



ASSESSING THE IMPACT OF COVID-19 ON IT COMPANIES IN INDIA

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1. Introduction

The Covid-19 pandemic has significantly and dramatically impacted the functioning of the governments and businesses, and the lives of people, worldwide. Phrases like lock-down, social-distancing, remote-working and others have become part of our everyday vocabulary.

Businesses globally have responded to this crisis with the intent of maintaining continuity of their operations and customer service. The Indian IT industry too has responded to their customer's needs by gearing their operations for continued service – with an immediate adoption of Work-From-Home (WFH) for most of their employees and maintaining office-space for certain critical functions. After three months of operating under this model, and as the pandemic situation is unfolding through its arc of lock-downs and re-opening in different cities in India, the Indian IT industry too is adapting its response by selectively opening up their offices and assessing their operating work models for the future.

It is in this context that itihaasa Research and Digital has conducted a study on the current and future impact of Covid-19 on IT companies in India. The focus of our study is on the:

1. Operating work models (e.g. Work From Office Vs Work From Home, impact on project metrics)
2. Nature of work place and practices (e.g. Business Continuity Planning, centralized Vs distributed office spaces) and
3. Mix of work (e.g. run-the-business Vs. change-the-business IT / digital projects).

Our research methodology involved conducting detailed interviews with 22 senior business executives. We reached out to executives at Indian IT companies, services organizations and Global Capability Centres (GCCs) of MNCs in India and to a few user organizations that consume these IT services. We also had an online interaction with 40 IT professionals.

2. Operating Work Models

2.1. Work From Office Vs. Work From Home

As an immediate response to the Covid-19 crisis, companies across industries have performed adopted remote working or WFH in a wide-scale. Even as the lockdown in the country is being lifted, IT companies are cautiously reopening their offices, with nearly 90% of the employees expected to work from home for the next few months. The key question is if this will sustain in the long term.

Globally, IT and technology companies are looking at WFH as a viable, long-term strategy. In May 2020, Twitter announced that most of their employees could work from home indefinitely¹. Facebook announced plans to have 50% of its workforce to work from home over the next decade². TCS announced a plan to have 75% of its employees to work permanently from home by 2025. They have called this new model as secure borderless workplace³. Infosys announced that 33% of its employees will work permanently from home⁴. We believe WFH has reached a tipping point with respect to wide-spread and sustained adoption. As Kris Gopalakrishnan, co-founder of Infosys says⁵, “The Indian IT services companies will adopt newer operating work-models in the future. At least 25%-30% of their employees would continue to work from home in the long-term.”

From the itihaasa study, an interesting contrast emerges in the expectations of executives from Indian IT services companies and India-based global GCCs, with respect to returning to work from offices in the next 12 months.

The former seem to be more optimistic about work returning to offices and expect that 50% and above of the workforce will work out of office in a year's time. The latter believe that 25% to 50% of the workforce will return to office in that time frame.

¹ <https://www.buzzfeednews.com/article/alexkantrowitz/twitter-will-allow-employees-to-work-at-home-forever>

² <https://www.wsj.com/articles/for-many-remote-work-is-becoming-permanent-in-wake-of-coronavirus-11590100453>

³ <https://www.businessinsider.in/business/corporates/news/tcs-ceo-says-the-business-model-is-20-years-old-and-its-time-to-go-employee-lite/articleshow/75243124>

⁴ <https://www.businesstoday.in/current/corporate/33-of-24-lakh-infosys-employees-to-work-permanently-from-home/story/407302.html>

⁵ In conversation with itihaasa Research and Digital

As a general manager at a large Indian IT services company explains, “follow the client” seems to be the motto adopted by his organization with respect to reopening offices. The executive estimates that among his European clients, 15% of their employees are already working from offices and correspondingly his

‘WFH can work; but depends on what clients want when they are back in their offices.’

- Delivery Partner at a large Indian IT services company

company is matching employee strength in India for these clients. The executive expects U.S. client’s offices to open by Sep. 2020. A Fortune 500 CEO survey estimates that employees (90% strength) will return to office in 74% of the companies by June 2021⁶. Overall, the executive believes that 25% of his company’s workforce will be in office by end of Sep. 2020 and 50% in office in one year. The roster for all employees to come to office would be prepared in such a way that they take weekly turns in doing so.

