

2021/2022 Digital Transformation & Cloud Survey: A Wave of Change

This survey had 500 respondents across 6 industry sectors - Technology, Media & Telecommunications (TMT); Industries, Manufacturing & Transportation (IMT); Consumer Goods & Retail (CGR); Healthcare & Life Sciences (HLS); Energy, Mining & Infrastructure (EMI) and Financial Institutions (FI).

[View Main Survey Report](#)

TMT Takeaways

Our latest *Digital Transformation & Cloud Survey* provides compelling insights on digital transformation (DT) trends including: what types of technology are businesses investing in to drive DT (and how), the main challenges they face undertaking DT and the key current trends in cloud contracts both providers and users of cloud services should be aware of.

Here we highlight the key takeaways from the Survey for the TMT Sector, as it remains at the forefront of DT. These takeaways showcase the exciting opportunities available for TMT businesses (and key risks to anticipate) in 2022 and beyond.

DT is here to stay. Cloud services and the use of data are accelerating and DT programs evolving as businesses adapt to the current pandemic and position themselves to remain competitive. Data remains a crucial asset in the digital economy with its collection, storage, location, analysis and protection all critical to success.

Key themes:



Scaling Up on Cybersecurity

Organizations are launching and scaling activities, tackling cybersecurity as a priority.



Enduring Cloud of Cloud

Benefits to agility, operational efficiency, data storage and security emphasize cloud as a critical component of DT.



Ramping Up AI Efforts

Positive impact on communications, customer engagement, revenue streams and business agility is driving interest in AI.



A Watershed Moment

Organizations are looking to adopt more sophisticated technology and to develop their own products and services to reduce reliance on third-party vendors.

We are delighted to provide our TMT clients with some key takeaways from the Survey to help them stay ahead in the DT and cloud evolution. You can also read the full Survey by clicking the button to the left. Key areas covered include:

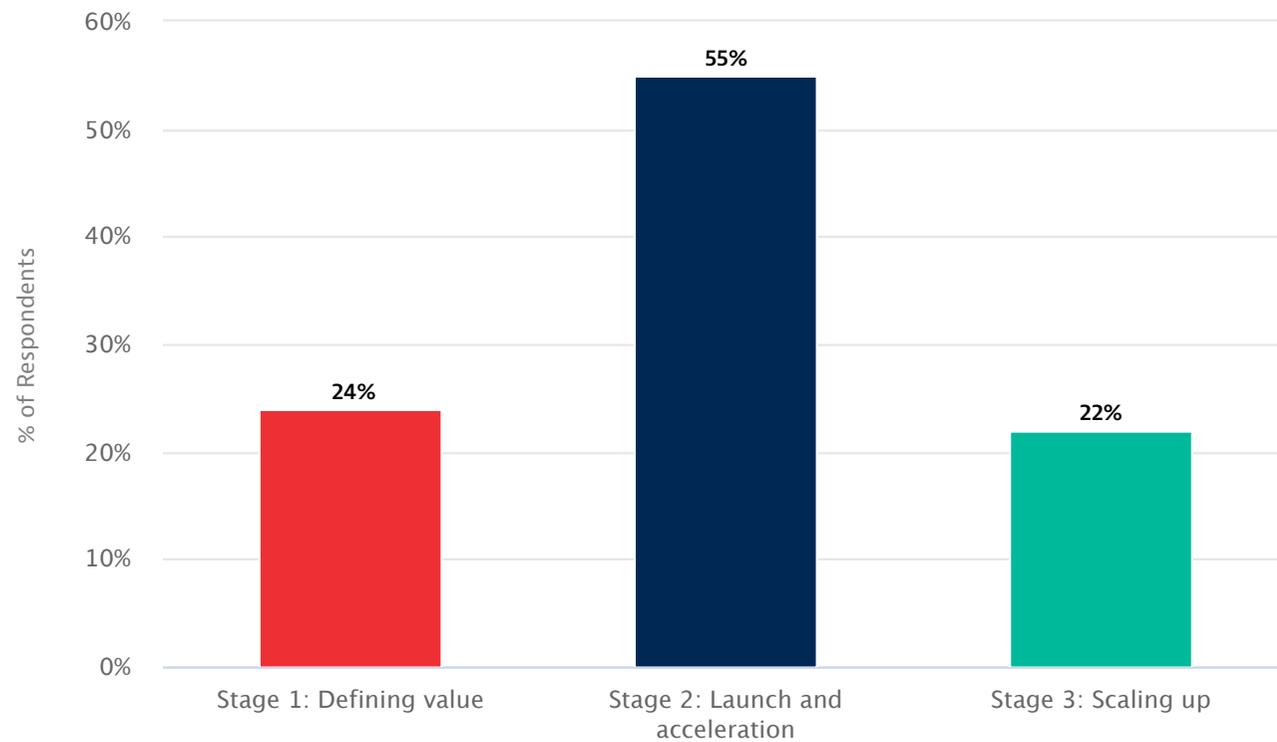
- Shifting mindsets on DT and cloud investments
- The evolving legal and regulatory environment impacting all aspects of DT and cloud
- Cross-border regulation, tax, cybersecurity and governance are top-of-mind issues
- Cloud contracting terms
- Key considerations for DT and what is coming around the corner

