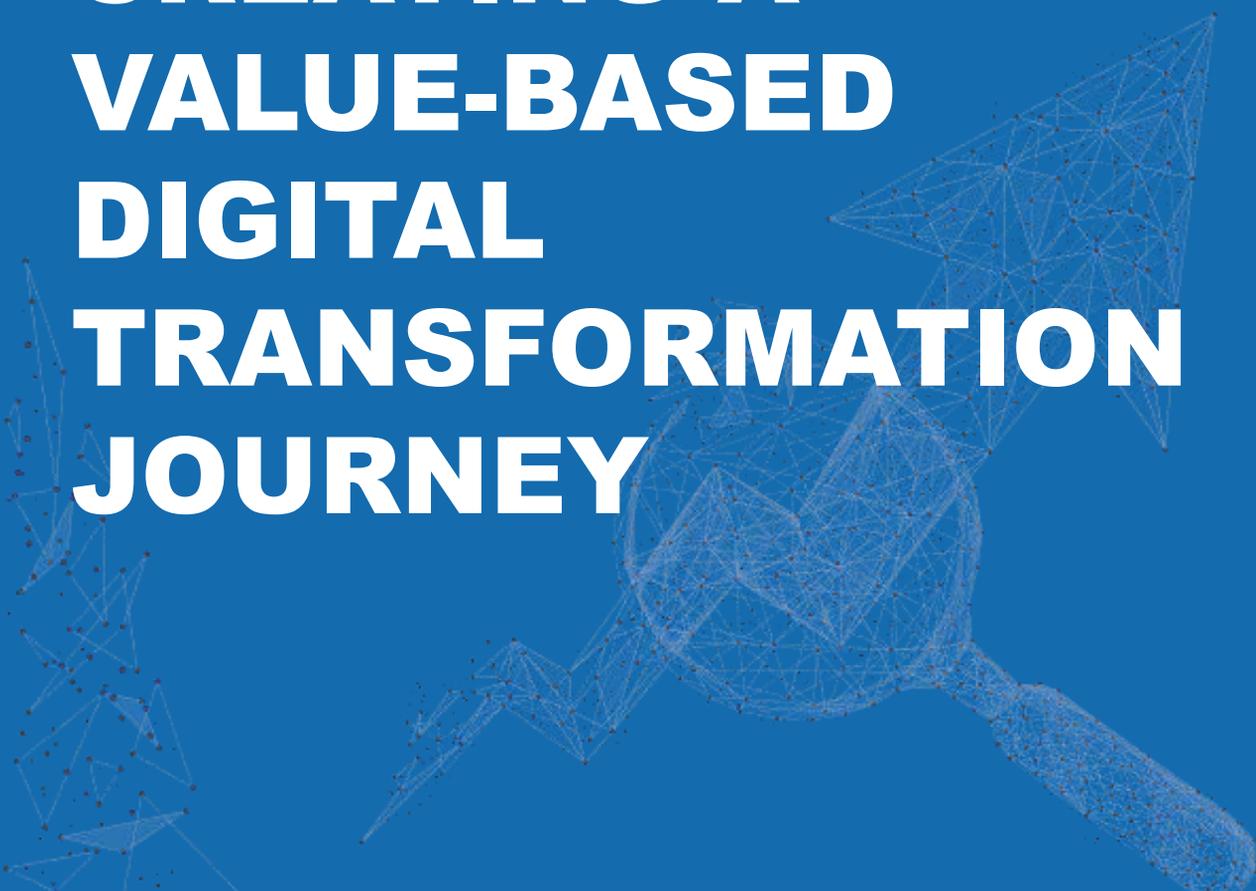


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CREATING A VALUE-BASED DIGITAL TRANSFORMATION JOURNEY



An Infosys Consulting Perspective

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Executive Summary

Digital transformation is a fundamental rethink of the way we create, manage, and deliver an experience to a consumer. A successful digital transformational journey, however, is dependent on how enterprises not only approach the journey itself, but rather how it is embraced within an organization's culture.

Firms sell experiences to consumers over time. Products, processes, data, and locations are objects that enable, qualify, and deliver these experiences—thus, creating a value-based strategic partnership between stakeholder management and digital transformation. Advanced technologies such as artificial intelligence (AI), machine learning (ML), robotics, augmented reality, virtual reality, and the Internet of Things (IoT) are tools that firms can leverage to enhance the customer experience.

