DON'T BE LEFT BEHIND: THE TIME FOR DIGITAL TRANSFORMATION IS NOW

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➜ Nick Castellina, Research Director,
   Business Planning and Execution

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Report Highlights

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Organizations today are driven by the need to innovate and update outdated ways of doing business.

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The Best-in-Class are three times as likely to have implemented Enterprise Information Management.

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Organizations with EIM and ERP are 23% more likely to be able to digitize paper-based content.

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Customers are 11% more likely to be satisfied in organizations with EIM and ERP.

This report uncovers how organizations use EIM and enterprise level applications, including ERP, to support and simplify digital transformation. It also illustrates the benefits that this approach can bring.

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Digital transformation is more than just a buzzword. Top performing organizations can improve essential components of their organization (such as supply chain, product innovation, asset management, customer interaction, finance, and employee success) by digitizing processes to make them more collaborative, information-driven, effective, and simple.

The business environment that your organization competes in is highly competitive. In order to survive, it is extremely important to enable your employees to provide superior service to customers while keeping costs low. To accomplish this, many organizations have realized that their old ways of doing business are both complicated and no longer effective. They must modernize the technology that they use, as well as encourage innovation in the processes, that support the business. Digital transformation is more than just a buzzword. Top-performing organizations can improve essential components of their organization (such as supply chain, product innovation, asset management, customer interaction, finance, and employee success) by digitizing processes to make them more collaborative, information-driven, effective and, most of all, simple. But how can this be accomplished? Many of your competitors have paired solutions, such as end-to-end Enterprise Resource Planning (ERP) suites with Enterprise Information Management (EIM) to support digital transformation. Further, Aberdeen's research has found that these organizations have received substantial benefits that could leave your organization in the dust. This report uncovers how organizations use EIM and ERP to support digital transformation, and illustrates the benefits that this approach can bring.
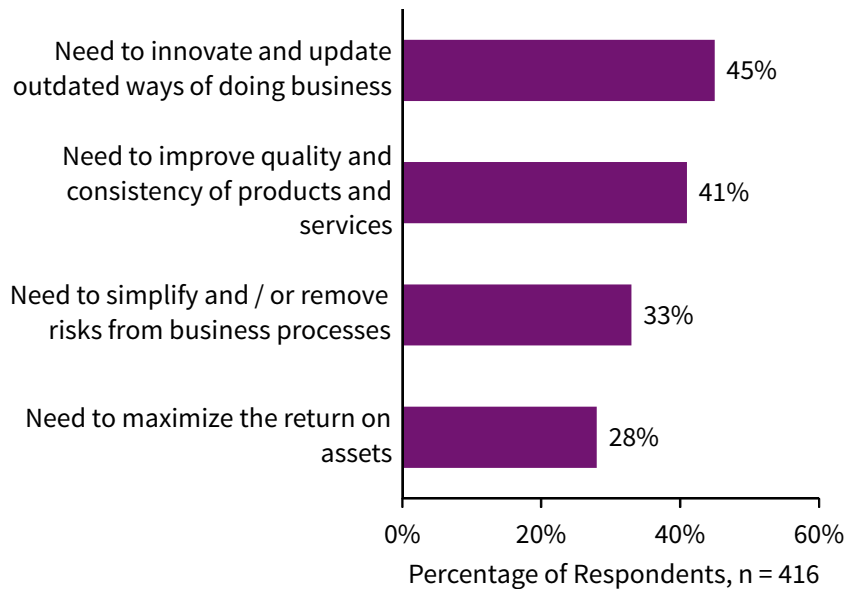
The Why and Where of Digital Transformation

Data collected for Aberdeen's *Business Process Optimization and Change Solutions: innovative Technology for Agile Businesses* identified the top drivers influencing businesses today (Figure 1). The number one driver is a need to innovate and update outdated ways of doing business. Old processes, policies, and products make it very difficult to compete in today's market. Change needs to be made to ensure that regulations are adhered to, customers are satisfied, and costs are kept low. This is often easier said than done; business transformation can have a disruptive effect on an organization.

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The key to success is ensuring that the necessary changes are simple to execute, can provide value, and are supported by the technology used to run the organization.

