

Topic 1: Digital Immersion

8 february 2022 - 1 march 2022

Welcome to the digital transformation for internationalization course!

This first topic aims to give you a sneakpeak of the topics that will be covered throughout the programme so we can all start on the same page and thus start or continue building your digital transformation path.

Contents: digital transformation, domains of digital transformation

The **objective** of this document is to present the main concepts and aspects of digital transformation that will shape the other topics proposed in this programme, so that it will be possible to adopt digital transformation from a strategic thinking and apply it to all areas of the business.

¡Get ready! It's time to start learning together

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Digital transformation

"In the 18th century it took mankind 119 years to spread knitting machines outside Europe, in the 20th century it took just seven years to spread the internet from the United States to the entire planet and in the 21st century Whatsapp achieved in its first six years of life 700 million followers" (Oppenheimer, 2018, p.42).

Let's take a closer look at the digital world and examine in detail the key axes for cultural change that will enable digital transformation.

We start from the assumption that the new ways of doing business digitally have a **major impact on organizations and people**. To meet this challenge, in this course we will look at the key domains to address the change processes in today's environment.

We will characterize digital thinking and the benefits that technology offers to overcome the barriers that impede change, which affect organizations, people and, above all, business.

The technological acceleration we are experiencing requires companies to keep pace with changing technological demands, however, beyond updating their technological infrastructure, companies must update their **strategic mindset around digital**.

Technology changes the constraints under which virtually all areas of business strategy operate, so when we talk about digital transformation we refer to the four domains that comprise it.

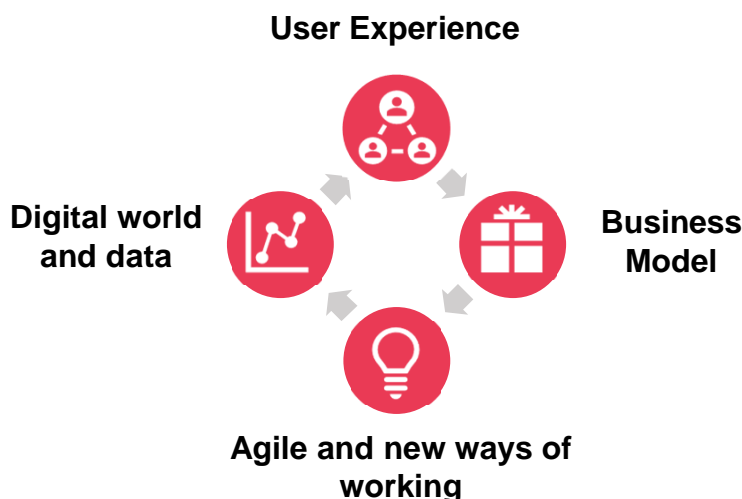


Figure 1. Digital Transformation Domains

User Experience

Traditionally, customers were viewed as aggregate actors to be sold to and persuaded to buy. The predominant mass-market model focused on achieving efficiencies of scale through mass production (making a product to serve as many customers as possible) and mass communication (using a consistent message and medium to reach and persuade as many customers as possible at the same time).

In the digital age, we are moving to a world that is best described by customer networks leveraged on digital tools.

Customer networks: customers who are dynamically connected and interact by changing their relationships with companies and with each other; they shape the reputation of companies and brands.

Digital tools: change how customers discover, evaluate, buy and use products and how they share, interact and stay connected with brands; enable different paths to purchase.

