
ITC INFOTECH

Business-friendly Solutions

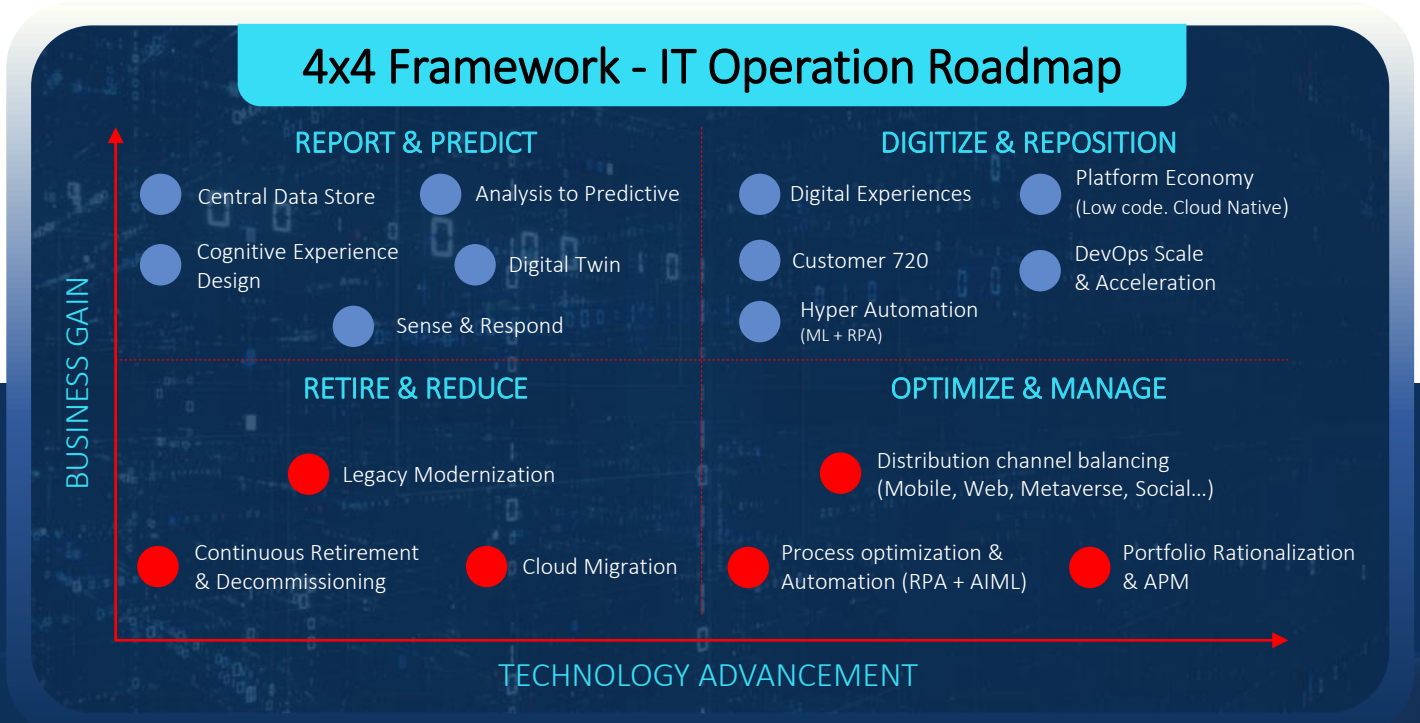
# Science vs. Overscience

## Digital Transformation the Right Way

Digitization has become integral to every organization's growth since the global pandemic, and digital transformation is the way to go. The 2021 Deloitte Digital Transformation Executive Survey stated that digitally evolved companies are versatile and can withstand change without faltering financially. Digital transformation is the key enabler for companies to embrace microservices, create data banks, and invest in growing technologies such as blockchain and artificial intelligence.

