



# PLANNING FOR DIGITAL TRANSFORMATION - KEY PARAMETERS THAT DRIVE CHANGE

## Abstract

An increasing number of organizations working with enterprise resource planning (ERP) or legacy systems are embarking on digital transformation journeys. However, it is critical that they thoroughly understand the planning process and its impact on their operations. Planning for digital transformation involves foresight and deliberation. It entails making the right product choice, gauging readiness to change, and determining the best-suited approach – dynamic or step-by-step. This article takes a holistic view of planning for digital transformation by examining the key parameters that drive this change and the factors responsible for transformative success.

## Introduction

A well-planned digital transformation journey can provide organizations with significant benefits such as streamlined processes, improved efficiency, and a competitive edge in dynamic market scenarios. Such planning must involve all stakeholders and departments potentially impacted by this change. Therefore, effective planning is the responsibility of all those whose functions the transformative journey would impact—from the chief information officer and IT personnel to the chief financial officer and supply chain directors, among others. Organizations that fail to plan and organize their digital transformation adequately, usually find themselves in situations where they must either extend the timeframe of their journey or abandon it.



## Drivers of Digital Transformation

There are four major factors that drive the need for digital transformation for enterprises

### i. Growth through mergers and acquisitions

Some organizations have witnessed significant growth in stature and volume, but their current legacy applications struggle to sustain such growth. Organizational expansion can result from mergers and acquisitions, where two companies with similar or different products or sub-products merge or are acquired by another in their growth story. For instance, a global storage manufacturer merged multiple organizations into one entity, later acquiring another organization manufacturing storage devices of different sizes and shapes.

### ii. Organizations with multiple legacy systems

In some organizations, factories or warehouses in different locations or countries operate on diverse software systems. As a result, reconciling and performing month-end, quarter-end, or year-end financial reporting is a challenge. An example of this is a semiconductor component manufacturer that had multiple ERP systems, such as Oracle R12, Global Shop, and Epicor, in different locations that needed consolidation onto a single platform.

### iii. Expiration of licenses or support for existing systems

In some cases, the support for the version of software systems is

nearing expiration and they need to either upgrade or going into a new system to support their business operations. In a global semiconductor organization, a part of their supply chain was in mainframe applications for which the licenses are expired, and they needed to move into other applications. While these are IT-related challenges, there is also a need to address business-related issues.

### iv. Outdated business processes

Some organizations struggle to grow at the desired pace because their business processes have become outdated. In mergers and acquisitions, different companies in the partnership bring in varied processes for the same department, necessitating alignment for better productivity. For example, an American energy technology company streamlined its processes, enhanced operational efficiency, introduced automation, and improved controls for financial and statutory reporting.

These significant challenges give rise to vital questions: How do organizations embark on their digital transformation journey? What is the planning process that organizations need to follow, and who should be involved in the process? Are the existing processes aligned with industry standards and scalable to adapt to the market scenarios? Are there globally defined processes across the organization? Addressing these questions requires considering various parameters before initiating the digital transformation journey.

# Planning the Digital Transformation Journey – Key Parameters

## 1. Total duration and investment

Factors such as the current state of the IT systems and their ability to sustain the transformation should be taken into account to arrive at the required investment in terms of time. The organization must also consider the availability of additional workforce and the capacity to commit to the project. As a result, there are multiple cost elements to consider:

- a. The cost of software systems – both fixed and recurring
- b. Implementation cost
- c. The costs of all internal stakeholders and resources
- d. Additional process consulting costs, if needed

During its digital transformation journey, an organization with limited workforce and monetary resources may be unable to address some of its specific processes, resulting in a knowledge gap among employees at the site. Therefore, it is critical to optimize project investment.

## 2. Selection of software or ERP solution

Organizations may either have multiple software systems or ERPs or be unsatisfied with their current product. They might even want to explore other options to derive a cost-benefit analysis of various software systems for the entire journey or specific process areas. To finalize the product, organizations need to categorize their business processes or functionalities into basic and advanced and map them to the system capabilities of the product. They should also assess the importance of the business processes and categorize them as base, competitor, or differentiator. This is followed by mapping the categories to the product function capabilities, labeling them low, medium, or high. If there is a product with low functional capability for a critical business function, organizations can evaluate specific products in that area and integrate with the primary ERP or software. As a result, organizations may need to work with multiple product vendors simultaneously for licensing and product support discussions, which can sometimes be challenging.

