

## 59. Digitalization Staircase

*How can I use digital means to improve my business?*

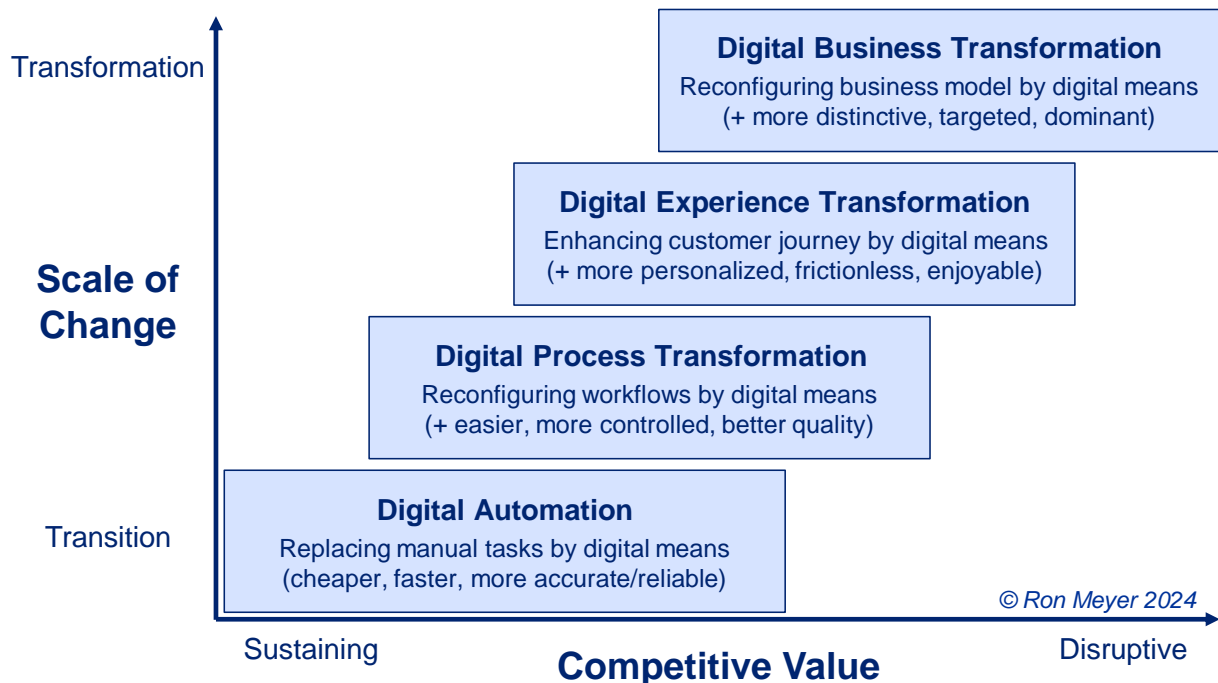
### Key Definitions

Digitalization is the process of using digital means to change activities that were previously carried out physically or using analogue technology. These digital means include *IT hardware* (equipment such as computers, mobile phones, and robots), *software* (programs such as operating systems, applications, and artificial intelligence) and *connectivity* (interaction methods such as the internet, 5G, and near field communication).

Digitalization can be applied to a *single activity* (e.g. printing a letter instead of typing one), to a *workflow of activities* (e.g. tracking inventory with an ERP system instead using paper records), to a *value proposition* (e.g. using banking apps instead of branch offices) and even the entire *business* (e.g. running a platform instead of a physical store).

### Conceptual Model

The *Digitalization Staircase* gives insight into four categories of digitalization and the potential benefits that can be gained as the 'staircase' is ascended. The higher up one goes, the more *competitive value* the move is likely to create – from sustaining the current competitive position to disrupting the competitive game and building a new position. Yet, the higher one climbs, the larger the *scale of change* will be – from a modest transition to a full-scale transformation.



### Key Elements

The four steps on the staircase are the following:

1. **Digital Automation.** When single activities are performed by a machine without a direct human operator, it is called automation – traffic lights change, heating is turned on and a

robot vacuum cleaner whizzes around. While some of this automation is possible using analogue technology, digital means are generally smaller, cheaper, and more powerful, hugely accelerating the process. The result is often that tasks can be carried out cheaper, faster, and more accurately/reliably than by manual means.

2. **Digital Process Transformation.** When not just one, but a sequence activities, is digitalized, it is called digital process transformation – e.g. when the invoicing or quality control systems are digitalized. Generally, the activities are not automated separately, but the entire workflow is reconfigured, changing the shape and order of each activity. As with automation, the result is often lower cost, higher speed, and more accuracy, but also a process that is more convenient, more controlled, and leads to better quality.
3. **Digital Experience Transformation.** When it is not only an internal process being digitalized, but also the externally oriented process of interacting with the customer somewhere during their customer journey, we speak of digital experience transformation. As with the previous steps on the stairs, the customer experience can be made cheaper, faster, more accurate, easier, more controlled, and of higher quality, but also more personalized, more integrated into a frictionless flow and overall, more enjoyable.
4. **Digital Business Transformation.** When multiple internal and external processes are significantly changed by introducing a different business model based on digital means, it is called digital business transformation. Besides all of the previously mentioned strengths of digitalization, a business transformation can create an entirely distinct business model, potentially targeted at a specific market segment, while also building a unique competitive advantage that is dominant and very difficult for others to copy.

