

2020 COVID-19 INFORMATION TECHNOLOGY ECONOMIC IMPACT STUDY



Helix Market Research is a privately commissioned research firm specializing in research-driven market strategy. Our clients trust us to capture the attention of hard to reach B2B buyers and provide deep levels of intelligence on where their market is heading and how their buyers are responding.



Commissioned by: Windward Consulting Group
Study conducted by: Helix Market Research



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“We must realize that this economic collapse was caused not only by the dramatic shutting down of the economy, but also by a fear of the unknown. The United States has never experienced anything like this with any generation currently living. The economic recovery will be based on the clarity of the future.”

~ Sean McDermott, CEO of Windward Consulting Group and RedMonocle, serial entrepreneur, IT visionary, and subject matter expert



“IT leaders have eliminated new spending during the most rapid acceleration of digital transformation in our history, putting the importance of employee morale, retention, and efficiency at the forefront of the recovery.”

~Nichole Kelly, VP of Growth at Windward Consulting Group and Principal and Lead Researcher of Helix Market Research



Key Findings

85% of Fortune 1000 IT teams have eliminated new spending during the most rapid acceleration of digital transformation in our history

- Revenues are expected to be down for 60% of respondents with 38% expecting revenue declines of 15-30% for 2020.
- A rapid response to change has been required for Information Technology (IT) teams. 85% of IT teams have made changes to their IT priorities as a result of the economic impact of COVID-19 on their business.
- The demands on IT have increased the importance of soft skills from leaders. IT leaders' top priorities are remote working, employee morale, and retention of existing staff.
- 2020 investments include data analytics, process optimization, security, and software development, and IT Operations (DevOps) which will pave the way for automation in 2021.
- Vendors will play an important role in supporting leaders who are trying to do more with what they have. IT leaders are looking for help from their vendors to decrease costs, accelerate deployment, and accelerate user adoption

Recommendations for IT Leaders

- Deploy strategies to move from a reactive workflow to proactively creating space for automation and innovation. In essence, their teams must get off of defense and MOVE TO OFFENSE in 2021.
- Start re-prioritizing initiatives now for 2021 with the expectation that many of the cuts experienced in the first half of 2020 will remain in place for the next 12-18 months.
- Reassess your security posture to ensure that no holes were created with the rapid shift to virtual working environments.

Survey Methodology

This study was commissioned in March 2020 by [Windward Consulting Group](#) as a response to the COVID-19 global pandemic and the economic downturn that resulted. The study tracked how COVID-19 impacted short-term and near-term IT goals, budgets, priorities, and revenue projections for Information Technology leaders who currently work at a Fortune 1000 company in the United States.

This was a quantitative survey that featured 7 core questions about the response to COVID-19 where IT leaders self-reported. Survey respondents received outreach via LinkedIn and email with requests to participate in the survey. They were qualified to participate based upon their match to a Fortune 1000 company, being in Information Technology and the target role and title.

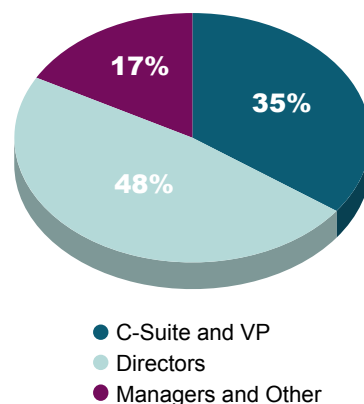


Respondent self-reported demographics

297 respondents in Information Technology at a Fortune 1000 company.

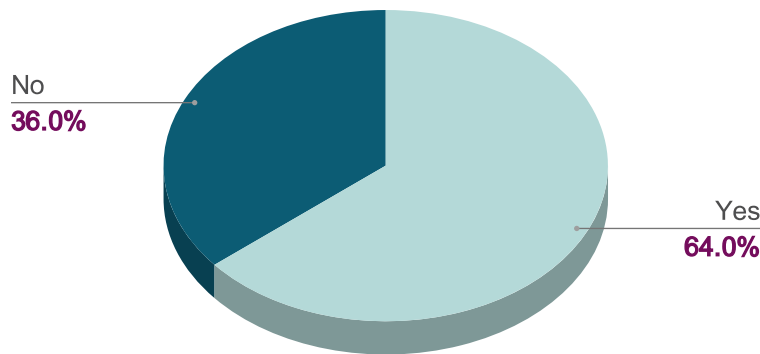
25% of respondents are “general IT,” while **18%** are IT operations focused, **18%** are application development, **10%** cloud, and the remaining in Enterprise Architecture (EA), Security, Infrastructure Engineering, and DevOps.

While the survey was open to all industries, **60%** of the respondents were from technology companies, healthcare, and financial services. **65%** of the respondents self-identified as Innovators or Early Adopters, while running contrary to the [Diffusion of Innovation](#) model which states that **16%** of the population are within these categories.



IT leaders are shifting to new services and products to support the business

Figure 1: Is your company looking at pivoting into new services or products based upon the impact of COVID-19?



A surprising **64%** of the respondents said their companies are pivoting to new services or products based on COVID-19. This is somewhat surprising because the survey was directed at large enterprises with greater than 5,000 employees. Most large enterprises, such as the healthcare sector cannot “move the ship” in any large arcs since it can take years to bring new products to market, re-tool manufacturing plants, or expand facilities. In subsequent interviews, most IT leaders are looking to “pivot” their operations, especially as work models change dramatically as employees transitioned rapidly to remote working. This massive and accelerated shift has changed annual priorities, organizational collaboration, and established workflows.

