



Digital Transformation in Private and Family-Owned Businesses

How Australian businesses view and implement digital technologies and how to maximise digital transformation opportunities in your organisation

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Executive summary

The pace of technology change is relentless in today's world, and continues to impact businesses in all sectors, from incremental change through to disruption. With these technologies becoming commonplace across all sectors and all parts of a business's operations, implementing digital technology can give companies an edge. However, this edge is dependent on how well technology is integrated. This report outlines the findings from our study of how digital technologies are impacting middle-market business. Before delving into the research and findings, it's important to understand the characteristics of companies in this market segment.

The defining elements of Australia's middle market

Our firm has worked with a variety of private and family-owned businesses for more than two decades. Defining these businesses by revenue or the number employees, while providing an indication of the size of the business, is not always the critical factor that sets these organisations apart. Our other independently commissioned research, the [Pitcher Partners Business Radar \(PPBR\)](#) report found that the culture and identity of business owners and leaders in this segment is the key factor that sets these companies apart. The qualitative aspects, revealed in the research for PPBR, that make middle-market business owners and leaders unique include:

- these organisations are **private and family-owned** with a view to legacy building
- an **entrepreneurial mindset** focused on turning ideas and concepts into commercial realities
- a **customer-centric** approach with an ability to create a compelling value proposition.

No matter what industry your business operates in, you need to understand and identify how digital transformation can change your strategy and operations. Understanding how to do this now can be the difference between having the capabilities to weather the next economic storm and overtake your competitors or being left behind.

“What does digital mean for my business?”

Understanding what digital means to business and how it's implemented is a critical first step in identifying opportunities for change. For the study, we identified five focus areas for business when it comes to digital:

- 1 Digital marketing
- 2 Digital customer experiences
- 3 Analytics and customer insights
- 4 Operational excellence
- 5 Experimentation and innovation.

Our research revealed personas that explained how business owners approached digital in their business –



Digitally Lost

Business leaders who are unfamiliar with and lacking confidence and knowledge about digital and how it can be used in their business.



Digitally Confident

Business leaders who have found meaning and clarity in what digital means for their business.

“What can help me understand why I think of 'digital' differently to others?”

Our analysis shows there are categories of personas that emerge when it comes to the challenge of bringing digital technology into a business. These personas have been designed to help you better understand:

- Your starting point when it comes to understanding how to use digital technology in your business.
- How to measure your relative level of confidence and ambition, relative to being the “Digitally Lost” or “Digitally Confident” archetypes.
- The typical challenges, struggles and confusion related to digital transformation.

The persona architecture Pitcher Partners has created and developed, shows four key personas. Each persona differs in its level of digital maturity, which is measured by:

- **Confidence to drive digital in your business.** This is defined by the extent to which you are comfortable with digital concepts and understand how to apply these to the business.
- **The level of ambition that sets the direction.** This encompasses your appetite to explore and trial new concepts in the business.

Digitally Lost



Digitally Confident



Which persona represents you or your business?



The Novice

Leaders within organisations that currently have an incomplete or limited understanding of current digital technologies.



The Option Seeker

Leaders within organisations that have made some sense of their world and industry and have a mental map of the technology options that exist for their industry and business. These people typically don't have a technology background.



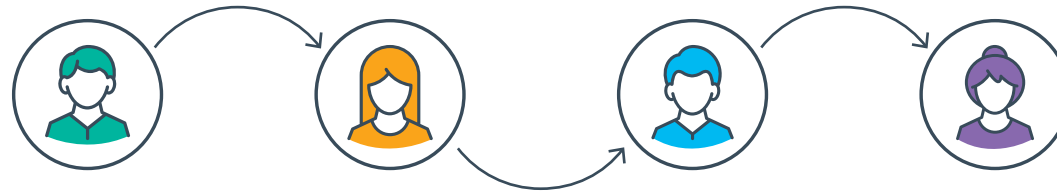
The Mover

Leaders with a clear understanding and focus in their minds about the use of digital technology in their business, with clearly defined expectations on business benefit.



The Warrior

Leaders that rate highly in confidence and ambition. The Warrior typically understands what technologies are relevant and useful to support, enable and realise business objectives.





To have a technology-enabled edge in the market, business owners and leaders in the middle market need to work towards becoming “Digital Warriors”. Through our research, we identified five key steps that will help companies strengthen their digital capabilities.

Steps to becoming a digital warrior:



1

Understand your business strategy first, identifying **where to play and how to win**.



2

Understand the landscape of what is going on and **monitor emerging trends** and develop success scenarios for the business.



3

Have a clear **value proposition** and **create a digital strategy** to enable and support execution.



4

Orchestrate the technology you need, and ask yourself, “Do I really need to build and own it?”



5

Create the right structure to allow experimentation and simultaneously track value to ensure **capital investment** is controlled.

Understanding your business’s current approach to technology and where it needs to be in the future to be competitive is possible through using the steps above. Further, ensuring your company has the culture and a digital roadmap to support the long-term benefits of introducing new technologies across the business is critical.

“What is the value of digital in my business?”

Digital transformation can give businesses competitive advantages in a constantly changing marketplace. The current global pandemic has pushed the world into prioritising digital and adapting a digital-first way of thinking. This means building new digital capabilities (e.g. digital marketing and eCommerce), if you have not prioritised this previously. Having a digital transformation strategy allows you to create a plan for how you will drive value from new capabilities to your business. This plan will help you to create a Digital Roadmap, ensuring your investment in transformation creates results as soon as possible. We encourage businesses to develop a Digital Strategy, which incorporates the following key steps:

- 1** Digital capabilities review.
- 2** Conduct an integrated strategy and digital session to uncover what opportunities are available to your business.
- 3** Ensure opportunities and solutions are focused on driving value, revenue, and cost benefits to your business.

The digital landscape is constantly evolving. This can leave businesses feeling that it's too late to realise the commercial benefits of technology. Defining your business's maturity and appetite for digital transformation, will provide a starting point for progressive long-term change.





Growing a business as a trusted business advisor



This business now has an annual turnover exceeding \$2.0 billion and employs over 2,500 staff.

The business

Over the last 150-plus years, this food services and logistics company has grown through acquiring businesses and expanding its food product lines. This has given the business the capability to keep its product lines current and most parts of Australia covered with its extensive distribution network.

The business adapted throughout the war years by expanding its product line to include peas, pies and ice cream. At this time, the business also stopped fish processing and changed its name to reflect its broader offering.

In the mid-1900s, the then Managing Director sold the business. The company was in the process of establishing an Australia-wide network of distribution centres, and the company would be an integral part of this growing network.

