



DIGITAL TRANSFORMATION AND THE EMERGENCE OF AI

In 2016 the Institute of Project Management conducted a study on digital transformation that found half the respondents admitted their project had missed the deadline or budget. In 2021 McKinsey produced another study that concluded 69% of digital transformations were perceived by the organisation as a failure. Deloitte conducted a similar survey in 2023, yielding similar results.

In contrast the digital transformation industry has exploded, with the market now worth over \$700bn, expecting to rise at a rate of 26% per year over the next 5 years. With so many organisations enthralled by the goldrush for digital panacea, the FRB is encouraging everyone to take a breath and ask Who is this for? What is this for? And crucially, why haven't we harnessed the technology, resources, and experience, to do better than we did 8 years ago?

It's well recognised that taking a digital approach to change can have enormous benefits. There are some outstanding success stories for large and small businesses and we can learn a lot from organisations who have been created with digital in their DNA. An analysis from Harvard Business School shows that adopting a digital approach can lead to up to a 55% gross margin gain.

Beyond technology and infrastructure, digital transformation heavily relies on organisational culture. Not every organisation has the culture to support digital transformation. Many struggle with outdated communication methods and departmental silos, which slow the adoption of new technologies.

However, the emergence of AI can be vital in breaking down those barriers. By enabling improved data sharing, workflows, and real-time insights, AI helps teams collaborate and make decisions more effectively. Unlike traditional strategies that rely on static data and human judgment, AI-driven ones continuously evolve by leveraging advanced technologies such as machine learning and data analytics. Planning can be undertaken using evidence-based pedagogical methods without the time-consuming research.

That said, much is being debated about AI as the technology continues to advance. Without oversimplifying the issue, its future is uncertain. The technology will continue to expand but in a manner that is somewhat unpredictable.

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