

COVID-19

CIO Pulse Survey

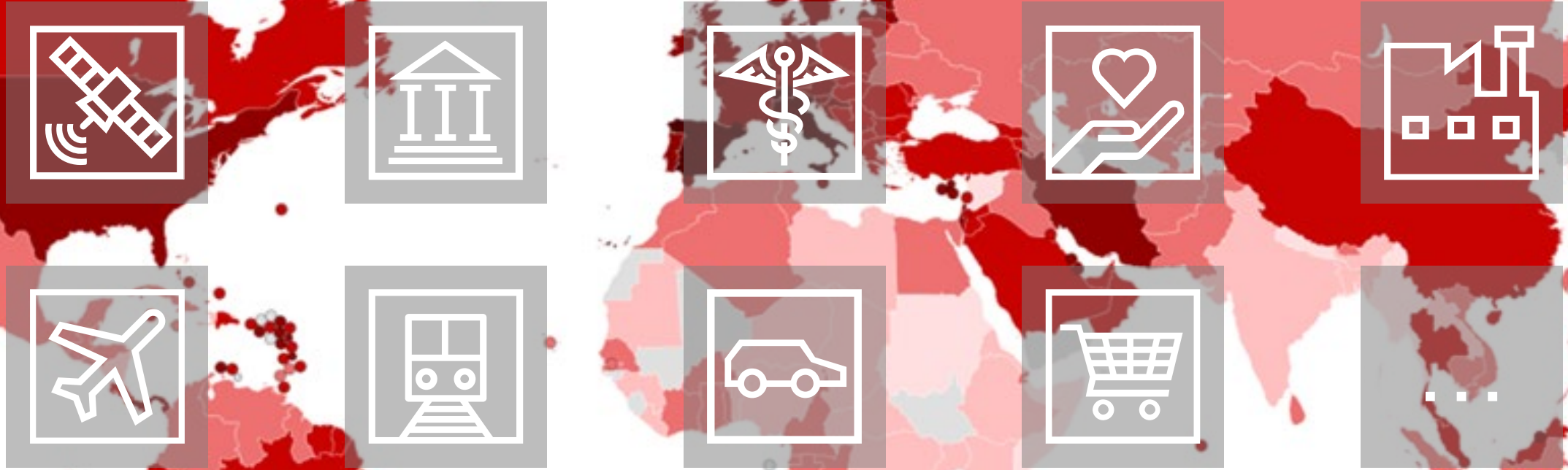




Highlights of the first COVID-19 CIO Pulse Survey

Overview of main insights from the survey results

- **70% of respondents indicate that the outbreak had a significant impact on their business** (92% of the CIOs in consumer industries); similar to the results of the PwC CFO survey, where 70% of the CFOs mentioned that COVID-19 had a significant impact on their business (75% of the CFOs in consumer industries)
- As a result of COVID-19, a **majority of organizations** (72%) were **able to start working remotely** in less than 3 days. Financial services and public sector took on average the longest to effectively switch to working from home
- CIOs are **most concerned about new cybersecurity threats**, 63% included them as one of their top 3 concerns
- As specified by CIOs, more attention should be given to digital customer experiences, resilience in cybersecurity and privacy, and new technology enabled business models as these capabilities will be even more crucial in the new normal
- **CIOs rate themselves highly in IT4IT capabilities** but remain concerned about them; focus should shift from internal view of IT support infrastructure to building differentiated digital capabilities
- CIOs have a full wish list: both internal IT support as well as drastic digitization measures to drive new business capabilities (customer experience, new digital business models); CIOs should **look critically at their wish list** and create a **clear prioritization**
- Less than half of the respondents, only **41% are planning to reduce IT costs**; this is a relatively small number compared to 55% of CFOs surveyed by PwC with cost containment plans. 37% of respondents in the CFO pulse survey of May 2020 said that they were planning to **cancel or defer IT investments**, compared to only 24% of CIOs in this survey
- In line with top 5 priorities, investments in cyber security, communication and collaboration tools, and customer experience transformation are least likely to be deferred or cancelled



COVID-19 affected IT
organisations across all
regions and industries

70%

of CIOs surveyed say that the
outbreak had a significant
impact on their business

Surveying CIOs from different geographies and industries gave us insights into their most pertinent challenges and priorities

CIO survey introduction

PwC is tracking the impact of COVID-19 outbreak, and assessing challenges and priorities of information technology leaders, mainly in Europe. More than 150 CIOs from a variety of territories – including Austria, Denmark, Germany, Greece, Ireland, Italy, Japan, The Netherlands, Poland, Portugal, Spain, South Africa, Turkey, and UK – weighed in during the week of May 4th. This survey is our first look across regions.

>150

CIOs surveyed

>10

countries covered

Key findings

1 Short-term IT response to COVID-19 demands

CIOs **rate their IT capabilities** in response to COVID-19 **highly** but maintain a high level of **concern** for **new cyber threats**

2 Impact of COVID-19 – CIO vs CFO perceptions

CIOs are **very concerned** about the impact of COVID-19 on their organisation, just as much as their CFO counterparts

3 IT cost reduction efforts due to COVID-19

41% of CIOs are looking at **cost reduction measures**, with a majority looking to **reduce their IT spend by up to 20%**

4 Impact on short- and medium-term IT investments

For 2020 and 2021, CIOs are prioritising investments in **digital tools and capabilities**

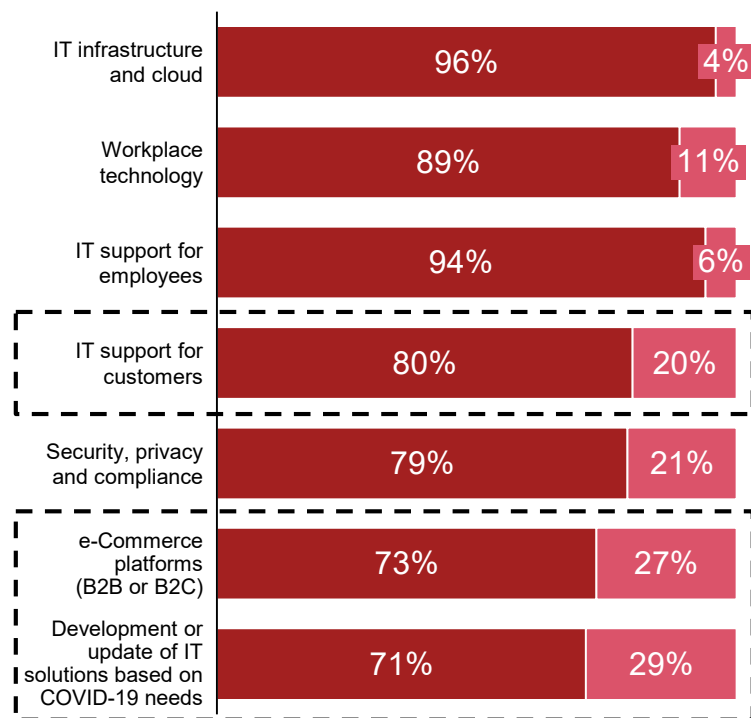
5 Impact on 'Run', 'Grow' and 'Transform' initiatives

CIOs' prioritisation of investments is resulting in **cancellations or deferrals** focused around **'Grow'** initiatives with **'Run'** and **'Transform'** initiatives still largely **proceeding as planned**

CIOs rate themselves highly in IT4IT capabilities but remain concerned about them; focus should shift to digital transformation

COVID-19 IT performance vs concerns

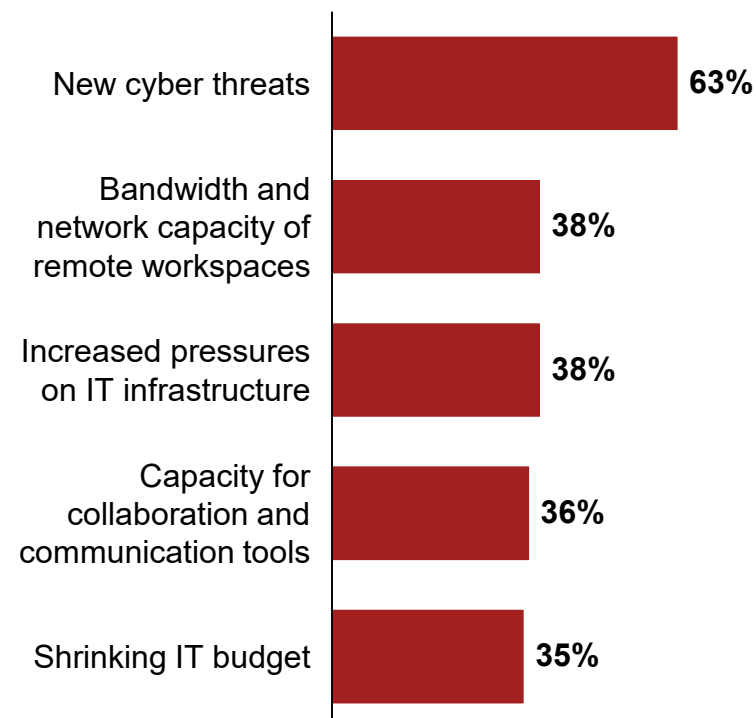
How would you rate your key IT capabilities in response to COVID-19?



