NTT DATA Business Solutions

# Transformation Study 2024

What leaders wish they knew earlier.

# Dear readers

Based on the daily conversations with our customers, I can attest to the fact that no two SAP S/4HANA projects are the same. Every company and every digital transformation is unique.

But are there differences or similarities among companies, regions and sectors when it comes to IT transformations? And how do you tackle this topic? The answers to these questions are essential to our ability to overcome what is by no means an everyday challenge.

The latest transformation study involved 1259 managers from 15 countries, making it one of the largest investigations of this topic that I know of. I was very curious to see the results, particularly in comparison to last year's study. While some results were to be expected, there were also one or two surprising findings that will certainly be of help to me in the future. Therefore, I am certain that you will also find this study a valuable source of information to assist you in developing or adapting your own IT infrastructure in these fast-moving times.

Happy reading!

***Jan Gilg***
President and Chief Product Officer, Cloud ERP
SAP SE

# Structure of the Transformation Study 2024

## Learning from others

What does it look like in practice when companies move their data and processes from existing IT systems to more modern, innovative and powerful systems? The 2024 transformation study conducted by Natuvion and NTT DATA Business Solutions set out to answer this question.

More specifically, the study aimed to provide well-founded, descriptive statements about the transformation practices of different companies and identify developments and trends that can help others with their transformation projects. The results of 1259 surveys in different regions and countries provide CEOs, CIOs, IT decision-makers and other transformation leaders with a compass that will help them better plan their upcoming transformations, avoid typical mistakes and best achieve the individual goals of their transformation projects.

The questions were grouped into different categories for the design of the questionnaire and its common thread.

### Category 1: Motivation

In the first section of the 2024 transformation study, we asked why the companies started the transformation. We also asked about the initiators and the objectives of the transformation process, as well as the size of the project budget. This was followed by questions about possible consequences if the transformation had not been carried out.

### Category 2: Decision-making process

After establishing the motivation, we asked about the departments that initiated the IT transformation and who played a part in the subsequent decision-making process. We also wanted to know how the companies dealt with the various crises of the past years and whether these challenges affected their transformation projects.

### Category 3: Preparation

In the section on project preparation, we asked about the framework conditions that describe the project approach and its scope. This includes questions about the methodology of the project approach, the time frame and the maximum tolerable business interruption. We also asked whether the platform or ERP vendor was switched during the transformation and established the size or scope of the affected systems. The biggest challenges of the planning phase were also surveyed. The study participants' experiences provide important insight into the likely time frame of the transformation process.

### Category 4: Implementation

The implementation section highlighted the organizational, procedural and technical measures that were of particular importance during the transformation process. We also wanted to know whether artificial intelligence (AI) was a driver for the transformation. To determine how companies handle internal / business partner data, we collected information on the migration path, the role of data protection in the project, and the use of tests and quality assurance measures.

### Category 5: Experiences

In this category, the study participants were asked about their experiences, challenges and successes in the transformation process. Based on this, we ascertained how the experience gained will influence future transformation projects and what need for change arises from this.

### Category 6: Requirements for the future

In the final category, respondents answered questions about designing methods, systems and technologies to make transformations easier, more flexible and faster in the future.

# Selection of study participants

As part of the 2024 transformation study, over 1259 managers of mid-market and large enterprise companies were selected by a market research company and surveyed anonymously. All respondents indicated that they were either currently conducting a transformation project or had completed one within the last two years. Approximately 80% of managers surveyed work in companies employing more than 250 staff. Only around 50% of those surveyed have over 1000 employees, while 25% have a workforce of more than 10,000. With regard to turnover, 83% reported more than €150 million. Just 44% have over €350 million, while 15% of those surveyed posted a turnover of over €1 billion. Small companies were not surveyed, as transformation projects usually only reach a sufficiently high level of complexity to be relevant for this study above a certain company size.

The 2023 transformation study was conducted in Germany, Austria, Switzerland, UK, USA, Denmark, Sweden, Finland and Norway and met with broad interest. For this reason, Natuvion and NTT DATA Business Solutions decided jointly with NTT DATA to repeat the study in 2024 in an optimized and expanded form. A total of 15 countries are now included in the study.

Thanks to this expansion, we are better able to monitor and analyze developments and trends on the subject of technical transformation. A total of 1259 department heads, team leaders and top managers were surveyed. In each country, the sample of respondents was a minimum of 50 and a maximum of 150.

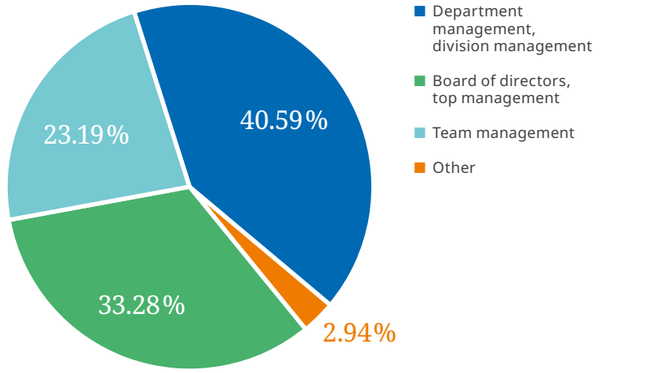


**Figure 1: Roles in the transformation project**

Category 1

# Motivation for the Transformation

## Reasons for the IT transformation

As was also the case in the 2023 transformation study, an organizational adjustment (restructuring) remained the most frequent reason for an IT transformation this year, with about 36% giving this response. Among the respondents from the 15 countries, second place (27.4%) was occupied by the introduction of new technologies (e.g., AI). Third place was shared by the acquisition, sale or merger of companies or parts thereof (26.3%) and the introduction of new business models (26.2%), closely followed by increasing the company's ability to innovate (25.9%) (see fig. 2).

The sectors with a high need for change demonstrated remarkably high values on the subject of "organizational adjustments." The automotive industry is experiencing a sea change due to the transition to electromobility. It is no surprise, therefore, that 48% of automotive respondents stated an "organizational adjustment" as the reason for the transformation, making it comfortably the top answer. A similar situation was visible in the booming life sciences sector, where "organizational adjustments" also occupied first place with 38%. In the financial sector, the introduction of new, modern technologies took the top spot with 46%, followed by cost reduction (39%) and the introduction of new business models, respectively. It can be assumed that the financial institutes and insurance companies that use SAP aim to profit from the comprehensive changes introduced with the New General Ledger – the accelerated period-end closing, the diverse accounting options or the real-time integration of controlling into financial accounting.

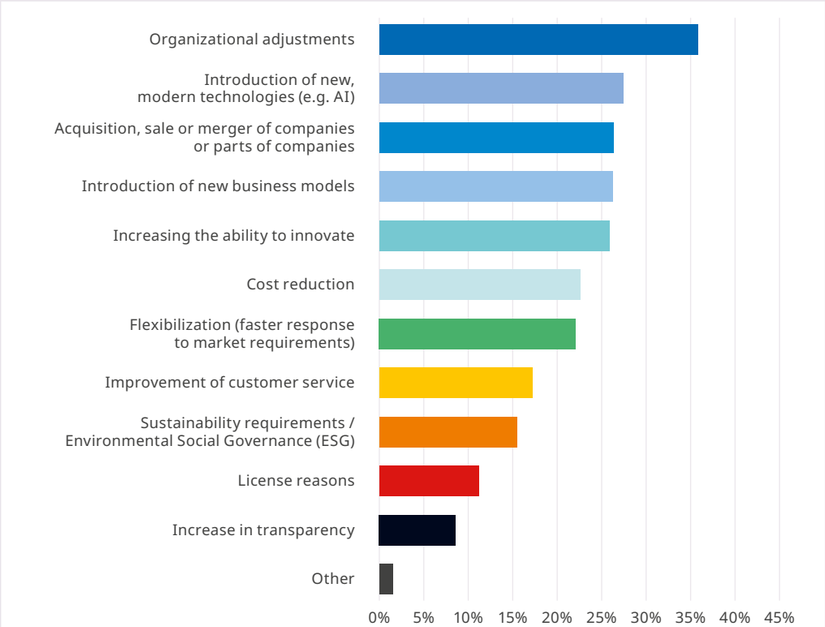


**Figure 2: Why was the transformation process started in your company?**

A closer look at the countries and regions showed some interesting results. The numbers in the DACH region indicated that the top two answers were the same as for the international comparison. Things were somewhat different for cost reduction: This response occupied sixth place across all countries and, in the DACH region, was neck and neck with “introduction of new, modern technologies” in third place. In the NORDICS (Sweden, Denmark, Finland and Norway) and in the UK, cost reduction was the second most frequent reason for the transformation, accounting for approximately 26% and 24%, respectively. In the USA, on the other hand, increasing the ability to innovate took the top spot with 49%, closely followed by the “acquisition, sale or merger of companies or parts of companies.” The latter transformation reason occupied first place in Australia with 47%.

## What would have happened if the transformation had not taken place?

Most respondents demonstrated a fear of being left behind technologically and missing out on technological progress. Most of the answers (36%) to the question “What would have happened if you had not taken this path back then?” cited becoming incompatible with the latest technologies.

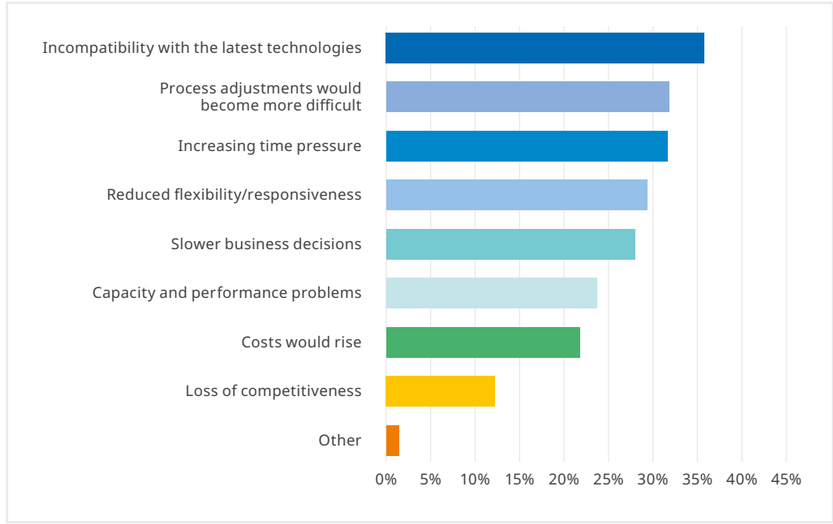


**Figure 3: What would have happened if you had not taken this path back then?**

With 44%, this fear seemed to be more prevalent in the financial industry than in any other sector. Some 32% were of the opinion that process adjustments have become more difficult, closely followed by increasing time and decision-making pressure. The manufacturing industry ranked high decision-making pressure in the first place. For the financial industry, reduced flexibility and responsiveness (38%) were rated much higher than in most other sectors.

Looking at the individual regions, the USA and Australia deviated from the average. In the former, 57% of those surveyed highlighted the more difficult and complex process adjustments as the most significant issue, making it comfortably the top answer. This was followed by incompatibilities with the latest technologies with 46% and reduced flexibility with 44%. The same sequence was also visible in Australia, though the numbers are somewhat lower.

## What effect did political and economic developments have on the transformation project?

The past two years were marked by the end of the coronavirus pandemic, the war in Ukraine with its great impact on energy supplies and the resulting high inflation rates. We wanted to know whether these global, politico-economic challenges had an impact on the companies' transformation projects. While more projects were prioritized than postponed or canceled last year, the situation was quite different in the 2024 study with its much larger sample size involving more countries. Most projects (31.4%) were postponed, with a similar number of projects brought forward (27.4%) or abandoned altogether (28.5%). Approximately 13% of all transformation projects were unaffected by the economic and political conditions.

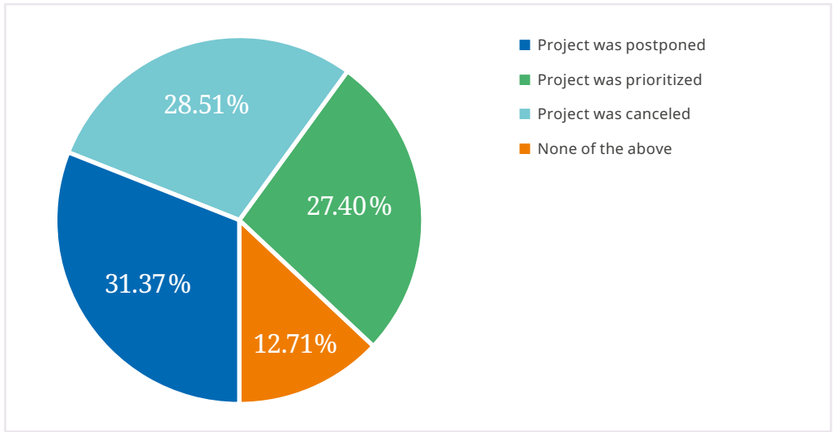


**Figure 4: Was your transformation project reprioritized at the time due to the political and/or economic developments at the time?**

A closer examination of the regions and countries proved rather interesting. In the DACH region, the number of projects prioritized or postponed was very similar (approx. 32%). At the same time, the fewest number of projects (11.7%) were canceled in this region. In comparison to all other countries, Germany actually recorded the lowest rate of canceled transformation projects with 6.7%. The highest rates were found in the southern European countries (Spain, Italy and Türkiye) with 35.7% and in the NORDICS with 37.6%. France and Belgium followed with around 40% each. If we compare the numbers and countries of last year's study (only nine countries were involved in 2023), it is notable that more projects were still brought forward or prioritized last year (30.7%) than were postponed (30.1%) or canceled (23.5%). Yet the number of canceled or delayed projects continues to grow even among the countries surveyed last year. Overall, the figures support the conclusion that the global economic situation had a relevant impact on the transformation process as a whole. The readiness to face this challenge sooner rather than later is decreasing.

