



GETTING AND STAYING ON THE PATH OF DIGITAL TRANSFORMATION

Getting and staying on the path of Digital Transformation: Thoughts from business executives already on the journey

thunder::tech's publications covered digital transformation topics a few times recently, and the work being done in this area only continues to increase and intensify. Many brands are formally planning and consciously embracing digital transformation within their organizations. This transformation has been taking place for years, as the internet has touched every industry by now. The difference is the speed of this transformation continues to be expedited by several converging factors: the consumerization of digital, mobile, big data and disruptive and changing business models. This is causing organizations to put more effort into their digital transformation process.

What is Digital Transformation?

Digital transformation is the act of evolving existing communications, promotions, systems and processes to be ready to deliver on the expectations of a modern, 21st century organization.

Charlee McDaniel, Senior Manager of Digital Strategy and Marketing at Kichler Lighting, views digital transformation “as the change that occurs due to a strategic business need to evolve. Typically the need develops because the organization is at a tipping point—likely due to an opportunity for growth or a disruption in the marketplace and their digital discipline is not able to support the change. In order for transformation to occur, the evolution must impact multiple digital components—brand and customer experience, technology infrastructure and platforms, data readiness, daily digital marketing practices that grow ROI. This is often a multi-year plan that requires investment and skilled personnel.”

Digital transformation is an evolution most organizations have been slowly plodding through.

Some know they are on this journey while others are falling into it, but digital transformation doesn't have to be by accident or happenstance. For middle-market-sized organizations, these growth-enabling transformations can be planned and coordinated undertakings.

Why do we need to digitally transform?

According to the [McKinsey Global Institute](#), “the U.S. economy operates at only 18% of its digital potential, and the sort of productivity gains that digital technologies should be enabling are not showing up in the broader economy.” This means transformation for most companies is still at an early stage, but the potential is enormous. The need to bridge this gap and digitally transform comes down to one word: change. Can you change fast enough to stay competitive with those that are evolving to keep and gain market share, keep new competition at bay, cut costs, find efficiencies and, most importantly, meet customer expectations?

Questions we ask brands to help them begin to plan are based on these factors:

Some level of self-service is just expected today. Are you enabling customers, channel partners and employees to minimally take care of repetitive and mundane tasks themselves without involving more of your resources?

Mobile has enabled so much, including real-time interactions in the field at the point of activity. How does your organization take advantage of being there at the point of sale, the point of research or the point of data collection?

The ability to collect and now integrate data across the enterprise has opened many new possibilities, including real-time review and alerts of activity, deeper customer knowledge and transparency in your processes and interactions. How are you supplying this data to both internal and external audiences for a better and intelligent experience with you? We are a research culture now based on ease of asking

Salesperson vs. Search Engine Interaction:

29%



vs.

62%



questions to Google, Bing, Siri and Alexa. Most customers would not label themselves as “researchers,” but that’s what we’re all doing by asking questions, reading articles and watching video on something we’re considering doing or buying. Only 29% of people want to talk to a salesperson to learn more about a product, while 62% will consult a search engine ([HubSpot, 2016](#)). So, how does this play into your lead generation efforts?

When these questions are answered, digital transformation can enable several important factors for business:

- **The collection and dissemination of more and better data to lead to faster decision-making and better insight**
- **The enablement of cost-cutting measures, such as customer self-service and lower customer acquisition costs**
- **Better coordination within the organization through the integration of data, systems and processes across departments that is beneficial internally and to the customer**
- **Sales growth opportunities through new channels and models, as well as new market possibilities**

How do we digitally transform?

Transformation starts with strategy, as it is not a project that you can approve. It is also not about a specific technology right out of the gate. When an organization implements a new technology without a strategy, then it allows itself to be bound by the technology’s limits rather than its vision and organizational goals. A transformation strategy will address where the organization and its customers are heading and how it can serve them more effectively as the digital landscape continues to evolve.

As the strategy is formulated and the vision gets articulated, the tactical trend of building a transformation roadmap starts with gathering data and bringing together an internal, cross-functional team to think about what is needed and what is possible. This conscious planning allows for roadmaps to be developed with many positive aspects including:

- Breaking up the known and unknown transformation journey into manageable stages
- Allowing for executive buy-in to the strategic plan
- Planning expenditures out over time, allowing for better, long-range budgeting of resources
- Distributing and assigning ownership within the organization for specific change management activities
- Allowing time for the human element to evolve into this new reality

Many customers cannot tell you exactly what they expect until they see it somewhere else. Therefore, it is useful to watch trends evolve in other industries, especially consumer trends that allow you to be better-equipped to apply them to your needs. For example, years ago, Amazon introduced many consumers to suggestive selling that had never seen it before on on



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other sites. But now after experiencing it, they want to see it in their professional lives, too. Finally, a digital transformation plan needs a budget in order to happen. According to a 2017 article in the [Harvard Business Review](#), “despite this shift in recognition of the importance of digital, the average investment in emerging technologies (as a percent of total technology spending) grew just 1% over the 10-year period.” Planning based on a strong strategy will allow for better insight into the required investments your organization will need to make over the course of the journey.

