



WHITEPAPER

DIGITAL TRANSFORMATION 4.0

Digital Transformation 4.0 actually says it itself: this is not about incremental transformation, but about a step change change, aimed at disruption and exponential value creation by using DATA to guarantee the continuity of the organization. In fact, it is more of a metamorphosis than a transformation. From caterpillar to butterfly!

Why 4.0 instead of 2.0 all at once?

Before COVID-19, practically all digital transformations consisted of long-term incremental transformations 1.0, with an emphasis on culture change and innovating/optimizing the existing business model, with the main economic objective: efficiency of the business model. The reason for this was that in 90% of all cases investments were made in a traditional way in a digital CRM to facilitate the "customer journey", in other words an IT project, application-centric, to realize an increase in turnover in the short term at apparently lower costs without the real problems viz. to clean up the IT legacy in the old operating model.

"Because the emphasis was placed on the business model in combination with. cloud technology, many of these projects failed because they excelled in complexity and were driven by an IT department that ran the business remotely. Or the steam train 2.0!"

However, the Digital Transformation 4.0 is a business transformation aimed at the re-design of the operating model. Now that, after COVID-19, it appears that the balance sheets of companies have accelerated and that the operating model cannot be scaled down in the event of a 20-30% drop in demand, a different approach to entrepreneurship is vital. In addition, there is currently insufficient working capital to be able to invest in traditional transformations. In other words the sense of urgency is increasing exponentially, whereby in a time where there is no more time and money, an "all hands on deck" mentality is necessary at the top and old conventions may be broken.

Due to the lack of working capital and fixed assets on the balance sheet and a much too large "cost to serve" of the operating model, it is essential to map out a strategy where the company wants to be in about 4 years and how to finance it. with minimal calculated risk! The Digital Transformation 4.0 is in fact the financial re-engineering of the company to accelerate all the deferred maintenance of the last 30-40 years, stopping poldering and consensus-driven transformation. Opening up the company's DATA is the only alternative to reduce the "cost to serve" of the operating model by factors on the one hand, but also the raw material, since it is DATA-centric, to be able to create value .

By striving for a DATA-centric business and IT architecture, it is possible to capitalize that DATA as an intangible asset (DIA) on the balance sheet, since cash flow flows over it. To do this, a transition must first take place from the current application-centric architecture to a DATA-centric architecture in which both the existing and new business processes and associated DATA are organized in a fundamentally different way. This transition is the basis, if properly executed, which ensures that operational costs or the "cost to serve" are drastically reduced and, on the other hand, creates flexibility with which a short "time to market" can be generated, which will then lead to an exponential increase in cash flow.

The benefits of a data centric platform.

According to the new accounting principal, DIA becomes the source of value creation as it is able to convert this DATA through new digital skills, facilitated by a DATA-centric platform into exponential positive cash flow.



Unnecessary DATA and processes are reduced by:

85% to 88%



Operating costs are greatly reduced by a factor of

4 to 8



The turnover forecast is raised with

20% to 40%



Time-to-market is accelerated by a factor of

10 to 20



The company value balance sheet is increased to

DCF 15/25

Saving is an important advantage. In a data-centric architecture one can say goodbye to the application-centric infrastructure built up over the years. In practice, approximately 85% of all applications and 88% of all Data are Redundant, Obsolete & Trivial. In other words a great deal of ballast financing for the non-distinctive business processes will be abolished. This also applies to non-IT costs as well as to non-relevant business processes, personnel and redundant office space. Because those costs are also part of the C/I ratio and are often a multiple of the IT costs and ultimately determine the "cost to serve" of the entire organization. On average (depending on which sector one operates in) IT costs make up approximately 2%-5% of the total (C/I ratio) "cost to serve". That is why a digital transformation has a much bigger impact than just the IT transition.

