

The Path to

Digital Transformation

Where Leaders Stand in 2023

 **Insight**

FOUNDRY
an IDG, Inc. company

MarketPulse Research conducted for Insight | December 2022

Method and objectives

Survey goals

This survey was conducted to better understand the challenges faced by U.S. enterprises in achieving success with digital transformation initiatives.

We explore the IT and business goals motivating digital transformation initiatives. We uncover specific digital transformation challenges in the areas of data, application modernization, cloud and cybersecurity. Lastly, we examine planned IT investments and those expected to have the most impact on innovation and revenue generation.

Total respondents: 400

Collection method:

Online questionnaire

Geography: U.S.

Field dates:

November 14, 2022 – December 1, 2022

Number of questions: 30

(excluding profiling questions)

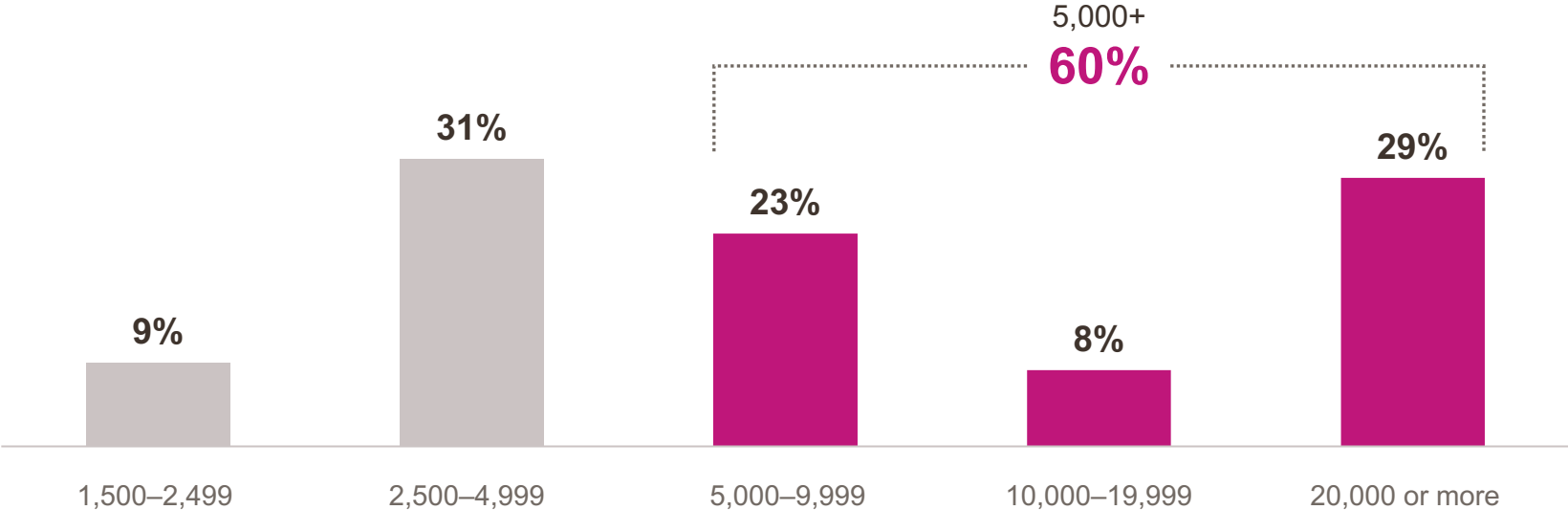
Median company size: 6,250 employees

Senior decision-makers:

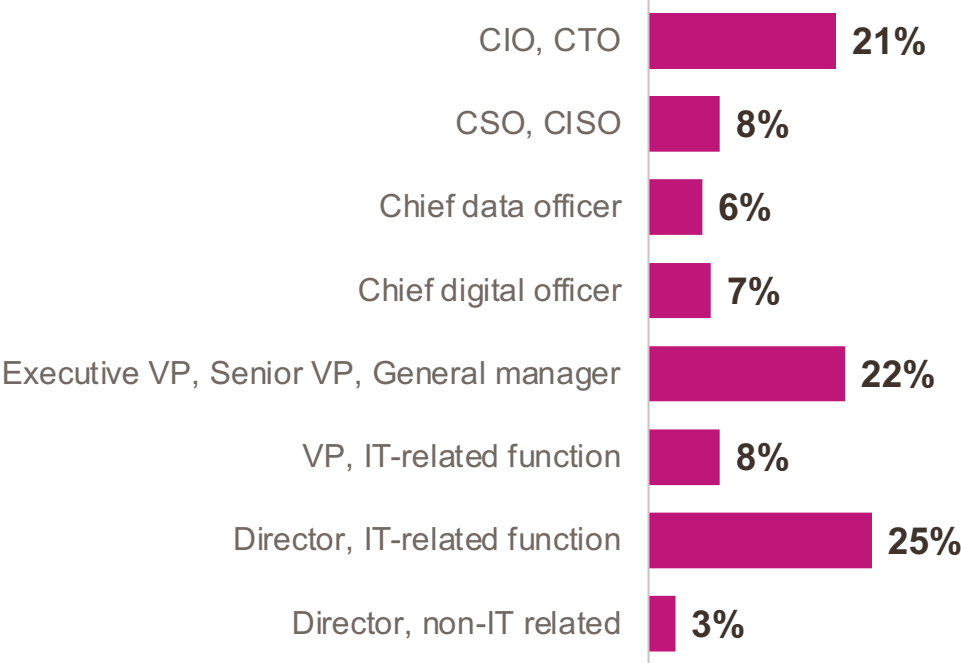
Respondents are senior decision-makers employed in IT, IT security and executive management (director and above titles).

Respondent Profile

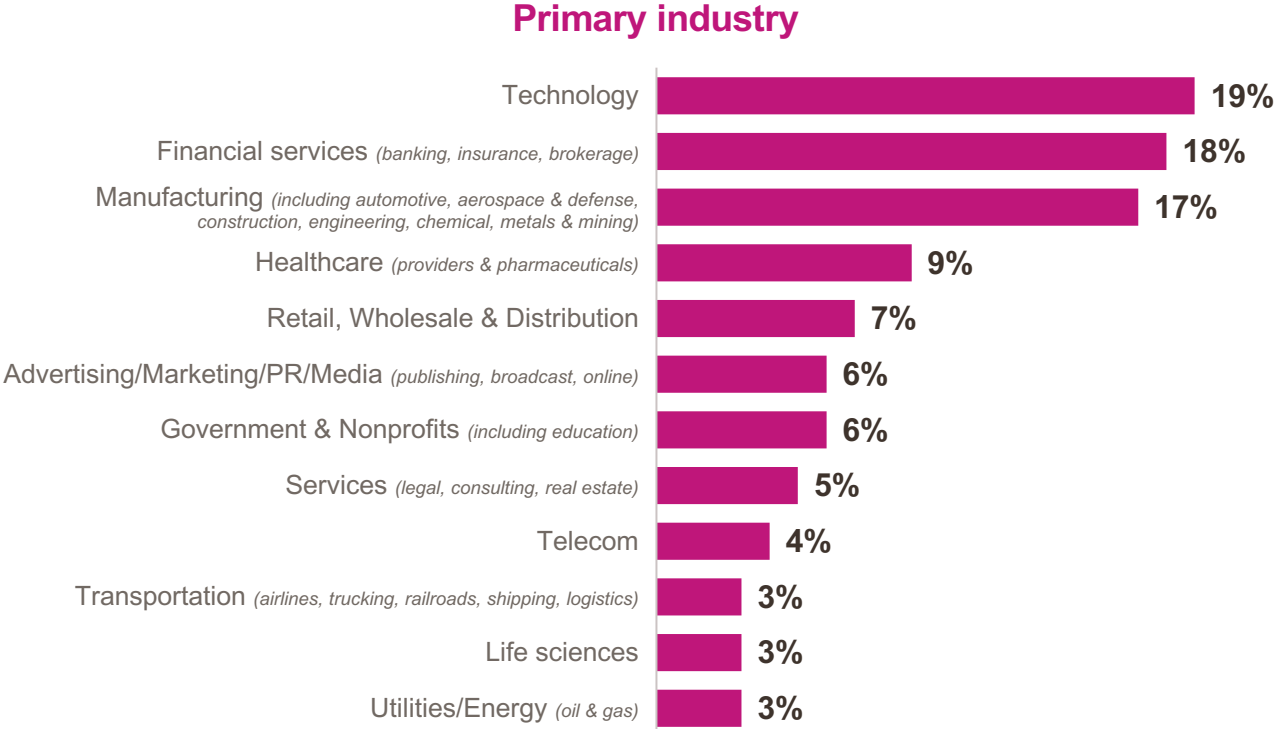
Company size by number of employees



Respondent job titles



Technology, financial services, manufacturing and healthcare are top industries



Highlighted Findings

Highlighted findings

Overall digital transformation progress

*In this survey we are defining **digital transformation** as adapting the organization to a “digital-first” approach by leveraging technology such as cloud, IoT, data analytics, mobility and security to innovate or modernize a business function.*

Digital transformation is an enterprisewide effort at most enterprises: 36% have achieved business benefits at scale (“optimized”); 33% report process, operational and/or technology changes are embedded enterprisewide (“integrated”); 17% have established roadmaps and are starting to see early-stage benefits (“repeatable”); 11% have fragmented strategies and/or projects at the line-of-business level (“developing”); and 3% are in the information-gathering stage (“ad hoc”).

Organizations reporting optimized digital transformation have seen significant benefits. They are nearly three times more likely to resolve cybersecurity breaches within one day (29% vs. 10%) and more than 1.5 times more likely to resolve within a few days (64% vs. 38%); far less likely to be impacted by technical debt (20% indicated no impact vs. 9% of others); and significantly more likely to use AI to drive insights and/or efficiencies (65% vs. 45% of others).

Highlighted findings (continued)

Technical debt

- **Technical debt now ranks as the #3 challenge to digital transformation, climbing from the #6 spot in Insight's 2022 survey.** 39% of respondents now cite technical debt as a top three obstacle to progress with innovation, outstripped only by IT skills and knowledge gaps (45%) and budget constraints (42%).
- **86% report their organization has been impacted by technical debt over the past 12 months.** The top areas affected are the ability to innovate (43%), meet SLAs (41%) and avoid downtime (37%).
- **Technical debt is especially problematic given that 47% of respondents continue to rank technology as the most challenging aspect of digital transformation,** followed by business environment uncertainty (42%), people-related concerns such as resource needs and cultural change (38%), process challenges including lack of automation and project delays (38%), and budget limitations (33%).

Digital transformation priorities

- **Optimizing data and analytics capabilities (51%) and increasing cloud adoption (49%) are the top IT priorities to enable digital transformation and advance business over the next 12 months.** These priorities remain consistent when compared with the results of the 2022 survey. Significantly, integrating data from edge devices into data analysis has risen in importance as an IT priority over the last year.
- **Optimizing IT infrastructure through better monitoring and management is the top overall technology initiative over the next 12 months,** cited by 50% of respondents.
- **IT infrastructure optimization is also considered the most impactful technology initiative driving innovation and revenue generation for the second year in a row,** cited by 26% of respondents in both the 2022 and 2023 surveys.

Highlighted findings (continued)

Data-related challenges

- **72% report that data volumes are growing faster than their ability to manage them**, despite the fact that they consider data to be crucial to success with digital transformation.
- **As a result, 64% rank implementation of a data governance program to improve data management as their top data-related objective this year**, with reducing costs and/or improving efficiency through automation weighing in at a distant second (45%).
- **Data governance is considered the #1 barrier to achieving business value from data (39%)**, followed by integrating data repositories across departments or functional areas (35%).

Application modernization challenges

- **87% agree their organization needs to modernize critical applications** to ensure the success of their digital transformation journey.
- **Operational efficiency is the top driver of application modernization (60%)**, followed by competition (24%) and compliance (16%).
- **The top three focus areas for application modernization are driving competitive advantage and innovation (56%)**, rationalizing the entire application estate to better understand application benefits (55%) and security-centric application development (52%).
- **The #1 modernization challenge is creating a plan for application rationalization (53%)**, including rehosting, retiring, rearchitecting and replacing legacy applications. Understanding the TCO of the applications across the enterprise (47%), and security and compliance across the application estate (45%) rank second and third, respectively.

Highlighted findings (continued)

Cybersecurity challenges

- **51% report being impacted by a cybersecurity breach over the past 12 months.**
- **Among those who have experienced a breach, 49% cite a recovery time of one week or more.** Just 20% resolved the issue in one day, and 31% in multiple days but less than a week.
- **Improving threat detection (49%) and response (48%) are top priorities for improving cybersecurity over the next 12 months.**
- **48% cite malware protection among their organization's top technology-related cybersecurity challenges.** Other top technology challenges include network security (33%) and application security/DevOps (31%).
- **Low visibility into the threat landscape (35%), outdated governance strategies (34%) and preparing for compliance audits (30%) are the top business-related cybersecurity concerns.**

Cloud compute challenges

- **54% of data at respondents' organizations, on average, now resides in a public or hybrid cloud.**
- **91% rely on multiple public cloud providers, but respondents continue to grapple with multicloud strategy.**
- **20% plan to repatriate public cloud workloads to an on-premises model over the next 12 months.**
- **Integration, security and performance management (all at 38%) top the list of public/hybrid cloud deployment challenges.** Security is also cited as a top challenge with multicloud strategy (63%).