The business continued to grow over the following decades, acquiring other companies in the food services industry to keep expanding its processing and distribution networks throughout Australia.

In 1975, the owner led a management buy out placing the business back into family and executive ownership.

Trusted advisors

Throughout each stage of growth and transformation, there have been ownership changes, structural changes and plenty of challenges. In 2005 the company's CFO approached Pitcher Partners to assist in making a large acquisition, and approximately a further 25 subsequent acquisitions.

In addition to corporate advisory services, they engaged Pitcher Partners for audit, tax compliance and business advisory services, as well as management of executive payroll and superannuation and, most recently, data analytics consulting.

A new chapter

The business now has an annual turnover exceeding \$2.0 billion and employs over 2,500 staff. It's latest stage in its expansion, is a purpose-built distribution centre which employs hundreds of people.

2020 saw the sale of the company to a large public Australian company, marking a new chapter for the business and the family. Pitcher Partners will continue to work with the business on the establishment and development of their family office. The partnership between the business and Pitcher Partners has continued through the growth, development, acquisition and now divestment phases of its life, with Pitcher Partners providing different services, skills and resources according to the business's changing needs.

The first fundamental step is understanding the middle market

Our economy is a tapestry of businesses and industries, working together to create economic and business value. This report and study looks at the specific impacts of digital technologies on the future success of private and family-owned businesses.

To unlock insight about this large market segment, we first sought to define and understand the term 'middle market'. In Australia, there is no broad consensus regarding the definition of the *middle market* (or SME market), with different consulting firms highlighting various characteristics of a typical middle-market business.

To provide a starting point, this study leverages a combination of characteristics defined by the Australian Bureau of Statistics (ABS), Reserve Bank of Australia (RBA) and Australian Securities and Investment Commission (ASIC). Whilst not entirely consistent, this information provides sufficient data to outline the following key characteristics to define the middle market:

- number of employees: up to 200 full-time equivalents
- gross turnover: generating \$1M to \$500M per annum

This generally holds true to the clients with which Pitcher Partners works, many of which go on to generate revenue on a larger scale.

Our experience working with private and family-owned businesses provides valuable insight into the qualities critical to success. These businesses are entrepreneurial, commercially focused and highly customer centric. Without these qualities, many businesses would not have experienced such success and longevity.

SMEs | More than just a collection of employees and revenue generation

Another set of qualities that emerged from engaging with businesses should be woven into the definition of SME. These qualities have always played a considerable part in shaping the decision-making and development of private and family-owned businesses. Consistent with the findings from the [Pitcher Partners Business Radar \(PPBR\)](#) report, our research uncovered some similar qualitative aspects that set middle-market business owners apart.

Family-owned and managed

Many SMEs start out as a passion for developing a concept into a commercial business. At the same time, the founders of these businesses see this as a vehicle to provide for their families. Over time, as the business grows, wealth creation and protection for current and future family generations becomes a key influence on strategic decision making.

The entrepreneurial mindset

The passion for an idea or concept and turning it into a commercial reality is a major driver in how small and medium businesses are born. Over time, the founder (or founders) grow and develop the business into a sizeable operation yet can typically still run it autonomously, taking careful consideration and ownership of any major financial or capital investment decision. These business owners, along with leaders in the business, also choose to shoulder major decisions around digitising the business, including initiatives such as building a website, managing orders, and addressing IT problems.

Customer centric

The success of SMEs is predicated on the ability to meet a specific customer need (either new-to-market or with a more compelling offer from existing offerings). This means they have a high desire to listen to customers and have an ability to unite resources to create a compelling value proposition.

The business and the owner are one and the same – the passion and motivation that lies within the person who runs the business is the fuel that drives the direction and momentum of these businesses.



Never let the business stand still, always be adapting to the environment



“We must never stop transforming, we must continually challenge ourselves and the status quo.”

Gary Adler, Chief Digital Officer, MinterEllison

The Challenge

MinterEllison (ME), Australia's largest independent law firm, has provided comprehensive legal and consulting services to the Australian and International markets for the past 200 years. The still growing firm is continuously evolving and prides itself on being at the forefront of the transformational wave that is sweeping through the legal industry. ME's digital transformation strategy focuses on cultivating a culture of continuous improvement in best practice process, people and technology.

The strategy

This strategy, which is premised on a refreshed and nimble approach to law firm operations, was created to put the firm in the best position to respond in the new legal landscape, that sees competitors, disruptors and new technologies 'emerge overnight'. With the firm's developed ability to swiftly react to the sudden changing nature of client expectations and the legal industry generally (in an industry that has previously been ensconced in tradition and precedent) gives it a strong strategic advantage and enables it distinguish itself from its competitors. It also ensures that ME will continue to attract and retain talent that is like minded in their views about the importance of progress and ongoing betterment.

Embedding the strategy

Embedding the digital transformation strategy required the firm to shift further towards an agile, multi-disciplinary and client-centric approach to product delivery.

In order to facilitate this shift, ME invested in building a skilled "legal operations" team (the LO team) to sit across the technology and client facing divisions of the firm to deliver, implement, govern and embed the strategy. This includes ensuring adoption in all stages of the firm's internal process and service delivery.

The overarching principle is to entrench continuous improvement as a corporate capability and empower teams to challenge the status quo by constantly questioning how they can work more effectively. This is supported by the deep business and legal services capability within the firm to effect change and deliver improvements.

The strategy in action

The LO team start by searching for and addressing internal improvement opportunities with a focus on operational excellence. In all instances, the baseline is captured to ensure the team can monitor and track benefits to the impacted team and the business as a whole. Processes are then reviewed and optimised in a bespoke workshop style session. This includes reviewing the resources and roles, and leveraging technology to automate transactional activities where possible.

Finally, the team ensures that the solutions are embedded in the business (using training and targeted communications) and appropriate refinements are made as necessary.

By working closely with the technology, legal services and client facing teams, the LO team can ensure that ongoing digital changes at the 'back end' cross over into the 'day to day' operation of the firm. The LO team is shifting traditional thinking in an inclusive and truly transformational manner by bringing the client facing teams along on the new operational journey.

The LO team is constantly working on its toolkit, bringing to life the growing capabilities and tools that are required to practice successfully and stay "ahead of the pack" in the competitive 21st century legal services industry.

