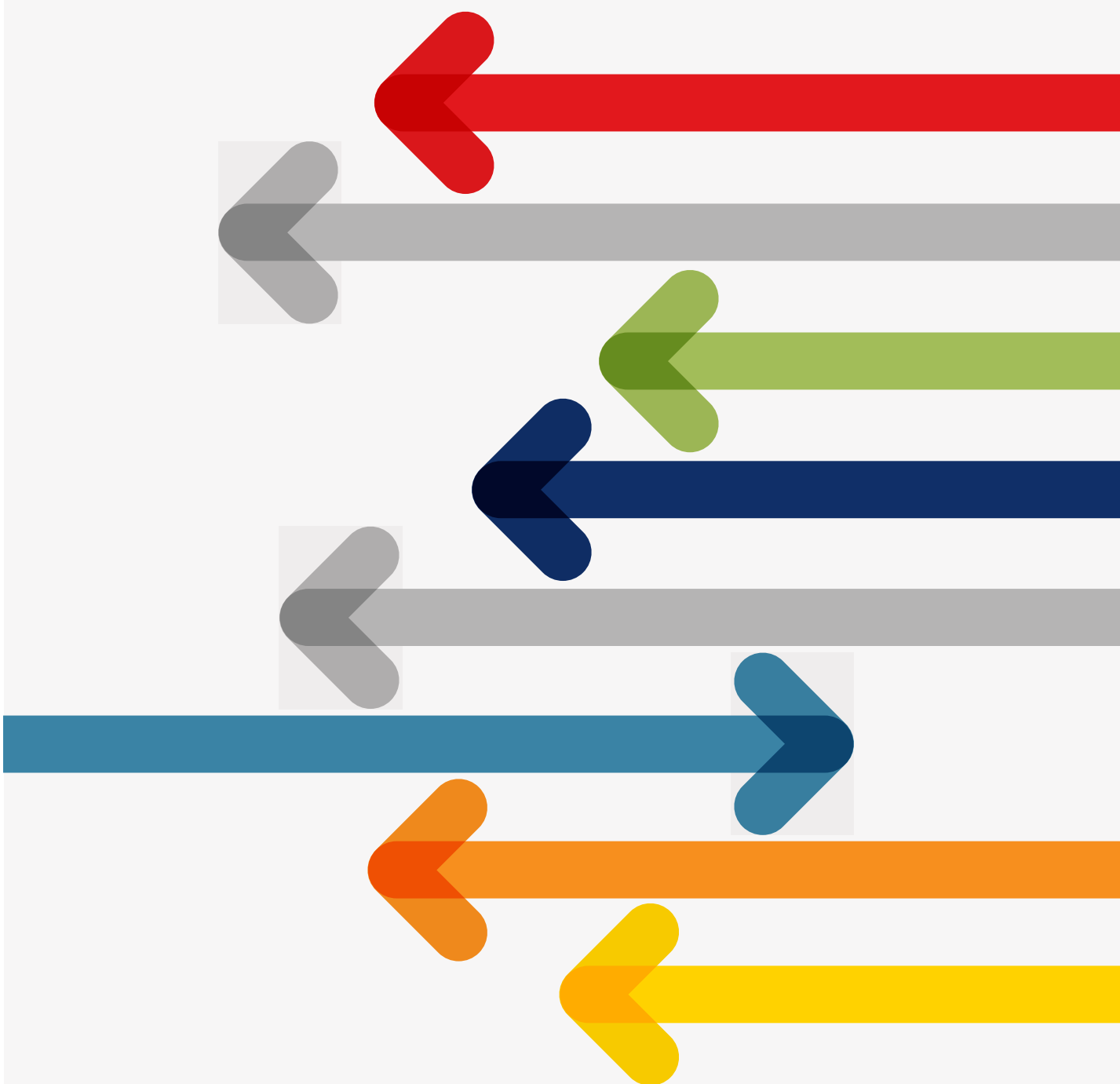


Digital Transformation

8 Factors for Achieving Success



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Digital transformation leverages technology to fundamentally change an organization and optimize how it delivers value to customers. It is the essential, intentional, deliberate disruption of people, processes, and technologies to align with a company's strategic vision.

