

**How would the
future look like
post-Covid?**

**CxO Sentiment and
Outlook Survey Report
for the IT Industry**

June 2020

Executive Summary

As Governments across the world prepare stimulus packages to drive demand and help supply side, Businesses are preparing to step into a rather uncharted territory. Most CXOs are putting together plans for *post-Covid* to ensure survival and growth, with the available data. The most important question in every CXO's mind now is "what next". CXOs have rarely felt that external global factors have such a huge impact and they have so little in their control.

The Survey has thrown some very interesting and inter-connected insights and trends. These insights also corroborate with our own research and the commentary around the world. Some of the key insights include:

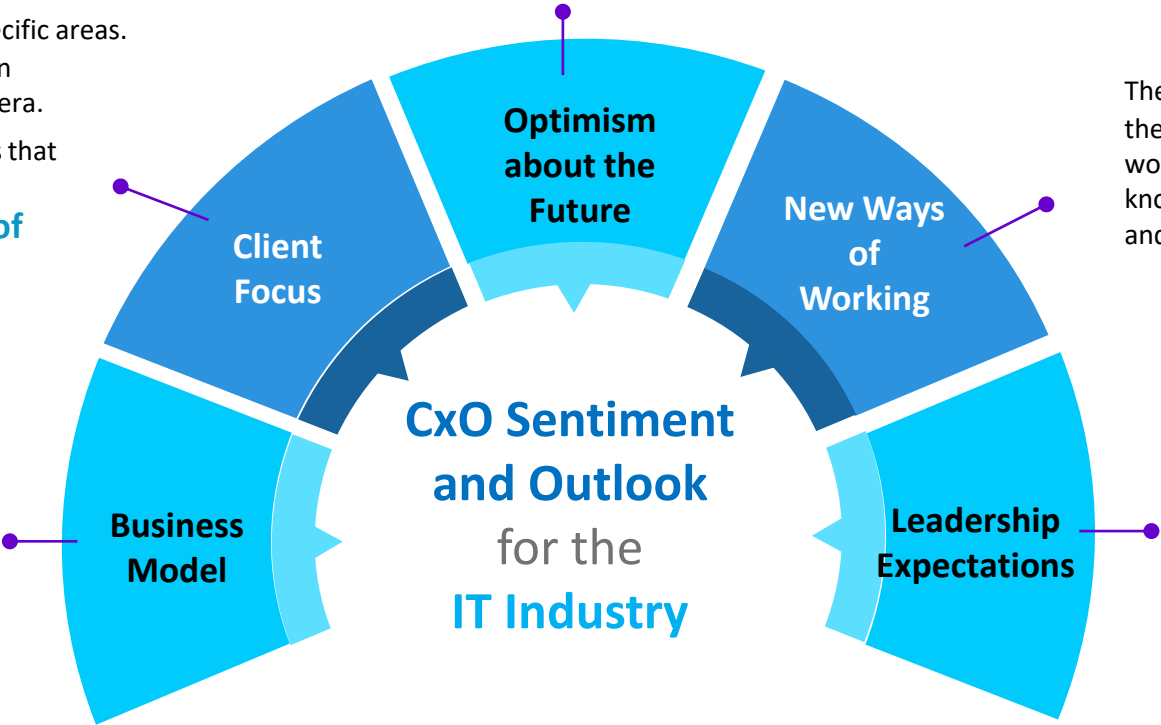
There will be accelerated **adoption of Digital Technologies** by the clients of IT companies in specific areas. This in spite of the fact that customers may go slow on discretionary spend in first few months of post-covid era. The respondents firmly believe that the organizations that adopt digital technologies quickly, will be quicker in getting out of the crisis and may **get to the path of recovery faster**.

One of the most important insights of the survey which is quite understandable is that the IT companies will have to **rethink their business models** in the post-covid era due to both customer expectations/behaviours as well internal operational and culture changes.

An overwhelming majority of respondents are **optimistic** about the future, notwithstanding the current crisis. The general belief is that the demand will pick up faster than what it looks like today.