The Insights

Digital ambition

- By outlining its digital and operational objectives in the context of the everchanging legal industry, the firm was able to **develop and execute a long term strategy** around its digital and operations structures.
- **Studying the nature of "Digital Disruption"** and understanding what it means to compete in the future – especially against emerging digital native players – became an integral part of the digital transformation strategy.
- **Building a strong multi-disciplinary team** of skilled legal operations professionals who understand client requirements and can sit across the technology function and client facing teams was key to making the strategic vision a reality;
- **Strong leadership in the form of a Chief Digital Officer** with ownership of the strategy, who has the support of the executive leadership team and partners, has been crucial to the strategy's early and ongoing success.



The storm that arrived and how we respond is critical to survive and thrive

In early-2019, North Queensland was struck by what could only be described as “unprecedented and devastating flooding”. The Townsville flood was caused by a convergence of a monsoon and a slow-moving tropical low, according to meteorologists. Consequently, the floods resulted in loss of human life, significant loss of cattle, and damaged properties, and infrastructure. All this has impacted a geographic region with unforetold long-term impacts on the economy.

Digital disruption and its impact on businesses can also show parallels to weathering a storm. New and emerging technology (such as artificial intelligence (AI) and blockchain) can parallel meteorologist’s descriptions of leading indicators before a major storm or flood. What is usually unclear in these predictions is the extent of the impact on citizens.

In a similar vein, the business world has seen incredible changes through increasing advances in technology. Businesses, large and small, in all industries have experienced the impacts of digital technology. The taxi industry has witnessed the disruption of the introduction of Uber into many markets, internationally. The retail industry

is now considering how it can compete with strong players such as Amazon. Hotels and accommodation providers have been forced to re-evaluate its value proposition with the entry of Airbnb, whilst real estate property managers grapple with the most appropriate use of rental properties.

No matter what industry your business operates in, you need to understand and identify how digital technologies can transform your operations. Understanding how to do this now can be the difference between having the capabilities to weather the next economic storm and overtake your competitors or being left behind.

First things first, define what digital means for your business

Digital technology disruption is global with its affects felt throughout the value chain. To understand this trend and its impact on industries and individual businesses, it's important to define what "digital" means for a business and how it fits into the overall business strategy. The focus areas for most middle market business today include:



Digital marketing

Digital and marketing are intrinsically linked. Businesses now need to redefine the way in which marketing is planned and executed, in an era where technology plays such a critical role in helping find and convert prospects into customers.



Digital customer experiences

Some businesses see digital as a means of changing how to engage, communicate with and serve customers. Customer experience is now prevalent across many sectors, businesses seeking to differentiate through digital and physical interactions and channels.



Analytics and customer insights

Many businesses have had "data and analytics" brought to the forefront and understand the potential of analysing customer data. Pursue the path of using existing customer data to either find "more of the same customers" or to "understand them better to increase share-of-wallet".



Operational excellence

Using digital technology, businesses can find opportunities to streamline activities and processes in their business, increasing the efficiency and effectiveness of what they currently do today, with the aim of enhancing margins in the business.



Experimentation and innovation

Some businesses leverage digital to re-evaluate and reinvent how services or products have traditionally been provided. This is a game-changing perspective for businesses, as it allows them to breakthrough boundaries and breakdown "that's how it's always been done around here" culture and mindset.

The above represents the more common tactics currently employed in middle-market businesses. To understand how to use digital technology in your business, you first need to have a clear business strategy to articulate where the business is heading and what management believes will create value. With this understanding and clarity, businesses can make an informed decision regarding how digital technology can be used and its subsequent impacts across the business.

The person and the business is one and the same

Most businesses, consultancies and government agencies begin at the same starting point; defining SMEs as an entity that continuously makes decisions to optimise commercial outcomes in an objective manner. This report started with the same approach. However, one of the key insights that emerged from our research is there is always a singular person or small collective that drives the direction and momentum of the business. The founder or person behind the business is the critical element that drives major decisions, including how digital is defined, and what the business should do about it.

Right now, you are probably thinking “that’s pretty obvious. But, why is this important?”

The culture amongst decision makers or influencers within your business is the critical factor that will determine whether your business will thrive or fade in the face of digital disruption. Without the right culture, the potential commercial benefits of digital disruption can’t be fully realised.

Our research and data collected through interviews and focus groups provides a range of insights into what and how people think about digital in business today.

Individuals responsible for making decisions about digital in their business are often “unsure” about where to start or what their next move should be. In most cases, they do not know what questions to ask to help develop their understanding and maturity on the topic. Leaders and others in the business rely on these individuals as the “guide” for digital and trust how it should be executed in their business. This creates substantial challenges and indecision, and is a typical outcome when individuals are put into roles in which they are required to make decisions on digital technology but are removed from the business’ overall corporate strategy. Below are some examples from our research.

1 Board of Directors

The people in governance roles have always had to provide independent advice and apply their expertise to ambiguous challenges and issues facing the business. They need to ensure the CEO and management are properly considering future opportunities and challenges, and planning for the future. In typical cases, the board, due to lack of understanding and training, cannot define what digital means for their business and hence lack the ability to have meaningful discussions on this topic.

“Our board has been filled with scientists that have known this industry sector their whole life; an amazing group of highly intelligent individuals willing to deep dive into any topic about cancer... yet when it comes to making decisions on digital, they are almost paralysed by fear of making a wrong decision...”

2 CEO and senior leaders

The leader of the business is naturally tasked with setting the organisation's strategic direction. This means they are the key decision maker on what the business should define as a priority, and how it should be investing in building its digital capabilities. What has emerged from our findings is that SME leaders have built their business from the ground up using timeless principles and business fundamentals. These people typically didn't start their businesses with a focus on technology, with the exception of technology start-ups.

Further, many SMEs are generational businesses that formed decades ago and continue to operate with very minimal advanced technology. Yet, these businesses remain current in their value proposition and continue to serve customers. As a result, many businesses are unlikely to make major investments into digital transformation unless they see an immediate link to business value – either as productivity improvement or creating some point of distinction compared to its competitors.

“(Digital disruption) is just another evolution of change that's probably happening a lot quicker than it has before. You're either doing it, or you're not doing it. However, what really matters at the end of the day is whether we deliver on our promises to the customer. They don't care what digital technology we have; we just want results.”

3 CDO (Chief Digital Officer) or the digital leader in your business

Given the amount of emerging technology and the rapid pace of change, it requires a superhuman effort to keep track of everything that is emerging in the digital technology landscape. What is clear is that the ability to track how customers behave when they arrive on a business's digital channels provides incredibly rich data.

