



RE-BOOTING DIGITAL TRANSFORMATION IN 2024

In the modern business landscape, digital transformation has emerged as a pivotal strategy. This transformation, however, is not solely about integrating digital technology into all areas of a business; it's fundamentally about changing how businesses operate and deliver value to customers. In simple terms, how can companies train to become adaptable in a fast-evolving digital world?

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.

Purpose of Digital Transformation

The essence of digital transformation is to create a cohesive digital ecosystem that meets long-term growth objectives, rather than just short-term profits. Jeff Bezos's observation that "*We humans coevolve with our tools. We change our tools, and then our tools change us,*" aptly describes this process. The purpose is to understand and anticipate the long-term needs and values of customers, making the organisation flexible and adaptable to emerging trends, and able to lower barriers to growth.

Challenges in executing a digital transformation strategy

Despite the booming digital transformation market, valued at over \$700 billion, organisations face significant challenges:

1. **Project Management and Execution:** Studies from the Institute of Project Management, McKinsey, and Deloitte highlight a high rate of missed deadlines, budgets, and perceived failures in digital transformation projects.
2. **Misalignment with Long-Term Goals:** A focus on short-term profit can lead to a fragmented approach, resulting in convoluted systems rather than a framework that is focused on long term goals. Companies who want to emulate the success of digital behemoths such as Apple, Amazon, ASOS and Spotify, need to also echo the commitment the founders had for long term growth.

[Cont...](#)



3. *Lack of Unified Understanding:* The absence of a common definition of what digital transformation entails within an organisation can lead to misaligned objectives and approaches.
4. *Resistance to Change:* A lack of understanding from the organisation of deep-seated employee rituals and needs will end up with change being implemented, but not adopted by the organisation. This can lead to novel or informal solutions being delivered as workarounds to the intended change that, if left unchecked, can cause a layering processes and systems that look and feel like spaghetti, rather than a cohesive digital eco system that just works.
5. *Adaptation of technology:* Gartner suggests that 73% of organisations use SaaS products, with over \$200bn spend in the market by 2025.

Ideas for Effective Digital Transformation

1. *Understanding the current and future customer:* Align digital transformation with customer long term needs, especially understanding how customers use digital services with other businesses.
2. *Solving the growth versus profit dilemma:* Explore how digital transformation will affect short term profitability and improve opportunities for growth or lower the barriers that exist today. This exploration can accelerate the move from discussion to priorities to action, and a clear understanding of where the business does and doesn't have control.
3. *Strategic Alignment:* Ensure that digital transformation supports the overall business strategy and is not trying to shoe-horn everything under a digital transformation umbrella, or worse, just keep layering initiative on top of initiative within isolated objectives.
4. *Role of AI and Technology:* Explore how emerging technologies like AI can enhance the transformation process with a clear view on what technology the organisation is willing to own, or not, can create a sustainable technology ecosystem.
5. *Planning for adoption:* Looking beyond the early adopters into an adoption strategy that truly embeds the change into the heart of the organisation.

There has been a long debate about whether 'digital' is just in support of the business strategy. Many think this is the case. But you can be a digital business (Atom), where the whole thing is a digital proposition, rather than just seeing digital as an additional channel.

The implications and expectations surrounding AI surface in most projects, strategy, and board meetings in companies across most of the world. Some see the potential, others the threat, most agree it is a difficult technology to 'get your head around'.

[Cont...](#)



During our discussions, these are some of the many questions asked

How would you define digital transformation?

When things have gone well, what do you believe were the critical success factors?

When things have not gone to plan, what were the challenges/headwinds?

Why are we doing this?

What are the challenges/headwinds?

How do we understand customers/customer needs?

And some of the issues

Lack of accountability

Not understanding the customer needs

Doing it for the wrong reason (copying others as a fad, rather than defining business strategy)

Not realistic re planning assumptions/managing expectations

- Scope creep
- Bastardisation of scope creep
- Vendors over promising
- Effective communication strategy
- Need for a people plan

Defining AI and its impact

- True AI can be viewed as computing/replicating the human brain capabilities to analyse, solve problems, predict, create/generate
- Traditionally AI has been used to automate processes, but more recently with Generative-AI, it is replacing (or supplementing) more higher value human tasks
- AI is seen differently across contexts—ranging from predictive systems to those augmenting human roles, or even replacing human thought processes in content creation
- AI has the potential to free up human resources, reduce costs, increase productivity, accelerate solution design and identify opportunities invisible to humans
- Challenges include a general understanding of AI, high cost of implementation, environmental impact, and the risk of homogenisation of brand messages
- Reluctance to use AI where human safety is concerned - but no real appreciation that if/when AI out-performs a human, then it would create greater safety
- Business case difficulties – either people are not getting the benefits predicted, or the cost/time/effort involved to get the desired output is more than planned
- Many discussed an augmented approach where AI was supplementing human processes (making them more efficient/productive), rather than replacing them

Cont...