Very good or Good Neutral or Bad

Customer focused digital considerations

% CIOs included these as their top 3 concerns amidst COVID-19



Observations

- CIOs rate themselves highly on the **stability of the internal IT support functions** in the face of COVID-19
- Investments in IT Infrastructure and migration to the cloud meant that immediate **business continuity needs** from COVID-19 were met
- Focus of CIOs should now **shift to building differentiated digital capabilities** and supporting digitally enabled business model transformation for the long run

CIOs expressed grave concern regarding the impact of COVID-19 on their organisations

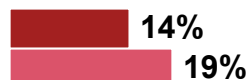
CIO concerns due to COVID-19

How has COVID-19 impacted your organisation?

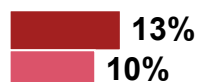
COVID-19 has had a significant impact on our business and it is causing us great concern



COVID-19 is limited to specific regions in our business currently, but we are monitoring closely



COVID-19 is an isolated challenge and not greatly impacting our business currently, but we are monitoring the situation for any change



COVID-19 is not currently impacting our business



■ CIO Survey ■ CFO Survey

Observations

- **70% of CIOs** say the outbreak had a **significant impact** on their business, similar to **70% of CFOs*** surveyed by PwC.
- Despite a high level of concern amongst CIOs around the impact of COVID-19, **only 41% of them are planning to reduce IT costs**
- This indicates that CIOs are conscious of the economic consequences of the pandemic but believe that **technology can be an important driver** for recovery from COVID-19

Results were largely consistent across countries but had some **notable differences in industries:**



Of CIOs in **consumer industries** said COVID-19 significantly impacted their organisation ...

... as compared to **75% of CFOs*** from consumer industries expressing high levels of concern

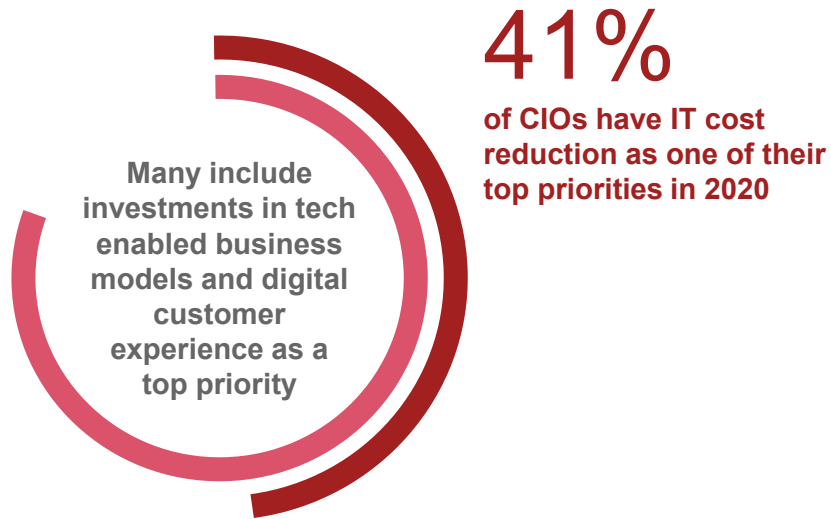


Of CIOs in **energy & utilities** said COVID-19 significantly impacted their organisation ...

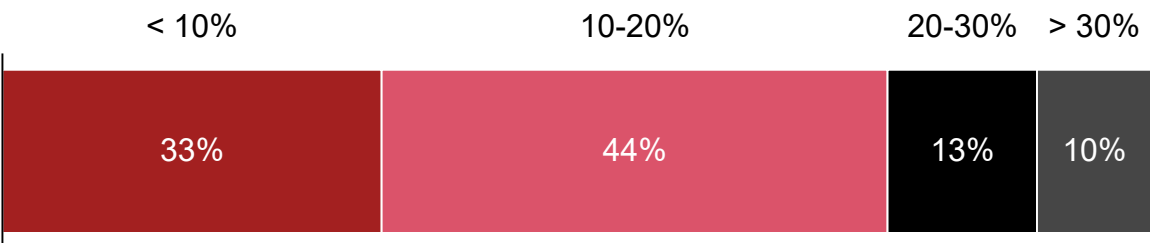
... as compared to **57% of CFOs*** from energy & utilities expressing high levels of concern

CIOs are looking for cost reductions but must make tough decisions on current and potential future investments

Plans for IT cost containment



For CIOs looking to reduce IT cost, what is the desired level reduction as a result of COVID-19?



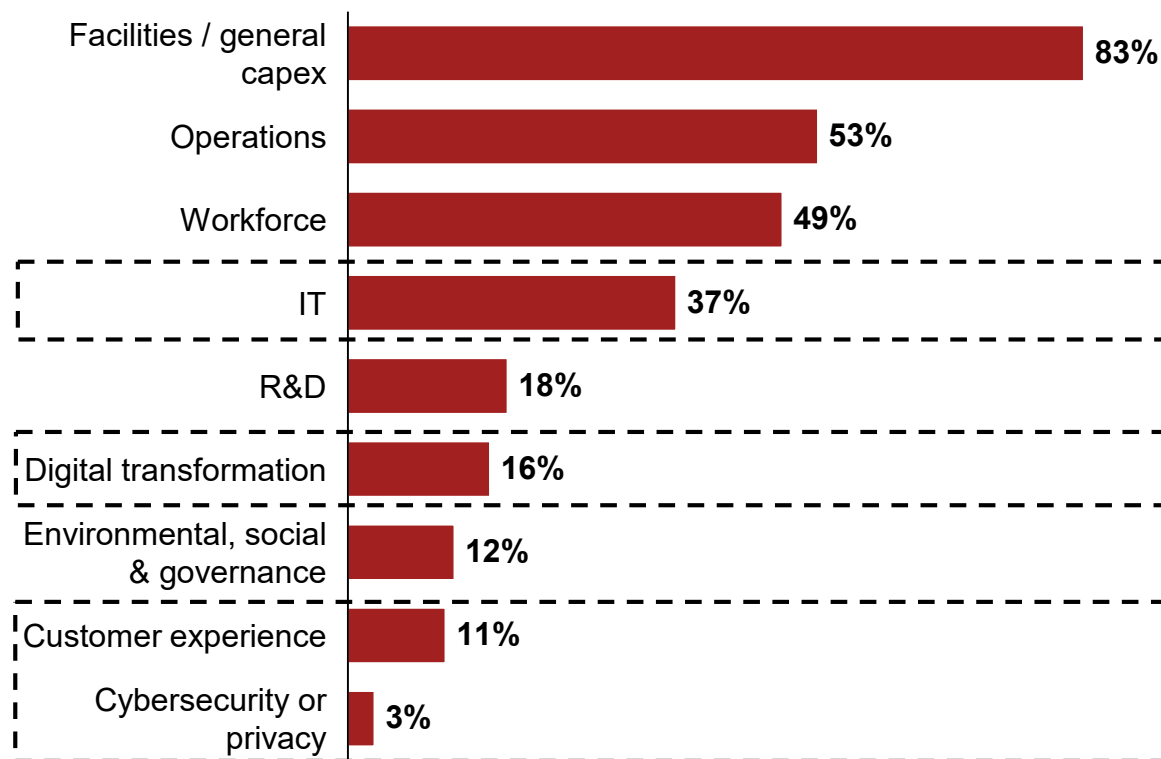
Observations

- Despite the **economic uncertainty** due to COVID-19, only 41% of CIOs want to reduce IT cost, of which most are aiming for 10-20% reductions
- This represents a departure from our finding from last year when most **CIOs expected their budgets to increase in 2020**
- CIOs must adapt to this shift by carefully considering **where to invest and where to cut budgets**

