

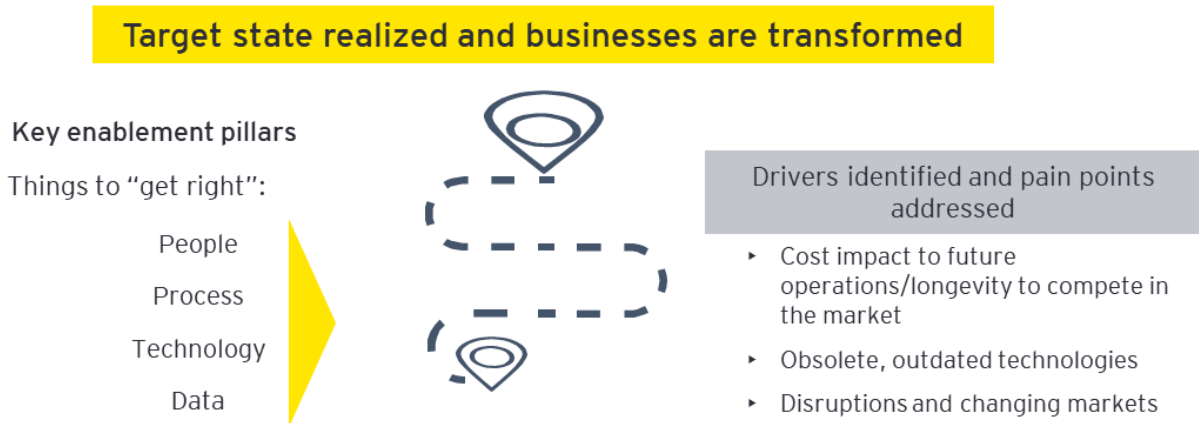
Key strategies for  
successful  
transportation  
transformations



# I. Key strategies for successful transportation transformations

“Transformational initiatives are truly driven by business needs and technology is an enabler.” This should be the “core” philosophy of any organization taking a step toward transformation. Through this white paper, we will discuss supply chain transformation for transportation operations.

Organizations look toward transformational changes when they see significant impact (both cost and longevity) to their future business models, either due to disruptions in the changing world or technologies becoming obsolete. Existing technologies sometimes are an impediment to business transformation and very expensive to maintain. Therefore, transformation should not only reduce operation costs but enable future business growth ambition. Embarking on these transformation journeys will bring changes to people’s roles/responsibilities and the way business is done. Through the key pillars of “people,” “process,” “technology” and “data,” a successful transformation can be realized.



## A. Identify pain points – the drivers to change

Transportation management system transformation is driven by at least one of the below business and cost impacting challenges:

- ▶ Business is transforming and current technology is an impediment
- ▶ Transportation system is a combination of multiple subsystems, requiring significant maintenance and upkeep
- ▶ Significant issues with system scalability and performance
- ▶ Need for an integrated transportation system on a single technology stack

Identifying the challenges and recognizing that there is a need to change will lead to “eliminating repetitive non-value adding work,” “updating existing processes” and “adopting new technologies.” Addressing these issues will lead to making businesses agile and eliminating unnecessary costs.

## B. Transformation is not about *lift and shift*

If the organization is implementing new technology without reviewing existing processes and system landscape, then transformation is not happening. Transformation requires a rethink of an organization's people, processes, technology and data. One of the most common pitfalls we run into is getting caught trying to replicate current behavior into the new system. Transformation is not about creating *current-system 2.0* but matching the transformation objectives to the expected behavior of the business processes enabled by technology. Transformation, thus, should closely mirror the future state process map developed after considering the current state and its fallacies.

Consultants play a key role in ensuring that transformational objectives are not lost by bringing industry leading practices and designing solutions that are scalable and accounting for future growth.

## C. Transformation is also not about customizing the new systems for operational convenience

One should be careful during the process mapping and design phase. Understanding the technology capability vs. business needs is crucial in identifying the "gaps." The business should work closely with consultants to articulate the technology gap during the design stage to the business and IT organization. Equally important is to articulate to the software vendors during the vendor selection process and understand their flexibility in accommodating such custom functions unique to an organization.