Figure 1: Time for a Change

Need to innovate and update outdated ways of doing business — 45%

Need to improve quality and consistency of products and services — 41%

Need to simplify and / or remove risks from business processes — 33%

Need to maximize the return on assets — 28%

Percentage of Respondents, n = 416

Source: Aberdeen Group, January 2015

The Aberdeen maturity class framework is comprised of three groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics the groups are:

- **Best-in-Class**: Top 20% of respondents based on performance
- **Industry Average**: Middle 50% of respondents
- **Laggard**: Bottom 30% of respondents

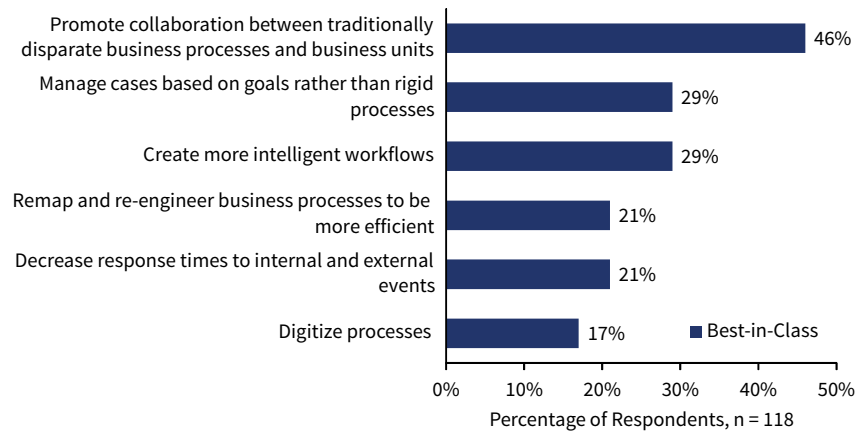Sometimes we refer to a fourth category, **All Others**, which is Industry Average and Laggard combined.

What changes should your organization make in order to compete? It's best to emulate the strategies of Best-in-Class companies. Data collected for Aberdeen's *A New Era in BPM: Enabling an Input-Based Approach to Agile Business Process Management* identified the ways that top performers are innovating across their businesses (Figure 2). The number one strategy is to promote collaboration across the organization, as well as between multiple technologies, in support of business processes. The goal is to reduce friction and improve flexibility when servicing customers, hasten response times to business events, create adaptable processes, and provide the right information and capabilities to employees when they need them. Most importantly, the sum of these strategies is best supported with digital transformation. Best-in-Class

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organizations understand the need to simplify their technology environments, which will enable simpler business processes to create a simpler digital business.

**Figure 2: The Best-in-Class are Digitizing their Businesses**

Source: Aberdeen Group, August 2015

In this report, survey respondents were ranked on the following criteria:

- **Change in the cycle time of key business processes over the past 12 months:**
  - Best-in-Class - 18% improvement
  - Industry Average - 5% improvement
  - Laggard - 36% worsening
- **Complete and on-time delivery of products and services [Percentage]:**
  - Best-in-Class - 94%
  - Industry Average - 77%
  - Laggard - 47%
- **Change in time to decision over the past 12 months:**
  - Best-in-Class - 20% improvement
  - Industry Average - 4% improvement
  - Laggard - 16% worsening
- **Internal schedule compliance [Percentage]:**
  - Best-in-Class - 95%
  - Industry Average - 76%
  - Laggard - 48%

Digital transformation involves modernizing business processes to ensure that gaps are closed, the correct information is collected and supplied, and employees are empowered. This can include simplifying data entry and access, connecting disparate applications, and altering the approach to customer management. A more effective face can be presented to the customer, innovation can be supported, and efficiency can be gained.

But where should organizations focus their innovation and digital transformation initiatives? When Aberdeen asked organizations to rank the "top two" priorities driving digital transformation (Figure 3), the first was, not surprisingly, a focus on serving the customer by improving every possible customer interaction with employees, technology, and the product itself.

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Figure 3: Where to Focus?

