

INVESTING IN DIGITAL TRANSFORMATION & PRODUCT DEVELOPMENT

New Research for Enterprises

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Introduction

WHAT DOES DIGITAL TRANSFORMATION MEAN TODAY?

“Digital transformation” is a somewhat ambiguous and buzzy phrase to describe the ongoing journey of organizations to modernize and become more competitive. It is a nonlinear path, like a puzzle with many unique pieces — platforms, processes, products, people — sometimes undertaken individually or in a more collective effort. In this report we are looking at many of those pieces, and how enterprises today are tackling them in order to achieve better business outcomes — from increasing revenue with new digital channels to elevating employee productivity with modern technologies. We particularly zoom in on the role product development plays as the backbone of an overall digital strategy. It’s time to break down abstract terminology and focus on the tactics that lead to true transformation.

Whatever digital transformation means to your organization, we can safely assume it is a challenge.

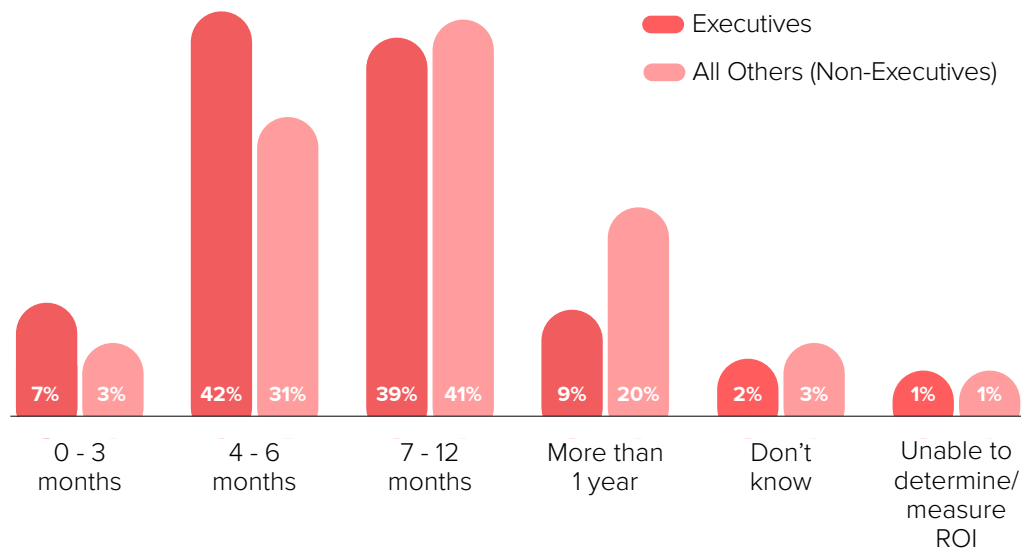
Whatever digital transformation means to your organization, we can safely assume it is a challenge. It comes as no surprise that [most digital transformations fail](#), according to numerous industry reports. Enterprises are challenged to think like a technology company and drive cultural change with digital-centric strategies. But they often grapple with a myriad of technical problems like complex data security issues, scaling infrastructure, and securing skilled talent. Plus, achieving a positive return on investment on expensive product builds is no easy task. 91% of decision-makers surveyed say that pressure to prove the value of new customer-facing products and technology is increasing. Overcoming these obstacles requires strong leadership, strategic planning, and a commitment to continuous improvement.

ROI of Digital Initiatives

The research that follows uncovers a disparity between executives and non-executives — those with boots on the ground executing initiatives — on expectations of timelines to ROI. Nearly half (49%) of executives expect timelines to ROI on digital initiatives to be 6 months or less, compared to just 34% of non-executive respondents.

WHAT IS YOUR TARGETED TIMELINE TO ROI OF YOUR DIGITAL INITIATIVES?

(Executives vs All Others)



Special Segment:

Confidence in Digital Initiatives

High confidence in digital initiatives and revenue growth are directly correlated. Those with the most confidence in their organization's ability to plan, implement, execute, and manage digital initiatives are 4x more likely than those with less confidence to have seen a significant revenue increase in the last two years. (44% vs 11%)

Those with the most confidence also have significantly shorter targeted timelines for ROI compared to all others. 50% of those with the most confidence in their digital initiatives say their targeted timeline for ROI on digital initiatives is 0 - 6 months compared to just 31% of all others. They were also more likely to achieve this timeline during the implementation/overhaul of their last digital product.

