

The Nature of Digital Transformation

Does it REALLY matter to your business?

The Aha moment.

In 2016 I had an “aha moment” while thinking about the latest buzzwords that were (and still are) going around: digital transformation.

How does digital transformation **happen**? What is the true **nature** of transformation? What **causes** transformation to take place? Should it be avoided or embraced? Are ALL industries subject to digital transformation? How can a business take advantage of this transformation? What are the risks of ignoring what is happening around us?

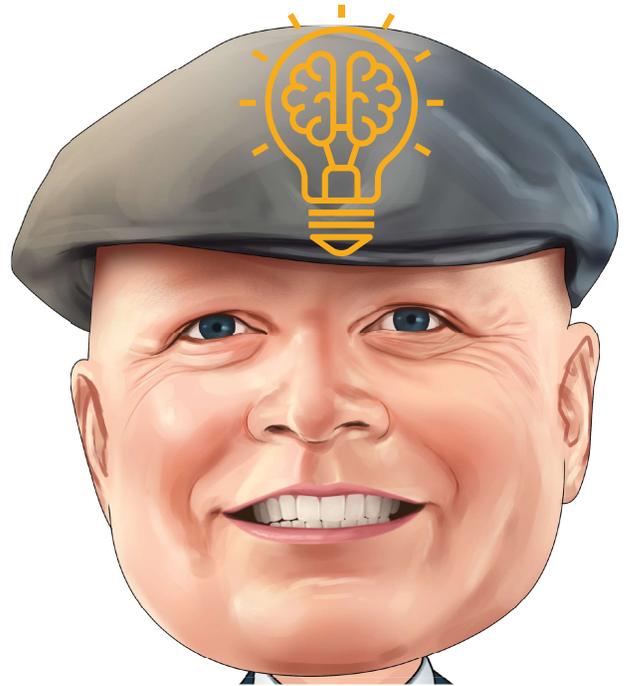
While considering these and similar questions, and watching businesses either transforming their industry or being left behind by their competitors, I discovered patterns that seemed to explain the nature of business transformation and I became fascinated with them.

The purpose of this book is to share those observations with you so that you can identify transformation patterns in your own industry and apply them to your business, (or your client’s business), in order to make the most of any opportunities these patterns may present.

I’ve been in the business of technology for decades, and have launched several successful companies as a tech business owner. I love technology. I am a self-professed, proud tech nerd. I just get tech. I inherently understand “techno-babble” and tech-industry insider language, and I love helping others understand it too. I’m a business owner and entrepreneur as well, and have straddled the nexus of business and technology throughout my career. In fact, my entire career has been about making technology easier to understand for others because frankly, ***the technology industry tends to make itself very difficult to understand and it sometimes feels inaccessible due to this insider lingo.***

Going back to 2016 when the latest insider phrase “digital transformation” was being overused, none of my customers understood what it meant. Even my technology consulting peers truly didn’t understand what digitally transforming a business meant. Over time it became a phrase that everyone used but very few understood, making the term pointless. Bad communication tactic.

This bad communication caused me to think about transformation in a completely new and out-of-the-box way. I noticed that when a transformation occurred, the outcome was that something disappeared, whether that was time, cycle time, physical assets or process steps.



Aha!

As I thought more about the digital transformations I was witnessing, I began to see common outcomes. I saw that digital transformation results in getting rid of something such as **physical assets, resources, effort, costs, elapsed time or business process. In other words, when a business went through a transformation, it changed, and the change showed up as something disappearing in the business.** And the result of that thing disappearing, was a business that outperformed its industry. Less really can be more!

That was it, the trend that stood out to me: physical characteristics and business processes disappearing when undergoing transformation.

I began to identify and classify digital transformation examples in the marketplace and the patterns became more and more clear. And, while I was fairly certain I was correct in identifying these patterns, just to confirm my theory, I ran my observations by at least 50 different friends and peers. Each time I spoke to someone new, not only would they agree, they would offer their own examples and observations and we began to casually categorize them by the different characteristics mentioned above.

The most straight forward digital transformation is when a business completely eliminates something physical. For example, when Amazon and Etsy transformed the retail industry, virtually eliminating the need for a retail storefront. Their supply chain went from the warehouse or creator directly to the consumer eliminating the middleman, the retail store.

“Tools do hang around, but some must go extinct”

Kevin Kelly, Founder of Wired Magazine

Okay Corey, cool find, but what do I do with this information?

The short answer is **USE IT**. Discover areas of opportunity and avoid risk.

Practice.

Read.

Observe.

Teach yourself to see the patterns of what is changing (i.e. disappearing) in your industry, and it will become second nature, allowing you to adjust to a quickly moving market.

Through my many discussions on the topic, I have realized the easiest way to explain the nature of transformation is by sharing examples, so that is how I have outlined the following section of this book.

My hope is that these examples will prompt you to think about where you might find opportunities or avoid being disrupted by other businesses.

