

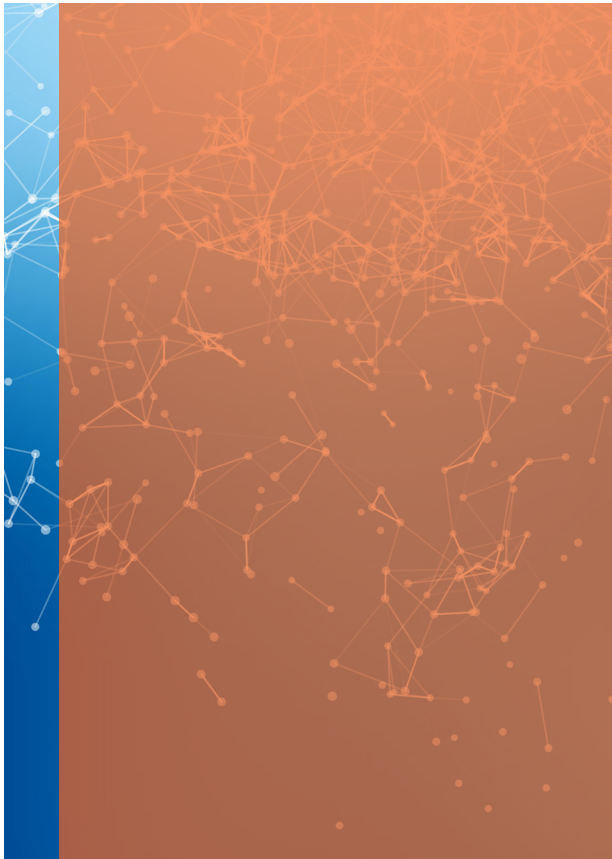
Digital Transformation in Medium-Sized Businesses

qwew

How CEO's of Australia are Finally
Connecting the Dots to Drive Growth

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It's a common misconception that digital transformation is synonymous with expensive technology programs reserved for large enterprise customers.

Historically, being a medium sized business could have been a disadvantage in terms of affordability of latest technologies. But with the outsourcing of services into the cloud and accessible pricing models, this is no longer the reality.




Foreword

But what is digital transformation? It is so much more than just changing your processes utilising the latest digital technologies. It 'marks a radical rethinking of how an organization uses technology, people and processes to fundamentally change business performance', says George Westerman, MIT principal research scientist and author of *Leading Digital: Turning Technology Into Business*. Data, and how you use it, is at its core.

Digital transformation should deliver tangible business outcomes in terms of better customer experience, improved employee engagement and enhanced operational performance. At its optimum it can become the basis of an organisation's competitive advantage. With the right application of digital technology, you can deliver outcomes such as frictionless customer interfaces right through to streamlined internal processes. This can transform how your organisation goes to market and win in an increasingly fast moving hyper competitive environment.



Medium sized businesses are particularly at an advantage as incremental changes performed over time could easily compound to a significant market advantage...

