

A Historic Time When Leadership Matters

Executive summary

Every quarter, VMware creates a comprehensive report that captures trends and the most urgent challenges facing CXOs. In addition to consulting executive surveys, we commission custom research, talk to influential customers and partners—global leaders in their own rights—and put it all together to offer a unique snapshot into the state of global business.

Our report for the second quarter of 2020 found that the evolving COVID-19 landscape is taking its toll on CXOs—financially, logistically, and emotionally. Now is one of those historic times in which leadership will make a difference between businesses that wane, merely subsist, or flourish. True leaders will pull through, but not without difficulty. VMware has identified three key challenges, along with expert advice about how to deal with them.

Three Key takeaways

- 1 The ongoing COVID-19 situation continues to add new layers to CXOs' existing strategic burdens, leaving them feeling isolated and overwhelmed.

RECOMMENDATIONS:

CXOs can't go it alone when re-envisioning their organizations. They need to build and expand their support networks with peers—within and outside of their industries—and get personalized guidance from their technology vendors to expedite needed changes.

- 2 CXOs need to protect the total health of all employees through strategic investments in technology.

RECOMMENDATIONS:

New CIO–HR alignment and partnership is needed to reimagine the future of employee experience—regardless of industry. This will reinforce a human-centered approach to IT that promotes inclusion, collaboration, and a holistically positive employee experience, both physical and virtual.

- 3 Efforts to accelerate the business to new opportunities cannot wait 18 months to start: leading CXOs are already adjusting 2030 transformation timelines to 2021.

RECOMMENDATIONS:

New “accelerated digital transformation” projects like automation and integrating IoT and edge will quickly address vertical-specific challenges to deliver rapid ROI.

KEY TAKEAWAY #1

The ongoing COVID-19 crisis continues to add new layers to CXOs' existing strategic burdens, leaving them feeling isolated and overwhelmed.

Pandemic response weighs on the C-level

An extended crisis has a multiplier effect on CXO challenges. As global uncertainty continued into Q2, leading CXOs told VMware that they are feeling pressure to make progress faster in a dynamically changing world. The burden, they say, can be isolating at the top, as each CXO is dealing with a different combination of specific challenges. This holds businesses back from taking a globally unified approach to the pandemic and its aftermath.

"Our cost of technology is way too high...We must find every opportunity possible to get this inline with the \$1.2B we have promised the street."

AMER CXO

Regional variations in COVID-19 response

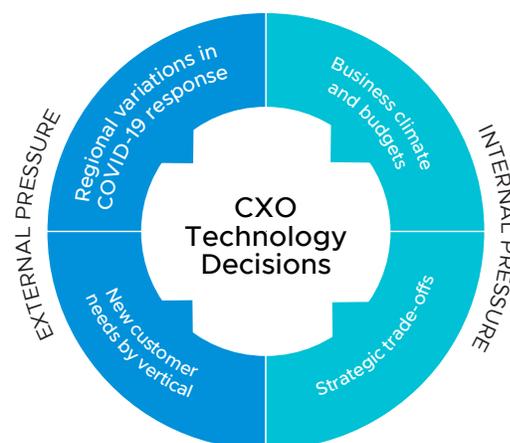
Country-by-country, even locality-by-locality differences in social distancing policies affect the rate at which CXOs can safely reopen offices. As a result, CXOs of multi-national enterprises told VMware that they have been inordinately challenged to come up with a global approach that can endure varying waves of shelter-in-place mandates from different geographies. VMware CIO, Bask Iyer, predicts that the next phase of COVID-19 response will be even more difficult than the first few months.



"Bringing people back may be more complicated than just sending people home."

BASK IYER, VMWARE CIO

FIGURE 1. UNIQUE INTERNAL AND EXTERNAL COMPLEXITIES WEIGH ON EACH CXO



Varying business climate and budgets

Financial realities determine the CXO options to move forward. Half (52%) of CXOs attending June Future Ready roundtables are in "significant cost cutting mode," while another third (29%) are just trying to keep up with new growth in demand.

