

Factsheet | IBM UK-Censuswide Regulated Industries Survey

Introduction

This document serves as a summary of the findings from the UK survey by IBM and Censuswide, looking at the top drivers and barriers to digital modernisation among three of the most regulated sectors: financial services, telecoms and the public sector.

The findings have been split out into two sections:

- Core data (which covers responses from all respondents)
- Sector-specific data (which looks at the responses from those three regulated sectors mentioned above: financial services, telecoms and the public sector)

Methodology

The survey, which was fielded in September 2021, included responses from a total of 600 UK respondents. These respondents were made up of:

- 300 'IT managers' (or equivalent title) split out as 100 respondents in each of the following sectors: Financial services, Telecommunications and the Public Sector)
- 300 'business decision makers' (or equivalent title) split out as 100 respondents in each of the following sectors: Financial services, Telecommunications and the Public Sector)

A total of 20 questions were fielded, featuring both qualitative and quantitative research methods. Each of the questions also featured four demographic breakdowns: company size, industry, job title and region.

Core data

Q1 Digital transformation progress

Question 1 asked participants to rate their organisation's level of digital transformation:

- 42% of those surveyed reported that they are half-way through their network transformation, having moved a significant portion of key services onto digital channels.
- 21% of participants responded that they were a quarter of the way towards full digital transformation, with most services still being manual and paper based.
- 23% answered that they were still on the strategising stage of their journey.
- Finally, 13% of respondents identified as digital-first organisations, with almost complete digitisation.

Q2 Biggest drivers for modernisation

When asked about their motivations for IT/network modernisation projects in question 2, participants listed the following reasons:

Reasons:	Percentage that agreed
Accelerating the speed of and capacity for innovation	33%
Improving quality of services/product	33%
Increased security threats	32%
The need to drive cost efficiencies	32%
Improving security in the face of increasing threat landscape	32%
Improving data security and operational resilience	31%
Reducing environmental impact	30%
Improving work life balance	30%
Evolving customer requirements	29%
Keeping up with our competitors	29%
Changes in working practices i.e., move to flexible working	28%
The need to update/streamline internal processes	28%
Changing industry regulations	28%

Q3 Barriers to digital transformation

- Regulatory compliance was listed as the main factor holding organisations back from digital transformation, with 44.8% agreeing this.
- Data security also scored highly, with 42.7% marking it as a barrier.
- Other major factors included changes to the work environment, e.g., the move to flexible working (37.5%), skills gap in the workforce (37%), costs of modernisation (35.3%).

Additional points:

- Out of the barriers listed above, regulatory compliance and the move towards flexible working saw the largest differentiation across the three sectors surveyed.
- With regulatory compliance achieving an agreement rate of 40% in financial services, 48.5 in the public sector, and 46% in telecommunications.

- The move to flexible working scored a 32% in financial services, 37% in the public sector, and 43.5% in telecommunications.
- All other scores remained balanced across sectors, with no major outliers.

Q4 Biggest consequences to not delivering on digital transformation

When asked about the consequences of not transforming:

- The main concern indicated in the survey was the increased costs of managing and maintaining a legacy system at 34.8%.
- Followed closely by the increased security risk at 34.3%.
- Other factors such as organisational inefficiency, increased risk of non-compliance with industry regulations, loss of staff productivity, and negative impacts on talent retention and attraction scored 33%, 32%, 32%, and 31% respectively.
- Finally, a reduction to the capacity for innovation scored the lowest at 27.2%.

Additional points:

- In terms of disparities between IT professionals and senior leaders, the increased risk of non-compliance with industry regulations saw the largest split between the two groups, with 26% of IT professionals agreeing as opposed to 38% of senior leaders.
- Followed by the increased risk from security threats scoring 39.3% to 22.6%.
- The inhibition for innovation resulted in the third largest disparity of 31.7% to 22.6% respectively.
- Finally, the consequence of costs overruns and missed deadlines, which scored a 31.7% overall, saw the largest differentiation between industries, scoring 32% in financial services, 26.5% among the public sector, and 36.5% within telecommunications.

Q5 Views on new regulations/policies

The following section asked participants to express their agreement to a set of statements concerning regulations and policies.

