

**AN INSIGHT
INTO THE
TRANS-
FORMATION
STUDY 2023**



An insight into the Transformation Study 2023

In a world that is constantly changing due to ongoing technological developments, changing customer expectations and increasing globalization, companies are faced with the challenge of maintaining and expanding their competitive position. In this context, many organizations are choosing the path of transformation to optimize their systems and better respond to customer needs. However, digital transformation can be complex and bring its own difficulties that companies, and in particular their managers, must overcome.

The transformation study conducted in 2023 by Natuvion and NTT Data Business Solution addresses precisely these complex issues. To this end, 630 department heads and top managers from 600 medium-sized to large companies from nine different countries were surveyed. The aim of the study was to find out which hurdles were the biggest during the last transformation in the company, what lessons were learned and what they would approach differently in future projects.

This white paper summarizes the results of this study. It highlights key aspects such as the motivation behind the transformation processes, strategic preparation, practical implementation and decision-making, lessons learned and the demands that the future will place on companies.

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1. General Information

600 medium-sized to large companies from the following countries took part in the transformation study: Germany, Switzerland, Austria, Denmark, Sweden, Finland, Norway, the UK and the USA. As part of the study, 630 managers were interviewed. They provided information on the transformation projects that are either currently taking place in their companies or have taken place within the past two years. Around 50 to 110 managers were interviewed on various topics in each participating country. The survey covered areas such as the motivation for the transformation project, preparatory measures, implementation, decision-making during the project, experience gained and requirements they would place on future projects.



2. Motivation

In the introductory section of the study, participants were asked to explain the motivations behind their digital transformation projects. Here, 46% mentioned that organizational change or restructuring was the main driver. A further 36% aimed to reduce operating costs and improve customer service. In the DACH region in particular, the focus was on cost savings and organizational restructuring, while in the USA and the UK, the optimization of customer service was particularly emphasized alongside organizational adjustments.

Around 20% of companies also cited an increased need for flexibility and innovative strength as reasons. In the DACH regions, the Nordic countries (Denmark, Sweden, Finland, Norway) and the UK in particular, cost-cutting was seen as critical, partly due to economic tensions related to the war in Ukraine.

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Fears of excessive costs, lengthy adjustment processes, delayed business decisions and a lack of compatibility with the latest technology without a transformation were present in all regions.

Finally, the participants were asked for their estimates of the project costs. A total of 58% expected expenditure of up to one million, while 42% assumed a budget of over one million. Around 30% had budgeted for higher costs than initially assumed. There appears to be a direct correlation between the size of the company and the respective budget for such projects, with higher budgets for large companies.



3. Decision Process

In this part of the survey, participants were asked to provide information about the initiators of their transformation project. Top management and IT departments were frequently cited as important initiators for the start of the projects. It was also noted that board members and management were increasingly concerned with the IT-related aspects of the project.

Even during the transformation, both management and IT departments maintained their role as the main drivers of change. In addition, specialist departments such as finance and HR showed increased commitment to actively driving the process forward.

The participants' willingness to take risks was also discussed. 28% of respondents expressed a willingness to take higher risks if they promised faster and greater success. In the Nordic region, this proportion was as high as 36%. However, the majority of respondents (48%) preferred security to risk. This was particularly noticeable in the USA (69%) and the UK (54%). One explanation for this could lie in the preferred method and planned time for the migration process: in both the

USA and the UK, the brownfield method was frequently used and less time was planned for the transformation project than in the Nordic and DACH regions.



4. Preparation

In this survey segment, the participants were first asked whether they had changed ERP provider in the course of the project. A minority of 25% confirmed such a change, while the majority remained with their previous provider.

Respondents were positive in their assessment of the project's success; those who had not switched providers were particularly satisfied and reported having achieved more project goals than those who had.

Respondents were also asked about switching platforms, with the majority indicating a switch to cloud services. In the USA, the rate was an impressive 81%, in the DACH regions and the UK over 50%. Only 20% denied such a switch, which illustrates the trend towards the cloud.

In terms of project management methods, 74% of companies preferred agile approaches, including 38% using a combination of waterfall and agile methods and 36% using agile methods exclusively. The pure waterfall method was less common at 16%.

The biggest challenges cited by the companies were the complexity of the overall project and the management of human resources, the latter due to the shortage of skilled workers and the associated coordination effort.

Almost half of the participants stated that they could only cope with a few hours of downtime for the maximum tolerable business interruption; 19% could not even afford any interruption. Accordingly, many planned only a short time window for the project, such as a weekend.