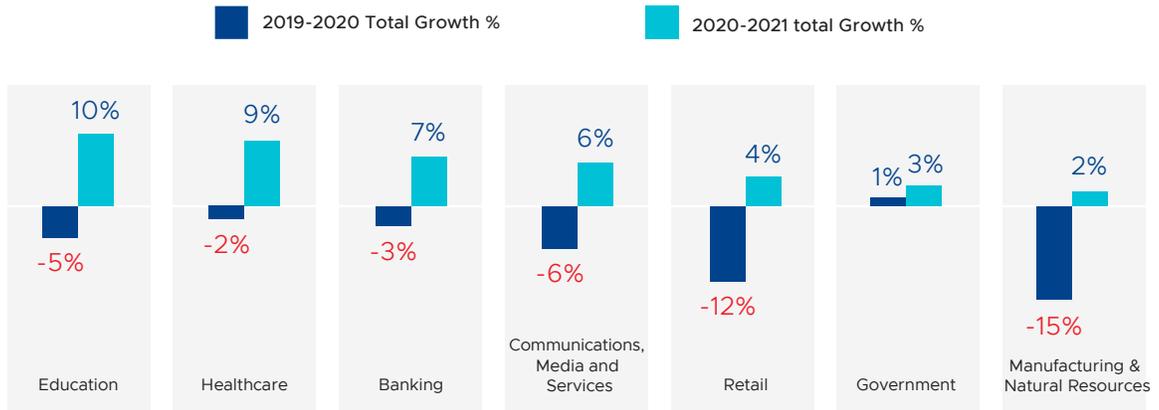
New customer needs by vertical

Industry dependence on in-person processes is a major factor in determining how dramatically CXOs must adjust their technology investments. Sectors such as manufacturing and sub-segments of retail that require physical presence to operate effectively are seeing some of the steepest cutbacks in 2020 tech spending. Government and healthcare sectors' planned 2020 IT spend remains more insulated due to previous crisis-mitigation investments they had made. Critical infrastructure segments like telecom and financial services will fare somewhat better in 2021 and in long-run technology investments.

"Market and Economic conditions are driving much of why we are focused on cost cutting... Moving into 2021 planning and the potential downstream impact of COVID is a concern."

AMER CXO

FIGURE 2. GARTNER FORECAST: ENTERPRISE IT SPENDING BY VERTICAL INDUSTRY MARKET, WORLDWIDE Q220¹ (Constant U.S. Dollars)



Strategic trade-offs

When speaking to VMware senior executives, CXOs in Q2 frequently referred to both the short- and long-term implications of their IT decisions. We identified lists of wins and challenges to help guide their peers:



Short term wins

- Virtual environments act as an equalizer in remote collaboration: could improve diversity, inclusivity
- Traditional onsite roles, such as data center personnel and traders, are operating successfully remotely
- The world of partnerships has exploded: established enterprise and start-up companies are finding new common ground
- Prior investments in modernization—for example, flexibility, agility, and virtualization—have largely paid off



Long term challenges

- Productivity levels initially were high, but a wave of burnout could be next
- Employees in roles unable to work from home (WFH) require new systems and processes
- Firms must execute a new digital-first strategy to connect to customers safely: some CXOs have little-to-no infrastructure to support this kind of engagement today
- Financial realities will force businesses to make complex decisions about capital allocations, cash flow, and real estate

VMware's closest CIOs have reached out to experienced peers and vendor partners to gain the fullest possible picture of the most pressing COVID-19 needs and responses. This has meant consulting with other organizations, not necessarily in their industries. Internally, CIO strategic partnerships with departments other than IT are also allowing for business stakeholders to make the case for the most relevant technology investments, and for CXOs to make a greater impact when addressing business needs.

CIO EXCHANGE PERSPECTIVE

"I try to find the allies in the company that are really yearning for something...things like digital business and e-commerce [have] no better time..."

I partner closely with my CMO and the kinds of people that are big sponsors, stakeholders asking for capabilities, they make the case with you, and for you."