## 3. Alignment with business and change management

Business is a significant stakeholder in the digital transformation journey and change management implementation should be top-down. Organizations must identify business process owners and analysts who can provide sufficient time and effort to the transformation exercise. They should be able to make critical decisions in their areas of work. Additionally, stakeholders from all locations—including factories and warehouses—should be included in the process and aligned with the transformation goals. Change management is another crucial aspect of digital transformation. As the processes and products are updated or changed, organizations should align people in various departments with the new processes and systems. This alignment is essential, as there is a possibility that implementations may be delayed or even discarded due to poor change management practices.

## 4. Business process re-alignment

Some organizations may need to revisit their business processes before embarking on a digital transformation journey. A thorough evaluation can help identify areas that require attention. There could be instances where all processes across the organization need a complete review. The organization must drive the evaluation with IT support. Process experts from the specific industry, product vendors, and implementation partners should be involved to provide a broader perspective on industry alignment and their experience with other organizations that have initiated such digital transformation.

## 5. Identification of the digital or implementation partner

Lower costs or shorter implementation duration should not be the only criteria to determine the implementation partner. The premises for selection should be the partner's capabilities, resource quality, and senior management focus on the success of the transformation journey. Higher costs do not guarantee success. Therefore, a balanced consideration of all the factors along with costs should drive the decision. Additionally, a stable program management office is necessary to manage the entire transformation journey.

## 6. Approach and Methodology

Organizations may collaborate with a strategic or implementation partner or manage the implementations internally. The implementation approach may be geared towards quick wins by targeting areas with significant problems first. Alternatively, some organizations could be more cautious by developing a global design before implementing it, using a site-by-site approach. The main objective is to ensure that the implementation strategy aligns with global processes while ensuring that the implementation areas cover all dependent areas with maximum reuse and minimal throwaways. Some organizations may adopt a siloed implementation of a specific business area to test the waters before proceeding with a big-bang or site-specific approach. In either case, the business needs to be aligned accordingly.

## 7. Data strategy and alignment

Organizations must focus as much on data as they do on processes. Certain specific data elements that must be addressed at the beginning of the journey, failing which the project may risk abandonment or require a re-implementation. One such critical data element is the chart of accounts (COA), which must be established before process finalization, and in some cases, even before that. In most applications, the COA cannot be changed after progressing to a certain level in the journey, specifically if a business function depends on it. It is also crucial to align master data strategies as part of the process alignment or design phase and spotlight them during implementation. Both master data and transactional data require attention in terms of data cleansing, data updating, and alignment with the new system.

## Conclusion

Organizations with legacy ERP and other such systems and processes setting out on digital transformation journeys must remember that thoughtful and early planning involving all stakeholders is critical. Careful consideration of the key parameters is vital for organizations to optimize their investment, select the right solution, and align the implementation with their business needs. Along with ensuring successful change management throughout the journey, successful transformation requires an accurate and optimal cost-benefit analysis. To reap the benefits of a successful transformation, organizations still using legacy systems should consider and evaluate the completion of all necessary activities to ensure a successful transformation journey.

## About the Author



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As Principal – Enterprise Applications at Infosys, Arijit manages high-tech clients in North America. With over 20 years of experience in advisory, consulting, program management, and pre-sales, he is an expert in Oracle Cloud as well as supply chain management and procurement applications. Arijit has a track record of successful implementations with global clients in North America, Europe, and Asia in various roles including solution architect, enterprise architect, program manager, and account manager. His consulting expertise ranges from process harmonization and alignment to delivering best-in-class solutions with high client and business satisfaction. He is the product owner and anchor for Infosys Stratos-high-tech industry solution. Arijit is a thought leader and blogger in the Oracle and supply chain space, having published over 15 white papers in various forums. Known for his problem-solving skills, Arijit is a go-to manager and leader for anyone who has worked with him.

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