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Digital Transformation:
benefits, challenges &
best practices

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Content

Introduction

"Oil and gas, retail and financial services — every sector you can think of — is being transformed."

Satya Nadella, Microsoft CEO

Digital transformation starts where organizations encounter challenges: inefficient processes, make-shift software solutions and heterogeneous IT landscapes.

In this white paper, you will learn about what the concept "digital transformation" means, the benefits for companies, the challenges it brings, the technology Microsoft offers for this process and best practices for transformation projects.
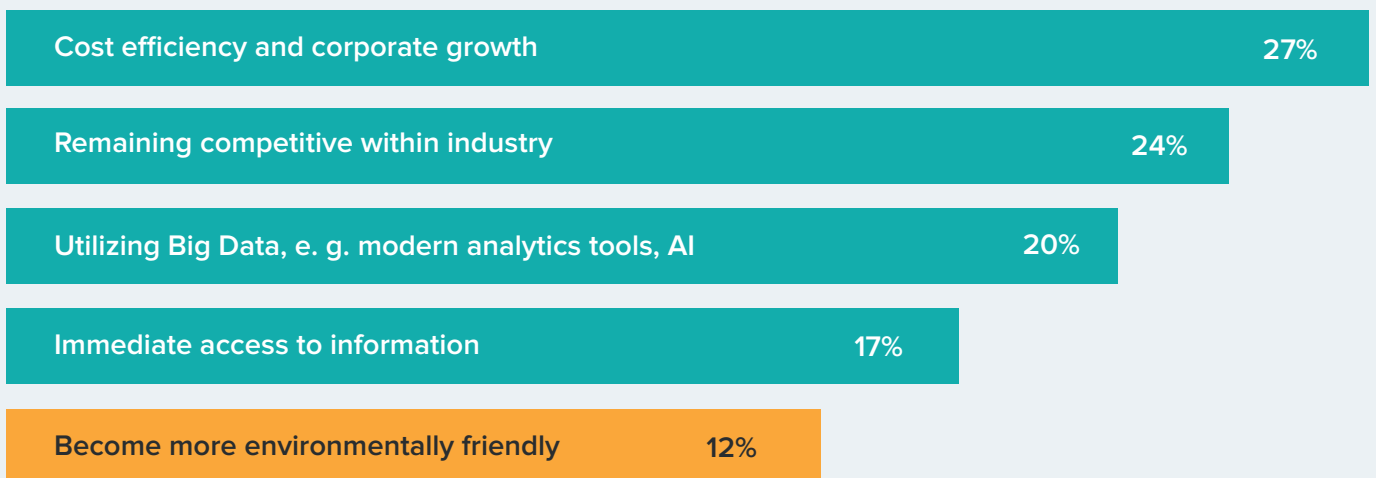
What is digital transformation?

Digital transformation is a constant process of change based on digital technologies and enabled by cloud computing.

Every digital transformation means the same: change for organizations through digitalization, so they can act more flexibly and meet changed customer expectations. What each company has to answer for themselves individually is which goal it wants to pursue with its transformation and which technologies it wants to use.

Goals for digital transformation

Goal	
Cost efficiency and corporate growth	27%
Remaining competitive within industry	24%
Utilizing Big Data, e. g. modern analytics tools, AI	20%
Immediate access to information	17%
Become more environmentally friendly	12%

Internal reasons

External reason

Source: Fujitsu Image Scanners Forschungsbericht zur Geschäftsanalytik - 2020

Digital transformation ≠ digitalization

For brevity, the terms digitalization and digital transformation are often used interchangeably. However, a closer look reveals that the two concepts may be related, but they differ in scope.

Digitalization means switching from analog to digital technologies. It means automating manual processes and making them more flexible, for example replacing a manual time sheet with time-tracking software.

Digital transformation goes further: Processes are not merely digitalized, but rather optimized. Digital transformation changes value chains and structures. It is a response to framework conditions that have changed as a result of digitalization. It solves problems with the best technological methods available.

