

# Why do digital transformations fail?

Reasons explained



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# 70% of digital transformations fail—don't let yours be one of them

In the fast-moving pursuit of a competitive advantage, companies increasingly turn to digital, data, and AI solutions. The reason is clear: those who succeed in these areas can generate up to three times the shareholder returns. However, research from BCG reveals a sobering reality—up to 70% of digital transformations fail to meet their objectives.<sup>1</sup>

This failure rate underscores a significant problem:

**“Many projects centered around digital initiatives still need to achieve their intended outcomes.”**

A recent survey of directors, CEOs, and senior executives revealed that digital transformation (DX) risk is their number one concern, highlighting the critical importance of getting it right. Despite the staggering \$1.3 trillion spent on digital transformations last year, it's alarming that an estimated \$900 billion of that investment went to waste.<sup>2</sup> This raises a fundamental question: why do some digital transformation efforts succeed while others fail?

Well, in this eBook, we will delve deeper into why some digital transformations fail. Also, you will find actionable insights on how to lead and achieve a successful digital transformation amongst your business pursuits.



# Key factors leading to digital transformations failure

Understanding why digital transformations often fail is crucial for avoiding common pitfalls. Despite significant investments and ambitious goals, many initiatives falter due to a range of factors. Here are some of the key challenges where business falls into the trap.

## 1. Misalignment of business and digital strategy

When your digital strategy isn't aligned with your business goals, your transformation efforts can pull your business in different directions. This misalignment can lead to disjointed efforts, wasting resources and opportunities. It's crucial to address this issue with urgency.

According to a survey by McKinsey,

**92% of business leaders believe that their business models would not remain economically viable at the rates of digital transformation they were experiencing before the pandemic.**<sup>3</sup>

This statistic underscores the critical need for alignment between business and digital strategies.

Effective alignment means more than layering digital tools atop existing processes; it involves rethinking and integrating them to improve

efficiency, reduce costs, and enhance service delivery. It requires a holistic approach where digital and business strategies converge to drive innovation and competitive advantage.

## 2. Inadequate leadership and vision

Successful digital transformation starts at the top. Initiatives can falter without an engaged, visionary leadership team. Leaders must be more than just sponsors but champions of change, setting a clear vision and actively guiding the organization through the transformation.

A whopping 73% of enterprises failed to provide any business value whatsoever from their digital transformation efforts.<sup>4</sup> This highlights the need for strong leadership to ensure that investments are not squandered.

This involves articulating the benefits, rallying the organization's commitment, and ensuring the transformation receives the necessary resources and attention. Leaders must embody the change they want, inspiring their teams through active participation and support.

### 3. Poor planning and execution

Without a detailed roadmap and robust execution strategy, digital transformations can quickly derail. Setting realistic milestones and adapting plans as the project evolves is essential. This plan should include clear, realistic goals, milestones, and flexibility to adapt as the project progresses.

On the other hand, poor planning can lead to misallocated resources, scope creep, and missed deadlines, which can derail the entire effort. Execution is equally critical—without effective implementation, the finest strategies remain theoretical. It's the regular reviews and adjustments that ensure the transformation stays on track and delivers the intended benefits.

According to a report by Gartner, 56% of CEOs have increased their digital investments to meet evolving customer demands and stay competitive, emphasizing the need for well-planned and executed digital strategies.<sup>5</sup>

### 4. Neglecting customer focus

A common pitfall is losing sight of how digital transformation benefits the customer. Every aspect of digital transformation should enhance the customer experience, making interactions smoother, services more accessible, and solutions more responsive to customer needs.

Neglecting this focus can lead to technically

sound implementations that fail to improve—or even worsen—the customer experience.

Keeping the customer perspective central ensures that digital enhancements drive satisfaction and loyalty, which are crucial for long-term success. Companies that fail to adapt risk falling behind; for example, digital laggards are 23% less profitable than their more digitally advanced competitors, as highlighted by Deloitte.

### 5. Ineffective change management

Effective change management is paramount for successful digital transformation. Despite recognizing the need for change, organizations often struggle with resistance, inadequate skills, and a lack of strategic planning.

Employees may resist new technologies due to fear of job security or the unknown, hindering adoption. Moreover, the rapid pace of technological advancement often outstrips the ability to develop necessary skills in-house. This skills gap can cripple transformation efforts.

