

Demystifying Digital Transformation

The 'what', 'why' & 'where to start'
of digital transformation



Are you a CIO being asked to undertake a digital transformation? Is your business struggling to keep up with technology trends, affecting your competitive advantage? Are you overwhelmed by your IT investment options and unsure where to start?

Whether you're at the beginning of your transformation journey or looking to bring cohesion to an existing programme, there's something in this whitepaper for you.

In the pages ahead, we set out the fundamentals of digital transformation. We explain what it is, the 'why' and 'how' of a well-defined digital transformation strategy, and some of the key criteria for a successful transformation programme that supports your business direction.

What is Digital Transformation?

Most of us have encountered the term 'digital transformation'. Although it is not a new expression in the realms of business and IT, it is not always used or understood consistently. So, what is it, beyond a couple of buzz words?

Lumenia Consulting defines digital transformation as *business process transformation enabled by technology*. Crucial to this definition are that business and technology strategies are closely aligned and that business change is managed as part of the transformation.

Digital transformation is by no means a new concept. Organisations have been leveraging IT to improve their business processes for decades, so it is essentially the current rebranding of an existing idea. What continues to change, of course, are the technologies and solutions available to deliver that transformation and the quality and quantity of data they expose to drive business insights and improvement.

Embarking on a transformation programme is a daunting prospect. They are usually expensive, multi-year endeavours requiring several inter-dependent initiatives to be undertaken alongside Business-as-Usual (BAU) operations. Not everyone has experienced the scale and complexity of transformational change, let alone overseen such a programme. So why would you take this on, and where should you start?

Why Digital Transformation?

There are any number of paths that can lead to digital transformation. Perhaps historic underinvestment in IT has seen your business fall behind the curve as your industry advances and technology trends evolve. Maybe you can see business opportunities to improve customer experience or competitive advantage, but you lack the IT infrastructure, agility and capability to seize them. You might have started to undertake some digital initiatives already, and find them to be disjointed or lacking control. Or perhaps you're looking to build on the success of a recent ERP implementation, extending out from that digital core to realise greater value.

No matter how you arrived at the point of initiating a digital transformation programme, confidently establishing a path forward can be difficult. As with any large programme of work, breaking it down into a logical sequence is key, starting with a strategy.

Digital Transformation Strategy

Your executive team should understand the *'why'* before you get to the *'how'* of digital transformation. This is a golden rule for IT investment and forms a basis for any business case, to ensure that time and money is only spent where there is clear business rationale. This is best achieved through development of a targeted strategy.

A good digital transformation strategy sets out a logical plan for investment in digital solutions and supporting capabilities, aligned closely with the organisation's business strategy. This should help you to:

- envision a digitally enabled future;
- identify the benefits you expect to achieve from your investment;
- define a series of initiatives intended to deliver those benefits;
- determine what is achievable over your intended transformation period;
- prioritise your spending, decide where to focus first and develop a realistic plan.

Each initiative described within your digital transformation strategy should be explicitly tied back to an established business objective or imperative, ensuring an unambiguous connection between IT investment and business needs.

Six Steps to Developing a Digital Transformation Strategy

Developing a good digital transformation strategy is not an easy task. It requires a structured approach, strong stakeholder engagement, careful analysis and sound reasoning. We have summarised Lumenia's recommended approach to this process in six steps below:

1. **Understand the business strategy.** Start by gathering insights into the leadership team's vision for the future by reviewing existing strategy documentation and having conversations with senior business stakeholders. These set the direction for your digital transformation. For example, business strategies to 'prioritise growth in online sales' versus 'double the number of physical branches' have different implications for IT investment.
2. **Determine digital transformation scope.** Consider how broad your digital transformation should be, taking into consideration the wider business context. What does 'digital' mean for your business? Do you need an all-encompassing overhaul and modernisation of your IT portfolio, or are there specific areas that the digital transformation strategy should hone in on?
3. **Survey your existing business capabilities and supporting digital landscape.** Assess the current maturity of relevant business processes and supporting technology to identify strengths, weaknesses, risks, issues and gaps. This will reveal opportunities for improvement and associated benefits.

4. **Identify and assess opportunities to improve business processes through digital enablement.**

Improvement opportunities typically include a range of people, process and technology changes. Your digital transformation strategy should specifically focus on the opportunities that can be achieved through the application of digital solutions and supporting IT capabilities. These should become candidates for inclusion on your digital transformation roadmap. Explore each of these, considering information such as likely timescales, cost ranges, benefits, resource requirements and constraints associated with each.

