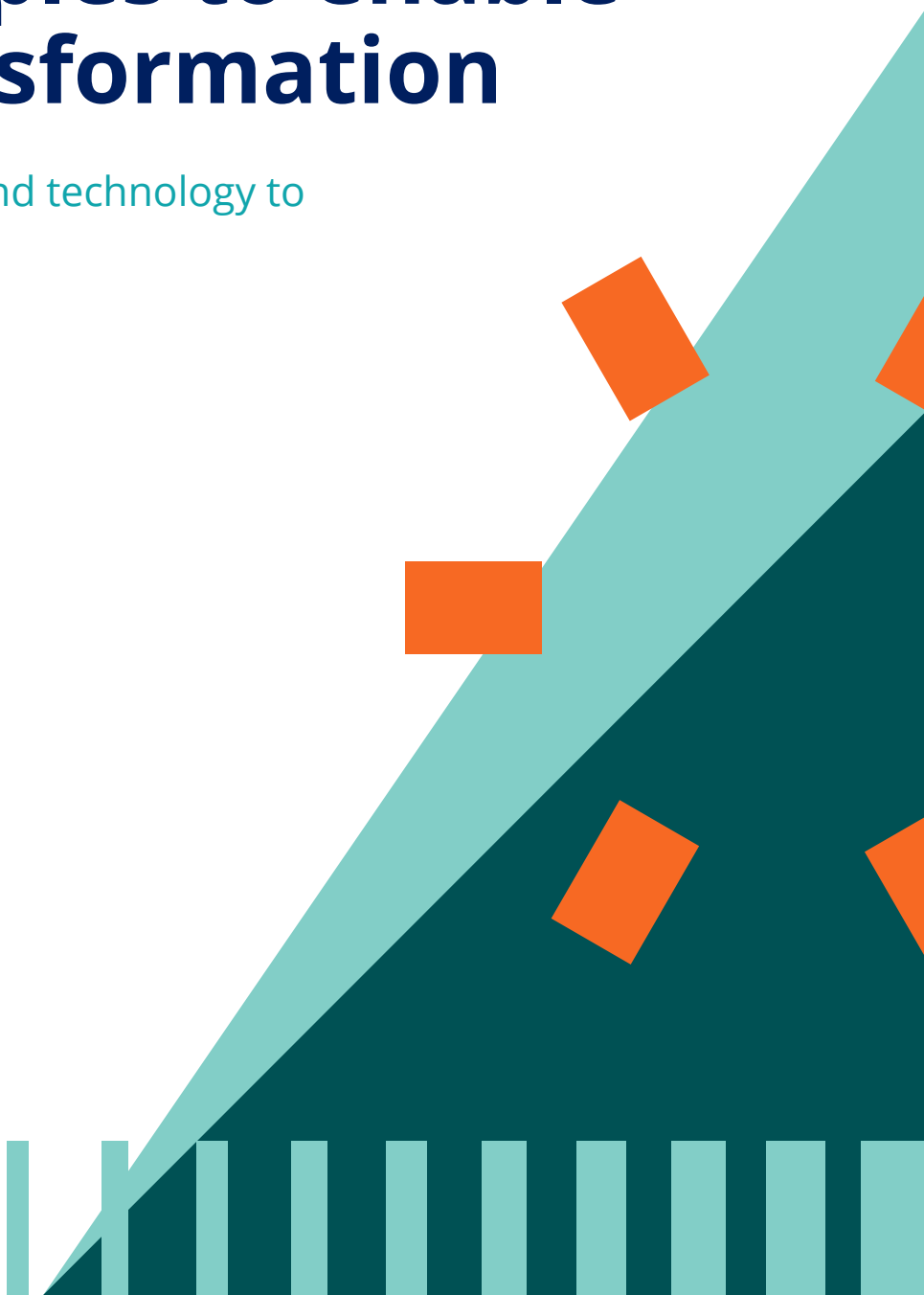
# Core principles to enable digital transformation

Aligning people, process, and technology to future-proof your business



# Let's face it: Transformation is hard. Global transformation is even harder.

When it comes to the digital experience you provide to your customers and employees, frictionless is not a nice-to-have – it's a need-to-have. We're living in a new reality where channels intersect with increasing complexity and self-service is the norm. Meanwhile, your customers expect the same level of convenience they get from ordering a pair of shoes on Amazon. If you as a business can't deliver a seamless experience from end to end, they'll find another option elsewhere.

Unfortunately, the legacy infrastructures of iconic enterprises make it difficult for them to keep pace with companies born in the cloud. Their operating models were paper-based, localized, and specialized for each product offering and each market they operate in. These processes are entrenched in decades of technology – operationally, regionally, culturally, and emotionally – making it even harder to adapt. That is why digital transformation is so easy to talk about, but so difficult to accomplish.

