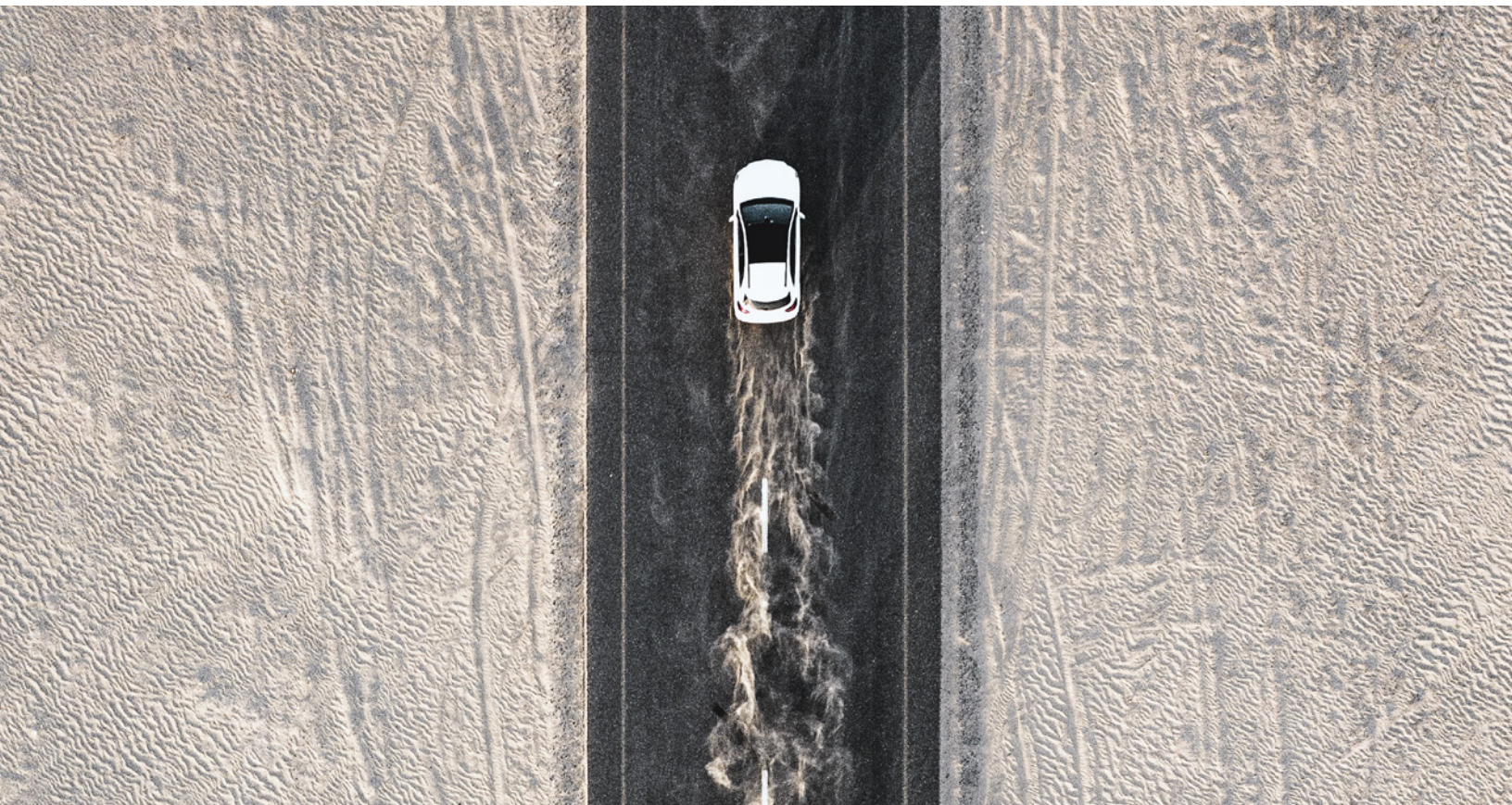


How to restart your stalled digital transformation

Most digital initiatives sputter before they take full effect. A new survey finds that organizations stand a good chance of recovering lost momentum because slowdowns typically happen for reasons within their control.