Every business can now see if a visitor to their digital channel has arrived on their website through a search term, an email forwarded from a friend or because they liked what they saw on the business's social media channels. Once they've arrived on the site, the data will show you what they found interesting, from the information you provided that prompted them to purchase something or setting up a meeting with someone from your business. This new world of customer experience combined with analytics and customer insights is new, constantly evolving and challenging to master. Hence, the need for digital strategists or specialists to help businesses navigate the unknowns.

Nominating a person to lead the charge on this is a common tactic. However, our research uncovered that the choice of person determines the business's level of momentum in building digital capabilities. Businesses that nominate someone who has strong familiarity with the business, but lacking technology experience, ensures that decision making aligns with business needs. However, progress can be slow when these people need to educate themselves on digital technologies, including evaluating and making investment decisions. On the other hand, nominating a technical person to lead the charge generally brings more tangible outputs (e.g. bringing a new application or website online), but runs the risk of not delivering business value. This by far has been the biggest pain point and roadblock for businesses as it consumes precious capital investment to build digital assets but produces no tangible business results or value.

To address the challenges associated with appointing decision makers on digital transformation projects, businesses should select a project team with the right mix of technical and commercial skills and awareness. This team should engage stakeholders across the business throughout all stages of the project to address concerns and increase buy-in to ensure the business's desired commercial benefits are realised.

The team around the leader

Another important element in supporting a leader's drive towards increasing enterprise digital capabilities, is the people around them. Whether it's the founder, CEO or digital leader, these roles cannot be successful unless the people around them believe in the vision and understand how digital technology can help the business.

Many SMEs place people lacking in technical expertise in charge of driving digital enhancements for the business. This leads to lack of confidence in being able to communicate and show linkages between the use of digital technology and business benefits. In some cases, decisions have been made to use suppliers who "promise the world" and multiple features and benefits, but deliver very little commercial value.

“People like to play to their strengths and if their strengths are an old way, then they resist and hang on to that, and they subconsciously make up all sorts of reasons why it needs to stay that way when it needs to shift. So, I think that the people and their ability to embrace change is critical.”



Two critical factors fundamental to building digital capability

What emerged from our analysis of people's experiences and struggles with digital technology was interesting. It is undoubtedly a continuously evolving landscape which has created a "noisy environment". The noise being generated was common across our focus groups and broader client base, with some examples below:

- Analytics is coveted by many to understand their customers better, yet do they really need AI and machine learning to get these insights?
- Building an online presence is a must-have today, yet social media platforms and the different ways to market and communicate makes finding more customers confusing and daunting. How can businesses win customers on these platforms? And will these customers be valuable?
- Automation seems to be top of mind for everyone, but does implementing this mean loss of jobs for employees?

These questions raise far reaching implications for businesses, especially in relation to knowing where and how to invest in digital transformation.

What emerged from the research showed two opposing schools of thought when it comes to understanding what to do –

**Digitally
Lost**



**Digitally
Confident**



Digitally Lost

The Digitally Lost are business leaders who are unfamiliar with and lacking confidence and knowledge about digital technology, and how it can be used in their business. They feel overwhelmed by the amount of information out there, and do not know how to digest it and separate the right advice from the “noise”. This makes it difficult to define what digital means for them and their business.



For the businesses that displayed a sense of uncertainty or lack of clear direction on digital, certain characteristics emerged, which constrained or limited their ability to execute.

Not knowing “what” digital means

- Digital has never been clearly defined for the organisation
- Individuals with “traditional” or “operational” roles in IT leadership positions struggle to fully understand digital

Being overwhelmed by “noise” in the digital space – not knowing what is relevant

- Digital is a “hot topic”, no-one demonstrated how or why it is important in the context of that industry
- Digital concepts seem “advanced and complex” (e.g. AI, bitcoin, crypto-currency)

Lack of digital knowledge or experience; unwillingness to outwardly acknowledge this

- Individuals who have been made responsible for digital are “unsure” of how to ask for help, they don’t know the questions to ask
- People in the business rely on them as the “guide” for digital and how it should be executed in their business
- Typical for individuals in IT roles w/o IT backgrounds

Digital is expensive; any “ROI” or returns uncertain

- Perception that digital is “expensive”, installing new technology is high-cost and high-risk to BAU operations
- If benefits are “intangible” or incremental to business, it is hard to determine value and justify investments

Indecisiveness – fear of making wrong or bad digital decisions

- Suppliers, vendors and technology choices are vast – making sense of what’s right and appropriate is hard
 - Clients (especially tasked with Digital) unsure about committing financial resources to technology, when they are unsure about the benefits that might arise
-

Digitally Confident

The Digitally Confident are business leaders who have found meaning and clarity in what digital means for their business. Based on this, they have a relatively strong sense of direction around what the business should be working towards to achieve its goals by leveraging digital technology. These businesses also tend to be highly focused around fewer concepts of digital technologies and apply them with clear intent on creating value for customers which results in revenue growth.



For the businesses that have a relatively stronger sense of direction and confidence about digital, certain characteristics emerged that inferred relatively more success with executing digital in their businesses.

‘Digital’ is a strategic enabler – beyond infrastructure and systems

- When digital is clearly defined, and there is focused effort to use technology strategically, business results and value emerge
- Businesses that do this are typically excited and focused on a few digital concepts that are integrated in their business (e.g. data scientists in electrical manufacturing)

Having a “growth” mindset combined with willingness to “be flexible”

- Clients that pursue a path with a strong digital theme, seem to display more “flexibility” in their business. They pivot and change the business based on how customers respond (e.g. an electrical lighting company using IOT technology to collect data and show energy savings)
- Customer feedback creates new opportunities to further refine their products or services (if you action it)