MASSIMO RAPPARINI, LOGITECH CIO

What it means

CXOs will need to leverage their personal and internal people networks in new ways to share burdens and quickly adapt their organizations. Lines of business, product leads, app developers, and even the HR department (see Key Takeaway #2) can help focus CXOs on response efforts from the top down.

CXOs should also turn to their technology vendors to help shoulder the complex burdens they're carrying. But one-size-fits-all solutions won't work. CXOs should expect vendors to be customer-obsessed, focused intently on the overall customer experience, and to accelerate customize solutions to match the distinct commercial and industry realities facing businesses.

KEY TAKEAWAY #2

CXOs need to protect the total health of all employees through strategic investments in technology.

Technology execs team with HR to deliver human-centered IT

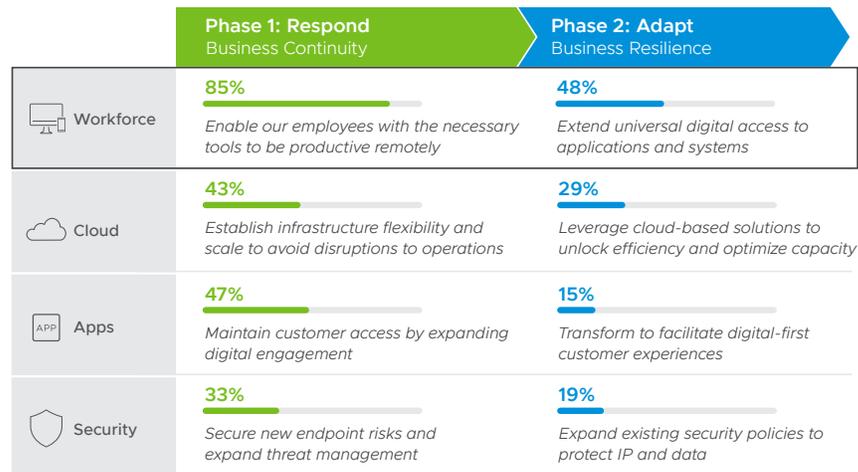
CIOs and CTOs will reinvent their partnerships with Chief People Officers and leaders of Human Resources (HR) departments to better protect employees.

Although IT leadership has always protected human capital from a technical perspective—through threat management and guarding personally identifiable information (PII) from breaches and leaks—the pandemic has caused CXOs to increasingly collaborate with HR leaders. Their joint goal: to rethink the overall employee experience.

“It's all about a real BCP plan and a technology forward workforce. Business is no longer about numbers; it's about making sure your employees and operations are sustainable. Everything else will work itself out.”

HEALTHCARE CXO

FIGURE 3. PERCENTAGE OF CXOS WHO HAVE IMPLEMENTED FUTURE READY INITIATIVES



CXOs in the second quarter of 2020 prioritized their people needs first. Discussions at VMware sponsored CXO roundtables revealed that IT projects empowering employees to WFH took precedence over infrastructure, application, and security initiatives. Even as CXOs tried to boost the productivity and mental agility of remote workers, they reached out to HR leaders to align on tech decisions that would also ensure physical safety for employees as offices gradually reopened.



BETSY SUTTER, CORPORATE SVP AND CHIEF PEOPLE OFFICER AT VMWARE, ON HR-TECH OPPORTUNITIES DURING PANDEMIC

INCLUSION

*"I love that it's accelerated the **leveling of the playing field**. Even those of us who sit in Palo Alto at headquarters ... we're now sitting at home with monitors or laptops experiencing what other [remote teams] have experienced."*

RECRUITMENT

*"The productivity is so much greater right now [in terms of] how fast you can put someone through the interview cycle: what could have taken three to four weeks, we can **condense down into a week because it's all just virtual**"*

ONBOARDING

*"We're onboarding people virtually in real time. There's a **huge amount of savings in not having to create a physical event**, and we can move people through that process very quickly."*



