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Telstra



Agility in the new Digital Normal

How European businesses can
thrive in a post-COVID world



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Introduction

The Coronavirus pandemic has completely changed the way in which we live, learn and work together. The once definitive lines of work-life-balance have faded and the way we all view work and the workplace has changed forever. A swift pivot to digital saw plans set across years executed in a matter of months, to ensure a remote way of working without jeopardising the bottom line. The ones who emerge stronger from the pandemic – and, indeed, all that has followed – will be those who seized the opportunity during this sudden flux to transform their digital strategy, and begin a new chapter of digital and cultural innovation.

Isaac Newton's third law of motion states that for every action, there is an equal and opposite reaction. In the case of this pandemic, however, an equal and opposite reaction might not be enough for organisations hoping to do more than just survive.

Needless to say, survival was the first waypoint on this new path, but it is unlikely to be the desired endgame for the majority. In order to survive and flourish, a number of factors need to work in harmony. The first is the adapted approach to digital transformation – without a sufficient rethink of digital strategies, it is easy to see how many organisations will get stuck in the mud and potentially be left behind by their competition.

Any digital strategy, of course, must be heavily underpinned by a comprehensive cybersecurity solution that protects across every endpoint for the majority of the workforce still working remotely. Ignoring this critical area of the business renders other changes futile, and leaves businesses highly vulnerable via user error or cyberattack.

Meanwhile, organisations must place heavy strategic focus on agility. It has always been imperative that businesses have the ability to bend and flex with changing market needs, and this is now more important than ever.



Methodology

Through interviews with 500 senior IT and business decision makers in private sector organisations of at least 1,000 employees across the UK and Ireland, France, Germany, Sweden, Denmark, and the Netherlands, this white paper explores a variety of areas including, but not limited to, the following:

- How organisations are pursuing their digital transformation and innovation initiatives, and how they can update their approach to extract maximum value from these endeavours.
- The need for agility, both within the organisation and its supply chain, and how the Coronavirus pandemic has influenced this.
- How European companies are dealing with the challenge of cybersecurity, and the ever-changing threat landscape and more expansive attack vectors in the wake of COVID-19.

At a time when your organisation is, to an extent, at the mercy of a force outside its control, it is critical to meet the challenge head-on with a response of at least equal force, through reimagining, redefining and refreshing internal efforts across all of the aforementioned areas.

The following uncovers how businesses are reacting and recovering from the pandemic, as well as their plans to adapt and grow.

Key findings

Organisations are pressing ahead with their digital transformation and innovation plans, despite the difficult circumstances presented by the Coronavirus pandemic.

- **65%** of respondents report that most or all of their organisation's digital transformation and innovation projects are currently active.
- **39%** report that digital transformation and innovation projects have accelerated in their organisation as a result of the Coronavirus pandemic, with **48%** of companies in Germany seeing this increase in pace – the highest proportion of any surveyed country.
- On average, respondents' organisations have invested **\$2.28 million (USD)** in digital transformation projects since the start of 2020.
- Investment in digital transformation projects has on average increased by **2.71%** as a result of the Coronavirus pandemic, compared with what was originally planned.

Agility within the organisation as well as its supply chain will be critical for those eyeing the wide-ranging benefits from digital transformation – cloud technology is key in enabling this.

- **89%** of respondents agree that involving members of their supply chain within digital transformation and innovation projects could lead to improved success levels for their organisation.
- Around a quarter (**24%**) report that their organisation has fully adapted to the changes arising from the pandemic, with a similar proportion (**26%**) saying the same for their supply chain.
- **79%** believe that the agility of their organisation, including its supply chain, has increased as a result of the pandemic.
- Only a minority (**23%**) of respondents report that their organisation has adopted a cloud-first strategy, which could explain why only **28%** believe that there is no room for improvement when it comes to their organisation's cloud computing capabilities.
- Fewer than three in ten (**28%**) respondents believe that their organisation has no room to improve when it comes to their network capabilities.
- Among the main areas that need improvement are the ability to scale bandwidth up and down to meet demand (**36%**), and increased automation and use of software-defined networking (**35%**). A smaller proportion of respondents (**27%**) point towards re-architecting the network to enable migration of applications to the cloud.

The COVID-19 pandemic has presented cybercriminals with increased opportunities to breach the defences of organisations, making cybersecurity improvements increasingly important for European companies and their workforces.

- Nearly two-thirds (**65%**) of respondents report that the number of cyberattacks experienced by their organisation has increased as a result of the pandemic. In fact, Nordics respondents are the most likely to report this across Europe, with **79%** admitting that they have witnessed an increase in attack volume.
- Supply chain attacks (**45%**), phishing attacks (**44%**) and ransomware attacks (**43%**) are among the vectors most commonly reported to be on the rise.
- **56%** report that improving cybersecurity is among the top priorities within their organisation's recovery strategy from the pandemic.



Section 1

Digital Transformation in a COVID World

Self-assessment of digital transformation progress

Businesses that lacked a robust digital strategy are likely to have been eclipsed by their competitors. In the wake of the global pandemic, a comprehensive strategy that enables the business to roll out new and innovative technologies at speed is vital. Indeed, the job is never done when it comes to digital transformation – it simply continues to evolve in step with changing internal and external demands.

For the vast majority of our surveyed senior IT and business decision makers (ITDMs/BDMs), this is absolutely the case, with only (28%) claiming to have fully executed their digital transformation strategy.

Respondents in Germany were the most likely (88%) to report full or significant execution of their organisation’s digital transformation strategy. However, given uncertainties in the global outlook at time of writing, it stands to reason that even these businesses are still hunkering down while searching for ways to emerge from the crisis intact.

