Practical for SMEs – Interview
Digital Transformation Redefined
empowering people – creating a culture – insights to implement

Read the complete interview on the next pages

Alpha Executive Advisory

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1 - In your opinion, what are the areas in which **each company** can **benefit** from the digital transformation? What are the **biggest challenges?**

2 - **What steps** do you consider **crucial** in order to **successfully** prepare a **medium-sized company** for a digital transformation?

3 - What do you think is necessary to take employees along on the path of digital change and reduce skepticism? What kind of communication or support could be helpful?

4 - What role do you think **training** and the development of digital skills should play in a **transformation** process? How could a company **best assist its employees** in this process? – with examples

5 - What kind of **organizational adjustments** might be necessary to successfully **integrate** innovative technologies such as **AI** or **automation solutions?**

6 - How can a company **measure** the **success** of digitalization measures and transformation projects and ensure that the desired goals are achieved? What **metrics** or **indicators** do you think would be supportive?

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Practical Guide to Digitization

Digital Transformation in SMEs: Challenges, Success Factors, and Practical Steps Forward

Christian Els, CEO & Co-Founder SENTIN GMBH in Bochum in an interview with Frank M. Bruns, Founder & Owner von Alpha Executive Advisory in Heidelberg, on the Challenges and Implementation of Digital Transformations in SMEs. (November 2024)

Initial situation

In the face of digitalization, SMEs often feel overwhelmed by abstract concepts like AI and automation. However, breaking these down into tangible, real-world examples can turn uncertainty into opportunity. In our recent discussion, Christian Els (CE) and I (FB) explored the key elements of successful digital transformation.

From fostering transparent communication and building digital skills to implementing agile processes and measuring outcomes with the right KPIs, our conversation highlighted actionable insights that every SME can.

Transformation is not just about technology—it's about empowering people and creating a culture ready to adapt and innovate.

Let's re-define "digital transformation" together.

CE: **1 - In your opinion, what are the areas in which each company can benefit from the digital transformation? What are the biggest challenges?**

FB: Digital transformation enables companies to develop more efficient processes, improved customer orientation and data-based decision-making. Areas such as process management, customer experience, supply chain optimization and data-driven product development benefit enormously. However, many companies face challenges such as a lack of digital expertise, resistance to change and the risk of not meeting data protection and IT security standards. Overcoming these hurdles requires structured planning and a long-term strategy that takes technical, cultural and organizational aspects into account.

CE: **2 - What steps do you consider crucial in order to successfully prepare a medium-sized company for a digital transformation?**

FB: **Let me start with an important point:** A widespread obstacle in the SME sector is the concern about complex buzzwords such as "digital transformation" and "AI", which are often perceived as abstract and difficult to implement. Transparent and practice-oriented communication is key to reducing fears and creating acceptance. Companies can make the term "digital transformation" more tangible by breaking it down into concrete, daily challenges and opportunities for the company.

A first step could be to present positive use cases and tangible examples from their own industry that show how comparable companies are benefiting from AI and digitalization. This can take the form of pilot projects that demonstrate the concrete benefits and potential improvements, such as the automation of routine tasks to free up employees for more demanding activities.

In addition, it helps to present the technology as a supportive tool rather than a threat that completely replaces existing ways of working. **The aim is** to show AI and digital processes as tools to increase efficiency, ultimately benefiting employees by taking over repetitive tasks and making room for creative, strategic tasks.

Another way to reduce fears is to offer low-threshold training courses and workshops that build up knowledge on digital topics and teach how to use new technologies in a practical way. Through these targeted measures, SMEs can perceive the "digital transformation" and "AI" as an opportunity rather than a threat and approach the change with confidence and motivation.

Back to your question: **What steps do you consider crucial in order to successfully prepare a medium-sized company for a digital transformation?**

A successful entry into the digital transformation requires a **clear vision and strategy**. First, business objectives should be defined in a qualitatively and quantitatively measurable way, followed by an analysis of existing processes and technologies in order to identify transformation potential. A key step is to involve management and key stakeholders to ensure support and provide the necessary resources.

A pragmatic approach – starting with smaller, prioritized digitalization projects and establishing agile methods - helps to achieve initial success and open up the corporate culture to digital innovation.

CE: **3 - What do you think is necessary to take employees along on the path of digital change and reduce skepticism? What kind of communication or support could be helpful?**

FB: Open and transparent communication is crucial in order to reduce fears and create trust. Regular updates on the status of the transformation and a clear presentation of the benefits for the company and employees make the change comprehensible. In addition, managers should act as supporters and role models and create an environment in which questions and concerns are taken seriously. Support measures, such as access to training and opportunities to get actively involved in change processes, can boost motivation and increase acceptance.

