Getting Started with Digitization

How to Find the Right Strategy for Your Enterprise

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In the digital age, a direct connection to the customer is all-important.

The IT world frequently enters into intense discussions about new technologies and methods. Generally, such discussions do not extend beyond the community and specialist media. Digitization, however, is the exception. The term itself, along with associated buzzwords such as the Internet of Things (IoT), Big Data, and Smart Factory have achieved a remarkable presence in public discourse.

At their core, all of these terms are – to a certain extent – about the change process triggered by digital technologies and its far-reaching effects on society, as well as the business world. With the help of digital technologies, business models, processes, and products can be refined or even completely reinvented.

The Opportunities of Disruption
In addition to the new opportunities, the risks of digitization are often highlighted in public discussion, as new technologies put increased pressure on established business models and industries. This phenomenon is also known as digital disruption. One example of this is blockchain technology, which enables business partners to create and conclude contracts quickly, securely, and digitally. As new funding platforms and financiers enter the market, they could present huge challenges for the banking sector. However, if you look at the past, you will see that this paradigm shift is neither new nor unique. For example, today we glorify the Industrial Revolution as "the good old days". But people back then may have felt quite differently about the radical changes.

Platforms: A Model for Success
A more recent example is the rise of the internet. It has dramatically changed many business models, particularly in the media, publishing, and travel industries. Travel agencies used to be the first port of call for customers. Today, websites offer unprecedented transparency into all offers and prices – and the possibility to book around the clock. Platforms are also becoming more important in other industries. One thing that they all have in common is that a direct connection to the customer is crucial. Organizations no longer require their own branches or warehouses – in fact, these could even hinder success due to the large capital they require.

The Digital Revolution Devours Its Children

Technology-driven change existed long before digitization. But what is new are the ever-shorter innovation cycles. More affordable hardware, increasingly powerful processors and algorithms, and cloud computing and smartphones have laid the foundations for almost constantly redefining entire business models, including processes, products, and services.

The audio CD ousted the LP; semi-legal MP3 platforms and then Apple's iTunes subsequently replaced the CD. Now streaming services are taking over from downloads. And all of this happened in just a few years.

Even the extremely quick and successful business models of digital trendsetters are not guaranteed long-term success, as shown by sites such as Yahoo, Netscape, and Myspace. There is even a chance that Airbnb could be rapidly replaced by a competitor. The revolution devours its children – and at increasingly shorter intervals.

> **"** Digitization is not a future issue. It is already presenting real challenges for businesses every day.

Companies cannot just ride out digitization. They have to play an active part in it.

Digital Challenges Are an Everyday Occurrence

Regardless of the positive or negative outcome of each individual case, digitization is rarely about the business model as a whole. Although these instances attract the interest of the public, in reality they are not representative – neither in terms of their magnitude nor their frequency. Much more frequent, albeit less spectacular, are the acute challenges in everyday business.

For example, a customer finds an item in a hardware store's online shop that, according to the website, is in stock at the nearest branch. Because of the high shipping costs and rapid availability, the customer decides to pre-order online and collect the item in person. If that reserved product is then not actually available in store, the customer will, of course, be unhappy. Multichannel, as a part of digitization, is therefore

a serious, ongoing challenge for every retailer or manufacturer. The customers are online, but the business processes are still offline.

The Customer Experience as a Differentiator

For many businesses, the customer experience is a crucial differentiator on the market. In order to quickly respond to inquiries or special requests, all relevant information needs to be connected – from the ERP and CRM systems to the call center.

This continuous transparency does not end within the business, but also encompasses the entire supply chain. After all, stock levels cannot be simply scaled up at will. Aside from the escalating costs, this would also mean that businesses would potentially have the wrong products in stock, i.e. not the products that customers want. And if those products cannot be sold even at a discounted price, then the worst-case scenario is that they are only worth their scrap value.

In contrast, the integration enabled and driven by digitization has many positive effects. One example is increased revenue thanks to satisfied customers, while inventory costs are reduced or even avoided completely.

