REPORT:

State of Digital Transformation EMEA 2019

Overcoming the Challenges and Concerns of Digital Transformation

Contents

What is digital transformation?

Digital transformation—the use of digital technologies to help organisations become more agile, efficient, productive, and competitive—touches all areas of the enterprise. In some cases, it is creating entirely new classes of business. Cloud services, from software to infrastructure to storage, are key enablers of digital transformation.

The massive adoption of cloud technologies and the vast mobile workforce are disrupting 30 years of security and networking practices. The traditional hub-and-spoke network, once the centre of the enterprise, is giving way to a direct-to-cloud architecture, providing more seamless access to the applications and services users need. This change also requires security to be decoupled from the network in favor of security that protects users and data regardless of network.

Digital transformation is fast becoming a priority for enterprises. As IT considers how to deliver a more frictionless experience to end users, it looks to cloud services and SaaS. Such services drive efficiencies and have become a catalyst to transforming the entire organisation, which ultimately leads to increased agility, productivity, and profitability.

Zscaler commissioned this report, *State of Digital Transformation—EMEA 2019*, to see how organisations in the UK, France, Germany and Benelux (Belgium, the Netherlands and Luxemburg) are coping with their digital transformation projects. The key findings have been compiled in this report along with recommendations to help organisations overcome common challenges and address concerns during their digitisation journeys.

Transformation requires organisations to fundamentally overhaul their technology ecosystems or risk missing out on the benefits of their efforts. As applications are no longer physically located within the enterprise perimeter, companies must look at the broader aspect of network and security transformation, an undertaking that goes far beyond simply moving applications into the cloud. A decade ago networks were designed to connect users to apps in the data centre and perimeters were built around networks to keep users and apps safe from external threats. But with apps moving to the cloud and users connecting from everywhere, the perimeter has become irrelevant and traditional hub-and spokenetworks are outdated. It's time to decouple security from the network and use policies that are enforced anywhere apps reside and everywhere users connect. Put simply, as applications move to the cloud, security needs to move there too.

Key transformation priorities should include taking full advantage of modern technology and controlling risk. The needs of today's increasingly mobile workforce must be taken into consideration as should user experience. While securing users and applications is more important than ever, visibility across the entire enterprise network and connected device traffic have become critical in defending corporate assets.

About this survey

The goal of the State of Digital Transformation EMEA 2019 research was to understand where companies are with their digital transformation efforts, what challenges they've encountered, and their biggest concerns about the process. The research evaluated how the on- and off-network application landscape is changing and how users are accessing data on the corporate network and in the cloud. The results provide insight into the concerns companies are facing on their digital transformation journeys.

Survey methodology

What

Atomik Research, on behalf of Zscaler, conducted an online survey of enterprise-level organisations with 3,000 or more employees and based in the UK, Germany, France, and the Benelux region.

Who

404 executives who work as chief information officer (CIO), chief information security officer (CISO), or head of network architecture were included in the survey.

Survey demographics

RESPONDENTS BY JOB TITLE

Total	UK N=101	Germany N=101	France N=101	Benelux N=101
CIO	43%	43%	37%	32%
CISO	48%	38%	41%	60%
Head of network architecture	10%	20%	23%	8%

RESPONSES BY COMPANY SIZE

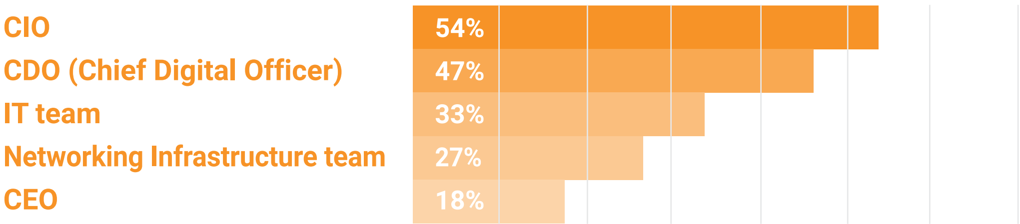
Total	Total N=404	UK N=101	Germany N=101	France N=101	Benelux N=101
3,000 - 4,999 employees	67%	76%	60%	56%	74%
5,000 - 9,999 employees	25%	18%	31%	29%	25%
10,000 + employees	8%	6%	9%	15%	1%

Key findings

Transformation is still owned by IT but driven by digitisation

Who in your company is driving – or “owning” – digital transformation?

