



Digital Transformation

Digitizing and automating
manual paper-based processes

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AUTOMATING BUSINESS COMMUNICATIONS

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About this whitepaper

This whitepaper is a high level overview of Digital Transformation, seen from the angle of process optimization and paper reduction. It is intended for decision makers as well as Objectif Lune partners who are looking to focus business strategies involving the transformation from (Managed) Print Services to (Managed) Content and Workflow Services.

About Objectif Lune (OL)

OL is the largest global independent software creator specialized in Automating Business Communications. We provide tools for document design and composition, business process automation (BPA), multi-channel output management and capture / eForms. Our solutions produce communications that are personalized, relevant and consistent in batch, on-demand and interactive to achieve a better customer experience – the key driver of business growth in the digital age of the consumer.

“. . . a step-by-step approach where established business processes with clear ownership become the focal point. This way organizations can start their digital transformation journey at their own pace and focus on processes and documents that will deliver the highest value.”

Executive summary

The need to improve the customer experience, reduce costs and increase efficiency in the digital world is continuously pushing organizations to digitally transform and automate their operational processes, and even rethink the way they do business. While there is consensus on the need to adopt digital technology, most organizations face slow and complex adoption processes, usually prompting internal and external resistance.

Embarking on the journey of digital transformation doesn't necessarily imply large IT projects that go hand in hand with overrun budgets and tight schedules. Some IT projects fail miserably. Therefore, it's understandable that organizations don't want to overhaul their operations with digital transformation initiatives that are so big that they become unsustainable.

In this white paper, we advocate for a step-by-step approach where established business processes with clear ownership become the focal point. This way organizations can start their digital transformation journey at their own pace and focus on processes and documents that will deliver the highest value.

Business processes that are customer-facing and rely heavily on paper and manual work would benefit from this approach (order confirmation, invoicing, proof of delivery, etc.). By digitizing and automating these processes, organizations can minimize costs associated with paper. More importantly, they can capitalize on the opportunities that digital technology and automation bring for better information management and customer experience.



Digital transformation

You have probably encountered the term “digital transformation”. In terms of business, it refers to the transformation of processes and activities, even business models, in order to leverage digital technology and respond to changing customer needs.

From the adoption of the first computers, to the Internet, and to enterprise systems like ERPs (which are now at the heart of business), organizations have come a long way. But the journey is far from over. Reality is that digital adoption by organizations has yet to reach its full potential. According to a McKinsey & Company study, industries are less than 40 percent digitized on average.¹

This is problematic because the business and customer ecosystem is going through a digital evolution in which the customer generally comes ahead of the business. Organizations feel the pressure to stay competitive. In order to do so, they must:

- focus on the customer experience and win their customers’ loyalty
- streamline their operations to keep costs low and profits high
- automate their processes to save time and reduce errors

Usually a mix of factors comes into play, prompting organizations to re-evaluate their approach and business operations. Digital transformation is not a destination. It is a continuous process in which the heart of the business becomes digital. A crucial first step for any organization is to assess where it stands on the digital transformation path and how it deals with change.

The majority of organizations today have adopted digital technology to some extent, with enterprise systems and some basic digital processes in place. If we consider this as the basis, what comes next? How can organizations prioritize or accelerate the digital transformation efforts already underway? **In this white paper, we will argue why existing manual and paper-intensive business processes and their related documents are a great opportunity for digital transformation.**

¹ The case for digital reinvention, McKinsey (2017)

Digital transformation

Digital transformation pitfalls

It is always useful to be aware of certain pitfalls organizations fall into when dealing with digital transformation. There are quite a few, and as you'll notice, they have more to do with strategy and change management than the technology itself.

Assuming digital transformation is all about technology

A sound basis for digital transformation is a vision and a clear strategy. What does digital mean to your organization, given its level of digital maturity? What are the exact requirements and the expected benefits? What is the plan to get there? In this context, technology is the enabler. It's the means to an end.

Lack of leadership and accountability, underestimating the impact of change

Strong leadership and clear ownership are vital. Whatever the approach, top-down or bottom-up, the digital transformation strategy needs an owner to coordinate the initiative, be accountable for the outcome, and inspire the rest of the organization. Finding ways to minimize change for the workforce while maximizing digital benefits will help in the adoption process.

