FUJITSU

Why do so many digital transformation projects fail?

Digital transformation (DX) is one of the hottest buzz words in business with 80% of organisations planning to accelerate their DX efforts and spending forecast to grow. So why are so few DX projects succeeding?

78%
of digital transformation
initiatives fail
(Everest Group)

10.4%
increase in global DX
spending in 2020 to US$1.3t
(IDC)

80%
of organisations plan to
accelerate their DX efforts
(BCG)

The Everest Group found 78% of digital transformation initiatives fail. Other studies from leading research organisations quote similar poor results.

Perhaps it's because we're looking at DX the wrong way. We're stuck trying to apply old ways of thinking to new problems. Let's break down some of issues.

1.   Traditional procurement approach

Traditional procurement is based on known deliverables, rigid timelines, and fixed budgets. This approach doesn't work for rapid transformation. Innovation by its very nature is agile, responsive, and iterative. It cannot be specified in the level of detail required by traditional procurement methods. Unfortunately, what you end up with is people spending time and money delivering an outcome, because that's what the contract says. But it could be the wrong outcome or one that doesn't actually meet user needs. When we are limited by strict contracts and waterfall delivery schedules, failure is the most likely and most costly outcome. Rigid and traditional procurement models are the number one culprit driving failed transformation projects today.

2.   Waterfall project delivery

There is nothing more satisfying than a beautifully constructed gannt chart; all the project deliverables cascading in a neat sequence culminating in the ultimate outcome. But this is rarely the case in transformation projects. Innovation happens when we step off the beaten path. Transformation is agile; it's about having a clear vision and then iterating towards the final outcome. It's about continuous improvement, testing, and refinement. Transformation projects which are forced into waterfall project delivery patterns are sadly destined for failure.

3.   Over-reliance on individual contractors

Anyone working in the public sector knows how competitive staff recruitment is post-COVID. It's a gold mine for employees ditching their permanent jobs to profit from the lucrative contractor market. While this is good news for individual contractors, is it really the right approach for government agencies? When you contract an individual, you get one individual with fixed skills and capability. When you contract 10 individuals, you still only get a group of individuals. The act of contracting people doesn't automatically make them a team. It does not mean their skills will be suitable or compatible with each other or your needs. In fact a new team can spend up to 80% of their time learning and building trust instead of working on the project. And once you've contracted them, at great expense of time and money, you're probably not going to let them go lightly, even if their performance is average.

Contrast this with engaging the same 10 individuals but through a single solution provider with a track record for successful digital transformation. The 10 individuals will probably cost the same amount, but they will be delivered to your door as a cohesive team with established ways of working, relevant experience, and professional standards. If you don't like one, you can send them back and get an immediately replacement. In digital transformation projects this gives you the flexibility to change the skill profile of the team on the fly to meet your changing requirements. Think about it - when you build a house you hire a builder with a team that has built a house before; you don't hire individual contractors from a street corner. Why wouldn't you approach your digital transformation program the same way? Individual contractors may be an effective way to complete individual tasks, but it's not the best way to deliver a cohesive enterprise-wide digital transformation.

Transformational projects require transformational ways of operating. We need to break away from traditional procurement and delivery approaches and start thinking agile. We need to build capabilities to drive outcomes, not hire people to fill roles.

Get started on your plan for digital transformation success.

FUJITSU