HOW TO PLAN AND IMPLEMENT THE DIGITAL TRANSFORMATION OF A COMPANY

(Mini-study)
ARE YOU DIGITALIZED?

Technology introduced huge changes to all spheres of life, including business, and imposed digitalization not only as a trend, but rather as a necessity for development and survival on the market.

Worldwide research shows that 47% of companies have not yet initiated their digital transformation, even though 55% fear being overrun by competition unless they start the process within a year! Digitalized companies, which account for barely more than 10% globally, stride into the future without fear of disruption by competitors that push the limits in certain sectors.

Namely, disruptions in business used to mean cosmetic changes in which a company could stand out by having a slightly better offer or price, while today the novelty of certain companies have a destructive force that can distort the entire business ecosystem. Just like companies like Airbnb or Uber distorted the tourism and transportation, similar things happen to other economic sectors today.

Where does your company stand?

You might have a tailor-made computer programme, have a social media presence (even though, frankly, you don’t post that often) and ensured that your employees all have company cell phones and laptops. Yet, do these few things make you a digitalized company? Not even close.

This mini-study clarifies the meaning of digital transformation, touching on the importance of and need for companies to undergo it, outlining the first steps to achieve this aim, what needs to be included in the digitalization strategy and how you can draft a framework for launching your company’s digitalization.

A DIGITAL COMPANY THINKS DIGITAL

“In a digital company, its person-to-person interactions are digital. Its organization-to-organization interactions are digital. Hence, a true digital company needs to have digitalized business processes and needs to operate within digital ecosystems. Most importantly, it needs to nurture digital thinking.”  – Rohit Ghai

There are three basic, global trends that “push” the world of business toward digitalization:

1. An informed customer – who is more informed than ever about products and services.
2. Competition – with better offers, more accessible business models and lower prices.
3. New technologies – that offer new opportunities.
The modern world of business imposes the need for radical changes to companies, more precisely, a comprehensive digital transformation.

What’s involved?

Digital transformation actually enters the core and essence of each organization, changing the operating routine, employee engagement, customer or client relations, and the development of new products and services.

Even though digitalization extends to the IT structure as well, the job is not done there, as real transformation entails a new organizational structure, new communication channels, both internal and external, new marketing activities and the accompanying software, doing business in the computer cloud, analysis and concrete implementation of data gathered directly from customers, and entirely new digital or physical products that address the needs of target groups directly.

OBSTACLES ON THE ROUTE TO DIGITAL TRANSFORMATION

Digitalization still poses a problem for numerous companies both in Croatia and abroad. After all, digital transformation cannot be done over night, as it requires careful planning, introduction of novelties and changes in phases, and an entire range of accompanying activities. According to a research conducted by MIT Sloan Management Review, the greatest “fears” companies have regarding digital transformation include:

- Too many priorities: 43%
- Lack of strategy: 33%
- Security concerns and insufficient tech skills: 25%
- Lack of organizational agility: 25%

Aside from that, as many as 87 % of digital transformation initiatives fail, with non-compliance of operations, with the strategy and ambiguous business results cited as the primary causes by experts.

Hence, the key to a successful digital transformation lies primarily in the organizational structure itself, for the evidence shows that flexible companies with agile operating processes succeed.

Namely, a digital company is not digital because it incorporated new technologies, but rather because it’s an organization that embraced a new business culture and development strategy, use of connected platforms, and analytical and collaborative capability that increase productivity and rapidly and efficiently adapt and respond.

WHERE TO START?

Based on seven basic business categories, it is best to start with matters pertaining to the current situation and possibilities for improvement within the company. We suggest you write them down in a table or check-list, as your answers will slowly begin revealing the framework for the further development of the digitalization strategy.
## BUSINESS MODEL
(a way of earning revenues)

- How do you reach the market?
- How much relevance does the digitalized sales process have to your business (e-commerce, m-commerce and so forth)?
- Where does your company derive most of its income?
- What are your most important customer segments and are any changes required there?
- How are you different from your competition and what is the relevance of that to the future?