“New regulations or policies are usually a barrier to the development of innovative new products or services”	
39.7% Agree	27.7% Disagree
Percentage among IT professionals	
44.7% Agree	27% Disagree
Percentage among organisation leadership	
34% Agree	38% Disagree

“New regulations or policies are usually a catalyst for innovation and creates the opportunity to offer new or differentiated products or services and creative problem solving”

40% Agree

28% Disagree

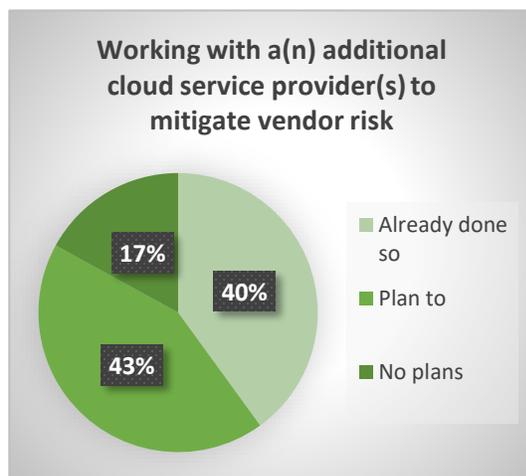
“Regulatory or policy requirements have accelerated digital projects which have benefitted the wider organisation”

63% Agree

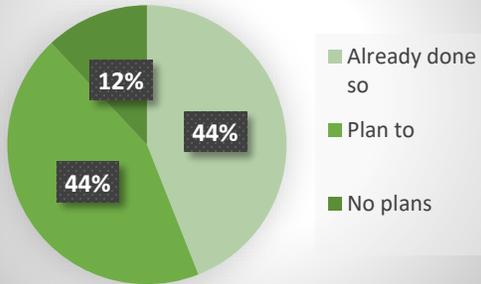
14% Disagree

Q6 Changes made due to recent/forthcoming regulation

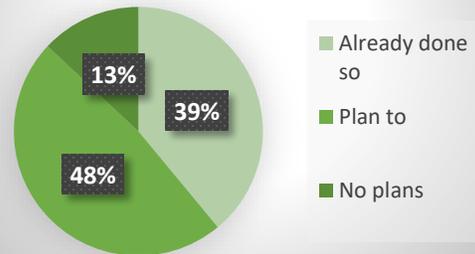
Participants were then asked about changes made to their systems in response to recent or upcoming regulations. With answers categorised into having already made the change, planning to make the change, and have not and do not plan to make the change.



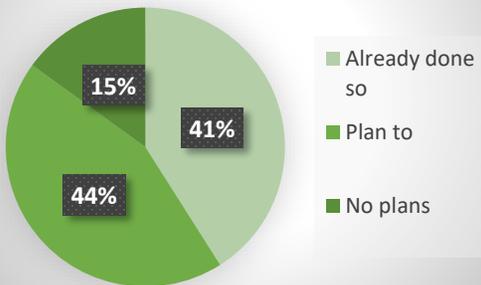
Migrating data/applications to a private (on-premises) cloud



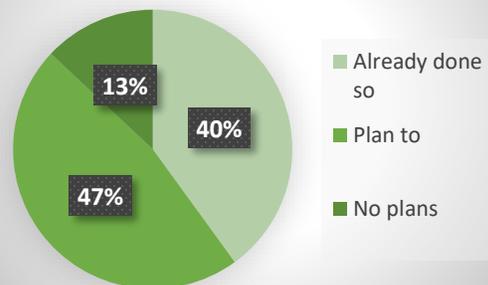
Investing in latest enterprise grade cloud security/encryption technology, e.g., confidential computing



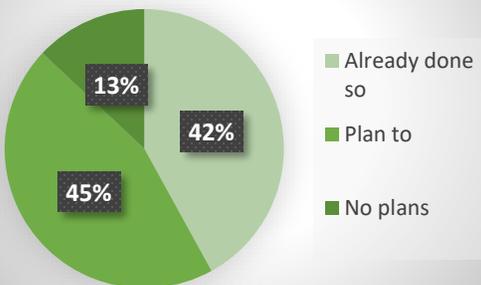
Migrating data/applications to a public cloud



Adopting a hybrid cloud IT architecture



Migrating data/applications to industry-specific cloud platforms



Q7 Impacts on IT/business practices

Participants were then asked for the impact upcoming/recent regulations had on their IT/business practices:

- 34% reported marked additional training costs, increased productivity, and unforeseen complexity.
- 32% indicating an improved security posture and 31% reporting increased innovation capacity/speed.

Q8 Preparedness against change

Respondents were told to indicate their organisations' perceived preparedness in light potential disruptions:

- Regarding anticipated policy changes, 72% indicated preparedness while 6.7% felt unprepared.
- On current cyber threats, the score was 75% to 6%.
- On IT outages the score was 75% to 8%.
- And finally, considering the recent industry trend towards hybrid working/majority working from home, 74.5% respondents felt that their organisations were prepared as opposed to 8.5% feeling unprepared.

Q9 Challenges related to regulatory requirements caused by the shift to hybrid working

Regarding the biggest challenges in terms of handling data/risk management related to regulatory requirements caused by the shift towards hybrid working:

- 35% reported the need to increase employees' awareness of the security risks in remote working
- 32% indicated the challenge of managing increased security threats from the resulting expanded attack surface.

