Aarn Giri© / Adobe Stock

Digital Supply Chain Transformation – Part 2

The "Digital" is the least important aspect of a "Digital Transformation"

Following our vision, in the clouds, of lightning fast Customer-to-Supplier connectivity, we are now addressing the weeds of digital transformation. Is this familiar?

"The planning MRP run crashed over the weekend, marketing created a new product code and haven`t priced it yet !"

There are four key pillars for digital transformation enablement;

- **Technology is an Enabler**
- **Digital Masterplan**
- **Technology Foundations**
- **Change Management**

Technology is an Enabler

Customer centricity. It's easy to become hypnotized with all the media and celebration of the smartness of different digital technologies. This can, even subtlety, lead to:

Creating problems to solve with technology

Instead of;

Understand your customer`s unmet needs and pick the best strategy and technology to solve these.

Despite the vast array of real problems that technology today can solve, it is essential to be laser focused on prioritizing your customer`s biggest pain points.

Galbraith Organisational Design Model

The Galbraith Organisational design model illustrates that a technology transformation is never just about technology. If you follow a customer centred Strategy, and your strategy requires new technologies, they have to be in sync with your new:

· **Structure**. Does the Digital Transformation dramatically change the way your organization needs to work. Do structures and teams need to change?

· **Processes**. Technology itself will not sustainably deliver customer and business value, What are the work processes that need to enable this technical innovation in new ways of working?

· **Rewards**. How do you incentivize the organization to adopt the new ways of working?

· **People**. Do you have the skills for this new technology, how do you train and develop the organization to support the new ways of working? Do you need to hire for new roles and skills?

*The company **Amazon** is associated with cutting edge digital capabilities. However the company`s mission is: "We aim to be Earth's most customer centric company".*

This is what lead Amazon to harness its digital capabilities, to make the returns process as easy as the purchase process. Leveraging technology to reduce company revenue! Of course, the trust and supreme experience shoppers have with Amazon creates strong loyalty and strong future sales momentum.

Digital Masterplan

You will never reach the end of your digital masterplan, however it is vital to have one!
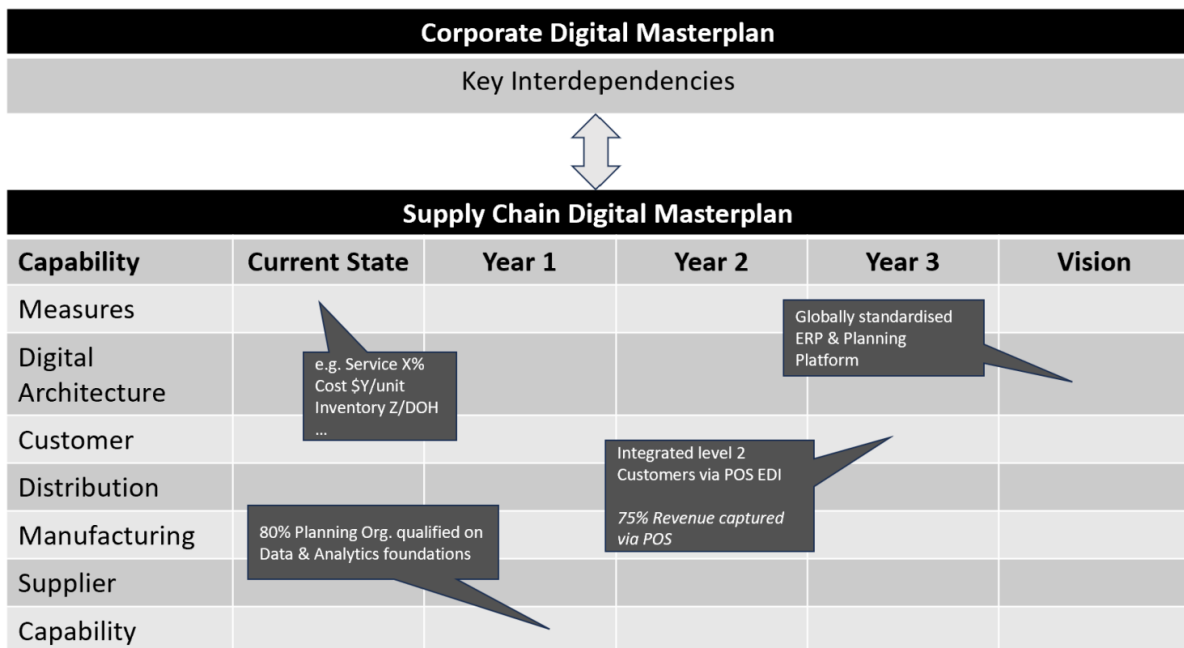
How a Digital Masterplan could look

The main objective is to make sure that the **steps you are making now** will not be **regretted** and they fit with your longer term, digital vision.

As the digital world is changing so quickly, the digital masterplan will need to be refreshed periodically so Year 3 will never actually be achieved!

Above is an example of how a digital masterplan could be structured. It is key to connect activities with measurable outcomes.