One large Indian IT services company is viewing WFH as an evolution of the operating models in their organization – an evolution from Global Delivery Model to adoption of agile models of development to increased automation and Robotic Process Automation in their processes. A head of AI practice at that company explains how they have been working towards a distributed and remote work environment by investing in collaboration tools,

‘We were already moving towards more remote-working. Covid, though unfortunate and undesirable in so many ways, has accelerated our adoption of WFH.’

- Head of AI practice at a large Indian IT Services company

systems and processes to handle privacy / security concerns clients have about handling of their customer’s data. For instance, some clients prevent personal mobile phones from secure development centres. For the virtual environment, the company has created

a process / system that will place restrictions on what an employee can do on a particular screen or measure time spent on a particular screen (to detect anomalies). For certain types of work outsourced (say engineering design of a turbine or a car part), the company is

⁶ <https://fortune.com/2020/05/14/fortune-500-ceo-survey-coronavirus-pandemic-predictions/>

assigning a criticality score to the design work and allowing only the lower scored work items to be available for WFH.

A global IT portfolio at a financial services GCC believes that 25% of the workforce will be in offices in a year's time and that it will be fair to all with them coming to office three times in 10 days. A director at a retail GCC believes that less than 50% of the workforce will be in office by end of one year and the decision will be left to the individuals on WFH or coming to office.

We spoke to the Chief Digital Officer of a global Consumer Packaged Goods (CPG) company to understand a customer's perspective on WFH. The executive sees the Covid-19 response in three phases – 1) Lockdown

response 2) Uncertain recovery and 3) New Normal. In the lockdown response phase, they had to adopt significant work from home. In the next phase, they reopened offices in certain

'While I don't want to put a specific number on the percentage of WFH in the future, it is safe to say that the permissibility of WFH has gone up. No one will raise an eyebrow if employees say that they will work from home for a week.'

- Chief Digital Officer at a CPG major

geographies and some employees went back to offices. But they also had to shut down when the infection came back in certain locations. He sees playing "whack-a-mole" for some more time during this second phase before they head to the new normal.

2.2. Challenges to WFH model

The top three challenges to WFH include: 1) Infrastructure availability 2) Disturbance from family / co-inhabitants and 3) Client restrictions.

A global IT portfolio head at a financial services GCC says that for their IT infrastructure in a

'IT services need a strong additional layer of security between their employee and their systems that allow to connect with client's systems'

- Global IT Portfolio Head at a Financial Services GCC

WFH context, BPO services is first priority, which took time and would take some more time to stabilize. The second priority is for IT maintenance operations. She says that the company's travel

budgets will be repurposed to provide better infrastructure for employees to WFH. Onboarding of resources by IT services vendors needed some streamlining, and although some blips were witnessed in their productivity, things quickly settled down with good planning.

The head of India business of a large MNC IT Services enumerates the challenges his organization faced with WFH and responding to the pandemic. Their biggest concern in a project is the potential for leakage of client information and data and they have to sensitize all team members about this possibility.

From a budgeting perspective, they have to provide additional budgets for

- 1) Laptops for entry level and junior employees
- 2) Broadband allowance and
- 3) Enhanced security tools. Not all clients are open to the idea of WFH –

‘Adherence to policies becomes more challenging when employees live in shared / co-inhabiting accommodations.’

- VP and Head of India business at a large MNC IT Services company

certain financial services and healthcare clients want teams in offices / Offshore Development Centres, which provide a more secure work environment.

A director of a retail GCC says the fact that 100% of their employees have laptops made it easy for implementing WFH. But infrastructure suitable for WFH goes beyond laptops. So, they have provided a one-time contingent allowance of INR 5,000 to prepare for WFH (UPS, chairs etc.). Policies may be tweaked to provide more since transport and cafeteria costs (not paid by employees in his organization) have come down. According to a technical

‘Infra at home even means a table that can accommodate 2 monitors!’

