WHEN THE GROWING GETS TOUGH

An Executive Briefing by Sapphire Systems

This paper looks at the risks and opportunities associated with business growth in the new digitalized economy, and highlights why now is the time to stop firefighting and put the spark back into IT strategy.

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OUT WITH THE OLD AND IN WITH THE NEW

Although many countries have risen out of the recession in the past few years, the economic landscape remains somewhat of a mixed bag. Growth is gathering pace, albeit fairly inconsistently, and unemployment is falling. But organisations face further challenges as they find themselves operating in a new type of economic environment. Post-recession, traditional market dynamics have made way for a new digitalised economy, which is reshaping markets and transforming the way people interact with organisations.

> “BY **2020** **EVERY** COMPANY WILL BE **IT-LED**.”

Gartner has billed this new era as the Digital Industrial Economy, whereby transformation into the digital world is not a question of if, but how fast. While currently only a third of CEOs have a digital strategy integrated with their business strategy, the research company predicts that by 2020 every company will be IT-led.

This new style economy brings a whole new set of opportunities and threats, requiring companies to adopt different strategies, approaches and tools to gain market share and be successful. It represents an acknowledgement that technology is now as intrinsic to growth as employing the right skills, investing in new production capabilities, or launching a new sales drive. In fact according to a recent global report by PwC, CEOs want to see a strong connection between digital investments and business objectives, with 86% stating that a clear vision of how digital technologies can help achieve competitive advantage is key to their success.

Technology has evolved from being a value add to a primary driver of profitability and market differentiation in every industry, testament to which is that investment in this new digital economy is set to total around 140 billion euros per annum (or $157 billon USD) over the next five years.

The problem is that as this evolution has taken place, organisations' IT systems typically have not kept pace.

DIGITAL STRATEGY IS KEY TO SUCCESS.

RISK OF THE STATUS QUO

Of course few would argue against investing in systems to support growth, but if it were that easy then surely everybody would be on board? The war stories of companies folding because a lack of visibility had resulted in a major customer falling off the radar, or stock being unavailable to support a spike in demand would be condemned to little more than urban myths?

In practice, replacing outdated systems in lieu of new fit for purpose ones is rarely a straightforward process. Systems are often fragmented and heavily customised, and companies are typically ripe with complexity, whether that is through ownership of different entities, overseas expansion, different board members lobbying for different agendas, skills shortages, or numerous priorities all competing for investment.

Against this backdrop it is easy to see why many opt to maintain the status quo rather than take a leap into new territory. But making do with outdated technology, or justifying Excel-based systems that are cumbersome to manage and often creaking at the seams, will not only stunt growth in the short term, but will put companies at a strategic disadvantage in the medium to long term.

Maintaining this status quo represents an enormous risk to the business. Harbouring outdated, ineffective systems that offer poor operational visibility can equate directly to dissatisfied customers – which of course impacts long term reputation, as well as reduced cash flow, dented profitability, and poor procurement, to name but a few consequences.

In the worst scenarios failure to act on systems' shortfalls can become a downward spiral as more and more management time is spent manually bridging the gaps, at the expense of time invested in proactive engagement with the business.

Operational Visibility
Improved Cash Flow
Profitability
Procurement

OBSERVE THE AMBER FLAGS

It is fundamental to recognise the early signs of systems fatigue in order to establish a plan and act quickly and cohesively. Often it is not one single red flag which identifies a problem, but a large number of amber ones. By knowing the warning signs associated with outgrowing your systems, it is possible to stem the tide and establish a new platform for growth. Such signs may include reports absorbing large amounts of time to produce; important decisions being made on limited or no concrete data; excessive downtime; an upward trend in customer complaints; or a lack of visibility into debtors or cash flow.

Unfortunately companies often ‘make do’ for far too long, by which point they are so busy chasing their tails they can barely spare the time to run a Google search, let alone instigate a plan for change.

IT'S NEVER **TOO EARLY** TO **ESTABLISH** A **PLAN**.

FOSTERING GROWTH

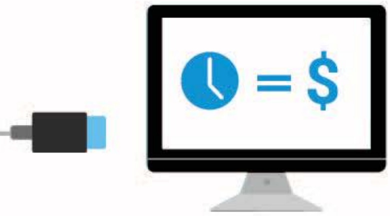
Having recognised the warning signs, it is important to instigate a plan to support the short, medium and long term goals of the business quickly, in order to minimise firefighting and foster growth.

Once upon a time, technology was designed solely to solve problems or add value to a dedicated area such as reducing the time to close books; facilitating a common reporting environment to generate better management information; cutting procurement costs; reducing inventory or gaining a better understanding of customers' preferences.

While these objectives haven't changed, the new digital economy means that the context in which these activities take place has shifted. Customers' expectations of how they interact with organisations have expanded enormously, therefore any IT decisions should be made within a framework of how to bring an organisation closer to its customers, partners and suppliers; how to present and connect information to add value and support decision-making; and the extent to which IT enhances experiences, productivity and profitability.

THINK ABOUT YOUR
BUSINESS **NEEDS**,
YOUR **CUSTOMERS**,
PARTNERS & **SUPPLIERS.**

“THEN PLUG INTO” THE **RIGHT SOLUTION**



In reality, this means working with an IT partner who understands the dynamics of the new digitalised economy, has the professionalism and tenacity to support major transformation, and the experience to understand the nuances of different industries. Adopting solutions which have sufficient scalability and flexibility to support change, foster agility and embrace all available technology to nurture customer relationships should then follow.

