

EXECUTIVE SUMMARY

REFLECTIONS COVID-19

4/2020

ISSN 2340-7638

DIGITISATION IN RESPONSE TO COVID-19

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2020

Reflections COVID-19, number 4/2020

The report has been produced thanks to funding from SPRI, the Basque Business Development Agency, under the Basque Government.

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The activities conducted by the Orkestra-Basque Institute for Competitiveness - Deusto Foundation, University of Deusto, are made possible by contributions from the:

Basque Government; SPRI Group; Gipuzkoa Provincial Council; Biscay Provincial Council; Alava Provincial Council; Euskaltel; Repsol-Petronor; BBK Foundation; Iberdrola; Basque Energy Agency.

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This paper analyses the importance of digitisation during the first phase of the crisis, known as “shock” or “resistance”, which has enabled companies to maintain their business activity, as well as their social links and interactions in a general lockdown scenario. When it comes to dealing with the situation in companies, digitisation has played a key role as it has been the principal element in many of their responses. In many cases, some key lessons have been drawn from this situation, which if adequately implemented, will have a positive influence on the very process of business digital transition.

An analysis has been conducted based on a set of business cases selected from interviews with companies supplemented with secondary sources. Most of them come from the service sector, including those linked to industry, while there is less evidence in the industrial or manufacturing sector. This is due, among other reasons, to the fact that the time required for product development and its integration into other systems and value chains is more complex in these sectors. Nevertheless, there are some examples where digital services complement the value proposition of other products of a more physical nature.

The compilation of business responses has allowed to identify some patterns that enable to define their typology. In addition to this analytical work, empirical case study leads to the question of whether the measures taken can be useful beyond the crisis period to favour or promote business digitisation in general.

The four main conclusions of this study are as follows:

1. Since the start of the pandemic, in a scenario of great economic and financial complexity and uncertainty, businesses have relied on digital technologies to respond to the new situation. However, they have not only used digital technology from a pragmatic and circumstantial perspective, such as meeting unexpectedly higher demand levels, but also from a strategic approach, adopting an innovative, longer-term vision. This has led to redefining the crisis situation in such a way that companies have been able to combine need and opportunity.
2. The use of technology has shown companies’ ability to maintain some economic activities, an ability that has not emerged overnight but is directly related to their previous level of digital readiness. On the other hand, this use of technology in business responses has served as a catalyst since it has speeded up the digitisation process which, to a greater or lesser extent, was already in place in the organisation.

Some common features among those companies that have used digital technology to respond to the crisis include the following:

- Digital business model: Digitisation is part of the business model or at least some of its components (customer relations, production, supply...). The digital approach is already established thanks to the fact that it has been in place in the company for some time.
- A vision of digitisation as a driver of growth: the application of technology is not limited to improving processes or increasing sales, but encompasses the idea of building new business opportunities. This digital vision in the organisation is shared by the management and was already

part of their strategy before the outbreak of Covid-19. Therefore, as in the previous point, the company already had experience in terms of digitisation and therefore, the responses to the new situation, albeit unexpected, could be provided out of inertia.

- Agility and flexibility in responses: businesses undergoing digitisation processes have been able to respond rapidly to the unexpected new situation, and have been flexible in dealing with the necessary changes. Work teams have been set up to build solutions, again with the idea of not relying solely on the development of technology but reflecting on the possibilities of applying it.
- Experimental and innovative nature: many companies have promoted these aspects when faced with this adverse situation. Teams and staff have been digitally empowered in a way that would not otherwise have been possible. This results-oriented experimentation has been based on tests and validations in short implementation cycles for faster responses. This has been coupled with an innovative approach, with proactive teams focused on providing value to their customers in a particularly uncertain scenario.

These elements show that the digital transformation is not merely a question of incorporating technology, but also requires building and incorporating other business capacities on which to base their resilience, especially in turbulent times.

3. The analysis of business case studies shows that corporate responses have developed at the product level (they are an extension of the product portfolio), at the process level (organisational responses to maintain the activity) or at the channel level (customer relationship). Based on these, a typology has been established, as shown in the following table:

Types of corporate responses to the impacts of crisis on their activity

Product	Same product	Increased demand	E Process Med (EPM)
	New (market/business)	Increased demand/ New potential demand	SENER Erictel Ibermática-Tecnalia Sherpa.ai
	Adapted	Change in demand	DORLET SENER
Process	Telework	Tools	Ibermática Ikusi Salto Systems
	Open innovation	Alliances between public/private companies Shared value initiatives Maker communities	BBK - #KreoEnTi Comunidad maker de Euskadi
	Communication Marketing	Online sales continuity/Reinforcement	Comet
Channel	Digital	Virtual interaction in customer relations management Loyalty system New customers capture	Comet Dastatzen - Gesalaga Okelan
	Mix	Online to offline	Bodega Otazu

Source: Own document.

4. Although this set of corporate responses from a digital perspective is designed to meet specific needs or rather opportunistic areas, either in relation to the products and services developed, or to improve customer confidence and loyalty, many of them are also considered as possible options for digital growth in the medium and long term. In this regard, these experiences may provide insights for the future, as part of a digitisation process that is not so short-term, and also for other companies that may see themselves reflected. Digital transformation, as the cases analysed have shown, allows companies to offer responses in an agile and flexible manner, which in turn provides a capacity for resilience. This is key when dealing with unexpected situations such as that caused by Covid-19, but also when faced with any other type of change in their markets or clients.

What has been learnt about the identified business responses can positively guide companies' digital transition process. As a result of the above, it is necessary to take advantage of the window of opportunity offered by the Covid-19 crisis to refocus agendas and priorities. To this end, the following is proposed:

1. Place the digital challenge at the priority level on the political agenda, aligning it with European policies to generate the next generation of competitive advantages in the region.
2. Reinforce business digital transformation to develop digital levers for lasting growth within the Basque Country's future digital strategy through (i) the reinforcement of segmented policies that manage to mitigate the current asymmetric digitisation and a possible recovery at various speeds, (ii) support and accompaniment processes for SMEs and (iii) new instruments to monitor this transformation and its impact on business results, agility and resilience.
3. Build new innovative public-private partnership instruments to (i) overcome the difficulties arising from the context of uncertainty, the scope of transformation and a scenario of budgetary constraints, and (ii) launch transformative projects with financial resources from the European Union.



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