Another important advantage of a DATA-centric architecture is the fact that the DATA, the company's gold) that is normally fragmented within the IT architecture, is defragmented, cleaned and centrally stored in one central database with a unambiguous data model. That makes the data accessible. The correct and correct DATA can thus be used for exploration and exploitation as a raw material for value creation. DATA is therefore the raw material for new business opportunities and a customer-oriented market approach. On the basis of the correct cleaned data, it becomes possible through creativity in entrepreneurship to optimally utilize new opportunities at a time when the window of opportunity is shrinking.

A precondition for unlocking the value of the Digital Intangible Assets (DIA) is that the architecture is changed from application-centric to DATA-centric. This offers the advantage of a faster time to market with new PMCs. A DATA-centric platform in combination with for example, a no code platform offers the opportunity to experiment with new product market combinations (PMC) to quickly generate cash flow. Linking the value discovery of the DATA to an efficient and effective business process creates the opportunity to value this valuable DATA on the balance sheet.

Last but not least, the value of the company grows. According to the new "accounting principal" for the valuation of the company, and a precondition for the continued existence of the company, the effective access to data x cash flow is the only way to allow the company to flourish. By activating the DIA on the balance, the balance value increases exponentially.

Working from a Co-venture model.

The first step in the Digital Transformation is therefore the unbundling of the application-centric architecture to accommodate it in a data-centric architecture. This is no mean feat, and can only succeed if all disciplines are on board.



"A Co-venture is a contract between customer and supplier in which the process under joint responsibility and the associated milestones & results are laid down and agreed upon."

From the Co-Venture, we translate the company's Digital Strategy into a pragmatic approach on how to make the operating model scalable in a short period of time, based on self-financing.

It is important to understand, especially for the non-financial, that a Data-driven transformation offers the unique opportunity to reactivate and liquidate the stored financial wealth of the organization by accelerating the 85%-88% ROT- rationalize data and applications. A condition is that optimal use must be made of a data-centric platform such as e.g. Microsoft Azure, AWS or Google CGI in combination with a e.g. a "No code" platform or the available SAAS software from the aforementioned platforms.

Thanks to this methodology, own construction, lift and shift transformations and Bi-Modal approaches are a thing of the past. As part of the Digital Strategy 4.0, the move from a Return On Net Assets (RONA) to a Linear Opex model is accelerated, enabling "pay as you go".

In this way, the opportunity automatically arises to unlock the value of the Digital Intangible Assets (DIA) in combination with the new data-driven business operating model that should then lead to exponential value development of the company.

This is a transitive model in which all parts in the transformation process add value and lead to a cumulative exponential result without having to self-finance with own working capital (Capex)

By choosing the above approach, on the one hand you save a lot of time and you save a lot of working capital. A third advantage is that the new DATA-centric Operating model is highly adaptive, so that any business model can be connected to it.

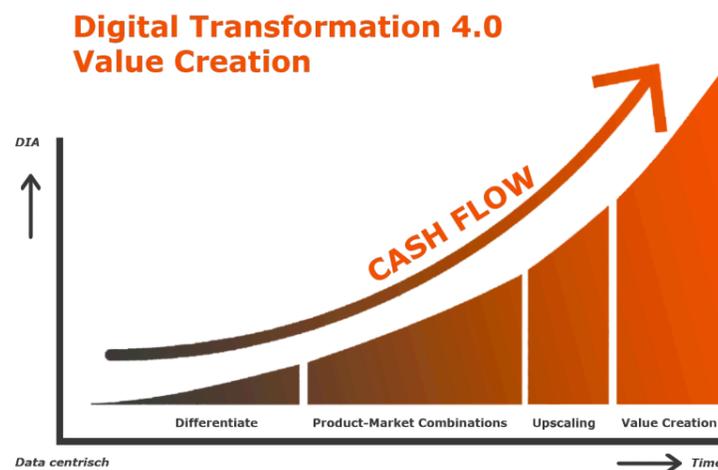
With only 12% to 15% of the former operating model, and using a DATA-centric architecture, it is possible to activate new business processes in real time without coding.