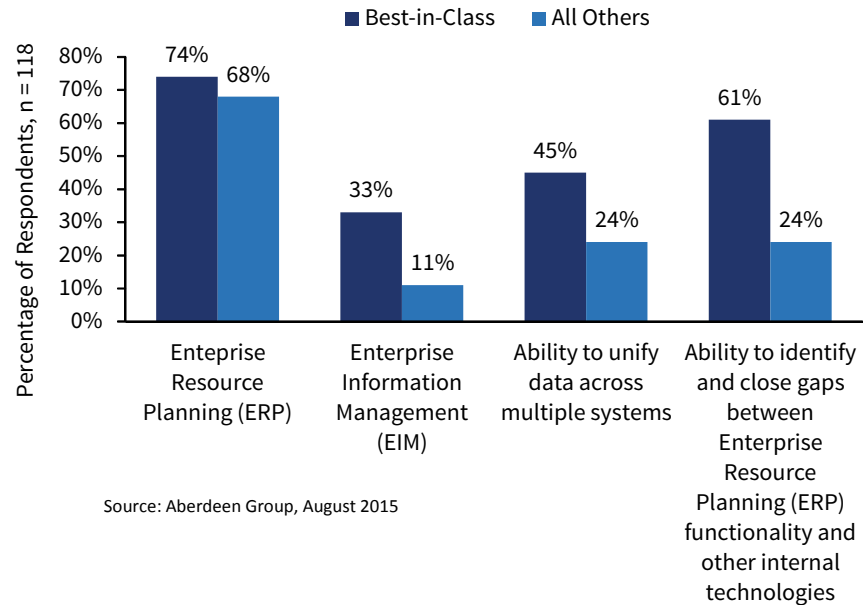Percentage of Respondents, n = 118
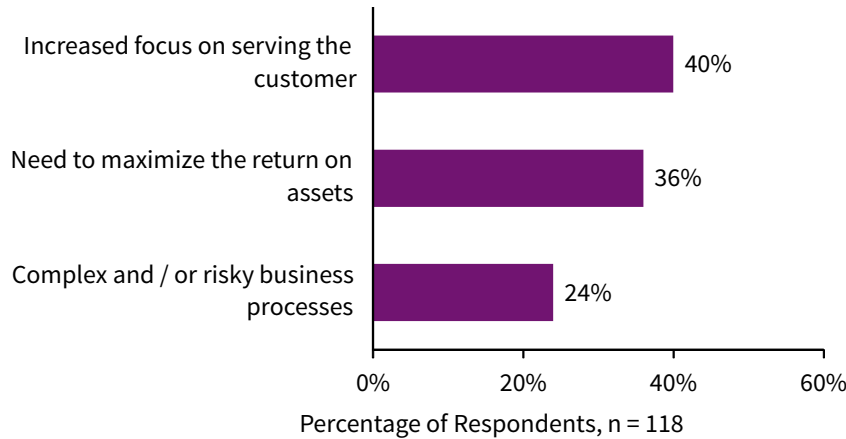
Source: Aberdeen Group, August 2015

Of course, transformation extends throughout the entire organization. Other top drivers thus include the need to maximize returns, as well as improve effectiveness of strategies. In other words, organizations must look beyond customers and innovate operations, including supply chain, finance, asset management, and employee effectiveness. The rest of this report will illustrate how top performers accomplish this.

A Simple Platform for a Simplified Business

Digital transformation is enabled through the technology that an organization uses to support its operations. Two technologies in particular support an organization as it attempts to streamline processes, improve access to information, and enhance collaboration internally and externally. First, 74% of Best-in-Class organizations have implemented an ERP solution (Figure 4). ERP is the operational and transactional system of record that can help to enforce standards and run an organization from end-to-end. In this report, ERP refers to a business suite used for such purposes. Where top performing organizations truly differentiate themselves, however, is in their adoption of EIM.

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Figure 4: Top Performers Link ERP and EIM to Enable Change

■ Best-in-Class   ■ All Others

Percentage of Respondents, n = 118

| Enterprise Resource Planning (ERP)	Enterprise Information Management (EIM)	Ability to unify data across multiple systems	Ability to identify and close gaps between Enterprise Resource Planning (ERP) functionality and other internal technologies
74% / 68%	33% / 11%	45% / 24%	61% / 24%

Source: Aberdeen Group, August 2015

Best-in-Class organizations are three times as likely to have implemented EIM. This is a technology that combines Business Process Management, content and document management, customer experience, and business intelligence. As such, EIM is a platform for merging workflows, technology, and data to provide new and innovative ways of doing business. Top performers are more likely to unify data across both ERP and EIM in order to close gaps between technologies and streamline the organization's operations across all of its functions.

So how does combining EIM and ERP support transformation? Compare organizations with EIM and ERP to organizations without (Figure 5). Combining ERP and EIM helps to create a simple platform that is utilized to support transformation. Organizations with EIM and EIM are over twice as likely to have the ability to link processes to IT systems. They can create online interfaces to guide employees through processes, facilitating data entry, as well as data access. This approach also makes it easier to complete tasks that span multiple applications.

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Processes that were formerly time consuming and costly can be automated or integrated into portals for self-service customer interaction.