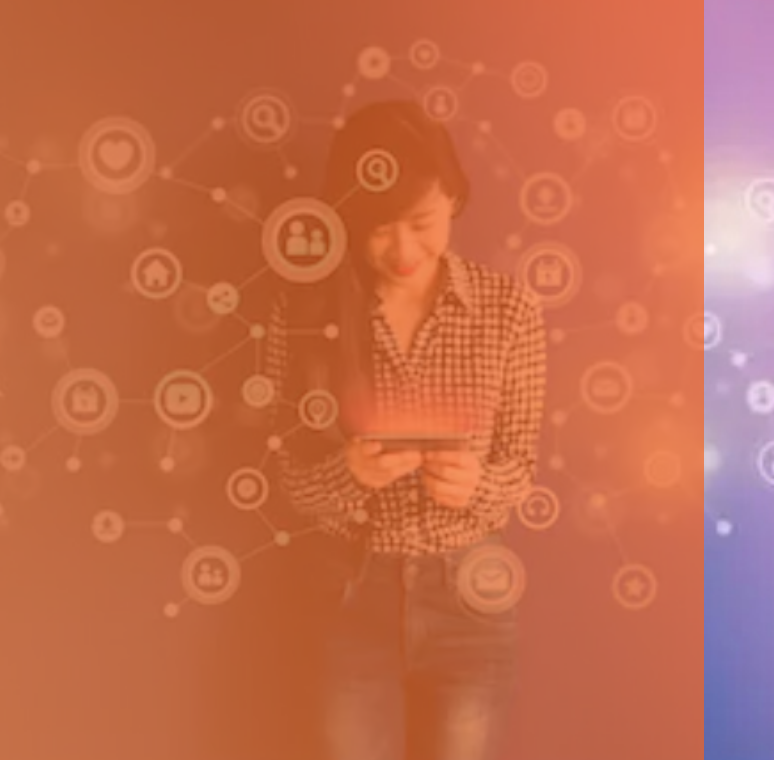


What drives transformational impact though is meaningful change shaped by the evolution in customer expectations around products and services. This approach takes into account the specific needs and priorities of a particular business, no matter how small or large. If anything, medium sized businesses are particularly at an advantage as incremental changes performed over time could easily compound to a significant market advantage. They also have the agility that often large organisations lack.

Businesses that utilise consumer and customer data and research to develop true insights are more likely to innovate and thus be able to pursue new revenue streams. As a rule of thumb, what's built from the viewpoint of solving customers problems is likely to drive enhanced competitive advantage i.e. looking from the 'outside- in'

The same holds true if you truly understand the connection between how intuitive and outcome focussed your internal processes are, and the connection to how they enable (or not) your employees to operate in a customer focussed manner i.e. looking from the 'inside- out'.

Focusing on customer experience is key, as is connecting the dots between how you go to market and enabling that internally through your people and processes.



7 ALARMING DATA POINTS

ON CUSTOMER EXPERIENCE BUSINESS
LEADERS CAN'T IGNORE

The experience economy has placed customers into an interesting position of influence. According to [Gladly's 2018 Customer Service Expectations Survey \[1\]](#), "92% of respondents would stop purchasing from a company after three or fewer poor customer service experiences.

68% will pay more for products and services from a company with a strong record of good customer service". Digital transformation therefore has to start with the consideration of customer understanding and data insights (the outside-in component). The customer problems you are trying to solve, and the needs you are wanting to meet, should be the genesis of your digital transformation journey.

Keeping this in mind, your transformation should pursue connecting business functions to streamline operations and drive efficiency in order to improve customer service, as a first viable step towards transformation. Some of the improvements could be subtle and may not require new technology in order to realise results such as repeat purchase or/and a higher retention rate and NPS score.

1

54%**MAKE DECISIONS**

Based on customer service, with 19% considering it the most important factor.

2

59%**VALUE PERSONALISATION**

Over speed (53%) when it comes to customer service.

3

61%**FEEL LIKE THEY'RE TREATED**

Like case numbers rather than people.

4

76%**GET CONFLICTING ANSWERS**

When dealing with the same issue with different representatives.

5

68%**WILL PAY MORE**

For products and services from a company with a strong record of good customer service.

6

92%**WILL SWITCH**

To another company after 3 (or fewer) bad experiences.

7

98%**TRY TO SKIP THE IVR**

to get to a human agent. The top three terms used are "representative", "customer service" and "live person".





The perception a customer has about your company isn't necessarily limited to user experiences linked to brand-owned channels and marketing. However, it is where you need to start. Customers' interactions with you online, over the phone, in store, through chat or via email are key touch points. This means you need to have a deep understanding how your processes and level of staff engagement impact your ability to service customers – exploring from the 'inside-out'.

As such, digital transformation is cultural transformation. The application of technology is not an end in itself. It should play the role of an enabler of people and processes – in essence everything that enhances the customers interaction with your brand. This can then help drive the right strategic outcomes for your organisational transformation.



