

Digital Transformation Demystified

A Guide to Understanding and Preparing
for Your Business' Technology Journey.

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■ Digital transformation demystified

In recent years, digital transformation has truly come to the fore.

The prospect of creating a new business model to take advantage of the digital world is both seductive and fear-inducing for most businesses.

But what exactly is digital transformation? And why are so many companies making it one of their most crucial priorities?

Well, this article aims to answer both of those questions (*plus many more*), and - *if you're in a position to do so* - will help you get started on your transformation journey.

■ What is digital transformation?

In short, it's your company's ability to react and successfully utilise new technologies and procedures – now as well as in the future.

“ Digital business transformation is the process of exploiting digital technologies and supporting capabilities to create a robust new digital business model.

- Garnter, 2021

”

A successful digital transformation results in a reduction of the gap between what digital customers already expect and what analogue businesses actually deliver. ***What business doesn't want that?***

Just because it can close your expectation gap and create new opportunities, that does not mean your company should necessarily rush into a full-scale transformation project expecting quick and clear results.

Most people in leadership roles will be aware of how digital is reshaping the key domains of strategy: *customers, competition, data, innovation, and value*. It's a lot to think about, and can make it difficult to select which opportunities to pursue and which initiatives to prioritise.

It takes time to refine your digital technologies and how they are implemented. It has to be approached carefully, and gradually. However...postponing your digital transformation until you can update them fully or all at once is a dangerous move.

According to the World Economic Forum and Accenture, digital transformation provides industry with unparalleled opportunities for value creation from expanding profit pools, creating new revenue models and enabling unprecedented access to global markets.

They also identified that there are more than 65 digital initiatives across six industries that are leveraging digital technologies to deliver significant value for society and industry including:

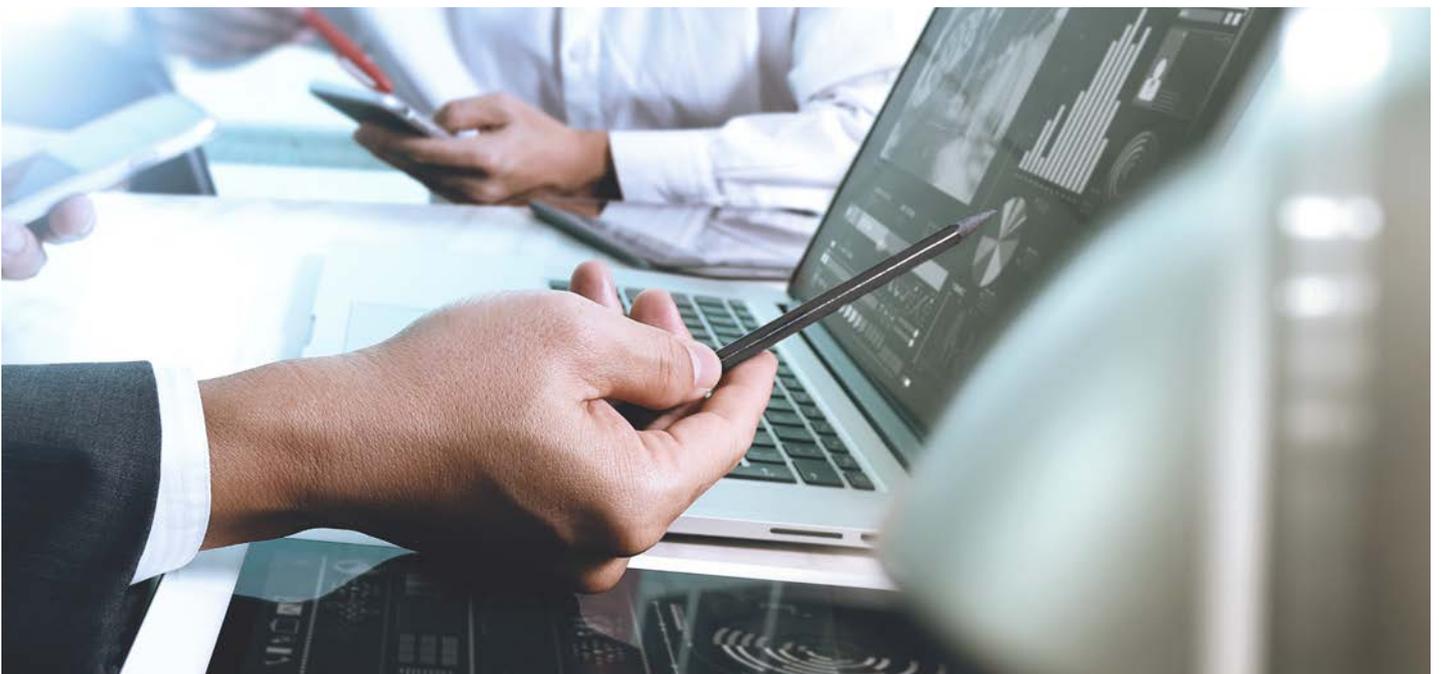
- **Growth through digitalisation** (customer facing revenue): Personalised media and content, patient engagement, energy management, and data as an asset.
- **Efficiency through digitisation** (internal facing profit): Autonomous trucks, medical printing and robotics, and smart supply chains.
- **Digital experience** (combination of growth and efficiency): Connected homes, same-day delivery, assisted and self-driving, and hyper-personalisation of goods.