Connected Data Flows: Digitization Extends Beyond the Business
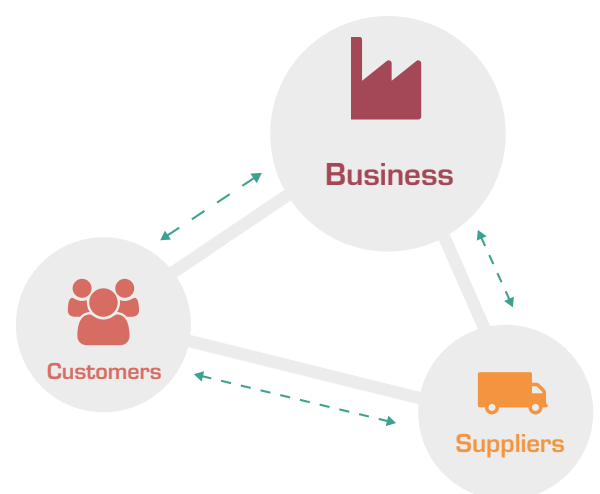
Businesses React Too Hesitantly

All of this is possible today. But although no one seriously disputes the relevance of digitization and the above-mentioned examples show that these questions are already a reality, many businesses are still hesitant in their approach to the challenge.

One frequent obstacle is that the business has yet to find the brilliant, bright idea it is searching for. But digitization does not necessarily have to be a sudden "big bang". Instead, it is all about little building blocks and small steps that only take full effect in combination with one another.

Sooner or later, technological transformation will have an impact on all areas of business. For this reason, it is necessary to use the time wisely and tackle the topic now in a positive and open manner.

How Businesses Can Act Now

There are always fairly good reasons to put off digitization. And objections such as "It's not affecting us yet" or "We should first wait and see what the others do" should indeed be taken seriously – but rather as indicators of discontent and reluctance to change than as valid arguments.

The following principles can help in the implementation:

1. Businesses should just get started rather than waiting for the perfect plan or to hit the big time. However, that is only possible if they regularly check and build upon the interim results.

2. There is no one-size-fits-all solution. Businesses can and should consider and learn from the experiences of others, but more as a starting point rather than a set of rules.

3. All considerations should start with the customers. When digitizing new or existing customer touchpoints, other areas and processes must subsequently be examined, too. For example, individualized

(unique) products and short lead times in production require customized and flexible processes. All levels need to be taken into account, including customers, products, processes, and systems.
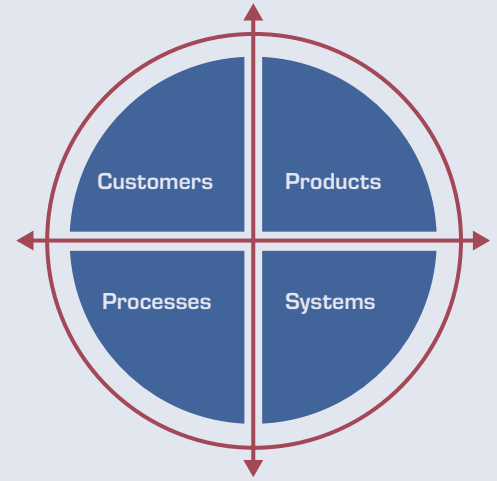
4. Keep sight of the big picture. In the majority of cases, it is existing processes that will be digitized and optimized (evolution scenario). However, in some circumstances, it is necessary to think far beyond the existing business model or organization (revolution scenario). The context defines the actual strategy.

Implicitly, these principles also contain the key challenges. If a project extends beyond an enterprise, then the enterprise will of course not have direct control over these areas. Meaningful and feasible outcomes can only result from conversations with customers and suppliers.

It is always a good idea to involve the people who will be affected. This applies here more than anywhere else – especially when it comes to a company's own employees. Many businesses, particularly small and medium-sized enterprises, are successful on the market because of their long-term stability. Any loss of this predictability and security, either perceived or actual, will therefore quickly be seen as a threat.