Notwithstanding the above, there are large enterprises that have taken this opportunity to “recast” existing products to fit new buyers and accelerate new products, such as schools, hospitals, and corporate environments. Also, we are seeing some large enterprises leveraging existing products and services, such as security and collaboration to new markets. One major manufacturer we interviewed shifted a fledgling legacy product to hospitals and schools and has seen a massive uptick in orders. Another large systems integrator is repackaging their security solutions to large enterprises dealing with more distributed, remote workforces.



2021 Prediction

Work from home is here to stay, predominantly through the end of 2020, likely well into 2021 since virus levels are expected to increase in Fall 2020. Salesforce.com has already announced that employees can work from home until August 2021. Many companies do not feel comfortable asking employees to come back, and some states, like Virginia, are beginning to pass legislation that would fine companies for inadequate safety procedures at the office. With protocols on COVID-19 still in flux and scientists still learning about the virus, this creates significant employee morale issues and legal risk. With COVID-19 cases still rising as of August 2020 and the impending flu-season on the horizon, IT leaders don't have the line-of-sight to see improvements well into 2021.

In addition, the longer people stay at home, the harder it will be to get people back to the office. New normals are already being created, as staff realigns family obligations to "rebalance" their work and personal lives. Millennials and late-GenXers are particularly challenged as many still have children in primary school.

IT leaders must prepare that many changes that were made in March 2020 with the expectation that the world would get back to normal in summer 2020, will now become permanent.

IT leaders would be well prepared if they focused on reassessing processes and workflows, embracing technology to drive automation and collaboration, and developing new programs for engaging staff that may feel disconnected.

"GenXers are a work from home loving generation that is poised to make the management and IT changes to support the full spectrum of staff, where possible, in having flexible working environments for the long term. Young adult Millennials benefit too, as they value a well-rounded, conventional life, and thus appreciate workplace flexibility and being able to integrate all the pieces of their lives."

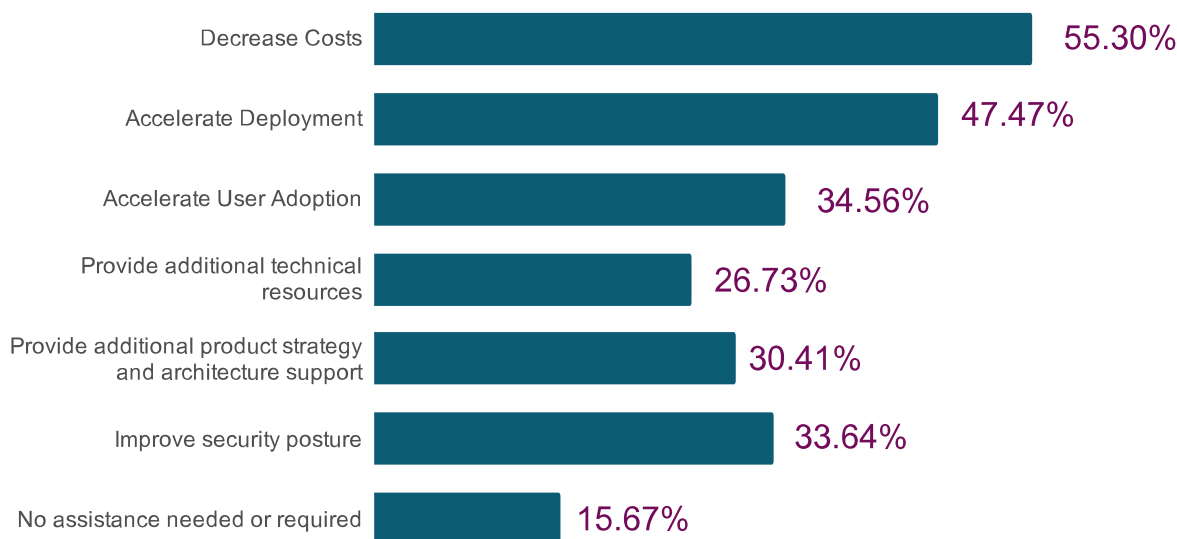
~ Jessie Newburn, Founder, Generations Work.



IT leaders need help from their vendors to respond to the rapid acceleration of digital transformation and declining revenues

One of the largest spend categories in IT is vendors, such as outsource partners, software, and hardware vendors, and outside consultants. In many cases, vendor costs are greater than internal staffing costs. Many of these vendor agreements are governed by strict contracts that have long-term or multi-year terms as well as very restrictive termination covenants. This makes adjusting vendor services very difficult. But, at the same time vendors can be very instrumental in helping organizations through times of crisis. Working with vendors is certainly a double-edged sword.

Figure 2: How can your vendors assist you in 2020?



As expected, **50%** of respondents are looking to vendors to assist with driving down costs. In times of crisis and lack of clarity, cutting costs are at the top of the list. Companies are looking for their vendors to be a “true partner” and share the pain. **47%** of the respondents are looking for vendors to assist in accelerating the deployment of current projects. Time-to-value is critical for IT leaders to speed up value realization of investments, as well as protect key investments as CFOs dictate mandatory spending costs. **33%** of the respondents identified user adoption and security as the next key areas vendors can assist with. User adoption is very much tied to accelerating deployment, while security continues to be top of mind, especially as companies moved rapidly to remote working and accelerated digital transformation efforts.

Only **15%** of respondents need “no assistance.” Clearly that VAST majority of respondents are looking to partner with their vendors and believe that their vendors are a key to their success.

