

An Insider's Guide to Digital Transformation

The CoE is Your Center of Success

Ed Maddock | CTO | iGrafx

Contents

Executive Summary	3
The Combustive Nature of Digital Transformation	4
The Essential Tools for Digital Transformation	9
Driving Digital Transformation with the Right Methodology	13
iGrafx Company Profile	16

Executive Summary

Digital transformation is quite possibly the most overused – and at the same time misunderstood -- buzzword that's hit the street in decades. Many organizations feel overwhelmed by not only defining the term, but also by understanding and embracing the numerous tasks and technologies associated with it.

In order to help, I've created this guide to break down digital transformation into manageable pieces.

First, I explain the powerful, combustive nature of digital transformation, and highlight the critical elements to consider. You will learn how to harness the power, and what factors will impact your success (or lack thereof).

Next I dive into the six essential tools needed to manage and optimize a digital transformation. By the end of the chapter you'll have a solid grasp of what each of these tools delivers, and how – when used properly – they can help ensure strategy linkage and business level governance.

Lastly, I tie it all together by explaining how to use these tools, or essentially what methodologies are needed to successfully apply your toolkit. Measure twice, cut once is great advice for a carpenter, and there are some analogs for individuals charged with executing successful transformations. I walk you through the steps and explain where to begin based on your organization's progress along the transformation maturity continuum.

Digital transformation is complex, but with the right understanding of its elements, The necessary tools, and the proper blueprint, you can harness the power and reap the rewards.

The Combustive Nature of Digital Transformation

As mentioned above, digital transformation is quite possibly the most overused - and at the same time misunderstood - term that's hit the streets in decades. And that's saying a lot, considering that I've been exposed to more industry-speak than I can remember since founding iGrafx in 1991.

Last year I wrote an article called "Survive & Thrive: 9 Emerging Business Process Pillars" where I netted out my interpretation of digital transformation. In short, I said that it's all about closing the gap between strategy and execution, mapping and optimizing all your customer touchpoints and building a digital twin of your company's analog self so that you can continually improve. A year later I still feel that this assessment hits the mark. Your customers care about how you treat them, and your competitors are doing everything possible to woo them away. Digital transformation isn't a one-and-done proposition, so get started and keep pushing, iterating and improving.

However caution is advised. When broken down to its core components, "Digital Transformation" represents very powerful, arguably combustible, elements that can and should profoundly affect how you approach making meaningful progress as an organization.

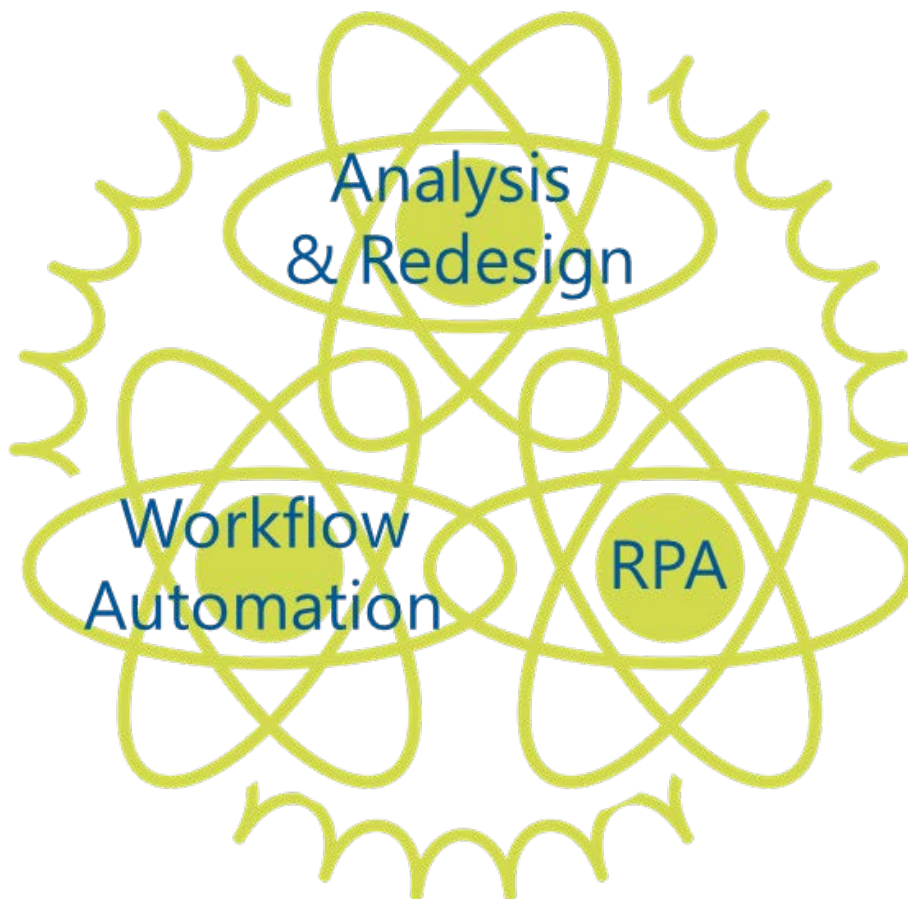
If clearly understood and carefully managed, digital transformation can be an incredible catalyst for enterprises of all sizes. It just comes down to how the power is captured, contained and focused.

