

Five moves to make during a digital transformation

Surveyed **executives confirm that digital transformations rarely achieve success.** But in those that do lie the structural elements that may help organizations overcome the odds.





Despite the **abundance of digital and analytics transformations underway across the business landscape, few companies are achieving the results envisioned.** Our latest McKinsey Global Survey on the topic confirms that the rate of success is alarmingly low.

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About **eight in ten respondents** say their **organizations have begun digital transformations** in recent years, but **just 14 percent** say their efforts have made and sustained performance improvements.

3%

What's more, **only 3 percent** report **complete success** at sustaining their change.

That companies find difficulty turning in successful digital transformations is not surprising, **since we know from previous research that digital transformations are harder** than more traditional ones to get right.

But **a look at the structure of digital and analytics transformations points to five key moves at particular stages of a transformation that set successful change efforts apart.**

These actions suggest ways that other organizations can plan and execute digital transformations successfully.

Ruthlessly focus on a clear set of objectives

When considering a response to digital disruptions, organizations face many critical choices. **Should they transform their existing business model or build a new one? Should they drive down costs or focus on customer engagement? Which areas of the business will require more investment in digital initiatives**, and which will need to defund their own initiatives to free up resources for the ones that perform well or reflect higher-priority objectives? Getting leaders to agree upon the best way forward can be challenging, but the survey results suggest a need for consensus.

Be bold when setting the scope

We know from previous research that digital strategies should be bold in magnitude and scope, and the survey results show that this also holds true for digital transformations. **The successful digital and analytics transformations are about 1.5 times more likely than others to be enterprise-wide in scale.** This result aligns with earlier research, which found that companies making digital moves often use new digital technologies at scale to capture the full benefits from their technology investments.

Create an adaptive design

The fast pace at which digital drives change **explains why so many companies are launching digital transformations and why the transformations themselves must be flexible.** Defining a multiyear transformation's investment requirements and performance targets up front—and not revisiting them as the transformation progresses—has perhaps never been a sound approach. But digital transformations require monthly, if not weekly, adjustments.

Adopt agile execution approaches and mind-sets

Just as the transformation's design must be adaptable, so must the execution of its initiatives. **Successful digital and analytics transformations are likelier than others to employ more agile ways of working, such as encouraging risk taking, innovation, and collaboration across parts of the business, during a transformation.** Agility's importance to transformation success is clear when we look at the agile characteristics of companies' organizational culture.

Make leadership and accountability crystal clear

Who owns the digital and analytics transformation is often a hotly contested question, since the initiatives that organizations pursue will affect how company resources are prioritized and might even change the entire direction of the organization. **A look at responses describing leadership roles shows significant differences between the success group and others in how certain roles lead the transformation's strategy and its execution.**

Looking ahead...

While most respondents say their organizations have not fully sustained the improvements made during transformations, **lessons can be learned from the approaches of the organizations that did succeed**. The results from those efforts point to moves companies can make to keep their transformations on a path toward success:

Looking ahead

1 Raise the bar on leadership alignment and commitment.

The broader scope of successful transformations further underscores **the importance of having buy-in and alignment across the full organization to keep efforts coordinated and prioritized.** Lack of leadership alignment around objectives often leads to many subscale and misaligned initiatives.

Looking ahead

2 Build in flexibility with clearly defined handoffs.

Not only are successful transformations more likely than others to span large parts of the organization, but **the ownership of each transformation will evolve over time as it moves from ideation through execution.** The results suggest that there must be a clear plan for how these shifts in accountability will occur.

Looking ahead

3 Enforce survival of the fittest among digital initiatives.

Like ownership, funding for initiatives requires clarity: **there should be clear criteria for reallocation of resources, whether operating or capital expenditures, based on performance.** All digital initiatives should be expected to meet their targets to continue to receive funding. When initiatives fail to do so, organizations should defund them without delay to free up capital for new ones and quickly move on to the next approach.

For more information the original article can be found at

<https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/five-moves-to-make-during-a-digital-transformation>

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