Poor execution

Poor execution is a direct result of the above. It can play out in many ways:

- **Overly expanding the scope of a project.** Embarking on the journey to digital transformation doesn't necessarily have to mean large IT projects, like rip and replace of inflexible legacy systems such as ERPs. These systems are worth literally millions, so it's understandable that there is little appetite for this approach, although there are cases where this would indeed make sense.
- **Trying to do too many things at once.** It is far better to start small and learn as you go, at a pace that allows the organization to absorb failures and lets people and processes adapt.

- **Relegating digital initiatives to IT departments.** Labelling these initiatives as "IT projects" and leaving them with IT to follow through is a mistake, according to McKinsey & Company.² Although IT may be very capable, it often lacks the big-picture perspective.
- **Increasing costs uncontrollably and spending money that has not been budgeted.**

To sum up, large technology projects that span departments, that have no clear ownership and that have vague or overly ambitious requirements tend to fail. And this happens more often than you might think. Between 25% and 30% of IT projects are declared complete and outright failures and about 50% require significant rework.³ Minimizing the disruption and the risk of failure is crucial when budgets and timeframes are tight.

If an organization-wide initiative is unappealing, then it is best to pick a certain department with clear ownership over its processes, or a specific business process, to be optimized. Doing so has the following advantages:

- It's smaller in scale and therefore easier to assess, implement and review. The experience gained and lessons learned can help roll out similar initiatives to the rest of the organization in a test-and-learn fashion that allows the organization to evolve at its own pace.
- It leverages the knowledge of process owners. They know how their departments or their processes work, where the bottlenecks occur and what exactly needs to be optimized. Furthermore, they can set specific goals and be accountable for them. These process leaders feel heard and involved, as well as encouraged and empowered to propel digital transformation initiatives.
- A bottom-up approach where process owners are in charge of the modernization of processes can help bring their employees on board; these process owners understand the business aspect of the project.

² Why Digital Transformation Should be a Strategic Priority for Health Insurers. McKinsey (2016)

³ Why Do Information Technology Projects Fail? Procedia Computer Science (2016)

Start from manual paper-based processes

Business processes and the documents produced by these processes are an organization's key assets. For example, billing produces an invoice document, delivery results in a proof of delivery document, and customer or employee onboarding leads to a signed contract and a welcome kit.

These are an organization's most important documents and in most cases they are paper documents. AIIM's research shows that printing and paper still remain a big part of an organization's back- and front-end processes. Nearly 40% of organizations reported that their offices are piled with paper and paper processes.⁴ (Figure 1)

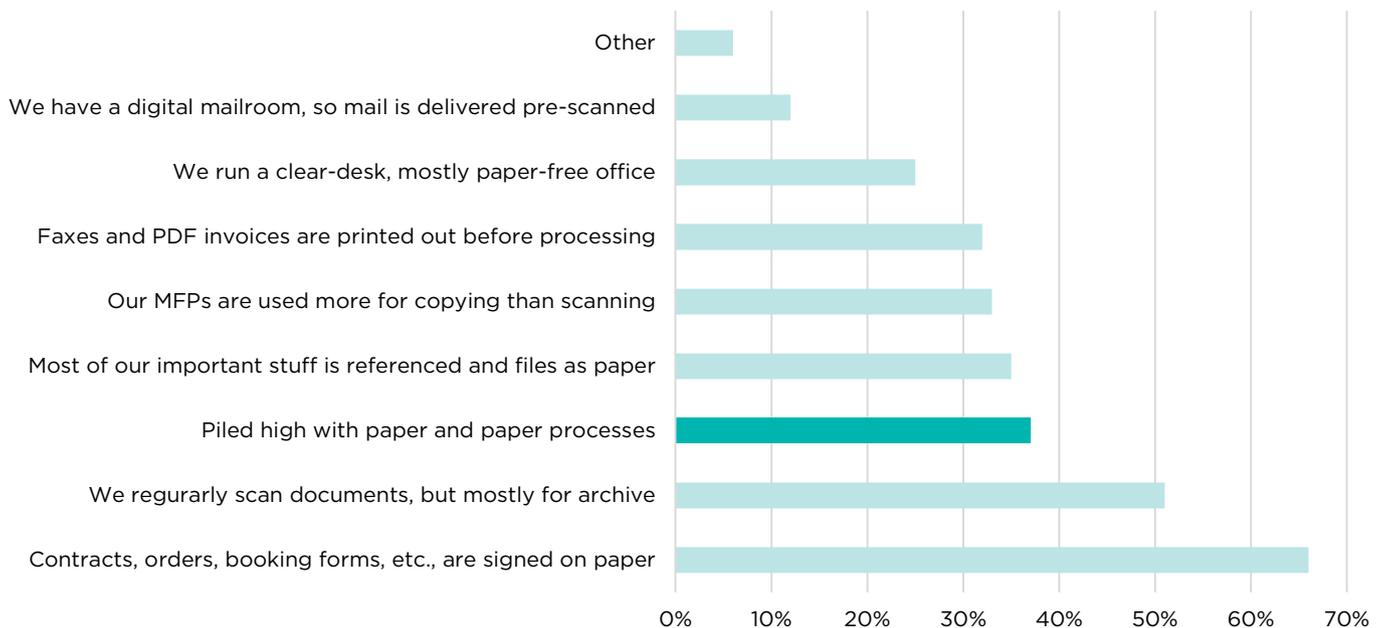
A lot has been written about the inefficiencies and the challenges of paper, but let's repeat it once more:

- paper printing and storage costs money
- manual handling is a fertile ground for mistakes
- customer response times are longer
- information is less secure
- regulatory compliance issues arise
- access to information is slower and collaboration is less efficient

So it makes sense that departments and specific processes with too much paper are the core reason for digital transformation.

Which of the following would describe your office or typical offices in your organization?

Figure 1 - Paper Free - Are we there yet? AIIM (2016)

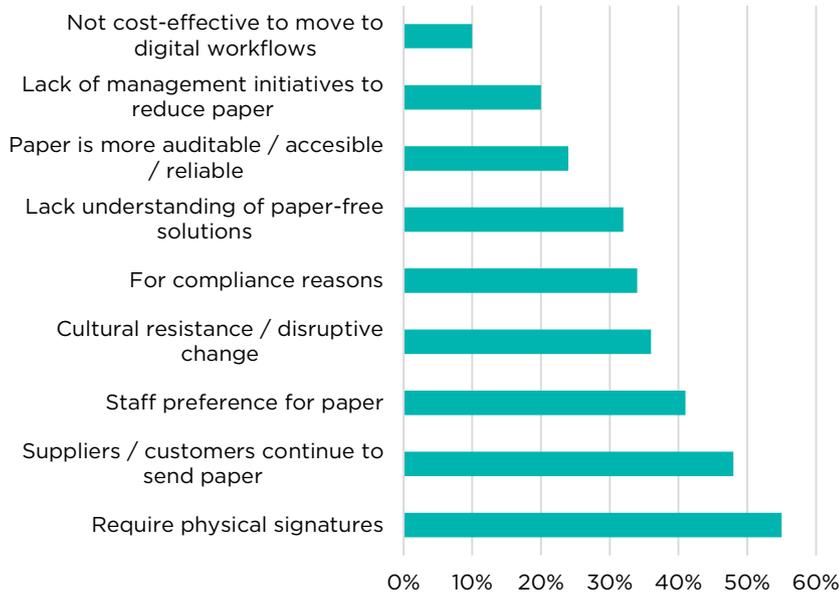


⁴ Paper Free - Are We There Yet? AIIM (2016)

Start from manual paper-based processes

Reasons why business processes include the use of paper

Figure 2 - Digital transformation: Bridging the paper and digital gap, Quocirca (2016)