Doing versus Being Digital

There is an enormous difference we have seen between organizations that “do digital” versus ones that “are digital.” This transformative process isn’t just updating your website, turning on e-commerce or evolving your CRM. Those are one-off efforts that will help an organization, but, if left as projects, don’t truly help to transform organizations to compete more effectively. In fact, even working on your whole marketing tech stack (CMS, CRM, Ecommerce, Automation, Email, etc.) is not enough to really transform anymore.

The key to truly rising above your competition is the planning and integration of efforts throughout a multi-year journey of transformation.

Chris Beach, CEO at industrial and hardware distributor Bostwick-Braun, says he and his company “started this digital journey as just another update.” Their need to rebuild their online catalogs and websites evolved as they got into the work and saw other ways they could use these tools to service their clients and the end customer. He says after this aha moment, “he shifted his view of the work from a tactical idea to a strategic exercise”.

For Bostwick-Braun, Beach says “omnichannel is just here. We can talk about it, or deal with the fact that we are already living it and, thus, our practices and our salesforce needs to continue to evolve to meet the customer where and when they want to be served.” If you think like a modern customer, then you understand the business world has to be ready to meet customer demands. As Beach says, “Consumers act on their

timelines, not on ours anymore. So, we have to supply the digital tools to reach them whenever they want to interact with us.” Additionally, Beach says he’s also “eager to get the internal culture to turn the corner digitally so they can articulate how additional investment and change will further help the customer and, in turn, improve retention and growth for Bostwick-Braun.”

McDaniel has seen multiple companies in categories from banking to housewares to food take on digital transformation in different ways. She says “the interpretation has not necessarily been different, but the organization’s approach often is. Companies differ on financial commitment level, speed to market/pace and cultural change needed. Some organizations are ready strategically and financially yet have difficulty understanding the time needed to put quality solutions in place that will truly be sustainable and grow with them—while others are willing to take the time needed to establish a solid infrastructure yet are less committed financially and struggle strategically. Finding the right balance for the organization is key to creating a successful digital transformation plan.”

Culture Considerations

McDaniel noted “the culture of an organization must be considered—what can be changed culturally and what cannot. Developing a digital transformation plan must fit the overall strategic vision of the organization and consider what is culturally possible. You cannot take a plan for one organization and simply implement the same plan at another. Also, gaining executive sponsorship at the top level of the organization is a must. Commitment and support for executive leadership is essential to success, and it is critical for the various teams working through this journey to keep leaders regularly engaged.”

Culture Considerations:



Don't
try to implement
everything at once



Measure ROI and
don't be afraid to
talk about what
didn't perform well



Keep
evolving and
stay active



Share analytics and
key insights with
the organization

Her feedback for executives just starting:

1. **Don't try to implement everything at once. Look holistically at the vision and start with a good foundation. This also allows you to use real-time analytics to inform future decisions and what's worth big investments down the road.**
2. **Be sure to measure ROI and don't be afraid to talk about what did not perform well. Learning from underperforming activity is part of getting things "right" in digital. It's essential to test and learn to become successful and reach the ROI you desire.**
3. **Keep evolving—the activity and investment doesn't stop once something new is in place. You will see the greatest ROI with increased activity after the launch. Stopping activity after the launch of a new website or app makes the investment in that entity an expense. You must apply the digital marketing support post-launch to see the ROI and keep ahead.**
4. **Share analytics and key insights with the organization—product management, engineering, customer service, sales, etc. can all benefit greatly from the direct exposure digital gives us to our customers, the industry and trends.**

Organizations typically iterate how they operate over time. Paper forms become digital, advertising budgets slowly move to the web and customer data centralizes. The pace at which you "become digital" vs. "do digital" depends on your culture, your customer demands and

your competitive set. The need to bridge this gap and truly start to digitally transform comes down to one word: change. Can you change fast enough to stay competitive with those that are evolving to keep & gain market share, keep new competition at bay, cut costs, find efficiencies and most importantly meet customer expectations?

Transformation Ownership

When we get into transforming clients, we get a pattern of questions like, "Who leads this?" "Who owns digital transformation?" "It is cross-functional, right?"

Bruce Cook, CFO at Harden Furniture headquartered outside of Syracuse, New York, says "digital transformation can be most effective when it is an important agenda item of the CEO and has his or her backing as a company-wide approach. I'd also strongly suggest that, for certain cultures, it takes an outsider to come in and shake things up differently to challenge the ways business has traditionally been conducted."

He adds,

"You have to understand digital transformation takes time because you're changing sometimes decades-old practices or processes and the people that are used to operating under those methods."

