

WHITE PAPER

Fear and Failure: **Digital Transformation** in B2B Manufacturing

Three common digitization mistakes and how to solve them



Spryker





Introduction

B2B manufacturers need to digitize to survive, but they often don't know **where** to start, or **how** to go about it. This can lead to feeling overwhelmed, which clouds the clarity needed to design a smart and sustainable digital transformation strategy.

Failure is a very real, and often plausible, fear when it comes to digitization - so, what can B2B manufacturers do about it?

Recognizing the most common pitfalls is the first step so that your business can learn from the mistakes of others, and forge a new, successful path ahead. Below, we outline three of the most common digital transformation failures, and more importantly, their solutions.

What's the Status Quo of Digital Transformation in B2B Manufacturing?

There is a clear line drawn in the sand between the winners and losers of modern commerce, and digital adoption is the differentiator. While B2B companies, particularly manufacturers, might still think this isn't relevant to their sector - think again.

A [McKinsey analysis](#) of 350 industrial companies shows that digital leaders (those that made early investments in auto-

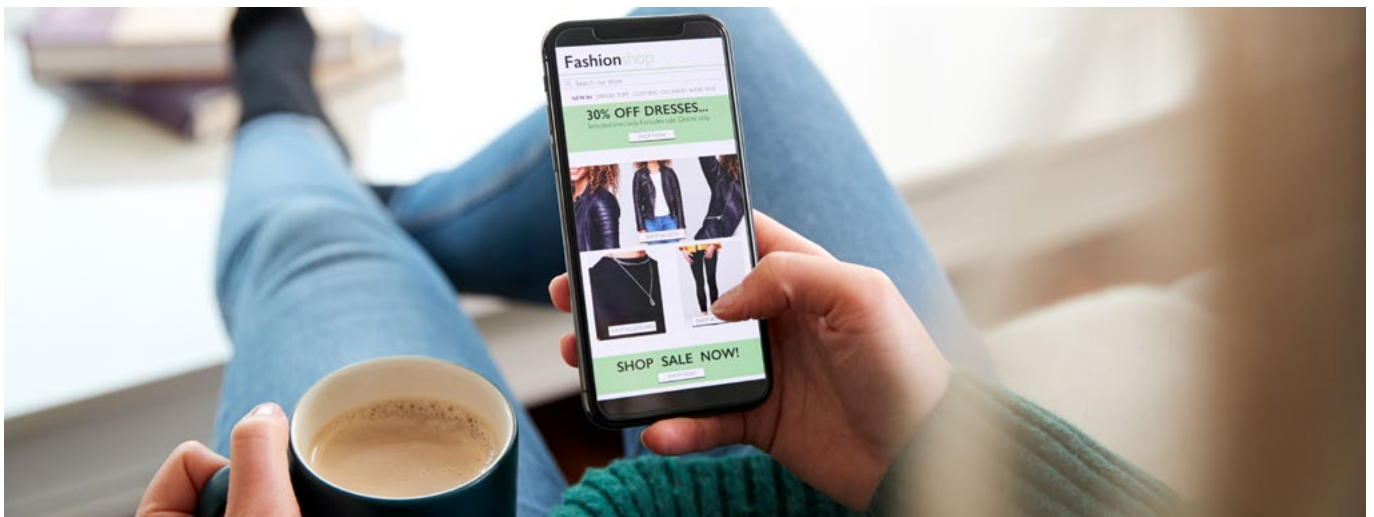
mation, e-commerce, etc.) have already achieved revenues that were higher than those of digital laggards. Additionally, digital leaders in B2B achieve up to five times the revenue growth and up to eight times the EBIT (earnings before interest and taxes) growth of their peers.

“This whole concept that there’s a membrane between B2B and B2C is gone. No matter what side you’re on, it’s about creating value for your customer”

Meeta Kratz, Head of Strategy, Commercial Marketing and Data Science,
Thermo Fisher Scientific at B2B Online

B2B has always been about the relationship between the business and the buyer, and today’s buyer expects a streamlined digital experience. Two-thirds of B2B customers prefer remote human assistance or digital self-service when making a purchase, while 20% of B2B buyers even said they would be willing to spend more than \$500,000 via a digital sales channel.

While the momentum for digital transformation might come from external pressures such as changing customer demands and competitor advances, the internal benefits are extensive. To ignore the call to digitize is simply not an option for any business wanting to succeed, and more importantly, secure future success.



➔ To learn more about why digitization is pivotal for manufacturers, particularly those in the U.S., [check out this blog post explaining all the benefits.](#)

Now, we know that fear of failure is a major reason for humans not to do something. Failure is painful. Sometimes it’s even embarrassing. In a business context, failure can even cost you your job. However, we’re here to reassure you that

success is not as hard as you think - if you take the time to consider why so many digital transformations do fail, and how you can avoid those common pitfalls.

