

Maturity of Digital Capability

Every business today, large and small, uses digital systems and services.

These systems initially supported business operations like AR/AP, accounting, resource planning, inventory and even HR.

Today, the role of these systems has evolved. From merely supporting operations they have now become mission critical to delivering products and/or services (online or instore).

Today, digital systems can play a key role in the success and failure of businesses. Yet, the maturity of a business's digital capability is often overlooked when reviewing the key indicators of its health. **Question:** Is technology enhancing or delaying / blocking the capabilities of a business?

Surveys have shown that while businesses don't want to lose data, 66% of business decision makers said their current IT resources do not keep up with growing technological demands.

According to the National Cyber Security Alliance 60 percent of small and midsized businesses that are hacked go out of business within six months.

Most small businesses lack a tested Business Continuity and Disaster Recovery plan.

While investors, lenders and accountants focus on bottom lines, small businesses often miss opportunities to lift the top-line and become more competitive by using the right digital systems.

To succeed today, businesses need to evolve and grow through intelligent engagement of appropriate digital technology.

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How mature is your current digital capability?

From an investors point of view, given the importance of the digital capability of any business - big and small - it is critically important to evaluate its maturity when determining the true value at risk.

Evaluation

A business may have already engaged some form of digital system or service in each of its five primary functions.



Or there may be functions that still do not use a digital system or service and could benefit from one.

An evaluation of each function looks at its digital state in multiple ways:

1. **Value** – what value is its digital capability contributing to the business? What is the cost when compared with benefit? Could it be optimized? How current or obsolete is it and what is the cost of “doing nothing”?
2. **Risk** – how vulnerable is the current digital capability to cyber-attacks, and other potential disasters? How dependent is the current capability on individuals with specific knowledge? What is the survivability of an outage? What are the vulnerabilities in current working practices?
3. **Compliance** – what role is the current digital capability playing in ensuring regulatory compliance. What is the current cost of operating compliance and potential cost of non-compliance?
4. **Visibility** – how visible are current operations to business leadership in terms of cost, efficiency and monitoring potential risks?
5. **Scalability** – how scalable is the business? Will improvement in the maturity of digital capability improve scalability of the business?

Opportunities

Looking well beyond commonly seen digital capabilities, today there are myriad new products and services that can help a small business improve the top-line and grow. This is where an in-depth maturity evaluation could be of significant value since it would be the basis of a future state plan.

Expertise to perform an evaluation

Noel Heredia - 30+ years' experience leading enterprise and program level – digital systems assessments and framing remediation roadmaps. He has developed capability reference models and managed calibrated, non-disruptive transformations. An Electrical Engineer, credentialed in Software Engineering Process Management, he is also an ISACA Certified IT Auditor (CISA since 2006)

Frank Huybrechts - 30+ years' experience creating and re-building organizations with a focus on clear strategies and managing to target. Expert in product development, services and operations for start-ups and mature organizations.

Digital Value Creation, LLC

☎ +1.818.292.9990

www.digitalvaluecreation.com

✉ info@digitalvaluecreation.com

New technologies open new opportunities



Productivity - New systems of collaboration facilitate remote working without compromising security. These can improve productivity and reduce costs.

Engagement - Effective Customer Engagement lowers cost of acquisition (sales) and retention. Much beyond websites and Facebook, new systems can be leveraged to acquire and keep customers.

Operations - From field operations to shop floor control, new systems open new possibilities to improve profitability.

Integration - By connecting to the realm of external systems, a small business can cost-effectively participate in the digital economy. Enterprises are increasingly realizing the value of transacting business electronically from simple communications to supply chain tracking and from invoicing to payments.

Technology Core - With the availability of secure and affordable cloud-based solutions, small businesses can eliminate the capital cost, service/overhead and risks of maintaining in-house computing and digital file systems.

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Evaluation Methodology

Experience shows that digital capability of small businesses is all over the map.

This is not surprising. Analysis of digital maturity evaluations indicate five typical reasons for lack of maturity:

- ☒ No true ownership of Digital Core
- ☒ Lack of appetite for capital investment
- ☒ Inadequate technical staff
- ☒ Concern with “here and now” and no inclination to view a digital future
- ☒ From experience, distrust of technology vendors and their stories

The Approach

After understanding the leadership’s vision and priorities we customize a standardized discovery template and proceed to capture this kind of data:

Digital Technology	Resources	Working Practices	Initiatives
<ul style="list-style-type: none"> ☒ Inventory hardware ☒ Inventory software systems ☒ Compile lists of outstanding issues with current systems ☒ Evaluate state of security ☒ Compile data on costs 	<ul style="list-style-type: none"> ☒ Review current vendors ☒ Profile staff / users ☒ Review service providers, their contracts and costs ☒ Identify operational issues 	<ul style="list-style-type: none"> ☒ Systems access practices ☒ Systems usage patterns ☒ Key business workflows ☒ Open issues reported by users 	<ul style="list-style-type: none"> ☒ Management aspirations ☒ Projects in-flight ☒ Initiatives planned ☒ Business environment driven needs

Sample questions :

- ☒ Are the systems currently in use, secure?
- ☒ What happens when any one of them fails?
- ☒ How does system failure impact business continuity and what about disaster recovery?
- ☒ How well do the current systems serve business operation's needs?
- ☒ How well do the current systems serve the client's mid and long term strategic goals?
- ☒ Is the current expenditure commensurate with business value obtained from the systems?
- ☒ What is the operational risk profile of current systems?
- ☒ What are the outstanding/open issues with the systems currently impacting business?

We then look at the -

- ☒ Current staffing model and people working with technology - Labor is often a major expense and source of risk. We look for dependency on individuals and identify potential single points of failure.
- ☒ Current service providers: Contract terms, recent performance and general satisfaction scores.
- ☒ Current technology vendors and service providers to determine if the value they provide is commensurate with cost.
- ☒ Current working practices in the use of digital technology and their impact on regulatory compliance and business efficiency.

All digital capabilities are evaluated through the lens of **five** technology classes identified in the figure on the left.

We then score and prioritize the significance of observations based on:

- ☒ Maturity of technology currently in use
- ☒ Maturity of current working practices
- ☒ Adequacy of personnel responsible for satisfactory operation of technology
- ☒ Potential for enhancing business scalability with improved digital capability

The Outcome

A set of suggested recommendations to address the observations. Where feasible, a roadmap illustrating a path to an improved state, is provided.

Evaluation Impact

- ☒ Reduce operational risks arising from maturity gaps in digital capability.
- ☒ Set the business on a path that will drive improvements to both the bottom-line and top-line performance.
- ☒ Improve the quality of the investor’s portfolio.