

**FAST : White Paper**  
June 2024

# Why small to medium sized businesses are slow to adopt Digital Transformation?



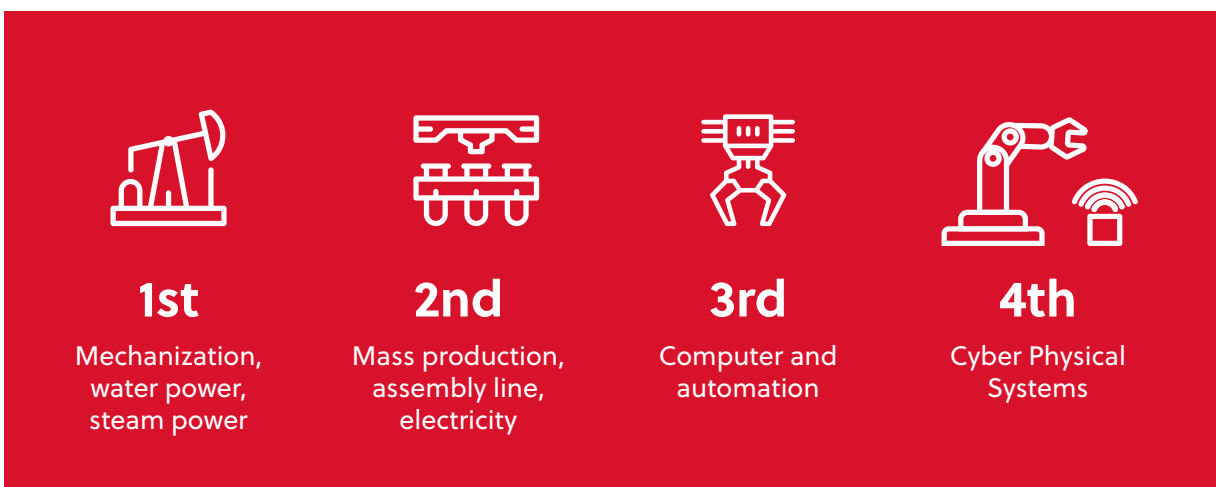
**FAST**

# 1.0 Introduction



Digital Transformation (DT) involves the integration of digital technology into all areas of a business, fundamentally changing how businesses operate and deliver value to customers. Despite its potential benefits, small to medium-sized businesses (SMEs) are often slower to adopt Digital Transformation compared to larger enterprises.

With the emergence of Industry 4.0 (the fourth industrial revolution), disruptive technologies, Industrial Internet of Things (IIoT), smart machines and machine learning/Artificial intelligence comes an opportunity for transformation within business, helping to reduce the impact felt by manufacturing businesses due to low labour availability, rising input costs, recent supply chain issues and new working methods for employees.



The International Centre for Industrial Transformation (INCIT) has recognised this trend and has developed a Smart Industry Readiness Index (SIRI) framework, the world's first independent digital maturity assessment for manufacturers, to bridge the gap, create strategic objectives and key results (OKRs) for SMEs to build out a strategy for Digital Transformation.

This whitepaper explores potential reasons behind the slow adoption of digital transformation among SMEs, examining financial limitations, technological challenges, organisational culture, knowledge gaps, risk aversion, and lack of digital transformation strategy.

## 1.1 Financing DT projects

Financial resourcing of Digital Transformation initiatives is a significant barrier, and the challenges can be summarised into 2 main factors:



### High Initial Costs

Implementing new technologies, purchasing hardware and software, and training employees all entail substantial costs. Many SMEs operate on tight budgets with limited financial resources, making it difficult to justify and afford the initial expenses associated with Digital Transformation.

### Return on Investment (RoI)

SMEs often face uncertainty regarding the payback or RoI of Digital Transformation initiatives. Unlike large corporations with significant resources and a greater tolerance for risk, SMEs require a clear and almost immediate benefit from their investments. The uncertainty and timeframe around the time it takes to realise benefits and the potential for unforeseen expenses can make SMEs hesitant to embark on Digital Transformation projects.

## 1.2 Technological Challenges

With all the new and exciting emerging technologies available, key challenges still exist within the technology pillar:

### Legacy Systems and Infrastructure

Many SMEs rely on basic and often outdated legacy systems and infrastructure that are incompatible with new digital technologies. Transitioning from these systems to modern solutions can be complex, costly, and time-consuming. The integration challenges, potential downtime, and disruptions to business operations can deter SMEs from pursuing Digital Transformation.

### Lack of Technical Expertise

SMEs often lack the in-house technical expertise required to implement and manage Digital Transformation initiatives. Skilled IT professionals are essential for the successful adoption of new technologies, but SMEs may struggle to attract and retain such talent due to budget constraints and competition from larger firms.





## 1.3 Organisational Culture

As witnessed many times over the decades, successfully integrating automation and robotics and/or digital software systems can often hang on the culture within organisations:

### Resistance to Change

Organisational culture plays a significant role in the adoption of Digital Transformation. Many SMEs have established processes and ways of working that employees are comfortable with. Introducing new technologies and altering workflows can meet resistance from employees who fear change, job displacement, or the increased complexity of their roles.