New Research for Digital Leaders

So how are organizations prioritizing and navigating digital initiatives? What are those with the most success doing differently as they implement and manage customer-facing digital products?

Modus Create, in partnership with Ascend2 Research, conducted a survey of 377 product-development and executive decision-makers from enterprises across the U.S. and the U.K. to find out what is driving their digital-focused decisions, where they need to improve to deliver better user experiences, and what is keeping them up at night when it comes to the product development process.

We hope you enjoy the report!



SPECIAL SEGMENTS



Special Segment: 25% of organizations report that their company experienced a significant increase in revenue in the last two years. This group gives us insight into what rapidly growing organizations are doing differently.

Growth Mode



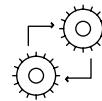
Special Segment: 43% of product development decision-makers report extreme confidence in their organization's ability to plan, implement, execute, and manage digital initiatives. This group gives us insight into how improving confidence in digital initiatives can change the way an organization operates.

Confidence in Digital Initiatives



Special Segment: 35% of those surveyed are a part of the executive team for their organization. Throughout this report, we'll take a closer look at the expectations of executives and shed light on their perspective on digital product implementation and development.

Executive Perspective



Special Segment: 14% of those surveyed are most closely associated with product development at their organization. This group gives us insight into what product developers are up against as their company implements and manages new digital products.

Product Developers

1.0 Keeping up with Data Security

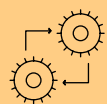
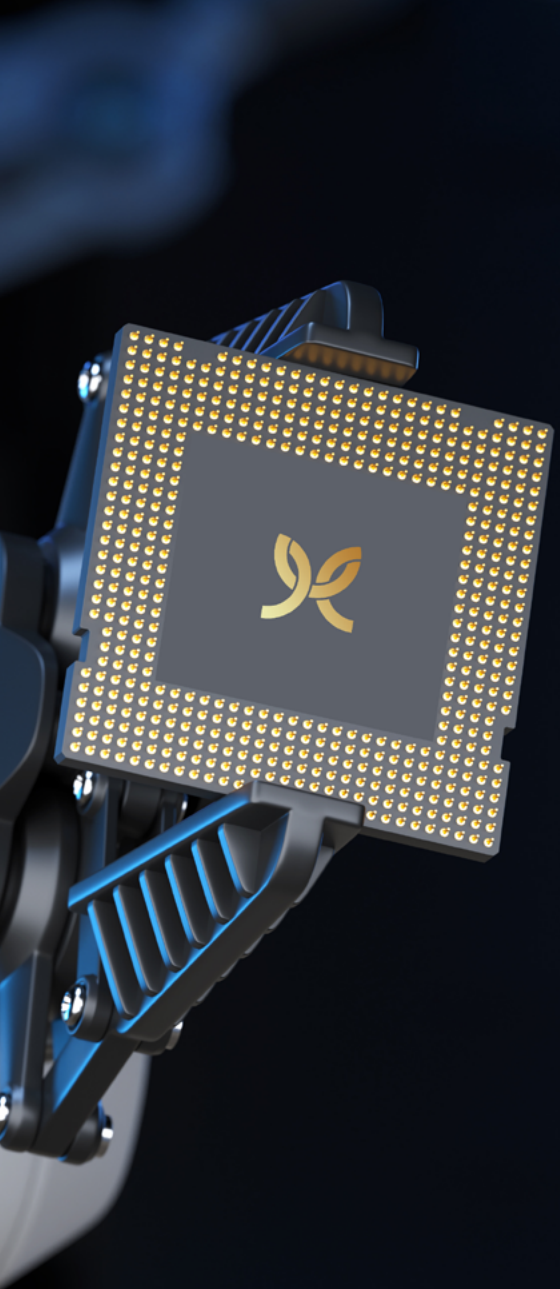
INCREASING ATTACKS, DECREASING RESOURCES POSE SECURITY CHALLENGES.

Preventing security breaches is a top challenge for 40% of organizations surveyed.

Cybersecurity is now engrained in every part of product development and digital initiatives, even the user experience. Users increasingly demand and expect data protection. But it's a challenge for organizations to keep up with security, particularly as they've accrued debt by outpacing spending on other initiatives over security. Chasing growth at the cost of a strong security posture can have serious consequences in today's age of sophisticated cyberattacks and a shortage of security talent.