DIGITAL ENGAGEMENT'S DIRECT LINK TO GROWTH

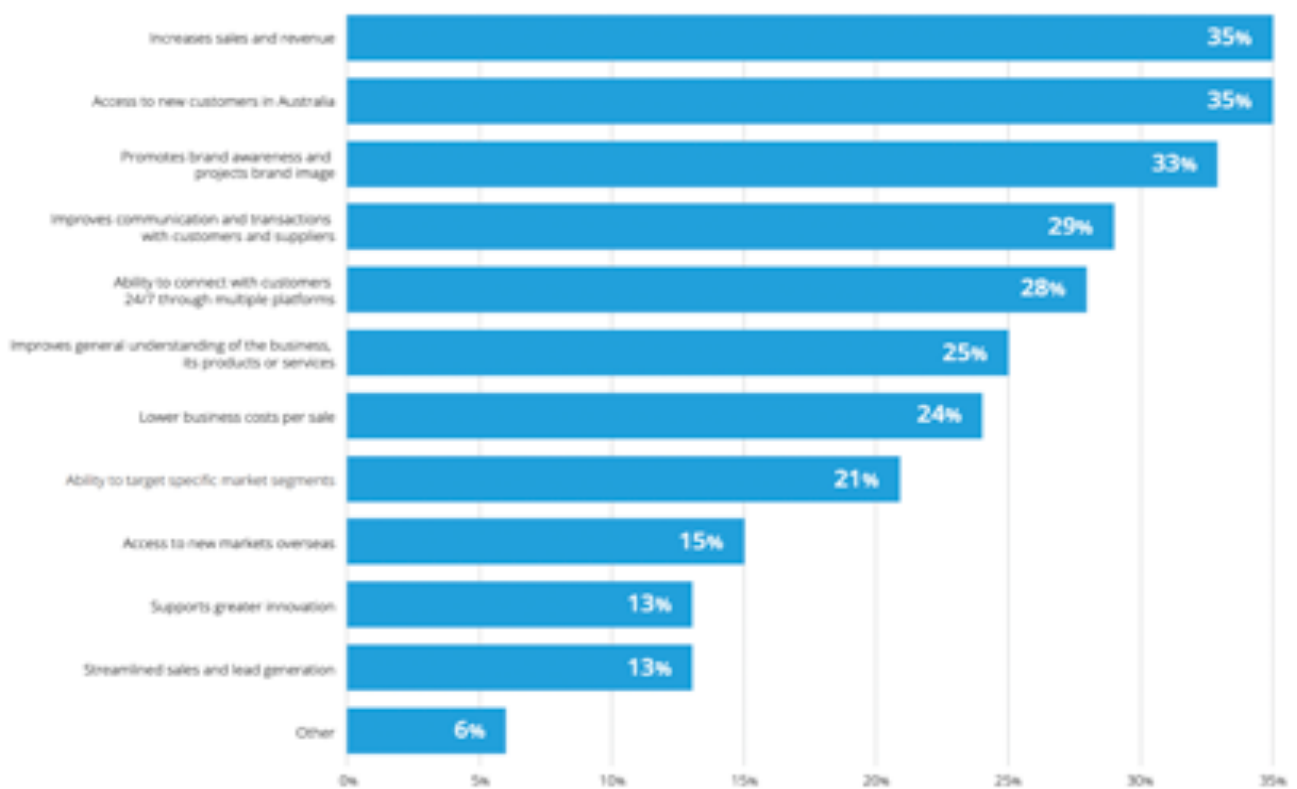
Successful digital transformations are driven by the CEO and owned collectively by the C-suite, the CxO's. It should no longer be the domain of the IT team. Critically it is a change management exercise that needs to integrate employee experience to enable maximum adoption and impact.

According to the '[Connected Small business report 2017](#)' by [Deloitte Australia \[2\]](#), "digital engagement is important for the success of SMBs, and the research reveals clear and significant financial benefits associated with higher levels of digital engagement."

