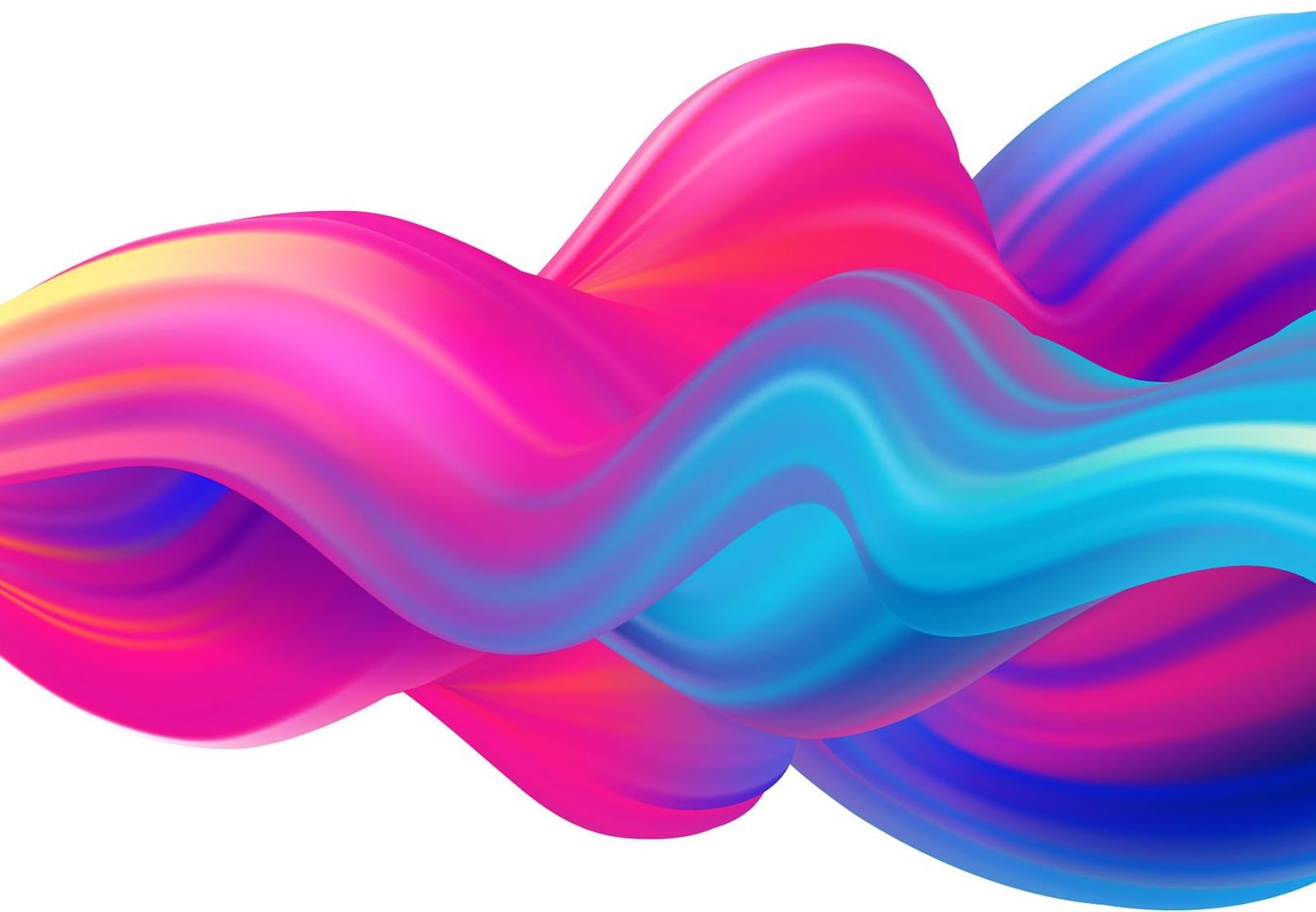# Post COVID-19: CIO's Response

SURVIVE, REVIVE, REVITALIZE.

