

WHITE PAPER

# How Digital Transformation Works in and for Midmarket Organizations

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## Abstract

Despite current economic uncertainty, organizations are sticking with their digital transformation programs. Many organizations accelerated these programs during the COVID-19 pandemic, but they are, in any case, part and parcel of a fundamental, structural transformation of businesses from analogue to modern, digital forms that have been ongoing since at least the advent of the web.

Recent elements of digital transformation that have come to the fore include the increased automation of knowledge work processes, often invoking robotic process automation, the digitalization of employee and customer experiences, and making enterprises as sustainable as possible in the context of the climate crisis. Hybrid working is an aspect of digital transformation that went from a minority pursuit to mainstream adoption during the pandemic. The notion of working from home or the office is being supplanted by that of working from anywhere, at any time. Building a distributed workforce is the subject of a companion white paper from TechTarget's Enterprise Strategy Group, *How Partners Can Help Build a Distributed Workforce Strategy*. Artificial intelligence (AI) has also re-emerged, with fresh gusto, as a technology enabler for digital transformation, thanks to the recent hype around generative AI.

This white paper focuses on the inescapability of digital transformation in North America and western Europe for midsize organizations (i.e., organizations with 100 to 1,000 employees). It explores how IT services and product companies enable, deliver, and secure digital transformation for midsize businesses in a gradual, evolutionary way, hand in hand with their customers.

## Introduction

Were there a competition for the most nebulous business technology phrase of the past decade, “digital transformation” would be a strong contender to win.

But a good way of encapsulating the real value of the phrase is to focus, as a thought experiment, on the physical form of the printed document, whether made up of words only or of both words and graphics. Turning that physical document into a digital entity that can be shared extremely easily and can be hyperlinked to a multitude of other documents is the essence of the web.

Xerox, and other providers like it, are at the heart of that digitalization not only of the document, but of all the business processes that surround it.

In an interview at ServiceNow's Knowledge conference in May 2023, John Perry, Vice President of Global Delivery Transformation and Technology at Xerox, describes the digital transformation journey from printed documents to digital twinning on a smartphone: In an interview at ServiceNow's Knowledge conference in May 2023, John Perry, Vice President of Global Delivery Transformation and Technology at Xerox, described the digital transformation journey illustrated by this particular digital twin example, saying, **“It wasn't that long ago when technicians would show up onto a customer site with a book of printed documentation, a toolbox, and parts. If they needed help, they'd have to borrow the customer's phone to get help. Then we gave them a pager—the first level of digital transformation for the technician. Then we put the documentation—straight PDFs—onto a laptop. Then we made those documents smart, so you could click on features and explode drawings or get taken to an instruction step. Then we gave them cell phones and then smartphones that automated their work instructions and showed them how to get jobs done. We've been digitally transforming for a long time, even when we didn't call it digital transformation. And now, there is not just voice or text communication. There is video; there is augmented reality. And now there is AI. Printers are digital citizens. They're telling us things all the time that, coupled with AI, provide digital insight to help technicians support clients better.”**

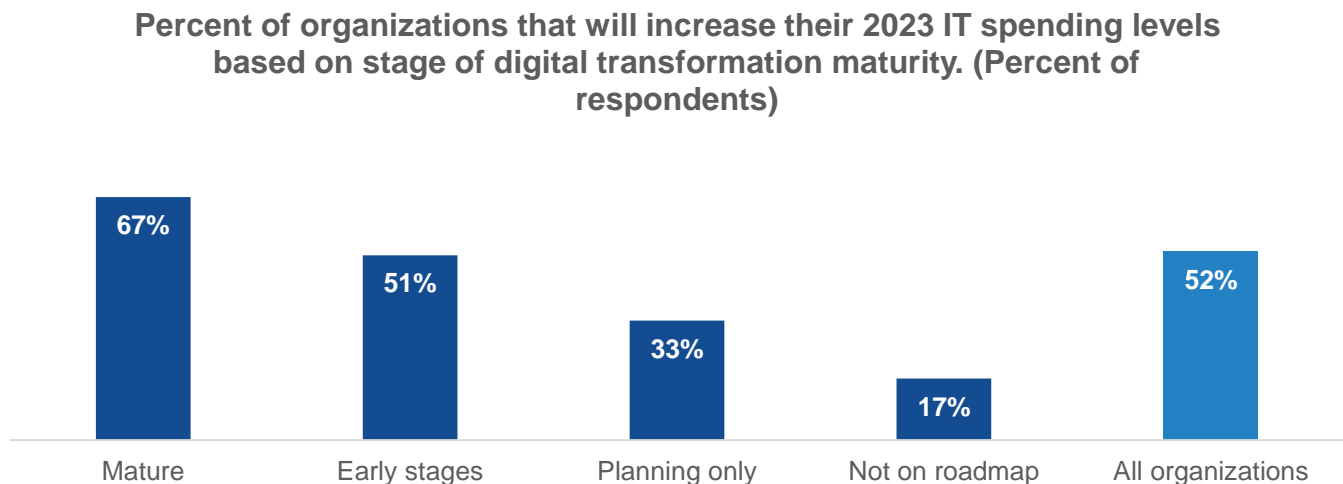
## Digital Transformation – Seeing It Clearly