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At organizations pursuing digital transformations, more than seven in ten survey respondents say the progress of these efforts has slowed or stalled at some point. In the latest McKinsey Global Survey on the topic,¹ we set out to understand what organizations can do to prevent burnout or to restart their engines if burnout occurs during these transformations, which previous research has found have a lower success rate than do more traditional transformations.² The good news is that in most cases, organizations can prevent or overcome a loss of momentum.

More than 60 percent of respondents who report stalled digital transformations attribute the problem to factors that—with the right discipline and focus—organizations can control in the near term to medium term.³ This finding runs counter to widespread assumptions that external pressures, such as market disruptions or regulatory changes, pose the biggest threats to digital initiatives.⁴ More commonly reported sources of derailed progress include

resourcing issues, lack of clarity or alignment on a company's digital strategy, and poor quality of the digital strategy to begin with.

If a digital transformation stalls, the results suggest that organizations can regain momentum by implementing rigorous change-management and internal-communications programs and clarifying the transformation's projected impact, which can help build alignment and commitment. For scaling digital programs beyond the pilot phase—the first stumbling block in a transformation's execution—clarity on the time frame and expected economic impact is important, as is partnering with operations. Should an intervention be needed to reenergize a transformation, having the CEO step in appears to be advantageous. Further lessons come from respondents at companies that avoid stalling in the first place. They often say their organizations maintain momentum by obtaining strong alignment and strategic clarity before a transformation gets under way.

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¹ The online survey was in the field from May 16 to May 31, 2019, and garnered responses from 1,256 C-level executives and senior managers representing the full range of regions, industries, company sizes, and functional specialties.

² "Unlocking success in digital transformations," October 2018, McKinsey.com.

³ "Near term" refers to factors that can usually be overcome within one year, and "medium term" refers to factors that can typically be overcome within three years.

⁴ Jacques Bughin and Nicolas van Zeebroeck, "The best response to digital disruption," *MIT Sloan Management Review*, Summer 2017, Volume 58, Number 4, sloanreview.mit.edu.

Most stalls in momentum are addressable

Overall, nearly nine in ten respondents say their organizations have pursued a major digital initiative or transformation in the past three years (Exhibit 1). Of the respondents who say their organizations have undertaken such an effort, more than 70 percent say the effort, which may be ongoing, has lost momentum at some point: either it hasn't reached its full scale, or it scaled but has stalled before achieving its expected impact. A solid majority of these respondents—more than 60 percent—say their companies' digital transformations have stalled for reasons that, in our experience, an organization can reasonably control in the near term to medium term.

Of the eight challenges we asked about, resourcing issues are reported most often. Answers to further questions about how resourcing issues lead to digital slowdowns reveal that the trouble is not

simply a matter of allocating sufficient funding or talent to the transformation. Fully 53 percent of respondents say their resourcing problems result from the ways funds are earmarked or allocated among initiatives.

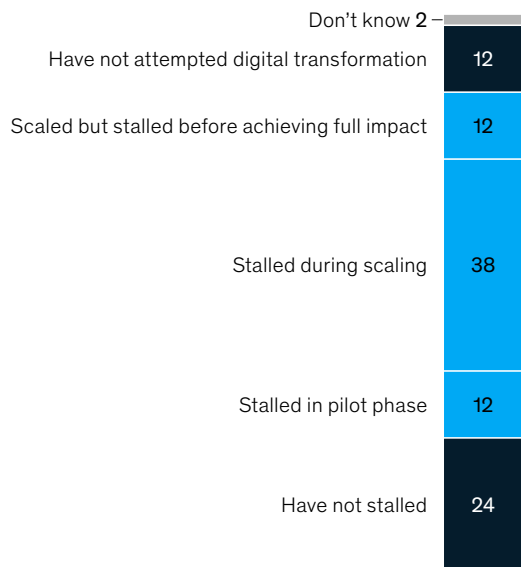
Smaller shares of respondents cite near- or medium-term factors related to the quality and execution of the transformation strategy: its clarity, its effectiveness, the extent of alignment and commitment throughout the organization, and the organization's ability to translate its strategy into an effective transformation design.

