

## » Digital transformation: the art of being a startup

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**D**igital transformation is a relatively new concept that is now becoming increasingly important in the field of business strategy. Company managers have a major challenge for the years ahead: how should they adapt their businesses to the new digital economy? Digital transformation is a phenomenon that affects organizations, their business model and skills in a horizontal way; it is not enough to implement stop-gap solutions or make-up. Implementing a thorough digital transformation implies providing users and customers the experience that they now require at all organizational levels and, at the same time, enhance the competitiveness of our company to meet new threats and players by developing internal and external talent. In short, digital transformation is the meeting point between the technological opportunities and the new business and growth models.

Last September, Forbes published an article showing the increasing degree of penetration of the concept of digital transformation in the U.S. 90 % of the CEOs consider that Digital Economy will have a huge impact on their industry, although only 25 % of the companies have a plan to develop their digital transformation projects and even less –15 %– are already implementing a comprehensive strategy.



Everybody knows that this is an unstoppable change and understands the need to engage in this process. However, companies are faced with an important dilemma: how should they start this digital transformation?

In this context, organizations need to re-invent themselves, not only to adapt their supply to the new demand, but also to compete with companies that are rapidly and significantly being established to occupy every new niche market.

Startups have clear advantages in this competitive environment: they turn the digital sphere into a powerful ally and also have no legacy, neither bureaucratic nor typical corporate constraints standing in their way. Innovation and the adoption of new technologies are key aspects for any startup. Two factors that promote and foster a rapid growth, minimize risks in their processes and help them build lasting relationships with their audiences. Thus, they become strong corporations in specific niche markets.

The Consumer Digital Manager of **Coca-Cola Iberia**, Enrique Burgos, raised the following question at the 2015 Management & Business Summit event: "Every day, two billion people have a Coke in one hand and their cellphone in the other. How can we combine both?"

We probably would have never predicted some of the revolutions that we are now experiencing. New capabilities entail new solutions. Therefore, thinking about the customer –more than ever before– is where the true digital transformation begins. Understanding how the technology and the development of the lifestyle are changing the behaviors and expectations of people –particularly new generations– is critical. Even companies such as **Google** make efforts in this field. Although the latter makes money through searches, it has recently introduced what is known as "micromoments" to help corporations understand the fact that the customer is changing from a digital point of view. One of the greatest opportunities that we have in our hands involves rethinking everything. Taking a step back and reflecting: "What is the status of our mobile apps ecosystem and how could we re-invent it in order to make it more useful and meaningful for today's customers?"

Digital transformation affects all sectors. Some of them are leading this change. Antonio Caño, director of **EL PAÍS**, provided historical data on the digital transformation of the newspaper. A process that began with the analysis of the reading habits of their audiences as a key element to adapt the online media to all devices.

Managers are becoming increasingly aware of the potential of new technologies for their organizations. The results of the survey carried out by the MIT Center for Digital Business confirms this hypothesis; corporations carrying out successful digital transformations are, on average, 26 % more profitable.

## HOW CAN A COMPANY WITH GREAT RESULTS BE DIGITALLY TRANSFORMED?

- The first step is understanding the fact that digital transformation does not merely involve technology, but also leadership, as pointed out by MIT's Initiative on the Digital Economy scientific researcher, George Westerman. The support of leaders who foster a culture of change and innovation is a key element for any organization.
- The second step directly affects the internal expertise and culture of the organization: an entrepreneurial approach should be fostered within the company. Innovating in a dynamic, flexible and agile way is possible in any corporation.
- The third point relates to the need to design a scalable and profitable digital business model, with the possibility to carry new models whenever convenient. Taking risks is becoming very common within companies seeking new levels of competitive advantages and which are more committed to digital development.
- And fourth, understanding that digital transformation entails new challenges related to open businesses, collaboration and relations with external innovation ecosystems. Nowadays, organizations find that the speed at which they can solve and adapt to the changes is much smaller than that of their ecosystems. In this sense, greater importance should be given to the use of open innovation parameters through alliances and identification of individual and corporate talent, as well as identifying new relevant players, perhaps smaller, but with a huge impact potential.

In short, knowing the latest trends in the design of digital services, business models of the new digital economy and agile methodologies used by startups are key factors to implement a digital transformation for a successful company. But, we should not get carried away by enthusiasm and stop for a moment: What is the common element? Focusing the corporate strategy on the customer and evolving along with it.

We spend much time thinking about re-inventing, improving or creating new experiences for the customer, but we do not involve the customer in this definition process. There is a great difference between putting ourselves in the customer's shoes and integrating the customer into the strategy. Inviting consumers to collaborate in the processes of conception, evaluation and development as well as in the creation of a business strategy is essential to know exactly if our efforts actually connect with the market demand. Our customers are more digitalized, have access to plenty of information and their decision-making power is huge.

In some sectors, the degree of maturity has rapidly accelerated, for example, large retail. The shopping cart is now digital for many households. The online shopping services have revolutionized the food distribution processes with almost immediate deliveries. In this sense, big players like **Amazon** are able to offer a unique and special online purchasing experience. Does anyone remember when they only sold books? It is a clear example of how a company can transform its business model through innovation focused on consumer needs. But innovating startups that are rapidly growing, like **Ulabox**, face and compete against large consolidated corporations by implementing innovating customized management and business models for their customers. .

