

CIO'S RESPONSE POST COVID 19 ECONOMIC CRISIS

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As COVID-19, paralyzes businesses and society worldwide, it may look prudent to put the digital business strategy on the backburner amid the sharp uptake in business continuity and resiliency efforts. However, time and again, we've seen that businesses tend to overestimate the short-term risk and underestimate the long-term gains imposed by such crisis. Organizations need to balance between short-term cost optimization efforts and long-term business transformation efforts to be well-positioned after the pandemic passes. Sound models that incorporate the best people, processes, and technologies remain critical in good times as well as bad.

The world has seen economic crisis in almost every decade. Whether it was the dot-com bust over the turn of the millennia, or tragic times following the 9-11 attack, or the 2008 financial crisis, disruptions have obstructed digital strategies. CIOs even have a cost-cutting playbook that starts with hardware haircutting, discontinuation of maintenance contracts, reducing contractual labor, partial layoffs, and elimination of new projects. Organizations try to conserve CapEx by deferring new technology investments and focus on spending OpEx just to keep business operations running. However, organizations that contained costs during past disruptions felt pressure from companies that took a pro-investment approach when the global economy rebounded.

Many industries have been risk averse in terms of adopting a "work from anywhere, anytime, on any device" strategy. They attributed this to their inability to effectively manage the risk associated with intellectual property and data privacy. Some reasoned that they lacked the technology to measure productivity while employees WFA, and that working remotely could make employees less engaged or motivated, hampering innovation. Few anticipated a crisis of this scale and its affect on their industry, which lead them to conclude that they didn't need to enable infrastructure and culture to support WFA initiatives.

The Covid19 crisis, however, has proven nearly everyone wrong. Companies that had invested in a "work from anywhere" or "work on any device" model, and had best practices in place, benefited and navigating this crisis more effectively. Their readiness has made it easier for employees to be productive from day one. Thus, for those who were ready, technology has offered better ways to keep their people engaged and energized, although they are working remotely.



Investing in R&D

We have seen in the past companies that identified the opportunities created by global economic crises to become more competitive, in terms of greater business productivity, higher customer engagement, and disruptive business models.

Sanofi-Synthélabo, the French pharmaceutical company, entered the economic recession that began in 2001 with a solid product portfolio. Throughout the downturn, the company maintained, and in some cases increased, its R&D spending to keep its product pipeline robust. Sanofi increased its absolute R&D expenditure from €950 million in 2000 to €1.3 billion in 2003. Because of its strong business and financial performance, the company gained market share and outperformed peers in the stock market. The company was thus well positioned to acquire Aventis, a much larger Franco-German pharmaceutical company, after a takeover battle, in the economic upswing of 2004.

Or look at Apple Computer. The company wasn't in particularly good shape as it headed into the 2001–2003 recession. For one thing, revenue fell 33% in 2001 over the previous year. Nonetheless, Apple increased its R&D expenditures by 13% in 2001 to roughly 8% of sales from less than 5% in 2000 and maintained that level in the following two years. The result: Apple introduced the iTunes music store and software in 2003 and the iPod Mini and the iPod Photo in 2004, setting off a period of rapid growth for the company.

During the U.S. recession of the early 1990s, IBM under Lou Gerstner faced its first decline in revenue since 1940 and endured successive years of record losses. In this context, it began to rethink its business model. Struggling with sluggish economic growth, particularly in Europe and Japan, as well as increased price competition, IBM was forced to confront head on the inevitable decline of its traditional business, mainframe computers. Realizing that the company's markets were shifting, Gerstner redefined the company's business model, transforming IBM from a hardware producer into a computer services and solutions provider.

Leaders need to understand that during an economic crisis there is inevitably pent-up demand, and when the crisis ends, they want to be in position to take advantage of the tidal wave of renewed spending. In short, now is not the time to apply the break or switch off the engine to strategic tech initiatives. A downturn is also a good time to invest in people and upgrade the quality of your management teams. Competition for top people will be less fierce, availability higher, and the cost correspondingly lower.





Shift from IT efficiency to business productivity...

It's also critical that CIOs do not let COVID-19 stop them from pursuing their IT strategies in support of digital business growth. Despite the dark days, CIOs should bottle the speed with which they adapted to working remotely and use it to accelerate their transformation efforts.

We have seen in the past that after every economic crisis, businesses tend to focus on conserving costs. IT costs are an expensive component of any organization's budget. Cutting these costs can be difficult when there are so many other priorities and many costs seem like they are fixed. CIOs should, of course, emphasize improving IT efficiency, but focusing more broadly on overall business efficiency results in far larger benefits for the organizations. CIOs should take charge of reducing business costs, rather than just cutting IT costs. Leadership needs to invest in IT for the larger benefit of reducing overall business costs.

The following points will help CIOs navigate the crisis and lead once the storm has passed.

1. Identify the top five costs with the help of business leaders for every business function, such as facilities, finance, marketing, engineering, sales, HR, production, quality, and logistics.
2. Learn how the organization operated during this COVID-19 crisis and assess the level of effectiveness.
3. Identify perceived cost savings because of WFA on Travel and expense, facility management (electricity, cooling, housekeeping, cafeteria), virtual events, digital marketing, etc.
4. Estimate possible savings if WFA is extended to even 50% of the qualified workforce, such as discontinuation of the costly rental premises and supporting maintenance and management costs.
5. Understand what behavioral shifts happened in the mindset of management, employees, partners, and customers.
6. Document risk posture - what was accepted and what wasn't, and why?
7. Identify what didn't work and why?

Once you have answers to above questions, you can redefine your strategy to help improve business optimization and repurpose the savings on business transformation initiatives.





Based on my experience, I recommend every CIO evaluate the following strategies:

- A. Build a Work from Anywhere Platform
- B. Evaluate network, security, and privacy needs
- C. Use technology to improve business productivity
- D. Redefine people practices
- E. Improve effectiveness through insights

Each strategy deserves a deep dive and I will elaborate on each in my subsequent blog posts.

Conclusion:

It's a given that digital transformation requires a change in mindset and an ongoing commitment that evolves over time, and not just a reliance on technology alone. In the coming year, business leaders will need to understand that the digital transformation doesn't end, but instead becomes part of how business leaders solve challenges. Specifically, they will have to understand how businesses can drive the level of organizational alignment necessary to deliver meaningful results quickly enough to impact the business. It's easy to throw new technologies at a problem, but the deep shift that has to occur requires a level of cultural and organizational support and that can be challenging to drive and maintain over the long run.



AUTHOR 'S BIO:

Mandar is a Customer Success Director at Nutanix, a leading Enterprise cloud technology provider. Before joining Nutanix, Mandar was Chief Digital officer at KPIT Technologies. In that role, he was responsible for creating digital offerings for customers, driving digital transformation for KPIT, building Think Digital culture, setting up Digital infrastructure and alliance ecosystem. Mandar has over 25 years of experience and played roles of Chief Information Officer, Chief Information Security officer and Head, Infrastructure Management Services business in the past.