... with 37% of the CFOs are planning to cancel or defer IT investments

CFO insights on planned investment deferrals or cancellations

Which planned investments are CFOs planning to cancel or defer in light of COVID-19?*



Investments impacting IT organisation

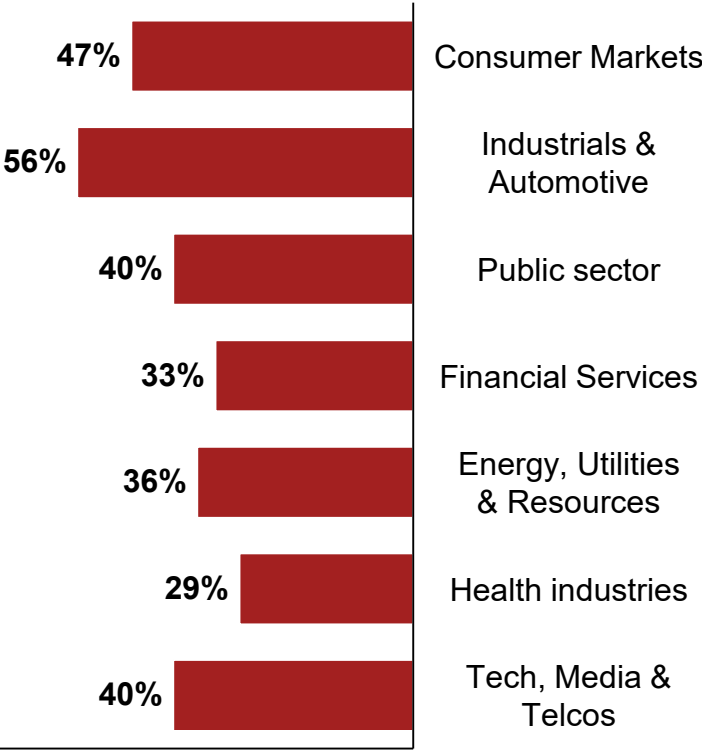
Observations

- **37%** of respondents in the **CFO pulse survey** of May 2020 indicated plans to cancel or **defer IT investments** and to a lesser extent investments around digital transformation, customer experience and cybersecurity and privacy
- In comparison only **24% of CIOs want to defer or cancel IT investments**, indicating the challenge for CIOs to "defend" their investments in light of COVID-19 and to **reduce costs without stopping or deferring investments**
- CIOs must focus on **business case and benefits management** to justify IT investments
- CIOs must ensure that **IT investments** are in line with business **strategic and operational priorities – feedback loop** from the strategic side of the business with IT must be maintained to ensure alignment of IT initiatives with the business needs of the organisation

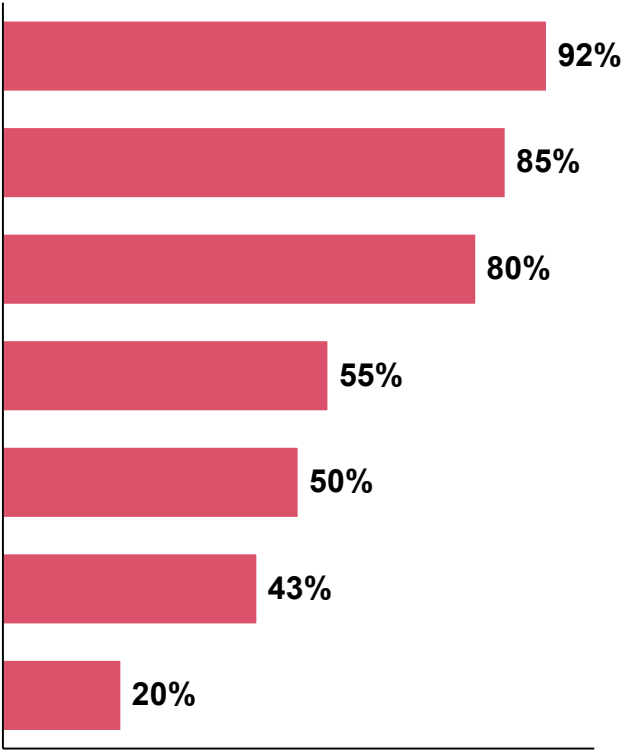
Industries affected the most by COVID-19 are most focused on IT cost reduction

COVID-19 impact vs. IT cost reduction considerations

% of respondents with reduction in IT cost as a top priority for 2020



% of respondents that say COVID-19 had a significant impact on their business



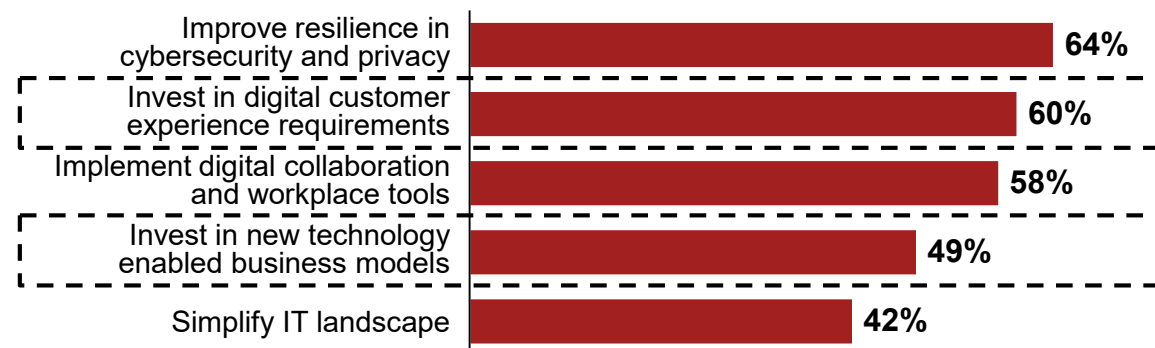
Observations

- Only half of CIOs in industries that have faced a significant impact due to COVID-19, have **IT cost reduction as a top priority** for 2020
- Based on the impact on each sector, more CIOs from **Consumer Markets** were expected to consider **IT cost reduction** (47%),
- CIOs in the Tech, Media & Telco industry indicated **lowest impact** on their businesses due to COVID-19, however **cost reduction** still remains a **high priority** for them

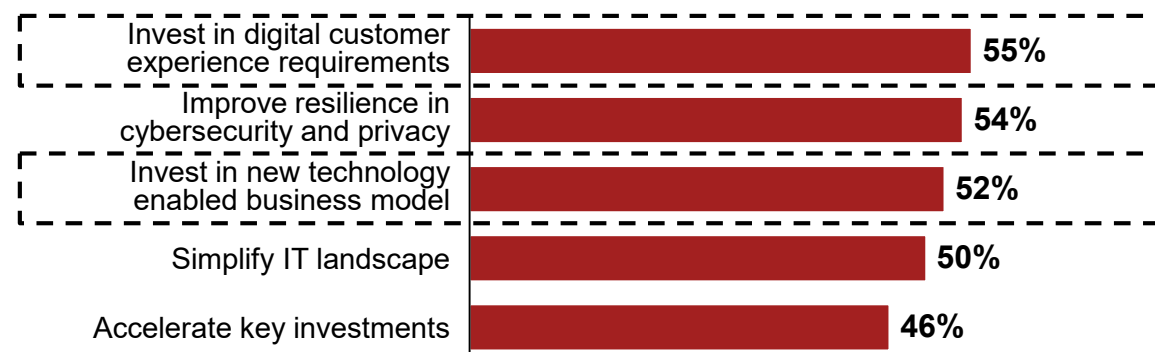
CIOs have very similar priorities for 2020 and 2021, requiring substantial investments in digital tools and capabilities