The time to market becomes super short, making it possible to convert innovation into functionality without agile teams and robust IT departments.

We work according to a transparent script.

Partly in view of the foregoing, FutureXL has developed an approach based on four phases of a step change performance process, in which the customer and FutureXL, in a Co-venture, analyze the existing situation in a short period of time and translate it into a prototype new operating model. This is supported by a very detailed project plan and a discounted cash flow model in which the entire transformation can be financed with the savings achieved. After approval by both parties, the project plan in combination with be performed in the DCF mode.

After the delivery phase, in which the entire transformation, including the IT transition, has taken place and the new operating model has been implemented, the exploitation phase of the new operating model follows. In this, FutureXL will teach the customer the DATA-driven skills and guide them in their daily use in order to increase the cash flow exponentially.



The Digital Transformation 4.0 proceeds according to a fixed script. The following components are discussed in the translation of the Digital Strategy to a new operating model:

- Re-engineering of the balance sheet to finance the project
- Business Operating model, IT operating model
- Governance, Risk & Compliance (including GDPR)
- Behavioral Change; behavioral change in working with the new operating model

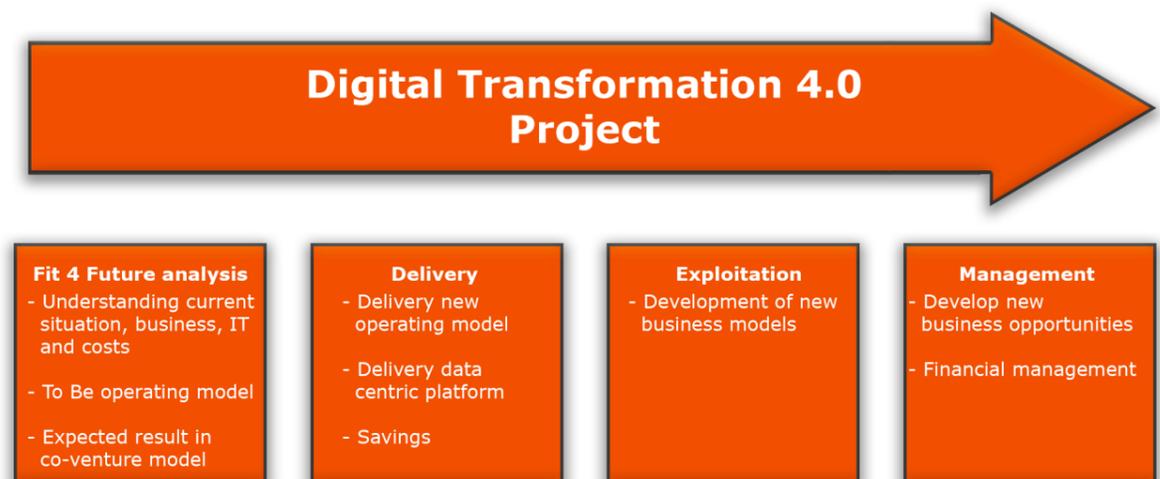
The digital transformation has 2 phases.

1. The Fit 4 Future analysis
2. The Delivery

Exploitation Operating model and technical management has 2 phases.

1. Exploitation of business operating model
2. Management and maintenance of the business and IT operating model

Ideally, we go through all 4 phases with and with the customer. In practice there is a GO NO GO moment after each phase.



The Analysis Phase.

The outcome of the Fit 4 Future Analysis (based on the NOW) has the following deliverables:

- Design of a new operating model, in which business processes from the past and the future are prototyped. Including an estimate of the savings and expected Cost to serve (CTS) of the new operating model.
- Design of an IT landing zone in the Cloud, including all costs of the transition and management.
- A design and roadmap for the complete project implementation and delivery of the results in a fixed time in terms of parts and financial results.
- The business case for the project (our aim is for the project to be self-financing) including identifying the realizable, sustainable material and intangible benefits.
- Overview of all the resources in people and money we need. Your commitment to the success of the project and/or out side financing.