The **Organizational culture** will change as the organizations adopt and adapt to new ways of working. Of course, there is no illusion that we know everything about the new ways of working and how the future will pan out in this regard.

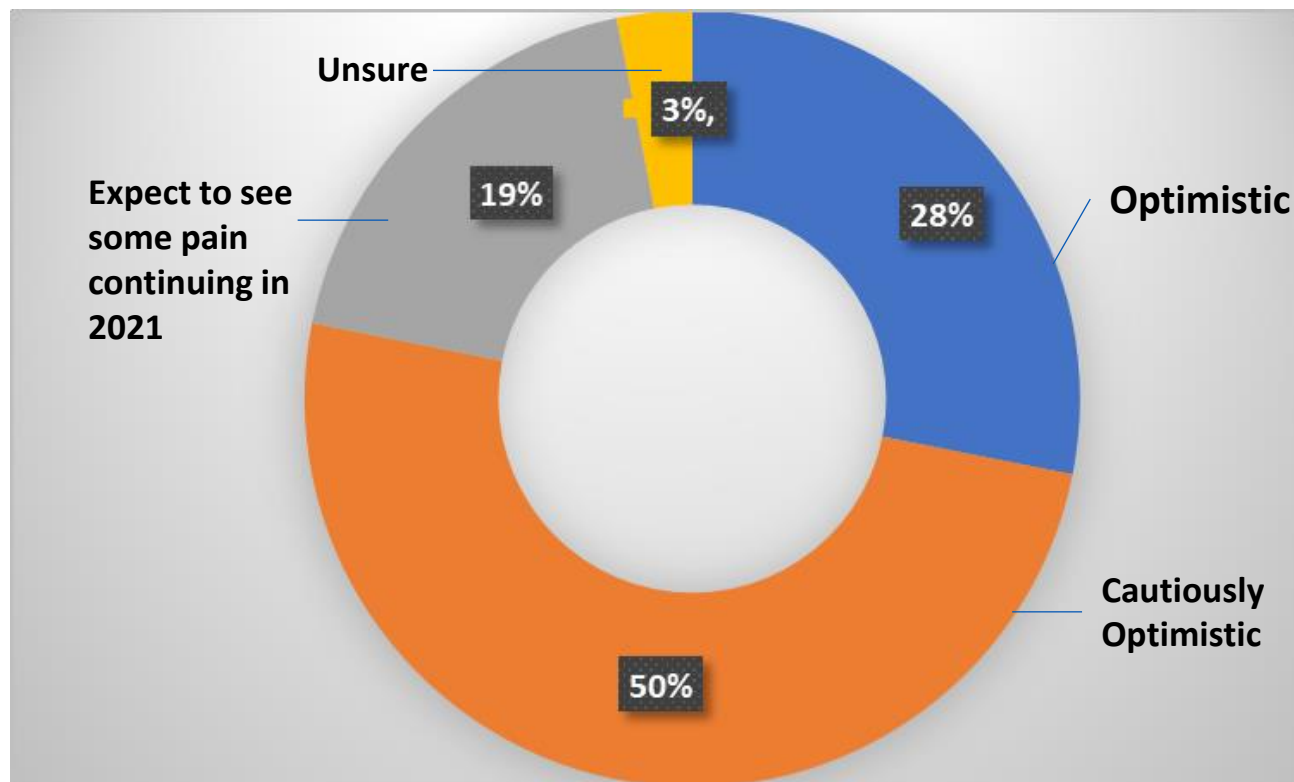
Key business leadership skills required for the new normal will be **Business Agility and Innovation** that are behavioural and sustainable to help growth and sustainability.



