

Thought Leadership Series

Digital Transformation: A New Risk Assessment Perspective



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Digital transformation has been accelerated by disruption. Before the start of the COVID-19 pandemic, no one would have predicted the rapid and exponential growth in eCommerce channels across all industries and the significant change in customer expectations that ensued over such a short period of time. This life-changing event created seismic operational and network challenges for business leaders. Supply chain executives were forced to act quickly to propagate business continuity, but some of the changes implemented in haste now require further refinement in the name of business resilience. Leaders are asking themselves first, “Have we taken the right steps to address disruption and change for the long term?” and second, “How do we further optimize our omnichannel and eCommerce fulfillment capabilities?”



Resilience and Adaptability

In times of disruption, leaders must recalibrate the business. That means having a plan for what happens when things change (adaptability) or when they break the model (resilience). That plan starts with becoming aligned with a broader range of stakeholders on the capabilities needed to support the business goals, whether that is responsiveness to consumer demand, EBITDA, faster cycle time, competitive advantage, or other goals. Resilience is no longer a supply chain issue. It's an enterprise issue and as such, efforts to increase resilience not only need to be led by the C-suite and the CSCO, but include IT, Real Estate, Sales, Merchandising, Finance, and others to undertake the kind of changes required.

It also involves identifying new ways to quantify the value of and support investments in resilience. Those investments must align with CEO priorities around growth, financial stability, cost control and risk management. According to Gartner, "CSCOs must make clear that today's digital progress secures the options of tomorrow."

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Technology Enables Resilience

As business and technology strategy become increasingly inseparable, technology choices bear a greater role in enabling—or potentially constraining the business. When a transformational technology appears, an explosion of disruption follows as new ways of operating are brought forward by those who have mastered the new technology.

Today, automation and intelligent software are helping companies achieve new levels of supply chain/operational efficiency and customer service. Real-time visibility and deployment of advance technologies and business intelligence tools are crucial to achieving a high level of speed and accuracy in fulfillment. But technological advancement is not without its risks.

For many, the talent gap and the cost of qualified talent has impeded progress to date. Companies need a way to get up-to-speed quickly on advanced technologies and help implementing them in a way that makes sense for the business both strategically and financially. There are no one size fits all solutions.

Risk Assessment Has Not Kept Pace with Change

In a landscape where the solutioning process and technology options are changing at a rapid pace, there is an added level of risk to every project—one where even the most calculated choices might lead to solutions that are less than optimal down the road. Risk mitigation was put on the back burner as companies moved quickly to respond to disruption and risk assessment and has not kept pace with change over the last year.

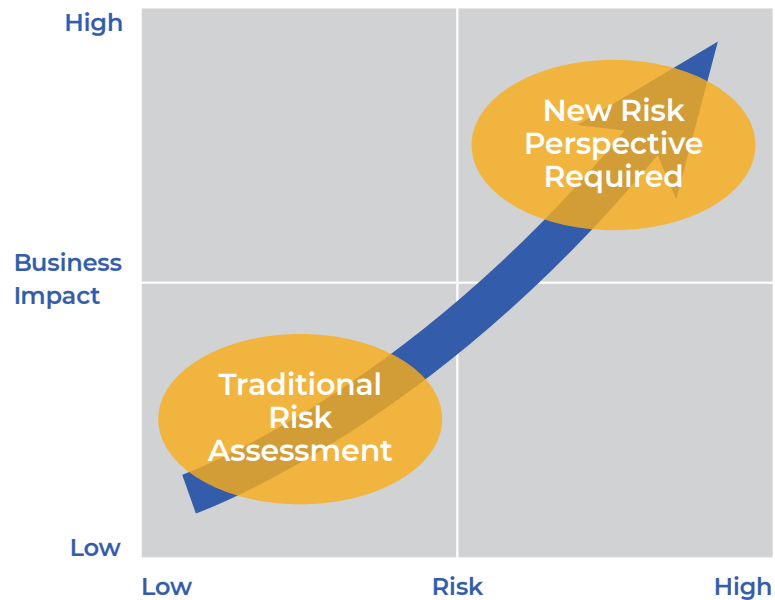
Historically, leaders have been able to choose between less-risky proven solutions and leading-edge solutions which carried more risk. As technology and software options swiftly morph and the urgency for implementing change increases, more companies are finding themselves on the bleeding-edge of technological innovation, whether they like it or not.

As a result, companies are taking on higher levels of risk. As the full capabilities of these solutions come online over the next year or so, there will be both success stories and failures.

Some companies will find themselves with hastily implemented solutions that are not a good fit long term, lack scalability or miss the business case as assumptions prove to be off by significant margin.

A Series of No Regret Decisions

Optimization requires a series of “no regret” decisions that get you a few steps closer to where you need to be, but not so far down a path that you can’t pivot quickly. This can include shifting operating models, leveraging third parties to help modernize technology capabilities, and building new capabilities that make it possible to expand into new markets. Again, this will involve stakeholders from every part of the business. The seamless collaboration between technology and people is critical for successful optimization, so don’t underestimate the change management effort required to enable digital transformation.



The future of the business is dependent on the actions taken today.

Summary

The COVID-19 crisis created an enterprise-level imperative for companies to reconfigure their operations—and an opportunity to digitally transform them for greater productivity and profitability. The future of the business is dependent on the actions taken today. Digital transformation is the key to unlocking resilience and adaptability. It's how you answer the question, "What happens when things change?" The challenge is to align around a vision of digital transformation to enable the business and involve stakeholders across the organization to support new digital capabilities.

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