

# Ace Your Next Digital Transformation Initiative <sup>1, 2</sup>

**By Farzad Khan**

Principal, StrategicFront Inc.

## Introduction

Digital transformation is the process of transitioning from a traditional business model to a modern digital business. Digital transformation involves taking advantage of emerging technologies, such as cloud computing, mobile applications and big data analytics.

In this paper we will look at what is digital transformation (DX), how much organizations are spending on it across industries and why they fail. We will also discuss our approach to deliver the right solution that achieves results for clients and helps them realize business value and achieve ROI in their projects.

## What is Digital Transformation

Digital transformation is the process of integrating digital technologies into all aspects of a business, fundamentally changing how organizations operate, deliver value to customers, and compete in the marketplace. It involves a shift in mindset, culture, and processes, aiming to improve efficiency, innovation, and customer experiences.

Digital transformation can encompass various aspects, such as:

1. **Customer Experience:** Enhancing customer interactions, engagement, and personalization through digital channels and data-driven insights.
2. **Operational Processes:** Streamlining, automating, and optimizing business processes with the help of digital tools and technologies.
3. **Business Model Transformation:** Adapting new revenue streams, products, or services that leverage digital capabilities.

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4. Organizational Culture: Fostering a culture of innovation, agility, and continuous learning to support digital initiatives.
5. Data and Analytics: Leveraging data to gain insights, drive decision-making, and improve overall business performance.

Digital transformation is not a one-time event, but rather an ongoing journey that involves continuous adaptation and growth in response to the evolving digital landscape.

### How large is the worldwide spend on Digital Transformation projects?

According to a recent report by IDC, global spending on the digital transformation of business practices, products, and organizations is forecast to reach \$1.8 trillion in 2022, an increase of 17.6% over 2021<sup>3</sup>.

In 2023, spending on digital transformation (DX) is projected to reach 2.16 trillion U.S. dollars. By 2026, global digital transformation spending is forecast to reach 3.4 trillion U.S. dollars. This data is based on Statista 2023 data<sup>4</sup>.

Below is a chart that shows the total digital transformation spend globally during 2017-26.

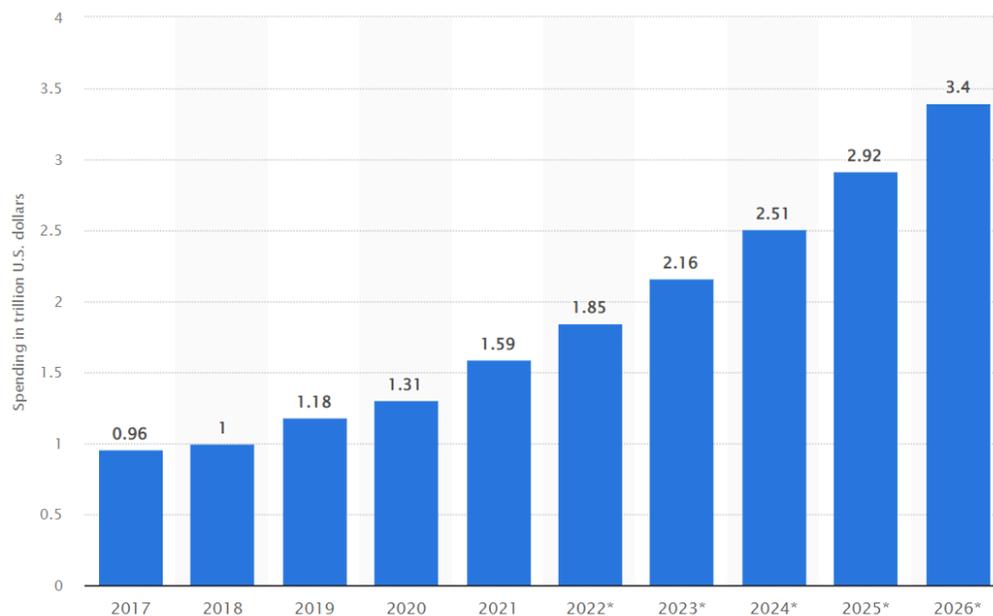


Figure 1: Source is Statistica 2023

<sup>3</sup> Source: IDC 2022 data.

<sup>4</sup> Source: Statistica 2023 data.

It should be noted that "digital transformation" can encompass a wide variety of technology transformation projects, and spending in specific areas may vary significantly<sup>5</sup>.

## What is the cost of project failures in organizations?

According to research conducted by McKinsey, only 30% of digital transformation projects result in improved corporate performance. This shows that about 70% of digital transformation projects fail to report improved performance in companies.

Furthermore, the same McKinsey report also informs us that 90% of digital transformation projects fail to deliver any measurable ROI<sup>6</sup>.

If we translate that information with the total global spend in 2023, only 10% of the US \$2.16 trillion will have a measurable ROI, while the remaining US \$1.94 trillion dollars of digital transformation spend will go undetected in terms of ROI or true business value that they have produced.

The annual GDP of Canada in 2023 is just over \$2 trillion US dollars, so we could be wasteful of as much as the full Canadian economy each year with failures in digital transformation projects.