## GENERATING VALUE WITH AND FOR OUR CUSTOMERS

Last September, Tim Kelley launched InnovAction Week. The founder of "Design Thinking" claimed that experimentation, empathy and inspiration are critical to boost creativity. "If we can figure out the needs and desires of the people around us and we are able to meet them, we will be successful", he said in relation to the application of creativity within businesses.

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Many of us have heard about "Design Thinking", "Co-creating", "Agile Management" and even "Human Centered Design". All of them are methodologies that analyze complex problems to find a collective solution. These approaches are also used in the design and development of new products and/or services seeking sustainable solutions together with the customer, the main driver of the digital transformation. Therefore, these strategies have become important to connect businesses and individuals.

In a world marked by rapid changes, the search for solutions to business challenges has become even more complex. These methodologies enable large corporations to access critical information to understand the needs of their customers, adapt

themselves to these requirements and generate ideas that are better valued by the market. And, what is more important, reinforce their relations in this manner.

According to Doug Williams –Forrester Research–, co-creation "is the act of involving consumers directly, in the product creation or innovation process. Companies engage with consumers on initial product concepts and ideas, and they use consumers as a resource throughout the product development life cycle".

There are many examples on how to assess customer experience, identify problems or come up with ideas that could end up being a product through collaborative processes.

**Lego** is a clear example of this approach, illustrated through the creation of new product lines that ultimately become the most successful releases of the company thanks to Lego Ideas. A great part of this success is based on the approach shift towards customer co-creation.

**Nike+** has been a platform for customer interaction where clients provided valuable information about their preferences and needs. An intelligent alliance between Apple and Nike has enabled them to apply a new management approach based on the co-creation of experiences between companies and customers.

To address the current challenges at the required pace it is essential to implement new approaches. According to IBM Global CEO Study, 63 % of the corporate managers want to promote collaborative innovation strategies and, particularly, co-creation strategies of new products and services with customers. However, only 5 % of them know how to manage them. This shows that these professionals are well-aware of the potential of co-creation, but have little expertise in this field to carry out the required strategies.

When a company decides to learn together with its customers, magic happens. Innovation is based on the vision and the pursuit of what is possible. Opportunities to create thorough solutions are directly related to the analysis of what competitors are doing. Thus, they grow at a slow pace. Although organizations have been designed and managed from a "managerial" point of view, leadership is now needed to promote what could be done better and differently.

The emergence of new methodologies enables the participation of customers, which can provide valuable insights. However, the most important point is how this information is managed to promote the changes in question

Based on our experience assessing in the implementation of digital transformation processes there are two professional lessons that could provide competitive advantages.

- One of the biggest mistakes that companies have made within the digital domain in recent years is to confuse digital innovation and the fading fads that go along with it. Time and time again have companies followed the latter instead of focusing on how to develop their business to meet the needs of consumers through the available technology. We encourage our customers to establish customized connections with individual users, supported by data and analysis. In the design of any product or service, companies need to understand who is at the center of their ecosystem in each of the contact points.

Studying the users entails ideas that go beyond the internal constraints of enterprises and solve the negative points.

- It is not only about profits and balances, or an improvement in the processes or using scalable technology to enhance efficiency. What we are witnessing is an approach aimed at the consumer in order to meet all these goals through the digital ecosystem. If you are using the same processes and models, you will not move forward in a new direction.
- Technology, among other things, provides immediacy. Seizing and integrating it into the strategy necessarily requires it to meet the preferences of the user by default. In fact, experience is the sum of all points of contact in the consumer relationship. It is about building the infrastructure to ensure that the journey with the consumer is coherent and consistent. Organizations making efforts in relation to the digital transformation are thinking about ways to optimize the customer journey.
- The lack of digital competencies and digital culture in a company shows that there is still a long way to go. Each organization will have to address implementation deadlines, strategies and mechanisms that are appropriate to their culture.

For an organization to launch its digital transformation it first needs to establish its objectives; second, to know its customers in depth; third to evaluate the proper digital tools to achieve a greater competitiveness and fourth and critical, to internally develop the necessary skills and talent to promote an innovating and digital culture. Ask yourself: if we started this company today, what would it look like? If we had to act as a startup, where would we start? If you have the answers, go do it.

“Digital transformation is certainly the greatest business challenge that companies with a vast experience need to face, since it involves individuals, processes and systems”

**Allianz Global Assistance** is an example of strong commitment to innovation within the digital domain, promoted through several investments in different areas, for example, hackathons organized in various European capitals or the creation of a company which acts as a digital accelerator by collaborating and participating in several startups helping develop new business models. Digital transformation is certainly the greatest business challenge that companies with a vast experience need to face, since it involves individuals, processes and systems. The most significant difficulty of this challenge is the fact that it affects all areas of the company and even reaches the business models that managed to be the business core for decades.

The business core of assistance is to aid customers in various situations throughout their lives. Therefore, the key to generate positive results for the organization is to provide reliable solutions with an excellent customer experience. Through this business approach, we need to take the customer into account during all processes of the company.

Usually, the development of innovation initiatives of **Allianz Global Assistance** rises through new needs or the way in which these are solved through new channels. For example, family concerns related to the new challenges posed by our digital life give rise to the demand for solutions to solve potential conflicts related to the protection of our digital identity or how our children use these new technologies.

In relation to the use of methodologies and processes of startups, professionals expect companies to move towards the innovation behaviors of the former, although there is still a long way to go and these procedures need to enhance their dynamism. Organizations are increasingly trying to develop prototypes and test them instead of implementing long traditional innovation processes; a clear benefit that this new digital economy has entailed.



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