Get Employees on Board

It is all the more important to bring employees along on the journey to prevent any fears from arising. The greatest challenge in developing a digitization strategy is therefore not so much the technical implementation but rather the company culture. This challenge is not completely new; it can be compared with the worries of employees when their company first implemented an ERP system.

On the other hand, what is in fact completely new is that different skills are now required on a wide range of levels and in various departments. Before digitization, IT expertise was only needed at the system level for mapping business processes. Today, it is also required for the development and definition of products and processes. For example, you can only properly consider new digital services if you have at least a rudimentary understanding of the technological possibilities.

> Digital expertise is now needed in all departments.

Which Technologies Make Sense?

At this point, introducing all the new technologies would be going too far – especially as there are very different views on what is part of digitization, and this definition is still being expanded.

But with all new technologies, such as pattern recognition or automatic speech recognition and language processing, one rule always applies: While one approach may make sense in one particular case, it does not necessarily have to be a component of a digitization strategy. For example, as a first step, it could be enough for a company to give customers direct, digital access to information that is already available in non-digital formats. This requires neither machine intelligence nor cognitive services, to name two other trends.

Ask the Right Questions

All business processes and services should be scrutinized – albeit less in terms of rationalization and cost-cutting and more with regard to the value they offer. But in order for this to take effect, as a rule, you have to look beyond the business. Before they can model and support an appropriate business ecosystem from the IT side, companies also need to develop their monolithic systems and data silos into platforms that can be flexibly extended by apps, microservices, and cloud services as needed.

With regard to the technical implications, there is already a very large pool of expertise and many consulting services on offer. The actual challenge comes one step before that: finding the right strategy. Ultimately, the company has to decide whether it will act as a game changer or steer itself toward a successful future with numerous small optimizations.

The Workshop as a Source of Ideas

After everything that has been said above, you will hardly be surprised to hear that we at itelligence do not have a definitive answer. However, within workshops, we can support you to find the right answers for your business. Our workshops include a systematic analysis of your situation, possible strategies, and an evaluation of the potential measures, control mechanisms, and criteria for success.

We tailor these workshops to the specific needs and priorities of the participants. Our experts have decades of experience with industry and technology. They can generate ideas and personalized implementation measures in consultation with our customers or together with customers and business partners, if required.

> The customers are online, but the business processes are still offline.

An Agile Approach to Digitization

In addition to interdisciplinary workshops, itelligence also holds workshops on topics such as change management, process optimization, and technical implementation. Depending on the issue, another option is to combine a number of different workshops. In general, we recommend

taking an agile approach. We do not try to plan every little detail from the outset. Instead, we set short, clear time frames with the aim of getting to the implementation phase quickly and reviewing the strategy based on actual results. The outcome can be immediately factored into the rest of the implementation.

Getting Creative with Design Thinking

In many of these workshops, itelligence uses design thinking. This interdisciplinary approach is about bringing together the widest variety of participants (and therefore expertise) from different areas.

This is much more likely to succeed than other frequently publicized approaches, such as setting up joint ventures or establishing new departments as a kind of testing laboratory. The thinking behind these approaches is that everything will have to be rethought and done differently in any case, and that this is difficult to implement within an existing line organization.

In our experience it makes much more sense, especially when it comes to the future acceptance of the transformation within the company, to use the experiences and creativity of your own employees and partners. That is an area where there is enormous potential for innovation – and we can help you make the most of it for your business. Ask us how!

How We Support You

IoT Integration
Seamlessly connect devices, business partners, and customers beyond manufacturing and outside of the company.

Connecting On-Premise and Cloud Solutions
Simply and flexibly link conventional and cloud applications.

User Support
Integrate users, intuitive interfaces, autonomous processes, mobile apps, customer journeys, interaction points, and more.

Data Integration
Convert existing but untapped structured data and unstructured data (e.g., Big Data, social media) into valuable insights.

Learn more about how itelligence helps you make a successful start with digitization.

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