

Navigating the Digital Transformation Roadmap



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Navigating the Digital Transformation Roadmap

Schneider Downs defines Digital Transformation as, in its simplest terms, the use of technology and business process optimization to improve the stakeholder experience. Digital Transformation involves evaluating the purpose, efficiency and effectiveness of processes, reimagining how processes should work and identifying and leveraging technology to execute upon the reimagined process.

To better help organizations understand the digital transformation journey, this whitepaper shares our digital transformation methodology, project framework and best practices for defining ROI on initiatives.

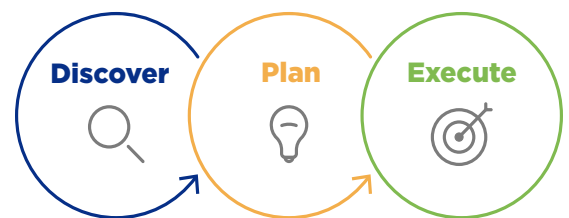
Digital Transformation: People, Process and Technology

Most organizations that pursue a digital transformation initiative do so because there is evidence of shortcomings in one or more of these areas. Evidence usually takes the form of some measurable business shortcoming, such as delayed financial reporting or poor customer service scores. When researching root causes to the pain, it inevitably ties back to a “People, Process, and Technology” issue.

The “people” are the stakeholders that define, create, manage, and use data. The “process” consists of the business rules that leverage data to execute the tasks necessary to run the business. The “technology” represents the business applications used by the organization to support the flow and use of data by “people” and “processes”.

Digital Transformation: Methodology and Project Framework

All Schneider Downs Digital Transformation projects follow a methodology focused on the three main elements in any digital transformation effort: “People, Process, and Technology”. Our methodology focuses on improving the stakeholder (i.e., people) experience through improvements to an organization’s business processes and technology environment. This is why establishing a project framework that ensures the focus is on people, process, and technology is so important. To accomplish this, our Digital Transformation project framework consists of three phases – Discover, Plan and Execute. The goal of this project framework is to deliver technology and business process optimization solutions that improve the stakeholder experience.



PHASE 1: DISCOVER

To make the best recommendations for your organization, you must first understand where you are currently at by assessing the purpose, efficiency and effectiveness of your current processes and technology, including data architecture, in the identified business process areas. The result of the Discover phase are recommendations that reimagine and strengthen existing processes and technology, as well as recommendations for new solutions to further enhance and automate the business process areas.

Discover: Goals & Objectives

Every Discover phase begins with a conversation about your company's strategic plan, related business priorities and goals for digital transformation to improve the stakeholder experience. Further, tangible actionable objectives to reach these goals should be discussed and defined. Discussing your goals and establishing objectives are essential components of the Discover phase because they serve as a guide and constant reminder for what will ultimately be used to measure success of your digital transformation.

Here are a few examples of goals and objectives to illustrate the difference between them, yet how they are related:

Goals	Objectives
Improve timeliness of monthly financial reporting.	Reduce the number of days to close from 10 to 5.
Instill confidence in the data being used to make business decisions.	Eliminate manual data entry that lead to human error causing unreliable data results.
Improve cross-business unit coordination.	Modify policies and procedures to better account for the transfer of responsibilities between business units and the tasks required.

Discover: Process and Technology Evaluation

Once the goals and objectives for digital transformation are defined, the next step is to identify the barriers that are standing in the way of achieving this future ("to-be") state. To do this, a thorough understanding of the current ("as-is") state is necessary. This begins with a discussion with leadership to review what issues they believe may exist that are preventing their objectives from being achieved, and what functional areas and systems are involved. This provides the digital transformation project team with an initial impression of what specific issues may need focused on during the next step, which is to conduct in-depth business process area and technology review workshops.

