



# THE STATE OF DIGITAL TRANSFORMATION (DX) FOR SMB **YOUR 5 STEPS TO DX SUCCESS**

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Small and midsize business CIOs, we know you're out there and feeling pressure to deliver on digital transformation. If it feels difficult to make meaningful change in your organization's digital transformation journey, you are not alone.

CIOs and leadership of SMBs are embracing and driving digital transformation (DX) to remain competitive. DX is all about using new and advancing technologies – things like analytics, AI, IoT and blockchain – to improve customer experiences, increase productivity, reduce costs and innovate more quickly.

For DX initiatives to be successful, SMBs need to appoint a leader who is committed and in charge. As shown by the [Futurum 2018 Digital Transformation Index](#), filtered for midmarket companies, most DX (more than 60%) is being led by a C-suite executive other than the CEO – most likely by the CIO.

If you are that CIO, empowered to affect the success of the organization, you are the catalyst to move your company forward. The pressure may feel overwhelming or difficult now, but there is a payoff ahead.

Indeed, digital transformation delivers business outcomes. Research from the [BDO Middle Market Survey](#) found that of companies investing in digital transformation, 71% have seen increased revenues in the past 12 months, and 74% have seen increased profitability during the same time.

Overcoming challenges like traditional thinking, scarce resources and legacy systems requires a paradigm and cultural shift for the entire organization. That's why it's essential for SMB CIOs to create clear and achievable digital transformation business objectives.

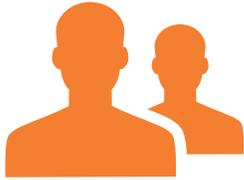
The company's leadership must embrace DX, and CIOs must work in tandem with all C-suite executives. The CIO needs to infuse the right technology into business operations, lead with a data-driven mindset, and foster a culture that welcomes and supports change. When that happens – the marriage of technology and a data-driven culture – you're on the road to digital transformation nirvana. But how do you get there?

**This white paper offers insights into some of the biggest challenges you'll face, how to overcome them and goals to help propel your company forward. Key takeaways:**

- Drive a data driven culture from the top
- Create clear goals
- Build your business case with your CFO
- Educate your employees
- Find the right technology and consulting

# State of Digital Transformation for SMB

In simple terms, businesses need to adopt new technologies and a digitally savvy, data-driven mindset to stay both relevant and competitive in today's marketplace. [A study from SMB Group](#) showed small, lower midmarket and upper midmarket companies had different drivers for digital transformation:



**Small business**  
(one to 99 employees)  
Attracting  
new customers.



**Lower midmarket**  
(100-999 employees)  
Keeping up with  
competitive pressures.



**Upper midmarket**  
(1,000-2,500 employees)  
Improving employee  
productivity.

According to research from the [BDO 2019 Middle Market Digital Transformation Study](#), 72% of CIOs are currently deploying cloud computing. Advanced analytics implementations are underway at 64% of the surveyed organizations. And 57% of companies are using automation in their DX initiatives. AI, IoT and blockchain projects are in planning or deployment. SMBs aren't sitting still, and a proactive approach is essential — no matter your industry or vertical.

A favorite example is Seacoast Bank, one of the largest community banks in Florida. Seacoast Bank achieved a competitive advantage relative to other banks its size by using a machine learning platform to build complex modeling of its customer base in order to create a strategy around the opportunities with the most profit potential. Once the customer insights were created, the power of visual analytics was employed to help bankers anticipate customer needs and provide more personalized service. [Learn more in this video.](#)





## All Things Analytics & How Analytics Is Driving DX

A clear driver for digital transformation is better customer experience. Analytics, AI and machine learning hold much potential to help SMBs improve their relationships with customers and gain traction in the marketplace. SMB CIOs need to create an environment that leverages their valuable data to inspire innovation and create new business models.

Midmarket companies understand this. According to the [2018 Digital Transformation Index](#), the majority of companies feel pretty good or think they are ahead of the competition when it comes to focusing on big data, cloud solutions and cognitive computing. In the next 12 to 18 months, most middle market companies are betting on cloud computing, analytics and automation to be the key drivers of DX – and for good reason. These technologies are improving employee productivity and opening the door for better customer experiences.

Let's take a look at some digital business transformation examples to put this insight into perspective.