Examples for digitalization

Bill is sent via e-mail instead of snail mail

Paper forms are replaced by digital forms

Data is stored digitally

All customers receive the same newsletter

Manual time tracking is replaced by time-tracking software

Examples for digital transformation

Bill is sent automatically after placing an order

Digital forms are sent automatically

Data is automatically stored digitally

Customers receive individual newsletters based on their previous interactions with the company

Time-tracking software is available on all devices in use

The four dimensions of digital transformation

Microsoft defines four closely related dimensions of digital transformation:

Optimize your operations

Empower your employees

Engage your customers

Transform your product
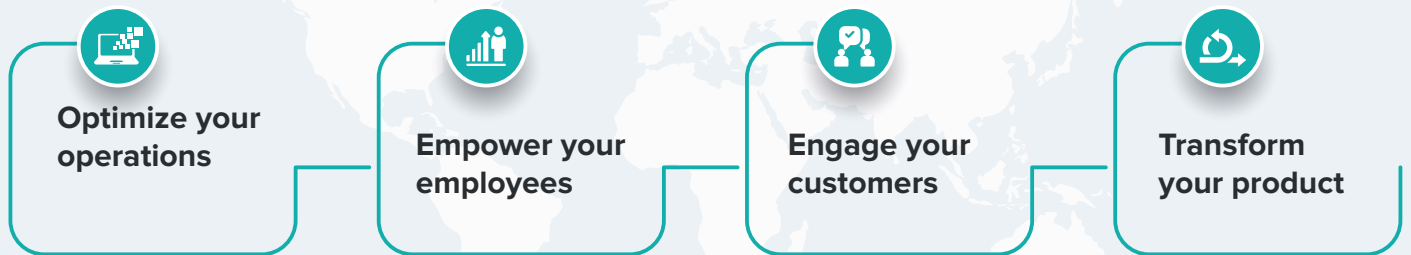
Optimize your operations

Intelligent processes increase the reaction time of your company, improve your customer service and reduce costs. More efficiency and improved productivity can only be achieved if media disruptions are eliminated as well as paperwork and data silos reduced and broken down. What you need to achieve your goal is a central, connected platform. Ideally, it unifies all processes to make them as transparent, fast and flexible as possible.

Helpful questions:

- What processes can be automated?
- Where do I lack transparency?
- Which processes should run more efficiently?

Empower your employees

The success of a company mainly depends on its employees. In order for them to work at their best, they need a productive, flexible and safe work environment. That includes standardized processes and intelligent tools that optimize internal and external collaboration.

Helpful questions:

- What can I do to make my team's work easier?
- What processes can be standardized?
- Which tools are needed to work more productively?

Engage your customers

Customers choose the company that understands their challenges and wishes best. The company has to understand their customers and be able to adapt its products and services to their requirements at any given time. Digital technologies help you collect the needed data and gather relevant insights.

Helpful questions:

- What do my customers want?
- How can I understand them better?
- Which complementary or additional service do they need?
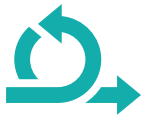
Transform your product

Digital transformation lets you use data as a strategic resource and plan ahead. For example, data tells you what your existing or future costumers expect from products or services as well as about their needs and challenges. These insights help companies to create value from innovation.

Helpful questions:

- Which services complement your current offer?
- Where does the potential for better service lie?
- What customizations do my customers ask for?
- Can certain changes to the product open it up for a new target group?

Benefits of digital transformation

Organizations that optimize their processes with the help of digital technologies work more efficiently. This results in a successful digital transformation having a fast and visible impact on your company's success.

Digitally transformed companies are:

- More innovative
- Less susceptible to disruption
- Fit for the future
- More efficient
- More productive
- More attractive employers
- More agile and flexible
- More competitive

01

Reduced costs and higher revenue

A digital business model is a great foundation for more revenue. It opens up new sales potentials as well as new and more customers. At the same time it strengthens the relationship with existing customers.