2021 Prediction

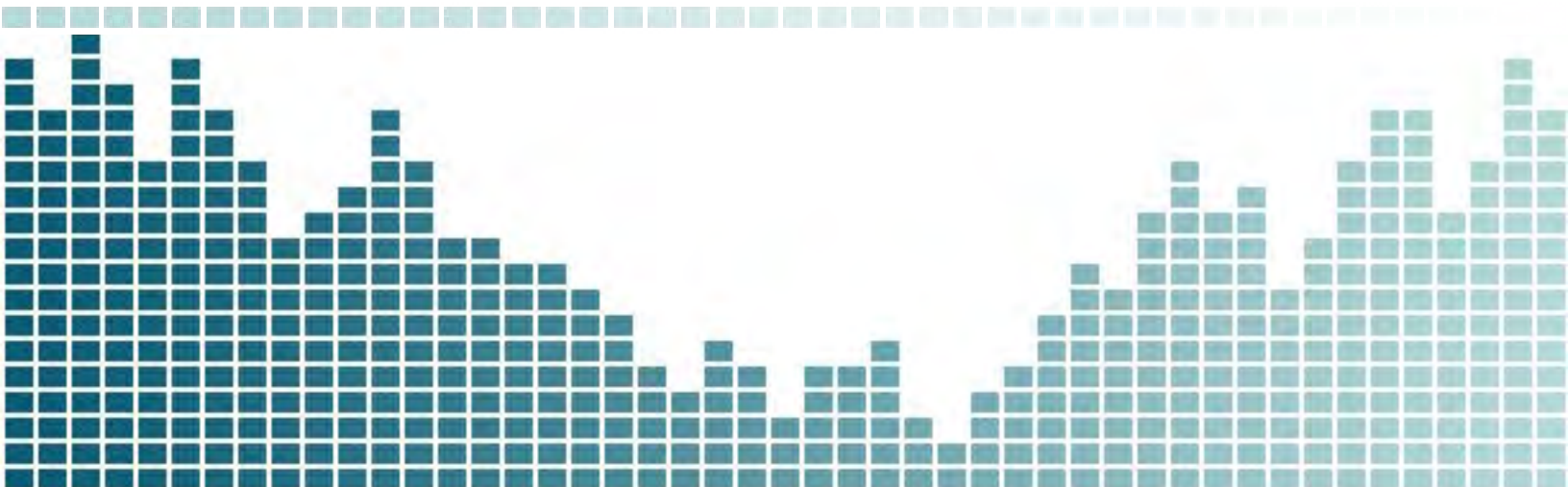
More than ever, vendors need to actively engage with customers on how to collaborate as business constraints flow downhill. Henry Ford once said, “Coming together is a beginning; keeping together is progress; working together is success.”

Most vendors are looking for long-term relationships with customers to protect recurring revenue and should be open to discussing options. Our experience has shown that some vendors are more amiable than others. We have also found that companies that are more open with their vendors and do not hold their cards too close will have better chances of creating meaningful win-win solutions.

Vendors need to help customers accelerate their customer’s projects and decrease the time-to-value by completing projects faster and increasing user adoption.



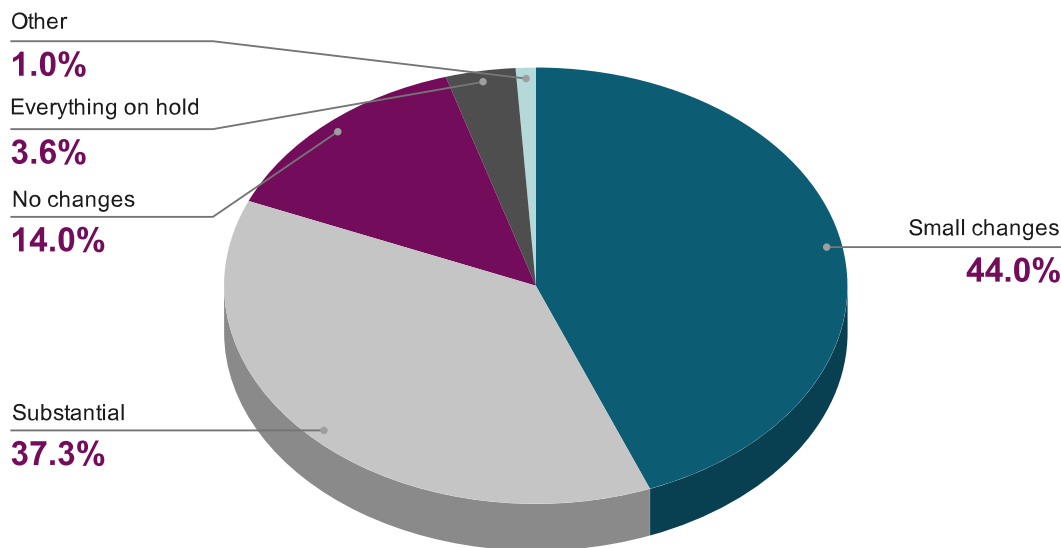
Vendors that don’t actively collaborate with their customers to increase time-to-value or with cost adjustment plans may very well find themselves out in the cold come renewal time. Several respondents we interviewed have already identified “non-cooperative” vendors and have started making plans to bring those services back in-house.



IT leaders are forced to reprioritize IT goals and objectives to respond to increased demands

Clearly, COVID-19 has impacted almost everyone. A whopping **85%** are making small or substantial changes in their priorities for 2020. The respondents were split almost evenly between small changes and substantial changes, at **44%** and **37%** respectively and **4%** said all prior priorities are off the table. This makes sense, as the work from home change was completely unexpected and derailed most initiatives from March - July, almost 1/3 of annual productivity. Many organizations are reviewing previous objectives and downsizing deliverables to fit them into 2020 to ensure some value is realized as early as possible and to adjust to new guidance handed down from executives.