In terms of system age, most of the systems to be transformed were between 6 and 10 years old. Younger systems were found in the UK, the USA and the Nordic countries in particular, while older systems of over 10 years tended to predominate in the DACH region.

In terms of the type of transformation, 50% opted for a phased approach, particularly in the US and Nordics, where a lower risk or balanced risk distribution was preferred. 43% preferred a step-by-step transformation in larger stages, particularly in the DACH regions and the UK, where either higher risk was accepted, or a balance was also sought. A big bang was implemented by 10% of the companies surveyed.

In terms of the duration of the transformation, including preparation, implementation and post-processing, the companies required an average of one to two years. The USA and the UK were often quicker, while the DACH region took longer on average, possibly due to the comparatively older age of the computer systems.



5. Implementation

This part of the study focused on the main technical and organizational measures of the project. The three most important technical steps, across all regions, were ensuring data quality, analysing existing systems and improving them.

On the organizational side, the focus was on building new skills among employees, handling data quality problems, overcoming resource shortages and dealing with a lack of experience in managing large projects.

The survey also explored which transformation methods were preferred by the companies:

- the brownfield method, in which existing processes and data are migrated to a new system

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- the greenfield method, which involves a complete restart on a new system
- the selective data transition, in which only selected data is transferred

32% opted for brownfield, with companies in the USA favouring this method. 27% opted for a completely new start using the greenfield method, predominantly companies in the Nordic region and the UK. 21% chose the Selective Data Transition, while the rest preferred a combination of these methods.

Regarding data protection and the handling of historical data, more than 50% of participants stated that data protection measures would be positive side effects in addition to the main objectives. 39% did not see data protection as a main driver and for 10% it did not play a role.

Most companies used the transformation project to clean up their database. This meant deleting outdated or unnecessary data from old systems or archiving it. It should be noted that experts consider leaving data on older systems to be costly and risky.



6. Experience

In the penultimate part of the survey, managers were asked to describe unexpected challenges that they and their companies faced during the transformation project. For many regions, the lack of required skills among employees was at the top of the list of challenges. In addition, resource constraints, data quality issues and a lack of experience in managing and organizing large-scale projects were significant barriers. These findings suggest that many companies underestimated the complexity of the transformation project.

In a further evaluation, the participants were asked to assess their projects in retrospect and draw a conclusion. 46% of respondents said that, in retrospect, they had needed more resources than originally planned. 38% recognized that they should have allowed additional time for the project, and 32% noted that it

would have been useful to address the issue earlier and identify key players more quickly.

28% of participants said they should have designed the change process differently or better - this view was particularly strong in the US. In addition, 26% said that focusing on the most important processes would have been more beneficial.

When asked about the greatest successes resulting from the implementation of the transformation, many companies from all regions cited an increase in efficiency as one of their main successes. Cost reductions were also frequently mentioned. In addition, increased transparency and improved innovation capabilities were among the key successes reported by companies in all regions.

When discussing the speed of adaptation of systems in the future, 32% of respondents stated that a changeover time of 3 to 6 months was appropriate. An even shorter period of 1 to 3 months was preferred by 34% of participants. This information illustrates the need for IT systems that can be adapted quickly.

Finally, the survey aimed to determine the influence of the political and economic developments at the time on the transformation projects. It was found that 35% of the projects were brought forward or their prioritization was adjusted. However, 29% of respondents emphasized that this was not due to the current political situation. 19% of projects were delayed or cancelled altogether.



7. Requirements for the Future

At the end of the survey, participants were asked to what extent they had been able to achieve their transformation goals. 63% answered in the affirmative, while 36% stated that they had at least partially achieved their goals. Only 1% had to admit that they had not achieved their goals. The USA led the field with a success rate of 82%, putting it at the top of the statistics. The UK and the Nordic region also took second and third place, while the DACH region came last with 55%.

8. Summary

In summary, it can be said: The study reveals that companies face a variety of challenges during their digital transformation processes. Above all, these include inadequate preparation and a limited supply of qualified consultants as well as a shortage of expert personnel. In addition, companies are confronted with a narrow time window for business interruptions that need to be minimized. Despite these difficulties, the majority of the companies surveyed managed to achieve their goals and achieve positive results, particularly through efficiency gains and cost savings. The study makes it clear that successfully managing digital transformation requires a balanced response to these various obstacles and that those organizations that can adapt effectively will ultimately benefit from significant improvements.