Perspective 1: **Market Outlook**

Respondents' perspective on how their market dynamics will shape up

The overall **Business Sentiment and Outlook** for IT Companies remains **positive and optimistic**



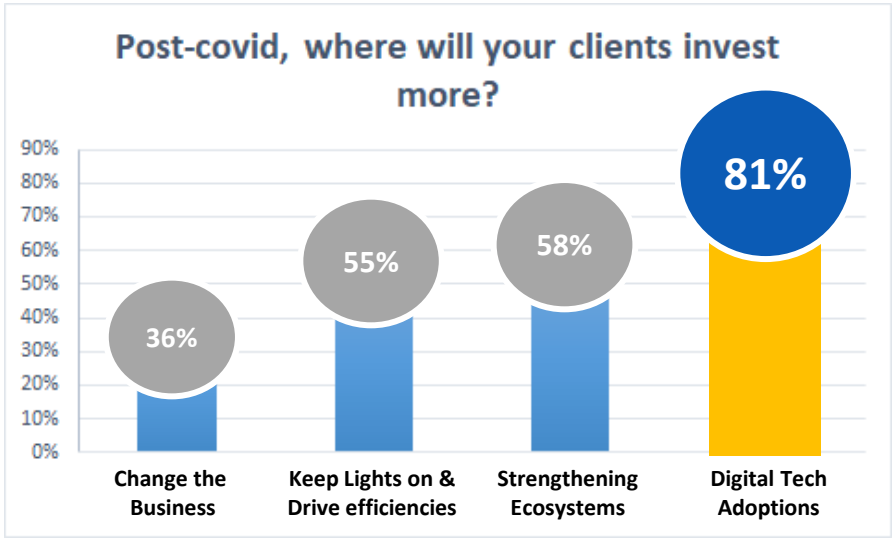
Over **75%** of the respondents **are optimistic** or **cautiously optimistic about the post-covid recovery.**

The optimism is seen to be similar between respondents from large companies as well as smaller companies.

Leveraging sector-specific recovery paths, IT companies will need to define playbooks to tackle emerging opportunities even as they innovate and drive efficiencies on the current contracts

Although the overall Business sentiment is positive, the business revival and recovery is expected to be sector/vertical driven, with some sectors reviving earlier than others.

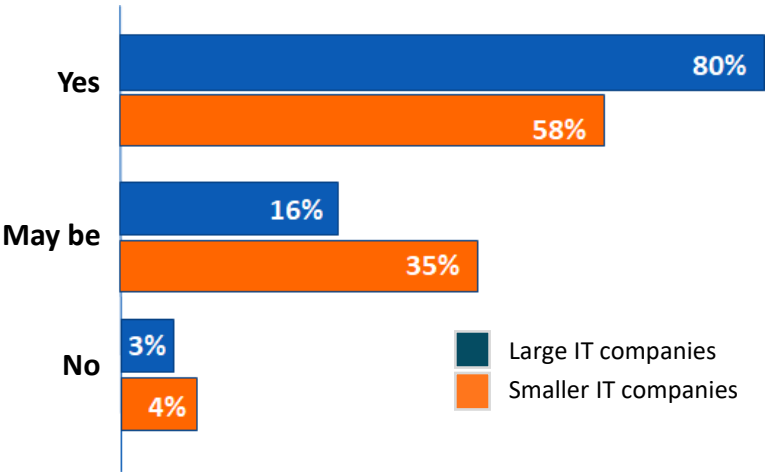
Accelerated client adoption of Digital Technologies will be the one of the key drivers of Business Growth.



Over **80%** of the IT companies **believe** that their **customers will spend more on digital solutions** in the post-covid era.

Customers will prioritize digital technologies that will provide more rapid ROI. Although the overall spend in IT might experience a de-growth in FY20-21 and customers may reduce discretionary spend, the IT Spend on Digital Technology solutions is expected to grow.

Will quick digital technology adoption and Analytics play a critical role in how organizations can achieve rapid business growth recovery?



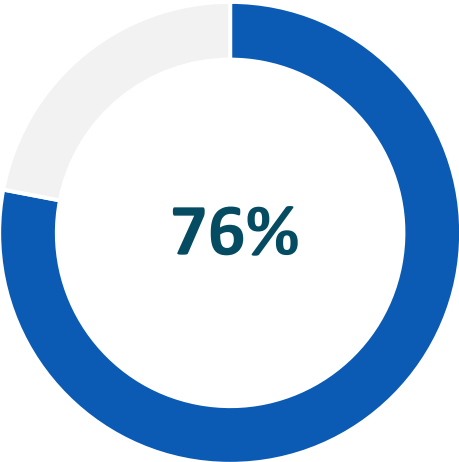
80% of large IT companies and **58%** of smaller IT companies feel that their clients who adopt digital technology quickly will return to profitability faster.