The Delivery Phase.

An important part of the total transformation is doing and thinking from a DATA-centric model. This is approached from several angles. A DATA discovery is performed on the total volume. This discovery has a number of phases.

Data exploration; In this phase we search all servers and databases to map the entire data landscape. We do this by automatically finding all data sources with our tools. Once we have access to all servers and databases, we create a visual overview of all data within the company.

Data indexing; In this phase we conduct research into the quality of the data. We make an overview of all structured and unstructured data. Here we look at the data and the frequency with which it was used. Based on this, we make an overview of all essential and non-essential data.

Data cleaning; In this phase we start with the removal and archiving of non-essential data. In addition, we examine the essential data for possible inefficiencies. Some examples of actions we perform are: reduction of dark data, de-duplication of data and applying methods to reduce the data size.

Data management; In this phase we write a strategic plan of action to prevent data pollution in the future. In addition, we provide employees with training to handle the data responsibly.

Data reporting; In this phase we present a final report with all findings and aspects such as the notion of accountability towards the GDPR and current legislation. A parallel approach route concerns the TO BE Operating model to be drawn up. Together with our business consultants and analysts and the (business) employees at the customer, we develop the desired and effective workflows. From there we distil which DATA and business processes are actually necessary for business operations and which DATA & business processes are Redundant, Obsolete or Trivial. We compare this with the report from the DATA discovery and mitigate data and new business processes.

No Code Platform (NCP)

The outcome of the Fit 4 Future Analysis (based on the NOW) has the following deliverables:

When developing the new Operating model, we use a No Code Platform (NCP). N.B. The future workflows in relation to new business opportunities are developed in the EXPLOITATION phase.

100% history is built up in the NCP, so that you are and remain compliant out of the box! All information stored in the NCP can be easily translated into all languages of the world, making the DATA widely accessible. Ideally, users can use the data available and accessible to them themselves.

Ideally, the NCP operated by FutureXL will only pay for actual use. The calculation model is therefore not based on concurrent users or named users, but is measured in user time per user in seconds. This concept fits in seamlessly with the "pay per use" philosophy as it is common at the Cloud providers.



The right information

From the No Code Platform (NCP) you decide for yourself which information is important to you. This ensures that the system always contains exactly the information that is needed for the work within your company. Without the involvement of programmers.



Working together perfectly

Everyone within the NCP uses the same information from a shared information source. This creates the best basis for perfect collaboration between the people within your company. Or even with people outside your company, such as your customers and suppliers.



Apply advancing insight immediately

Cherish your advancing insight, because the NCP enables you to immediately implement these new insights in the system and start working with it immediately. Of course without affecting the history and again without technical actions.



Making sure you information is safe

Within the NCP architecture, arranging the security of information has been made very simple. It is so simple that you can easily decide for yourself what can be done with your information. So you can be sure that your information is safe.

The results (the savings) are in various areas. First of all, the amount of DATA is reduced to the maximum and, depending on the DATA access rate, put on the correct carrier. Applications are being phased out. This is possible because the entire workflow is now performed from a DATA-centric platform in combination with a NO CODE platform. Because the employee (business expert) has also been introduced to defining workflows on the NO CODE platform during this phase, he or she is able to implement functional changes himself. This means a fundamental saving on, for example, Agile / DEVOPS teams. The risk that a legacy application cannot be phased out because a specific function cannot be migrated to the new application is not an issue with this approach. As long as a function is part of a workflow, this always applies! It is equally important that the employee is in control of his own process and is no longer dependent on a development team for implementing functional changes.

Directing the discounted cash flow model.

The transformation of such magnitude takes time. In practice, we often see that the pot of gold is waiting at the end of the ride, but is never cashed. Many will be able to cite examples of transformation processes where this was the case. The supplier or their own employees could explain in great detail why the targets were not achieved. The situation had changed, we have been reorganized, the market was against, Covid-19 etc.