Figure 3: Based on the potential economic downturn, have you made any adjustments to your 2020 goals or objectives?



Only **13%** of respondents have not changed their 2020 goals and objectives. **40%** of these respondents were from the Finance & Financial Services market sector. Unlike prior economic crises, financial services are in a strong, well-capitalized position and, in conjunction with Government stimulus plans, are taking an active role in stabilizing the economy.

Only a small number, approximately **4%** of respondents, have scrapped the entire year and removed all priorities related to COVID-19. The majority of these respondents (**57%**) were from the Telecommunications, Technology, and Internet & Electronics market sectors.

2021 Prediction

We must realize that this economic collapse was caused not only by the dramatic shutting down of the economy, but by a fear of the unknown. The United States had never experienced anything like this with any generation currently living. The economic recovery will be based on the clarity of the future. Unfortunately, at this time clarity seems to be in short supply with COVID-19 increasing across states, college students returning, and campuses that are expected to be very contentious. This lack of clarity is going to provide challenges for companies that are entering the budget season for 2021. We expect that budgets will remain very conservative and many of the changes that were made short-term in Spring 2020 will remain throughout 2021.

IT leaders, more than ever, need to be highly collaborative with business stakeholders to align offerings to the business needs and the macroeconomic conditions.

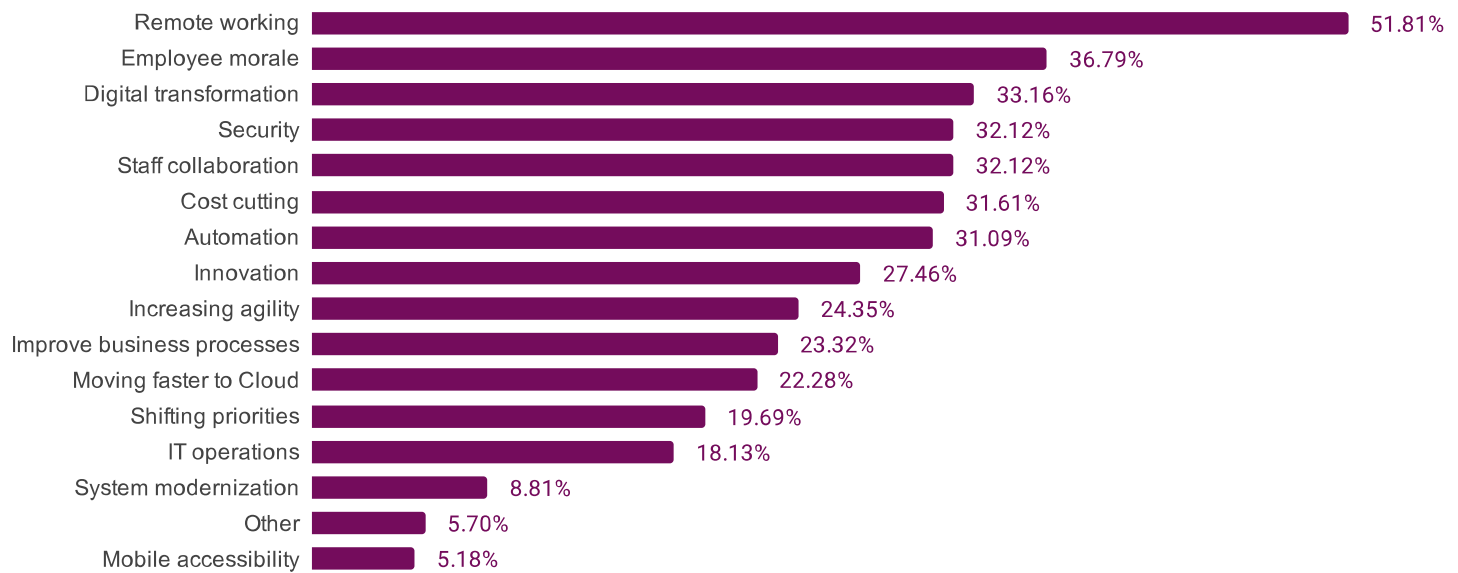
We expect IT to weather the slow economic recovery well from a funding perspective, but have increased pressure to accelerate initiatives that have a solid bottom-line impact, provide greater agility (like cloud), and facilitate greater digital transformation, but for internal operations and customer experience.



IT leaders focus on enabling remote working and boosting employee morale while the focus on digital transformation accelerates rapidly

Not surprisingly, remote working was the highest priority for most of 2020. With the rapid shift to virtual work from home, for many companies, remote working has been a massive disruptor. While generally IT organizations themselves are set up well for remote working and have a grasp on technologies, many employees in the lines of business were not accustomed to remote working and may not have been tech-savvy. Moving large amounts of staff remote derailed most IT priorities for Q2 2020 and will have long-term implications.

Figure 4: What are your highest priorities for the next 90 days?



Employee morale came in second, which is related to remote working. Leaders are extremely concerned about how to manage employees who generally were uprooted from offices and in many cases juggle work-life balance with kids and loved ones, and are disconnected from their teams. Interestingly, staff collaboration came in at the top 5, which is also a residual effect of remote working.

Digital transformation, security, cost-cutting, and automation all essentially are equal for priorities going forward. Digital transformation and security were priorities already in place pre-COVID and reflect IT leaders responding to remote working, but not losing sight of areas of innovation and risk management. Cost-cutting and automation are a result of COVID-19.