The purpose of these workshops is to develop a deeper understanding of the current business processes and technologies. The workshops are best facilitated by organizing them into functional areas. Here are some of the more common areas:

Finance, Accounting, & Human Resources	Operations	Technology
Financial Close	Market to Order	Data Architecture
Financial Reporting	Order to Cash	System Integrations
Financial Planning & Analysis	Procure to Pay	IT Infrastructure
Treasury Management	Forecast to Delivery	
Fixed Assets		
Hire to Retire		
Payroll		

In order to be successful, each workshop should be conducted in a way that maximizes the understanding of the "as-is" processes and technology used in the functional area. A workshop framework should be established that provides a consistent approach to conducting each session. Critical elements to a successful workshop include:

- Establishing "Bookends" of the functional areas by identifying what begins the process and what ends the process. This will create the necessary boundaries for the conversation and development of narratives and process flow diagrams that document the "as-is" processes and systems.
- Establish a "Parking Lot" for important topics that need to be discussed further, but should be tabled for now to keep the workshop moving forward.
- Ensure process owners and subject matter experts are represented in the workshops so that appropriate knowledge of the steps and tasks necessary to complete the processes is conveyed.

- Those in attendance should understand workshops are conducted in such a way that you progress through each function/task to capture the process steps, inputs and outputs, systems, statistical data, risk points, issues, opportunities for improvement, and other key pieces of information.

Successful workshops will result in a number of documents that align with the goals and objectives of the digital transformation. First, for the current state of digital transformation, this includes documenting the “as-is” processes with narratives and flow diagrams that capture the critical information gathered in the workshops, as noted above. Once this information is documented, the next step is to develop a Gap Analysis that identifies the “current state / future state” gaps to achieve the desired future state. The resulting gaps are then used to make a prioritized list of recommendations of the actions necessary to address them, with prioritization based on an initial assessment of anticipated implementation timeline, other project dependencies and the overall impact to the organization. The goal of this initial prioritization is to provide a high-level understanding of what the implementation might look like. These prioritized recommendations will focus on meeting the “future state” goals and objectives by strengthening existing processes and adopting new processes (“to-be” processes), improving the use of existing technologies, and implementing new technologies.

PHASE 2: PLAN

The recommendations and initial prioritization from the Discover phase will need reviewed and assessed collaboratively to align on which projects to execute and in what order. The results of the Plan phase are detailed project plans and selected solutions with budgets, timelines, resource requirements, and finalizing your project prioritization for digital transformation.

Planning first requires a review of the initial prioritization from the Discover phase in order to develop detailed project plans containing budgets, timelines and resource requirements. Input from management is essential in this phase to identify the right mix of internal and external resources to execute the plan and set an achievable timeline. A useful strategy for prioritization is to identify a project or two that can demonstrate early success and build momentum for future projects. It can also serve as a catalyst for accepting organizational change in the instance where you see internal resistance as a barrier to success.

Most projects are organized into areas identified as critical to the success of digital transformation, such as Data Governance, Enterprise Risk Management, Business Process Automation, Corporate Performance Management, and Internal Controls and Implementation, to name a few. In the case where new technology solutions are recommended, it is often necessary to perform a Software Selection to determine the best solution for the recommended technology.

A Software Selection begins by first identifying the business requirements that the software needs to address. The Gap Analysis from the Discovery phase and any necessary requirements gathering workshops are used to develop a set of requirements by functional area. Next, a Request for Information (RFI) is prepared to identify systems that address the requirements and gaps identified in the Gap Analysis. This also includes identifying software vendors for these systems and providing them with the RFI. When it comes to evaluating the software vendor responses to the RFI, it is important to have an established software evaluation methodology. This methodology should classify the requirements into levels of importance so that each response from the various vendors can be graded using a weighted scale. These scores are then compiled and used to help determine which solutions best meet the needs of the organization.

In preparation for vendor demonstrations, an important task is the development of demonstration scripts. These scripts help ensure that the vendors demonstrate the functionality that is critical to your organization. Oftentimes, vendors will focus their demonstration on the areas where their software performs best. While this may generate

additional interest in their software, it is essential to see the functionality that will be critical to the performance of your day-to-day processes. Developing demonstration scripts for vendors to follow ensures a level playing field and that you gain an understanding of how your requirements will be met (or not) by the software.

Once the demonstrations are complete they are graded using the same evaluation methodology used for the RFI. The result is a final weighted rating based on their actual demonstration of meeting the requirements compared to their responses in the RFI. Based on the resulting grades, a Request for Proposal (RFP) is developed for qualifying vendors to provide their estimated scope, timeline, and costs for software and services. Ultimately, a solution is selected as the technology best suited to address the requirements.

