



White Paper

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Top 5 Challenges to Digital Transformation

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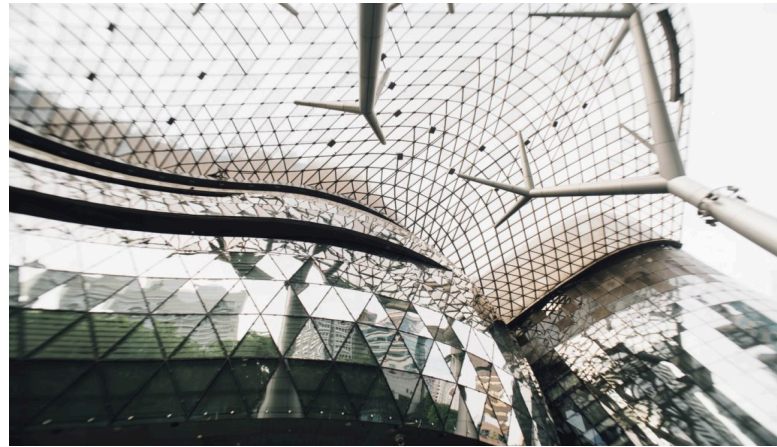


The world of digital technology fuels almost every aspect of our lives. Whether it is transferring funds and paying bills online or wearing a smartwatch, technology is behind almost every aspect of our existence. Companies who can take advantage of the digital transformation are ready to be innovators and leaders in their field. Those who are not will likely be overtaken by the competition in the near future.

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WHITE PAPER: TOP 5 CHALLENGES TO DIGITAL TRANSFORMATION

Executive Summary



“At least 40% of all businesses will die in the next 10 years... If they don’t figure out how to change their entire company to accommodate new technologies.” — JOHN CHAMBERS, EXECUTIVE CHAIRMAN, CISCO SYSTEM.

If you are a company that has embraced the world of technology for all it is worth, then good for you. It is more than likely that you are a leader in your industry. However, if you have been hesitant to make these changes in your organisation, then you might want to rethink your strategy. There are many reasons for failing to adopt

digital technology and some valid reasons based on sound strategic decision-making. In the end, you must come to realise that the world is changing, and organisational leaders who do not keep up will soon find their competitors chiselling away at their market share. This white paper presents the top 5 challenges that you will encounter on your road to adopting innovation and technology in your organisation. It also gives some practical tips and strategies to overcome them.

WHITE PAPER: TOP 5 CHALLENGES TO DIGITAL TRANSFORMATION

What the Digital Transformation Can Do for You

“It’s no longer the big beating the small, but the fast beating the slow.” — ERIC PEARSON, CIO, INTERNATIONAL HOTEL GROUP (IHG).

If you are a CEO or corporate level manager of a company, it is your responsibility to make sure that your company stays ahead of the competition. This means automating as many processes as possible. This frees your staff to tend to more important tasks, like developing the newest product line and retaining excellent customer relationships.

Big data, cloud computing, and mobile-ready are a few terms that you might have heard around the water cooler. If your company is not leveraging the power of these technologies, then it is missing out on opportunities to understand the market and how to reach them more effectively. It might be time to do an audit of your business processes and

procedures to see if technology might be able to make you more efficient and agile in meeting the needs of your customers.

Many businesses see the digital transformation as a luxury and fall into the trap of just keeping the lights on. (1) However, with this mindset, there is no motivation to develop innovative technology and solutions that can pull your business ahead of the competition. However, achieving a successful digital transformation (DX) also presents many challenges. Now, let's explore some of these challenges and how to overcome them to make the greatest success.



1. The People Challenge

When managers first try to address the digital transformation issue, the focus is usually on the technology itself and how it will help the organisation to achieve its goals. However, for most, the real challenge is in the people within their organisation. This issue must be addressed first for the project to be a success.

