

DEVELOPING YOUR DIGITAL TRANSFORMATION STRATEGY

Navigating digital transformation within your organisation

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Overview

The concept of digital transformation is starting to take full effect in the middle market, with organisations of all sizes taking advantage of new innovations to refine key business processes and create new ways to add value.

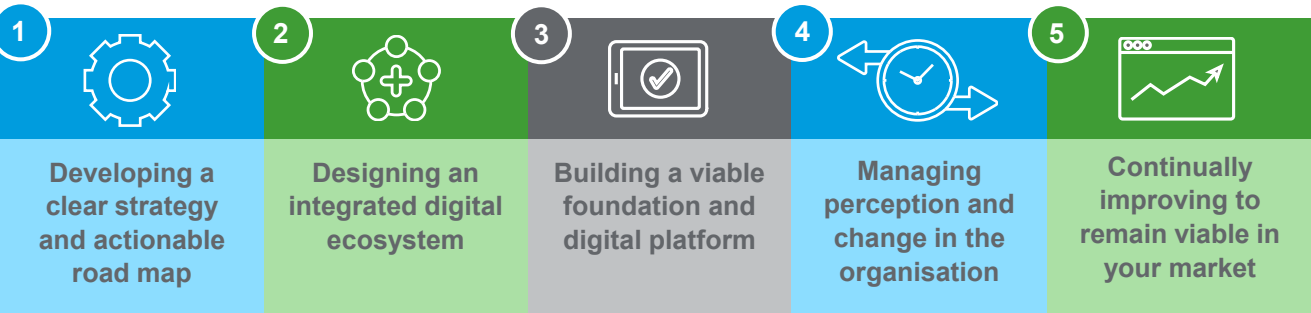
Implementing transformational technology is now even more critical, and has become more realistic, for midsized organisations, but they must understand how to select and prioritise the right technology and have buy-in from appropriate personnel within the business.

Digital transformation trends

As we continue to help our middle market clients on their unique paths for digital transformation, we are recognising several trends and key lessons learned that apply in most situations in one fashion or another.

The intent of this white paper is to briefly cover the concepts associated with these trends and lessons learned. Our advisors are be on hand to dive further into each of the topics below with you, sharing how to approach specific situations, and to avoid the hidden risks associated with a transformation.

The important topics include:



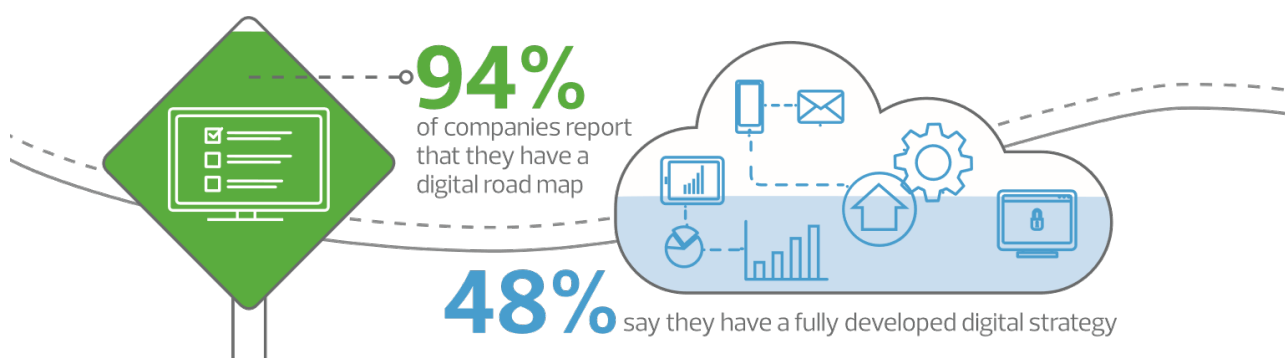
This is by no means a comprehensive list, and organisations must be sure to focus on digital transformation that drives positive change for employees, customers and operations. The path for digital transformation is complex, time consuming and at times, downright risky. But as many executives and organisations have already discovered, the cost and risk associated with avoiding a digital transformation is often even greater.

This article was first published on the [RSMUS.com website](#), you can view the original article [here](#)



1 Developing a clear strategy and actionable road map

In a recent survey carried out by RSM US, consisting of responses from chief financial officers across the middle market, the team found a startling statistic regarding the vision and planning for digital transformation. Approximately 94% of organisations report that they have a digital road map, but only 48% of that population said that they had a fully developed digital strategy.