> In our experience, a clear strategic plan with achievable milestones, quality measures and the necessary resources is one of the key factors for a successful transformation. Equally important is a skilled project team to support careful data migration and system integration.
>
> **Andreas Fibich**, adesso orange, Senior Manager, Competence Center Lead SAP Data Migration

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Digital transformation is a necessity for businesses to remain competitive. New technologies are crucial for long-term success. Cloud solutions, for example, offer greater flexibility and efficiency, while artificial intelligence opens up additional potential. The study shows that companies often underestimate the complexity of transformation. In addition to a lack of technical expertise, the change process is often a challenge.

**Norbert Rotter**, CEO of NTT DATA Business Solutions AG and EVP of NTT DATA, Inc.

Category 2

# Decision making process

## Who were the initiators of the IT transformation in the company?

In this year's transformation study, the IT department, the board of directors and the finance department were named as the main drivers of IT transformation. While the average across all countries showed the IT department in the first place and the board of directors or company management in the second spot (see fig. 5), the situation in the DACH region was exactly the opposite. Here, top management came first (43.6%) followed by the IT department in second (41.7%). In the UK, the order was the same. It is notable that, alongside the board of directors and IT department, finance and controlling are the driving forces behind the IT transformation. This was particularly evident in the USA, where these departments actually accounted for second place among the initiators of IT transformation. Otherwise, the remaining specialist departments followed far behind and occupied the lower end of the rankings in all 15 countries. The only exception was Türkiye, where the respondents of what is a largely production-driven industry voted manufacturing as the second most important initiator of an IT transformation.

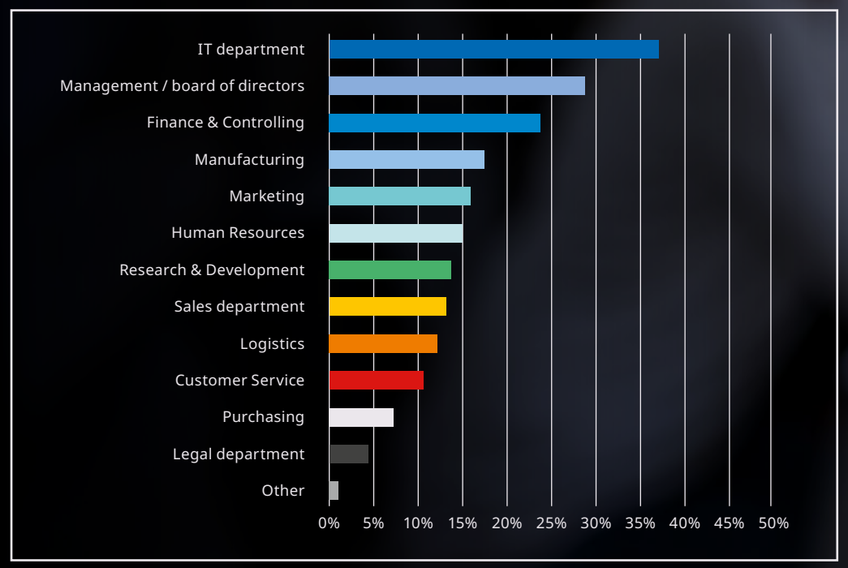


**Figure 5: Who initiated this transformation process in your company?**

A closer examination of the separate industries showed that the order in which the respondents ranked the different initiators varies greatly by sector. In the financial sector, for example, the board of directors is the main driving force (47%) with finance and controlling occupying second place (41%). The IT department then follows at a respectable distance (35.8%). As is to be expected, things are the other way around in the IT industry. In this case, the IT department sets the pace for IT transformations with 74%, while the board of directors follows in a very distant second place. This shows that the average calculated in this study is, at best, an indication: The initiators of an IT transformation can vary significantly across the different sectors and regions.

## Who was involved in the further decision-making process for the transformation?

Once the decision for the IT transformation has been made, the IT department was most frequently named as the party involved in subsequent decision-making processes in the project. The board of directors followed at a greater gap than for the question of who initiates the IT transformation. The areas of finance and controlling, manufacturing, and human resources or research and development followed at a much smaller distance.

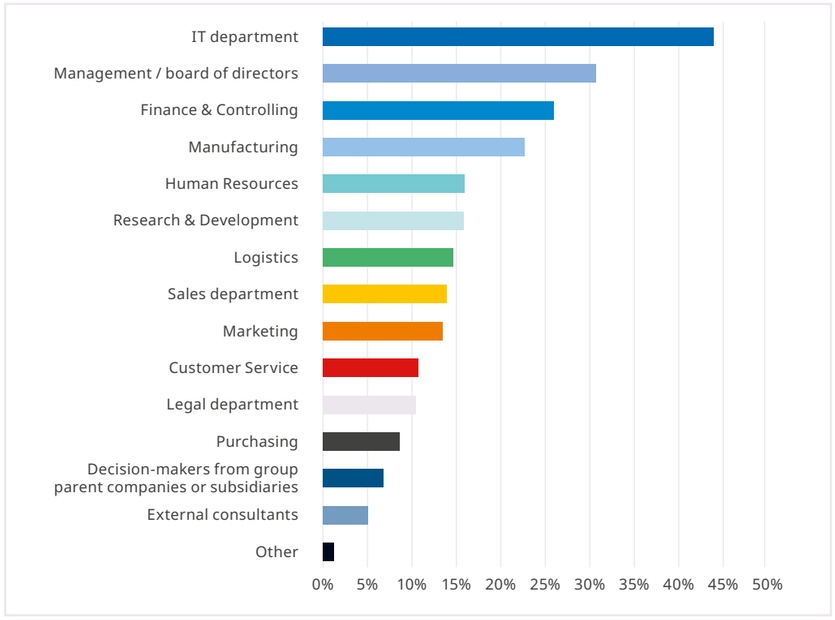


**Figure 6: Who was involved in the further decision-making process for the transformation?**

At this point, the available data showed a somewhat different picture to the previous question. In this case, all industries have the IT department in the lead. It is notable that areas such as manufacturing, human resources, or research and development followed at a lesser distance in the subsequent decision-making process. Ultimately, it is clear that any procedural or organizational change within a company requires the initiation of an IT project. Consequently, virtually all adjustments relating to procedures, structure and organization take the form of IT projects.





> The conflict between standardization versus customization and flexible adaptation of enterprise platforms, as well as the desire for SaaS, are increasingly being discussed and decided at board level in many companies, not just by CIOs/CTOs.
>
> **Cay-Bernhard Frank**, Partner, A.T. Kearney GmbH, Berlin

## How old were the replaced IT systems?

When establishing the motivation for a transformation, it is interesting to find out the age of the transformed IT systems. Are they completely outdated from a technological perspective and therefore need to be transformed, or do other reasons exist, such as a system change, the sale of companies or a move to the cloud? According to responses, 19.3% of the transformed systems were a maximum of five years old. The majority of all surveyed countries had systems that were six to ten years old. 38.9% of the respondents still operate systems that are over ten years old. And systems that are more than 16 years old are still in operation at 11% of companies.

A fact worth noting: The larger the company, the older the systems. Companies with more than 1000 employees have significantly more systems that are older than 10 years (45.1%) and also more IT facilities that are over 16 years old (15.1%). The proportion of modern systems seems to be highest in the USA and DACH region. A noticeably large number of modern systems (< 10 years) can also be seen in the life sciences sector (67.3%) and in the automotive industry (67%).

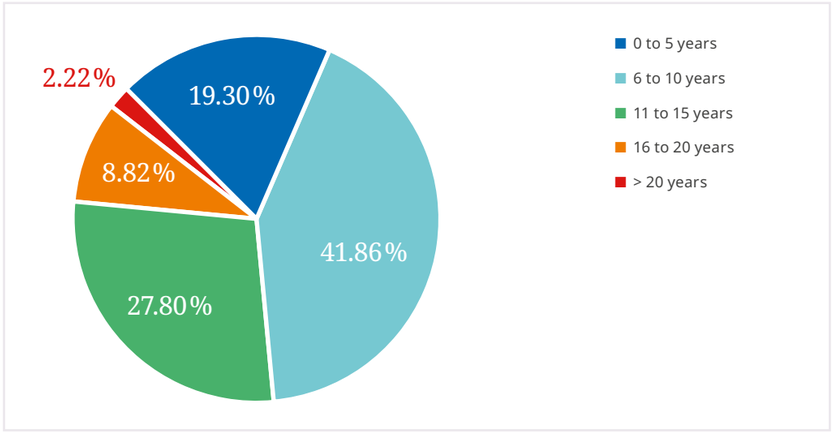


**Figure 7: How old were the replaced/transformed IT systems?**

## What role did data protection play in the transformation project?

Well over half of the respondents (57.5%) rated the role of data protection in the project as a positive additional benefit, while around 33% considered data protection to be a key driver for their transformation project. Some 10% stated that data protection played no role at all in their project.

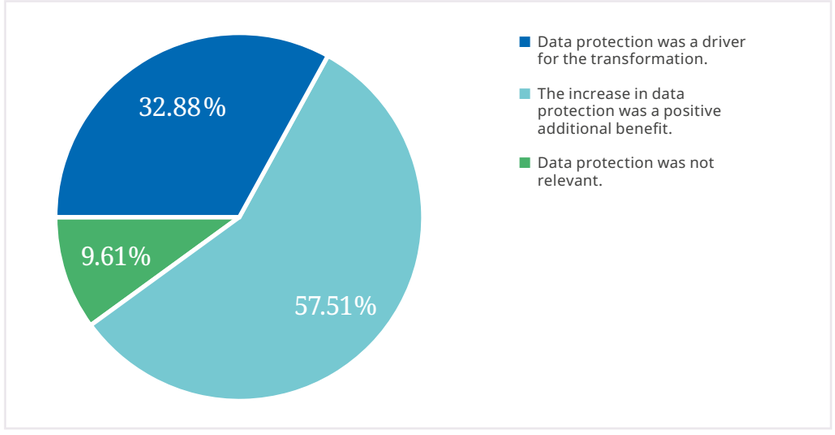


**Figure 8: Which role did data protection, compliance and the protection of confidential business information play in your transformation project?**

The increasing legal requirements and concerns about the protection of personal data underscore the importance of this topic. This was particularly apparent in the USA, where the significance of data protection is increasing considerably. Here, a mere 8.4% now stated that data protection was a not decisive factor in their transformation project. In return, the numbers for those who claimed that data protection was an influencing factor (45%) in the transformation have risen significantly. This is the top value for all countries surveyed. There is still no uniform federal data protection law in the USA. However, a number of US states have discussed comprehensive data protection legislation in recent years and have even passed corresponding laws in some cases. Further, the federal government intends to follow suit. This top value is certainly understandable in light of this background. Many companies are preparing for stricter data protection regulations or are required to implement them in order to exchange data with companies in other US states. It is also interesting that 44% of executive and managing directors across all countries and sectors stated that data protection is a key driver for their transformation. This shows that top management clearly still assigns utmost importance to the subject of data protection. The lowest values regarding the relevance of data protection in transformation projects were reported in France and Türkiye.

## What role did the introduction and use of artificial intelligence (AI) play in your transformation project?

We were especially excited to see the responses to this question, which we included in the study for the very first time. 25.7% of the respondents stated that AI was a key driver for their transformation; 53% saw it as a positive additional benefit or a welcome bonus of working with the new systems; and 21% stated that AI played no part in their transformation project.

If we compare the numbers with those from the previous question regarding the significance of data protection for the project, it is notable that data protection was still rated as considerably more important than AI. While 9.6% of respondents stated that data protection was not a decisive factor in their project, 21% claimed that AI played no part in their transformation. It is also interesting to take a closer look at top management. Where 44.2% of executive and managing directors described data protection as an important driver of the transformation, only 36.3% of company leaders shared the same opinion when it comes to AI. It should be noted, however, that this group also includes fewer respondents (14%) claiming that AI played no part whatsoever in their transformation project.

With regard to specific sectors, AI was deemed to be most relevant to a transformation in the IT (35%), life sciences (30.5%) and automotive (30.5%) industries. We will see later that all companies for which AI is a key driver of their transformation have placed greater emphasis not only on the concept but also on data quality, above all. One thing is certain: Those who wish to take full advantage of AI have to anchor this technology within the transformation project at a very early stage. Only then can it be introduced successfully and used to optimum effect.