EMEA OVERVIEW



RESPONSES BY COUNTRY/REGION

Total	Total N=404	UK N=101	Germany N=101	France N=101	Benelux N=101
CEO	18%	20%	17%	19%	16%
CIO	54%	54%	63%	52%	47%
CDO (Chief Digital Officer)	47%	48%	39%	41%	61%
Network Infrastructure team	27%	29%	21%	34%	27%
Head of security	16%	13%	11%	14%	26%
IT team	33%	29%	34%	26%	43%

Note: More than one answer was possible.

In this research, digital transformation was defined as the integration of digital technology into all areas of business, changing how businesses operate and deliver value to customers. These digitisation projects are still predominantly an IT decision across EMEA, with CIOs (54%) and chief digital officers (47%) driving or owning the process, whilst just under one-fifth of businesses (18%) claim their CEOs are in charge of digital transformation.

A relatively new position, that of the chief digital officer (CDO), is playing a key role in driving transformation. This role is having the biggest influence on digital transformation in countries that are further along their transformation journeys, such as Benelux (61%) and the UK (48%).

It is interesting to note that security teams are the least likely to drive transformation initiatives in their organisations in spite of the fact that security is the highest concern as applications move to the cloud.

What are the key drivers of digital transformation?

Top drivers for digital transformation within surveyed organisations are:

Introduce more efficient processes	38%
Allow employees more flexibility	37%
Business strategy to focus on core competency	36%
Improve profit margin	36%
Increase cost savings	35%

Total	Total N=404	UK N=101	Germany N=101	France N=101	Benelux N=101
Improve profit margin	36%	34%	34%	34%	42%
Increase cost savings	35%	41%	37%	28%	37%
Introduce more efficient processes	38%	32%	44%	50%	29%
Allow employees more flexibility	37%	36%	36%	42%	37%
Ability to scale with demand	32%	29%	26%	36%	39%
Free up space on premises	28%	28%	32%	22%	30%
Business strategy to focus on core competency	36%	38%	33%	36%	38%
Challenge of hiring IT staff	33%	34%	34%	23%	44%

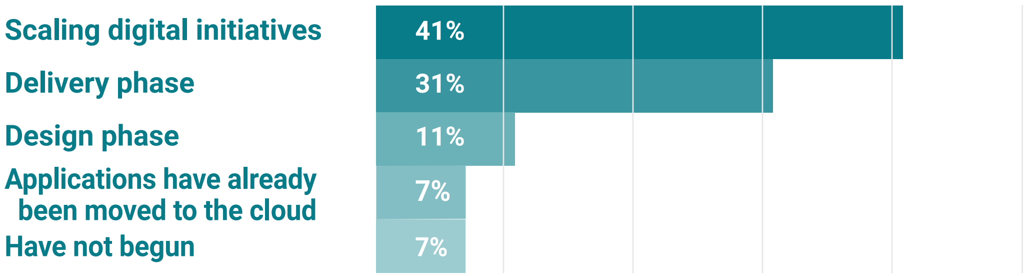
Decision-makers were asked to state their top drivers for digital transformation. The key reasons for embarking on transformation projects on a consolidated EMEA level are equally split amongst core business drivers, with 38% of companies looking to introduce more efficient processes. Allowing employees more flexibility (37%), being able to focus on core competencies (36%), improved profit margins (36%) and increased cost savings (35%) followed.

There are considerable differences between regions. The UK and Benelux see financial aspects, such as increased cost savings (41% UK) or improved profit margin (42% Benelux) as important drivers and the pressure to hire qualified IT staff is dominating transformation initiatives in the Benelux region (44%). Half the companies in France (50%) followed by Germany (44%) rank efficiencies the highest.

Present state of digital transformation

Where are you in your digital transformation journey?

EMEA OVERVIEW



Where are you in terms of your organisation's digital transformation journey?

Total	Total N=404	UK N=101	Germany N=101	France N=101	Benelux N=101
Design phase	11%	6%	16%	10%	12%
Delivery phase	31%	37%	32%	32%	23%
Scaling digital initiatives	41%	47%	37%	37%	45%
We have not begun a digital transformation journey	7%	6%	6%	6%	10%
We have moved our applications to the cloud	7%	3%	7%	13%	6%

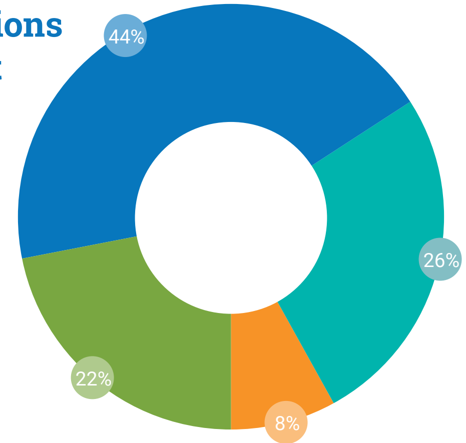
Transformation is well underway in the four regions surveyed, with nearly one out of every three companies in the delivery phase (31%). The UK is ahead with its projects (37%), followed by Germany and France at 32 percent. Additionally, almost every other respondent in the UK and Benelux is scaling their digital initiatives. The need for digital transformation is evidenced with only a small percentage of companies yet to start their transformation journeys (7%) or those that lack a strategy (2%).