### Leadership and Vision

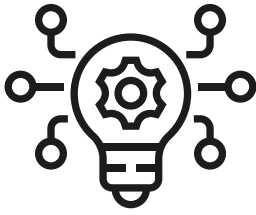
The leadership within SMEs may also be a factor in slow Digital Transformation adoption. Leaders who lack a clear vision or understanding of Digital Transformation's benefits may not prioritise or champion these initiatives. In some cases, leaders may be more focused on short-term goals and immediate business challenges, leaving little room for long-term strategic changes. In other cases, leadership may not recognise the need to change and adapt, referring to the challenges as 'hype' or the 'new fad'.

### Misalignment with Business Goals

Digital Transformation initiatives need to be aligned with the overall business strategy and goals. SMEs may struggle to see how digital technologies can directly contribute to their specific objectives, such as improving customer service or increasing operational efficiency. This misalignment can lead to a lack of desire in pursuing Digital Transformation.

### Prioritisation of Immediate Challenges

SMEs outlook tends to be more operational than strategic, often prioritising addressing immediate business challenges over long-term strategic initiatives. Daily operational issues, cash flow management, and short-term revenue targets can take precedence over Digital Transformation efforts, leading to delayed or abandoned projects.



## 1.4 Knowledge Gaps

Linked to organisational culture and how businesses approach change, gaps in the underlying knowledge base can create fear and lead to resistance to change, becoming barriers to adoption:

### Awareness and Understanding

There is often a lack of awareness and understanding among SMEs about what Digital Transformation entails and how it can benefit their business. This knowledge gap can lead to misconceptions and hesitations, with some SMEs perceiving Digital Transformation as relevant only to large corporations or specific industries.

### Educational Resources

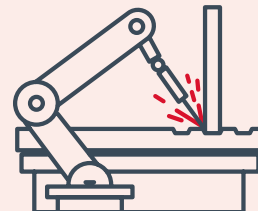
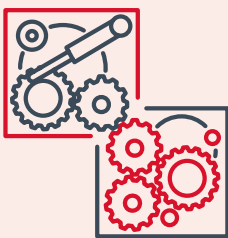
SMEs may have limited access to educational resources, training programs, and advisory services that can guide them through the Digital Transformation process. Without adequate support and information, SMEs may struggle to make informed decisions about which technologies to adopt and how to implement them effectively.

### Subject Matter Expertise

Many small businesses have built expertise in what they do and execute well. Leaders and business owners are revered as experts and know the business inside out. New technologies threaten that viewpoint, introducing new concepts that are unfamiliar and subsequent gaps in knowledge make leaders uncomfortable and resistant to change.

### Vendor and Partner Support

SMEs often rely on external vendors and partners for their technology needs. The availability, reliability, and compatibility of these vendors' solutions can influence the pace of Digital Transformation. Additionally, SMEs may face challenges in negotiating favourable terms and securing the necessary support from vendors, further slowing their adoption process.



## 1.5 Risk Aversion

### Fear of Cybersecurity Threats

The increasing prevalence of cybersecurity threats poses a significant risk to businesses undergoing Digital Transformation. SMEs may lack the robust security measures and expertise needed to protect against cyberattacks. The fear of data breaches, financial losses, and reputational damage can make SMEs cautious about adopting new digital technologies.

### Business Continuity Concerns

Digital Transformation often involves significant changes to business operations, which can temporarily disrupt continuity. SMEs that are highly dependent on consistent cash flow and daily operations may be reluctant to undertake initiatives that could impact their ability to serve customers and generate revenue during the transition period.



## 1.6 Lack of Vision/DT Strategy

### Misalignment with Business Goals

Digital Transformation initiatives need to be aligned with the overall business strategy and goals. SMEs may struggle to see how digital technologies can directly contribute to their specific objectives, such as improving customer service, increasing operational efficiency, or expanding market reach. This misalignment can lead to a lack of motivation and direction in pursuing Digital Transformation.

### Prioritisation

SMEs often prioritise addressing immediate business challenges over long-term strategic initiatives. Daily operational issues, cash flow management, and short-term revenue targets can take precedence over Digital Transformation efforts, leading to delayed or abandoned projects.



## 2.0 Overcoming Barriers to Digital Transformation

### Financial Support and Incentives

Governments, local councils and industry associations can play a crucial role in supporting SMEs by providing financial incentives, grants, and subsidies for Digital Transformation initiatives. Access to affordable financing options, can help SMEs overcome the initial cost barriers.

### Smart Industry Readiness Index (SIRI) assessments

Developed by the Singapore Enterprise Board in response to a recognition of the divergence in knowledge against adoption, the assessment provides a globally recognised standard (WEF) method for determining the digital maturity of any business and providing a clear strategy to transformation that relates directly to that

business, its cost profile and outlook horizon. Through the A2Hub, Certified SIRI Assessors (CSAs) can review business operations, understand gaps and provide strategic direction on where to best focus efforts and resource.