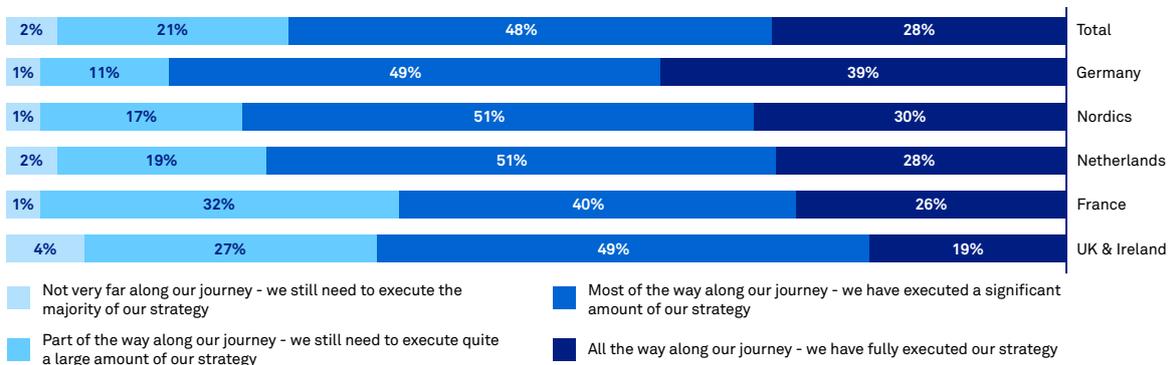


Figure 1: “How far along its journey is your organisation when it comes to executing its digital transformation strategy?” [500] omitting some answers (1%), split by country

Despite the obstacles presented by the pandemic, surveyed organisations are continuing to press on with their digital transformation and innovation plans, and rightly so.

Almost two-thirds (65%) of respondents reported that most or all of their organisation’s digital transformation projects are active. Across the regions, organisations in the Netherlands are the most likely (28%) to have all of their projects live, while those in France are most likely (73%) to have most or all projects live.



Four in ten (40%) respondents report that the pandemic has increased the need for new projects in their organisation, while almost the same proportion (39%) say projects have accelerated. This demonstrates that digital transformation has been, and will continue to be, at the heart of organisations' response to COVID-19. And in this unpredictable global environment, it also highlights the importance of keeping pace with changes as organisations ride out this crisis.

Furthering this point, digital transformation investments by organisations in the Netherlands (\$3.56 million) and France (\$3.04 million) outstrip the average amount from other surveyed countries by over 1.5 times. A stark difference is also seen at the industry level, with financial services reporting an average spend of \$6.55 million on digital transformation projects since the start of 2020 – over 3.5 times as much as any other surveyed sector.

Not only has there been heavy investment, but it appears that spending on digital transformation projects has exceeded pre-COVID plans, with 58% reporting an increase. On average, this amounts to a 2.71% rise in spending compared with what was planned before the pandemic. This trend is particularly prevalent in the Nordics, where the average reported investment increase is 3.88%.

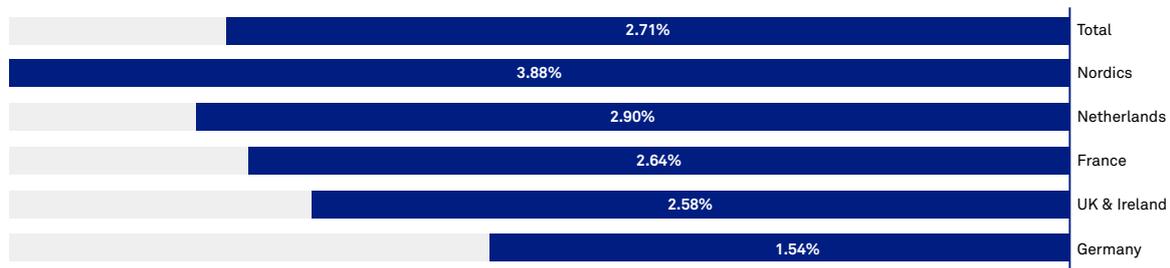


Figure 2: Showing the average percentage change in respondent organisations' investment in digital transformation projects as a result of the coronavirus pandemic compared to what was originally planned [500] split by country.

The change in investment across the industries has also been notable, with an average increase of 4.03% in the energy, oil, gas, and utilities sector – the highest of any single sector. However, those from the financial services industry report an average change of 2.16% which is at the lower end of the spectrum. Given the significant investment in digital transformation reported by financial services respondents in 2020, this shows the prior commitment to do so, and that such plans had not been derailed by the pandemic.

Clearly, organisations have had to pivot at speed to meet the strain placed upon them by the pandemic. This has meant redirecting and stretching budgets to ensure that critical digital transformation projects can continue and, in many cases, accelerate.

What does digital transformation look like moving forward?

Respondents' organisations' digital spend has been considerable, no doubt driven by a digitally savvy customer base and a need to gain better business insights, among other reasons. However, many decision makers still believe more could be done, with 83% agreeing their organisation needs to increase the pace of its digital transformation. This opinion is fairly unanimous across all the regions and verticals surveyed.

The Internet has greatly reduced competitive margins for many industries. This has been compounded by the onslaught of new and pressing challenges over the past year. As such, the need for bigger, better, faster and more robust solutions is palpable with businesses clamouring for any competitive edge. Indeed, 97% of respondents reported their organisation is prioritising investment in new technology.

For instance, artificial intelligence (AI) is cited as one of the key technologies (41%) being prioritised, which is almost certainly a result of businesses attempting to better understand their customers.

Aside from AI, other technology areas commonly being prioritised include 5G (35%), Internet of Things (34%), and edge computing (30%), all of which are geared towards enhancing network performance, connectivity, and security. Interestingly, UK and Ireland respondents were the most likely to report that their organisation is prioritising investment in AI (53%), the Internet of Things (48%) and 5G (37%).

Whilst a tough and turbulent time, the pandemic has also been something of a lightbulb moment for businesses across Europe, that have realised they can no longer get bogged down in legacy. The emphasis now must be on acceleration and progression. Prioritising the aforementioned technologies is among the best ways to guarantee that positive steps are being taken, with benefits for customers, employees and the wider business all within reach.