By optimizing your processes, employees need less time for the same work. The use of digital technologies can also reduce your overhead costs. If you do not save costs automatically, data insights can help recognize potentials.
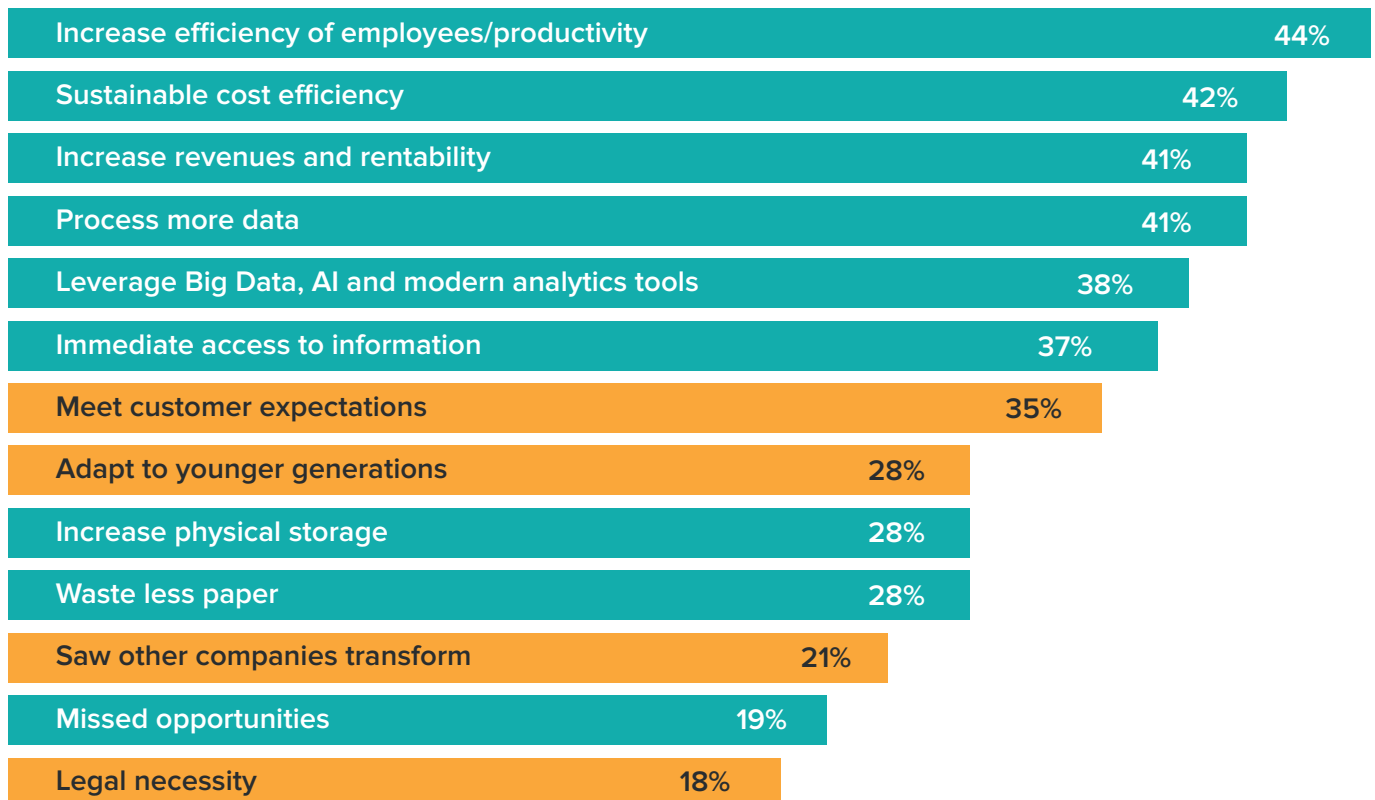
02

More customer satisfaction

The smoother your processes, the more satisfied your customers. Digital transformation helps you think more customer-oriented and thus better fulfill their expectations.

Field service is a great example: The customer has a problem and would like to have it fixed as soon as possible. For that, he needs a service company to support him. He wants to be able to make an appointment when it suits him (via e-mail, online, phone or other) and have his problem fixed on time and with a positive result. That requires a lot of organization on the service company's side. In that case, a field service management solution can be of great help. It increases the possibility that the right employee will be with the customer as soon as possible to fix whatever problem he may have efficiently.

Increased productivity, sustainable cost efficiency and rentability are the most common incentives for digital transformation.

