Digital Transformation Change Management: How To Build On Initial Success

Achieving effective digital transformation has become an essential goal for just about every business competing in today’s complex—and cutthroat—global economy. Implementing new technologies and refining business processes through automation gives many companies a much-needed boost to productivity and profitability, but maintaining that momentum to drive sustained improvement and greater value isn’t always easy.

In order to maintain and expand on the initial improvements that accompany digital transformations, companies need a clear understanding of, and strategy for, digital transformation change management. By investing the time and resources required (and following a few best practices), organizations of all sizes

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and types can successfully scale their digital transformation efforts to meet their changing needs and goals while continuing to build value.

**Digital Transformation Change Management Is Crucial**

Even before the COVID-19 novel coronavirus radically changed nearly every aspect of modern life, companies who saw the writing on the virtual wall were making serious commitments to digital transformation. But as companies struggle to find their footing in the new normal, digital transformation has become, for many organizations, job one.

From launching new apps to expanding their social media presence to fundamentally altering their entire business model to meet changing consumer needs, companies around the world are making a successful digital transformation journey a major part of their strategies for not just recovery, but growth, innovation, and competitive advantage.

Through digitalization, artificial intelligence, and capitalizing on the Internet of Things (IoT), industry leaders such as McDonald’s, Hasbro, and Capital One have set the standard for successful digital transformations. Others are following suit at a record pace; research firm Meticulous Research estimates the global digital transformation market will be worth $3.2 trillion by 2025.

Yet despite this enthusiasm and value, digital transformation efforts continue to fail at shocking rates. Research specialists McKinsey & Co. estimate roughly 70% of digital transformation initiatives fail.

Reasons for these failures vary, from poor planning to lack of investment to lack of staff with digital technology skills. But with regard to significant, long-term results—including scaling the successes of initial digital transformation efforts to
meets an organization’s changing needs and business strategies—it’s clear a change management strategy is essential.

The change management activities you use will vary based on your individual needs, but one example is developing a formal system for adding new processes to your workflows to replace outdated analog ones—or updating existing ones to take advantage of new technologies added to your toolkit.

Best Practices for Digital Transformation Change Management

In an uncertain marketplace, the only real certainty is change. You can get maximum value for your digital transformation dollar by following a few best practices in developing, executing, and refining your digital transformation strategy.

1. Make Change Management Part of Your Digital Transformation Journey

The same industry leaders enjoying continued success in their digital transformation efforts are doing so because those efforts include a change management plan. McDonald’s, for example, has made significant investment in Big Data technology to provide insights they can use to make further refinements and additions to their digital transformation initiatives down the road.

When crafting your own digital transformation plan, be sure you’ve “baked in” sufficient agility and flexibility for growth. Many companies, for example, start small with automation and digitalization in a single area of their business—for example, AP automation or procure-to-pay automation. Taking the long view and positioning such an implementation as a foundation for your larger digital
transformation efforts will make it much easier to connect other business units to your new processes, simplify buy-in and compliance, and ensure everyone’s on the same page with regard to your overall digital roadmap for success.

The change management activities you use will vary based on your individual needs, but some you might consider include:

- Developing a formal system for adding new processes to your workflows to replace outdated analog ones—or updating existing ones to take advantage of new technologies added to your toolkit.
  - This system can be created and maintained by a dedicated change management team, which will work closely with the digital transformation teams at both the executive and operations level.
- Establish an executive cross-functional team of subject matter experts, senior management, IT professionals, business leaders, and digital transformation cheerleaders to educate and train all team members, streamline integration as you expand your digital transformation improvements, and connect leadership’s vision to your digital strategy throughout its various iterations.
- Prioritizing “The Four C’s”: Collaboration, Communication, Continuous Improvement, and Clarity.
  - **Collaboration** connects team members across business units and encourages compliance with and support for your shared vision. It also allows you to look outside your organization to create networks that give you access to new technologies and capabilities without the expense and delay of developing them internally.
  - **Communication** ensures everyone is on the same page and issues can be addressed before they become roadblocks.
  - **Continuous Improvement** is a virtue when it comes to lasting digital transformation success. Incorporating iterative
improvement into your workflows makes positive change both a goal and a stepping stone to even greater improvements as your capabilities, skills, and toolset grow.

- **Clarity** of vision and dedication to transparency at all levels helps your organization meet its current goals while planning how best to tackle the opportunities and challenges that lie ahead.

2. **Guide Change with Help from the C-Suite**

Without leadership, vision, and support from the top of your organization, maintaining momentum in your digital transformation plans will be tough. Securing buy-in from the C-suite on both the need for digital transformation and open-ended change management will not only save time and frustration, but allow you to develop and promote a shared vision to present to the organization as a whole. Rather than a single-change initiative or a limited project, your senior executives can promote digital transformation as an ongoing process that requires everyone’s support to drive lasting value, growth, and competitive strength.