Other factors, in our experience, typically take longer to address. Among these, misalignment of culture and ways of working is the most commonly cited cause of digital burnout. As previous research has noted, adapting the organizational culture to accelerate innovation is, for many organizations,

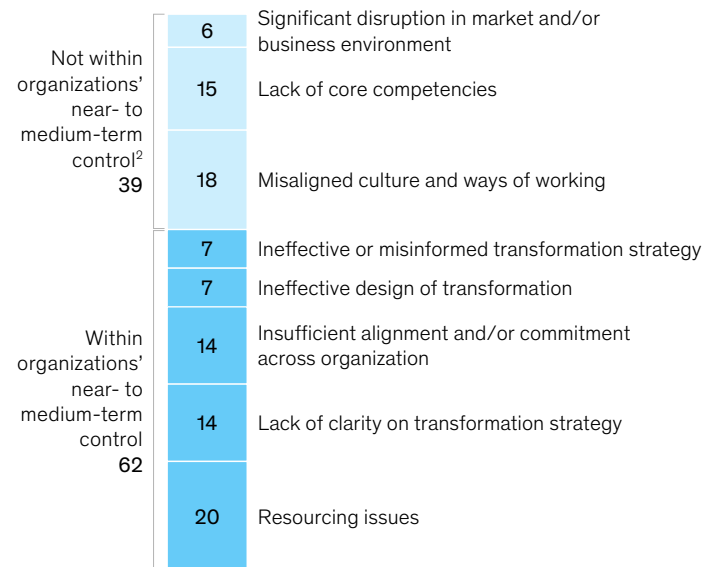
Exhibit 1

Most respondents say their organizations' digital progress stalled, with the majority of stalls caused by factors within organizations' control.

Where companies have stalled in their digital progress,
% of respondents (n = 1,256)



Primary reason that momentum stalled,
% of respondents reporting stalls¹



¹ Figures were calculated after removing respondents who said "don't know" (6% of total responses); n = 731. Figures do not sum to 100%, because of rounding.

² That is, factors that are not likely to be overcome within 3 years.

a struggle that takes time to address.⁵ In particular, nearly 40 percent of this survey's respondents who identify misaligned culture and ways of working as the primary cause of burnout point specifically to hierarchical cultures and siloed ways of working as the biggest killers of digital momentum. Overall, internal challenges pose more problems than external ones do: only 6 percent of respondents attribute the derailed momentum to a major disruption in the market or business landscape.

We also looked at how these challenges vary according to when a transformation stalls. Responses indicate that the factors causing transformations to stall in the pilot stage differ from the factors that keep scaled-up transformations from achieving their expected impact. For example, the findings suggest that strategic clarity—the primary differentiating root cause between stalls in these two stages—is important for moving past the pilot phase. Lack of clarity was stated as the main obstacle by 17 percent of respondents reporting a stall at the pilot phase, compared with 9 percent of those who say their transformation reached full scale but didn't meet expectations.

Rebuilding digital momentum if a transformation stalls

To understand how organizations can restart digital efforts that have stalled, we asked the 36 percent of respondents who say their organizations have regained momentum what steps were taken. Respondents most often identified resourcing issues—the overall most cited reason that digital transformations stall—as the challenge these organizations addressed successfully. External disruption, the least cited reason that transformations stall, has the second-highest rate of being solved successfully. This suggests that while companies might not be able to avoid disruption, they often can find a path through it.

Responses also point to two challenges that may be the most difficult to overcome; these center on the clarity and quality of a transformation's strategy (Exhibit 2). The findings suggest that a lack of strategic clarity is particularly problematic. Nearly 40 percent of respondents at organizations experiencing clarity issues say they hit fewer than one-quarter of the transformation's overall targets, compared with 27 percent of all

Exhibit 2

A misinformed transformation strategy and lack of clarity on the strategy are the two hardest challenges for companies to overcome.

