

A JITTERBIT REPORT

The Mittelstand in the Age of Hyperautomation

*A Survey of DACH
Mittelstand Companies*



INTRODUCTION

I'm excited to share this data-led report, which reveals how DACH Mittelstand companies are using integration to become hyperautomated businesses in an ever-more disrupted and competitive global economy.

I'm excited not just because this is the first study of its kind, but because it gives us here at Jitterbit an even greater understanding of our customers here in DACH.

Jitterbit has been serving the DACH region for seven years—a fifth of our EMEA customer base is headquartered in DACH. These companies represent a variety of industries—including manufacturing, retail, eCommerce and beyond.

As part of our ongoing commitment to DACH businesses, we want to understand how they're dealing with rapid change, as well as the challenges and opportunities coming their way—namely hyperautomation. "Hyperautomation" is a trend coined by market analyst company Gartner. In essence, it is Business Transformation 2.0—referring to "a business-driven, disciplined approach that organizations use to rapidly identify, vet and automate as many business and IT processes as possible."

Our study reveals many Mittelstand companies are being held back by a lack of integration between different solutions and manual data processes within their businesses. Most of our respondents—people leading Mittelstand companies—are aware that they have too many disparate, disconnected systems in play and that this is leading to data silos and preventing leadership from having a complete view of the organisation. Indeed, our respondents recognize that without integration, there can be no hyperautomation.

And yet, while there are challenges to be addressed, the leaders of Mittelstand companies are committed to increasing the automation of their internal processes. The majority of our respondents also recognize that the best way to achieve greater integration and become hyperautomated as a business is by partnering with an integration platform provider.

We are proud to support each and every one in their ongoing business transformation with our integration platform-as-a-service Harmony, as well as with strategic customer support informed by our deep insight into their industries and the wider DACH region.

I hope you find this report illuminating and that, besides shining a light on how other Mittelstand companies are tackling hyperautomation, it outlines the six reasons why Mittelstand companies are committed to this journey.

The Mittelstand has long been the resilient heart of the DACH economy. With hyperautomation, its beat will remain strong and continue to power the economic growth of the region, regardless of the pace of change.



Steve Sichtman

VP MULTICHANNEL SALES, EMEA

 **Jitterbit**

Methodology

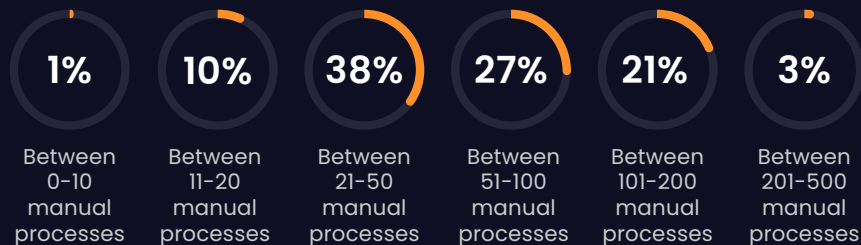
This report is based on anonymized data collected by market research house Norstat, from 101 senior professionals working in Mittelstand companies based in Germany, Austria, and Switzerland across a range of industries, including IT, Financial Services, Retail, and Manufacturing. All companies employ 500 people or less. The research was conducted by Norstat between June — July 2022.

SECTION 1

Welcome to the Age of Hyperautomation

GRAPH 1

Estimated number of manual data input processes in respondents' businesses



We're living through one of the most intense periods of economic and societal change ever. People all over the world are dealing with the ramifications of the unexpected global events and challenges of recent years—and businesses are no different.

The rapidly increasing business transactions and internal processes being carried out online and the pivot to remote and distributed working has put pressure on every organization's digital capabilities.

McKinsey research suggests globally, the average company accelerated its digitization by **the equivalent of seven years** in 2020 alone vs. previous years. This is no "blip." Rather, the hyper speed innovation of recent times has set a new benchmark that companies must meet—and ideally exceed—if they wish to remain competitive.