## II. Create a business case

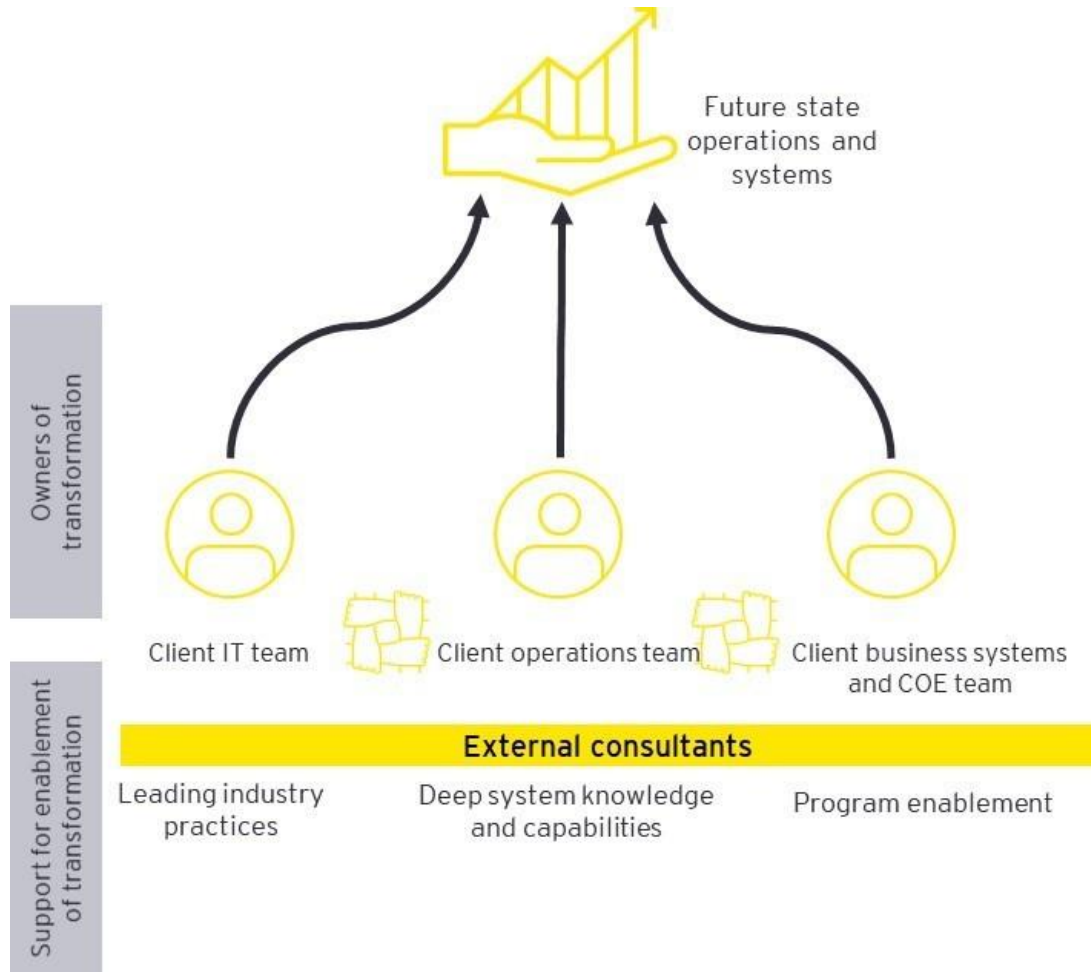
A successful business case must clearly describe the transformation drivers and focus on key performance indicators that can show measurable benefits. Further, the business case must establish that there is high potential for value realization to allow funding for the transformation effort. In essence, transformation should be measured by cost savings and business process improvements.

Value realization can be tangibly measured via **digital simulation** (modeling) and a **review of the operating model**.



## A. Digital simulation

**Digital simulation** techniques have proven many times to be an aid in documenting the potential value of transformational change by allowing organizations to compare their current and proposed operational changes. EY have extensive experience in working with companies to build digital simulations in support of such business case(s). Refer to the following white paper for more details: [Transportation transformation visualized through digital simulation](#).



## B. Rethink the operational model to reflect transformation using new process and technology

Another successful outcome of building a transformation business case is around (re)shaping the **operational model** for the transformation journey. Look at the new technology while (re)shaping the model. Transformation will bring changes to the existing model and one of those changes will be to identify processes that should be **insourced**/kept within the organization and those that should be **outsourced**. We have seen organizations keep "value-adding functions," "strategic" and "IP-driven processes" in house. Processes that "consume considerable resources," "repetitive" and "non-value adding yet significantly impacting operations" are generally outsourced. Some examples of insourced functions include planning, dispatch, freight pay and carrier bids, while an example of an outsourced function includes appointment scheduling, etc. Leverage new technology to automate manual work and thus bring a positive impact to your operating model.

