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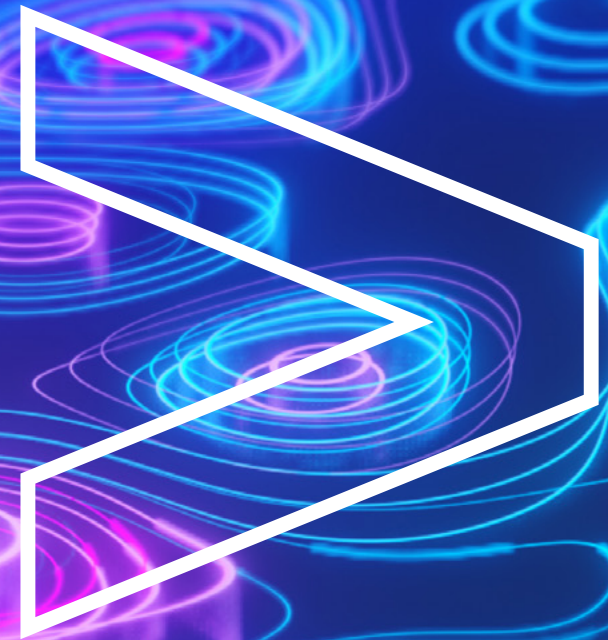
2020 4th Quarter – CIO Outlook

Revive the business in 2021 with tech-enabled transformation

# Contents

Introduction

Technology has played a critical role in enabling businesses to respond quickly to the COVID-19 crisis early on. Cloud software, platforms, and infrastructure helped companies strengthen resilience in key areas of the business, enabled online collaborative working environments, and fostered customer engagement in the new virtual paradigm. While the adoption of cloud technologies varies across industries, there is one commonality: the chief information officer (CIO) is the driving force of tech-enabled transformation.
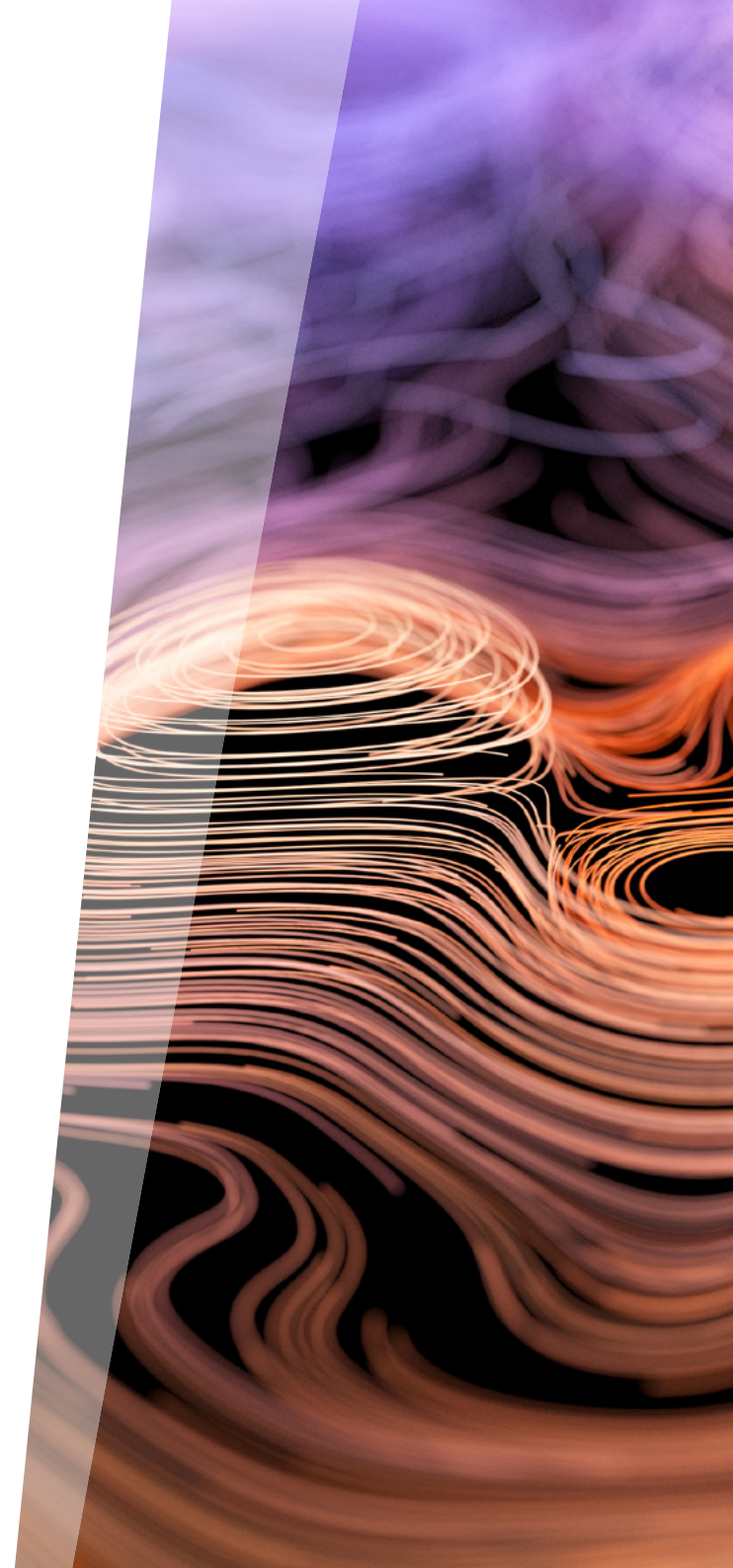
Introduction