Success rate for addressing given cause of transformations' loss of momentum or failure to scale, %¹



¹ That is, the % of respondents reporting each cause who said their companies successfully overcame transformations' loss of momentum or failure to scale.

⁵ Julie Goran, Laura LaBerge, and Ramesh Srinivasan, "Culture for a digital age," *McKinsey Quarterly*, July 2017, McKinsey.com.

respondents whose companies have experienced a stall.

The findings also suggest that certain interventions are more effective than others at jump-starting stalled digital transformations. (However, most interventions appear to have at least some positive effect on organizations' abilities to turn things around, and the findings offer no evidence that any of the tested interventions are detrimental to the likelihood that transformations could regain momen-

tum.) Organizations that, according to respondents, overcame digital fatigue are much likelier than others to have tried each of three interventions: undertaking a rigorous change-management program, improving the economic model for the transformation's timing and impact, and developing a robust internal-communications plan. All three are among the five most common interventions that companies initiate (Exhibit 3). The most common intervention is replacing the transformation leader, while the least common is making an acquisition.

Exhibit 3

The interventions most strongly associated with success are among the five most common actions organizations take after a transformation stalls.

Actions taken after transformations' loss of momentum or failure to scale, % of respondents¹

Hired new transformation leader	30
Earmarked funding and/or people to be dedicated to transformation	29
Undertook change-management program	27
Developed rigorous internal-communication program	25
Built more rigorous model of transformation's timing and economic impact	24
Made commitments about transformation to board of directors	24
Brought in external partner to redesign transformation	19
Partnered with operations function to redesign transformation	19
Created new digital business with its own profit-and-loss responsibility	16
Made commitments about transformation to the market	15
Partnered with another company	14
Brought in external partner to validate projected economic impact	13
Partnered with finance function to redesign transformation	10
Acquired another company	6

Interventions most associated with success, difference in response rates at companies regaining momentum vs companies not regaining momentum,² percentage points



¹ Question was asked only of respondents who said their companies pursued a digital transformation or major digital investment that has lost momentum or failed to scale in past 3 years and who cited a reason for loss of momentum or failure to scale. Respondents who said "other" or "don't know" are not shown; total n = 731.

² Calculated by subtracting share of respondents who reported use of each intervention and did not succeed at overcoming transformation's loss of momentum from share who reported use of each intervention and a transformation that successfully overcame loss of momentum.