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World encountered a black swan event - COVID-19 in 2020, which impacted almost every country, industry, company and individual in many ways. While the impact is universal, some industries have been more severely affected than the others. Businesses stretched their ability to go digital as much as possible depending on the readiness of their technology foundation, processes, and culture. It was not a question of whether to go digital - rather, it was a matter of how fast they can scale it to enable a productive workforce and continue engaging their customers. CIOs respond to the crisis right away with remote working set ups, access to information and mission-critical systems as well as enabling business continuity protocols. But a fast decision making, and robust technology foundation differentiated the market leaders from those with an inefficient core (e.g. paper based, manual processes, insufficient investment in technology infrastructure).

While the crisis is far from over across the world, business and IT leadership need to also start planning for a post Covid-19 phase as the uncertainties increase even further.

THE BIG CHALLENGE REMAINS ON HOW TO ANTICIPATE AND PLAN FOR POST COVID-19 PHASE

We believe that a CIO's response needs to be a multi-horizon-based approach addressing the short- and long-term challenges (3-9-12 months). In the short term, CIO needs to manage discretionary and non-discretionary spend to drive costs low in order to create investment capacity for building system resilience for a long-term business growth.

While now, businesses are struggling to manage extreme cost pressure while trying to preserve their revenue streams and protecting their employees, in long-term impact we should expect to see some fundamental shift in how businesses will operate based on the following four factors. Hence it is important that the IT strategy and investment is tightly aligned with the potential business changes.

CALL OUTS:

- 54% of the China top 100 companies believe that COVID-19 will reduce their quarterly revenue significantly while over 80% believe that the operating cost will increase in immediate term. More than 50% believe that the operating cost will maintain at a high level in near future.[1]

- IDC CXO survey found out that 45% of respondents believe that their first quarter spending on ICT will be on-hold and expect that the yearly budget will be reduced.[2]

- The pressure faced by most companies require CIO to focus on optimizing its IT spend for supporting business recovery.

01 BUSINESS MODEL CHANGE

In the short term, business leaders will focus on preserving and protecting their current customer base by ensuring product and service delivery. At an enterprise level, businesses will accelerate their pivot to the digital business model, i.e. digitally enabled go-to-market models, leveraging new market receptivity. **For example, with changing customer expectation and behavior, it is observed that the sales of physical products through online channels in China increased by 3% in 2020 Q1.**[3] Over long term, we should expect to see new products, services and delivery models emerging due to the new norm of living and changing consumption behaviors.

Increase in targeted M&A is expected as the leaders will take advantage of the financial crash and acquire the smaller players. The merge creates opportunities for these companies to develop new offerings to customers or streamline their operations to achieve efficiency.

02 CASH & LIQUIDITY MANAGEMENT

CFOs will set aggressive cost reduction target as the crisis hit both top-line and bottom-line. Moreover, overall financial management will be required to survive the upcoming recession and investment portfolios will be adjusted to create liquidity for COVID-19 relevant investments.
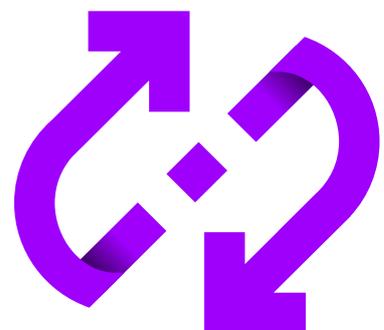
03 ENTERPRISE TRANSFORMATION

Intelligent operations are a must for companies to differentiate and lead in a cost-effective manner. Further optimization of existing operations and modernization of technology by establishing new digital capabilities will be required.

04 WORKFORCE AND NEW WAYS OF WORKING

Leaders that make the permanent shift to new ways of working (virtual collaboration, digital workforce, and liquid workforce) will be better able to stave off business disruption and potential revenue loss, forge new levels of trust with their workforce, and position their businesses for renewed growth once the pandemic subsides.