For a more in-depth, informative article by Jeremy Hore. Digital Masterplan article

General Electric offers a great example of leveraging a digital masterplan to transform the business itself. This started first with a vision to become a leader in IoT technology, as a way of using sensors to optimize the company`s vast industrial operations. As part of this initiative, the company designed an open-architecture platform, Predix, to handle industrial data and analytics. This lead into the industrial company, creating a GE Digital business unit to further develop and commercialize its digital capabilities. This has now lead to new business models such as offering Predix to other companies and software as a service. This shows how the company`s vision had a digital masterplan, but also how it was refreshed and refocused as the company`s industrial digital leadership grew.

Technology Foundations

© Adobe Stock

Masterdata

There is nothing more extreme than the exciting, creative opportunities of AI and at the other extreme, the dry, boring, precision of **Masterdata** excellence. **Garbage in, Garbage out.**

As a company grows, a situation can quickly emerge when there is no single person who actually understands how Masterdata is managed and how it all connects into the various different platforms across the organization. It is very easy to have several **versions of the "truth"**.

This isn`t a Masterdata article, so to keep the situation simple. In your digital journey, you need to ensure that your Masterdata is:-

- **Complete** : All input variables necessary to manage the E2E supply chain must be defined and available in your internal databases

- **Mapped** : All your Masterdata and calculated outputs must be mapped to ensure that there is one auditable, source of truth across the whole digital landscape.

- **Maintained** : There are work processes and accountable owners who are responsible for ensuring that all Masterdata is maintained for accuracy during the lifecycle of a product.

Leverage AI for semi-automated Masterdata population and quality assurance.

Ultimately, for digital excellence, your Masterdata chassis must operate at aircraft safety discipline levels, so that greater quality of digital returns can be obtained.

Connectivity

It is important to find solutions for legacy and latest systems to be integrated.

A useful strategy is to invest in a data lake or data warehouse that can manage the vast array of structured and unstructured data from the latest and legacy systems. This can then be used for digital solutions that need to span datasets that were previously disconnected.

Capability

New digital capabilities can only be full leveraged if the organization has the skills necessary to leverage these. An important aspect of your digital journey is to ensure that users are trained and qualified on new tools and work processes also that there is the necessary levels of key users, business experts and external provider expertise to manage your system.

*In the fiscal year 2014/2015, **Tesco UK** had a crisis with its data management. To remain competitive, the company had been increasing further its digital capabilities at managing its internal ERP platform, supplier and customer management. However the company`s digital foundations, architecture and Masterdata processes were not robust enough. This lead to many supply chain issues and inventory reporting that lead to excess and stockouts, supplier management issues and even to a profit overstatement of £263 million.*

Change Management

Change management is what will make or break your digital transformation. The project management, the way that people feel and how they are involved will determine the final level of sustainable, continued improvement.

Stakeholder	Benefits	Concerns	Tactics
Top Management	Potential for shareholder return	Business Continuity? ROI?	**Business Continuity & ROI :** Strong programme manager & external support, business case, stage gates.
Customers	Improved service & long term cost reduction	Business Continuity?	**Restructuring / Loss of Job / Skills :** Communication, communication and communication.
Supply Chain Management	Improved cost, service & cash Promotion?	Business Continuity? Failure? Restructuring?	
Supply Chain & Manufacturing Employees	Less low value work New tools & skills	Loss of job? Can I learn these new skills?	Training and development for new skills.
Suppliers	Better visibility	Business Continuity? Will we keep up?	Leadership role modelling of new culture and skills.

Digital Transformation Stakeholder Mapping

Digital transformation can evoke many concerns. In particular, the fear of job security and the ability to adjust to the latest technologies can really slow your progress.

These concerns may not be visible, which is why proactive strategies are needed to manage this silent inertia.

These concerns cannot be completely mitigated, though they can be significantly reduced through:-

- Ensuring that you invest in mobilizing every level of the organization in the transformation

- Assigning and developing key users. Holding workshops.

- As much transparency, as early as possible, on organizational implications.

- Constant communication and addressing concerns.

*Despite the successes that **GE** experienced as it moved from a manufacturing to a digital centred organization, there were also challenges during the transformation. As you can imagine, much of the organization was still entrenched in a legacy, traditional industrial mindset, so this migration proved difficult for many to transition to. There was also "innovation fatigue" through the sheer number and rate of changes. The organization operated, at that time, in business unit silos and this initiative became fragmented due to the challenges in collaboration and scaling of the different initiatives. There were also difficulties with integrating the Predix platform with all of different legacy manufacturing platforms.*

Supply Chain Transformation **Change Management** will be a covered later in a full article.

So returning to the opening statement;

"The "Digital" aspect is the least important aspect of a "Digital Transformation"

I hope this article has touched on some of the factors that need to be considered so that you are able to fully unlock the Digital potential ahead of you.

Stay tuned for more articles. In the meantime, don`t hesitate to reach out to me or my mile20 colleagues to discuss further or for support in navigating your supply chain`s digital transformation journey.

Michael Dewey