## STRUCTURE
(organizational model)

- What is your organization’s structural type?
- Is there a balanced relationship between decision-making on the narrow and broad levels and how does it align with the latest trends?
- How do various levels of digitalization suit your organization and are they efficient?

## EMPLOYEES

- How digitally informed are your employees in all organizational segments?
- How digitally informed are your department heads and top management?
- What new skills need be introduced and how will you get them?

## BUSINESS PROCESSES
(mode of operation)

- To what extent are your processes already automated and digitalized?
- How consistent and aligned are your organization-wide operating processes?
- How adaptable are they to introducing changes?

## IT COMPETENCIES
(how you gather and manage information)

- How efficient is your IT infrastructure: basic system, network, database?
- Can the existing IT structure support your new digital ambitions?
- How effective is your virtual presence, e.g. website, social network channels, mobile apps, etc.?
- How efficient is your customer relations management system?
- Is your IT strategy linked to your company’s strategy?
- To what extent are your devices, both internal and external, interconnected and do you obtain all the data that can be gathered?
- How much value are you currently getting from gathered data and can that be improved?

## OFFERS
(your products and services)

- Are your products and services offered digitally and, if not, what are the possibilities for doing so?
- What can be digitalized, what have your competitors possibly done?

## ENGAGEMENT MODEL
(how you include your customers, suppliers and others in your business processes)

- What kind of relationship do you have with your customers?
- How many “connection points” do you have with your customers and what are they (e.g. website, mobile app, social network profile, e-mail, snail mail, personal contacts)?
- How often do you contact your customers?
- How loyal are your customers to you?
JOIN THE “DIGITAL TRAIN!”

Now that you have conducted an analysis and have a list of your current and potential opportunities, concentrate on the four basic segments that affect your business:

- employees
- customers
- optimization of processes
- products and services

This will result in a digitalization strategy from which a concrete implementation plan can then be compiled.

**Education**

The modernization of an organizational structure begins with your employees, who need to learn the new processes and the expected results. For example, they need to be introduced to the increased frequency of contacts with clients and to develop a feel for the need to thoroughly gather data from the sales cycle. It is highly likely that they will require additional training for work with new computer software and functions, as well as new devices.

**New jobs/outsourcing**

Digital transformation includes new skills, so you might have to hire new recruits and create new jobs, such as a person in charge of digital marketing, and perhaps you will instead introduce an outsourcing model, engaging professionals in different fields of importance to overall digitalization.

**New equipment and software**

Provide your employees with cutting-edge IT equipment in line with your business needs, such as smart phones and tablets, and with apps for simple data exchanges and easier cooperation. New devices not only ensure higher-quality teamwork but also allow work at any place on any device.

**Intranet**

Successful digitalized companies necessarily introduce an internal communication system, the so-called intranet, that speeds up internal communication among their employees and offers improved options, much more advanced than standard e-mail. Along with serving the communication function, the intranet facilitates data transfers and document sharing, which stimulates inter-departmental cooperation and information flows. Consequently, crucial decision-making by management is also accelerated, which contributes to more efficient and flexible operations.

**CUSTOMERS**

As mentioned before, customers are the main engine that drives and imposes the necessity to digitalize a business, which is today entirely focused on meeting their needs. A contemporary consumer is actively searching for better solutions, lower prices and higher quality, and has different expectations, thus behaving differently in the purchasing cycle. Customers require an individual approach, constant novelty and rapid and efficient customer support.

**A customer is your new “boss!”**

The era of communicating with clients or customers at the point of sale and reaching consumers only by referral or traditional advertising is long past.
Updated IT infrastructure
The IT structure and data processing mode are of great importance to digital transformation. Your existing technical support may not be sufficient to support new programmes and/or devices and needs to be updated by introducing new devices, programmes and applications, and depending on the current situation and the desired goal, it is possible that the IT department requires drastic restructuring.