The gap between organisations having a fully defined digital strategy and digital road map suggests that many organisations are pursuing digital in a highly segmented fashion, implementing new technologies piece-by-piece, likely driven by the perceived ability to achieve quicker returns on their investment.

However, organisations that implement technology solutions in a one-off fashion, without a defined strategy in place, run the risk of building an ecosystem that becomes more difficult to manage and sustain. This type of environment will likely result in higher costs, reduced integration, reduced agility and greater risks over time.

To further illustrate this concept, imagine a family that one day decides they want to build their dream home. They have a general idea of what this home should look like and all of the amenities they want to include. But they forego drawing up the plans and determining the layout, concerned it will take too much time. Rather, they decide to immediately start building the home. They believe they can put the final plans together as they go along. You can imagine what a disaster this will be.

None of us would want to live in a patchwork house, nor should we want to operate or maintain digital environment that may initially appear to yield results, but in the long term drives a much higher potential for risks, challenges and additional costs in the future.

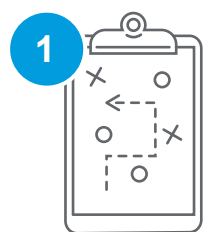
“Organisations that implement technology solutions in a one-off fashion, without a defined strategy in place, run the risk of building an ecosystem that becomes more difficult to manage and sustain.”

2 Designing an integrated digital ecosystem

When we take a look at some of the largest, most influential technologies and innovations that have changed our lives over the last 20 years, there is almost always one theme that prevails regardless of services or products - connection.

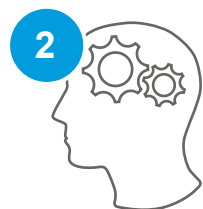
Whether that connection is between a driver and a passenger, two old friends, or with one of your favourite movies, technology and the internet have changed the way that we connect to the things we want. To illustrate, take a moment to look at the apps on your phone. It is probably a safe bet that some of your most used apps are connecting you with something, whether that is data, people, or a product or service.

We realise that this process sounds inefficient, but chances are, you and your organisation may very well do this type of work on a daily basis. Why? Through our direct experience with middle market organisations we see this lack of automated integration driven by at least one or more of three reasons:



1 Lack of planning

Solutions were implemented to meet a specific need, but no one took the time to understand if (or how) the solutions could be integrated to provide additional value or maximise efficiency.



2 Lack of knowledge

Internal technology resources lacked the knowledge and skills required to create a sustainable integration between systems. This could be a lack of knowledge of either, or both, the technology and the business process.



3 Lack of vision

No one in the organisation took the time to look at the technology or processes in a strategic fashion, and failed to recognise the potential huge amount of value that can be driven by integration.

“The lack of integration between systems is driving higher costs, increasing risk, reducing productivity and probably causing some of your best talent to walk out the door.”

Regardless of reason, this trend needs to stop. The lack of integration between systems is driving higher costs, increasing risk, reducing productivity and probably causing some of your best talent to walk out the door. Not to mention—many of your larger competitors or newer organisations attempting to enter your market have already tackled many of these basic challenges.

They're not only operating at a higher level of efficiency now, but they're also already turning their sights to the next opportunity to give them a greater competitive advantage.

3 Building a viable digital foundation

A common problem we see in the digital ecosystems of our middle market clients is the use of home-grown or custom-built applications to maintain core business functions, such as inventory management, scheduling and production.

Many years ago, the decision to build these applications was born from the lack of viable solutions in the market—or if there was a viable solution, the business case simply failed to support the level of investment to acquire it.

Today, the number of viable, commercial systems that can facilitate middle market business processes has expanded tremendously. These systems are helping organisations standardise and automate core business functions while offering the opportunities to accommodate and integrate new technological advancements. But as tempting as this sounds, we are still seeing a reluctance from organisations to abandon their decade-old solutions, maintaining a mindset of “if it’s not broke, don’t fix it.” What organisations fail to realise is that this decision alone may be the make-or-break point that could cause key processes to fail in the next three to five years.

While every organisation is certainly unique, the digital foundation of most organisations will typically consist of the following four core components:



This digital foundation will probably not be capable of handling every detail and process of your business. Most organisations will require add-ons, external integrations and various tools that will help facilitate and run day-to-day operations.

4 Managing perception and change in the organisation

A recent study on digital transformation efforts highlights that one of the most difficult, and critical, factors of success for change is an organisation's capacity and willingness to support and adapt new ways of doing things.