Why Digital Transformations Fail, and How to Prevent it

Failure #1 - Trying to Change Everything at the Same Time

We all do it. Try to change everything at once. We approach every January with a new year's resolution list as long as our arm. Go running every day at 5 am before work. Only eat sugar on the weekends. Turn off our smartphones an hour before bedtime. This is it! - we tell ourselves - this time, I'm going to nail my personal transformation and come out the other side a healthier/happier/more successful person.

I'm sure you know where this is going...come the third week of January, you're tired, and you miss a couple of runs, so you think 'well, what's the point?'. Before you know it, none of your new habits have stuck, and you're exactly where you were in December, except more deflated than ever before. Inevitably, we all know deep down why our new year's resolutions failed - we tried to change everything at once, and ended up changing nothing.

This is precisely the same reason why so many digital transformation efforts fail, of which 70% do, according to McKinsey. Companies know they need to change. In fact, the urgency to change grows stronger by the day as you witness your competitors outpacing your digital efforts. So what do these companies do? They try to change everything at once, without really establishing a clear strategy of **how** they're going to transform, or **why** they're changing these aspects of the business at **this** particular time. And what happens? You guessed it - they fail.

Digital transformations can seem overwhelming, and it's hard to know where to start. We're going to approach it exactly as you would your new year's resolution to run a marathon. Start with 10 minutes a day, and build up from there. By starting small, your business can ensure that there is a clear strategy in place to help you reach your digital transformation goals - no torn hamstrings in sight!



Solution: Before making any changes, figure out your company's priorities regarding digital transformation. Start by asking your team the following questions:

- What is most important at your company?
- Which areas of the business are you most open to digitizing?

Is it your customers? In that case, your first priority should be focusing on the ways that digitizing can enhance your customers' experience. That could be with a digital self-service portal where they can access all the information they want from one handy source. Is it creating additional revenue streams? Then you might consider how to establish a D2C channel through a digital platform as a first priority.

Consider which teams are ready to go digital. It could be your inventory team who sees the value in a digital Order Management System for keeping track of stock. Or, perhaps it's your sales team, who sees the value and potential in up- and cross-selling through a digital commerce platform.

- What are you most afraid of?

Try understanding your team's digital transformation fears before diving into anything. It's essential to address these fears head-on, so they don't get in the way later down the line. Is your sales team worried about the potential channel conflict associated with going digital? Think about how to work with your resellers on a digital sales channel and establish an even stronger partnership. By involving your dealer network right from the get-go, you'll help to avoid any panic or miscommunication they might have about you 'cutting out' the middleman.

Once you've addressed these questions, you'll be in a much better position to strategically map out your digital transformation roadmap and focus on one element at a time.



Failure #2 - Not Having Buy-in From the Entire Organization

Imagine that you've just bought a shiny, new, electric car. You've done your research, and you've decided that electric is the way to go - not only to help ensure the sustainability of the planet but also in terms of long-term running costs. You're all in, and ready to start driving the car of the future...

Your family, however, doesn't see the need for the change. Your partner is upset that there's no in-built CD slot to play their favorite tunes. Your kids think that vintage cars are cool and electric ones are lame. Your dog is freaked out by how quiet the car is because they can't hear it creep up on them when they're lying out on the driveway.

What started off as such an exciting step toward the future turned out to be a massive headache - why did that happen? Humans are hardwired to be averse to change. It's

hard, and we don't particularly like to do hard things. Your family didn't want to change to an electric car because they didn't understand the bigger picture, and how it was going to affect everyone.

This is exactly the same with businesses going through change. Every single person in the company, and especially the management team, not only has to be on board with the theoretical changes, but they have to understand the bigger picture and the value that it brings. If your business's digital transformation is being championed and led by a small group or even an individual without the proper buy-in and comprehension from the wider business that this is going to mean major shifts in the company, you're doomed to failure.



Solution: Ensure that the whole company is on board with the digital transformation, and not only understands the how, but also the why. Document a timeline of the major changes that will take place so everyone is on the same page, and nothing comes as a surprise.

You might have amazing and efficient tools and processes that have been working for your business up until now, but chances are, they simply won't translate to modern commerce technology. Rather than holding on tight to these

legacy processes (and spending a lot of time and money) when transforming digitally, think about how you can design brand-new systems that are better aligned with your new digital platform.



Once you've successfully got the buy-in from your organization, you'll be in a much better position to begin your digital transformation.

Follow these four steps to help get everyone onboard with the new status quo, and you'll avoid this common pitfall.