■ The effects of digital transformation on your business strategy

The increased use and adoption of digital technologies is allowing businesses to overcome many limitations rapidly and opening up new frontiers with unprecedented speed.

In order to compete, companies are rethinking their business models, identifying new opportunities for creating and capturing value. ***This is vital if you are going to transform your business in this digital age.***

That being said, companies can often fall into the trap of having unrealistic aspirations at the start of their transformation journey. In most instances, it's not possible to find and roll out a new high-tech core product or platform that will serve **new customer needs**. It will require adapting the use of the technology with your know how and other internal capability and business processes.



One enabler of step change in capability is to creatively figure out ***how you can have a machine work together with your teams to do something unique***, creating an outcome that will be more valuable than anything else in your specific marketplace.

It pays to be mindful of the fact that only one in six organisations see the results they expect. The point here is that digital transformation will have profound effects, but not necessarily the effects you can predict or even measure.

■ Change management

Change management is essential for a successful organisational transformation. Assessing your organisational readiness, identifying the speed of change required, and preplanning are all imperatives to achieving the transformation.

Let's look at the key elements of readying your organisation for change:

1. Culture

Culture drives performance, so you need to work to the culture of your business.

At various stages in the transformation process, the need for cultural assessment arises; at those times the change team must decide how the culture can aid the change process as well as how to change cultural elements that may be dysfunctional. Culture can be assessed by means of individual and group interview processes, with group interviews being by far the better method in terms of validity and efficiency.

If cultural elements are found to be a hindrance, the new change processes have to be designed to deal with them. One should not automatically assume that every change is a culture change.

2. Leadership

Change inherently involves complex human and organisational processes, but are enough leaders recognising how to help individuals commit to change?

Unlike incremental change, which can be achieved by a few people working on their own, transformation can only be achieved through the engagement of many.

A leadership team committed to the digital transformation agenda is an absolute requirement.

