12 Points Business Leaders must consider about Digital Transformation in Modern Business

For leaders of Small and Medium Enterprise (SME), the thought of digital transformation creates a myriad of emotion. The excitement of new possibilities, business improvement and enhanced customer experience is often quickly met with feelings of anxiety, confusion, being overwhelmed and frustration.

Following these simple twelve points will support business owners and leaders to feel more confident and ask better questions when making digital transformation decisions.

Introduction to Digital Transformation (DX)

What is Digital Transformation (DX)?

Put very simply, *DX is the broad concept that refers to the use of digital technologies to change the way an organisation operates and delivers value to its customers and employees.* These digital technologies can be both physical (Computers, Mobile Devices, robotics etc) and non-physical (Software, Apps, Operating Code etc), and can be extremely simple (email, MS Word) or very complex.

Why should I care about Digital Transformation?

A study by the University of Shanghai found that 92% of SMEs believe digital transformation is crucial for their business. In fact, by 2026 it is predicted to be a $3.4 trillion dollar industry. But to many SME business leaders, it is hard to care about tomorrow when there is so much to do today.

The digital landscape is in a constant state of flux, driven by a myriad of dynamic factors that shape the course of digital change, so what are the pivotal drivers that propel organisations into the ever-evolving digital era, compelling them to adapt and innovate?

Changing Customer Expectations

One of the foremost drivers of digital change is the evolving expectations of customers. Today's consumers demand seamless digital experiences, personalised services, and instant access to information. Businesses must continually innovate to meet these heightened expectations and retain their competitive advantage.

Competitive Pressures

The relentless pace of the digital age has ushered in a new era of competition. Organisations face the challenge of staying ahead or, at the very least, keeping up with rivals who harness digital strategies. The fear of being left behind or losing competitive advantage serves as a powerful impetus for digital change.

Technological Advancements

The rapid advancement of technology is a perpetual engine of digital change. Innovations like artificial intelligence, machine learning, the Internet of Things, and 5G connectivity present both opportunities and disruptions. Organisations must adapt to harness these technologies or risk obsolescence.

Data as a Strategic Asset

Data has emerged as a strategic asset in the digital age. The vast amounts of data generated by organisations, customers, and connected devices provide valuable insights. Leveraging this data for decision-making, personalisation, and predictive analytics is a key driver of digital change.

Regulatory and Compliance Shifts

Changes in regulations, especially regarding data privacy and security, have a profound impact on digital strategies. New compliance requirements compel organisations to adapt their digital practices to avoid legal and reputational risks.

Globalisation and Market Dynamics

The interconnectedness of the global marketplace drives digital change. Organisations that aim to expand their reach, tap into international markets, or optimise their supply chains must adopt digital strategies that facilitate cross-border operations.

Cultural Shifts and User Adoption

The cultural shift toward digital lifestyles influences how individuals and organisations interact with technology. User adoption of digital tools and services is a critical driver of change. Organisations must align with changing user behaviours and preferences.

Environmental and Sustainability Concerns

Increasing awareness of environmental issues and sustainability has introduced a new driver for digital change. Organisations are leveraging digital technologies to reduce their environmental footprint, enhance sustainability practices, and meet societal expectations.

Recognising and responding to these key drivers of digital change is essential for organisations aiming to thrive in the future. Organisations that effectively navigate these driving forces are better positioned to harness the potential of their organisation and their people and ensure their continued competitive advantages, relevance and success.

12 Points to Consider when thinking about your organisation's DX

1. DX is already happening in your business.

Whether there are formalised transformation programs, strategies, and teams in place within your organisation to manage your digital transformation or not; with absolute certainty we can say that DX is happening in your business. The questions are:

- How well you are in control of it?

- How quickly it is happening?

- Who s leading it?

- How effective is it? and most importantly, what impact is it having on your team and customers?

If you cannot answer these questions, ask yourself this.

Would you float down rapids on a raft you haven't inspected, with no paddle, no instructor and no idea where the rapids end? Most likely not, so if this is you, it's time to develop your DX strategy.

