

Digital Transformation is a Kind of Cognitive Upgrade Rather Than Information Upgrade

YueTing Gao

Qujing Degao Furniture Co, Ltd. Qujing, Yunnan 655000, China

ABSTRACT. *Owing to the rapid change of the market and the rise of emerging digital techniques, the use of digitization has the potential to quickly disrupt existing businesses and reshape markets. To achieve digital transformation and enhance digital competitiveness under the help of the digital age, traditional enterprises should realize the cognitive transformation firstly. It is hard to integrate among the industrial Internet, technology support, and digitization if the cognitive capacities of enterprises cannot improve. The biggest challenge for enterprises is that it is difficult for traditional enterprises to understand the digital transformation accurately in the process of transformation from a cognitive and strategic perspective.*

KEYWORDS: *Digital transformation, Corporate strategies, Customer value*

1. Introduction

According to a global research from MIT Sloan Management Review and Deloitte in 2015, the report found that maturing digital businesses are devoting to adjust their business models and corporate strategies by integrating digital technologies, such as social, mobile, analytics and cloud. However, Less-mature digital businesses are in a primary stage that resolve discrete business problems with individual digital technologies(Kane, et al., 2015). This report showed, Only 15%of interviewees from companies at the early stages(less maturity)said that their corporations have a clear and coherent digital strategy, but the figure is more than 80%in the digitally mature corporations.

2. Introduction

Actually, Before digitization became a hot spot, informatization based on business process reengineering and optimization had been carried out in enterprises for many years. Enterprises solidified and automated the optimized business process and provided business decision support by means of informatization, such as the application and implementation of traditional management tools:ERP CRM and

SRM. Nowadays, there is still some misconception of the digital transformation, some enterprises just treat the digitization as an application of new internet technology, some enterprises are equating simply the digitization with shifting the offline businesses to online. there are also some companies think that the digital transformation is carrying the big data on the business operation system platform. There are also some companies think that digital transformation is carrying a platform of big data on the business operation system. Of course, a majority of companies are just pursuing and hyping the concept of digitization, they are shouting slogans but lack of action.

Therefore, corporations must be conscious that digital transformation is a kind of cognitive upgrade rather than an information upgrade, which relates to the adjustment of organizational structure, the reconstitution of business model, and even the transformation of operation philosophy or corporate culture.

To thoroughly understand the digital transformation, the following aspects will be suggested for corporations.

3. Rethink and Redesign Corporate Strategies

In the past, we had to use comparative advantage to meet the demand and gain profit space because of technical limitations. Nowadays, all industries can be redefined if an enterprise can make productivity factors more spatial and flexible through technology and digital capabilities. The digital technologies, for instance, has spawned a burgeoning “sharing economy” in which consumers switch from buying cars to carpooling, from staying in hotels to renting rooms. All these changes are likely to disrupt the industry.

The most significant step of the strategic shift in the digital age is the shift from enterprise-centric to customer-centric. The traditional strategic logic is that there is a boundary to what one wants to do, what one can do, and what one can do. But in the digital age, what you want to do can be redefined, what you can do can be connected to other industries or other things, and what you can do can cross boundaries. Digital transformation has redefined customer value and corporate strategy. The key to digital transformation lies in using new technologies to create a novel and unique customer experience, create new intelligent and digital products or services, and reshape the business model or operation model of enterprises(Matt et al., 2015).

Digital transformation requires enterprises to have new strategic thinking and their strategic pattern should be more forward-looking. Enterprises should take digital transformation as a long-term strategy, and make a long-term strategic investment in the reconstruction of technologies, talents, and management systems for digital transformation. From the width of the business strategy, the enterprise should integrate across the boundary and build the ecology. From the strategic height, we should jump out of the limitations of enterprises and industries, implement the platform strategy, and become a vertical or horizontal platform. So as to establish the thinking of social network collaborative positioning, integrate the whole industry layout and cross-border industry, and conduct global resource

allocation and operation. the enterprise should set clear goals, including short-term, medium-term, and long-term ones with a very clear road-map, and identify what final effects they want to achieve.

At the same time, the digital transformation requires the creation of a comprehensive transformation plan and the launch of a digital operating system. In the planning stage, enterprises need to focus on the big picture and think comprehensively. Once industries and businesses started the digitized transformation plan, which will be fully launched and invested, to deconstruct the industrial elements, to review the market competition environment, to rethink the digital future of the industry structure, to redefine the industry, to find the enterprise core competitive advantages, and the future of the industry competitive position, and then developing in line with the industry and enterprise actual digital strategy from marketing, management, products to services such as multiple actions, implementing transformation step by step. Enterprises should realize the importance of digitization in concept at first. Digitization involves marketing, production, and other different business sectors, every aspect of the corporate culture needs to be driven.

