



The Lumen: Expert Guide

The Digital Imperative

Mistakes and Triumphs from
Digital Transformation Pioneers





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In this report, you will learn how to avoid common pitfalls while gaining productivity from actual business leaders who have experienced the digital transformation.

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Introduction: The Digital Imperative

With every historical revolution comes change, disruption, and fallout. Today, we're in the midst of the fourth industrial revolution. Highly developed technology is blurring the lines between physical and digital.

Companies know that they need to transform.

But good intentions aren't enough to succeed. Newer competitors are doing it faster, easier, and without the baggage of legacy systems. Fun fact: 95% of start-ups have digital business plans, compared to 87% of traditional enterprises founded 50 years ago or later.

Business in the past decade has gone digital. It has automated traditional manual processes. It has upgraded intricately woven existing networks. It's in the cloud.

There's a buzzword for that. You know it.
Digital transformation.

Digital transformation has proven a complex and even grueling feat. Many have tried, and many have failed. But in hindsight, companies say it took efforts across the entire business, not just IT.

As consumers and B2B customers demand more engaging experiences, companies must transform – not just to keep up with current competition. An even more tech-dependent world is coming. And it's one of automation, artificial intelligence, and digital processes still to come.

It's time to prepare.

For this report, we talked to industry leaders who've seen it all when it comes to modernizing business. From jumping the gun to underestimating scope, the issues of transforming enterprises are many. And these tech executives have seen it firsthand. Their stories show how, despite pitfalls, it's possible to get back on track with the right goals and priorities.

Understanding Digital Transformation

The topic of digital transformation has been hot on the minds of tech leaders since the start of the decade. But it can apply to nearly every industry and business process. That means it comes with a broad range of interpretations and definitions.

In our research, we've heard everything from "modernization" to "computational mathematics." These definitions refer to variations of the same basic ideology. While established companies contend with legacy infrastructure, start-ups enjoy cloud-based agility from the get-go.

But businesses young and old still face their own set of transformational challenges. Sure, you must upgrade legacy technology to stay efficient and competitive, but it's hardly transformative. **Today, true transformation bridges the gap between what is and what's possible. It takes corporate self-assessment, new technology, and a vision for the future.**

When done correctly, digital transformation can improve employee **engagement**, create efficient **processes**, deepen **customer relationships** and open up new opportunities for **revenue**.

Digital transformation means implementing digital technology at the core of the business, both to stay competitive and be disruptive in the marketplace.

In other words, it means you use leading-edge technology to fundamentally change how you do business. You know your digital transformation efforts are successful when you're offering market-leading products and services, seizing a previously unclaimed differentiation.

You've bridged the "what is and what's possible" gap through advancements in technology.

Talha Basit is the CTO of divvyDOSE, a tech-based nationwide pharmacy. divvyDose delivers prescriptions straight to the home in individual dose packages.

Basit believes the healthcare industry could be one of the greatest use cases for digital transformation. Traditionally, healthcare organizations work with older systems and manual processes. They miss out on interoperability and connected tech, often out of fear of compliance issues. But a disruption in healthcare is coming. Basit says those that analyze data quickly and ask different questions will discover new solutions for patient health.

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In the internet/
start-up world, you
would never say
“digital
transformation”
because that’s
what everyone’s
main job is.

Talha Basit | CTO, divvyDOSE

Embracing Digital Transformation can positively impact four key components of business:





The Real Reasons Companies Choose to Transform

Digital transformation isn't new. Yet, not every industry has adopted modernization with the same urgency and enthusiasm as others. Security concerns and regulations plague firms. Legacy systems burden companies. They struggle to get digital transformation efforts off the ground.

So why do companies finally take the leap? Industry executives say there are several reasons, and they may not always be authentic.

To achieve a particular goal. You know the phrase: If it's not broke, don't fix it. All too often, that becomes a company's unintended mantra. Companies won't push for change until something negative happens: perhaps underperforming client results or inefficient internal processes. To combat the negative output, businesses set a goal then implement digital transformation to achieve that particular outcome.

Convergint, a global security life safety company, keeps close relationships with customers. They continually focus on service innovation to drive business outcomes for customers. Convergint always launches new initiatives with the good of the customer in mind. When new initiatives are launched, leadership takes ownership of the outcomes and stays in close contact with customers. To do this, Convergint uses strong feedback mechanisms that provide continual evaluation.

Fear of becoming irrelevant. Companies that begin digital transformation to stay ahead of the competition are proactive. They're thinking ahead. But they are so focused on "innovating" that they lose sight of what the innovations are for and why.

"Because everyone else is doing it." Perhaps the most absurd reason is to follow the crowd without any thought to why. Keeping on top of trends gives companies an edge, but leaves them with watered down strategies and little to show when the fad passes.