Economic pressures, faster product launches, and innovation are additional factors to launching digital transformation programs. The real value drivers to digital transformation programs, however, fall into three main archetypes—process, product, and client. Reducing redundant business operations and processes, creating synergies, and leveraging strategic partnerships, while harmonizing processes and rationalizing applications—allows for increased product and process visibility. By shrinking the footprint, product visibility is increased and enhancing the client experience is more attainable and simplified.

Leveraging the value ROAD governance framework, enterprises can better prioritize products and clients. To launch a value-based digital transformational journey, value must be measurable, and it must be measured easily, regularly, and effectively.

Integrating Value with your Digital Transformation Journey

Digital transformation is an initiative that many firms in today's age strive for. It is a fundamental rethinking of the way we create, manage, and deliver an experience to a consumer.

Experiences are sold by organizations to consumers over time. Products, processes, data, and locations are merely objects that enable, qualify, and deliver these experiences—in turn, driving a more value-based digital transformation. Enterprises must consider the real value drivers to the digital transformation journey as well as how to measure value to enable successful digital transformational programs.

In today's fast-moving business landscape, the pressure to be nimbler than ever before is driven by a variety of factors.

Customer Experience

Advanced technologies such as augmented reality (AR), virtual reality (VR), the Internet of Things (IoT), robots, blockchain, and artificial intelligence (AI) are driving rapid cross-functional innovation—thereby leading to smarter organizations. Simultaneously, customers are expecting more personalized interactions with technology.

As competitive and consumer demands continue to evolve, value-based digitization offers real opportunities for scalability, profitability, and greater productivity with consumers constantly on the lookout for more convenience.

Regulatory & Economic Pressures

Regulatory and economic pressures also exist alongside shifts in consumer demands. Successful organizational leaders must now seize opportunities to become a powerful enabler of long-term value creation for respective stakeholders. Digital business and agile operating models in conjunction with data-driven investment decisions are crucial to navigating a progressive enterprise moving forward.

Since the start of the global pandemic in March of 2020, internet usage has risen by 70%; the use of communication applications has doubled, and there is a 160% expected increase in frequency of digital purchases¹. This acceleration illustrates the urgency for launching digital transformation initiatives to meet both consumer and economic demands alike.

The key is to enable an enterprise-wide value-based digital operating model to also allow for faster product offering launches which would also lead to engraining an innovative culture. In turn, this would provide for a quality and seamless customer experience.

Faster Product Launch & Innovation

Empowering stakeholders is another crucial pillar to a value-based digital transformational journey. When stakeholders are empowered to embrace a culture of agility and innovation, faster product launches are enabled, with ease of adoption toward new technologies.

Next-generation technologies such as blockchain, AI, machine learning, and robotics can allow for new, flexible, efficient, and transparent product offering releases. When adopted, these emerging technologies can better serve not only external stakeholders, but internal stakeholders of an organization—improving and transforming internal business processes, streamlining operations, reducing costs, and boosting the bottom line.

With enhanced data metric capabilities, advanced technologies can enable organizations to deliver on rapidly shifting consumer expectations.

Key Problem Statements and Value Drivers to Launching the Digital Transformation Journey

Customer experience, economic pressures, faster product launches, and innovation are just a few of the major drivers for enabling digital transformation programs, but other drivers also exist propelling organizations to be more progressive in extending the value chain.

Multiple drivers such as improving operational efficiency, increasing competition, new market entries, in addition to mergers and acquisitions further play a substantial role. However, the real value drivers to digital transformation programs fall into three main archetypes—process, product, and client.

Process

Business processes and operations are a key underlying pillar to shifting toward a value-based digital transformation. When business processes are not streamlined, with significant overlap of applications performing similar functions, increased manual labor, and high operational costs, then it becomes a liability as it hinders an enterprise's success to deliver customer value quickly and efficiently.

A few common problem statement examples for the 'process' value archetype are situations when operational processes for products follow different paths rather than maintaining a modular operational workflow. Another example would be an enterprise maintaining different datastores and applications for a similar product line. High operational costs with little to no operational benchmarking can lead an organization to not only meet consumer demands—but can impede innovation, lower scalability, while increasing operational and technical debt.

One of the first areas an enterprise should examine is the business operational workflow and internal processes to have a quicker and more efficient go-to-market strategy.

Product

Another key value driver to embracing the digital transformation journey is improving product offerings.

Moreover, enterprises that lack an awareness and visibility into their product service offerings at various levels within the firm are at an increased risk in curbing the value chain to meet consumer demand and expectations. A more common problem firms face is an enterprise offering multiple product lines and services that cater to the same need.