In the process of transformation, traditional enterprises always suffer from a dilemma. They feel that the market is ever-changing and they must change. The biggest pain point is how to choose the path of transformation. It is suggested that enterprises can improve the user experience to design an APP, to build an O2O e-commerce business, or to conduct the big data analysis, customer insight, or to do smart factory, etc. , a wide range of choices they can choose.

4. Digital Transformation Should Take Enhancement of Customer Value as the Core

In such an interconnected world, consumers are adopting and utilizing emerging digital technologies in a new way. Their demands and behaviors and consuming habits are ever-changing, they will master the enormous amount of information than before. They put higher requirements for enterprises, not only for products but also for customer service with high quality and convenience.

For enterprises, customers'demands are always changing, and customers are always changing. Von Leipzig et al. (2017)said the digital age has exacerbated the change. On the one hand, the Internet disrupts the market pattern, and there are constantly new competitors and subverts, and competitive pressure is constantly generated. On the other hand, the Internet also constantly influences the change of customers'demands, and the consumer value increasingly determines the survival of enterprises.

New digital technologies have given consumers more rights, which means they just move “fingers” to choose other businesses, so companies must guide every aspect of their operations with their needs. Given the huge scale of China's consumer market, traditional businesses have long focused on mass production and mass-market channels. But in the digital marketplace of the future, to quickly respond to increasingly fragmented customer demand, companies can turn to the

web and big data for a wider selection of suppliers, more detailed customer insights, and richer or more complex product lines to meet consumer needs precisely. In addition to products, consumers have great expectations of seamless, convenient, and personalized experiences for users that cover a wide range of platforms, including offline, online, and mobile internet. Therefore, both promotional messages and product services must be carefully designed to make them more attractive on the Internet and mobile Internet platforms. Besides, strengthening social connections and building online communities will be the most powerful tactics for companies to build word-of-mouth and brand loyalty.

The key to retaining consumers in the digital age is managing their personal data in a way that builds long-term trust. Maximizing the use of data and protecting privacy is a delicate balance. In addition to complying with rules and regulations, companies can improve the participation of a new generation of consumers to understand and analyse their personal preferences, but at the same time companies should protect their privacy in their business processes. Only by understanding and respecting customers' preferences can win customers' long-term trust.

5. To Become a Data-Centric Business

At one time a large number of businesses were product-centric, then become service-centric, then technology-centric. But in the future, the trend is going to be data-centric. Companies are constantly looking for solutions that span computing, continuous processing, analysis, storage, and transmission of data to translate those data into corporate insight and competitive edge.

When data becomes the core competitiveness of enterprises, the business model of enterprises is bound to be reconstructed. Companies will no longer understand the market by feeling it, but by the data. If companies do not take more inclusive and practice measures, if they do not have the capacity to make the digital action plans, the future may be further away from the modern market and unable to share the benefits of the digital economy.

Starting digital transformation is a gradual process, but enterprises need to realize the urgency of transformation. The global market is in a great transformation era from the industrial economy to the digital economy. Data has become a new resource, new factor and new engine to drive economic and social development. Industries and enterprises must use digital means to alter the original backward mode of production and management and use digital transformation to drive the transformation and upgrade of industries.

6. Deep Integration of Digital Technologies and Industries

Digital transformation is not a pile of the technology stack, it is the depth of the fusion between digital technology and industry, and frequently associated with the industrial application. During the process of transformation, the burgeoning business model and business scenarios will appear ceaselessly, such as the digitization of

product, service and currency, the new business scene based on platformization, a new industrial form.

In the era of the Internet, many business activities in the industry chain do not necessarily have to remain entirely within organizations. Taking the software industry as an example, the ecosystem formed by programmers, embedded systems, software development tools, API and plug-ins not only creates the added value but also increases the "stickiness" of products. Similarly, other industries need to take into account upstream suppliers as well as downstream suppliers and consumers, and focus on how each link of the industry chain can be integrated into the new platform. For example, A successful and mature e-retail market can provide logistics, marketing or payment services for digital merchants. Another example is that travel portals bring together airlines, hotels, car rental companies and insurance companies on the industry chain, allowing users to easily plan a full itinerary. The success of XIAOMI lies in its relationship with developers. It is from two platforms to gather individuals, institutions, and smart devices. When these were put together, we can imagine that its future development will have unlimited space and possibilities. When tencent is enabling the industrial Internet, it insists on making only connectors. Under connectors, the range of connections becomes very broad, make an intimate connection between people, man and machine, people and business services, and people and smart hardware. This strategy of partner independent growth has no boundaries, and you can feel and imagine the space for development and the power of technological progress.