Incentive	Percentage
Increase efficiency of employees/productivity	44%
Sustainable cost efficiency	42%
Increase revenues and rentability	41%
Process more data	41%
Leverage Big Data, AI and modern analytics tools	38%
Immediate access to information	37%
Meet customer expectations	35%
Adapt to younger generations	28%
Increase physical storage	28%
Waste less paper	28%
Saw other companies transform	21%
Missed opportunities	19%
Legal necessity	18%

■ Internal incentives

■ External incentives

Source: Fujitsu Image Scanners Forschungsbericht zur Geschäftsanalytik - 2020

03

Increased competitiveness

Digital transformation makes a company more competitive. It can compete with more companies at more locations. Optimized processes lead to better service and more attractive products and services. Innovations become more frequent and companies can be more agile in their reaction to changing market conditions.

04

Higher demand as an employer

Modern companies attract more and better qualified employees – especially of younger generations. Employees are more satisfied with the company, because optimized processes and intelligent software produce fewer unproductive, demotivating tasks; they can focus on their actual work.

In addition, cloud technology fosters mobile work, which is becoming increasingly important for employees to balance their job and their private life.

05

New business models

Digital technology does not only improve what exists already, but brings new opportunities – for sales, marketing and service. Entirely new digital business models can be the result of digital tools. The cloud requires lower investment for ideas, which for example speeds up the creation of prototypes. Empowering employees will make them more creative and willing to share information and knowledge. A digital company is more flexible, more innovative and more agile. Processes and business models can be adapted, developed, created and scaled more easily.

Challenges of digital transformation

Transformation is not a one-time activity and no project for the weekend either. It can be challenging for companies in many ways. According to a study, 75 % of all challenges are not related to technical issues. Not enough time, a limited budget and the lack of IT expertise are often named problems.

However, the two biggest obstacles to digital transformation are approach and realization:

1. The wrong strategy

Often, the reason why companies fail to successfully perform their digital transformation is that they want too much at once. It is impossible to transform the entire organization with all its processes in one go.

A better approach is to define clear goals and start with a pilot project or a minimal viable product. During this test phase, you can gain experience and then gradually roll out your findings to the entire organization.

It is highly recommended to get support from an experienced partner for your digital transformation. They will help you work out a clear plan, keep potential risks to a minimum, swiftly move forward and avoid bad investments.

01

2. Acceptance of employees

A lot of times, the biggest change management challenge for a company is to get all employees on board. In the end, it is them who must engage with the new vision and put the mission into action. If they don't understand the reasons why change is necessary, or if they are unable to cope with the new ways of working and, worst case, even reject the whole plan, your digital transformation is doomed to fail.

That is why the process of transformation always has to be more than a technological upgrade or a mere optimization process. If you want such an endeavor to succeed, you need to focus on the people that are involved.

02

3. Company culture

Never underestimate the importance of company culture for the success of any transformation project. A digitally transformed company loves innovation and is focused on its employees. It never stands still, but always keeps developing.

To get there, very often the mentality of the company must change. The whole organization needs to adapt this new way of thinking. Digital transformation needs to be the top priority on management level. At the same time, it must also be lived in the grass roots of the organization, because that is where the nurturing ground for innovation is.

03

4. Accompanying change management

At first, many employees will be skeptical towards such a project. They anticipate that the newly implemented software will affect their usual workflows. They even fear to be replaced by technology. At the same time, many are unwilling to give up the way they used to work to learn something new instead.

To foster acceptance, companies should explain their employees the goals they want to accomplish together in the long run. A transparent and open discussion is imperative. Everyone concerned needs to be involved and possible counterarguments must be taken seriously and refuted with reason.

Without change management, digital transformation is likely to fail. Employees need to work with new software and processes as well as fully embrace them. If they don't or only do half-heartedly or inefficiently, no positive change will come from it.

04

What does change management look like in practice?

Change management has to accompany digital transformation. That also means that everyone affected by change needs to be involved right from the start. Change can either be implemented by concrete instructions from the top management "top-down," or it can be initiated "bottom-up."