Highlighted findings (continued)

Edge workloads

- **35% of the average organization's data estate is driven by edge workloads today**, with 29% of respondents reporting that at least 50% of data volumes now reside on the edge.
 - **64% expect that volume to increase in the next 12 months.**
- **As a result, 36% of respondents now cite integrating insights from edge devices into data analysis as a top priority** compared to 27% a year ago.

Artificial intelligence

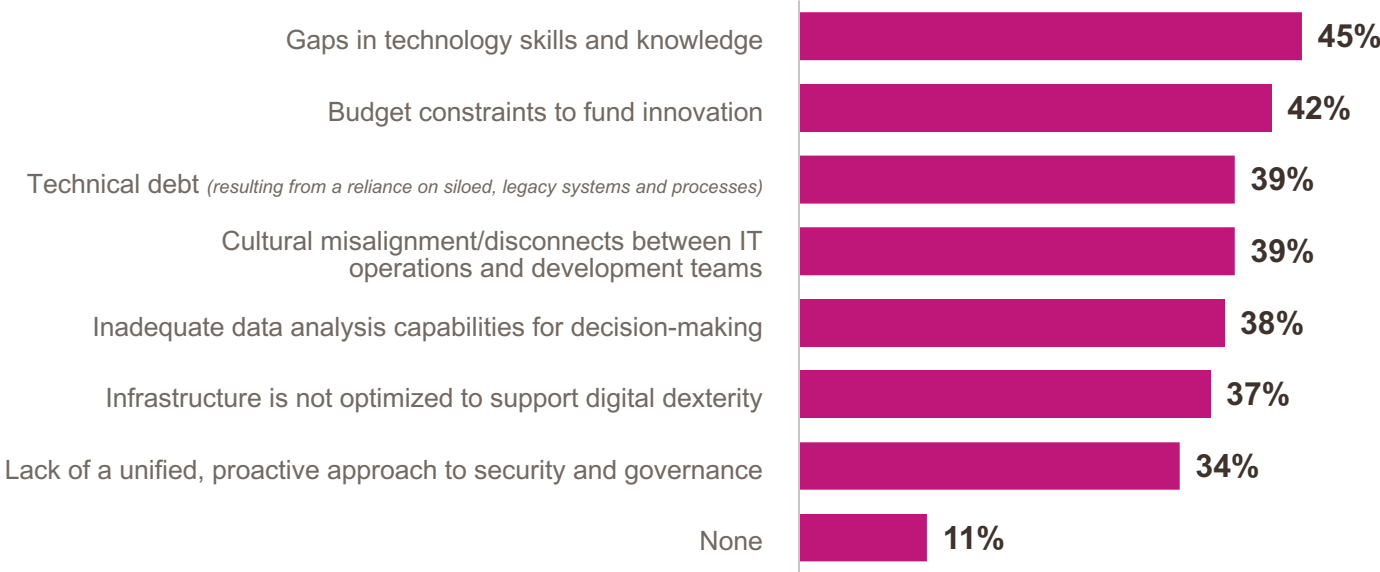
- **85% indicate their organization is using artificial intelligence to drive business insights and/or efficiencies.**
- **However, only 36% have optimized their use of AI organizationwide. 23% have adopted a strategy but have yet to mature processes.** 18% have adopted in various departments, 16% are leveraging AI/ML for proof of concepts and 8% are aware but haven't yet embraced AI/ML.

Survey Results

Technical debt now ranks as the #3 inhibitor to digital transformation, following skills gaps and budget constraints

IT infrastructure and operational constraints inhibiting innovation

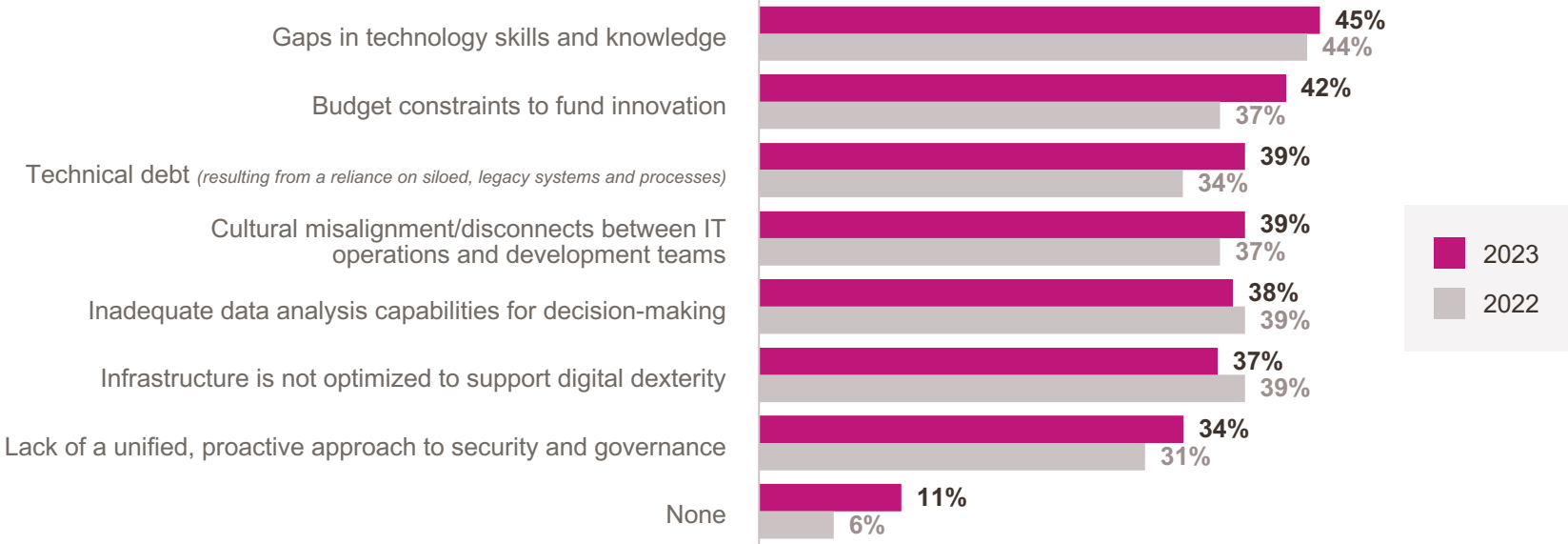
(select all that apply)



The rise of technical debt from #6 in Insight's 2022 survey to #3 highlights the cost of taking code shortcuts in IT modernization

IT infrastructure and operational constraints inhibiting innovation 2023 vs. 2022

(select all that apply)



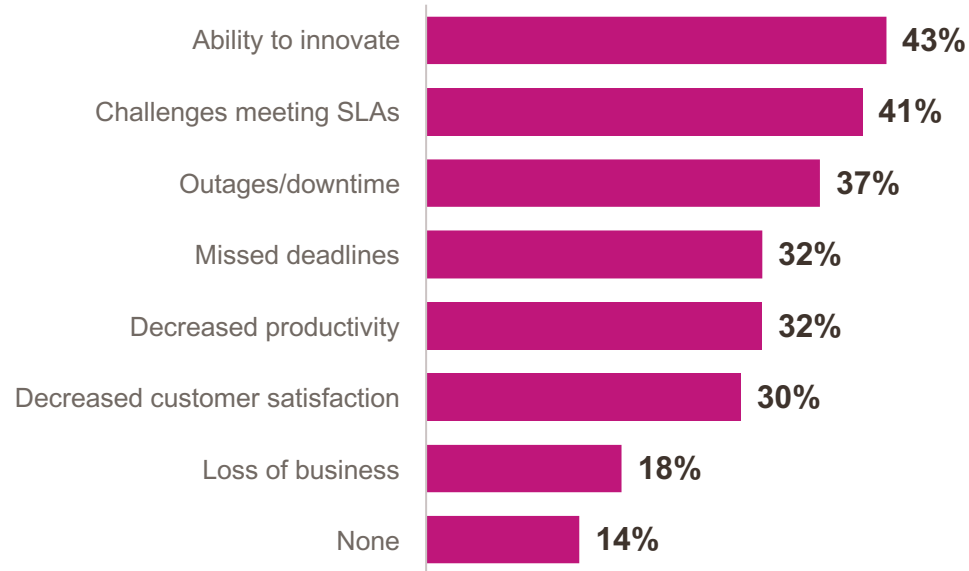
86% have been impacted by technical debt over the past 12 months, causing the greatest fallout on the ability to innovate, meet SLAs and avoid downtime

Impact of technical debt — Past 12 months

(select all that apply)

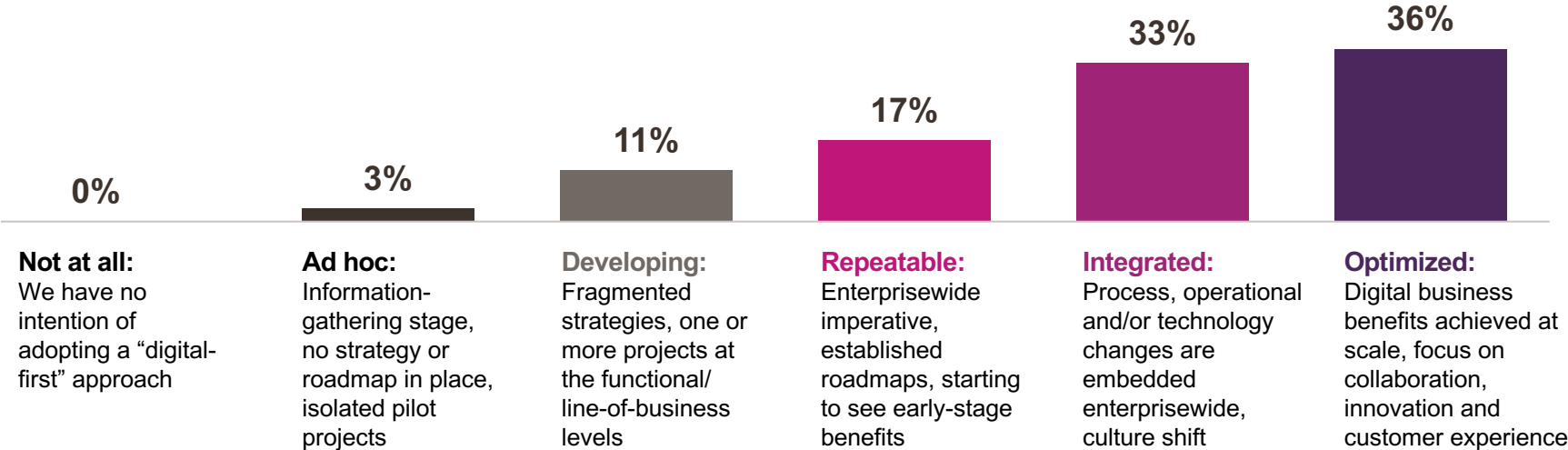


Technical debt is the measure of the cost of reworking a solution caused by choosing an easy, yet limited, solution.



