not a digital person" is no longer an option. The rate of change is at the point where failing to pay attention and develop a working knowledge of the present state of digital technologies all but guarantees obsolescence and disruption.

2. Build adaptable processes. Transforming your company is not enough - begin rebuilding your organization in a way that can adapt to constant change. Adaptable processes involve modular organizational structures that can be readily reconfigured and systematic processes that provide employees opportunities to continue developing and updating their skill sets. They also include strong communication practices such that all members of the organization can know its strategic direction and be informed when changes to this direction occur.

3. Execute. Companies often talk about being digital or becoming more agile without actually doing much about it. Our 2017 report showed that the companies that were most successful with respect to digital transformation were those that invested more time, energy, and money into making it happen. The challenge is that the gap between what is possible technologically and what companies are actually doing is growing wider. Waiting too long may allow new or established competitors to capitalize on these changes, or result in a gap between where your company is and where it needs to be that becomes too wide to overcome.

AuthorAffiliation

Gerald C. (Jerry) Kane is an associate professor of information systems at the Carroll School of Management at Boston College and the MIT Sloan Management Review guest editor for the Digital Business Initiative. He can be reached at gerald.kane@bc.edu and on Twitter @profkane.

DETAILS

Subject:	Technological change; Trends; Employees; Management reviews; Photofinishing laboratories
Company / organization:	Name: Uber Technologies Inc; NAICS: 511210, 518210; Name: Lyft Inc; NAICS: 518210; Name: Boston College; NAICS: 611310

Publication title:	MIT Sloan Blogs; Cambridge
Publication year:	2017
Publication date:	Aug 7, 2017
Publisher:	Massachusetts Institute of Technology, Cambridge, MA
Place of publication:	Cambridge
Country of publication:	United States, Cambridge
Publication subject:	Business And Economics
Source type:	Blogs, Podcasts, &Websites
Language of publication:	English
Document type:	Blogs
ProQuest document ID:	1926628794
Document URL:	http://proxy2.hec.ca/login?url=https://search.proquest.com/docview/1926628794?accountid=11357
Copyright:	Copyright Massachusetts Institute of Technology, Cambridge, MA Aug 7, 2017
Last updated:	2017-08-07
Database:	ABI/INFORM Collection,ProQuest Central

LINKS

Check for full text via 360 Link