This [TechTarget guide to digital transformation](#), broadly defined as “the incorporation of computer-based technologies into an organization’s products, processes, and strategies,” provides a comprehensive and in-depth exploration of the concept. The author of the guide writes, “**Dismissed as just a buzzword for many years, digital transformation has become palpable and urgent.**” Ultimately, digital transformation’s value lies in its imbuing of organizations with the agility to stay relevant in their markets or environments.

## Digital Transformation in 2023 – What the Data Says

Enterprise Strategy Group’s *2023 Technology Spending Intentions Survey* found that, while technology spending is slowing because of global macroeconomic conditions, we expect the more digitally advanced organizations, of all sizes, to maintain and step up investment (see Figure 1), with more than half of organizations expected to increase their spending on IT products and services in 2023.<sup>1</sup> Of the 742 respondents to the survey, 37% were from organizations employing from 100 to 999 people, and the majority (57%) were from organizations with fewer than 2,500 employees.

**Figure 1.** The Majority of Organizations Plan to Increase Investment in Digital Transformation



*Source: Enterprise Strategy Group, a division of TechTarget, Inc.*

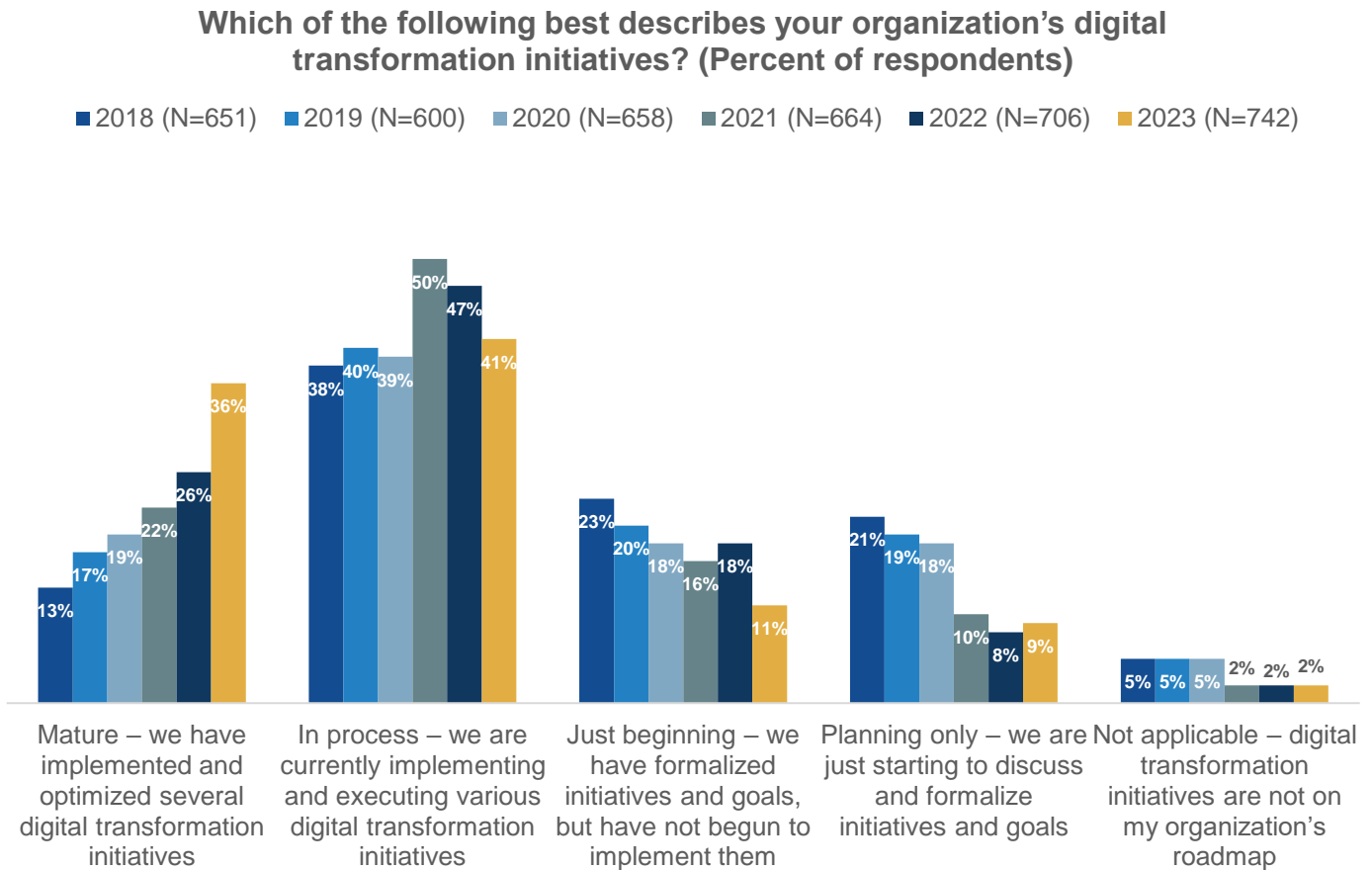
The research report states, “Strengthening cybersecurity is the most-cited business driver for technology spending in 2023, followed by three initiatives related to digital and business transformation: improving customer experience, enabling real-time business intelligence and customer insight, and increasing business workflow automation.”

Organizations continue to undergo steady and continued investment in digital transformation programs (see Figure 2).<sup>2</sup> Doing more with less is a strong theme, with operational efficiency being the most common driver for digital transformation initiatives.

<sup>1</sup> Source: Enterprise Strategy Group Research Report, [2023 Technology Spending Intentions Survey](#), November 2022.

<sup>2</sup> Ibid.

Figure 2. Digital Transformation Efforts Continue to Mature



Source: Enterprise Strategy Group, a division of TechTarget, Inc.

TechTarget's *2023 IT Priorities Study*, which includes responses from IT decision-makers in North America, the UK, and EMEA, reinforces the findings of the Enterprise Strategy Group research.

Automation, customer experience platforms, and knowledge management (KM) are three significant areas for investment, under the broad digital transformation umbrella.<sup>3</sup>

### Automation

The IT Priorities study found 2023 to be a big year for automation, for larger companies especially, but also for midmarket organizations. Among all surveyed companies in North America, 68% plan to increase their use of automation.