When the pandemic hit, many companies faced a harsh truth: they lagged in digital maturity. They viewed technology as a cost center, a way to improve efficiencies, rather than a strategy for creating value and driving innovation and business growth.

Post-pandemic, companies are rushing to the digital transformation table to address business issues, such as procurement bottlenecks, cost hikes in labor and raw materials, and ever-changing regulatory requirements. IT talent scarcity is taking a particularly hefty toll. IT employment is predicted to grow faster than any other occupation between 2021 and 2031, increasing by 21% and gaining nearly 700,000 new jobs.

The war for IT talent will become fiercer as demand continues to exceed supply, driving companies to view the urgency of digital transformation through two lenses: they need top IT talent to lead digital transformation efforts, and they need to become more technically mature through digital transformation to attract and retain these professionals.

Through digital transformation, UHY transitioned a client with outdated technology to a modern, optimized landscape that generated:

- \$16.6M in immediate savings
- \$4.8M in ongoing annual savings
- 12,900 hours of non-value-added activities eliminated
- \$1M in one year with a new auditing cadence

The International Data Corporation predicts global digital transformation investment to reach \$6.3 trillion by 2025. Yet, understanding how to transform remains elusive for many organizations. They stay stagnant or perilously embark on a digital journey without a defined business strategy and implementation framework. The results can be catastrophic, ranging from revenue loss to a ruined brand reputation to insolvency.

In recent years, Lidl's digital transformation failure forced the German supermarket company to abandon a \$500 million SAP project. The infamous Target failed digital transformation caused a data breach that allowed hackers to steal the sensitive financial data of 40 million customers.

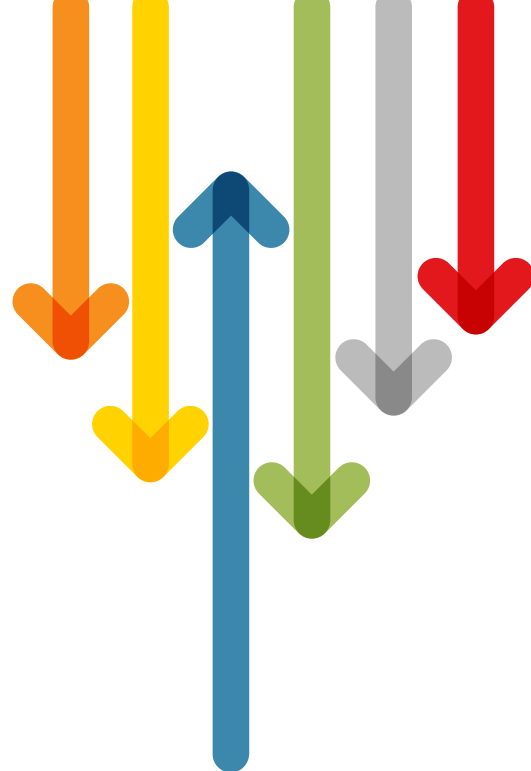
Digital transformation is dynamic and complex. Fundamental change always is. However, evolving into an organization with the agility to anticipate customer expectations and market conditions and effectively respond to another global event is attainable for companies of all sizes. A strategic, disciplined approach focused on eight success factors can position your company for digital transformation success.

1. Vision & Business Strategy Alignment

Do you know what you want your business to be? Do you have an aligned vision and business strategy for getting there?

You can't reach your destination without knowing what it is. A vision articulates your why – it tells a clear and compelling story of where the organization wants to be at the end of a digital transformation journey. Research shows that employees who find their company's vision meaningful are 68% more engaged than their peers.

A compelling vision helps align people toward a common goal by clearly expressing the need for change, the benefits of change, and the consequences of not changing. It serves as a North Star and rallying cry to give employees a sense of purpose, direction, and a reason to jump on board.