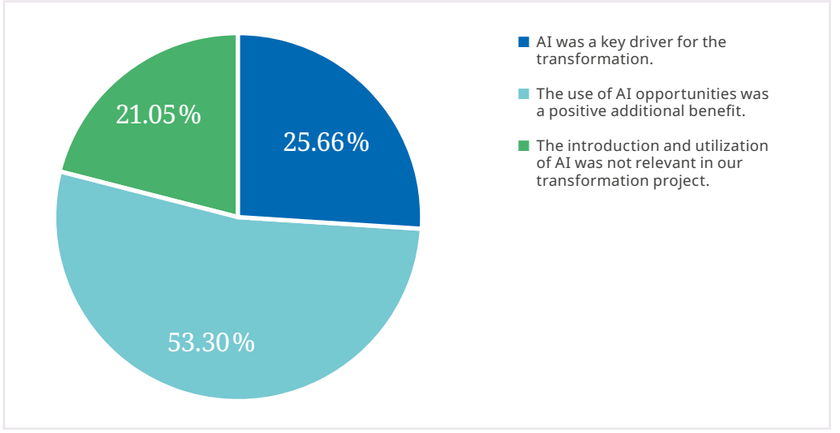


**Figure 9: What role did the introduction and use of AI play in your transformation project?**

Category 3

# Preparation

## How much time was scheduled?

Along with goals and budgets, scheduling is another crucial factor in the decision-making process. We asked study participants how much time they planned for their IT transformation. 58% of the companies said that they had planned for more than a year, while 19% of those surveyed had scheduled more than two years for the process.

It is understandable that companies with more than 1000 employees plan over longer time frames than smaller businesses. This is also demonstrated in our study. Top values beyond the one-year threshold occur in the pharmaceutical and manufacturing industries. The intended migration scenario also influences the schedule, with companies that adopt a Greenfield approach allowing for more time than those opting for a Brownfield migration.

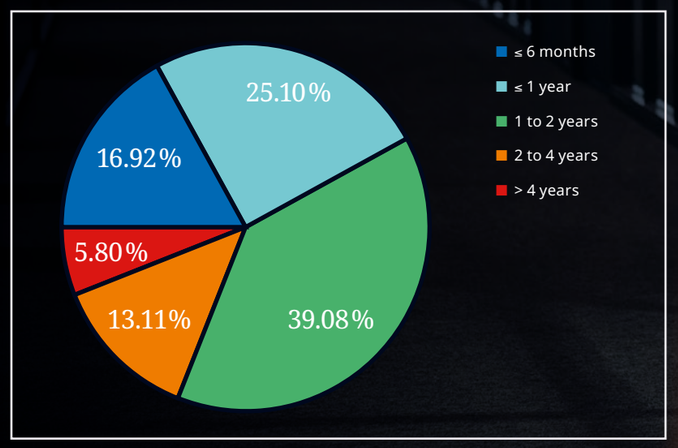


**Figure 10: How much time was planned for the transformation at the time?**

## How much longer did the project take than planned?

Far more interesting than the question of how much time was scheduled is whether the respondents were able to keep to the set schedule. Only 13% were successful in doing so, and 16.5% exceeded the set time period by just 10%. An overrun of 20% or more, however, was reported by 70% of the study participants, 45% of which ended up at least 30% behind schedule (see fig. 12). In this case, the companies with more than 1000 employees again recorded the highest numbers. In 50% of cases, they had to accept a time overrun of 30% or more. It is striking that those companies who had scheduled less than a year for the transformation missed their planning period by at least 20% in more instances (78% instead of 70%) than the rest of the sample group.

Looking at the individual sectors, the financial industry recorded the lowest deviations, even though targets were still missed by 20% or more in 57% and by 30% or more in 36% of cases. The highest values in this segment were reported by the pharmaceutical industry, where 80% of respondents exceeded their goals by at least 20%, and 53% by at least 30%.

Comparing the numbers with the chosen migration scenario provides particularly interesting results. Companies that adopted a Greenfield approach when migrating their data are on schedule half as often (6.2%) and are far more likely to exceed their planned deadline by at least 20% (78.6%). When opting for the Brownfield method, the surveyed companies remain on schedule twice as frequently. Despite the more complex approach, users of selective data transformation finished much more quickly than those employing the Greenfield method. While they still exceeded their planned schedule by 64.7%, this is more than 5% less than the average of all surveyed companies and almost 14% less than users of the Greenfield approach.

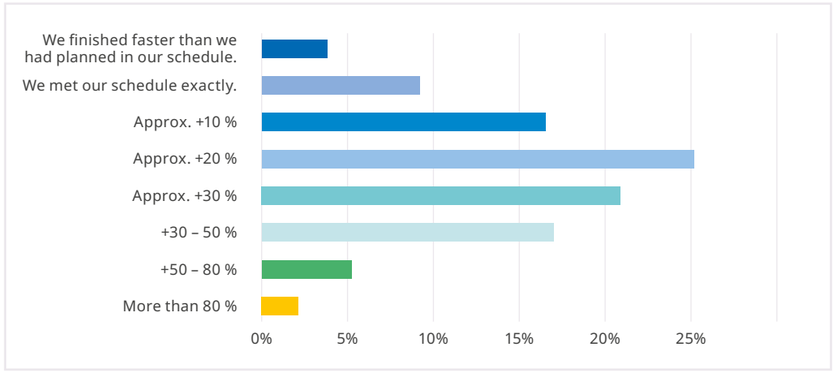


**Figure 11: How much longer did your project take than planned?**

This question clearly demonstrates that overly ambitious planning very rarely works. The results may also indicate that the objectives and their planned implementation should be discussed with an experienced transformation expert before beginning the project.





### Brownfield migration approach

*The Brownfield approach is a migration scenario in which the user data (documents and data, processes and settings) of the old software system is transferred unchanged to the new system. In most cases, the Brownfield approach is only recommended if processes and data are not to be modified or only altered to a limited extent. As a rule, this migration approach is only likely to yield successful results if the old system has largely remained unchanged from the standard during the customization process. In this case, the chances of a comparatively quick and trouble-free migration are good. The biggest disadvantage is that any legacy issues, such as obsolete or unnecessarily complex processes, remain intact. This will usually render it impossible to make effective use of the various benefits offered by the new technology. As with any migration method, but particularly for the Brownfield approach, a comprehensive review of the current situation and analysis of the business processes in the old system should be conducted before making a final decision. It is especially important to establish which processes, if any, can be migrated to the new system in their current form.*

### Greenfield migration approach

*The Greenfield migration approach represents a completely new start from a clean slate – i.e., an empty new system. This approach offers a major advantage: Most systems have grown and evolved over time and are full of customized code and complex workflows. The Greenfield strategy allows companies to rid themselves of this legacy data. They can decide which data and processes they actually still require and identify processes that could be redesigned and made more efficient. The result is a modern system that is tailored to the specific requirements of the company and offers maximum flexibility. Caution is advised, however, since this process can be very time-intensive.*

### Selective data transformation

*SAP S/4HANA Selective Data Transition (also referred to as a hybrid approach or landscape transformation) enables consolidation of the ERP system. Instead of moving all data to the new system or starting from a clean slate, the SAP SDT approach allows companies to select the exact data sets they require as well as to plan the transition process on a fixed date and according to a set schedule. A selective migration allows obsolete or invalid data to be removed along with any inactive organizational units. This enables a lean transition process for a phased go-live and creates a more powerful ERP landscape for the future. SAP S/4HANA Selective Data Transition combines the benefits of a new implementation (Greenfield) with those of a system conversion (Brownfield) while also minimizing their individual restrictions, such as the loss of important information or the relocation of all data in an expensive and time-intensive process.*

## Lack of transformation expertise

It was already clear from the 2022 and 2023 transformation studies that a lack of transformation expertise and the management of human resources represent the major challenges when planning a transformation project. According to a long-term study conducted by Bitkom (the business association of the German digital sector), there will be a shortage of around 663,000 IT specialists in Germany alone by 2040, which is 510,000 more than in 2024. 33.2% of the surveyed companies confirmed this assumption. Consequently, the shortage of resources associated with the lack of skilled professionals, especially in IT, also affects companies' digital transformation capabilities. Behind that, in second place, was the detailed creation of a complete overview ("analyzing the existing IT landscape and data") with almost 30%. The results also show that, in all regions, the complexity of the overall project (28.5%) and the high coordination effort (28.3%) constitute great challenges when it comes to planning transformation projects.

It is interesting that both the NORDICS (28.7%) and the USA (44.5%) voted detailed inventory analysis into first place, in both cases by a significant margin. The DACH region encountered the greatest difficulties in providing the necessary resources (35.1%). In fact, the German study participants voted this aspect into first place with 44.7% – again with a very large margin.

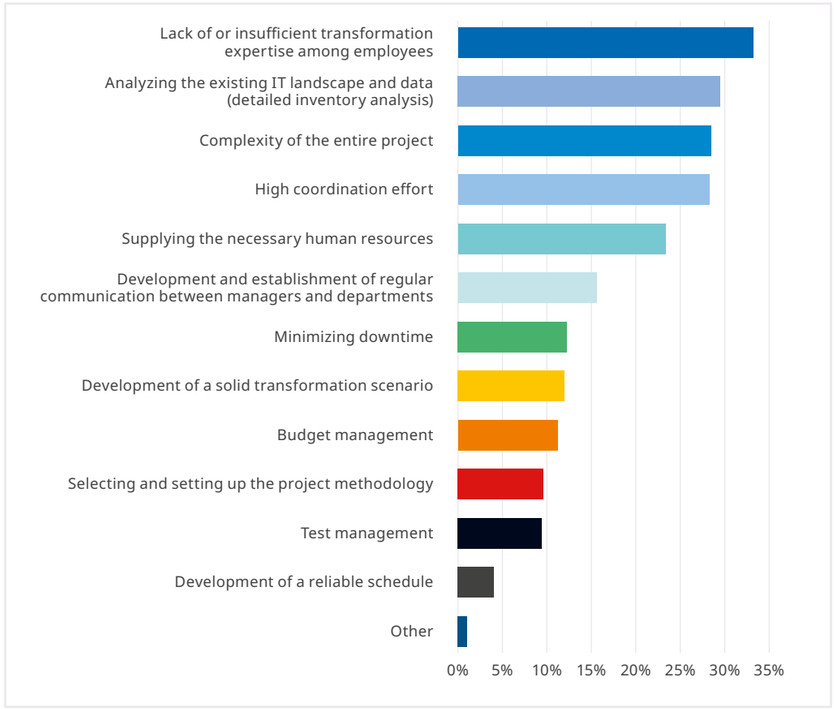


**Figure 12: What were your 3 biggest planning challenges?**

Comparing the numbers with those from the previous year, it is clear to see that the lack of transformation expertise is getting worse. Within the survey group, this response option has increased by no less than 5%, which highlights the importance of bringing experienced IT consultants on board in time to provide the missing expertise. Overall, it can be seen that a successful transformation largely depends on expertise and a high degree of transparency with regard to existing business processes, data and IT landscapes. It is interesting that the development of a reliable schedule appears in last place with 4%. Against the background of the schedule overruns highlighted by this study, it is clear that not enough time is dedicated to effective planning and preparation.

> If you want to use the transformation not only for a technology update but also to optimize data and processes, there is no way around a selective data transition!

**Robert Gerardy**,
Accounting
BMW Group, Munich

## What is the maximum amount of business interruption that can occur in the case of a transformation without generating noticeable effects?

International trade in products, goods and services is one of the achievements of globalization. However, in the case of a technical transformation, globalization brings additional complexity to the project. For companies that operate in multiple time zones, the window of opportunity for major IT transformations shrinks significantly. We wanted to know how big the time window could be in which business interruptions are possible without generating noticeable negative consequences for the company.

21.4% of respondents cannot tolerate any interruptions if they are to avoid any noticeable impact on their business operations. For 71%, the business interruption must last less than one working day. This value is comparatively stable and varies between 67% and 75%. In this case, countries such as Türkiye, where the manufacturing industry is particularly prevalent, appear at the upper end of the scale, while the UK finds itself at the lower end with 67%.

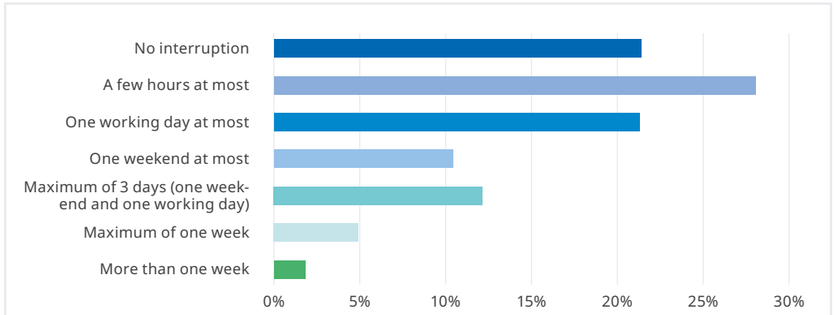


**Figure 13: What is the maximum amount of business interruption that can occur in the case of a transformation in your company without generating noticeable effects?**

Two sectors stood out in this question: life sciences and the automotive industry. 40.5% of respondents from these areas said that they cannot afford any interruption at all. In both segments, 78.5% stated that any interruption must amount to less than a day. The resulting picture is that almost half of the companies surveyed can tolerate no more than a few hours of business interruption without having to accept negative consequences for their operations. A comparison of the figures between the relevant regions (e.g. DACH) from this year to last year shows that the time window is shrinking year on year.

It is notable that companies that have no or only a small time window for the transformation are more likely to opt for the Brownfield migration approach.

