

Digital transformation requires careful management to implement effectively as it may involve changing both the culture and inner workings of the entire business. This article outlines how businesses can implement digital transformation successfully and effectively.

Need for a Resilient Business Model

As the business environment becomes increasingly unpredictable, businesses have to handle the stress these changes cause, while business components need to react quickly to continue creating value, while managing risks. To achieve this, businesses should examine the relationships between various business components: internal, as well as suppliers and clients.



Organisational resiliency can be achieved by preparing for potential situations before they occur and having efficient processes and risk management in place. There are three functional subsets of organisational resiliency:

- Supply Chain Resilience
- Information Resilience
- Operational Resilience

Every risk identified should fall under one of the three subsets above and have a contingency plan in place for market, credit and operational risks.

SME's Client Relationships, Cost Structure, Revenue Streams & TOM

Businesses should gather data and identify ways to cut costs and improve the Client experience. First they should map out key resources, activities, expenditures and revenues, and examine sales data and forecasts. Separately map out existing ('as-is') Client journeys vs. post-automation ('to-be') and where possible take into account Client opinions. Assess how each change will impact business processes within and between departments. Finally, adjust forecasts to take into account automation, update the Target Operating Model (TOM) and create business requirements to prepare for the digital transformation. Existing infrastructure may require upgrading to make use of

Internet of Things (IOTs), Big Data or Machine Learning (AI). Do involve risk management to ensure risk registers are adjusted and address any new legal, privacy (GDPR) and security (cyber) risk factors.

Facilitate a Digital Transformation Process Involving all Stakeholders

Understanding Client desires is crucial to a successful business model. During brainstorming each should be noted with the most important identified and prioritised during the decision-making process.

The main priorities during the transformation should be Client experience, supply chain resilience, operational efficiencies and automation. All areas, where the Client interacts with the company, including telephone, apps, websites, should be brought together to provide one smooth Client experience. By prioritising these elements, the company can keep Clients happy, use automation to reduce costs and not be solely reliant on the supplier to continue operations.

The steps below outline each stage required in a successful digital transformation process.

1. Create the Right Mind-Set:

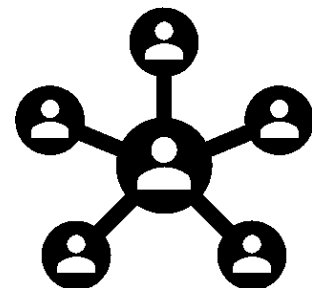
As the business announces the transformation plan, there may be some opposition. It is essential to explain the benefits and rationale for the change.

2. Establish Suitable Leadership

Leadership should be a structured team, able to bring all company channels together.

3. Create a Digital Strategy

Leadership should formulate the digital strategy and detail elements including digital acceleration and planning the implementation.



4. Acquire Knowledge

Obtain detailed knowledge of the focus points and share organisation-wide. This should include any legal constraints.

5. Create New Digital Capabilities

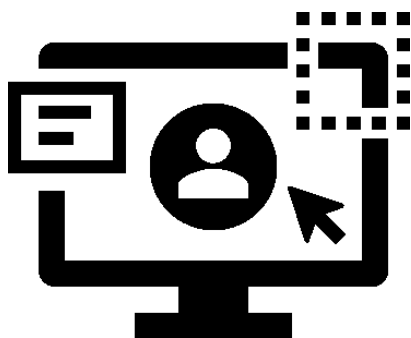
This knowledge allows for new strategies and services to be implemented.

Transformation also requires an understanding of Industry 4.0, which connects physical and digital elements in a 'cyber-physical system' and may include ERP Systems or Internet of Things (IOT). A recent survey¹ suggests 80% of organisations believe a responsive supply chain is the highest priority during digital transformation. The advanced technologies used can reshape the relationship between the company and the supply chain.