- Director at a Retail GCC

manager in a GCC of an MNC technology company, USD 300 has been provided per employee in India to prepare for WFH. The upper limit on broadband allowance in India is expected to be increased.

A senior Vice President at a mid-size Indian IT services company says that they may be more aggressive than larger IT services companies in returning to office, because they do not have the support infrastructure to have a large percentage of employees WFH yet. They are noticing that some employees are “forgetting how to work” in a WFH context, especially those whose projects do not have hard time-deadlines, like in IT consulting.

A director at an MNC IT services company says they are looking at how a BYOD for laptops can be made to work and how best to secure them. Some of the employees, who returned to their native places during the pandemic, have taken up WFH in their towns. There have been cases of damage to laptops due to erratic grid power supply in tier 3 towns. As companies are beginning to reopen their offices, we are hearing reports of some of them asking their employees WFH in other towns to return to the main city of operations – to continue to WFH in most cases and to selectively attend office as required.

‘Digital divide between associate in a metro and a tier 3 town! This needs to reduce, else associates will have to move out of their native places back to the cities.’

- Director at an MNC IT Services company

2.3. Positive and negative effects of WFH model

WFH has been operational for the last 2-3 months. What has been its impact on important project metrics like project quality, time to complete a project, employee productivity? How has it affected employee satisfaction and customer satisfaction? What would be the long term impact of WFH on these metrics?

It is a unanimous view that the IT employees have been extremely busy in these past few months. From our discussions, it is clear that the IT executives are feeling a sense of immense pressure – from the stress of the pandemic, workload from client projects, an inability to switch off work, a feeling of being permanently on calls and so on. “Zoom fatigue” is a real thing and there are even suggestions online on how to combat it⁷!

A technology lead in an Indian IT services company who is based onsite feels that the extent of calls and online interaction with the offshore teams have gone up considerably in the past few months. A technology manager in a GCC technology company feels that managers too are working longer hours online since team members are keeping different hours. So much so that teams are now having official ‘disconnect days’ to achieve digital detox! Interestingly, as the manager begins coming to office, associates will also want to come to office since they may perceive their performance rating will be impacted if they don’t follow

⁷ <https://hbr.org/2020/04/how-to-combat-zoom-fatigue>

suit. In a number of IT services companies, the senior management has been asked to lead by example when it comes to returning to offices.

While most of the executives we spoke to felt that productivity has either gone up or stayed the same, many organizations have now begun the process of formally measuring the project productivity metrics in terms of function-points delivered and so on. Anecdotally we have received several accounts of how effective and productive WFH has been. In the same breath, the executives have pointed out some of the challenges and latent dangers of WFH in the long term.

The Chief Digital Officer of a global CPG company says that during the COVID crisis, they had one of the smoothest financial closing in his company. The mindfulness

‘In the long run I worry about the human alignment. If there was a problem with a team member earlier, we could go for a drink. In the WFH world, how would you resolve a conflict?’

- Chief Digital Officer at a CPG major

and focus shown by the IT teams have been exemplary. The service providers were able to bring in automation of business processes on their own resulting in increased productivity. However, the executive worries about the human alignment aspect in the long run under a WFH model.

A global IT portfolio head of a financial services GCC feels that WFH has resulted in better employee satisfaction and morale. One skill-set the company has developed is the know-how to tune infrastructure for WFH. She also feels that transformation projects will come

‘One of the rare positives: Business and IT are now closer than ever to ensure that there is minimal disruption to the business!’

- Global IT Portfolio Head at a Financial Services GCC

down in the next 12 to 18 months and jobs will be impacted in general. Hence, there must be a greater emphasis on re-skilling at an individual level.

The head of the India business unit of a large MNC IT services company says that the resilience in their operations has been good and they were able to go live with a few customer systems during this period. They are worried about the lack of ergonomic work-environment in many homes and its long-term impact on the employees. But he also acknowledged the relief

employees felt in not having to face the traffic during their commute to office. Another executive referred to it in jest saying “we escaped the

‘Let’s not forget that for many employees, the office provides a much better work environment than does their home.’