1 The Digital Transformation Landscape

DT is a tool for improving business process efficiency rather than fundamental business change: 69% of organizations define DT as a tool for operational efficiency (improving or expanding an existing business process using technology). Note that whilst only 4% of TMT companies characterized DT as a fundamental change to the way they do business, a much higher 14% of those surveyed in the IMT sector.

DT Programs accelerating and scaling: DT programs have matured rapidly since the last survey: Previously 37% of organisations had yet to begin, now most (77%) are accelerating and scaling DT efforts.

Stages of the Digital Transformation Journey:





Sector Spotlight: TMT vs EMI

54% of TMT organizations are managing multiple high-value initiatives, and **45%** are adopting new operating models.

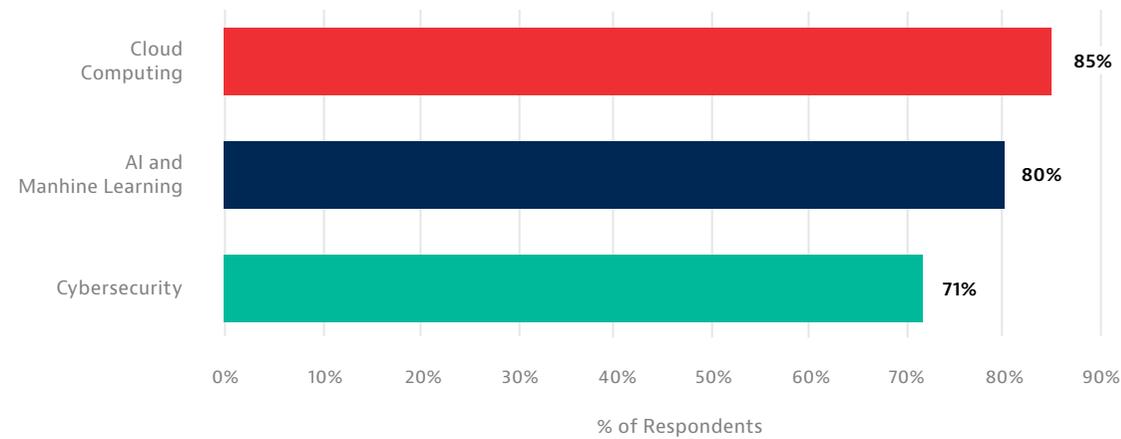
By contrast, **34%** of EMI organizations are still securing senior management commitment, and **35%** are setting goals for their digital transformation programs.