Enterprise-wide transformation is cross-functional, and who leads it is not as important as who needs to support it—and the answer is everyone. By digital's very nature, IT needs to be a supporting factor. IT could certainly take the lead role as well, but individuals within an organization that understand the reason behind existing processes and are also bold enough to question the status quo are very fit to lead these initiatives.

What we have found in executing needs analysis and deeper discovery with our clients is before we truly can propose the best solution and roadmap for our clients, we need to know the processes in place today, where there are bottlenecks, where the company interacts with its customers and employees and how digital could enhance, supplant or retrieve insight from these interactions.

Transformation takes participation from all departments. Today's customers and workforce could not care less that it's "not your responsibility." They want action, answers and service—now.

These expectations are finally forcing organizations to break down the walls between the following traditionally siloed departments for the good of the end goal:

- Sales
- Marketing
- HR
- Finance, Accounting, Inventory
- Production
- IT
- Product Development

This also includes tearing down walls that have made it difficult, or at least less efficient than desired, for business partners like:

- Dealers
- Wholesalers
- Members
- Third-party representatives
- Licensees
- Franchisees

If these partners are ultimately the ones serving your end customer, then transformative activities that allow for better, faster service and downstream brand control will give you a better chance of improving the customer experience while you compete against more direct-to-consumer (DTC) brands.

Digital Transformation is Business Transformation

In the big picture, the only things that matter in a transformation are the outcomes. The name of the software, the types of systems, the amount of custom mobile apps does not really mean much without the business outcomes they facilitate. Articulating these outcomes in your planning is critical to guiding your overall strategy.

Industries and business models are being usurped by the better digital solutions. Ask the car, travel, music, sports, news and banking industries how they think the past five years have gone.

Many are also adding sales channels to their businesses they never had before because the consumer is interested, and they now can be in different businesses simultaneously much easier than before. For example, Marriott is now selling its bedding direct to consumers through its website. Marriott's primary business is not selling bedding, but it can go to market via e-commerce so easily to take care of its customers that simply love the pillows and sheets they slept on last night—so why not? From a supply chain perspective, Marriott is already an expert at procuring these items for its hotel properties, so the effort to now sell some of its wares direct to consumers is not an enormous challenge.

Accessibility: 508, WCAG A, AA, AAA and You

The ability for your customers to discover, assess and interact with your company quickly at, literally, any time is both exciting and terrifying. We, as consumers, do not have a collective standard for when we like to interact with our favorite brands and companies nor do we all benefit from the same abilities to do so. Those of us who are either hearing impaired, sight impaired or have physical or sensory limitations are still very much wanting to interact and engage using digital means. Often times, our health or well-being may depend on an organization's digital standing and accessibility considerations. This may require some additional layers of tools that help us interact with HTML and the UI the web offers, such as screen-readers or browser plugins. The onus is shifting to the brand to enable this consumer to interact with its digital properties, whether it is required by law through changing accessibility statutes or through simple best practices.

We are watching many organizations primarily serving business-to-business customers evolve from sales-driven to marketing-driven entities. These groups are seeing lead generation change in a manner where the sales team is now reliant on marketing to deliver sales qualified leads so sales' job may not entail as much prospecting as in the past. Buyers are moving their pre-sales research online before reaching out to a sales person when they are actually ready, which means a completely different way of starting a business transaction for most brands.

This is a period of time where many organizations are trying to evaluate how they can evolve how they do business. For instance, many organizations that never went direct to consumer (DTC) are now recognizing the need to work through this conundrum. Many middle-market manufacturers have never had to go direct to the end consumer because of their distribution channels. That's changing as search, e-commerce, Amazon, eBay, Alibaba and many others eat away at these decades-old business models.

A digital transformation may be a business transformation for many organizations, as the tools and channels businesses evolve into also typically mean they must conduct business differently. For example, instead of relying on channel partners to grow business and take care of the end consumer, the brand now needs to

interface directly with end consumers and make tough decisions about legacy channel relationships.

Laggards beware

As transformation planning becomes a trend and, subsequently, an accepted practice, plans will be executed faster and with better outcomes than the ad hoc campaigns have until this point—digital Darwinism will now be in effect. This will have more competitive consequences the longer an organization takes to get started. The good news is that as soon as planning starts, you are positioning your organization to do whatever it takes to keep up with your consumer. As society's media, education, research and buying habits change, you will be poised and ready to adapt.

So, whatever your organization calls it—digital transformation, digital Darwinism, digital determinism, disruption, convergence, DX, etc., know that it's affecting every organization. There is no right way to transform other than to strategize on the outcomes desired and then create your plans accordingly. When organizations focus less on the technology and more on what it enables, you will naturally drop the ad hoc approach and start being more strategically digitally driven—and ready to adapt and succeed.