Start of the change process

Top-down

Bottom-up

Top management

Middle management

Lower management
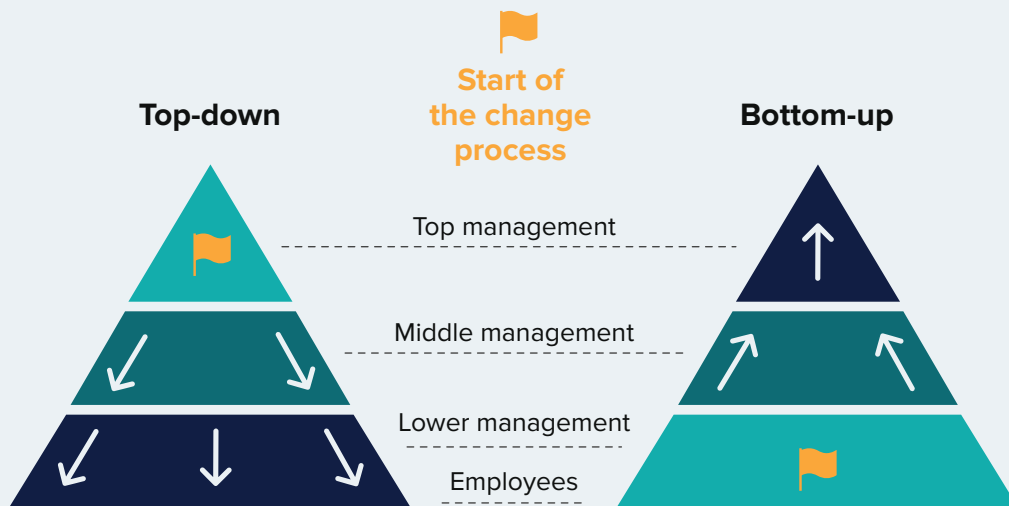
Employees

The top-down method often raises resistance in the ranks of the employees, while the expectations among C-level people tend to be overly high. A bottom-up approach, however, directly shows employees the necessary restructuring measures in their immediate work environment. On the down-side, the full potential of digital transformation isn't realized and goals are set too low.

In case top management and employees alike make suggestions, they can be discussed interactively and agreed upon together. Real-life scenarios prove that the best way is to use as much "top-down" as necessary and as much "bottom-up" as possible.

It is always essential to reach a common understanding of the project:

- Why does the company need a digital transformation?

- Why does it have to be realized now?

- What has changed so far?

- What further changes will there be?

- What are the goals?

- What is the strategy?

Digital transformation with Microsoft technology

"Our mission is to empower every person and every organization on the planet to achieve more."

Microsoft

Even though it is not the final goal of digital transformation, implementing digital technologies is crucial. Therefore, you should choose your applications wisely.

Many companies that already use Windows and Office, choose Microsoft's cloud products. They are easy to integrate seamlessly into your existing infrastructure.

When it comes to digitally transforming a company, Microsoft Dynamics 365, Power Platform, Microsoft 365 (formerly Office 365), and Azure are particularly important.

	Microsoft Dynamics 365	Microsoft Power Platform	Microsoft 365	Microsoft Azure
What is it?	various cloud-based business applications	various low code applications enhancing a company's productivity	family of communication and productivity tools	Microsoft's business cloud
What does it include?	applications for ✔ sales ✔ project management ✔ marketing ✔ field service ✔ ERP ✔ retail ✔ HR ✔ customer service ✔ supply chain management	applications for ✔ business intelligence ✔ developing business applications ✔ automation ✔ chatbots	✔ Outlook ✔ Word ✔ Excel ✔ PowerPoint ✔ Publisher ✔ Access ✔ Teams ✔ Exchange ✔ OneDrive ✔ SharePoint ✔ Intune ✔ Azure Information Protection	more than 200 different cloud computing services like ✔ Azure SQL ✔ Azure IoT Hub ✔ Azure Virtual Desktop ✔ Visual Studio ✔ Machine Learning
What does it enable?	to foster innovation in all departments with intelligent business applications	to transform great ideas into impactful solutions	to enhance productivity	to create secure, future-ready cloud solutions
Why does it support digital transformation?	▪ breaks down data silos ▪ creates more efficiency ▪ improves customer experience	enables employees without knowledge in IT or programming skills to realize their ideas autonomously	▪ creates a modern workplace ▪ enables digital work	▪ fuels innovation ▪ increases data security

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Microsoft 365

Microsoft 365 (formerly known as Office 365) offers companies basic digital equipment. The series contains classic Office applications (such as Word, Excel, and PowerPoint), communication tools (such as Outlook and Teams) and security functionalities.