Top digital priorities for 2020 and 2021

Top 5 most important digital considerations 2020



Top 5 most important digital considerations 2021



 Customer focused digital considerations

Observations

- CIOs have an **extensive wish list**: both internal IT support as well as drastic digitisation measures to drive new business capabilities (customer experience, new digital business models); CIOs should look critically at their wish list and create a clear prioritisation
- After optimising the investments to 'keep the lights on', CIOs should look at **building digital capabilities** to stay relevant
- Going into **2021**, CIOs are recommended to focus on developing an optimal **mix of investments** in 'Run', 'Grow' and 'Transform' initiatives

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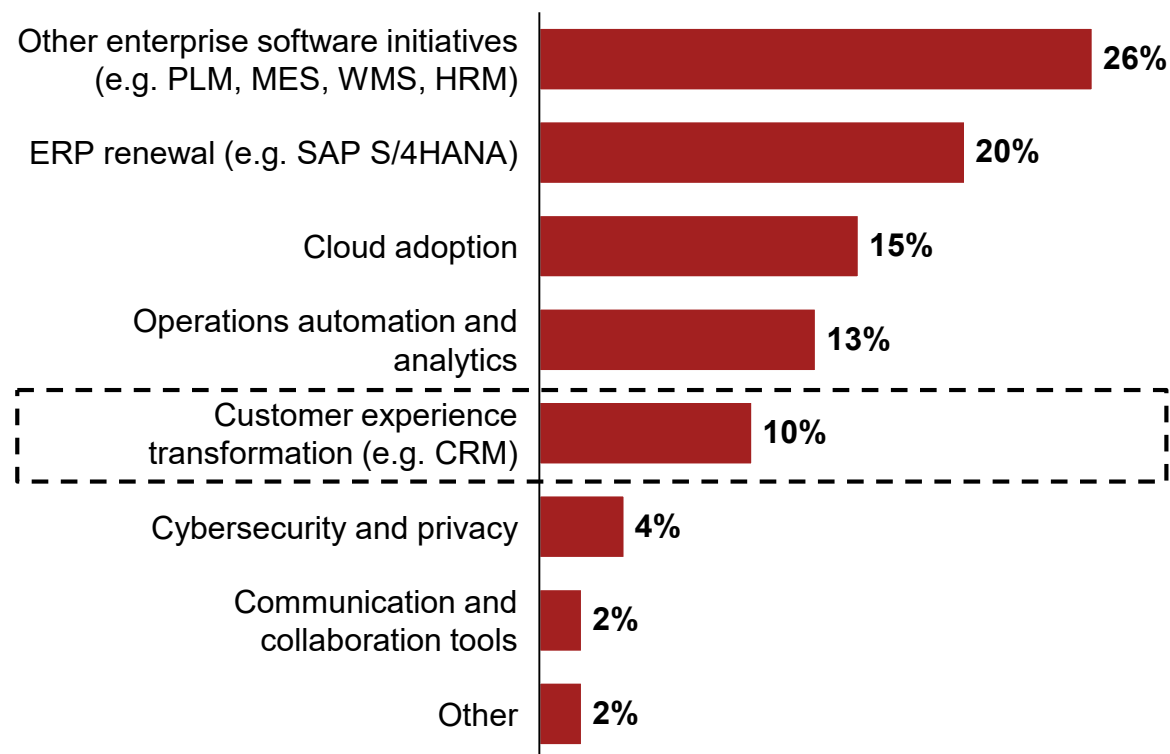
Corona didn't push us into new areas of thinking but gave us pause to ask the hard questions about why we do things a certain way, especially when the normal use cases don't apply anymore.”


– CIO, Retail & Consumer Goods

CIOs are cancelling or deferring investments that are focused around 'Run' or 'Grow' the business

IT investments to be deferred or cancelled

Which of the following selected planned investment types is your organisation deferring or cancelling as a result of COVID-19?



 Customer focused digital considerations

Observations

- 41% of the CIOs indicate that they want to reduce costs and even less (24%) want to defer/cancel investments
- CIOs should prioritise '**Transform**' investments that are related to customer experience transformation, this is also in line with their top 5 digital considerations for 2020 and 2021
- At the same time '**Run**' and '**Grow**' initiatives can provide significant opportunities for **cost reduction**; adopting a structured approach to IT cost optimisation while investing in differentiating digital capabilities will ensure a '**Fit For Growth**' operating model
- CIOs must take a holistic view when deciding to defer or cancel key investments – **size of possible savings, feasibility and impact on the future readiness of the business should be considered**

COVID-19 is shifting the priorities of the CIO

From leading transformation to keeping the business running

2020 – Before COVID-19*

1. Leading Digital Transformations
2. Improve resilience in cybersecurity and privacy
3. New technology enabled business models
4. Reach specific goal for corporate revenue growth
5. Digital Customer Experience

2020 – During COVID-19

- | | | |
|--|---|----|
| 1. Resilience in cybersecurity and privacy | ▲ | +1 |
| 2. Digital Customer Experience | ▲ | +3 |
| 3. Digital Collaboration and Workplace Tools | ▲ | +6 |
| 4. New technology enabled business models | ▼ | -1 |
| 5. Simplify IT landscape | — | |

2021 – After COVID-19

- | | | |
|--|---|----|
| 1. Digital Customer Experience | ▲ | +1 |
| 2. Resilience in cybersecurity and privacy | ▼ | -1 |
| 3. New technology enabled business models | ▲ | +1 |
| 4. Simplify IT landscape | ▲ | +1 |
| 5. Accelerate key investments (e.g. ERP, HR) | — | |

Observations

- Before COVID-19 CIOs were growing towards becoming **strategic partners** with focus on leading digital transformations in their organisations
- The pandemic brought **immediate business continuity challenges** for CIOs requiring increased focus on support for remote working, cybersecurity and digital customer experience
- In the longer term, CIOs are more focused on the **digital landscape** of their organisations to create operating models fit for the future
- Top 3 priorities for 2021 are similar to priorities before COVID-19 – this could indicate that **CIOs expect a return to normal** by 2021

Appendix

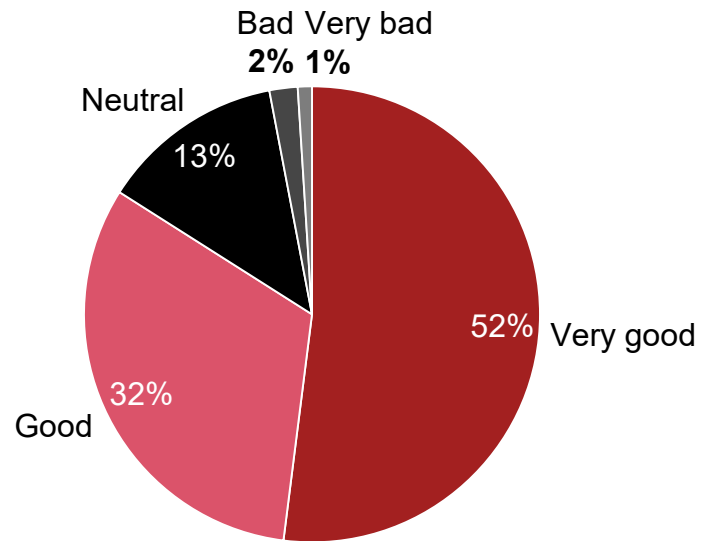
1. IT response in the face of COVID-19 demands
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-



CIOs were relatively positive about their overall COVID-19 response

IT performance

How do you rate your overall IT performance as a result of COVID-19?