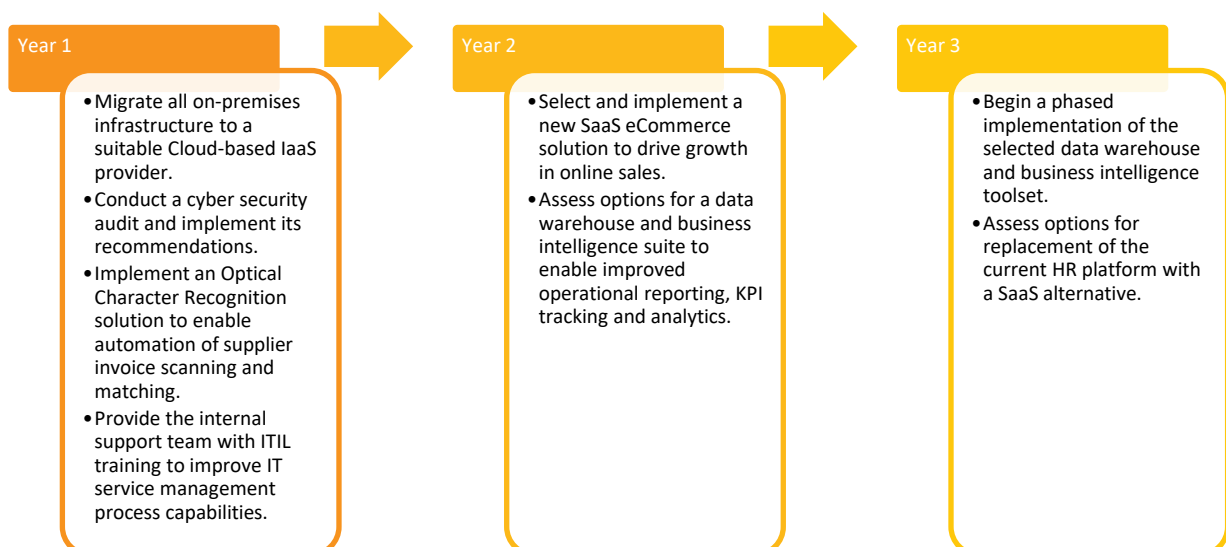
Note that substantial work may be required to fully assess the solution options for some improvement opportunities and to develop more detailed business cases. This can be done up front, at this stage, or included among the first initiatives on your transformation plan itself.

5. **Develop a roadmap of digital transformation initiatives.** With candidate initiatives identified, you can start to determine their optimal sequencing for your digital transformation roadmap, as shown in the example in Figure 1 below. Be realistic about how much change the business can take on and the time required. Typically, large organisations can manage more parallel activities than smaller ones. Create a visual representation of the roadmap to highlight interdependencies, potential parallel activities and estimated timeframes. The roadmap should be accompanied by a description of each initiative with an explicit link back to business objectives.

Not everything on the roadmap will be clear at this early stage. Early initiatives should be relatively well-defined, but later ones may be notional. As the business and IT environments evolve, and further-out elements become nearer and clearer, the roadmap itself should be refined.

6. **Finalise the digital transformation strategy.** Your digital transformation strategy comprises the key outputs from the previous steps. It will need to be socialised and signed off by senior stakeholders and may require multiple rounds of review and refinement. This is a critical part of building buy-in for its subsequent execution, and will be made easier by actively engaging with those stakeholders and validating your thinking during the preceding steps.

Figure 1: Example initiatives for inclusion on the digital transformation roadmap of a mid-sized retail company.



Importance of IT Foundations

It can be tempting to jump in at the deep end when planning your digital transformation, focusing on the cutting edge of the IT spectrum during step four of the strategy development process above.

While technologies like Robotic Process Automation (RPA), digital twins, artificial intelligence and augmented reality may be part of your ultimate vision, a successful digital transformation needs to address foundational IT capabilities as well as more advanced technologies. Pragmatism, therefore, is key to developing your digital transformation strategy, balancing vision and ambition with an appreciation for the size of the gap between your current and target states and your capacity for change.

What do we mean when we refer to “foundational capabilities”? This can cover anything from IT governance and organisational structure to server infrastructure and network security. Lumenia uses a model encompassing the following areas to assess overall IT maturity and identify capability gaps for inclusion on the digital transformation roadmap.

Figure 2: Lumenia IT reference model



You will have some of the foundational elements of these areas in place already, and they may be suitably mature. Others might need to be developed as precursors to or in parallel with the implementation of your desired digital solutions.

Take the time to consider your full IT landscape – people, process and technology – and make sure you take a holistic approach to strategy development for a successful transformation. In the end, you will be much more likely to realise the full benefits of high-tech digital solutions if you invest in the base capabilities as well.

