

# The Crisis Presents New Challenges To CIOs



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**May, 2009**

According to a recent PwC study titled, “I for innovation. The next-generation of CIOs”, the majority of CEOs is pessimistic about the economic climate in the short term, and only 21% expect their companies to grow at all this year. In Spain, this percentage is actually lower, at 13%. This figure is coherent with other economic indicators in our country. According to the same study, recovery is not expected to arrive in Spain until the second half of 2011.

As such, leaders of the world’s companies are adjusting their strategies to confront the conditions generated by this recession. But how does this affect CIOs, and what should be demanded of them? The answer to this question can be seen in the concerns that CEOs currently share and, especially, the way their priorities are rapidly changing. The above-mentioned PwC study clearly manifests that the CEO’s chief concerns in September of 2008, such as searching for professionals with very specific profiles for their companies, had disappeared by December of 2009. At this point in time, CEO’s had already begun shifting their focus to reducing workforces.

The majority of companies have reacted to the economic crisis by going into survival mode and allowing their needs to be addressed according to the priorities of a wartime economy. However, this crisis is also bringing with it new ways of contemplating and understanding business. Up to now, the short term was the only thing that mattered. The majority of leaders of large multinationals were designing incentives, using their metrics, and thinking and deciding on a quarterly basis. But this short-term vision of business was endangering aspects

linked to companies' competitive advantages that were difficult to evaluate in the short run. For example, things like client loyalty and talent retention do not depend on specific quarters but are rather part of a long-term strategy. Therefore, it quickly became evident that this quarterly vision of business needed to give way to longer-term visions. This is one of the important changes CEOs are now confronting.

The confluence of the survival mode that business is currently in with a vision not limited only to the short-term demands that decisions made today should not compromise the future of any business. Now, leaders must be capable of placing the short term in the limelight without totally mortgaging the long term.

### **Getting Out Of the Crisis Together**

Corporate leaders are also changing their perception of aspects such as government interventions into the world of business. What was once perceived as bad news is now being seen as a possibility for stimulus and help. Their attitudes towards risk are also changing, since the current crisis scenario has been so closely connected to third party foul-ups that have had an increasingly direct effect on their businesses. Partner viability must now be checked and double-checked. In addition, recent experience has undermined the foundations of corporate confidence and increased the need to understand and anticipate risks taken by other members of the "ecosystem" in which their companies exist and interact.

These changes in CEO's agendas directly affect CIOs. At present, those executives in charge of company technology are expected above all to help reduce costs. This explains the boom in different types of outsourcing that are now being applied with greater frequency than ever before. The quest for savings justifies other measures such as exclusive use of open software, change over to virtualization technologies, implementation of IP communications technology to reduce telephone and travel expenses, or back-burnering costly long-term projects (without stopping all projects) until it becomes clear how the situation will evolve and whether the expected returns will be produced.

Other measures along these lines consist of downsizing IT departments, consolidating data processing centers, identifying synergies (which in this context means eliminating overlaps or concentrating resources), renegotiating licenses, and revising agreements with providers and/or varying their numbers by reducing or adding new ones. All of these measures are acceptable to CEO's so long as they strengthen the position of the company.

CIOs need to provide companies with business intelligence tools that can detect, manage and mitigate their own risks as well as those of their partners. These applications should be capable of providing permanent information about competitors as well as clients in order to quantify the value and evolution of company innovation, manage talent and supply good customer service. They represent the new control devices for achieving balance between the long-term and the short-term. They need multi-channel collaborating tools to interact with their stakeholders, capitalize on social networks, identify brand image and reputation as well as reveal employee and provider viewpoints.

Some of the above-mentioned measures will doubtlessly lower costs in the short term. However, in the medium and long term, some may also have undesired aftereffects if they are analyzed from a purely cost reduction point of view. They can undermine the intellectual capital of a company, postpone return on forecast IT investments or endanger the proper execution of services. Thus, technology can be viewed as cheap or expensive in terms of what it brings to a company in terms of value. Merely making cutbacks will not guarantee IT value benefits that most CEOs expect.

In short, in this current cost reduction scenario in which companies are not anxious to invest in hardware and software, IT departments are being asked to guarantee the viability of companies in the short term while maintaining efficiency and perpetuating differentiating factors over the long term.

As such, they must demonstrate that IT brings real value to companies. This new and difficult challenge facing CIOs today demands a different way of thinking about return on investment. It probably demands a new CIO profile that is more oriented to process management and innovation than simply managing providers.