> More than 70 percent of respondents are delivering on their digital initiatives or have already begun to scale them across their organisations.

Present state of digital transformation (cont.)

How many of your business applications will be stored in the cloud in the next 12 months?

- **25%** - 22 percent of respondents
- **50%** - 44 percent of respondents
- **100%** - 26 percent of respondents
- ** The remaining 8 percent of respondents already have 100% of their apps in the cloud.*



A high number of cloud projects will be completed in 2019. Twenty-six percent of companies across core EMEA countries plan to have 100 percent of their cloud projects finished in the next 12 months. Nearly half of the companies (44%) are well underway with moving known business applications into the cloud and will have at least 50 percent finished. The UK is slightly ahead (47%) followed by Germany (46%). One company out of 10 has finished projects in the UK (11%) and 10 percent in Germany. The survey found barely any company still committed to on-premises solutions.

Total	Total N=404	UK N=101	Germany N=101	France N=101	Benelux N=101
We are just starting our transformation process and will have appx 25 percent of our apps moved to the cloud	22%	21%	19%	22%	26%
We are in the middle of our transformation strategy and will have 50 percent finished in the next 12 months	44%	47%	46%	42%	41%
We will have moved 100 percent to the cloud in the next 12 months	26%	22%	26%	30%	29%
We have already finished our transformation process	8%	11%	10%	6%	5%

In the next 12 months, 26 percent of survey respondents plan to have 100 percent of their apps in the cloud—in addition to the eight percent of respondents that are already 100 percent in the cloud.

Security is key to getting transformation right from the beginning

Where did you start/plan to start your transformation journey?

Total	Total N=404	UK N=101	Germany N=101	France N=101	Benelux N=101
With application transformation	21%	26%	20%	21%	18%
With network transformation	26%	28%	29%	26%	21%
With security transformation	33%	31%	37%	26%	39%
Application combined with network transformation	11%	6%	9%	14%	14%
All three are equally relevant	9%	10%	6%	14%	8%

Network traffic changes

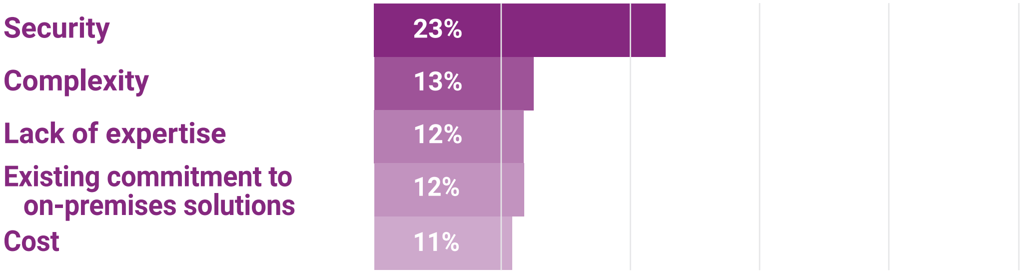
When applications move from the data centre to the cloud, network traffic patterns will naturally change. Ten years ago, approximately 10 percent of overall traffic was destined to the internet. Now, up to 90 percent of an organisation's network traffic breaks out to the internet, which necessitates a major shift in bandwidth requirements and a change in security infrastructure. To transform applications, companies have to consider the broader aspects of network transformation as well.

The dominance of security transformation was striking at first glance, as further research showed that security is still a major concern in cloud-related projects. One out of every three companies in EMEA have kicked off or plan to start with security transformation (33%), with a strong dominance in the Benelux region (39%), followed by Germany (37%). Network transformation was the second most important starting point for more than one-quarter (26%) of the companies, and one out of five companies started with application transformation. This is not surprising, as it is usually the division in charge of applications that secures the budgets for their transformation efforts more easily, making their business need transparent.

A small number of companies (20%) considered a combination of transformation projects from the outset. Out of these, approximately one out of 10 companies combined application and network transformation (11%) or reported that application, network and security transformation are equally relevant (9%). Those nine percent understand the wide-ranging effects that the transformation of applications into the cloud has on both their network and security infrastructure.