Observations

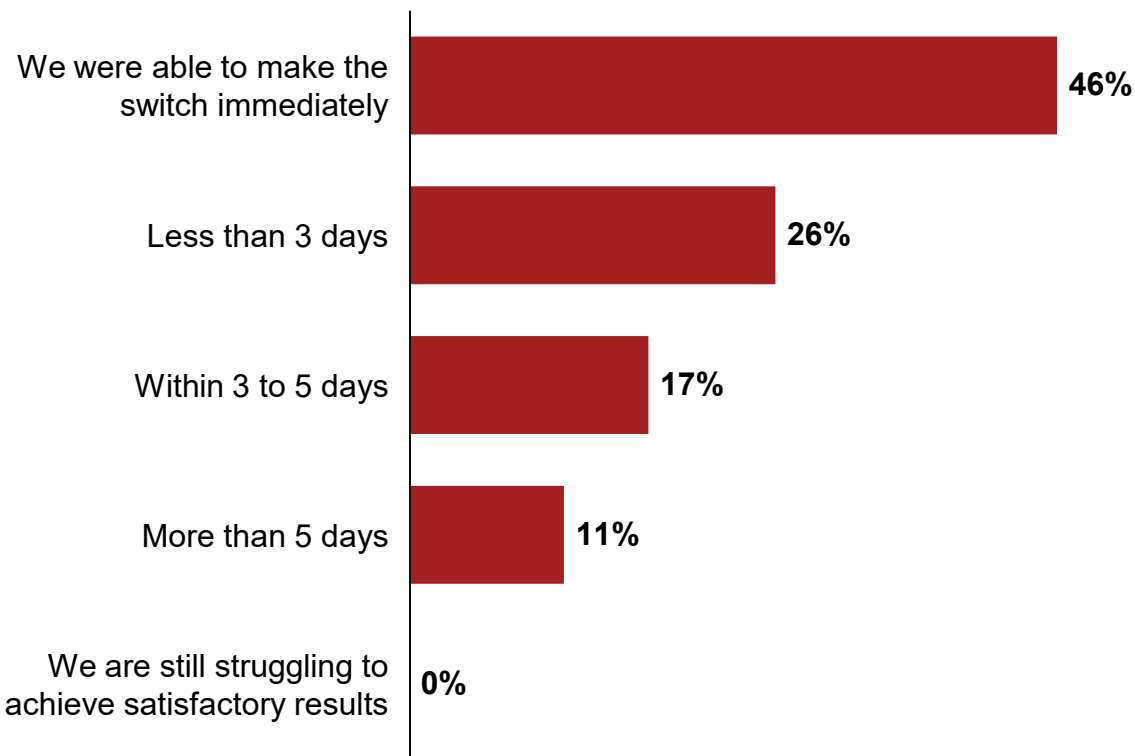
- **84%** of CIOs rated their overall IT performance as good or very good, with ~1% rating their performance as very bad



As a result of COVID-19, a majority of organisations were able to start working remotely in less than 3 days

IT responsiveness

How many days did it take your organisation to satisfactorily start working remotely as a result of COVID-19?



Observations

- **72%** of CIOs were able to facilitate effective remote working in their organisations in less than three days
- This suggests that **tools, policies and procedures** were already in place to facilitate off-site work for most organisations
- Results were **consistent across geographies** but differed across industries

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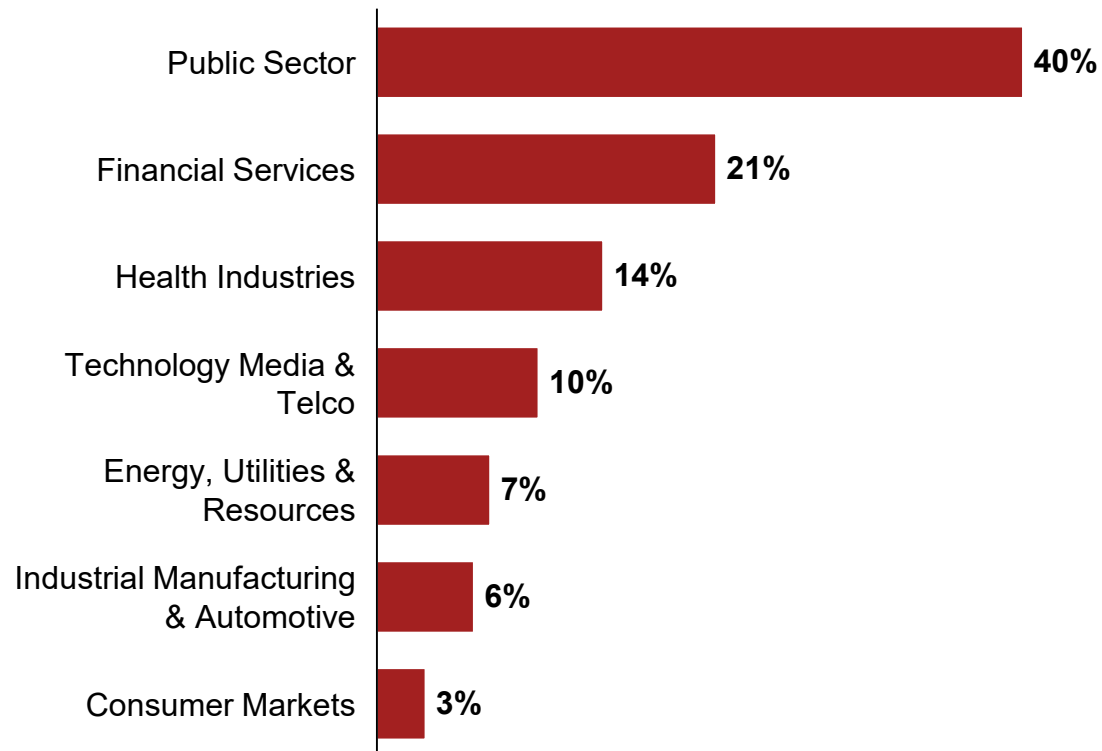
*A few years ago we defined the IT strategy to have everything **internet facing**. So where people sit doesn't really matter. The challenge in getting people back into the office is that **social distancing limits office capacity to about 30%**. Our IT tools allow people to **sit at any place in any building**.”*

– CIO, Industrial Manufacturing & Automotive

Public sector, financial services and health industries took the longest to effectively switch to working from home

IT responsiveness per industry

Percentage per industry respondents where effective WFH switching took longer than 5 days



Observations

- Public sector, FS and Health took notably longer than average in switching to effective remote work
- Industries dealing with critical and sensitive customer data took longer to fully switch to remote work; differences are also indicative of level of digitisation maturity across industries
- Consumer markets switched most easily, leveraging higher degree of digitisation in operations

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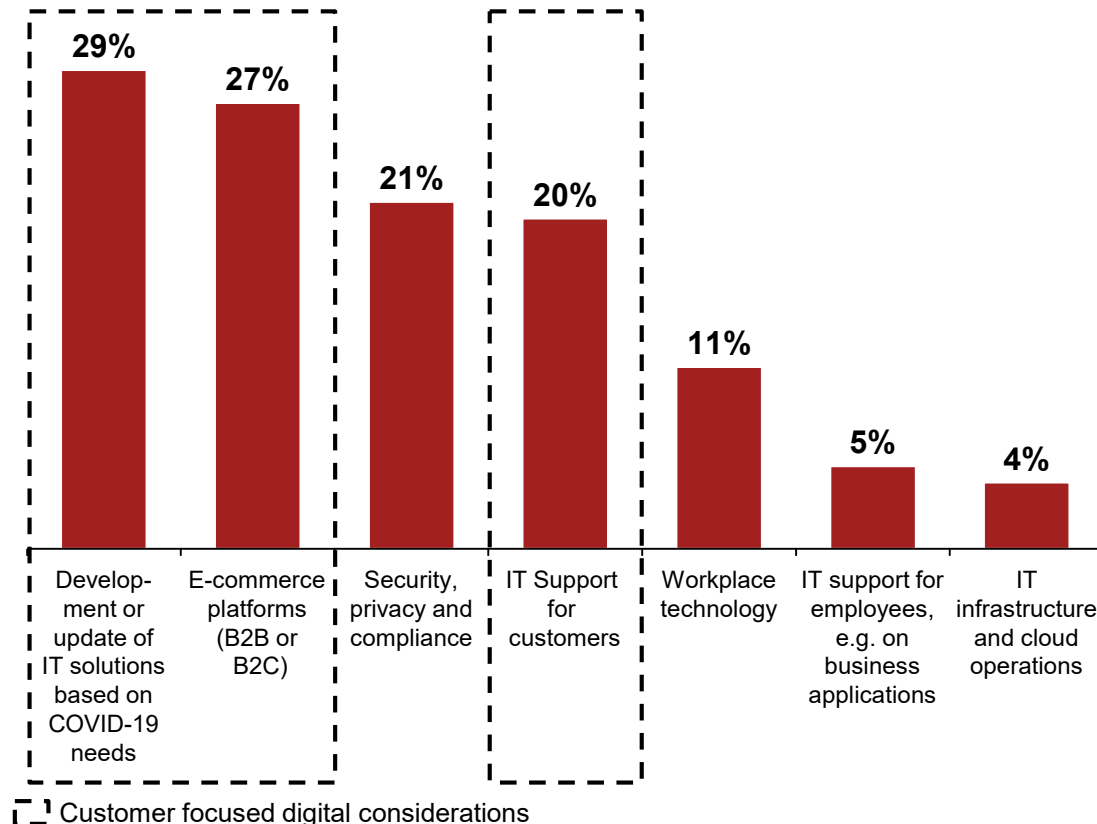
*Improved collaborative tools are changing our pre-Covid-19 working environment and practices. We enabled **cloud based tools** and **moved to a remote working environment over a weekend.**”*