Key DT Investment Priorities — where are businesses investing? The top three areas of investment currently are related to storing, mining/monetizing and securing data — cloud computing (85%), AI and machine learning (80%) and cybersecurity (71%).

As may be expected given the nature of technology deployment and risks in these industries, IMT and EMI organizations have prioritized investment in IoT, smart devices and automation and sensors over cybersecurity.

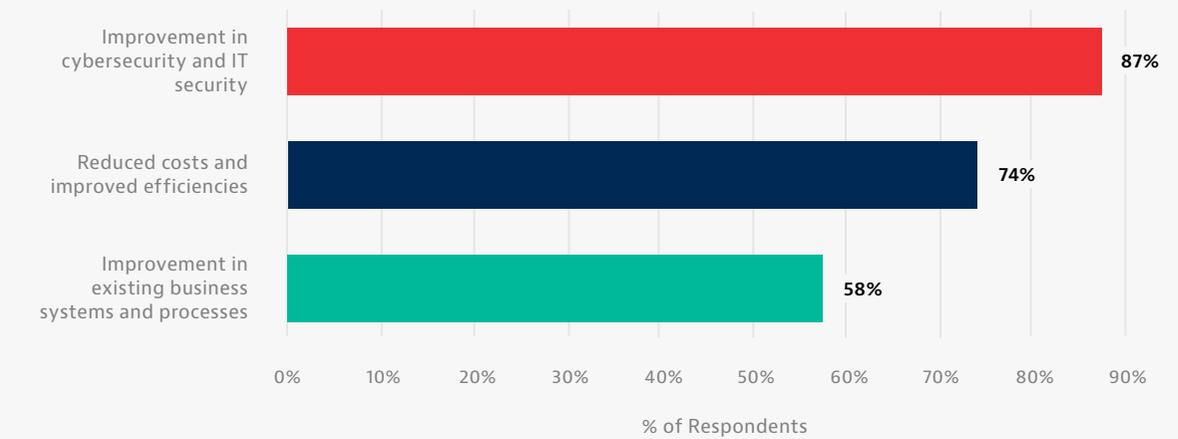
Current Digital Transformation Investment Areas:
(% ranked as top three)



Top Benefits of DT:

The threat of hacking events and high profile GDPR/data privacy law enforcement associated with data breaches has put cybersecurity front and center for organizations. Last year agility was top rated. The Survey respondents also put improved efficiency high on the list. The shift from agility to process efficiency demonstrates how DT is evolving from a scramble to meet an overnight need to a general way of achieving process improvements and additional organizational efficiency.

Top Three Benefits of Digital Transformation Implementation:
(% of Respondents)



2 The Age of AI, Cloud & Cybersecurity

Spotlight on AI

The TMT sector as a provider (and purchaser) of AI technologies and AI-based services already understands AI's huge potential. Our Survey reflects its importance as respondents cited AI's impact as real and far-reaching.

AI is Newly Important

In 2020, only 14% of survey respondents were heavily investing in AI. Today, nearly half of leaders believe AI is core to digital transformation.

However, FI organizations have a different perspective. Just 32% of respondents in these sectors rank AI as a core technology. They also believe cloud computing will have significant impact on business agility, cost reduction, customer engagement, operations and new revenue generation.

Big bets on AI

AI is expected to have the greatest impact on:

-  **Improved internal communications (46%)**
-  **New revenue streams (42%)**
-  **Better customer engagement (42%)**
-  **Greater business agility (41%)**
-  **Improved operational efficiency (41%)**

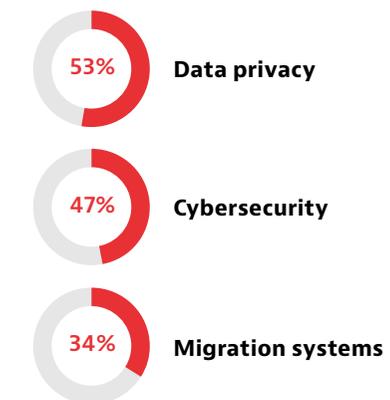
Spotlight on Cloud Computing

Cloud continues unsurprisingly to be a critical component of DT today with its clear benefits in terms of agility, operational efficiency, data storage and security. One key theme this year is a focus on CAPEX to OPEX realized by moving to the cloud (perhaps due to migration of end of life legacy on-premises infrastructure).

