



COVID-19 Pandemic: Shifting Digital Transformation to a High-Speed Gear

Pedro Soto-Acosta 

Department of Management & Finance, University of Murcia, Murcia, Spain

ABSTRACT

The COVID-19 pandemic is causing an unprecedented global health crisis with severe socio-economic consequences. This paper explores the impact of the COVID-19 pandemic on Digital transformation and vice versa. More especially, the article provides concrete reflections on whether and how the COVID-19 outbreak is accelerating digital transformation in organizations. The main conclusions of this work can be valuable to startups and traditional organisations that intend to explore or seize opportunities in digital transformation.

KEYWORDS

COVID-19; digital transformation; digitalization; digital economy; innovation

Introduction

In just a few weeks, the world as we knew it changed. The worldwide COVID-19 pandemic shut businesses, put economies at risk and paused our lives. The current crisis is reaching a scale not seen since the Great Depression. The world's GDP is projected to fall -6% in a single-hit scenario and -7.6% in a double-hit scenario. The projected trends are even more adverse for Organization for Economic Cooperation and Development (OECD) countries, forecasting a -7.5% loss in a single-hit scenario that drops to -9.3% if a second wave occurs (OECD, 2020a). At the same time, statistics are advancing a jobs crisis a lot worse than that of the 2008 financial crisis. In May 2020, the unemployment rate in OECD countries has slightly decreased to 8.4% after reaching in April 2020 8.5% – the highest unemployment rate in a decade. Although initially it was thought that economic recovery will have a V shape, the last reports indicate that the unemployment rate by the end of 2021 will be above pre-crisis levels (OECD, 2020b).

As of today, countries across the globe are still dealing with the COVID-19 outbreak, while its multiple implications have not yet been fully unfolded. What we do know at this point is that, especially during lockdown, digital technologies have made our lives easier and, at the same time, permitted businesses to maintain a certain level of activity. Recent figures show a 60% increase of Internet traffic from December 2019 to May 2020, standing out that videoconference traffic has increased around 120% compared to levels before the outbreak.

It is commonly agreed that today our economy is becoming more digital. The term “digital economy” has been coined to describe this fact. The digital economy is, in simple words, the plain economy being more and more affected by digital technologies such as the Internet, mobile connectivity, cloud computing, big data, machine learning, artificial intelligence (AI), blockchain, Internet of Things (IoT), robotics, smart manufacturing, predictive and data analytics and other new digital technologies that keep emerging. In this context, digitalization refers to turning interactions, communications, business activities, and business models into (more) digital ones. Thus, a digital firm is an organization that partially or fully manages significant business processes and relationships with its stakeholders (suppliers, customers, employees, business partners ...) by digital means (Laudon & Laudon, 2019; Soto-Acosta et al., 2016). Through digitalization, companies are changing the rules of the economy, which is becoming both more global and digital. As a result, digitalization and globalization have been two phenomenon running in parallel during the past few years which feed each other.

Digitalization has influenced almost all the aspects of the economy from production to consumption. The internet, mobile devices, and their associated seamless connectivity have definitely changed the distribution of goods, as companies today have access to a much greater and a more global reach of consumers that they could never access before. At the same time, every consumer has now access to a lot more widened offerings. As a result, the economy has advanced from a geographically constrained economy to real global