2021 Prediction

Remote working will shift from the logistics of moving massive amounts of workers to home, to embracing new ways to engage employees, collaborate teams, and create new workflows. As of this writing, the curve for new cases of COVID-19 in the United States continues to grow, not flatten. Most health experts predict this trend to continue with the return of primary schools and universities. Therefore, expect remote working to stay well into mid- to late-2021. Many prominent companies, such as Google and Amazon, have already announced work from home until summer 2021. As workers stay home for longer periods of time, expect that bringing workers back will become increasingly difficult as employees “settle-in” to a new working environment.

Expect cost-cuts enacted in early 2020 to continue into 2021 as budgeting season is starting and leaders have very little visibility into the social-economic conditions changing as COVID-19 cases continue to rise in the United States.

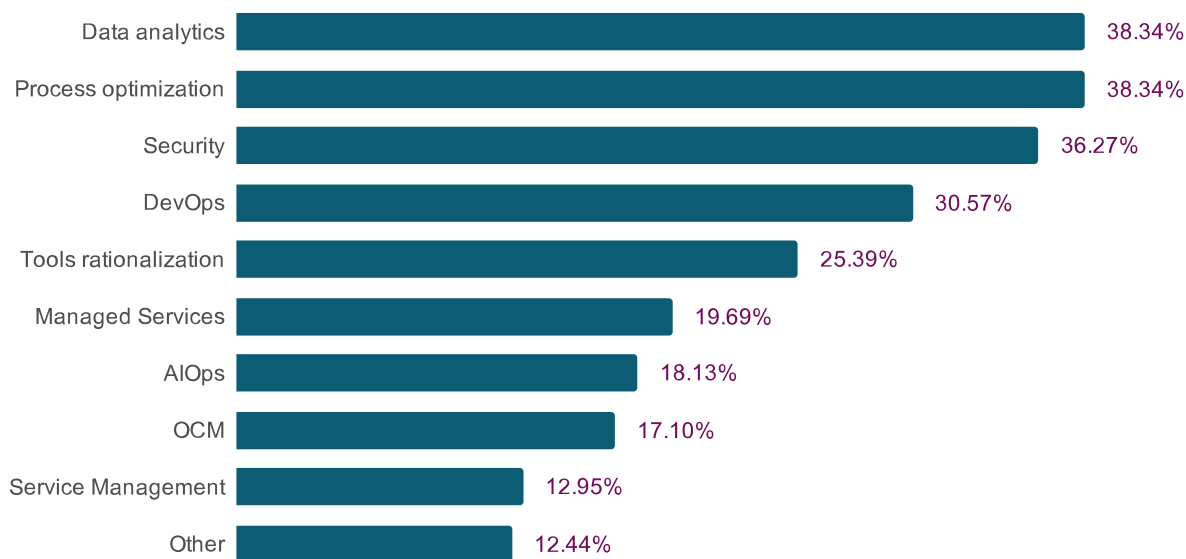


Ultimately, IT leaders will turn their attention back to digital transformation initiatives. Effective IT leaders will engage with the line-of-business executives to align IT initiatives with revenue-generating, customer experience, and supply chain management priorities.

IT leaders shift 2020 investments paving the way for increased automation in 2021

Data analytics and process optimization essentially tie for the top spot. IT is increasingly becoming a data-driven organization, with massive amounts of data being collected daily from thousands of points (e.g., networks, servers, apps, IoT, etc.). The challenge for IT leaders is to bring meaningful interpretation of the data to business objectives, such as employee engagement, customer buying patterns, or security attacks. Process optimization is becoming more critical as organizations moved remote and disrupted traditional, manual business processes. Many parts of a business process are fundamentally altered and must be addressed through digital technology. One simple example is digital signatures, as obtaining manual “wet” signatures are in some cases impossible.

Figure 5: Which IT areas are you considering investing in 2020?



Security rounded out a close third-place, which is not surprising since security is normally in the Top 3 of all IT top-of-mind initiatives. With the rapid move to remote working, security is a larger concern as speed to delivery may create increased vulnerabilities that need to be addressed. IT leaders continue to invest in DevOps as the move to the cloud and the resulting increased agility are the foundation digital transformation initiatives.

Not so surprising to us is tools rationalization and simplification rounded out the Top 5, as IT leaders look for cost savings and efficiencies. Many IT leaders report having an overabundance of tools, also known as Tool Sprawl, which results in overspending, data silos, and finger-pointing during outages. Taking the time to reassess tools could yield many positive results, beyond just reduced spending.

Meaningful data, optimized processes, and a stronger security posture will enable increased opportunities for automation coming into 2021.

2021 Prediction

Data analytics makes sense as more and more companies become “data-driven.” Investments in Big Data over the past 5+years have increased dramatically, and the need for IT to process and make sense of this data is at the forefront. Expect more investment in data analytics in the foreseeable future as IT leaders become more reliant on data intelligence for making sound investments in business-impacting initiatives.

Process optimization seems to be stemming from the disruption of workflows with new remote working initiatives and IT leaders knowing that they need to re-look at current processes and workflows in the “new normal.” Process optimization will lead to automation as IT organizations look for continual cost takeout over the next 24 months, and do not expect staff reductions reinstated in the foreseeable future.