However, full-scale digital transformation should not be every company's way. It might not be relevant in some cases; organizations must assess whether the chosen transformational activities and scale of transformation are essential. If not, the outcome can turn out to be counterproductive. As much as digital transformation comes with promising opportunities, a few reservations must be carefully trodden on. Organizations should be wary of different technological upgrades that might bring business benefits in the short term. Digital transformation initiatives can last years, costing time, resources, and money. Operation-specific goals and future business vision should inspire digital transformation for enterprises.

Enterprises should focus on game plans that will digitally transform their business most innovatively. Along with an ideal strategy, a few significant components should be considered for a seamless IT and digital transformation workflow.




Here is a 4x4 framework that will shed light on the different aspects that every organization should consider before moving toward digital transformation. While the X-axis represents business gains, the Y-axis represents technological advancements and comprises four quadrants. With this framework, organizations can analyze their strategies and growth factors, examine whether certain technological advancements are ideal for their business and provide a reasonable return on investment. These four quadrants are vital for any organization seeking digital transformation. Take a look!

## 1. Retire and Reduce

Any organization willing to experience digital transformation and capitalize on business opportunities should focus on retiring or reducing legacy systems. The legacy systems are solutions devised and developed in the initial days of systems and network management. The need to retire or reduce legacy systems is to avoid old infrastructure risks, high maintenance costs, lack of existing legacy skills, and outdated systems without any opportunity for experimentation. With the retire and reduce plan, organizations can increase efficiency by implementing modern systems and improve data security and customer support.

Recently a survey by LeanIX discovered that 41% of Enterprise Architects (EAs) and IT leaders are planning to minimize technical debt and modernize legacy systems as per IT priorities. Technical debt often affects organizational goals and poses a security threat. Organizations from various industries are now anchoring toward Cloud technology while reassessing the costs of maintaining legacy applications. With the onset of Cloud technology and data integration, legacy applications no longer fulfill their intended purpose and are becoming a hindrance to digital transformation while driving hidden maintenance costs.

While legacy systems struggle to comply with the Cloud system, some require optimizations and a few changes to the application core to be moved to the Cloud. The retiring of legacy applications and migration to the Cloud should be meticulous so that companies can reap competitive advantages, discover big data opportunities, and improve performance without impacting the business or budget. While the legacy transformation brings many benefits, such as flexibility and agility for new business adoption, it also comes at a high cost; so, a question that needs to be answered is – “Do you really need to make such an investment at this point, or should you reengage your legacy infrastructure or applications and put this on next phase?” Putting this initiative in this quadrant gives several companies a score to help decide their priority.

## 2. Optimize and Manage

Optimized processes lead to optimized business goals that can be achieved by improving organizational efficiency. Removing redundancies, streamlining workflow, enhancing communication, and predicting changes are examples of business optimization. As companies begin to optimize their business processes, they will reduce risks, utilize their resources, improve service quality, and have consistency in workflow.

Research has discovered that organizations are likely to lose as much as 30% of revenue due to process inefficiencies which can cause further mismanagement and wastage of valuable company resources. Thus, it is necessary to streamline the business processes for improved productivity and reduced liabilities. Automation is one method to optimize processes innovatively to enhance efficiency, minimize risks, and reduce effort. A survey by Deloitte stated that over 78% of enterprises are already implementing Robotic Process Automation to drive competitive advantage.

Business operations can improve immensely with technologies such as AI, machine learning, and data integration, which will help redesign business practices. With optimized systems, companies can expect a unified view of operations, identify errors, and rectify them for improved management. One significant learning from various optimization and automation initiatives is the readiness to take such transformation. Companies should consider a few key elements before stepping towards the optimization process - Have you identified the approach and processes that need to be automated? What are the drivers for automation? Is the plan for Lean IT in place before you optimize the process? If the answer to such questions is well thought out, then it increases the chances of such a program being successful otherwise, many hidden surprises should be anticipated during IT initiatives.

## 3. Report and Predict

Any organization's integrated report explains how its stakeholders create value over time. The report generally contains details on organizational overview such as company mission, business model, challenges faced by the company, risks and opportunities, performances and achievements, and resource allocations.