Organisation culture has often been overlooked in the past, but now more than ever this is not a trap that businesses can continue to fall into. Digital transformation and innovation initiatives can play a critical role in driving cultural improvements and enhancements.

Key advantages that can be derived from digital transformation projects include an improved culture of productivity (53%), improved relationships with supply chains (47%), and improved collaboration (46%).



Figure 3: How do, or would, digital transformation and innovation projects improve your organisation's culture? [500] omitting some answers (1%).

However, before these cultural benefits, and all of the other potential positives that come with digital transformation projects are realised, organisations must change the way they approach these initiatives. The key issue is around who is involved in these projects.

When questioned on department influence, more than four in ten (43%) respondents believe the IT department does not have enough influence on the planning and execution of digital transformation projects in their organisation. This opinion is not merely limited to ITDM (45%) respondents as 41% of BDMs stated the same.

It is evident that business leaders from around Europe understand how important it is to push ahead with their digital transformation plans – any level of hesitation could easily leave organisations lagging behind their competitors and struggling to fully recover from the impacts of the pandemic.

Whatever digital transformation means for your organisation, it is imperative that you continue to pursue your long-term goals, even if that means you have to deviate along a slightly different course as a result of adverse developments.

Section 2

Agility – A business necessity



The agility of a business is increasingly a key indicator of success, and that has never been truer than in the midst of a global pandemic. So, how can you enable business agility?

According to 40% of respondents, flexible working is among the top enablers. What had already edged into people's psyche was thrown into universal necessity by COVID-19, and flexible working will continue long into the future. Not only does this keep a happy workforce, it also opens up the talent pool for future employment.

Other commonly cited enablers include data analytics (37%), investment in emerging technologies (36%), and the cloud (35%).

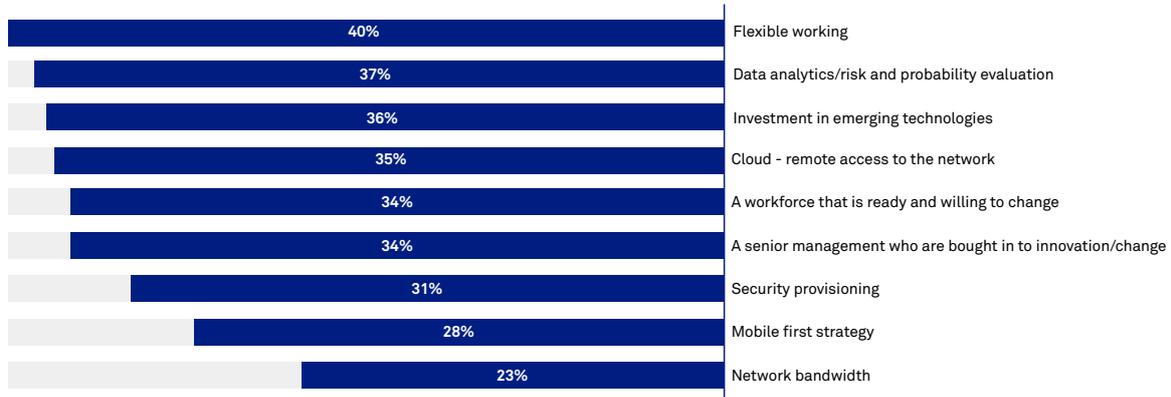
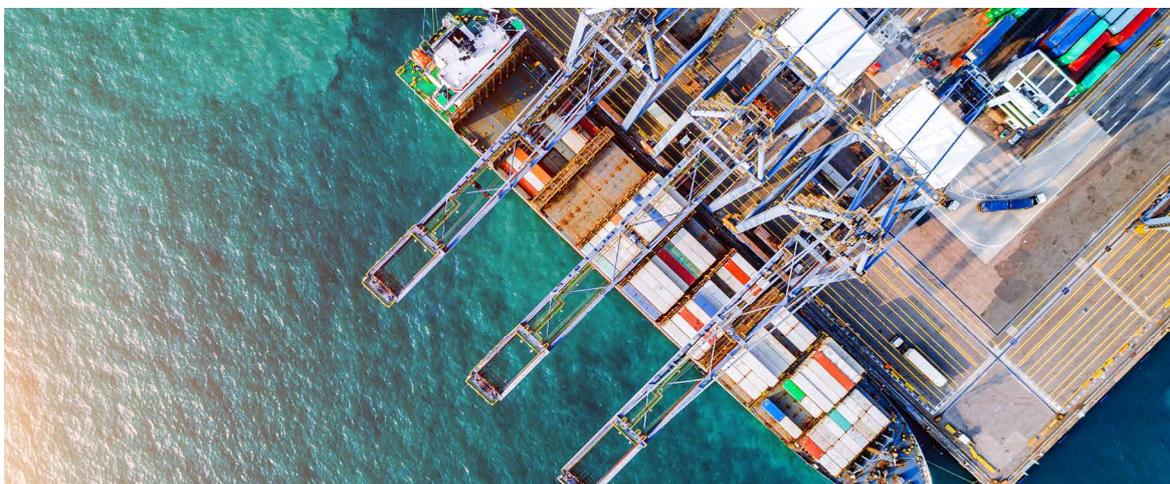


Figure 4: "Which of the following do you believe are the top enablers of business agility? Combination of responses ranked first, second and third" [500] omitting some answers (1%).

It should come as little surprise that all of these areas can be categorised under the broader umbrella of digital transformation. After all, business agility and digital transformation are inherently linked, which is a fact that most respondents are acutely aware of. Nine in ten (90%) agree that organisations must implement successful digital transformation projects if they are to become truly agile.

Looking beyond the core business function and employees, however, sits a third key aspect of a successful digital transformation strategy: supply chains. Throughout the pandemic, organisations have been heavily reliant on their supply chains, probably leaning on them in ways that they previously didn't think were possible. But now that they have proven their value, it is time to further leverage these relationships.