The old world of business transformation has been overtaken by what market research company Gartner call **"Hyperautomation."** This new methodology for business identifies any manual data processes as a form of "technical debt" which must be replaced with automated, integrated solutions (see figure 1), so that companies can operate—and innovate—at an accelerated pace.

*"We work with Bundesliga club and UEFA Europa League Champions FC Eintracht Frankfurt. The club, which will play in the UEFA Champions League this year, recently **broke into the top 25** list of Europe's most valuable clubs with a valuation of €428 million. While Eintracht Frankfurt is best known for world-class football, behind the scenes there are many softwares, platforms and technologies that need to play together seamlessly to ensure the smooth operation of the club, and we're proud to support their integration and automation needs."*

- FC EINTRACHT FRANKFURT CLUB



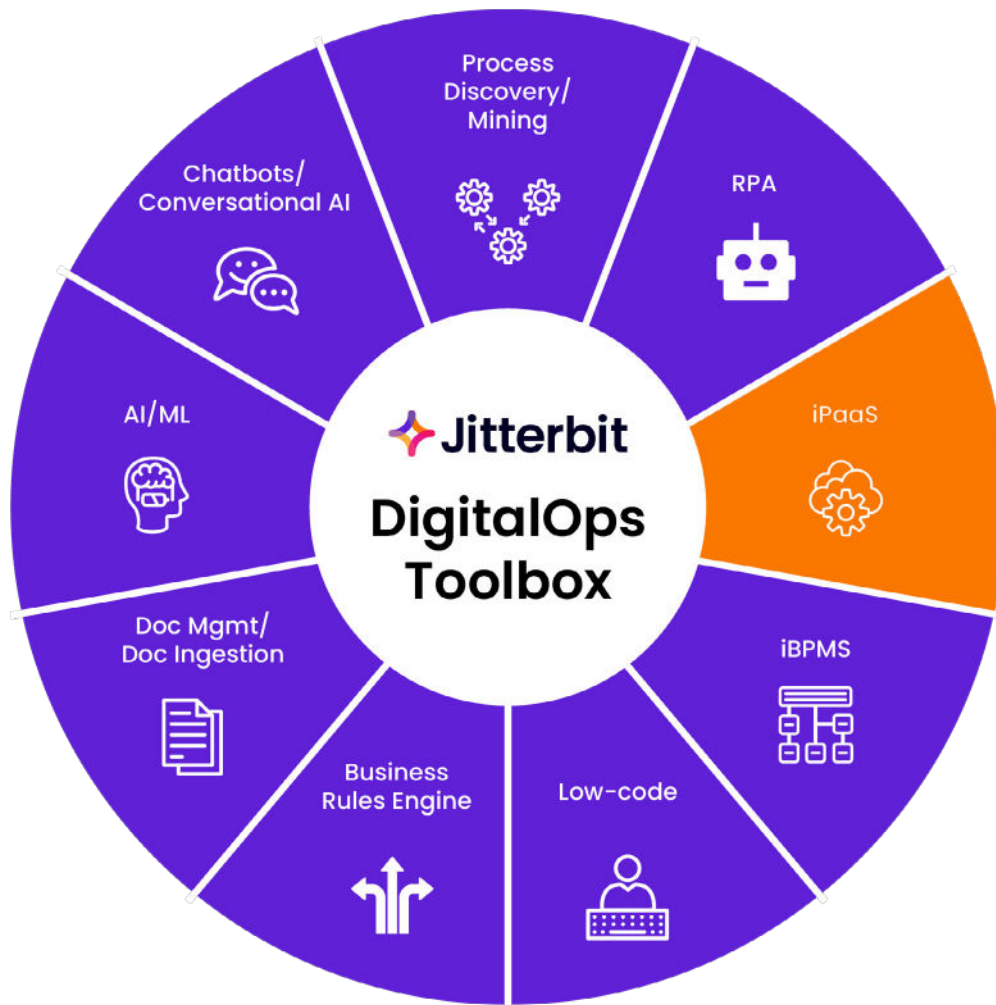


FIGURE 1
The tools that enable hyperautomation

Regardless of size, region or market addressed, every business can benefit from hyperautomation. Nowhere is this more true than in DACH’s Mittelstand, commonly known as the beating heart of the German economy. Mittelstand companies account for the largest share of Germany’s economic output and employ some 60% of all German workers. Hyperautomation promises to unleash the full potential of the Mittelstand in Germany, Switzerland and Austria, enabling these hardworking companies to be more efficient and productive without requiring more resources, and ensuring they remain highly competitive.

Manual processes in the Mittelstand

In **Germany**, the 5.3 million Mittelstand companies account for **57.6% of employment in the country and 34.4% of national revenues**. It’s a similar picture across neighboring Switzerland and Austria.

The Mittelstand is the engine of these economies and yet, there is still a widespread reliance on manual data processes within these mid-sized companies.

89% of the companies we surveyed are running more than 20 manual processes, with 51% running more than 50, and 24% more than 100 (Graph 1).

This benchmarks below some other European countries in our survey such as the United Kingdom, where automation has been more rapidly adopted. As this report continues, we’ll see what businesses in the region can expect on the road to hyperautomation, and how best to navigate the challenges ahead.

SECTION 2

What Challenges does the Mittelstand Face?

GRAPH 2

Responses to the statement "There are too many disparate systems being used"



Every sector in every region was tested by the pandemic and has since faced a challenge to implement the right strategy and solutions to build toward growth. The Mittelstand is no different.

