



How To Succeed Where Others Have Failed:

Overcoming Common Challenges in Industrial Business Transformation

EVOLUTION
TRANSFORMATION





Industrial businesses face numerous challenges when embarking on a digital transformation program. Whilst each organization has its unique obstacles, there are three common challenges that are often encountered: delivering a return on investment, engaging people and complicated legacy systems architecture and data structures. Successfully addressing these challenges is crucial for achieving a seamless customer journey and ensuring a return on investment.

In this article, we will delve into each of these challenges and explore potential strategies to overcome them.

Pam Shields has 25 years' experience in B2B industrial service leadership; most recently she served as Service Director and General Manager at Avery Weigh-Tronix (2012 – 2023). Originally from an HR background within Financial Services, she transitioned to B2B industrial service leadership in 1998. Over the course of her career, she has led business units with revenues of up to \$53 million and teams of over 800 employees. In the past five years, she has successfully led Avery's digital transformation journey from disconnected legacy systems to aligned cross-functional workflows, capable of meeting the expectations of 4000 customers.



**Pam Shields - Founder
Evolution Transformation**

In the real world of manufacturing and industrial services, Pam's experience has given her valuable insight into the challenges of aligning people and processes with technology.



**David Okpala - Co-Founder
Simpala**

David has 8 years of experience in Salesforce consulting and delivery leadership. He currently serves as the Head of Delivery at Simpala where he ensures projects are delivered on time and on budget. He has managed a portfolio of \$23 million and business units with over 100 people. In his career he has delivered 10+ multi year business transformation programmes across Manufacturing, Media, Financial Services, Retail and Hi-Tech.

These experiences have provided David with an understanding of what businesses fail to consider when embarking on their transformation journey.

WHAT SHOULD I REALLY BE SPENDING MONEY ON?

Managing competing investment capital demands has always been difficult, but recent cost inflation has added an entirely new level of complexity. To remain relevant a business needs to invest capital and resources in research and development, Industry 4.0, digital transformation of products and services, sustainability, Net Zero, and skills training. All the whilst dealing with rapidly changing economic and market conditions. Delivering the return promised has never been more critical.

Delivering a measurable return on investment requires an understanding of how a transformation will affect your existing value propositions and potential new ones. If the value proposition is poorly understood, the return is diluted, and the stakeholders investing in the change will divert capital to other initiatives.

In terms of growth, digital transformation can provide a platform for the creation of new services and an opportunity to expand existing services, improving your average revenue per account and decreasing sales and marketing costs. The technology facilitates the development of services to support products and also provides potential for recurring revenue streams through subscription based propositions. From an efficiency point of view, the technology simplifies and automates processes, across functional boundaries, reducing process stages and optimising efficiency.

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"Study digital transformations that fail and you often find a lack of clarity about why the transformation is taking place"

(J.P Kotter, Change, 2021)

However, the software does not create competitive advantages in all cases. Despite the fact that customers expect multichannel access in real-time, does that expectation override your current value proposition to them? When your product is differentiated from the competition, then ease of doing business may not be a value creator. In addition, many industrial companies have very different requirements depending on the needs of their different customers. Choosing the level of complexity for the CRM design to accommodate these requirements should also be based on the value it generates. Customer journeys can be improved in a way that enhances growth retention or efficiency but often get lost in the art of the possible.



For example, if most of your high-value customers prefer to communicate by phone, offering a multichannel option may dilute your value proposition and reduce customer satisfaction. Similarly, if your product is what sets you apart from your competitors, you should focus on using out of the box functionality to minimise cost, this will help you achieve enough efficiencies and to deliver a return on investment.

Creating a list of clearly defined benefits, their associated return and timescales enables the creation of a transformation road map. The roadmap can be invaluable in providing a guide to all stakeholders on the benefits of each stage and how they relate to other benefits. The stages within the road map can be arranged in such a way that those with higher rates of return are prioritised as far as possible. This will enable the overall investment to achieve the required rate of return as quickly as possible and enable the next stages of transformation to be funded.

“what should we focus on first to ensure the best return on investment?”

Often Business Leaders ask “what should we focus on first to ensure the best return on investment?” expecting a specific feature of a product to resolve their business challenges. In most cases, the answer lies beyond the technology and revolves around the people utilising the tool. Beyond value to the business, there must be a clear value proposition to customers, employees and managers in order for transformation to be an active process throughout an organisation.

Once a clear understanding of the benefits to each stakeholder is defined and agreed upon, the tangible and intangible value of the investment can be measured against the cost of implementation. Many businesses struggle to quantify intangible value and as a result focus on activities that can show a measurable return but not the most value. For instance, in a British manufacturer, the finance team was struggling to contact their customer accounting team as the Sales department was not filling in the contact details properly.



As a result, the business struggled to chase invoices and keep cash flow on schedule much to the annoyance of the CFO. A data cleansing exercise resolved this situation but the Sales team were not educated on the knock on effect their poor data entry was creating. Lack of training and change management became evident within a year when the operations team started to notice issues with inactive contacts not being updated correctly. This is an example of a technical landscape transformation where there is clear value in terms of a solution but not a cultural transformation where bad data is prevented for years to come.

The drivers for change usually have the biggest impact on the overall success of a business transformation project. The businesses that pivot when nothing is inherently broken tend to be more successful in the long run as they have a mentality in which change is normal and self-disruption is preferred over external disruption. When a burning platform underlies the reason for change businesses become pigeonholed in the timeframe and extent to which they can reorient themselves.

Time is an important element when it comes to Return on Investment as any leader will tell you that they want to see returns as soon as possible. The industry of a business can have a big influence on the time they can allow for tangible returns to appear. For example, a manufacturer often expects returns within 6 - 12 months versus a financial institution where the transformation itself can take 3+ years requiring a larger horizon to evaluate over.