Top 3 Benefits of Cloud Computing:



Top 3 Concerns of Cloud Computing:



Despite the reported benefits in increased data security resulting from cloud investment, concerns around data privacy and cybersecurity keep digital transformation leaders awake at night. Outages/downtime also continues to be a top 3 concern for IMT, CGR and EMI respondents.

Private and/or Private Cloud Usage: Almost 50% of companies are using private cloud and nearly a third are using a combination of public and private.

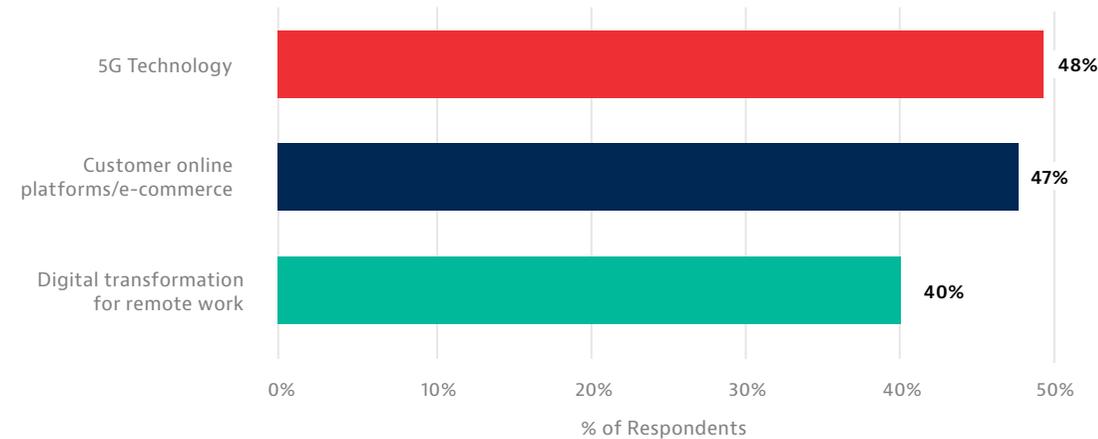
Cloud Contract Terms: Here we continue to see convergence of cloud contracting terms with certain exceptions. 61% reported contracting primarily on the cloud provider's standard contract terms, with a further 27% mainly on provider's standard terms with some customer terms. More trends and insights including the most negotiable cloud contract provisions are in the [full Survey](#).

