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Why Invest in Technology in a Downturn

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Authored by



Does It Make Sense for Your Business to Invest in Technology During a Downturn?

Midmarket companies (with 500 to 2,500 employees) understand the connection between business success and technology: 78% agree that using technology effectively is key to business survival and growth.

However, it can seem counterintuitive to increase spending as the pandemic and ongoing economic uncertainty continue to create headwinds for many businesses. In SMB Group's [SMBs: Navigating a Path Forward](#) July 2020 study and eBook, 79% of midmarket firms said that COVID-19 had negatively impacted their businesses.



Some of the specific challenges posed by the pandemic include the following:



Revenue hits:

41% of midmarket companies reported that their revenues declined between March and July.



Tight cash reserves:

74% said they have less than one year of cash reserves to get through this situation.



Shutdowns and new requirements:

24% of respondents had to close their businesses temporarily—and then reopen them under new safety and social distancing requirements.



Massive shifts to remote working:

82% established for the first time or expanded an existing work-from-home (WFH) program due to the COVID-19 pandemic. Now, these businesses are trying to determine whether, when, where and how to bring workers back to the office.



Struggles with staffing volatility:

From March through July, **74%** had taken one or more actions to trim payroll, including layoffs, furloughs and reducing hours. But in July, 75% were already bringing workers back, hiring new workers, increasing hours and/or increasing employee pay—or were planning to do so.

Looking ahead, midmarket companies are split on their views on the impact of the pandemic over the next six months. 46% forecasted that conditions would improve, compared to the 23% that expected them to remain the same and the 29% that predicted conditions would worsen.

The Link Between Technology and Business Resilience

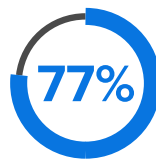
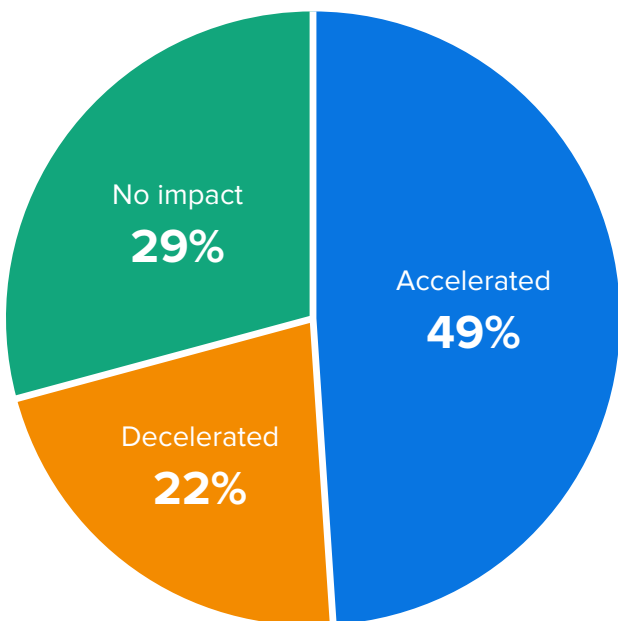
There are many pieces to the business resiliency puzzle, but SMB Group's research indicates that technology plays a critical role in helping businesses to navigate through the crisis and to prepare for growth as the virus subsides and economic conditions improve.

Our analysis reveals that the 49% of midmarket companies that have accelerated technology adoption and investments are 77% more likely to have increased their revenues since March than their peers that have decelerated investments. Technology accelerators are also 65% more likely to forecast that their revenues will rise over the next six months than those that have decelerated investments.

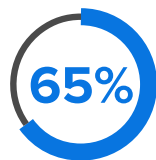


Accelerated Tech Adoption Correlates with Increased Revenues and Forecasted Revenues

Has COVID-19 accelerated, decelerated or had no impact on your technology investments and adoption?



Midmarket companies that have accelerated adoption and investments are 77% more likely to have increased their revenues since March than those who have decelerated investments.



Midmarket companies that have accelerated adoption and investments are 65% more likely to forecast that their revenues will rise over the next six months than SMBs that have decelerated investments.

