



# BEING DILIGENT IN BECOMING DIGITAL: DELICATE BALANCING OF TWIN DIMENSIONS

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## Abstract

This paper explores the prospects of going digital whilst treating humans in a dignified manner. It intends to elaborate the aspects of digitalization and its consequence of digital business transformation. Supply chain management has been identified as the backdrop in which the impact of digitalization is felt in multiple fronts. Soft and hard dimensions of human resource management are discussed in order to identify the opportunities as well as obstacles in becoming digital. Six Fs of digital transformation are elaborated with their implications. The needed leadership leverage in driving change towards digitalization is also covered through a typical typology. The paper concludes in stressing the need to be diligent in becoming digital with maintaining a delicate balance between the twin dimensions discussed.

*Key Words:* **Digitalization, supply chain, human resource management, driving change**

## 1. Introduction

Technology has always been an enhancer of our work. From adding machine to the advanced computer this was the case. Digitalization has become a wave spreading across the world, revealing multiple varieties. This power to unveil not only transforms human outreach and actions, but also changes our conceptions; about whom we are, about our uses and about human horizons for sense-making (Fors, 2010). According to [www.gartner.com](http://www.gartner.com), digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business.

“We are witnessing profound shifts across all industries, marked by the emergence of new business models, the disruption of incumbents and the reshaping of production, consumption, transportation and delivery systems” observes Schwab (2014), in his most recent book, “Fourth Industrial Revolution”. As he further explains:



We have yet to grasp fully the speed and breadth of this new revolution. Consider the unlimited possibilities of having billions of people connected by mobile devices, giving rise to unprecedented processing power, storage capabilities and knowledge access. Or think about the staggering confluence of emerging technology breakthroughs, covering wide-ranging fields such as artificial intelligence (AI), robotics, the internet of things (IoT), autonomous vehicles, 3D printing, nanotechnology, biotechnology, materials science, energy storage and quantum computing, to name a few.” (Schwab, 2014: 1)

Obviously the relevance of digitization to the banking industry is beyond doubt. Many authors have focused on the applicability of digitization to banking with its financial implications. This paper intends to cover the key essence of digitalization and its impact on managing people with reference to driving change for better.

## 2. Supply chain in focus

In the organizational context, going digital is much associated with the term supply chain. The supply chain (SC) encompasses all activities associated with the flow and transformation of goods from the raw materials state to the end user, as well as the associated information flows. Materials and information flow both up and down the supply chain. Supply chain management (SCM) is the integration of these activities, through improved supply chain relationships, to achieve a sustainable competitive advantage.

Mentzer *et al* (2001) defined supply chain management (SCM) as the systematic, strategic, coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purpose of improving the long-term performance of the individual companies and the supply chain as a whole. SCM is going through a significant transformation.

In essence, the digital business transformation (DBT) is the conversion of operations from the industrial age to the information age. According to Jonston (2001), the model for creating business value has changed. Organizations including banks today participate in extended supply chains, where real operational efficiency and revenue enhancement come from greater visibility, integration, and synchronization among connected partners.

In short, collaboration among the partners in the extended supply chain is the new arena for value creation. Collaboration occurs when companies work together for mutual benefit. It happens when supply chain partners leverage each other’s operational capabilities so that in combination they perform better than they could possibly do alone.

Collaboration can occur at all points along the supply chain—from design through procurement to final distribution. When done effectively, it enables companies to share information that can dramatically shorten processing time, eliminate value-depleting activities,



and improve quality, accuracy, and asset productivity, all of which are fundamental to longterm success.

For a firm to achieve true collaboration, it must go through what we have already seen as DBT. It can be seen as the journey of reinventing how daily business is conducted to fully exploit information technology and to facilitate supply chain collaboration to achieve unprecedented levels of operational excellence. It is the process of reinventing a business to digitize operations and formulate extended supply chain relationships.

The DBT leadership challenge is about re-energizing businesses that may already be successful to capture the full potential of information technology across the total supply chain. In essence, DBT is the conversion of business operations from Industrial-Age to InformationAge technology. It is about reinventing and positioning business operations, processes, and relationships to fully exploit information technology.

### **3. Six Fs of Digital Transformation**

Six key aspects frame the challenge of digitally transforming business. Bowerzox *et al* (2007) call these 6 Fs of going digital. They speak to the mindset that leaders must adopt as they begin to reconfigure every aspect of their organization to contribute economic value.

#### **i. Fact-based management**

Fact-based management is a commitment to, or even an obsession with developing precise information on every facet of what the organization does and needs to do. Fact-based management provides answers to questions such as: Why do we provide this service? What value does it add to customers? What are our precise performance expectations? How exactly do we meet and measure these expectations? Facts are not averages. Facts deal with specific performance results in items of specific customers.