Over the last few years, IT Companies have already been focusing on Digital solutions and have been increasing their revenue in Digital. Accordingly, enhanced focus on helping clients quickly adopt Digital Solutions will be one of the key areas that will drive business growth and recovery

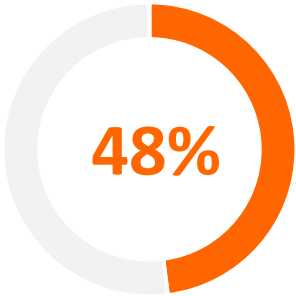
As clients look to strengthen their ecosystems, there would be a need to explore opportunities to Collaborate across partner-ecosystem



Post-Covid, Will Your Clients Invest in Strengthening Ecosystems?



Large IT Companies



Smaller IT Companies

76% of large IT companies feel that their clients will focus on **Strengthening their eco-systems** whilst

only 48% smaller IT companies feel the same

Overall, about **60%** of all respondents believe that their **clients will invest in strengthening their ecosystems**

With boundaries dimming between industries and customer segments, in the new world, collaborative ecosystems will gain ground with even competitors coming together to develop services and offerings.

The potential implications of strengthening eco-systems by clients implies that not only **There will be more opportunities and investments from clients in digital technology adoption** but also **The deals will be more complex requiring high level of collaboration**

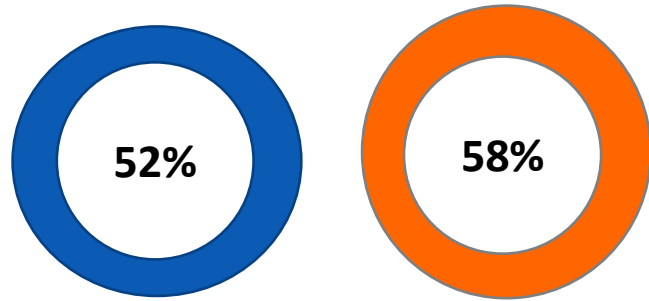
For IT companies this will mean that they will have to build deep domain and functional expertise; build key strong partnerships. Smaller Companies may find it harder to bag those deals, we highly recommend smaller IT Companies to view this as an opportunity by focusing on strengthening their core capabilities in select areas of expertise and focusing on building strong collaboration models.

Perspective 2: **Organizational Insight**

*Respondents' perspective on how they will need to
change Now and in future*

For now, Increased efficiency in **Operating Models** along with a cautious approach to investments will be the immediate focus

Drive Efficiencies



Large IT Companies

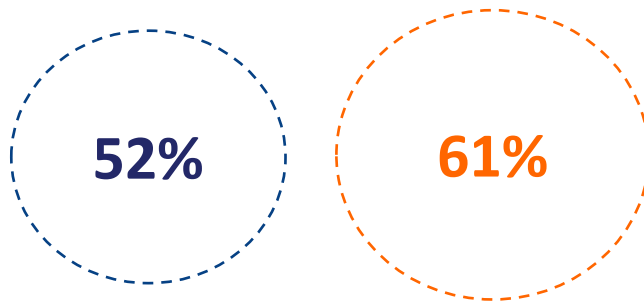
Smaller IT Companies

Overall, about **53%** of all IT companies feel that they need to **drive more operating efficiencies** internally

IT companies are currently noticing that their clients are asking for discounts and newer financial models that require deferred payments.

Accordingly, the survey data points to clients being more cautious in their spending in the short term particularly the sectors that are impacted more such as Travel & Hospitality. IT companies will have to tweak their operating model to increase their focus on “Do more with Less” in a bid to drive operating efficiencies and reduce costs.