Governed by a centralized product offering strategy, enterprise operational, technical, and financial risk can be mitigated. For instance, differing value propositions can be identified, aggregated, and offered up-front to the consumer and served as a bundle to improve scalability and efficiency for the firm, meanwhile providing cost-effectiveness, visibility, and transparency to the end-customer.

Furthermore, with little to no internal customer tracking and communication mechanisms, inefficient products can be rolled out to the market, or worse—may already exist on the market. Mechanisms should be in place to proficiently capture market feedback to respond to consumer needs should a product offering need adjustments.

Client

Following process and product comes the narrower more targeted focus area—the client, or the consumer.

Firms struggle with the capability to uniquely identify clients. The inability to segment and progress clients across lifecycle stages can hinder the enterprise from creating a valuable and positive customer experience. Common pitfalls under this layer include lack of targeted campaigns; the incapability to effectively cross-sell internal and affiliated solutions; and poor service quality especially to multi-channel clients.

Being able to consistently service customer requests across multiple channels is crucial to ensuring the client’s needs are addressed—providing a valuable insight to consumer behavior.

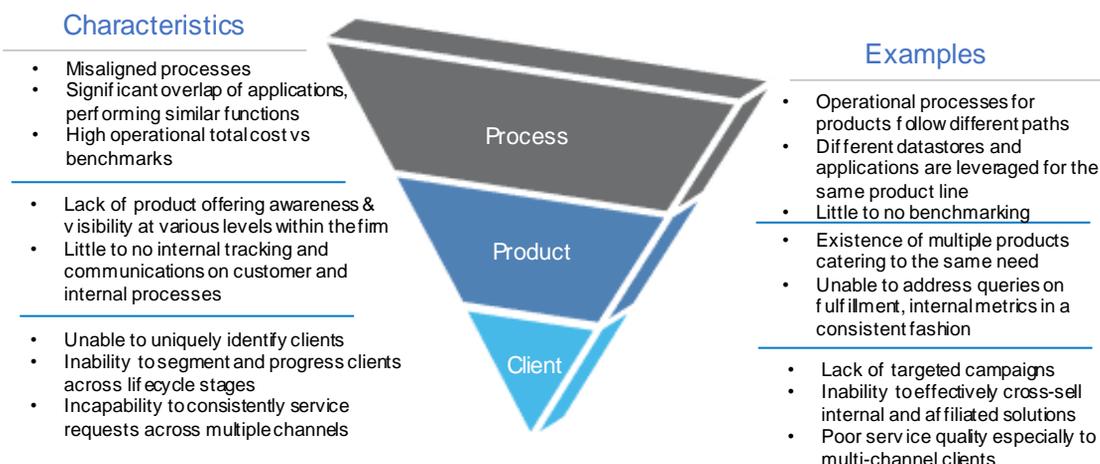


Figure 1: Digital Transformation Value Drivers

Business Value Outcomes

It is imperative for organizations to achieve a ‘zero footprint distance’ to capitalize on both product and client. This can be accomplished by reducing redundant business operations and processes, creating synergies, and leveraging strategic partnerships, while harmonizing processes and rationalizing applications. This can allow for increased product and process visibility.

Capitalizing on data and tracking mechanisms, improving training, and working to bring in automation are a few ways to foster product visibility. Other methods can also include improving training and developing self-service and Neuro-Linguistic Programming (NLP) for information retrieval.

By shrinking the footprint and increasing product visibility, enhancing the client experience becomes that much more simplified. Promoting the transparency of information and leveraging automation in service requests such as chatbots and cognitive technologies.

