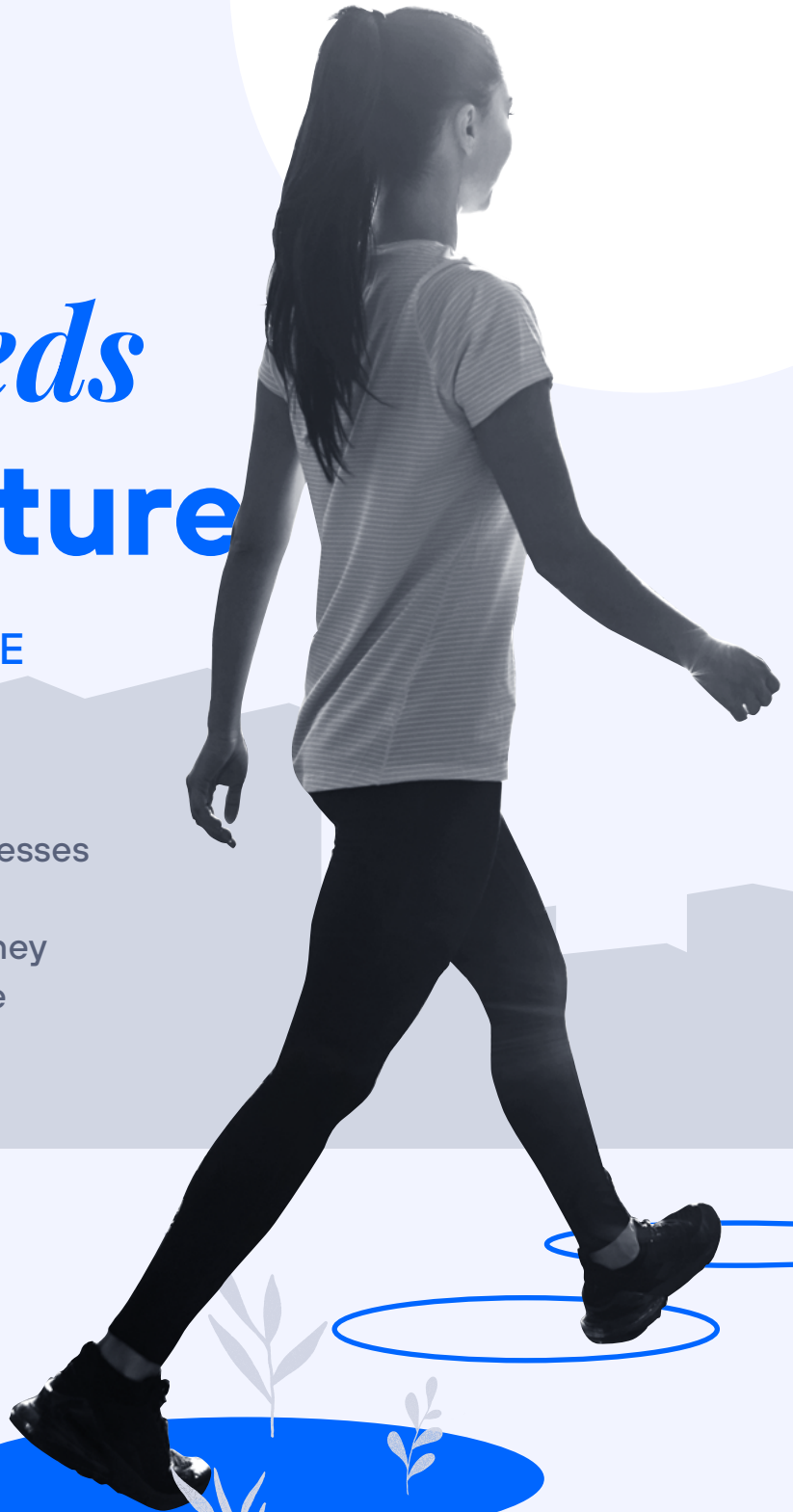


Planting *Digital Seeds* for the Future

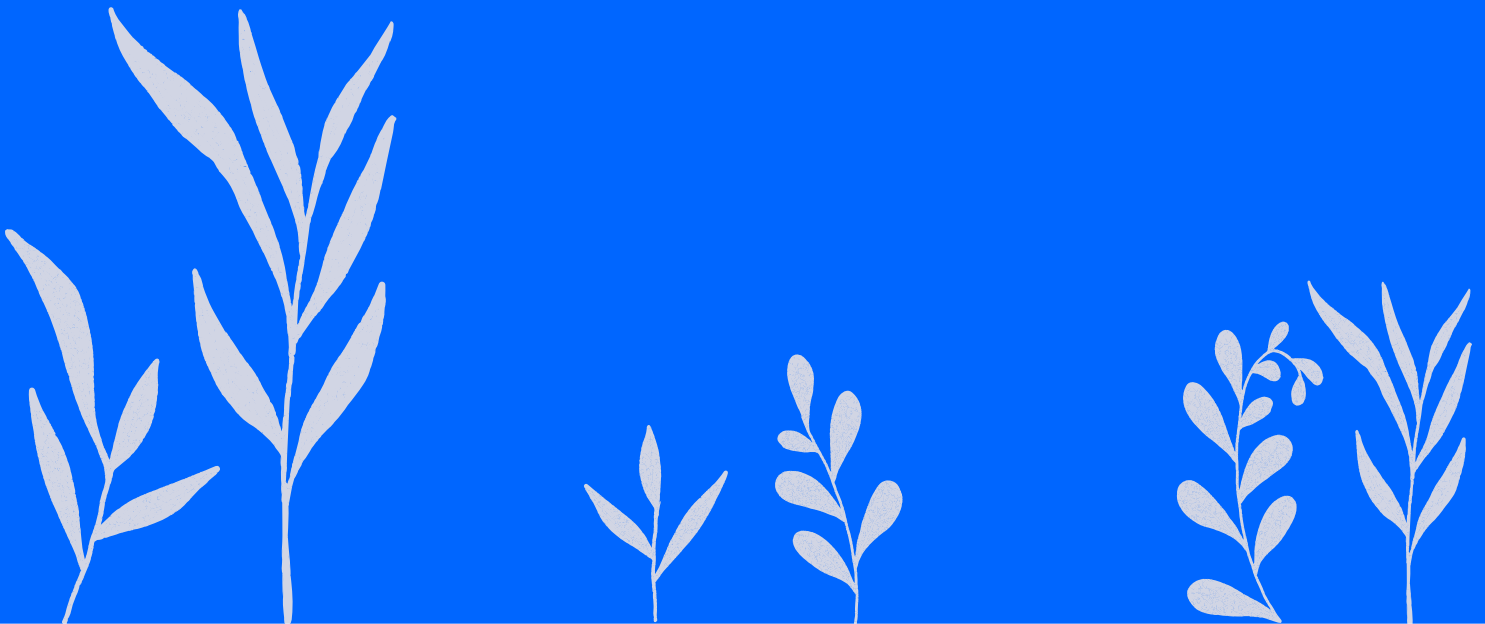
A UK & IRELAND PERSPECTIVE

How will the ICT decisions that businesses relied on during the pandemic serve them in the long term and how can they now act with hindsight to drive future sustainability?



Index

1. Introduction.....	2
2. Methodology	3
3. Key findings	3
4. ICT investment is a significant factor in response to the pandemic.....	4
5. ICT investments – a recipe for long-term success?.....	5
6. Challenges that will make or break an organization.....	7
7. A lesson in every crisis.....	9
8. Current status of ICT strategies	11
9. Conclusion	13





1. Introduction

[The vast majority of businesses](#) were already heading on a digital transformation journey to some extent before the pandemic struck. But the crisis has significantly accelerated this need for organisations around the world. In this research study, Telefónica Tech sought to find out how businesses, including those in the UK and Ireland, turned to digital services when adapting to the conditions of the pandemic. The move to remote working en masse was certainly a reason to advance digital transformation strategies, yet it must be said that the speed of events and requirement for change were not necessarily conditions conducive to long-term strategic decision making.

Now that we have eased out of the toughest lockdown restrictions, the strategy should be less about using technology to fight fires and much more about planting 'digital' seeds for the future.

There is so much to be learnt from the way that businesses responded to the crisis, so that we can act with hindsight and meaningfully plan for the future. This study will look at some of the lessons learnt, the challenges faced and how ICT decisions made will serve organisations in the long term.



2. Methodology

This research project surveyed a total of 810 IT professionals in Brazil, Germany, Spain, UK and the Republic of Ireland, aged eighteen and over, and was conducted by Perspectus Global on behalf of Telefónica Tech during December 2021.