- Head of India business at a large MNC IT Services company

commute law in Bangalore where traffic doubles every year”, a phenomenon that rings true for many cities world-wide.

A Delivery Partner from a large MNC IT Services says that in the past few months, his company has seen delayed start to some new projects and the project teams have taken more time to get used to distributed Agile methodology in complete WFH mode. The executive also felt that it takes more time to resolve issues virtually. For instance, in a typical office space, the project team members would huddle together in an ad-hoc manner, at

‘Tacit knowledge transfer on client and project context is difficult when team members are not interacting face to face. Impacts new and junior project team members.’

- Director at a large MNC IT Service provider

short notice, discuss and solve an outstanding service ticket or issue. When translated to a virtual environment, the set-up and resolution seems to take more time. A director at a large MNC IT services

provider believes that interventions to improve team connect important, especially when new project teams are formed during WFH.

Perhaps, because employees realize the challenges of communicating in such an environment, in many cases they are being forced to come better prepared for online meetings. A product manager at a large MNC GCC feels that his product stand-up meets are more effective online these days. Executives in our study referred to software tools like Mural and Miro that they use for online ideation sessions.

Satya Nadella of Microsoft says, “Switching from offices before the pandemic to an all-remote setup would be replacing one dogma with another dogma.” He has talked about ‘mental health’ and ‘burning social capital’ in the context of WFH⁸.

In our study, a number of executives too highlighted the impact of WFH on the minds of people – the mental aspect. An operations director at an MNC IT services company says that WFH tests the trust levels between associates and managers and that it requires greater mental maturity in all team members for the system to work smoothly. A consulting head of mid-sized Indian IT services company believes that there exists a trade-off between WFH and privacy with the use of monitoring tools.

Executives believe that cultural nuances and mindset shape how employees adapt to remote working. Only a small percentage of the workforce is naturally adept in managing time in WFH. Hence, organizations need

to develop training programs to educate employees on being productive in remote work context. This is especially true for junior or new employees who have not yet fully imbibed the

‘Assuage uncertainty while WFH. Employees feel it is “easier to fire” when they are working from home’

- General Manager at a large Indian IT services company

company’s way of working. Some organizations are also organizing motivational talks to enthuse the employees. There are fears of losing the job in these difficult circumstances and particularly so when someone is working remotely. Companies have to develop and communicate appropriate HR policies to the employees.

⁸ <https://www.nytimes.com/2020/05/14/business/dealbook/satya-nadella-microsoft.html>

In summary, we observe the following positive and negative effects of WFH.

Positive impact of WFH

- WFH leading to less time in traffic
- Spending more time at home
- Perceived improvement in employee productivity and satisfaction

People related



- Demands more focused work
- Necessitates effective meetings
- Work becomes more outcome driven

Process /
Technology
related



Negative impact of WFH

- Work-life balance is affected
- Developing social and professional relationships and rapport is difficult
- Could affect the mental well-being of employees in the long run

People related



- Lack of appropriate infrastructure at home – e.g. for access
- Weaker Cyber-security
- Difficulty in adapting IT development / support processes for complete WFH

Process /
Technology
related



3. Nature of workplace and practices in the future

Looking ahead, what will be the impact of Covid-19 on the nature of workplace (centralized offices vs distributed workplaces), availability of talent, business continuity planning at Indian IT companies?

3.1. Rethinking office space

As an immediate response to Covid-19, companies have embraced WFH in a widespread manner. As they begin the process of reopening their organizations in a context where no cure still exists for the pandemic, companies will have to rethink and resize their office spaces. A few models are emerging to help with this rethink⁹.

In our study, a product manager at a GCC of a global technology company says that the offices are optimized for higher capacity and not for social distancing. A director at a retail GCC indicates they are retrofitting offices to reduce capacity by 50%. An operations director in an MNC IT services company says they are experimenting with transparent poly-glass partitions in 4-seater cubicles.