It is worth noting that there were not major differentiations in answers between the IT professionals and company leadership.

Q10 Biggest impacts to accelerating innovation

When asked what measures would impact the efficiency of innovation:

- 49% of respondents pointed to the use of a platform with built-in, automated regulatory controls.
- 45% agreed on moving critical workloads to the clouds to take advantage of cloud-based services such as AI, data analytics, and quantum computing.

- 42% said the ability to securely and compliantly onboard new technology vendors within days rather than month or years.

No major differentiations were identified between IT professionals and company leadership.

Q11 Reservations against working with third-party vendors

On the main factors holding organisations back from working with third-party vendors:

- 24% reported costs as a major concern
- 22% reporting issues with compliance
- 19% reporting a lack of industry expertise. No major outliers were identified between positions and sectors.

Sector-specific data

Financial services

The following section concerns questions directed specifically towards participants in the financial services sector.

Main barrier to digital transformation

- 45% of UK-based IT professionals and decision-makers in financial services (as with telco and the public sector) believe regulation and compliance concerns are their biggest barrier to digital transformation.
 - Yet, 40% agree that new regulations or policies are also a catalyst for innovation -creating opportunities to offer differentiated products or services.

The threat of digitally native businesses

- Over two thirds (71%) in financial services agreed that digitally native businesses pose a threat to their business, making transformation more urgent and helping to explain their focus on increasing use of emerging technologies in the coming years.

Paths to modernisation

- Participants were surveyed on their modernisation plans for the next 5 years.
 - 46% aimed to do so by increasing the use of data analytics and AI
 - 43% would do so via quantum computing technologies
 - 40.5% of overall respondents aimed to evolve towards an API and platform-based business model.
 - 38% aim to move more mission-critical IT workloads and applications to the public cloud.

Upcoming modernisation priorities

- When asked to list their priorities for the coming years –

- 48% reported upgrading to the latest enterprise-grade cloud security technologies.
- 41% aimed to increase AI use in personalising services
- 34.5% reported advancing progress towards ESG goals.
- 34% reported prioritising 5G and edge technologies.

Modernisation progress

- Despite the challenges, of the three industries surveyed, more financial services professionals believe they are advanced in terms of digital transformation (61%), followed by public sector (53%) and telecommunications (51%).

Telecommunications

This section is dedicated to questions aimed towards participants in the telecommunications sector.

Main barrier to digital transformation

- 45% of UK-based IT professionals and decision-makers in telecommunications (as with financial services and the public sector) believe regulation and compliance concerns are their biggest barrier to digital transformation.
 - Yet, 40% agree that new regulations or policies are also a catalyst for innovation -creating opportunities to offer differentiated products or services.

Main driver of digital transformation

- Telecommunications businesses are under intense pressure to evolve into digital platforms to take full advantage of the opportunities presented by 5G. As they look to accelerate innovation, 89% are using or plan to use an industry-specific cloud platform.

5G and Edge use cases

- Telecom respondents said the top three most important use cases for 5G and Edge in the next 2-5 years were:
 - New Enterprise propositions such as private 5G networks, video monitoring & alerting, and connected devices (46.5%)
 - New Platform propositions for developers of AR/VR, AI/ML, IoT and other low latency applications (43%)
 - New Consumer propositions such as video capture & streaming, immersive experiences, and fixed wireless access (41.5%)

Critical technologies

- Respondents said the top three most critical technologies for reducing costs in their organisations in the next two-to-five years were:
 - open-source software (46%)
 - public cloud (44%)
 - AI/Machine learning (43%)
 - Common, open container management platforms (42%)

UK Telecommunications Act 2021

- 81.5% of respondents said their organisations were prepared for the UK Telecommunications (Security) Act 2021.

Modernisation progress

- Yet, telecoms professionals had the fewest respondents agreeing their organisation was advanced in its transformation (51%), surpassed by the public sector (53%) and financial services (61%).

Public sector

This section is dedicated to questions directed towards participants in the public sector.

Main barrier to digital transformation

- 45% of UK-based IT professionals and decision-makers in the public sector (as with telco and financial services) believe regulation and compliance concerns are their biggest barrier to digital transformation.

Main path to digital transformation

- As they pursue the next half of their transformation journeys, 85% percent of respondents have adopted or plan to adopt hybrid cloud architectures to allow them to capitalise on the speed and agility of cloud, while working with multiple cloud seamlessly and allowing certain workloads to remain on-premises.

IT modernisation and the government's net zero targets

- When asked about the importance of IT modernization in achieving the governments net zero target, 84% reported it being important, with 5% reporting it as unimportant.

Cyberattack response

- Following large-scale cyberattacks like SolarWinds, nearly three-quarters (73%) of public sector respondents say their department or agency has increased its security strategy.