Preserve Cash



Large IT Companies

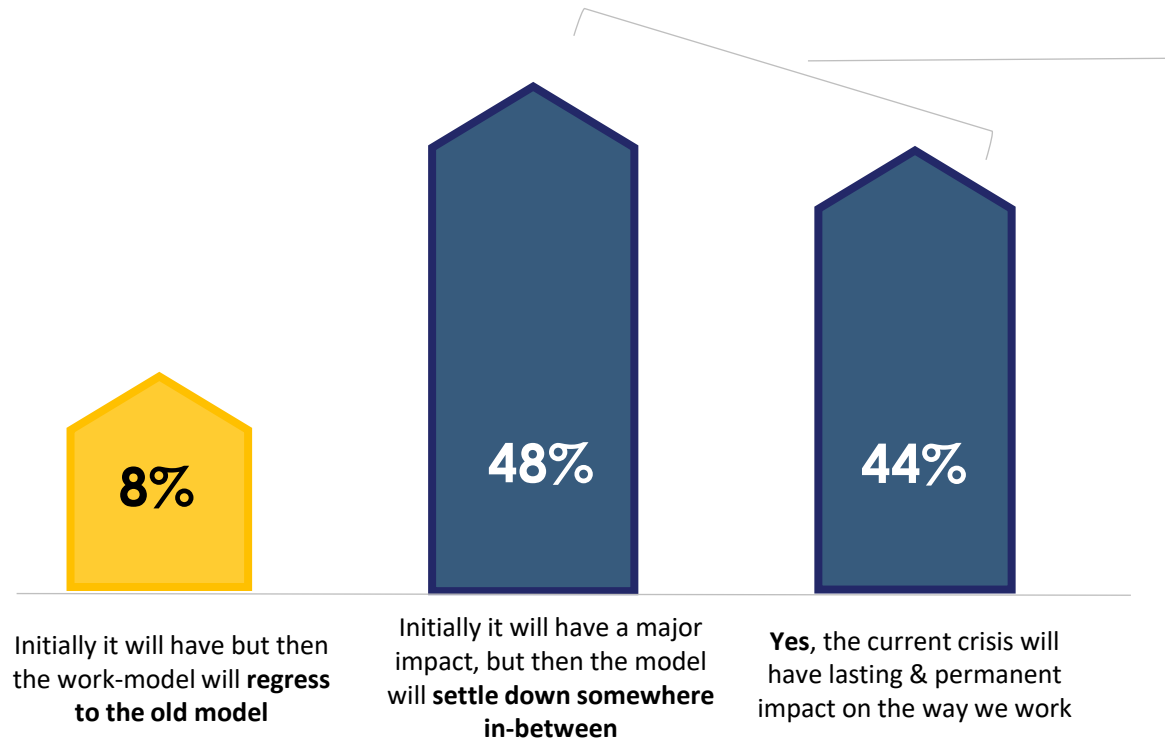
Smaller IT Companies

61% smaller IT companies feel that they need to **Preserve Cash** whilst **only 52%** large IT companies feel the same

Balancing costs v/s investing in growth initiatives is vital to recover and grow post the crisis.

Hence, the IT companies need to focus on making strategic investments that enable and drive growth

There is expected be a change in the 'ways of working' that will require IT companies to refine their **Organizational Culture** codes



There is an overall consensus that the way we worked before will not be the way we will work going forward.

Over **90%** of respondents believe that this crisis will have **long-term impact on the “way-we-work”** in varying degrees.

44% of the respondents expect that there will be a **lasting and permanent impact on the way-we-work**.

With the “way-we-work” changing drastically, IT companies will need to re-look and maybe even re-define the key employee-centric factors such as Employee Well-being, Employee Engagement and Employee Performance.