Let's start with a simple concept. First and foremost, what challenges are you and your organization facing? Too often companies begin their efforts without truly understanding their most important challenges, issues and objectives. They rush to get started, only to have to scale back and reassess whether their efforts are aligned with corporate strategy, and whether compliance has been considered. Instead, first step back and define your challenges.

Your organization may be struggling to improve customer experience or with governance and change management or with capacity and staff optimization or regulatory compliance or overall risk mitigation. Or possibly all of the above... Regardless, you need to know where you hope to go in order to have any chance of arriving there.

The 3 Elements of Digital Transformation

Now that you understand your challenges, let's consider digital transformation. I like to think of it using the concept of a nuclear reaction. The three elements combined in the reactor are analysis & redesign, workflow automation and RPA (robotic process automation). Analysis & redesign describes designing a better process and ensuring that what you are actually executing is fully optimized. Next, workflow automation is about the automation of that complete process.

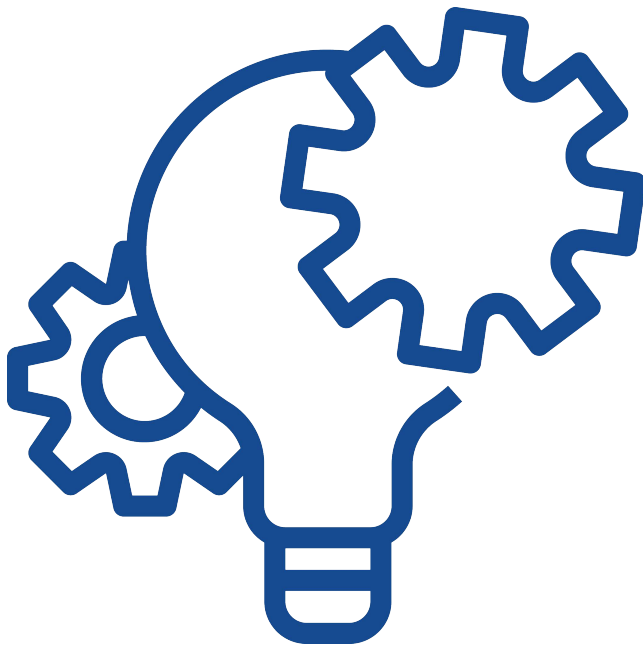


Finally, there is the new kid on the block, Robotic Process Automation (RPA). A good way to think of RPA is as task automation, or in other words, replacing mundane tasks with software bots to free employees to do things that add more value. Together these are very powerful tools - and with great power comes great responsibility.

Harnessing the Power of Digital Transformation

So, how does a company harness this power? They need to direct it at what's most critical to their business, while maintaining solid governance.

All three elements have upsides and downsides, but there is something available for organizations in each of these categories. In the case of analysis and redesign, large scale approaches have been taken for years; in the heyday, often throwing thousands of Six Sigma and Lean professionals at problems and opportunities. But there have always been ROI challenges with this type of approach. How do you make sure that the substantial dollars you're investing come back to you from a quality improvement perspective? It's oftentimes hard to measure when you're just doing process redesign.