## Reasons for failure of Digital Transformation projects

Before we begin to solution for this monumental failure that is only going to increase each year, let's understand the root cause of why the Digital Transformation projects fail at such astounding volumes.

Key reasons why digital transformation fails:

- Companies do not have the necessary skills
- Executives fail to support big technology projects
- Most corporate cultures are actually anti-technology

Contrary to some beliefs, digital transformation projects do not fail due to:

- Companies cannot define the problems they're trying to solve
- Companies cannot identify the right requirements or manage scope creep, or
- Companies cannot do project crisis management

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<sup>5</sup> Source: Statistica 2023 data.

<sup>6</sup> Source: McKinsey 2022: <https://www.mckinsey.com/capabilities/transformation/our-insights/perspectives-on-transformation>

## What makes a digital transformation project successful?

A success mindset is a key ingredient in ensuring success in digital transformation projects, just like success in anything else, really.

### Start with a clear Purpose and Objective.

Once you know clearly why you are undertaking the digital transformation project, it makes it easier to tell the story to the rest of the stakeholder groups in the organization.

It is important to document and communicate across levels of the organization, so we can build momentum and coalition across the organization, and especially with the leadership.

### End with delivering Business Value and Measurable ROI.

A successful digital transformation project needs to deliver business value and show measurable ROI. These metrics that show evidence of business value and ROI should tie in with the Purpose and Objectives of the projects defined in its onset. It is at that time we fine the Metrics that will show achievement of business value and ROI, including both the benchmark and the targets.

This makes digital transformation projects highly quantifiable and purpose-driven. It also would make it easier to show the business case has been met and declare success in the digital transformation initiative.

## An integrated approach to Ace your Digital Transformation initiative

Once you have the start and end determined, the next is to identify the key capabilities needed in your organizations to make your next Digital Transformation a success.

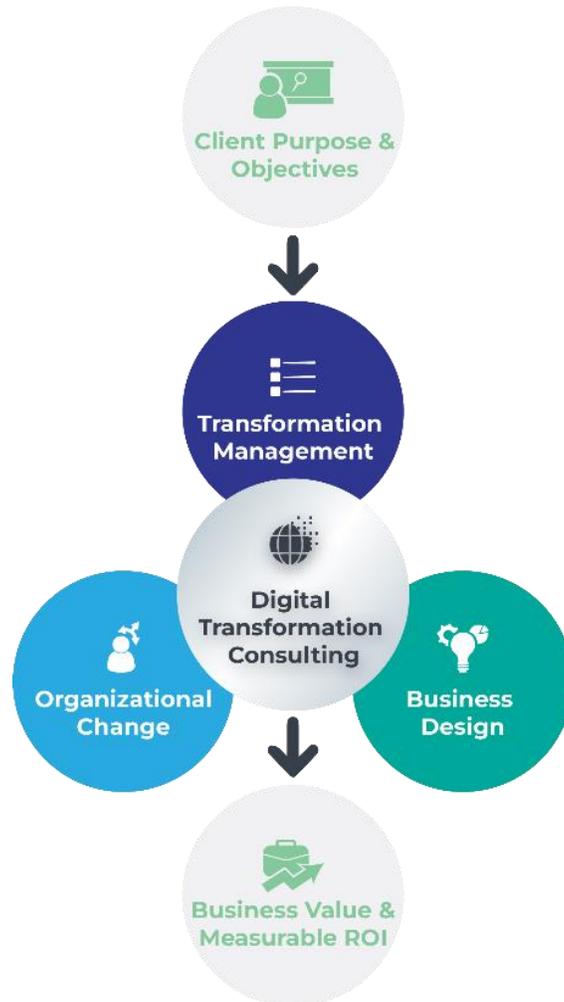
This methodology looks at the 3 capabilities in an integrated way and is based on “The StrategicFront® Approach”<sup>7</sup>.

The 3 key capabilities are:

- Transformation Management
- Business Design
- Organizational Change

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<sup>7</sup> Source: StrategicFront Inc.: <https://strategicfront.com/expertise/>



**Figure 2: The StrategicFront® Approach**

Let's inspect each of these capabilities closely.

### Transformation Management

Transformation Management is ensuring leadership support and the discipline for rapid results in a Digital Transformation initiative.

The elements that make up Transformation Management includes:

- Strategic alignment
- Governance
- Agile Delivery
- Initiation and Planning

**Metrics:** Additionally, in this capability the Metrics that will determine ROI will be baselined, tracked and reported throughout the initiative.

## Business Design

Business Design is about redesigning your business model and processes to maximize the use of your investment in technology and align the technology with how your business is delivered.

The elements that make up Business Design includes:

- Digital-first Business Model
- Opportunities and Challenges
- Redesign Future-State Process
- Transform CX, Sales and Ops

**Metrics:** Additionally, in this capability the Metrics that will determine Business Value will be baselined, tracked and reported throughout the initiative.

## Organizational Change

Organizational Change accelerates the adoption of new technology across all stakeholders, including both internal company people and external customers and other stakeholders.

