Why Digital Transformations Fail: 7 Mistakes Leaders Make

The ways in which businesses interact and function have shifted toward being more digital and advanced, with accelerated adoption of technologies like artificial intelligence (AI) and capabilities like real-time data analytics.

This acceleration is no small shift. As Microsoft CEO Satya Nadella said in April of 2020, "We've seen two years' worth of digital transformation in two months." That was just the beginning.

In October of 2020, a McKinsey survey found organizations had executed changes at a rate 20 to 25 times faster than they'd anticipated before the pandemic. Changes included increased remote work, increased online purchasing by customers, and increased used of advanced technologies in operations and business decision making.

McKinsey also reports that organizations that expedited digitalization during the pandemic were "twice as likely to report outsized revenue growth than other companies." And technology capabilities were cited as top contributors to success during the pandemic.

To stay competitive in today's market, most businesses need to digitally transform. If you don't get with the program, you could be overtaken by a competitor or a new digital alternative. After all, video didn't really kill the radio star. A new way of engaging with the consumer did.

Yet, when business leaders approach such technology adoption with a narrow scope, patching their operations with technology to quickly meet demand, a lot can go wrong. To ensure your transformation is meaningful and successful, consider these seven common failure points for businesses on the same journey.

1. **Misunderstanding what digital transformation is.**

Business leaders might assume that implementing a technology or making a digital change in their operations is transformative, but that doesn't necessarily qualify as digital transformation. A true digital transformation is holistic and accounts for total business impact. It transforms the original business model, involving a culture change and training. And it isn't isolated to one area of the organization.

It should also involve more than copying and pasting a strategy from another business. Your transformation will be specific to your organization's needs and goals. According to the Harvard Business Review, it should change how your business creates value, and it should be bold enough to impact over 20 percent of your operating profits. These metrics and considerations are unique to your organization. What outcomes are you aiming for?

2. **Being afraid to change.**

If a true transformation is bold and holistic, being wary of change is certain to stifle your success. Leaders can't be hesitant about overhauling their business models and operations. Yet, such hesitancy is the downfall of many digital transformations. People are comfortable with how they operate today; it's how they've always done business, and change is risky. You might have significant aspirations for your transformation, but you'll have to take giant steps – or leaps – to reach them. If you don't put the right elements in place to do so, you won't be successful. In fact, lack of follow-through is responsible for 48% of change management failures.

To quell your own fear of change, and that of others in your organization, you must dedicate attention to proper change management. This involves identifying key change champions, hearing out concerns from all corners of your company and addressing those concerns, designing change management with your teams instead of for them, and being prepared to weather "change pains" as they arise.

3. Not having leadership in the driver's seat.

For the entire organization to adopt and execute change, the initiative must have the support, energy and drive of all key business leaders. Executives and board members should be involved in the process – beyond reviewing and approving. This will help ensure a culture shift. It also means the initiative will get the support and attention it requires when decisions and course corrections are called for. And leadership can be champions for the business changes with customers, vendors and employees.

Everyone must be on board from a leadership level for change to really stick. This will help drive culture but also ensure the right support is received throughout the process, even if things get difficult and you need to course correct. They can also be those vocal champions to customers, vendors and employees.

4. Being unwilling to invest what it takes to get it right.

A digital transformation will most certainly fail if you cut corners and go for the lowest price point versus investing in the right solutions, providers and implementers. You get what you pay for. And a significant investment and change such as this shouldn't be handled lightly. You must be willing to invest what it actually takes to make the changes you want to make – and do it right. This includes hiring the right experts who will ensure success, as opposed to trying it on your own or choosing a low-cost option.

5. Looking at transformation in a vacuum.

Business leaders and stakeholders often approach digital transformation in pieces, adjusting one corner of their operations as change becomes necessary, then another corner when it becomes necessary and so on. They often neglect to consider how these adjustments do – or could – influence other areas of the business, or how other areas could inform their decisions. They have a narrow scope and they're viewing the action in a vacuum.

However, a digital transformation affects every part of your business. Even if the impetus to change starts in one or two departments, that is only the starting point. Whether you intend it or not, that change will affect other departments, and you want to control that impact so it amplifies your return on investment.

Before you act, optimize the transformation by involving all related stakeholders on a cross-functional team of decision makers. Consider questions like:

- How is this group getting information from other groups to make their decisions and do their work?
- How does their result impact other areas of the business?
- How can process changes between these groups enhance outcomes?

6. Focusing only on technology, not people and processes.

When you get those cross-functional team members together to discuss their processes, you'll likely find there are areas of waste, redundancy and inefficiency that can be corrected and have tremendous outcomes even before introducing technology. Yet, many business leaders stuck viewing change in a vacuum seek a technology solution as opposed to addressing how people and processes can change for the better.

Often, they find they've implemented a great solution, but the problem persists. People and processes are even more essential to digital transformation than any digital component. Leaders must assess people's willingness to change, their current skillsets, their potential, their current culture and more. And they must include change management in their transformation process. It is essential that organizations assess their current business processes before they can map out their next moves and transform.

7. Not having a thorough strategy.

Once you've done your due diligence on the steps laid out thus far, you have the makings of a digital transformation strategy. Mapping out the actual strategy to get from your current state to your transformational goals is where many business leaders fall short of success. According to McKinsey, 70% of digital transformations fail. Executing on a transformation goes beyond putting building blocks in place. You must have a solid strategy to get from A to Z – and beyond. Business leaders who put too much emphasis on individual initiatives without a holistic, operation-transforming approach will struggle with success.

Viewed holistically, transformation goals might require additional resources and technology, implemented in phases. Roles may need to shift at specific junctures. And the process will certainly involve training and change management. All of this must be built in strategically, with metrics for determining success and timelines for reaching certain steps.