Of the multiple industries we work in, automotive and captive finance organizations face the largest degree of digital disruption when harnessing change. With offerings like mobility as a service, even the simple notion of vehicle ownership is getting flipped upside down. And as a result, business models are trying to keep up with ever-evolving consumer expectations. But we don't see that as a challenge – we see it as an opportunity.

The foundation of a successful digital transformation is built upon three simple pillars:


It's no surprise that these organizational priorities are intimately connected and intertwined, harmonized alongside each other. If one pillar collapses, the foundation crumbles. Given the significant advances and simplification of modern enterprise technology, the third pillar provides the least constraint in your digital transformation. When you're deploying technology across a range of global operating units, countries, and cultures, the biggest challenge remains the people and processes.

## People

Enterprise transformation starts with enterprise leadership. People have a natural resistance to change, so communication is essential in deploying a new operating model. Communications need to be rational, explicit, and definitive – giving your employees a clear roadmap for the future. While transformation is a top-down activity, its adoption must happen from the bottom up. Without strong direction and visible sponsorship from executives, establishing consensus, committees, and collective agreement is impossible. Left to their own devices, large groups will never align on strategic direction – much less on a roadmap for transformation. They need strong communication, coaching, and support.

When you have complete organizational alignment, it becomes easier to empower employees with autonomy, provide guidelines for their performance, and deploy intuitive systems that keep it all together. People feel invested when they can focus on work that matters. And the company will benefit from the resulting operational efficiencies.

**In summary, these are the top five considerations for people in your digital transformation journey:**

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| 1 | Top-down decision making |
| 2 | Clear and concise communication around strategy |
| 3 | Empowerment and alignment of market-area leaders around the new operating model |
| 4 | Strong organizational change management campaign |
| 5 | Robust governance |

## Process

The next crucial element of transformational success is process. Most large enterprises weren't designed to be digital, so their systems and processes were built in silos to optimize operational functions. Take investigations or payments, for example. They transitioned paper processes and shifted them to IT systems. This created new silos for back-end record-keeping and customer-engagement channels such as the web – resulting in disparate and discrete operational backbones that don't scale. New silos are then created as organizations deploy channel-specific applications, acquire other businesses, or purchase cloud software that doesn't connect to the rest of the enterprise. These silos kill efficiency and create gaps in customer experiences. Meanwhile, employees struggle to fill in the gaps.

**These challenges grow exponentially for a global enterprise.** With multiple lines of business, a broad portfolio of products and services, and varying customer segments, consistency is essential for exploiting economies of scale. Yet variations in how the software behaves – driven by regional regulation, cultural considerations, and the need to tailor experiences to a particular customer or product – must be considered.

Unfortunately, not all businesses are created equal. Each one is unique and has a subset of challenges that must be overcome. As the foundation for business execution is set, it is critical to implement the required standardization of processes, data, and technology. To be effective, business and IT executives need to implement collaboratively, across functions and preexisting silos. This sets up the organization to be agile and respond to new strategic opportunities in the future. The pressure to get this right is even more pronounced when regional and local requirements are factored into global transformations.

For example, consider the story of a leading global insurer. New and critical regulations were coming into effect in the U.K., requiring the insurer to modernize and develop a solution to both manage complex claims and handle the new compliance reporting. Building upon its current foundation of execution – its global claims adjudication and case management – the insurer was able to reuse and specialize assets already developed in the U.S., accelerating the development of its roadmap. Subsequently, the organization was able to iterate on these standard processes to create a common core of processes that were then deployed in a modular method across the rest of Europe. As a result, the insurer were able to provide end-to-end claims visibility across the entire global business while supporting many nuanced local regional needs.

The biggest lesson this insurer learned from its global transformation was that reuse must be driven by the business aligning with IT, identifying redundancies, and taking a component-based approach to reuse. It created a business-solution center of excellence that owned the solution in each individual market, naming process champions of the main core processes. The group then acted as an advanced, on-the-ground team that could deploy from country to country as a business process lead, seeing where business synergies offered more value than local autonomy and iterating on core processes.

