# UK digital transformation surges—but execution gaps threaten AI gains



Digital transformation remains central to the UK’s ambition to lead in tech-driven growth and harness the potential of artificial intelligence. A new report by ArvatoConnect shows private sector momentum is accelerating, with 76% of businesses now pursuing organisation-wide digital transformation—up from 32% a year ago. This growth spans IT, customer service, finance and marketing. With 95% of firms confident their projects will succeed, the outlook appears strong.

Yet this progress is undermined by a persistent ‘digital deficit’—a gap between ambition and execution. Many firms are moving ahead without critical foundations such as robust planning, performance monitoring or employee training. Just half collect end-user feedback before or after implementation, and 60% report failing to secure internal buy-in. Fewer than 60% train staff on new systems. Over a third lack performance monitoring, and half have no key performance indicators in place.

This execution gap threatens the UK’s tech leadership, especially as businesses grapple with AI-specific risks. Ethical concerns, misinformation and data bias are rising up the agenda, with 51% of firms citing safety, security and ethics as their top AI challenge.

The public sector faces similar hurdles. While more than half of UK public bodies are now engaged in government-wide digital initiatives—up 51% year-on-year—many struggle with basic governance. Most have not gathered user feedback or ensured staff engagement, and few track performance robustly. These gaps jeopardise key government targets, including a £14 billion savings goal tied to digital efficiency.

Deeper structural issues persist. Nearly two-thirds of public bodies lack a coherent data strategy. A large majority—71%—say they cannot manage or collate data effectively, while 68% lack confidence in data protection. Just 13% have gathered citizen feedback on digital tools, and only 13% have properly trained staff on new technologies.

The retail and automotive sectors reflect the same challenges. Firms often skip vital steps—setting benchmarks, engaging users, and developing customer-led data strategies—leading to projects that underperform or stall.

“This is a once-in-a-generation opportunity for the UK economy—unlocking productivity, powering innovation and setting new benchmarks for customer experience,” said James Towner, Chief Growth Officer at ArvatoConnect. “But without strong governance and responsible innovation, firms risk losing ground to more agile competitors. Successful transformation isn’t just about adopting AI—it’s about deploying it safely and ethically.”

The government’s AI Opportunities Action Plan and plans for AI Growth Zones show clear policy intent. But the findings suggest success will depend on translating this intent into action—building strong data strategies, engaging stakeholders, measuring performance and embedding ethical standards across organisations. The UK has a clear opening to lead in AI and digital innovation—but to seize it, both public and private sectors must move from rapid adoption to disciplined, insight-led execution.

Created by [Amplify](https://www.hbmadvisory.com/amplify): AI-augmented, human-curated content.