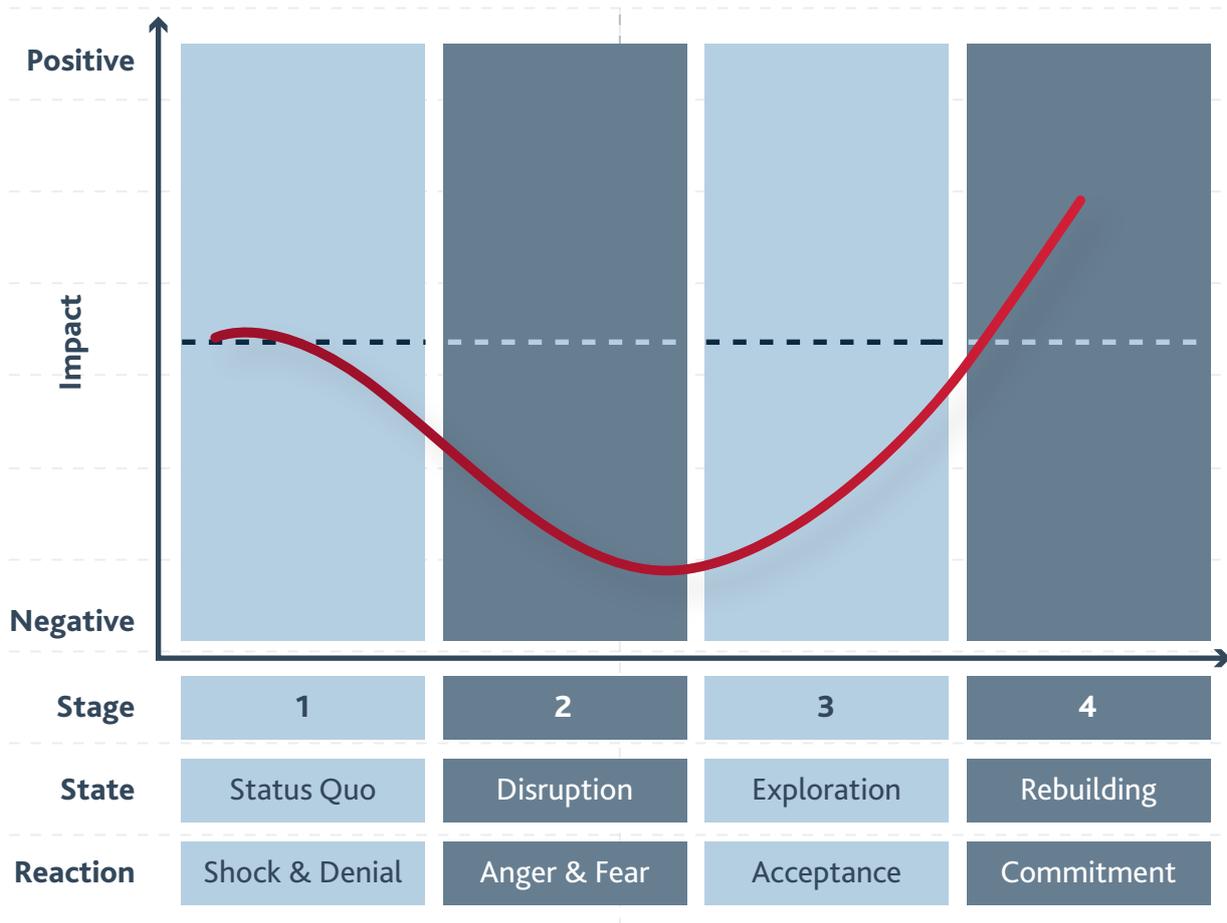
Suitable styles of leadership can range from transformational leaders (*who use charisma and inspiration*) to Level 5 leaders (*who are humble and concentrate on building a great company*). Understanding the style of leadership the organisation has and how this is leveraged to drive the change required is imperative, as well as recognising where this will pose a challenge.

3. Resistance to change

Digital transformations almost certainly run into some form of resistance, and although this is a commonly known fact, very few managers take the time to assess the organisation to see who exactly this resistance might come from.

Even changes that a workforce can accept as being “positive” or “rational” still involve degrees of loss and uncertainty, and change initiatives that involve new technologies are particularly prone to this and are considered to be one of “the most emotional events in any workplace”.

Organisations are at risk of suffering a dip in performance as individuals experience a drop in morale and a loss of confidence due to change, as shown in **Figure 1**. It is leadership’s responsibility to minimise this fluctuation and support and manage people through each stage of the process.



*Figure 1 – Change curve

A lot of this uncertainty stems from people feeling they may not be able to develop or acquire the new skills expected of them, but reverting back to the earlier point, these transformations are not about what a machine can do instead of a human, but what a human and a machine can do together to create something great.

3.1. Overcoming resistance to change

Dealing with resistance to change can take different forms and will depend on the overall leadership strategy.

Kotter and Schlesinger outlined key methods to do this, including:

1. Education and Communication:

- Using information, analysis, and open dialogue to persuade people of the benefits of the change.
- This can become a time consuming process, and should be mapped and planned accordingly.

2. Participation and Involvement:

- Active participation in the change planning can increase commitment, especially when relevant information is integrated into the change plan.
- Adoption levels are higher when those affected are consulted and it can help avoid the 'not invented here' phenomenon.

3. Facilitation and Support:

- This can be effective when issues are identified and they are impacting on delivering the required change.
- It will not always work and can be time consuming and expensive.