This report will focus specifically on the results received from the 210 respondents in the UK and Ireland, who work in a range of ICT job roles across small, medium and large enterprises and MNCs, with 55% being of Management to Board level, and all respondents declared that they are either the sole decision maker (63%) or have influence over the IT decision making (37%) for their business.

3. Key findings

81% of businesses surveyed in the UK and Ireland made expedient ICT purchases during the pandemic that serve no long-term purpose.

53% brought forward strategic ICT plans - including collaborative and cloud technology - to deal with the pandemic.

31% quickly pivoted their business and overhauled their ICT as a result of the pandemic.

38% had left themselves open to potential security vulnerabilities by poor remote working practices prior to the pandemic.

45% realised greater technology efficiencies, but needed people-based processes to catch up.

Top challenges in order of priority remain 'addressing the scarcity of talent and digital dexterity', 'enabling multiple and competing business outcomes' and 'redesigning work for a hybrid model'.

Parts of ICT strategy are still in recovery mode for 34% and 21% are still on a 'war footing'.

Over the next 1-2 years, the majority of companies plan to invest more in their ICT (60%).



4. ICT investment is a significant factor in response to the pandemic

An overwhelming majority (98%) of the IT decision makers surveyed in the UK and Ireland reported that they used ICT in some way to lead change in their organisation during the pandemic.

The top response was that they 'brought forward strategic ICT plans - including collaborative and cloud technology - to deal with the pandemic' (53%). This trend was slightly more noticeable in large enterprises with over 1000 employees (63%). 45% of respondents said that this action was successful and that they are reaping the rewards of accelerating these business plans. When compared with the ICT approaches of other countries, more IT decision makers in the UK and Ireland chose to bring forward strategic ICT plans than Brazil (48%), Germany (47%) and Spain (42%).