## Key Insights

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- **Digitalization is about leveraging technology to create value.** Digitalization is the process of using digital technology (i.e. hardware, software and connectivity) to replace manual labor and/or analogue machinery (not to be confused with *digitization* – the change of analogue information into zeros and ones). From a business perspective, digitalization is about employing new technology to adapt an organization's way of working to create added value and strengthen an organization's competitive position.
- **Digitalization is not always transformational.** Although we live in the 'Age of Digital Transformation', not every application of digital technology is 'transformational'. It is important to distinguish which aspects of an organization's work are being changed by digital means to understand the level of transformation.
- **Digitalization can be found at four levels.** Digital technologies can be applied at four levels or steps on the 'digital staircase' At the lowest level, *digital automation*, only single activities are digitalized, while at the second level, *digital process transformation*, sequences of internally oriented activities are changed. At the third level, *digital experience transformation*, customer-facing activities are also digitalized, while at the fourth level, *digital business transformation*, the entire business model will be converted.
- **Digitalization can create different types of value.** Every step up the digitalization staircase gives more potential for competitive value creation, going from improving cost, speed, and accuracy (level 1), to enhancing convenience, control, and quality (level 2), to increasing personalization, frictionless flow and fun (level 3) and building business model distinctiveness, segment focus and a winner-takes-all market position (level 4).
- **Digitalization can require different levels of change.** Yet, every step up requires more change, going from a simple activity transition to full organizational transformation.

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## **Meyer's Management Models**

### ***Insightful Tools to Kickstart Your Thinking***

#### **Publication Schedule**

<b><i>July 2019</i></b>	<b><i>Mind the Gap Model</i></b>	<b><i>Change Management</i></b>
<b><i>August 2019</i></b>	<b><i>Digital Platform Map</i></b>	<b><i>Digital Strategy</i></b>
<b><i>September 2019</i></b>	<b><i>Interaction Pressure Gauge</i></b>	<b><i>Interpersonal Interaction</i></b>
<b><i>October 2019</i></b>	<b><i>Revenue Model Framework</i></b>	<b><i>Revenue Model Typology</i></b>
<b><i>November 2019</i></b>	<b><i>House of Engagement</i></b>	<b><i>Organizational Engagement</i></b>
<b><i>December 2019</i></b>	<b><i>Confidence Quotient</i></b>	<b><i>Trust Building</i></b>
<b><i>January 2020</i></b>	<b><i>Competition Tornado</i></b>	<b><i>Competitive Strategy</i></b>
<b><i>February 2020</i></b>	<b><i>11C Synergy Model</i></b>	<b><i>Corporate Synergy Management</i></b>
<b><i>March 2020</i></b>	<b><i>Leadership Fairness Model</i></b>	<b><i>Leader-Follower Interaction</i></b>
<b><i>April 2020</i></b>	<b><i>Strategic Agility Model</i></b>	<b><i>Strategy Process Approach</i></b>
<b><i>May 2020</i></b>	<b><i>Control Panel</i></b>	<b><i>Corporate Control Dimensions</i></b>
<b><i>June 2020</i></b>	<b><i>Rising Star Framework</i></b>	<b><i>Talent Management</i></b>
<b><i>July 2020</i></b>	<b><i>Strategy Development Cycle</i></b>	<b><i>Strategy Process Steps</i></b>
<b><i>August 2020</i></b>	<b><i>7I Corporate Center Model</i></b>	<b><i>Corporate Organization</i></b>
<b><i>September 2020</i></b>	<b><i>Storytelling Scripts</i></b>	<b><i>Leadership Communication</i></b>
<b><i>October 2020</i></b>	<b><i>Strategic Bets Framework</i></b>	<b><i>Strategic Decision-Making</i></b>
<b><i>November 2020</i></b>	<b><i>Rebound Model of Resilience</i></b>	<b><i>Organizational Resilience</i></b>
<b><i>December 2020</i></b>	<b><i>4C Leadership Capabilities</i></b>	<b><i>Leadership Competences</i></b>
<b><i>January 2021</i></b>	<b><i>Digital Product Model Dial</i></b>	<b><i>Digital Strategy</i></b>
<b><i>February 2021</i></b>	<b><i>Digital Distribution Model Dial</i></b>	<b><i>Digital Strategy</i></b>
<b><i>March 2021</i></b>	<b><i>Empowerment Cycle</i></b>	<b><i>Employee Empowerment</i></b>
<b><i>April 2021</i></b>	<b><i>Innovation Box</i></b>	<b><i>Innovation Approaches</i></b>
<b><i>May 2021</i></b>	<b><i>Knowledge Sharing Bridges</i></b>	<b><i>Best Practice Sharing</i></b>
<b><i>June 2021</i></b>	<b><i>Followership Cycle</i></b>	<b><i>Leader-Follower Interaction</i></b>
<b><i>July 2021</i></b>	<b><i>Everest Model of Change</i></b>	<b><i>Change Management</i></b>
<b><i>August 2021</i></b>	<b><i>Fruits &amp; Nuts Matrix</i></b>	<b><i>Priority-Setting</i></b>
<b><i>September 2021</i></b>	<b><i>Powerhouse Framework</i></b>	<b><i>People &amp; Organization Strategy</i></b>
<b><i>October 2021</i></b>	<b><i>Strategy Hourglass</i></b>	<b><i>Strategy-Making Steps</i></b>
<b><i>November 2021</i></b>	<b><i>Disciplined Dialogue Model</i></b>	<b><i>Interpersonal Communication</i></b>
<b><i>December 2021</i></b>	<b><i>Team Building Cycle</i></b>	<b><i>Team Building Process</i></b>
<b><i>January 2022</i></b>	<b><i>Market System Map</i></b>	<b><i>External Analysis Framework</i></b>
<b><i>February 2022</i></b>	<b><i>Strategic Alignment Model</i></b>	<b><i>Business Level Strategy</i></b>
<b><i>March 2022</i></b>	<b><i>Creativity X-Factor</i></b>	<b><i>Creativity Enhancement</i></b>
<b><i>April 2022</i></b>	<b><i>Organizational System Map</i></b>	<b><i>Organizational Analysis</i></b>
<b><i>May 2022</i></b>	<b><i>Corporate Value Creation Model</i></b>	<b><i>Corporate Level Strategy</i></b>
<b><i>June 2022</i></b>	<b><i>Change Manager's Toolbox</i></b>	<b><i>Change Methodologies</i></b>