A delivery partner at an MNC IT Service provider says that they have begun rationalizing rented office space in India. An operations director in an MNC IT services company says they are scouting for a smaller office in more locations in a city, closer to the associates' home, rather than the existing large campus in the periphery of the city. A service manager at an MNC technology company says that they have tied-up with a leading co-working space provider to offer standardized and distributed workspaces for employees in different cities, as and when they return to office. We are already seeing reports on how companies in India are letting go of office spaces in prime locations in order to cut costs¹⁰.

⁹ <https://www.mckinsey.com/business-functions/organization/our-insights/reimagining-the-office-and-work-life-after-covid-19>

¹⁰ <https://www.livemint.com/companies/news/it-firms-banks-let-go-of-prime-real-estate-in-bid-to-cut-fixed-costs-11589484854711.html>

One important factor influencing the work space requirement is the extent of work that needs to be done in an office vis-à-vis remotely. Several companies have initiated studies to

‘When the clients return to their offices, we can expect them to carefully review the contracts and SLAs committed. When floods affected one of our development centres earlier, the clients gave 2-3 days and then the escalations started. We need to figure out a way of safely reopening our offices.’

- Practice manager at a large Indian IT Services company

determine roles and functions which are more amenable to WFH. A practice manager at a large Indian IT services company explains how production support, a key foundation of services

offered by Indian IT services companies, is affected by WFH. Firstly, the security and connectivity software infrastructure required to enable WFH is expensive. Secondly, the secure touchpoints in the client network which were accessible within the IT services company offices equipped with dedicated leased-lines, are now extended to be accessed over public networks. This may impact the guarantees on SLAs typically provided in the contracts / MSAs (Master Service Agreements).

The final decision on office spaces would depend on a number of factors including whether the work needs can be executed from an office or remotely, what the clients demand, whether the workspaces are company owned or leased, whether the lease agreements are for a long term, what the new business continuity planning based on a pandemic-response necessitates etc.

3.2. Impact on talent

The adverse business impact worldwide due to Covid-19 will no doubt impact the Indian IT sector too. Gartner says global IT spending will decline by 8% in 2020 due to the pandemic¹¹. In such a context, there are both positive and negative effect on the talent pool or human resources in Indian IT companies.

In our study, a director at a large MNC IT service provider foresees a difficult pricing and profitability environment, and deferred payment from clients. They are looking at pruning

¹¹ <https://www.gartner.com/en/newsroom/press-releases/2020-05-13-gartner-says-global-it-spending-to-decline-8-percent-in-2020-due-to-impact-of-covid19>

middle to senior management roles. A general manager at a large Indian IT services company wonders what will happen when large clients in stressed industries file for bankruptcy, and consequently how much of a bench they will maintain. NASSCOM, the Indian IT industry association, has sought support from the Government to enable labour law in India to allow furlough of employees (where employees would be on the rolls of the company but with no salary, and will be brought back on rolls at the end of the furlough period)¹².

There are lessons to be learnt from how the Indian IT industry responded to business downturns in the past.

‘Post the 2007-08 financial crisis, our customers had to cut back on their IT spending. We saw this as an opportunity to support them. We invested in the relationship and leveraged our bench strength to complete the innovation projects put on hold.’

- Former CEO of a large Indian IT services company

Due to increased WFH, access to an increased talent base is possible. A team lead at a financial services GCC says that they were able to identify resources for a new project from another city. Typically, projects of a certain type would be restricted to a particular city due to availability of skill-sets required for that type of project in that city. Now, they are able to cast a wider talent net.

An operations manager in an MNC IT services company says that they are exploring a model of recruiting and onboarding talent in a tier-2 city or even a small town where they don't have an office. And since they do not know for sure if they have good connectivity in that location, they check the speed with which the candidate is able to upload documents in their systems. New project metrics for new times – ones that you would not find in a quality textbook!

¹² <https://economictimes.indiatimes.com/tech/ites/nasscom-seeks-slew-of-relief-measures-for-it-sector/articleshow/75029110.cms?from=mdr>

A practice delivery head at a large Indian IT services company believes that the availability of a 'talent cloud' enables their vision of achieving location-independent development.