2. DX is an Infinite Game

As we have already established, business is in a constant state of transformation. The rate and complexity of change may vary, it may be planned or unplanned, and may or may not be positive, but each business is constantly evolving or regressing. As soon as we grasp this concept, we can begin to also view our DX as an infinite challenge. The digital transformation of an organisation does not start and finish with specific projects or programs of work, it should be a consistent evolution of the way in which digital technologies make a business better.

We all know that technology evolves at an insanely rapid rate, and so when we view our DX on an infinite timeline, we allow ourselves to also evolve in line with new technological developments, allowing the organisation to stay ahead of its competition. This does not mean we jump at every new technology that is available, it just means we regularly review and update our DX strategy because we know are not fixed on an end date for delivery. .

3. Most DX Initiatives will Fail

According to research by Forbes, only 84% of digital initiatives will fail. Studies by BCG, McKinsey, KPMG and Bain & Company, put the failure rate between 70-95%. In any case, all studies indicate the failure rate to be extremely high. In practice, almost every business leader we speak to has a 'horror' story to share of their own failed DX initiative. Dive deeper into why this occurs and there are some common trends we have categorised under planning, capability, and execution. It is worth noting that none of the reasons of failure have anything to do with technology. Digital Transformation succeeds or fails based upon people.

Planning Failures

- Unclear objectives or strategies, and/or misalignment to business objectives.
- Lack of leadership backing, support or sponsorship.
- Failure to understand complex infrastructure, architectural design and the organisations existing digital maturity.
- Lack of funding or unrealistic alignment of funding to objectives.

Capability Failure

- Lack of Skills or Transformation Expertise capacity supporting the DX.
- Over reliance on external vendors.
- Inadequate training of the end user.

Execution Failure

- Poor Change Management and Organisational Communication.
- Implementation that isn't complete, or the value is not fully realised.

4. Cost of Failure

As optimistic business leaders, we no doubt have established the financial benefits of a successful DX transformation initiative. But have you considered the true cost of a failed or diluted value execution?

The cost of failure can quickly add up, and a general rule we have found to be true is the 1-4-10 rule. For every $1 budgeted, it will cost you $4 to change mid-initiative, and $10 to remediate post implementation. This rule relates to the time and costs associated with individual initiatives and when multiplied over multiple initiatives, grows exponentially. Add into this the 'hidden' costs such as productivity loss of your internal team as they spend additional time putting out spot fires; staff turnover due to the impact failures have on culture; or lost revenue due to dissatisfied customers. The question each leader should be asking alongside what it will cost to do it right, is what will it cost to do it poorly?

5. You need to develop a Digital Transformation Strategy (DXS) to help you win.

We now know that Digital Transformation will happen in every business, regardless of whether we are ready for it or not, and that the chances of successful implementation are low. So how do we stack the odds in our favour?

According to an MIT Sloan Management Review Article 'Strategy, not technology, drives digital transformation' – "Lack of Strategy" was one of the top two barriers to successful digital transformation in the 71% of businesses in early or developing digital maturity stages.

In theory it makes sense to have a an effective DXS to drive an organisations DX, but why? There are several benefits to creating a digital strategy as opposed to completing a series of digital initiatives.

- **A strategy provides a roadmap.** A digital strategy should be aligned with the overall business strategy and should define clear goals and objectives. This roadmap can help the business to stay focused and on track as it implements its digital initiatives.

- **A strategy helps to make better decisions.** A digital strategy should be based on a thorough understanding of the business, its customers, and the competitive landscape. This understanding can help the business to make better decisions about which digital initiatives to implement and how to allocate resources.

- **A strategy helps to avoid duplication and waste.** A digital strategy can help the business to avoid duplicating efforts and wasting resources on initiatives that are not aligned with its overall goals and objectives.

- **A strategy gives clear direction and opportunity to its people.** It allows an organisation to create a compelling change story, identify capability gaps, and ensure effective training is factored into all initiatives.