### Customer Experience Platforms

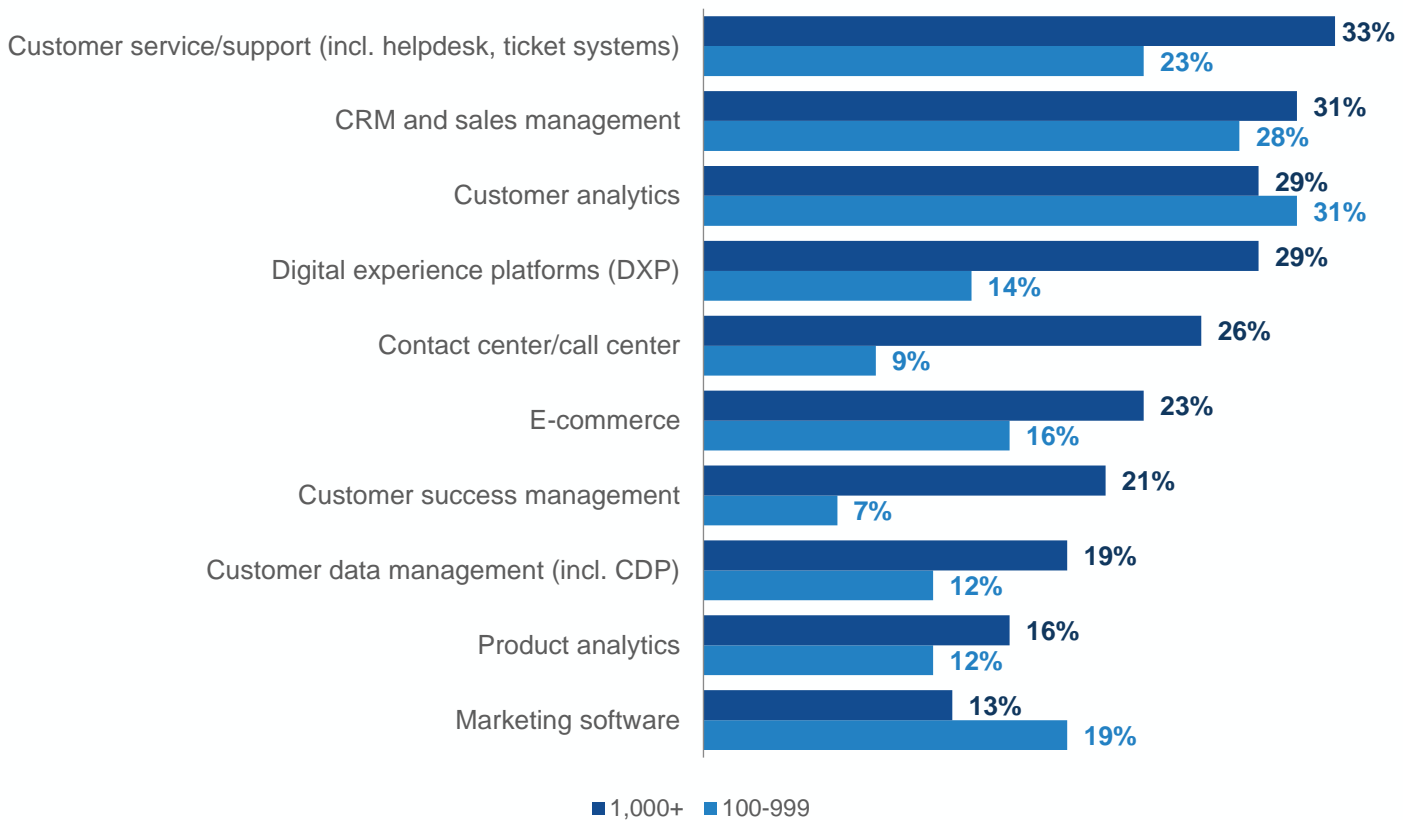
But where the rubber of digital transformation hits the road for smaller organizations is the area of customer experience. As shown in Figure 3, the top three investment areas for companies with fewer than 1,000 employees are customer analytics (31%), CRM and sales management (28%), and customer service/support (23%). Indeed, customer analytics is marginally ahead for SMBs, compared with larger enterprise respondents.<sup>4</sup>

<sup>3</sup> Source: TechTarget, [2023 IT Priorities Study](#), April 2023.

<sup>4</sup> Ibid.

Figure 3. Midmarket Organizations Prioritize Customer Analytics

**Which area(s) of Customer Experience will your organization be investing in over the next 12 months? (Percent of respondents)**



Source: Enterprise Strategy Group, a division of TechTarget, Inc.

### Knowledge Management and Document Collaboration

Another business applications discipline that organizations are planning to invest in that heavily suggests a possible bulwark against personnel attrition—as exemplified by the well-attested phenomena of the “[great resignation](#)” and “[quiet quitting](#)”—is KM. Respondents to TechTarget’s IT Priorities research (in North America) report that KM is the content management application most commonly planned for deployment over the next year (28%), just ahead of the cognate categories of document collaboration (27%) and information governance (26%).<sup>5</sup> The majority of the 847 respondents (59%) were from SMB organizations, and 28% of the organizations that employ up to 999 people said they plan to deploy document collaboration over the next year.