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Your strategy defines how you will achieve your vision. Impactful change is achieved by translating your vision into a clear transformation strategy. To realize the business value of digital transformation, every decision you make about your organization's future needs to connect with the vision.

For example, if your strategic priority is to reduce the average processing time in accounts payable, automation may be a goal of digital transformation. An organization with a vision to enhance the customer experience might implement customer self-service software in its digital transformation to speed service delivery.

A vision statement should inspire and energize the organization with a compelling visual. For example, Amazon's vision "...to be the earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online" might evoke an image of someone lounging in bed, drinking coffee and shopping with a mobile device.

2. Leadership Buy-in

Are your leaders ready for change? Do they have the ambition and commitment for digital transformation?

People power change. They're either facilitators or barriers, and their change readiness is heavily influenced by leadership attitudes, behaviors, and alignment.

The word "transformation" can strike fear in individuals at all levels of an organization. They worry about costs, if technology will steal their job, or if they can adapt to unknown tools and processes. However, employees are less likely to resist change when leaders are fully supportive and engaged. Strong, visible project sponsorship and broad organizational alignment are essential to success.

Engaged leadership eliminates roadblocks and nurtures understanding by reinforcing the vision and goals of the transformation to people across the organization and driving home the concept of change as an opportunity.



3. Integrated Change Management

Although the employee impact of digital transformation is significant, the people side of the change process is often undervalued. According to Gartner, without a holistic change management approach, employee support for change initiatives fell sharply from 74% in 2016 to 38% in 2022.

Integrating a change management program into your transformation event accelerates results by engaging people to plan, manage and sustain change. It prepares and transitions them to adopt the transformation vision and new ways of working through a well-planned, structured approach. A Prosci study found that projects with excellent change management are six times more likely to achieve objectives than those without.

Change management instills the transformation vision of how the future state will look and feel, communicates clearly and often about what is and isn't changing, and invites people to be part of the change process. This framework generates excitement over denial of what's ending, nurtures creativity over resistance as changes materialize, and fosters high energy for a reimagined future.

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Sustaining the impacts of transformation calls for a cultural shift in mindset and behaviors and the intention to adopt digital transformation as a practice, not a solution. Commit to developing a culture of continuous improvement that embraces change and views experimenting and learning from failures as the path to enhancing processes, products, and services for today and tomorrow.

Digital transformations fail when organizations don't prioritize employees in the change.

Lumber Liquidators lost an estimated \$12 million in sales and profits in one quarter by implementing new technology plagued with errors due to a lack of proper testing and employee training.

Tupperware Brands suffered a \$50 million loss from inadequate employee training and support during an SAP implementation.



4. Structured Project Management

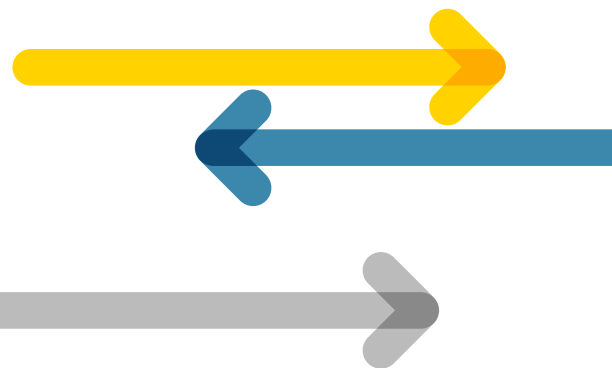
Typically, digital transformation involves upgrading or changing a combination of technologies with wide-reaching implications across an organization. How well a project is managed determines its success or failure.

Project management optimizes project execution by applying project-specific knowledge, skills, tools, and techniques to deliver on time, on budget, and in scope. A well-developed project management framework protects your digital transformation investment through central and coordinated management and oversight, transparent communication, and strict monitoring and controls.

Before initiating a digital transformation, the project management team aligns with stakeholders to understand strategic considerations, including:

- What are the desired outcomes?
- What are we trying to create or eliminate with this new technological landscape?
- What obstacles are we facing with the implementation, and what are our risk tolerances?
- What are the demands on existing resources in the organization?