In Germany, SMEs found the initial phase of the pandemic tough going. **McKinsey reported** significant turnover losses for companies across industries in the first half of 2020, with businesses unable to return to "business as usual" for some time.

Fast-forward two years, with pandemic effects still lingering, the changing global economy has placed yet more pressure on the Mittelstand. In particular, many companies have seen the price of raw materials rise steeply and some international markets where DACH companies have traditionally dominated have now **begun to invest locally and produce competitive products**, eroding exports.

It is clear that disruption is the new status quo. To survive and thrive, Mittelstand companies must be able to innovate quickly, to exit old business models if required and quickly address new ones. To do this competitively in this modern era of hyperautomation requires every business to adopt API integration and hyperautomation strategies.

Companies left behind in the race to automate will face three distinct challenges:

01

Changing business demands

The health of every mid-sized business depends on its ability to make data-led decisions at any given moment. This data enables companies to understand their customers, continually optimize their operations and capitalize on opportunities with confidence.

Mittelstand companies have in recent years adopted ever-greater numbers of platforms and software. Each solution adopted involves the addition to the business process of a new data source. Where the API solutions are not fully integrated, employees are required to manually integrate data as best they can. Manual data runs cannot be real-time and result in data silos, operational bottlenecks, poor customer experiences and higher costs.

This is the picture painted by our research, **with 73% of respondents agreeing or strongly agreeing there are too many disparate systems being used in their organization (Graph 2). On top of this, 76% confirmed their company struggles with data silos (Graph 3), while 79% overwhelmingly agreed it's a challenge for people in their business to get a complete picture of their company from a data point of view (Graph 4).**

GRAPH 3

Responses to the statement "There are data silos in the company" (to the nearest 1%)



GRAPH 4

Responses to the statement "It is challenging to get a complete picture of the company from a data point of view"



02

IT teams feeling the strain

While the increased number of solutions makes life hard for employees working with them, manually managing and maintaining them creates additional work for IT teams—increasing the need for System Integrator support.

In a **2022 Jitterbit survey of EMEA Systems Integrators**, 64% confirmed hyperautomation is a key priority for their customers, and 79% are doing everything they can to automate how they deliver solutions to customers.