Technology Solutions Enable Midmarket Businesses to Pivot

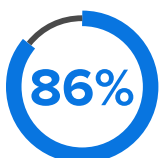
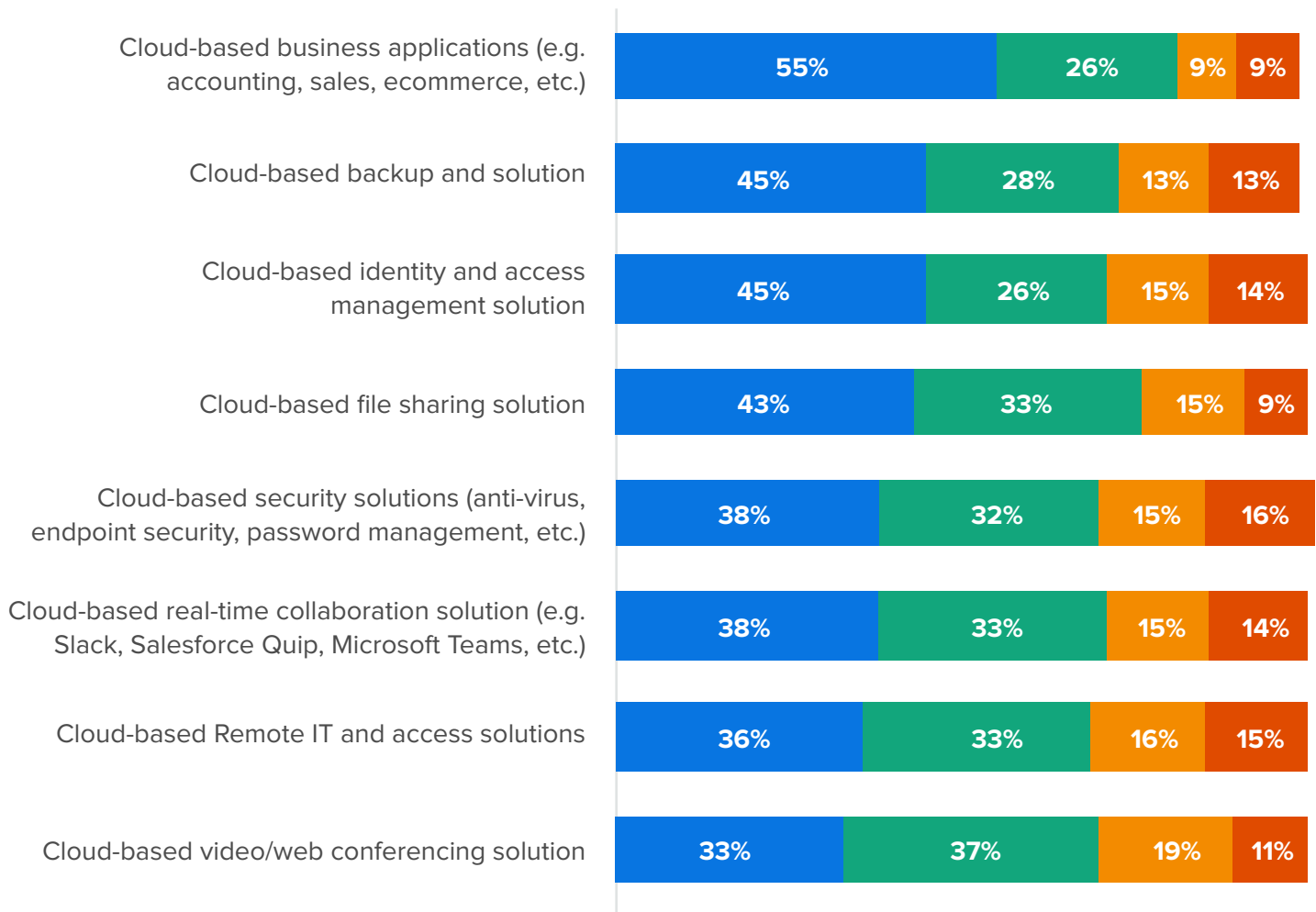
Most midmarket companies were already taking steps to digitally transform their businesses prior to COVID-19. Now, as the pandemic continues to upend any notion of business as usual, the digital push has come to shove. Companies that realize they must do more to digitize their business processes and get the data they need to better understand, predict and respond to new customer, employee and operational requirements.