4. Negotiation and Agreement:

- This method should be employed when a group, or individual, perceives that they may be disadvantaged by a potential change.
- This can be expensive though if it alerts other groups of the willingness to negotiate.

5. Manipulation and Cooptation:

- This can be a relatively quick and easy solution but can cause long term issues with the overall culture of the organisation.

6. Explicit and Implicit Coercion:

- This can be a speedy solution, but it is likely to impact on culture and performance at later stages.



■ Implementation

According to research (Gale, M. and Aarons, C. - 2018 - 'Digital Transformation: Delivering on the promise' pp.30-36), the major difference between firms who were actually successful in their transformations and those that were doing nearly identical things but failing was a lack of understanding of the inherent complexity of transitions.

Similar studies show five themes that “particularly move the performance needle emerged from that examination.” These include:

1. Establishing clear priorities
2. Investing in talent, particularly at the executive level
3. Devoting time and resources
4. Embracing agility
5. Empowering employees

Following just two sets of practices considerably minimises the chances of a transformation failing to meet its goals. **Applying the approaches across all five categories increases the likelihood that a company's digital transformation would outperform expectations.**

The most important factor is, of course, being prepared for any eventuality that may arise in your future. Companies will be able to comprehend new processes and help design their capabilities, projects, and management practises around the future by adopting an agile and iterative strategy.

■ Roles in your digital transformation

Because digital transformation must be at the heart of the strategy, it's no surprise that projects that aren't part of the strategy - or are not supported by senior management - won't produce the expected results.

A fast-emerging trend among executives is to think of their organisation as a technology corporation and to have a higher quotient of digital expertise. **This exemplifies the reality that digital transformation is only possible if the entire organisation participates.**

■ Project management for your digital transformation

There are a number of well-known frameworks known as "agile methodologies", as well as behaviours, concepts, and practices that are acknowledged as defining the agile style of working.

Agile approaches are built on delivering value as soon as possible, even if that value is in the shape of a failed result that teaches the business something. Agile shows that while time and cost are constant, other project elements, such as what is delivered in that time and for that money, are not. This means that a company can get value from a release without having to wait for everything to be completed before benefiting from the new project.

Scrum:

This works on the premise of defining and breaking down the end product into releases that can be delivered in one or more sprints. The whole solution described in the product roadmap is provided by multiple releases that give additional value.

Kanban:

Kanban refers to the usage of Kanban systems, which are visual management systems that keep the number of work items in circulation to a minimum. WIP limitations are enforced, which means that resources must complete activities that provide value before moving on to the next. It makes incremental delivery easier.

Your project teams:

