



How to Define Digital Transformation for Your Business

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Introduction

Technology analyst firm IDC estimates that spending on digital transformation will grow from \$1.07 trillion in 2018 to \$1.97 trillion in 2022. The World Economic Forum recently echoed this conclusion, estimating that the overall economic value of digital transformation to the enterprise and society will exceed \$100 trillion by 2025.

Despite this burgeoning adoption among enterprises, digital transformation is still not well defined. This is because digital transformation strategy is so highly dependent on the particular enterprise trying to execute an initiative. How a specific enterprise thinks about digital transformation depends on the problems it is trying to solve.

These can range from data issues, where you're trying to figure out how to use more data in more ways than ever before, to organizational problems, where the goal is to change the way the enterprise uses technology to power operations, and endless other combinations.

At its root, digital transformation always seeks to reshape the way businesses interact with and use technology.

This ebook will give you the foundational information you need to craft a digital transformation strategy for your business. You'll explore crucial questions to help define what digital transformation looks like for your enterprise, how to track progress for continued optimization, and ways to encourage buy-in across your org chart.

Identify Problems to Reshape Enterprise Processes

According to Google Trends, the term digital transformation continues a 5-year growth trajectory—but confusion about what it actually means abounds. Digital transformation isn't just about putting forms in digital formats. It's about being able to read those forms, modify the data, and use the information in them. Sometimes that means making it easier for patients at the doctor's office, and sometimes it means creating new products and services.

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HOWARD MORGAN, VENTURE CAPITALIST, PHILANTHROPIST, RESEARCHER, AND AUTHOR

Howard Morgan, noted venture capitalist, philanthropist, researcher, and author explains: “Digital transformation is the understanding that if you can get all the information about all the things that are happening to your business into a database form, into digital form, you can then manipulate that in ways that allow you to manipulate the real world more efficiently and spend less money.”

In practice, digital transformation is often used more as a description of what enterprises are trying to do, rather than as a concrete methodology for how they are doing it. Without the how—you have change for change's sake—versus what the Japanese call *kaizen* or “good change”. Digital transformation must yield improvement.



Digital transformation doesn't mean changing things just for the sake of it. You have to identify the processes you want to improve, understand the potential impact of that improvement, and prioritize it appropriately so you can execute a methodical approach. In other words: What will you do with that digital form and all of the data it holds, and why do you want to do it?

To start to answer those questions, first explore: How is this process working now? Why is it inefficient (or a pain or not cost effective or causing conflict)? Who are the key players?

A plan for transformation, clearly articulated, is vital to success. A McKinsey report found that enterprises where the management team put in place a change narrative for digital transformation were more than three times as likely to succeed than those that did not.

Establishing and getting agreement on the reasons and motive for digital transformation is key to the long-term success of your initiatives. This why is aligned to business objectives, such as making the organization more agile or adaptable, keeping up with competitors, and attaining greater profits.



CASE STUDY: Global Oil Company

CONTEXT: Today, the vast majority of oil exploration takes place offshore in deep water. In this environment, drilling of a single exploratory well can cost upward of \$150 million. With documented success rates of around 20 percent, it is critical that personnel responsible for analyzing geology and identifying locations to drill are able to make an informed decision based on all relevant data.

CHALLENGE: The information required to make these decisions resides in a variety of locations and file formats, for example, text files, well logs, GIS files, and images. Large exploration and production (E&P) companies operations often span decades and millions of surface acres. Their internal databases often consist of highly disparate, siloed, and unorganized data. This makes it incredibly difficult for engineers and geophysicists to find and access the right information using conventional search applications.

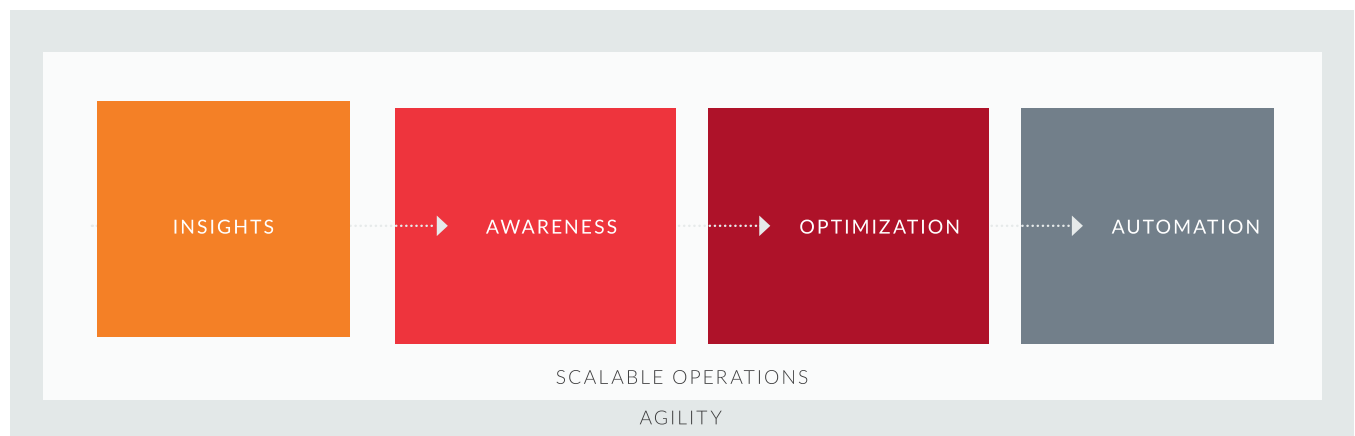
DIGITAL TRANSFORMATION STRATEGY: The company applied advanced search analytics and machine learning to change the way exploration teams found and accessed data. The project extended beyond simply providing a faster way of locating relevant information. It was about delivering a compelling data experience through analytics across information silos, while providing context and relevance to users. This allowed users to extract relevant business knowledge across all historical databases.