All these services are available as desktop applications, web versions and apps for mobile devices. This gives employees the possibility to work and communicate anytime from anywhere with anybody. It reduces IT costs and enables mobile work.

Microsoft Dynamics 365

While Microsoft 365 guarantees the communication and the productivity in an organization as a whole, the ten Dynamics 365 applications are dedicated to the processes in its respective departments. Each module can be combined with the other to cover the entire business cycle in one comprehensive solution and thus eliminate data silos.

Dynamics 365 offers productive, intelligent business solutions that are tailored to each of the following business areas respectively: sales, marketing, project management, customer service, field service, finances, supply chain management, retail, and HR.

The apps can be integrated seamlessly with other Microsoft applications such as Microsoft Teams, SharePoint, or Outlook.

Moreover, they can all be customized individually and extended with add-ons developed by partners to gain additional functionalities or to cover requirements that are specific to a certain industry.

Microsoft Power Platform

There is probably no other product that represents Microsoft's mission as well as the Power Platform. Its low code applications allow users without programming skills to evaluate and visualize data, to develop individualized business applications, to automate recurring processes and to develop chatbots for different scenarios with customers.

Microsoft Power Platform is the umbrella term for four applications that can be used separately. **However, their true power unfolds when they are combined:**

- Power BI
- Power Apps
- Power Automate
- Power Virtual Agents

Each of these applications support, adapt, or extend Dynamics 365, Office 365, Azure or other Microsoft services. In doing so, they help to increase productivity across the entire company.

By using the capabilities that Power Platform offers, companies can further align their Dynamics 365 organization to their specific needs. The visualization and evaluation of data as well as using chatbots lead to a deeper understanding of data. These insights can be used to optimize workflows.

Microsoft Azure

Microsoft's company cloud is called Azure and comprises over 200 different applications and services designed to support organizations in mastering their challenges. It provides them with everything they need, be it infrastructure, platforms, software, or technology.

Azure delivers all applications as-a-service, meaning companies don't have to worry about acquiring and operating the necessary servers themselves, but can rather rent them from Microsoft as needed. Payment is made monthly and only for the services and applications you actually use.

Some of the most popular Azure services include running virtual machines, hosting DNS servers, Windows server services and data bases, using it as a data archive as well as backups and disaster recovery.

The platform is highly flexible and supports many different programming languages, tools, and frameworks — not only from Microsoft but also from third-party providers. It is compatible with open-source technologies, too.

How do I get started with digital transformation?

There is no blueprint for digital transformation. Every company needs to realize it in their own way. It is important not to rush things, but take it step by step and accompanied by change management.

However, there are some best practices that will help you avoid common mistakes, accelerate the process and realize the project as efficiently as possible.

But always remember to focus on your company, its individual processes, and requirements.

Planning your digital transformation

A company's vision is the foundation of successful digital transformation. It explains why digital transformation is necessary, what goals to achieve with it and how to achieve them. Next, strategy follows vision. Only when both have been developed, is it time to choose suitable applications and services.

Before starting your project, you should take a close look at the current state of the company's structure, business processes, IT landscape, and regulatory requirements and summarize all current challenges.

Based on your vision and the status quo, you can create a list of the most important measures that will get your company's digital transformation going. With these measures as a basis, you can develop a detailed roadmap.

STEP 01	STEP 02	STEP 03
Define vision	**Describe strategy**	**Develop roadmap**

Find a transformation partner

It is always recommendable to have a migration partner by your side – not just if you find yourself lacking IT expertise. An experienced partner can also help you realize the project as quickly and efficiently as possible while saving costs. Their experience and expertise help you find the right strategy and tactics for the project, among others.

When choosing the perfect transformation partner, you should look for one who has already digitally transformed a company of similar size and from a similar industry as your own. Customer references help you determine whether a partner fits to your company. You recognize highly qualified Microsoft partners by their gold status and the competencies they have been awarded by the corporation.

Conclusion

The potential of digital transformation for companies is huge. Those who prepare well and cooperate with a trustworthy partner, will doubtlessly benefit from it, and early on, too.

We offer a helping hand in your digital transformation

The ideal digital transformation partner is not only an expert in theory and technology but also in its customer's industry. Our consultants are familiar with the processes, priorities and challenges of different sectors. Contact us!

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