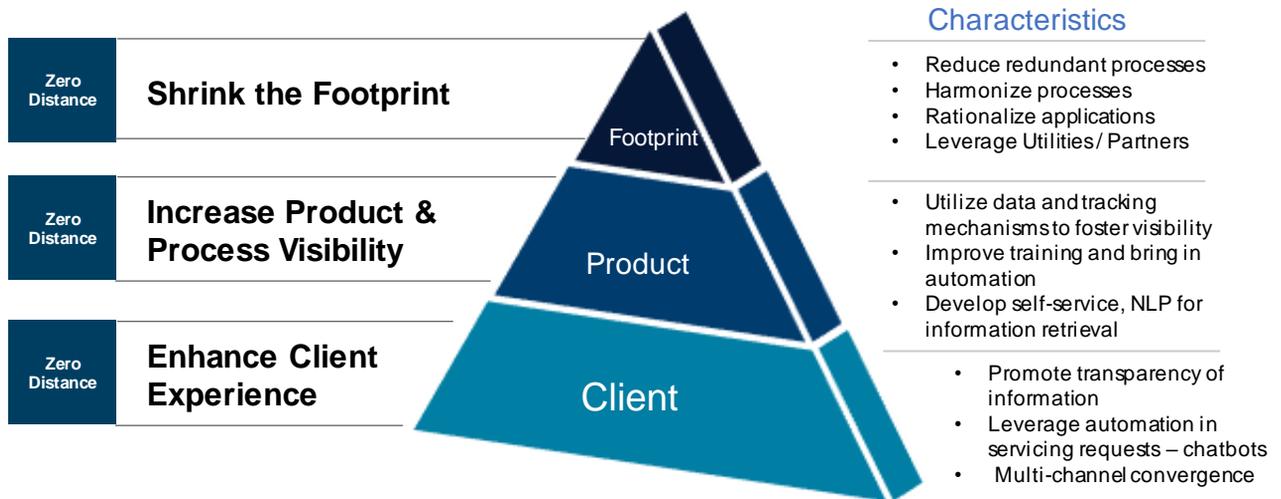


Figure 2: Zero Distance Footprint (Product and Client)

A Value ROAD Governance Model

To effectively transition from a process and product-based organization to a customer-centric one, a governance framework is instrumental to empowering stakeholders to create a value-based digital transformation.

Championing and enabling the value ROAD governance model across the enterprise is valuable to prioritizing products and clients. Robotizing, optimizing, analyzing, and digitizing are four pillars of the framework to shrinking the footprint process to a ‘zero distance’—bolstering product and service visibility, providing customer value.

Enterprises have been exploring robotic process automation (RPA) as a solution to meet economic pressures to increase operational efficiencies and reduce costs. According to Gartner, RPA technology spending will reach \$2.4 billion by 2022 ².

RPA is technology that can automate business processes that are rules-based, structured and repetitive. Firms can use RPA tools to communicate with other digital systems, capture data, retrieve information, and process a transaction among many others.

This automation frees employees from mundane, repetitive, and manual tasks to focus on other higher priority initiatives that can include methods on how to create a valuable customer-centric experience. This in turn would not only boost an innovative culture, but also improve the agility of an organization to adapt to rampant shifts in consumer behavior and rapid technological advances in real-time.

For instance, seamless data migration from a legacy-based to an automated solution is an area where firms have previously struggled. Employees are often required to pull relevant information from legacy systems to have readily available data available for target state system solutions. RPA technologies can support this manual process and complete it without introducing human error.

Undertaking the initiative to robotizing the process is a crucial step to the value-based digital transformation journey. However, it is optimization where firms can begin to create measurable value both to themselves and for the end-customer.

Optimization

Robotization is focused on what process can be automated and if it can coexist with human interaction. Whereas optimization focuses on the purpose and execution for that respective automation process. For instance, once a process has been identified and decided on to automate or robotize, there are key questions to answer. Can the process be harmonized to serve all geographies? Can it be run as a service? Can we clearly segregate the core and non-core parts of the process? Will it be in a state where a third-party partner can carry out full or part of the non-core steps and provide results?

These questions, if answered succinctly and clearly, target an area that most executive leaders appreciate the most—scalability.

Analytics

Scalability, however, cannot be accomplished without organization and analysis. The analytics attribute is used as a key driver in creating exceptional customer experiences. Analytics is valuable to organizational senior and executive leadership, as well as their end customers.

Governing with data insights and analytics can help the enterprise make informed decisions and improvements to their product offerings. Firms can better serve their respective customers and to develop rigorous product to customer feedback loops to make quick enhancements allowing for greater responsiveness, thereby improving consumer trust and faith.

From the consumer point of view, on the other hand, empowering them with data insights with their chosen product offerings allows for that reciprocation between an enterprise and consumer. For instance, Betterment is a fintech platform dedicated to demystifying and closing the personal investment gap. What resonates with the consumers (i.e., users of the platform, and therefore investors) is their analytics-enabled investing.

The consumer is now empowered to make easier and more insightful investment decisions. What this translates to is a powerful notion—an exceptional user experience. And in today’s digital era, a powerful user-experience translates to a more connected customer experience.