With the addition of workflow automation there is often clear ROI, and tremendous benefits are usually seen in the form of deploying, running and controlling efficient processes. The challenge here is typically coordinating the business and the IT sides of the house. Unfortunately, IT can tend to be a bottleneck, which challenges the agility of the business organization and hinders real digital transformation.

RPA is the third key element. It allows the organization to focus on smaller tasks within an end-to-end workflow. This is much more manageable, much less costly, and can deliver results very quickly, however there are still challenges... For example, the infamous challenge of "bots gone wild." In many large enterprises, bots are being integrated very quickly, oftentimes from multiple vendors and across multiple departments. How do you keep tabs on where they all are, what they're doing and most importantly, whether they're compliant with your business goals and regulatory requirements?

Critical Factors that Impact Digital Transformation

There are several additional factors that weigh heavily in this “reaction” that is digital transformation.

First and most obvious, there’s the financial side—cost reduction. It’s a priority we hear over and over, and we are proud to have had many customers tell us they’ve saved millions of dollars by optimizing and automating processes. It’s a huge benefit of successful digital transformation.

Then there is the competitive element. You really have to look at your value chains, making sure that what you’re trying to build as an organization is distinctive. Do it better, or in the case of digital disruptors, do it entirely differently, and you set your organization apart. It’s crucial to make it easier for people to interact with you, so refine the customer journey, improve your customer’s experience and as a result, boost your reputation.

And, of course, there is agility. Empowering employees with knowledge, communication and productivity. This increases the appetite for change and allows your organization to quickly adopt new processes and technology in the pursuit of better products and happier customers.

Strategy execution is another key element. Effectively and efficiently executing upon your transformation initiatives is crucial to the successful operation of your business. You can build all the strategies you want, but without positively affecting processes along the way, you’ll never achieve your strategic objectives.

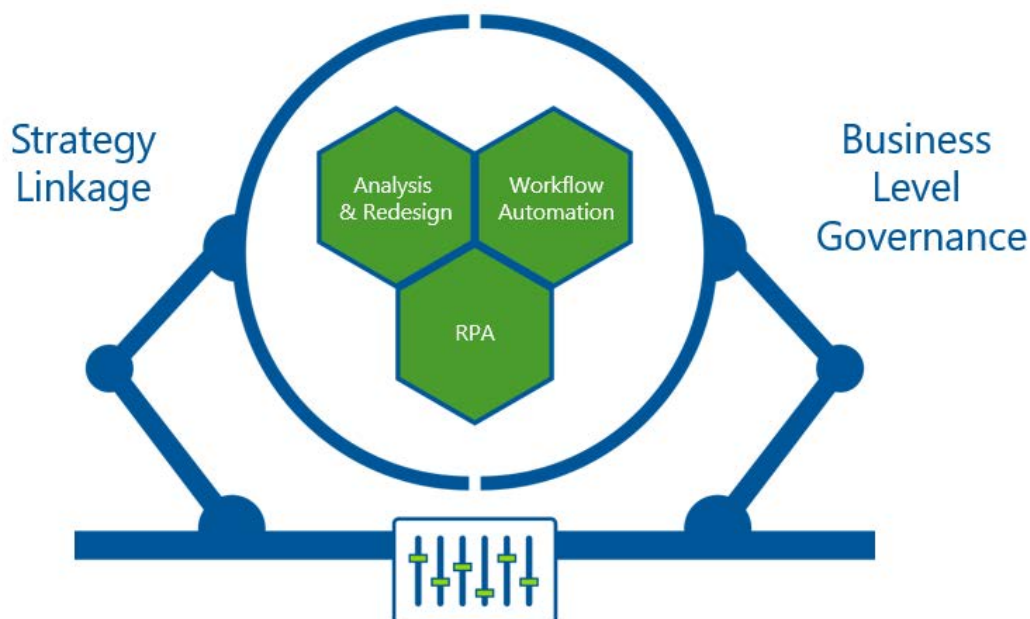
And finally, there is the compliance factor. Many (nowadays most) companies are in highly regulated industries. They must identify what they do and then prove that they’re actually doing what they say they do. Managing risk is a key component of that; it’s very important that what the company is doing is compliant with the risk elements, and that controls are applied appropriately. And in the world of growing regulatory fines, this can be all about cost avoidance.



