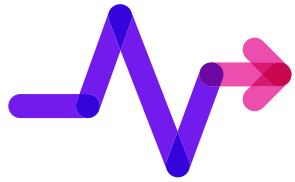# OMDIA

London Tech Week 2020

From survive to thrive:
digital leadership beyond the lockdown

In partnership with

IBM

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Introduction

The experience of lockdown during the COVID-19 pandemic has emphasised the criticality of areas including remote working, business agility, digital customer engagement, and supply chain continuity. In the new post-pandemic reality, these aspects of business are permanently changed, and if enterprises are to prosper then they must focus on accelerating their digital transformation programs, strengthening their business and technology platforms, and empowering their remote workforces, while reducing operational costs in response to budget pressures and managing risk.

Omdia has conducted a research project and survey on behalf of IBM, which examines UK enterprise attitudes to the impact of COVID-19 on digital innovation and business transformation, and provides thought leadership on how enterprise decision makers can succeed in the post-pandemic world. The survey seeks to identify how organisations across five key vertical sectors are planning to move beyond lockdown, the lessons learned during this period, and the perceived opportunities for accelerating transformation with technologies including cloud platforms, remote working, online commerce and the cognitive enterprise.

The survey also investigates the key pain points and challenges that organisations face in this renewal phase, including the importance of cybersecurity and the demand for increased resilience, and will examine the perceived criteria for selecting trusted technology vendors to partner with in this process.

Research methodology

For this study Omdia ran an online quantitative survey of decision-makers from 306 UK companies. The questionnaire was designed to examine enterprise attitudes to the impact of COVID-19 on digital innovation and business transformation, and provide thought leadership on how enterprise decision makers can succeed in the post-pandemic world.

Fieldwork took place during June and July 2020.

Respondent breakdown
Total respondents – 306

Respondents by industry

- ● Public Sector
- ● Telecoms & Media
- ● Consumer: CPG, Wholesale & Retail
- ● Banking/Financial Markets
- ● Healthcare

21%
19%
21%
19%
20%
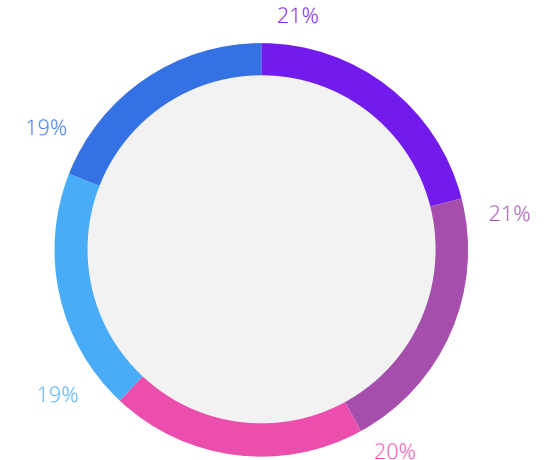
Respondent companies by size (number of employees)

- ● 250 to 1000
- ● 1001 to 5000
- ● 5001 or more

61%	16%	23%
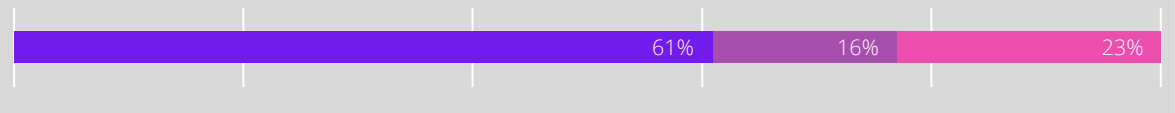
Departmental breakdown
40% of respondents came from IT roles, 60% from lines of business, including operations, finance/accounting, sales / customer support and strategy.

Summary Recommendations

The tight lockdowns experienced during the early COVID-19 crisis were salutary experiences for organisations. Remote work and work from home saved the day. Rethink what other digital capabilities might save future days. There is a good chance that the second wave will cause new lockdown conditions. What capabilities will help companies to survive then?
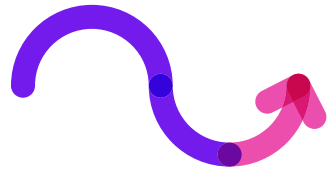
To revive the organisation after the crisis, but still in the in-pandemic stage, executives should look to strengthening what worked, dismantling what didn't, and building for an extended in-pandemic period. Companies that have digital transformation capacity should refocus their Digital Transformation (DX) efforts on customers (channels and experience), digital products and services, and the supply chain.