For those who survived the initial shock of the crisis, the question is: **Now what?**
Since there is no going back to business as usual, it is time for companies to turn
the page and concentrate on planning for mid- to long-term priorities over the next
60 to 90 days. The priorities to focus on are:

1. **Building resilience with cloud at the core of your business**

2. **Designing a collaborative environment for resilience**

3. **Adapting to the new ways in which customers engage your business**

To achieve this, the C-suite—working side-by side with the CIO—should agree
on an integrated and targeted investment strategy to turn the business model from
survival to revival mode.

Build resilience with cloud technologies at the core of your business

Cloud was an urgent business imperative even before the pandemic. But our own research shows that interest in the cloud increased significantly in the second and third quarters of 2020.

Many businesses experienced firsthand the vital role that cloud plays in a company's digitization agenda. Those businesses that already had a "cloud-first" approach were able to innovate faster, create new revenue streams, and derive more insights from data.

Case-in-point

- 78% of CxOs stated they were committed to accelerating digital transformation, with an emphasis on cloud.[1]
- 80% of business executives are now looking to cloud as a means of mitigating business uncertainty and lowering risk.[2]
- 87% view cloud as a critical component of their strategy for achieving their corporate sustainability goals.[3]

Section 1

A look at different experiences

Microsoft Chief Executive Officer Satya Nadella noted how his corporation has seen "two years' worth of digital transformation in two months."[4] And this pace is not likely to ease up. Granted, not all companies are experiencing this speed of change.

Digital transformation as the solution for business revival and growth may not be new, but the urgency is. CIOs need to accelerate their company's technology strategy to respond to customer demands and safeguard their future. The focus should be on building a foundation for resilience and agility.

This can be achieved through a future-state IT architecture—one that is agile and constantly evolving—to help the business better manage uncertainty and volatility. Some key tenets of digital transformation are:

• Cloud technologies as the foundation;
• A Living Systems approach is a self-funded model in which continuous business value is achieved through a series of transformations that multiply innovation; and
• A fundamental rethinking of how work gets done, who does it, and how consumers engage and experience it all.

In Figure 1, we see that companies are at different stages in their recovery plans. Forty-one percent of organizations are still focused on survival while 19% are building resiliency to ride out the recession. The good news is that 40% of enterprises are starting to shift from the initial crisis response towards post-crisis growth and resiliency.