RESULTS: With the deployment, the E&P operator can answer queries and solve complex search and relevance problems, neither of which was possible using the previous search platform. Exploration teams now have the ability to retrieve accurate information when they need it – and see it in context. This lets them trust the search results and leads to better, faster decision making.

“Success is more likely when senior leaders and leaders who are engaged in the transformation all encourage employees to experiment with new ideas—for example, through rapid prototyping and allowing employees to learn from their failures.”

MCKINSEY

A FUNCTIONAL MODEL FOR DIGITAL TRANSFORMATION



Monitor Change in Real-Time and Adjust Accordingly

Digital transformation thrives when insights derived from data provide a new perspective into business processes. This new perspective allows for the creation of new business models and approaches. Put another way:

- When data is distilled and put in proper context, we find insights.
- Insights point to a possible hypothesis about how part of the business could be improved or transformed.
- Data is the raw material that creates more human awareness and lays the groundwork for improved, maybe even autonomous, systems.

Data includes both internal data sources (customers data, buying behaviors, market penetration) and external data (market data, trend data, consumer data). And, while data types are often similar across industries, every enterprise has a unique mix of data sources and data formats.

Once you've established the infrastructure to collect and store these huge volumes of internal and external data, you have to ask yourself the other important question: Do you know what you're measuring? Do you have specific goals you're tracking? One often overlooked factor in successful digital transformation journeys is the integration and use of real-time data and analytics to establish baseline metrics and track progress.

Many enterprises often fail to use data to measure how well their digital transformation processes are — where it started, where it is now, where it is going — and to understand how much they're spending.

This is where a commitment to metrics comes in — along with reports and dashboards that allow teams of senior executives to monitor progress.



These metrics should be enterprise-specific and could include:

- The number of data sources and the volume of documents indexed by the application
- The number of business units that were consolidated during the transformation
- The rate of implementation of transformation projects
- The amount of money being spent on projects
- The freed-up time staff members have to focus on larger goals after the automation of tedious tasks

The survey from McKinsey found that enterprises that established clear targets for key performance indicators were two times more likely to have transformation success than enterprises that did not. Additionally, those that established clear goals for use of new technology improved their chances of success by a factor of 1.7. Such goals and metrics must be attached to real-time data so that enterprises can track progress accurately.

In an article on the “three P’s of digital transformation”, Billy Bosworth, the CEO of DataStax says that, “While 89 percent of enterprises are investing in tools and technology to improve their customer experience initiatives, too few are relying on real-time data to inform decisions.”

It might seem obvious that, in a world where data increasingly drives decision-making, using it for internal progress checks would make sense. But far too often, enterprises do not use data in this regard.

People and Digital Transformation

We often see digital transformation as a change in technologies or processes, forgetting that we need stewards of change. For enterprises to succeed with digital transformation, they have to shift focus beyond technology and invest in people.

A report from Telstra, Australia’s largest telecommunications carrier, reveals that enterprises are actually further along with transforming their technology than they are with changing the corresponding corporate culture and individual mindsets of employees—both of which are necessary to succeed with digital transformation.

According to the survey, enterprises that have devoted the most attention to people and processes are more digitally mature and more advanced in their transformation journeys. In short, enterprises that overlook or ignore the people side of digital transformation will fail.

The only way to thrive in the people dimension is by ensuring that digital transformation isn’t received as an outside force that is inflicted on staff. It must be framed as a partnership, with those at the C-level setting a vision that has buy-in at all levels of the organization.

Ellen Leanse, chief people officer at Lucidworks, suggests getting buy-in on a shared vision: something the group is willing to agree is a worthy goal. Then, emphasize cooperation and curiosity as paths to achieving this vision. This helps guide groups out of familiar, comfortable

behaviors and find motivators (such as social connection and a sense of learning) that increase the satisfaction associated with the goal.

Help them feel like owners, empowered to meet their own (and shared) goals, as well as the enterprise's. "When transformation is seen as a shared journey to a result a group agrees to," says Leanse, "discomfort and resistance can fall away."

The McKinsey survey also reinforces the idea that workers should be empowered. "Success is more likely when senior

leaders and those who are engaged in the transformation all encourage employees to experiment with new ideas—for example, through rapid prototyping and allowing employees to learn from their failures," it says. The report also recommended that workers play a key role in enacting changes.

People play a key part, as technology can't replace the need for organizational cohesion that comes only when everyone from the C-suite and down understands why change is necessary, what the changes will be, and how the enterprise will improve as a result.

Conclusion

It's challenging to define what digital transformation strategy means for your unique enterprise. And it's possible that goals will evolve over time as you study what's most effective.

Here are five key takeaways as you work to develop your digital transformation initiatives:

1

Have a vision or a business why.

2

Develop a strategy that accounts for technology, processes, and people.

3

Get buy-in from the team, especially leadership.

4

Measure your progress and achievements.

5

Empower employees to help drive change.

For more information on how Lucidworks can support your digital transformation strategy, contact us at <http://lucidworks.com/contact> or call 415-329-6253.