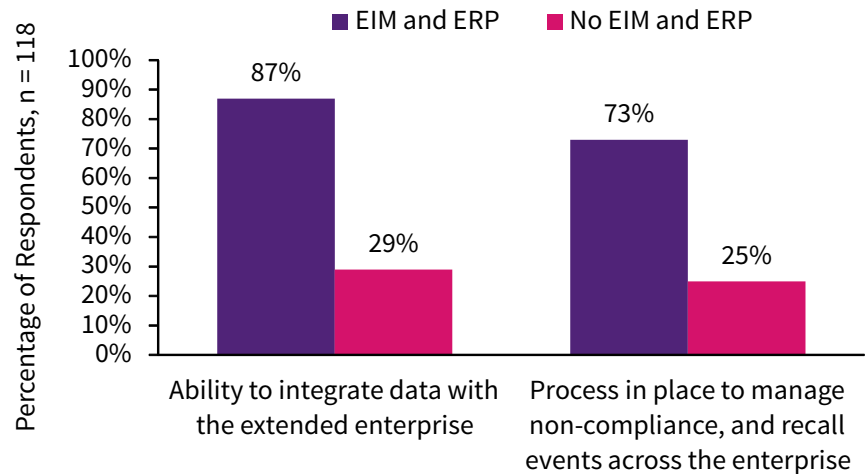**Figure 5: Key Capabilities for Transformation**
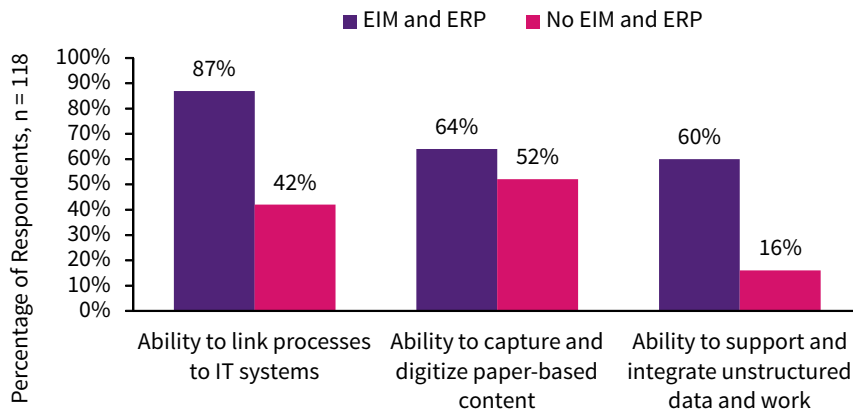
Source: Aberdeen Group, August 2015

Ultimately, combining these technologies supports the digitization of the business. In fact, 64% of organizations with EIM and ERP can capture and digitize paper-based content. This helps on multiple fronts. Data entry becomes seamless and accurate, data access gets easier, and processes are streamlined. This allows employees to work in new ways. While one may be led to believe that digitizing processes could make them more rigid, that is not the case when organizations combine ERP and EIM. Truly, organizations that have paired these technologies are 4.8 times as likely to have the ability to support and integrate unstructured data and work. This has an infinite number of benefits, including improved access to relevant information concerning supply chain data and greater flexibility when handling customer cases. All of the above aims at simplifying information flows internally and externally to improve communication to the extended enterprise such as customers and regulators.

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In practice, the capabilities provided by combining EIM and ERP can help your organization improve the critical functions mentioned earlier in this report. These include supply chain management, customer management (including product innovation), and operations (including asset, financial, and employee management). First, note the ways that combining EIM and ERP can help to improve supply chain management (Figure 6).

Figure 6: Transforming Supply Chain

Source: Aberdeen Group, August 2015

Aberdeen's 2014 Business Management and ERP Benchmark Survey found that Best-in-Class organizations are:

- 18% more likely to have standardized procedures for order management and delivery / fulfillment
- three times as likely to have a process for a mock or real recall

Organizations with EIM and ERP are three times as likely to be able to integrate data across the extended enterprise. They can then, for example, better understand the limits to potential supply. When combining this information with demand signals coming from customers, the organization can ensure that inventory is optimized, securing favorable prices for materials and stock while avoiding inventory holding costs or stock outs. Not only can combining these technologies help to standardize order management and delivery, it also helps organizations maintain the information needed to identify where products end up, managing recall situations, if necessary. Combining EIM and ERP improves supply chain operations by facilitating

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interactions both up and downstream, while collecting and providing data that streamlines processes and decision-making.