It continues to emphasise that SMBs with advanced levels of digital engagement "are 50% more likely to be growing revenue and earn 60% more revenue per employee than the SMBs with basic levels of digital engagement". See the case study on Connective later in this paper that proves this point.



Top three ranked benefits of digital tools



Source: Deloitte Access Economics (2017)



3 HYPOTHETICAL BARRIERS FOR MEDIUM SIZED BUSINESSES

WHY IS IT THEN THAT MOST SMB'S ARE STILL FEELING LIKE THERE ARE BARRIERS TO GETTING STARTED ON DIGITAL TRANSFORMATION?

1. GOING DIGITAL IS EXPENSIVE

There is still this outdated perception that 'going digital' is expensive. Much of the hype around leading edge technology, such as Artificial Intelligence and Blockchain (for instance), seem to indicate it is the domain of large enterprise organisations with big budgets. However, consider opportunities like simple subscription based technologies such as CRM's that could significantly improve productivity and customer experience whilst making existing processes cheaper and easier.

[According to Salesforce \[3\]](#), "growing SMBs are twice as likely to be utilising a CRM than their struggling counterparts. CRM costs start at \$10 per user per month, with many CRM providers offering affordable cloud-based solutions for small businesses."

47% of Australian SMBs adopted collaborative software for their teams. Tools such as [Slack \[4\]](#), [Asana \[5\]](#), [Trello \[6\]](#) or [Zoom \[7\]](#) are cloud based solutions often enabling teams to use them initially for free. There are certain limitations when it comes to the number of users but smaller teams could experiment with them to measure impact on their productivity and collaboration and potentially drive adoption across organisations.

Cloud based storage through such services as AWS (Amazon) enables

businesses to scale easily and in a cost-efficient manner. Outsourced services both in Australia and offshore in the areas of data analytics mean you can access insights and learnings, as well as build predictive models, at a fraction of the cost that you would have faced even five years ago.

You also don't need to do it alone. Collaborations and partnerships to enable you to access best in class digital technologies, as evidenced in the case studies by Airtasker with Australia Post and AW Bell with the CSIRO, is a cost effective and fast way to transform how you operate.



2. WE HAVE INADEQUATE SKILLS & EXPERIENCE

Cross functional teams that utilise methodologies such as design thinking and agile sprints are more likely to test assumptions, weigh up risk and gain an understanding of transformation priorities.

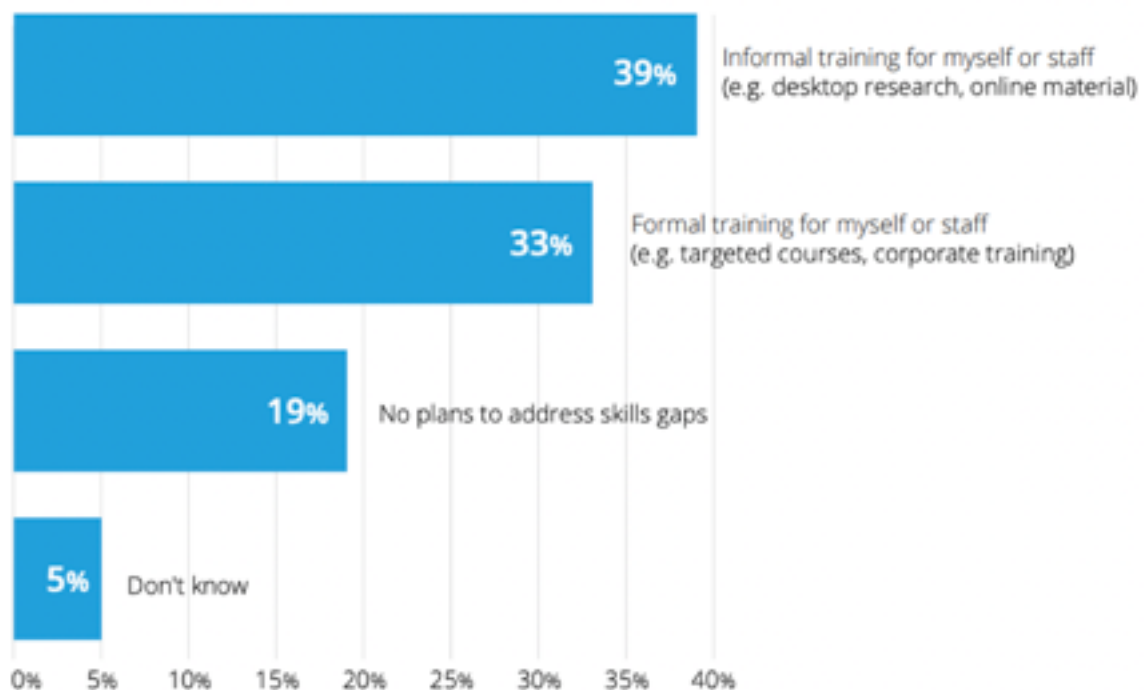
As such, before you innovate through technology, attempt to create a more agile operating model that enables your employees to learn from each other, brainstorm ideas and innovate through process improvements first and foremost.