The other common response was that businesses 'quickly pivoted and overhauled ICT as a result of the pandemic' (31%), and this approach was noticeably higher in small to medium size businesses (50%).

The research also found that the strategy of dealing with the pandemic for 13% of respondents centred on more

effective use of technology that they already had in place, rising to 21% in the case of micro businesses. This trend was more prevalent in sectors such as healthcare (50%), construction (33%) and manufacturing (33%) in the UK and Ireland.

Of the respondents that took this strategy during the pandemic, 51% said that this action was successful. Interestingly, there were very mixed feelings about this when you look at the breakdown by company size, for example, 100% of respondents from companies with 101-5000 employees felt that this action was successful, compared to just x% of respondents with 11-100 employees, and x% of respondents with more than 5000 employees.

Only 2% of respondents made no changes to their ICT at all. It's telling that of the changes made, accelerating ICT plans and overhauling their ICT to enable them to pivot their business are two of the leading take-aways for respondents during the pandemic. This was the case for businesses of all sizes and our results show that in the majority of cases, not only have they survived, they've thrived and are reaping the rewards.

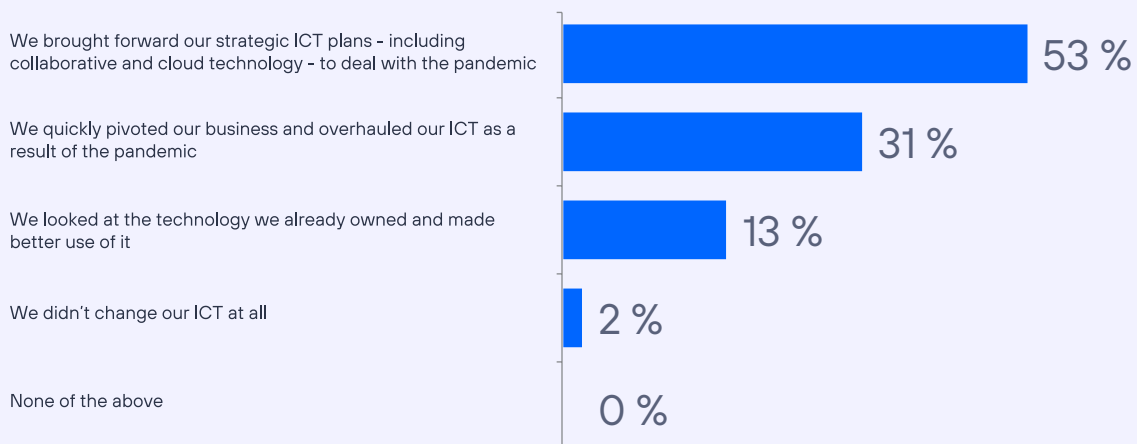


Figure one (in the UK and Ireland): 'Which of the following statements apply to your business in relation to your response to the pandemic?'

The findings do raise questions about what organisations were doing pre-pandemic, especially those that have achieved success with technology and tools that they already own (59%). This alludes to the notion that a portion of IT budgets were being under-utilised and therefore,

wasted. [In 2020, McKinsey](#) reported that prioritisation was perhaps the biggest barrier to digitisation prior to the crisis. Just over half of respondents in its research stated that it just wasn't a priority before the pandemic .

5. ICT investments – a recipe for long-term success?

Whilst on the whole, the majority of IT decision makers surveyed in the UK and Ireland stated that their organisation's response to the pandemic was either excellent (30%) or good (63%), the results also highlight that these responses will not necessarily stand the test of time.

The research asked the respondents whether they invested part of their ICT budget on expedient purchases and fixes that would serve them no long-term strategic value. The

overwhelming response was that 81% agreed with this (33% completely agreeing and 48% somewhat agreeing).

There is a suggestion here that for these respondents, some investments were more of a knee jerk reaction to the pandemic. It is also fair to assume that at least some of those organisations that deemed their response successful were only looking through the lens of whether their ICT served them through the pandemic, rather than laying the foundations for long-term strategic growth.



This is perhaps unsurprising given that the speed of events and requirement for change are not necessarily conditions conducive to long-term strategic decision making. But if we were to look at a root cause for this, the research also found that IT decision makers claim that a key lesson learnt during the pandemic was a need for greater collaboration from the business to make better ICT decisions (52%). This rose to 61% in small businesses in the UK and Ireland. This infers that the issue is not whether or not to invest in technology, but more about the strength of the decision-making process.

Looking ahead, the extent to which ICT investments over the past 18 months will boost future business resilience and growth is a key learning of the pandemic. In McKinsey’s ‘innovation in crisis’ report in 2020, it highlights that organisations were prioritising short-term goals and deprioritising innovation and this could impact their ability to remain competitive in the recovery period.

Importantly, now that we have eased out of the toughest lockdown restrictions, the strategy should be less about using technology to fight fires and much more about planting seeds for the future.