Once stable, but still in the in-pandemic stage, organisations should review, revise, and renew their digital models and strategies. The post-pandemic world will be significantly different from pre-pandemic conditions and norms. This is an opportunity to reset many fundamentals that have not worked for the business in the past. One of these fundamentals that must be renewed is the role of the IT function in the organisation. Digital will play an increasingly important role in commerce and economies in a post-pandemic world and the expectation of IT departments must change to accommodate these changes.
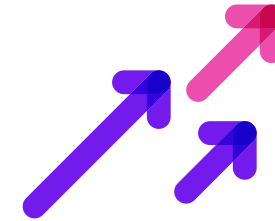
The post-pandemic world will be unsettled, uncertain, chaotic, and if they wish digital. Organisations should strengthen their flexibility, innovation, agility, and resilience if they wish to thrive in future.

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The four stages of the Survive to Thrive journey

The Covid-19 pandemic has crisis pushed almost every business into survival mode. There is now a four-stage journey to be undertaken to move from merely surviving to thriving. Strategies, objectives, and actions must fit each stage.

Survive
Stage One

The COVID-19 pandemic causes hard lockdown. Companies try to survive by protecting their revenue streams, maintaining their capabilities and capacity to produce, hanging on to their customers, and securing their supply chains. Second waves and future lockdowns may push companies back into survive mode.

Revive
Stage Two

When hard lockdown is eased, companies try to rebuild their operations toward pre-lockdown performance. They examine options to strengthen their digital offerings and connect to customers digitally. Part of the revive stage is a review of what they did during the hard lockdown to assess whether it should be continued, accelerated, or stopped.

Renew
Stage Three

While the pandemic continues, and after they have secured their ongoing continuity, companies rethink their digital and business models. They factor in changes in customer behaviours, stability (or not) of the supply chain, ongoing operational conditions, the possibility of further crises, and so on.

Thrive
Stage Four

There is little chance of circumstances returning to pre-pandemic conditions. If a company is to prosper during the in-pandemic, and post-pandemic period, it needs to implement its revised and improved digital and business model.

Survive
Stage One

The pandemic is a wake-up
call for digital capability

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Technology was the life-jacket for survival

The COVID-19 pandemic has delivered an abrupt shock to organisations across all sectors, causing a number to cease trading, and forcing most into survival mode. At a time when business infrastructure has been severely disrupted, organisations have turned to technology, and particularly their digital capability, to aid business continuity for employees, customers, supply chains and operations.

88% agreed that technology helped them to mitigate the impact of the crisis.

78% agreed that their business continuity/disaster recovery plans were inadequate or short-sighted.

85% of respondents experienced a moderate or severe impact in business activity and/or revenue.

Banking and financial markets were less concerned with digital transformation (DX) than other industries – **over 50%** of financial organisations had completed or were well advanced in their DX programs.

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The shift to remote working

The most immediate impact of the in-pandemic lockdown was the need to switch almost instantly to a remote working model. 85% of respondents made new investments in this area, and more than half of companies expect to have a majority of their employees working remotely in the future.

Telecoms and media companies were the least prepared for remote work at the start of the crisis, with 17% stating they were fully prepared, compared with 39% in Financial Services.

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Disrupted supply chains and changing customer behaviour

The pandemic has led to disruption across many business's supply chains, particularly where these are global in scale. Customer behaviour has also changed markedly, with digital being the predominant channel for interaction.

78%
of companies made investments to improve supply chain resilience.

70%
saw 'engaging customers anywhere' as a top priority.

Telecoms and media companies were slower in their digital transformation of their supply chains, but were more focused on adapting to changing customer requirements.