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Being able to understand and articulate the scope or use case you want to manage and develop those in concert with a larger roadmap is a key challenge. It can drive your success or failure.

Kelly Dugan | Manager of ICT Manufacturing Systems, CNH Industrial North America

Where They Fell Short — and How They Bounced Back

Research consistently shows that upwards of 84% of all digital transformation projects will fail. While this outlook seems bleak, don't despair. Companies still stand to gain if they can correct their mistakes or — even better — shore up their strategies before diving in.

From shallow strategy to a lack of focus on people, digital transformation projects fail for many reasons. Yet, industry pioneers assure us there's not only an opportunity to pivot, but also an end in sight.

Pitfall # 1

When digital transformation isn't for the good of the entire business

Imagine undergoing a major transformation only to realize the new platform doesn't work for your entire business. If only one area of the business reaps benefits, digital transformation efforts fall short. Worse, you risk a poor client experience if the project doesn't consider how the change affects the customer.

Solution

A cross-functional approach to digital transformation prioritizes the people, tech, and business. Each one becomes reliant on the others for long-term success. The most effective digital transformation efforts first invest in research and development. That way, long-term effects will result in a worthwhile return on investment for all three entities:

People: Often, digital transformation is less about the actual technology and more about how people – both employees and customers – will use it. Digital transformation must be completed through the lens of a company's customers, employees, and what they stand to gain.

People are perhaps the most telling success metric. If a new technology works well but employees barely use it, it will gather dust. The result? Wasted time and money. If a new process increases automation but doesn't help customers, satisfaction dwindles as does your customer satisfaction and loyalty. **Of the tech leaders we interviewed, 71% mentioned improving customer success and experiences as a key reason for prioritizing digital transformation.**



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Pitfall # 1

When digital transformation isn't for the good of the entire business

“ We measure everything through the lens of customer satisfaction. Are our customers more or less happy than how we were doing before?

Eric Yunag | VP of Strategic Initiatives, Convergent

Technology: Implementing new tech for the sake of making changes never works. In the age of connected customers and experiences, technology must be connected for increased interoperability and a clearer view of customer data. Sometimes, this means implementing new systems. But it can also mean doubling down on existing tech, increasing training, and finding more efficient ways of using it.

Eric Yunag at Convergent says success means prioritizing the customer's needs and technology. But it has also traditionally meant sacrificing time focused inwards on internal technology – even as a tech company themselves.

Now consider a digital transformation strategy focused on the customer. It incorporates more AI and machine learning to produce the most valuable data sets. This provides new insights for customers, while also reworking internal applications.

Business processes: Digital transformation must add value to the company whether through increased revenue or more efficient systems. It could address time and budget constraints or how to get ahead of the competition. By conducting research up front, companies can determine the potential outputs of a digital transformation ahead of time and ensure it makes a positive impact on the business.

Komatsu Limited had experienced significant sales in 2011 and 2012. But when revenue streams began to dwindle, the manufacturing equipment company knew they needed process transformation.

With customers' needs for capital satisfied, they were ready to see its return – not buy more equipment. So Komatsu launched a new division dedicated to renting “equipment as a service.” This division would drive preventative maintenance with self-service parts.

Mark Appelhans, director of business solutions, says the initial launch required manual workarounds and deep discounting to build up an inventory for distributors. But the program is now well underway with 100% growth five years later. This allows Komatsu to forecast rental demand, acquisition, and equipment repair.

Pitfall # 2

Lack of strategy and goals

To compensate for a late start or general underperformance, companies often throw themselves into a digital transformation too soon. They adopt an overly aggressive approach and take on too much, too quickly. But while action is quick up front, underthinking leads to lack of preparedness and stalling mid-project. This “hurry up and wait” scenario forfeits solid strategy and truly beneficial results. **Drawing on their own experiences, 57% of the leaders we interviewed warned against jumping in too soon without a solid strategy.** At the same time, waiting too long leads to “analysis paralysis,” sucking up valuable time and resources without delivering ROI.

Solution:

To save time and headaches along the way, start with an understanding of what success looks like. At Kinetic Data, their customers are often focused on solving the current pain when a longer term view would bring the biggest impact. Transformation teams should look for a longterm solution through the lens of whatever they’re trying to improve whether it’s profitability, efficiency, labor economics, customer satisfaction, or some other metric. Once you have established the overarching goal, identify key milestones to ensure goals are timely and achievable. This keeps progress in check.

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Building is easy.
Defining your business
process and goals is the
hard part.

John Sundberg | President, Kinetic Data

“ Learning while trying to address other business priorities causes a lot of dissatisfaction on the customer side, distributor side, and internal side.