Organizations that rely on integrated reporting can communicate a concise and insightful account and track business performance. For every business, securing the customers', suppliers', finance providers', and other stakeholders' trust is of utmost importance. A well-informed and integrated report reflects analytical capabilities that will help build trust in the company and drive value. This helps make effective strategic decisions as well. In fact, the WNS-Forrester study claims that 63% of decision-makers recognize data and analytics as integral strategic facilitators.

Advanced analytical tools such as predictive and prescriptive analytics make predictions about future outcomes using historical data combined with the help of statistical modeling. As a result, organizations can achieve proactiveness, be cautious of potential changes, and react to situations, accordingly, thus enabling an improved organization. While most organizations understand the importance of data and its usage, what at times gets missed is the disjointed IT and application landscape because of the multi-directional growth over time. This typically becomes a big hurdle when companies reach midway through their data initiatives.

Let us take an example to understand this further. In earlier times, most of the focus was on diagnostic and descriptive analysis based on historical and transactional data; each department had some specific KPIs and was drawing reports as needed from the siloed data sources; hence things were smooth. However, as the business dynamics changed over time, these various departments grew, became bigger P&L business units, and started managing their own IT infrastructure. Such growth led to the adoption of multiple IT products for similar functions across departments like multiple ESB, multiple DB, and BI tools.

In many cases, the data resides in numerous smaller DWH and different shapes, bringing discrepancies. This is a significant challenge for predictive and prescriptive analytics, which is becoming necessary for many business needs, such as intelligent automation, personalization, D2C, omnichannel, and many more. It becomes essential to weigh the data transformation initiatives against the proper availability of data from relevant sources. This will allow stakeholders to calculate the actual effort estimates for a successful data modernization journey and better manage the whole program.

## 4. Digitize and Reposition

Organizations are now looking for ways to create a delightful customer experience while meeting the target audience's needs. By digitizing the customer experience with the help of chatbots and online forms, companies are edging towards improved ways to gain customers' trust while offering them a seamless digital experience of their products or services.

Consumer behavior is essential for businesses as it is an intrinsic component of growth. Organizations can develop thorough reports by analyzing customer journeys and building systems around them. With a diverse range of alternatives at customers' disposal, they now have the liberty of moving from one company to another when their expectations are not met. The Qualtrics report suggests that when customer experiences don't meet expectations, businesses can incur losses of up to $4.7 trillion annually. Thus, companies must optimize real-time experiences to suit customer needs – in-person and online.

Compelling digital experiences can be rendered through personalized and unique methods where customers feel involved. Some of the digital experiences offered are rewarding consumers and improving loyalty with the help of an omnichannel, multi-touchpoint view of customer footprint and using the Customer 720 model, which compiles data from various channels to create a holistic view of the customers. The data collected for the Customer 720 model is usually from internal and external customer data. With these methods, organizations can enhance cross-sell and upsell opportunities to connect with customers effectively. Specific facts that need to be considered while making initiatives in this quadrant should be around the offerings' adaptability and analysis of why earlier initiatives did not excel. Additionally, these questions should be considered - were the initiatives not marketed well, or was the issue more around technology? How was the usability more complex? Do you need to invest in building or repurposing and repositioning existing applications? Plotting the initiatives on these parameters would be helpful.

These four quadrants are ideal for organizations to understand their tech investments and whether the initiatives can drive the desired value. Each planned initiative should be put in all four quadrants to calculate a score. Then these consolidated scores will help decide the priority of each of these initiatives. Consider certain scenarios to understand the impact of the initiatives or impacted applications to evaluate the complete quantum of scoped activities. Areas such as legacy modernization and migration require immense technological advancement that companies must be wary of while stepping into. Even though digitization comes with vast economic potential, there are critical challenges in terms of investments that organizations cannot overlook. Digital transformation isn't a short-term plan but a long-term goal that requires resilience, patience, and strategic movement from the organizations. In conclusion, leaders must evaluate a fundamental business requirement for digitization across the four quadrants before taking the leap.