Managers must learn to understand and rapidly act on these results at the specific product level and customer purchase location. Such an approach is vital for banks in areas such as customer relationship management where fact-based decisions can be taken.

#### **ii. Flexible**

Driven by facts, successful firms demonstrate an inherent ability to rapidly adapt operations to pursue a new course of action. Confronted with a breakthrough opportunity, they are agile enough to make adjustments quickly and commit the resources necessary to capitalize on the opportunity.



Flexibility is crucial for operating in an increasingly competitive business environment. Organizations have to be *dynamic dolphins* and not *dying dinosaurs* (Dharmasiri, 2014a). A bank that does not respond to changing customer needs in being flexible would become extinct like a dinosaur.

### iii. Focus on cash

This has much relevance to the private sector, and specifically to banks. One of the key meaningful measures at the end of any day, week, month, or year is the cash balance. As they make the digital transformation, companies must remember that cash pays bills. Cash pays salaries and wages, and cash pays shareholder dividends. The focus must be cash first, cash second and cash always.

As Bowerzox et al (2007) elaborate, such an approach would prevent liquidity issues and allows an organization to work towards better financial leverage.

### iv. Fast return on investment (ROI)

A business needs to make continuous investments in new products, services, technology, people and facilities. All investments are made with an expectation of financial return. The new mandate, however, is not just high rates of return fast. Payback periods need to be short and rapidly yield positive returns – which translates to cash.

Speed is the key here. With the digitalization, rapid processing of information becomes a basic and faster response to customer needs is a sure reality.

### v. Fungible

Fungible means that business processes are modular in design with maximum interchangeability. Modularity allows flexibility in process design and maximum incorporation of the principles of postponement and acceleration. The operational characteristics of agility, flexibility, sustainability, scale, scope and responsiveness are all attributes of fungible organizations.

Are our financial institutions fungible? It is worth exploring in the context of digitalization? Appropriate actions should be taken in order to enhance the fungibility with the broad business horizon in mind.

### vi. Frugal

Capital investment, cash velocity, and a flat organizational structure with focused human resources are characteristics of a frugal enterprise. Frugal enterprises are lean in every conceivable way. Overhead is minimal. Operations are focused on cash generation.



Lean is an enterprise-wide attribute that must permeate every facet of every process. In frugal enterprises, the real benefits are cash dividends, not fringe benefits or luxurious environments. At the end of the day, employees work for income and owners invest for dividends. With business success, both constituents will benefit from the enterprise's success.

With the above 6 Fs taking place, the nature of the organizations will also change. Let's look at the characteristics of the emerging organization.

## 4. The emerging organization

Based on how successful a firm goes through a digital transformation, its scope and shape will substantially change. Christopher & Towill (2001) in their writings on future of supply chain attempts describe the change as a series of thinking shifts, Table 1 contains the details.

Table 1. *Managing the Supply Chain of Future*

Thinking Shift	Leading to	New Skills Required
From functions to processes	Integral management of materials and goods flow	Cross-functional management and planning skills
From products to customers	Focus on the key performance drivers of profit	Understanding of the "costs-to-serve" and time-based performance indicators
From inventory to information	Demand-based replenishment and quick response systems	Information systems and information technology
From transactions to relationships	Supply chain partnership	Relationship management and "winwin" orientation

Source: Christopher & Towill (2001)

According to the above table, there is a clear need for an integrated thinking shift, resulting in another shift in implementation focus. Future managers need to gain the above mentioned skills in order to confidently carry out the challenging tasks ahead of them.

## 5. People barriers for progress

As Bowerzox (2007) observes, the greatest barriers to a digital transformation are not technical or legal. Rather, they relate to prevailing managerial and employee attitudes, practices, and traditions around what constitutes best practice. Most acknowledged best practices were established decades ago using the technology then available to address problems or challenges



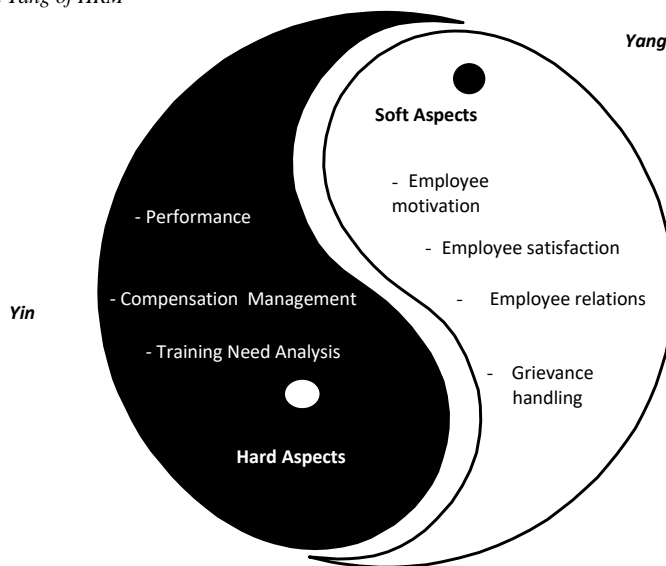
that for the most part no longer exist. Actions that once were considered best practice are increasingly becoming unnecessary or obsolete. Yet it is the perpetuation of these traditional practices that thwart significant breakthroughs toward new and more meaningful ways to work.