With its appetite for innovation and a data-driven strategy, the [Orlando Magic](#) are considered one of the most analytically savvy teams in sports. Over the years, the Magic have become more sophisticated in how they use analytics to personalize the fan experience and grow their business through improved pricing, revenue management and overall marketing strategies.

The team collects and models data from multiple sources to predict what products and services fans are likely to purchase or if ticket holders are on the fence about renewing for next season. Personalized offers are then automatically sent

to fans via push notifications, website banners and emails.

Courtside, the Magic are moving from big data to big results with cloud deployment and machine learning to track player fitness, optimize lineups and make other strategic decisions.

RevSpring, a leader in providing technology-driven patient communications, billing, and payments solutions, has transformed the patient experience for its clients. Realizing that medical bills often underscore an already stressful time in people's lives, RevSpring sees personalizing the communication process as a way of expressing compassion for those in turbulent times.

By applying machine learning and analytics, [RevSpring](#) uses advanced segmentation scores for each patient based on its analysis of hospital and patient data. This score helps RevSpring determine how much time to spend on each patient and how to customize patient communication messaging, in concert with an automated workflow. The solution has led to increased payments and higher revenues for many healthcare organizations.

[Relais Colis](#), a midmarket French delivery company for individuals, is reinventing itself by using analytics to automate and optimize operations, boost service quality and shorten delivery times for its clients.

Relais Colis has built an analytics culture that drives business innovation and improves the customer experience. For example, after gathering data, the company allows customers to send or return a package without a label, using only their smartphone – a simple and time-saving process.

# Challenges of DX

Futurum research shows that the top three factors keeping leaders up at night are budget (35%), culture (30%) and lack of the right skills among employees (nearly 27%). Here are a few of the main issues that make mastery difficult:

- 1) Talent shortage.** Many SMBs struggle with attracting talent, specifically in the areas of security, risk, software development and analytics. Creating a data-driven culture is difficult when you can't attract data-driven people. Yes, people. People are still the drivers of DX, and you need to keep them front and center in your digital transformation plan.
- 2) Skills gap.** Technology changes so quickly that it's difficult to hire the right people with the right skills. Your options are to continue hiring new people, retrain your existing workforce or outsource.
- 3) Budget gaps.** There's never enough budget when CIOs must keep the day-to-day IT functions running and invest in new technology that can create efficiencies and help build better relationships with customers.
- 4) Culture gaps.** Technology alone isn't the answer when it comes to successful digital transformation. Instead, it's a combination of technology and people, and how they adopt and use the technology. Futurum research shows that CEOs are holding back digital transformation almost 38% of the time. Embarking on the process of cultural transformation isn't something you can do on your own. It takes support from every part of the organization, from the CEO on down.

Let's explore how to build a stronger foundation and move your company further.



# The 5 Steps of Digital Transformation Success

The role of the CIO has transformed and will likely continue to evolve as DX progresses. Rather than getting overwhelmed, review the five steps to DX success and set clear and achievable goals to orchestrate them.

## 1. Build the foundation.

Replacing legacy systems is neither fun nor sexy, but it needs to be done. You need to know your cloud, hardware systems, and “as a service” vendors will all be able to grow with your company. Honestly assess your legacy system to determine the components that will contribute to DX success.

CIOs need to know the company’s infrastructure is fast enough to support real-time data analytics, even if you don’t need the capability today. CIOs must provide secure access to large volumes of high-quality data, a friendly environment for experimentation and discovery, and a method for rapidly deploying and governing models.

[According to Futurum Research](#), digital leaders have a strong foundation with teams, leadership and technology partners in place to support their initiatives. Don’t fast-track this step. Do it with intention and purpose, and with clear business goals in mind.

## 2. Build the culture.

There is no point in upgrading systems to provide real-time insights if legacy thinking is entrenched within the company culture. It’s as simple as that. Build data and analytics into every business discussion, ensuring that leaders are walking the walk when it comes to digital transformation (and yes, CIOs will need to help convince them to do it).

You may get pushback. If so, keep pushing or take a different approach. Make sure to reward and recognize innovation. One financial SMB, for example, encourages team members organization wide to be the first to float new ideas that challenge the status quo. The best ideas receive recognition from top leaders, along with rewards. This feeds upon itself and drives more innovation.

## 3. Embrace and plan for the data challenge.

Data is never in one place – it’s in applications, processes, servers, devices, etc., whether on-premises or in the cloud. Organizations should

design their architecture to distribute and share data, govern some of it locally, and plan to centrally govern the most critical data.