Two week 'sprints', once the domain of IT development teams, have become the operating rhythm for functional teams as diverse as marketing and operations. This is a core underlying principle of how Connective operates across all its teams (see case study). If you are a leader who recognises that these particular skills are not present in your organisation at the moment, training and upskilling is more affordable than you realise. Platforms such as [Skillshare \[8\]](#) and [Udemy \[9\]](#) offer online courses for a fraction of the price of those courses conducted by Universities and training organisations.

Empowering your IT to teach agile methodologies to other functions is one simple way to embed a more agile approach to innovation. Leveraging technologically advanced partners, suppliers and even customers, knowledge and experience is another way to turbo charge your capability in digital transformation.

You could also consider, if you truly want to make a step change, developing a bespoke program. Key components would include an exploration of the digital technologies and tools that are available (a number of external companies and consultants can help here), learning from successful companies that have applied digital technologies and then charging the team to apply those learnings to real challenges and opportunities based on solving customer needs and problems. A truly integrated development approach with real business outcomes.

Plans to address skills gaps in using digital tools

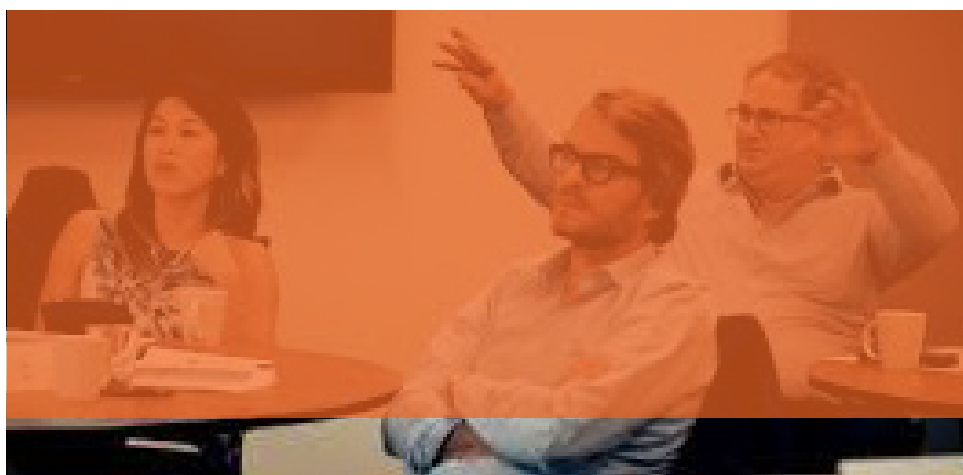


Source: Deloitte Access Economics (2017)

3. WE DON'T KNOW WHERE TO START

Small-to-medium businesses tend to spend more time working in the business rather than planning for its growth. The horizon is typically next month or quarter rather than looking further ahead.