## Keep all data, have a clear-out or start from scratch?

Transitioning to a new system also requires choosing an appropriate transformation strategy. This has a direct impact on the success of the transformation because it usually involves complex decisions. It is important to carefully weigh the advantages and disadvantages of the various migration methods in order to select a strategy that is best suited to the company. Respondents had the choice of migrating all existing processes and data to the new system (Brownfield) or starting from scratch (Greenfield). Organizations using the Brownfield approach are typically looking for the fastest path for their migration project. Other options were Selective Data Transition and a combination of Brownfield or Greenfield with the possibility of selective data migration. This gives the customer the option of starting from a clean slate while still having the possibility of retaining established data and processes.

On average, 21.5% of all 15 countries involved in the study chose the Brownfield method. 33.4%, on the other hand, opted for a clean start. 30.5% of the study participants chose selective data migration, while some 15% pursued a combination of selective data migration and the Brownfield or Greenfield approach.

Looking at the individual sectors uncovers some interesting results. The fewest Brownfield migrations were completed by the pharmaceutical industry, which instead preferred the use of selective data transformation (37%). In the DACH region, Brownfield and selective data transformation are neck and neck, with 28% in each case. Only 26% of respondents in this region opted for Greenfield migrations. The situation is quite different in the southern European countries (Italy, Spain and Türkiye), where 44% took the Greenfield path and just 14% went the Brownfield route. Moreover, 30.6% of respondents in these countries opted for selective data migration. In the USA, the Brownfield approach already enjoyed above-average popularity in last year's study, and this is once again the case this year.

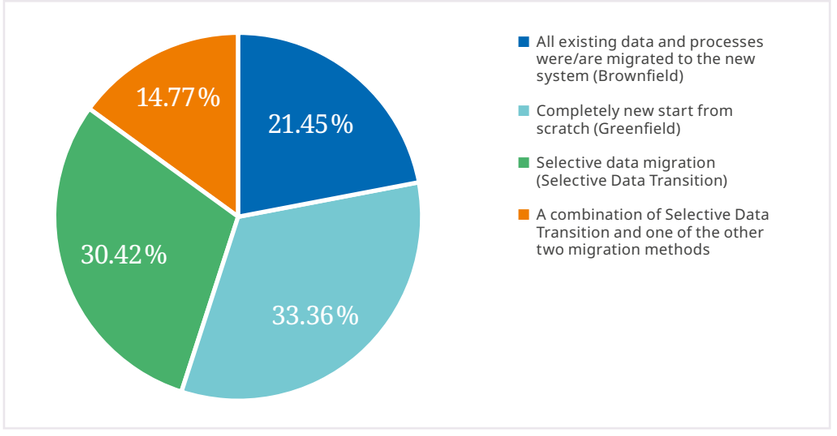


**Figure 14: Which method best describes your migration strategy?**

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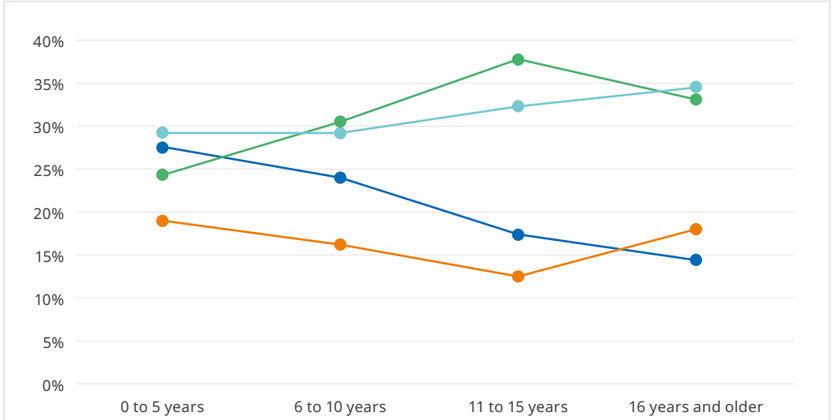
Good data has always been the fuel for innovative processes. And its importance is growing in the age of AI. Data is becoming far more important than platforms and technologies. Only those who keep their data in the right quality, harmonized and centrally available will be able to benefit from technical developments.

**Patric Dahse**, CEO Natuvion Group, Walldorf

In our experience, the fewest transformation projects involve a completely Greenfield approach. The numbers impressively confirm this. 67% of all surveyed companies carry all or part of their data over to the new system. 45% take only part of their existing data and processes with them and conduct an in-depth analysis before deciding what exactly is to be transferred to the new system.

An expected, yet still interesting, result was the connection between the age of the system to be migrated and the chosen migration method. The following is clear: The younger the system, the more popular the Brownfield approach appears to be when transitioning to a new system. This is understandable for systems that have been replaced only a few years ago, since the data quality and processes will have been overhauled as part of this undertaking. In this case, transferring all processes and data appears to be the simplest and fastest route into the new system. Therefore, those who are simply carrying out a technical upgrade without introducing any innovations also stand to invest the least amount of money into the process.




| | 0 to 5 years | 6 to 10 years | 11 to 15 years | 16 years and older |
|---|---|---|---|---|
| Brownfield | 27.6 % | 24.0 % | 17.4 % | 14.4 % |
| Greenfield | 24.3 % | 30.5 % | 37.8 % | 33.1 % |
| Selective | 29.2 % | 29.2 % | 32.3 % | 35.5 % |
| Combination | 19.0 % | 16.2 % | 12.5 % | 18.0 % |

**Figure 15: The migration method depends on the age of the system being migrated.**

Conversely, the Greenfield approach is comparatively rare for younger systems and becomes more popular as the age of the systems increases. When systems are old, the effort involved in updating the data and adjusting the existing processes often appears to be quite large. In this case, it is tempting to start from a clean slate by choosing the Greenfield approach. Similar behavior is apparent when it comes to the third method: Selective Data Transition. The older the data, the more frequently companies opt for this approach. But this is no great surprise. After all, the older the systems, the more likely it is that a company would want to take the current data with them but leave the old data behind. The same applies to retaining and carrying over some processes and adjusting and modernizing others. In this case, selective data migration represents an attractive alternative to Brownfield and Greenfield migrations.

Category 4

# Implementation

## Did the transformation include an ERP vendor change?

In the process of transformation, companies are faced with the challenge of modernizing their business processes and technologies in order to better meet customer needs and remain competitive. Here, the ERP system plays a central role by enabling the automation of business processes and the integration of data and systems. Due to the challenges encountered during transformation processes, 40.5% of the companies across all 15 countries have considered changing their ERP provider. The managers and department heads surveyed from the USA were particularly willing to change. They stated that 50% had changed providers. A similar situation exists in the southern European countries. However, things are very different in the DACH region, where only around 30% of respondents opted to switch ERP vendors. Across all regions surveyed, 60% stated that they had remained with their existing provider.

On average, those who remained with their existing provider appeared to encounter fewer budget issues and schedule overruns. The relevant numbers may not be striking, but they are certainly interesting. Around 5-6% more of those surveyed adhered to their set plans or exceeded their budget by a maximum of 10%.

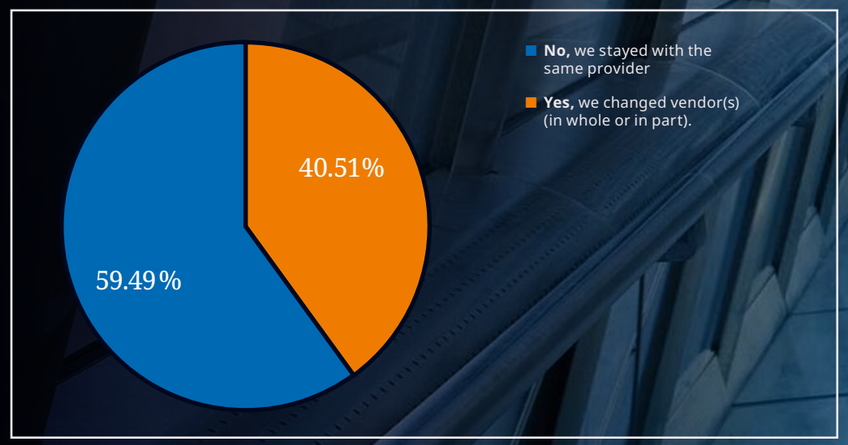



**Figure 16: Was an ERP provider / vendor changed in the context of the transformation?**

## Did the transformation include a platform change?

Although not entirely uncontroversial, cloud services have become practically indispensable to IT departments in the digital age, and many companies are moving their applications to cloud platforms. However, usage patterns vary by region. While 55.9% are increasingly using cloud services, others continue to run their applications on legacy platforms. We asked the study participants whether they use more or fewer cloud services after the transformation than before.

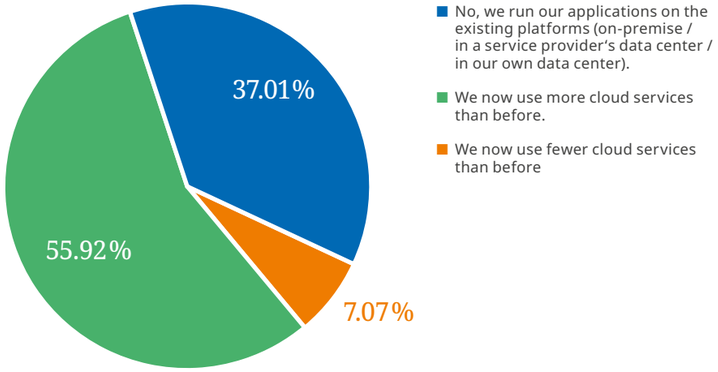



**Figure 17: Was there a platform change (in whole or in part) in the context of the transformation?**

Italy (64%), the USA (61%) and Spain (60%) had the highest percentage of enterprises that have increased their use of cloud services as a result of their most recent transformation. This is understandable if we consider the transformation goals of the respondents in these regions. In all three countries, the focus was less on reducing costs and more on introducing innovative business models and increasing the company's ability to innovate.

In both the DACH region and the UK, more than half of the companies used the transformation to make a platform change toward the cloud. However, if we compare the numbers with those of last year's transformation study, the cloud bandwagon does appear to have slowed somewhat.

For about 37% of all companies, everything remains the same, and they continue to run their applications on the existing platforms. A contrary trend toward fewer cloud applications cannot be seen. A more restrained approach to the cloud is only visible in Sweden and Austria. The respondents from these countries (Sweden 23% and Austria 12%) stated that they decided against a cloud platform during the last transformation. In summary, however, it can be stated that the trend toward platform changes into the cloud continues unabated.

## Why do you use more cloud services?

To better understand the companies' motivation for or against the cloud, we introduced the question of "why" in this year's study for the first time.

39% of respondents in all 15 countries hope that the cloud will provide greater flexibility and faster customization options for their systems. The front-runner here was the financial industry (57.5%), followed by life sciences (52%) and the automotive sector (52%). Following customization was the acceleration of business processes, which 38% of those surveyed expected to gain from cloud services. And for 37% of respondents, faster and easier access to technical innovations such as AI was the motivation for their move into the cloud. Looking only at companies with more than 1000 employees, this reason appears in first place with 43%. Access to innovations was also the undisputed leader in the manufacturing industry (50.7%).

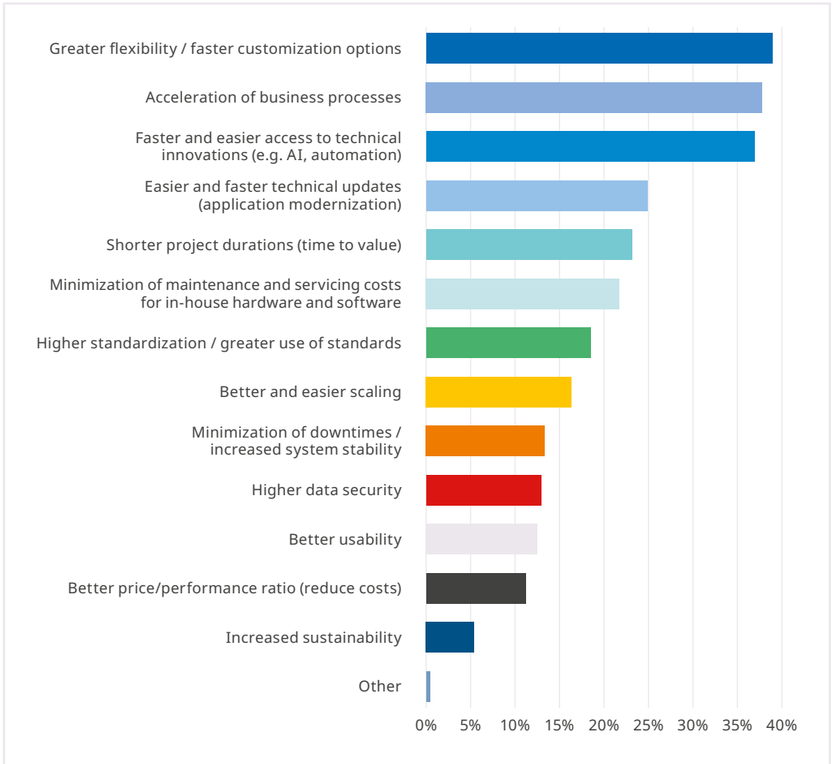



**Figure 18: Why do you use more cloud services?**

It is no great surprise that the IT sector voted “faster and easier access to technical innovations (e.g., AI, automation)” into first place by quite a significant margin (46%). A closer look at top management also proves interesting: Here, the primary aim was to gain greater flexibility from moving into the cloud, though at a much higher proportion (46%) than department and team managers. The same applies to the second-place answer (acceleration of business processes), where the board of directors and company management once again accounted for a higher percentage (43%) than the other respondents.