In the digital era, in order to maximize the value of the business ecosystem, competitors can also become alliances, unify relevant standards and create a broader market. In other words, digital transformation will boost economic growth and productivity, which in turn will improve people's living standards. The digital technology may bring disruptive changes, but those corporations who transform successfully and succeed in the fierce competition will create immeasurable value.

7. To Adjust Organizational Structure and Culture in Coordination with Digital Transformation

The arrival of the digital age and the subsequent changes in consumer and marketing methods will also have an impact on the company's organizational structure. Adjusting the organizational structure is a strategic initiatives that the digital transformation of enterprises have to face. In 2018 July P&G, for example, simplified its 10 business units by product category to six, each unit has a separate CEO who responsible for consumer insights, product and packaging innovation, brand communication, sales, and supply chain for the division's products. P&G hopes to improve organizational flexibility and drive market returns through such an innovative operating structure.

P&G is not a singleton in rearranging its organizational structure. Brands are trying to look for the optimal organizational structure, with faster internal processes, a leaner organizational structure, more efficient performance, and more profitability.

For instance, in 2018, the Midea group made a number of adjustments to its organizational structure. One of them was to carry out a combined product line reorganization of business units to reduce the number of business units and speed up the organizational operation efficiency and response speed.

According to the above examples, the changes made by enterprises must start from the inside to penetrate the entire organization, rather than to catch up with the trend to carry out minor changes. Too much reliance on established operational processes, organizational structures, and existing information infrastructure to improve is likely to stall the digitalization process. Therefore, in the digital era, enterprises are not just simply setting up the IT department, but needs to break the traditional organizational form and establish a new organizational structure, so that the efficiency of individuals and enterprises will be comprehensively improved.

It is suggested for companies that create a digital office platform. The digital office platform is a new organizational model in the process of digital transformation. The digital center has strengthened the transfer ability of information and data within the whole enterprise. The information and data transfer that used to rely on manpower can be easily accomplished by the Internet network and the digital center.

8. Conclusion

The digital transformation of corporations is not a minor repair, but a fundamental overhaul of enterprise strategy, operation, and technology.

For an entrepreneur, it is the digital transformation to optimize the management process of companies through digital technologies, to realize the diversification of products and personalized requirements through big data analysis and also reduce inventory, to promote the cost reduction and efficiency of enterprises. For an industry promoter and pioneer, how to achieve the improvement of production efficiency and industry upgrading by embracing digital transformation can be regarded as digital transformation. For a country, how to develop a digital economy and smart society, to improve its economic competitiveness and make people's life more intelligent is the digital transformation. Although different industries have different levels of development and ways of digital transformation, they all face similar pressure of change. Only by clearly thinking about digital, actively transforming and upgrading, and implementing the people-oriented concept, can enterprises grasp the opportunities of the digital era and achieve greater development.

References

- [1] Andal-Ancion, A., Cartwright, P. A., &Yip, G. S. (2003). The digital transformation of traditional business. MIT Sloan Management Review, vol.44, no.4, pp.34-35.

- [2] Andriole, S. J. (2017). Five myths about digital transformation. MIT sloan management review, vol.58, no.3, pp.12-13.
- [3] Henriette, E., Feki, M., &Boughzala, I. (2015). The shape of digital transformation: A systematic literature review. MCIS 2015 Proceedings, 431-443.
- [4] Kane, G. C., Palmer, D., Phillips, A. N., Kiron, D., &Buckley, N. (2015). Strategy, not technology, drives digital transformation. MIT Sloan Management Review and Deloitte University Press, no.14, pp.1-25.
- [5] Li, L., Su, F., Zhang, W., &Mao, J. Y (2018). Digital transformation by SME entrepreneurs: A capability perspective. Information Systems Journal, vol.28, no.6, pp.1129-1157.
- [6] Matt, C., Hess, T., &Benlian, A (2015). Digital transformation strategies. Business&Information Systems Engineering, vol.57, no.5, pp.339-343.
- [7] Piccinini, E., Gregory, R. W., Kolbe, L. M (2015). Changes in the producer-consumer relationship-towards digital transformation. Changes, vol.3, no.4, pp.1634-1648.