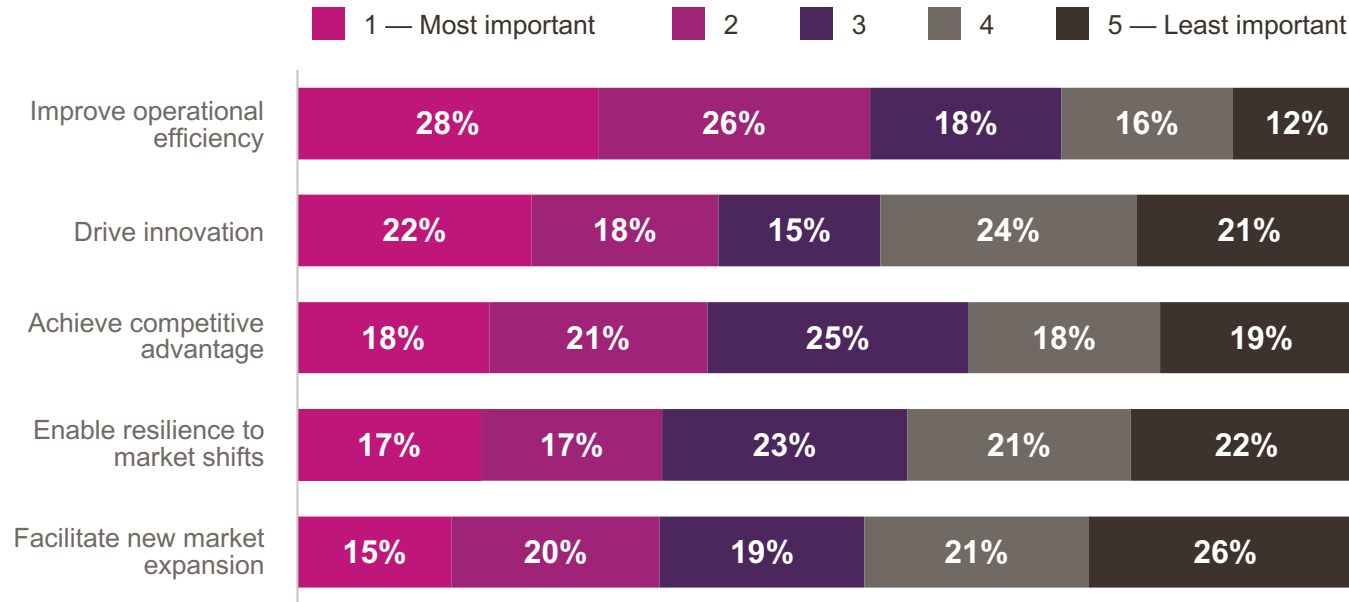
Digital transformation is an enterprisewide effort at most enterprises, with 36% ranking the effort as **optimized**

Adoption of a “digital-first” approach



Improving operational efficiency is the top business goal of digital transformation

Business goals with respect to digital transformation

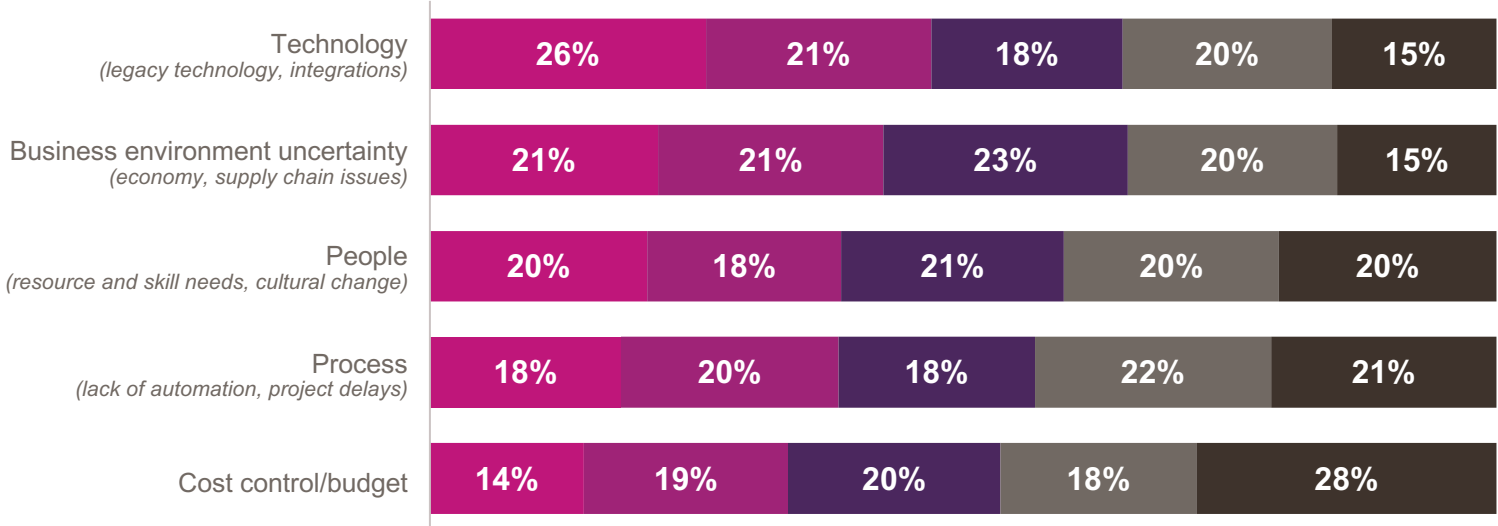


Those who indicate their digital transformation status is “**optimized**” are more likely than others to cite “**resilience to market shifts**” as their organization’s top priority (22% vs. 14% among others).

Technology is cited as the most challenging aspect of digital transformation, followed closely by an uncertain business environment

Most challenging aspects of digital transformation

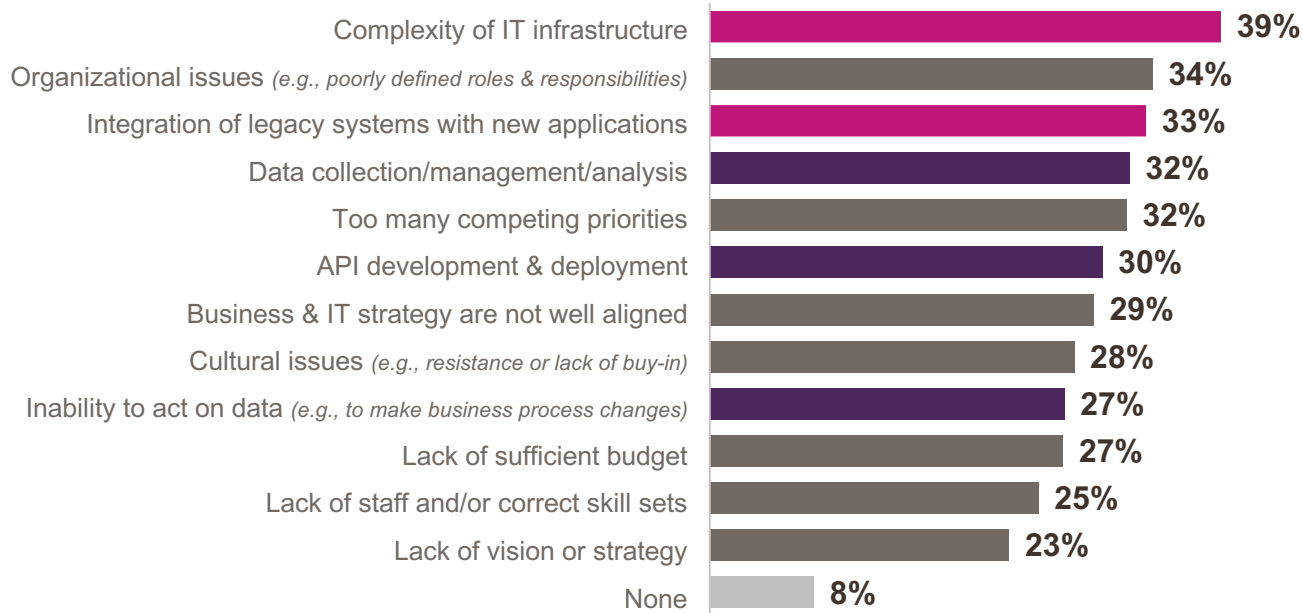
1 — Most challenging 2 3 4 5 — Least challenging



Organizational/cultural issues present significant barriers to digital transformation

Specific challenges in achieving success with digital transformation

(select 5)



Organizational/
cultural challenges
85%

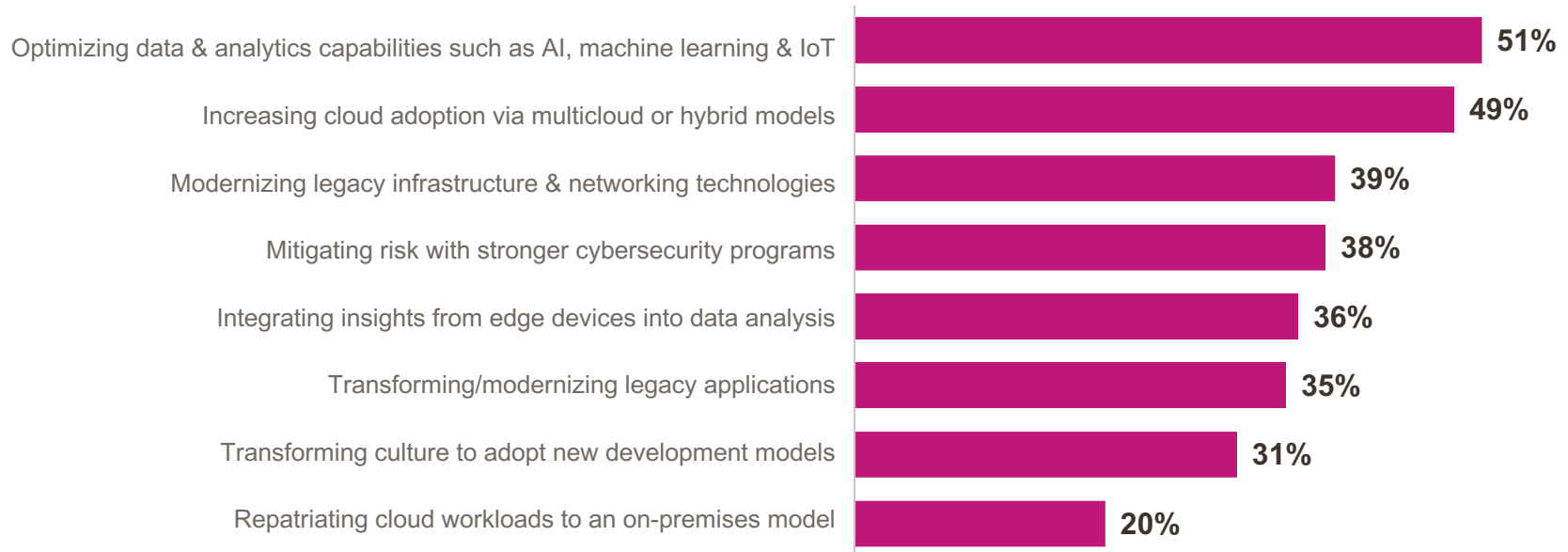
Data management/
analysis challenges
63%

Technology-related
challenges
57%

IT prioritizes optimizing data and analytics capabilities and increasing cloud adoption to enable digital transformation

Top IT objectives to enable digital transformation — Next 12 months

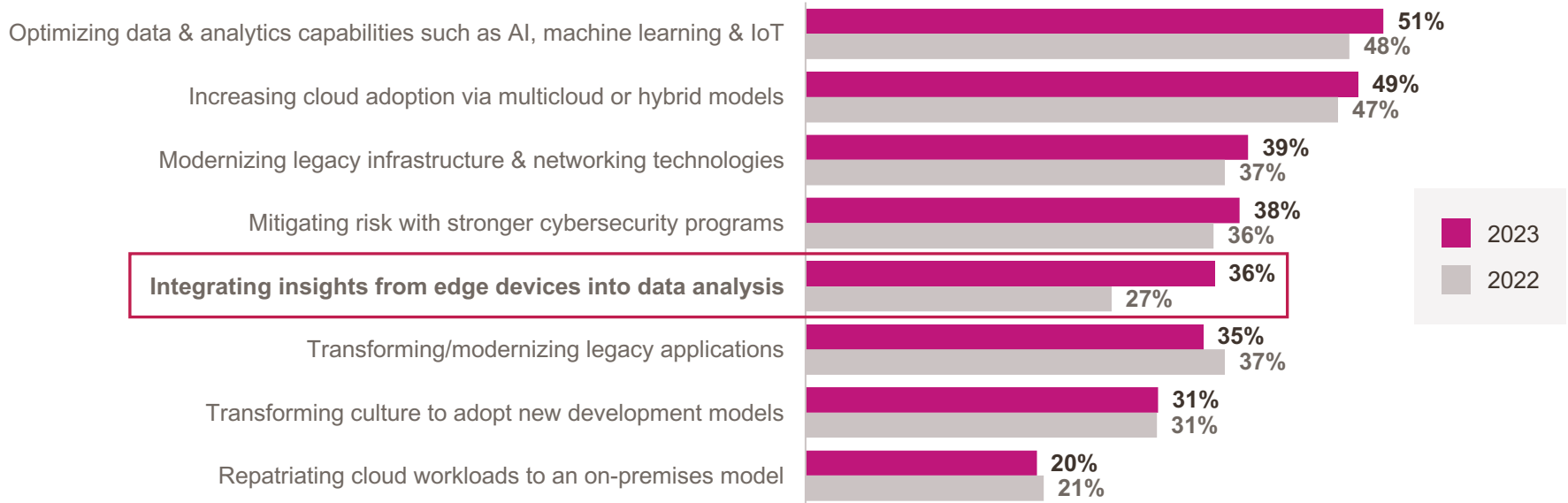
(select 3)



Integrating data from edge devices into data analysis has risen in importance as an IT priority since the 2022 survey