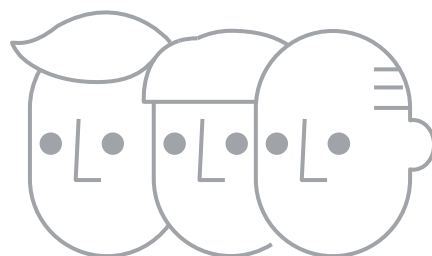
In fact, many of these studies suggest that project failures do not occur during the technical implementation—but rather, during the implementation of new practices.

Any seasoned executive who has led at least one transformation change will likely attest to the age-old saying of “perception is reality.” Whether it's the perception held by the CEO, or a group of employees tending to your warehouse, their perception of the transformation (before, during and after) must be managed to help facilitate upcoming changes. Active attention and management of these perceptions throughout the process will pay dividends when it comes time for deployment.

It does appear that this message has started to sink in, as many organisations are starting to budget and plan their transformation efforts to include designated resources for program and change management. This centralised authority takes responsibility for being the glue that holds all of the related initiatives together, and drives progress throughout the transformation journey.

This function, however, is a lot more than checking a box and sending occasional emails. In our follow-up series on this topic, our advisors will give additional insight into the roles and responsibilities of a program and change management office, as well as other key lessons learned through their experience that helped facilitate major transformations. These insights can quickly become the difference between project failure and monumental success.

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5 Continuously improving to remain viable in your market

There is no denying that every industry is experiencing the impact of digital transformation in some form. Headlines around the world continue to highlight organisations that, 30 years ago, were a staple in their industry - but are now closing their doors and folding-up shop. Often it's because the dynamics of their industry shifted and they just failed to respond - or didn't respond early enough.

It's probably safe to say that today, every organisation is subject to this threat. It may come in the form of a start-up with a radical new business model, a long-term competitor developing better processes, or a giant conglomerate moving vertically into a new industry. Regardless of the method or form, the ability to quickly identify and adapt to changes in the marketplace is becoming table stakes for organisation viability.

A sound digital foundation

Once a sound digital foundation is in place, organisations will be better positioned to compete and protect their market share as competitive threats emerge—but like everything else, this will only last so long. organisations must continue to build from that foundation and quickly incorporate the necessary people, processes and technologies to stay relevant and competitive.

In the past, organisations often implemented emerging technology in some levels of the organisation, such as finance and accounting and the supply chain. Few could realistically implement an organisation-wide innovation initiative, but organisations are now ready to move forward with more extensive solutions. In order to remain competitive, organisations need to better understand and interact with customer needs and enhance the efficiency of internal processes.

Higher expectations for communication, interaction and convenience

Organisations commonly interact with customers and receive orders in many different ways: over the phone, via paper forms and via the internet. However, consumers and employees now have higher expectations for communication, interaction and convenience. Therefore, many middle market organisations are now turning the corner and looking to apps and other solutions that are more field-friendly to provide information in different ways and smooth out their processes.

“In order to remain competitive, organisations need to better understand and interact with customer needs and enhance the efficiency of internal processes.”



The current state of technology and digital

A greater breadth of technology is becoming more attainable for middle market organisations. Many companies now have more resources to dedicate to technology and the cost of solutions has generally dropped. In addition, the low unemployment numbers are making it difficult to find skilled resources. Therefore, organisations are turning to innovation to fill that gap and gain more efficiency in key business functions.

Ultimately, technology and digital solutions will affect processes across each middle market organisation from selling products to accounting for them. Today's technology allows your company to have more efficiency, but more importantly, gain more insight.

Every organisation collects volumes of data. However, the process of turning data into actionable information is one of the critical processes that we perform with many of our clients. Everyone wants information faster, and organisations naturally compare themselves to others in the market. Increasing the speed of month-end reports and gathering useful daily metrics lead to competitive advantage.

Digital transformation can help your company evolve from collecting data to developing actionable information. Data is everywhere, but you need to distil that resource to get usable information to make critical decisions from. That need is driving the digital evolution that we are seeing in the middle market today.

For example, from a finance and accounting perspective, ERP platforms, various reporting tools and enterprise performance management (EPM) solutions distil that data down from an operational perspective.

As the old adage goes, information is power, and having insight into how many customers your company is serving, what form interactions take with customers and what items they are specifically looking at can serve to move the organisation forward.

In addition, the power of QR codes enables your organisation to track items directly from the origination to who purchased it. We now have the ability to track components completely across the business.

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This capability not only provides more information on products and their usage, it helps manage quality issues for manufacturers. Any issues can be addressed faster before products get into a consumer's hands, increasing satisfaction and decreasing waste across the organisation as a whole.

