



# DIGITAL TRANSFORMATION IN INDIAN COMPANIES

*\*Pradeep Chaturvedi*

India's leadership in the globalized economy has also raised questions about India's manufacturing capability. The economic transformation has taken place mainly due to outstanding performance of service sector. Major economies that have captured the top places in the globalized economies have attained their goals through large scale contribution of the manufacturing sector. According to the World Economic Forum, India is the fifth largest manufacturer in the world with a total manufacturing value added to over USD 420 billion in 2016. India's manufacturing sector grew by over 7% per year on average during the past three decades but accounting for only 16 – 20% of the country's GDP. However, this is not an indicator to future growth and no expert can co-relate the past performance to the future. China has attained strong manufacturing base which has a contribution of up to 40-45% to its GDP and that has also resulted in higher incomes all across the economy.

According to the International Monetary Fund, nominal per-capita income in 2015 was USD 1,604 in India and USD 8,141 in China. The difference between these per-capita incomes is attributable partly to the difference in productivities. For example, productivity as measured by value added per worker in manufacturing in China is estimated to be nearly three times that in India. Correspondingly, average manufacturing wages in China are three times those in India. Differences in productivities across sectors, and across firms within the same sector, make matters worse. Within manufacturing, in 2010-11 small firms employing less than 20 workers each accounted for 72% of manufacturing employment, but only 12% of manufacturing output. Our workers are overwhelmingly employed in low productivity and low wage activities. The organized sector, which exhibits high productivity and pays higher wages, employs only a tiny proportion of the workforce.

Manufacturing in India is becoming competitive by facing challenges. Cost pressure, quality control, customer relationship, production in supply networks are some of the challenges that Indian manufacturers face in today's global market. However, new challenges as well as opportunities for manufacturers, suppliers, investors and consumers are being observed every day. Using digital transformation can help manufacturers virtually developing models of any design, production and distribution process to improve agility to optimize performance to achieve operational excellence. This transformation is impacting the way products are designed, built, publicized and consumed. For many persons digital transformation is like a black-box and they do not attempt to have simple understanding of the term for their implementation. Whereas a large number of start-ups (which form a part of MSME) are the prime movers of digital revolution in India, a majority of MSMEs are looking at it with a great amount of skepticism. And this skepticism generates mainly from the

narrow financial base and uncertainty to access capital for overcoming risks involved with experimentation. That has also led to subdued innovations in MSME sector.

## Observations from GGA Applicant Companies

IOD India has fully realized this problem and is focusing on building managerial and financial capabilities in the MSME sector. IOD has aligned its approach with the government's policy on Make in India and promotion of MSMEs, with a focus on Zero Defect Zero Effect. IOD is planning to build capacities in MSME sector on managerial capabilities as well as developing a culture for digital transformation. IOD's approach is to demystify high sounding terminologies and interpretations. In developing this approach IOD has relied on its strong database of more than ten thousand industrial applications over the last 25 years received under Golden Peacock Awards. As such the unique experience reflects growth over the time-line as well as innovative approaches evolved over time.

A significant observation is the shift in the industries approach. A reality that represents the interconnected factories where all equipment is on-line, intelligent and in some ways, capable of making decisions. While the first industrial revolution was all about mass production (and many of the companies in India still continue to focus on that ) the Industry 4.0 is about using technology to move from mass production to mass customized-production, and it is already happening at a rapid pace. And, this allows manufactures to react to consumer demand more efficiently. Not only is the right product being delivered to the right person for the right price, the process of how products are designed and delivered is beginning to attain a new level of sophistication. One of the Golden Peacock Awards applicant apparels company had presented a case study on how instead of just selling only standard sizes on the shelf, they have developed the model where a customer goes to one of their showrooms, gives his measurements and preference for the shirt and the same is delivered at the company price in 15-days time (or assured time). This customized-production in the consumer product sector could be possible only because of using digital transformation. This system has enabled manufacturers virtually model any design and develop the mechanism for effective customized production.