The numbers for “cost reduction” also stood out. Of the 14 available responses, cost reduction came second to last with 11.2%. The companies hoped for a significant impact on their organization, but did not expect any relevant cost effects. Yet this also poses the question of how any cost advantages associated with better service or improved data analysis can be measured as a cost contribution.

## Why do you use fewer cloud services?

It was particularly important for us to understand why some companies refuse to jump on the cloud bandwagon and use fewer cloud services in the context of their transformation than before. The first place was shared by manufacturer independence and better portability to on-premise solutions.

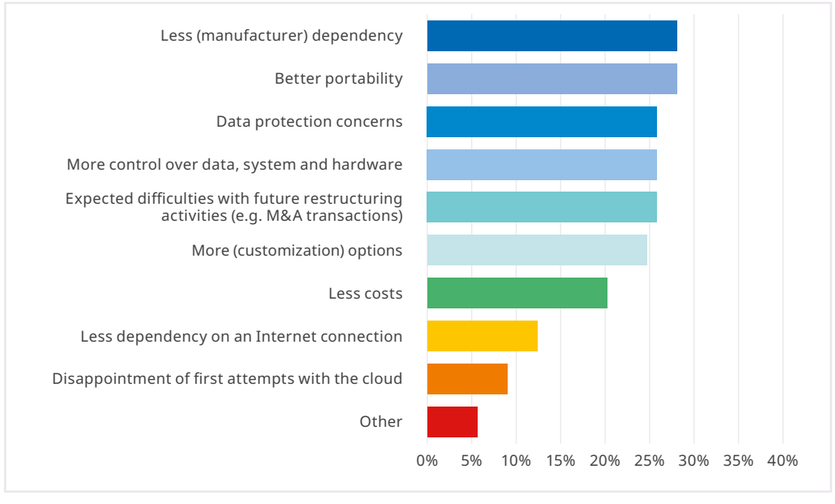



**Figure 19: Why do you use fewer cloud services?**

Executives voted manufacturer independence overwhelmingly into first place with 41%, while the automotive industry (43%) and the life sciences sector (43%) avoid the cloud for the same reason. The surveyed executives anticipated fewer difficulties with future restructuring measures by steering clear of the cloud and therefore placed this response option in the second spot with 35.2%.

There seems to be an impression that it is almost impossible to move away from a manufacturer’s cloud solution once migrating to it – and that any attempt to do so will require extreme effort. This is not the case, however. The authors of this study offer tried-and-tested means and methods for migrating data and processes to alternative platforms and manufacturers.

## Agile project management or waterfall method?

When it comes to managing large projects, there is no right or wrong. Rather, the project management method needs to fit the project. Different challenges require different methods. For example, agile project management is gaining more and more popularity in large IT projects. The main difference between traditional waterfall and agile methods can be summarized as follows: The waterfall approach focuses on forward planning, while the agile approach supports greater requirements for adaptability and commitment. The agile method has two core elements: teamwork and time. Instead of creating a schedule for a large software development project, the agile method breaks the project down into individual deliverable pieces.

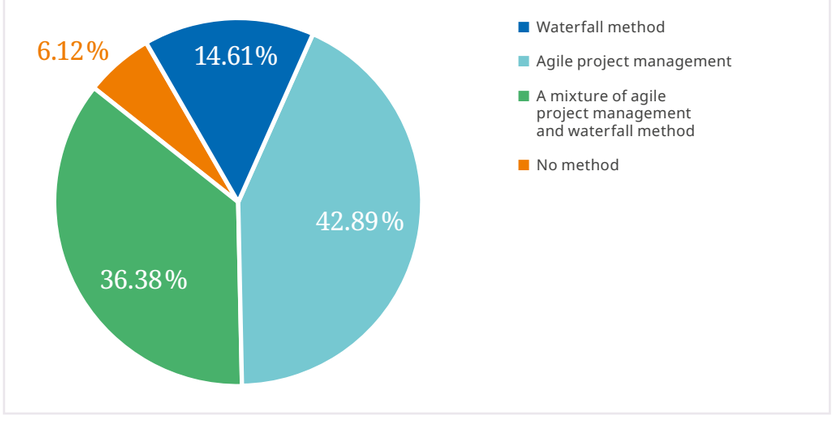



**Figure 20: What project management methods did you use to plan, implement and manage your transformation?**

We wanted to know which method the respondents used to organize their transformation project. Across all countries, agile project methods were used at least in part, according to some 80% of respondents. Of these, 36.4% primarily used a mix of agile project management and the waterfall method, while the remaining 43% relied purely on agile project management. Only 14.6% of transformation projects were organized exclusively using the waterfall method.

## Which technical measures were of decisive importance in the transformation process?

We wanted to know which technical measures the companies deemed to be crucial to success during their transformation process. Data quality is clearly the most frequently encountered stumbling block on the path to a modern and up-to-date IT system.

It is no secret, of course, that data maintenance often remains neglected during everyday business. In a survey conducted by the Chamber of Commerce and Industry in the past year, 41% of companies reported that their daily work suffered due to poor data quality. The results of our study demonstrate how far-reaching the consequences of insufficient data hygiene truly are.

45% of respondents stated that checking and increasing data quality played a crucial role in the transformation process. In fact, this number rises to 55% in Germany. In sectors such as the financial or IT industry, the value was also well above 50%. Overall, this response leads by a significant margin. It is followed by “reducing the data volume” with 34.2%. In this case, Germany was once again well above the international average with 42%. In answer to the question of which challenges or difficulties leaders were most surprised by during the course of their transformation, poor data quality was also rated much higher than other responses with approximately 30%. The results impressively demonstrate the importance of “housekeeping” projects as part of a transformation process. These projects involve the extensive analysis and inventorying of data as well as a comprehensive clean-up and quality enhancement. The data housekeeping theme continued into third place, where “running analyses” represented an important means of establishing a detailed inventory for the project. This appeared neck and neck with the enhancement of system and data security.

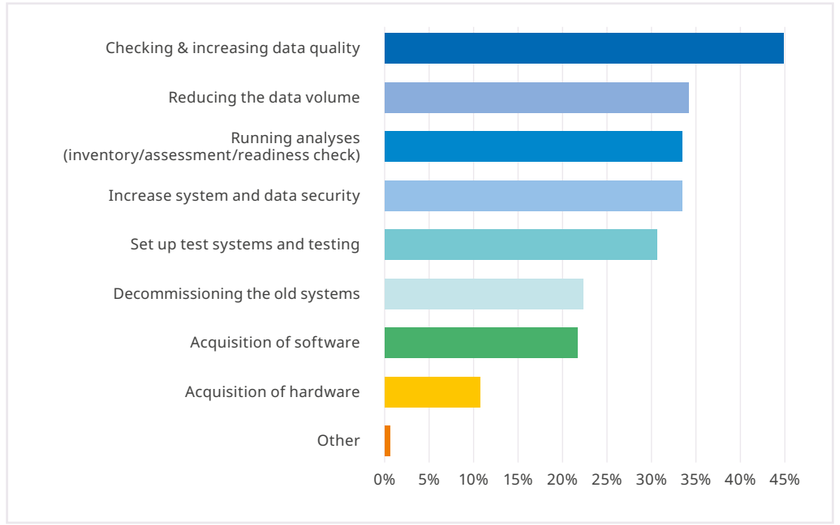



**Figure 21: Which technical activities were of decisive importance in the transformation process?**

It is interesting, though also understandable, that those who preferred the Brownfield method for their project also attributed great importance to the subject of checking and increasing data quality. With 55.2%, they rated this aspect as the most important technical measure in their transformation project. Another interesting point is that the respondents who claimed to have not or only partially achieved their transformation goals rated “running analyses” and “inventorying” much lower (27%) than those who did reach their objectives (38.4%). This allows us to conclude that the success of a transformation increases if it is preceded by comprehensive housekeeping activities.

Looking at the individual sectors, it is notable that the financial industry also voted “checking and increasing data quality” into first place, but in this case with much higher values (52%). “Increasing system and data security” appeared in second place in this sector.

## Which organizational measures were of decisive importance in the transformation process?

The technical measures are supplemented by organizational measures. Here, too, we wanted to know what the companies ultimately perceived as decisive for the success of the project. The successful implementation of complex transformation processes requires the development of new competencies, which do not exist in most companies, as major transformation projects are rarely on the agenda. It is therefore of little surprise that the study participants rated “building up new competencies” by far the most important measure with 46.2%. In second place, 34% of respondents confirmed that in-house expertise was insufficient for the transformation project, thus necessitating the involvement of external consultants. It is notable that the manufacturing industry rated the measures in the same order but with significantly higher numbers: New competencies were the aim of 56.4%, while external consultants were hired by 39% of those surveyed.

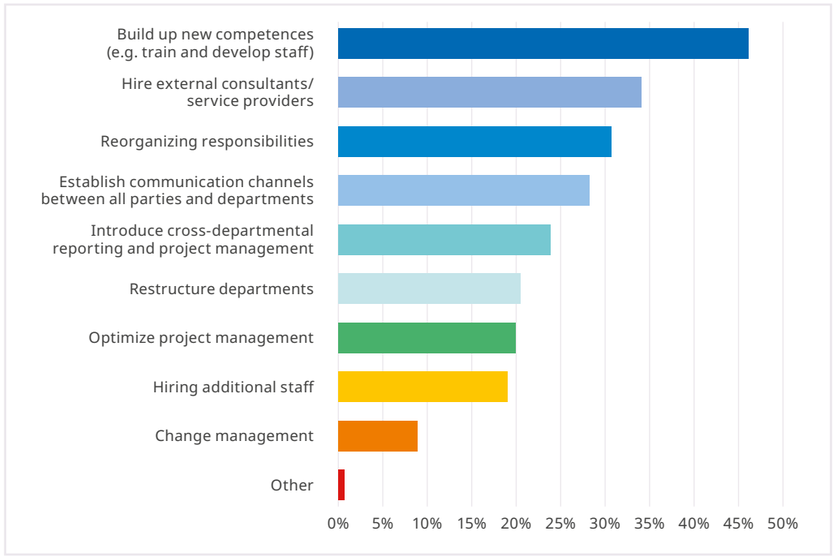



**Figure 22: Which organizational measures were of decisive importance in the transformation process?**

A regional examination shows that companies in the USA (60.7%), Germany (54.7%) and Australia (51.5%) placed a particular focus on building up new competencies. In all other countries, the subject of “building up new competencies” also occupied first place, though with different weightings in each case. There are very few questions in this year’s study in which such a consistent picture emerged across all regions.

In summary, it can be seen from the figures that most companies take care of competence building, the involvement of external consultants and the reallocation of existing resources before commencing a transformation. What is astonishing is that the subject of change management is barely mentioned in the context of the transformation process. In our experience, major projects are nearly impossible to implement without good change management. This is mainly due to the fact that future skills are increasingly required for the implementation of transformation processes in companies.

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The better the preparation for a transformation project, the fewer surprises you will experience. I believe that the type, scope and quality of the preliminary projects for a transformation are underestimated.

**Jörg Sollfelner**,
Managing Director EVN Energieservices GmbH, Austria

Category 5

# Experience

## How much did the transformation cost?

In the first question of this category, the study participants assigned the project costs to the predefined ranges. The transformation budget excluding software costs enables a rough estimate of the investments that transformation projects are associated with. In this year's study, the proportion of projects that cost more than €1 million was 56.2%. 40.1% of those surveyed invested more than €2 million in their transformation project, while 25% spent more than €5 million.

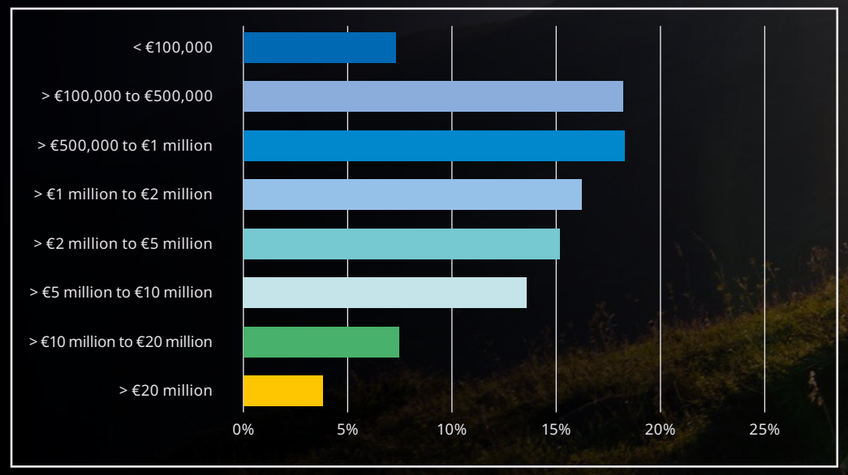



**Figure 23: What was a rough estimate of the total budget for your transformation project? (Including personnel, training, license costs, consultant costs, change management, etc.)**

36.5% of the transformation projects were completed with a budget between €100,000 and €1 million, with the highest rate found in Australia (60.4%). The proportion of those who spent more than €1 million was highest in the USA (64%), Spain (63%) and France (61.4%). It is hardly surprising that companies with over 1000 employees generally have project costs in the region of €2 million or more. It is also similarly unsurprising that companies opting for a Brownfield approach had to invest less in the project.

## Planning versus reality

The comparison between planning and reality appears very interesting at this point. We asked the study participants by what percentage they exceeded their budget target. 60% of respondents stated that they had exceeded their budget by 20% or more, while 36% completed the project at least 30% over budget.