Staying Safe with Digital Transformation

All of these components affect what you're trying to do in the area of digital transformation. They can't be ignored, because otherwise, just like in a faulty reaction chamber, you risk a nuclear meltdown. You have to be careful.

The common theme again is how do you impact the operations of business to achieve strategic objectives while applying necessary governance – all without stifling the transformation efforts? This is the fundamental challenge that corporate Centers of Excellence (COEs) face today. It is difficult to connect strategy and compliance to the operations of the business, and hard to measure if the digital transformation efforts have had the desired impact.

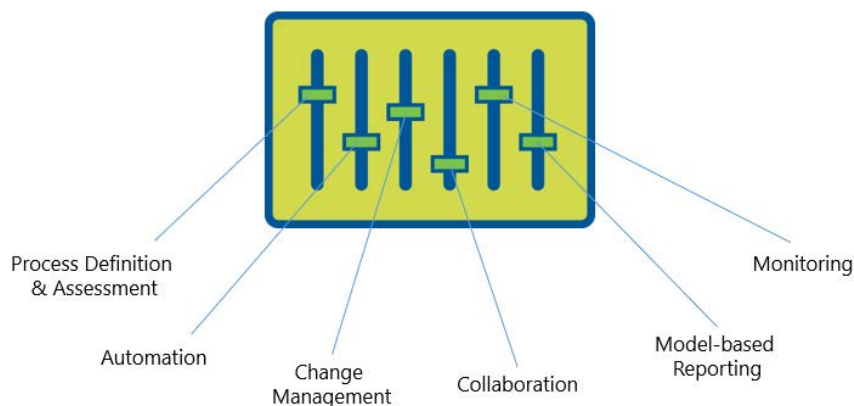


The image above is how we envision digital transformation and the role of iGrafx in containing the power of business analysis & redesign combined with workflow automation and RPA. When bounded by strategic execution and governance, the appropriate levers can be pulled to refine the reaction and generate incredible energy.

The Essential Tools for Digital Transformation

Now that you understand the combustive nature of digital transformation, specifically what I call the 3 distinct “transformation elements” and how to harness their combined power, I’ll go a step deeper into the critical tools required to control and optimize the reaction created by smashing together Analysis & Redesign, RPA and Workflow Automation. As you recall, we are working with something akin to a powerful but volatile – and potentially dangerous—nuclear reaction. To fully harness the power and protect from a business meltdown the reaction must be contained with a strong “linkage to strategy” on one side and “business level governance” on the other. Those foundational principles form the two walls of the reactor chamber.

As you know from decades of movies and TV shows, every nuclear reactor worth its salt has a control room with a dizzying number of switches, dials, meters, levers and alarms. These allow the nuclear technicians to carefully track every step of the power generation process, optimizing output and mitigating risk. With digital transformation you need a similar set of levers to stay safe and maximize results.



The Critical Tools for Strategy Linkage & Business Level Governance

As you can see in the illustration above, there are six key tools required to harness, optimize and control your Digital Transformation:

- Process Definition & Assessment
- Automation
- Change Management
- Collaboration
- Model-based Reporting
- Monitoring

In total, these tools deliver a distinct set of capabilities that need to be applied in various ways depending upon the specific “transformation maturity” stage your organization is in. The last chapter of this guide will explain exactly how, when, why and where to apply these.

Let’s break each tool down in more detail.

Process Definition & Assessment

At some point in your CoE journey, you will need a tool that will allow you to identify and create an inventory of your organization’s key processes – or at least the ones you’re trying to automate.

The concept of “mapping” is pretty old fashioned in regards to process capture, but it’s still important. Most organizations already have processes captured in various systems. Or sometimes in binders on a few people’s desks... But it’s not just capturing process maps – it’s also the supporting documentation; procedures, manuals, etc. They may exist in a central repository alongside the processes, or in completely different locations scattered across your company. This could be a hole in your process repository structure, and one that is often overlooked.