3 The Road Ahead: Digital Transformation for Future Enterprise Goals

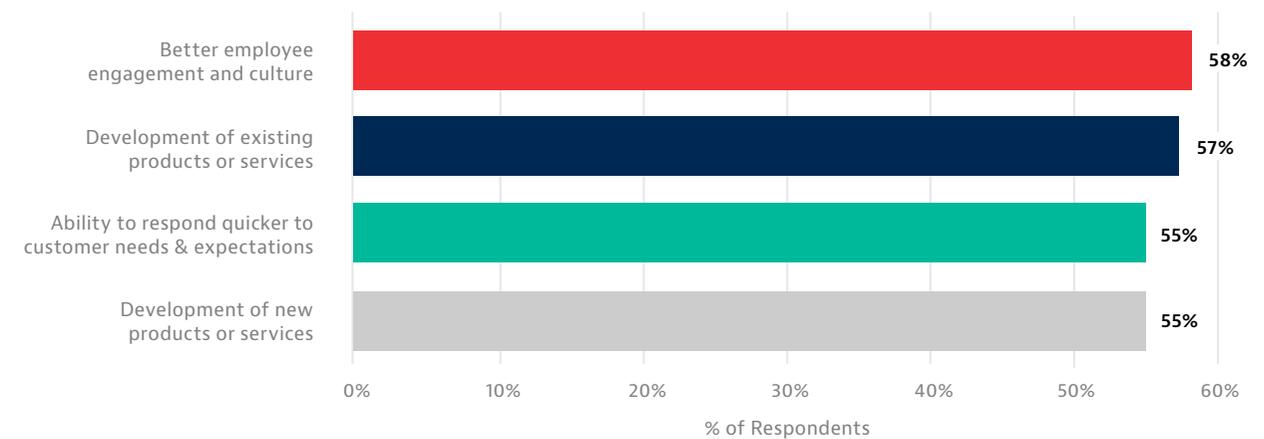
Future investment priorities suggest businesses are gearing up for a continued evolution in DT. Future investment priorities broadly center on the communication used to interact (5G), customer-engagement (e-commerce) and remote work. The top 3 areas for future investment below will be of immediate interest to TMT businesses.

Future Areas of Investment: The Top 3

Future Digital Transformation Investment Area (% of Respondents ranked as top three)



Expected Benefits in Next 12 Months

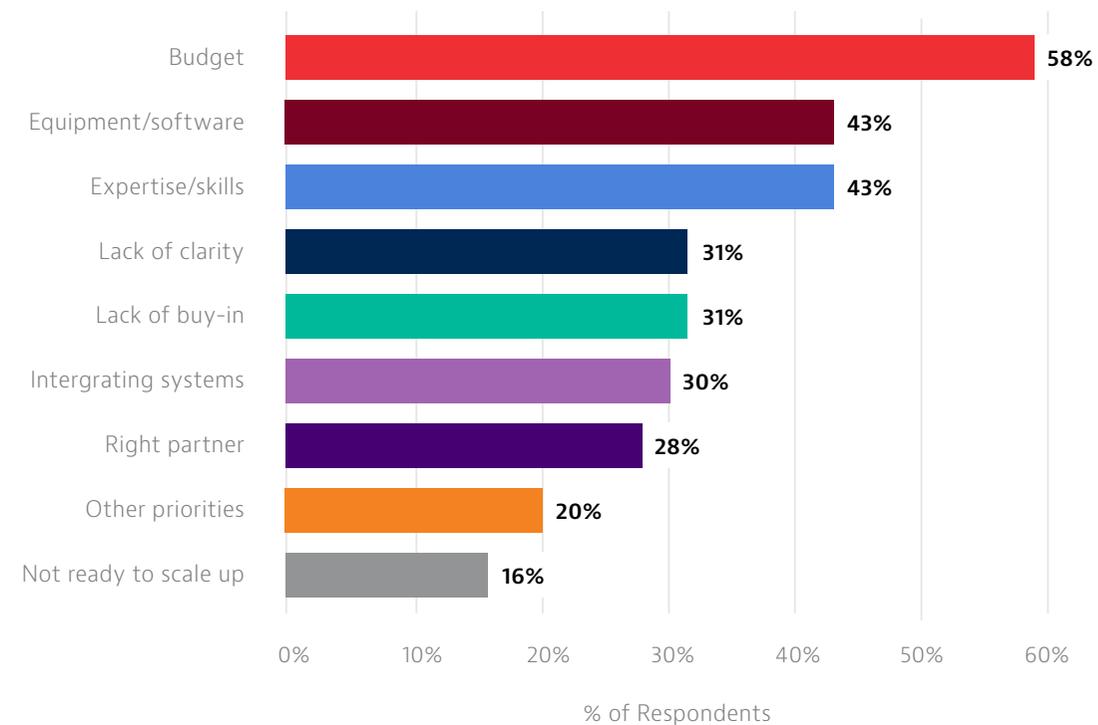


For all organizations, more sophisticated transformation is on the horizon — with the majority of survey respondents targeting new and different technologies and high-value initiatives. Organizations will place greater emphasis on future-proofing and improving the customer experience — **with long term investment planned for 5G (48%) and customer/eCommerce online platforms (47%).**

