

Accelerating Business Transformation in the Digital Age

Background

Business Transformation involves making fundamental changes in how business is conducted in order to help cope with shifts in market environment. This chapter focuses on the role played by digital technology in business transformation and the mindset shifts required to embark on a digital transformation journey. More relevantly, this chapter also highlights how data analytics is driving digital transformation.

Role of Digital Technology

In the journey of business transformation, digital technology usually plays a catalyst role in accelerating change throughout the organisation, often with an aim of strengthening the value proposition of existing business. A good example is Grab Taxi's on-demand model whose value propositions centre on convenience and immediacy that offer instant access to customers. Another example is Knorex Pte Ltd, which offers analytics services to enable its clients to make sense of their data for better intelligence. Knorex uses an advanced image recognition technique to enhance physical media such as newspapers with interactive contents. Users can point their smart devices at the newspaper article to interact with the embedded contents, such as multimedia, social media sharing and 3D models. These interactive

2 Accelerating Digital Transformation of SMEs

features are embedded with comprehensive tracking to provide analytics to marketers. In this way, marketers can better understand the interest of the readers based on their engagement with the interactive contents.

An infamous example of how digital technology has decimated companies that could not keep up is Kodak. In its heyday in the 1990s, Kodak was the market leader in cameras and films. Yet in 2012, Kodak filed for bankruptcy protection. This rapid decline of Kodak is surprising to many as the company invented digital camera. But over time, the company was focused mainly on its film development and photo printing business. Kodak had missed the boat when digital cameras were incorporated into mobile phones as it reacted too slowly in the digital revolution.

Kodak's case offers an important lesson. In this digital era, companies need to act swiftly to develop a digital strategy, shift organisational structures and remove the barriers that are keeping the organisation from maximising the impact of new digital technologies. After all, if planned and executed well, there is a great opportunity for digital technologies to reframe business and industry models in a significant manner. This may create positive values for consumers, companies and communities.

An important step in technology-driven business transformation is that SMEs must embrace a culture of digitalisation in their processes. For example, top-level commitment in digitalisation is vital to engendering commitment from others. Probably the most important factor in building a culture of digitalisation at small and medium-sized enterprises (SMEs) is having a strong leader, such as the business owner, who is a proponent of digital transformation.

Another important consideration for SMEs is to put in place at every level leaders who are committed to using digital technologies to improve their processes and decision-making. A good example is to establish an effective data management system. It may not necessarily mean owning sophisticated database software, but at least a systematic way of managing data in normal computer set-ups. It is difficult to conduct decision support if you do not have reliable data. Besides the database system, SMEs must provide an open working environment. Employees must be willing to share data and information because they believe their colleagues are going to help them to improve their work, rather than simply turning them away.

Adopting a Digital Mindset

To embark on a digital transformation journey, SMEs may require a significant mindset shift. Once the SME is able to shift the mindset, it is on its way to thriving from just surviving. The capability to disrupt is quickly becoming a competitive advantage for companies. Here, we suggest four necessary mindset shifts in a digital transformation journey: *Disrupt or be Disrupted*, *Redefine the Business Strategy*, *Establish an Agile and Experimentation Mindset* and *Be Data-driven and Exploit Business Areas that cannot be Digitised*.

Mindset shift #1: Disrupt or be disrupted

The major cause of disruption is the rapid advancement of technology, which allows new business models to be introduced at an ever-increasing rate and with rapidly declining costs. Addressing this uncertain environment requires disruptive thinking, a willingness to change and reject tried-and-tested ways of creating value. Essentially, SMEs need to be willing to disrupt themselves before others do it to them. This mindset shift requires overcoming the fear that a new product or channel will cannibalise an existing business. Many SMEs struggle with legacy assets and productivity gaps in their own operations and, therefore, find it difficult to overcome the inertia to change. A good example of how a traditional business is embracing digital technologies and transforming its way of doing business is the furniture industry.

In recent years, the furniture industry has undergone significant transformation. Internet furniture sale platforms have replaced many brick-and-mortar stores. Consumers' behaviours have also changed: small orders and purchased on impulse instead of large ticket items, meticulously curated into a home with precision. As a consequence, furniture suppliers also had to react to the change by having production and supply chains that could accommodate volatility in sales behaviours.

In addition, the furniture industry has also adopted virtual reality (VR), augmented reality (AR) and Internet of Things in delivering sales and customer service. With VR, users can select from numerous furniture and furnishing options to help them design their homes without having to be physically present in the space that they are fitting out. This enables

4 Accelerating Digital Transformation of SMEs

retailers to shrink their shopfronts and reduce operating costs. Retailers no longer need to limit their offerings to only what they can physically display in their stores. With AR, customers can experience how their home looks and feels with their chosen furniture even before they pay for them.

With Internet of Things, furniture pieces can be attached to network connectivity and intelligent devices to monitor health statistics, regulate temperatures for comfort and provide feedback on furniture-use preferences. For example, an office table that monitors an employee's use and well-being adjusts its height at regular intervals to suit his or her optimal ergonomic position, may raise productivity and prevent health issues that arise as a result of prolonged sitting. The digital age has seen furniture retailers either moving out of their brick-and-mortar models or turning their stores into flagship click-and-mortar showrooms.

