

Enterprises must think holistically and consider the componentry and the delivery of technology systems.

Avoiding value decay in digital transformation



Mission-critical digital transformation projects too often end with a whimper rather than a bang. An estimated **three-quarters of corporate transformation efforts** fail to deliver their intended return on investment.

Given the rapidly evolving technology landscape, companies often struggle to deliver short-term results while simultaneously reinventing the organization and keeping the business running day-to-day. Post-implementation, some companies cannot even perform basic functions like processing orders efficiently or closing the books quickly at the end of a quarter. The problem: Leaders often fail to consider how to sustain value creation over time as programs scale from the pilot phase to wide-scale execution.

“Most implementations are viewed as IT projects,” says Tim Hertzog, a principal in Deloitte’s Technology practice and global product owner of Deloitte’s Ascend digital transformation solution. “These projects fail to achieve the value they initially aspire to, because they don’t factor in change management that ensures adoption and they don’t consider industry-leading practices.”

Technology rarely drives value alone, according to Kristi Kaplan, Deloitte principal and US executive sponsor of Deloitte’s Ascend platform. “Rather it’s how technology is implemented and adopted in an organization that actually creates the value,” she says. To deliver business

Key takeaways

- 1 Digital transformation efforts often fail because of a lack of long-term planning to sustain value creation beyond the initial implementation.
- 2 Visualizing the art of the possible, establishing a strong digital core, and scaling up next-generation innovations enable projects to generate impact over time.
- 3 Effective implementation ultimately requires inclusive governance, continuous ROI, and tailored industry approaches.

results that gain momentum rather than fade away, executives need a long-term transformation plan.

According to Deloitte’s analysis, the right combination of digital transformation actions can unlock as much as \$1.25 trillion in additional market capitalization across all Fortune 500 companies. On the other hand, implementing digital change for its own sake without a strategy and technology-aligned investments – “random acts of digital” – could cost firms \$1.5 trillion.

Best practices for implementation

To unlock this potential value, there are a number of best practices leading companies use to design and execute digital transformations successfully, Deloitte has found. Three stand out:

“Business transformation isn’t a one and done type of thing. If done properly, organizations transition into an ongoing sustainment of the solution and continuous innovation.”

Kristi Kaplan, Principal and US Executive Sponsor of Ascend Platform, Deloitte Consulting

Ensure inclusive governance: Project governance needs to span business, HR, finance, and IT stakeholders, creating transparency in reporting and decision-making to maintain forward momentum. Successful projects are jointly owned; all executives understand where they are in the project lifecycle and what decisions need to be made to keep the program moving.

“Where that transparency doesn’t exist, or where all the stakeholders are not at the table and do not feel ownership in these programs, the result can be an IT organization that’s driving what truly needs to be a business transformation,” says Kaplan. “When business leaders fail to own things like change management, technology adoption, and organizational retraining, the risk profile goes way up.”

“Executives need the assurance and the visibility that the ROI of their technology investments is being realized, and when there are risks, they need transparency before problems grow into full-blown issues,” Hertzog adds. “That transparency becomes embedded into the governance rhythms of an organization.”

Design for continuous ROI: Efforts must also continuously demonstrate a range of ROI outcomes – from executive planning to implementation to managed services – while ensuring that users adopt and benefit from the deployed technologies. Executives need a consolidated way to view ROI so that all stakeholders have the right information at their fingertips to make an educated decision. Everyone should be able to prove that the business case has been attained, including leaders at the board level.

Most people treat the business case behind transformation programs as a one-time event to secure executive approval, but “business transformation isn’t a one and done type of thing,” says Kaplan. “If done properly, organizations transition into an ongoing sustainment of the solution and continuous innovation. Business cases are then embedded into the governance of the program and ROI can be tracked throughout, from implementation to managed services.”

Tailor for industry relevance: At the same time, solutions must be customized to an industry’s unique regulatory and operational requirements, especially in highly regulated industries that require extensive documentation, full traceability, and strict governance practices.

Measure twice, spend once

Digital transformation creates exciting opportunities, with the potential to unleash great value. However, without proper execution, the money spent will be money lost. The following figures refer to potential value gained or lost across Fortune 500 companies.



Source: Compiled by MIT Technology Review Insights based on data from Deloitte, Wall Street Journal, [Paramount Global CTO: How Digital Strategy Can Unlock Business Value](#), July 2024

Most software-as-a-service solutions provide new features and functionality over time. Executives must ensure solutions can be continuously upgraded, maintained, and improved to meet industry requirements. Post-implementation processes must manage that innovation as a source of continuous improvement, with proper governance as technologies evolve.