Top IT objectives to enable digital transformation — Next 12 months

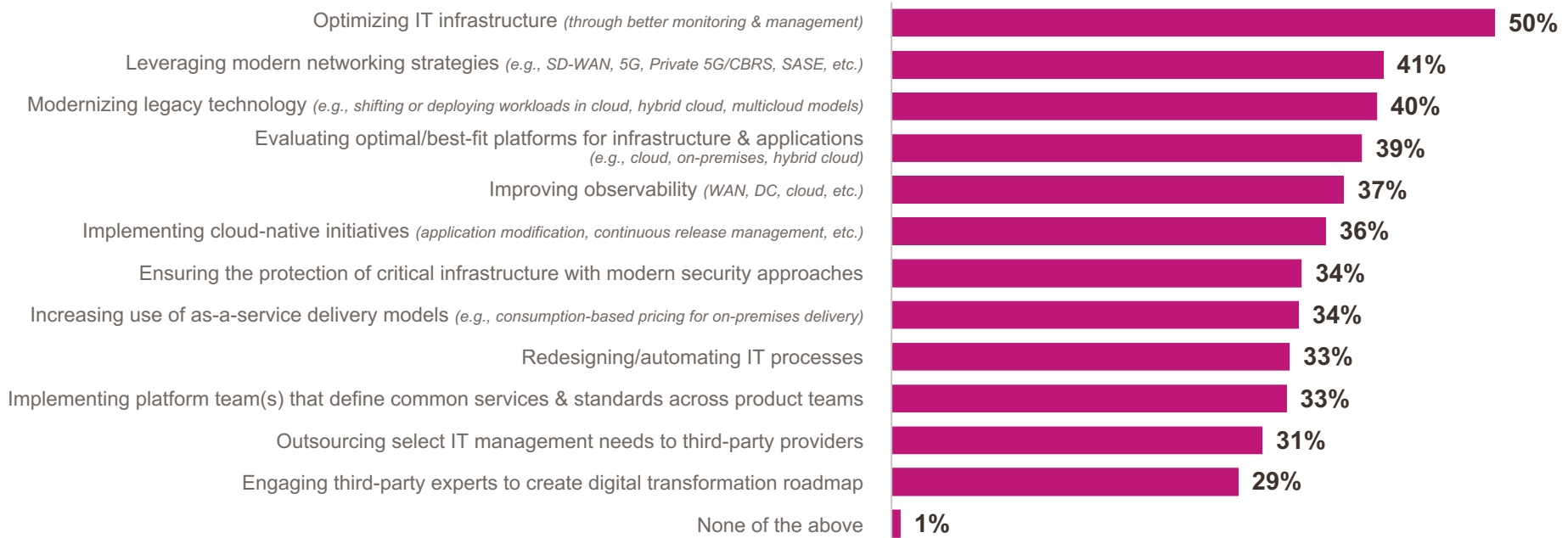
(select 3)



IT infrastructure optimization through better monitoring and management is the top overall technology initiative this year

Technology initiatives underway/planned — Next 12 months

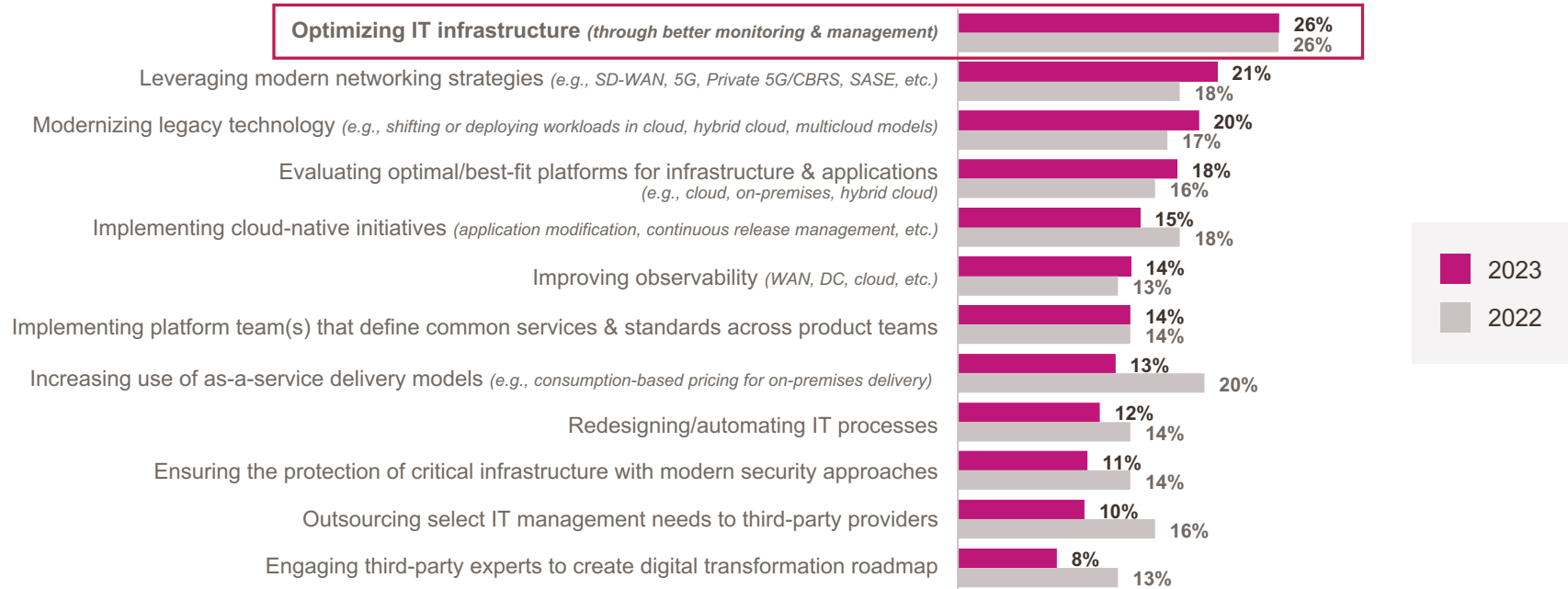
(select all that apply)



IT infrastructure optimization is again considered the most impactful initiative driving innovation and revenue generation

Technology initiatives expected to have the biggest impact on innovation and revenue generation 2023 vs. 2022

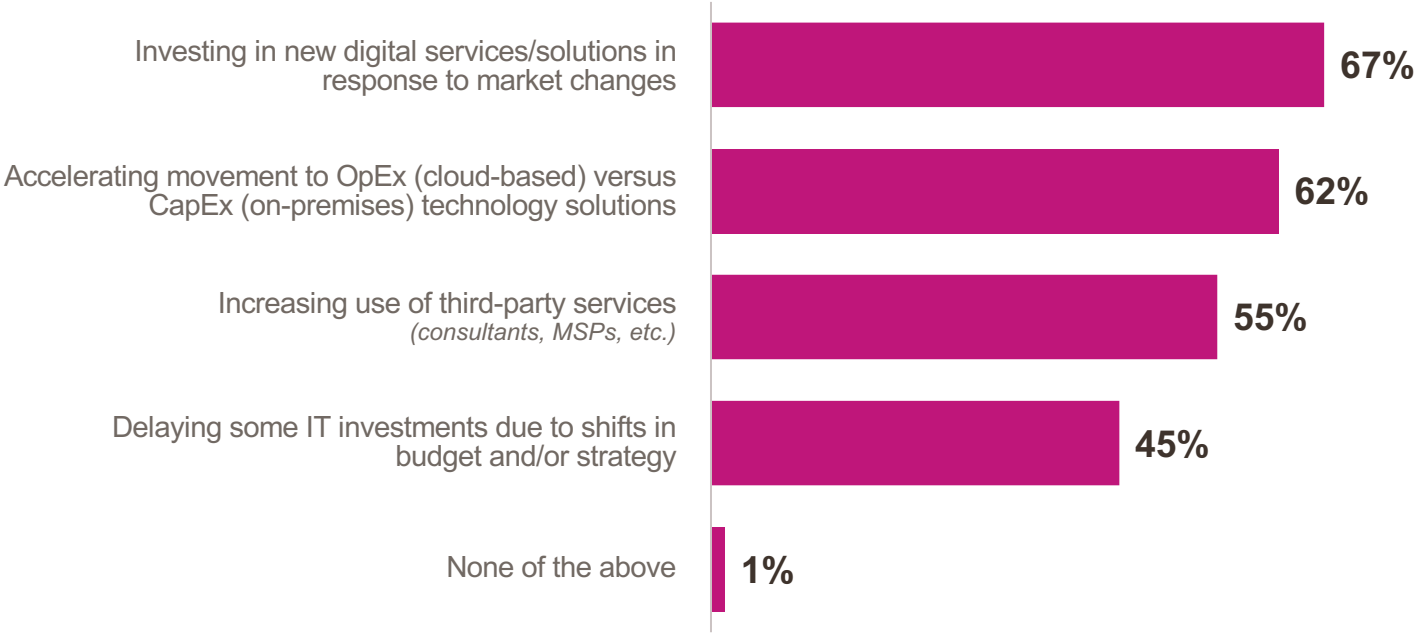
(select 3)



Two-thirds (67%) are investing in new digital solutions/services in response to today's market environment

Planned changes to IT investment strategy in response to market environment

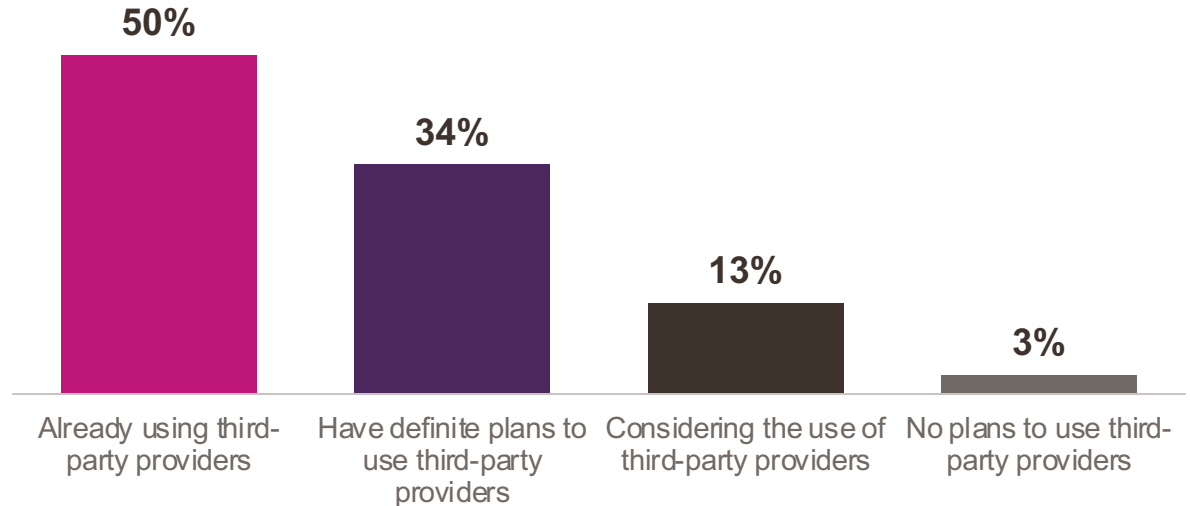
(select all that apply)



84%

are using or have definite plans to use third-party providers over the next 12 months to enable digital transformation.

