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Digital Transformation Is Not Just About Technology

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As digital technologies continue to evolve, organizations struggle to keep up and get it right. The coronavirus pandemic has intensified and fast-tracked that process as organizations have been forced to quickly shift to new remote and online business models. These digital changes are both a challenge and an opportunity. The reality is they do not always come easily and have often resulted in failed outcomes.

Widespread challenge

An MIT survey revealed that 87 percent of managers and executives anticipate a digital technology disruption in their industries. Yet, less than 30 percent of digital transformations

actually succeed, according to a McKinsey Global Survey. Even digitally savvy industries, such as high tech, media, and telecom, are failing. The McKinsey data further shows that among these industries, the success rate does not exceed 26 percent. In more traditional industries, such as oil and gas, automotive, infrastructure, and pharmaceuticals, digital transformations are even more challenging: success rates fall to between 4 and 11 percent.

Wrong directions and uncertainty

While technology is an essential component of problem solving, it is not a global panacea. Many organizations often tend to add a technology and expect that by incorporating a new feature or application, a problem will eventually be solved and disappear. But a “build it and they will come” philosophy doesn’t always work when it comes to effective digital transformation. Even before digital transformations, there are a variety of reasons why failure has very little to do with technology. They include:

- *Losing sight of the vision.* Organizations often start with a good vision but then lose their way. They concentrate too much on the technology and forget the critical problem the product is supposed to solve. Early success can exacerbate this misconception. For example, TomTom, a Dutch satellite navigator at one time was the top GPS. They were the first to release an all-in-one personal navigation device and brought lifechanging revolution to driving and directions. But while the company got caught in the loop of technological improvements, they forgot their original goal of how to get a person from point A to point B and missed anticipating what could come next. Apple and Google got it, realizing that people didn’t need to purchase a separate piece of equipment and instead offered navigation for free on smartphones and Android-powered phones. TomTom simply lost their way, and revenues fell sharply.
- *Adopting the wrong focus.* Another common problem is that organizations tend to become excited about what their developers can do and neglect to ensure that the innovation is aligned with the vision. Executives become enamored with technology and focus solely on a technology competitive platform. The Microsoft Zune series is an example of this inward technology focus rather than on the user needs. The mobile music and media device, launched in 2006, didn’t provide any improved usage value different from the iPod which was already out on the market. The company became fixated on beating Apple, and that simply wasn’t enough. Furthering the issue was a leadership change at Microsoft that saw a redirection from external focus (the customer) to internal (the developer). Microsoft didn’t think about what their users might like. Despite some initial success, the Zune could not compete with Apple’s mobile devices and discontinued production by 2011.
- *Relying on a template or slow approach.* Some organizations have developed the habit of using a generic, traditional or template-based approach in the name of best practices. But this method limits successful outcomes because it allows the technology to shape the process rather than the opposite. Many organizations also adopt a wait-and-see

approach, allowing others to test the waters first. The McKinsey research confirms that the conventional annual strategy-development philosophy remains pervasive. In fact, only 8 percent of organizations surveyed believed their business model would remain sustainable if digital transformation continues at its current pace. Tesla rejected that established and cautious philosophy, diving in and being the first to develop an all-electric vehicle with no internal combustion engine or hybrid version. Being the earliest one to the market, Tesla gained an advantage as a leader and innovator.

Create a clear strategy

So, how can organizations ensure the successful outcome of any digital transformation? They can start by answering these key questions.

- *Is the vision clearly defined?* One reason is to determine what is the problem that needs to be solved. Technology can solve problems but the problems must be defined first. Examine the problem from the outside in, rather than from the inside out as many make the mistake of doing. Technology can only solve the problem once you define the problem in a way that technology can solve.
- *What is the purpose or ultimate goal of making this product, service or process change?* If you don't know where you are going, any road will get you there. During the course of the project, if you stumble across something that drastically changes the reason why you are doing it, then go back and redefine your execution strategy keeping in mind how you will realize your purpose. Be clear about why this project is needed and what business value it will provide. Utilize an objectives and key results goal setting framework to evaluate the project's progress and create a list of questions that serve as an assessment tool.
- *Is your organization prepared?* Keeping the user in mind, follow through beyond adding the technology to ensure that your people are prepared. Train existing staff about changes in the new world along with methods to adopt and hire any necessary digital employees to ensure that the company has the proper expertise.

Before implementing any technology-related changes, organizations need to create an effective digital strategy that takes into account the people the solution will benefit and the process and data incorporated into that solution. By tailoring the solution to the problems, the organization will attain an effective outcome with an acceptable return on the investment.

Measure and adjust

To accurately evaluate the progress of the project, develop an objectives and key results framework for defining and tracking goals and outcomes. As organizations move through the transformation process, they need to measure and examine the changes to ensure that the

outcomes remain relevant to the original vision. Data needs to be reviewed but collect data with a goal and with the knowledge of why it is being collected. Go back and check to ensure that value is being added or that problems are being solved, and that features are not being implemented simply because they seem awesome. Review the original questions related to the project vision. Continually evaluate the project and the organization to ensure that the digital update meets the needs and mission.

Continue to evolve

Digital transformation results will be more effective for organizations that develop a strategy and follow a purpose. Rather than simply adding a technology, it is essential to have a clear understanding of their customers, what problem needs solving, how technology can provide a solution, then measuring and modifying along the way. Organizations that take the time to define and adhere to their purpose and goal in adding new technologies, will evolve and meet the needs of their clients. It's an investment worth making to ensure an organization's efficiency, health and growth.

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