Cloud-based solutions make it possible to do this much faster than many would have imagined prior to the pandemic. In every solution category we covered, 86% or more of midmarket respondents rated cloud solutions as extremely or very valuable in helping them to weather the COVID-19 crisis. As important, half responded that the pandemic has made them more likely to select a cloud solution for new application investments.

COVID-19 Has Spurred Adoption of Cloud Solutions—and Will Continue to Do So

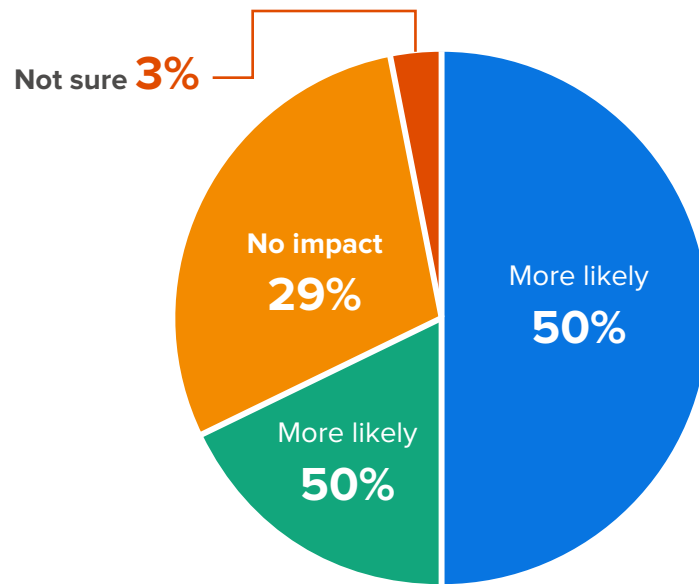
Which online/cloud-based solutions does your business use/plan to use?

- Used prior to COVID-19
- Implemented due to COVID-19
- Plan to implement
- No plans to implement



In every category, 86% or more of respondents said cloud applications have been extremely/moderately valuable in helping to weather the COVID-19 crisis.

Has COVID-19 made you more or less likely to select a cloud solution for new application investments?