Planning for long-term digital transformation

To ensure that digital transformation is sustained over time and these vital projects endure, the following are three key strategies for success:

Visualizing the art of the possible: To change the game, companies benefit from understanding industry-leading

practices and solutions, as well as from having a mindset open to continuous innovation, disruption, and growth. Globally, **only half of leaders Deloitte surveyed** said their spending on digital initiatives was focused on using or integrating digital technologies to achieve fundamental change, while the rest single-mindedly pursued digital strategies to create new products or services, focused on entering new markets, or digitized data or platforms.

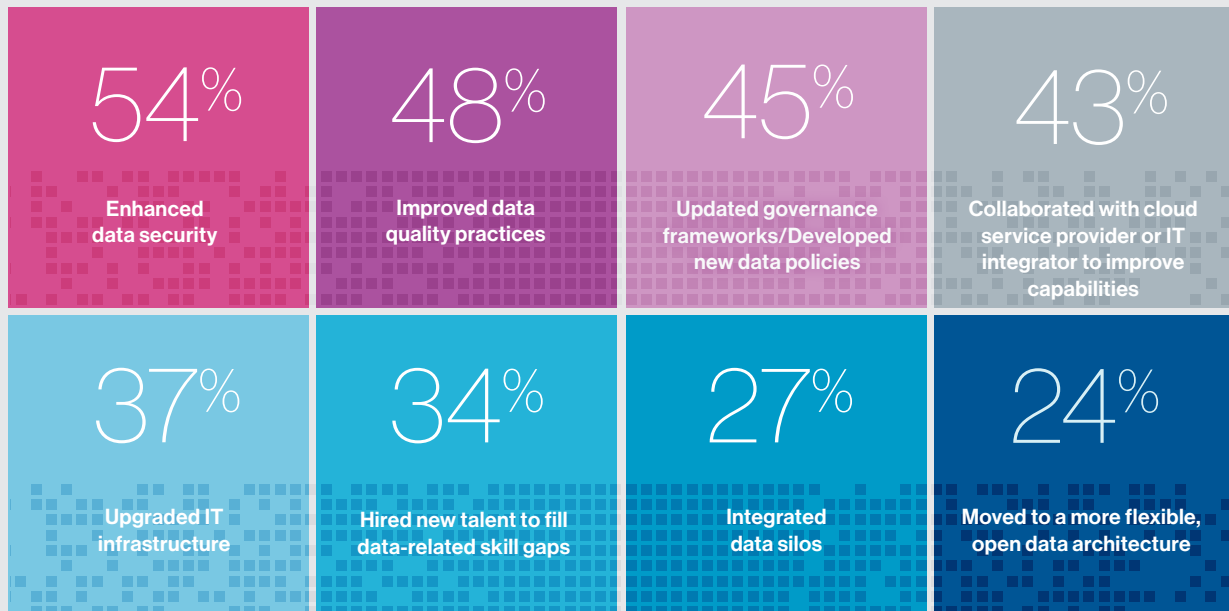
“Overall, we consciously changed our innovation mindset to focus on a higher count of smaller, incremental releases rather than big-bang releases each quarter or year,” says Kirsty Roth, chief operations and technology officer at Thomson Reuters. Roth says the company has been using AI for more than 30 years but more recently it has invested in improved content management and search to enable retrieval-augmented generation experiences for generative AI for the **more than 4,000 people who produce editorial content** for Thomson Reuters.

“When digital transformation is implemented right, the quality is stronger, the documentation is more thorough and consistent, and the total cost of ownership of the solution goes way down.”

Tim Hertzog, Principal, Deloitte Technology Practice, Global Product Owner of Deloitte Ascend

How enterprises are improving data-related capabilities

The road to generative AI requires a lot of work. These are some of the ways companies are investing in data to prepare for it, according to an August 2024 survey by Deloitte.



Source: Compiled by MIT Technology Review Insights based on data from the [State of Generative AI in the Enterprise Survey](#), Deloitte, August 2024

Establishing a strong digital core: The baseline for enterprise value creation involves technologies like intelligent automation, cloud-based infrastructure, and modern platforms to improve the flow of data across the organization. Investments should balance those that address technical debt and those that foster innovation, while at the same time establishing data standards to ensure trust, ethical use, and intellectual property protection. These ingredients establish a platform for innovation and growth that's capable of producing up to three times the impact on market cap compared to traditional strategies, [Deloitte research finds](#).

An integrated academic health system embarked on a digital transformation to unify its vast network of financial, supply chain, and HR systems into one platform to reduce complexity, increase efficiency, and lower operating expenses across the organization's more than 24,000 employees. It streamlined and automated a host of routine processes to eliminate manual data entry, standardize workflows, and increase time savings, while also creating a single source of truth for company-wide data. Two separate organizations were combined

“The quicker the project is done, the faster the business case is achieved, and that can often be one of the biggest levers of ROI.”