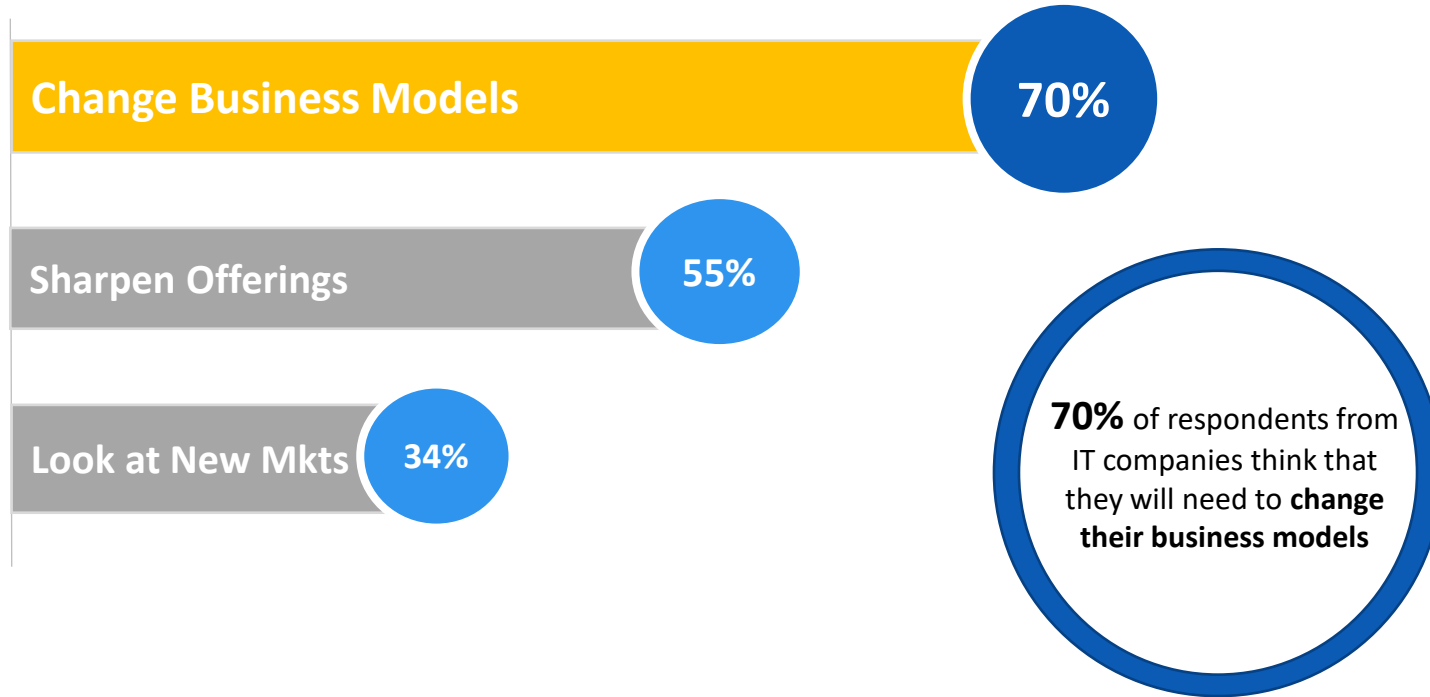
The Organizational Culture Codes that drive values, behaviours and norms would be impacted. In addition to Emotional Intelligence, Social Intelligence would also have to be weaved into the culture playbook of organizations

Interesting and, not surprisingly, **13%** more of large IT companies than the small IT companies believe that there will be longer-term and permanent impact on the way we work.

Large IT companies are more likely to adopt the changed working arrangements due to 3 key reasons:

- They were already used to alternate working arrangements in smaller degrees.
- They have better established processes to manage the new-normal
- They are most to gain financially by rationalizing the office spaces.

IT Companies will have to look at refining their **Business Models** to take advantage of the emerging opportunities



We anticipate a further shift from resource centric delivery models to solution centric delivery models.

The quicker the IT companies adapt to the newer business models and sharpen their offerings to align with customer need, the greater the chances of rapid recovery and growth.