Again, the acceleration of transformation exacerbates the situation, stretching internal IT teams to their limits and requiring additional support from Systems Integrators. **It’s not surprising then that 85% of respondents agree that communication between different software and applications needs to be more automated (Graph 5).**



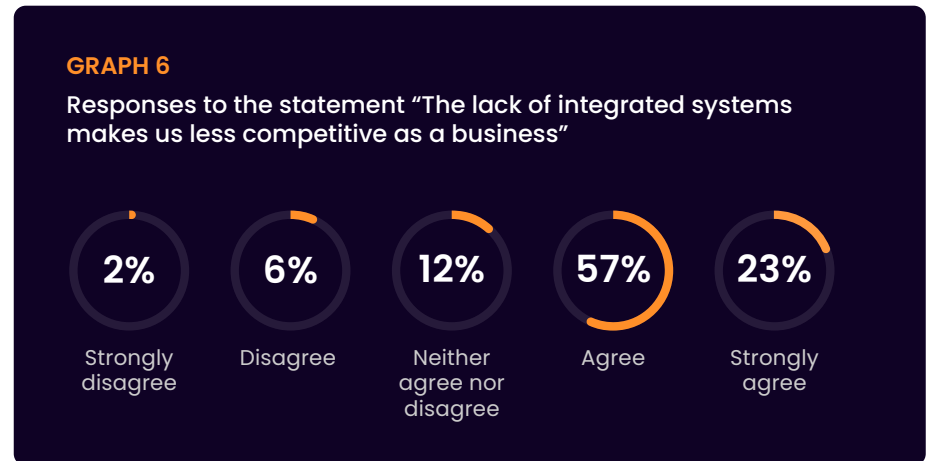
03

A sharper focus on cost

In challenging economic times, every business is acutely aware of the need to contain costs. Gartner says that, for every \$1 spent on software, it costs another \$3–5 to integrate it. This cost is inflated where integration is manual and not automated, or external to the business—say, via Systems Integrators.

The “total cost of ownership” for software solutions underscores the need for Mittelstand companies to invest in smart, cost-effective integration platforms that will have a strong return on investment.