<b>July 2022</b>	<b>Sustainable You Model</b>	<b>Personal Sustainability</b>
<b>August 2022</b>	<b>Value Proposition Dial</b>	<b>Business Level Strategy</b>
<b>September 2022</b>	<b>The Tree of Power</b>	<b>Organizational Power</b>
<b>October 2022</b>	<b>Psychological Safety Compass</b>	<b>Team Dynamics</b>
<b>November 2022</b>	<b>Strategic Action Modes</b>	<b>Strategy Process</b>
<b>December 2022</b>	<b>Corporate Management Styles</b>	<b>HQ Management</b>
<b>January 2023</b>	<b>Thinking Directions Framework</b>	<b>Reasoning Skills</b>
<b>February 2023</b>	<b>5I Innovation Pipeline</b>	<b>Innovation Process</b>
<b>March 2023</b>	<b>Resistance to Change Typology</b>	<b>Change Management</b>
<b>April 2023</b>	<b>Ambition Radar Screen</b>	<b>Motivation Analysis</b>
<b>May 2023</b>	<b>Corporate Strategy Framework</b>	<b>Corporate Strategy</b>
<b>June 2023</b>	<b>Cultural Fabric Model</b>	<b>Organizational Culture</b>
<b>July 2023</b>	<b>New Pyramid Principle</b>	<b>Presentation Approaches</b>
<b>August 2023</b>	<b>Activity System Dial</b>	<b>Value Creation Analysis</b>
<b>September 2023</b>	<b>Customer-Centricity Circle</b>	<b>Organizational Design</b>
<b>October 2023</b>	<b>Status Snakes &amp; Ladders</b>	<b>Leadership Branding</b>
<b>November 2023</b>	<b>Stakeholder Stance Map</b>	<b>Stakeholder Management</b>
<b>December 2023</b>	<b>Best Practice Sharing Modes</b>	<b>Sharing Methods</b>
<b>January 2024</b>	<b>Duty of Care Feedback Model</b>	<b>Feedback Method</b>
<b>February 2024</b>	<b>BOLD Vision Framework</b>	<b>Organizational Vision</b>
<b>March 2024</b>	<b>MOVING Mission Framework</b>	<b>Organizational Mission</b>
<b>April 2024</b>	<b>Leadership Circle Map</b>	<b>Leadership Skills</b>
<b>May 2024</b>	<b>Digitalization Staircase</b>	<b>Digital Strategy</b>
June 2024	Time Management Funnel	Personal Time Management
July 2024	Dynamic Organization Paradigm	Human-centered Organization
August 2024	Partnership Distance Model	Interorganizational Relations
September 2024	Embedded Identity Model	Personal Awareness
October 2024	New Learning Curve	Personal Learning
November 2024	Performance Assignment Matrix	Corporate Strategy
December 2024	Self-Centered Thinking Framework	Thinking Styles
January 2025	Interpersonal Interaction Levels	Communication Approaches