In order to overcome the people barriers, an organization needs to understand the “hard” and “soft” aspects involved.

## 6. Dimensions of duality

As figure 1 shows, there is yin (represented by black) in yang. Also, there is yang (represented by white) in yin. In other words, two different and opposing elements appear to be in a constant state of flux. This is the nature of human resource management (HRM) in reality, where managing employee concerns as well as employer concerns need to take place in synergy and harmony.

Figure 1. Yin and Yang of HRM



Source: Dharmasiri (2014b)

According to figure 1, the hard and soft aspects of HRM are separated, indicating a distinct duality. Such a duality highlights the art and science of managing people. The soft aspects are more into relationship building, which requires an artistic approach. In contrast, the hard aspects represent more the structural, analytical and rational elements highlighting the need for a scientific approach.

The beauty of HRM is the meaningful co-existence of such a complex yet coherent whole. It is not only HR professionals but all other managers should be aware of such a harmony in order to



maintain a proper balance between achieving results and maintaining relationships. This is increasingly becoming significant in the era of digitalization.

## **7. From best practices to next practices**

Digital business transformation is about significant change. It should be diligently driven by leadership. It is the ultimate challenge in change management because it impacts all organizational levels of an enterprise and its extended supply chain. The transformation starts with redefining the firm's strategic vision—that is, the shared composite of goals, competencies, and capabilities a firm deploy to create and sustain competitive advantage.

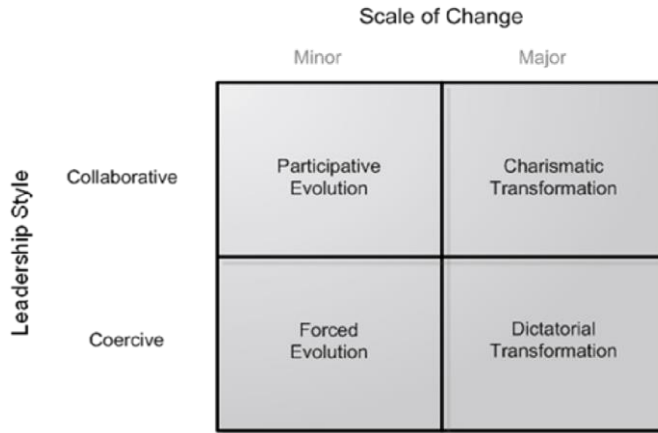
At this early stage of the digital transformation, it is clear that some organizations are having a tougher time getting started on the journey than others. For example it is evident that A&P, Corning, Kodak, Motorola, Sears, and Xerox, to name a few, waited far too long to adapt to the digital imperative in both products and processes. Others, such as GM, Procter & Gamble, and IBM seem to be well on their way. In any case, one thing is clear: The digital business transformation is best initiated from a position of strength rather than weakness .

As Jonston and Whang (2002) point out, additional considerations in a seamless execution of DBT involve transitioning from traditional ideas about organizational structure. The traditional line-and-command, functionally focused organizational chart is replaced by an integrated supply chain structure built on shared values.

## **8. Driving change towards digitalization**

What leadership style will lead to what type of change? It opens us a variety of scenarios. The model developed by Dunphy and Stace (1991) offers many insights with this respect. Figure 1 contains the details.

*FIGURE 2. Leadership for Change*



Source: Adapted from Dunphy and Stace (1991)

As the above figure depicts, scale of change can be either major or minor. Minor change initiatives include: fine tuning and incremental adjustments. Fine tuning is getting a better ‘fit’ between what is and what should be. Major change may refer to modular or corporate transformation. Collaborative leadership style involves high levels of participation by followers in making important decisions and implementing such decisions. In contrast, coercive style refers to the application of force.

In order to have sustained digital business transformation, an organization might need all of the four scenarios highlighted in the above model. However, charismatic transformation that includes a collaborative leadership style with a major scale of change would be the key requirement for sustained results.

## 9. Conclusion

As we have seen so far, one needs to be diligent in becoming digital. A comprehensive understanding of the key elements of the supply chain associated with one’s organization is a must. Due consideration should be given to both hard and soft dimensions in managing people in ensuring an effective digital business transformation. It is heartening to see the Sri Lankan workplaces doing the ground work but overall, it is a long journey ahead.

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