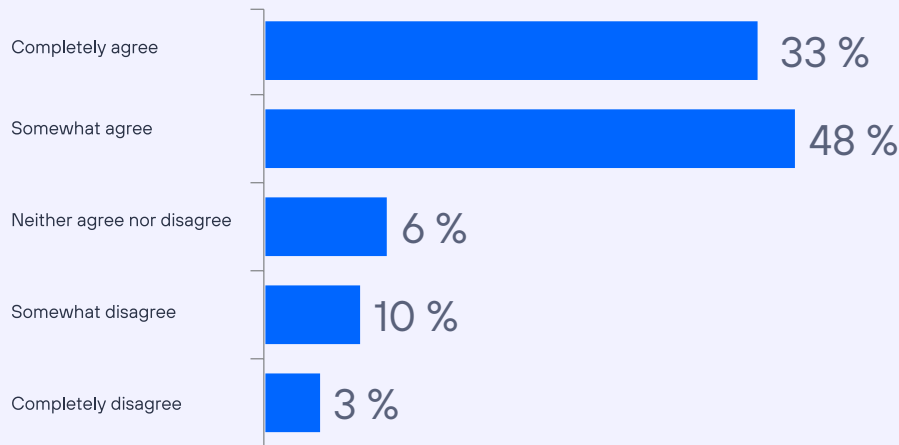


Figure Two (in the UK & Ireland): ‘To what extent do you agree with the statement: “We reacted to the pandemic by investing part of our ICT budget on expedient purchases and fixes during the pandemic that serve no long-term purpose”’



6. Challenges that will make or break an organization

Perhaps a strong indication of how organisations fared throughout the pandemic is by gauging how they would feel about withstanding another. When asked whether respondents felt that their ICT infrastructure was prepared, should another event like the pandemic occur, 49% said that they were prepared and ready to adapt to any number of different circumstances that may affect the operation of their business, and 48% said that they're somewhat better prepared than before.

That being said, the pandemic delivered several significant challenges that organisations currently need to contend with. 45% of respondents in the UK and Ireland reported that on the one hand they have experienced greater

technology efficiencies, but they now required people-based processes to catch up. To address this, it could mean anything from re-thinking how technology is used between people and teams, to sharing data and working together or to involve employees in deciding how the business uses technology to innovate for future growth.

The other key challenges involved greater employee training/education to meet the new operational demands (40%) and finding time to take stock and review and understand where the business is and the direction IT decision makers needed to take next (32%).

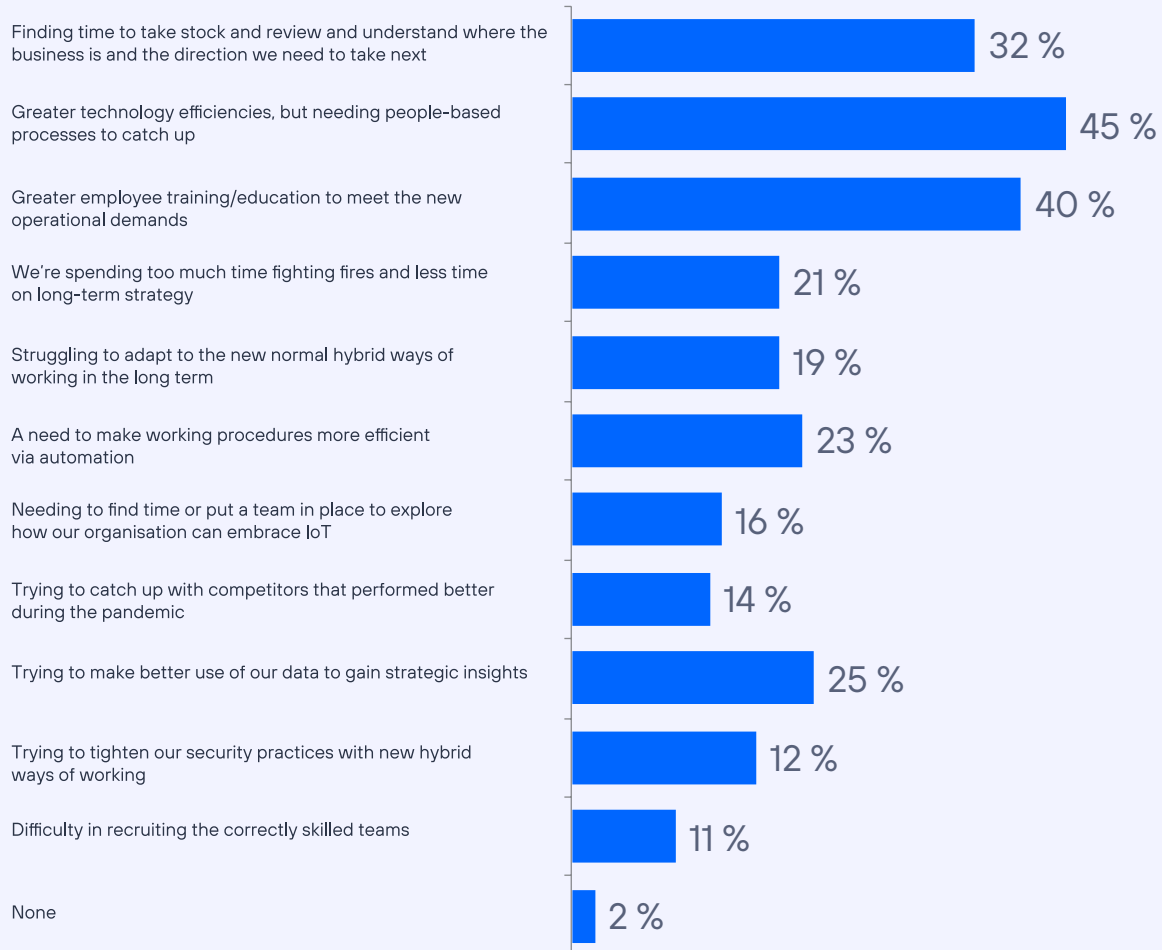


Figure Three (in the UK & Ireland): 'What are the current challenges that you're facing in your business?'