The result: Cybersecurity has become a top challenge for many companies. In fact, preventing security breaches is among the top two most commonly reported challenges to overall business success for 40% of organizations.

The stakes are high, as security threats can cause loss of critical and confidential information, service disruption, and leave your overall infrastructure vulnerable. Regulation such as GDPR have introduced a whole other level of reputational and financial risk. Not to mention how data leaks cause an erosion of consumer trust and can take a long time for brands to recover from (if ever), particularly in industries like finance. This potential exposure and the myriad of security breaches that are possible in today's ever-evolving threat landscape create significant barriers to success for organizations. On top of that, the global talent shortage (which we will discuss later in the report) makes it difficult to find capable security professionals to lead threat remediation efforts.



Special Segment:

Product Developers

“SECURITY IS NO LONGER JUST A FUNCTION OF CYBERSECURITY EXPERTS. IT IS A CORE RESPONSIBILITY OF ALL WHO DEVELOP, TEST, AND DEPLOY APPLICATIONS.” Uzoma Nwoko,

Senior DevSecOps Engineer, Modus Create

1.1 Keeping up with Data Security

Data security involves a wide array of specific skills — from information architecture to understanding regulatory requirements. These skills are hard to nurture and consolidate, especially in organizations new to digital transformation. That’s why nearly half (49%) of product development professionals report that it would be most helpful to outsource application security to an outsourced, capable partner.

Thinking about security during the development phase. Product and platform development and data security are often siloed, creating inefficient workflows, restricting data insights, and making it more difficult to identify potential threats. Increasing security awareness and consideration throughout the entire product development process can help ensure an overall mindset that security is everyone’s concern. This will naturally break down walls between groups involved in the process and improve data security.

The emergence of DevSecOps. DevSecOps (development, security, and operations) integrates security practices throughout the software development lifecycle with the goal of increasing the speed and quality of software delivery while reducing the risk of security vulnerabilities. Its emergence as one of the defining product development trends in 2023 reiterates how organizations across industries are embracing security throughout the IT lifecycle. According to GitLab’s DevSecOps survey, 57% of security team members said their organizations have either shifted security left (i.e., implemented security practices earlier in SDLC) or are planning to in 2023.

1.2 Keeping up with Data Security

ORGANIZATIONS TAKE ACTION TO BOOST SECURITY.

The good news? Businesses recognize the potential consequences of a security breach and 59% of organizations surveyed will be investing to improve their cybersecurity posture in the coming year. This is a significant jump from last year: Just 32% of participants from our 2022 research said they would be investing in improving cybersecurity posture.

Improving data security also ranked at the top of the list of primary business objectives in the coming year for those surveyed.

WHICH OF THE FOLLOWING ARE CURRENT PRIMARY OBJECTIVES FOR YOUR ORGANIZATION? *(All respondents)*

42% Improving data security

39% Increasing efficiency

38% Improving customer experience

38% Digital transformation

36% Increasing profitability

26% Improving data collection and use

25% Increasing ROI on technology initiatives

21% Increasing speed-to-market

20% Improving human capital/Hiring the right people

42% of organizations experienced improved data security as a result of their last digital product implementation/overhaul.

2.0 Moving to Modernize Products, Data & Technology

BOTH PRODUCTS & PLATFORMS IMPROVE UX

When people talk about UX, they usually mean the front-end design and usability of a product. But a proper UX is also significantly impacted by choices made on the back-end — building a secure and scalable architecture that supports the experience your customers see. Technology leaders need to think about both, and our research found this to be the case: decision-makers are focused on both improving their infrastructure and improving their customer-facing products.

Modernizing existing customer-facing products is among the top initiatives that organizations will be focused on in the coming year, according to 36% of those surveyed. Not only are customers

becoming increasingly aware of and drawn to products that have the latest technologies and capabilities, their expectations of a best-in-class user experience across channels are growing exponentially. With new offerings from both startups and established competitors crowding the market, it is becoming nearly impossible for organizations to maintain market share with legacy applications.

Nearly two-thirds (64%) of organizations will be investing in IT modernization, such as resolving technical debt and cloud migration, in the coming year.

The bottom line, if you aren't working to improve the user experience by modernizing both the front-end and back-end, you are already behind.



Special Segment:
**Executive
Perspective**

Over one-third of executives view competition from industry disruptors (35%) and outdated and inefficient business processes or systems (34%) top challenges to the success of their business.