Process automation
It is highly important for you to consider, in cooperation with your IT experts, available applications and programmes that will automate your operating processes wherever possible.

Cloud
Consider where and how to store data and set the stage for cloud computing and complete mobility of data that can be accessed at any time, any place and any device. There are alternatives that, during the first stage, combine data storage on “hard” devices and in the cloud, such as hybrid solutions in the cloud. However, the tendency is to gradually move to the cloud system entirely.

Cyber-security
Examine IT security systems and, if you haven’t done so yet, protect yourself from digital disasters, hacks or loss of data by specific software.

Internet of Things
If you really want to keep up, implement IoT technology – a combination of computer solutions and special devices that collect, process and categorize different data from your business.

Today, everything is virtual, and successful communication with a customer requires the use of digital marketing channels:

- **website** – your “online business card” and the central platform to which all your virtual traffic is directed, and to make finding your company by key words and browsers easier, it needs to offer interesting content, optimized by key words (SEO – search engine optimized).

- **online advertising** – special campaigns using Google Adwords and similar services on social networks.

- **social networks** – an item that turned into an absolute necessity for any business, as it is a direct customer communication channel. They expect ongoing engagement, news and details regarding your business, careful monitoring of their activities and comments on your products and services and prompt responses to their requests and questions. Don’t forget that direct communication through social networks not only encompasses your customers, but also business partners and new, interested clients.

- **content marketing** – includes regular company blogs and other content interesting to customers (e.g. e-books, digital handbooks, quizzes, video clips, infographics, useful templates and the like), obeying the basic rule that it has no direct sales function but rather primarily an educational message.

- **e-mail marketing and newsletters** – remain extremely useful channels in the world of digital marketing, as they do not invade your customer’s private space. By giving you their e-mail addresses, your customers in fact demonstrate their interest in your content and offers, which is an opportunity that must not be neglected.

- **analytics** – to best serve your customers, knowing their habits, preferences and spending and buying habits is crucial. The importance of automated customer relation management (CRM) systems is increasing. For example, such software enables companies to identify products previously ordered by a customer and can additionally, based on this information, gather data from the Internet on what others with similar preferences ordered.
BENEFITS OF DIGITALIZATION

A company’s digital transformation not only ensures the path to your future business, but also marks current benefits in the very brief period following implementation¹/two.numr by:

• **increasing efficiency** – e.g., entering data by hand is replaced by an automated process.

• **promoting decision-making** – by which automated collection of accurate data provides immediate insight into the situation and facilitates a swift response.

• **creating new markets** – because a virtual presence widens the reach of business and products and services become available to a higher number of consumers, at any time and any place.

• **developing a better customer experience** – as well explained by Jason Brewer, Brolik’s CEO: "By investing in digital transformation, consumers will notice and value your focus on their needs and experiences. By transforming for the digital age, companies actually say ‘we value your time and want to make your lives easier.’ Customers will react positively to that."

• **increasing total income** – due to the enlarged market, partly with new products and services and partly with the “old” ones, only improved and made more competitive on the market by digitalization.

Research¹/three.numr shows rather concrete results of the digital transformation of modern companies:

**RESULTS OF DIGITALIZED COMPANIES**

- Increased market share
- Increased customer engagement in digital channels
- Satisfied employees
- Increased income
CONCLUSION

According to forecasts, by the end of 2017 two thirds of the leaders of Global 2000 companies will place digital transformation in the focus of their corporate strategy.

During the fiscal year that ended on 30 June, Microsoft Croatia saw a 55 % year-on-year increase in the number of partners who sell solutions based on cloud computing and a 250 % increase in the income of business users in that segment over the past two years¹⁴.

This is a good sign, as it also says that a part of the Croatian economy wants to be modernized and that they are on the right path.

Take your first step before it’s too late!

Ask for personalized advice and an estimate of the digital maturity of your company and what concrete steps you need and can take to implement digital transformation.

Call Span today and digitalize your business!
REFERENCE

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