### Digital Experience Platforms

Digital experience platforms (DXPs) are one signal area for broader digital transformation programs that indicate future directions of travel. Enterprise Strategy Group’s recent research in this area found that the majority of respondents (53%) reported that their organizations are still on their digital transformation journey and are in the

<sup>5</sup> Ibid.

planning, beginning and in process stages.<sup>6</sup> This is an area of incipient growth, but it shows where the vanguard is heading.

According to Enterprise Strategy Group research, 30% of midmarket organizations said that improving the digital experience an organization’s executive team provides is their most important business priority, while 43% of all organizations reported that it is their most important business priority. However, 58% of midmarket organizations said that improving digital experience is one of their top five priorities, which is significantly higher than the overall respondent population at 45%. In addition, Enterprise Strategy Group found that 28% of midmarket organizations have started 7 to 10 digital transformation initiatives in the past two years.<sup>7</sup>

## Customers Meet Business Challenges with Digital Transformation Initiatives

In writing this White Paper, Enterprise Strategy Group learned of a range of Xerox’s midmarket clients whose use cases illustrate how digital transformation can modernize companies and other organizations to be agile for present and future strategic development.

### How a North Carolina Furniture Maker Went Digital

One might think digital transformation is largely the domain of aerospace companies changing their business models to servitization (i.e., turning products into services) and the like. But what about more everyday products like tables and chairs?

[Fairfield Chair](#) is a family-run furniture maker based in Lenoir, North Carolina, established in 1921, and employing around 500 people. The company’s employees were drowning in paper. They had half a million documents in filing cabinets that had to be digitized, including the specifications for the furniture, which were written by hand originally. When approaching their centennial, they decided that things had to change.

Now, the employees scan papers into a central content management system in the cloud where the documents can be measured, managed, and securely stored. The company also reportedly integrated six departments on one platform and freed up 40% of floor space that was previously occupied by their filing cabinets. In addition, they have reduced their print costs by 35-40%.

**“Previously an employee had to walk up from the first floor office to the third floor file room every time they needed a document. Now, you find it in seconds at your desktop.”**

--John Thomson, Director of Information Technology, Fairfield Chair

They say they can now also respond faster to customers, with instant online access to information. Invoices are now digital, and their finance processes are no longer bogged down in paper.

### How a Car-crushing Company Digitized Itself

Again, one might not think of car crushing when considering digital transformation. But [Bowe Machine IT Services](#) has gone from being a paper-based company to using CAD-driven electronic files.

Founded in 1956 by Bill Bowe and based in Bettendorf, Iowa, the 80-person company supplies half of the US’s scrapyards and makes machine parts for companies that include John Deere.

<sup>6</sup> Source: Enterprise Strategy Group Research Report, [Digital Experience Platform Trends](#), April 2023.

<sup>7</sup> Ibid.



As their new CFO discovered at the start of his tenure in 2014, employees could not reliably access or save electronic documents and drawings due to a lack of networking infrastructure. Its enterprise resource planning system ran on servers that were not being backed up. They were teetering over an information abyss.

According to the company, bolstering the IT infrastructure and enforcing 100% electronic record-keeping for clocking on to the job has contributed to a 10% increase in revenue. And though it kept on crushing cars throughout the COVID-19 pandemic, employees were able to work from home when necessary, thanks to the new networking infrastructure.

Getting modern Wi-Fi over the entire 99,000 square foot plant was a game changer for Bowe, as was a shift to managed services that took away the existential risk they had been running.

### Robotic Process Automation Takes Away Accounting Pain at LeChase Construction

[LeChase Construction](#) is a company that is taking a step-by-step approach to digital transformation. The company's corporate controller referred to using "baby steps" in its digital transformation journey, one of which was to apply robotic process automation (RPA) to accounts payable. With around 700 employees and revenue around the \$1B mark, the company is larger than both Fairfield Chair and Bowe Machine IT Services.

Accounts payable represented the company's highest volume of documents, with 2,500 to 3,000 invoices coming in monthly at the time of its first robotic process automation project. As is typical, the project goal was to save staff members' time so they could focus on more high-value and interesting activities. Their stated plan is to scale up RPA deployment across all the functions of the business.