Just under nine in ten (89%) respondents agree that involving members of their supply chain within digital transformation and innovation projects could lead to improved success for their organisation. This is relatively consistent amongst all surveyed verticals with a notable peak (95%) in the financial services sector, while those from business and professional services (83%), and retail, distribution, and transport (82%) are the least likely to agree.



Having assessed the value that supply chains provide, 41% of respondents reported that expanding these networks is one of the main ways that their business plans to grow over the next five years. To put this in perspective, the only other objectives more commonly cited were forming strategic partnerships (47%) and new product development (46%), both of which will be directly linked to supply chain expansion if they are to prove successful.

Therefore, with this increasing dependence on supply chains, it should be a cause for concern that only 27% of respondents believe that the agility of their organisation's supply chain is excellent with no improvements required. There should definitely be a sense of urgency among the 22% who reported the need for notable or significant improvements in this area, with this being particularly true for those in France (25%) as well as the UK and Ireland (25%).

However, it appears that so far in the pandemic, organisations and their supply chains have coped relatively well with the changing global environment. Around a quarter (24%) of respondents believe that their organisation has fully adapted to the changes necessitated by COVID-19 and its resulting impacts, while a slightly larger proportion (26%) say the same for their supply chain. Across the regions it is those from France (32%) and the UK and Ireland (29%) who are most likely to report full adaptation within their supply chain. One thing is for certain though, the pandemic has acted as a catalyst for change – 79% of respondents believe that their organisation, including its supply chain, is more agile today as a result of COVID-19.

The challenge now is maintaining this agility and, where possible, increasing it further.

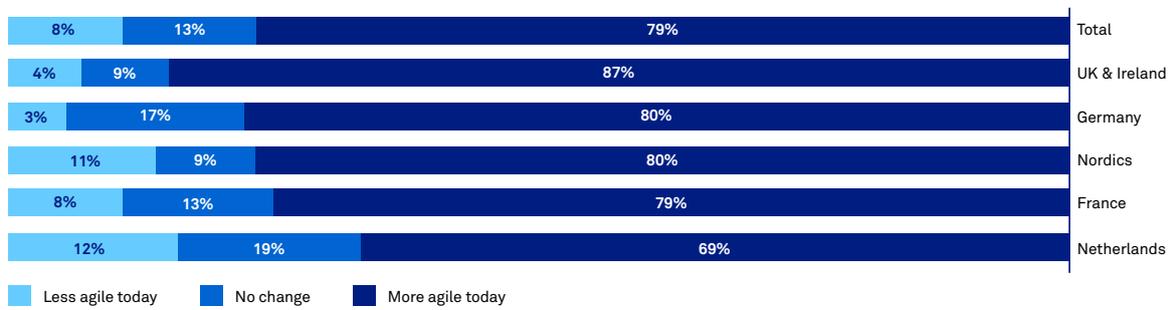


Figure 5: “How do you believe that the agility of your organisation today (including its supply chain) has changed as a result of the Coronavirus pandemic?” [500] omitting some responses (<1%), split by country.

Striving for an adaptive, cloud-centric network



As organisations settle into the new ways of working, it is time to assess and revise targets for 2021 and beyond. As we've explored, one approach is via supply chain expansion and ensuring partner organisations have the agility to meet any new challenges.

Similarly, organisations should look internally and at their network infrastructure. The network is the driving force for all IT and business processes, which means any downtime or dips in performance seriously compromise day-to-day operations.

While it may seem stating the obvious for organisations to address any underlying network issues as a priority, our research shows there is some work to be done here. Only 28% of respondents believe that there is no room for improvement when it comes to their organisation's network, with this remaining fairly uniform across all surveyed European countries.

Among the main areas for improvement are the ability to scale bandwidth up and down to meet demand (36%), and increased automation and use of software defined networking (35%). Slightly fewer (27%) point towards re-architecting the network to enable migration of applications to the cloud.

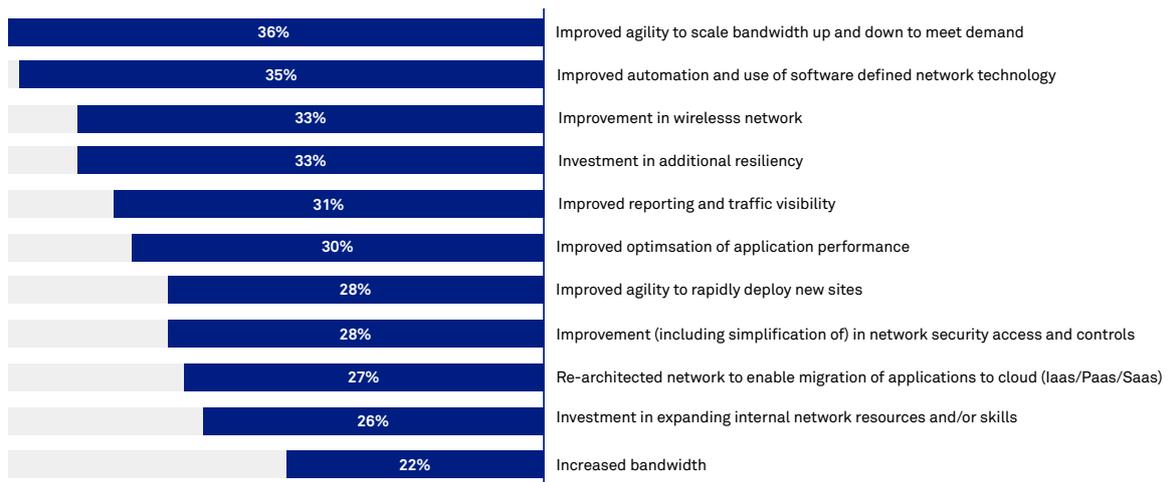


Figure 6: "Which of the following aspects of your organisation's network capabilities require improvement?" [356] omitting some answers (1%), respondents who believe that there is room for improvement when it comes to their organisation's network capabilities.

When it comes to cloud, only 23% of respondents report that their organisation has a cloud-first strategy where everything is built for, stored in and updated via the cloud. There has been an increasing shift toward a cloud-first strategy within organisations, but this doesn't mean it is the only approach to take.