Customer and insights is a natural first step for mid-market businesses

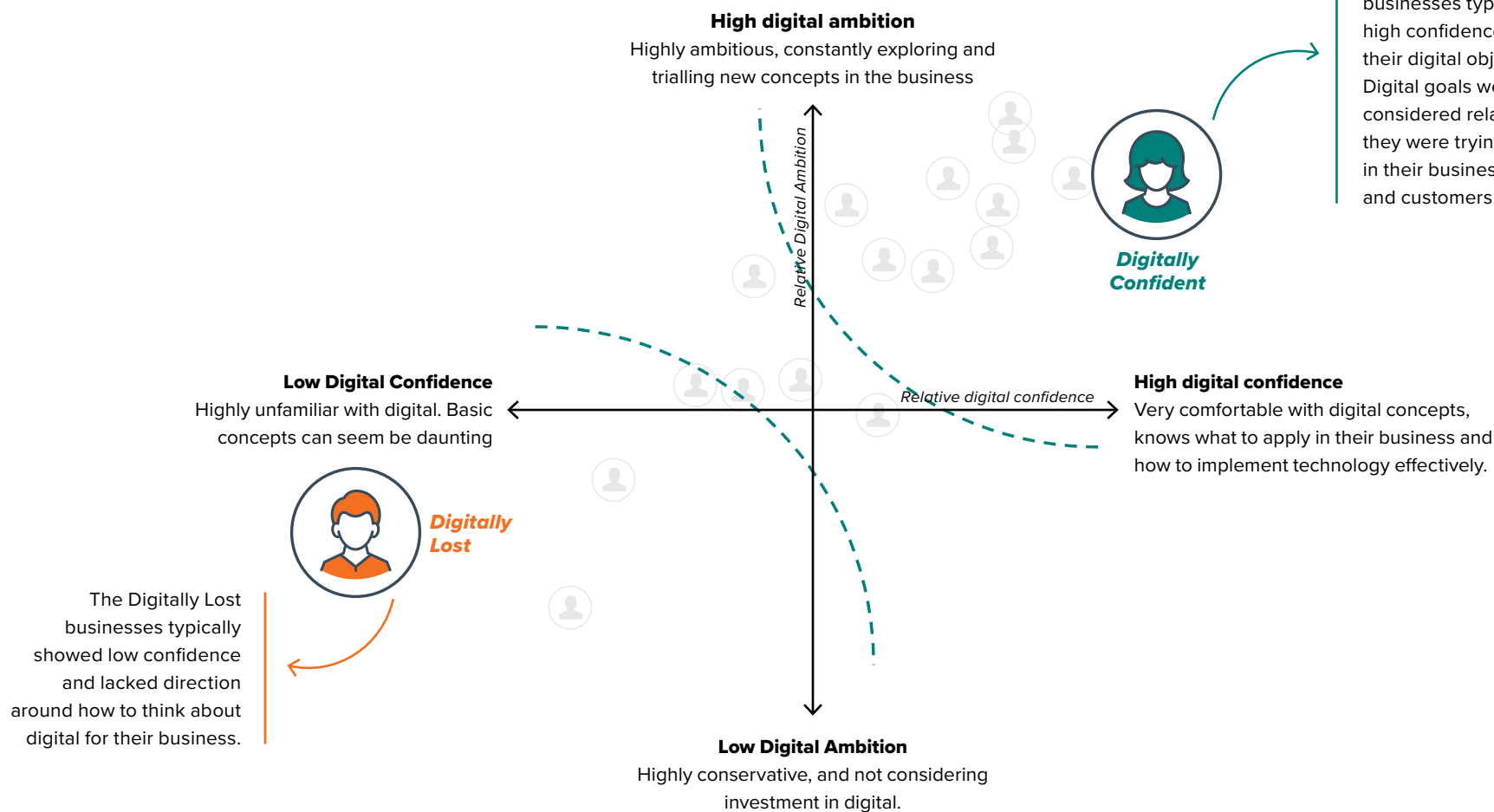
- Data from your business (if existing) is a natural asset to draw from – it is a unique asset that competitors may not properly leverage, or use at all
 - Overlaying or enhancing it further with other data brings new customer insights that actually help with better decision making
 - Knowing your customers better than they know themselves
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Being action-orientated with insights is an important characteristic

The insights uncovered through our study show that the personas identified above demonstrate two dimensions that matter; confidence and ambition. Digitally Lost personas sit within the lower quadrant, low on both confidence and ambition. Digitally Confident personas are the complete opposite, occupying the top right of the quadrant.

Our research also mapped a selection of companies, based on the data provided and accessible to us, showing how businesses across different industries sit within this framework.

The **Digitally Confident** businesses typically showed high confidence in pursuing their digital objectives. Digital goals were also considered relative to what they were trying to achieve in their business, industry and customers.



The Digitally Lost businesses typically showed low confidence and lacked direction around how to think about digital for their business.



Continuously adapting in a dynamic retail market



Creating and enhancing new relationships with customers through digital

The business

Caroline K Morgan (CKM) is a family business specialising in women's fashion wholesaling and distribution. Built up through two family generations, the business has a global presence today. From manufacturing in Asia, through to wholesale relationships in Australia, New Zealand, Europe and the United Kingdom – this business has experienced every major and minor shift in fashion retail across multiple markets. With over 35 years of experience, and over 2000 customers, CKM have supplied and manufactured for many major brands.

As part of its growth and diversification strategy, the business is continually seeking ways to expand and grow the business. Over time, they could see first-hand how their retail clients were transitioning their business from predominantly physical channels to digital channels. The rapid change in the market and customer expectations across different channels prompted CKM to experiment and trial new ways to reach their customers. This resulted in the launch and continued development of their digital platform to enhance their wholesale business. This platform has provided the business with different go-to-market channels to access customers. More importantly, it has given them market intelligence and greater customer insights into trends in the market, both locally and internationally.

Ongoing journey towards digital

The development of their digital business has provided insights into their business:

- Starting a digital business unit can be “bootstrapped” in the beginning, committing minimal resources and creating processes internally to market, pack and ship individual orders (a major shift for a business traditionally focused on wholesale transactions).
- Maintaining a disciplined focus on revenue growth and profitable operations, allowed the proof-of-concept to develop into a stand-alone business unit.
- 2020 has seen an increase of 58% of sales through digital channels in CKM’s wholesale customer base.
- By 2022 more than half of CKM’s wholesale customer base will have a digital channel with a massive increase in social guided sales on Instagram and Facebook, continuing to reinforce management’s view on the market shifts happening today.
- CKM has many sales channels, and digital plays an important role. Recent work on the digital platform has seen 2X-3X increase in visitors to key product categories (dresses, tops, tunics) and 2X-4X of conversion rates through guided conversation techniques.
- CKM anticipates further shifts in the market, which will prompt further adaptation of the wholesale platform and support the growing change in customer behaviours.
- CKM projects that within 3 to 5 years bricks-and-mortar customers will buy predominantly online.

A new chapter

Digital ambition impacted through:

- Continuous requirement to adapt and stay relevant in a highly competitive retail sector, including adapting and reacting to new competitors entering the Australian market.
- Continuing to grow and nurture their digital platform, exploring further ways to build more connections and deeper relationships with their customers.
- Using market intelligence to better understand trends and customer demands and using it to create products that are in demand by end-customers.
- Investing in sustainable, organic-led and recycled fashion, with a key focus on waste reduction and a reduction in carbon impact.

Digital confidence impacted through:

- Continued investment into areas of the business to be more digitally oriented and customer focused.
- Building the right team and capabilities in the business to adapt and operate in a digital retail environment.
- Selecting and working with the right suppliers and partners to deliver on its value proposition across a global market.
- Continued growth and success of digital demonstrated through revenues earned through digital channels.

