



Digital Transformation Projects

How to lead your organization into
the future successfully

An  **InLoox** Whitepaper

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1. Introduction: An Ever-Changing Industry

We live in a global and fast changing world. Everything has to be faster, better, further. Anyone who delivers too slowly and does not adapt will be overtaken. Digital Transformation, Digitalization, the Internet of Things, Big Data are the topics that move not only the IT world, but even industries that have been little affected by digitalization to date. Digitalization is not a new phenomenon. The Web 2.0 has paved the way for technology affecting almost every aspect of life. Digitalization is also not just a passing fad, but a long-term change. People shop differently, they practice their hobbies differently, and they work differently. Companies will not get around to officially initiating the digital transformation process because it already has a huge impact on companies in all industries. New technologies and innovations have fundamentally changed processes, structures and communication in companies. Companies need to be aware of this and not just react, but act proactively. This is the only way to effectively control the digitalization process and ensure that the digital transformation in your company will be a success.

Companies that underestimate digital transformation and do not continuously improve and optimize their processes and methods will lose market share to new competitors or to

current competitors who have adapted better to the new market conditions.

Proper project management is one of the most important prerequisites for a successful digital transformation. Like any change project, digital transformation projects must be planned and prepared precisely: You need to modernize outdated infrastructures and processes, and do not forget the human aspect, because you also have to convince the workforce of the benefits of digital transformation.

The development of digital networking will continue to gain massive momentum. Today, global competition is not only won in the real world, but also in the digital world.

Dieter Zetsche,
Former Chairman of the Board of Management
Daimler AG
(in „Die digitale Transformation der Industrie“)

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2. Digital Transformation

Web 2.0 has fundamentally changed our society and economy. Digital change has already permeated all areas of life and we live in a world more networked than ever: we work in "smart offices", live in "smart homes", and use "smart devices". Systems that previously operated completely independently of each other now communicate and interact with each other. It is even possible to communicate with non digital objects keyword: Internet of Things. Digitalization has also spread through the entire economy and value chain and directly intervenes in all areas of the company. For companies this means that they have to radically change their business processes and structures in order to remain competitive.



2.1 What does “digital transformation” mean?

Digital transformation is a process of disruption ("destruction") and subsequent renewal. Old patterns are broken up and replaced by new, more efficient processes and structures. However, it is not only the technology that needs to be changed, but above all thinking needs to be converted to „digital“ thinking. Digital transformation leads to a disruption of established business models and processes in order to make room for new, more efficient value-added processes. Instead of a linear value chain characterized by asynchronous communication, flexible value creation networks have emerged whose elements can interact with each other immediately and react promptly to inquiries and changes. Managers must ask themselves the following questions:

- > How advanced is the digital development in my company?
- > Which processes, methods and strategies do we have to improve / renew / discard?
- > How do I need to adapt my leadership style to support digital transformation?
- > How well is my workforce prepared for digital change? How familiar are they with the new technologies?

- > How quickly can we react to changes in the market? Can we change business processes quickly?
- > How can we differentiate ourselves from our competitors and deliver added value to our customers?
- > How can we communicate effectively with customers and bind them to the company ("customer retention")?

You will have to ask yourself all these questions over and over again, because digital transformation is not a one-off project that you can forget about after a short time. It is a process that continues and can even take on new forms. This requires a high degree of flexibility from companies. The company has to change fundamentally and there has to be rethinking, especially when it comes to interaction and communication with internal and external stakeholders.

2.2 Chances and Challenges

Chances

Digital technologies open up extremely high potentials for companies to increase efficiency. They can simultaneously realize cost advantages and increase their sales. Especially the time factor, one of the corners of the magic triangle, can be minimized by the automation and optimization of production processes and workflows.

This leads to a higher innovative power, which offers customers and users an increased added value.

Digital change is also changing communication. Teams can collaborate more effectively with each other. In the context of digital change and

collaboration, the term "crowdsourcing" is often used. Crowdsourcing means that companies also involve customers, partners, universities and other external parties in the innovation process. This allows companies to draw on a large pool of knowledge and close any gaps thereof.

Challenges

Digital transformation projects cannot be implemented overnight. It is an ongoing process that involves the entire company. Digital transformation can only succeed if everyone in the company, especially the management, is behind it.

The process is not only about modernizing technologies, but also about changing the way employees think. Companies, particularly at management level, must abandon old thinking patterns and leadership and take the risk of trying something new.

As it is the case with all change projects, much of "change management" is about getting the workforce excited about what's new and relieving them of the uncertainties and worries it entails. Digital transformation can only be successful if everyone in the company is behind the project.