Mindset shift #2: Redefine the business strategy

With digital technologies changing the business environment at rapid speed, a fundamental redefinition of business strategy has become a necessity. Revamping business strategy may include venturing into a new market, pushing for major corporate innovation and others. But before an SME takes any action, it should identify existing strengths and capabilities. This is because while establishing a new business model may sidestep the challenges and constraints of the disrupted legacy business, it is, however, difficult to redesign an SME to compete in an entirely new business area. Therefore, emphasizing on existing strengths and extending internal capabilities will be a good starting point for any digital transformation.

Singapore Post is a good example of how a company is in the process of refocusing its core business. In an announcement made in July 2016, the company acknowledged that its domestic mail business was a burning platform that was subjected to the forces of digital disruption. Domestic mail business is facing an accelerated decline as corporate Singapore becomes increasingly digital. The company is transforming its business model to build new source of growth by extending its foundation into e-commerce logistics. According to the company, this is an important and necessary step to ensure that Singapore Post remains sustainable. Redefining the business strategy is not just unique to Singapore Post. Other successful examples

include Fujifilm which applied its capability in attaching chemicals to film and made entry into the cosmetics industry. Similarly, IBM also shifted a large part of their business from hardware to services and consulting.

Mindset shift #3: Establish an agile and experimentation mindset

To respond to disruption, SMEs may want to learn from their disruptors and try to emulate the way they think and act. This may mean SMEs will have to adapt and embrace an agile and experimentation mindset. It is important to create a culture of experimentation where assumptions and iterating concepts are constantly tested. It is fine to experiment and fail. By learning from lessons of failure and applying them to product development, SMEs can continue to innovate so as to ensure each new version of the product better addresses the needs of customers.

To cultivate such a mindset, creating a right culture is important. Rather than specifying desired outcomes, start with a business benefit the company aspires to deliver and let employees work out the best way of achieving it. The mindset ought to be applied across the business units and be supported by the CEO of the SME.

The banking industry is a good role model in creating and cultivating an agile and experimentation mindset. In today's digital age, banks have witnessed an array of new digital solutions and concepts that are coming onto the market. Banks are taking rapid and appropriate actions to innovate and digitise their services. For instance, banks have been primarily dependent upon their branches for their interactions with their customers. They now need to delve much more deeply into how that physical distribution network can be integrated into the whole digital transformation process. Some banks are in the process of coming up with a sound strategy to leverage their physical branches and automated teller machines (ATMs) to enable better digital processes than the fintech, which don't really have a physical presence.

Some banks, however, have already made significant steps in reducing their physical footprint. They have introduced new customer experiences by launching new brands and digital capabilities. For example, banks are beginning to offer many more services through mobile phones so

that phones can be used for services beyond checking bank balances and transferring money. Others are rethinking their physical network differently, exploring ways of using a bank branch in a more innovative or value-adding manner. After all, it can be seen as an asset their competitors do not have.

Similarly, the Monetary Authority of Singapore is embracing new technologies, taking advantage of fintech's potential, and reaching out to tech start-ups.¹ It has set up a regulatory sandbox for fintech start-ups to play in without risking customers' data (and money). In addition, it has launched an innovation lab, "Looking Glass", to experiment with fintech solutions and provide consultation to start-ups. The latest notable development is the use of blockchain to enable cross-border payments between major banks. This could be a major step toward legitimising the technology which may bring on board more innovative banking applications.

Mindset shift #4: Be data-driven and exploit business areas that cannot be digitised

Increasingly, companies are utilising big data, coupled with advanced analytics, to improve customer engagement, optimise business processes and point to new monetisation opportunities. Business insights are gleaned when statistics, predictive analytics and data mining are used to inform business processes and improve performance. Companies can do so by identifying data relevant to key business processes and decomposing each process into its supporting decisions, questions and data sources. The end goal is to have a data-driven company where every person has access to data when they need it so as to make better decisions. Being data-driven is about giving business decision makers the power to explore data independently, even if they're working with big or disparate data sources. They need to be able to ask questions and receive answers that are based on data before the decision is actually made. A good example of how data have played an important role in its business processes and decision-making is Singapore's real estate industry.

¹ <https://www.techinasia.com/mas-fintech-festival-week-2016>.

Digitalisation has disrupted the traditional way of doing business and the real estate industry is no exception.² For instance, Ohmyhome is a property mobile app created by property agents. Through the app, these property agents reinvented themselves by developing innovative ideas that address the ‘inefficiencies’ in the market and find new niche markets to tap into. It made real estate information more readily available to consumers and cut down transaction costs.

For property agents whose business has been disrupted by such apps, they may want to focus on business areas that digital technologies cannot address, in order to compete in the market. These underexplored property-related areas include the ageing population, physically disabled people and the green industry. For instance, for the physically disabled people, the real estate apps have not done much to cater to their needs. As the real estate industry continues to be disrupted by technological advancement, the role of a property agent will evolve. As such, property agents will have to quickly adapt and provide value-added services that are beyond what an app can do.