“



User experience is as good as any reason for organizations to modernize their applications. User sensibilities and expectations evolve more quickly than ever before. What might have been considered intuitive UX even three years ago might look dated today. Therefore, modernizing your app for better UX isn't a one-time project. It involves creating an architecture that allows for rapid UX iterations.

Sarah McCasland,
Chief Strategy Officer, Modus Create

44% of organizations will invest in the launch of new customer-facing applications or features in the coming year.

In the last 2 years, 69% of organizations have implemented or overhauled a customer-facing product or application.

2.1 Moving to Modernize Products, Data & Technology

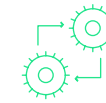
DATA EXPERIENCE IS ESSENTIAL TO CUSTOMER EXPERIENCE.

Like many digital trends, “data” has been earmarked as important for so long that it’s easy to glaze over it in a report like this. But while data has long been a part of the conversation, it is now undoubtedly front and center. Part of that is driven by consumers, who expect data-driven, personalized experiences while also trusting companies to handle data properly. Another part is driven by companies who want to leverage data to make effective business decisions and better understand their customers.

An important part of providing an effective customer experience externally consists of having a cohesive data experience internally. A good data experience means employees in

an organization can effectively use data — requiring a consistent process for gathering, disseminating, and interpreting data.

When it comes to addressing top business challenges, boosting data and analytics capabilities ranks among the top initiatives that organizations will focus on in the coming year. As data collection and tracking get more sophisticated across multiple channels, enterprises are challenged to ingest and make sense of data from multiple inputs. Businesses need a platform to capture, clean, analyze, and action data. An effective data platform will handle everything from the data pipeline to the output of data visualization tools to deliver actionable insights.



Special Segment:
**Product
Developers**

Disconnected data and systems is considered to be more of a challenge for product developers and operations professionals surveyed compared to others.

% OF THOSE WHO LIST DISCONNECTED DATA AND SYSTEMS AS A CURRENT TOP CHALLENGE TO THE OVERALL SUCCESS OF THEIR ORGANIZATION.

(Department)

37% Operations

27% Product Development

26% Technology

21% Executive Leadership

19% Finance

2.2 Moving to Modernize Products, Data & Technology

MANAGING DATA OR CREATING A BETTER DATA EXPERIENCE WILL BE AN AREA OF FOCUS IN THE COMING YEAR FOR 50% OF ORGANIZATIONS SURVEYED.

40% OF ORGANIZATIONS FEEL IT WOULD BE HELPFUL TO OUTSOURCE DATA COLLECTION/VISUALIZATION TO A CAPABLE PARTNER.

2.3 Moving to Modernize Products, Data & Technology

AREAS OF FOCUS VARY BY COMPANY SIZE.

We asked organizations which initiatives they are focused on in the next year, and the results showed how important *all* of these initiatives are. Larger organizations are more likely to be focused on migrating applications to the cloud and digitizing engineering processes while smaller organizations will be focused on generative artificial intelligence (AI) and machine learning (ML) algorithms, as well as creating new customer-facing products to overcome their challenges.

WHICH OF THE FOLLOWING INITIATIVES ARE YOU FOCUSED ON IN THE NEXT YEAR TO ADDRESS YOUR CHALLENGES? *(By number of employees)*



3.0 Accelerating the Launch of New Digital Products

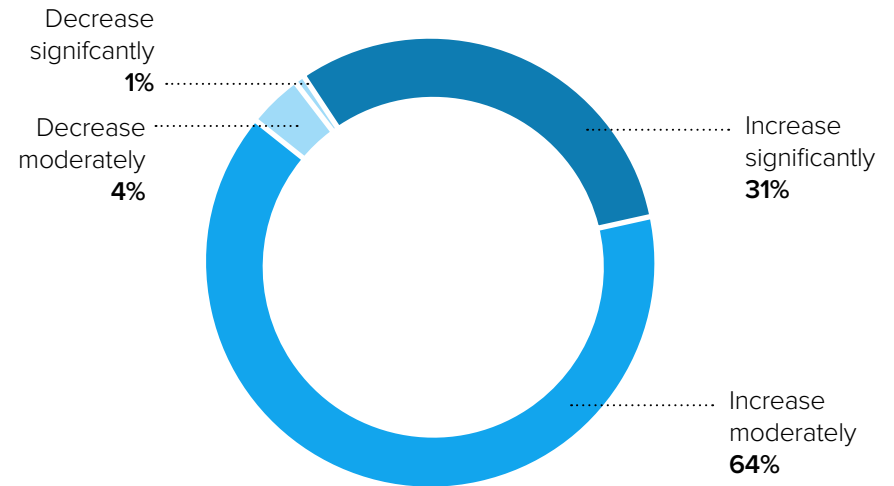
DIGITAL PRODUCT DEVELOPMENT IS BOOMING.