As recently as 2018, only 22% of the respondents in a survey by Tech Pro Research indicated that they had a comprehensive digital strategy in place, but 49% were "working on it."⁽²⁾ This means that 29% of the organisations do not

have a digital transformation plan. With every new change in technology, there are always early adopters, second-wave adopters, and later adopters. At this point in the game, those who have not yet adopted technology as part of the business strategy would be considered late adopters, except for all but the newest innovation.

The next logical question is why someone would not want to adopt new technology and experience the advantages that it has for their business. As far back as 1962, it was understood that early

adopters, mid-range adopters, and late adopters had certain characteristics. ⁽³⁾ In his work that is now a classic, Everett Rogers describes the characteristics of people who fall into these categories. Here is a summary of the categories that Rogers found.

1. Innovators

Innovators are the first to try something new. They tend to be risk-takers, younger in age, and have the greatest amount of financial fluidity. They also tend to be close to the scientific and tech communities socially.

2. Early Adopters

These individuals tend to have high esteem, are younger, and tend to have a high social status. They are often more educated and have a higher level of financial freedom. This category of adopters will see the new technology as advantageous in helping them to keep their social position. They tend to be leaders, rather than followers.

3. Early Majority

The early majority often has above average social status but tends to have a lower risk tolerance than early adopters. This group tends to be followers, rather than leaders. They also tend to have less financial security than leaders.

4. Late Majority

The late majority has a high degree of scepticism when it comes to trying something new. They need to be convinced that they need to adopt the technology, or even forced to do so. They tend to be below average social status and have little financial freedom. Another feature is that they often have very little contact with those who are earlier adopters. This group is likely to express the most resistance to new technology.

5. Laggards

This last group are the last to adopt new technology, if they ever do. They tend to be secure in routines and have an aversion to any change, even if it is for the better. This group tends to be in an older age bracket, lower social status, lower financial status, and they tend to have a close social circle, often only family and a few friends.

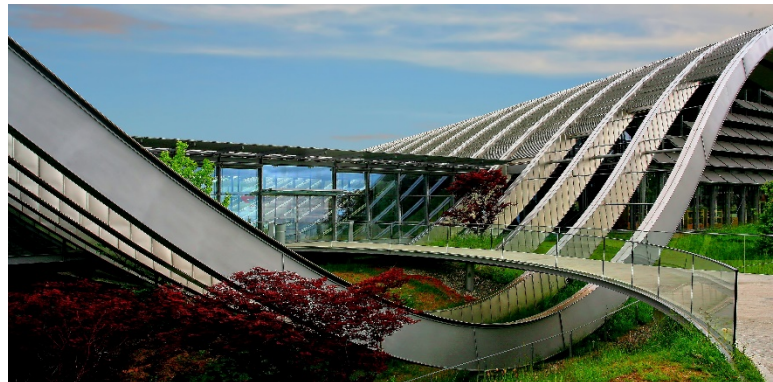
Of course, these are generalisations, and you will find that most people do not fit neatly into any particular category when it comes to a willingness to adopt digital innovation.

In a recent survey, a majority considered themselves to be "middle adopters."⁽⁴⁾ According to the survey, the results were: 23% early adopter, 37% middle adopter, 30% later adopter, and 10% non-adopter. So, why is all of this important, and how can this information be used to drive an organisation forward?

The first reason why this is important is that, as a leader in an organisation, your job is to use every advantage to give the company an edge. The first task that you have to do is some soul-searching and see if your reasons for not adopting new technology are based on your personality and the influence of those around you. If you find that this is the case, then you might not be doing everything that you can do to propel your organisation forward.

The second reason is that understanding these categories might help you understand the resistance that you might encounter from the people in the organisation when the idea is first proposed. Then, you can develop strategies to help overcome these challenges. By far, overcoming the people challenge is the most daunting task that organisations face when it comes to digital transformation.

“In today’s era of volatility, there is no other way but to re-invent. The only sustainable advantage you can have over others is agility, that’s it. Because nothing else is sustainable, everything else you create, somebody else will replicate.” — JEFF BEZO, CEO AND PRESIDENT, AMAZON.