**In summary, there are five things to consider for processes in your digital transformation journey:**

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| 1 | Start with a baseline. Select a large enough, complex market that represents a superset of products and services offered globally. It's much easier to scale up or down from there. |
| 2 | Focus on journeys rather than channels. That means looking at things from a user's perspective rather than that of the channel – so you can personalize and offer a consistent experience for the user journey, regardless of channel. |
| 3 | Redesign end-to-end experiences, centered on outcomes for customers and employees, rather than attempting to automate existing tasks. |
| 4 | Break down the silos. Forget the mindset of business vs. IT or global vs. local. You're one unified company. Focus on building experiences that cut across geographic, cultural, regulatory, and linguistic boundaries. |
| 5 | Fail fast! Adopt an agile mindset that is geared toward getting out minimum lovable products (MLPs) rather than aiming for perfection. |

## Technology

Lastly, we come to the final element of transformation: technology. Technology in today's age is the most crucial aspect of transformation because of its impact on operational efficiency. To fuel real transformation, enterprise technology must be secure and capable of protecting the sensitive data of an organization and its customers. It must be scalable – able to support hundreds of thousands of users and millions of transactions. It must be reliable in supporting mission-critical operations. It must connect to other systems and APIs. It must deliver on the cloud promise of speed and simplicity while upholding the security, flexibility, and data-access needs of the enterprise. It must be beautifully designed to satisfy an increasingly demanding user. And most of all, enterprise software must be built for change.

Of course, lasting digital transformation takes more than just tech; it takes leadership, vision, execution, and discipline across an organization. But we believe technology should always enhance and enable your transformation – not stand in the way.

Consider the example of a global automobile manufacturing company and the digital transformation of its aftermarket warranty operations. Its current claims adjudication system processes more than 150,000 claims per day and executes more than 27,000 decisions across its global business of 9,000+ dealers in 22 different languages. The company's foundation for execution is integrated across 78 systems. At first, its approach was to stitch together multiple, different systems and applications without regard for operational effectiveness and process standardization. Additionally, each business unit and region had the autonomy of choosing its own technology to address the unit's business needs.

The result: The company created multiple "doors to nowhere," with no process standardization or business modularity. Furthermore, it tried to globally replicate an architecture that had met the business user requirements specific to only one country. The architecture did not scale and could not be customized for the install-base countries because of the need for specialization, causing the effort to fail. IT costs increased, as the organization was not standardized on technology, nor had it identified standardized processes. Once an operating model was selected and a foundation for execution was decided upon, the first customer journey for "claims assessment" was implemented and iterated until a standard core foundation of processes was created. This subsequently has been deployed into multiple geographies.

What we discern in the example above is the choice of the lesser of two evils: Create a massive amount of IT complexity to allow for the variation required to maximize profitability and customer satisfaction. Or simplify products, rules, and processes, making unprofitable decisions for the sake of simplicity. We think there is an opportunity to be more agile, which would allow captives to respond to these external threats. There is always a tendency for local markets to do things their own way, adding some cultural barriers to the equation. We see silos leading to a disjointed customer experience, whereas data and insights can improve both employee and customer experiences when shared freely.

To facilitate transformation in the right way, you don't need to rip out everything and start over. Neither do you have to recreate market-specific operational models that lead to operational nightmares. Instead, you can harness technology to make your organization into a better version of itself – more efficient, more customer centric, and more resilient in a time of constant disruption.

**In summary, there are the five things to consider for your technology during your digital transformation journey:**

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|---|---|
| 1 | Choose a unified technology platform. Avoid "Frankenstacks" and "Frankenclouds" that hide behind the inherent complexity of the cloud. Wiring disparate pieces together, these clouds are brittle, unable to scale, and so complicated that change becomes impossible. |
| 2 | Think globally, act locally. The technology platform needs to support reuse through localization and specialization. |
| 3 | Orchestrate end-to-end processing without needing to own data. This allows for a risk-mitigated legacy retirement strategy where you can initially wrap legacy systems and then reduce over time when the new systems are stabilized. |
| 4 | Deploy a strong integration capability to harmoniously coexist within the legacy stack. This goes along with the point above and helps with risk mitigation. |
| 5 | Identify technology and build for the future. Select platforms that are future-proofed and progressive, as well as those that keep investing in innovation. |

# Building a better tomorrow

The automobile industry is evolving – with significant investment in the connected-car experience, driver-assisted technologies, and other innovative programs not limited to ride-hailing services, multimodal platforms, car sharing, parking, and electric vehicle charging. Captive finance companies (like their OEM partners) are facing accelerated change as the way people buy and use vehicles, as well as the trend toward mobility solutions, gain increasing momentum.

It has never been more critical for automotive captives to be able to respond quickly to changing market conditions and competitive threats. Of equal importance is the need to think globally while delivering locally, which will drive regional empowerment.

While digital transformation can seem daunting, it's important to recognize that achieving success in your digital evolution is a realistic and manageable goal if you adhere to the principles laid out here. Knowing what today looks like, we know there's a better future for captives – especially if people, process, and technology work in harmony with a business model and solid foundation that provide the agility to adapt.

# Thank you


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