SHANIS WINDLAND, VMWARE VICE PRESIDENT OF DIVERSITY AND INCLUSION

OPPORTUNITY

*"Technology opens the door to discussions that involve **compassion and empathy for others**—for example, of single parenting, for those responsible for elder care, for people who require quiet space to work, for those with disabilities—and provides opportunities to upend the traditional nine-to-five work routine."*

DIVERSITY AND INCLUSION

*"Enterprises that don't put diversity and inclusion into meaningful practice today will experience a negative, **trickle-down effect on future** talent acquisition and retention, product and service innovation, market differentiation, and customer experience and satisfaction."*

ONBOARDING

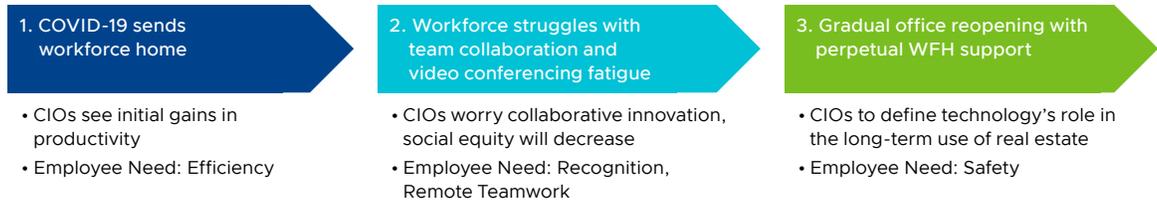
*"It turns out that the art of celebrating people from a wide variety of backgrounds, experiences, and perspectives isn't just a nice thing to do, it's smart business. Global studies have repeatedly proven that D&I-advanced companies are **more productive, innovative, and successful**."*

In coming months, HR leaders will be increasingly involved in IT purchasing decisions. Most HR technology decision-makers expect to increase their technology spending in 2020. Significantly, few of them are satisfied that their businesses' current workforce technologies meet the challenges raised by COVID-19.²



By working closely together, CIO and HR teams can help individual employees more smoothly transition to new ways of working while delivering an improved, holistic employee experience for the long-haul.

FIGURE 4. HOLISTIC EMPLOYEE EXPERIENCE PLANNING



Employee needs diverge significantly by industry. HR-IT partnership is fundamental for protecting worker experiences within newly evolved digital and physical environments:



FINANCIAL SERVICES CXO

Banks lean on digital service and management platforms

*"We are encouraging digital and self-service banking options through **mobile banking, online banking and telephone banking** to our customers to meet their financial needs."*



HEALTHCARE CXO

Telehealth scales the modern house call

*"In the future healthcare world, all interaction with the **physician and care team will start digitally...** [to] provide a better patient experience. Having this infrastructure in place for work-from home enables delivery of new care models."*



RETAIL CXO

Digital-first engagement to augment in-store purchases

*"We are making our supply chain more robust to avoid panic. We are investing in **updating our online platform** which will allow customers to buy products online and not go to stores physically. We are considering hiring staff for doorstep delivery and developing a tracking app too."*



MANUFACTURING CXO

IT to help rebuild a resilient supply chain

*"Efforts were made to make the **supply chain agile, centralized and resilient** so that our total cost would reduce. We have hired an IT consultant to help us develop a more user-friendly solution"*



EDUCATION CXO

Plans to empower teachers in the online classroom

*"[Exploring] better ways to help our **teachers to use technology in their lessons**; I can add an application that's requested for lessons within seconds."*



GOVERNMENT CXO

Virtual onboarding, team-building for historically analog workforce

*"[We] have seen the uptick in productivity.. Are we concerned about the long-term effects on **teambuilding**, how to have effective culture management, especially around **onboarding** new employees?"*

 **What it means**

IT and HR executives will collaborate to define the optimal technology mix for putting employees first as workloads and workplaces dramatically change during—and after—the pandemic.

With HR departments now realizing growing influence over technology decisions, Chief People Officers will demand technology solutions that prioritize collaboration, productivity, onboarding, and retention.

KEY TAKEAWAY #3

CXOs cannot afford to wait 18 months to seize new business opportunities. Leading CXOs are accelerating transformation timelines, bringing 2030 plans to 2021 reality.