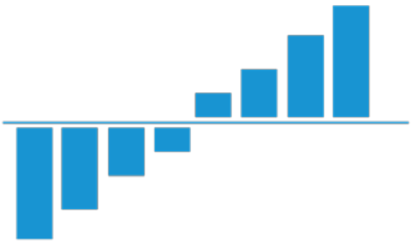
A STEP CHANGE IN VALUE

The step change in value created by investing in a robust, agile platform is substantial. The right strategy will not only achieve stronger, more profitable bonds with customers; more transparent, efficient relationships with suppliers; and a more connected business to enhance productivity, but will free up valuable time for senior managers to focus on exploiting opportunities for growth.

The right systems can quickly convert a customer query into a sales opportunity; boost cash flow by instilling greater rigour and diligence across the order cycle; ensure a more conservative decision on quantities for an additional production run; or guarantee that retailers receive precisely the right stock multiples to support an unexpected uplift in demand – the monetary value of which can be realised quickly.

As technology becomes as intrinsic to business as payroll or cash flow, it must be a perpetual focus, whereby projects don't so much reach a close, but represent a platform to monitor and review how momentum can be maintained, and customer, supplier and employee relationships enhanced. Organisations must maintain a tight rein on how technology is supporting business growth strategies in order to allow objectives to be met and profitability maximised.

Often, when companies talk about growing pains there is a sense of inevitability. However through taking a proactive and informed approach, there needn't be a sting in the tail. Those who invest wisely and establish robust systems to support long term growth will be the winners in the new digitalised economy. For those who opt to maintain the status quo, growth will prove tough.



FUNDAMENTAL QUESTIONS COMPANIES NEED TO ASK THEMSELVES WHEN ESTABLISHING A STRATEGY TO SUPPORT GROWTH

- **What areas and processes require improvement?**
- **Where are the largest shortfalls? Which areas represent the greatest priority?**
- **Where are the bottlenecks and how is a lack of connectivity or visibility slowing things down?**
- **What are our customers' expectations / preferences regarding how they interact with us?**
- **What are our suppliers' expectations / preferences regarding how they interact with us?**
- **What are our employees' expectations of the technology we deploy?**
- **What are millennials' (the next generation of our workforce) expectations of the technology they will use?**
- **How will the technology scale to support these areas as they change?**
- **Can the technology support growth at a rate of x% per annum for the next 5/10/15 years?**
- **To what extent will we deploy our new infrastructure via the cloud?**

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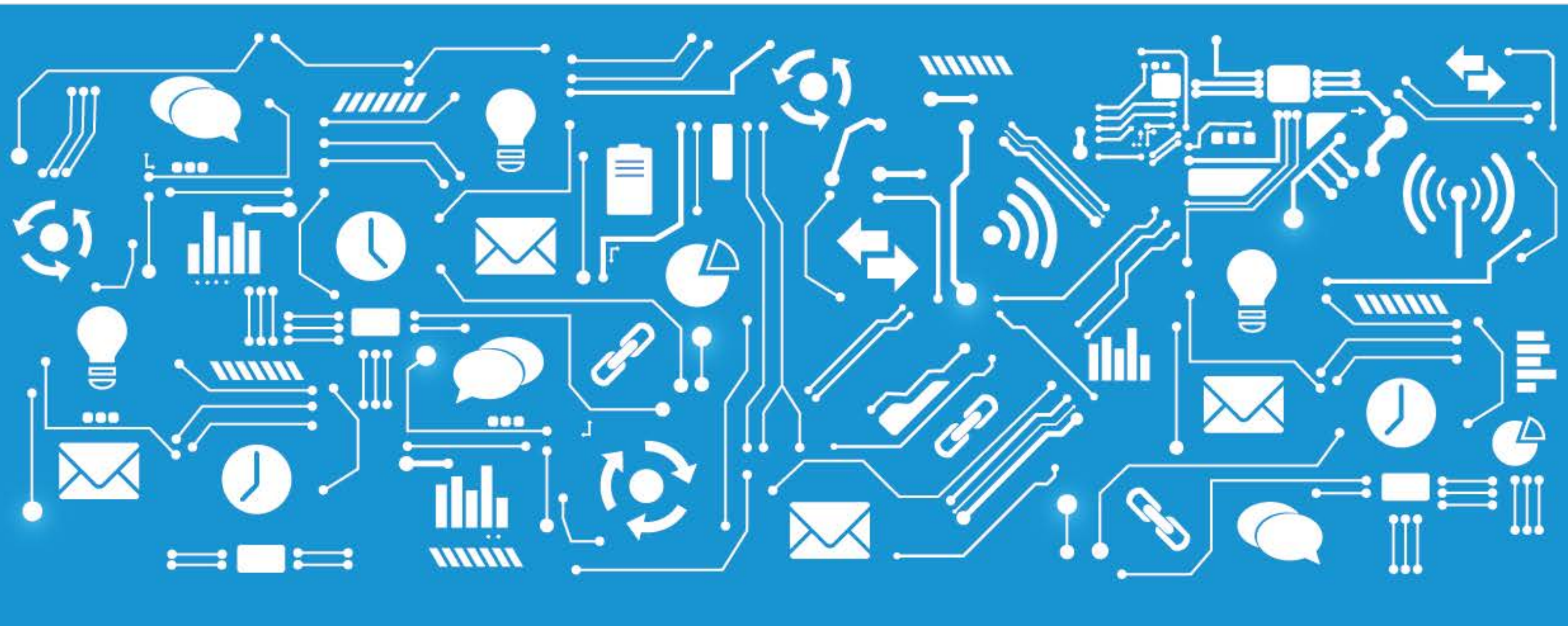

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