Kristi Kaplan, Principal and US Executive Sponsor of Ascend Platform, Deloitte Consulting

Delivery platforms and their impact on the duration of digital transformation

Delivery platforms, such as Deloitte's Ascend, are designed with durability and long-term value delivery at the core. “Ascend allows us to create the connective tissue between our methodology, industry-leading practices, and the technology that our practitioners use to deliver it, whether that's AI, generative AI, process automation, or robotic process automation,” explains Kristi Kaplan, Deloitte principal and US executive sponsor of Deloitte's Ascend platform.

As a delivery platform, Ascend is customized to account for and automatically integrate the variety of systems required to enable the full spectrum of tech-enabled digital transformation initiatives. These platforms provide the visibility, control, and mechanics to deliver the highest value, long-term outcomes in business functions, which include improved customer and employee experience, financial performance, competitive execution, and speed to market, Deloitte finds.

Kaplan continues, “No longer are people relying on word of mouth or what they have on their laptops, it's on the platform. As they go to deliver services to a client, they have that as a repository as well as a set of tools and accelerators that will help to implement those processes and technologies.”



into one global structure. And with a solid change management playbook, the health system was able to sustain the capabilities it developed even beyond the project rollout.

Scaling up next-generation innovations: Beyond the digital core, additional elements required for innovation include generative AI, machine learning, blockchain, edge and quantum computing, microservices and APIs, and the internet of things. For example, many of the **fundamentals of generative AI projects** may look similar to digital transformation efforts, but they require an even greater focus on ensuring robust governance, transparency for building trust, talent transformation, and mature data life-cycle management.

With generative AI's ability to innovate in areas like digital twins, synthetic data, hyper-personalization, and cybersecurity resilience, organizational strategy has

shifted toward **expanding human potential** and powering the autonomous enterprise so humans work together with AI. According to the Deloitte **State of Generative AI in the Enterprise** report from August 2024, organizations are starting to think more about tailored generative AI tools – evolving from large language models (LLMs) to small language models for more targeted needs. They are also exploring how the rise of AI agents can redefine interactions within their digital environments, offering new avenues for automation and personalization.

“Generative AI capabilities allow companies to drive efficiencies at lower cost, with less disruption to their business and higher quality outcomes,” says Hertzig. “When executives embed industry best practices with generative AI at the same time, they produce a better end product and drive more value, faster.”

Improving data capabilities

In Deloitte's [State of Generative AI in the Enterprise Survey](#) from August 2024, executives reported that value from generative AI initiatives will increasingly come from building competitive advantage with new uses of an organization's differentiated, often proprietary data. This includes information for fine-tuning LLMs, building an LLM from scratch, or taking full advantage of enterprise solutions. But most executives said they were not highly prepared for generative AI with their current technology infrastructure, data management, strategy, talent, and risk and governance.

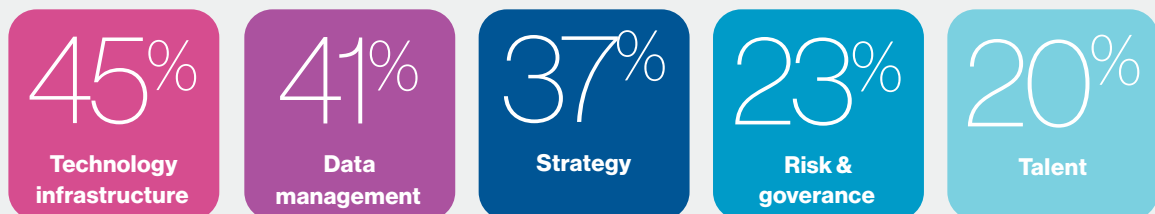
The lack of preparation is holding organizations back from successfully scaling their generative AI initiatives. In fact, data-related issues have caused 55% of the organizations surveyed to avoid certain generative AI use cases.

“The biggest scaling challenge was really the amount of data that we had access to and the lack of proper data management maturity,” said a former vice president of data and intelligence for a media and entertainment company. “There was no formal metadata and labeling of data points across the enterprise. We could go only as fast as we could label the data.”

The top actions organizations are taking to improve their data-related capabilities involve enhancing data security, improving data quality practices, and updating data governance frameworks or developing new data policies. Many organizations are collaborating with a cloud service provider or IT integrator to improve capabilities, upgrading IT infrastructure, or moving to a more flexible and open data architecture.

Preparing for generative AI

According to a Deloitte survey, the tech is the easy part when it comes to generative AI, but as usual with emerging technologies, people and policy lag behind.



Source: Compiled by MIT Technology Review Insights based on data from the [State of Generative AI in the Enterprise Survey](#), Deloitte, August 2024

“Avoiding value decay in digital transformation” is an executive briefing paper by MIT Technology Review Insights. We would like to thank all participants as well as the sponsor Deloitte. MIT Technology Review Insights has collected and reported on all findings contained in this paper independently, regardless of participation or sponsorship. Laurel Ruma and Francesca Fanshawe were the editors of this report, and Nicola Crepaldi was the publisher.

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