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Second wave preparation and pessimism in recovery

The immediate outlook for business activity is a pessimistic one, with 61% of organisations anticipating a continuing dip in activity for the remainder of 2020. The negative impact of the pandemic will extend for some time with the status quo not being restored until H2, 2021 and 61% of organisations not expecting to return to growth until 2022. Organisations are also focused on not being caught out by a potential 'second wave' of the coronavirus.

**75%** are investing in enhancing IT resiliency and business continuity.

72% are enhancing their defences against new or increased cybersecurity threats.

71% of Financial Services companies expect business activity to be back to normal in the first half of 2021, compared with 48% of consumer businesses, and only 29% of telecoms and media companies.

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Recommendations in the Survive phase:

Ensure digital readiness and resilience for an uncertain future
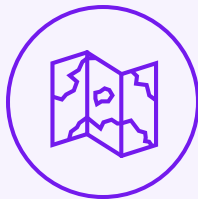
Digital readiness means having the technology in place before you need it. Companies should plan and implement for the unexpected (within reason).

Rethink the role that technology plays in the organisation. It is not merely an "enabler" of business operations. IT is a revenue generator and customer acquisition and retention capability in its own right.

Review general organisational readiness, including disaster recovery and business continuity plans, in readiness for a second wave.

Remote work and work from home saved the day. Rethink what other digital capabilities might save future days. There is a good chance that the second wave will cause new lockdown conditions. What capabilities will help companies to survive then?
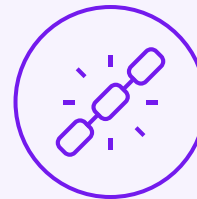
Review the organisational supply chain. Importantly, review your part in other supply chains. Consider moving to business ecosystem thinking which includes suppliers, partners, customers, and competition.

Adapting to changing customer behaviour must be a high priority. As the primary source of revenue and hence survival, reposition customers as the centre of focus.
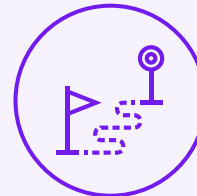
Review how well the organisation reacted to the sudden crisis – disaster recovery plan or not. Do you need to rethink how crises should be reacted to, and by whom?

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Revive
Stage Two

Applying lessons learnt to a
post-lockdown world

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Digital preparedness was key

Companies that were further advanced in their digital transformation programs were better equipped to meet the challenges of lockdown. This group was three times as likely to class themselves as well prepared to react to the crisis. This was most apparent in their ability to be agile, and to switch quickly to remote working.

Larger enterprises were typically better prepared than smaller organisations, but 91% still stated they needed more digital components in their products and services.

Consumer businesses were the most likely to state that they should have invested earlier in digital, data-driven and cloud technologies, with 82% in agreement.

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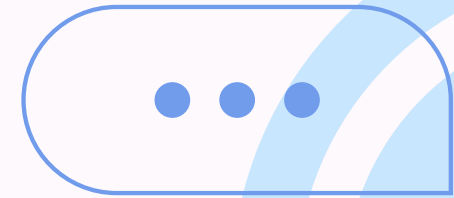
Existing digital capabilities paid dividends

The maturity of an organisation's digital program also had a significant impact on its reaction to lockdown in key areas. Those with strong existing digital capabilities spent less money on engaging customers and on building resilient supply chains. Possessing existing capabilities enabled companies to focus more quickly on Revival, as opposed to building new competencies from scratch.

98%

of companies who were in the early stages of digital transformation felt that they should have invested earlier in data-driven and cloud-based technologies.

Telecoms and media companies spent more on supply chain and operations resilience than other industries.

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Remote working has become embedded

Once the initial demand to equip remote workers was fulfilled, organisations were resourceful in translating many of their working processes and patterns to a remote model. This included customer support, internal collaboration, and supply chain management. Many businesses have therefore been in no rush for a rapid return to office-based working, and are anticipating a marked long-term shift.

88%

of respondents agreed that many of their business processes could operate remotely and most organisations invested in "work safe, work smart" during lockdown.