**85% of businesses believe that they have only two years to make significant digital advances before suffering financially and competitively.<sup>6</sup>**

Overcoming these challenges requires a comprehensive change management strategy, including clear communication, employee training, and investment in talent development.

# The Imperative for change

The digital landscape is in a state of constant flux, driven by two major forces rapid technological advancements and evolving consumer expectations. And the combination of these two has raised different consumer touchpoints like social media purchases, personalized recommenders, and so on.

Now, businesses are under immense pressure to adapt to these changes or risk becoming obsolete. Let's understand how these two factors are making digital commerce complicated for businesses and why businesses need to address the complications.

## Changing consumer expectations

The shift in consumer preferences is evident in several statistics available online. For instance, Salesforce reports that 76% of consumers expect companies to understand their needs and expectations.<sup>7</sup>

By 2025, **80%** of customer interactions will involve emerging technologies such as generative AI, machine learning applications, chatbots, and mobile messaging.<sup>8</sup>

Personalization is no longer a luxury; it's a necessity. According to a study by Accenture, 91% of consumers are more likely to shop with brands that provide relevant offers and recommendations.<sup>9</sup>

Seamless digital experiences are equally important. A report by PwC reveals that 73% of consumers consider customer experience an important factor in purchasing decisions.<sup>10</sup>

## Rapid evolution of technology

Change is the only constant. Nearly 74% of organizations recognize that failure to adopt emerging commerce solutions will negatively impact areas of their business.<sup>11</sup>

Composability is the key to success. The composable application market is anticipated to reach USD 11.8 billion with a CAGR of 17.5% by 2028.<sup>12</sup>

The organizations that adopt a composable approach will outpace the competition by 80% in the speed of new feature implementations.<sup>13</sup>

Cloud-native platforms will serve as the foundation for more than 95% of new digital initiatives by 2025.<sup>14</sup>

## Examples of digital transformation that inspire

Discover Innovation in Action: Let's explore how leading companies are redefining their industries through digital transformation.

### Pacing ahead: NYRR's digital transformation journey

New York Road Runners, the world's largest running organization, hosts over 60 annual races, including the New York City Marathon. In 2009, their ambition outgrew the digital capabilities of outdated legacy infrastructure and processes. Building a strategic digital roadmap, omnichannel strategy, and unified enterprise solution helps the organization achieve a 360-degree digital transformation in its growth endeavors while enhancing customer experience.



[Read the full case study](#)



### MLCV's transformation story: from digital challenge to triumph

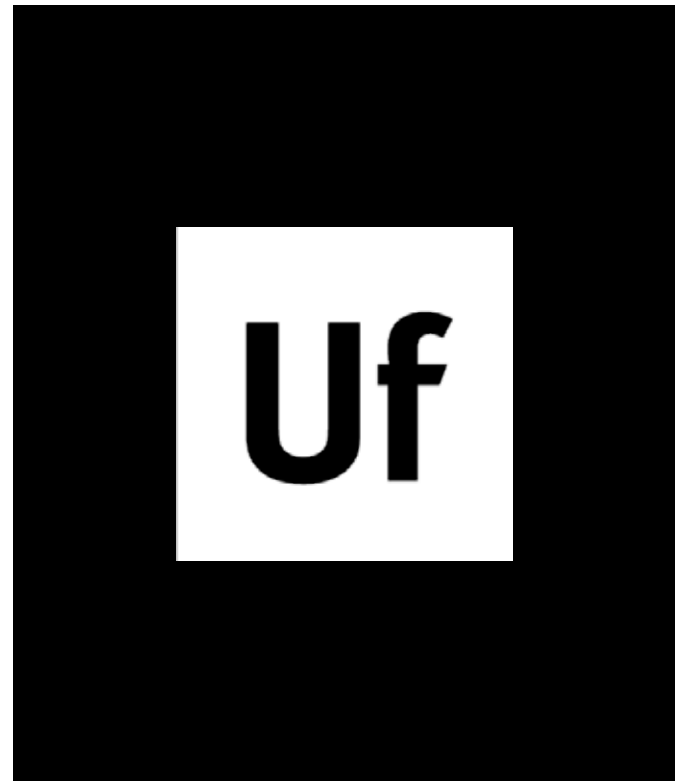
Facing challenges from dated digital infrastructure, Mille Lacs Corporate Ventures (ML Corporate Ventures) faced a critical turning point. To boost their growth across gaming, dining, events, and hospitality, MLCV embarked on a comprehensive digital transformation journey. The positive outcomes of this transformation, including significantly enhanced customer experience and accelerated business growth, serve as a beacon of optimism for other organizations.