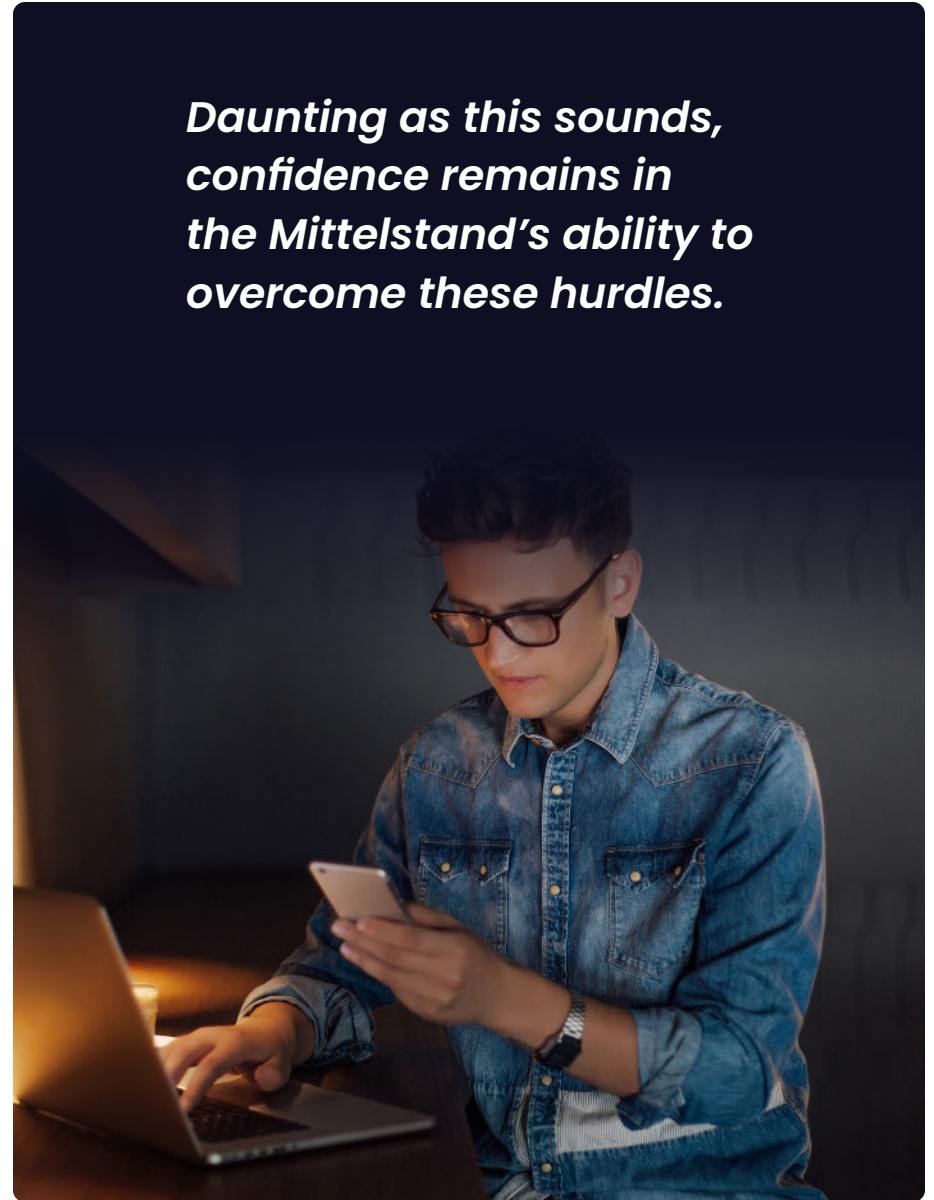
Our research finds that **Mittelstand businesses are largely aware of these challenges, with 79% aware that the lack of integrated systems is making them less competitive (Graph 6).**



Daunting as this sounds, confidence remains in the Mittelstand's ability to overcome these hurdles. Speaking at the **Jahresimpuls Mittelstand 2021**, President of the European Central Bank Christine Lagarde reminded audiences of the German Mittelstand's crucial contribution to restoring the economy after the 2008 global financial crisis—suggesting these companies' natural agility and ability to innovate will see them pull through once again.

This agility gives Mittelstand companies a competitive edge over large companies, explained Prof. Michael Hüther, director of the German Economic Institute (IW), which with some investment could turn the current situation into a **real opportunity for DACH**. As seen in the next section, there's no shortage of ambition from within the Mittelstand to make this happen.

***Daunting as this sounds,
confidence remains in
the Mittelstand's ability to
overcome these hurdles.***

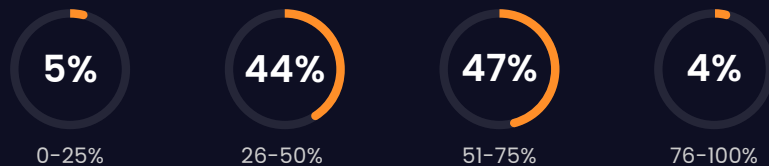


SECTION 3

Embracing The Age of Automation in The Mittelstand

GRAPH 7

% of systems companies would like to be integrated in the next year



GRAPH 8

Responses to the question “what are your long-term goals on automation in the future?”