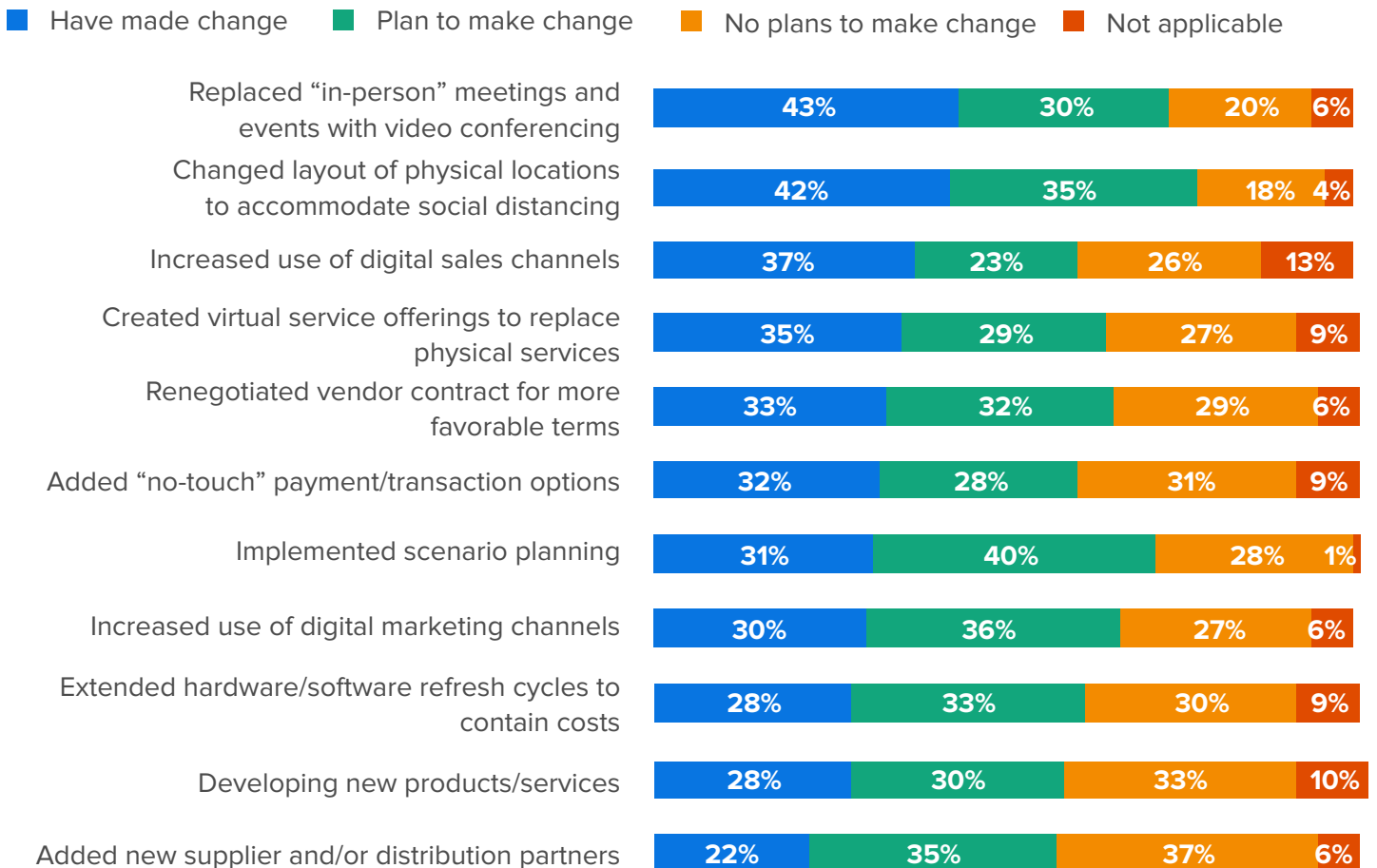


Looking at the changes that midmarket companies have already made in response to the pandemic, it's hard to imagine how they could have shifted so quickly without cloud-based solutions.

Changes SMBs Have Made/Plan to Make to Aid Recovery

What changes have you made/do you plan to make to your business to help it recover more quickly?

(Select all that apply)



For instance, cloud-based solutions are helping companies to accomplish the following:

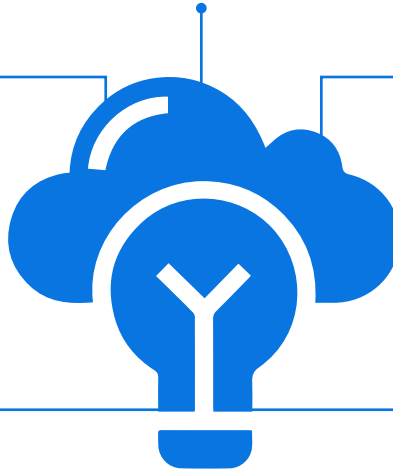


Quickly shift from traditional workplaces to remote working by deploying web and video conferencing, file sharing, real-time collaboration and security solutions.

Gain more control over uncertainty via solutions that help businesses assess and plan for different scenarios, from cash flow and forecasting to deploying new flexible workplace policies.



Accelerate the shift to online sales using ecommerce solutions, touch-free payments and transaction systems, and more.



Launch virtual services to replace physical-world services, from telemedicine to online gym classes, using similar solutions to those noted above.



Give employees real-time access to the business process tools they need to get their jobs done from any where and to get the insights required to adjust and evolve as the business impact of the pandemic continues to ebb and flow.

Perspective



Even before the pandemic, the role of technology was increasingly intertwined with business success. Due to COVID-19, midmarket businesses are facing more changes and challenges in the past few months than they'd normally face over the course of several years—and technology is now even more essential to business viability.

As what's "normal" recedes into the rearview mirror, we don't know exactly what the next "normal" will look like. Midmarket firms should consider the shifts already underway, how they are evolving and what new trends are emerging at macro, regional or industry levels. They should also evaluate whether the business solutions they are using can provide real-time insights to help them understand how conditions are shifting, model different scenarios and quickly execute to capitalize on opportunities and mitigate threats.



About [SMB Group](#)

SMB Group is a research, analysis and consulting firm focused on technology adoption and trends in the small and medium business (SMB) market. Founded in 2009, SMB Group helps clients to understand and segment the SMB market, identify and act on trends and opportunities, develop more compelling messaging. More effectively serve SMB customers, and identify opportunities and threats.



About [Workday](#)

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises have selected Workday. For more information, visit <https://www.workday.com/covid-19>.