After capturing and building your inventory you’ll need a mechanism to evaluate the processes to determine the right candidates for automation, RPA or otherwise. As simple as it sounds, there are many important elements to consider. First, there is the process assessment – where you work to understand the process itself, it’s key elements, and the key properties associated with it.

Then there is process mining and discovery which allows you to compare and contrast what you say you do in your process map vs. what you actually do in real life.

Beyond those, there is building a common terminology. You must be able to capture the concepts and ensure that everyone understands exactly what they mean in the context of your business operations. And you must make sure that when you change something, everyone has the most up to date information. Common terminology or a common glossary, is key.

Automation

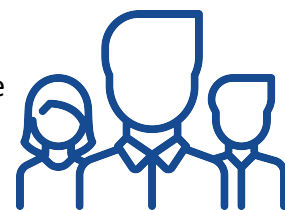
As I mentioned above, automation is a very important part of being able to fully model and effectively execute your processes. And, as it turns out, automation tools run the gambit from simply throwing a bot at a single menial task, to tying together complete organizational workflows.

There are effectively three key types of automation:

1. iBPMS – full business process management suites that cover end-to-end organizational workflow with significant, system oriented automation. To facilitate a successful implementation, you must be able to provide the documentation and process definition detail to the team that will develop and program the full automation.
2. Human workflow management is a key element of the tool set that augments the full-blown machine automation delivered with iBPMS. This is often called low-code automation, and it's used to automate user tasks for data gathering, input and entry.
3. Lastly, Robotic Process Automation (RPA) bots are now the most crucial element in this solution set, since RPA offers a low barrier of entry for building efficiency, accuracy and compliance around individual tasks within a larger process. The RPA bot object represents a concept that can be easily linked to compliance initiatives, and strategic initiatives. There is representation and support along the way, and there's an interchange with other automation systems from the standpoint of the model capture.

Change Management & Collaboration

Change management and collaboration are fundamental pieces that go hand in hand. Net/net, if you're not managing the change that's going on within your organization, it's impossible to communicate effectively. Different functional areas are by definition "not on the same page," and you risk inefficiency, errors and being out of compliance.



It's important not only to know what the previous versions of your processes were, but also to be able to compare them to what you currently have. There should be a review cycle with commenting, replies and other annotation capabilities. Roles and responsibilities are essential to this, since you must have ownership of all the process elements and have responsibility for approving cycles.

Another vital piece is training. This includes endorsement and acknowledgement to ensure people are looking at the information and providing comments.

Finally, you must consistently disseminate information from multiple locations throughout the organization. The navigation through your process repository needs to be multifaceted: permission-based and license-based and multilingual to ensure people can look at everything in the language that they're familiar with. It should also be time-based so that you can synchronize processes being available to the community until the necessary execution steps occur. All of these facets are critical to ensure proper change management and collaboration throughout the organization.

Model Based Reporting

Model-based reporting, and impact analysis are also important. In other words, you must understand what happens if you change one system. Which processes will be impacted? All gaps, whether reference model gaps, risk or control gaps, or something else, must be identified. And after the list is generated, you must be able to assess the gaps and their impact based on the model you've created.

Then, to keep everyone on the same page, you need the ability to share a process narrative. Organizations must have the ability to report on information about the process and its associated objects (business impact) all in one place.

Monitoring

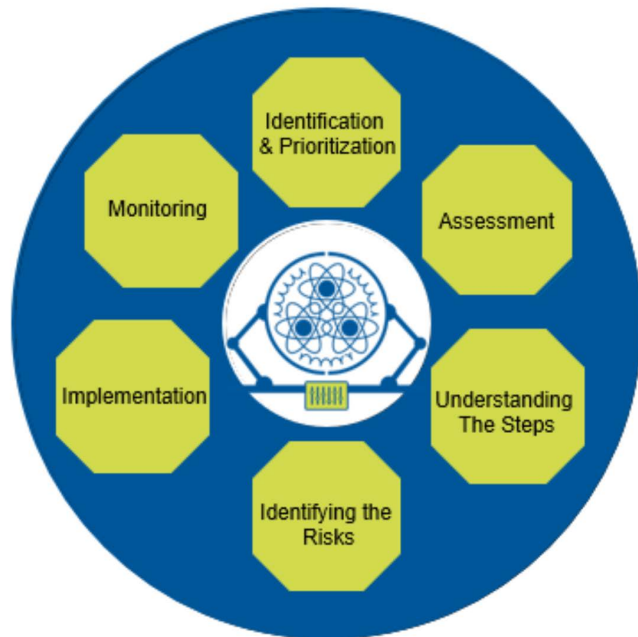
Finally, you must be able to capture your KPI's and key risk indicators and then integrate the values you need into reporting. Rolling that information up and grouping it for strategic views is essential for success. It's imperative that you can also drill down to understand who has responsibility for changes. Essentially you need a dashboard with business-critical process automation information at your fingertips.