Digital Transformation of SMEs: How Analytics is Driving the Change

Global businesses of every size and in every sector are facing increasing complexity and market volatility. As such, SMEs cannot avoid digital transformation to remain competitive. As they digitise, data begin taking a more important role as feedback. Without it, transformation is limited. Almost all business functions are turning to data-driven analytics and insights as a means to manage this increasing uncertainty and pursue growth through a better understanding of their organisations’ customer bases. Responding to consumers’ demand, many SMEs are already using a variety of tools to support and track customers, manage social media and run advertising campaigns.

Analytics can draw on, aggregate and analyse data from marketing, sales, and customer service, and derive transformational insights into

² <https://sg.finance.yahoo.com/news/ohmyhome-continues-to-chip-away-at-the-traditional-housing-transaction-process-025503239.html>.

customer behaviour and preferences. Big data, for example, is not all about having unlimited amounts of information. It's more a case of receiving high quality, timely information that is specific, relevant and valuable to the business. Putting analytics to work becomes easier all the time and with new generation analytics tools integrating with third parties, hence making the job of a data scientist or business owner far easier, as the hard work of pulling all the data from disparate systems is done on their behalf. The advancement in analytical tools certainly plays a key role in supporting data visualisation, statistical analysis and text mining among other capabilities. For example, an SME can analyse incoming data, such as sales records, marketing patterns, and growth metrics of the company among other things, and creates dashboards for an easier visualisation of the trends. It may also analyse performance metrics such as resource productivity, debt recovery and inventory turnover, which allows the organisation to gain insights into its businesses and integrate business processes as part of a broader enterprise transformation.

Data analytics may also tap on both structured and unstructured data to obtain significant insights. So far, SMEs have relied mainly on structured data. Nevertheless, structured data apparently cover only 20% of the data held in SMEs' computer systems. Approximately 80% of a company's data are stored in an unstructured form which does not lend itself to conventional analysis. These unstructured data may include employees' electronic mails, telephone conversations and many others. So, it may be wise for SMEs to integrate available structured and unstructured data, and then perform data analytics on both types of data that will offer deeper business insights. For a start, it may be useful to create a central repository of a company's data from various sources, such as Excel/CSV, relational and non-SQL databases like Salesforce.

Here are four key steps on how SMEs may embrace data analytics to improve business productivity and profitability.

- 1. Defining the Objectives:** The first question is what does the organisation want to achieve from its data? For instance, an organisation may examine whether it can deal with a customer's request quickly and efficiently, hence ensuring customer satisfaction is high. This may have

implications on whether there will be repeated orders from the same customer.

2. **Identify all Sources of Data:** Most SMEs will have data stored in a range of isolated areas. The key is to work with what they have and then integrate various data. Besides customer contact information, a business will have additional information that encompasses many different ways it communicates with its customers. For example, the telephony system tracks all calls made and received. Besides call recordings, email records and social media account for further data on communication with customers.
3. **Integrate Data and Consolidate:** The next step is to integrate and consolidate all sources of information within a single tool. If a customer relationship management (CRM) system is unavailable, the SME may need an alternative repository in the cloud that could tap into various databases and systems to present the information in a web-based dashboard for interpretation.
4. **Analyse Dashboards and Turn Data into Actionable Insights:** The combined data on the dashboard should display key performance indicators based on the communication data gathered, such as customer details, their last orders, any previous email communication, when they last called, and who handled the call. Call recordings enable users to hear what was discussed in conversation with customers. This helps SMEs to predict customer behaviour and improve their service before they encounter a complaint. Being predictive is how you can excel in customer service and improve processes. Over time, staff can then be more productive and effective, hence improving revenue and profitability.

Conclusion

In this digital age, SMEs will have to invest in new skills and think hard about how they want to restructure the way they work. That means they will have to become advocates for change and not just passive users of tools and software. The benefits of being digital may be substantial — as indicated by various examples raised in this chapter. However, the deep shift from ‘looking digital’ to ‘being digital’ is predicated on intentional

efforts to employ these new tools in new ways, to develop and deploy the right talents and to drive new management mindsets. Therein lies the challenge of the leaders: to recognise a deep shift is necessary and to start building the foundation for it.

We expect the future to be one of varied and increasingly ambitious disruption in business, driven by continuous technological innovation. This innovation will drive valuable customer insights, enable the development of new products and services, transform systems and processes to dramatically reduce costs, and enable SMEs that are ready for it to be increasingly agile and able to respond to digital disruption.

**The materials for this chapter were adapted from several articles: “Fostering an Analytics Culture”, first published on 8 January 2013 by the Business Times; “Using Data Analytics to Raise Productivity and Profitability: 4 Key Steps for SMEs”, first published on 20 March 2018 by the Business Times; “How Data Analytics May Turn SMEs into Smart Enterprises”, first published on 20 March 2018 by the Business Times; and “Digital Innovation: A Catalyst and Enabler of Achieving Business Sustainability”, in the book “Embracing Digital Transformation in Accounting and Finance”, CPA Australia, September 2021.*