2. The Challenge of Organisational Culture

The first challenge leads logically to the second challenge of digital transformation, getting the people in your organisation on board with the new technology. If people do not buy into the new way of doing business, then they will likely put up resistance in some form. The amount of resistance that you experience as a leader depends on your organisational culture.

Roger's categories of innovation adopters provides a place to start in understanding the challenges that you might face within your organisation. If you have a company that consists of young, tech-savvy movers and shakers, you probably do not need to read rest of this paper because it is likely that you are already at the top of the curve when it comes to adopting new technology. However, this probably only applies to a small percentage of today's organisations.

Research on the digital transformation first began to gain popularity around 2013 or 2014, so if you are just beginning to hear about it and consider it, then your organisation falls into the late majority or even laggards category. With the pace of changes in technology today, a technology that is five years old is probably outdated, and anything older than that could be considered archaic.

The next challenge is how to bring your organisational culture into the modern age when the established organisational culture is clearly against it. The answer lies in change management. This specialised field focuses on how to make a successful change in organisations.

In 1998, Steve Jobs said,

"Innovation has nothing to do with how many R&D dollars you have. When Apple came up with the Mac, IBM was spending at least 100 times more on R & D. It's not about money. It's about the people you have, how you're led, and how much you get it." (5)

Change management is about how to use your leadership skills to transform the organisation and overcome resistance. This applies to you whether your firm is a small mom-and-dad shop or a multinational corporation. Change management techniques give you the understanding and tools that you need to overcome resistance and drive the digital transformation of your organisation.

3. The Challenge of System Readiness

It might seem as if, up to this point, that a majority of the focus of digital transformation has been on the people, not the technology. After all, digital transformation is about the technology, right? The answer is yes, and no. It is about finding and implementing the technology that will allow you to achieve greater operational efficiency and the competitive advantage that goes with it. However, compared to the people and organisational challenges, the technology challenges are far more easier to overcome.

Now, it is time to go back and revisit the question posed by the Tech Pro Survey about 29% of businesses who did not have any plan to embrace the digital transformation. We have already discussed the people factor as a potential reason. However, legacy systems might be another factor in this decision. Organisations have invested money and time in the systems that they have in place now. Also, their people are used to them.

If a system is working, there is little motivation to change it. (2) Besides, upgrading to new systems is costly and a cumbersome task. For some, the cost might seem too high. This affects both large and small organisations, but for different reasons. For small and medium-sized organisations, it simply might not be in the budget or seem justified. For larger corporations, the legacy systems might be complex and involve a web of interconnected parts that all must be retooled.

These two factors are more likely the reasons why businesses fail to adopt new technology, even if it promises to have the potential for massive gains in the future. Overall, it is a short-sighted approach that fails to take into consideration several major trends that have not remained hidden from view. According to Forbes Magazine, some of the global digital trends that are making headlines include:

- 5G
- WiFi 6
- Analytics
- Big data
- AI and machine learning
- Robotic process automation (RPA)
- Conversational AI
- ACPCs
- Connected vehicles
- Autonomous drones
- XaaS, UX/CX and security (6)

If you have not heard of these, then it is time to roll up your sleeves and do some research on how businesses are using these emerging technologies to propel their business to a new level. You might have heard of them but have not considered them for your own business. For those who fall into either of these categories, you have some work to do, if you want your business to be sustainable in the future. The question that you may need to ask yourself is how many of your competitors are using these technologies right now to chip away at your market share?

While it is not a good idea to always jump onto the next big thing when it comes along, there are some marked disadvantages to holding onto business processes and technology that are outdated. Holding onto things that no longer serve the business in the way that they once did does not open up space to take advantage of the opportunities of the future.

This does not necessarily mean that you need to discard the legacy system entirely. Sometimes, a few upgrades are all that is needed to bring it up to par. That being said, there are some cases where the system is so old that the best alternative might be to scrap it and start anew. If you are not considering adopting newer established and emerging technologies, the next question that you should be asking yourself is, why not?