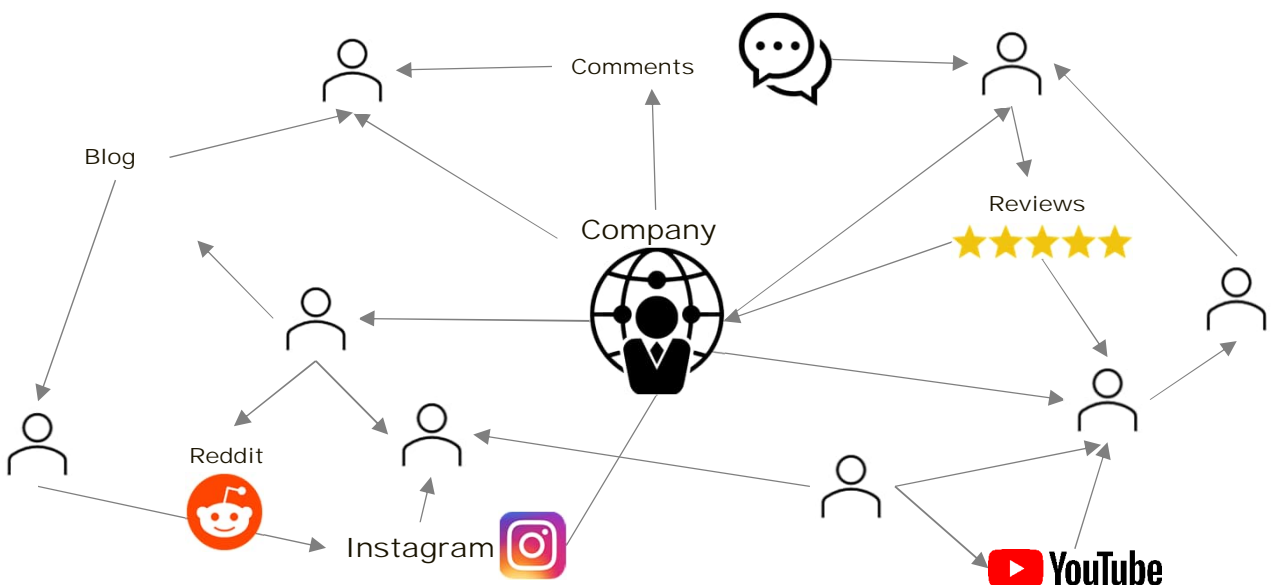


Figure 2. Customer network model

User Experience

How should companies harness the power and potential of customer networks?

Companies must recognize that a dynamic, connected customer is more than a sales target...this may be the best focus group, brand advocate or innovative partner they will ever find. Thus, companies must identify typical customer behaviors and generate strategies focused on addressing the needs of each.

- i** Strategies to generate value from customer behaviors will be addressed in Topic 2: User Experience.

Business Model

Pre digital era, a company's value proposition was considered fairly constant and was typically defined by its industry.

Value proposition: a promise formulated by a company that outlines how the benefits of the product/services will be delivered, experienced and purchased by the customer. Essentially, a value proposition specifies what makes the product/service attractive, why a customer should buy it, and how its value differs from similar offerings.

Successful companies had a clear value proposition, found a competitive advantage in the marketplace (e.g., price or brand) and focused on executing and delivering the best version of the same value proposition to their customers year after year.

What is the new value proposition that companies must embrace in the digital age?

The only value proposition capable of addressing the needs and desires of a changing environment is a dynamic value proposition

Business Model

Characteristics of a dynamic value proposition:

- Constantly updates as customer, competitor and market dynamics change.
- Looks to each technology for a way to extend and enhance value delivery
- Focuses on seizing emerging opportunities
- Adapts quickly to stay ahead of the change curve

Because companies in the same sector had similar value propositions, they concentrated their efforts on competing with each other and cooperated only with supply chain partners who distributed their goods or supplied them with inputs for production. Thus **competition and cooperation were seen as opposites.**

What is competition like today?

Nowadays, there are fluid boundaries in the marketplace. Companies that are seemingly different from each other end up competing, even though they are from different industries, offering competitive value to the same audience.

Digital "disintermediation": it is the end of those partnerships and the supply chain, as a business partner can become our biggest competitor if they start serving the same customers directly.

However, there are many instances where it is necessary to **cooperate with a direct rival** due to interdependent business models or mutual challenges from outside the industry.

How is competition influenced by digital technologies?

With digital technologies the power of business platform models increases. They allow a company to create and capture value from facilitating interactions between other businesses or customers.

Competition with digital platform models has become a game of influence between companies with different business models, which are seeking to gain more leverage to offer the ultimate consumer.