The pandemic has arguably given rise to a tidal wave of change for organisations to comprehend so these challenges may seem par for the course. But it's telling that each of the three top challenges are routed to a human element. If we look at the way that businesses innovate in the context of the "golden triangle" of [people, processes and technology](#), the 'people' element commonly comes first, after all, without people you have no organisation or service. Therefore, it's impossible to transform an organisation with technology alone.

Throughout the pandemic, the technology aspect of this triad has noticeably accelerated, but our research shows that the other two parts, 'people' and 'processes', now need to catch up.

But the pandemic has also introduced significant challenges in a wider business context. Respondents were asked to categorise some common challenges in order of importance starting with the one they are concerned with most. In order, respondents picked 'addressing the scarcity of talent and digital dexterity' followed by 'enabling multiple and competing business outcomes' and finally, 'redesigning work for a hybrid model'.

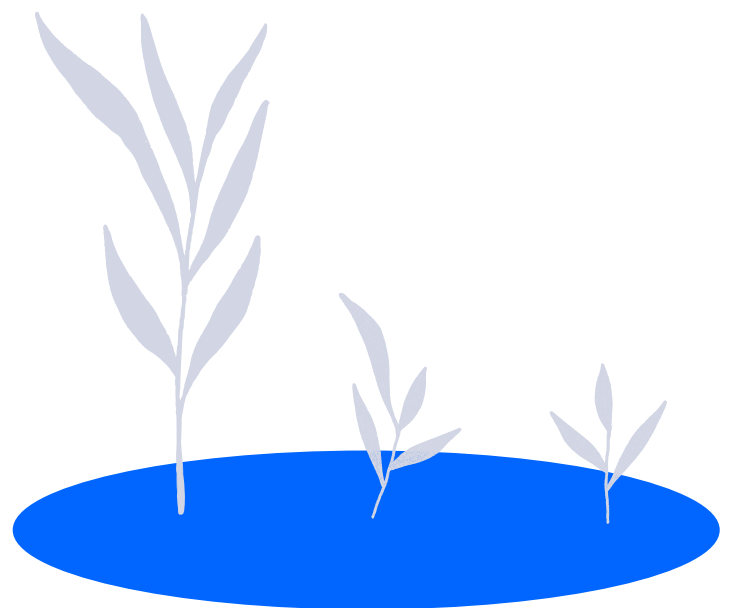
In this context, it's clear to see that technology is not only an enabler it's also a formidable force of its own that introduces its own set of challenges.

As McKinsey points out in its [2020 'innovation in crisis' report](#), "Competitive advantages shift dynamically as business models adapt to new market realities, and the core capabilities that made an organisation distinctive may suddenly be less differentiating. While the rise of digital has been mounting similar pressures for more than a decade, the current crisis has significantly exacerbated and accelerated its disruptive force."

And the expectation is clearly on IT leaders to guide organisations through this transformative phase to the future of work. [IDC predicts that](#) by 2023, 60% of CIOs will be measured by their ability to co-create new business models and outcomes through extensive enterprise and ecosystem-wide collaboration.

Whilst recognising the current challenges that exist, [IDC anticipates in its FutureScape: Worldwide CIO Agenda 2022 Predictions](#), that by 2025, 60% of CIOs will collaborate to harness industry ecosystem capabilities as a critical source of innovation, data sharing, differentiation and cyber security risk management.

The overriding notion is that the future looks bright with digital tools at the heart.



7. A lesson in every crisis

The pandemic also gave businesses the opportunity to take stock and gain some valuable lessons in the way that they adapt people and processes to their technology strategy. In the research, organisations share a number of key pandemic take-aways.

When asked about the lessons learnt, the top response was that organisations noticed there were huge efficiency gains to be had compared to the processes they had in place before the pandemic (54%). This trend was much higher for larger enterprises of 1001-5000 employees in the UK and Ireland (70%), and was also most prevalent in retail (80%), HR (75%), government/public sector (63%) and telecoms (60%) sectors.

When a business is able to realise efficiency gains that could be made in their business processes, it becomes a turning point. If less time is spent on activities that are simply 'keeping the lights on', an organisation inevitably frees up more time to innovate and differentiate service offerings during a period of great change, which is key to remaining competitive.

As mentioned earlier in this report, the other lesson reported was a need for greater collaboration from the business to make better ICT decisions (52%), rising to 61% of small companies. There were some noticeable trends within certain business sectors for which this resonated heavily. These are healthcare (80%), accounting (67%) and construction (67%).

The gains of this learning are potentially huge as businesses move to digital and cloud-based ways of working. Traditionally, the IT decision making process of an on-premise system could be lengthy and painful as the cost at the outset was much greater – it was a bigger purchasing decision. But that's all changed with the app-based Opex model of ICT services today. However, the risk here is that there is a tendency to make purchases at a departmental level which lack collaboration. Without taking a holistic view of the organisation, it's difficult to optimise ICT services, which can lead to spiralling costs. With greater collaboration across the entire organisation, businesses stand to achieve much greater cost advantages.