My intention is for you to use these examples as a resource for your business.

The digital transformation puzzle is different for everybody. Not every single piece of the puzzle

zle will make sense for your business, but you can still use this information and these examples as a reference tool to find what fits best for you.

Breaking it down

Countless things are being eliminated or ending (i.e., becoming extinct), but they typically fall into four overarching categories: physical, time/resources, distance and privacy.



Physical (stuff)

The actual physical aspects of a business service, product, or the facilities to run the business, such as office space, physical assets, brick and mortar buildings, vehicles, equipment, supplies, inventory, cash, paper and idle assets.



Distance

Proximity between physical aspects in your business. Location doesn't matter and the product, solution or activity can be performed anywhere.



Time and Resources

Effort, personnel and resources used to get your product to market.



Privacy

Secrets are being revealed by loss of privacy and intellectual property, theft from cyber threats and breaches and public exposure.

*The term eliminate is meant to mean significantly reduce because nothing gets eliminated entirely.

Analyzing the impact.

As mentioned above, I observed that when a business went through a transformation, it changed, and almost always something *disappeared or was being eliminated*.

I have found that using [SWOT Analysis](#) (Strengths, Weaknesses, Opportunities and Threats), is a useful way to identify these changes in order to use them to your advantage. Seeing your business environment using this tool can help you take advantage of opportunities and avoid being disrupted if you don't adapt to the current market and keep up with the times.

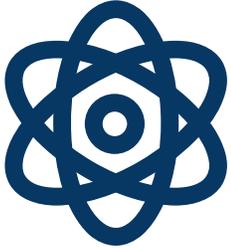
Strengths and weaknesses are *internal factors* of your business, such as technology, talent or even the lack of technology that you have **direct** control of.

Opportunities and threats are *external factors* such as the market, technology change or legislation that impacts your business that you **don't** have direct control of.

Using SWOT analysis, below are some guiding questions to consider across each of the four categories.

What is being eliminated?

Physical Stuff



The actual physical aspects of a business service, product, or the facilities to run the business, such as office space, physical assets, brick and mortar buildings, vehicles, equipment, supplies, inventory, cash, paper and idle assets.

Examples:

- Cryptocurrency and other digital payment platforms are replacing other forms of hard currency and payment methods
- Office space: Many companies are allowing remote work, eliminating the cost of office space.

Internal	Factors of your business, such as talent, technology (or the lack of technology), that you have direct control of.
<p style="text-align: center;">Strength (Helpful)</p> <ul style="list-style-type: none"> • Is your team's strength, effectiveness and trust such that you could eliminate office space? • COVID-19 has proven to be an accelerant and many businesses have changed their perspective and found that working remotely can be considered an advantage or strength. • How does that show up for you? • Do you own vehicles in your business? Can you reduce or eliminate travel in order to eliminate your investment in vehicles? • Can you reach out to your customer easier or more regularly if physical location doesn't matter? • What major capital investment could you share, such as computer hardware, vehicles, office space? • Do you receive payments electronically? • Have you gone paperless? 	<p style="text-align: center;">Weakness (Harmful)</p> <ul style="list-style-type: none"> • Do you have to be physically on-site to do work, which may make your business less competitive? • Is the ownership of physical assets a large cost that impacts your competitiveness in the market? • Do you still write checks?

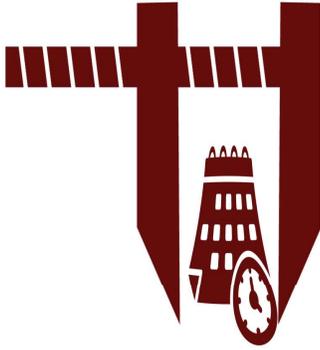
External	Factors such as the market, technology change or legislation that impacts your business that you do not have direct control of.
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<p style="text-align: center;">Opportunity</p> <ul style="list-style-type: none"> • Does your customer prefer you to work remotely, instead of on-site? • We are seeing major industries make the permanent decisions to work remotely. • Is this something you can do too? • Is it time to relook at it? • Are there assets in your business that are partially idle that could be shared by others in your industry, for example extra office space, vehicles, computer hardware?

<p style="text-align: center;">Threat</p> <ul style="list-style-type: none"> • Could your business be replaced by a technology? • Can your business be outsourced? • Is your industry being eliminated in your customer's supply chain? • Is your customer looking at simplifying their supply chain around you? • No one and nothing is exempt, nothing is sacred anymore.

Time and Resources

Effort, personnel and resources used to get your product to market



Examples:

- **Cycle Time:** Delays in the process to deliver the product or service instantly.
- **Labor:** through automation
- **Process steps:** Through process reengineering
- **Cost:** of the product or service
- **Expertise:** where users directly create the product or solution
- **Human intelligence:** from the process, system or service by applying AI and machine learning with the ability for machines to learn without programming.
- **Middle-man:** and intermediaries in the supply chain of the product or service

Internal

Factors of your business, such as talent, technology (or the lack of technology), that you have direct control of.