Digitization

Industries across all sectors are facing digitization. What once was a manual, repetitive task can now be automated with advanced technologies. One of the more important pillars of the value ROAD model is the ability to simplify complexities and hurdles that the consumer needs to go through to accomplish an end-goal.

Think of the digitization of credit with the likes of Apple Pay, as well as the digitization of cash when it comes to Venmo and Zelle.

An enterprise should ask about what or which of their internal processes can be digitized and to what degree. In the case of a financial services firm with vast amounts of data to consume and ultimately publish for external stakeholders, capturing that data is a common challenge. In this instance, the financial firm should scrutinize how much operational debt the enterprise is taking on if their delivery teams are manually running excel to send raw data and files from source to target systems. Whereas a more automated solution can be introduced to digitize most or all core parts of that process.

Once the enterprise can shrink the footprint on the processes side, the value ROAD framework can expedite the product and service offerings to the client.

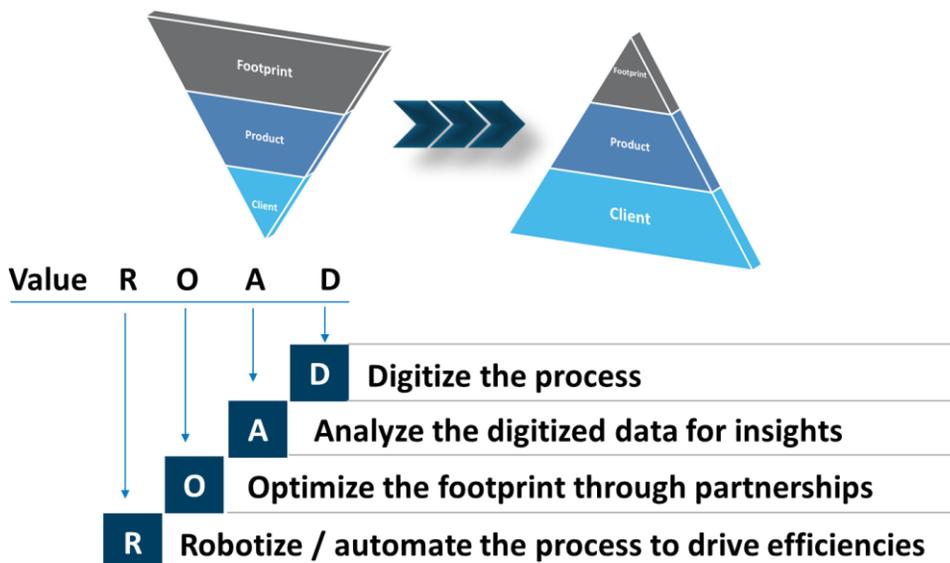


Figure 3: Value ROAD governance methodology

Value Must Be Measurable, Not Arbitrary

When assessing value with respect to digital transformation for an enterprise, executive leadership must ensure that it is measurable focusing on metrics related to a few key areas that include time, experience, financials, ratings, coverage, and goals.

These value measurements can be classified in three broad categories – strategic metrics, product metrics, and process metrics.

Strategic Metrics

Strategic metrics are used by digital leaders to track the success of various innovations, thought leadership ideas, and programs. These metrics are closely aligned to the corporate or business unit's north star goal and can be broadly bucketed into the following themes:

1. **Financial metrics** include return on investment, percentage of budget spent on digitization, potential digitization revenue, annual costs, etc.
2. **Time metrics** such as time-to-market, release frequency, etc.
3. **Team metrics** such as talent mix, talent quality, talent retention, etc.
4. **Coverage metrics** such as market share, segment and lifecycle coverage, etc.

There are other various leadership metrics that are used in gauging the digitization of a company or a business unit on a BAU basis. Metrics such as percentage of budget used in digital transformation initiatives, percentage of leaders' incentives related to digital, etc. These metrics are used on a case-by-case basis.

Strategic metrics provide the building blocks for the various initiatives within the teams. These metrics are crucial in further creating the digital roadmap and drafting the product and process metrics.

Product Metrics

The key aspect of digitization is to build out next-gen software products and features to simplify the user experience. As a part of these efforts, there is a need to measure the product value and progress against relevant metrics. These metrics will tie closely to the strategic metrics. As an example, if a strategic metric is to improve adoption, then product metrics may have less emphasis on monetization and more emphasis on expansion.