Biggest obstacles to transformation

Overview: The five biggest obstacles to digital transformation are:



What do/did you see as the biggest obstacle to digital transformation?

Total	Total N=404	UK N=101	Germany N=101	France N=101	Benelux N=101
Company culture	11%	9%	13%	11%	20%
Cost	11%	11%	8%	18%	8%
Complexity	13%	14%	11%	13%	14%
Security	23%	28%	26%	20%	18%
Lack of resources	8%	8%	8%	8%	8%
Lack of expertise	12%	12%	14%	11%	11%
Existing commitment to on-premises solutions	12%	13%	12%	9%	14%
Employee concern around keeping their jobs	10%	5%	8%	11%	18%

Security topped the list of biggest obstacles to digital transformation across all four regions for nearly one-quarter of the decision-makers (23%), with the UK having the greatest concerns (28%), followed by Germany (26%). Complexity of transformation projects was next, mentioned by 13% of decision-makers, closely followed by lack of expertise (12%). This isn't surprising, as most companies have only started or are in the middle of their first projects. So, experienced project leaders who have successfully executed digital transformation initiatives are simply not readily available in the job market.

After the top two, there is little consistency around the next biggest obstacles. Company culture is the third biggest hurdle in Germany (13%). Cost is cited by France (18%), while in the Benelux region, concerns over job loss are the next most important (18%). The commitment to existing on-premises solutions plays an important role in the UK (13%) and Benelux (14%).

Given the dominance of security concerns, the survey then took a closer look into where that fear might come from.

Biggest challenge to transformation — #1. Mobility

What percentage of employees currently use mobile devices to access data and applications in the cloud?

Total	Total 100%	UK 100%	Germany 100%	France 100%	Benelux 100%
Less than 25%	5%	1%	12%	3%	6%
25-50%	23%	24%	20%	25%	25%
51-75%	43%	42%	40%	41%	49%
More than 75%	29%	34%	29%	32%	22%

A large percentage of workers access cloud applications on mobile devices. Almost half of respondents (43%) across EMEA state that more than 50 percent of their users are accessing cloud-based applications via a mobile device, with nearly one in three companies (29%) claiming that number to be more than 75 percent. This trend is similar across all surveyed countries, with 76 of UK companies reporting more than 50 percent of mobile users accessing apps, followed by France (73%) and Benelux (71%).

Workplace of the future Employees view remote working as a requirement rather than a benefit and prefer employers that offer flexible working—from the home office, a branch office, or a coffee shop around the corner. But, remote employees need seamless access to data and applications—whether they are hosted in the corporate data centre or the cloud. Users are accustomed to accessing social platforms and cloud services seamlessly, and they expect the same experience from their business applications.

How do your employees typically access internal and cloud-based data and applications when they are away from the office?

Total	Total N=404	UK N=101	Germany N=101	France N=101	Benelux N=101
Remote Desktop Protocol (RDP)	29%	27%	27%	23%	40%
Virtual Private Network (VPN)	49%	53%	48%	61%	33%
Identity and Access Management tools	21%	18%	24%	16%	25%

For internal data and applications, on average, only 49 percent of businesses surveyed use a virtual private network (VPN), with major differences being seen across the region. While only one in three countries in Benelux (33%) use VPN, the number is closer to two out of three in France (61%). In Germany and the UK, approximately half of the enterprises use a VPN solution. Remote Desktop Protocol is used the second most often (29%) overall, while it is the dominant solution in Benelux (40%). Identification and Access Management tools (21%) came in third overall.

Biggest challenge to transformation — #2. Remote access

Are you concerned about the way in which employees access internal data and applications remotely for data security reasons?

Total	Total N=404	UK N=101	Germany N=101	France N=101	Benelux N=101
Yes	80%	82%	70%	81%	86%
No	19%	16%	28%	18%	13%
Don’t know	1%	2%	2%	1%	1%

The majority of IT professionals surveyed voiced concerns about the way in which employees access data and apps for data security reasons (80%), with the primary concern surrounding the use of unsecured networks. This concern registered highest in the Benelux region (86%) and lowest in Germany (70%).

What is your primary concern?

Total	Total N=323	UK N=83	Germany N=71	France N=82	Benelux N=87
The use of unmanaged devices	21%	22%	23%	21%	21%
The use of unsecured networks	34%	42%	39%	29%	25%
Blanket access to the entire corporate network	20%	17%	20%	29%	16%
Low security awareness	17%	12%	14%	16%	26%
The risk of lost credentials	7%	7%	4%	5%	11%

The survey explored primary concerns around remote access. On an aggregated level, the top concerns are the use of unsecured networks (34%), followed by the use of unmanaged devices (21%) and blanket access to the entire corporate network (20%). Low security awareness played a less important role across EMEA (17%), with the risk of lost credentials ranking lowest (7%). Feedback on a country level showed slightly different results, with blanket access to the corporate network (29%) and the use of unsecured networks (29%) being the greatest concerns in France. Low security awareness was the biggest concern in the Benelux region (26%).