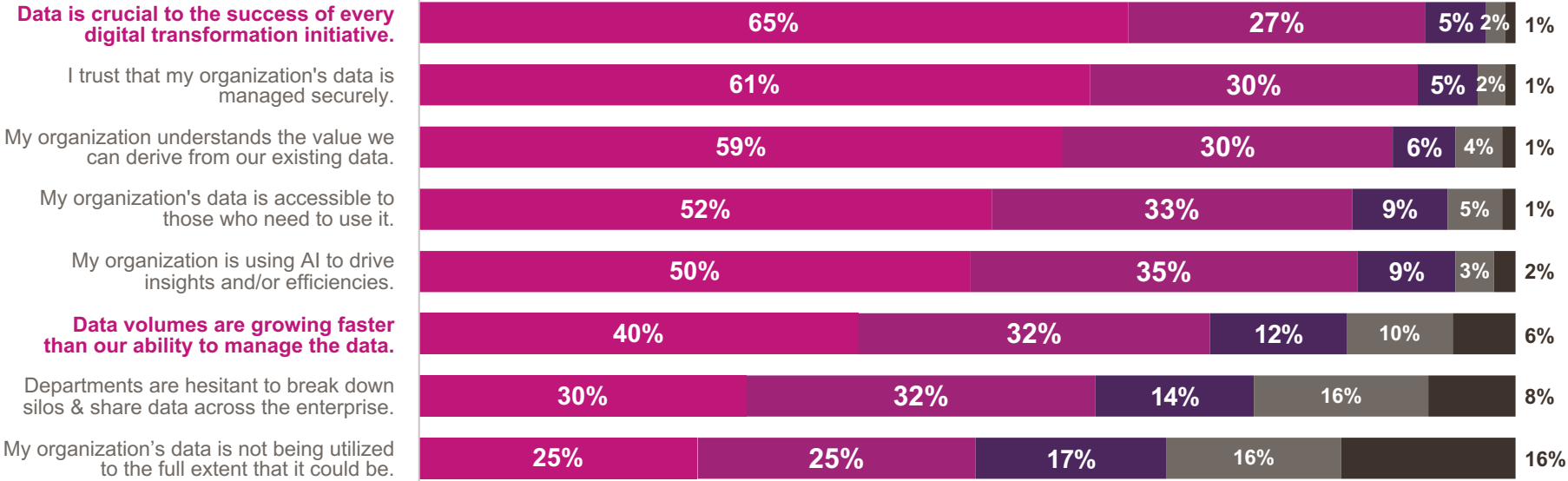
Reliance on third-party service providers to plan and/or execute digital transformation strategies — Next 12 months



92% say data is crucial to digital transformation, but 72% agree data volumes are growing too fast for manageability

Agreement statements: Data environment

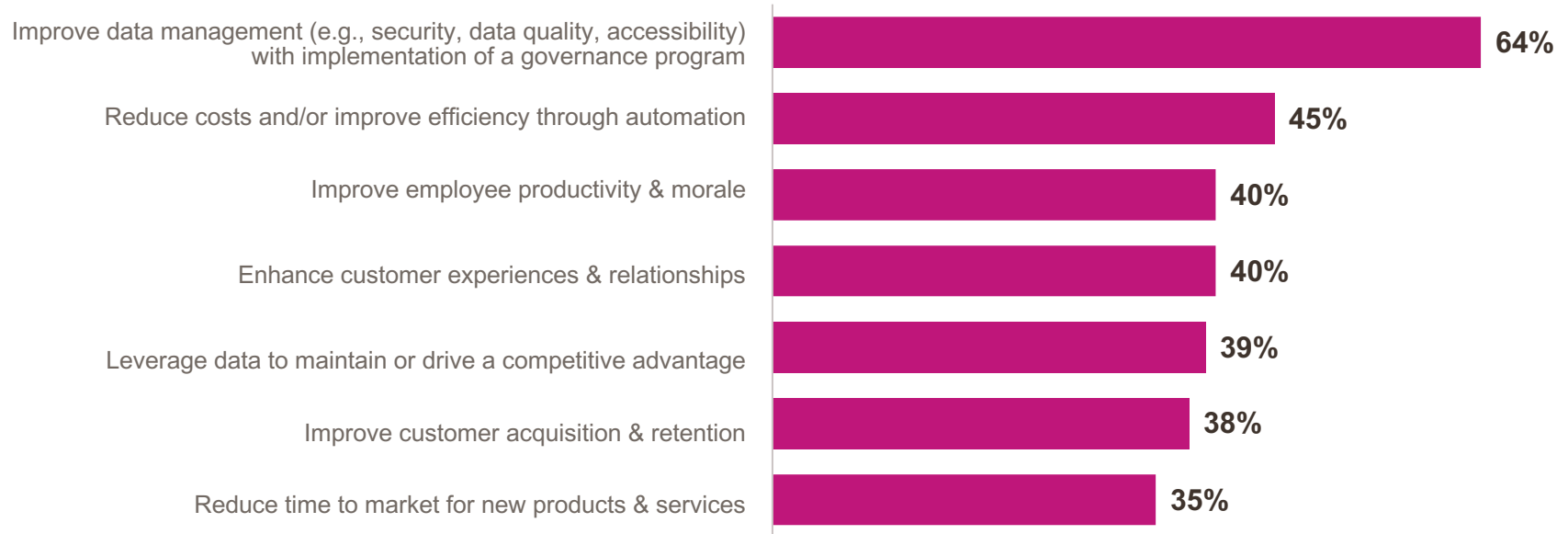
■ Strongly agree
 ■ Somewhat agree
 ■ Neutral
 ■ Somewhat disagree
 ■ Strongly disagree



64% rank implementing a data governance program as their top data-related digital transformation goal, far ahead of other priorities

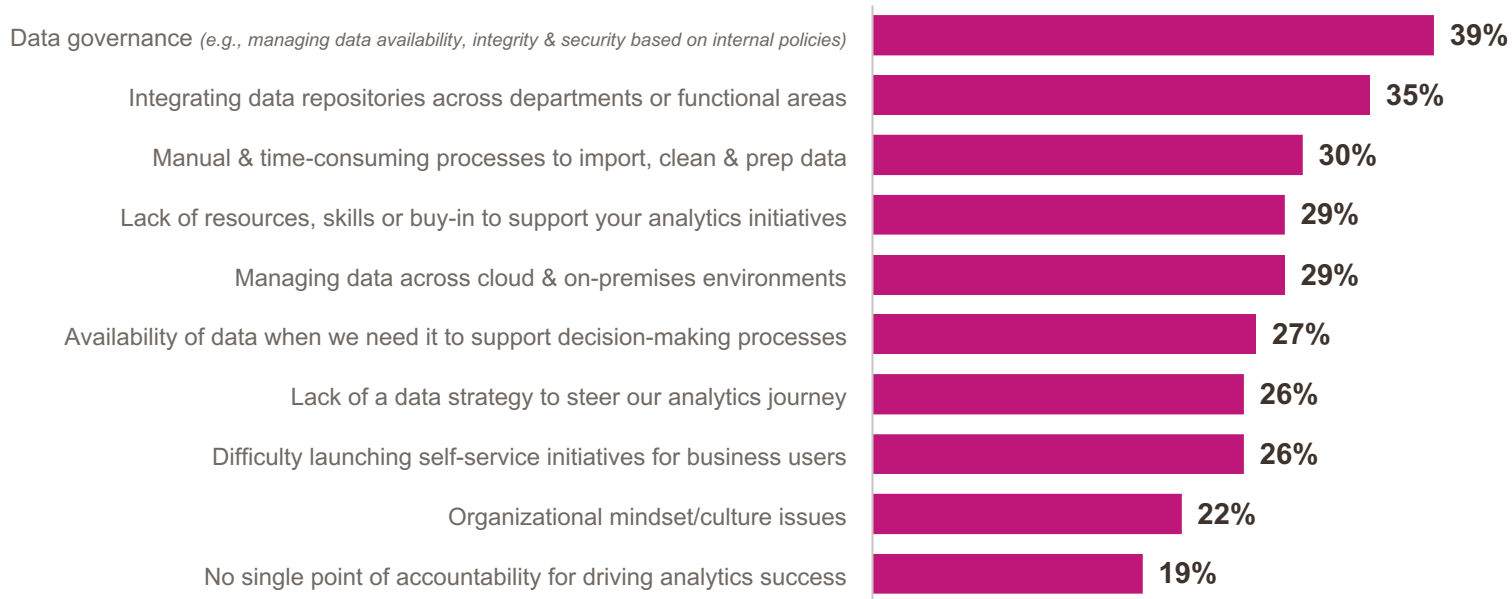
Top data-driven digital transformation objectives — Next 12 months

(select 3)



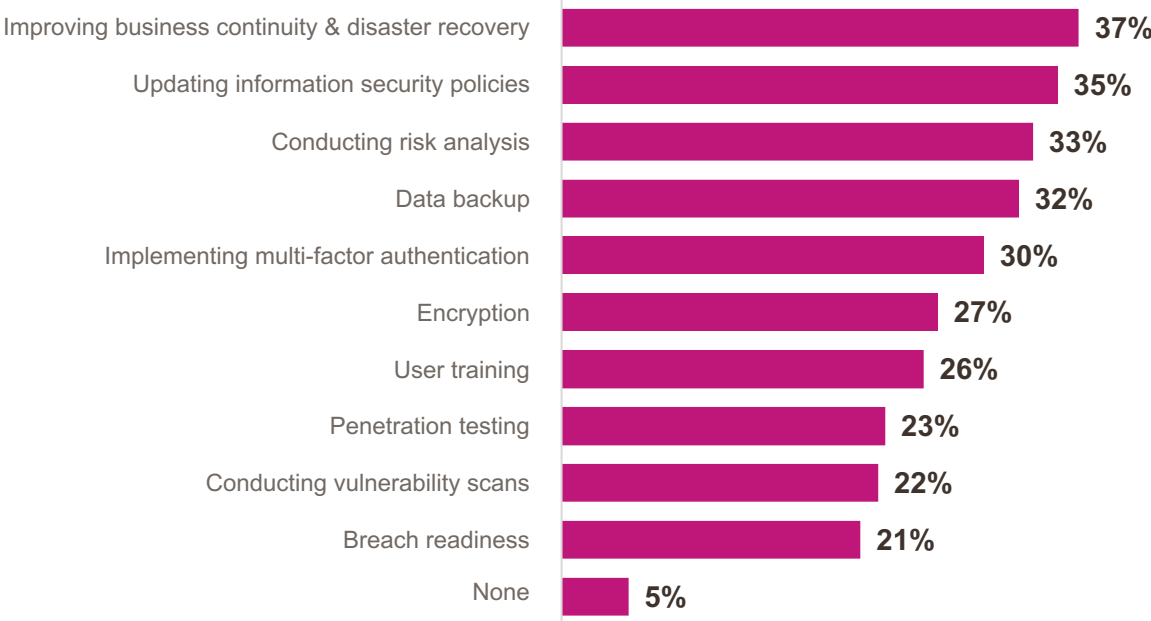
Inadequate data governance is considered the #1 barrier to achieving business value from data

Challenges severely limiting the ability to achieve business value from data (select 3)



As they strive to meet GRC requirements, respondents report challenges with improving business continuity and DR and updating security policies

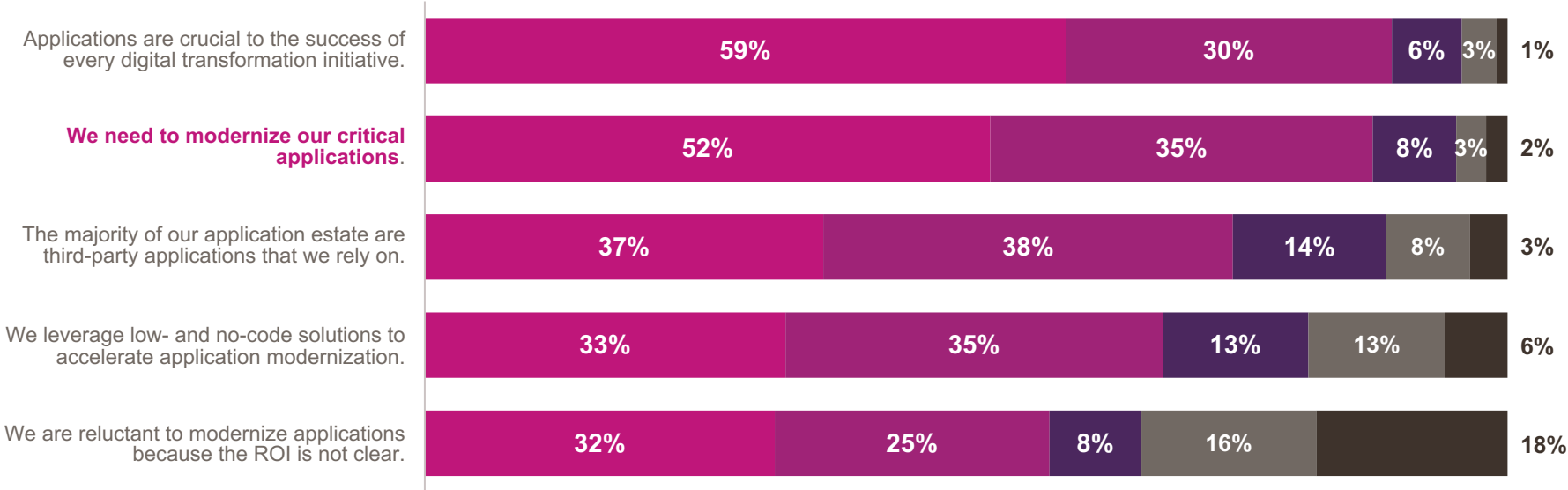
Challenges in meeting governance, risk and compliance requirements (select 3)



87% cite a need to modernize critical applications to ensure the success of their digital transformation journey

Agreement statements: Application estate

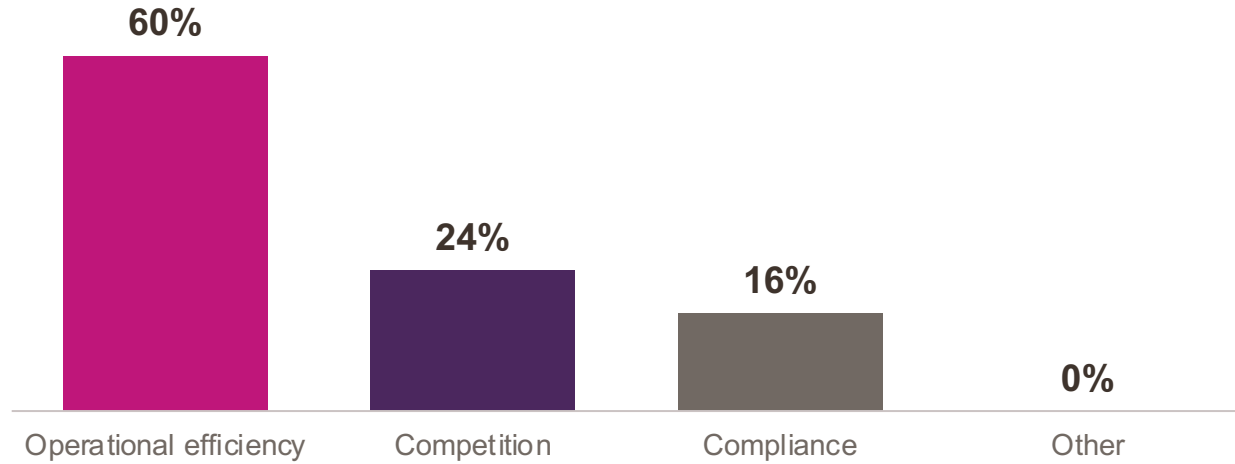
■ Strongly agree
 ■ Somewhat agree
 ■ Neutral
 ■ Somewhat disagree
 ■ Strongly disagree



60%

report efficiency is the top objective of application modernization.

