



5 Critical Steps to Supply Chain Digital Transformation Projects

With digital transformation projects being commonplace in most organisations, supply chain transformation is almost the last frontier to be tackled.

According to a McKinsey study, the average supply chain has a digitisation level of 43 percent. The smallest of five business areas surveyed. Not only that, a meager 2 percent of executives selected supply chain as the focus of their digital strategies.

Yet, digitising the supply chain can boost annual growth earnings before interest and taxes by 3.2 percent—the largest increase from digitising any business area.

One of the issues with any digital transformation is that executives can be fearful about making the decision to go ahead when there is uncertainty on the return on investment.

However, organisations that make the leap not only improve productivity, but also when done well can even become the market leader.

Dr Sebastian Boell, from the University of Sydney found that successful organisations not only make their processes more efficient after digital transformation, but also use the data provided by these systems to innovate and reinvent themselves over time.

With the amount of change and uncertainty, organisations can no longer delay important supply chain digital transformation projects, if they want to stay

relevant.

And it requires trust – trust and confidence that going digital will return value and achieve what it has promised. Trust that people have the right capabilities to get the work done and behave differently. And trust from customers and suppliers about the long-term benefits.

Successful transformation demands that organisations rewire how they operate, behave culturally and have processes fit for purpose.

Often, many organisations will choose to go down the digital transformation path, but get stuck because traditional ways of working get in the way. Here are five strategies to help your organisation navigate common potholes:

1. CUSTOMER FIRST

The power has gone from organisations into the hands of customers (and even employees) and it is never going back. To undertake digital transformation properly requires thinking from the customer perspective rather than the old model of “what are we prepared to give our customers?”

This starts with a deep understanding of the customer and the ability to creatively connect technology, people and processes to solve an underlying customer need. And it’s not just external customers – it’s internal customers as well.

Successful organisations ensure that those who are working

closest to customers are providing feedback, insights and assistance in making the right decisions. This involves leaders opening up the flow of communication both upwards and downwards creating a continuous feedback loop.

Underpinning a customer-led approach requires trusting not only the wisdom from the frontline, but employees trusting their leaders to listen to them and make the right overarching decisions.

The good news is that getting this right ensures commitment and more belief in the change program organisation wide. It also ensures customer pain points and needs are taken into account strengthening results.

Furthermore, focusing on the customer problem to be solved provides critical employee alignment. This unites everyone to a common cause.

Typically, humans tend to distrust people that are different to them. Supply chain people tend to like being with supply chain people. IT tends to like being with other IT people and so on. But when people are united together to solve a customer problem, it works towards people from different backgrounds trusting each other during uncertainty. This is vital when you have diverse people working together with different values, ideas and priorities.

2. CREATING A CLEAR, GUIDING PURPOSE

Once the customer problem is clearly understood, creating a

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compelling why for the project is paramount. A guiding purpose provides shared understanding of the work that needs to be done and what success looks like. It builds trust by providing employees with an emotional connection to the work at hand that inspires commitment and meaning to the effort.

Purpose statements also help with alignment making it easier for people to understand how decisions are being made around budget, timelines, resources and priorities.

3. UNLEARNING TO LEARN

According to the University of Sydney paper, "Creating Strategic Value Through Transformational Programs and Projects," organisations are shifting from traditional 'predict and control' modes to more 'sense

and respond' approaches in a continuous learning model to strategise around change. This is where adopting an agile approach becomes useful, but harder to action. That's because it requires traditional organisations unlearn, in order to learn to be agile. In other words, leaders and employees need to embrace new ways of thinking and working. Not only from a cultural and process perspective, but also more importantly from a behavioural one.

Often, it's the traditional cultural mindset that thwarts any progress to moving to a pure agile environment. Tech and supply chain leaders can be stuck in the old mode of 'delivery is king'. Typically, employees are seen as a disposable resource and are not given the time to attend training, work standard hours or be released to other jobs.

The biggest hurdle for agile change are leaders who see the intention behind agile (and appear to believe in it), but who fail to really understand it. Even interfering with agile based projects setting everything back two steps causing unnecessary inefficiencies.

Foundational work needs to be undertaken first with leaders to define and action the right trust leadership behaviours that support the new behavioural norms for "how we now do things around here."

4. BEING STABLE AND ADAPTIVE AT THE SAME TIME

Research by McKinsey found that truly agile organisations have paradoxically learnt to be both stable and dynamic. Mastering this process requires designing structures, governance arrangements and processes with a stable set of core elements. These stable elements work together with more dynamic elements, enabling organisations to respond quickly to new challenges.

For example, Amazon has created a stable backbone for key processes through a synchronised supply chain that has common language and standards that identify clear decision rights and handoffs. This means no department has developed its own processes. Instead, a common operational language, codified in one standard process framework for all 60 businesses has been created. Allowing process harmonisation and clear guidelines that allow for

differentiation.

As a result, Amazon can execute any operational activity in just seven standard value chains covering 22 processes, such as order to cash.

For this type of approach to work, it requires empowering teams to tackle problems in a way they believe will get the best and quickest results.

In other words, the organisation trusts them to change their approach organically as they meet the demands of the customer or business. This involves having a clear purpose or common process to provide that important stability, but also the freedom to modify the framework to allocate time, tasks and resources.

Rethinking governance models to a more lean and fit for purpose approach becomes an important organisational consideration. As well as protecting teams so they aren't slowed down by management intrusions or layers of approvals.

5. IMPROVING COLLABORATION INTERNALLY AND EXTERNALLY

A further stumbling block to any new digital transformation process is that few organisations possess the right skills and team capabilities. To plug up gaps in capabilities requires grabbing people from different teams, hiring new people, reskilling employees or working with outside contractors or suppliers.

For some traditional

organisations, taking the leap to work well across functions or even with joint venture partners is extremely difficult.

In addition to retraining with a tight focus on relationship building, a review of rewards and incentives must be undertaken. Too often, traditional accountability structures block team and collaborative behaviours. Redesigning incentives that rewards collaborative behaviours help circumvent unnecessary friction.

Furthermore, building collaborative practices requires the CEO to drive a one-firm focus. This starts at the leadership team level who set the cultural tone of the whole organisation. After all, how the executive team interacts and behaves is modelled by employees right through to the frontline. This requires the CEO to not tolerate toxic behaviours and encourage top leaders to work together. This can be done through organising cross-functional projects and committees, regularly communicating the need to work together and rewarding collaborative behaviours.

DELIVERING THE BEST SUPPLY CHAIN OUTCOME

To successfully implement a digital transformation program entails rebuilding the capability of leaders and teams accompanied by the redesign of critical processes and rewards.

This is by no means easy.

The best approach is to take small,

incremental steps. Testing and tweaking along the way.

Begin with low hanging fruit. In other words, easy objectives closely linked to your team and business strategy that will give you faster and easier results. Employees and leaders will be more likely to trust the change program (and commit), if there are visible improvements.

This involves thinking of the whole process as an experiment. But don't waste lots of time trying to work out the first objective to test. What matters most is that you get started. After all, the pace of change isn't going to slow down. The sooner your organisation can shape itself by successfully delivering key projects, the better your results and longevity.



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Marie-Claire Ross is the chief corporate catalyst at Trustologie. She is a workplace sociologist, author and consultant focused on helping CEOs and leadership teams put the right processes in place to empower employees to speak up about issues, challenge each other and share information. If you want to find out what it costs when teams aren't collaborating, try our complimentary 'Working in Silos' calculator:
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