Why Digital Transformation Projects Fail:

Three Winning Steps for Every CIO

The continued shift to as-a-service business models in an increasingly-globalised economy has generated a highly-competitive world in which digital transformation (DX) efforts can and will fail without the right strategy. Meanwhile, organisations that have suffered from transformational paralysis and failed to take appropriate and timely action have joined the ranks of fallen leaders in recent years.

While technology may be at the heart of every DX project, IT modernisation is not a DX panacea. Firstly, finding the right balance of 'how much' and 'how soon' to undertake in every project is critical. Secondly, IT leaders need to go beyond technology and build a strategy for an end-to-end business transformation which consists of many moving parts and stakeholders.

Success of any project ultimately relies on the congregation of a multitude of factors; among the most important is buy-in from stakeholders who must understand how the transformation will directly benefit them. The human element cannot be neglected by organisations aspiring to future-proof their operations.

So why do digital transformation projects fail?

Success is not often achieved without failure, so it is important to understand what can go wrong in order to get it right. Speaking to more than 100 CIOs and DX project heads in leadership forums across Australia and New Zealand (A/NZ), we have heard many stories of projects going over budget, over time and in some cases, being shelved altogether. Given the pace of change we have witnessed in the last few years, speed and agility have become key factors in the success of a transformation project. However, speed and agility in projects hinge on the human factor, which is often overlooked at the onset of a project. Projects are delivered by people for people. Therefore, managing expectations for a mindset shift across the organisation and providing people with tools to help them become more productive is a critical factor in a project's success.

Challenges

The cultural transformation paradox

According to a survey[i] of over 100 A/NZ digital leaders, business silos and lack of collaboration were identified as the primary barrier to business agility by 54 per cent of respondents. In fact, this scored higher than the barrier of legacy systems and processes, which was nominated by 49 per cent. Other significant roadblocks included budget allocation, organisational barriers and internal politics.

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When the same question was asked of 130 A/NZ CIOs at ADAPT's CIO Edge gathering[ii], the result was similar, with legacy systems and processes only just edging out business silos as the number one barrier to business agility. CIOs identified lack of inhouse skills as the third, with cultural problems as fourth and organisational dynamics and internal politics as fifth.

The prominence of cultural issues as a critical barrier to transformation does not bode well for those professionals who are already grappling with an increasingly complex DX agenda. The question is whether a cultural transformation roadmap be embedded into DX projects with proper change management measures, or be left to manage once transformation project has commenced.

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Stakeholder buy-in is also dependent upon eliminating the traditional notion of Shadow IT and empowering business units to pursue (and purchase) their own as-a-service solutions. The right integration solutions allow data sets across various applications to talk to each other quickly and easily, breaking silos to create a connected business that drives productivity and innovation.

The afterthought of agile integration

According to CIO survey[iii], digital leaders nominated their top investment priorities as being customer journey solutions, and website content and experience. If these projects stall, experience disruption or fail, the impact can be very public, and potentially affect the customers who rely on them.

This is the reason application integration is being viewed in a new light. Historically an afterthought, application integration was nominated as a top priority by 88 per cent of respondents. But application integration across an organisation has little chance of succeeding if the culture of the organisation is working against it.

If the goal of transformation is to integrate applications effectively in order to enable data accessibility across an organisation, then digital leaders must find solutions that can overcome inherent cultural barriers.

These findings support earlier research from Vanson Bourne[iv]. The survey showed 91 per cent of IT decision makers in A/NZ recognised the need to improve connectivity within their organisations, but also found that 50 per cent of organisations were having trouble doing so. Furthermore, 89 per cent had experienced drawbacks as a result of poor integration, in the form of unreliable applications, financial loss and efficiency downturns, and poor workflow efficiency. The impact of these failures was demonstrated by the 59 per cent of respondents who admitted they knew their organisation had missed opportunities due to poor integration.

The speed and balance of transformation

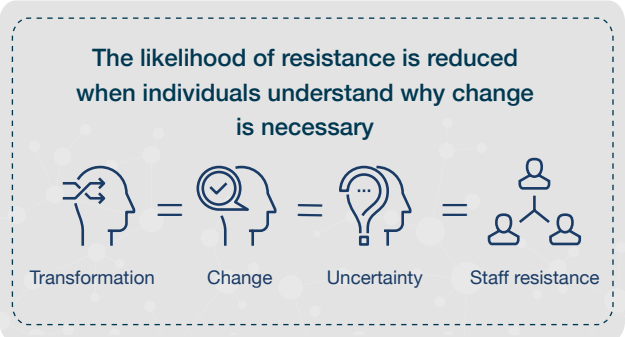
While organisations cannot afford to be slow in their transformation efforts, they also need to find the right balance of how much to transform and how soon to do so. They need to deliver much faster than they have done before. The timing from idea to delivery could be far too long and become meaningless to stakeholders. Getting enterprise integration right is essential to transformation. While the challenges of integration are great, so too are the potential rewards, in the form of greater agility and capacity to respond to changing customer requirements and market dynamics.

Three Winning Steps Uncovered

While failures are common in transformation projects, there are many organisations across A/NZ that have got it right and are set on a path to success. A closer look at these organisations uncovers three winning strategies that have helped them achieve the desired outcomes on time and within budget in delivery of their DX projects.