CIOs need to ensure that data is accessible to everyone who could possibly benefit from that data. Imagine the new insights you could glean with the right data and algorithms in the right hands. Leverage your unique CIO perspective to make those insights possible. Actively build bridges between silos whenever possible.

## 4. Partner across the enterprise.

Digital laggards often have siloed IT departments and weak, ineffective partnerships according to Futurum. While CIOs aren’t always known for being the sales drivers of the company, you need to take a leading role in communicating the value and opportunity of digital transformation – and you need to do that now.

Take tangible actions. Involve the right stakeholders in the discussion, every time. What do your business users want?

Go for the win – even a small one. Create cross-functional projects that will get results while also building a sense of unity. Use these projects to perpetuate problem solving, streamlining of procedures, self-service options and ease of access.

Digital transformation does not happen in a tech bubble. It succeeds or fails companywide every time.

## 5. Prioritize security over speed.

The fastest way to lose in digital transformation is to breach customer trust. Keep your eye always on the security prize – keeping data safe, eliminating it as soon as it is no longer needed and building that sense of security into the overall company culture.

The good news is that there are tools that can help CIOs manage this undertaking. The SAS® Platform, for instance, orchestrates disparate data and analytics technologies throughout the organization to help the CIO and IT teams secure, manage, govern and scale analytics while still accelerating digital transformation and innovation.

# Key Takeaways and Recommendations

Clearly, digital transformation delivers. Research from the BDO Middle Market Survey found that of companies investing in DX, 71% have seen increased revenues in the past 12 months, and 74% have seen increased profitability in the same time period. What's more, in the next three years, more than 80% anticipate increased revenue and 79% anticipate increased profitability.

To find success in DX, you need the right culture, clear goals, budgetary support, knowledgeable people and the right technology partners.

Here are a few steps you can take now to drive digital transformation success.

**Start from the top.** Culture comes from the top. If your C-suite leaders don't buy into the benefits in creating a data-driven culture, then your employees won't either. CIOs uniquely understand the power of analytics and the transformative role technology plays. Collaborate with the CEO, CFO, CMO and other key stakeholders to drive the data-driven culture you collectively want and the steps to get there. Revamping culture won't happen overnight, but the change can be powerful.

**Create clear goals.** Once a solid, data-driven culture is in place, the organization can start making data-backed decisions and creating business goals. Use your data to figure out how to attract new customers, improve employee productivity, reduce costs, increase customer satisfaction and loyalty, find new talent or whatever you need to do to grow your business. CIOs need to work with all departments across the business to determine goals and how data and analytics can help them achieve results.

**Build a business case with the CFO.** After setting clear DX goals, work with your CFO to quantify the value. Build a business case that you both support, that is achievable and that can be tracked.

Your CFO may see the potential of DX contributing to greater company mergers and acquisitions value. [Ernst & Young](#), for example, says that "42% of banks are cherry-picking from the operating models of both acquirer and target to create a new best-of-breed operating model and transform the business."

**Educate your employees.** You can have the culture, the goals and the budget in place. But if your employees lack the right skills to move forward, your project will not reach its potential. Do they possess [these five skills](#)?

- ✓ Problem solving ability.
- ✓ Creativity.
- ✓ Curiosity.
- ✓ Contextualization.
- ✓ Ethical judgment.

It's no secret that investing in your employees is a great tool for retention. Invest in them by creating training programs. Help them develop these skills so they can learn how to use data and analytics technology.

**Find the right technology and consulting partners.** Finally, CIOs need to work with the right companies and consulting partners to drive success. Chances are your company doesn't have the infrastructure to orchestrate your entire analytics ecosystem and scale as the company grows. Platforms like SAS help the CIO integrate new technologies; balance data governance and security; build data and analytics into every aspect of the organization; and grow when necessary. In short, we believe key strategic partnerships will be vital as companies seek to realize their goals and ambitions.

Truly, each step in the digital transformation journey relates to the next. SMB CIOs have a lot of power in digital transformation. By collaborating with other C-suite executives and outside technology and consulting partners, you can help create a data-driven culture and deliver digital transformation business outcomes for your company.

## Learn More About SAS

SAS is the leader in analytics. Through innovative software and services, SAS empowers and inspires customers around the world to transform data into intelligence. SAS gives you THE POWER TO KNOW®.



For more information visit:

[sas.com/smb](https://sas.com/smb)

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