Strength (Helpful)

- Can you integrate process steps, and data to eliminate handoffs and collapse business processes?
- What are the most complex parts of your business that could be replaced by an expert system, machine learning or artificial intelligence?
- Have you looked at all options to out-source non-essential services?
- Are there tools currently available that replace experts in your supply chain?
- Could big data or machine learning help you predict the future?
- Are you investing to continuously improve and optimize your business processes to collapse cycle time?
- Do you have a repeatable training program with rich content to scale your business?

Weakness (Harmful)

- Are you experiencing an Information “Bucket Brigade” in your business where every step is a physical handoff between one process step and the next?
- Are you being held hostage with proprietary processes that lack documentation so that it is difficult for you to onboard new people as you grow.
- Is your training ad hoc?
- Could tools like expert systems make your business less relevant or a commodity?

External	Factors such as the market, technology change or legislation that impacts your business that you do not have direct control of.
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Opportunity	Threat
<ul style="list-style-type: none"> • Can you help your customer simplify or eliminate steps in their supply chain? • What software or equipment can you offer to our customer to eliminate processes and labor? • Can you help your customer predict the future? • What are the leading indicators in your industry that you see better than your industry? 	<ul style="list-style-type: none"> • Machines are encroaching on even the most complex human activities and experiences, including medicine, law and financial analysis. • Could technology leapfrog your service in your customer's supply chain? • Is your industry automating? • Could your services be shared among your customers? • What if your business info were to be made available on the internet (i.e., LegalZoom). • Is your business, product or service at risk of being replaced by a fungible substitute in your customer's supply chain?

Distance



Proximity between physical aspects in your business. Location doesn't matter and the product, solution or activity can be performed anywhere.

Examples:

- Outsourcing
- Remote Working

Internal	Factors of your business, such as talent, technology (or the lack of technology), that you have direct control of.
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Strength (Helpful)	Weakness (Harmful)
<ul style="list-style-type: none"> • Can you reach out to your customer easier if location doesn't matter? 	<ul style="list-style-type: none"> • Is your business tied to a physical location due to culture

External	Factors such as the market, technology change or legislation that impacts your business that you do not have direct control of.
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Opportunity	Threat
<ul style="list-style-type: none"> • Can parts of your business be outsourced to save costs? 	<ul style="list-style-type: none"> • Can bad guys be a threat to you if physical location and borders don't matter, or foreign jurisdictions are advantageous to an outside threat?

This last category isn't as much an elimination as a loss if proper measures aren't taken. It is essential for all businesses to be resilient to the threats.

Privacy



Secrets are being revealed by loss of privacy and intellectual property theft from cyber threats and breaches and public exposure

Examples:

- SolarWinds Breach
- Panama Papers, Wikileaks, Edward Snowden

Internal

Factors of your business, such as talent, technology (or the lack of technology), that you have direct control of.

Strength (Helpful)

- Do you have the resources and talent to protect your customer from cyber attack by protecting the information you manage for them? That is a competitive advantage these days.

Weakness (Harmful)

- What would happen if your business information (your most valuable asset), intellectual property, and trade secrets were to be made available on the internet (i.e., Panama Papers)?
- Do you have internal controls you practice to prevent fraud, and loss.
- Statistics reveal that "trust" is not a control.

External

Factors such as the market, technology change or legislation that impacts your business that you do not have direct control of.

Opportunity

- Invest now in protecting your information, putting in place a disaster recovery and business continuity plan and share those plans with your customers, partners, and employees.
- Routinely practice a drill for a loss of information. Each drill will reveal weaknesses that can be prevented when a real disaster happens.

Threat

- What are you doing to protect your business information from external threats, cyber attacks or disaster?
- Have you audited your business for threats and loss of your most valuable asset: your business information?
- What would happen if you lost access to your own business information?

Final Thoughts.

So there you have it. My Aha Moment around the mystery of digital transformation.

I hope reading these pages and working through the examples has provided you with your own Aha on the subject, and that what you have learned here will benefit you, your business and your cus-

tomers.

Don't get bogged down in techno terms like digital transformation, just continue to ask yourself, what in your business can be eliminated? Be constantly aware of things that are becoming extinct in your industry so your service isn't one of them!

Admittedly, it isn't always obvious or even easy to learn to see transformation, and it takes practice. I have developed the ability to see these patterns over several years. I am passionate about it and I can honestly say I am very good at it.

If you would like more clarity on this topic, or to brainstorm specifics around the transformation happening in your industry and how you can best identify opportunities, I'd be happy to talk it through with you. No charge, just good old-fashioned brainstorming among peers.

Set up a Zoom meeting using the link below and let's chat!

<https://calendly.com/coreyprator/zoom>

I'd love to hear your thoughts on this topic and welcome your input, ideas and contributions, please feel free to contact me at my email or phone number below.

To your success and to our ongoing transformation,

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