So before embarking on any digital transformation it is critical that you have a degree of clarity around your strategic direction. This needs to include determining the problem you are solving for your target customers and how you will win in the market - your competitive advantage.



From this point you can determine the capabilities you will need to succeed in the future. A critical capability for success in the next decade clearly needs to be how you apply technology and digital tools that enhance your competitive advantage and improve your operational efficiency.

According to the 'Connected Small business report 2017' by Deloitte Australia, "when businesses incorporate digital tools to their business strategy, they become receptive to new technologies that can present

opportunities. In the next five years, 40% of SMBs expect to be expanding their use of technology to incorporate machine learning and other new technology within their business operations."

Spending time away from the business thinking through these issues and developing a simple one-page strategic roadmap will be time well spent. Engaging some external support to help facilitate or frame your thinking can also speed up the process and ensure you are coming at this challenge not only from the 'inside-out' but from the 'outside- in'.



CASE STUDY 1

CONNECTIVE

APPLIES A DIGITAL MINDSET ACROSS THE ORGANISATION

[Connective \[10\]](#) is Australia's leading mortgage aggregator supporting over 3,700 mortgage brokers write one in nine of all Australian home loans.

Connective has a unique business and revenue model that is strongly aligned to the success of its brokers that has seen it double its revenue and EBITDA over the last four years.

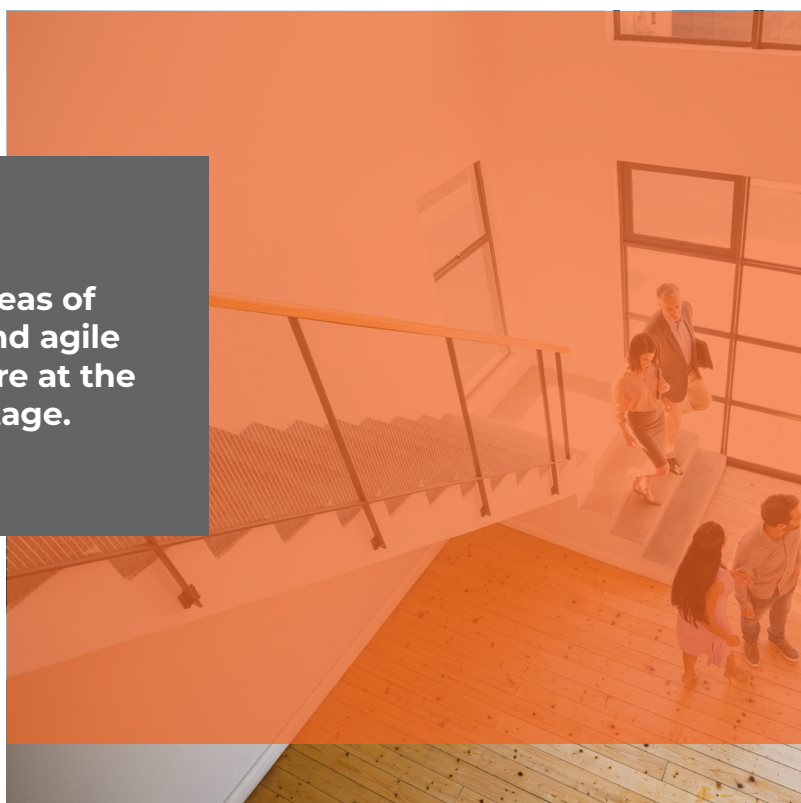
A large driver of its success has been how it has developed and enhanced its technology and digital tools, as well as operating methods, to drive the success of its customers whilst enhancing how it operates internally.

The Mercury technology platform, that underpins the broker value proposition, is developed in an interactive, agile manner. Improvements and enhancements are based on feedback from brokers, analysis of how the platform is actually utilised and a disciplined test and learn environment. Updates are made in a series of releases that incrementally improves the performance and user experience each and every time. What is critical

though has been that, whilst ensuring that the platform is best in class, it also has enabled each broker to develop and utilise Mercury within their own business ecosystem. API's enable connectivity by the broker from Mercury to their preferred digital tools and systems such as Xero or a different CRM for instance. This flexible model is highly valued by its customers.