This is demonstrated by the fact that 25% of respondents' organisations have a cloud strategy that is not specifically cloud-first, and a further 13% are exploring hybrid options. Ultimately, organisations must choose an approach that best suits their needs, whether that be cloud-only or a hybrid model, but either way, they cannot afford to forego the agility benefits that cloud can deliver for their network and business performance.

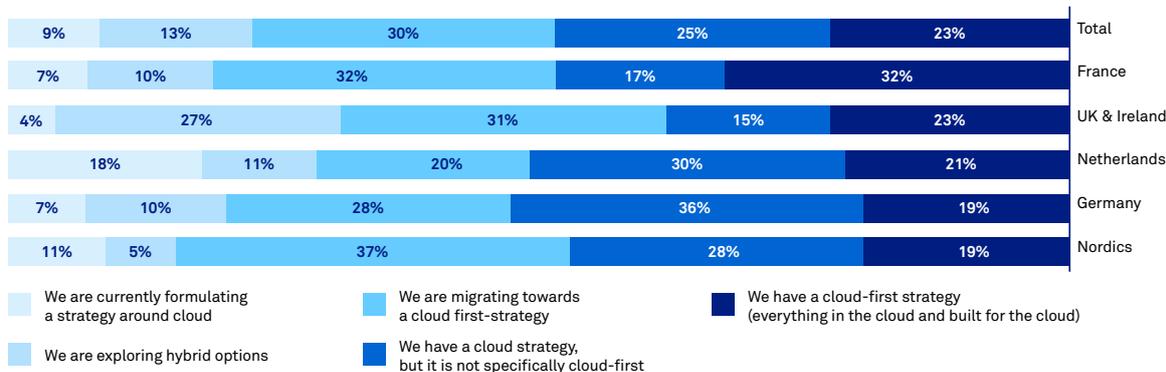


Figure 7: "Which of the following best describes your organisation's cloud strategy?" [500] omitting some responses (<1%), split by country.

Evidently, organisations must find a way of optimising their cloud computing capabilities. Only 28% of respondents believe their organisation's capability in this area is excellent, with no room for improvement – this is only slightly higher than the proportion (24%) who reported that significant or notable improvements are needed.

From a country perspective, those in Germany (35%) and France (30%) are the most likely to believe that their organisation's cloud computing capabilities are excellent. This lines up with the data around cloud strategies, with respondents from these two countries also most likely to report having implemented a specific cloud strategy – cloud-first or otherwise.

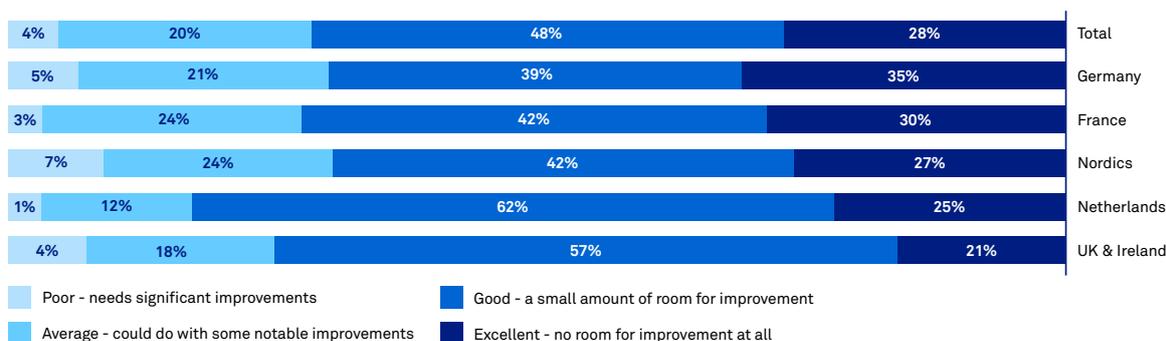


Figure 8: "How would you rate your organisation's strategy/capabilities in the following areas?" "Cloud computing" [500] omitting some responses (<1%), split by country.