Once the Software Selection is completed, the estimated scope, timeline and cost for software and services will be incorporated into the overall digital transformation project plan.

PHASE 3: EXECUTE

Once the opportunities are identified and a digital transformation plan agreed upon, success depends on establishing a project management framework that involves the appropriate blend of both internal and external resources. First, a critical internal role is a level of management within the organization with the responsibility to oversee the implementation of the plan. This management role should be empowered with the ability to make decisions and have the support of leadership. Furthermore, it is often recommended that this individual coordinate the overall project management with an external project management resource. These individuals collaboratively manage to the overall project plan and share responsibilities such as scheduling, resource management, monitoring of budget, scope, timeline, risk management and project updates, among others. In addition, this level of project management will work closely with each dedicated solution implementation team. The role of these teams is to coordinate with internal and external stakeholders, such as software vendors and key partners, to execute and manage the individual projects to ensure they are implemented collaboratively and in alignment with your organization's overall goals and objectives.

Most projects are organized into areas identified as critical to the success of digital transformation, including:

- Data Governance
- Enterprise Risk Management
- Change Management
- Policies & Procedures
- Application Capabilities Optimization
- Employee Training
- Workflow & Approval
- Infrastructure & Cloud
- Business Process Automation
- Corporate Performance Management
- Data Integrations
- Data Analytics
- Internal Controls & Implementation
- Benchmarking
- Security

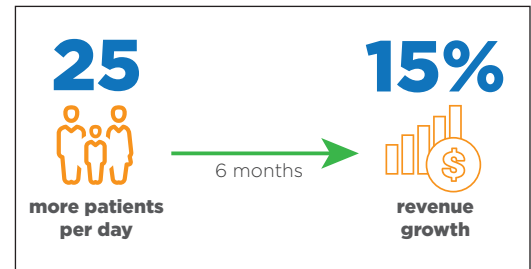
Ultimately, project tasks are completed, milestones are met, deliverables are provided and reviewed and projects closed out. During project close out, an important activity is to establish a practice of monitoring metrics documented in the Discover phase that will serve as a baseline for measuring change over time.

Digital Transformation: Defining Success

Determining a realistic return on investment (ROI) in digital transformation takes careful planning and consideration of several factors. It begins by first reviewing the goals and objectives defined in the Discover phase. As mentioned above, having clearly defined and tangible objectives is necessary to establish a basis for measuring success.

For example, if the goal for a healthcare provider is to increase revenue, then the objective should describe specifically how that goal will be accomplished, by how much, and over how much time. For example, achieving a 15% increase in revenue by having 25 more patient visits per day within the first 6 months of completing the project.

Once the objectives have been reviewed, you need to identify the investment metrics, which represent the costs of the digital transformation project related to the objectives. Examples of investment areas include the services and technology resulting from the digital transformation project, such as software applications, consulting services, IT infrastructure, training, testing, related salaries and wages and advertising.



You will then need to determine the value metrics. Continuing with the example above, this is not simply measuring the change in revenue and the number of patients seen per day after the digital transformation project has been completed. It is also tracking other related metrics, such as the number of physicians, patient satisfaction score or patient referrals. Baselines for these value metrics need documented to establish the starting point for comparing against the same metrics once the project is completed.

Also important is determining the expected timeframe in which success will be measured. Success may not be immediate and may take some amount of time to realize the benefits of the digital transformation project. Once a project is considered complete, the value metrics and tangible objectives are measured over time and compared to the baseline.

At this point, all the ROI components are known and a calculation can be completed.

About Schneider Downs Digital Transformation Solutions

The Schneider Downs Digital Transformation team leverages technological innovations and our business expertise to develop strategic transformative solutions that drive business process improvement for organizations of all sizes. Our solutions identify and implement process and technology enhancements that are scalable and enable improved data reliability, productivity and timely reporting and analysis. Through our cross-functional team of risk and technology professionals, we provide insights and assistance in improving the foundational business processes of an organization, and identify and implement technology to further automate and support critical business processes.

For more information contact the team contactsd@schneiderdowns.com or visit www.schneiderdowns.com/digital-transformation.



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