The project management team develops a comprehensive project plan that details the implementation schedule, assigns roles and responsibilities, aligns resource demands with capacity and capabilities, manages complexities and interdependencies between workstreams, and determines risks and mitigation techniques. Keeping you well informed is fundamental to effective project management; timely and accurate reporting allows you to see how the project performs at all times.



5. Documenting the Current State

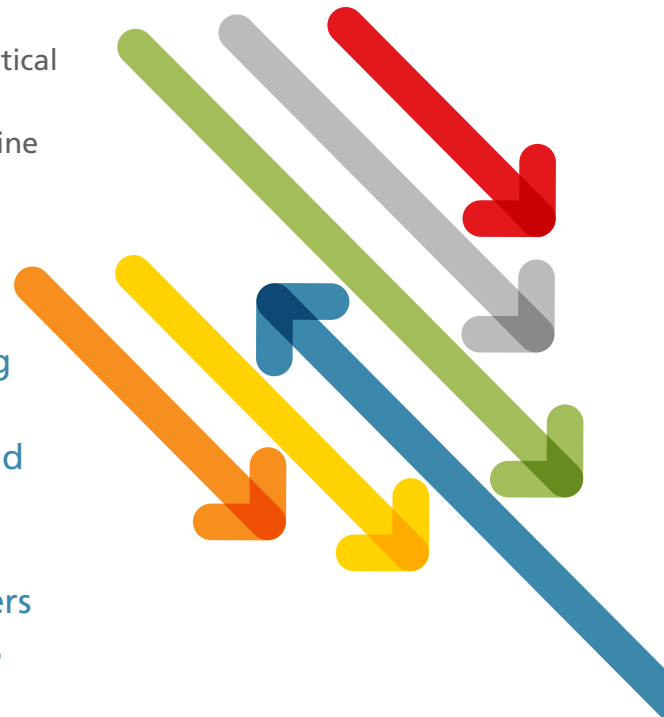
What are the current processes? Are existing workflows, systems, or data structures essential? What pain points or inefficiencies are evident? Where are the bottlenecks, gaps, and weaknesses?

If you don't know what you have, you're only guessing at what you need. Gaining a complete view of your business operations by analyzing and mapping people, processes, and technology is critical to define the requirements for a new solution. The knowledge derived from documenting the current state serves as the baseline for change impact analysis and the foundation for change management programs.

Understanding the current state helps you:

- Avoid missing critical process components and losing valuable time recreating those that already exist
- Identify the process steps with the greatest value and eliminate those that are waste
- Scale architecture appropriately
- Optimize the way you deliver value to your customers
- Visualize and bound your processes through process mapping

Process mapping, a method of visualizing workflow by outlining a process's steps, uncovers improvement opportunities, such as redundancies and broken customer journeys. Through stakeholder and work team interviews and process mapping workshops, you can extract precise business requirements and use that information to develop business use cases for selecting digital tools.



6. Developing the Future State

What do you want the future of your organization to look like? What would you envision if you had no constraints?

You need to have a clear vision of what you want your organization to look like in the future before you can adopt the right tools and processes to achieve it. The future state represents the desired result of the transformation: an ideal version of your organization. In digital transformation, the future state vision dictates where the project starts by defining the work necessary to transform and providing an actionable path forward.

The future state is developed by first understanding what works and doesn't work in the current state and then using that data to create a vision of what you want each component or workstream to look like and do. This tangible vision forms the basis for designing and configuring your digital landscape to reach your transformation goals.

Designing your end-state vision involves identifying gaps between the current and future state, aligning future state processes with transformation goals and objectives, and defining guiding principles and governance models. This step establishes the foundational blueprint for changing from the current state to the future state and a roadmap that outlines and sequences key initiatives, timelines, and resources.

Digital transformation is like baking a cake. Knowing what the finished cake looks like defines its future state. Before you start preparing the cake, you take stock of its current state by identifying which ingredients you have and which you need. Once you have all the ingredients, you follow a prescribed process to transform the cake from the current state of raw ingredients to the future state of a baked cake.