HOW INDUSTRY LEADERS MADE IT

- **Huawei** has leveraged its technological capability in Cloud, AI, big data and connected device to quickly develop a COVID-19 response solution, with functionalities such as employee care, remote working, disease outbreak monitoring and more. This has enabled its own employees to return to work safely and efficiently.[4] Meanwhile, Huawei has offered a new product, the Welink platform which was originally developed for internal use, to enterprise clients to help with remote working, virtual conference and check-in.[5]

- The surge in number of employees working from home has strained the technology resources of financial services firms, such as **Citigroup** and **Wells Fargo**. They were imposing temporary workarounds (such as asking staff to start conference calls at odd times avoid clogging its teleconferencing system), while working on securing more laptops and increasing its network bandwidth to ensure employee productivity.[6]
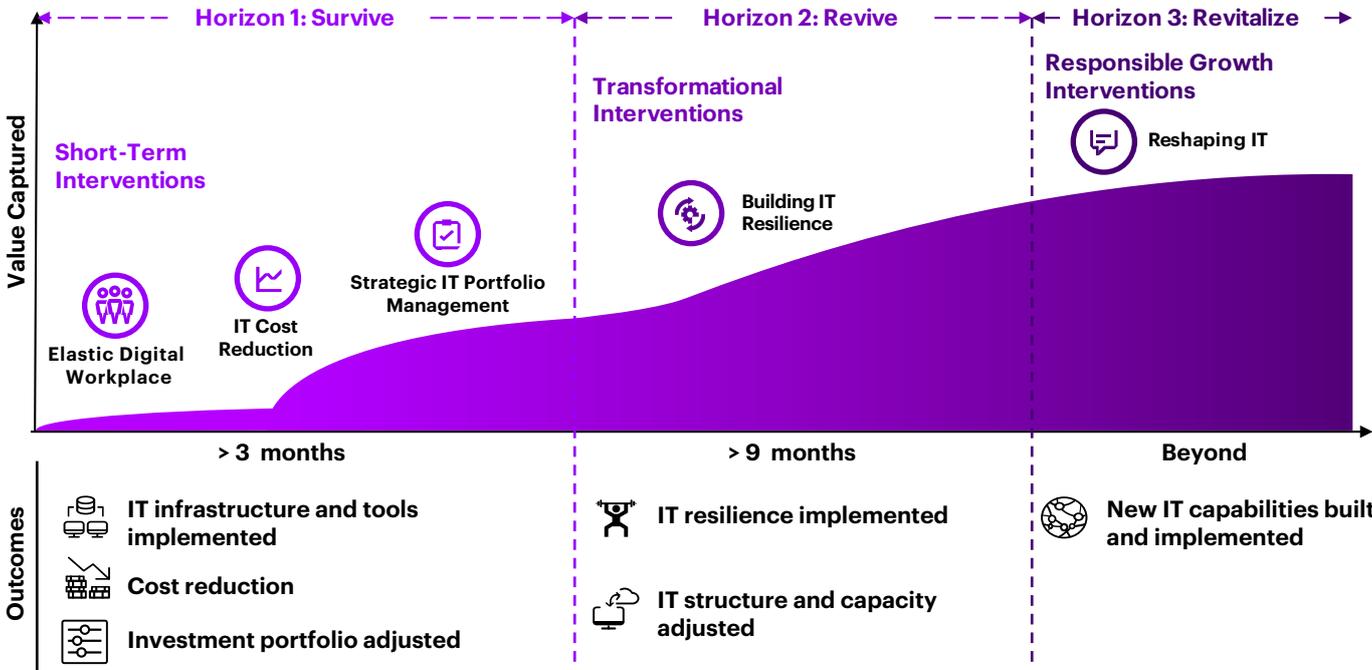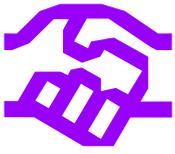
WHAT DOES IT MEAN FOR CIOS POST COVID-19?

As different business priorities evolve over the next one year, the demand for IT will continuously change. Post COVID-19, CIOs will be facing difficult questions regarding the priorities for IT going forward. Does resolving business liquidity crunch require IT to implement aggressive cost reduction initiatives right away? But how about the need to invest even more to support the business imperative to go digital? Are new ways of working going to be permanent change and if so, where does the budget come from to strengthen the infrastructure?

The key for the CIOs to manage the uncertainty is to avoid a "react" and "respond" approach and have a long-term view in mind. We believe CIOs need to have a three-horizon view in planning for post COVID-19 - **Survival, Revival and Revitalization**.