The third key lesson reported by 38% of respondents in the UK and Ireland was concerning the potential security vulnerabilities that they had left themselves open to by poor remote working practices. This was more prominent in IT (46%) and manufacturing (44%) and in medium size companies (50%).

But there were also some other harsh lessons uncovered in the research. Almost a third (30%) were not utilising the tools they already had access to, 26% found that they'd made some poor ICT decisions prior to the pandemic, and 20% realised that you can't rely on old processes and new technology; the two need to change in tandem.



Figure Four (in the UK & Ireland): 'What were the top three lessons learned from your experience leading your technology function through the pandemic?'

8. Current status of ICT strategies

According to Gartner, the reactive phase of the pandemic is now largely over and companies should be preparing to reach the 'next normal' exiting phase 3 of the analyst firm's COVID response model ('rebounding to the future') and moving into phase 4 ('accelerating opportunities'):

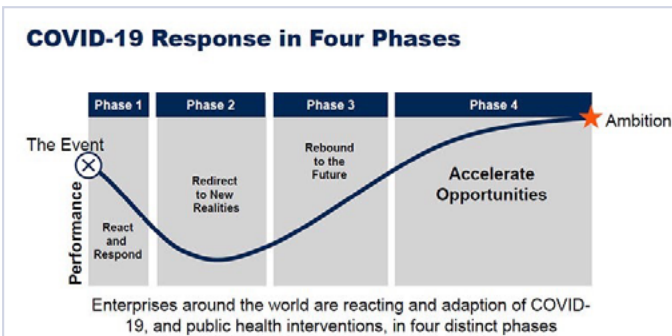


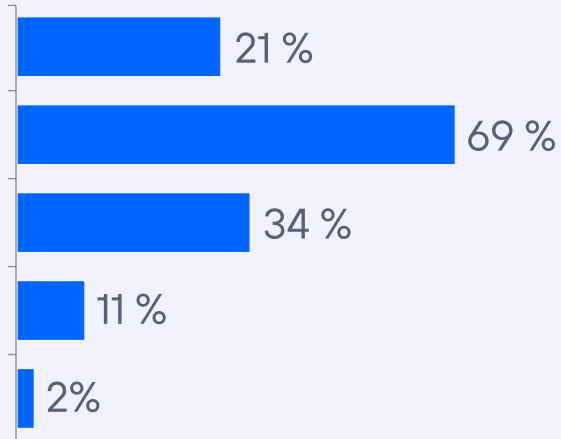
Image: Gartner's COVID 19 response in four stages.

Each and every organisation is navigating its own post-crisis recovery, therefore, it's difficult to pinpoint on average how far businesses have travelled along Gartner's trajectory. However, in our research, organisations reported a variety of stages that their ICT strategies currently exist in.

The majority of businesses surveyed in the UK and Ireland reported that the pandemic has accelerated their long-term ICT strategy so they're in a better position than before (69%) and this rises to 74% in the case of medium and 72% large enterprises 500 employees and above.

Yet over a third (34%) stated that parts of their ICT strategy are still in recovery mode and a further 21% even stated that they're still on a 'war footing' and dealing with the here and now with strategic long-term projects on hold for the time being.

We're still on 'war footing' and dealing with the here and now with strategic long-term projects still on hold



The pandemic has accelerated our long-term ICT strategy so we're in a better position than before

Parts of our IT strategy are still in recovery mode, but we're also reaping the rewards of pivoting during the pandemic

We're in the process of picking up our long-term ICT plans again after they were put on hold during the pandemic

None

Figure Five (in the UK & Ireland): 'Which of the following statements describes the current status of your ICT strategy?'



When asked about the future, respondents identified some significant, but understandable constraints to achieving their strategic ICT aspirations. These are presented in the chart below, but the top three cited in order are lack of internal skills (45%) – rising to 67% in small companies, lack of budget (37%), partner limitations (29%) and unproven technology (29%). The latter shows that there is still a reluctance or an element of caution exhibited towards new technology, or perhaps it signals how far many organisations still need to travel in their digital transformation journey.

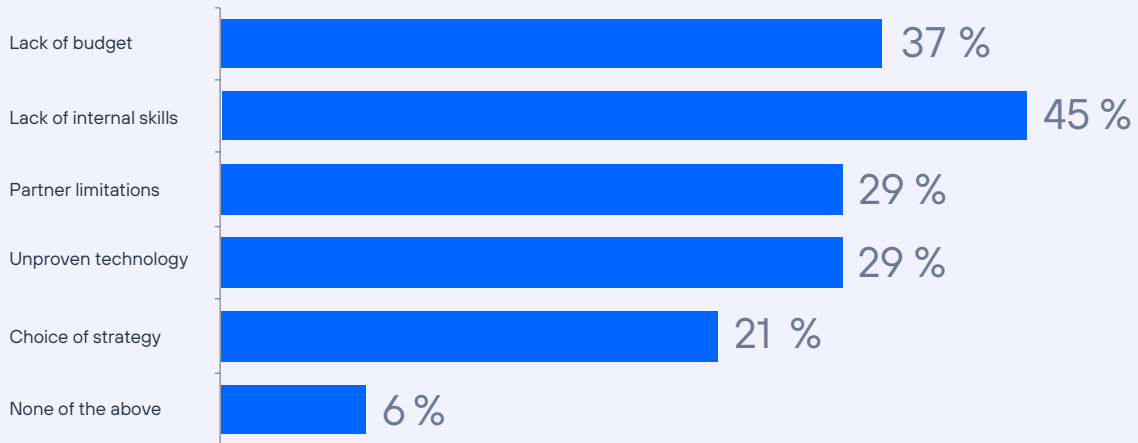


Figure Six (in the UK & Ireland): 'What are the primary constraints to your strategic ICT aspirations?'