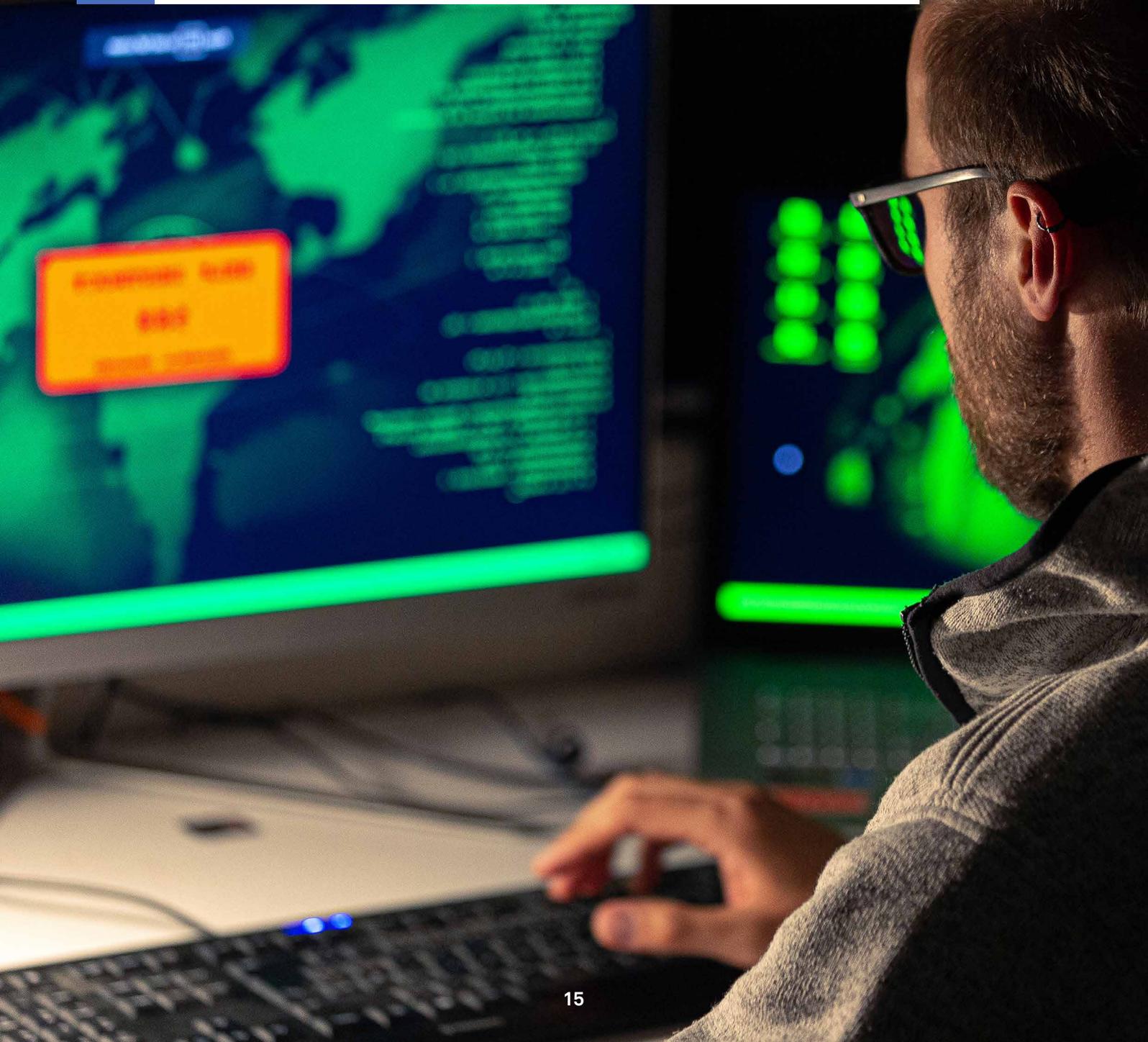
When asked to identify what needs to improve in their cloud computing capabilities, almost half (49%) pointed to the need to migrate more applications to the cloud.

Further, nearly half (46%) of respondents wanted to simplify their cloud adoption approach, focus on staff development through cloud training (44%), and improve their understanding of what the cloud could do for them (40%). Tapping the full potential of cloud technology is possible only if those responsible for its implementation and maintenance understand its full capabilities, and how this is linked to the way their organisation wants to use it.

With the rapid advances in technology in recent years, the use of cloud is no longer a punt; it's a business necessity. Once a tool used almost solely for data storage, it has become a platform for a sizeable volume of work. This makes cloud a business imperative for organisations looking to ride out the pandemic.

Section 3

Security – An ever-evolving and challenging landscape



Cybersecurity is more important now than ever before. This is in no small part down to the vast volumes of data that organisations collect and store on their customers, employees, partners and competitors alike, and the related laws and regulations which can make cybersecurity breaches even more difficult to bounce back from than they were previously.

For senior decision makers, the prospect of a cyberattack that results in data theft or significant downtime brings about an impending sense of dread – and if it doesn't, it should.

Unfortunately for organisations, cybercriminals are opportunistic in nature. The current pandemic, coupled with a fragmented workforce, has presented a unique opportunity for bad actors to increase the frequency and sophistication of their efforts to wreak havoc and gain access to valuable information. Almost two thirds (65%) of respondents report more cyberattacks on their organisation during the pandemic. It appears from our research that Nordic organisations are a particularly valuable target, given the higher proportion (79%) of respondents from this region reporting an increased volume of attacks.

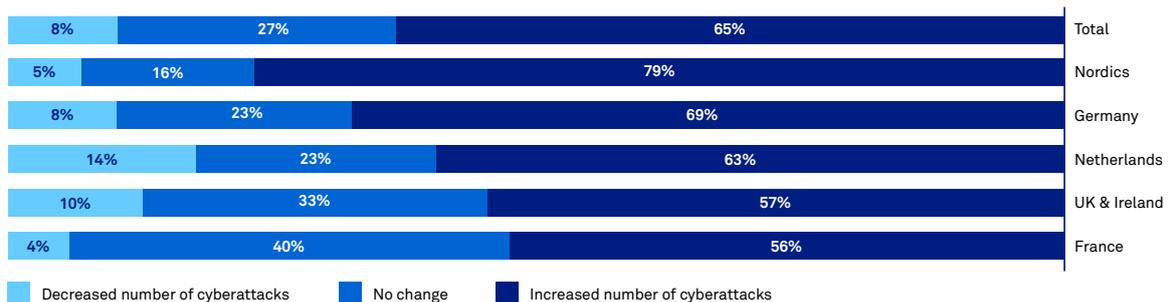


Figure 9: “How, if at all, has the coronavirus pandemic impacted the number of cyberattacks your organisation has experienced?” [500] split by country.

Notably, the industry vertical where respondents report the greatest increase in the number of incidents is energy, oil, gas, and utilities (80%). With this sector responsible for the critical infrastructure of countries, any downtime from a successful cyberattack will clearly have a negative impact.

The increased dependence on supply chains during the pandemic means it is crucial for organisations to be on the same page as their partners when it comes to security. This requires direct and honest conversations, as well as frequent check-ins. Such a requirement has become particularly pressing, as more than four in ten (45%) of those to have seen an increase in the volume of attacks, report a higher incidence of supply chain attacks as a result of the pandemic, making it the most commonly cited attack vector. Respondents from the Netherlands are by far the most likely (67%) to report an increase in this type of attack.

The problems don't stop there. Respondents reported a host of other attack vectors on the rise, including phishing (44%), fake contact tracing apps and calls (43%), and ransomware (43%). Needless to say, this paints an increasingly urgent situation for organisations, with all of these attack types able to inflict major damage.