'I see a democratization of IT talent across the world which will help us achieve a successful location-independent agile development model.'

- Delivery head at a large Indian IT Services company

Typically, the Master Service Agreements (MSAs) indicate in which locations the project resources are based and hence these contracts will have to suitably revised in the future. A general manager at another large Indian IT services company expects women who have taken

a break to get back to work. They are also looking at leveraging gig-workers in India for niche skills and need to figure out how to modify client contracts to allow this model. A technical manager in a high-tech GCC believes that more roles will be redefined to become individual contributors and differential compensation may be brought in for WFH.

A director at a retail GCC expects to sunset contractors / services vendors and get more work into the GCC. They believe that given it will be tight job market, very few will leave a GCC, and expect to see a movement from IT services to GCC since very few onsite opportunities exist in IT services companies.

3.3. Pandemic-specific Business Continuity Planning

In response to Covid-19, the Indian IT industry quickly reacted and moved to a WFH model and are now in the process of reopening their offices. What will happen if the next wave of the pandemic occurs? The IT companies will have to adopt a more proactive approach in the future in their Business Continuity Planning (BCP).

According to Forrester, a market research company, BCPs typically address impact due to loss of facilities, technology, or people¹³. BCP at IT companies was designed to address business continuity during natural disasters such as floods or earthquake. The solution typically involved identifying alternate project-sites and shifting people to different locations. It did not envisage WFH as a continuity strategy. We are beginning to see a redefinition of BCP in this direction.

¹³ <https://www.computerweekly.com/news/252483259/Why-a-pandemic-specific-BCP-matters>

An operations director at an MNC IT services company says that at her company, BCP is now independent of office locations and is dependent on how many associates can WFH. This would also require some relaxation / exemptions in the telecom regulations in India (for example, allowing equipment to be shifted from Special Economic Zones (SEZs) to a home) to be made permanent to allow WFH¹⁴. NASSCOM and IDC have identified some Covid-19 resilience practices and BCP strategies for the Indian tech industry¹⁵.

We recommend that the Indian IT companies adopt pandemic-specific BCP. For instance, they could consider the framework – “Pandemic Influenza Preparedness, Response, and Recovery Guide for Critical Infrastructure and Key Resources”¹⁶. An illustrative list is provided below which needs to be adapted to the IT context.

		Illustrative
Planning	Define essential	
	Identify and prioritize specific impacts on the business	
Preparedness	Prepare to sustain essential workers	
	Implement internal surveillance for disease detection	
Response	Recommend worker and worker family protection strategies	
	Monitor and adjust for cross-sector and international interdependencies and cascading effects	
Recovery	Prepare for next pandemic wave	
	Assess insurance and business impacts	

¹⁴ <https://economictimes.indiatimes.com/tech/ites/it-seeks-changes-in-laws-as-work-from-home-set-to-become-norm/articleshow/75684748.cms>

¹⁵ <https://www.nasscom.in/knowledge-center/publications/indian-tech-industry-%E2%80%93-covid-19-resilience-practices>

¹⁶ <https://www.dhs.gov/sites/default/files/publications/cikrpandemicinfluenzaguide.pdf>

4. Mix of work in the future

Benedict Evans, a venture capitalist says, “There are decades when nothing happens, and then there are weeks when decades happen.” Different industries are responding to the pandemic in different ways. Some like the retail, higher education, insurance, etc. are increasing their on-line/digital play. Other industries like healthcare, pharmaceuticals, logistics, e-commerce, CPG, etc. are planning to expand products and services¹⁷. These responses are leading to an acceleration of their digital strategy formulation and implementation. It is also leading to more due-diligence / caution in terms of budget allocation to digital transformation.

In such a context, what will be the impact of Covid-19 on the mix of work (run-the-business vs change-the-business projects, digital transformation) at Indian IT companies? We believe there are significant transformation opportunities at clients to tap for the Indian IT companies.

‘I thought we would not do 20% more work due to unavailability of people during the crisis. But the Global Delivery Model has been more resilient than I thought.’