### III. Begin the transformation journey

Once the business case(s) of transformational change have been identified, reviewed and approved, the transformation journey can begin. The following sections contain key considerations for the journey.

#### A. Build the transformation team

Build a project team with roles and responsibilities clearly defined. Members from the organization's "business," "operations" and "IT" should be the key contributors for this team. The project team should plan to accommodate both implementation and post-implementation efforts so that the right people to support the roll out and the active sites are in place, and they can be successful.

In most transformational initiatives, the organization's team is supported by external consultants. External consultants provide services around industry leading practices, enabling technologies, program management, solution design, integration, development, testing and rollout.

#### B. Focus on "change management" and "process redesign" – and make technology an enabler

Change management (CM) should bring all stakeholders together. CM should socialize change with internal and external stakeholders through webinars, SOPs and training guides.

Always account for external consultants, including change management members, to "shadow" operations and validate their current state process maps, particularly when changes to the organizational structure will be needed. Bring industry leading practices early during the process mapping/design phase. Likewise, call out key impediments for solution adoption through processes changes, early:

- ▶ Address early any key processes that have a significant planning impact (e.g., *order change finalization before inventory locks occurs*).
- ▶ Outsource or review non-value adding processes early that can cause significant impact (e.g., *appointment scheduling*).
- ▶ Identify key risks early and mitigate (e.g., *dependency on external partners such as EDI, carriers, etc.*).

Build an empowered center of excellence (CoE) team in which key resources can monitor and adapt the system as changes occur in the future.

Don't let technology or current ways of working define the new and improved processes. Keep technology as the enabler of the processes being transformed. Even though there will be processes that cannot fully be met by technology, ensure those are the exceptions and not the rule.

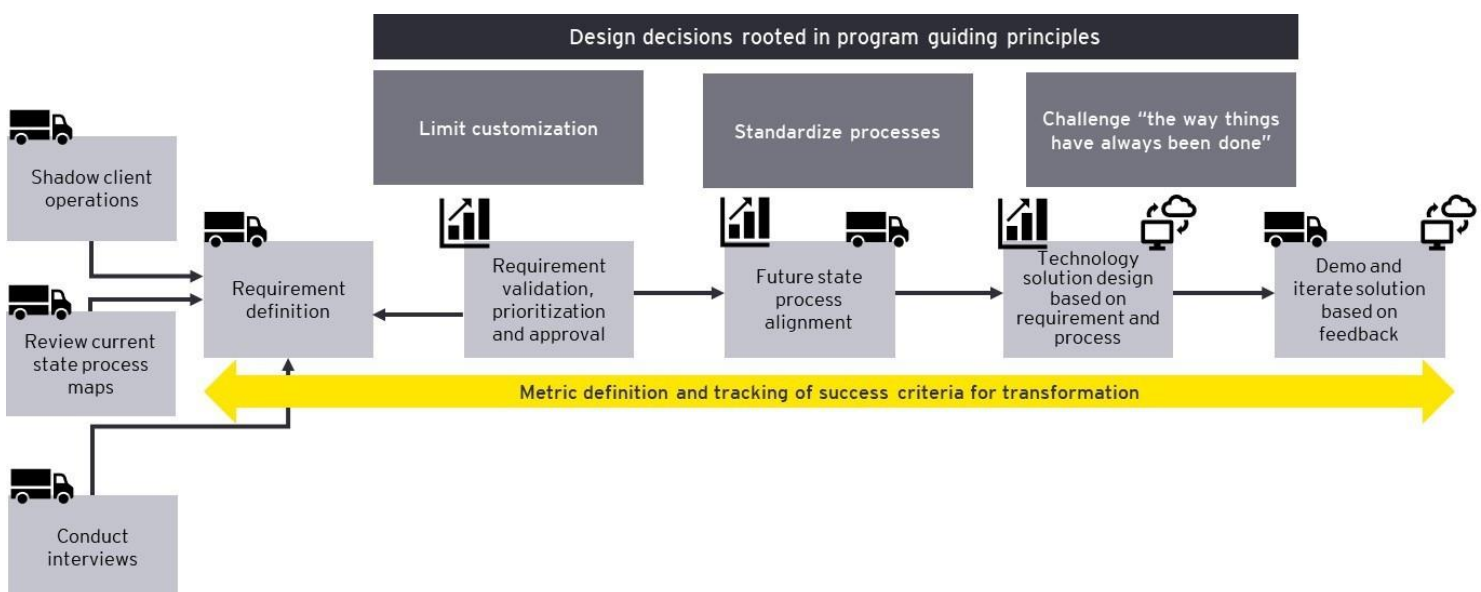
## C. Define requirements to meet business needs

One of the core responsibilities of the project team is defining the requirements for the transformation. Requirements are driven by operations and should be vetted by business and IT roles. Organizations should confirm the requirements align with industry leading practices, account for exceptions with caution, and that the final solution is scalable to meet future needs. Business, during the transformation, should become the CoE driving the change. Once the business approves the requirements, IT should drive the design and build the solution. This will ensure business driven transformation.