Change projects often fail because employees do not accept the taken measures.

Other challenges that companies have to overcome in a digital transformation include:

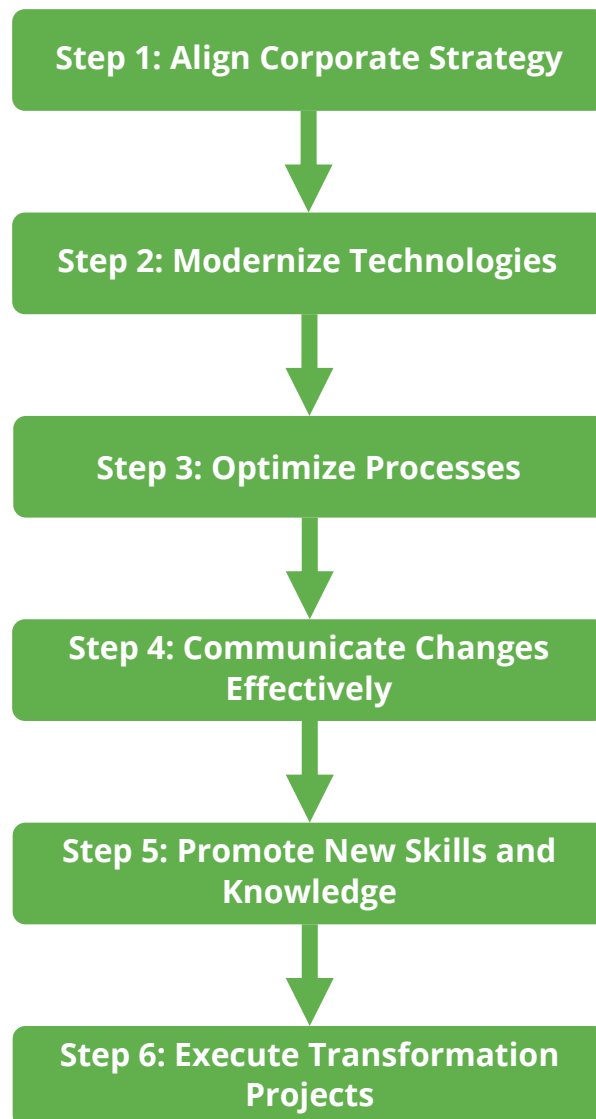
- > Insufficient collaboration between departments within the organization
- > Not enough time and freedom for transformation: lack of capacities due to everyday business but also due to cost and price pressure on the market



- > Ineffective project and change management
- > Security concerns ("cybersecurity")
- > Lack of necessary technical infrastructure
- > Preparation and training of employees for digitalization in the company

Companies, particularly at management level, must abandon old thinking patterns and leadership and take the risk of trying something new.

3. The Path to Digital Transformation





Many industries see great opportunities in digitalization, but still consider their own digital maturity to be very low. There is still a large discrepancy between reality and what is desired.

To successfully complete a digital transformation process, you need to be aware of where your business is right now, where you want to see it in the future, and what steps you need to take to achieve your goal. Before you can begin the actual transformation process, you need to create the right basis.

Step 1: Align Corporate Strategy

The first step towards digital transformation is the alignment of the entire corporate strategy with this plan. Digitalization cannot just happen on the side, it's a change process that has an impact on the entire company and its departments, from marketing to development, to sales and human resources. This means that managers cannot neglect digital transformation, but must ensure that it becomes an essential part of corporate strategy. Then choose digitization projects that are aligned with your new

business strategy and, most importantly, that add value to the business.

Step 2: Modernize Technologies

The most important step, after aligning the entire corporate strategy with digital transformation, is to upgrade the organization with the right technologies. New technologies make for many opportunities. Technologies such as AI ("Artificial Intelligence"), the intelligent machine that can learn with you, robots or sensors (keyword "Internet of Things") enable increased automation of processes and thus contribute to a significant increase in efficiency.

Before you completely dismiss the old systems and replace them with new ones, you have to take stock. Which technologies are obsolete and can be replaced by new ones? Which technologies have proven themselves and should be retained? Many solutions, such as CRM systems, have often been in use for years, and a complete replacement would be time-consuming and would not guarantee an increase in efficiency. In such cases you should develop integrative systems to combine old and new systems and information.

Don't hesitate to invest. Digital transformation projects often fail because there is not enough knowhow in the company or not enough resources or capacities are available.

Often employees are fully occupied with the daily business and cannot concentrate on digital transformation. In such cases it is advisable to get help from IT consultants. They have the necessary expertise and can develop and

implement individual solutions based on the needs of your company.