Business Model

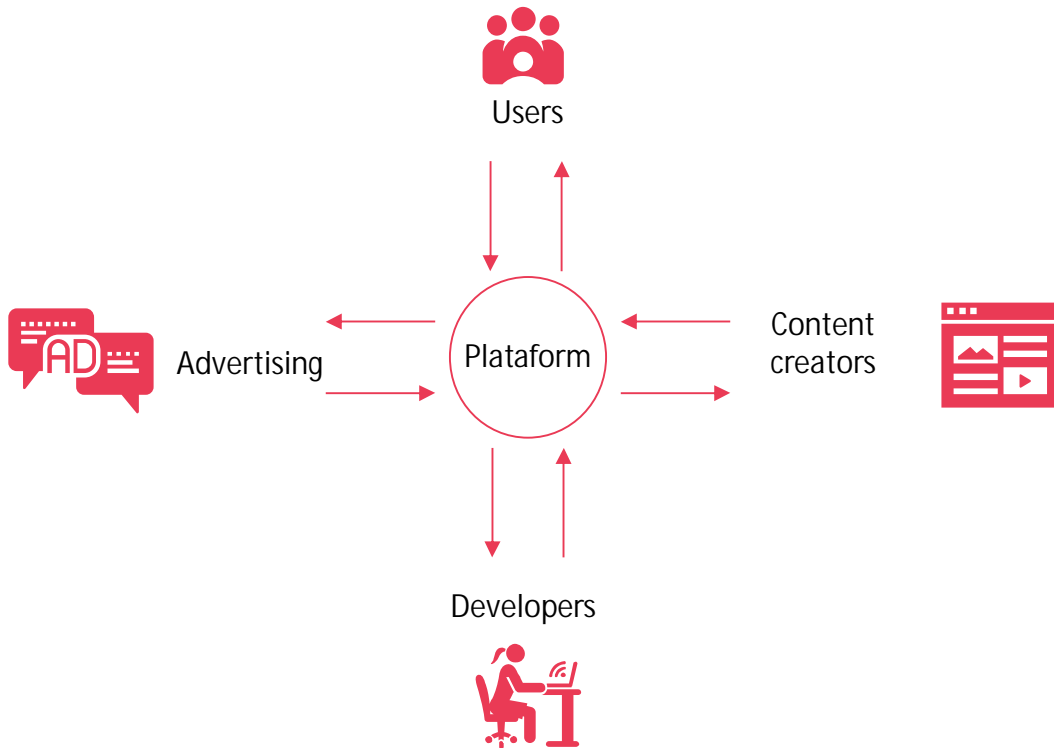


Figure 3. Platform Business Model Map

Agile and new ways of working

Business agility is connected to the **innovation** of the business in question. Taking the view of end-product innovation, one can take into account that it happened at a slow pace, and that market testing was difficult and expensive, leading most decisions about new innovations to be based on superficial analysis and even intuition. The cost of failure was high, so avoiding failure was paramount.

Innovation: is the process by which new ideas are developed, tested, and brought to market by companies.

Agile and new ways of working

What has changed with digital technologies?

Technology has enabled different approaches to innovation, based on **continuous learning through rapid experimentation.**

Enabling ideas to be implemented with easier and faster testing, and getting feedback from the market all the time, from the beginning of the process to after sales.

What is agile innovation?

This new innovation approach focuses on careful experimentation and "minimum viable product" (MPV) to maximize learning in the process while minimizing costs.

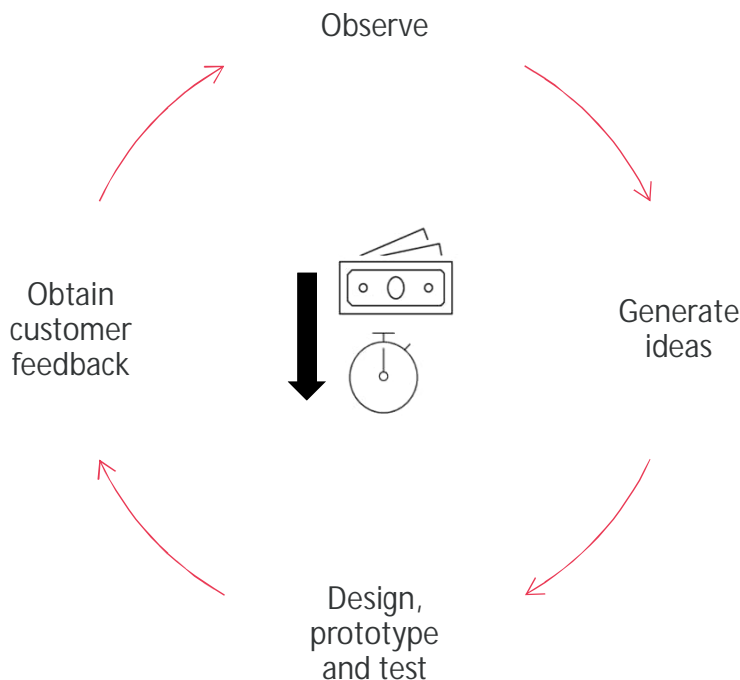


Figure 4. Financial Impact of Rapid Experimentation.

Ideas and assumptions are tested repeatedly in MPV and design decisions are made based on **validation by real customers.** In this approach, products are developed iteratively in a faster process, reduces error cost, and improves organizational learning.

Digital world and data

Data has been used for decades to evaluate, predict, and develop strategies for companies. It used to be scarce and expensive, and was mostly produced within the company's own processes, from planned initiatives such as surveys.

What has changed?

Nowadays, thanks to social media, mobile devices, and sensors on every object in the supply chain, every company now has access to a stream of unstructured data.

We are facing a stream of data of different types and sources, most of which is no longer generated through systematic planning.

Big data: refers to this data, generated in unprecedented quantities from every interaction or process inside or outside these companies, and that can be transformed into important information through analytical tools.

Analytic tools: enable companies to use data, and make new kinds of predictions, discover unexpected patterns in business activities, and tap new sources of value.

Data is an essential part of how any business operates, differentiates itself in the market, and generates new value. It is no longer confined to specific business intelligence departments, but is becoming the lifeblood of every department and a **strategic asset** to be developed and deployed over time.