In fact, organisations of all sizes can leverage technology in an effort to reduce waste and increase efficiency. For example, we recently worked with a restaurant organisation with 80 locations to increase its digital technology utilisation. Despite the size of the organisation, it still used a large amount of paper processes, including issuing paper payslips. We worked through available digital technology options with the organisation that were cost-effective, and helped employees, as well as the organisation as a whole.

Emerging digital platforms

While the amount of digital technology solutions that can enhance key business processes is almost limitless and continues to grow, some specific platforms stand out due to their potential to increase visibility and efficiency.

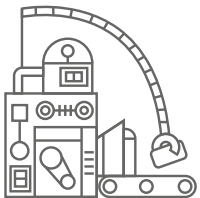


Blockchain

Blockchain is a prime example because it provides the ability to gather much more information and process it faster than ever before. With blockchain, records are kept in blocks and linked via cryptography, preventing duplication and creating more accurate and efficient transactions.

While the technology has gained a significant amount of traction within banks and other financial institutions, blockchain presents a host of other opportunities across other industries as well.

One notable application is within the retail industry, where Walmart is utilising blockchain to track the complete manufacturing of products brought in to the organisation. This strategy increases supply chain visibility and inventory control, while introducing a mechanism to increase quality.



Robotic Process Automation (RPA)

In addition, RPA presents a critical opportunity to automate many manual, repetitive tasks that don't require human decision-making. Successful RPA initiatives increase process efficiency while enabling employees to dedicate more energy to strategic operations versus manual inputs.

RPA can give your organisation a tremendous amount of options: what are the processes that are not necessarily adding value that a human typically performs?

Those operations can be automated with an RPA strategy, with human analysis or higher-level decisions made on the back end if necessary.

Foundations of technology and digital strategy

Building an effective technology and digital strategy requires several specific elements. First, your organisation must step back and consider your overall business strategy:

- ? What processes are done today?
- ? What can be enhanced?
- ? How can any new processes or technologies be introduced so they are appropriate?

There are many proven and very effective digital tools currently available, but every solution is not right for every business. Your organisation must evaluate the solutions that might be cost effective and deliver the most return on investment, considering the overall strategy and how to implement a road map for the next few years.

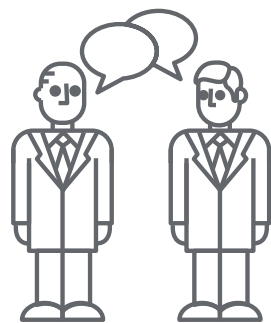
An assessment is a valuable tool to provide an overview of where your organisation stands and where improvements can be made. The assessment should look at the existing digital components across the business, where data inputs and outputs exist, how data flows across the organisation and how clients and internal users want to interface.

Not everything can be addressed by digital technology. Some things still need to be performed in a traditional manner, and the key is finding the right mix for your business.

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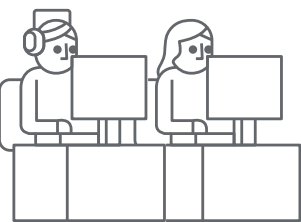
Sample digital self-assessment

Your organisation can often determine your level of digital needs by taking a look at existing internal processes. Some potential questions that could provide quick insight into the need to modernise digital investments include:



Customer experience:

- Am I using predictive analytics to understand customer needs and habits?
- Do I have an effective outreach strategy and measured programs to obtain new customers?
- Is my company leveraging data analytics to determine what products customers need and when?



Employee experience:

- Do I have the right systems to retain employees in a highly competitive market?
- Do I have the right communications systems in place?
- Do my employees have access to the data they need to complete their jobs?



Operations:

- Is my company easy to do business with, and are operations aligned with customer strategies?
- Do I have the right process and internal controls to mitigate risk?
- Am I using data to increase efficiency and drive operational decisions?

Selecting effective digital solutions

After a need is targeted, software and vendor selection is a critical function in a crowded marketplace. An effective process should begin with a multifunctional team, with voices from different levels and areas of your organisation.

For example, we often talk to an organisation and uncover three or four different project management solutions because departments have individually selected them. Working to find one solution that will work for everyone is a more efficient solution. It may not always be perfect for each department, but it will be more cost-effective, simplifies training and is easier to manage.

Once that multifaceted team is in place, the specific feature functionality that everyone needs should be detailed, focusing on any unique requirements of your company as a whole. With that information established, your organisation should look for vendors that meet those needs. Targeted demonstrations will help to determine what makes the most sense for a specific organisation.

A software or vendor choice isn't easy, as many vendors are very similar in what they do, and that may become more common as specialisation continues. A choice may come down to being more comfortable with a specific look and feel, or a cultural fit for your organisation.