Step 3: Optimize Processes

Another prerequisite for a successful digital transformation is the optimization of processes. Companies should always strive for optimization and continuous improvement of business processes, but to introduce digital processes, it is important to apply so-called "best practices" in process management. Processes in the enterprise must be prepared for digitization first. This requires working on new processes, which optimize and extend the existing business processes of the enterprise.

Rigid, linear processes are replaced by flexible, iterative ones that enable exchange between departments. This direct contact between different areas promotes faster and more effective decision-making processes and enables companies to respond more quickly to the needs and requirements of their customers. Of course, this requires more effective communication processes.

Web 2.0 has already changed interpersonal communication in companies considerably: Teams can now communicate and collaborate effectively from anywhere, at any time. Social media has also changed corporate communication, playing an increasingly important role in all areas of the company, from internal communication to marketing ("social media marketing") and sales. Take advantage of these opportunities to make processes and communication in your company even more effective and efficient.

Step 4: Communicate Changes Effectively

The digitalization process is a change process, so executives must face initial mistrust and even resistance from the workforce. But to align your business strategy with digital transformation in the long run, you need the trust and support of the entire workforce.

Changes also affect the stakeholders, who have certain requirements and expectations for the further development of the company. It is important to communicate regularly with stakeholders throughout the digital transformation process, especially if any changes have a direct impact on their interests.

Step 5: Promote New Skills and Knowledge

The introduction of new technologies requires employees to be prepared and receive "digital training". While many younger employees that have grown up with the new media – often called "digital natives" – quickly become familiar with new technologies and methods, there are also "digital immigrants", i.e. all those who have not grown up with Web 2.0 and therefore need startup assistance.

Training does not only include the acquisition of technical knowledge, but of new perspectives and extended knowledge on various other aspects, such as customer orientation and cross-departmental cooperation. Targeted training and development measures can effectively prepare your workforce for digital transformation.

Digital knowledge management also includes close collaboration with partners, freelancers,

universities and other external groups. Digital technologies enable easier and more effective collaboration with internal and external stakeholders. Using crowdsourcing, you can leverage the collective knowledge of many different groups to close knowledge gaps within your organization.



combine them with the new ones and operate a kind of hybrid project management. Your transformation project will not consist of one large project, but of many smaller subprojects: a project portfolio. Depending on the project requirements you can select the appropriate method for the individual subareas, or integrate agile elements into classic planning and vice versa. Don't forget to ensure communication and information flow between the classic and agile project teams. Otherwise you risk that the project teams work completely isolated from each other instead of working together.

Step 6: Execute the Transformation Project

The objective of digital transformation is to lead "analog" companies into the digital future. This process is continuous and the transformation is introduced iteratively and integratively. Each transformation project is very individual so there is no perfect solution that works for every project. Depending on the project, you need to adapt your methods and procedures accordingly.

Agile methods are perfect for carrying out digital transformation projects. Compared to traditional project management methodologies like waterfall planning, agile methods like Scrum or Kanban emphasize the iterative approach to planning and give the project manager and team more flexibility.

This does not mean that you should completely discard the "old" methods, because you can also

4. Conclusion



Companies from all industries agree that digital transformation opens up new opportunities and chances for them provided they successfully lead their companies through this process.

Before the actual transformation process can begin, the first step is to align your entire corporate strategy with digital transformation. In step 2, you need to take stock of your existing IT systems to decide which ones have proven to be efficient and can therefore remain, and which systems are outdated and can be discarded. Step 3 is the optimization of business processes. The fourth step is to communicate the upcoming changes to all parties involved. Employees in

particular are affected by the digital transformation in the company. Digitization has a direct impact on the way they work and the success of the process depends on their acceptance. In step 5, you should prepare your workforce for digital transformation by training them to use new technologies, methods and processes. The last step is about actively leading your company into the digital future.

Digital transformation is not easy and requires effort and commitment on the part of everyone involved. Companies will only be able to hold their own in the new economic landscape if they take this important step, because digitalization enables "analog" companies to open up new markets and business areas and to optimize their processes in order to increase efficiency and productivity.

About InLoox

InLoox was founded in 1999 and is based in Munich, Germany. The company develops project management solutions that simplify and accelerate business processes. Users can access their project data either via InLoox for Outlook, an intuitive project management software completely integrated into Microsoft Outlook or via the online project software InLoox Web App. InLoox is now used by 20 percent of DAX companies and more than 50,000 users on five continents and in over 50 countries. InLoox customers include AOK plus, AVIS, Canon, Charité Berlin, German Red Cross, Novartis, Schenker Deutschland, SEAT, Siemens, SOS Kinderdörfer, US Airways, ver.di and many more.

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