Big-bet acceleration projects must deliver rapid ROI

Though the majority of CXOs surveyed in the second quarter of 2020 have yet to complete projects in the “Accelerate” phase of the [VMware Future Ready approach](#) to digital transformation—most are still in the “Respond” or “Adapt” phases—many leading CXOs have started to place big-bet investments on initiatives that will allow them to recognize revenue on the other side of COVID-19.

“We thought we were being pretty bold with our 10-year [digital transformation] plan, and what we've realized is we probably weren't bold enough-- that we actually do need to accelerate this even more. Our 10-year plan was now a two-year plan.”

HEALTHCARE CXO

Unlike digital transformation projects of the past decade that could take six to eight years to implement, CXOs now seek reimagined transformation projects that return a rapid payoff on investment within 12, 18 or 24 months.

CXOs point to the value they gained from thinking proactively about investments in distributed workforces. The executives who had a head-start on business continuity projects told VMware that those forward-thinking preparations paid off in the first months of COVID-19:

“Over the years VDI has taken hits for issues, hasn't always had the best experience. Since the pandemic hit it has been a godsend. 40K running VDIs, average day have 15K people using it, has been a complete godsend for us.”

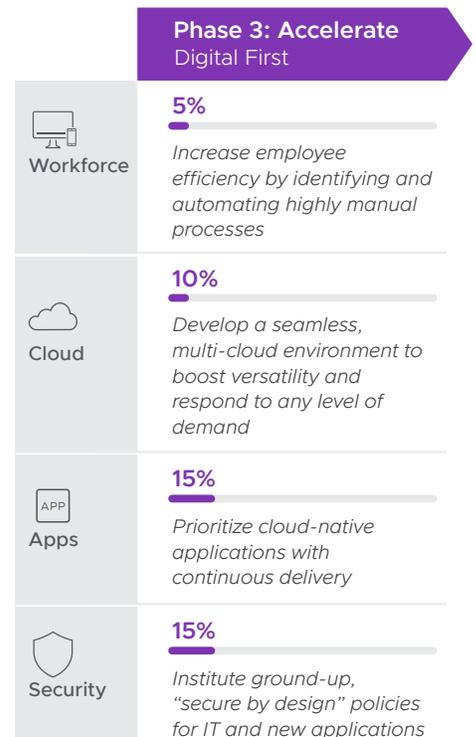
FINANCIAL SERVICES CXO

“Challenges of running a drive through clinic in a parking lot, tent facilities to handle surges. Glad for work we did last summer for remote work experience.”

HEALTHCARE CXO

However, the solutions that helped transition experiences in the first months of the pandemic won't be the same set of investments that power organizations through to the other side. CXOs who fail to invest for the future during this period could miss out on reaping rewards of the new, digital-first economy, and in some cases, risk falling further behind their industry peers.

FIGURE 5. PERCENTAGE OF CXOS WHO HAVE IMPLEMENTED FUTURE READY INITIATIVES



CIO EXCHANGE PERSPECTIVE

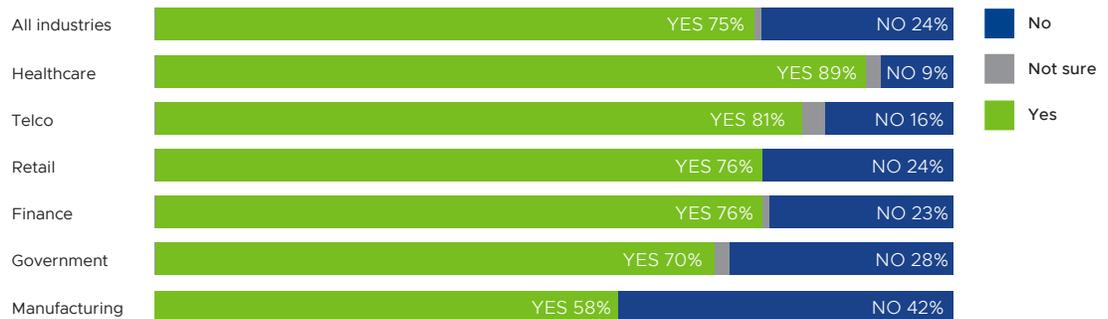
“With any transformation that you run...the number one thing is to be able to be honest and be able to pivot at any point in the journey.”