The benefits of AI

- Comprehensive
- Powerful
- Speed
- Consistency
- Consolidation
- Productivity/efficiency
- Ability to stimulate thinking in people, for example, unlocking writer's block
- Opens up new opportunities (that may have been unaffordable/doable through human intervention previously)

The disadvantages

- Lack of thought regarding the impact on people
- Reduced individualism and uniqueness
- Companies using the same data sources/tools and complementing them with own data (data leakage), will ultimately have the same AI capabilities
- Concerns over using AI autonomously (however, if AI is done correctly, it will never be done wholly independently as the associated AI models should be continually validated)
- Bias – AI models may (if not managed) learn based on inherent bias (in the data or algorithms). Again, this can be validated and evaluated if AI is implemented correctly)

Data Quality and Governance

- Challenges: Companies struggle with data completeness, quality and governance often unaware of the implications when sharing data. Biases, especially historical and linguistic, pose significant hurdles. Predominance of English limits broader applicability.

Efficiency and Business Cases

- Educate key business stakeholders to facilitate informed and meaningful discussion
- Set clear goals and objectives – have the end in mind. Undertake a comprehensive impact assessment of the impact on people and culture
- The technology is complex, but the business can be simple (KISS - Keep it Simple Stupid)
- Be realistic about the budgets, skills and competencies needed for design, implementation and ongoing maintenance
- Case studies: Use of AI to assess video presentations has saved 50,000 hours of senior management time, highlighting potential efficiency gains.

Cont...



Macro and Micro Effects of AI

- Company considerations: Companies need to understand both macro (broad strategic) and micro (specific operational) effects of AI. Whilst some companies grasp the skills and capabilities needed, they must also comprehend escalating costs and governance issues.

Trust and Accountability in AI

- Regulatory perspective: replacing human safety decisions with AI remains contentious. Trust is difficult to build in a system over human judgement as accountability rests heavily on human actors. Currently AI is typically not included in current regulatory review programmes and, although there is awareness of it, practical discussions are lacking.

Ethical and Moral Considerations

- The use of AI for interviewing, CV screening and candidate selection raises ethical concerns. If AI can create a CV, should it also evaluate one? This underscores the need for ethical frameworks in AI applications.

Augmentation vs. Replacement

- The prevalent view is that AI should augment, rather than replace, human roles. Companies need to assess AI's potential by starting from business needs, although AI's insights might re-define those needs.

Generational Perspectives and AI Natives

- Different generations have varying approaches to AI, with older generations sceptical of younger individuals' problem-solving abilities. In contrast, academic feedback suggests that AI encourages more complex thinking.
- Younger generations, who are more familiar with AI, often have an intuitive understanding of its use, which can create communication gaps with older colleagues.

Cultural and Strategic Alignment

- Company culture: Generative AI needs to align with a company's strategy and culture, which requires high-quality internal data. There is concern that AI using significant amounts of external data will drive cultural changes within companies.

Technical Discussions and Business Impact

- Several user cases highlighted the need for AI to enhance systems such as network nodes and infrastructure maintenance

Some of the key questions

- How is AI perceived differently across companies?
- How do companies identify new opportunities and scope requirements to fulfil them?

Cont...



Technical Discussions and Business Impact cont...

- How do companies safeguard their data while maximising the effectiveness of AI?
- How can companies and AI providers align their goals?
- What governance frameworks are necessary to ensure sustainable AI use?
- How can businesses maintain control over autonomous AI systems to align with their strategies?

Conclusion

Digital transformation is less about the mere adoption of technology and more about preparing an organisation to be adaptable and responsive to the evolving digital landscape to meet the ever-changing needs and behaviours of their customers, shifting focus from short-term profit to long-term growth and sustainability. For successful transformation, organisations must understand their customers deeply, align their digital strategies with their overall business goals, and be prepared to embrace change at every level. And above all, the organisation must have a deeply honest strategy about the constraints and adoption of their strategy.

frb.buzz

Contact

carl@frbbuzz.co.uk

+44(0)7881 625178