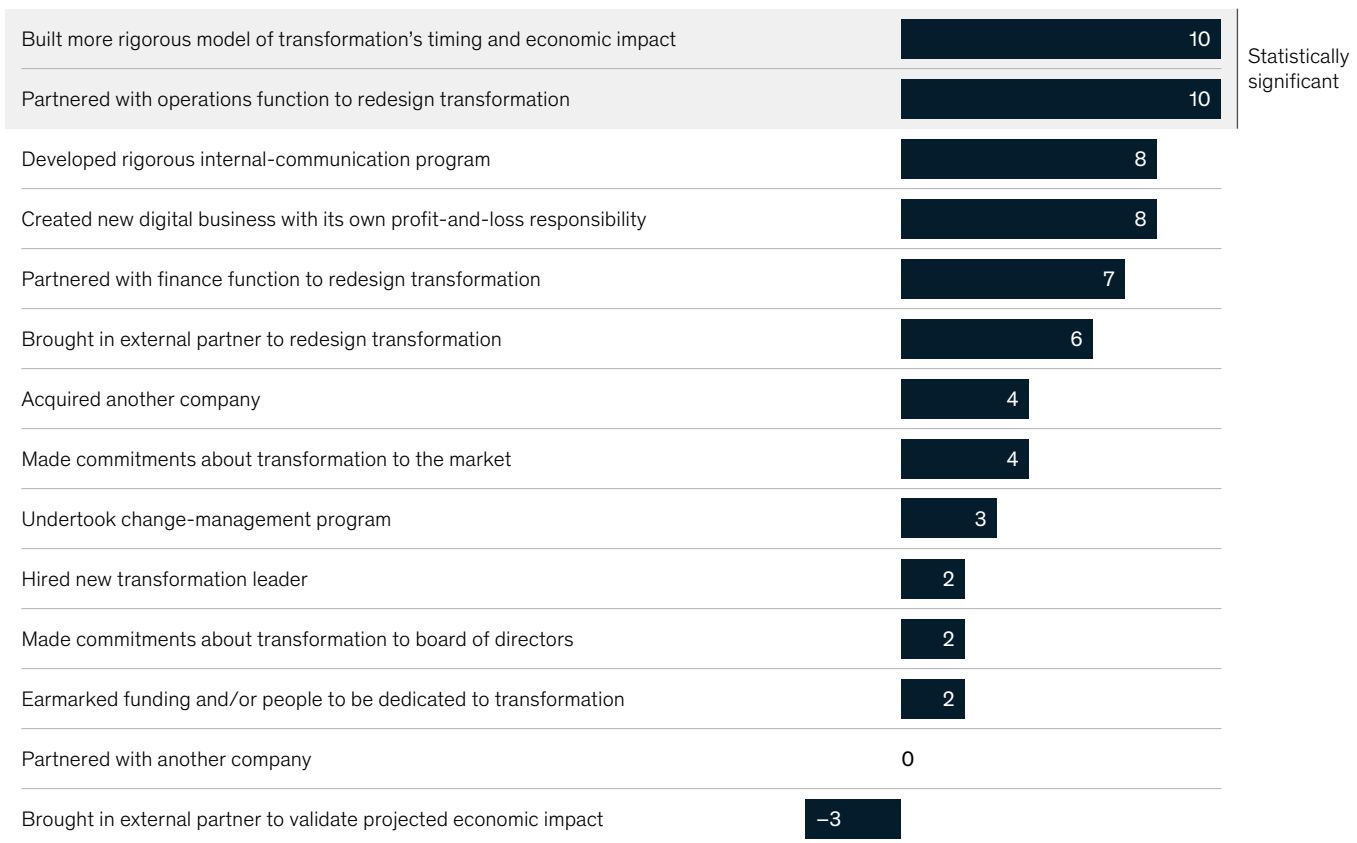
To understand which tactics may be useful for getting a stalled digital program past the pilot phase, we compared the answers from respondents whose transformations have begun to scale with those whose transformations have stalled in the pilot stage.⁶ Two interventions are much more likely

to be reported at organizations with transformations that have cleared the pilot phase: one is building a more rigorous model for the transformation's timing and impact, and the other is partnering with the operations function to redesign the transformation (Exhibit 4).

Exhibit 4

Where transformations cleared the pilot phase, interventions are more likely to include rigorous models and partnership with operations.

Actions taken after transformations' loss of momentum or failure to scale, difference in shares of respondents saying transformations stalled during scaling vs those saying they stalled in pilot phase, percentage points¹



¹ For respondents reporting a stall during scaling, n = 451. For respondents reporting a stall in pilot phase, n = 143.

⁶ We compared the answers between the two sets of respondents by subtracting the share of respondents who reported the use of an intervention and a transformation that has stalled at the pilot stage from the share who reported the use of that intervention and a transformation that has stalled during scaling.

Finally, our findings suggest that it also matters who initiates the intervention (Exhibit 5). CEOs—who initiate more interventions than any other leader—have the best record of resuscitating stalled digital efforts: they initiate nearly half of successful interventions. But intervention by a CEO isn't a sure fix. When CEOs step in, the reported success rate is still only 40 percent.