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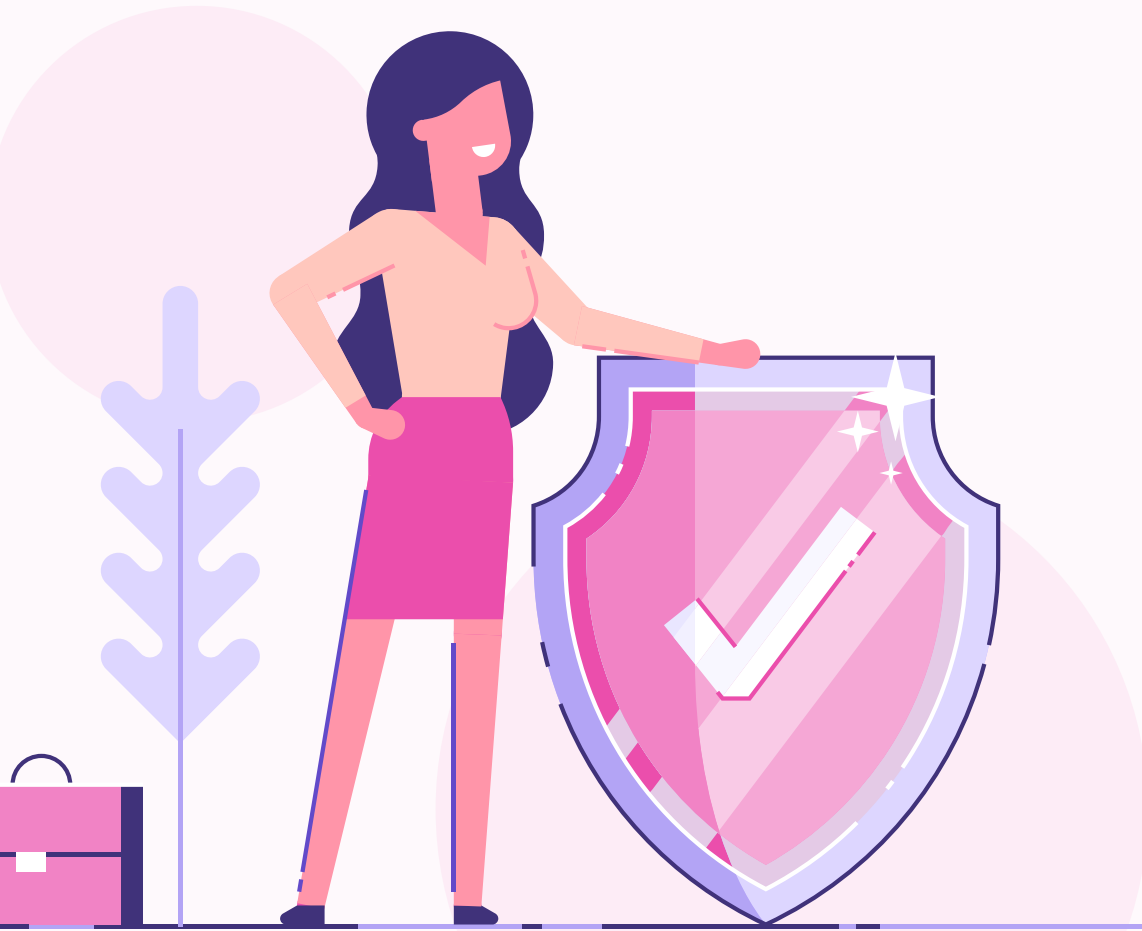
Responding to a significant increase in cyber threats

One of the negative consequences of the move to a distributed workforce, was an increase in cybersecurity threat levels, with the attack surface being dramatically expanded, and more opportunities for hackers and criminals to exploit social engineering.

95% of companies agreed that there is a need to strengthen their cybersecurity defences.

76% see enhancing their IT resiliency and business continuity as a top priority.

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Recommendations in the Revive phase:

Review lockdown measures then embed or remove

Review all actions taken during the response to the crisis. Do they need to be discontinued, strengthened, or accelerated? Review the emergency capacity actions that were taken and optimise capacity for current conditions.

Review the product and service profile to embed it with more digital capability, thus reducing the need for physical presence or intervention.