From an RPA perspective, it's key to understanding what the bots are actually doing and whether you are on the right track.

As you can see, there is quite a bit involved with successfully managing Digital Transformation, and there are many tools at the disposal of a modern CoE to mitigate risk and ensure success. Next, I will dig in a little further and answer the obvious questions. What to do with all these tools? How should they be employed? In what order? At the end, you should have a firm grasp of the methodologies necessary to successfully apply your toolkit.

Driving Digital Transformation with the Right Methodology

We just discussed the critical tools that are required to control and optimize your digital transformation. As you recall, these include process definition & assessment, automation, change management, collaboration, model- based reporting and monitoring. With so many tools available, it's crucial to understand how and when to use them. I will now dig deeper and explain the methodologies necessary to be successful.



As you read through the methodology, keep in mind that there is no mandatory starting point. Instead, you should dive into the step that makes sense based on where your organization is in the digital transformation process. Also note that quite a bit of the methodology focuses on the where, when, why and how to deploy RPA bots. As mentioned above, robotics automation is a relatively easy, cost-effective and fast way to realize ROI from processes that have been optimized.

Identification & Prioritization

Assuming you don't already have widespread RPA (or workflow automation) adoption, the first step in the methodology is to identify which process to start with. This is where the inventory of your processes comes into play; start here and identify the specific processes you're most interested in digitally transforming. You may want to go through a multilevel prioritization process, which means that you'll want to prioritize your processes based on your strategic initiatives. Let's take the customer journey as an example. Each touch point in the journey has a relationship to an actual process, and as you identify issues, you identify the processes that are the primary candidates for digital transformation.

Then you'll want to assess the process candidates you've identified and describe all the tasks underneath them. Once you've completed this activity, you may want to look at the steps and the processes in the context of risk mitigation or capability gaps, etc. In addition, you may want to look at high leverage control processes through some of your organization's biggest risks.

Assessment

After you've identified and prioritized your processes, the next step is to make an assessment for automation and RPA maturity. There should be a standardized approach to determining which key tasks are best for RPA. This assessment is critical, because otherwise you might fall into the trap of assuming that everything is "RPA-able" – and it's not. In fact, one of the keys to transformation success is understanding which tasks are suited for RPA and which are not. For example, repeatable processes are highly RPA-able, but on the flip side there are plenty of processes that have many exceptions and are not ideal candidates. In the case of RPA, you always want to create the highest impact. This also means you may need to do a process redesign along the way in order to ensure you're not implementing and encoding a bad process to begin with.

Understanding the Steps

Now that you've identified, prioritized and assessed your process, you need to validate the steps and business logic associated with it. This will help you decide which process to automate and/or uncover the places where the RPA bots will go. You'll likely start by referring to your process diagrams or models, which tell you what you **think** you do. Next, you can apply process mining to help you validate those assumptions. After mining, you can compare and contrast the mined model to the assumed model. Then, with those validations in hand, you can actually use the mining tool to do some analysis to validate the best opportunities for the actual points where the bots may go. Essentially, you're identifying the bot objects in the models and then linking that to your operational process to ensure compliance.

In cases where you are at a high level of bot adoption already, this is the point in the methodology where you may wish to begin. Either way, this is the point where bot objects are created in the model.

This is also a good time to identify the systems or applications the bot will use. By identifying them up front, you will understand the impact of changes to the systems and applications that the bots depend on. Simple changes break bots.