A high level of capability in the areas of digital technology development, and agile operating processes and mindset, are at the core of their competitive advantage.



What is also unique about Connective is how they have applied this digital mindset across the organisation. What are typically IT development methodologies, such as two week sprints and Kanban boards, are used by other teams, including marketing and operations, to ensure they are firmly focused on improving customer experience priorities, whilst optimising operational performance. IT project managers support other functional teams

in training them in how best to apply an agile development process and mindset to their work styles and outputs. Tools, such as Yammer for communication and Trello for project co-ordination, enhance how the teams collaborate enabling them to move faster than the competition in solving business problems and making the most of market opportunities.

Connective have a very clear one-page strategy statement that guides how they will win in the market – clear choices have been made about who they serve and how they will operate to enable success. A high level of capability in the areas of digital technology development, and agile operating processes and mindset, are at the core of their competitive advantage.



CASE STUDY 2

AIRTASKER

STRENGTHENS CUSTOMER TRUST WITH A BOLT-ON

How Airtasker leveraged technology already built by Australia Post to generate more tasks posted on their platform.

Airtasker partners with Australia Post to integrate Digital iD™ to strengthen trust amongst users of the platform. [Case study published via Australia Post \[11\]](#).

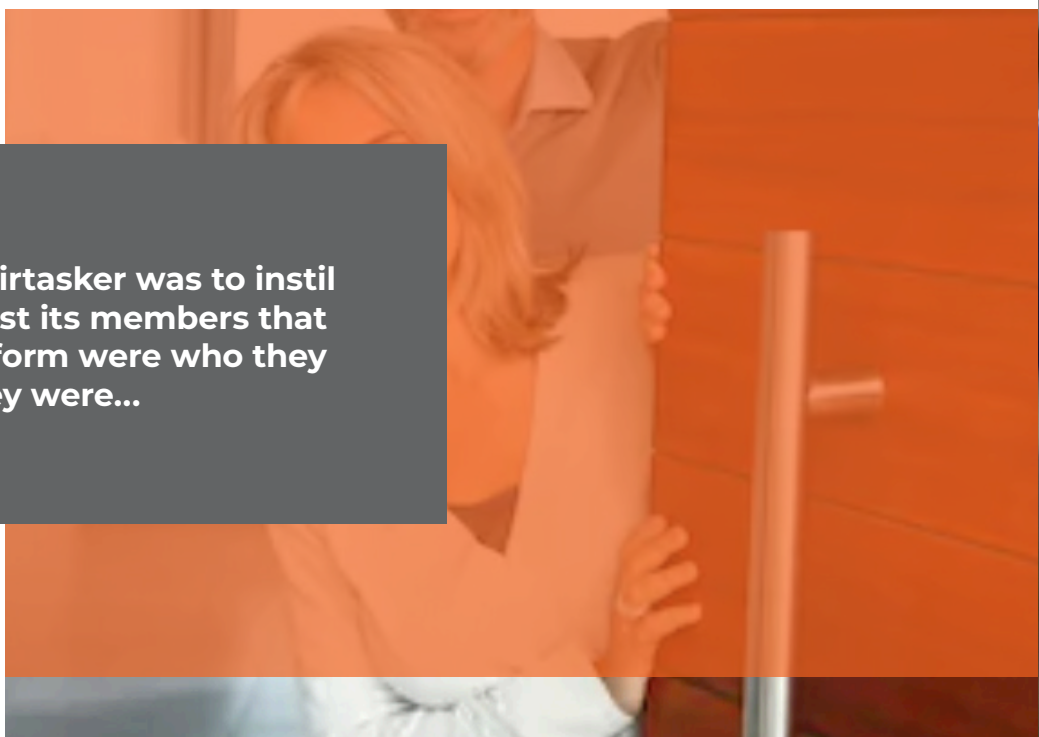
[Airtasker \[12\]](#) is a much-loved Australian community platform that connects those who need to outsource tasks and find local services, with people who are willing to assist and earn money in the process.