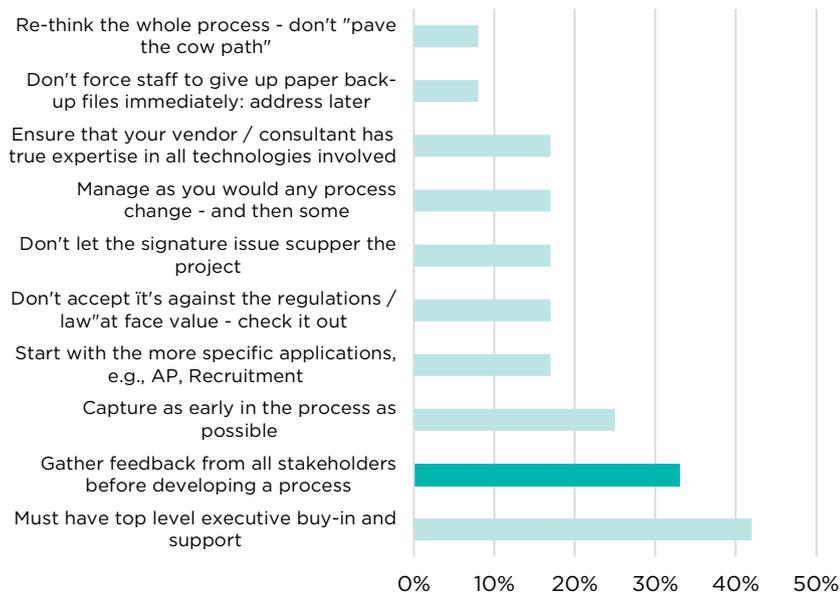


But if it's common knowledge by now that paper is inefficient and the technology to break free from it exists, then why is paper still so prevalent in offices? According to research by Quocirca, this is due to industry needs, technology maturity, legislation and employee habits.⁵ (Figure 2) Notice how strong the internal resistance can be: 41% of respondents replied that their staff prefers paper, while 36% said that there is cultural resistance in their organization. This can be in part explained by the fact that one out of three doesn't understand paper-free solutions.

Old habits die hard, and removing paper from the equation is not as easy as it may sound. It requires a deep understanding of how processes are carried out today. The goal is not to digitize and automate blindly, but leverage the knowledge that people have acquired over the years in order to provide a viable solution that makes sense first and foremost to the people who are going to use it. As AIIM's study showed, getting the stakeholders involved early in the project was an important lesson learned in the quest for the paperfree process.⁶ (Figure 3)

What are the key lessons learned from your paper-free processes?

Figure 3 - Paper Free - Are we there yet? AIIM (2016)



⁵ Digital transformation: Bridging the paper and digital gap, Quocirca (2016)

⁶ Paper Free - Are We There Yet? AIIM (2016)

Start from manual paper-based processes

Capitalizing on new opportunities

Order confirmations, invoices, financial statements and brochures are some of the many documents that rely on paper. And they each have their own rules, owners, processing time, sensitivity of content and contribution to the business. Reducing paper, along with its costs and inefficiencies, is an important driver for digitizing and automating paper-based processes.

But it is not the only driver. An organization is a complex web of interconnected processes. During its lifecycle, a document exchanges hands multiple times and triggers the creation of other documents. Because processes and documents are interdependent, they have to be agile. For example, the longer it takes an organization to process a proof of delivery document, the longer it takes to produce an invoice and get paid.

Quocirca's study summarized the drivers for digitizing paper-based processes. As you'll see below (Figure 4), cost reduction is not the only driver. Enabling multichannel