Strategy Execution

A well-defined digital transformation strategy sets the scene for its execution. With your strategy signed off, you can prepare to embark on the first initiatives on your transformation roadmap. Of course, every transformation is different, but the characteristics of a successful programme and the potential pitfalls are common:

- **Ensure leadership commitment and buy-in from the outset.** The entire leadership team should be aligned on the business objectives and implications of the strategic plan before you kick off the digital transformation programme itself. Setting clear expectations and communicating these from the top down helps garner support and buy-in at all levels.
- **Establish an effective programme governance structure.** This isn't a simple tick-the-box exercise. Project steering committees and programme boards need to meet regularly and have appropriate representation, experience, accountability and focus to effectively guide, challenge, remove roadblocks and make decisions.
- **Maintain a steady focus on business benefits.** This relates back to our emphasis on alignment between your digital transformation and business strategies. As your transformation programme proceeds, it's important to remain focused on the business objectives and benefits that informed its development. Benefits realisation planning should be incorporated into your transformation programme to ensure benefit owners are appointed and processes for benefit tracking are established. It may also be necessary to revise elements of your transformation plan if the business strategy changes over time.
- **Assign suitably skilled and experienced resources.** A successful digital transformation programme requires a capable team. Strong overall programme management is a must, and each initiative on the roadmap will need suitable project management resource as well as the relevant business and technical representation. The most demanding projects typically require key people to be reassigned from Business-as-Usual activities, with additional Subject Matter Experts (SMEs) called upon when needed. You may need to bring in external resources, such as experienced project managers, technical specialists and/or backfill resources for internal leads.
- **Select the right digital solutions for your business.** The range of technology options on the market can be overwhelming. Don't pick products based on internet searches and vendor sales pitches alone. Your transformation roadmap should factor in time and effort for the structured evaluation of options. This will ensure that your procurement decisions are fully informed so that you end-up with the best-value solutions, implementation and support partners to meet your functional and technical needs.
- **Manage business change throughout.** Earlier in this paper we defined digital transformation as *business process transformation enabled by technology*. Transformational change requires commitment to and investment in supporting people through organisational and individual impacts. This means dedicating time and resource to engaging with affected stakeholders, establishing effective two-way communication, planning and delivering process and systems training and ensuring people understand and are ready for the transition. We explore the importance of business change management further below.

Importance of Business Change Management

What do we mean by ‘business change management’ and why is it so important for a successful digital transformation?

The introduction of new technologies invariably affects an organisation’s people. This can range from changes to the systems and interfaces that employees use for day-to-day tasks to changes in the overarching business processes (i.e. the sequences of activities that people follow to do their jobs). Modified processes, in turn, can impose changes to individuals’ and teams’ roles and responsibilities, particularly if new ways of working require an organisational shift to enable benefits realisation. Lastly, the introduction of new systems and processes can necessitate cultural and behavioural change. For example, workflow automation and business rules embedded within a new system might enforce adherence to processes that were previously less rigid.

Effective business change management requires tailored stakeholder engagement and communication at every level of the organisation. The impact of new or different processes and technologies on people’s day-to-day jobs, and on external stakeholders such as customers and suppliers, needs to be assessed and planned for. Those people need to understand how the changes will affect them and why. And, of course, they need to be appropriately trained for the adoption of those changes.

With large-scale transformational change, multiple new systems may be introduced over an extended period, heightening the level of business impact and associated risk. Ultimately, failure to prepare for and manage business change can undermine your digital transformation programme and the projects within it. Even the perfect IT solution can fail if people don’t understand and support the change, and if they’re not suitably prepared.

How Can Lumenia Help?

Developing and executing a digital transformation plan is a major undertaking. A well-structured and pragmatic approach to identifying and prioritising digital initiatives and preparing and managing the resulting programme of work is a must.

Lumenia offers a full range of digital transformation services to help you realise your digital vision, from strategy development, transformation readiness assessment and business case development through to technology selection, implementation support and business change management.

For more information about our digital transformation services or to arrange a call with one of our consultants, visit our website: <https://lumeniaconsulting.com/digital>.

For more information, please contact Lumenia at:

Lumenia Consulting Ireland (HQ)

Parkmore Business Park West
Galway H91 PTT8, Ireland
T: +353 91 746940

E: info@lumeniaconsulting.com

Lumenia Consulting UK

167-169 Great Portland Street,
London, W1W 5PF, UK
T: +44 207 4708766

W: <http://www.lumeniaconsulting.com>

Copyright Lumenia Consulting Ltd. All rights reserved. No unauthorised reproduction without the Author’s written consent. All references to this publication must cite Lumenia as the author and include a link to Lumenia’s website. Lumenia is not liable for any errors contained within this report.