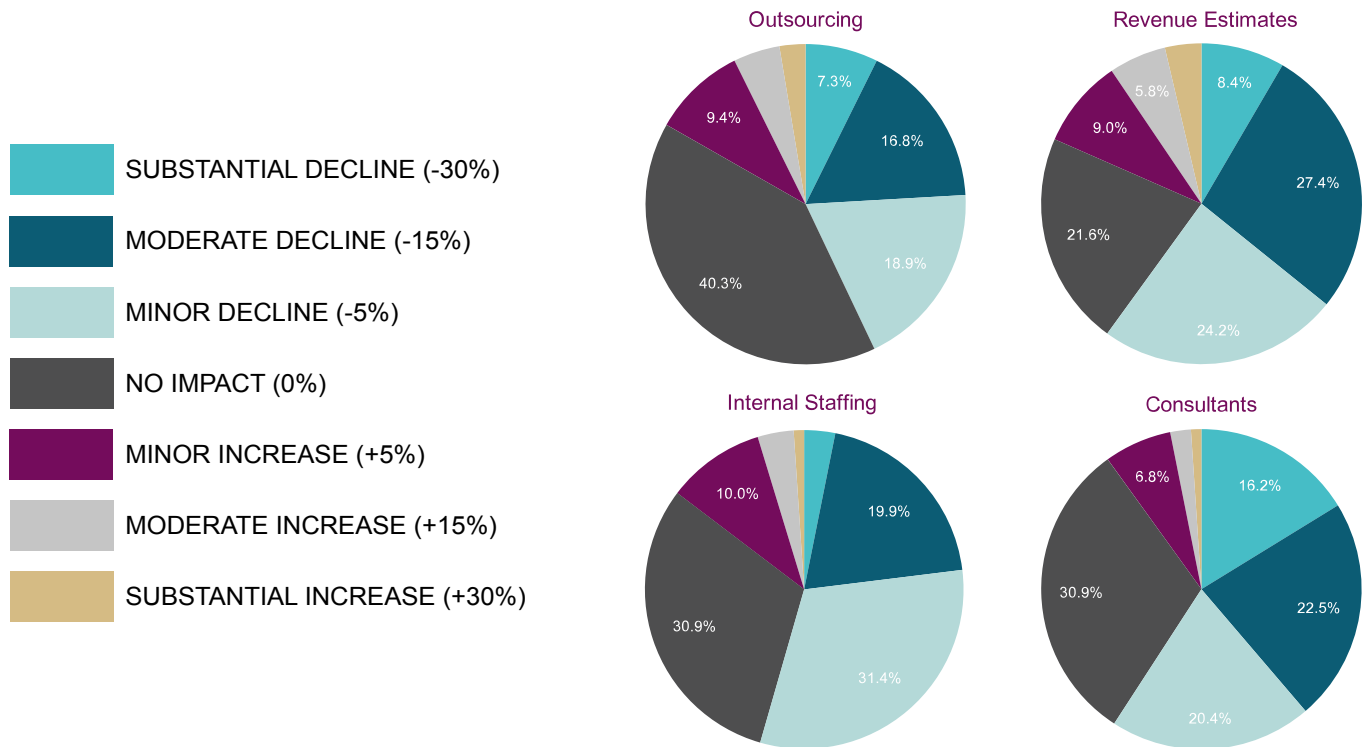
Security will continue to be well funded as remote working continues into 2021 and as IT leaders try to increase the delivery of new services to the business.

Security is always at the forefront of IT leaders' thinking, but with the speed in which companies moved to remote working and the acceleration of digital transformation, security is more important than ever.



With revenues down IT leaders prioritize keeping staff and focus budget cuts on consultants

Figure 6: How much revenue and staffing impact do you expect over the next 12 months?



Clearly COVID-19 is taking a toll on IT organizations and the foreseeable future does not seem bright. About **60%** of respondents believe that revenue will be declining over the next 12 months, primarily around **5-15%**, with about **8%** seeing a **30%+** decline. Most of the companies that don't expect revenue declines believe they won't see much impact either way.

Internal staffing follows revenue pretty closely; however, IT leaders don't expect to reduce internal staffing at a rate as aggressive with revenue decline. Companies are trying to hold off on staff reductions as much as possible to protect jobs and maintain their intellectual property.

Outsourcing is the winner here, as **60%** of respondents are expecting minor to no impact. This is due mostly to long-term outsourcing contracts that are very difficult to renegotiate, so there is little room to make changes.

The big losers, as expected, are consultants, with **60%** of respondents expecting to cut external consultants, with **39%** expecting cuts of **15-30%**. This is not surprising, as consultants are usually the easiest to cut contractually. An interesting offshoot of this is the impact to freelancing or the "gig-economy" in macroeconomic terms, which has been hit especially hard globally.



2021 Prediction

With no light at the end of the tunnel for COVID-19, expect minor changes in hiring or bringing back furloughed staff, especially in the hard-hit areas like entertainment, transportation, hospitality, and retail. As companies move into the 2021 budget season, many will be forced to maintain reduced spending levels since very little clarity exists on the long-term economic recovery from this vantage point.

IT leaders have to expect that the current, reduced staffing level will stay this way for the next 12 months at least. Leaders need to keep the lights on, but expect more concentration on streamlining internal workflows, creating more automation, and staff collaboration.

The IT industry has been very stable through this pandemic due to most companies needing to embrace technology to navigate their way back to a positive bottom line and growth. Digital transformation is more critical than ever. Competition for high-quality IT staff will remain high, especially in areas with high Government presence.

While outsourcing is the most protected area, IT leaders can look at these long-term partners as part of the success equation.

The need for IT leaders to protect and retain talent will be more important than ever. Most IT companies cannot afford to lose valuable talent, who retain a great amount of intellectual property and are key to successfully delivering on critical IT initiatives.