A number of companies have presented their case studies on how they are adopting and understanding the digital transformation and converting into the competitive advantage for the company. No doubt the senior management has experienced a certain amount of resistance from the Board but by creating a proper understanding of digital ideology it is slowly sinking into the directors of the companies to move towards digital era.

A reason why I chose to deal with this subject in more detail is to reflect

how IOD is focusing on doing its own internal research and presenting results at various conventions and through documents; and using this research in developing their future programme of MSME vertical. Also, I have chosen to write on manufacturing sector and the role of boards in promoting the same is to create an understanding that boards of such companies which may not be in the manufacturing sector at the moment should realize the need of the country and the opportunity that lies ahead.

It is much easier for the manufacturing sector to seek new sources of revenue by connecting outside of their organizations directly with customers. The digital transformation adopted by a number of leading companies (who applied for Golden Peacock Awards) indicates that digital platforms have helped them to break-down the silos between sales people and service representatives, production/warehouse workers, and delivery drivers and the customers. This has helped in collaboration across organization's boundaries; and manufacturers have been able to engage customers throughout manufacturing and business processes and access new venues from plants, value chains, customers and products. There is also the rise of smart machinery, which has introduced a hybrid approach and virtual and actual content warehouses freeing up manpower on the production and collaboration of the industry. Digital transformation impacts every aspect of operations and the supply chain. Cloud computing services are in fact helping small and large manufacturers in building, testing, deploying, and making applications in services through a global network of managed data centers.

## Employee Engagement Necessary for Effective Digital Transformation

Ensuring maximum benefits from digital revolution also requires total employee engagement which can mostly be attained through: developing a clear business strategy; creating goals; developing KPIs; developing clear cut KPI communication methods; determining a reliable process for KPI interaction and aligning incentives with goal achievement. Various examples from applicant companies have indicated that the above mentioned steps encourage employees to take ownership of their work and make them feel that their contributions are highly valued. This has in turn led to sustained continuous improvement.

Employees who are engaged in their work and the company tend to work faster and more efficiently and are more likely to make serving the customer a top priority. It is for the board and the leadership to facilitate employee engagement by demonstrating a commitment to accountability, patience, and openness to receiving employee input, incentivization and mentorship.

## Conclusion

Digital transformation in companies has helped to move in this direction at a faster pace and the results of study of business leaders, who were selected for the Golden Peacock Awards, can be role models for other companies.

\*Pradeep Chaturvedi is Vice President, IOD



## Winners' Digest

### Success Stories & Initiatives of Winners

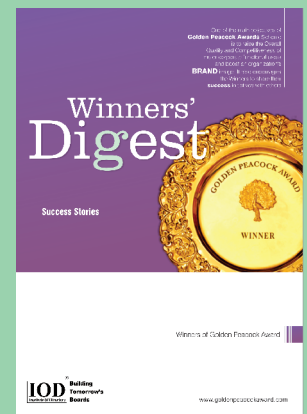
Main objective of **Golden Peacock Awards** Scheme is to raise the Overall Quality and Competitiveness of major corporate functional areas and boost an organization's **BRAND**. It also encourages the Winners to share their **success** initiatives with others.

### Winners' Digest

In each of the following corporate functional areas:

- Business Excellence
- Corporate Ethics
- Corporate Governance (both Global & National)
- Corporate Social Responsibility (both Global & National)
- Eco-Innovation
- Energy Efficiency
- Environment Management
- HR Excellence
- Innovation Management
- Innovative Product/Service
- Occupational Health & Safety
- Quality
- Risk Management
- Sustainability (both Global & National)
- Training

(Published Annually, past editions for IOD members at 50% Discount)



**Buy it Now**

Price ₹ 250/- each  
(Shipping & Handling Extra)

[www.goldenpeacockaward.com](http://www.goldenpeacockaward.com)