The elements that make up Organizational Change includes:

- People Readiness Assessment
- People Change Strategy
- Organization Change Tactics
- Customer Change Tactics

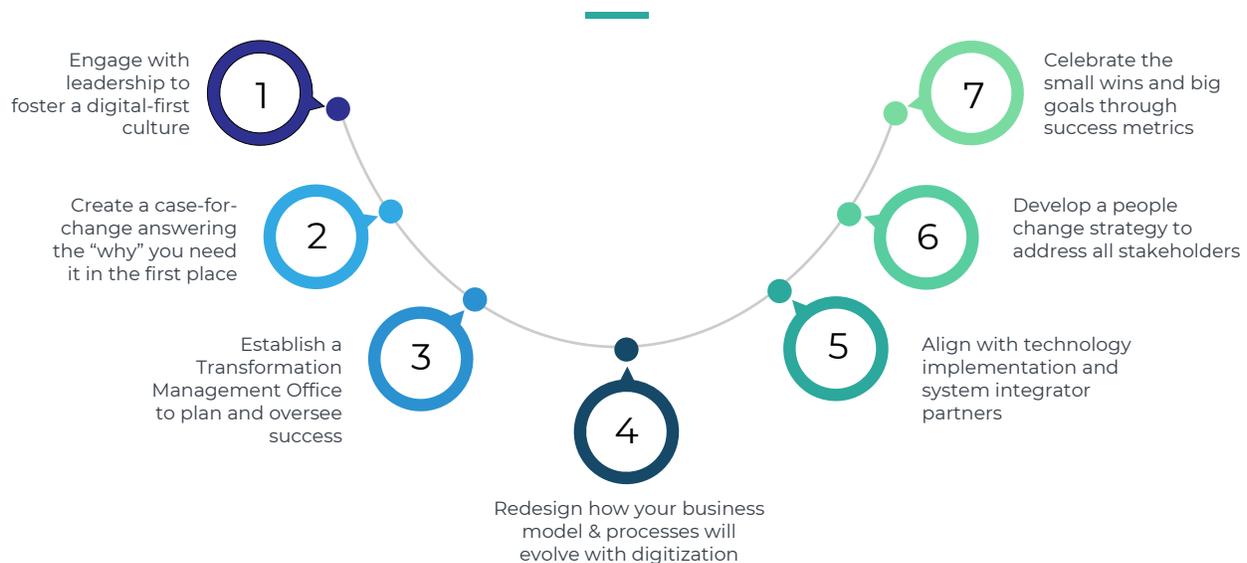
**Metrics:** Additionally, in this capability the Metrics that will determine Stakeholder Adoption will be baselined, tracked and reported throughout the initiative.

## End-to-end Digital Transformation Delivery Model

The 3 key capabilities of Transformation Management, Business Design and Organizational Change require an end-to-end delivery model that aligns and integrates the capabilities<sup>8</sup>.

The Digital Transformation delivery model is specified below:

- Step 1: Engage with leadership to foster a digital-first culture
- Step 2: Create a case-for-change answering the “why” you need it in the first place
- Step 3: Establish a Transformation Management Office to plan and oversee success
- Step 4: Redesign how your business model & processes will evolve with digitization
- Step 5: Align with technology implementation and system integrator partners
- Step 6: Develop a people change strategy to address all stakeholders
- Step 7: Celebrate the small wins and big goals through success metrics



**Figure 3: Digital Transformation Delivery Model**

<sup>8</sup> Source: The Digital Transformation Delivery Model by StrategicFront Inc.

## Conclusion

Although there's a high degree of failure in Digital Transformation projects, this paper explores that there is a way forward to ace your next digital transformation initiative and transform with confidence.

We have studied The StrategicFront® Approach to Digital Transformation based on the integrated practice of Transformation Management, Business Design and Organizational Change. We have also learned of the End-to-end Digital Transformation Delivery Model consisting of the 7 steps that hold the 3 key capabilities together.

A strong start of a Digital Transformation initiative with Purpose and Objective and a strong end with Business Value and Measurable ROI, you too can Ace Your Next Digital Transformation Initiative!

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## About the Author



**Farzad Khan**

Toronto, ON, Canada



**Farzad Khan**, MBA, P.Eng., PMP With over 20 years of project management/transformation management experience, Farzad has held leadership roles at PwC, Deloitte and IBM Consulting. He founded StrategicFront based on the belief that a strategic transformation journey requires a holistic approach. Farzad has advised on complex technology-led transformation projects in financial services and consumer services industry. He serves clients in United States and Canada.

Farzad holds a Master of Business Administration from The University of Texas at Dallas. He also holds a Bachelor of Applied Science in Industrial Engineering from University of Toronto and is licensed by the Professional Engineers of Ontario. Additionally, he has a Lean Six Sigma Green Belt and is a Prosci Certified Change Management Professional.

When not working with clients or building the firm, Farzad is known to sneak out for a round of recreational tennis, hiking in nature, or reading a book. Farzad can be contacted at [farzad.khan@strategicfront.com](mailto:farzad.khan@strategicfront.com)