As the IT Companies:

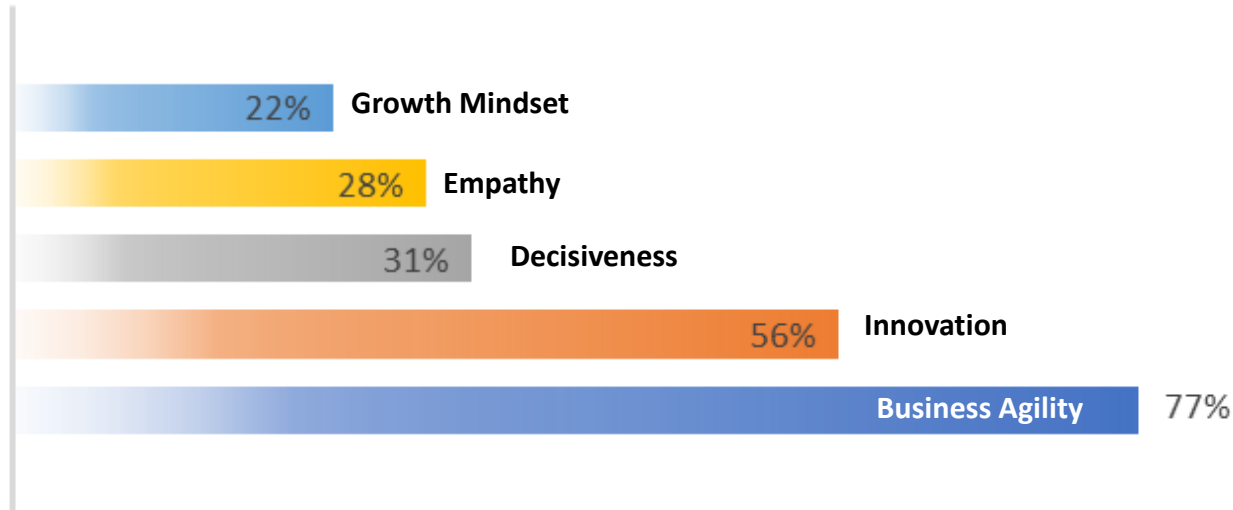
- **Respond** to increased & accelerated Digital adoption of their clients
- **Refine** their operating efficiencies and come up with innovative financial models
- **Re-configure** the way they work

Our research backed by the survey results indicate that all of the above will:

influence a
Re-think of the Business Models by the IT companies.

With Digital adoptions driving Business Models and shaping Operating models, **People and Talent** need to adapt & align quickly

WHAT TOP-2 BUSINESS LEADERSHIP COMPETENCES WILL BE REQUIRED AND TESTED IN THE #NEWNORMAL?



With the focus on Business Model change and the new ways of working, it's no surprise that:

77% of the respondents have identified **Business Agility** as the top competency followed by **Innovation at 56%**

Based on our research, conversations with industry experts and our own observations, the following skills & competencies have been identified for the Enterprises of the Future:



Participation and Methodology

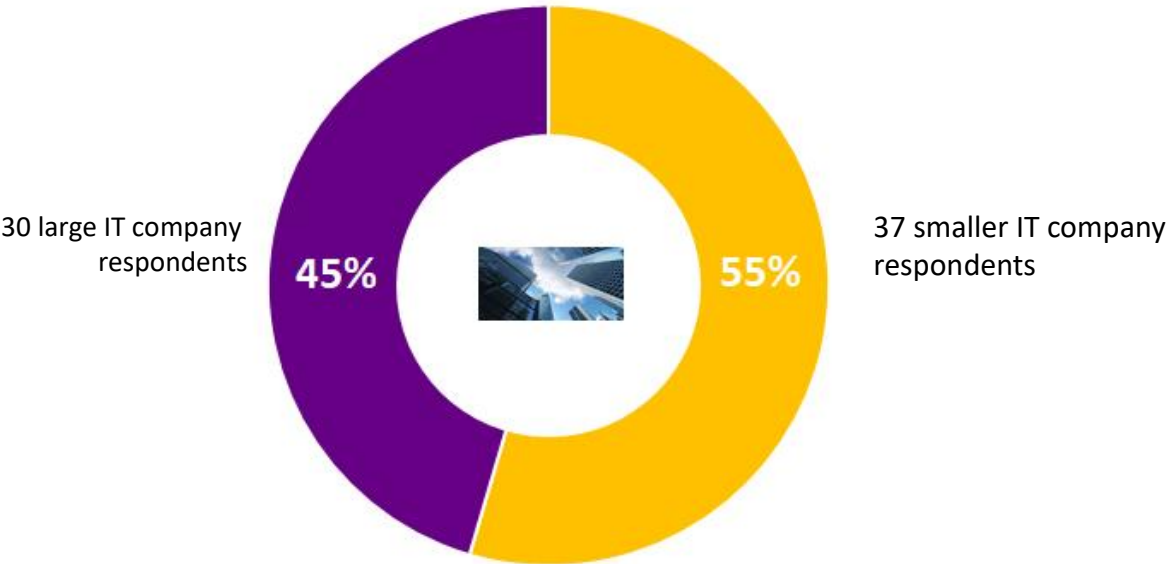
For this survey, we reached out to about 95 chosen executives from a cross-section of IT services and product companies. We received **67** responses.