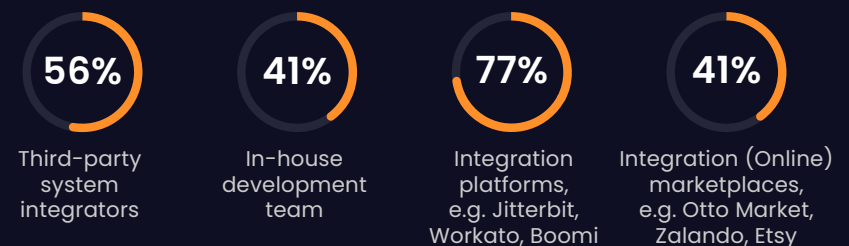


It’s encouraging to see that ambition shine through in our survey. The companies we surveyed were largely aware that there can be no automation without the integration of all the various software, platforms and technologies that make up their processes, products and services. So it is positive to learn that **47% of Mittelstand companies we surveyed aim to have integrated between half and two-thirds of their systems within the next year (Graph 7).**

These companies are laying the building blocks for hyperautomation—a goal that’s clearly in sight for many. **According to our research, 38% of the Mittelstand aims to be fully automated in the next two years, with 35% hoping to achieve the same within three years (Graph 8).**

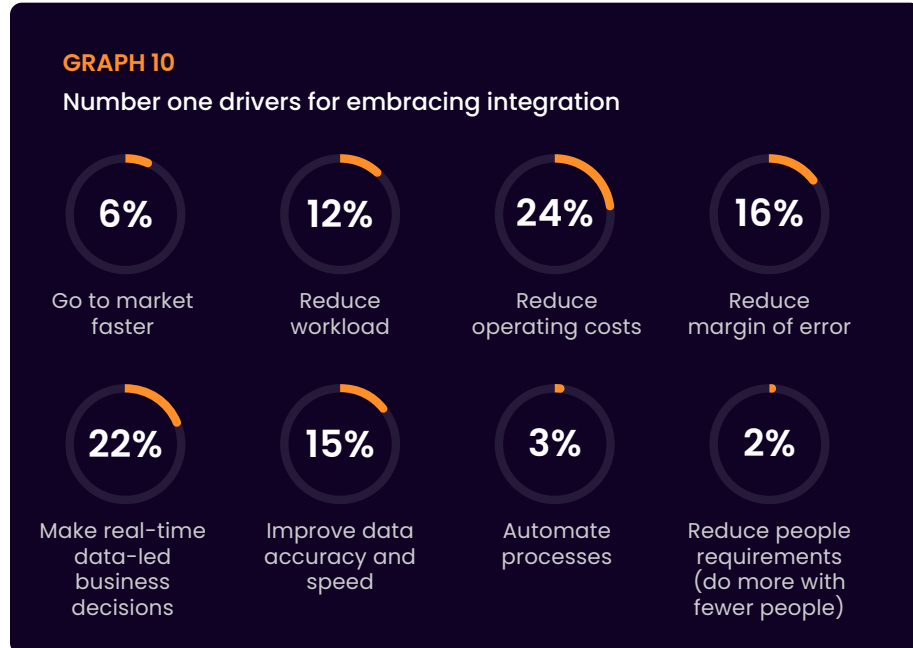
GRAPH 9

How businesses are integrating different software and platforms



Hyperautomation is coming swiftly to the Mittelstand, and companies need to get onboard with their individual automation strategies now if they are to keep pace with their competitors in the coming years.

Our research looked at exactly how those already implementing an automation strategy have started to integrate their different software and platforms. **Partnering with an integration platform ranks as the number one way for Mittelstand companies to integrate (77% – Graph 9).** A partnership with an integration platform as-a-service iPaaS company—especially one with a deep and proven understanding of the DACH region—is a high-speed route to building out and executing your hyperautomation strategy.



6 reasons to embrace hyperautomation:

Our research sought to discover the top reasons driving Mittelstand adoption of greater integration and hyperautomation.

01

Maximize efficiency savings

Manual processes cost businesses—time, resources and competitive edge. An awareness within Mittelstand companies of these often hidden costs is likely why **24% of our respondents said reducing operating cost ranked as their number one reason for embracing integration (Graph 10).**

02

Eradicating data silos

Solutions need to be connected to get full return on investment from them. Hyperautomation allows companies to bring together separate systems and synchronize them so data is fully integrated, flowing reliably and in real-time across the business. This closing of data silos—where different software systems aren't connected—grants employees access to the full picture, removes manual data processes and enables better decision-making.