Mark Appelhans | Director of Business Solutions, Komatsu

When Antares Capital broke off from G.E. Capital a few years ago, they had the opportunity to build their new technology suite from scratch. Tracy Kerrins, chief operations and technology officer, says they went about it strategically, with a forward-thinking mindset and an end-goal in mind. Today, they're almost 100% cloud without any physical hardware, unlike many of their peers. But there's still much to do to ensure the right tools sit in the right areas of the business. Yet, with their core architecture already in place, they have the flexibility to add on and use the technology differently, more so than competitors who still maintain legacy debt.

Pitfall # 3

Old legacy habits

The whole point of digital transformation is to adopt change. But hanging on to legacy habits and being resistant to change keeps teams from making the progress they originally set out to achieve. In fact, 43% of CIOs cite resistance to change as the biggest impediment of digital transformation. It's difficult for people to let go of what they know, especially when it has provided a certain degree of comfort.

Solution:

Firms must be able to seclude transformational and innovative initiatives enough to operate free of legacy constraints. Try dividing up transformational initiatives and prioritizing them so each receives the attention it deserves. This leads to successful implementation, while employees maintain some normalcy.

Companies have also found success in navigating “legacy debt” by prioritizing innovation. They tried dedicating more employee time to discovery, allocating funds for innovation budget, or partnering with other organizations.

In older, more traditional industries, doing something really innovative may require input from partners that the organization is not used to leaning on. Operating outside of the company's comfort zone results in more innovative thinking, creating new and different opportunities to use the technology differently.



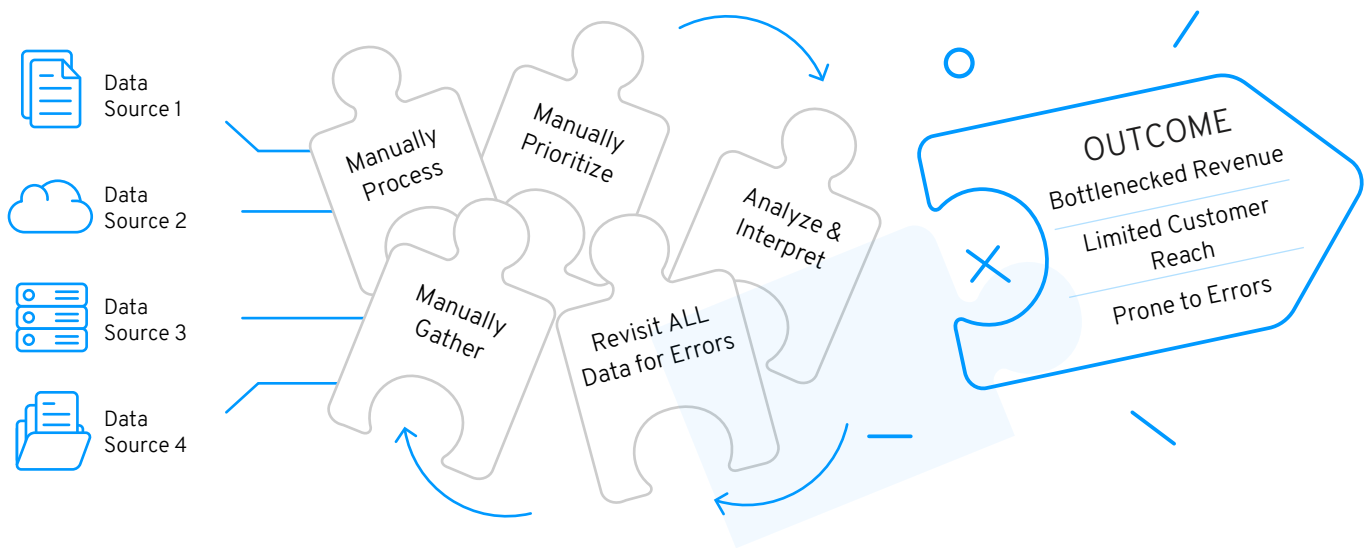
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Kelly Dugan of capital goods leader CNH Industrial saw her company accelerate the rate of change to address the increasing demands of digitization. Until a couple of years ago, CNH had treated their commercial offering separate from their technology offering. Now, by merging them under one team with a single set of leadership, they can make the appropriate progress. Plus, they insource tasks that should have been core competencies, rather than have them handled through partnerships. This allows CNH to focus on improving their most foundational strategies. With a newly dedicated innovation pillar and “Industry 4.0” team, CNH can better assess the thousands of potential use cases for digital transformation and determine which ones will produce the greatest ROI.