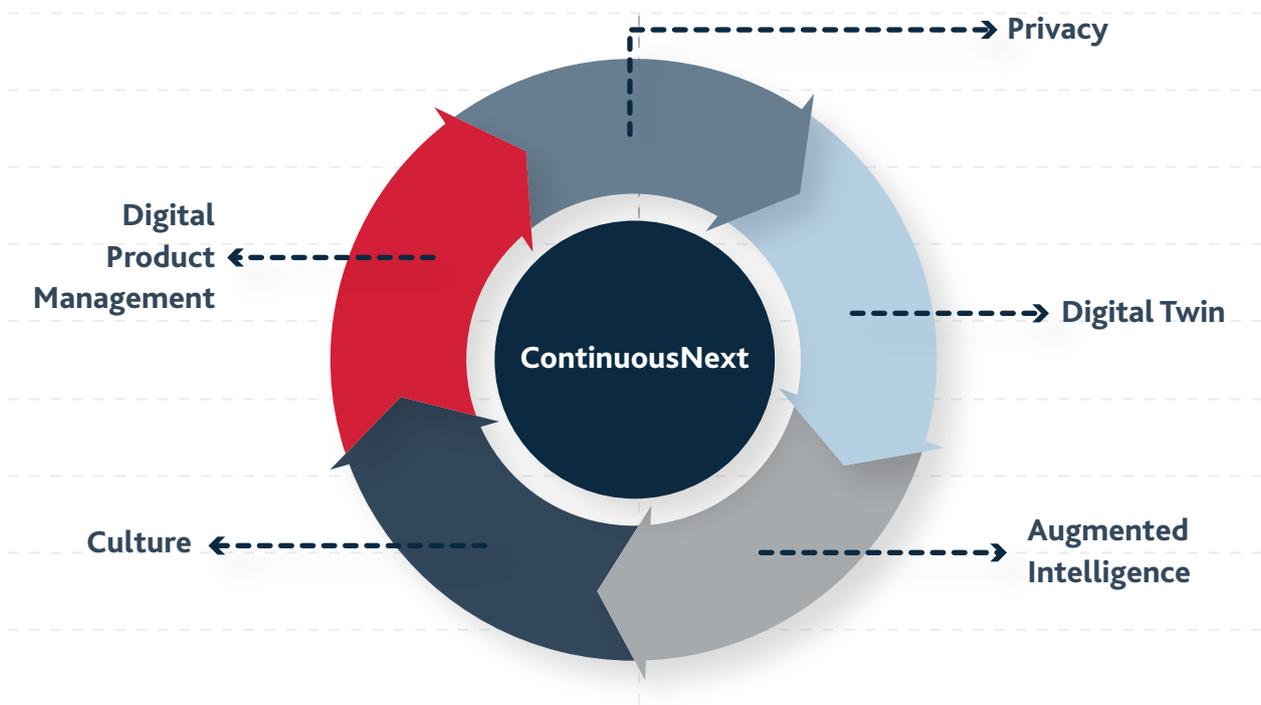
It is critical to have project team leadership and the correct team members. Strong project leadership and team members who believe their endeavour is worthwhile were characteristics of project teams that achieved breakthrough performance. Members of the project group should, in general, represent a diverse range of functions and specialties.

■ Digital transformation technologies: ERP

ERP systems can provide a platform for digital transformation through enabling an organisation to adopt technologies such as artificial intelligence, machine learning and analytics, and connect them to business processes across the organisation using workflow capability. ERP systems can also link your IoT devices to track and control assets or provide data.

ContinuousNEXT is the future evolution of concepts Gartner has introduced in recent years that will build momentum through digital transformation and beyond. These concepts are Privacy, Augmented Intelligence, Culture, Product Management and Digital Twin. A Digital Twin is a digital representation of a physical asset or an organisation that can be created and changed until the desired behaviours are achieved and it is understood how to deliver on the live system.

Wilson (2018) maps the ContinuousNext onto ERP (see *Figure 2*) and this provides a very practical way to understand what she calls the 5 imperatives. She outlines that privacy must follow data residency requirements and the culture must adopt the agile approach of frequent releases and a product management approach that constantly delivers value. Also, the technology side can leverage augmented intelligence and the creation of digital twins to provide value insights.



*Figure 2 - Imperatives for implementing ContinuousNext in ERP

■ Summary

Digital transformation is not about technology, but it is about how your business uses technology. It is about building your organisation's capability to adapt to the current environment and react to the future unforeseen circumstances through transforming the core of your business using digital tools.

Its focus is on customer needs and taking the opportunities that these customer needs offer by meeting those needs through continually making digitally enabled, incremental changes.

It's difficult for management to determine what opportunities they should pursue in a competitive landscape that continually changes and the boundaries of industries become blurred.

The goals, and path forward, will be uncertain, and establishing the emergent strategy will involve management making sense of problems and opportunities.

Leadership is extremely important and must be supportive of the change if it is to be successful. Leaders do not necessarily know what a change truly involves before it starts, or how it will impact them and the organisation. The introduction of technology is almost always an emotive change.

The culture of an organisation must be assessed in relation to how it helps or hinders digital transformation. The organisation's culture influences capability and organisational effectiveness and as a result, the effectiveness of the resulting operating model.



■ A bit about the author

Joe Smith has spent the past 20 years enabling digital transformations across Ireland and the globe.

From supporting early SAP implementations as Head of IT in 2005 to currently acting as the Program Manager for Sandvik's global greenfield S/4 Hana implementation, Joe adopts a multidisciplinary approach to develop expertise and safely lead organisations through their transformation journey.

Joe has experience in critical areas such as strategy implementation, finance, technology, business process reengineering, and operations, and has consolidated these insights to better understand business and leadership concerns when dealing with transformational changes in their organisation.



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