On a more positive note, it appears that organisations have heeded these warnings, as 56% of respondents report that improving cybersecurity, which includes security culture/hygiene, is among the key priorities in their COVID-19 recovery strategy. This even comes ahead of increasing the pace of digital transformation projects (51%) and increasing investment in emerging technologies (50%), both of which can sharpen organisations' competitive edge as they emerge from the pandemic.

This understanding of how vital cybersecurity is to enable the wider aims of the business likely explains why just over a quarter (27%) of respondents believe that their organisation's IT security is excellent, with no room for improvement. While this proportion does rise to 33% among Nordic respondents, it is clear that the majority appreciate they cannot let their guard down. Security breaches carry a heavy reputational cost with customers trust being on the line, while potentially leading to severe financial penalties as a result of non-compliance with regulations.

There is no room for error when it comes to security, and decision makers have realised that there is always something that can be done to strengthen their defences.

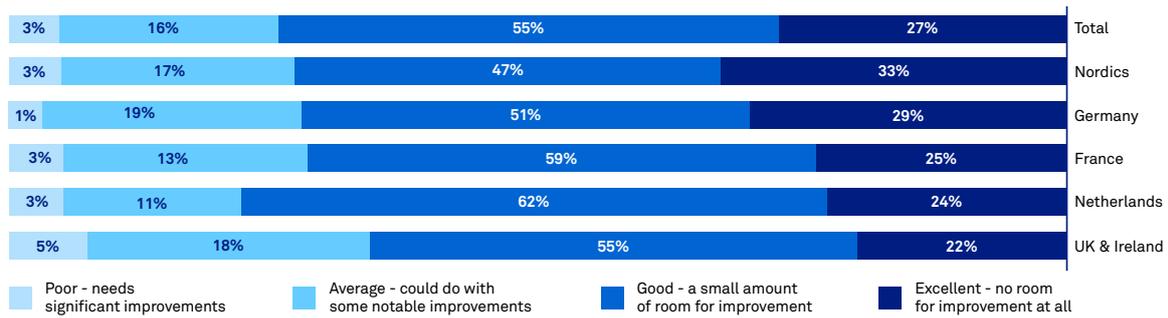
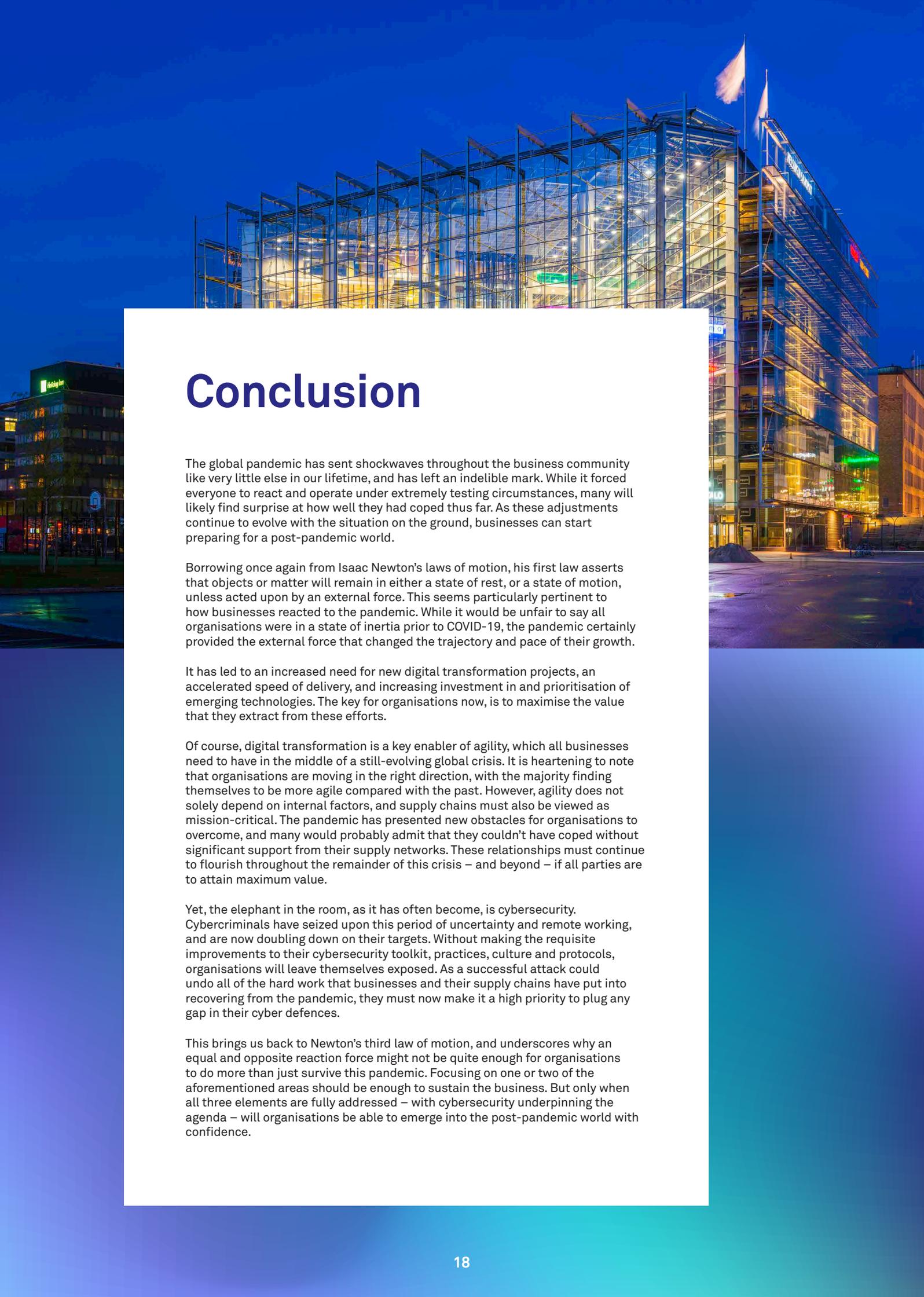


Figure 10: "How would you rate your organisation's strategy/capabilities in the following areas?" "IT security" [500] split by country.