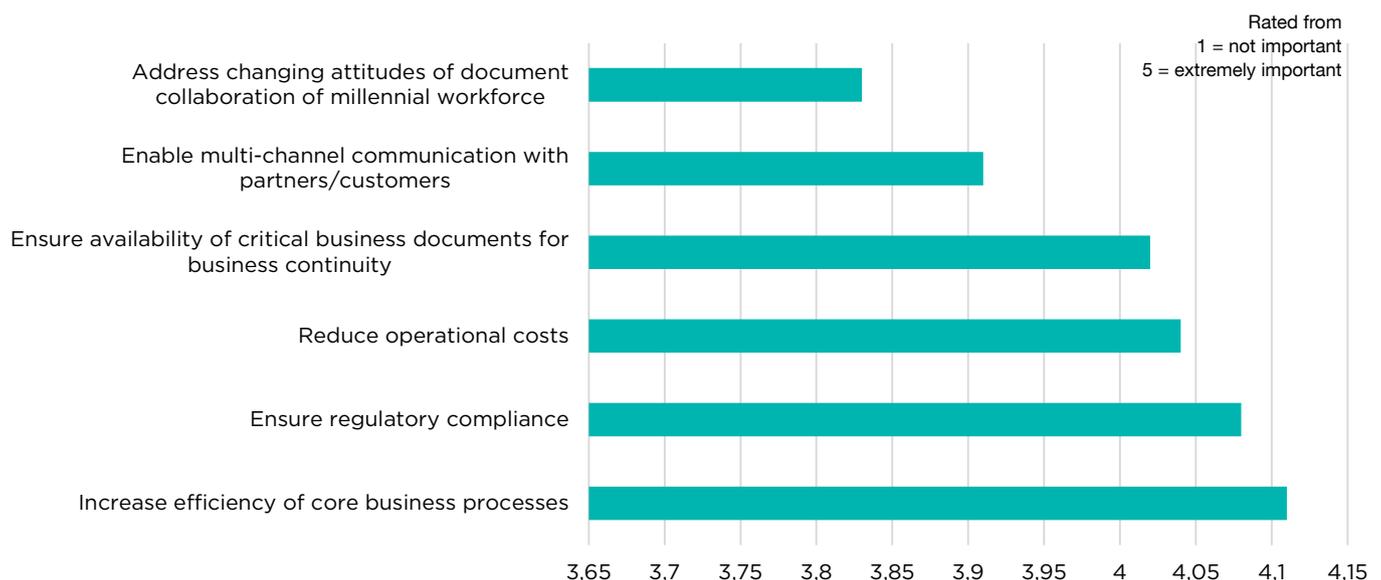
communications and addressing changing attitudes of the workforce toward document collaboration were other important drivers.⁷

What these other factors imply is that technology is not only used to digitize and automate processes for the sake of savings alone. What drives organizations is also the promise that technology will help them reinvent themselves and open new routes of doing business, making them able to capitalize on opportunities that they weren't able to before.

Nowhere is this need for reinvention more pressing than in the processes that directly affect an organization's customers. This is where a great opportunity arises for adoption of digital technology: customer-facing processes that currently rely on paper and manual work. Digitization and automation of these processes reduces costs, but also responds to changing customer preferences and improves their experience of doing business with an organization.⁸

The importance of various drivers in motivating the digitisation of paper-based processes

Figure 4 - Digital transformation: Bridging the paper and digital gap, Quocirca (2016)



⁷ Digital transformation: Bridging the paper and digital gap, Quocirca (2016)

⁸ Insight into Customer Communications Management, Objectif Lune (2016)

Start from manual paper-based processes

Here are some examples of business processes and related documents that are great candidates for digital transformation: (See Figures 5 and 6)

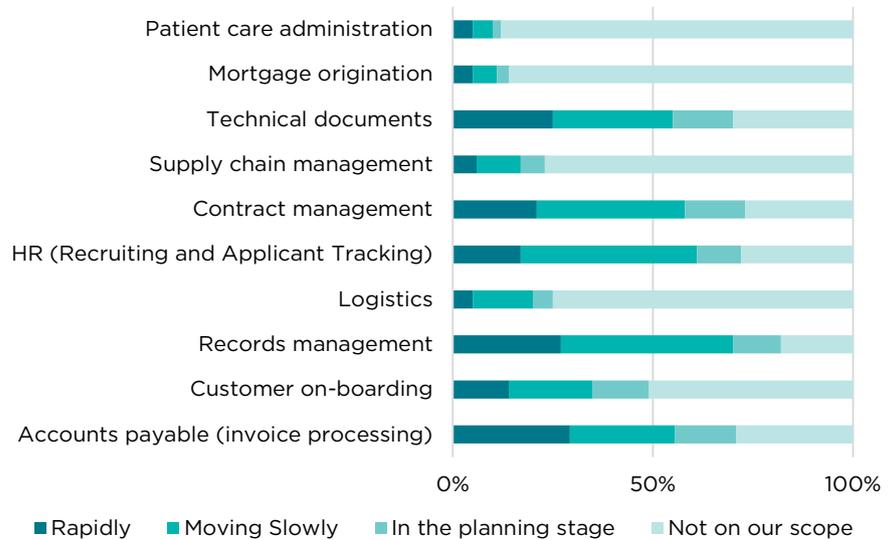
- **Accounts receivable**
(e.g. invoice generation, customer credit memos)
- **Accounts payable**
(e.g. incoming invoice or vendor statement processing)
- **Logistics processes**
(e.g. picking lists, proof of delivery, driver's logs)
- **Order management**
(e.g. sales orders, purchase orders, receiving reports)
- **Customer/employee onboarding**
(e.g. contracts, welcome kits)