Has investment in digital products reached its peak? No way. We see no signs of slowing investment in digital products.

In the last two years, a whopping 69% of organizations have implemented or overhauled a customer-facing product or application as they move to modernize their offerings and improve user experience, and it doesn't stop there. Another 44% of organizations will be investing in the launch of new customer-facing applications or features in the coming year, up from just 20% in our research last year.

Budgets are also increasing significantly according to product development decision-makers. 95% of those surveyed expect an increase to some extent in the budget dedicated to planning, building, and managing customer-facing digital products in the coming year. That is a notable number, considering the slowdown of investment in other areas.

HOW IS YOUR BUDGET DEDICATED TO IMPLEMENTING, EXECUTING, AND MANAGING CUSTOMER-FACING DIGITAL PRODUCTS CHANGING IN THE COMING YEAR? *(All respondents)*



Special Segment:

Growth Mode

Growth mode companies are upping the ante. 78% of organizations in growth mode expect a significant increase in their budget dedicated to implementing, executing, and managing customer-facing digital products in the coming year, compared to just 15% of all others.

3.1 Accelerating the Launch of New Digital Products

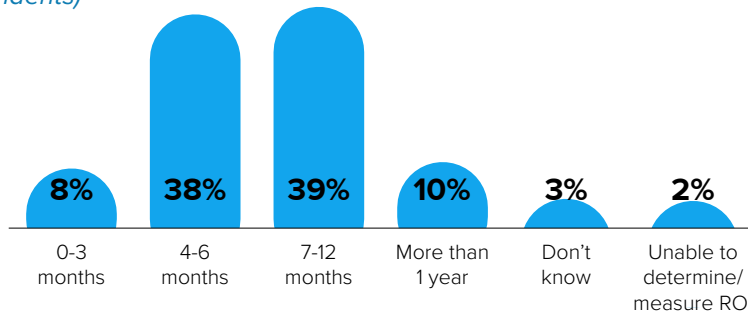
CUSTOMER EXPERIENCE DRIVES DIGITAL PRODUCT INVESTMENT.

All of the initiatives we've discussed so far contribute to an organization's product development strategy, which is a central part of digital transformation. Decision-makers know that customer-facing products are where the customer interacts with their brand; they are investing to make sure that experience is a success.

Improving digital product development, whether in the form of implementing new products or overhauling existing products, results in a myriad of benefits that directly address business challenges. Nearly half of the decision-makers surveyed report an improvement in customer experience as a result of their latest digital product implementation or overhaul. Other benefits include improved data security and increased ROI.

HOW SOON DID YOU SEE ROI AFTER IMPLEMENTING/OVERHAULING YOUR LATEST DIGITAL PRODUCT?

(All respondents)



WHAT ARE THE MOST SIGNIFICANT BENEFITS REALIZED FROM YOUR LATEST DIGITAL PRODUCT IMPLEMENTATION/OVERHAUL? *(All respondents)*

- 47% Improved customer experience
- 42% Improved data security
- 41% Increased ROI on technology initiatives
- 38% Increased profitability
- 36% Digital transformation advancement
- 35% Improved data collection and use
- 25% Improved human capital

Overall, 46% of organizations saw ROI on their latest digital product implementation or overhaul within 6 months. Another 39% saw ROI within 7 - 12 months.

3.2 Accelerating the Launch of New Digital Products

STRATEGY & FOLLOW-THROUGH ARE HINDERING SUCCESS.

Product development might be booming as a way to improve customer experience — but organizations still struggle to strategically scale their products. A clear strategy to innovate and modernize products and applications is necessary to future-proof digital transformation. However, accountability for follow-through on strategy proves to be a roadblock for most organizations, with 79% of those surveyed reporting that following through on strategic elements of developing and launching new products is a barrier to success.

Scaling technology strategically and creating an enterprise-wide strategy are among the top-reported challenges for decision-makers as they implement, execute, and manage new customer-facing products.