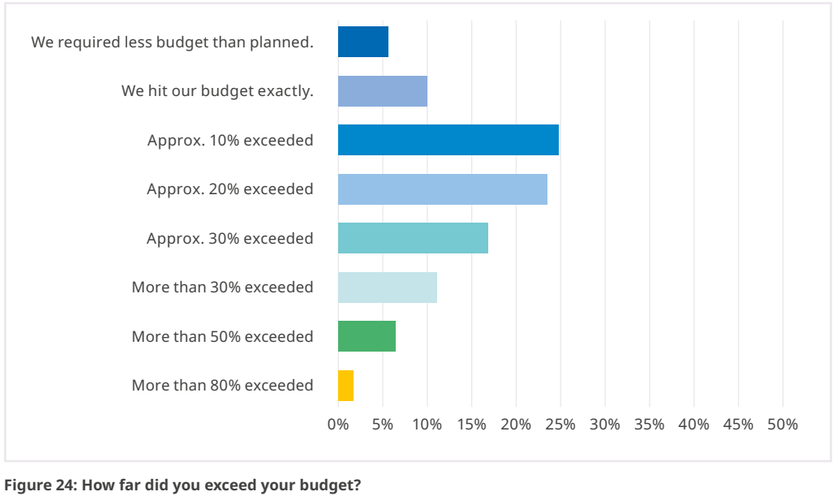



**Figure 24: How far did you exceed your budget?**

The highest value (42%) was reported in the pharmaceutical industry. With 71%, this sector also had the highest rate of budget overruns amounting to at least 20%. With regard to overspending of 20% or more, the DACH region accounted for the comparatively lowest share with 51%, whereas the southern European countries (Spain, Italy and Türkiye) and the NORDICS reported the highest values with 68% and 65.7% respectively. It is of little surprise that users of the Greenfield migration method had the highest (66%) and users of the Brownfield method the comparatively lowest rate of budget overruns totaling 20% or more.

It is worth noting that the numbers for schedule overruns were higher than those for overspending. The high proportion of budget and schedule overruns highlights once again that the complexity of IT transformations is all too frequently underestimated.

## How was historical data handled?

Typically, in most transformation projects, not all data is moved to the new systems. This is for a variety of reasons, such as cost savings, performance reasons or to satisfy data protection requirements. But what did companies do with the data they did not transfer to the new systems? According to many experts, by far the most expensive and risky option is to leave the data on the old systems. This brings with it additional license costs and security risks due to obsolete software applications.

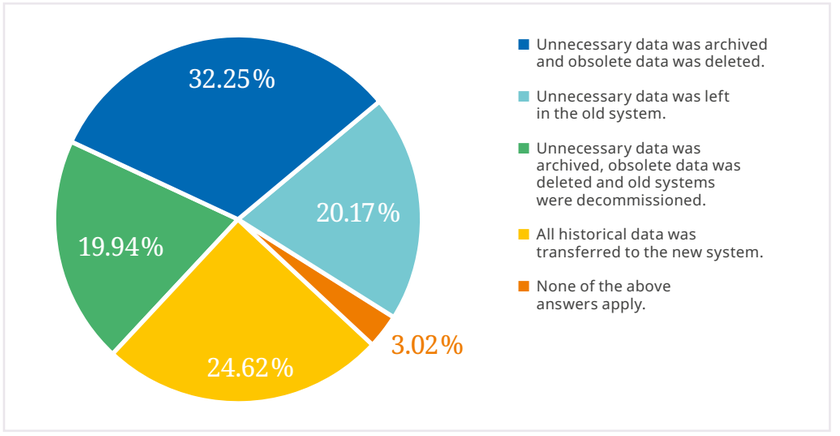



**Figure 25: How did you deal with historical data?**

Based on the results concerning the handling of historical data itself, it can be seen that in more than half of the transformation projects, the database was cleaned up at the same time. Obsolete and unneeded data was either deleted, archived or left in the legacy system. In all of these cases, stricter requirements are necessary regarding the selection of data.

## Were the goals of the transformation achieved?

What is a reliable indicator for the success of a transformation? Goal achievement, perhaps? What goals did companies set themselves for their transformation, and did they achieve them? 43% said that they did not. They achieved their objectives only partially (39.3%) or not at all (3.7%).

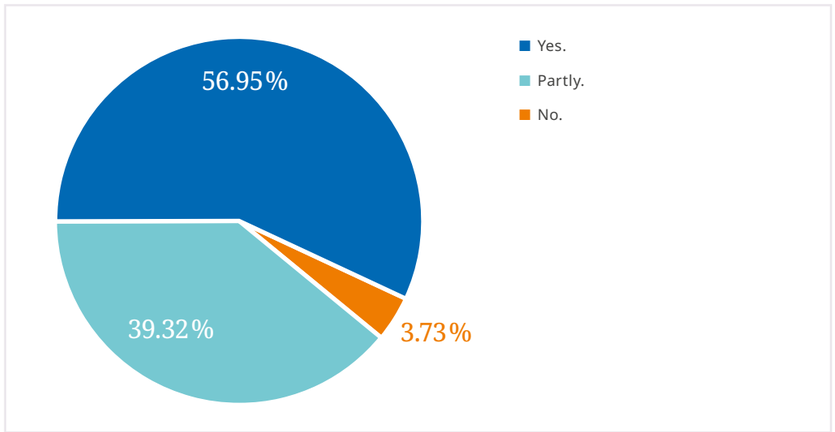



**Figure 26: Have you achieved your goals through the transformation?**

If we look only at executive and managing directors, these respondents claimed to have achieved all goals much more often (65.2%). Conversely, department and team managers were slightly less upbeat about the situation. A comparison of the different regions was also interesting: Here, the NORDICS and France led the way with 62.4%, followed by Türkiye with 60%. The lowest figures for goal achievement were reported in Spain (48%) and the UK (51%). In the DACH region, 55% of respondents achieved all of their goals, while 45% reached them only partially or not at all.

Comparing the numbers of those who achieved their goals with those who did not provided some interesting results. It is striking that those who gave higher ratings to the analysis and detailed inventorying as critical to the success of their transformation were also more likely to confirm that they had achieved all of their goals. This once again highlights the importance of solid, well-founded and comprehensive preparation for a transformation. We have already pointed out the significance of housekeeping projects in the build-up to a transformation, and this result serves as further proof of this theory.

Another interesting result is that those companies opting to complete their migration with the Brownfield method achieved their objectives 10% more often than companies who employed the Greenfield approach or selective data migration for their transformation project. Caution is advised: it is to be expected that the objectives as well as the type and scope of a Brownfield migration project are significantly less complex than a Greenfield or Selective Data Transition approach.


## What challenges surprised leaders during their transformation?

We wanted to understand what problems and challenges the respondents had to solve in the process of their transformation. To do this, we asked the 1259 transformation leaders what difficulties surprised them during the transformation. The lack of experience of the company's employees with projects of this magnitude was identified as the biggest surprise (34.2%). In addition, problems with data quality and a shortage of resources were highlighted by about 30% of respondents. Insufficient employee expertise and a lack of acceptance among the workforce were also reported by a respectable 20% (see fig. 27).

A look at the countries and regions produces a somewhat mixed picture: Problems with data quality proved more surprising to German, American, Italian, Spanish and Belgian respondents than to survey participants in the other countries. Here, this particular topic occupied the first two places, achieving a score of 37% in the USA. In the automotive sector, poor data quality was reportedly the biggest surprise. The financial industry appeared to be more affected by the shortage of resources than the average across other sectors. After several years of branch closures and the switch to online support sessions as a result of the coronavirus pandemic, there now appears to be a lack of skilled professionals who can implement and expand this development.

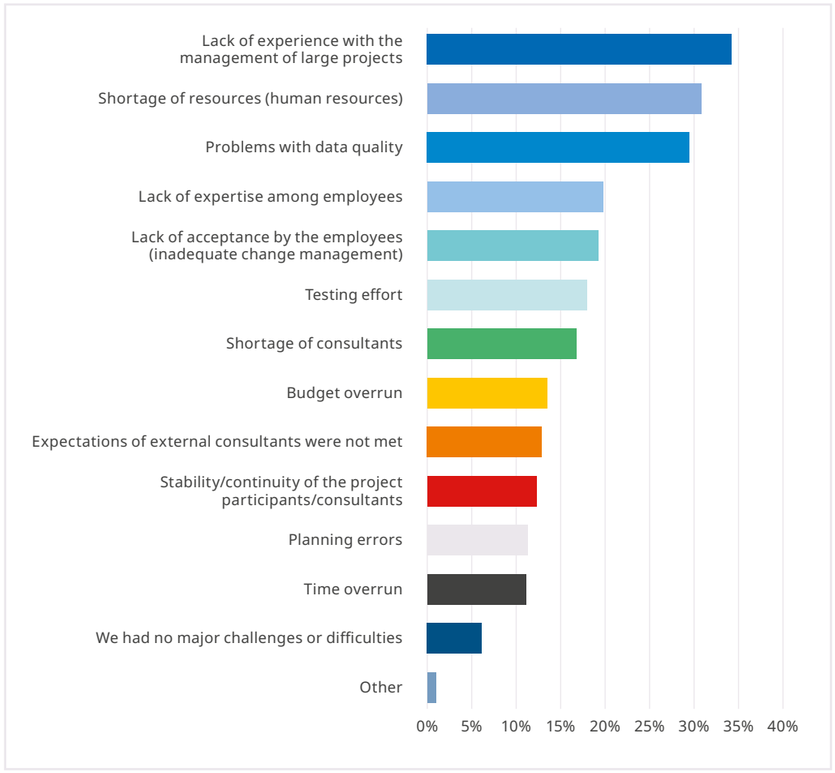



**Figure 27: What challenges and difficulties surprised you during the transformation process?**

A lack of resources was the biggest surprise in Germany (34%), Belgium (34%) and France (43%). Although we saw in the last section that the budget and schedule overruns were certainly of some relevance, it appears that they caused little surprise to the respondents (budget overruns 13.5% and schedule overruns 11%). It is notable that a third of those who chose a Brownfield approach for their migration were more surprised by the issue of "poor data quality" than the overall average. This suggests that this group had a quick and easy "lift and shift" migration in mind but then discovered during the data quality investigations that the process may not be quite so simple, particularly if the new system was to be kept free of invalid data. The values reported by Brownfield users for lacking employee expertise are particularly striking. With 31.1%, this was the second biggest surprise for this group.

The fact that resource shortage and further development of employee expertise were among the biggest surprises not only highlights the great significance of employee development in the context of such complex IT projects but also the important role that automation plays in addressing the ever-increasing scarcity of resources.

## What were the most important success factors in the transformation process?

We wanted to know what the transformation leaders considered to be the main success factors for their transformation. Even though lacking transformation expertise ranked first among the greatest challenges across respondents in all 15 countries (see fig. 28), the creation of transparency is rated the number one success factor for transformation projects in Germany (41.3%), Switzerland (41.2%), the UK (36.7%) and USA (50.3%). This view was also shared by the financial sector and the manufacturing industry. In-depth knowledge of the company's own processes is another important aspect of the professional preparation for an IT transformation. This is just one of many examples highlighting the importance of a preliminary project in which the foundations for the migration strategy are laid by means of a comprehensive analysis.

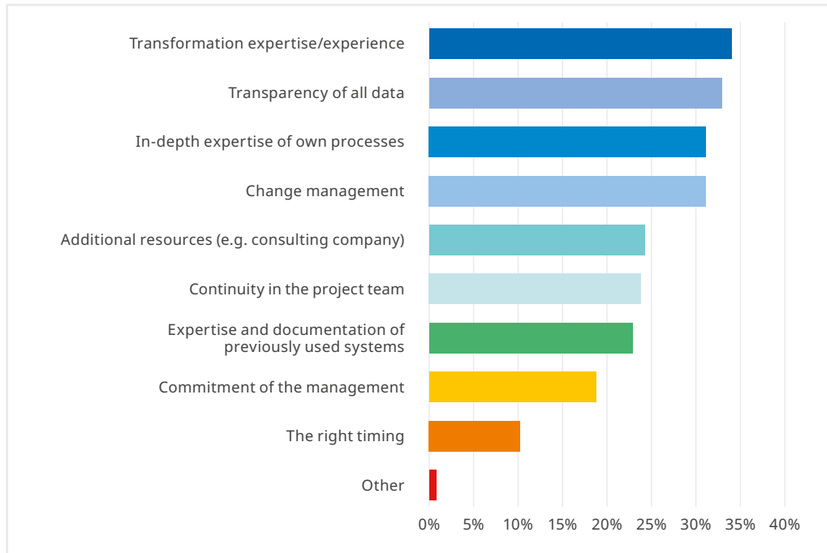



**Figure 28: What were the most important success factors in the transformation process?**

Executive and managing directors had a similar top three when it comes to the main success factors, though with a different weighting and order. In this case, transformation expertise took first place with 40%, followed by in-depth knowledge of own processes with 36%. Transparency of all data landed in third place with 34%.

It is pleasing to see that all study participants recognized the importance of change management, which came fourth with 31.1%. This number was somewhat lower in last year's study (27%). The tireless efforts of the trade press to bring this topic onto the management agenda appear to be paying off.