- **A strategy helps to measure success.** A well-defined digital strategy should include metrics for measuring success. This will allow the business to track its progress and make adjustments as needed.

In short, a well considered DXS can help businesses to be more effective and efficient in their use of digital technologies, and their people.

6. The 4 Ps of DX

Digital transformation is a multifaceted journey that encompasses not only technology but also a profound reshaping of an organisation's core elements. The 4 Ps of DX: **People, Process, Products, and Partnerships**; collectively underpin the successful implementation of a digital strategy, and their impact extends to the very heart of any organisation – its customers.

The 4 Ps are interconnected and interdependent, shaping how an organisation serves its customers. A strong workforce (People) directly influences processes (Process) that underpin the development of innovative digital products (Products) that cater to customer needs and expectations. Collaboration (Partnerships) further enhance the organisation's capabilities, expanding the scope of services provided to customers. A holistic approach to these four pillars ensures that digital transformation is not merely a technological endeavour but a strategic, customer-centric initiative that positions the organisation for long-term success.

7. Follow a proven DX Framework

A common thread of successful DX strategies is that they follow a proven framework. Whilst you can scan the internet for an hour and find a number of examples of how to develop a digital strategy, our experience shows that they do not always follow some key principles to avoid the pitfalls of DX. A framework that has worked time and time again has been the following 4 stage, 9 step approach.

Stage 1 - Awareness

1. **Understand** your organisations goals objectives, and key pain points.
2. **Analyse** your competition, the external market and operating environment.
3. **Assess** your own digital maturity and preparedness for digital transformation.

Stage 2 - Establish

4. **Define** your organisation's DX Goals, Objectives and Guiding principles and ensure they align to the broader organizational goals.

5. **Develop** your DX roadmap including resourcing, change management and implementation plan.

6. **Design** the individual solutions for each initiative within the roadmap in line with the key principles of the strategy.

Stage 3 - Implement

7. Diligently **implement** your DX initiatives in line with your strategy, without being distracted by initiatives that don't align to your goals and guiding principles.

Stage 4 - Refine

8. **Measure** the progress of your transformation and the success of the individual initiatives.

9. Consistently **review** the success of the transformation against the key metrics and adjust where and when required.
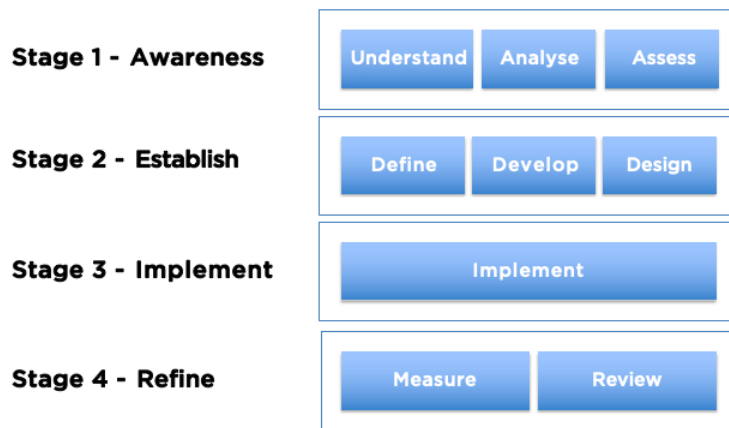
8. Start Spinning your DX Flywheel

Establishing a comprehensive and detailed DXS can be a daunting task for an organisation that may have lower levels of digital maturity or capability, yet in no way should creating the strategy be avoided. However, it can certainly be developed in stages, with small experiments and initiatives occurring in co-existence whilst developing your full strategy. What is critical is getting started, so that you start spinning your digital transformation flywheel. This momentum will help you to build trust and provide value to reinvest back into further DX.
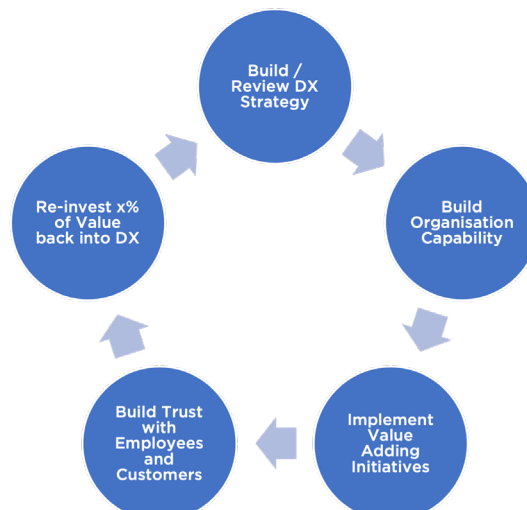