Identifying Risk

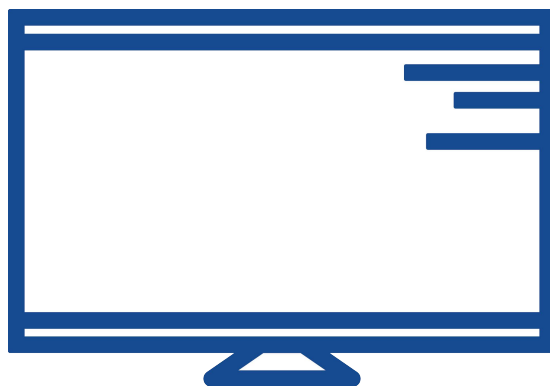
Once you understand your process and where your bots are going to go, it's time to identify risks. For example, if your bot is going to touch data, data protection will play an important role. You can identify the risk and tie it to your overall compliance plan. You should leverage the model and the relationship to the processing task, and then create the relationship so that you can report on it and understand what's truly taking place. You should then tie the bot governance directly to the business governance; look at the mitigation strategy to ensure the controls you have put in place on that bot in that instance are in alignment – and importantly – stay in alignment. Key metrics need to be identified as well. You want to be able to watch the bot or collection of bots or the process itself to make sure that all stay in compliance.

Implementation

After the steps above, you are finally to the implementation step. This is where service partners can become very valuable in terms of execution. Each execution will be different, but the key to remember here is to monitor access points where data can be extracted and looked at in the context of the dashboard.

Monitoring

The last piece of the methodology is monitoring. Now that you understand the metrics you should be looking for: 1) tie those metrics to a dashboard, 2) track risk control effectivity, and 3) monitor the limits of the bots. If the bots go outside of your governance limits, you can drill down, identify who owns them and understand how to deal with the challenge. The key is having the model in place for rapid identification.



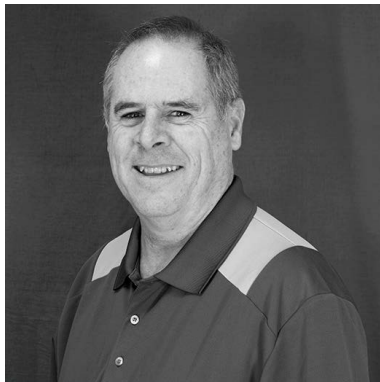
Digital transformation isn't easy, but it is almost always an incredible catalyst for companies of all sizes. At this point you should understand the elements of digital transformation, as well as the critical tools and the essential methodology needed be successful. If you have further questions, or need more guidance, please contact one of our transformation experts here.

iGrafx Company Profile

At iGrafx, we are passionate about enabling our customer to survive and thrive in a world where technological developments, regulations, risks, opportunities and buzz words seem to propagate at an unprecedented pace. We give our customers the tools to understand their business, evaluate transformation scenarios, ensure ROI and then push processes directly to automation. KPIs are established and results are monitored to ensure ongoing compliance and to prove success.

iGrafx is the backbone of the CoE. We were established in 1991 and currently help 2/3 of the fortune 100 and more than 10,000 customers around the world achieve ROI-proven business transformation.

About the Author



Ed is responsible for the design, development, delivery and positioning of all iGrafx products, and works closely with Sales, Professional Services, Support and Marketing at iGrafx Headquarters in Portland, OR. With 30 years of experience supporting business process management solutions, as well as delivering process services to help companies optimize their business, Ed continues to lead company efforts to enhance and maintain its position as a recognized leader in the marketplace.

Starting with his co-founding adventure at AdvanEdge Technologies, Ed has been a driving force behind process solution development throughout iGrafx history. Prior to that, he held senior engineering management positions at Motorola and Mentor Graphics.

Ed firmly believes in the concept of developing both passion and credibility in anything you do. That approach is channeled into delivering easy-to-use products that satisfy complex requirements, and providing customer satisfaction with unrivaled technical support. Ed works to instill that same type of passion in his teams, ensuring the best possible outcomes for everything iGrafx delivers.

iGrafx
7585 SW Mohawk St.
Tualatin, OR 97062

Contact iGrafx

Christina Dieckmeyer
Marketing & Communications
christina.dieckmeyer@igrafx.com
Tel.: (503) 404-6050