The impact Industry 4.0 can have on supply chains includes increased visibility and significant performance improvements, due to information-sharing real-time. This can help SMEs compete through increased automation, ranging from supply chains and production, through to the full sales cycle and CRM, leading to cost savings and reduced human errors, compared to manual processing and allows firms to become more responsive to changing client requirements.

Product excellence, process reliability and understanding Client behaviour are essential for organisational resilience. If new system analytics show increasing Client demand for certain products, a company can anticipate changing Client behaviour and needs, and start preparing earlier, by increasing stock, leading to faster sales and potentially increased market share.

Implications of Digital Transformation: Creating a Change Culture in an SME



Digital organisations will support three different areas of digital capability. The first is the Client experience. The new solution should improve Client relations. Nowadays people prefer the convenience of on-line, as well as access to real-time data.

The second area of digital capability is operational efficiency. This refers to optimising internal processes and automating those parts that can be automated. Cloud Solutions facilitate: the

¹ Going Digital Faster – Global 2020 Survey, KPMG

capture, storage and display of large quantities of data, which provides accurate snapshots and analytics on how best to prioritise or further improve operations. The entire supply chain can be automated, ranging from Material Resource Planning, Low Stock Alerts, Purchase Orders, Change Management, Tracking and Logistics, through to Inventory Management, Production, Distribution, Client Order Management, CRM and Surveys.

The third key area of digital transformation is workforce enablement. Digital tools can help an organisation collaborate and enable staff to develop the skills they need. This can be strengthened with internal Knowledge Bases and formal Knowledge Management policies.

The workforce needs several characteristics to be effective in a digital organisation. They should be motivated and competent and be able to deal with more complex responsibilities. Automating easier, repetitive processes frees up staff time to focus on more complex tasks, although digital tools and analytics may still contribute to more complex activities. This can create a change culture as staff may feel that the new responsibilities are more rewarding, leading to higher productivity, motivation and job satisfaction. This change should also become evident to Clients, for example real-time order updates, as well as faster overall results, due to the combination of automation and greater staff productivity.

Strategic and Operational Implications of Business Resilience

A digital organisation has strong digital dexterity. They are flexible, can adapt more easily to a changing environment and have the ability to create value from and leverage new digital technologies.

A higher level of transparency with the supply chain enables the business to identify potential issues earlier, which creates resilience, as they can react and adjust more quickly. They may even be able to anticipate issues or changing trends, due to more accurate and readily-accessible data. Automating manual processes also creates resilience by lowering headcounts and future recruitment costs.

Digital organisations have access to a wider range of resources than non-digital ones. These can include:

- **Collaborative Tools**

Collaborative tools support the organisation with communication and feedback, whether real-time messaging between teams or a central hub company-wide. This can increase productivity and efficiency, by reducing the number of meetings and letting staff respond to messages as soon as practical.

- **Data**

This includes both real time Client data, as well as integrated operations data. Client data, allows the company to create closer relationships with their Clients. Operations data can be used to improve performance based on analytics or customised reports.

The Benefits of a Digital Business Model Include:

- **Better Communication Between Company and Clients**

Clients can receive real-time updates, either order updates or help-desk support via messaging.

- **More Data Storage**

Unlimited data storage is available on cloud-based systems compared to local computers.

- **More Accurate Data Analysis**

As more data is stored, there is more data from which to analyse past performance and forecast future requirements.



Conclusion

Digital transformation requires every element of a business to be evaluated before determining how each can be improved. This could be through process automation or new digital tools that promote more efficient working practices.



Digital transformation is inevitable, as Clients increasingly prefer on-line services. Involving clients throughout the process is recommended to obtain vital feedback and remain up-to-date with changing preferences.

This process may not be as successful without a resilient business model, a higher level of supply chain transparency and digital dexterity to adapt quickly to client needs.

Implemented successfully, the program can increase efficiency and productivity at every level of the business and ultimately create better Client experiences, with reduced costs and greater profits.

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