– CIO, Retail & Consumer Goods

CIOs rated e-commerce and IT solutions for COVID-19 needs as weakest performing capabilities in supporting the new way of working

Areas of poor IT performance

% of respondents who rated select IT capabilities as neutral or bad



Observations

- Shift to remote work required updates to existing applications and systems to cater to **immediate needs** of the business, which CIOs managed well
- However, **client facing applications** and **development of IT solutions** needed to cope with COVID-19 were **not satisfactory**
- CIOs now have the opportunity to **move** from internal IT support to **tackling business challenges**, some of which will be immediate while others will be sustained as part of the new normal

“

*In our sector, technology will play a key role given the increase that sales will experience through digital channels. The crisis will establish a **new war for the price and the promotions** that only with the necessary analytical tools will allow us to personalise them to continue maintaining the clients and an adequate profitability.”*

- CIO, Retail & Consumer Goods

Appendix

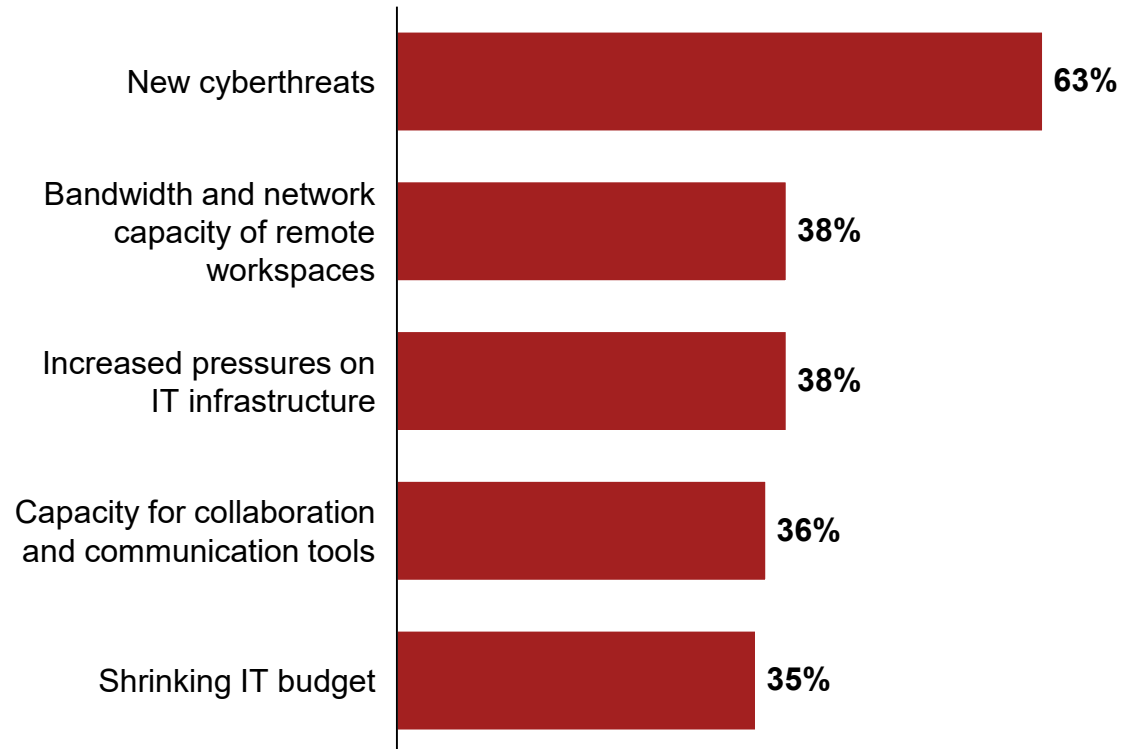
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CIOs are most concerned about cyber threats and providing IT functionality to the internal organisation

Top concerns

% CIOs included these as their top 3 concerns from a digital perspective with respect to COVID-19



Observations

- A broad shift towards working from home has opened multiple vectors for **cyber attacks**, which is the top concern for CIOs and featured consistently across industries, geographies and firm sizes
- CIOs are most concerned about the **immediate requirements of supporting people and business** in the new way of working, however they should not lose sight to address digital needs with “Grow” and “Transform” functions
- Economic uncertainty is bringing IT cost containment into focus, at the same time, COVID-19 has put additional requirements on IT organisations – **CIOs are concerned that they will have to do more with less**

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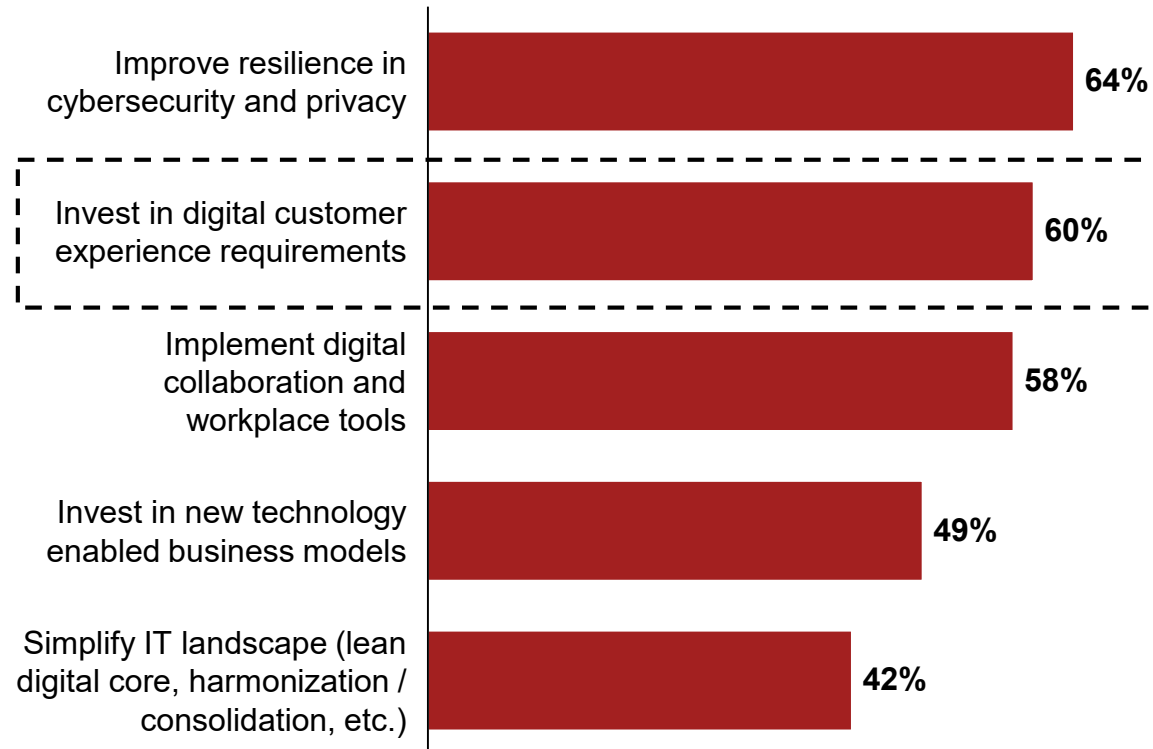
*Technology and decisions to be made in “after COVID” world will play a crucial role in building stable online services with customer self services. We are **rethinking the organisation model and collaboration tools** required with **limited cyber risks** in regulated businesses.”*