Despite this, the aspiration for the majority of organisations is either to invest more in ICT (60%) or to invest the same in ICT (34%) over the next 1-2 years.

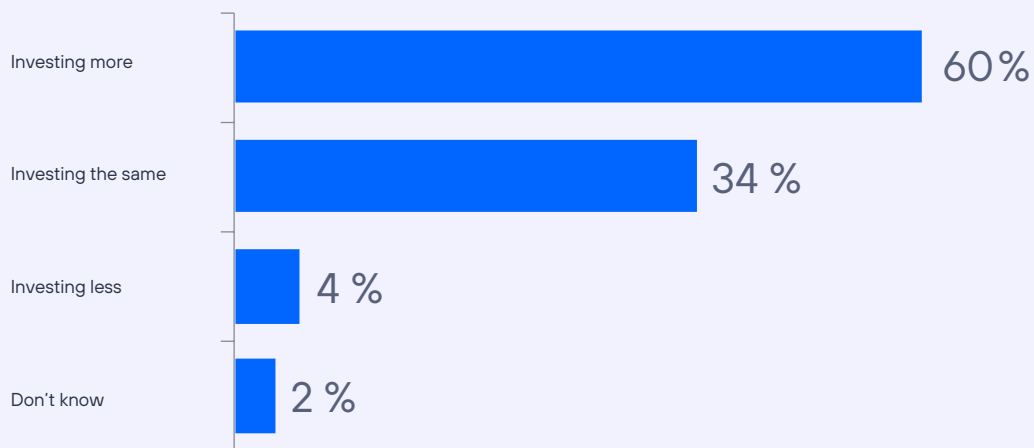


Figure Seven (in the UK & Ireland): 'What are your strategic ICT expenditure plans for the next 12-24 months?'



9. Conclusion

Preparing operations for the future of work is one of the defining problems of our time. Our research shows that the pandemic was without doubt a major catalyst for change. For 53% of respondents from the UK and Ireland this meant bringing forward strategic ICT plans, for 31% it meant a complete ICT overhaul. But for 13% this meant making better use of the technology that they already owned. After all, many organisations were already on their digital transformation journey to some extent – but in the majority of cases, the pandemic expedited this.

The pandemic was a testbed of epic proportions and the only certainty was that business disruption was the common denominator that linked organisations of all shapes and sizes. It's telling, yet unsurprising that 81% of respondents agreed that their organisation invested part of their ICT budget on expedient purchases and fixes that would serve them no long-term strategic value.

To some extent this is expected in the 'react and respond' phase of the pandemic, yet as we look ahead to the 'accelerating opportunities' phase, businesses must take what has been learnt and use it to understand which seeds to plant for the future.

Not only were there noticeable trends in ICT uptake, the decision-making process within organisations also looks set to improve. This is evident in 52% stating that a key lesson from the pandemic was a need for greater collaboration from the business to make ICT decisions. This goes some way to explaining why 26% reported that they'd made some poor ICT decisions prior to the pandemic and 30% were not utilising the tools they already had access to.

The majority of businesses surveyed in the UK and Ireland (69%) reported that the pandemic has accelerated their long-term ICT strategy so they're in a better position than before, a sign that they are moving into the 'accelerating opportunities' phase.

Yet, this is at odds with 21% of companies which claim they are still on a 'war footing' and dealing

with the here and now. This signals that there isn't a clear path out of the recovery phase for some organisations.

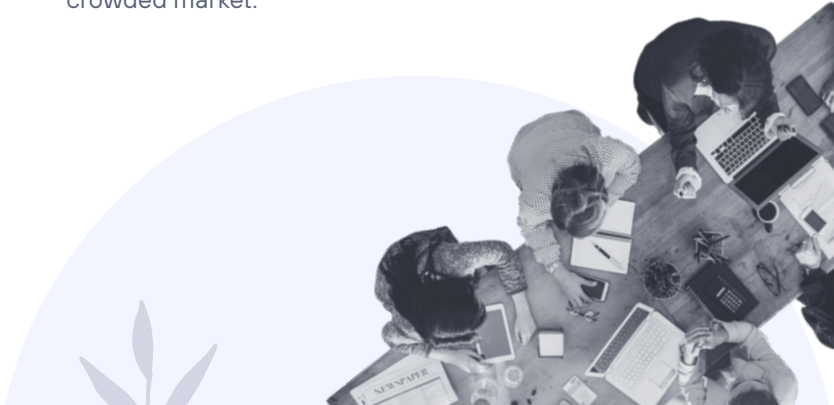
However, more so now than ever before, when it comes to ICT, signs of intent are being made explicit. Over the next 1-2 years companies in this region plan to invest more in ICT (60%) or the same (34%). But before these investments can pay off, Telefónica Tech has summarised four key areas for you to consider to take your business into the future:

- Carefully consider the application of technology holistically across the whole organisation. In the same way that digital tools are connecting businesses internally and with its customers, it's important not to skip the crucial collaboration stage that should inform the strategic decision-making process.
- It's impossible to transform an organisation with technology alone. Addressing an internal skills shortage was a challenge cited by 45% of organisations. Firstly, identify where those shortages exist by looking at the roles required to deliver your corporate strategy. Next, create an inventory of the skills that your employees already have and highlight any shortfalls before addressing how to close that gap.