### Training and Education Programs

Investing in training and education programs can help bridge the knowledge gap and empower SMEs to embrace Digital Transformation. Courses, workshops, and mentorship programs, such as the **A2Process** and/or **A2Learn** programmes, can provide SMEs with the necessary skills and knowledge to implement and manage digital technologies effectively.



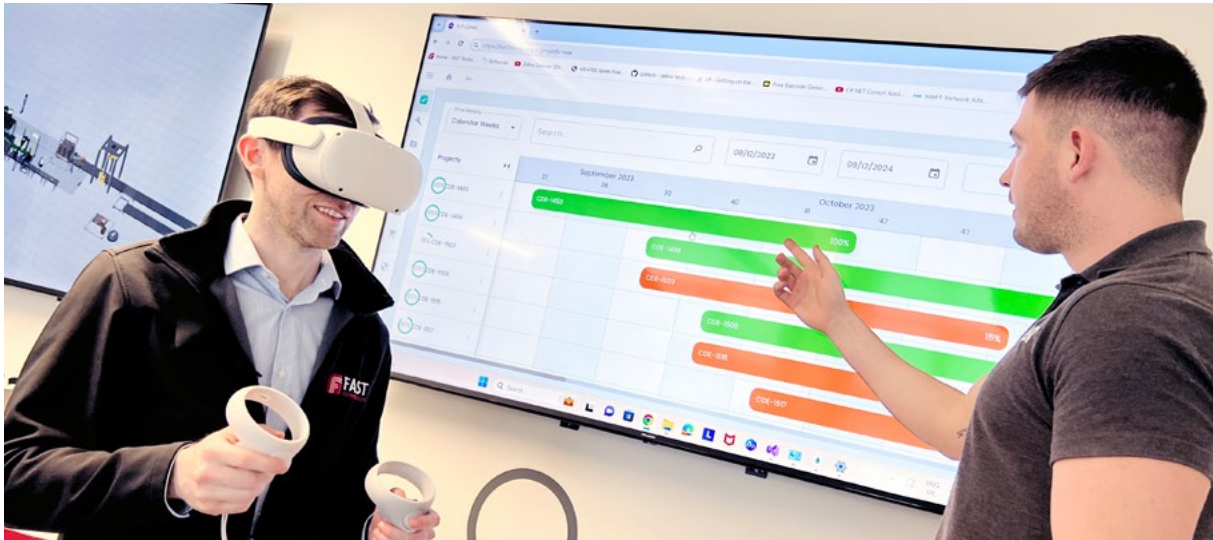
The Automation Accelerator Process can FAST forward your automation journey.







**The A2 Hub:  
A collaborative space  
in the heart of our city.**



## **Automation Accelerator Hub (A2Hub)**

SMEs can benefit from collaborating with technology vendors, industry partners, and research institutions to access resources, expertise, and best practices. Forming strategic partnerships can enable SMEs to leverage external support and gain insights into successful Digital Transformation strategies.

The **Automation Accelerator Hub (A2Hub)** is an example of how businesses can engage and learn, build specifications and strategies for Digital Transformation and explore new and emerging technologies.

## **Incremental Implementation**

Adopting an incremental approach to Digital Transformation can help SMEs manage risks and minimise disruption. Starting with small pilot projects (not necessarily the greatest 'bang for buck' project), testing new technologies, and scaling slowly can allow SMEs to build confidence, demonstrate returns on investment, and refine their strategies over time. Digital Transformation is a journey, not a destination.

## **Focus on Cybersecurity**

Investing in robust cybersecurity measures is essential for mitigating risks associated with Digital Transformation. SMEs should prioritise implementing strong security protocols, conducting regular security audits, and training employees on cybersecurity best practices to protect against cyber threats.

## 3.0 Conclusion

**The slow adoption of Digital Transformation among SMEs is a multifaceted issue influenced by financial constraints, technological challenges, organisational culture, knowledge gaps, risk aversion, and external factors.**

**Addressing these barriers requires a comprehensive approach that includes financial support, education, collaboration, incremental implementation, and a focus on cybersecurity. By overcoming these challenges, SMEs can harness the potential of Digital Transformation to enhance their competitiveness, improve operational efficiency, and drive long-term growth.**

**The Automation Accelerator Hub (A2Hub) is a response to tackling the challenges faced, providing a bridge to close the gap between knowledge and adoption of Industry 4.0 technologies.**

# Start your Digital Transformation Journey today.



Book your FREE  
Onsite Consultation  
scan here

[fasttechnologies.com](https://fasttechnologies.com)  
[info@fasttechnologies.com](mailto:info@fasttechnologies.com)  
+44 (0)28 7135 7740

Skeoge Ind. Estate,  
Beraghmore Road,  
Derry, Co. Londonderry,  
BT48 8SE

Catalyst,  
The Innovation Centre, Bay Rd,  
Derry, Co. Londonderry,  
BT48 7TG



[linkedin.com/  
fast-technologies-ltd](https://linkedin.com/fast-technologies-ltd)



[facebook.com/  
fasttechnologiesltd](https://facebook.com/fasttechnologiesltd)



[@FAST\\_tech\\_ltd](https://twitter.com/FAST_tech_ltd)

# **FAST**