Biggest challenge to transformation: 2. Remote access (cont.)

What, if anything, has dissuaded your organisation from using your office Virtual Private Network (VPN)?

Total	Total N=207	UK N=47	Germany N=53	France N=39	Benelux N=68
Speed	43%	49%	45%	38%	38%
Complexity	58%	57%	49%	62%	65%
User experience	47%	53%	38%	51%	47%
Convenience	43%	49%	38%	18%	57%
Cost	40%	43%	36%	33%	44%
Nothing has dissuaded us	4%	4%	8%	5%	1%

Just how many organisations in the survey reported satisfaction with their remote access VPN solutions? It depends on who you ask. Overall, just four percent saw no reason to stop relying on VPNs. But in Benelux, that number drops to one percent. Those numbers say a lot about VPNs, which are notoriously difficult to set up, expensive, and inconvenient to use.

Across EMEA, complexity was the top reason for not using the corporate VPN (58%), followed closely by user experience (47%). Speed and convenience concerns ranked third across EMEA at 43%, followed by cost aspects of VPN solutions (40%). A very small minority (4%) are happy with their VPN solution.

The End of the VPN?

Remote access VPNs worked well in the network-centric world. But in the age of cloud and mobility, application access needs to be independent of the network. One reason is that VPNs route traffic through a data centre even to access apps running in the cloud. This means a poor user experience and an increase in MPLS costs. Alternatives, such as a software-defined perimeter (SDP) model, enable secure access by connecting authorised users to specific private applications without placing users on the network.

Conclusion

While the reasons for pursuing digital transformation may vary, this survey clearly show that it is top of mind for organisations across the UK, France, Germany, and Benelux. The good news is that transformative technologies can now help businesses overcome many of the issues and concerns voice in the survey at once—all with a relatively small investment of time and resources.

But the concerns raised about security and remote access cannot be taken lightly.

Employees want quick and easy access to their applications from the office, from home, or remote locations—regardless of where those apps are located. The challenge for companies is ensuring friction-less access while maintaining compliance and security requirements.

Companies have come to realise that simply moving applications into the cloud is not enough. They need to consider the effects of that move on their network and security infrastructures.

Recommendations

1 | Application, network and security transformation must go hand in hand

Business is driving digital transformation which, in turn, is bringing about network transformation. To transform a company network, enterprises need the right security in the right place to profit from the elasticity and flexibility of the cloud. Because applications and services are shifting from data centres to cloud and SaaS, legacy infrastructure constructs need to be re-evaluated. Network-based security is not effective for the many users working off the network, sending a majority of traffic out to the internet—the majority of which is now encrypted.

2 | The internet is becoming the new corporate network

When IT considers how to deliver a more frictionless experience to end users, it looks to cloud services and SaaS adoption. But to make the cloud model work, decision-makers must ask themselves a some basic questions: why do we still have data centres and wide-area networks? The answers are just as basic. Data centres host applications and services consumed by end users, and wide-area networks (WANs) connect data centres to the end users in branches. Applying that same logic, if applications and services are moving out of the data centre to cloud and SaaS, and users are working from anywhere, isn't it time to reevaluate the WAN?

3 | Addressing security requirements for the cloud

Traditional network security made sense when all company applications were hosted in the data centre and users were all on the network. But with apps moving to the cloud and users becoming increasingly mobile, the stacks of appliances sitting in the data centre are becoming irrelevant. This model forces all traffic through the centralised data centre for security and access controls—a complex configuration that results in a terrible user experience.

4 | Zero trust concept of a software-defined perimeter for remote users

The foundation on which the VPN was built creates points of exposure and leaves the network vulnerable to attack. As the need for additional security measures has increased, so too has the number of appliances found in the extensive inbound security stack. The VPN grants too much trust to the user, and as enterprises look to implement zero trust networking, eliminating inherent trust is only the first step in securing private application access. The enterprise needs a modern remote access solution that operates on a conditional, adaptive-trust basis.

Zscaler has successfully guided thousands of organisations through their digital transformations.

Contact us for guidance on your journey.

More resources:

Watch the two-minute video to learn about the benefits of a cloud-based architecture.

Learn how Zscaler helped Siemens with its digital transformation.

Read this eBook to learn how to deliver digital security.

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