Next, combining EIM and ERP can greatly improve customer management. This stretches from developing new products and services to interacting with customers themselves (Figure 7). These interactions can help inform the direction an organization chooses when introducing new products and services. With EIM and ERP combined, organizations can collect this information, which is often unstructured, both internally and externally. The organization can then utilize EIM and ERP to simulate the execution of these processes and products, as well as create a portal for this information, often in a format that mirrors the look and feel of consumer software.

Figure 7: Transforming Customer Management: Product and Process
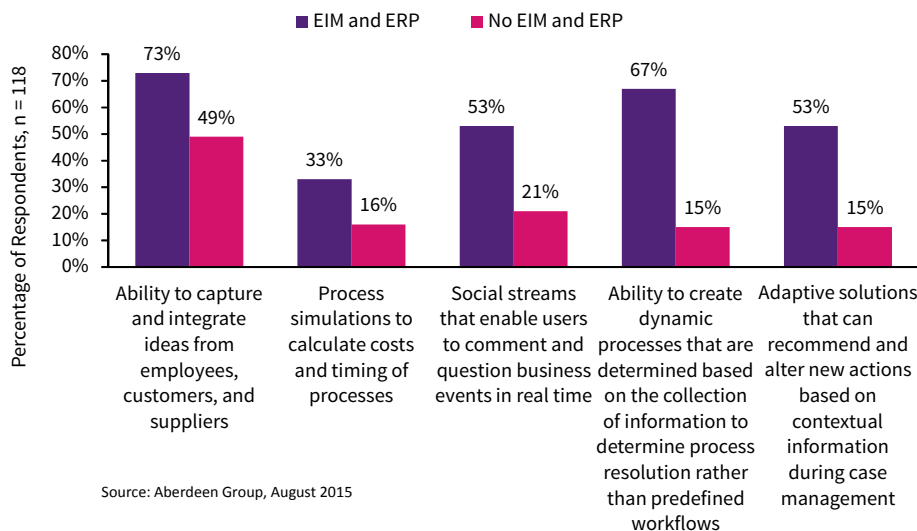
Source: Aberdeen Group, August 2015

Aberdeen's 2014 Business Management and ERP Benchmark Survey found that Best-in-Class organizations are 9% more likely to have a centralized repository of all customer information.

But when it comes to customer management, the benefit of combining ERP and EIM truly resides in the ability to add value to customer communication. This is more than just creating a centralized repository for all customer information. For example, 67% of organizations with EIM and ERP can create dynamic

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Aberdeen's 2014 Business Management and ERP Benchmark Survey found that Best-in-Class organizations are 22% more likely to have a unified view of labor costs and workforce data.

processes that are based on the collection of information. It's extremely difficult to predict where an interaction with a customer will go. Will changes need to be made to their account? Is there an opportunity to upsell? Are their concerns outside of the scope of a normal customer interaction? ERP and EIM can simplify your information flows to create recommended courses of action that will keep your customers coming back for more.

Lastly, the pairing of EIM and ERP can help to improve operational capabilities such as asset, financial, and employee management (Figure 8). When it comes to asset management, this pairing is over five times as likely to enable the integration with the "Internet of Things". This brings with it the true digitization of business, enabling the collection of data in ways that were not previously possible. As a result, these organizations are more likely to have real-time visibility into the health of systems as well as the status of all processes. These same capabilities can be provided in the context of financial management, where business users can analyze deviations in financial data to inform investments, budgets, and forecasts.

Figure 8: Transforming Operations: Finance, Asset, and Employee

Source: Aberdeen Group, August 2015
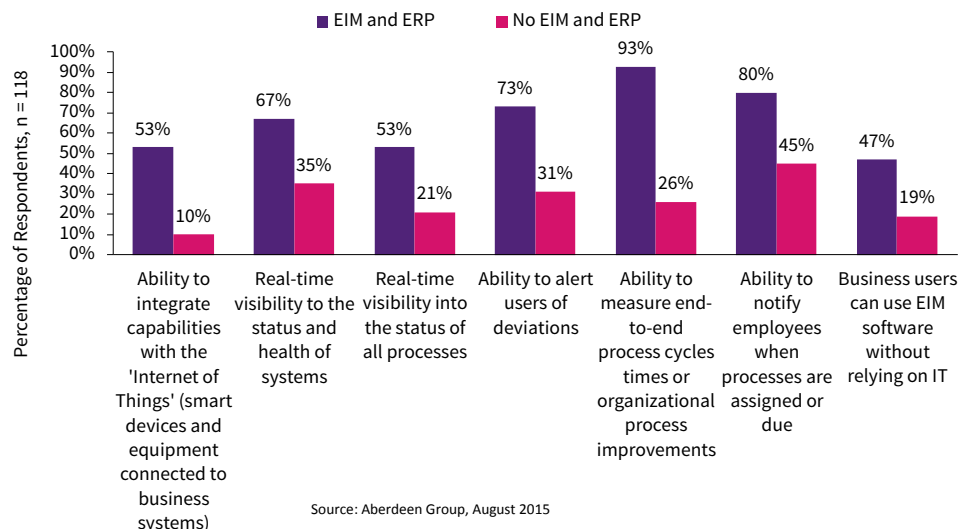
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It is also important to note how combining ERP and EIM can help your employees to perform better. For example, these organizations are 3.6 times as likely to be able to monitor the effectiveness of processes, and then use that information to improve performance. This solution can find efficiencies and then direct employees accordingly. In fact, the software can alert them to complete tasks as needed, which greatly improves agility and efficiency. Further, combining these solutions creates an easy-to-use technology environment that employees can rely on. They no longer have to rely on IT and can let the software help them at all times.