- 45% of companies surveyed in the UK and Ireland said that they now require people-based processes to catch up with technology. There is a need to make sure that the right people are using the right technology, but also consider that there may be a reluctance from employees to embrace new technology.
- 40% of businesses reported a need for greater employee training/education to meet new operational demands. This involves both a time and a financial investment. Consider a variety of approaches according to the individual and allow time for a learning curve and for employees to 'sandbox' techniques of trial and error. View training as an ongoing initiative to make sure that the benefits of a digital solution are engrained among teams and business divisions.

According to Gartner, "we're now entering a new 'build' phase for IT budgets, in which CIOs are looking for partners who can think past the digital sprints of 2020 and be more intentional in their digital transformation efforts. This means building technologies and services that don't yet exist, and further differentiating their organisation in an already crowded market."



About Telefónica Tech



Telefónica Tech is the leading company in digital transformation. The company offers a wide range of services and integrated technological solutions in Cyber Security, Cloud, IoT, Big Data and Blockchain. With our worldwide presence and strategic hubs in Spain, Brazil, the UK, Germany, USA and Hispam, our capabilities reach more than 5.5 million B2B customers in 175 countries every day.

We unlock the power of integrated technology for all businesses, bringing together a unique combination of the best people, with the best tech and the best platforms, supported by a dynamic partner ecosystem. We do this in a simplified manner, to facilitate and accelerate tech adoption and make a real difference every day, to every business.

Telefónica Tech UK&I:

Telefónica Tech UK&I, previously known as CANCOM UK&I, was acquired by Telefónica Tech in July 2021.

In 2022, to add apps, data and analytics capabilities to the UK portfolio, Telefónica Tech acquired Incremental Group, making Telefónica Tech one of Microsoft's largest partners in the UK, with 16 Gold Competencies and 5 Advanced Specialisations.

In the UK and Ireland, Telefónica Tech is the brand name for the following legal entities: Telefónica Tech UK Limited, Telefónica Tech UK Managed Services Limited, Telefónica Tech Northern Ireland Limited and Telefónica Tech Ireland Limited. All of which were CANCOM entities until their official name change to Telefónica Tech at the start of October 2021.

[telefonicatech.uk](https://www.telefonicatech.uk)



References used in this document:

[McKinsey the next normal, the recovery will be digital](#)

[McKinsey: How COVID-19 has pushed companies over the technology tipping point – and transformed business forever](#)

[McKinsey: Innovation in a crisis. Why it is more critical than ever](#)

[Plutora: People, process, technology. The PPT framework explained](#)

[IDC Futurescape: worldwide CIO Agenda 2022 predictions](#)

[ZDnet: Tech budgets in 2022. Everything you need to know](#)

[Forrester: Europe predictions 2022: the future of work](#)

[Gartner. COVID-19: How Tech CEOs Can Lead Through a Disruptive Crisis in Four Phases](#)

Notes:

**The percentage figures in this report are presented as rounded numbers rather than with decimals. For example, 19.3% would be recorded as 19%.*

*** When referring to size of business we define a micro business as ten employees or fewer, an SME as 11-100 employees, a mid-sized business as 101 – 1000 employees, a large business as 1001 – 5000 and a large enterprise as 5000 or more employees.*

For more materials visit the [Planting Digital Seeds website](#)



2022 © Telefónica Cybersecurity & Cloud Tech S.L.U. with Telefónica IoT & Big Data Tech S.A. All right reserved.

The information disclosed in this document is the property of Telefónica Cybersecurity & Cloud Tech, S.L.U. ("Telefónica Tech") with Telefónica IoT & Big Data Tech S.A. and/or any other entity within Telefónica Group and/or its licensors. Telefónica Tech and/or any Telefonica Group entity or Telefónica Tech's licensors reserve all patent, copyright and other proprietary rights to this document, including all design, manufacturing, reproduction, use and sales rights thereto, except to the extent said rights are expressly granted to others. The information in this document is subject to change at any time, without notice.

Neither the whole nor any part of the information contained herein may be copied, distributed, adapted or reproduced in any material form except with the prior written consent of Telefónica Tech .

This document is intended only to assist the reader in the use of the product or service described in the document. In consideration of receipt of this document, the recipient agrees to use such information for its own use and not for other use.

Telefónica Tech shall not be liable for any loss or damage arising out from the use of the any information in this document or any error or omission in such information or any incorrect use of the product or service. The use of the product or service described in this document are regulated in accordance with the terms and conditions accepted by the reader.

Telefónica Tech and its trademarks (or any other trademarks owned by Telefonica Group) are registered service marks.



telefonicatech.com