Source: <http://www.ragtrader.com.au/shoe-trader/tony-bianco-director-anthony-bianco>



You are not alone in your journey towards becoming more digitally proficient

Our analysis shows there are categories of personas that emerge when it comes to the challenge of bringing more digital technology into a business. These personas have been designed to help you better understand:

- The starting point for a business owner or leader in the SME segment, when it comes to understanding how to use digital technology in their business.
- How to measure your relative level of confidence and ambition, relative to being the “lost” or “confident” archetypes.
- The typical challenges, struggles and confusion related to digital.

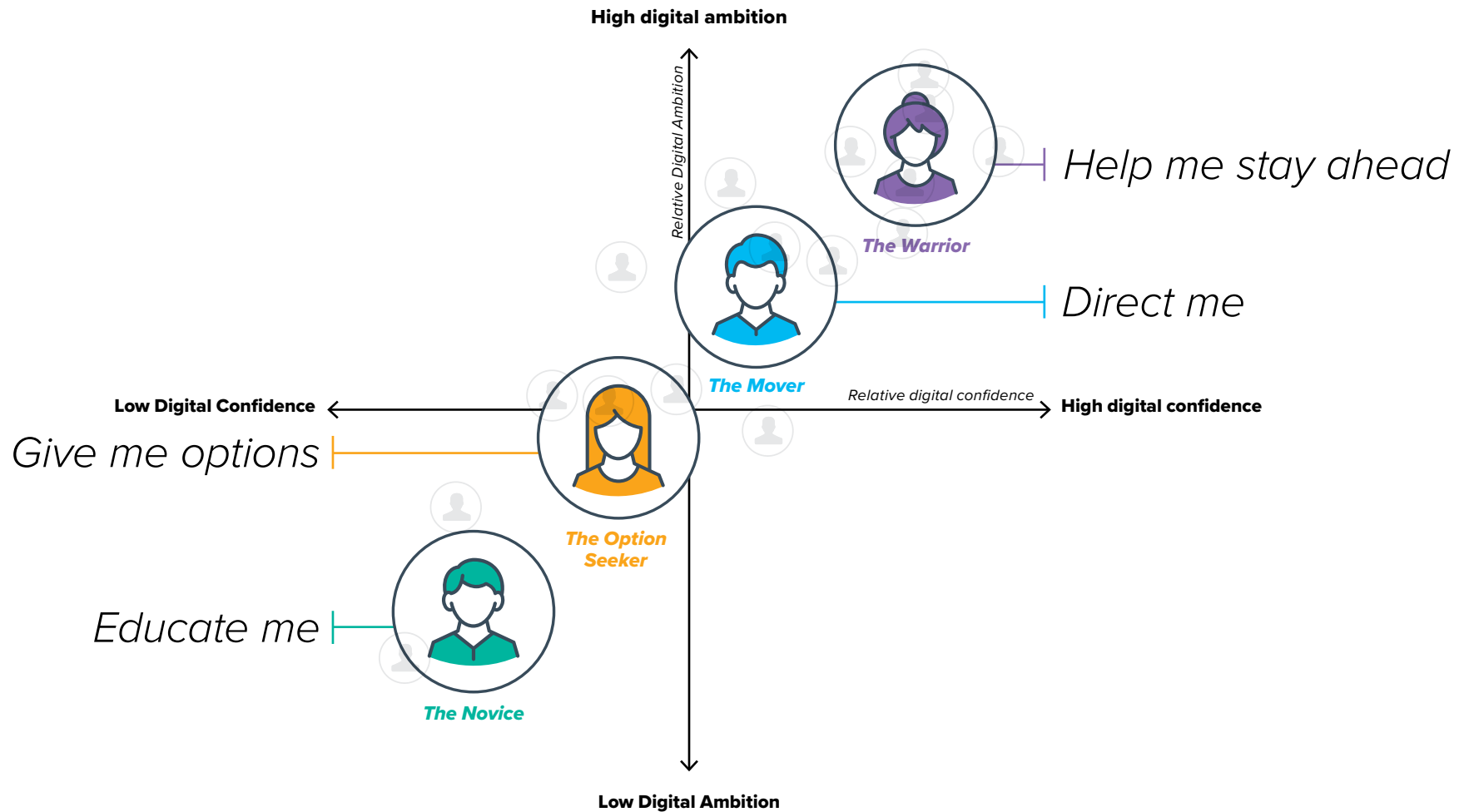
Have a clear definition for digital and what it means will help drive value for your business.

The persona architecture Pitcher Partners has created and developed, shows four key personas. Each persona differs in its level of digital maturity, which is measured by:

- **Confidence** to drive digital in their business. This is defined by the extent to which an individual is comfortable with digital concepts and understands how to apply these to the business.
- The level of **ambition** that sets the direction. This encompasses the individual’s appetite to explore and trial new concepts in the business.

A fundamentally critical element is helping business leaders achieve clarity on digital, and that means “defining what it means specifically for my business”. This applies to all personas that are about to or have embarked on this journey to becoming more digitally proficient. This is a key step in overcoming the barriers and challenges faced with indecision in this area.

Your definition of digital needs to have clear alignment and linkages back to your business. This means being targeted and clear about the intended business benefits, increasing engagement with customers so that sales increase (new or existing), enabling entry into new customer segments or markets and/or increasing efficiencies and reducing costs. Whatever the benefits are, it needs to be clearly defined, measured, and monitored through specific key performance indicators.





Digital Persona: *The Novice*

These personae are leaders within organisations that currently have an incomplete or limited understanding of current digital technologies. Typically, they do not have a strong technology background, and have progressed through their career focused on their core skills (e.g. operations, finance). These people have typically relied on others for advice, direction and management of technology within their business, preferring to stick with the business function they know best. However, the advent of emerging technology coupled with what they see in the media has made them feel like “they’ve missed the boat” on using technology in their business.

Those who fit within this persona typically ask themselves the following questions:

- What is going on out there in the world of emerging technology and digital advancements?
- What do these trends mean for me and my business?
- Is there a way to see or visualise how this technology can be employed in my business? What is the benefit that it will bring to me if I do this?

The Novice has described some key areas of advice and expertise that would be meaningful in shaping their thinking and next steps around digital transformation.