[Read the full case study](#)

## ULTRAFABRICS: from legacy systems to luxury digital experience

Ultrafabrics, a purveyor of luxury fabrics for the automotive, aviation, and fashion industries, faced a critical digital challenge. Its legacy systems and fragmented digital presence hindered its ability to effectively engage customers and differentiate its brand in a crowded market. To elevate its digital footprint and enhance customer experience, Ultrafabrics embarked on a transformative journey to modernize its digital infrastructure and create a cohesive, customer-centric online experience.

[Read the full case study](#)



## NIKE: leading the charge in composable commerce

Nike is a well-known brand with a powerful composable commerce strategy that allows it to adapt to market changes and personalize customer experiences quickly. Nike has enhanced its digital storefront by utilizing a microservices architecture, API-first, cloud-native solutions, and headless technology, resulting in significant growth in digital sales.



## STARBUCKS: brewing success with AI

Starbucks leverages Artificial Intelligence (AI) to personalize customer experiences. Its AI-driven recommendation engine suggests products based on individual customer preferences and past behavior, which has led to higher average order values and increased customer satisfaction.



## L'OREAL: beauty and data, a perfect blend

L'Oréal, a leading beauty brand, has embraced Customer Data Platforms (CDPs) to consolidate and analyze customer data from various touchpoints. This approach has enabled them to deliver highly personalized marketing campaigns and improve customer engagement. As a result, L'Oréal has seen increased customer loyalty and higher conversion rates.

# Keys to successful digital transformation

Digital transformation isn't just about adopting new technologies—it's a fundamental shift in how a business operates and delivers value to its customers. Here are key strategies to ensure that this transformation is successful.

## Strong leadership and commitment

Leadership commitment goes beyond mere approval. The digital agenda requires active and enthusiastic support. Leaders should set a positive example by being visible champions of change and demonstrating a commitment to using new technologies and processes. Allocating resources wisely and setting clear, achievable goals are crucial steps. Leaders must communicate openly about the transformation's progress and challenges, building trust and alignment throughout the organization.

Strong leadership is the cornerstone of successful digital transformation.

Effective communication and employee engagement are crucial for transformation success.

Allocating sufficient resources demonstrates commitment to digital transformation.

A workforce equipped with digital skills is a competitive advantage.

## Clear vision and strategy

Well-defined digital transformation strategies provide a roadmap for transformation. This strategy should clearly outline how technological investments will help achieve business goals and how these goals may evolve with technological advancements. It needs to be flexible and adaptable to changes in the business environment or technology trends. Leaders should ensure that everyone in the organization understands and aligns with this vision so all efforts are cohesive and strategically focused.

A well-defined vision guides the transformation journey.

Setting clear and quantifiable objectives ensures progress tracking.

Breaking down silos for a unified approach is essential.

Adaptability and flexibility are key in the dynamic digital landscape.

## Customer-centric approach

At every stage, consider how digital initiatives will impact the customer relationship. By being a customer-centric company, the goal is to enhance functionality, increase accessibility, and improve overall customer loyalty. This might mean developing new ways to interact with customers, streamlining services to increase convenience, or using customer data to provide more personalized experiences. Keeping the customer at the center of digital strategies ensures that innovations remain relevant and valuable.

Understanding customer needs is the foundation of successful digital strategies.

Data is the new oil:  
Leveraging customer data for insights is crucial.

Understanding customer needs and pain points is fundamental.

Personalized experiences drive loyalty.

## Effective change management

Effective change management ensures that digital transformations are smoothly implemented and sustainable. This process involves clear communication about the expected changes, the reasons behind them, and the benefits they will bring. Support structures, such as training programs and user support teams, should be in place to help employees adapt to new technologies and processes. Feedback mechanisms also play a crucial role, allowing ongoing adjustments based on experience.