## Which part of the transformation is underestimated the most?

The assumption that overhauling a company's data processing methods is purely an IT project is quite clearly wrong. This was demonstrated by the answers to a new question introduced in the 2024 transformation study: "Which part of your transformation project did you underestimate the most?" By far the most underestimated aspect is "organizing communication between the departments and divisions." With 45.1%, managing and executive directors rated this point far ahead of the second aspect "providing resources" (31%). This not only underlines the importance of change management but, above all, shows how significant ongoing project communication with departments and divisions is to the success of a migration. No matter how you look at it, an IT transformation simply isn't just an IT project but instead represents a major task involving the entire company. In this instance, it is clear that close cooperation between IT and other departments is not always common practice, and this situation will be further exacerbated by fewer location-specific working models, such as working from home.

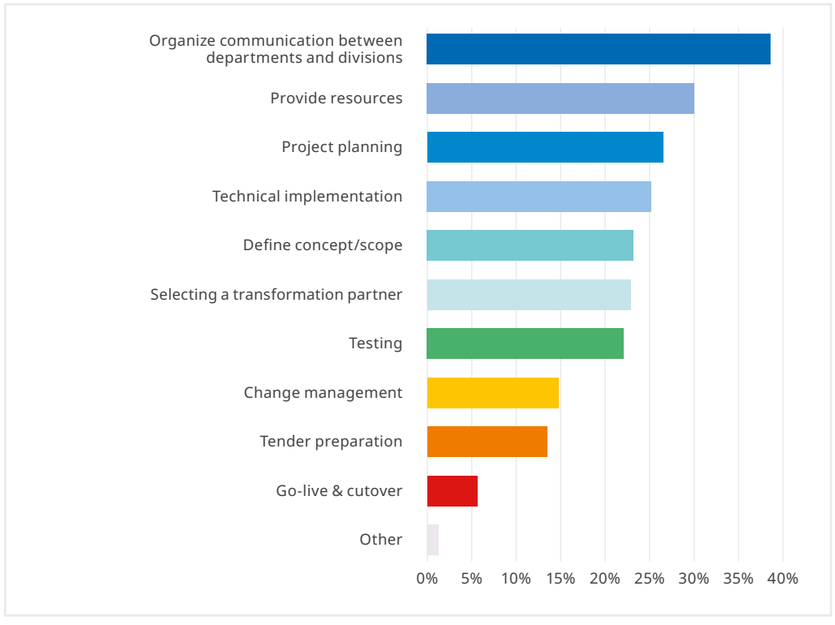



**Figure 29: Which part of your transformation project did you underestimate the most?**

It is also interesting that the executives placed "selecting a transformation partner" at the very top of the list of the most underestimated challenges. Moreover, a quarter of all department managers and executives voted "defining the scope" among the top places. This once again highlights the importance of analysis projects in preparation for a transformation.

## Did the go-live have to be postponed?

Other new additions to the 2024 edition of the study were the questions regarding the go-live. 61% of respondents had to delay their go-live. The automotive sector (70.5%) and life sciences (70.5%) were at the top of the pile. Greenfield migrations (72%) were postponed much more frequently than Brownfield migrations (55.6%). The go-live was delayed least often in the DACH region (43%) and most frequently in the southern European countries (75%) along with Belgium (70%), France (73%), Italy (73%) and Spain (78%).

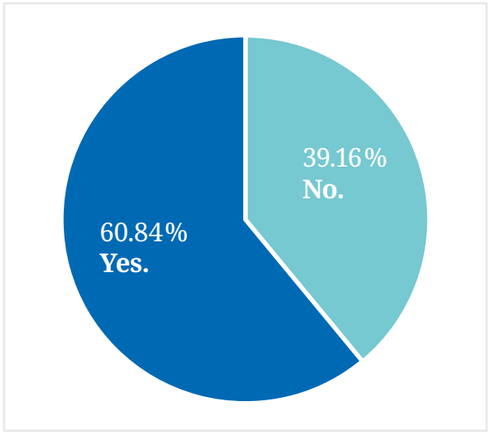



**Figure 30: Did you have to postpone your go-live?**

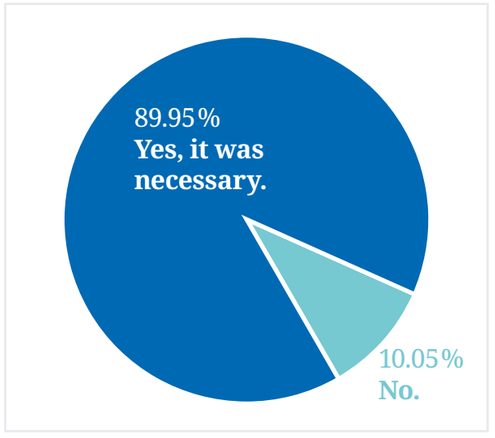



**Figure 31: Was it actually worth postponing the go-live?**

## Was it worth postponing the go-live?

In our daily practice, we repeatedly encounter individual projects for which the go-live was postponed, and those responsible subsequently speculated whether it might not have been a better idea to simply "push through with the project." Delaying a go-live brings so many challenges and uncertainties that simply biting the bullet may actually have been the better choice in some cases. This is certainly what 10% of respondents believe. However, the vast majority (90%) confirm that postponing the go-live was the right move.

Unfortunately, these numbers coincide with the budget and time overruns. It is clear that, in most cases, the transformation projects are not sufficiently well prepared and certainly not budgeted correctly.

> I am convinced that a key to successful transformation is the right consulting partner! We found a partner who ideally offered us a complete package of strategic consulting, technical expertise, and reliable collaboration.
>
> **Christopher Arning**, Project Manager HCM Conversion, Gelsenwasser AG, Gelsenkirchen

## What was the most important result of your transformation?

After obtaining all the relevant details regarding the transformation process from the study participants, we wanted to know what they considered the most important result of the project. Across all countries, the respondents rated the increased transparency (23.6%) of systems, data and processes as the most significant result of the transformation project. Cost savings came second with 22.3%. The top two answers are then followed by increased efficiency (18.76%), greater flexibility (17.4%) and increased ability to innovate (16.9%).

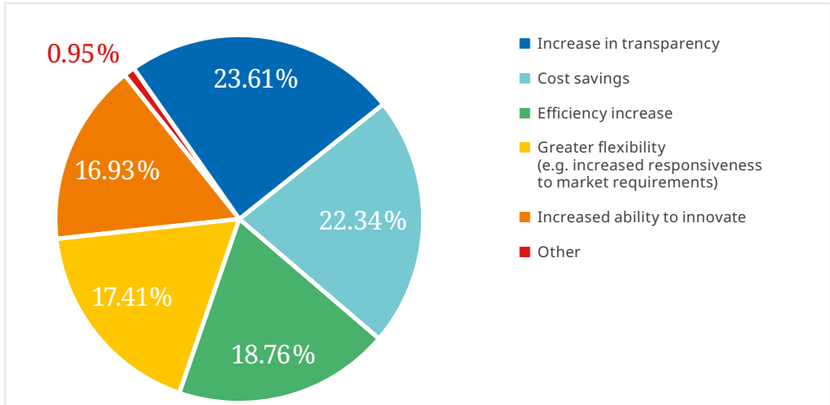



**Figure 32: What was the most important result/success of your project?**

A closer look at the regions and countries also proved interesting in this case. “Cost savings” were rated second across all countries and even took first place in the DACH region (25.1%), NORDICS (27.6%) and France (34.7%). In the USA, on the other hand, “cost savings” came last in the list of successes with 13.5%.

In contrast to the average for all countries, “efficiency increase” came second in the DACH region with 24.3% (first place in Germany with 29.3%). “Efficiency increase” was also the second most popular answer in the UK and Belgium. Belgium also is the location of the biggest outlier, with “greater flexibility” finishing as the runaway winner with 38%. In Sweden, this answer took second place. “Increased ability to innovate” was ranked fifth in the country average. A different picture emerged in the USA (22.6%) and in the southern European countries (20.6%), where “increased ability to innovate” came second in the ranking of the most important successes of transformation projects.

| | Automotive | Manufacturing industry | IT | Pharmaceuticals/ life science | Financial sector |
|---|---|---|---|---|---|
| Increased transparency | 20.0 % | 27.0 % | 30.4 % | 22.3 % | 24.7 % |
| Cost savings | 19.5 % | 23.0 % | 17.6 % | 28.3 % | 18.5 % |
| Efficiency increase | 26.7 % | 20.6 % | 24.3 % | 10.0 % | 22.2 % |
| Greater flexibility | 16.2 % | 16.7 % | 14.2 % | 18.3 % | 14.9 % |
| Increased ability to innovate | 17.4 % | 11.9 % | 12.8 % | 21.1 % | 19.8 % |
| Other | 0.5 % | 0.8 % | 0.7 % | 0.0 % | 0.0 % |

**Figure 33: The most important results of the transformation by sector.**

Looking at a few individual segments also showed a very mixed picture. Where “efficiency increase” was the most important transformation result in the automotive industry, “cost savings” took first place in the pharmaceuticals/life sciences segment with 28.3%. Second place in the automotive sector went to “increase in transparency,” while “cost savings” and “efficiency increase” were the runners-up in the IT sector and financial industry, respectively. Third place was occupied by “cost savings” in the automotive and IT industries, “greater flexibility” in the manufacturing industry and “increased ability to innovate” in the financial sector (see fig. 33).

Category 6

# Requirements for the future

## What would you do differently today as part of the transformation process?

Be it time or budget planning – a particular theory from last year's study was confirmed to impressive effect in 2024, even with significant internationalization and enlargement of the sample size: Most companies underestimated the IT transformation project in all aspects. There is little to separate the top three places with "plan more time" (38.8%) narrowly beating "plan more resources" (36.5%) and "deal with the topic earlier" (33.8%) into second and third spot. The next point "invest more in data quality" (22%) followed at quite a distance. The evidence of underestimation could not be more stark. Similarly, executive and managing directors named "deal with the topic earlier" as their most glaring oversight with 44%.

We decided to take a closer look at the point "choose a different migration strategy." In doing so, we noticed that users of the Greenfield method were 24% more likely to choose a different migration approach in the future than those who opted for one of the two alternatives (Brownfield and Selective Data Transition). The figures for "stronger focus on the most important processes that need to run after the migration" have remained the same. It is also interesting that those respondents who stated that they had not achieved their transformation goals or had not fully achieved them were much more likely to choose "plan more time" as their response to this question.

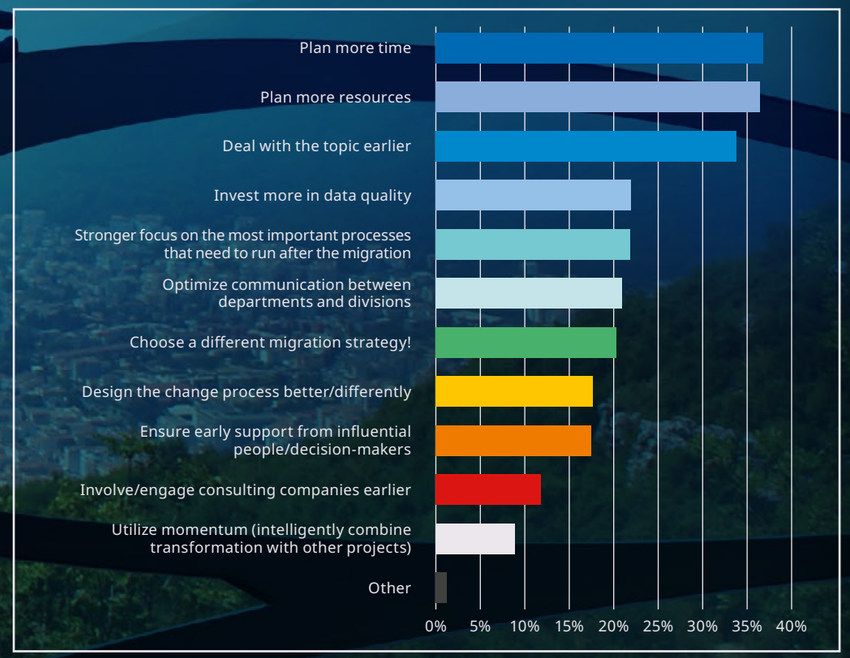



**Figure 34: What would you do differently today as part of the transformation process?**

# Trans-formation Study 2024 conclusion

In 2022, the transformation study was conducted for the first time in Germany, Austria and Switzerland. 2023 saw the first international edition of the study as a result of the cooperation between Natuvion and NTT DATA Business Solutions. After receiving a great degree of attention from customers and the press, NTT DATA Business Solutions, NTT DATA and Natuvion decided to further develop the study in 2024. The study design was subjected to another significant overhaul, while the sample group was increased once more and internationalized even further. The result is that 1259 department heads and top managers from 15 countries took part in the study in January 2024.

In the following, we briefly summarize the key findings of this year's study.

# IT transformations are massively underestimated

The 2023 transformation study already sent a very clear message: The technical implementation of the transformation – i.e., the switch to new processes, systems and platforms – is still entirely underestimated by many companies. The 2024 transformation study, with its significantly wider scope and involvement of more countries, confirms this theory. Department heads and top managers alike certify that, in many cases, gross misjudgments have been made when it comes to the time, budget, personnel resources and expertise required for IT transformations. This common thread runs through the entire process, from the initial preparation to the planning and implementation. As early as the planning stage, most of the executives surveyed recognize that the complexity of the project is challenging. It is of little surprise, therefore, that one of the main results of this study is that insufficient planning will not only lead to more significant budget and time overruns but also will make it much more difficult to achieve the goals of the transformation.