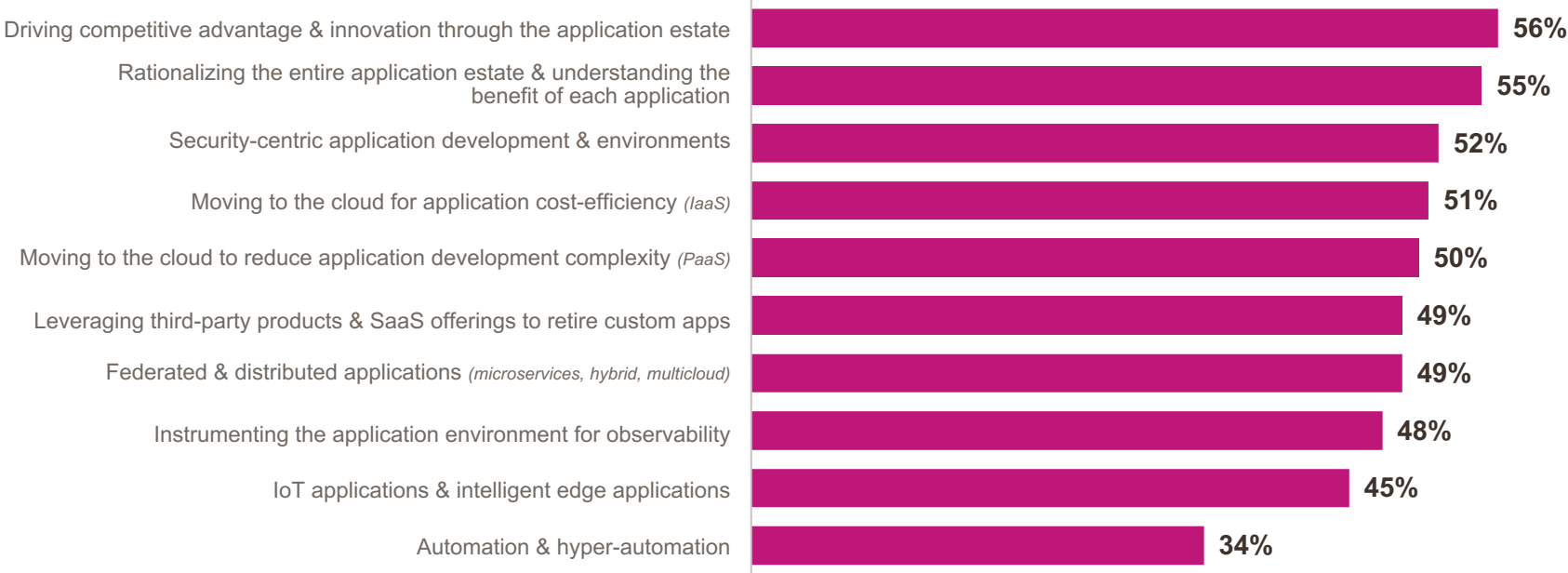
Biggest driver of application modernization



Top focus areas of application modernization are driving competitive advantage and rationalizing to better understand application benefits

Primary application modernization focus areas

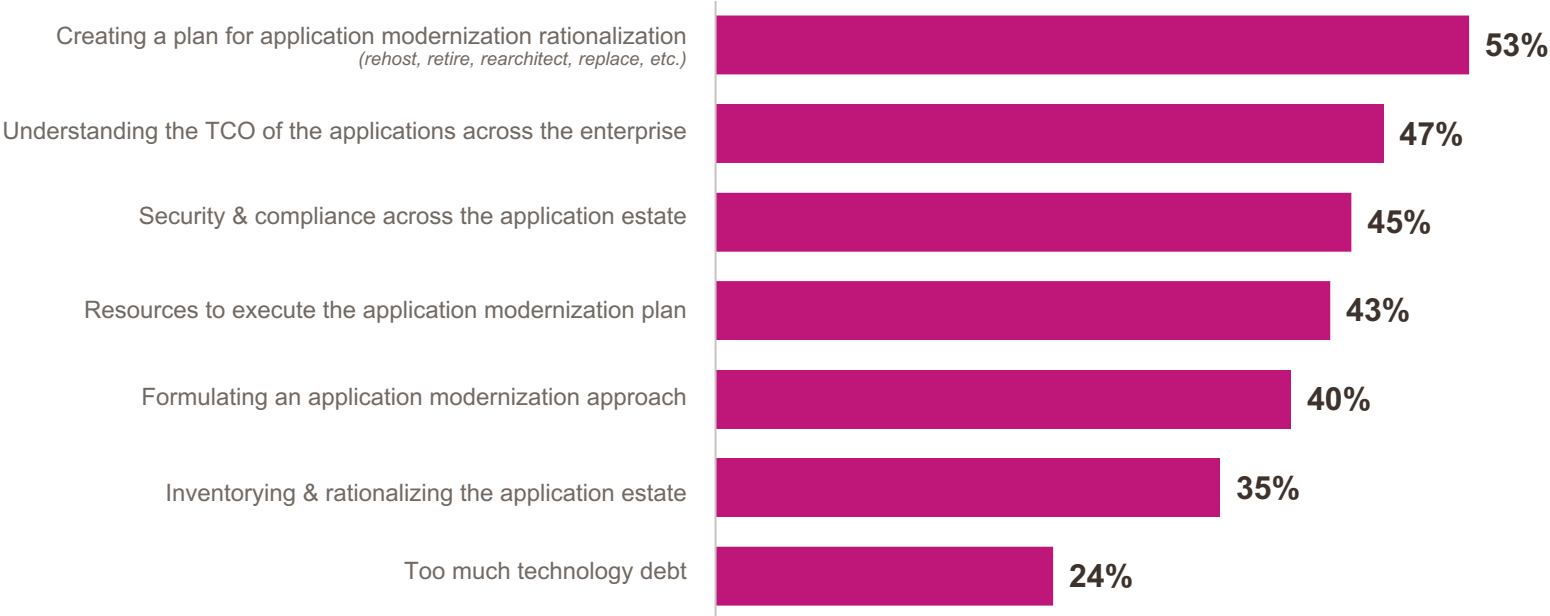
(select 5)



The #1 application modernization challenge is creating a plan for application rationalization, followed by TCO and security issues

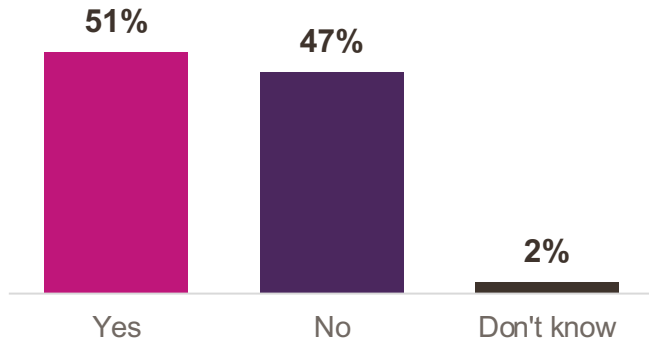
Primary application modernization challenges

(select 3)

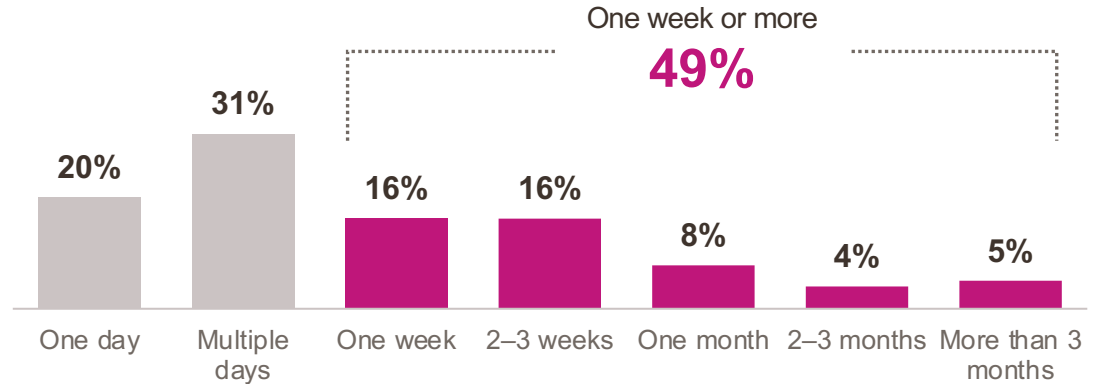


51% experienced a cybersecurity breach in the past 12 months. 49% of those affected required one week or more to recover.

Has your organization been impacted by a cybersecurity breach in the last 12 months?

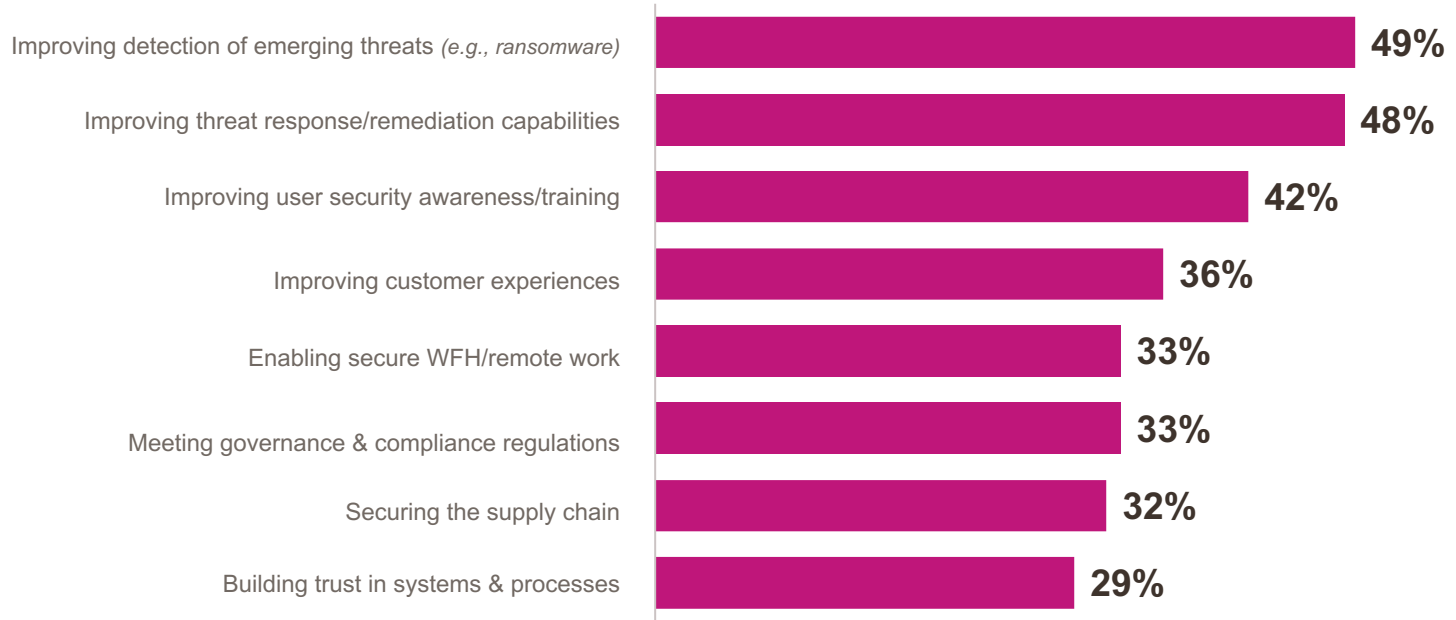


Length of time to recover from most recent cybersecurity breach
(among those who have experienced a breach)