### Texan Litigation Support Company Robotizes Court Case Documents

Also looking to save staff time for more creative, higher value tasks is [Lexitas](#), an 841-person litigation support company headquartered in Houston.

Previously, Lexitas employees had to manually convert all digital exhibits received from their clients into readable PDFs in order to submit or file court documents, and they had to manually stamp and save them according to a naming convention.

They now deploy a bot that works with Adobe to convert documents to readable PDFs and then stamps and saves the PDF files. The solution is deployed on Amazon Web Services. This is another example of using robotic process automaton to relieve knowledge workers of laborious, repetitive tasks.

In relation to another type of knowledge worker, Xerox gives an example of how an individual end user, an [architect](#), benefits from its digital workflow products in getting her work done seamlessly, combining digital with physical documents while working in the office, from home, or in a coffee shop and converting text to audio when that is a better mode of consumption.

### Digital Transformation in the Public Sector

The foregoing examples have been culled from the US and from the private sector, but organizations elsewhere and in the public sector are also undergoing digital transformation initiatives. In the UK, we also find a public sector organization that has been drowning in paper: the English and Welsh Land Registry.

His Majesty's Land Registry for the two countries has an avowed mission to "become the world's leading land registry for speed, simplicity, and an open approach to data."

Some four years ago, the organization set out to transform its paper-based catalog and document submission process to a digital system that modernizes the entire document workflow.



Every day, HM Land Registry receives tens of thousands of applications for changes to the Land Register. While the vast majority arrive electronically, around 10% still arrive by post. These must first be scanned and digitally uploaded to the organization's case management system. This amounts to 2,000-3,000 hard-copy applications to scan every day.

Their goal is to remove all human intervention on straightforward applications in order to give their caseworkers more time to focus on the complex work that needs their input, improving turnaround for customers. And so, the platform they are deploying uses AI-supported optical character recognition, which can learn from manual intervention and increase accuracy over time, ultimately reducing manual intervention to the most difficult cases, such as the interpretation of handwriting.

## Conclusion

Digital transformation might seem like a rarefied phrase relevant only to large, complex companies, but for midsize companies and organizations, there is a wealth of value to be reaped from specific, concrete digital projects.

Enterprise Strategy Group's research indicates that organizations are not stinting on their digital transformation programs, despite uncertain economic times and environments. There is a big automation story here, whether that comes in the form of robotic process automation or accelerating analogue processes by digitizing them.

And while that applies more strongly to large enterprises, it also applies to midmarket organizations. We have seen that customer service and experience and DXPs are of real importance to midmarket enterprises. DXPs are a good proxy for digital transformation as a whole since they are at the more mature end of this activity. They are also, by definition, close to the customer, and so they are commercially vital. They are also deployed internally, for employee experience. As such, they are part of the digitalization of the employee experience, enabling working from anywhere, at any time. This topic is explored in the companion Enterprise Strategy Group White Paper, *How Partners Can Help Build a Distributed Workforce Strategy*.

According to an Enterprise Strategy Group research report, "Digital transformation projects are in full bloom within most organizations, and improving the digital experience is a critical piece of most of those efforts. In fact, improving digital experience is now a top business priority that is driving investment into supporting technologies such as digital experience platforms (DXPs)".<sup>8</sup> But there is much to do. This is a dynamic field. The report continues: "Although digital transformation initiatives have been in motion for years at many organizations, less than half consider themselves to be mature in this area, while others are still in the process of implementing and executing various initiatives (or just beginning to)." As we have seen, 58% of midmarket organizations said that improving the digital experience that the executive team provides is one of their top five business priorities for 2023.<sup>9</sup>

Ultimately, digital transformation is about people, in harmony with technology and processes, giving them the tools to get the job done from anywhere and dissolving encumbrances like data silos or language barriers. And, at a corporate strategy level, continued and continuous digital transformation is about ensuring agility as the economic environment changes and as market challenges arise. It is inescapable.

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<sup>8</sup> Source: Enterprise Strategy Group Research Report, [Digital Experience Platform Trends](#), April 2023.

<sup>9</sup> Ibid.

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