To sum up, this is why we believe these business processes are a great opportunity for digital transformation:

- They have defined steps, rules and accountability that can function as the basis of the digitization and automation solution.
- They rely heavily on paper and manual labour, presenting themselves as an excellent opportunity for cost savings and capturing value from digital.
- Technology is available to digitize these processes without changing the way people work, minimizing adoption resistance.
- They can contribute to improvements in the customer experience, and that translates to better financial results.⁹

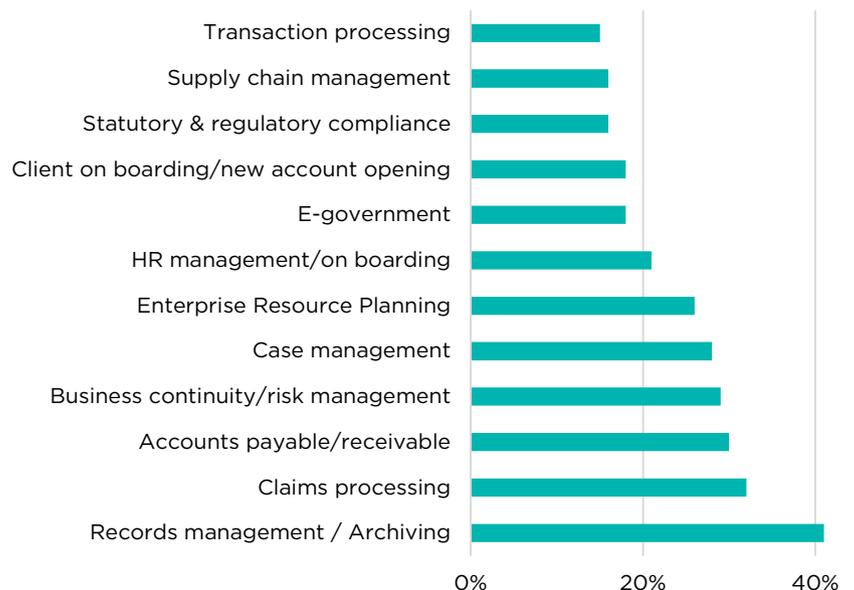
At what rate (or planned rate) are you converting key processes to paper-free?

Figure 5 - Paper Free - Are we there yet? AllIM (2016)



Business processes under consideration for digitisation

Figure 6 - Digital transformation: Bridging the paper and digital gap, Quocirca (2016)



⁹ Insight into Customer Communications Management, Objectif Lune (2016)

The right technology

Optimizing existing processes to leverage digital technology is a great opportunity for digital transformation. But it is just one more step in the long journey of digital transformation.

Organizations shouldn't fall into the trap of one-off fixes. What the word transformation truly implies is disruption; in this case, a new way of doing business. For that, having the right technology is crucial.

The last thing any organization wants when optimizing its processes one by one is to end up with more silos. Although software solutions dedicated to a specific process can bring refined line-of-business capabilities, they cannot be repurposed to automate other processes. You are dependent on the extent of their integration capabilities for an interconnected digital ecosystem. Leveraging flexible and generic technology is essential to optimize and automate processes across an organization.

Ideally, the technology is:

- built on open standards that stand the test of time
- a “middleware” that works with any system but prevents having to make significant changes to your systems
- able to prevent a “rip-and-replace” approach, digitizing and automating one process at a time
- able to deal with needs across rigid and siloed systems as well as departments
- generically applied throughout the organization rather than focused on a single process

The future of any organization will depend not only on its ability to adjust, but on its ability to continuously reinvent itself and get the best out of both people and technology. The technology is already here and affordable for SMBs with tight budgets. Therefore, there will be pioneers in every industry who have the culture and drive to bring change. It is important for organizations to ask themselves the question, “Do we see this as a threat or an inspiration?”

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