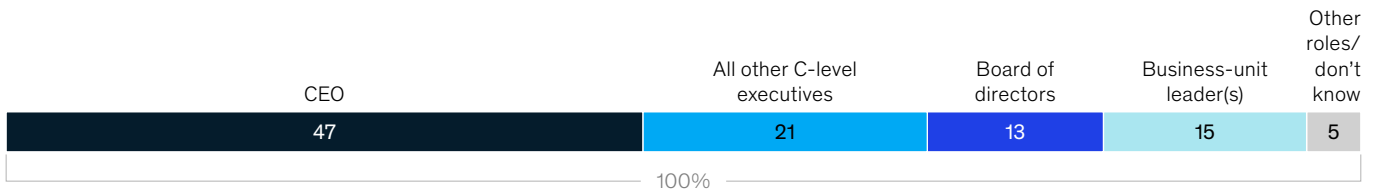
Avoiding digital derailment altogether

How can organizations avoid getting stuck in the middle of a digital transformation in the first place, rather than spending time and resources to dig themselves out of a rut? When we asked the quarter of respondents who did not report a slowdown to identify the most important factors for keeping their efforts going, they most

Exhibit 5

CEOs initiated nearly half of reported successful interventions.

Role or group that initiated intervention after transformations' loss of momentum or failure to scale,
% of respondents reporting successful interventions¹



¹ Respondents reporting that their companies were successful at overcoming transformation's loss of momentum/failure to scale; n = 261. Figures do not sum to 100%, because of rounding.

Exhibit 6

The most commonly cited reasons that companies avoided a digital stall are strong commitment and clarity on their strategy.

Primary reason that organization has avoided a digital stall, % of respondents reporting no loss of momentum¹



¹ Question asked only of respondents who said their organizations' digital transformations or major digital investments did not stall or fail to scale. Figures were calculated after removing respondents who said "don't know" (15% of total responses); total n = 302.

² For example, the market outperformed in an area where the organization had placed its bets, or there was a significant economic upturn.

often credit strong commitment to the transformation and clarity on the transformation's strategy (Exhibit 6).

We also asked these respondents what enabled those factors at their organizations. Respondents who say strong commitment kept their transformation on track most often point to having the entire C-suite fully aligned and committed to the transformation. Those who say clarity on the transformation strategy was critical to their digital momentum most often state that translating the strategy into clear, actionable initiatives was the key to providing that clarity.

Looking ahead

Notwithstanding the possibility of external disruption, three actions may help organizations overcome, or even avoid, a stalling of their digital momentum:

- **Build strategic clarity and commitment across the organization.** A lack of clarity and commitment is one of the most common obstacles—and one of the hardest to surmount. There are, however, proven approaches to overcoming it. Executives can create a clear, simple, and inspiring strategy that describes how digital technologies and ways of working will enable new value propositions and business models, and they can cascade this strategy

through the organization. They should also translate this strategy into specific implications for each role and division to build both clarity and commitment.⁷

- **Improve the transformation's economic model.** A digital-transformation plan should be grounded in a rigorous, realistic model of the transformation's specific economic objectives and the overall business outcomes it will produce. Such a model also needs to be updated frequently. The spread of digital technology is having unprecedented effects on industries and on consumers' behaviors and preferences. As these developments unfold, leaders must revisit assumptions about the business model and expected financial outcomes so they can make investment decisions and trade-offs that will keep the organization moving on its digital journey.⁸
- **Lock in resources and execution capabilities.** Once an organization buys into a transformation strategy and understands its economic impact and trade-offs, committing resources to the transformation effort becomes easier. To carry out digital strategies, organizations must also change their approaches to talent acquisition and development, their ways of working, and their operating processes in ways that go beyond the light-touch adjustments needed to complete pilot projects.

The contributors to the development and analysis of this survey include **Simon Blackburn**, a senior partner in McKinsey's Sydney office; **Jacques Bughin**, an alumnus of the Brussels office; and **Laura LaBerge**, based in the Stamford office and a director of capabilities for digital strategy at McKinsey Digital.

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⁷ For more, see Jacques Bughin, Tanguy Catlin, and Laura LaBerge, "The drumbeat of digital: How winning teams play," *McKinsey Quarterly*, June 2019, McKinsey.com.

⁸ For more, see Jacques Bughin, Laura LaBerge, and Anette Mellbye, "The case for digital reinvention," *McKinsey Quarterly*, February 2017, McKinsey.com, and Jacques Bughin, Tanguy Catlin, Martin Hirt, and Paul Willmott, "Why digital strategies fail," *McKinsey Quarterly*, January 2018, McKinsey.com.