## D. Begin transformation

The transformation is supported by the key pillars – people, process, technology and data. Each pillar has its goals and contributes toward a successful transformation program:

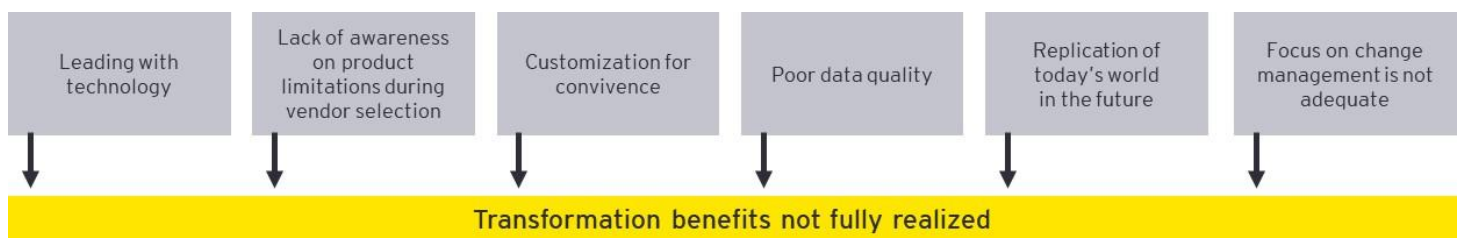
- ▶ People:
  - ▶ Key activities of “people” is to ensure right supporting structure is defined and made available throughout the lifecycle of the journey.
  - ▶ Get leadership backing and stakeholder alignment – leadership must remain fully committed toward the transformation goals.
  - ▶ Make business the center of transformation.
  - ▶ Identify end users “super user,” “planner” and “dispatchers” and allocate responsibilities.
  - ▶ Upskill and train resources.
- ▶ Process
  - ▶ Key activities for “process” are building future state maps and identifying + accounting for solution gaps
    - ▶ Shadow operations to understand current process and gaps.



- ▶ Operations should provide the requirements -> business validates and approves it.
- ▶ Adopt approaches, including templates, to maintain process standardization and achieve transformation efficiency.
- ▶ Model future process and demo via CRPs to test solution adoption.
- ▶ Develop and align key metrics to measure transformation success and track continuous improvement.
- ▶ Technology
  - ▶ Key activities for “technology” should ensure solution automation and adoption
    - ▶ Clearly communicate the strengths and value of technology. Focus on the innovation enabled by technology.
    - ▶ Call out automation gains and account for gaps using new technology (e.g., automated planning, carrier selection).
    - ▶ Call out process changes due to new technology and its impact on change management.
    - ▶ Minimize customization to enable future enhancements and continuous improvement.
    - ▶ Establish plan for solution ownership and support.
- ▶ Data
  - ▶ Key activities for “data” are to preserve data integrity across the board
    - ▶ Identify the source of all data elements.
    - ▶ Confirm data integrity by defining quality and governance processes. Remember – bad data directly impacts optimization and cost savings.
    - ▶ Understand and account for situations where data validation could lead to a larger exercise, e.g., bad carrier rates may lead to procurement exercise.
    - ▶ Rationalize the data to confirm you have only the needed elements.

## E. Identify “pitfalls” during the transformation journey and mitigate early

Often, we look at transformation through the prism of current state – look at transformation through the future state vision. The following are common “pitfalls” that were observed through our experience:



## IV. Conclusion

Supply chain transformation can be a challenging journey for any company. With today's rapid changes, cost saving pressures and expectations of faster response, the journey could become even more daunting. In this white paper we have discussed key strategies for executing a successful transformation program, using transportation management as an example, that should make that journey less daunting, provide a cost "wise" approach and value to your business. The pillars of people, process, technology and data are the foundation, and with proper focus on change management and process redesign, your transformation will be a success.



EY teams have seen tremendous success with customers on their transformation journey using these strategies.

**Please contact us for more information.**

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EYG no. 010011-22Gbl

2210-4107861

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