Figure 1 - The DX Flywheel

DX Traps to Avoid

9. Focusing on Technology, not People

Time and time again, we've seen organisations implement technology that they either didn't need, or didn't align with the actual problem they were hoping it would solve. In most cases, it is because the organisation was focused on the technology, not the people. In reality, within the majority of SME business scenarios, multiple technical solutions are available to solve any given problem. The issue is very rarely that the technology was no good,or didn't work. It is almost always because of an issue relating to the people (customers, employees etc). Generally, these issues fall into one of the following categories:

- Failure to understand their needs.
- Failure to outline the need for change.
- Failure to bring them on the change journey.
- Failure to provide appropriate training.

Planning how an organisation will overcome these common issues within their DXS can avoid wasted time, costs, people dissatisfaction and significantly increase the chances of success.

10. Allowing Technology Vendors to run your DX

A common trap that SMEs and organisations lacking DX capability make is relaying on the technology vendors to determine the best product fit or manage the transformation. While there are some great technology vendors out there, too often, the needs of the business are missed by the unconscious bias that exists within the technology vendor. This could be recommending products that they are more familiar with even if it is not the right fit, not correctly assessing an organisations digital maturity for fear of losing the opportunity, or not considering the true costs or time constraints.

While there is sometimes justification to utilise the expertise of a technology vendor on an identified use case, or for technical implementation, it is essential that an organisation's overall Digital Transformation program be done independently of any technical solution vendor. Ideally there is capability already within an organisation to manage the DX, however where the capability does not exist, adding the services of an independent transformation consultant is a smart move to support an organisation whilst they work on building the internal capability.

11. Treating DX as IT

Building on the previous two points, great DX is championed by organisational leaders, not the CIO or IT department. Sure, technology specialist play an essential role in bringing many initiatives to life, and there are many exceptionally capable CIO's and tech leaders who can and should run an organisations transformation programs. In these instances, the leaders understand the people are critical, and that an IT department primary role is as a solution provider who must first understand the challenges and requirements of the users. Successful DX leaders understand that they need buy in from the people and leaders of all departments and cannot be seen to pushing the agendas of an IT team.

To understand some great first hand insight into this topic, Russell Ferris – CEO of Weatherbys – shares his experience in his Business Age article on 'Why you must put non-tech execs at the heart of digital transformation'.

12. DX is not just Digital Marketing

There is little doubt that all organisations should be integrating some level of digital marketing into the marketing mix. It should form a critical component of your organisations digital strategy but do not mistake it as being the strategy. Many organisations tell us they have a DX Strategy in place when we actually uncover they have a Digital Marketing or communications plan in place. As we said earlier, a good DX Strategy should encompass the entire organisation and align with the broad organisational goals. It should never just sit within one department of focus on only one area of the business.

Final Thoughts

Digital transformation is not a passing trend or a one-time event. It is the new normal, an ongoing process of adaptation and innovation. Businesses that embrace DX and continuously seek to improve their digital capabilities will be better positioned to thrive in the ever-evolving digital landscape. By considering the 12 points outlined, business leaders can feel more confident about making informed decisions about DX and take advantage of the many opportunities that it presents.

Remember, DX is about people and processes, and technology is just the enabler. To be successful, businesses need to invest in their employees and create a culture that is open to innovation and change. With the right approach, DX can help businesses to achieve their goals and create a more sustainable future.

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