1. Effective Management of Change

While change is an inseparable element of transformation, it is worth remembering that for many people, change can be uncomfortable, especially if stakeholders cannot envision their role in the transformed organisation. It is vital, therefore, in any

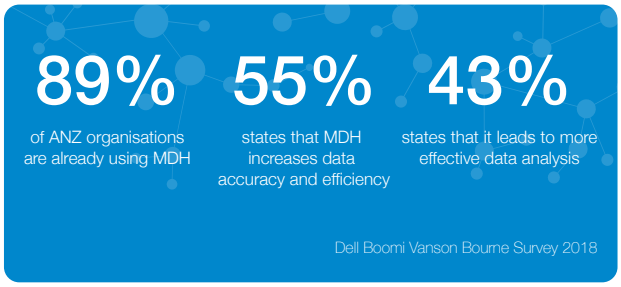


transformation program to engage in effective and constant communications across the organisation, with clear messaging that stakeholders can understand and relate to.

This can impact the culture of the organisation, making it not only more accepting of change, but also more collaborative, especially between different functions. This is essential to successful transformation, where many of the benefits come through the successful integration of applications and data sets across the business.

2. Effective Management of Data

For an organisation to truly gain the greatest benefit from the data it holds, it must reduce the barriers that exist between that data and the functions that seek access to it. In addition, disparate hubs of data that may have incomplete, incorrect or obsolete records can impact the customer experience that organisation delivers.



Master Data Hub (MDH) is the process of creating updated, reliable data that is consistent across business units, with the goal of creating effective data flow and application performance. MDH becomes more important as organisations grow; especially as they move to hybrid environments using multiple on and off-premise data and application environments. The growing adoption of emerging technologies such as Internet of Things (IoT), artificial intelligence (AI) and machine learning, combined with the use of cutting-edge presentation technologies such as virtual and augmented reality, has increased both the pressure and complexity around data management and applications integration.

Our research has shown that MDH is now being used by 89 per cent of A/NZ organisations, with 55 per cent reporting it increases data accuracy and efficiency, and 43 per cent reporting it leads to more effective data analysis.

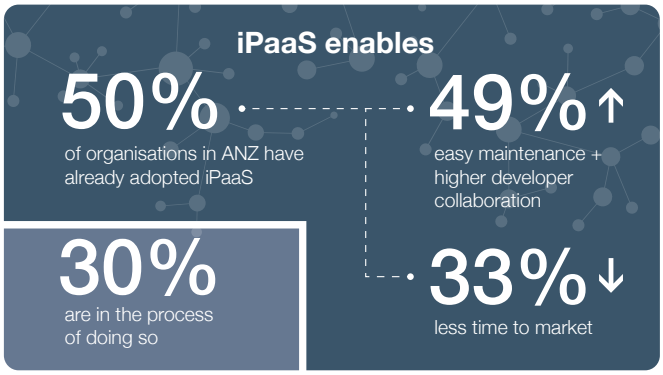
However, creating this single source of truth in a legacy world is potentially complex, time consuming and expensive but it may be an essential pre-requisite before undertaking application integration projects. As more data and infrastructure is migrated to the cloud, the benefits of this transition will only be fully realised through developing an integration cloud and strong MDH capabilities. Without these tools, organisations will fail to leverage advantages of any digital transformation programmes.

3. Effective Management of Speed and Scope

Data is the lifeblood of modern organisations and needs to be made easily available to the applications – and ultimately the end users – who rely on it to make decisions. But moving data between applications can be a point of major inefficiency. Legacy systems and processes were consistently ranked as one of the key factors inhibiting business agility.

So, it is not surprising then to find that many organisations are turning to cloud-based solutions as a means of accelerating the integration process.

Principle among these are integration platform-as-a-service (iPaaS) solutions, which can significantly assist management of the integration 'spaghetti factory' that can emerge through transformation to a true, digital environment. With most organisations undergoing transformation in the context of operating a hybrid environment of on- and off-premise solutions, which represents a significant change to traditional architecture and applications, this complexity will only increase. iPaaS enables organisations to more effectively connect the data sources faster, which are increasingly cloud-hosted, with backend systems and other cloud-based applications.



iPaaS has emerged as a popular alternative to legacy integration activities involving expensive third-party consulting groups. This is especially true in the digital era, where the accepted speed-to-deployment of new applications has decreased from months to days. 'Low code' solutions are gaining popularity because they take care of many of the tasks traditionally associated with integration projects, allowing deployment of resources to focus on other deliverables and fast track the projects.

With application integration both high on the agenda and recognised as presenting high risks of failure, organisations are turning to iPaaS, with research by Vanson Bourne pointing to half of organisations in A/NZ having already completely adopted iPaaS, with a further 30 per cent of organisations in the process of doing so. The reasons for doing so are also compelling, with 49 per cent reporting maintenance is easier and developer collaboration is increasing, while 33 per cent reporting reduced time to market.

Transformation to a Connected Business: The Ultimate Goal

Success in the digital era is not just about deploying new systems or modernising IT, but it's about changing the business. Success comes from looking holistically across the organisation to create an application and data environment that is truly connected and a culture that is truly committed.

However, the larger an organisation grows, the inherently more complex it becomes, both in terms of its organisational structure, culture and the systems that support it. At the same time, the need for organisations of any size to effectively utilise their data assets to drive positive business change is becoming more pressing. In addition, business units are acquiring their own 'as-a-service' applications to improve their productivity and these applications require integration.

The key then for success in the digital age is to implement systems and processes that help to overcome both sets of complexities, by enabling organisations to more easily integrate applications and provide access to data. MDH and use of iPaaS tools can create a single source of data truth and tear down the siloes that exist around business functions helping business become agile and facilitate collaboration.

Business users can interact with the data and applications they need to work effectively without regard for the structures of the traditional org chart, to deliver results for customers as quickly, easily and effectively as possible.

And ultimately, that is the transformation that matters most.

[i] ADAPT CIO Digital Edge 2018
[ii] ADAPT CIO Edge Survey February 2018
[iii] ADAPT CIO Edge Survey February 2018
[iv] Dell Boomi Vanson Bourne Connected Business Survey 2018

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