These areas include:

- An overarching framework where relevant digital technologies are identified and mapped based on relative impact to their industry and business (e.g. Internet of things [IOT] usage in a logistics company compared to a financial services company).
- Defining digital for the business and having clear and distinct linkages to the business strategy.
- A discovery process that searches and uncovers real-world applications of digital technology that are relevant in their field or business area, so they can visualise how these benefits can realise their commercial objectives.

The Novice's unspoken need:

“Help educate me on the topics that matter to me, help me define what digital means for my business”.



Digital Persona: *The Option Seeker*

These personae are leaders within organisations that have made some sense of their world and industry and have a mental map of the technology options that exists for their industry and business. However, the role they have in the business sees them wearing multiple hats (e.g. finance, operations, IT), and acknowledge the potential of using technology better. They typically do not have a strong technology background, and have progressed their career through focusing on their core skills (e.g. operations, finance). However, over time they have developed a baseline of knowledge on certain digital technology, and hence are seen (within their business) as relatively more “digitally savvy” compared to others.

These personas are likely to have either taken or been given responsibility for driving new and modern use of technology in the business. Yet, with little to no formal strategy linking digital transformation to business objectives, they typically struggle evaluating and making confident decisions regarding where to go with investments in this area.

Those who identify with this persona typically ask themselves the following questions:

- How can I evaluate the relevant uses of different digital technologies in my business, and what do tangible results look like?
- What does it mean to execute in this area? What do I need to know to plan and prioritise?
- How do I know if I’m focussing on what matters for my business? And have I selected the right area of technology to pursue?

The Option Seeker has described some key areas of advice and expertise that would be meaningful in shaping their thinking and next steps around digital transformation. These areas include:

- An overarching framework where relevant digital technologies are identified and mapped based on relative impact to their industry and business (e.g. IOT usage in a logistics company compared to a financial services company).
- Defining digital for the business with clear and distinct linkages to the business strategy.
- A value framework that identifies and helps you understand where digital is creating value in the business, and how it should be quantified and targeted to ensure the right focus is applied.

The Option Seeker's unspoken need:

“Help me get razor-sharp in my definition of digital for my business; help me work through how to select what’s right for me in the digital space. To do this properly, I want to know what investment looks like.”



Digital Persona: *The Mover*

These personae are leaders with a clear understanding and focus in their minds about the use of digital technology in their business, with clearly defined expectations on business benefit. They are likely to have taken on or been given the mandate to pursue this path of investment for the business, and are typically sitting in a role that provides them with the authority and decision-making ability to pursue some sort of digital enhancement (or transformation if the ambition is large).

Typically have some background knowledge and skills in this area (not at an expert level) but are unsure about how to build and retain capabilities within the business for anything that is related to digital. They are also unable to determine where and how to initiate the first steps. For example, if capital is constrained, where is the right place to put capital investment in the first phase? How should projects be prioritised along the journey?

Those who identify with this persona typically ask themselves the following questions:

- With limited capital, where should investment be placed when it comes to Digital?
- Where and how should the business start?
- When presented with many choices, how does the Mover be confident that the best decision is made that delivers business outcomes for them?

The Mover has described some key areas of advice and expertise that would be meaningful in shaping their thinking and next steps around digital transformation.

These areas include:

- A structured roadmap that focuses on execution discipline.
- A benefits mapping framework that shows what technologies align to business changes, and ultimately to business drivers and benefits.
- Establishing the right key performance indicators, so that business benefits are targeted, monitored, and tracked.
- Defining appropriate points and data to assess the feasibility and viability of digital investments, so investments can be managed and protected.

The Mover's unspoken need:

“Help me plan out the roadmap ahead, and work out the next steps; I need to know where the trigger points are to assess if something is working or not; more importantly, how can I protect my capital from being wasted on things that are not going to work.”



Digital Persona: *The Warrior*

This persona tends to be leaders that rate highly in confidence and ambition. Characteristics that we have typically identified with this persona include a strong sense of vision and direction regarding what the business does, and how it differentiates its offerings to customers. The Warrior typically understands what technologies are relevant and useful to support, enable and realise business objectives.

It should be noted that the phrase “support and enable” could not be emphasised any stronger with this persona. Digital and technology does not drive what the business does, nor is it the key differentiator when competing in the market. These leaders (CEOs, CDOs etc.) understand the potential of technology, but use their judgement to balance the focus between business objectives, value proposition to customers and using the right technology.

If you are The Warrior, these are the typical questions that would drive your thought and decision-making process:

- What else is out there that I could consider implementing in my business?
- What else is out there that could potentially disrupt my business, my competitors and my industry?
- If better technology emerges that impacts me, what should I do if I've already committed substantial investment to what I'm doing? Can I pivot? If so, how?

The Warrior has described some key areas of advice and expertise that would be meaningful in shaping their thinking and next steps around digital transformation. These areas include:

- A framework or ecosystem that identifies current, new, and emerging technologies so that they can understand strong and weak signals in the digital landscape.
- Scenario planning of different potential futures, exploring critical uncertainties that may affect the business, and knowing how to strategise and build response options.

The Warrior's unspoken need:

“Tell me what else is out there; is it relevant to me? Can it affect my business and what I’m doing? How can you help me understand potential implications of emerging technology or digital players and what can I do to respond quickly as the landscape changes?”

The age of the digital warriors

The research uncovered insights across the range of personas, and our attention was drawn towards the companies that stood out. These were the highly confident and extremely ambitious individuals and businesses that appeared to be charging ahead with new and emerging digital technologies. We termed this group “Digital Warriors” to represent the leaders of businesses making bold moves in the face of highly competitive environments such as:

- a financial services player seeking to bring a new value proposition to SMEs to challenge Big Four banking territory
- a lighting company shifting the company’s use of lighting as a service instead of products
- a legal firm wanting to re-establish their relevance in a typically traditional industry.

We explored and researched these companies further to help understand the considerations and implications of executing their strategy using digital technologies. The following insights are critical for businesses in helping them shape the right foundations and direction for digital to be applied successfully.

Understand your business strategy first | Where to play and how to win

Before considering technology solutions, the business needs to clearly understand its own business strategy to compete in the market. Having strategy articulated through these two simple questions is a fundamental first step – where to play and how to win. If you understand how you compete, you will have clear direction and boundaries to inform how digital technology can and should be used to help your business.

Understand the landscape of what is going on | Monitor emerging trends and develop success scenarios for the business

The rate and pace of change enabled through digital is significant, and few (if any) industry sectors or markets are immune to changes and disruption. A key tactic that has emerged from business owners with a growth mindset – that is, those who believe we as individuals can learn, change and grow – has been to look at change in another industry and ask, “What could that look like if it happened in my industry or business?”. A natural follow-on question that emerges is, “What would that look like if I initiated something similar in my business?”. This has been a very effective tactic for leaders as it helps catalyse innovative thinking while balancing the feasibility of application in their business.