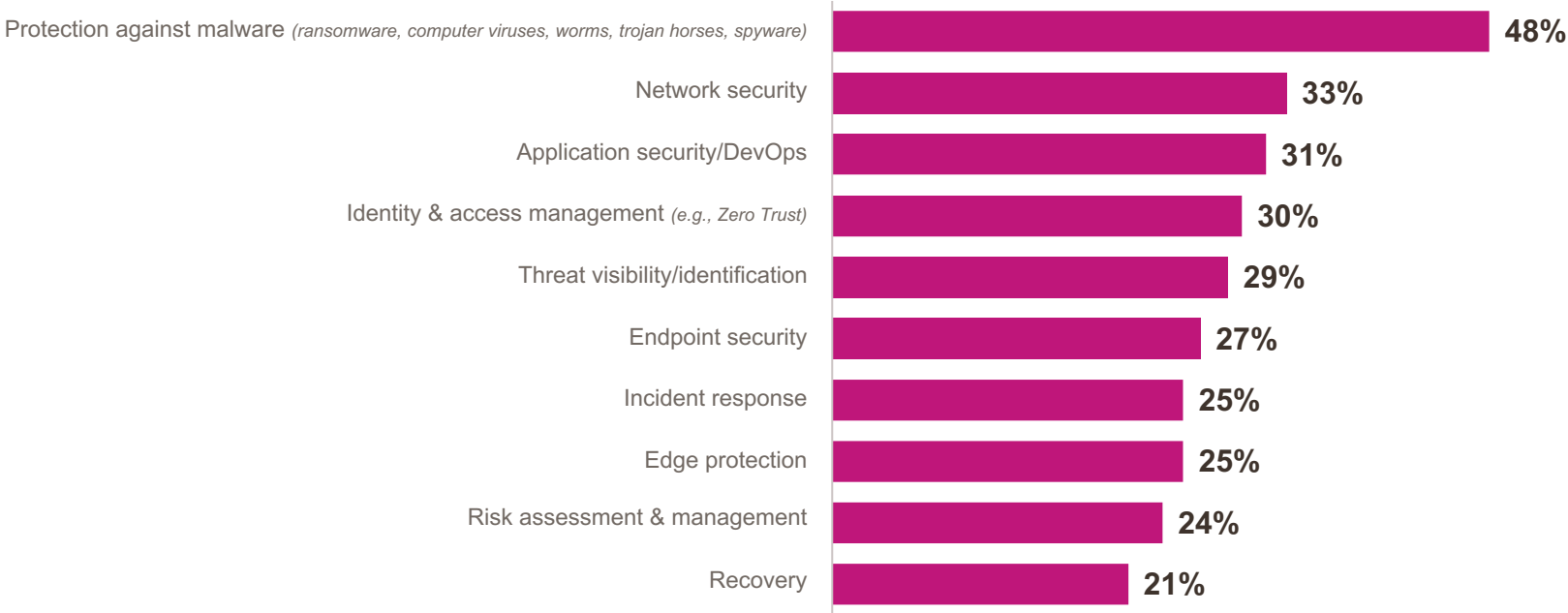
Improving threat detection and response are top priorities for improving cybersecurity over the next 12 months

Priorities for improving cybersecurity — Next 12 months (select 3)



48% cite malware protection among their organization's top technology-related cybersecurity challenges

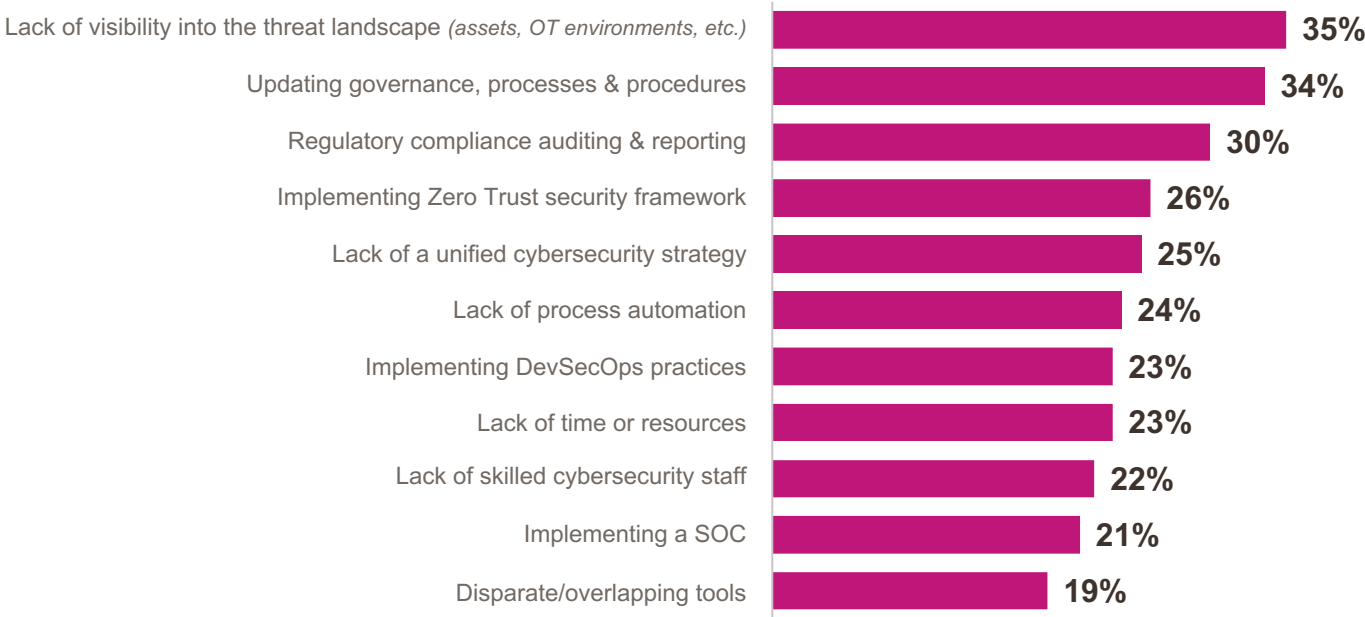
Technology challenges with respect to cybersecurity (select 3)



Low visibility into the threat landscape, outdated governance strategies and preparing for compliance audits are businesses' top cybersecurity concerns

Business challenges with respect to cybersecurity

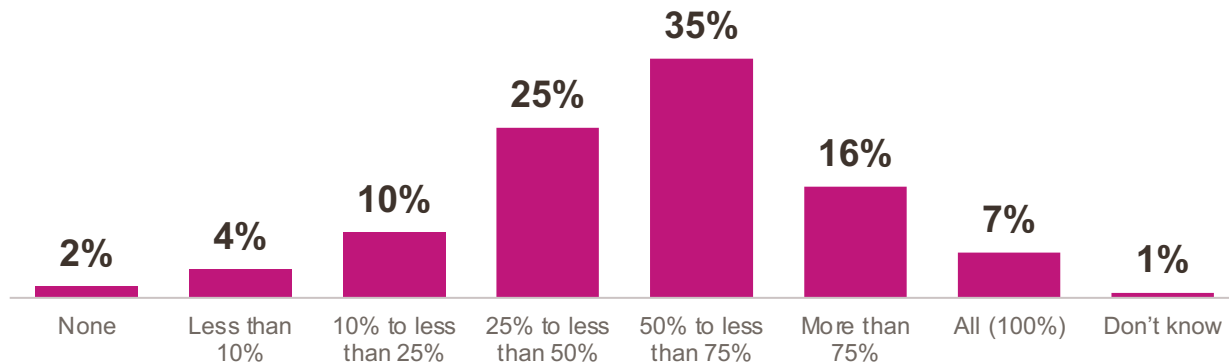
(select 3)



54%

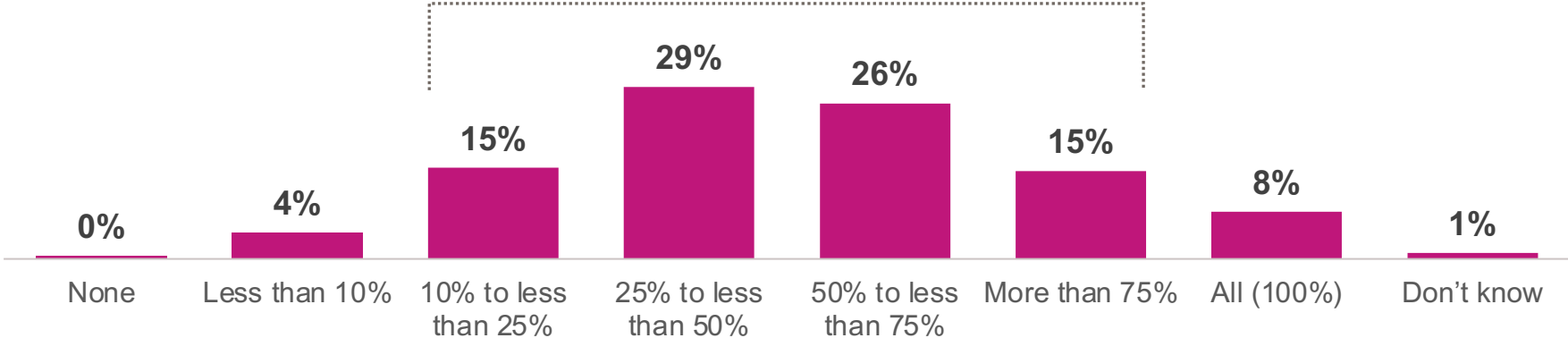
of data at respondents' organizations, on average, resides in a public or hybrid cloud.

Percent of data in a public or hybrid cloud



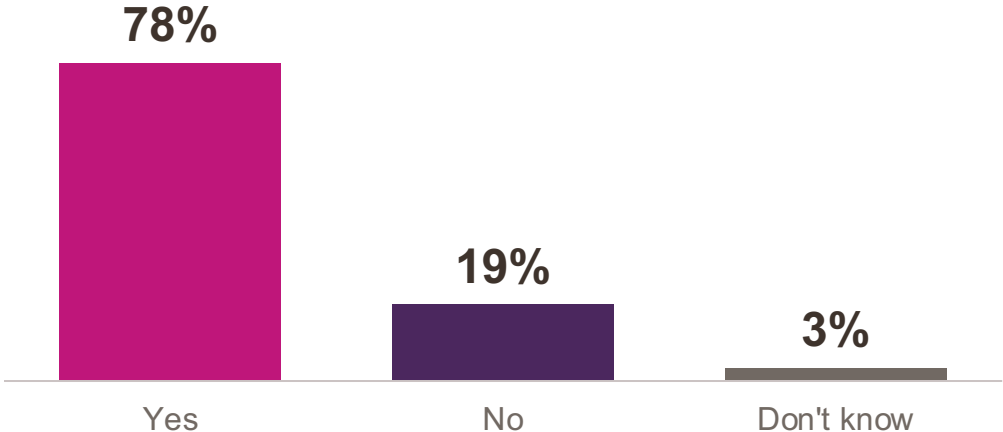
91% rely on multiple public cloud providers

Percent of organization's public cloud deployments leveraging a single provider



20% plan to repatriate select public workloads to an on-premises model

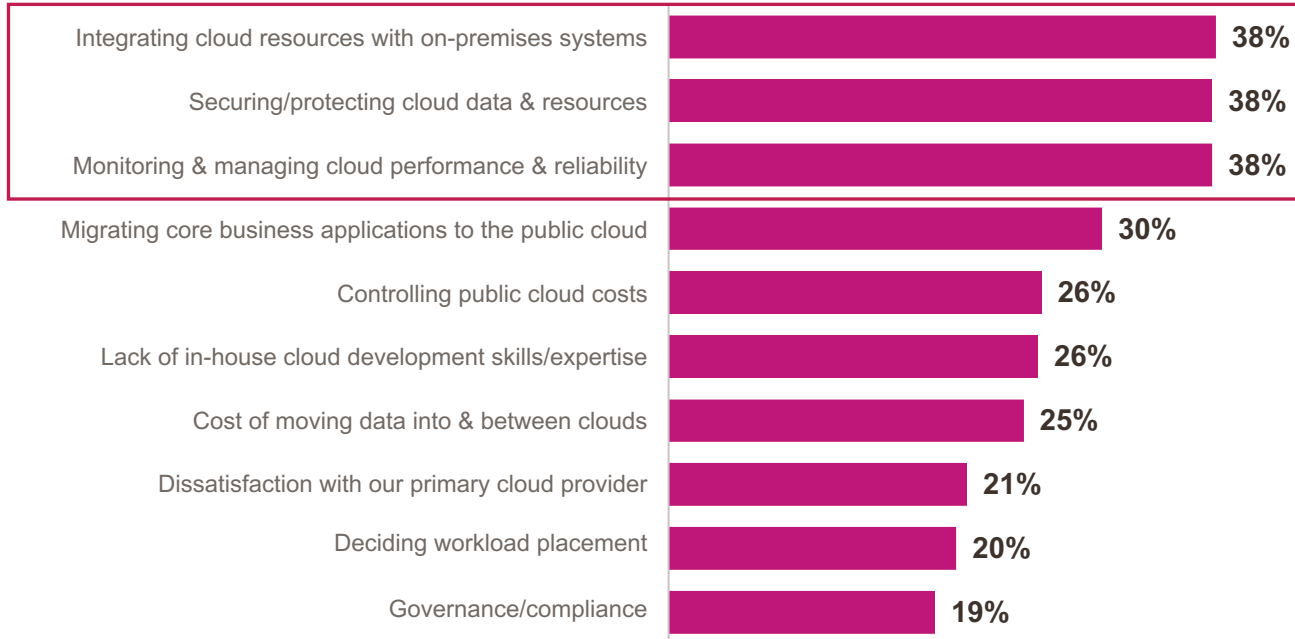
Does your organization plan to leverage more than one cloud provider over the next 12 months?