Special Segment:
**Executive
Perspective**

Just 27% of executives feel that creating efficient processes and workflows are a top challenge to the implementation and management of customer-facing products and technology, while 42% of non-executives place this at the top of their list of challenges.

WHAT ARE THE MOST SIGNIFICANT BENEFITS REALIZED FROM YOUR LATEST DIGITAL PRODUCT IMPLEMENTATION/OVERHAUL? *(All respondents)*

39% Having the right talent/partners in place

39% Scaling technology strategically

38% Creating a strategy

37% Creating efficient processes and workflows

34% Measuring success/proving ROI

32% Allocating budget

27% Gaining leadership buy-in

26% Aligning departments on the same goals

3.3 Accelerating the Launch of New Digital Products

WHO MAKES DECISIONS ABOUT DIGITAL PRODUCTS?

Who has decision-making authority for customer-facing digital products? What's different about the most successful strategies? Unsurprisingly, executives and IT departments are the most commonly reported departments to have decision-making authority for customer-facing digital products, with 90% of respondents reporting their executive team often or always has this authority and 89% of respondents reporting that their IT department often or always has this authority.

This data speaks to how innovation is often most successful when it is engrained across the organization. We tend to see that companies with high digital maturity have a unified, multi-department strategy, rather than creating products in a bubble. The results are better when everyone is on the same page about the organization's goals and investment in technology to achieve them.

TO WHAT EXTENT DO EACH OF THE FOLLOWING ROLES OR DEPARTMENTS HAVE DECISION-MAKING AUTHORITY WHEN IT COMES TO EXECUTING NEW CUSTOMER-FACING DIGITAL PRODUCTS? *(All respondents)*

	Always	Often	Sometimes	Never
Executive team	58%	31%	11%	1%
Operations	54%	36%	10%	0%
Finance	30%	38%	26%	6%
IT	29%	45%	24%	2%
Marketing	23%	36%	34%	6%
Procurement	21%	38%	31%	10%



Special Segment:

**Growth
Mode**

Our data indicates that Growth Mode organizations seem to have more departments with decision-making authority. Those working for organizations that experienced significant revenue increases last year are significantly more likely to report that each department **ALWAYS** has decision-making authority.

“



Over the years, I've learned that the best and most innovative ideas spring from the collective efforts of everyone in an organization. Because at the end of the day, the responsibility for driving innovation doesn't just fall onto one person. We all have our roles to play.

Patrick Sheridan,
CEO, Modus Create

4.0 Securing Capable Talent & Partners

HOW DO WE RESOURCE ALL OF THIS?

The biggest challenge for technology organizations today is not the tech stack; it's finding capable talent to manage the technology. 90% of product development decision-makers agree that finding and hiring the right talent/human capital is a significant challenge for their technology organization.

Another 43% place securing the right talent at the top of their list of challenges to the overall success of their organization. This is also the most challenging aspect of implementing, executing, and managing a new customer-facing product/technology for 39% of those surveyed. Interestingly, this is NOT a top priority for the majority of those surveyed. In fact, improving human capital/hiring the right people came in last on the list of top priorities (20%).

Given the global labor crisis, we are not shocked by this data about the challenge of finding talent. What is surprising is that organizations do not list improving human

capital as a top priority. Particularly in the technology sector, it is more important than ever to take care of talent. We are seeing a growing interest in improving developer experience, which includes the culture, technology, and processes surrounding your software development team. When companies focus on digital transformation, we find the developer experience is elevated as a result.

Nearly half (47%) of organizations will be focused on training or reskilling employees (e.g. in Agile, low-code apps) in the coming year.

WHICH OF THE FOLLOWING ARE CURRENT TOP CHALLENGES TO THE OVERALL SUCCESS OF YOUR ORGANIZATION? *(All respondents)*



“



Securing and retaining quality human capital is one of the top challenges we see at enterprise companies today. Even with all of the best technology in the world, people are truly the most important part of digital transformation.

Andrew Dennis,
VP, Consulting, Modus Create

43% of decision-makers say securing the right talent is a top challenge to the overall success of their organization.