COVID 19 SHORT- AND LONG-TERM INTERVENTIONS

There are short-term actions to be taken in the next 3 months as well as in the longer term in order to respond to the "New Normal" post COVID-19

Horizon 1: Survive	Horizon 2: Revive	Horizon 3: Revitalize
Short-Term Interventions: Elastic Digital Workplace, IT Cost Reduction, Strategic IT Portfolio Management	Transformational Interventions: Building IT Resilience	Responsible Growth Interventions: Reshaping IT
> 3 months	> 9 months	Beyond

Outcomes

> 3 months	> 9 months	Beyond
IT infrastructure and tools implemented	IT resilience implemented	New IT capabilities built and implemented
Cost reduction	IT structure and capacity adjusted	
Investment portfolio adjusted		

6

HORIZON 1: SURVIVAL ACTIONS

During first horizon, IT leadership need to work closely with business to reflect and plan for short term interventions to support business in surviving the crisis, i.e. stabilize operations and manage costs.

- **Elastic Digital Workplace:** COVID-19 crisis forced most business to roll out digital workforce practices (virtual collaboration, online help centers, access to mission-critical systems, etc.), many struggled with performance as the set up was never tested for current level of usage. The focus now needs to continue stabilizing the operations with robust elastic digital workplace across six dimensions – virtual work environment, seamless and secure networking, distributed connectivity, adaptive security, culture, and adoption.

  Over the next month, prioritize the migration of systems and data by adopting Cloud-based applications and storage, wherever possible. Upgrade IT infrastructure to augment or rebalance network, storage, servers to enable reliable remote connectivity. Further review the current state gaps and deploy solutions (such as Zero Trust network access and endpoint managed protection, detection and response) to deploy to enable expansion of remote connectivity.

- **IT Cost Reduction:** Identify and realize costs savings in short/medium term (next 6 months). Review and reduce discretionary spend (both internal and third-party spend) to generate liquidity required for funding business recovery.

  Work closely with the business leadership to align on business priorities in the short/medium/long term. Re-evaluate strategic IT projects to identity which should be put on hold as resources should be redeployed to support recovery, and which should be delivered as they are critical for longer term recovery.

  At the same time, review third party spend to identify cost savings, especially in non-strategic categories. Identify value levers and analyze potential to consolidate, renegotiate or terminate contracts.
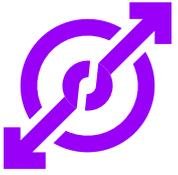
HORIZON 2: REVIVAL ACTIONS

CIOs need to switch gears towards building IT flexibility for a future where economy starts to recover to pre Covid-19 era which will see increase in customer demand. Moreover, the changes may be sudden, and business will need to manage their end to end processes (e.g. manufacturing, supply chain, sales) to meet the demand. The expectations from IT functions will be to have enough capacity built in without impacting performance.

Therefore, in the medium term, CIO will have one key priority – **Building IT Resilience**.

- First, with a focus on the infrastructure, invest in redesigning IT infrastructure to manage the dynamic surges. Deploy a Cloud first approach to ensure a more flexible and resilient IT infrastructure. Review security architecture and operating model to ensure comprehensive security monitoring, threat detection, effective defense, stress testing and secure endpoints. Redesign core systems enabling business processes flexibility with user reconfigurable workflows, supporting peak user traffic and new data sources.

- Second, while in the first phase, cost pressure will require CIOs to cut down workforce, it is critical that the medium- and longer-term ambitions are kept in mind to plan for certain key skills required during revive phase. Losing out on these skills in lieu of short-term cost saving will not be prudent.

HORIZON 3: REVITALIZATION ACTIONS

Upon stabilization and revival of the baseline business operations, the focus needs to be shifted towards reshaping IT and refocusing on business growth. This will require CIOs to bring IT to the forefront of the long-term business transformation.

- **New IT Capabilities**: Revise entire IT strategy, operating model, architecture and IT talent to cope with the new business needs (e.g. digital workforce across the organisation, hyper digitization). Build workforce and capabilities based on adjusted business model requirements (such as multi-speed processes, data-driven decision making, human + machine workforce, ecosystem collaboration).

- **Strategic Projects:** Partner with business leadership to shape business priorities in long term and create IT roadmap such as large-scale automation or optimization of back-end processes. Resume investment in supporting data analytics projects to drive customer centricity, and a data-driven organisation.

While the crisis is far from over, and the business outlook is more uncertain than ever, we believe having a three-horizon mind-set and approach will help CIOs in comprehending and anticipating the business changes and building a robust roadmap post COVID-19.

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