PEOPLE: THE KEY TO SUCCESSFUL CHANGE

Industrial businesses have grappled with the challenges of change management for centuries. Innovation and growth have been driven by industrial and technological advances, while lean manufacturing and continuous improvement methodologies have optimised efficiency.

Changes over the past few decades have generally been evolutionary and sequential but are still often painfully remembered by employees. Transformational change requires extraordinary change management, and your team will have to rethink everything they do at a pace that leaves little time for acclimatising.

In addition, the new workflows you are creating are intended to be visible to and operated by your customers, so they need to be simple and not rely on tacit knowledge. Workarounds won't be available to accommodate your teams' poor adoption of the technology.

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"Humans are the problem. And the solution."

(Dr. Corrie Block, 2022)

5 top tips ahead of a digital transformation:

A well-designed change strategy can make all the difference between program success and failure. It may be helpful to consider the following aspects when developing a change management strategy:



80% engagement

Your change should be inclusive so that at least 80% of your employees are engaged.



Internal is best

It is unlikely that external employees will provide a better solution, even if you are able to attract and retain them.



POCs work

Using proof-of-concept models extensively helps people understand how the future system will work.



Cross-functional teams

Create cross-functional teams of subject matter experts for seamless design, but ensure that it is based on customer needs



Discretion

Consider the impact of visible workflows and outputs on employees. People may feel judged, leading to disengagement or system circumvention.



When working at a mid-sized consulting firm it was a cultural dream to be able to offer Change Management services by the whole organisation. Individuals from every discipline would engage in courses to develop their understanding of the topic and contribute to the group consensus on the subject. However when transitioning to a global consulting organisation with a well established Change Management Practice it became clear that this offering is massively overlooked by businesses in an aid to manage budgets. Whilst completely understandable, post project, the majority of business leaders comment that they only truly understood the value of it once they completely transformed the business and could visibly articulate the effect of the change on people.

Does this mean that Change Management is something reserved for those on their second merry go round? The answer is completely dependent on how bumpy a journey a business is prepared for. A more practical example would be when moving house. There are many factors to consider such as packing boxes, arranging transport, updating bills and changing utilities, however the changes that usually affect you the most will be the new school that children have to acclimate to or the layout of your new supermarket that doesn't sell the same things as your last one. These are the kind of situations that you can practically prepare you and your employees for to ensure adoption with change management.



COMPLICATED SYSTEMS ARCHITECTURE POOR DATA INTEGRITY SOUND FAMILIAR?

In the past 30 years, as technology improved, many established industrial businesses developed unplanned complex system architectures. An ERP backbone is often layered with different systems to address the bespoke needs of each process or function. It is common for such systems to only be visible to a small number of internal teams, and barriers to information access are often consciously and unconsciously put in place. The problem is exacerbated when a functionally siloed approach to process improvements has been taken with little consideration of the impacts of process changes on upstream or downstream processes. Traditional separation of product and service processes can further complicate matters.

Complex systems can give rise to complex and inefficient data structures. The integrity of data and overall performance of a system will be compromised when data structures are poorly designed or lack organisation.

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"What I am seeing is businesses dealing with an epidemic of data problems which I call Silos of data."

(P.H Kukk, Your Single Source of Truth, 2019)

The consequences of poor data integrity may not be fully grasped until the system build reveals the extent of the problem, adding significant time to the project or even preventing the release of core benefits. Data structures are one of the main factors that affect the quality of onboarding and training. When learning the intricacies of a complex system takes too long, many new hires feel frustrated and demotivated, and may decide to quit. This can have a negative impact on the business, as the loss of talent creates a skills gap that is hard to fill in a short time. Moreover, the stress on the remaining team members may trigger a domino effect of resignations. You're left with two choices - transform and simplify systems and processes or have enough redundancy in terms of costly, inefficient, frustrated human resources. I know which I prefer.

Digital transformation can rid your organisation of its system and data barriers to change. Take the opportunity to radically simplify your systems architecture and remove unnecessary systems and processes. Take the time to create a data strategy and understand which systems will generate your "single source of truth" so you can maximise the benefits of cloud-based solutions and then follow this up with a solid data governance process.



In the same way that you can't turn water into wine, you won't be able to turn bad data into good data that is actionable. With the advent of the AI era looming, data is becoming more important than ever and this trend is unlikely to change any time soon. Although cleaning up bad data is critical to transformation success, it is significantly more dangerous to ignore the reasons behind the creation of the situation in the first place. Many businesses are doomed to repeat the same mistakes over time as they rush into problem-solving and end up fixing the problem and not the cause of the problem.

Lack of time and lack of training are some of the most common reasons for data corruption. Data strategy should be related back to people. By enlightening them in terms of how easy their jobs can become as a result of clean data, businesses can often save thousands spent on projects to remedy data problems. This process is especially important in situations where the amount of data required from an individual increases as a result of integrating more business units onto one platform. Many people simply do not understand how much of an impact their data has on others within the organisation. Without clear communication in conjunction with data validation, a large proportion of value from transformation will be lost.

When there is a clear alignment of strategy supported by bespoke change management, system design, and data strategies, industrial businesses can achieve transformational change which can lead to strong returns on investment and competitive advantage. Many businesses implement changes to immediate business problems and miss out on the opportunity to actually transform their business. This can lead to annual business transformation attempts which in reality are technology projects. Businesses that invest time in understanding their specific challenges in terms of people, legacy systems, and data, and developing strategies to overcome those challenges, will take longer to complete the discovery phase. However, it can result in significant time and cost savings during the build and deployment phases, and **ultimately determine success.**





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