With a decision made, the multifunctional team becomes important from another aspect—going into your organisation and sharing information and reasoning about the selection(s). Being a cheerleader of sorts and communicating details helps with adoption and can lead to a smoother implementation.

“Working to find one solution that will work for everyone is a more efficient solution. It may not always be perfect for each department, but it will be more cost-effective, simplifies training and is easier to manage.”



The road ahead

Once the individual components in the assessment are understood and solutions are tentatively chosen, they should be aligned with your overall business goals:

- ? Is your organisation poised for growth?
- ? Is your organisation shrinking?
- ? Is a divestiture or sale on the horizon?

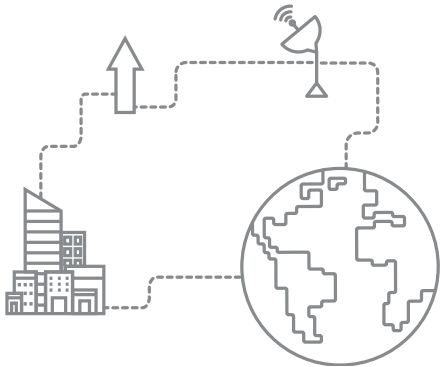
Understanding those bigger picture issues helps to create an appropriate life cycle. A plan recently encompassed five to seven years, but with technology now moving so fast, an effective technology road map should look no more than two or three years into the future.

Your plan

The plan should initially focus on quick wins, easy-to-implement solutions or areas with a large return on investment or compliance concerns. After those are addressed, the multifunctional team should work from a suggestion list to determine what order to manage demands to give individual departments what they need to move forward.

After that plan is in place, your organisation should utilise all necessary resources—internally and externally—to stay on track. Some organisations need more active participation, with a high level of involvement and help implementing components, while others only need project management oversight with monthly or quarterly health checks against the digital road map.

“The plan should initially focus on quick wins, easy-to-implement solutions or areas with a large return on investment or compliance concerns.”



Getting the right help

Ultimately, many middle market organisations can benefit from some help along their digital journey. Partnering with an advisor can complement existing resources and provide key insight and guidance to help you choose and implement optimal digital solutions. An advisor should have four primary characteristics:



1 Be forward thinking

Because an external resource has so much access to different organisations, it should have a depth of insight and knowledge about potential solutions to draw from and apply to other organisations. Very few organisations have that knowledge internally.



3 Be able to translate

Advisors must be able to translate and share information between different areas of the organisation, communicating what solutions are available with their ROI to create an accurate cost-benefit scenario. Many solutions are fairly new, and the decisions can be overwhelming for internal personnel.



2 Be a facilitator

An external advisor can pull the right people in to fit specific needs. Those resources should align with an organisation's culture and have the necessary industry-specific knowledge to move innovation forward.



4 Be a good navigator

Experienced external resources help clients understand opportunities to better utilise existing technology. They look at components and determine how to do a better job with it, possibly with new integrations or by creating greater connectivity between applications.

These characteristics should create a cyclical process where technology assets are continually evaluated and improved.

A virtual chief information officer (vCIO) is another helpful resource when developing a digital strategy in the middle market. Due to staffing shortages, some organisations may not be able to find a CIO or chief technology officer, or they may not be large enough where a full-time person is necessary. Many organisations may have a great IT director, but they need someone who can help bring the strategic aspect together and communicate potential changes in the technology environment.

In addition, many existing technology resources are grounded with day-to-day responsibilities; there is so much on their plate that there is not enough time to know what other options are available in the marketplace, or understand the competitive landscape within the industry. A vCIO provides help with the technology plan and vision for the organisation, as well as serving as a sounding board for IT personnel and a leader to share plans with the board or IT committee.



Conclusion

The business environment is changing quickly—customer and employee expectations are evolving, and transforming data to actionable information is paramount for more effective decision-making. Therefore, a new focus on technology is required to stay competitive. Luckily, innovations that were previously only available to large-cap organisations are now within reach for middle market organisations, creating new opportunities for growth.

However, not all digital approaches are right for every organisation, so there must be an acute focus on developing a plan that aligns with existing resources and goals, getting the right advice and insight, and selecting the right solutions for your organisation. The elements for success are available, but the right amount of preparation and resources often makes the difference in creating a thriving technology foundation.

For more information on building your IT strategy please contact:




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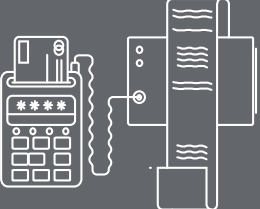
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