4.1 Securing Capable Talent & Partners

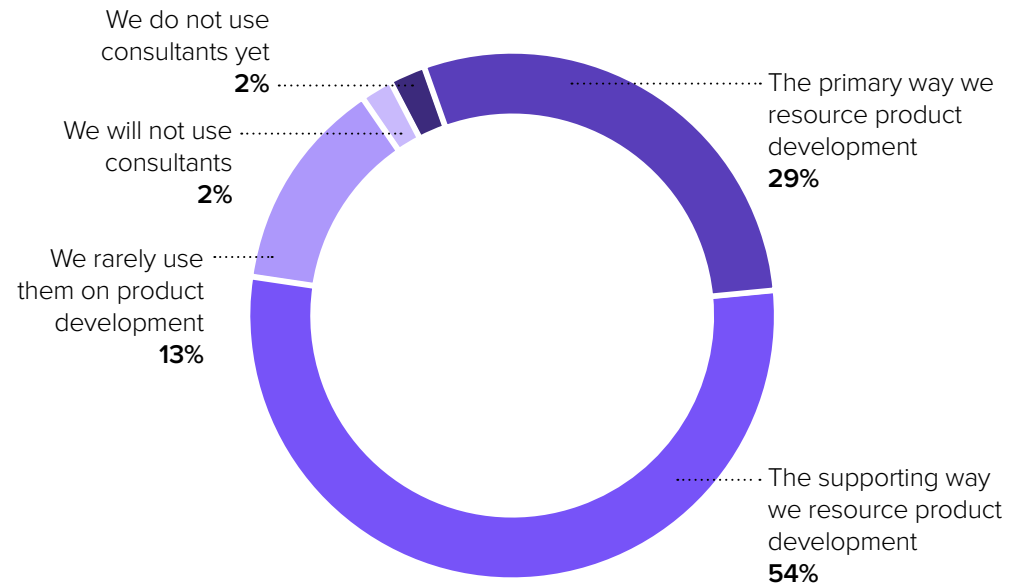
FINDING THE RIGHT PARTNER FOR PRODUCT SUCCESS.

Another way to improve human capital is to find the right partners. Working with trustworthy and knowledgeable partners to help execute digital programs is of utmost importance for most organizations. 94% of decision-makers surveyed feel that finding an experienced and adequate partner/consultant to work with on new product development is important.

83% of organizations are using consultants for the development, deployment, and management of digital products.

WHICH BEST DESCRIBES THE EXTENT OF YOUR USE OF CONSULTANTS/ OUTSOURCING TO DEVELOP, DEPLOY, AND MANAGE PRODUCTS?

(All respondents)



4.2 Securing Capable Talent & Partners

25% of organizations outsourced more than half of their latest customer-facing digital product implementation/overhaul. Interestingly, those who outsourced 50% or more of their last implementation/overhaul of a digital product were significantly more likely to have had an extremely positive experience during implementation/overhauling than those who outsourced less than half. (52% vs 35%)

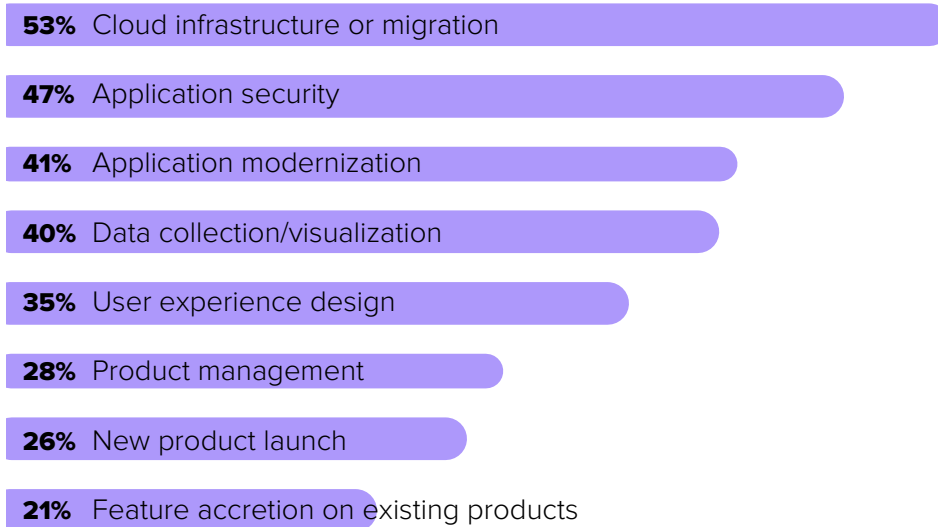


4.3 Securing Capable Talent & Partners

WHEN ARE EXTERNAL PARTNERS MOST VALUABLE?