Companies that have digital transformation capacity should refocus their DX efforts on customers (channels and experience), digital products and services, and the supply chain. These are the primary digital capabilities that will set the company on the revival path**.**

Many IT staff were re-tasked with survival-related activities, and rightly so. However, organisations need to review their reallocations of staff, resources, and funding to ensure it fits the current environment and needs.

Review the work from home trend. Does the organisation want working from home to continue? Has it considered the remote support, SLA, cost, and contractual implications of working from home? Do all staff want to keep working from home? Review onsite conditions to accommodate a limited return to work.
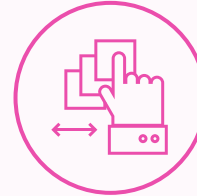
To speed up their in-crisis responses, many organisations dispensed with unnecessary governance and bureaucracy. Review what was done to ensure that no essential controls were compromised.

Review cybersecurity arrangements. With more products, services and customers online, the field is wide-open to hackers, fraudsters, and criminals.

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Renew
Stage Three

Resetting digital strategy for the post-pandemic world

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Digital transformation priorities must change

The renewal of digital transformation programs will see a change in priorities, with a greater emphasis on digital capabilities that deliver direct value to the business frontline – particularly in engaging customers. Budget constraints will limit scope for more speculative projects.

Prior to the pandemic, **80%** of companies had not fully implemented an omnichannel customer engagement strategy, but 68% of respondents will now prioritise this area.

Larger organisations will tend to resume their digital transformation programs more quickly – **67%** intend to resume or accelerate in the second half of 2020. compared to **only 30% of SMEs.**

Telecoms and media companies foresee fully restarting their digital transformation programs in 2022.

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Re-evaluate digital and business models

Organisations will need to balance both internal and external perspectives as they re-evaluate their digital and business models. The external perspective includes the demands of serving remote customers, and establishing secure supply chains. The internal perspective will include long-term remote working, new work structures, and increased agility.

48%

of businesses see converting their offerings to digital as a top priority as they move beyond lockdown.

In contrast to private companies public sector organisations are more concerned with changing their business models than with adapting to citizen requirements.

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A window of opportunity for digital technology

During the crisis, line of business sentiment has been positive to the role of technology and the concept of digital acceleration, and there is now a window of opportunity to move faster. In a business and societal environment that will be indelibly changed, digital technology will have a key role to support the needs of employees, customers, suppliers and stakeholders.

60%
of organisations see changing their business and operating model as one of their main challenges beyond lockdown.

New digital products and services, an intelligent supply chain, and omnichannel customer engagement are seen as priority objectives.

Financial services organisations are less concerned than other industries with building customer channels after the pandemic. This may be because they initiated these changes long before the crisis.

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Aligning IT with new business priorities

If the IT function is to make the most of this window of opportunity, it must align itself directly with the new set of business priorities. Its focus must be not only on enabling customer engagement, digital channels and digital products, but also on providing a secure and resilient digital platform on which new solutions can be rapidly developed.

Deploying a digital platform is the top priority digital capability for line of business (**51% of respondents**) but seen as less important by IT respondents (**41%**).

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Recommendations in the Renew phase:

Reassess digital priorities and operating models

All industries believe budget pressures and lack of funding will hold back digital transformation. Therefore, reprioritization of digital transformation priorities to accommodate tight budgets is essential.

Review and renew all contracts: Service Level Agreements (SLAs), underpinning contracts, supply contracts, and employment contracts – because conditions of supply have changed permanently.

Review the role of IT in the organisation - is IT an enabling function, or is it the leader of the organisation in customer engagement, product development, agility, innovation, and resilience?

Review your existing DX strategy to ensure it focuses directly on transforming digital capabilities to meet customer needs and give a great customer experience and journey. Changing digital priorities must also account for budget pressures and lack of funding.

Consider balancing long-term strategizing with emergent strategy and scenario planning. Emergent strategy is used in low-growth, highly volatile environments and depends on a "sense and respond" approach.
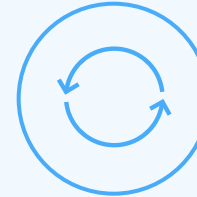
Review and renew your capabilities: Flexibility, innovation, agility, and resilience will be important in the immediate future and beyond.