Figure 1 – Trends in crisis recovery
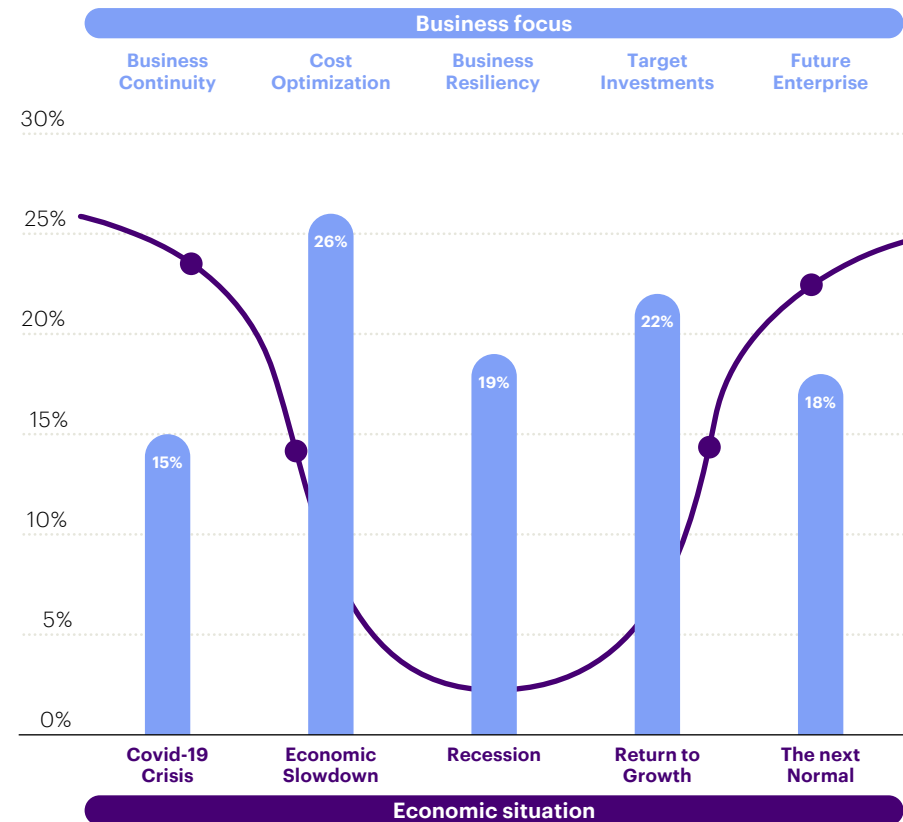
Source: IDC, Finding the Next Normal: 2020 Technology Sourcing Leadership Imperative, September 2020.

Section 1
The next 60–90 day plans

As CIOs consider their next 60–90 day plans, these steps can help a company build resilience:

- Set a joint cloud plan to integrate a variety of cloud solutions and align them to industry imperatives and new market realities

- Re-evaluate ecosystem partnerships, like hyper-scalers, to help boost the company's digital transformation and achieve next levels of resilience

- Agree on adjustments to cloud governance, operating model, value case, and application development in the cloud

- Work with the C-Suite to optimize cloud investments through greater resource efficiency, lower operational costs, and maximum value realization.

The key is to recognize that a company's cloud agenda is no longer a purely CIO responsibility; it is a CxO governance issue that requires C-level orchestration.
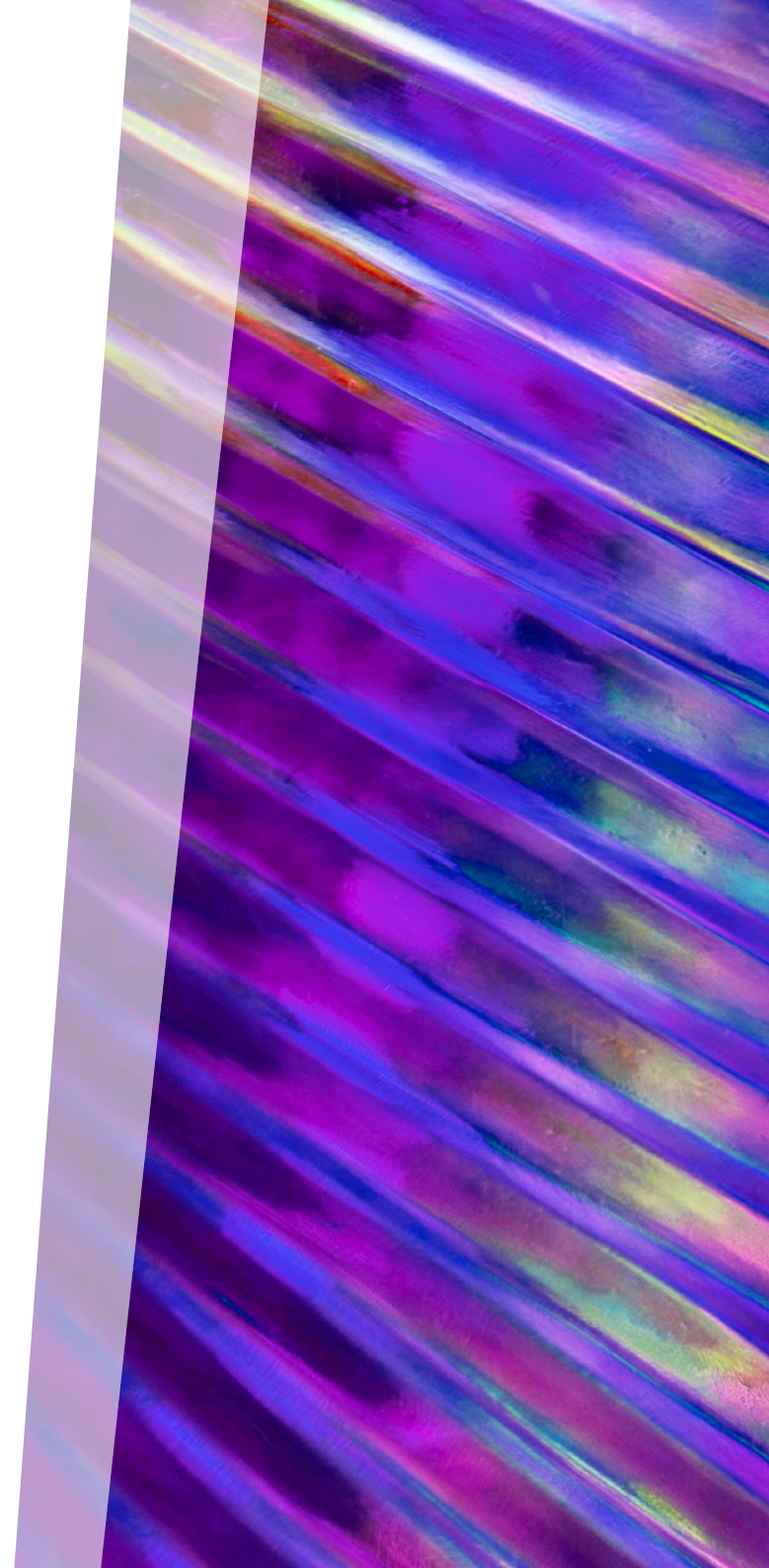
Design a collaborative working environment for resilience

