

# WHY FAIL?

PAUL SARGEANT

## Poor leadership, lack of methodologies constraining success of digital transformation projects for supply chain operators: survey

**K**een to use new technologies to streamline processes and lower costs, a majority of supply chain operators are finding lack of strong leadership and vague methodologies are hampering much-needed digital transformation projects.

Faced with increasing competition and shifting customer expectations, many operators are struggling to get much needed changes required to drive meaningful digital transformation over the line. The promise of advances such as fully integrated supply chains, driverless vehicles and fully flexible, customer-focused delivery scheduling tools is not being realised.

According to a recent survey commissioned by FTS Group and Software AG, 60% of respondents nominate a lack of tools and methodologies as the top factor inhibiting the successful completion of digital transformation projects. Meanwhile, 41% indicate a lack of leadership from the top executive team is their biggest concern.

These results are very concerning and highlight that there is considerable work to be done within many supply chain operators, if the promises of digital transformation are to be fully realised. In particular, senior management must clearly communicate that it is supporting these business-critical initiatives and provide sufficient funding to allow the acquisition of the proper tools for the job.

Digital initiatives – at least the good ones – should be based around an end-to-end customer journey/experience. However, most organisations aren't structured in this way and so the initiative will necessarily cut across multiple domains and lines-of-business. Consequently, you need both a strong commitment and direct, hands-on involvement from executive management to adjudicate competing claims and keep the program moving forward.

Other constraints flagged by survey respondents include a lack of funding, nominated by 34%, and a lack of leadership from line managers (28%).

### ROOM FOR IMPROVEMENT

Despite a clear need for digital transformation within many organisations, some for survival reasons and others for market growth, the survey found almost a third (32%) are not using digital technologies to transform their business processes and workflows.

This is also cause for concern, as organisations not taking advantage of technologies to improve the way they operate risk falling behind their competitors very quickly. The projects become just another point-in-time exercise and not a critical part of the company's processes.

Interestingly, 44% of survey respondents still believe they are doing better than others within their industry sector when it comes to implementing digital initiatives. This compares with 39% who believe they are level-pegging and just 16% who feel they are falling behind.

Many senior executives still only view digital transformation as a way to streamline processes through automation. However, its potential for adding value is far more profound than this. As technology solution providers, we need to become more adept at explaining the potential that digital transformation can deliver in clear and definable business terms.

### KEY TECHNOLOGY CHALLENGES

The survey also sought to understand what key technologies Australian organisations feel will have the most impact on their digital transformation initiatives during the next two years.

Topping the list is cloud computing, nominated by 44% of respondents, followed by mobility (37%), the

Internet of Things (35%) and advanced analytics (26%).

Here the results are not surprising as both cloud and mobile continue to be hot topics within the majority of organisations. However, in reality, cloud and mobile are merely platforms to more easily connect the customer, supply chain and transport partners, and employee with the organisation. What is more important is what services and solutions the organisation will be providing in the cloud or on a mobile device. These are the things that will drive digital initiatives and have a positive long-term impact on this ecosystem.

### KEY BUSINESS CHALLENGES

The survey also revealed the key business challenges currently faced by Australian organisations that they are aiming to overcome through digital transformation projects. Topping the list is business agility, nominated by 52% of respondents, followed by cost efficiency (45%), and data capture and analysis (37%).

Where cost reduction had been top-of-mind for organisations in the aftermath of the Global Financial Crisis, these results show that attention has now shifted to becoming more agile. However, while they are often seen as competing priorities, they are actually two sides of the same coin, and both fall under the umbrella of driving organisational improvement.

So, for example, a digital initiative to transform customer service may lead to cost efficiencies in serving those customers

through less waste in the supply chain, but it is not necessarily the primary objective of the project.

Digital transformation programs can achieve both improved agility and cost reduction if some key guidelines are followed. These include:

- **Establish a digital champion.** Assign an individual within the organisation responsibility for driving change and striking a balance between the needs of the business and fiscal discipline. There needs to be a cross functional approach adopted by this individual.
- **Utilise off-the-shelf products and platforms.** Most organisations see their operations and needs as unique and needing a custom solution. However, this can often be addressed with process change. For example, by establishing ways to automate parts of the development cycle, an organisation can decrease the time needed for new products to be developed.
- **Make iterative changes.** Rapid, small changes ensure innovation is accessible and not intimidating for an organisation. It also ensures that efficiency improvements happen quickly, freeing up time that can be saved and re-invested. Small wins breed momentum for greater change.
- **Don't forget the human impact.** Technology-focused projects often neglect the human impact of the change. Include a human-centred design approach and back that up with a strong change management and training program to ensure the digital initiatives are adopted by people driving the business.
- **Promote internal innovation.** By focusing on internal innovation, particularly improving procedures and cutting down on waste, organisations can free up time that can be spent getting more of the usual work done or devoting more time to process improvements.

By following these guidelines, supply chain operators will be much better placed to succeed with their digital transformation projects. This means they will be able to take advantage of the benefits offered by new technologies and services to drive efficiencies and improve organisational performance.

*Paul Sargeant is the chief operating officer at FTS Group. For more information call +61 2 9657 0999, email [info@fts.com.au](mailto:info@fts.com.au) or visit [www.fts.com.au](http://www.fts.com.au). ■*

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