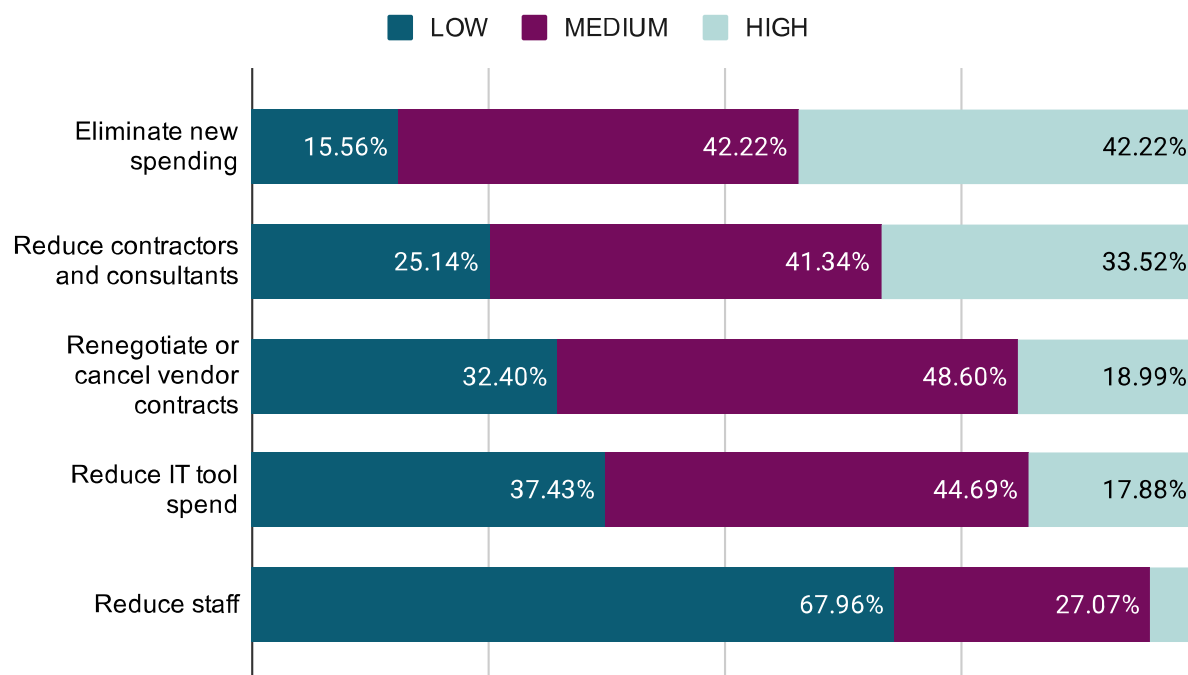
IT leaders eliminate spending and focus on reducing contractors and consultants to preserve staff

As expected, the primary focus on contingency planning is to eliminate new spending. Budget control is always the first line of defense for companies that are conserving cash, and this will trickle down to all departments.

84% of the respondents are making eliminating new spending medium or high priority. As we saw with previous responses, contractors and consultants are on the chopping block, with **75%** of the respondents making it a medium or high priority.

About **63%** of the respondents are enacting cost-cutting measures and are making the reduction of IT tools spend medium and high priorities, while **68%** of the respondents will also focus on renegotiating or canceling vendor contracts as a medium to high priority. Again, with **68%** of the respondents stating that reducing staff is a low priority for them, the emphasis is clear that keeping staff is a priority. Retaining staff has been a recurring theme throughout this study.

Figure 7: How did you prioritize the following in your contingency plans?



2021 Prediction

As companies move into the budgeting season and the future is cloudy, all new spending that was enacted in early 2020 will stay with us through 2021, or until company executives have some clarity as to economic recovery.

Reducing contractors and consultants will seem like a viable short-term solution, but many of these contractors and consultants play a vital role in on-going business operations, implementation of systems, application development, and management consulting. Reducing these positions will cause some loss of intellectual property, as well as a slowdown of new applications or business-critical systems. Expect that current initiatives that rely on external contractors for implementation will experience schedule delays. IT leaders must balance cutting external resources with accelerating the value of existing programs in flight, which was the second most important need of vendors (i.e., accelerate deployments).

While reducing tools spend has a significant interest, IT leaders should expect tools rationalization efforts can be time-consuming and difficult to perform in-house.

Tools rationalization can yield significant ROI on tools spending, upwards of 20-25%, there may be significant switching costs.