Cloud technologies played a pivotal role when companies managed the sudden shift to remote working. Short-term solutions were put in place, and work continued more smoothly than anyone expected. Some businesses even reported increased productivity. Many believe that, when the crisis is behind us, there will be a permanent change in the ways that work gets done.

Human connections in digital connections

With social distancing in place, work from home (WFH) has become part of the new norm. Consider the most recent work from home announcements; Google announced its WFH plans through the summer of 2021. Microsoft has committed to January 2021 and Facebook will keep 50% of its workforce at home permanently.[5]

While remote working has largely been successful from a productivity standpoint, it can limit creativity and collaboration—at least in its current form. The challenge is how to sustain WFH, particularly when it comes to data security, collaboration, and overall social and psychological well-being. Longer-term productivity requires redefining elements of the employee experience, including incorporating more virtual workrooms and collaboration tools and adding more videoconferencing and messaging tools.

WeTransfer, an internet-based computer file transfer service based in the Netherlands, went so far as to launch a 3D virtual office mode of its Amsterdam headquarters[6] to allow employees to feel more connected and engaged during the crisis. Employees can join events and informal meetings virtually using an avatar.

Section 2

Prepare for a physical return to work

This same mindset (awareness of employees' well-being and psychological safety) applies when the time comes for a physical "return to work." CIOs will need to figure out how to blend a safe return with continued remote working options.

This balance will affect all workers, but particularly those whose jobs are more hands-on such as factory workers and maintenance personnel. Because there will be more human-machine interaction, these employees will need to develop new digital skills and capabilities to adapt to and support a physically distanced workspace.

A cloud-centric setup can support new working behaviors and monitor employee experiences, engagement, and well-being. In the new normal, CIOs need to be at the forefront of innovation to ensure IT and business build a virtual collaborative environment designed for resilience. Our research indicates that only 28% of organizations report they are preparing their workforce for collaborative, interactive, and explainable AI-based systems.[7]