- **Educate** - Explain what digital transformation is, and why it's important
- **Inspire** - Create a Value Proposition to illustrate why it's a great step for your company and how it will positively impact the business on both a big picture and individual employee level.
- **Outline** - Develop a clear roadmap including timelines, which teams will be impacted, and what the outcome will be.
- **Analyze** - Take a look at your competitors and other examples of digital transformation in the market to learn from their mistakes and see what's possible.

Failure #3 - Not Understanding the Importance of the Culture Shift

Do you know someone who was initially resistant to smartphones? They're expensive and unnecessary, they cried. What's wrong with a good old-fashioned paper map/handwritten letter/human ticket teller, they asked. Maybe - this person was even you. Old school attitudes and the belief that 'the way things have always been done is the best way' are some of the most difficult cultural beliefs to shift.

However, take a moment to consider those smartphones again. No one who has used Google Maps to find the fastest route home, an email to secure a doctor's appointment, or a ticket app to find the best deal wants to go back to pre-smartphone days. While difficult for many to grasp in the beginning, it's hard to find someone nowadays who doesn't see the value that a smartphone adds to our lives.

While cultural changes, such as technology adoption, can be a very difficult thing to change - it is possible.

For digital transformations to succeed, B2B manufacturers must foster a culture of change and collaboration. If innovation and a growth mindset sit at the heart of the company culture, then your digital transformation is going to feel like a natural next step. If, however, your company has an 'if it ain't broke, don't fix it' mentality and resistance to evolution, you're going to struggle.

One of the biggest pitfalls that companies face when going through a digital transformation is not understanding the major culture shift that has to come with it. It's not simply a case of digitizing a few aspects of the business but otherwise forging ahead as you have been for the last few decades.

Solution: Make growth, learning, and evolution a key component of your company culture.

That might seem easier said than done, but it can be achieved with the right structure and incentives.

Just like how you shouldn't try to change everything at the same time when digitizing, you also shouldn't try to change

everything about your culture at once. Consider the following four prompters before embarking on any missions to shift your company culture.



- **Prioritize which behaviors to change** - Do you want to help your employees to start embracing innovation? Set up small, regular internal competitions to test new ideas and celebrate both those that succeed - and those that don't.
- **Align business objectives with culture** - If there isn't a clear understanding and connection to why you want your culture to change, then you're facing an uphill battle. Make sure that your overall strategy is in sync with the culture you're trying to foster, and change will come about organically.
- **Motivate employees by showing what's in it for them** - It's a truth universally acknowledged that we humans mainly like to do things that benefit ourselves, first and foremost. Incentivize your workforce by offering promotions, benefits, and recognition to those who champion the new culture shifts.
- **Don't ignore what's already there** - Your company will already have an established culture, and not all of it may need changing. If great customer service is ingrained in your company culture, then you can capitalize on that to help bring your colleagues onboard with digital transformation, since digital processes will greatly enhance your customer's experience.

If you follow all the above advice and are still struggling to see any positive culture shifts in your company, it might be time to consider your workforce. Can you hire new talent to shake things up? If you have employees who are particularly resistant to change, it might be time to consider whether your company is the best fit for them.

Conclusion: Don't Panic, Successful Digital Transformation is Possible

It's entirely normal to feel overwhelmed when facing any big transformation in life, especially if it's in an area that doesn't come naturally to you. While digitization might feel like an alien concept right now, the most important thing to keep in mind is that it's there to enhance and improve, not to take away. Don't allow the knowledge that some companies do

fail in their digital efforts to put you off because the other alternative is doing nothing - which is a guaranteed way to fail as a business!

To help arm yourself and your team with more information, [check out this helpful guide](#) on the digital basics that every B2B manufacturer should start with.



About Spryker

Spryker Systems GmbH is a privately held technology company headquartered in Berlin, Germany and New York, USA. Founded in 2014, Spryker enables companies to build sophisticated transactional business models in unified commerce including B2B, B2C, and Enterprise Marketplaces. Spryker is the most modern, fully composable platform-as-a-service (PaaS) solution with headless & API-based architecture that is cloud and enterprise-ready and loved by developers and business users worldwide. Spryker customers extend their sales reach and grow revenue with a system that allows them to increase operational efficiency, lower the total cost of ownership, expand to new markets and business models faster than ever before: Spryker solutions have empowered 150+ companies to manage transactions in more than 200 countries worldwide and is trusted by brands such as Aldi, Siemens, Hilti, and Ricoh. Gartner® recognized Spryker as a Visionary in the 2021 Magic Quadrant™ for Digital Commerce, just one year after it first appeared (2020), and has also been named as a major player in B2B e-Commerce by IDC. Finally, it is the only commerce platform to provide full B2B, B2C, D2C, and Marketplace capabilities out of one stack. Find out more at spryker.com



Spryker Systems GmbH
Heidestraße 9–10
10557 Berlin / Germany

T +49 / 30 / 208 49 83 50
M hello@spryker.com
W spryker.com

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