Digital Transformation: Before & After

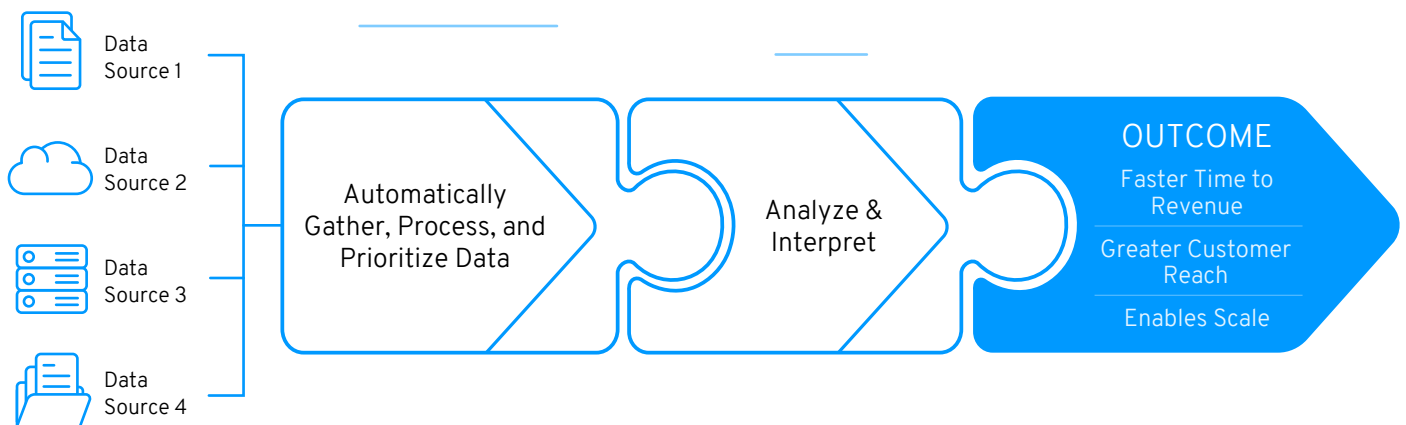
Existing State of the Business

LABOR INTENSITY ● — ● — ● — ● — ●



Transformed State of the Business

LABOR INTENSITY ● ○ ○ ○ ○ ○ ○



Pitfall # 4

Not having the right team in place

Digital transformation is not for the faint of heart. It requires a mature team that can catch pitfalls early and respond nimbly to unforeseen roadblocks. But people come at a cost too. Digital transformations require new talent – talent that is quite scarce and expensive. It forces companies to look within, sometimes ignoring lack of knowledge and endurance in existing employees.

To identify and patch these gaps, business leaders must work closely with CIOs and IT. Yet more often than not, IT is seen as a call center or policer instead of a true digital innovation partner. Today, only 37% of CIOs and senior business leaders feel they have a shared understanding of IT's role in their organization.

Solution:

The right team includes knowledgeable people, yes. But they're also trustworthy, committed, and have the authority to make decisions. Smaller teams with shorter feedback loops also makes progress more achievable. They stay on track by iterating quickly when stumbling blocks come along. Teams need to be capable of true innovation to complete a range of tasks, from strategizing to discovering new product offerings.

IT is not just a mechanic for installing already-purchased technology or fixing problems along the way.

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If you don't have the right business leadership working with you, then you're destined to fail.

Tracy Kerrins | Chief Operations and Technology Officer, Antares Capital

IT must be seen as a digital innovation partner. The role of the CIO lends well to digital transformation initiatives, as it sits evenly across front-office and back-office. The CIO provides a holistic view of the company. Companies who are successful at digital transformation realize the value of innovating together. They explore new ways things can be done.

At the American Medical Association, it's crucial for Director of Technology Ann Dvoretzky and her team to be seen as a partner that other departments throughout the business want to engage with for true innovation, as opposed to a passive cost center that reactively responds to requests for undeveloped transformation. In her mind, the difference between success and failure is having the right people on board who are knowledgeable, trustworthy, and empowered to make decisions.

Embracing the Digital Mandate

There's no easy formula for digital transformation success. But we can still learn lessons from others. Take a close look at organizations that have successfully undergone digital transformation. More often than not, these companies prioritize:



Research, development, and innovation



Strategy and goal-setting



Abandoning legacy habits and taking risks



Assembling the right talent

Successful companies demonstrate that digital transformation isn't just a solution for the now, but a way to be ready for what's next. No business is exempt from change – a reality for even the savviest of teams. Looking ahead and being prepared to make changes makes for one less step in the process.

In any case, companies that remain altogether stagnant are the ones that lose. Instead of worrying about risk and expense, focus on the potential value of digital transformation plans. Look at what employees, customers, and the entire business stand to gain. By applying disruptive technology to the business model, companies can not only transform for greater internal efficiency and agility, but remain connected to their customers for longer-term engagement, relevancy, and revenue.

SPR is a Partner for Evolving the Way You Do Business

From digital transformation strategy and custom development to software testing and training, SPR partners with enterprises all over the world to adopt innovative ways of thinking that go beyond technology to deliver value that lasts.

Contact us to get started transforming your business at [spr.com](https://www.spr.com)