CE: **4 - What role do you think training and the development of digital skills should play in a transformation process? How could a company best assist its employees in this process?**

FE: **Training and digital skills** development are integral components of a successful transformation. They enable employees to handle new technologies with confidence and actively shape digitalization. Companies can support their employees by providing targeted training programs that promote both technical skills and digital soft skills. In addition to traditional training courses, workshops, mentoring and learning-by-doing approaches are also effective, as they deepen practical knowledge in real projects and gradually bring employees closer to change.

Here are some *practical* examples of training and development measures that companies can use to promote digital skills.

Training programs to introduce new technologies:

Example: A medium-sized company implements ERP software that automates inventory and ordering. For the introduction, it offers all affected employees training on how to use the software and also provides them with online tutorials and regular check-ins with experienced "super users". These contact persons provide support in the event of problems and answer questions in day-to-day work.

Digitalization workshops for teams:

Example: A mechanical engineering company sets up digitalization workshops for its departments, in which employees deal intensively with digital goals and the upcoming changes. They can try out new methods such as process automation and data analysis. Practical exercises illustrate the benefits, e.g. faster and more efficient processes thanks to digital interfaces with other departments.

Mentoring programs for digital transformation:

Example: In a retail company, employees with a high level of digital expertise are selected as "digital champions". These champions support their colleagues in the use of digital tools, for example when using a new CRM system. In this way, employees build trust in the new technology and learn it step by step through guidance and feedback from colleagues.

"Learning by doing" in real projects:

Example: A production company is planning to introduce AI-supported quality assurance. It hires selected employees in a pilot project for a test phase in which they use the AI sensors under real conditions. After testing, a workshop is held to discuss experiences and suggestions for improvement. The employees are then familiar with the technology and spread acceptance within the company.

 # Provide flexible training and e-learning:

Example: A company in the service sector introduces a digital platform for e-learning courses. Employees can access interactive modules on topics such as IT security, process digitization and communication tools. They can go through these courses at their own pace and repeat them as required to deepen their knowledge.

 # Open feedback culture and continuous improvement:

Example: Companies from all sectors set up a monthly "digital consultation hour". Here, employees can ask questions about the new technology, make suggestions for improvement and learn from the best practices of other departments. An open feedback board in the employee software makes it possible to share experiences with the digital transformation and find solutions at any time.

These examples and measures show how employees can be supported in a practical way and how fears can disappear through a targeted, tangible approach. The transformation becomes a process in which everyone actively participates and experiences benefits.

CE: **5 - What kind of organizational adjustments might be necessary to successfully integrate innovative technologies such as AI or automation solutions?**

FB: In order to effectively integrate technologies such as AI or automation, companies need to make their organizational structure and decision-making processes agile and flexible. Cross-departmental teams that work closely with the IT department promote implementation and knowledge transfer. It is also important to clearly define responsibilities and create new roles for data analysis, AI development and automation. A corporate culture that promotes innovation and enables continuous improvement will be key to making the introduction of these technologies sustainable.

CE: **6 - How can a company measure the success of digitalization measures and transformation projects and ensure that the desired goals are achieved? What metrics or indicators do you think would be supportive?**

FB: The success of digitalization initiatives can be measured using a **combination of operational and strategic KPIs**. Operationally, efficiency increases, productivity gains and error rates at process level are important indicators. At a strategic level, KPIs such as customer satisfaction, sales growth and time-to-market should be monitored. The introduction of a dashboard for real-time monitoring and regular reviews makes it possible to visualize progress, identify weaknesses at an early stage and make continuous adjustments to achieve the transformation goals.

Conclusion:

In this interview, we cover the key aspects of digital transformation from our perspective and provide a clear understanding of how Digital Transformation can be successfully implemented and sustainably supported as a technological innovation in SMEs.

Our 5 success factors:

1. **All managers are significantly responsible for the success of change processes and lead by example.**

2. **Clear and open top-down/bottom-up communication and transparency are crucial for the success of change.**

3. **Resistance to change is normal and can be overcome through targeted measures and trust.**

4. **A clear vision and clear goals are essential for a successful and sustainable transformation.**

5. **Promoting inclusion and diversity makes a significant contribution to the culture of change.**

Are these topics important to you?

If so, create valuable resources for your company and contact us:

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