## Bibliography

1. <https://cxm.world/digital-experience/arvatoconnect-statistics-highlight-uk-digital-growth-and-deficit-risks/> - Please view link - unable to able to access data
2. <https://www.arvatoconnect.co.uk/2025/10/16/enduring-digital-deficit-puts-public-sectors-14bn-efficiency-drive-at-risk-new-research-finds/> - ArvatoConnect's latest research reveals that over half (56%) of UK public sector organisations are now implementing government-wide digital transformation initiatives, a 51% increase from the previous year. Despite this progress, significant gaps in planning and performance measurement persist, potentially jeopardising the government's £14bn efficiency savings target. Notably, 53% of organisations have not gathered end-user insights before making changes, and 62% have not sought feedback on the effectiveness of new systems post-implementation. Additionally, 58% have failed to secure colleague buy-in for their projects, and 44% have not implemented any form of performance monitoring. The study underscores the need for comprehensive planning and stakeholder engagement to realise the full benefits of digital transformation in the public sector. ([arvatoconnect.co.uk](https://www.arvatoconnect.co.uk/2025/10/16/enduring-digital-deficit-puts-public-sectors-14bn-efficiency-drive-at-risk-new-research-finds/?utm_source=openai))
3. <https://www.arvatoconnect.co.uk/2024/02/14/uk-public-sector-digital-transformation-deficit/> - ArvatoConnect's report highlights that nearly two-thirds (65%) of UK public sector organisations currently delivering digital transformation projects lack an overarching data strategy. Furthermore, 71% cannot effectively gather, collate, and manage data, and 68% are not confident in protecting it once obtained. The research also reveals that 83% have not gathered feedback from citizens on the performance of existing solutions, and 87% have not trained employees on new technologies or processes. These findings suggest a significant 'digital deficit' in the public sector, potentially hindering the success of transformation initiatives. ([arvatoconnect.co.uk](https://www.arvatoconnect.co.uk/2024/02/14/uk-public-sector-digital-transformation-deficit/?utm_source=openai))
4. <https://www.publictechnology.net/2024/03/20/partner/the-uk-public-sector-harbours-hidden-digital-transformation-deficit/> - A report by ArvatoConnect indicates that many UK public sector organisations are missing key steps necessary to achieve their digital transformation objectives, creating the risk that transformation projects fail to deliver their intended benefits. The research found that nearly two-thirds (65%) of organisations currently delivering digital transformation projects lack an overarching data strategy, 71% cannot effectively gather, collate, and manage data, and 68% are not confident in protecting it once obtained. Additionally, 83% have not gathered feedback from citizens on the performance of existing solutions, and 87% have not trained employees on new technologies or processes. ([publictechnology.net](https://www.publictechnology.net/2024/03/20/partner/the-uk-public-sector-harbours-hidden-digital-transformation-deficit/?utm_source=openai))
5. <https://www.arvatoconnect.co.uk/2024/02/14/uk-retail-sector-digital-transformation-deficit/> - ArvatoConnect's research reveals that nearly all UK retail firms are skipping key steps necessary to deliver successful major transformation programmes. The findings show that the majority of firms do not set key performance benchmarks, secure customer and employee buy-in, or have a data strategy in place. Many organisations also admit their strategies are led by technology over customers' needs or are driven by an effort to keep pace with competitors. This significantly elevates the risk of projects falling short of their potential or missing the mark completely. ([arvatoconnect.co.uk](https://www.arvatoconnect.co.uk/2024/02/14/uk-retail-sector-digital-transformation-deficit/?utm_source=openai))
6. <https://www.arvatoconnect.co.uk/2024/02/14/uk-automotive-sector-harbours-digital-transformation-deficit/> - ArvatoConnect's report indicates that nearly all UK automotive firms are skipping key steps necessary to deliver successful major transformation programmes. The findings show that the majority of firms do not set key performance benchmarks, secure customer and employee buy-in, or have a data strategy in place. Many organisations also admit their strategies are led by technology over customers' needs or are driven by an effort to keep pace with competitors. This significantly elevates the risk of projects falling short of their potential or missing the mark completely. ([arvatoconnect.co.uk](https://www.arvatoconnect.co.uk/2024/02/14/uk-automotive-sector-harbours-digital-transformation-deficit/?utm_source=openai))
7. <https://www.civilserviceworld.com/news/article/the-uk-public-sector-harbours-hidden-digital-transformation-deficit> - A report by ArvatoConnect reveals that many UK public sector organisations are missing key steps necessary to achieve their digital transformation objectives, creating the risk that transformation projects fail to deliver their intended benefits. The research found that nearly two-thirds (65%) of organisations currently delivering digital transformation projects lack an overarching data strategy, 71% cannot effectively gather, collate, and manage data, and 68% are not confident in protecting it once obtained. Additionally, 83% have not gathered feedback from citizens on the performance of existing solutions, and 87% have not trained employees on new technologies or processes. ([civilserviceworld.com](https://www.civilserviceworld.com/news/article/the-uk-public-sector-harbours-hidden-digital-transformation-deficit?utm_source=openai))