Once again, the speed of change is critical. According to an Accenture survey, 71% of executives acknowledged that their employees are more digitally mature than their organizations.[8]
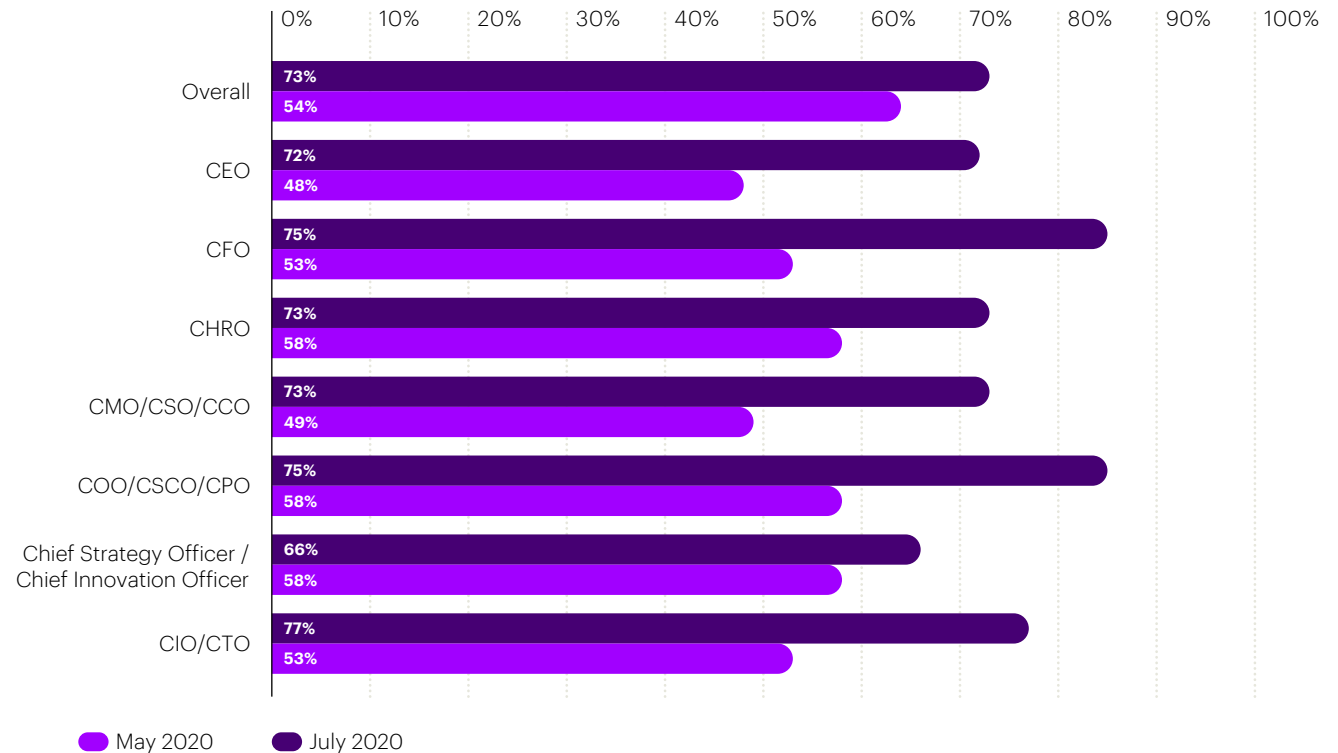
Since employees expect their companies to catch up, 77% of CIOs expect significant shifts in work design, culture, and mindset (see Figure 2). This accelerating trend raises the pressure on CIOs to react and incorporate new technology-driven capabilities and skills to catch up with employee expectations for increased digitization.

This is where technology can help. Machine learning, for example, is becoming more prevalent. Since the pandemic began, low-code or no-code development platforms have become more popular, accounting for 26% of technology investments—a 16% increase within months.[9] Augmented reality (AR) and artificial intelligence (AI) can advance employee engagement to make the next-generation work-from-home model effective and enjoyable.

Figure 2 – CxO perspectives on workplace shifts

% of CxOs who agree that their company will fundamentally re-design how people work, and the culture and mindset needed to succeed (Agree + Strongly agree)

	May 2020	July 2020
Overall	54%	73%
CEO	48%	72%
CFO	53%	75%
CHRO	58%	73%
CMO/CSO/CCO	49%	73%
COO/CSCO/CPO	58%	75%
Chief Strategy Officer / Chief Innovation Officer	58%	66%
CIO/CTO	53%	77%

● May 2020   ● July 2020

Source: Accenture "CxO Pulse Survey," June/July 2020.

Section 2

The next 60–90 day plans

CIOs play a critical role in building a collaborative work environment. Over the next 60–90 days, we recommend taking the following actions to improve the remote work experience:

- Work with the CHRO to define a personal enablement program that can improve employee engagement, experience, and service delivery by using bots, AI, document transfer, and more

- Augment key business processes with hyper-automation to enhance the employee experience and free people to work on more creative tasks

- Maximize the use of the cloud to leverage ready-to-use data, AI, and other advanced collaboration tools such as augmented virtual reality working sessions to spark insights and innovation

- Shift from implementing a specific digital solution to designing more integrated ways of working, such as travel assistants that advise on COVID-19 restrictions