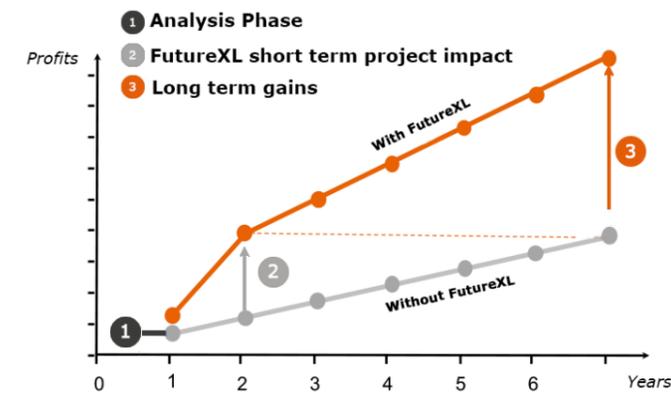
Our philosophy is that the transformation will self-finance itself during the transformation!

That is why we have defined an approach in which value is added to the company on a recurring basis, in short cyclical terms, linked to a Discounted Cashflow model. During the term of the project, we link important milestones in the project to the financial results, so that in the co-venture model, the client continues to have a grip and overview of the progress and financing of the transformation.

Fit for Future Co-Venture

An important outcome of the Co-Venture is that the Digital transformation will be realized in three important steps:

1. Selected digital business strategy in which the company makes choices about where it wants to be in 4-5 years, why and how with the associated financial ratios, risk analysis and a new business & operating model.
2. A project plan approved by both parties with a discounted cash flow model that describes in detail what we do, how we do it and what the financial results are in savings as part of a new Business operating model. The basic principle is that the transformation is self-financing or how, in the event of a negative cash flow, it can be supplemented and recouped with risk-bearing capital.
3. The double impact on your profitability is reflected in this phase, where we guide you in the further tuning of the operating model. We maximize the return on your investment and convert the DIA x cash flow x forecast into an exponential increase in the company's market capitalization multiple.



The Exploitation Phase

After completion of the delivery phase, the transformation to a DATA-centric architecture was implemented, the existing workflows were optimized and placed in the No Code platform and the formation places (business and IT) were adapted to this new reality. The DATA volumes have been heavily reduced, license contracts have been phased out and legacy applications have been turned off. The company is now able to develop new business models based on a holistic view of the company DATA. From FutureXL, our business consultants can advise on this and take a leading role if necessary. Now it's time to make a difference in the market.

The Management Phase

As already mentioned, the new IT architecture enables the company to focus in particular on developing new business opportunities in order to ensure the continuity of the company and increase profit margins.

The management of the IT infrastructure, including workstations, is therefore no longer a core task. In the entire transformation process, we already take into account management guidelines as prescribed by us internally. This guarantees a seamless transition from delivery to management.

We strive for maximum management by the Cloud provider. Depending on the IaaS, PaaS or SaaS variant, management is still partly with the customer or the management provider. In our model we relieve the customer and take over the complete management of the customer. Part of the management is its financial management. It is important that everyone realizes that insight into the operational Cloud costs is a precondition if the IT is placed with a Cloud Provider. After all, the credo of the Cloud Provider is Pay per Use. This can go unnoticed if the necessary insight is lacking. The role of Cloud Economist is therefore crucial. In this role, it is important to have continuous insight into the cost level at the Cloud provider and to keep a finger on the pulse of new developments announced by the Cloud provider. New developments that offer new opportunities. Just keeping track of this is a job in itself! This must already be taken into account when designing the Cloud architecture. Precisely because IT management will most likely no longer be a core task after transformation, the role of Cloud economist can ideally be outsourced.

By involving the role of a Cloud economist within the Co Venture model, we are continuously able to tune the use of the Cloud and benchmark it on functionality and economic reality.

**Contact**

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