An updated digital transformation strategy should drive a rethink of the organisation's digital and business model. Review who the customers are and how they are best served. Review and renew digital methods of meeting customer needs, strengthening the supply chain and operating processes, and in improving productivity in the organisation.

Thrive
Stage Four

Accelerating transformation
with digital technologies

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Who dares wins

Having platforms in place will enable organisations to thrive in a world where digital is prevalent. Those with robust foundations can better align their technology investments with new digital priorities and are better placed to succeed. It's therefore essential to get digital priorities, spending priorities, and operating model clear and aligned.

36% of organisations see a lack of alignment (internal structures and siloed behaviour) as a top pain point for digital progress.

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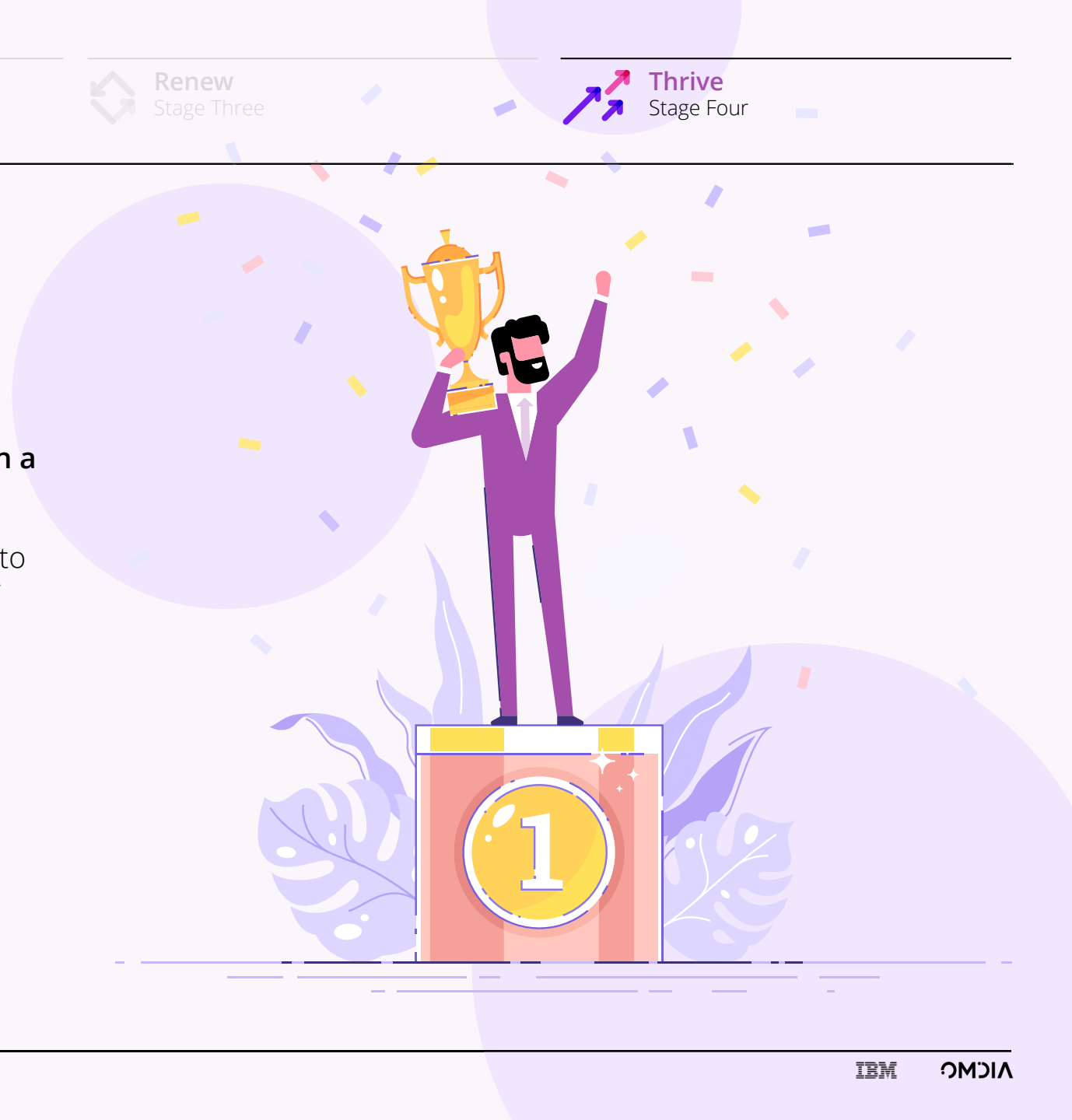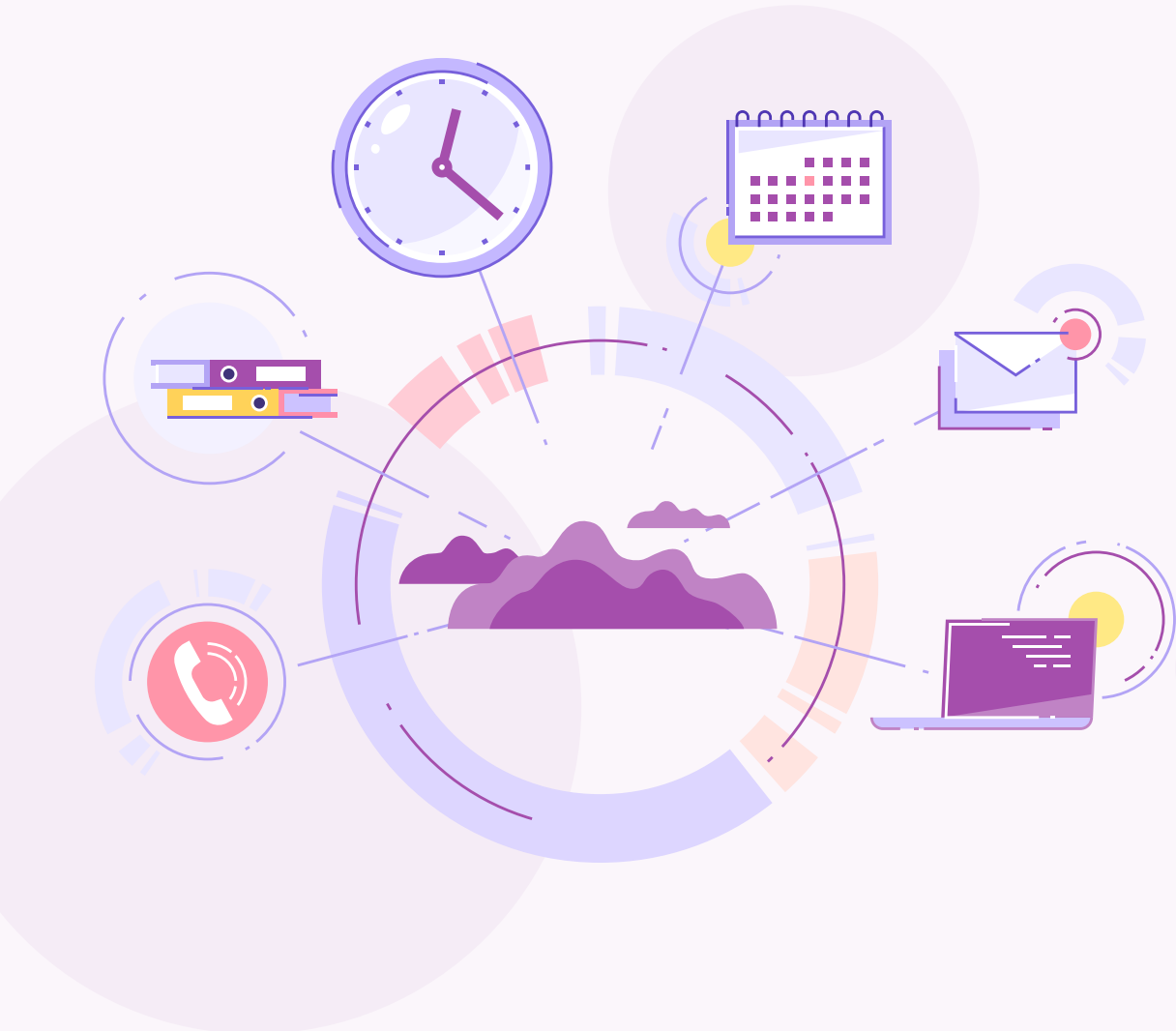
Cloud has proven its value