- Chief Digital Officer at CPG major

The Chief Digital Officer of a CPG company says that discretionary investments are likely to be pared down by 30%. They will continue to look for business continuity and cybersecurity proposals for increasing

resilience in systems. They will also consider new investments for Direct-to-consumer, achieving last-mile connectivity and delivery, in data analytics on new consumer data sources.

The head of IT at an Indian healthcare network believes that there will be greater scrutiny

on regular change requests and maintenance costs will get cut.

They will consider proposals for data analytics to plug revenue leaks or identify new revenue

‘The biggest change in my hospitals has been the adoption of EMR (Electronic Medical Records) by our doctors. They have also embraced teleconsulting.’

- Head of IT at an Indian healthcare network

¹⁷ Three Proactive Response Strategies to COVID-19 Business Challenges by Michael Wade and Heidi Bjerkan in MIT Sloan Management Review, April 17, 2020

opportunities by cross-selling services to existing customers. They just completed a multi-hospital induction into their company network by training doctors on their systems virtually, and believe that online learning / training is here to stay.

A delivery partner at an MNC IT services company believes that the WFH model is

‘Expect clients to ask for 30% discount to start with – based on client’s model of importance of revenue to vendors and the cost cutting from WFH’

- Delivery Partner at an MNC IT services company

temporary and that things would go back to normal as soon as a vaccine cure is found! In the medium-term, the critical question is how to repurpose bench in verticals like travel and hospitality, retail, oil etc. to financial service, healthcare, pharma, etc. They believe that there

would be a phase of vendor consolidation at clients and in such a context, financing the deal is as important as winning the deal.

A practice delivery head at another MNC IT services company believes that the airlines, automotive and manufacturing customers are seeing contraction in their business, which in turn it will affect his organization. However, from their pharma and life-sciences, telecom, semiconductor and hi-tech customers, they are seeing similar deal flows as before. They see a lot of interest in infrastructure

related projects, such as virtualization of the labs, network security etc. They are also seeing Covid-response specific

‘There is a lot of pressure. I see degrowth on one side but there is also growth in certain sectors.’

- Vice President at an MNC IT services company

opportunities like developing contact tracing apps and location-based services for employees, data analytics projects to predict when to start / restart a factory or a city.

A delivery head at a large Indian IT services company believes there are significant opportunities in migrating application workloads of customers to the cloud. He says that customers who managed their own data centres, rather than cloud-based ones, have faced poorer experiences due to lesser automation (no remote restarts etc.). There will be opportunities for IT companies to develop micro-services and mobile-enablement going forward so that business functions are available for approvals anytime, anywhere. An operations director in an MNC IT services company concurs with the view that cloud is one

of the fastest growing service lines since customers are accelerating migration and makes it easier to provision services and maintain cloud infrastructure. According to NASSCOM, more than two thirds of tech companies in India expect FY 2021 to be a period of restart and recovery, with opportunities to go after in areas like cloud, collaborative workplace technologies, mobility, and cybersecurity¹⁸.

A consulting head of a mid-sized Indian IT services company believes that IT consulting is changing – it is difficult to execute consulting projects without being face-to-face with clients. Hence pure-play consulting opportunities may come down and may become more tightly integrated with implementation. There may also be some vendor consolidations which provide opportunities for IT companies to capture. A delivery manager at an MNC IT services company believes that mid to small sized clients may go with mid-sized IT services companies since they may get better pricing; and larger clients may want to consolidate with larger IT services companies since the latter have better resilience.

The head of India business of an MNC IT services company says we should not underestimate the need for maintaining the core systems, the basic “keep the lights on”

‘There is a lot of pressure. I see degrowth on one side but there is also growth in certain sectors.’

- Vice President at an MNC IT services company

kind of work. IDC, the market research company estimates that although managed services (like application management, hosting services, IT

outsourcing, helpdesk support etc.) is expected to reduce marginally in the short-term, they represent higher revenue generating opportunities¹⁹.

The road to economic recovery for businesses worldwide is paved with uncertainty and will take time. As our study indicates, although the mix of opportunities may be different than before, there exist several digital opportunities for Indian IT companies to tap.