- CIO, Financial Services

In 2020, CIOs consider investments in cybersecurity and digital customer experiences as top immediate priorities

Digital considerations in 2020

% CIO included these digital considerations in their top 5 priorities for the post COVID-19 new normal



 Customer focused digital considerations

Observations

- CIOs are prioritising **internal support** to their organisations by providing digital solutions in a remote environment
- At the same time, importance of digital capabilities in the new normal is clear, most CIOs include the need to **invest in digital customer experience requirements** and **technology-enabled business models** as immediate top priorities
- While there is an increased need for digital capabilities, economic concerns have put pressures to reduce IT costs – **CIOs must decide carefully where to cut and where to invest**

“

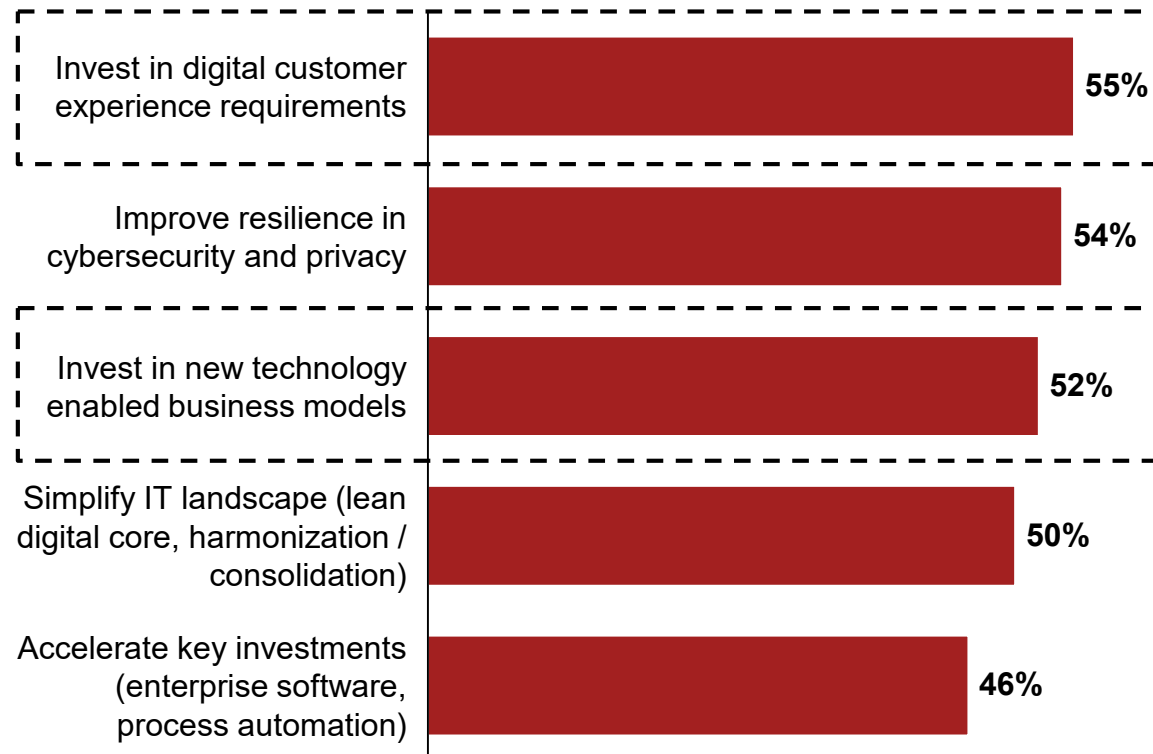
*Next to creating **intelligent workspaces** and **accelerating e-commerce**, it will be essential to **digitise the primary processes**, like rethinking the donor journey of giving blood or plasma, further digitising the pharma factory and the laboratory, increasing collaboration on research work.”*


– CIO, Healthcare

In 2021, CIOs will shift their focus towards longer term investments

Digital considerations as of 2021

% CIO included these digital considerations in their top 5 priorities for 2021



 Customer focused digital considerations

Observations

- The post pandemic new normal will require building stronger digital capabilities and CIOs are considering more **long-term investments** in the **digital landscape** of their organisations
- Trends during COVID-19 are likely to persist, investments in digital customer experiences, new technology enabled business models and cyber security feature as top priorities in both 2020 and 2021
- **Accelerating key investments** is a new priority for CIOs in 2021 that did not feature in 2020
- As urgent business continuity considerations subside, CIOs look to **accelerate key investments** and **simplify their IT landscape** in 2021

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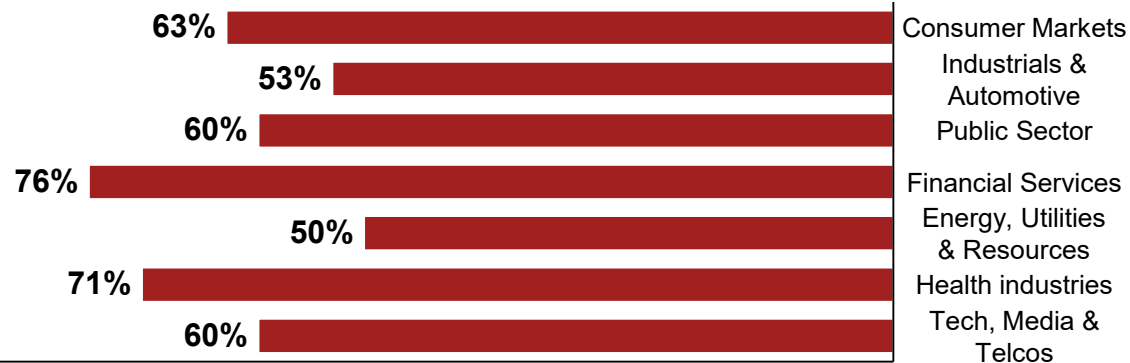
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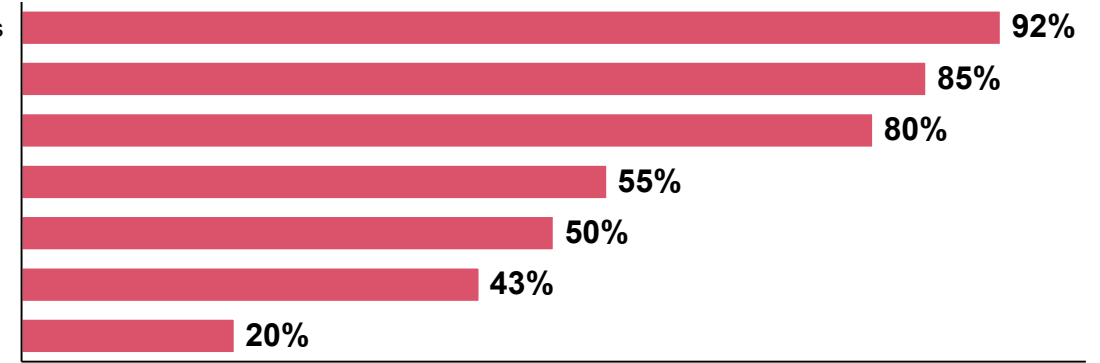
Digital customer experience remains a top priority for Consumer Markets, FS and TMT industries in 2020 and 2021

Digital customer experience as a priority in 2020 and 2021

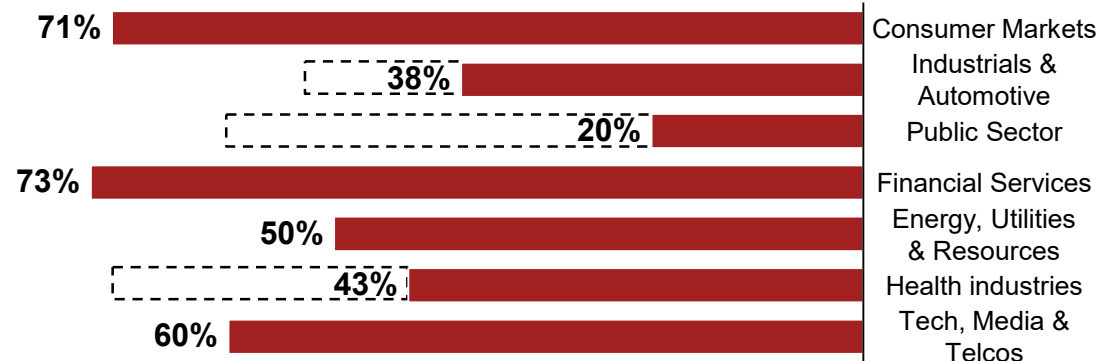
% of respondents with digital customer experience as a top priority for 2020