When it comes to outsourcing, decision-makers surveyed feel that it would be most helpful to outsource cloud infrastructure or migration, application security, and application modernization to a capable partner. Those areas are perfectly suited to a partner, as capable partners have playbooks in place to perform complicated tasks like cloud migration and cybersecurity. At times it is more economical to work with a partner than to find capable talent and orchestrate large-scale initiatives in-house.

WHICH AREAS WOULD BE MOST HELPFUL TO OFFLOAD TO AN EXTERNAL/OUTSOURCED, CAPABLE PARTNER? *(All respondents)*



Special Segment:
**Executive
Perspective**

Executives are significantly more likely than non-executives to feel that outsourcing a new product launch (34% vs 22%), product management (34% vs 25%), and feature accretion on existing products (32% vs 15%) would be most helpful. Non-executives feel more strongly that outsourcing application security to an external resource would be most helpful (40% vs 52%).



Special Segment:
**Growth
Mode**

This group is significantly more likely than all others to use consultants/outsourcing to develop, deploy, and manage products. 63% say outsourcing is the primary way they resource product development, compared to 18% of all others.

4.4 Securing Capable Talent & Partners

SPECIAL SEGMENT: OUTSOURCERS

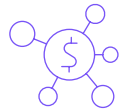
29% of those surveyed report that consultants/outsourcing is the primary way they develop, deploy, and manage products. This group gives us insight into how the use of consultants through this process makes an impact.



This group is **>4x more likely to have seen a significant increase** in revenue in the last two years than those who don't use consultants as the primary way they resource product development. (55% vs 13%)



This group has **more confidence** in their organization's ability to plan, implement, execute, and manage digital initiatives. (68% vs 33% say they are extremely confident)



This group is **>3x more likely to expect a significant increase in budget** dedicated to digital initiatives in the coming year than those who don't use consultants as the primary way they resource product development. (61% vs 19%)



This group feels that it is **most valuable to offload** cloud infrastructure or migration (52%), application security (47%), application modernization (39%), and data collection/visualization (39%) to an external/outsourced, capable partner.

IN CONCLUSION...

The digital priorities and challenges of organizations today are as diverse as we expected — a reminder that digital transformation is not a one-size-fits all solution. But our research shows clear trends across organizations, such as the growing importance of digital product development, improving cybersecurity posture, and boosting data and analytics. Those initiatives can be hindered by internal challenges, such as the disconnect between executives and non-executives, a lack of strategy, and the struggle to find capable talent. Organizations need to overcome those internal challenges and focus on what matters: the customer. Whether its improving how the customer interacts with data or modernizing the UX of an app, customer experience is the threadline connecting digital initiatives. Regardless of what tactics, technology, and people your organization invests in, it should always benefit the customer in the end.



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METHODOLOGY & PARTICIPANTS

Methodology

Ascend2 benchmarks the performance of business strategies and the tactics and technology that drives them. We used a custom online questionnaire to survey a panel of 377 product development decision-makers representing a range of departments and job roles that include management and above. These individuals represent organizations across the United States and the United Kingdom with 500 employees or more. The survey was fielded during the month of June 2023.

Participants

N = 377

Region

North America	66%
Europe	34%

Primary Role

Executive/C-Suite/Owner/Partner	35%
Vice President/SVP	16%
Director	43%
Manager	6%

Department

Product development	14%
Technology	47%
Finance	10%
Executive leadership	21%
Operations	7%
Other	1%

Company Size

500 - 1,000 employees	23%
1,001 - 5,000 employees	46%
5,001 - 10,000 employees	16%
More than 10,000 employees	16%

Industry

Media/Entertainment	1%
Finance/Accounting	17%
Technology/Software	31%
Education	7%
Government	3%
Manufacturing	15%
Healthcare/Pharmaceuticals	7%
Retail	10%
Real estate	1%
Other	9%

ABOUT THE RESEARCH PARTNERS



Modus Create is a digital consulting firm dedicated to helping clients build competitive advantage through digital innovation. We support organizations across their transformation journey with strategic consulting and full lifecycle product development. Our global team of strategists, designers, and technologists has created powerful digital experiences for some of the world's biggest brands.

Learn more about [Modus Create](#).



Companies partner with **Ascend2** to create original research from survey conceptualization through report and content creation to media outreach. Ascend2 helps companies fuel marketing content, generate leads, and engage prospects to drive demand through the middle of the funnel.

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