¹⁸ <https://community.nasscom.in/communities/covid-19/ceo-pulse-review-covid-19-impact-on-indian-tech-sector---april-2020.html>

¹⁹ <https://www.idc.com/getdoc.jsp?containerId=prAP46270520>

5. Summary

1. The focus of the study is on the:
 - a. Operating work models (e.g. Work From Office Vs Work From Home, impact on project metrics)
 - b. Nature of work place and practices (e.g. Business Continuity Planning, centralized Vs distributed office spaces) and
 - c. Mix of work (e.g. run-the-business Vs change-the-business IT / digital projects).

2. On the question of operating work models – Work From Office Vs Work From Home
 - a. An interesting contrast emerges in the expectations of executives from Indian IT services companies and India-based global GCCs, with respect to returning to work from offices in the next 12 months. The former seem to be more optimistic about work returning to offices and expect that 50% and above of the workforce will work out of office in a year's time. The latter believe that 25% to 30% of the workforce will return to office in that time frame.
 - b. It is likely to be dictated for the Indian IT companies by what happens at their client's side.
 - c. We have reached a tipping point with respect to adoption of WFH in Indian IT companies. In the longer run, we expect a hybrid model to emerge with about 25% WFH.

3. The top three challenges to WFH include: 1) Infrastructure availability 2) Disturbance from family / co-inhabitants and 3) Client restrictions.
 - a. IT companies have to modify their allowance policies to provide for infrastructure appropriate for WFH.
 - b. IT companies also have to work with their clients and incorporate WFH and corresponding SLAs into their Master Services Agreements.

4. There have been both positive and negative impacts of WFH – both people as well as process / technology related.
 - a. Positive impact like less time lost in traffic, work becoming more outcome driven

- b. Negative impact like work-life balance and mental well-being affected, difficulty in adapting IT processes to complete WFH
 - c. More training programs are needed, especially for the younger and newer members of the organization, to help them imbibe the company processes and way of working. Also, IT processes need to be adapted to WFH model (virtual on-boarding of new projects etc.)
- 5. On rethinking office space
 - a. The final decision on office spaces would depend on a number of factors including whether the work needs can be executed from an office or remotely, what the clients demand, whether the workspaces are company owned or leased, whether the lease agreements are for a long term, what the new business continuity planning based on a pandemic necessitates etc.
 - b. IT companies should initiate studies to determine roles and functions which are more amenable to WFH.
- 6. Impact on talent
 - a. There are both positive and negative effects on the talent pool in Indian IT companies.
 - b. Due to the economic pressures, we may expect a round of retrenchments, no salary hikes or pay cuts, furloughs etc.
 - c. However, the changed operating work models in IT companies in the future would allow for hiring of resources not constrained by geography, may benefit women who have taken work-breaks, and support a gig-economy for skilled workforce.
- 7. We recommend that the Indian IT companies adopt pandemic-specific BCP and consider a framework of Planning-Preparedness-Response-Recovery for their IT context.
- 8. The road to economic recovery for businesses worldwide is paved with uncertainty and will take time. But opportunities exist for Indian IT companies.

- a. In businesses worldwide, the responses to the pandemic are leading to an acceleration of their digital strategy formulation and implementation. It is also leading to more due-diligence / caution in terms of budget allocation to digital transformation.
- b. Although the mix of opportunities may be different than before, there exist several digital opportunities for Indian IT companies to tap.

About itihaasa Research and Digital

itihaasa Research and Digital (www.itihaasa.com) is a not-for-profit, Section 8 company that studies the history and evolution of technology and business domains in India. Kris Gopalakrishnan, co-founder of Infosys, is its founder and Chairman.

itihaasa's flagship project is chronicling the six decades of the evolution of the history of Indian IT – a digital chronicle that is available as a mobile app on Apple & Google and as a chatbot.

itihaasa has published research reports on the Landscape of AI/ML Research, Landscape of Brain Research in India, Reimagining India in 2030, Emerging Technologies in e-Governance, Leapfrogging into the New Future with Exponential Technologies.

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