Why digital transformation cannot be ignored

Executives in virtually every industry are facing a turning point. With every passing year, it becomes clear that many traditional business processes are becoming irrelevant or antiquated.

The refinement and advancement of technologies such as cloud computing, blockchain, AI, and the Internet-of-Things has set the stage for radical changes in manufacturing, as well as business in general. Over the next several years, we are going to see a tremendous divide between those who digitally transformed their organizations early and those lagging behind.

Although virtually every executive understands the importance of technology, many leaders don't fully understand the revolution that is occurring across entire value chains. Even fewer still have a concrete plan to transform their business processes before the competition. According to Gartner, "Despite the digital transformation hype, 54% of leaders say their organization doesn't have a clear vision for transformation, and only 11% have scaled digital business transformation."

The businesses that are late to transform will be leaving billions on the table - if not closing their doors. At the same time, initiating change at this scale is anything but easy.

Before we dive further into these topics, let's take a moment to review some basic concepts regarding digital transformation.

What Is digital transformation?

In short, digital transformation is the reimagining of business in the digital age. It's about leveraging cutting-edge technologies to build a business that can move with true agility in response to the breakneck pace at which markets are changing.

As part of digital transformation, companies create new business processes or modify existing ones. In many cases, this also includes reshaping customer experiences to meet evolving business and market requirements.

The result of digital transformation is becoming a digital enterprise - an organization with digital technology at the center of how it operates. At a digital enterprise, technology is at the core of how it produces products and services, seizes competitive advantages, creates value, and generates revenue.

Organizations that successfully transition to digital enterprises gain a tremendous competitive advantage. By putting digital technologies at the center of their processes, they become more economically efficient and more capable of dynamically responding to shifts in the market. Becoming a digital enterprise positions your organization for long-term growth and profitability in a rapidly changing world.

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If your competitors aren't already undergoing digital transformation, it won't be long before they start. Regardless of your sector, digital transformation offers a plethora of opportunities for creating new business models, improving operational efficiency, enhancing customer experiences, and differentiating your products/services, among other benefits.

In the automotive industry, companies are becoming more and more focused on providing connected mobility and transportation solutions. Digitally enabled services will prove crucial in the development and manufacturing of software-driven, battery-operated, and artificially intelligent autonomous vehicles.

Sectors such as aerospace, defense, and consumer-packaged goods are finding themselves in similar situations. As manufacturers contend with new competitors, technologies, and consumer demands, digitalized processes grow increasingly important.

Digital solutions like analytics are dramatically changing how A&D companies design and manufacture products. In CPG, manufacturers are recognizing the tremendous potential for improving operational efficiency with the help of blockchain, cloud computing and artificial intelligence.

Government entities like the Department of Defense are beginning the process of digital transformation as well. The DoD has already published a detailed transformation strategy, and began their own digitalization projects in 2019. Cornerstones of the strategy include cloud, artificial intelligence, command, control, communications and cybersecurity.

The message for leaders is clear: digital transformation is not a question of if, but a question of when. The sooner organizations can digitalize their business, the sooner they reap the benefits of being a holistically digital enterprise.

Is your company falling behind?

It's obvious that digital transformation is a must for success in the years ahead. Unfortunately, most businesses today are not taking full advantage of digital technologies. According to Accenture, "only 13 percent of businesses have realized the full impact of their digital investments, enabling them to achieve cost savings and create growth. The optimal mix of technologies could save large companies up to $16 billion."

Most businesses have a long way to go before they become a truly digital enterprise. Here at Siemens, we are partnering with a variety of leading organizations to facilitate their successful digitalization. Our organization already operates our own factories across the globe. We understand the challenges our customers are facing firsthand - and we have experience addressing those same challenges with cutting-edge technology.

If you're interested in learning more about how businesses can successfully transition to a digital enterprise, stay tuned for our next article in this series. We'll cover the elements of an effective digital transformation strategy and how to successfully execute that strategy.

To find out how we can help your business, or to get in contact with us, please visit usa.siemens.com/digital-enterprise-services