We know that views of IT companies in different revenue categories could be quite different. Ideally, one can divide the companies into many categories particularly along revenues. However, a right level of categorizations will provide statistically correct trends and directions. Hence, based on the data and our own understanding, we decided to divide the IT companies by revenues of less than and more than US\$ 400 M. All respondents were from IT companies who have significant presence in India with global clientele.

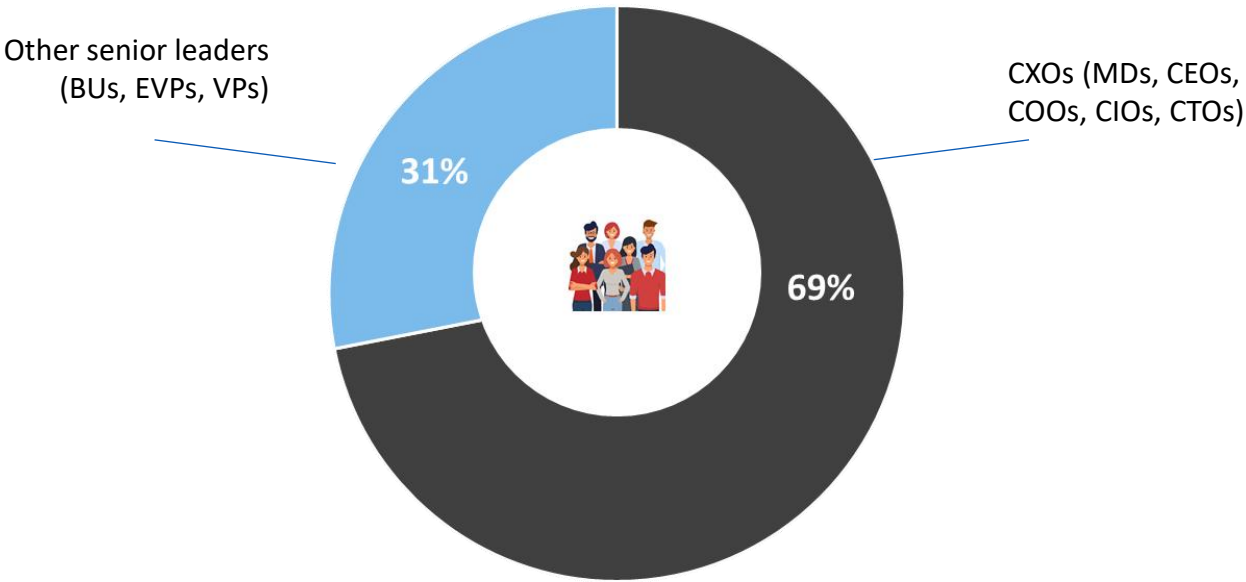
The focus of this survey is IT services and product companies categorized into two revenue segments on either side US\$ 400 M.

The survey was responded by a section of CXOs (MDs, CEOs, COOs, CIOs, CTO) and other senior leadership (BU heads, EVPs, VPs).

Spread of IT company respondents surveyed



Respondent Profiles



Effilor Consulting is a specialised management consulting firm that partners with organizations to tackle their business challenges and help you build **Enterprise.NXT**

Recover, Reform, Smile post-covid

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