A growth mindset is defined as having certain qualities that drive people and businesses forward. It includes the courage to make decisions with limited information or high uncertainty, willingness to explore and learn, views mistakes or failures as part of learning and applying these experiences into the future.

Have a clear value proposition, and determine if digital is helping or distracting

A common learning and key insight from the study has been the “so what” test. This requires critical thinking regarding the use of digital technology, not on the perceived improvements to the business but rather the tangible business benefit it will bring. Asking yourself, “Am I using this technology because it’s currently popular or is it because I know exactly where and how the benefits from this will materialise?”.

Be ruthless in selecting the digital technology, and build performance measures around where and for whom it creates value

This is another fundamental step in realising the benefits intended from application of digital technology. The success of a business’s investment in digital is typically driven in part by the focus and selection of one or two key digital technologies that are applied holistically in the business. An example is the use of data and analytics where many businesses have invested in sophisticated CRMs and analytics packages that can reveal insights into how customers behave. However, what is lacking are the steps in “capturing value from these insights”. If you discovered unprofitable customer segments in your data, what would be your next steps? Can you restore profitability by engaging with them differently? Or, is it better to create processes and incentives for them to exit your customer base? The lesson is that action must be applied if businesses are to have any hope of capturing value from their investments in digital.

Orchestrate the technology you need, and ask yourself, “Do I really need to build and own it?”

The landscape of digital technology products and solutions has exploded in recent years. Through a combination of better skills and resources, the use of agile product development and the continued trend of everything-as-a-service; the choice that is out there for technology systems and platforms is large. A key finding from our research was the emerging practice of owning technology infrastructure instead of building or owning the technology itself – orchestrating the technology when you need it is more feasible these days.

The world of digital marketing has introduced many technology products and solutions, creating a plethora of choice. Solutions from search engine optimisation insights through to heat-maps that show how an individual behaves on your website is easily accessible and affordable. Having the ability to cater to evolving customer needs also provides businesses with the opportunity to reach new customers and markets. This was identified as a key opportunity and challenge businesses identified in the research for the [Pitcher Partners Business Radar \(PPBR\)](#) report.

The traditional thinking of setting aside a sizeable capital investment for IT infrastructure is no longer the only option. Instead, business's can choose what's needed and scale its level of resourcing. Especially in competitive environments, investing to build the appropriate level of IT infrastructure for different stages of growth of your business is increasingly compelling. This means investment in IT should always be “just right” for the volume of customers you’re serving and the activity you’re undertaking while having the ability to quickly adjust as needed.

Digital technology is an enabler, not the reason for the differentiation and success of your business. What and how you use technology should always be driven back to business fundamentals, “How does my business value proposition align with the customers needs and wants?”.



Orchestrate technology to serve a targeted market



*“Build Australia’s most
trusted business bank”*

The challenge

In 2015, a small group of financiers and former bankers started to explore the concept of creating a challenger bank in Australia. They had long felt that SMEs were being ‘left behind’ by the major banks and that these banks had “dehumanised” their approach to relationship banking. The result: a “take it or leave it” service proposition in a market with no real competition.

They concluded that there is a role in Australia for a purpose-built relationship centric-bank, focussing exclusively on the SME market. However, they also realised that creating a bank from the ground up requires a different way to “play” if they were to position themselves in a tightly-contested market. This required re-thinking how people, process and technology could be used to create better capabilities but to remain nimbler and more responsive than Australia's existing banks.

Judo Bank has made significant progress since its inception. One of its most important milestones was obtaining the Australian Prudential Regulation Authority's (APRA) approval to become an authorised deposit-taking institution (ADI) in April 2019.



Approach

Given the depth of experience and strong understanding of the industry across Judo Bank's senior leadership team, the business focused on:

- Communicating a compelling vision and strategy that secured \$120M in funding from the first capital raising round (one of Australia's largest pre-revenue capital raisings).
- Securing an ADI license from APRA in April 2019, making the company a worthy competitor against incumbent banks and prompting the rebrand from Judo Capital to Judo Bank.
- Securing second round funding of \$400M following the acquisition of the business's ADI license, followed by \$230M in early 2020.
- Expansion across Australia, having started in Victoria.
- Co-CEO/dual leadership model coupled with a highly experienced leadership team (including the former CEO of UBank leading the strategy and execution of technology).
- Orchestrating available technology to create a modern and highly secure technology platform, leveraging the full capabilities of the cloud. For example, this enabled straight through processing and a platform ready for the possibilities presented by the proposed open banking legislation.
- Exceeding \$1B in lending as of Oct 2020.

Insights

Digital ambition impacted through:

- Targeted focus on a segment of the market that Australia's big four banks are not focused on.
- Create a technology platform and infrastructure that provided all the benefits of a modern banking platform that's unhindered by traditional system constraints and able to respond quickly to change.
- Orchestrate the best technology available today, without taking on the requirements to build and own the technology.

Digital confidence impacted through:

- Validation and support of external investors in their idea, vision and business model.
- Endorsement from Government authorities with the issue of an ADI license to operate in Australia.
- Collection of the right skills and experience to leverage and construct the technology ecosystem that existing banks have today.
- High levels of flexibility and adaptability to expand, enhance and quickly change the technology necessary to differentiate and deliver value to its target customers.

Re-evaluate your position today, and understand how to move forward

Pitcher Partners has gained a deeper understanding of the barriers and challenges businesses face in the age of digital. This means building new digital capabilities (e.g. digital marketing and ecommerce), if you have not prioritised this previously. Having a digital strategy allows you to create a map to bring new capabilities to your business with structure and accountability. This plan enables you to create a digital roadmap for your business, ensuring what you invest in creates value for your business in the right way.

One of the critical insights that emerged from our research is that people play a critical role in defining the likelihood of success in implementing digital technologies in a business. This has informed our thinking and approach to help clients, and to developing a digital strategy methodology, which incorporates the following key steps:

- 1** Profile the digital strength of your business.
- 2** Conduct an integrated strategy and digital session to uncover what opportunities are available to your business.
- 3** Ensure results are focused on value, revenue, and cost benefits to your business.

The digital landscape is dynamic. It can leave some businesses feeling like it's too late to capitalise on the commercial benefits of technology. However, defining your business's understanding and appetite for digital transformation, as we've outlined in this report, will provide a strong starting point for exciting and positive long-term change in your business.

Moving beyond the barriers



Making business *personal*



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