Conclusion

The global pandemic has sent shockwaves throughout the business community like very little else in our lifetime, and has left an indelible mark. While it forced everyone to react and operate under extremely testing circumstances, many will likely find surprise at how well they had coped thus far. As these adjustments continue to evolve with the situation on the ground, businesses can start preparing for a post-pandemic world.

Borrowing once again from Isaac Newton's laws of motion, his first law asserts that objects or matter will remain in either a state of rest, or a state of motion, unless acted upon by an external force. This seems particularly pertinent to how businesses reacted to the pandemic. While it would be unfair to say all organisations were in a state of inertia prior to COVID-19, the pandemic certainly provided the external force that changed the trajectory and pace of their growth.

It has led to an increased need for new digital transformation projects, an accelerated speed of delivery, and increasing investment in and prioritisation of emerging technologies. The key for organisations now, is to maximise the value that they extract from these efforts.

Of course, digital transformation is a key enabler of agility, which all businesses need to have in the middle of a still-evolving global crisis. It is heartening to note that organisations are moving in the right direction, with the majority finding themselves to be more agile compared with the past. However, agility does not solely depend on internal factors, and supply chains must also be viewed as mission-critical. The pandemic has presented new obstacles for organisations to overcome, and many would probably admit that they couldn't have coped without significant support from their supply networks. These relationships must continue to flourish throughout the remainder of this crisis – and beyond – if all parties are to attain maximum value.

Yet, the elephant in the room, as it has often become, is cybersecurity. Cybercriminals have seized upon this period of uncertainty and remote working, and are now doubling down on their targets. Without making the requisite improvements to their cybersecurity toolkit, practices, culture and protocols, organisations will leave themselves exposed. As a successful attack could undo all of the hard work that businesses and their supply chains have put into recovering from the pandemic, they must now make it a high priority to plug any gap in their cyber defences.

This brings us back to Newton's third law of motion, and underscores why an equal and opposite reaction force might not be quite enough for organisations to do more than just survive this pandemic. Focusing on one or two of the aforementioned areas should be enough to sustain the business. But only when all three elements are fully addressed – with cybersecurity underpinning the agenda – will organisations be able to emerge into the post-pandemic world with confidence.

Appendix

Research scope and methodology

Telstra commissioned independent market research specialist Vanson Bourne to undertake the research for this white paper. A total of 500 senior IT and business decision makers, including C-suite employees, were interviewed during September and October 2020, with representation around Europe. Respondents had to be from organisations with at least 1,000 employees and came from a range of private sectors.

The interviews were conducted online and were undertaken using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate. Unless otherwise indicated, the results discussed are based on the total sample.

The research included the following number of interviews from each of the below countries, sectors and size bands:

Country

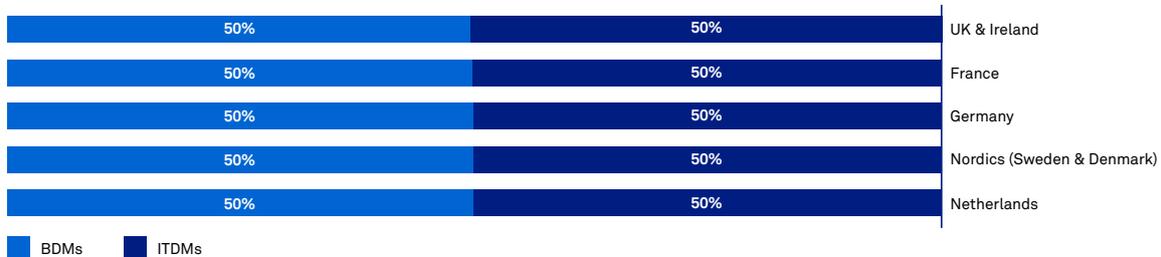


Figure D1: Showing respondent country [500] split by respondent type.

Sector

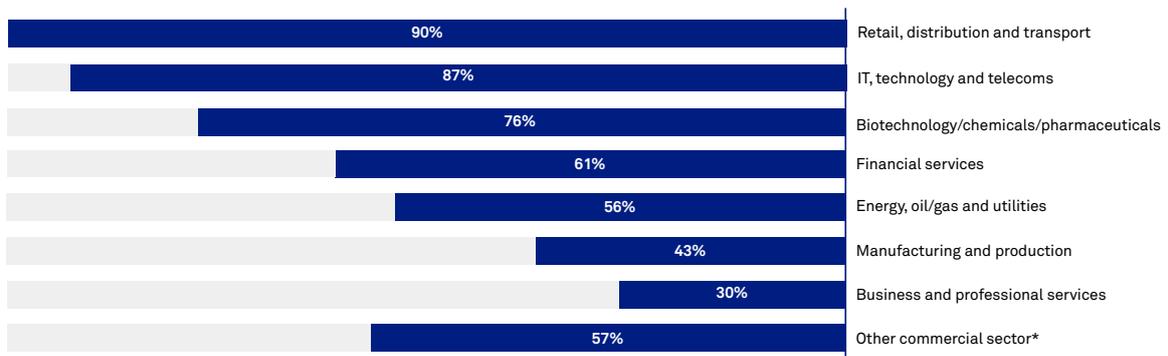


Figure D2: Within which sector is your organisation? [500].

*The "Other commercial sector" group comprises the following individual sectors (base in brackets): Construction or mining (14); Consumer services (10); Healthcare products and technologies (6); Leisure/entertainment (3); Media (11); Private education (7); Property (1); Travel/tourism (5). Individually, the base number in each of these sectors is not large enough for drawing robust and reliable conclusions/comparisons, but the overall group of 57 respondents can be used for this purpose.

Number of employees



Figure D3: How many employees does your organisation have globally? [500].



To find out how Telstra can help your organisation navigate the post-COVID landscape and support your digital transformation journey, visit telstra.co.uk or contact your local representative on tg_sales@team.telstra.com.