Increased adoption of cloud infrastructure and software in reaction to the pandemic has proven its value at a time of stress. This is translating into accelerated adoption as businesses emerge from the pandemic, with 75% of companies anticipating increased spend on cloud infrastructure and platform. This will be augmented by investments in edge computing and IoT to further build out their digital platforms.

95%

of respondents agreed that SaaS applications had benefited their organisation during the pandemic and 94% anticipate further investment to accelerate recovery.

There is an increased acceptance for the use of public cloud, with **94%** anticipating accelerated investment in this area.

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Addressing new security threats

The pandemic has put cybersecurity and resiliency under a close spotlight, and 72% of businesses anticipate increased spending in these areas. The disruption of the pandemic has created new gaps and new vectors for cyber criminals to exploit, while the growth of digital channels will put a greater emphasis on data protection and privacy.

95%

of respondents saw a need to increase their investment in threat detection and core security.

93%

of organisations anticipate further investment in data protection and privacy technologies to help accelerate their recovery.

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AI needs the right data foundations

Artificial Intelligence (AI) and Machine Learning (ML) are seen as key components of a digital business, both embedded in applications and as part of a business data platform, with supply chain and customer insights as primary use cases. However, organisations have not yet fully understood the importance of the underpinning data and analytics foundations, that are critical to success.

Telcos and media companies are looking to spend more than other industries on cloud, edge computing, service management, and robotics.

While **57%** intend to invest in business-wide AI, only **37%** say they benefited from progress on modernising their data architecture, and only **40%** saw progress on a business-ready analytics foundation.

Recommendations in the Thrive phase:

Align architectures and platforms to new digital priorities

The renew stage allowed organisations to rethink their digital and business model and their DX priorities. They should now align digital priorities, funding, capabilities, capacity, and strategic objectives with these new priorities.

The move to platform thinking pays dividends. Organisations should rethink their architectures and portfolios to accommodate and take advantage of integrated and coherent platforms rather than individual applications.

Establish a cloud strategy that considers the strengths of cloud (flexibility, resilience, agility) as they apply in a post-pandemic world.

Artificial intelligence can reduce physical activities and dependencies, and with Robotic Process Automation (RPA), should be considered as a viable alternative to onsite workers.

IoT provides significant inputs from a digital world. Consider integrating IoT and IoT elements with all digital products and services.

Make cybersecurity a priority layer across all digital technologies and platforms.

Summary
Methodology & About

About

IBM

IBM is a leading cloud and cognitive solutions company, and the largest technology and consulting employer in the world.

Trusted by thousands of enterprises across 20 industries, IBM Cloud provides the essential tools clients need to get all the benefits of cloud, but with control and flexibility. Companies can build mission-critical applications once and run them on all leading public clouds or private clouds with IBM's next-generation hybrid multicloud platform, built on Red Hat technologies. With Watson, the AI platform for business, powered by data, we are building industry-based solutions to real-world problems.

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Omdia is a global technology research powerhouse, established following the merger of the research division of Informa Tech (Ovum, Heavy Reading, and Tractica) and the acquired IHS Markit technology research portfolio[*].

We combine the expertise of more than 400 analysts across the entire technology spectrum, covering 150 markets. We publish over 3,000 research reports annually, reaching more than 14,000 subscribers, and cover thousands of technology, media, and telecommunications companies.

Our exhaustive intelligence and deep technology expertise enable us to uncover actionable insights that help our customers connect the dots in today's constantly evolving technology environment and empower them to improve their businesses – today and tomorrow.

* The majority of IHS Markit technology research products and solutions were acquired by Informa in August 2019 and are now part of Omdia.

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Email	insights@omdia.com
Email	consulting@omdia.com
Website	omdia.com
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