With fast ideas comes faster innovation: 60% of Apple's revenue comes from products that didn't exist 4 years ago. That's a blistering pace of innovation. Expect that to become the norm in most industries as the future accelerates, product lifecycles collapse, and disruption disrupts." — Jim Carroll, Futurist.

4. The Challenge of Communication, Training, Ongoing Support

This challenge goes back to the people problem. One of the biggest reasons why digital projects fail is a lack of communication or a message that is not delivered in a way that builds support. (7) Let's go back to Roger's categories of technology adoption once more. By now, the importance of the people part of the equation should be evident. Among those who are more likely to put up resistance to the technology are those who fear change, some of which comes down to a lack of self-confidence in their ability to navigate it and learn to use it.

Many of these fears can be alleviated by providing proper training and ongoing support. Sometimes, only a little bit is needed until the new system is running smoothly and all of the kinks have been ironed out, but other times, long-term support might be required. If people know that they will have dedicated support to help them, and this is communicated clearly, then it can alleviate much of the resistance. People need to feel secure, and they need to feel like this new thing is not being forced on them without support.

One of the most important aspects of gaining support for the new business changes is the communication of goals. The outcomes must be stated in a way that is measurable and time-specific. Many times, upper management is aware of these goals, but middle management may fail to communicate them to the workers. When the workers understand why a change is taking place and see how it can benefit everyone, they will be more likely to be supportive.

In teamwork, silence isn't golden, it's deadly.
— Mark Sanborn.



5. The Challenge of Scalability and the Future

The final challenge requires one to look towards the future. When you implement new technology, you want to get the most from your investment. This means choosing technology that will serve your needs now and in the future. Technologies like cloud computing, 5G and WiFi 6 integration provide almost endless possibilities for future expansion.

Considering scalability in the decision-making equation means access to a broader market as the world becomes more connected. It also means the ability to leverage more efficient, global supply chains. One of the advantages of a global supply chain is that you can have backup supplies in case one portion of your supply chain fails for some reason. Adopting technology that is scalable and more globally connected creates a more agile organisation that can respond to crises more effectively.

One of the hallmarks of an effective organisational is always having focus on the future. Short-sighted thinking produces results that are not sustainable. The best approach is to examine the technology that allows you to achieve continual improvement and expansion in both your market and operational efficiency.



Conclusion

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“The reason is that good management itself was the root cause. Managers played the game the way it was supposed to be played. The very decision-making and resource-allocation processes that are key to the success of established companies are the very processes that reject disruptive technologies: listening carefully to customers; tracking competitors’ actions carefully; and investing resources to design and build higher-performance, higher-quality products that will yield greater profit. These are the reasons why great firms stumbled or failed when confronted with disruptive technological change.” — Clayton M. Christensen, *The Innovator's Dilemma: The Revolutionary Book that Will Change the Way You Do Business*.

If you are in the 29% that do not have plans for digital transformation, then you are already behind the curve and need to do some catching up. If you are in the process and thinking about it, then you already show the forward-thinking that it takes to succeed and build a business that is sustainable for the long-term future.

As you can see from the amount of attention devoted to people issues versus technology issues, the weight of the challenges lies in getting people on board with the process and giving them the support that they need. Technical issues may be the biggest in terms of initial and ongoing cost, but the people challenges are by far the biggest obstacles to surmount.

Whenever you make any sweeping changes in an organisation, there will always be a few who never get on board and cannot be convinced. Depending on their influence over others, this can either have a devastating effect or no effect at all. Your goal as a leader is to make sure that these naysayers are the minority, rather than the majority.

Now, you have five major areas to consider in making a digital transformation in your organisation. As you can see, it is not always an easy process, and there can be bumps along the path. In the end, these challenges can be overcome with knowledge, perseverance, and attention to your number one asset, your people.

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