People remain key. As the global war for talent grows and customer expectations continue to evolve, digital transformation can help organizations compete. Many will also be investing in technologies that support new ways of working/digital transformation for remote working (40%). With these investments in hand, more than half of respondents anticipate improvements over the coming 12 months in: employee engagement and culture (58%); existing products/service development (57%), the ability to respond quickly to customer needs & expectations (55%), and development of new products/services (55%).

4 Overcoming roadblocks

A fundamental resource gap is slowing progress in DT with the lack of skills, talent and software being critical barriers. Also, a lack of budget as well as buy in and clarity remain key obstacles to overcome. Legal has a key role in helping empower the organization bringing forensic skills to facilitate clarity and enable buy in.



Planning for success



Build v Buy: Tech M&A is a vibrant market right now. The Survey reflects this as more than two-thirds of respondents indicated that they had acquired at least some aspects of their DT requirements. Considerations including how to diligence and contract around data, managing multiple provider environments, hybrid development (third party/in-house) and effective contracting and governance remain more important than ever for DT success.



Data Storage and Security Risks: New technology means new risk for organizations with 67% of organizations agreeing that digitalization does not always mean lower risk. Leaders report that how they secure data (79%) and how they store data (74%) expose the enterprise to the greatest risk of a data breach. The EU has particularly exacting data law. Global organizations with data that originates in Europe or enters its jurisdiction must ensure they understand and comply with regulation or face enforcement action. Large fines are not uncommon. 68% cite the increasing volume of cross-border data regulation as a significant issue (which is not surprising given Schrems II and data residency laws).



Cyber insurance: cyber insurance has increased every year of our survey (with 79% of organizations now having some form of it) as organizations seek to manage that risk as best as they can.



Data residency laws: Data residency continues to be top of mind. Complying with complex and prohibitive local legislation can slow DT progress and international growth plans. For example, this year we see these laws impeding wider data storage locally (91%) and in different jurisdictions (87%). We expect to see increasing regulation and resulting complexity, but this is an area that can be managed with early and effective planning. You will find more insights on managing data and related IP considerations in the full Survey.



Managing Tax Complexity: The development and supply of digital products and services means TMT organizations face ever more complex and restrictive tax regimes. The Survey highlights wide ranging changes to tax regulations impacting most heavily are taxable nexus or PE concerns, digital services taxes, withholding taxes, transfer pricing and indirect taxes. The tax landscape continues to shift, with a substantial portion of our respondents indicating significant focus on PE/tax planning and digital services taxes.

5 Conclusion

As organizations look to advance their digital transformation programs, managing a greater number of high-value initiatives will require balancing agility with better governance.

Key Lessons Learned:

In hindsight, organizations recognized that faster identification and reaction to problems (55%) and better management of unexpected third-party costs (52%) would have resulted in greater success of previous initiatives. Also earlier involvement of subject matter teams in compliance and tax (39%) and the development of a clear governance plan (35%) also represent key lessons learned. Moving forward we suggest there are four key areas for consideration to best navigate the risks and challenges of DT:



New Internal Organization for Transformation

Digital transformation leaders should identify how their organizations are pursuing DT and evaluate how to empower proactive rather than reactive approaches to new developments.



Cloud Remains Prominent

Cloud continues to be a main driver of, and enabling technology for, digital transformation.



Data Opportunities and Risk

Increased availability of data and improved means for processing data present new opportunities, from operational improvements to monetization. However, these also bring new risks both internally and externally.



People

In a digitally transforming world with increasing availability of new tools and advanced technology such as AI, people are still central to the development and delivery of products and services.

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