As a leader, you’ve got to constantly look at your risk indicators. When you realize it’s not going to work...you have to be nimble, and you have to rip the Band-Aid off. The sooner you rip the Band-Aid off, the faster the healing process.”

VEENA DANDAPAN, WESTERN UNION CXO

Just as agile methodology has changed how development cycles prioritize incremental progress, the CXO need for quick return on strategic investment is building across industries. The majority of senior technology decision

FIGURE 6. HAS YOUR DIGITAL TRANSFORMATION ACCELERATED AS A RESULT OF THE COVID-19 CRISIS?³



makers across verticals are now accelerating their digital transformation investments due to COVID-19:

Though big-bet ventures vary between sectors and the use cases of each CXO, the underlying goal is to improve fundamental digital competencies for their organizations. Leading CXOs look for investments that will help their enterprises better compete not only during COVID-19 but also in the new economic landscape to come.

When re-evaluating major historical transformation projects, sometimes it’s worthwhile to “rip the Band-Aid off” and abandon a decade-long project in favor of a project specific to sector challenges⁴ that has new urgency.

Automation

Banks are turning to automation to overcome their historical reliance on legacy systems as well as their lack of enterprise-wide integration. These automation initiatives are also helping them achieve improved business agility.

“Lots of automation discussions now... Started down the path of process automation, have an RPA project that’s been taking off. Thrust into the limelight, what has been going on there, so many more people interested. Expect that project to expand tremendously. Automation is now part of our discussion in every project”

FINANCIAL SERVICES CXO

Cloud independence

Banks are choosing multi-cloud because it frees them up to select the right mix of public, private, and hybrid clouds to achieve targeted agility and cost savings while also addressing their concerns about security, privacy, and regulatory compliance. Moreover, multi-cloud allows banks to build a unified cloud computing model that can adapt as business requirements change.

Edge

Manufacturers are investing in edge computing technologies to automate routine tasks in operations and supply chain processes as well as increase worker engagement for roles such as machine operators. Edge computing also helps connect and streamline communications between manufacturers and suppliers, customers and end users of their products.

“We are looking at how to modernize on the edge, drive real-time insights. How is VMware thinking in terms of SDWAN, 5G space, where performance is critical? Not just cloud-to-edge, but also edge-to-cloud.”

MANUFACTURING CXO

Internet of Things

Healthcare providers are embracing Internet of Things (IoT) technologies by integrating sensors with both mobile and wireless technologies. These solutions allow them to leverage low-latency applications and connected devices to deploy clinical solutions and securely share critical data.

“We are reimagining workspaces with touchless technology and contract tracing capabilities.”

HEALTHCARE CXO

“We talk about patient first, foremost of everything we do. Technology advances to help ease the pain, deployed iPads for the bedside, order food, meet with care team.”

HEALTHCARE CXO

What it means

CXOs do not have the leisure of waiting five years for a next-in-line, large-scale digital transformation project to pan out.

Executives that follow the lead of CXOs teaming with VMware gain personalized, strategic guidance from an expert technology vendor so they can be confident they're making the big bets that best fit their unique set of challenges, and that will deliver payoffs in a timely manner.

Next steps

Visit [CIO Vantage](#) to learn more about these topics and to apply strategic research to your projects this quarter and beyond.

1. Gartner, Forecast Analysis: Enterprise IT Spending Across Vertical Industries, Worldwide, 2Q20, July 2020, (ID G00728302)
2. Forrester Analytics Business Technographics* Priorities and Journey Survey 2020, COVID-19 Recontact, 2020
3. MIT Technology Review Insights' survey on COVID-19 and its impact on technology, in association with VMware; N=600 Senior Technology and Business leaders Worldwide