The Results

Connecting EIM and ERP leads to tangible benefits that can improve your organization's ability to compete (Table 1). The connection of these tools will enable your organization to simplify its technology foundation, information flows, and processes. Since process improvements are supported and essential information is provided when needed, organizations with EIM and ERP have seen more significant improvements in time-to-decision, the cycle time of key business processes, and productivity. In fact, those with EIM and ERP perform either two or three times as well in these areas when compared to organizations without. Not only does this result in better internal schedule compliance and on-time delivery of products and services, but it also leads to benefits in the specific improvement areas that this report discussed, such as customer engagement and employee management. Note that customers are 11% more likely to be satisfied in organizations with EIM and ERP. These data points provide proof that EIM and ERP can support your organization's digital transformation initiative and deliver true value.

Table 1: The Results

Performance	EIM and ERP	No EIM and ERP
Improvement in time-to-decision (past 12 months)	21%	7%
Improvement in cycle time of key business processes (past 12 months)	21%	7%
Improvement in productivity (past 12 months)	17%	7%
Improvement in time to onboard a new employee (past 12 months)	30%	6%
Complete and on-time delivery	88%	80%
Internal schedule compliance	93%	78%
Customers that report better than average satisfaction	89%	80%
Sales pipeline represented by new accounts	75%	64%
Employees that exceed performance metrics	42%	35%

Source: Aberdeen Group, August 2015

Key Takeaways

The time is now for business transformation. Through available technologies, such as EIM and ERP, top-performing organizations can digitize their processes to remove bottlenecks, improve agility, provide relevant information on demand, and collaborate more effectively internally and externally. EIM provides the flexibility, information, and connections between technologies. ERP is used to help enforce standards and

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maintain operations. In order to simplify digital transformation, heed the following recommendations:

➔ **Determine metrics for success.** What are the goals your organization has set for itself, both long and short-term? Are you looking to reduce inventory costs? Do you want to improve customer satisfaction? How about employee retention? First-call resolution rates? The time it takes to develop a product? Figure out the metrics that matter, and then find ways to improve them.

➔ **Identify areas of improvement.** Linking the previously defined metrics to people, products, and processes is the key to transformation. Your organization can prioritize the most important areas and devise ways to improve, modernize, connect, and innovate.

➔ **Utilize technology to transform operations.** The combination of EIM and ERP provides a platform for digitization and innovation. These solutions can help to convert manual processes, improve user experience, and enable connections with the extended enterprise. This report has provided an impressive, but far from complete, list of the ways that connecting EIM and ERP can help to improve supply chain management, customer experience, and operations.

➔ **Continuously improve.** Your work is never done. Use the information that can be gleamed from ERP and EIM to identify ways to continually update procedures, workflows, and information management.

Don't hesitate; connecting EIM and ERP is the perfect foundation for becoming a digital business and building towards success.

For more information on this or other research topics, please visit www.aberdeen.com.

<table>
<tr><td colspan="2">**Related Research**</td></tr>
<tr><td>A New Era in BPM: Enabling an Input-Based Approach to Agile Business Process Management; May 2015
BPM for IT: Enabling the Enablers of Process Improvement; May 2015</td><td>Business Process Optimization and Change Solutions: innovative Technology for Agile Businesses; January 2015
Business Process Modeling: The Foundation of a Successful Business; April 2014</td></tr>
</table>

Author: Nick Castellina, Research Director, Business Planning and Execution
(nick.castellina@aberdeen.com)

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