It's based on trust as often services are carried out in people's homes or require access to personal information. The challenge for Airtasker was to instil confidence amongst its members that people on the platform were who they said they were. In response, the platform offered members the ability to add certain verification badges such as ID, licence and Police Check and Working with

Children. This however involved a tedious process of verifying someone's identity by collecting 100 points against 4 different types of IDs. Of course, copies of these IDs also had to be JP verified. Airtasker had to assess each application individually thus creating not only delays for members but huge overheads in the process. It was a problem that had to be solved fast.



The challenge for Airtasker was to instil confidence amongst its members that people on the platform were who they said they were...



Digital iD™, an identity verification solution developed by Australia Post, seemed like the best fit for this challenge. It was already successfully integrated and adopted by various enterprises and government agencies.

Airtasker was seeking a partner with seamless digital capabilities following industry best practice that aligned with the values of the Airtasker team and represented minimal integration cost and development effort.

According to Airtasker's senior engineer, Daniel O'Callaghan, "digital iD™ follows the expected protocols for connecting systems securely together, which meant the integration would be effective and efficient, and we could continue focusing on our core product."

This solution not only removes friction from the engagement process for members, but it also drives trust, which resulted in a higher likelihood of job assignments for those who chose to display their digital iD™ badge on their profiles.



CASE STUDY 3

AW BELL

TRANSFORMS BUSINESS THROUGH PARTNERSHIPS AND TECHNOLOGY

AW Bell is a family owned business founded in 1952 that employs over 100 people in Dandenong in Victoria.

Starting life as a patent and tool shop servicing the automotive industry in Australia, the organisation has undergone a significant transformation over the last 15 years.

An early user of new technologies, such as 3D printing, [AW Bell \[13\]](#) has always looked to how they can apply digital technologies to the design, development and manufacture of their products.

Working with partners such as the CSIRO, to develop a new casting process for aluminium, has enabled them to develop innovative manufacturing systems and products that has opened up new export markets.

They have transformed the organisation to be now manufacturing specialised parts and high-end metal castings for the aerospace, defence and biomedical industries in the USA. [They currently supply key components for the global F-35 Joint Strike Fighter \[14\]](#). AW Bell have also been very focused on applying digital technology to how they operate, including the recent implementation of an ERP system.



They have utilised Power BI to customise reporting to ensure they meet the exacting standards that their customers require.



This has increased the tracking and flexibility of their operation and includes arming operators with tablets so they can review performance in real time. Additionally, they have utilised Power BI to customise reporting to ensure they meet the exacting standards that their customers require.

A multi award winner AW Bell is the recipient of the Victorian manufacturer of the year, and also holds a Victorian Export Award. Chairman of the Board Geoff Bell has been admitted to the Victorian Manufacturing Hall of Fame Honour Roll and the business was a finalist in 2019 in the category of leader in Innovative Product Development and Commercialisation. A testament to their innovative mindset and adoption of digital technologies.



CLOSING COMMENTS

BY JAMES ATKINS



ABOUT JAMES

James Atkins is a strategic planning facilitator working with medium sized businesses looking to grow. He also sits on a number of Boards as a non executive director, including the Connective group and BIG4 Holiday parks.

No matter how you look at it, the digital revolution is here to stay. SMBs who realise that digital transformation is more about uplifting capabilities rather than relying on technology alone, will come out ahead of the game.


Focusing on customer experience is key, as is connecting the dots between how you go to market and enabling that internally through your people and processes.

Vantage Strategy specialises in helping medium-sized Australian businesses unlock growth opportunities via strategic planning workshops, coaching and mentoring, and our highly popular Vantage Leaders Forum.

To learn more about our full suite of services, simply **[click this link](#)** or call **+61 3 9836 0491**.



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