The Chief Executive Officer (CEO) and the board are essential to provide oversight, clear messaging, and leadership, but your odds of success will improve with senior leadership positions centered on digital expertise. If your company doesn’t already have one, consider working with management to hire a Chief Digital Officer (CDO) to provide additional support for the efforts led by the Chief Information Officer (CIO).

In addition, top-down support from the Chief Financial Officer (CFO) will make it much easier to secure funding and adjust budgets as necessary to meet changing goals and needs.

Having your senior management team on board from the jump is especially critical for companies who require a substantial investment in organizational
change. Legacy companies with decades of analog-based workflows and/or a conservative corporate culture will require strong leadership and inspiration from the top to secure buy-in from all parties and make it clear that the company itself is evolving and not simply adding new software or management activities.

3. Shatter Silos

Cross-functional teams need access to clear and complete data to succeed. They also need flexibility to ensure fast and strategic decision making and creative problem solving. They need the autonomy and accountability to ensure goals are met without having to leap needless hurdles or navigate the tangle of antiquated bureaucracy.

In order to avoid the devastation and disappointment of a failed digital transformation, consider establishing a dedicated Digital Transformation Team to work under the guidance of the executive cross-functional team. This team will take primary responsibility for executing the vision created by the executive team, and slice through the Gordian Knot of red tape that would normally inhibit education, implementation, and process improvement across business units.

4. Strengthen Your Tech Infrastructure

Most digital transformation initiatives involve important technologies such as automation, artificial intelligence, and data analytics. However, these new technologies need to mesh effectively with your existing software environment, either through native integration or replacement. You also need to make sure you’ve got the information technology (IT) capacity to take full advantage of the advanced capabilities that come with next-gen tech.

Engaging IT leaders as part of your transformation efforts is an important first step. For many companies, the second is planning for, and investing in, an overhaul of your IT infrastructure. Moving away from software installed on local
servers and toward a cloud-based, centralized data management system:

- Makes it much easier to push out new applications that provide automation and analytics.
- Improves integration with legacy and bespoke applications while supporting upgrades for office applications, accounting software, etc. to their cloud-based versions.
- Cuts overhead and physical IT needs while improving capabilities and versatility for future additions to your software environment.

5. Implement, Measure, and Refine with KPIs

In digital transformation, a core component of sustaining changes and building on the benefits they provide is the use of metrics. Key performance indicators (KPIs) can be used to track and refine performance across countless workflows. With the right data management tools, everything from user experience to supply chain efficiency can be monitored, evaluated, and improved.

KPIs can help digital transformation teams identify workflows in need of refinement, outdated or improperly applied methodologies that are hurting efficiency, and provide stakeholders with evidence of demonstrable improvement. In fact, McKinsey & Co. found that organizations using KPIs as part of their long-term digital transformation strategies were seven times more likely to enjoy successful transformations compared to those who don’t.

Ideally, the Digital Transformation Team will work with the executive transformation team to choose KPIs during the development of their digital transformation roadmap and strategy, along with potential additions that will become relevant as the transformation initiative matures.
6. Network with Trusted Partners

For some legacy companies with the resources and timeframe to accommodate a slower pace, it can make sense to handle every aspect of a major organizational change effort such as digital transformation internally. But for maximum agility and flexibility, companies who don’t need, or even want, to tackle everything in-house can reach out to obtain the new technologies, skills, and staff they need to sustain their digital transformation.

Consider these benefits:

- **Risk mitigation.** Major changes can be daunting—and risky, both financially and reputationally. Choosing a trusted partner to help you implement new automation software and provide training and ongoing support is a wise investment for those dipping their toes into the digital waters for the first time. Similarly, outsourcing IT management can give you greater data security along with cloud convenience and instant expertise.

- **Instant access to digital natives and their skills.** Training your best folks in new technologies is a wise investment in the long term, but hitting the ground running with your digital transformation requires folks who already know the ropes to show them the way. You can also bring in dedicated change management experts to oversee your digital transformation, or round out missing skill sets in your existing teams.

- **Seizing growth and competitive strength.** Sometimes, buying the missing piece of the puzzle is better than trying to whittle one of your own. Gaining new digital capabilities through strategic acquisitions and mergers is as old as business itself. For example, PayPal broke into the Chinese market by purchasing a majority stake in (and, eventually, the entirety of) GoPay. Retail giant Walmart fast-tracked their eCommerce strategy by buying up (and
integrating the offerings of) a dozen or so online retailers including Jet.com and Flipkart—and forging a strategic partnership with Google to become, in its own words, “a tech company.”

Make Change Management a Part of Your Lasting Success

If your company is invested in long-term digital transformation success, it’s time to embrace change as not just a virtue, but a tool. By following best practices and taking a proactive, collaborative approach, you can make sure your organization is ready to capitalize on the benefits it gains from digital transformation—and continue building on that success well into the future.

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