Adapt to the new ways in which customers engage your business
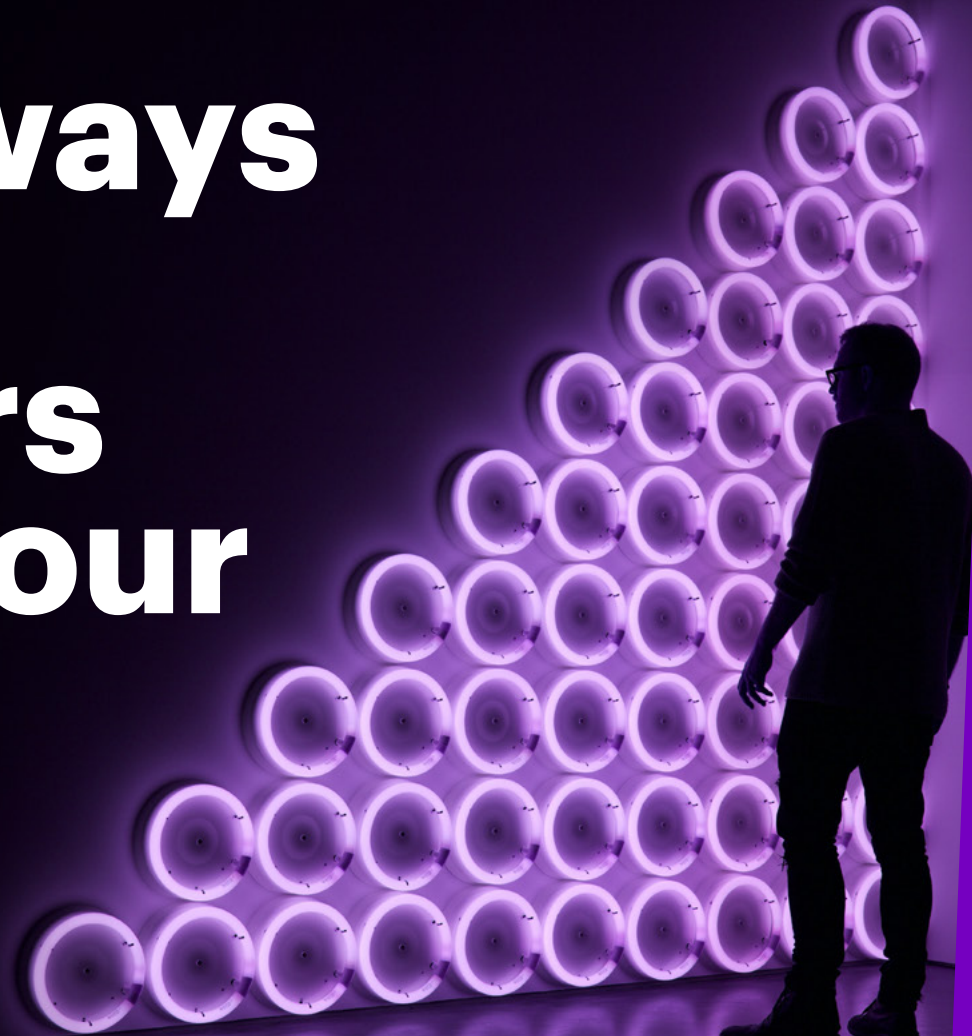
A 2020 Gartner study[10] found that CIOs foster innovation by listening to customers. Gartner also ranked meeting customer demands and expectations as the top external driver of business model innovation.

In today's new business environment, companies must find ways to engage customers beyond e-commerce and social media. Specifically, this means exploring the use of virtual reality (VR) technologies. VR satisfies two immediate needs: (1) Virtual showrooms provide convenience for the customer to shop safely from the isolation of their homes; and (2) The virtual environment delivers a meaningful experience—giving the customer "the feeling" of being in the physical store and interacting with physical products.

Part of the urgency for this shift comes from the permanent changes expected in consumer shopping habits. With 24% of consumers saying they will increase their use of digital channels after the COVID-19 crisis,[11] winning in the new business environment requires a seamless omnichannel experience with purpose—and that means a substantial increase in smart technology investments.

Virtual technologies also apply to business customers, not just individual consumers. For example, across industries we are seeing some innovative solutions, such as: augmented reality that can service production machinery without engineers traveling between production lines and digital twins (of processes, lines, or whole plants) which can optimize the entire production environment.

Enhancing the virtual customer experience

The CIO will need to adapt to the way customers engage with business in the future, which may include more digital products and services, real-time channel integration capabilities, and next-generation digital customer experiences.

In the Accenture research shown in Figure 3, 72% of CIOs surveyed felt that their company will fundamentally change the way it engages and interacts with customers, up from 36% two months earlier. Of all the C-suite executives surveyed, CIOs showed the greatest two-month increase in anticipated change.