7. Identifying Technology Solutions

Digital Transformation encompasses a vast array of advanced technology, such as artificial intelligence and machine learning, robotic process automation, robotics, the Internet of Things, and more, to simplify, optimize and rationalize operations. Navigating the maze of current and future technologies while building on your legacy systems can be daunting. In fact, organizations waste \$122 million for every \$1 billion invested due to poor technology implementations.

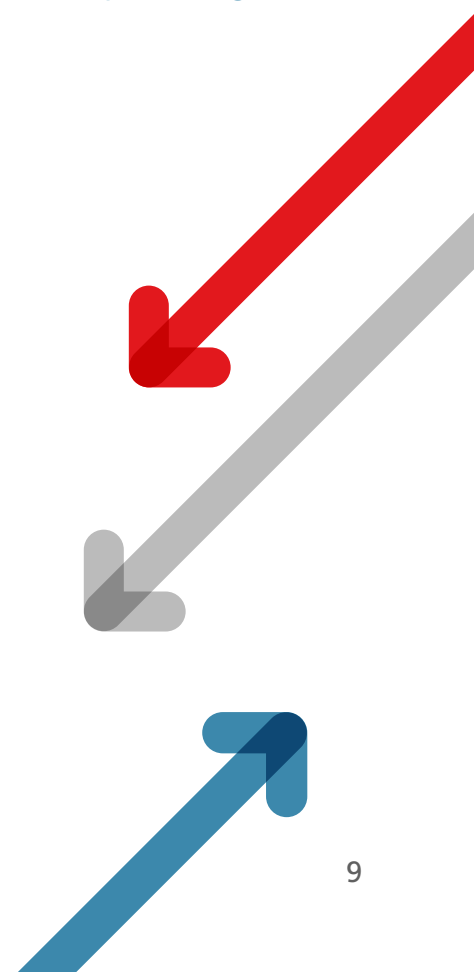
Be sure you understand the future state vision and your organization's optimization and performance requirements before selecting new technology. Developing a complete technology requirements list and conducting a thorough quantitative analysis and evaluation will help clarify which technologies to invest in and how to integrate them with legacy systems.

Robotic Process Automation automates redundant tasks that require significant human intervention, such as coding and invoice processes. Electronic robots can perform repetitive tasks faster and more accurately than humans.

Robotics increase efficiencies in industries like manufacturing by automating production lines. Robots can perform repetitive tasks, such as welding components, assembling parts, and detecting errors with a higher degree of accuracy than humans.

Internet of Things (IoT) enables businesses to remotely monitor and control operations. Manufacturers use IoT sensors to monitor deviations in production to minimize defects and waste versus manually tracking issues as they occur. IoT leverages all available digital inputs and distills the information into easily managed dashboards to inform timely decision-making.

Artificial Intelligence (AI) and Machine Learning (ML) enable businesses to assess large amounts of data and gain difficult-to-predict insights. In healthcare, for instance, providers use ML to analyze patient data and develop personalized treatment plans and AI to minimize billing-related manual processing.



8. Finding the Right Transformation Partner

To succeed in digital transformation, you need ambition, commitment, persistence, and, importantly, disciplined execution. In a recent UHY survey, 50% of respondents indicated trouble assessing technology needs and selecting a competent vendor. In an environment where more transformations fail than flourish, you can't afford to invest in the journey without the right transformation partner.

Experience matters in enterprise-level transformation. Choose a digital transformation partner with an integrated end-to-end approach and extensive experience solving the kinds of problems plaguing your organization. A partner with operational and technical expertise to help you shape and execute a digital transformation solution by bringing together an optimal mix of skilled technology partners.

The Future is Now



When executed properly, digital transformation builds resiliency throughout an organization and stimulates sustainable growth. As technology evolves, late adopters will have increased difficulty staying relevant. Position your company to maximize performance with a methodical digital transformation approach that applies the success factors described in this white paper to optimize operations, improve business agility, and create consistent value for customers, employees, and stakeholders.

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