1 in 5
are repatriating
cloud workloads to
an on-premises
model

Integration, security and performance management top the list of public/hybrid cloud deployment challenges

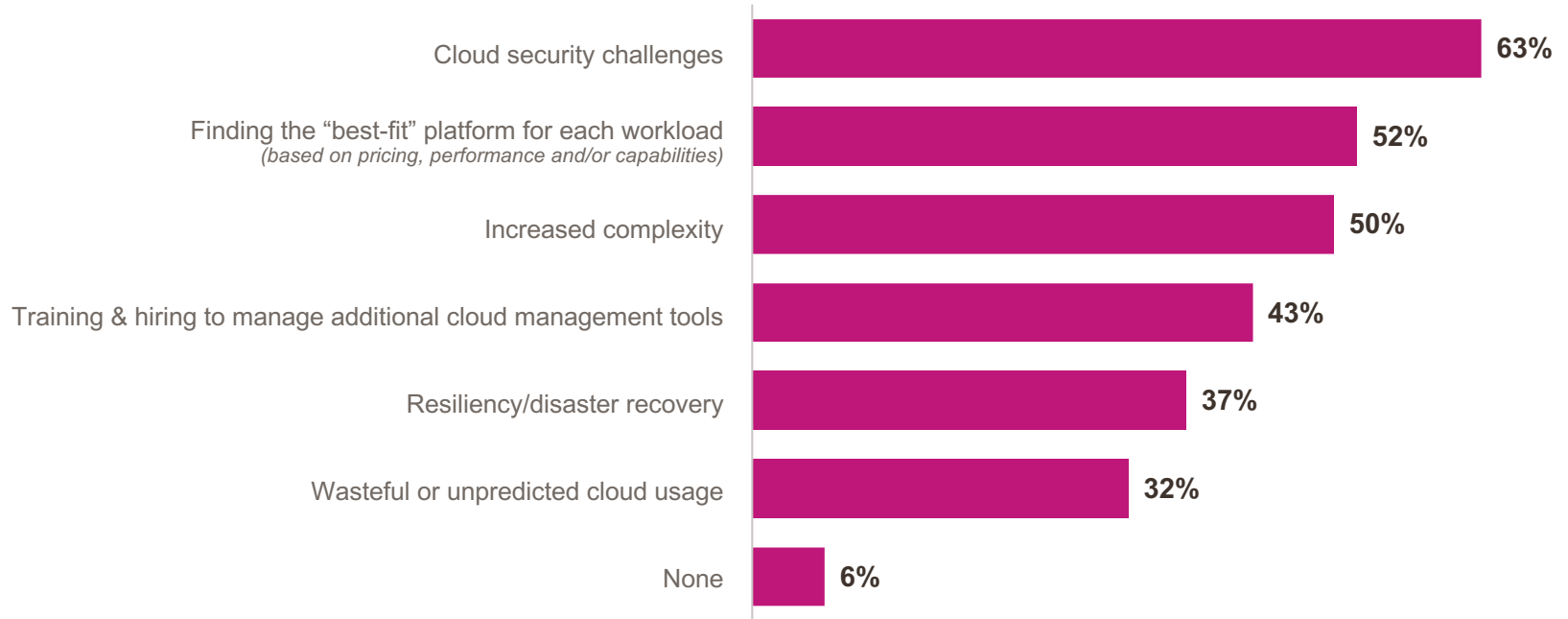
Primary challenges with respect to public and/or hybrid cloud deployment (select 3)



Security is the #1 challenge with multicloud strategy, surpassing other concerns

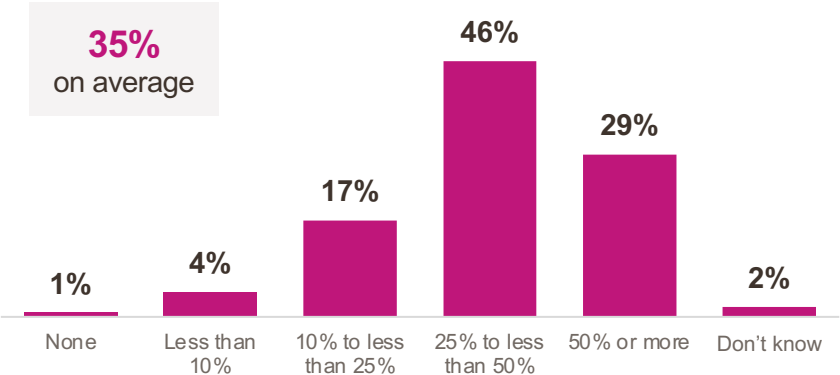
Primary challenges with multicloud strategy

(select all that apply)

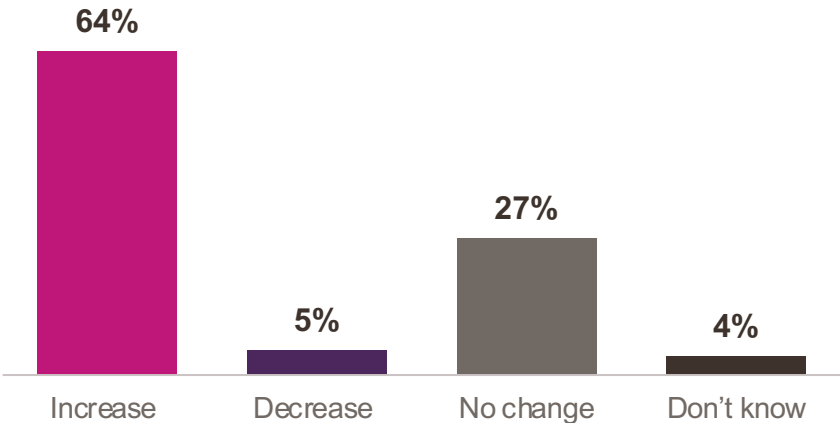


35% of the average organization's data estate is driven by edge workloads today, and volume is expected to increase

Percent of organization's data estate driven by edge workloads



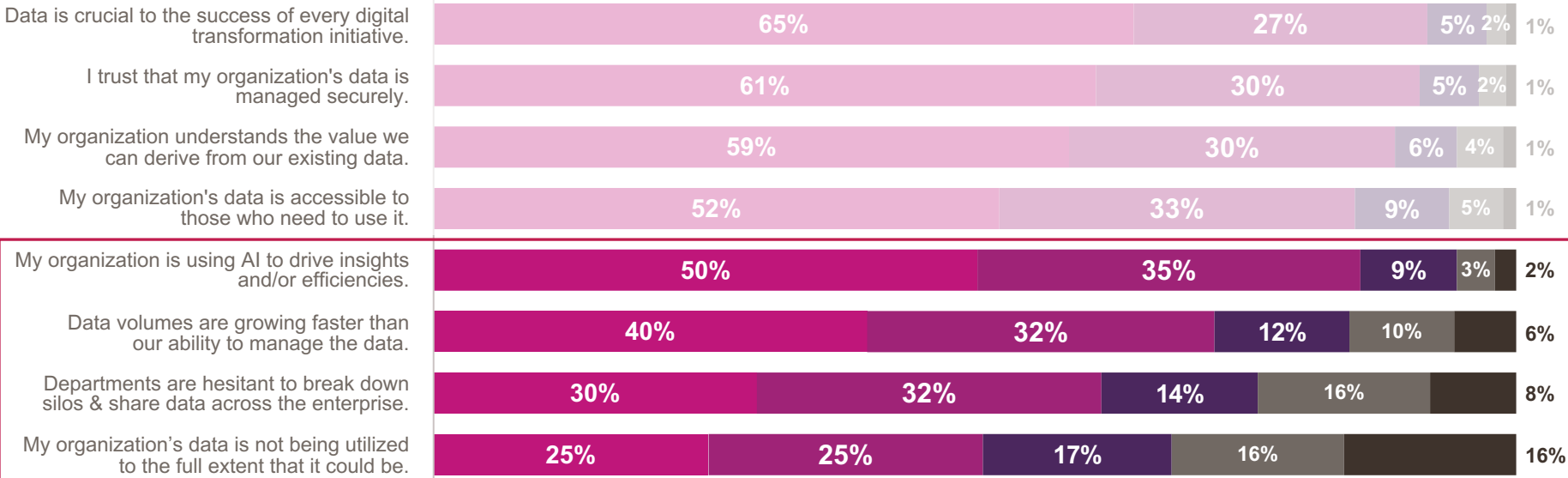
Expected change in percent of data driven by edge workloads — Next 12 months



85% are using AI to drive insights and/or efficiencies, and 50% or more struggle with utilization, silos and management

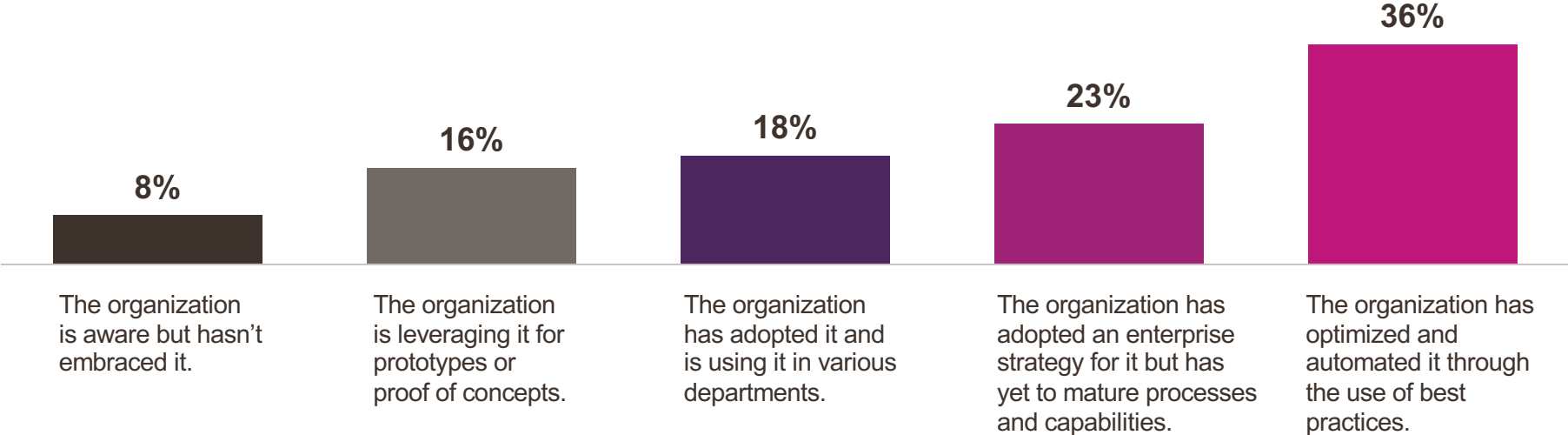
Agreement statements: Data environment

■ Strongly agree
 ■ Somewhat agree
 ■ Neutral
 ■ Somewhat disagree
 ■ Strongly disagree



36% have optimized their use of AI organizationwide. 23% have adopted a strategy but have not yet matured processes.

Status of Machine Learning/Artificial Intelligence (ML/AI) journey



Respondents who classify their digital transformation progress as **optimized** have achieved significant benefits

- **Resolve cybersecurity breaches within one day** (29% vs. 10% of others) or a few days (64% vs. 38% of others).
 - **Have NOT been impacted by technical debt** (20% indicated no impact vs. 9% of others).
 - **Are more likely to be using AI to drive insights and/or efficiencies** (65% vs. 45% of others).
 - **Have a high percentage of data in the cloud** (61% on average vs. 49% at other organizations).
- **Have optimized and automated AI/ML through the use of best practices** (62% vs. 13% of others).
 - **Trust that their organization's data is managed securely** (76% vs. 58% of others) **and is accessible to those who need to use it** (67% vs. 47% of others).
 - **Are leveraging third parties to help strategize and execute digital transformation initiatives** (63% vs. 39% of others).

Contact

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