Figure 3 – CxO perspectives on shifts in customer engagement

% of CxOs who agree that their company will fundamentally change the way it engages and interacts with its customers (Agree + Strongly agree)

● May 2020   ● July 2020
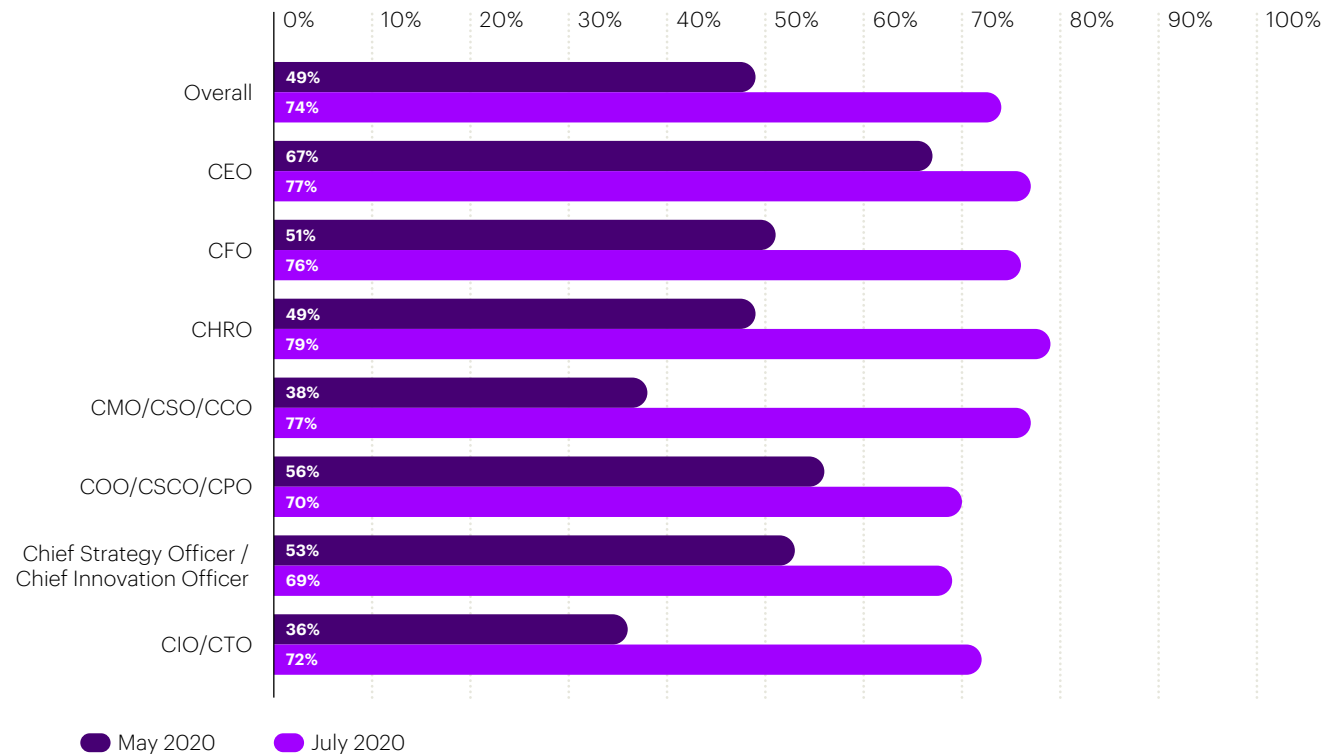
Source: Accenture "CxO Pulse Survey," June/July 2020.

Data will be the core enabler, helping to automate prospecting, verify customer lifecycle value, and make decisions about a wallet share, but only if a good data architecture and strategy are put in place quickly.

Section 3

The next 60–90 day plans

Cloud technologies will help a company adapt to the new ways in which customers engage your business. Over the next 60–90 days, we recommend taking the following steps:

- Reinforce remote business priorities, including business-to-consumer (B2C) digital interactions through omnichannel integration and more personalized products and services; as well as business-to-business (B2B) relationships using Internet of Things (IoT) manufacturing for remote maintenance and digital twins

- Continuously redirect IT investments to drive new revenue streams in line with new products, services, and customer needs

- Evaluate changes to the customer journey and experience based on new behaviors and a new business environment

Navigating the Post-Crisis Era

Navigating the post-crisis era requires business leaders to be predictive and proactive in their decision making to support business revival. In fact, 62% of CIOs say innovation will be a pervasive growth driver in the next six months.[12]