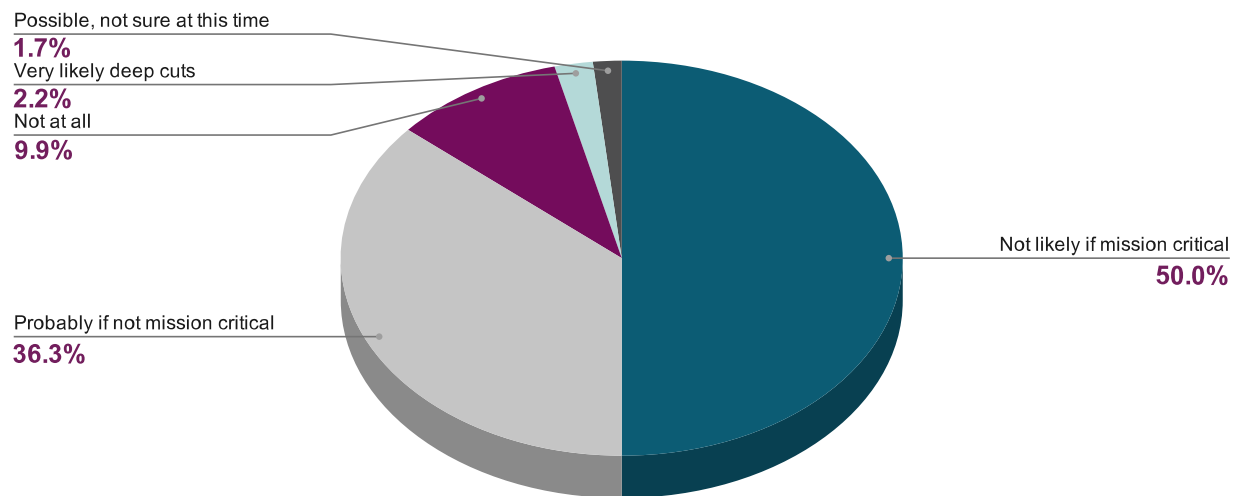


Low-hanging fruit can be tackled first, but progressive IT leaders will also be looking long-term, one to three years out.

Vendors should expect to be approached by most of their customers looking for contract concessions. While most vendors' solutions are "sticky," such as Software as a Service (SaaS) platforms or outsourcing contracts, vendors need to take into consideration the "relationship value" when deciding and may look to concessions like extending terms longer out to create long-term cash flow.

IT leaders focus on mission-critical initiatives and reprioritize other efforts

Figure 8: If an IT initiative is already underway, how likely is it to be postponed or canceled in light of shifting priorities?



The majority of respondents plan to continue IT initiatives that are mission-critical or revenue-generating. IT projects that are well aligned to the line-of-business objectives or corporate goals are the safest havens for investment and resource planning.

Only **10%** of respondents say that projects will not be affected. This is interesting since about **35%** of respondents predict no impact or increases in revenue for 2020.

2021 Prediction

IT Leaders for 2021, more than ever, need to ensure that all initiatives are tied to business objectives and are defensible to generating revenue and reducing customer churn. Most companies will survive COVID-19 based on their current customers, so turning more attention to customer experience will be required.



Summary

Information Technologies teams have shifted from a support role into being the backbone of the recovery from the economic downturn and the impact of COVID-19 on the way businesses are operating. As their importance to the organization increases, the demand for skilled staff, and the importance of employee retention will continue to take center stage in 2021. Further, the entire organization is more open to change and acceleration than ever before, providing IT leaders an opportunity to advance their plans for digital transformation and increased automation through machine learning and augmented intelligence as they look for efficiencies while maintaining headcount. The boom in requirements for data analytics, process optimization, and DevOps are paving the way for IT to place big bets on technology innovation and advancement throughout the enterprise with support from the entire C-suite.

Research analysts

This report was written as a collaborative effort from Sean McDermott, a Successful Serial Entrepreneur and Innovator of Technology and Nichole Kelly, Principal and Lead Researcher of Helix Market Research.



Sean McDermott is a successful serial entrepreneur and innovator of Technology. He's spent the last 30+ years partnering with the Fortune 1000 to build the complex IT Operations infrastructure that powers some of the largest brands in the world. He is a pioneer who has led the IT industry through the dot com bust, 9/11 and the 2008 recession. Now, he is spearheading research to help the mid-size and enterprise-level IT Executives navigate the impact of COVID-19 and the current economic climate. He is known for leading the charge for industry pivots using a Move To Offense methodology and helping his clients navigate uncharted waters. He is a regular contributor to Forbes Tech Council and has been featured on Tech Target, IT Toolbox, Security Boulevard, Tech Republic, Inside BigData, DevPro Journal, and Software Advice. His subject matter expertise includes contributions to Helix's landmark research, the 2020 COVID-19 Information Technology Economic Impact Study and the 2021 State of Cybersecurity Research Study.



Nichole Kelly is the market strategist and researcher who pioneered the proprietary research methodologies used by Helix Market Research. This methodology combines her 23 years of industry-leading marketing and innovative data integration experience to break the mold for traditional qualitative and quantitative research. Her approach to capturing the interest and attention amongst some of the hardest to reach executives and translating that interest into ground breaking research and in-CRM sales intelligence for clients represents a massive evolution for market research. She has been featured in FastCompany, Inc., Business.com and Business2Community. Her contributions to Helix's landmark research include the 2019 Executive Study of Emotional Intelligence, the 2020 COVID-19 Information Technology Economic Impact Study and the 2021 State of Cybersecurity Research Study.



About Helix Market Research:

Helix Market Research is a privately commissioned research firm that specializes in research-driven market strategy. Our clients trust us to capture the attention of hard to reach B2B buyers and provide deep levels of intelligence on where their market is heading and how their buyers are responding. By combining industry-relevant research and in-CRM intelligence on individual respondents, Helix Market Research breaks the mold of traditional qualitative and quantitative research.

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About Windward Consulting Group:

Windward is a platform-agnostic and vendor-friendly IT Operations consulting firm with 23 years of experience in creating Service-Centric IT solutions for the Fortune 1000. We have helped organizations through the dot-com bust, 9/11 and the 2008 recession. Now, we are leveraging our market awareness and technology resilience to help the world's leading IT organizations navigate the impact from COVID-19, the economic downturn, and the current zone of discomfort.

Windward is helping clients build and deploy a Service-Centric IT vision and roadmap by leveraging three core competencies: AIOps (artificial intelligence and machine learning), service deployment, and service management. We leverage these competencies to develop strategic plans and deploy technology solutions for our clients to achieve real-world results, even in the most challenging business climates.

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Followup interview with respondents were conducted
by Sean McDermott of Windward Consulting Group