Those we spoke to appear to be convinced—**15% revealed the key driver for embracing integration for them is to improve data accuracy and speed, the fourth highest in our survey (Graph 10).**

03

Gaining real-time analytics

It's a challenge for small businesses to know where their inefficiencies are because all the data isn't always available. Automation through an integration platform-as-a-service (iPaaS) not only provides the employee with the "complete picture", it also enables further insights and efficiencies with the application of AI. **According to our research, 22% of respondents are pushing for integration to allow them to make real-time, data-led business decisions—the second most popular response (Graph 10).**

04

Improving employee experience

Within the events of the last few years, employee welfare has remained a concern for businesses. Not surprisingly given the competitive jobs market, **supporting employees ranks highly among the reasons to embrace integration, with 12% choosing reducing workload as their key integration driver (Graph 10).** Hyperautomation offers a smoother, progressive way of working that will help with employee satisfaction—and retention—because time-consuming manual tasks are removed, allowing them to focus on higher-value tasks while the availability of quality data empowers them to be more innovative and deliver greater value to the business.

05

Transforming non-technical employees into "business technologists"

The increasing availability of self-serve, low-code tools isn't just disrupting the way companies work, but the makeup of their teams and departments too. These easy-to-use tools allow employees to build technology or analytics capabilities for internal and external business use, often without the support of IT departments, speeding up the go-to-market of new apps and software. Mittelstand companies may find they have potential "business technologists" already employed, who simply need access to an integration platform-as-a-service to drive additional value. **According to Gartner research**, 41% of employees can be described as business technologists and companies that support business technologists are 2.5% more likely to accelerate their business transformation.

06

Maximizing marketplace opportunities

The age of hyperautomation has also given rise to the establishment of dynamic solution marketplaces, where customers can simply go online and find the right, ready-made solutions being sold by other companies. There's an opportunity for early adopters in the Mittelstand to get active in the market too, taking the solutions they've developed internally and re-selling their custom integration APIs to other companies.

SECTION 4

Moving Forward in the Age of Hyperautomation

The age of hyperautomation is already here and companies in the Mittelstand by and large recognize the importance of integrating the tens, sometimes hundreds, of different platforms, technologies and software that go into delivering their products and services to customers. And our survey shows they're looking ahead and planning how they'll automate more in the coming months.

Companies need to be strategic in their approach—as Deloitte's Global Intelligent Automation 2022 report explains, more solutions do not necessarily equate to higher performance:

“Leaders should be aware that while new technologies offer new possibilities, it is not the case that the more technologies, the better. Each technology needs to be connected. IT needs to be on board to ensure the new technology can be integrated and is appropriate for the overall architecture.”

- Deloitte

As ever, there can be no hyperautomation without integration—and partnering with an integration platform provider is a wise move for companies wishing to move quickly. An iPaaS partner can provide low-code integration platforms and easy-to-implement API connectors to connect any and all of a company's systems and processes, often with no input required by overstretched IT teams. Custom integrations are available for more complex solutions—for which partners can provide ongoing management support too.

Inaction during a period of such rapid transformation is a significant business risk to any Mittelstand company. Organizations must view manual data processes within their business as a kind of "technical debt", weighing their business down, and work on identifying and eliminating these processes while empowering their employees to become "business technologists" with an integration platform. These actions will not only help the Mittelstand bounce back from adversity, as it has done before, but launch it forward into its next era of growth.

Become a fully hyperautomated business with the help of DACH's most experienced integration partner.

To get started, contact:

Steve Sichtman

Vice President Multichannel Sales EMEA

steve.sichtman@jitterbit.com