Companies were most surprised by the lack of experience their teams have with such major projects. They also seem to overestimate the quality of their data, with one in three respondents declaring that they had been surprised by the poor data quality. In addition, the transformation leaders underestimated the requirements for communication between all employees, departments and divisions involved in such a change process.

The responses to the question of what the study participants would do different or better in the future could hardly show more clearly that the approach to the transformation was simply insufficient. In terms of future intentions, the top three places were occupied by “plan more resources,” “plan more time” and “deal with the topic earlier.” Almost half of all top managers (executive/managing directors) chose the latter as their top priority for the future.

# Housekeeping is crucial to the success of an IT transformation

Anyone who wants to move their household is forced to take a detailed inventory. What do I have? What is coming with me? What can go? The situation is no different for companies that want to adapt processes and introduce new systems and platforms. The experiences of the participants in the 2024 transformation once again highlight the crucial role that such technical tasks play in a successful IT transformation. The factors most critical to the success of the IT transformation were 1) checking and increasing data quality, 2) reducing the data volume, and 3) detailed inventorying based on comprehensive analyses. The importance of the inventory and enhancement of data quality in the transformation project highlights the extent to which companies struggled with the quality of their data during the project. The importance of housekeeping activities is underlined impressively by the fact that companies that already embrace inventories and analyses as a central element of their transformation project are more likely to achieve all transformation goals than those companies that have not adopted such practices.

# The search for the best migration path depends on many factors

Typically, the best possible migration path results from the inventory and analysis of the systems and data. However, the migration approach is frequently chosen without first looking for the best method in the data inventories and systems. The 2024 transformation study confirms that this is a big mistake. One in five study participants would choose a different migration strategy for their next project. This is more frequently the case with those who opted for the Greenfield approach. Brownfield migrators would change approaches much less often, but those who employed selective data transformation were the group least likely to go down a different path in the future.

It is also interesting that those respondents who, on average, use older systems are more likely to start from a clean slate (Greenfield). Brownfield users, on the other hand, often have the most modern systems. However, it is only logical to opt for the quickest and easiest route if you have only recently completed a transformation with all the effort and considerable challenges involved. On that subject, those who migrate with the Brownfield method invest much less money and are also less likely to exceed their budget and schedule than their Greenfield counterparts. This group also claims to have a much smaller migration window and can afford no or only minimal interruptions to their business operations. It is also worth noting that the go-live is most likely to be postponed in Greenfield projects. Place two on this list is occupied by the Brownfield users. The fewest delays are experienced by those opting for selective data transformation.

# Artificial intelligence (AI) is not the biggest transformation driver

We were particularly excited to see the responses to the question of “What role did the introduction and use of AI play in your transformation project?” This question was asked for the first time in this year’s study, and around a quarter of all companies considered AI as a key driver for their transformation. We also asked the same question about data protection (“What role did data protection play in your transformation project?”). More than a third of respondents described the matter of data protection as a relevant driver for their transformation, thus rating it significantly higher than the subject of AI. AI played no part in the transformation project of every fifth company surveyed. Among top managers, it was every seventh respondent. It is astonishing that data protection continues to be rated as a more important reason for transformation than the many new and exciting possibilities offered by artificial intelligence.

# Transformation into the cloud: Managers expect no positive cost effects

It will be of little surprise to the readers of this study to hear that the vast majority of companies use more cloud services after the transformation than before. The list of reasons for the increased use of cloud services is headed up by greater flexibility, the acceleration of business processes as well as faster access to technical innovations. It is interesting, however, that few respondents expect to gain any cost benefits from the cloud.

This option came second last among the 13 responses available. It is clear to managers that the greater speed and flexibility offered by the cloud comes at a cost and is therefore not guaranteed to have a positive impact on expenses.

## Lack of transformation expertise

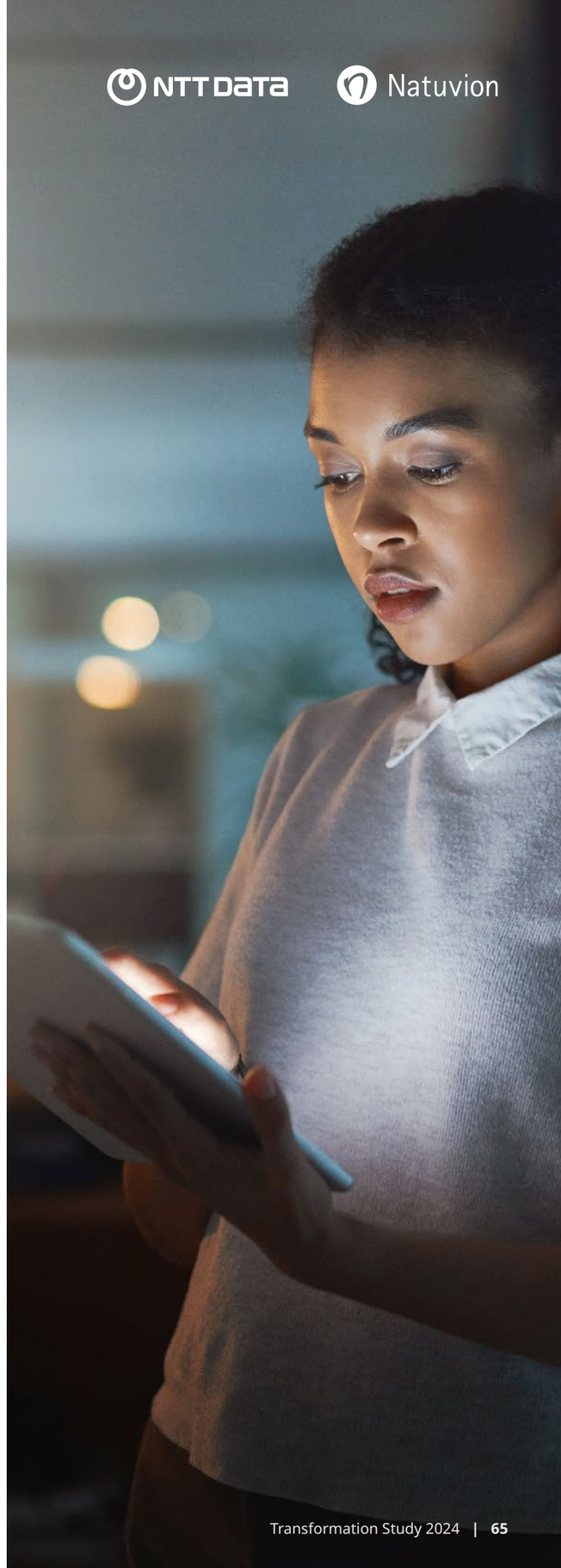
A lack of transformation expertise appears to be a significant barrier on the road to an innovative and powerful IT system. Across all 15 countries, transformation expertise was almost universally rated not only as the most important success factor for a transformation but also as the biggest challenge faced when planning such an undertaking. The migration leaders were surprised by their teams' lack of experience in managing projects of this magnitude. It is hardly surprising, therefore, that the study participants chose the establishment of new competencies as the top answer to the question of which organizational measures were of decisive importance in the transformation process – and did so by a significant margin. It is only logical that more than a third of respondents rated "hire external consultants" as the second most important organizational measure. This value has continued to rise throughout the last two transformation studies. The fact that consultants with transformation experience are even rarer than good IT specialists has become common knowledge on an international scale. There are even analyses in the SAP market that claim that the shortage of consultants required to accomplish the SAP S/4HANA migration that SAP is targeting by 2027 runs well into six figures.

## Communication: The most frequently underestimated discipline

The assumption that overhauling a company's data processing methods is purely an IT project is incorrect. This is underlined quite emphatically by the responses to the question, "Which part of your transformation project did you underestimate the most?" Some 39% of the 1259 respondents chose "organize communication between departments and divisions" as their greatest misjudgment. This made this particular option the top answer by a significant margin. In sectors such as life sciences, the automotive industry or IT, as many as half of the study participants gave this response. In this instance, it is clear that close cooperation between IT and other departments is not always common practice, and this situation will be further exacerbated by less location-specific working models, such as working from home.

> The ERP transformation can only succeed as a major team effort. Everyone has to be involved: vertically, from the working student in the test team to the executive in the steering committee; horizontally, from the key users, testers, and managers in the individual departments and subsidiaries to the many external parties involved, such as the external support units of all the conversion systems – to name just a few examples.

**Georg Klein**,
Head of SAP Consulting,
badenova AG & Co. KG



# Trends: What are the biggest differences to the 2023 transformation study?

The sample group for the 2023 transformation study comprised 630 managers in nine countries. In the latest study, 1259 managers spread across 15 different countries were surveyed. To make the results comparable and allow us to draw insightful conclusions from them, we have compared the numbers for the nine countries involved in the previous year's study (UK, Germany, Austria, Switzerland, Norway, Denmark, Sweden, Finland, USA) with the 2024 results for the same countries. At one or two points, this is not entirely possible due to the specific adjustments made to the study design. Wherever possible, we subsequently compared the results with last year's figures.

## Cost reduction as motivation for the transformation?

Why did companies start the transformation process? Just like last year, the main motivation in 2024 was to make "organizational adjustments." Although this option received approximately 7% more votes in 2023, the fact remains that changes to the organization are the most frequent reason for a transformation. Cost reduction took second place last year with 36%. While the number of votes for cost reduction (34.6%) dropped only slightly in 2024, this was still enough to knock it from second into third place. Instead, a newly introduced response came second in this year's study with the "introduction of new, modern technologies (e.g., AI)." One explanation for this development could be that the transformation leaders were still suffering the effects of high inflation, which has since declined somewhat.

## What drives the transformation in companies?

When it comes to the question of who initiated the transformation, the order of responses remains similar to 2023. All that has changed is the gaps between the answer options. In 2023, top management was by far the biggest driver of IT transformations. Although top management still occupies first place in this year's study, it is followed very closely by the IT department. The areas of manufacturing, human resources, marketing and logistics also made some notable gains. It appears that the subject of IT transformation is gradually reaching all areas of the company. Where management and the IT department were the main drivers two years ago, the other departments now appear to be catching up.

## Cloud skeptics are becoming fewer in number

If we compare the numbers from the 2023 transformation study with those of the current study, we can see that the proportion of those who claimed to use fewer cloud services after the transformation than before has halved (down from 12% to 5.5%). At the same time, the number of those relying on existing platforms is growing, while the figure for "we now use more cloud services than before" is shrinking (down from 59% to 53%). This suggests that the cloud continues to expand dynamically, though a relevant proportion is already making use of cloud services. Those with a critical attitude toward the cloud are increasingly in the minority.

## Desperate search for knowledgeable employees

This year, we again asked the respondents to name the biggest challenges that they encountered during planning. The complexity of the overall project, which still occupied first place last year with 41%, has now slipped to third place with 34%. This challenge was overtaken by "lack of or insufficient transformation expertise among employees" and "supplying the necessary human resources." The "lack of transformation expertise" has increased by no less than 6% and "supplying the necessary resources" by 2.5%. In answer to the question of what surprised them the most in the transformation process, almost a third of respondents named a "shortage of resources" and "lack of experience with the management of large projects" as the main issues.

This once again underlines what most of us already know: When it comes to IT transformation, competent consultants and employees are in very short supply, and the situation is only getting worse.

## The transformation window is closing

How long can companies interrupt their IT operations before they experience a serious impact on their business? If we compare the numbers for 2023 and 2024, we can see a clear reduction of the cutover window. Where around 66% of those surveyed in the 2023 study said they could sacrifice a maximum of one day for this process, the figure has now risen to almost 75%. There has also been a notable increase (+5%) in the number of companies claiming that they cannot afford any interruption at all. Choosing the right migration strategy has thus become a key focus of these companies. A near-zero downtime approach would be of particular interest in this case.

## Data quality was and remains a stumbling block in the transformation process

In many areas of this study, it is very interesting to see the development of the numbers – or the apparent lack thereof. Like last year, 52% of the managers surveyed stated that the technical measures for checking and increasing data quality were crucial to the success of the transformation. This places this topic in first place for this question – and by a significant margin. Also, when asked what they were particularly surprised by in the transformation process, almost a third of those surveyed in 2023 answered the same as in 2024: “problems with data quality.” We certainly expect this topic to continue to feature prominently in future studies.

## Hybrid migration methods on the up

Like last year, we asked the study participants about their chosen migration approach. Even over this very short period, a clear trend is emerging. Pure Brownfield migrations are decreasing (by 5%), while hybrid data migrations (combinations of selective migration with other methods) are increasing at the same rate. It remains to be seen whether this trend will persist. In our daily practice, however, we rarely still encounter pure Greenfield or Brownfield migrations.

## The value of preparation

Last year’s study already left no doubt as to the fact that good preparation is key to the success of a transformation project. In keeping with last year’s results, “transparency of all data” and “in-depth expertise of own processes” were the top two answers given to the question of what the most important success factors were. In fact, these values have increased slightly this year (+1%).

## Is a recession on the horizon?

We asked the study participants whether their transformation projects were impacted by factors such as coronavirus, inflation and the war in Ukraine. In 2023, 35% of respondents still answered that their project was prioritized. This figure has since dropped to 31%. However, it is also the case that more projects were postponed (+15%). In the countries surveyed, we are now witnessing a degree of reluctance toward new transformation projects.

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