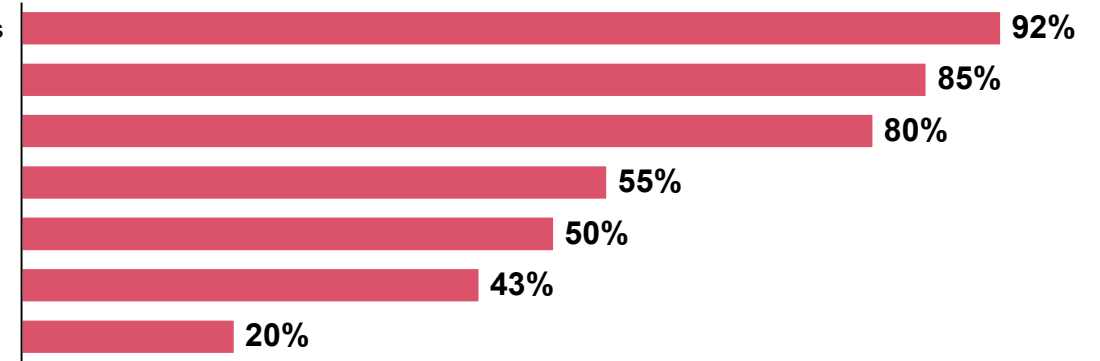
% of respondents that say COVID-19 had a significant impact on their business



% of respondents with digital customer experience as a top priority for 2021



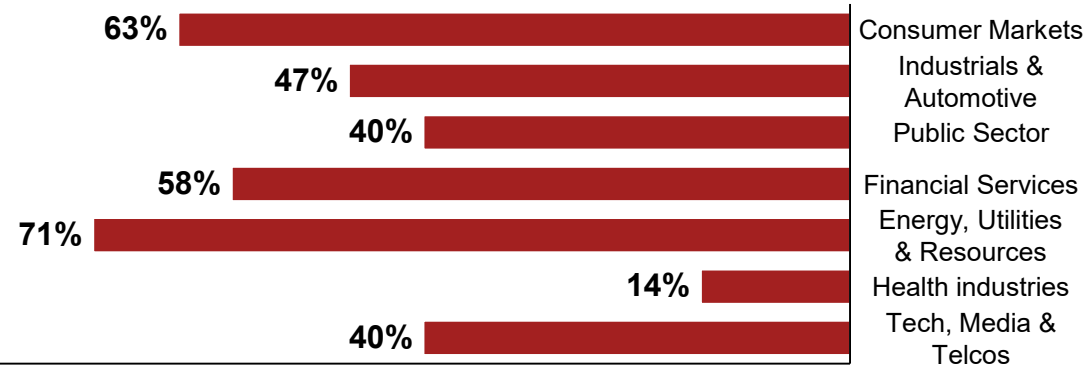
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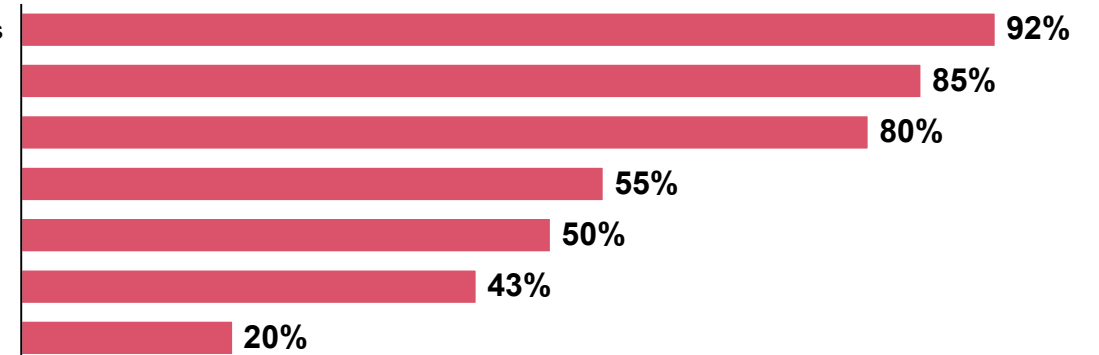
Digital business models and simplifying IT landscape are top priorities for 2021 across industries, with notable exception of Health Industries

Digital considerations for 2021

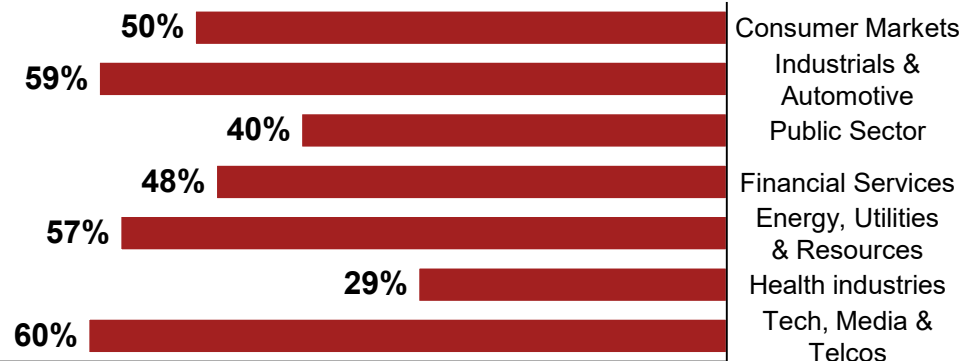
% of respondents with **digital business model experience** as a **top priority** for 2021



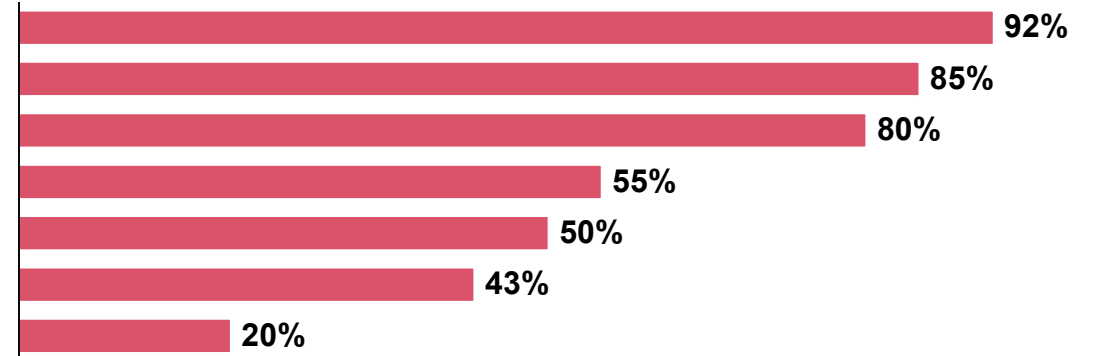
% of respondents that say COVID-19 had a significant impact on their business



% of respondents with **simplifying IT landscape** as a **top priority** for 2021



% of respondents that say COVID-19 had a significant impact on their business



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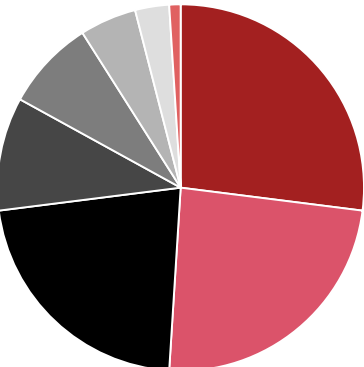
Demographic overview

We surveyed CIOs across a diverse range of companies

Responses per country



Responses by industry



Responses by annual revenue (in € bn)