To truly achieve resilience, the CIO agenda should be the foundation for continued survival and growth. And that requires going back to the fundamentals of digital transformation (see Figure 4)—this time with speed:

Figure 4 – An integrated growth roadmap
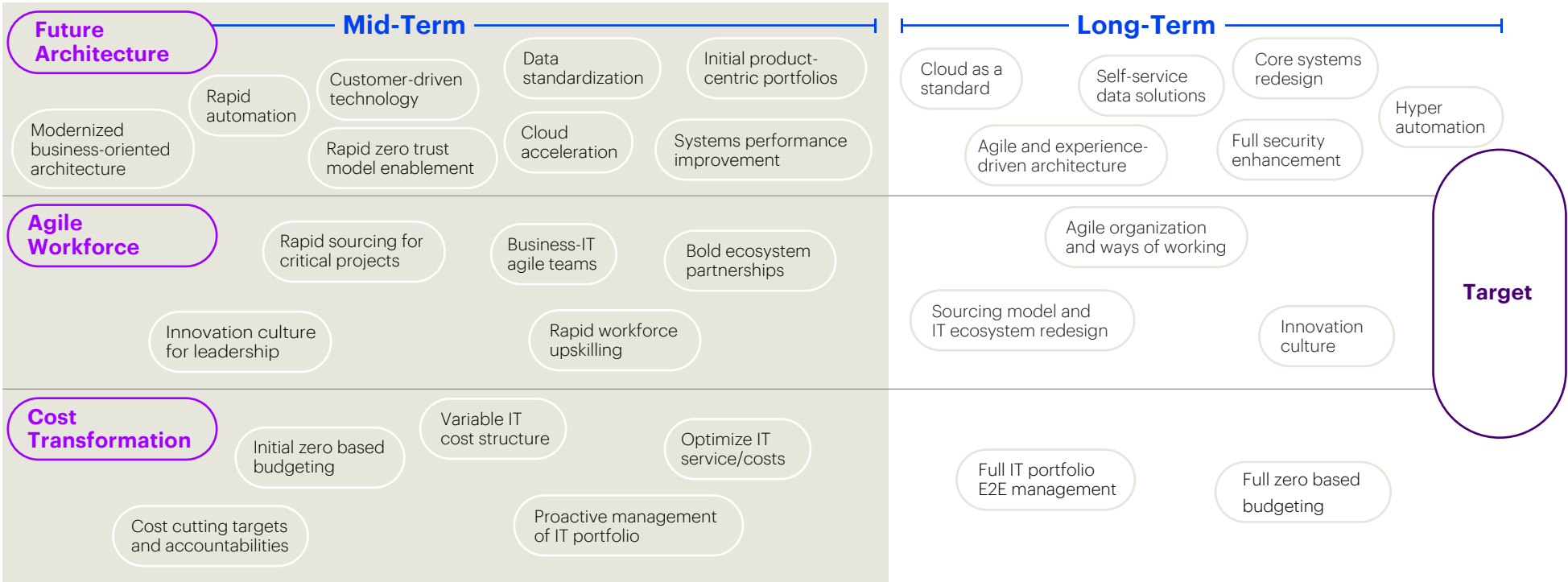
Source: Accenture

There are three key areas to note on the integrated growth roadmap:

Revising the future architecture
This requires building capabilities based on adjusted business model requirements, such as lower legacy depth, data streaming, decoupling, and microservices architecture. In the next normal there is not a final state for the architecture nor, in general, for IT. The final state is the continuous evolution and the agile adaptation to the constantly changing reality, so the architecture needs to be ready to keep IT evolving continuously.

Becoming agile
Your IT talent needs the skills and tools to cope with new business realities. Collaboration across the business should be set up, so everyone could have the opportunity to advance the company's agenda. But keep in mind that agility is not only for the people. The architectures and their IT functionalities need to continuously evolve to follow the market needs.

Driving cost transformation
Automation and a revised sourcing model can help the transition to a more variable cost structure along with a zero-based mindset, which means starting from scratch and building up to what your costs should be, based on the outcomes you want. This is a modern alternative to the practice of examining past results and incrementally carving out costs.

To be resilient and agile, organizations should put technology innovation at the core of their business revival strategy. And it could be the CIO's job to generate the momentum— and champion and lead tech-enabled business transformation for 2021.

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[12] Accenture, "CxO Pulse Survey," June/July 2020.

Connect with us

Let's discuss how these short-term imperatives will set the foundation for achieving more long-term targets for resilience and business revival.

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