Product metrics can hence be broadly classified into the following themes:

1. **Reach-related metrics** which include metrics related to tracking active users, daily active users/monthly active users, percentage of business units that are using the product, etc.
2. **Activation-related metrics** including number of subscriptions, registrations, paid licenses, etc.
3. **Engagement-related metrics** such as session duration, bounce rate, number of sessions per user, number of user actions per session, etc.
4. **Retention-related metrics** such as 7, 10, 30-day retention rate, churn rate, etc.
5. **Revenue/cost-related metrics** such as monthly revenue, customer acquisition cost, cost vs benefit metric, etc.
6. **Business specific metrics** that are created specific to business problems. This could vary by industry, company, or team within a particular firm.
7. **Feedback-related metrics** such as net promotion score, customer satisfaction score, feedback loops, etc.

There is a strong relationship between strategic and product-based metrics. Product metrics are the building blocks to create a product vision and to ship product features to the market in the medium to long term timeframe.

Process Metrics

Often ignored in the digital transformation journey are the process and operational-related metrics that are significant in the completion of an end-to-end digital transformation journey.

These metrics focus on building a lean operational processes model, while supporting change management with little to no business impact. Supported through knowledge transfers, as-is and to-be business operational process definitions—process metrics are intertwined with product metrics to complete and continuously manage the digital transformation. Process metrics can broadly be classified into the following themes:

1. **Cost-related metrics** such as cost on operations team, teams/systems duplication cost, etc.
2. **Time-related metrics** such as SLAs, manual person hours per task, etc.
3. **Quality-related metrics** such as errors per month/quarter/year
4. **Productivity-related metrics** such as team productivity rate, planned to done ratio, etc.

Digital Transformation + Stakeholder Management = Value-Based Strategic Partnership

The digital transformation mission is dedicated to ensuring the enterprise moves ahead of competitors and become more agile in the face of disruption. All aspects of the firm will be impacted by digital transformation. However, for a true value-based digital transformation effort, internal stakeholders other than executive and senior leadership need to buy in.

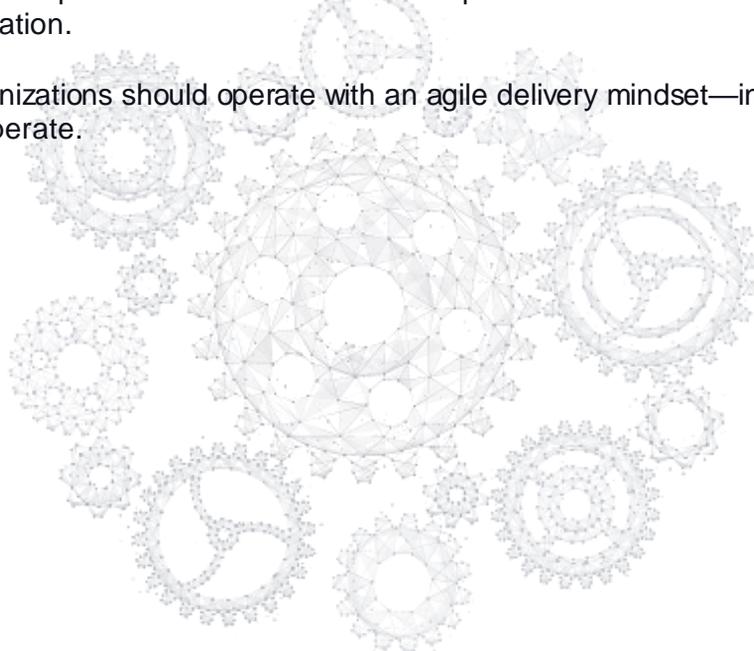
Data applications, product owners, PMOs, sales, marketing, operations, and IT delivery teams alike must align on the target state vision, which is why it is vital to help them understand the value of the transformation efforts. Once the business value proposition is clear, articulate, and well-understood, then the potential value that is unlocked throughout the firm is monumental.

Embracing the value ROAD governance model across the enterprise can prioritize products and clients. Robotizing, optimizing, analyzing, and digitizing are four pillars of the framework to shrinking the footprint process to a 'zero distance'.

Leadership can leverage advanced technologies such as AI, machine learning, virtual reality, augmented reality, IoT, and RPA among others to transform targeted business processes that have incurred operational and technical debt. This shrinks the operational processes footprint so that product and client are the primary focus areas for the organization.

Additionally, best practices from some of the largest technology companies such as design thinking, design sprints, innovation sprints, etc. are being increasingly adopted across the industry. Such best practices will have to be adopted to drive continuous value driven strategy to digitization.

Established organizations should operate with an agile delivery mindset—in the same way a start-up would operate.



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