

# THE THREE KINDS OF DIGITAL TRANSFORMATION

*Exploring the different kinds of Digital Transformation and the rise of Customer Intimacy.*

The last TIP in this series examined the myriad ways in which firms of all kinds can benefit from an investment in Digital Transformations from digital ecosystems to marketing and distribution. Now, we turn our attention to the three macroscopic arenas that Digital Transformation efforts fall into.<sup>1</sup> Understanding the different focuses of Digital Transformation can be crucial in the delivery of a high-quality product as they help determine the scope and direction of a project.

## THE THREE KINDS OF DIGITAL TRANSFORMATION

Digital Transformations, while extremely diverse in application, can be largely sorted into three distinct categories based on where their focuses lie. The first of these three categories are Operational Processes, sometimes referred to as Operational Excellence or Operational Effectiveness. As might be surmised by these names, the focus of Operational Processes in Digital Transformations is to maximize the fluidity and ease of movement through the constituent elements of the business process. The end goal of this focus is to gain an edge in the market by improving the speed of its operations and delivering products and services more quickly than competitors<sup>2</sup>. This can be accomplished in a variety of ways such as utilizing Value Stream Mapping to locate inefficiencies in the business process and subsequently implementing digital and technological practices to ameliorate such impediments.

The second category of Digital Transformation is Product Leadership. This facet of Digital Transformations is focused on the development and delivery of a successful product<sup>3</sup>. This can take many forms from assembling the right team to guiding the direction, scope, and execution of a product. An emphasis on Product Leadership necessitates that one be flexible and adaptive to quickly respond to any internal or external development that requires a change in the approach to the completion of a product<sup>4</sup>. One example of the benefits of Digital Transformation under this focus is the installation of programming that can help mitigate difficulties that arise throughout this process.

The third (and currently most vital) category of Digital Transformation is Client Focus. This final category places a particular emphasis on customer values and satisfaction by adjusting with extreme precision to the shifting wants and needs of their base. Additionally, those firms that focus on Customer Intimacy are often talented at segmenting and targeting different sectors of the market to expand their current pool of customers and further increase the size of that pool<sup>5</sup>. Digital Transformation in this focus area can take on several different forms like enabling customers to provide digital feedback or implementing algorithms and software designed to detect trends in sales, click rates, session times, and more thereby enabling the firm to better cater to their customers.

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<sup>1</sup> <https://sloanreview.mit.edu/article/the-nine-elements-of-digital-transformation/#:~:text=Executives%20are%20digitally%20transforming%20three,different%20elements%20that%20are%20changing>

<sup>2</sup> <https://www.solvexia.com/blog/5-must-know-tips-for-operational-effectiveness#:~:text=while%20avoiding%20errors.-,What%20is%20Operational%20Effectiveness%3F,products%20at%20a%20faster%20rate>

<sup>3</sup> <https://www.productplan.com/glossary/product-leadership/>

<sup>4</sup> <https://www.theinnovationmode.com/the-innovation-blog/the-traits-of-a-great-product-leader>

<sup>5</sup> <https://hbr.org/1993/01/customer-intimacy-and-other-value-disciplines>

## WHY IS THE CUSTOMER JOURNEY VALUED OVER THE OTHERS?

Early in the advent of Digital Transformations, firms at large often showed no preference as to which of the three categories they pursued. As alluded to above, however, modern firms often prioritize Customer Intimacy over Operational Excellence and Product Leadership in their Digital Transformations. The reason why is simple: data published since the first implementations of Digital Transformations shows a strong consumer bias towards firms that emphasize a dedication to Customer Intimacy<sup>6</sup>. As such, firms across numerous industries have made a demonstrative and dedicated shift to better improve their Customer Intimacy<sup>7</sup>. These trends have propelled a movement across industries to prioritize Customer Intimacy over the other two kinds of Digital Transformation to the reciprocal satisfaction of consumers and success of the firms they frequent.

## IS EACH TYPE OF DIGITAL TRANSFORMATION EXCLUSIVE OF THE OTHER TWO?

Among the most important concepts to understand when undergoing a Digital Transformation is that the divisions between each kind are malleable. That is, one should not attempt a Digital Transformation under the belief that no attributes of the other two kinds may work their way into whichever of the three is currently being focused on. Instead, if one were to attempt a Digital Transformation emphasizing Customer Intimacy, they should welcome the skills and knowledge relevant to Operational Excellence and Product Leadership, if opportune, to allow for the creation of the best possible set of deliverables while being primarily guided by Customer Intimacy.

Throughout this TIP, we've examined the different subcategories of Digital Transformation, as well as explored why Customer Intimacy has come to be the preeminent area of focus for contemporary firms. We've also covered each of the three guiding principles that can underlie a Digital Transformation alongside the intersections between them. These motivations are necessary to understand not only the why, but the how of Digital Transformations as they can have a significant impact on the decisions made throughout the implementation process.

Click the links below to learn more about Digital Transformation:

[Digital Transformation Introduction](#)

[Digital Transformation In Practice](#)

This TIP is an expansion of a recently published interview with Stuart Anderson. For more information, refer to the Authority Magazine article [here](#).

To learn more about how we can help you develop and implement technological strategies, click [here](#).



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<sup>6</sup> <https://robdthomas.medium.com/reinventing-retail-customer-intimacy-in-the-data-era-cd1d9f8fab8c>

<sup>7</sup> <https://www.forbes.com/sites/delltechnologies/2022/11/16/why-tomorrows-innovations-require-a-consistent-cloud-experience-today/>