Transparency builds trust and reduces anxiety.

Empowering employees fosters ownership.

Tracking progress and celebrating successes motivates teams.

Change management is an ongoing process.

## Robust infrastructure and technology

The backbone of any digital transformation is its technology infrastructure. Investing in robust infrastructure ensures that your digital activities are supported and can scale as your business grows. This includes not only hardware and software but also the networks and IT systems that support data flow and accessibility. An adequate IT infrastructure reduces downtime, improves response times, and increases operational efficiency.

Systems must accommodate growth and change.

A robust infrastructure is the foundation for digital success.

Connecting systems for seamless operations is essential.

Balancing technology investments with ROI is crucial.

## Data-driven decision making

Utilizing data effectively is crucial for driving business forward in a digital age. This involves having the right tools to collect, analyze, and act on data. Data-driven decision-making allows businesses to identify trends, forecast needs, and respond to changes in real-time. Ensuring that data insights are accessible and actionable for decision-makers is key to leveraging this advantage.

Timely data access empowers informed decisions.

Companies with data-driven cultures see higher ROI.

Data insights can uncover untapped opportunities.

Data fuels new product development and services.

## Integration of digital and physical experiences

The integration of digital and physical experiences creates a seamless customer journey. Whether it's the smooth transition from an online to a physical store or digital tools in a traditional service setting, these integrated experiences should feel effortless and intuitive. This strategy enhances customer satisfaction and leverages the strengths of both digital and physical realms.

Connecting physical and digital worlds for new opportunities.

Understanding the customer journey across channels is crucial for optimization.

Connected devices enhance customer interactions and data collection.

By merging digital and physical experiences, businesses can expand market reach.

## Partnerships and collaboration

Collaborating with technology providers, industry experts, and strategic partners can significantly enhance a company's capabilities and innovation potential. These partnerships provide access to new technologies, skills, and market insights. Building a network of reliable partners ensures that a business can stay ahead of technological trends and quickly adapt to new opportunities.

Collaboration is key: Partnerships accelerate digital transformation.

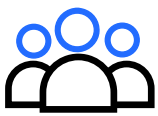
Partnering with complementary businesses creates value.

Collaborations can unlock new markets and revenue streams.

Diverse perspectives foster creativity.

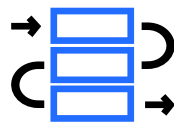
# The Future is digital - embrace transformation & reap the rewards

We've explored why digital transformations fail and how to succeed. As we move forward, remember that transformation is a continuous process of adapting to change. To succeed, businesses must prioritize a holistic approach that focuses on People, Process, and Technology.



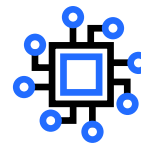
## People

Empower the team with necessary digital skills, foster the culture of innovation, and provide clear direction & support for transformation.



## Process

Adopt flexible and iterative approaches, prioritize customer needs, and streamline workflows to improve efficiency.



## Technology

Build a robust foundation for digital initiatives, take data-driven decisions, and explore innovative solutions.

Empowering employees with the right skills, optimizing workflows, and leveraging cutting-edge technology are together key to driving successful digital initiatives. By aligning these elements, organizations can unlock new opportunities, enhance customer experiences, and achieve sustainable growth.

[Icreon is your partner in this digital journey.](#) With our expertise in strategy, technology, and change management, we help businesses navigate the complexities of transformation and achieve their desired outcomes.

# About Icreon

Icreon is a full-service digital experience consultancy that provides digital strategy and engineering at scale, with deep expertise in commerce, content, and cloud technologies. For over 24 years, we've partnered with leading Fortune 500 companies, non-profits, and associations to maximize business value by mapping customer lifecycles, designing optimal digital experiences, and powering them with composable content, commerce, and cloud solutions.

Headquartered in New York City, Icreon operates across 9 global offices, partnering with top brands like PepsiCo, Fox, Ferrari, JCI, New York Road Runners, and Lincoln to fulfill their digital transformation needs. With 500+ experts in engineering, digital strategy, and UX design, Icreon is the preferred digital velocity partner for growth brands aiming to excel in a competitive marketplace.

[Learn more](#)





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