COVID-19 Loss Report

First Impact. Analysis of data from March-April 2020

Research & Analysis Committee
Software Development Association Poland

SoDA

Abstract

We have created a tool to report losses in projects due to COVID-19. An analysis of the responses (n=117) recorded losses of 52 849 000 PLN in project losses including project cancellations, project stalling and expense cutting.

We also asked respondents to describe their perceived attitude towards the future. The responses are mostly negative with a tendency to cluster with regard to the reported current experience (current negative outcomes tend to influence the future point of view).

We interpret this data as a sign that the IT industry was affected by the pandemic in the first days of lockdown in Poland. Respondents are worried about the economy in summer 2020, but there are also first signs of searching for new ways of conducting business. Based on that and on other perceived trends we recommend to focus on trust and communication.

Data and Methodology

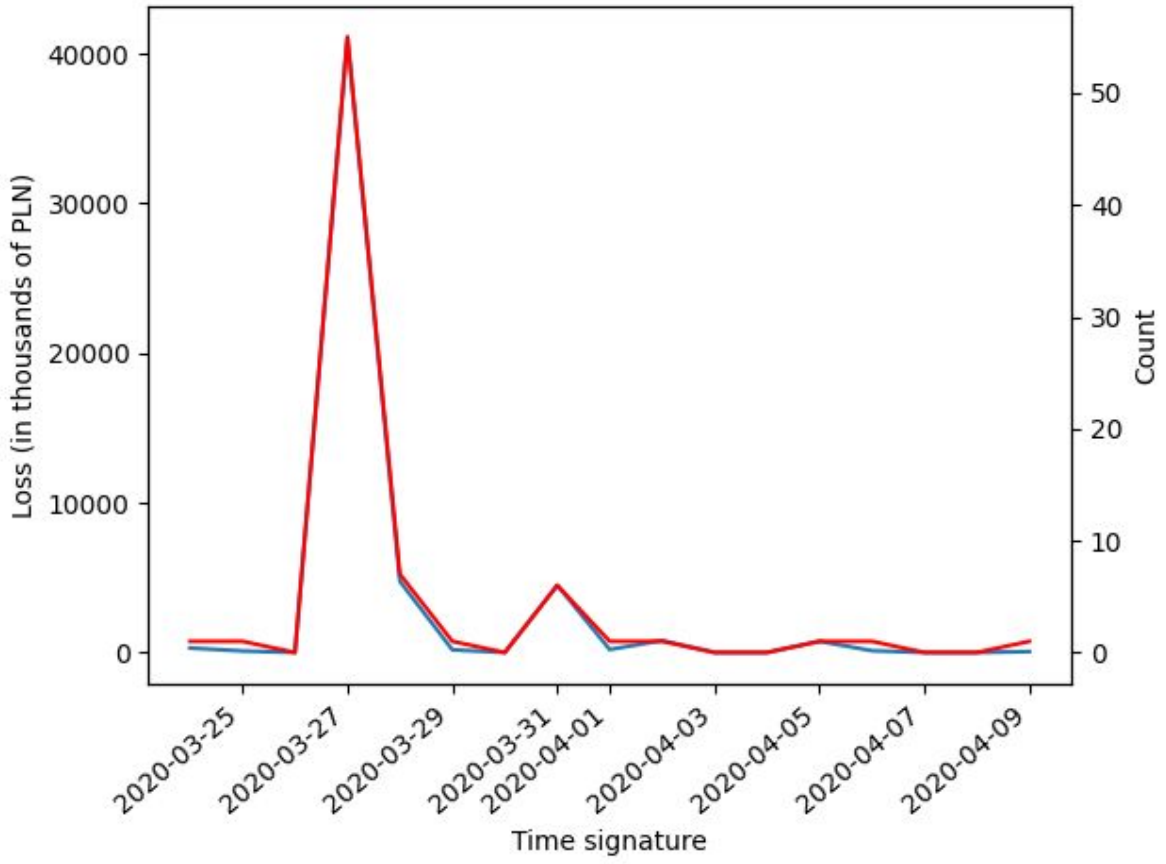

Fig. 1. Time distribution of recorded responses. Red line describes response count. Blue line describes cumulative losses. Most of the responses come from the third week of the lockdown in Poland (lockdown measures were first introduced between 10 and 12 March).

Data were gathered between 25 March and 20 April. The dataset contains 117 responses. The set can be divided into two distinct categories.

- SoDA members (52) vs non-SoDA members (65).
- Reported losses (76) vs non-loss responses (41).

The data was gathered from a COVID-19 questionnaire using the CAWI methodology. In addition to a set of choice and quantitative questions, respondents could also provide their own commentary on their own response, describing their own point of view.

Results

This section presents the data collected in an objective manner. If you want to look at the conclusions, go to the Findings, interpretations and conclusions section.

Reported losses

The total sum of the reported losses is **52 849 000 PLN**. See the Findings, interpretations and conclusions for discussion of this number. Of these, **38 659 000 PLN** were marked as complete project loss.

Fig 2. presents reported losses as a histogram. Most of the losses reported are in the 100 000 – 500 000 PLN loss range.

Fig 3. and Fig 4. shows relation between client's industry and losses incurred. Two of the most important industries, with respect to loss value, are Travel & Hospitality and Retail & eCommerce, in that order.

Losses were marked in the following 4 categories:

- loss of project
- project rescheduled (or a delay in decision processes)
- scale reduction (reduced amount of work)
- payment cut

Respondents could choose more than one answer.

Fig 5. presents responses with regard to the categories introduced above. Most of the projects were lost.

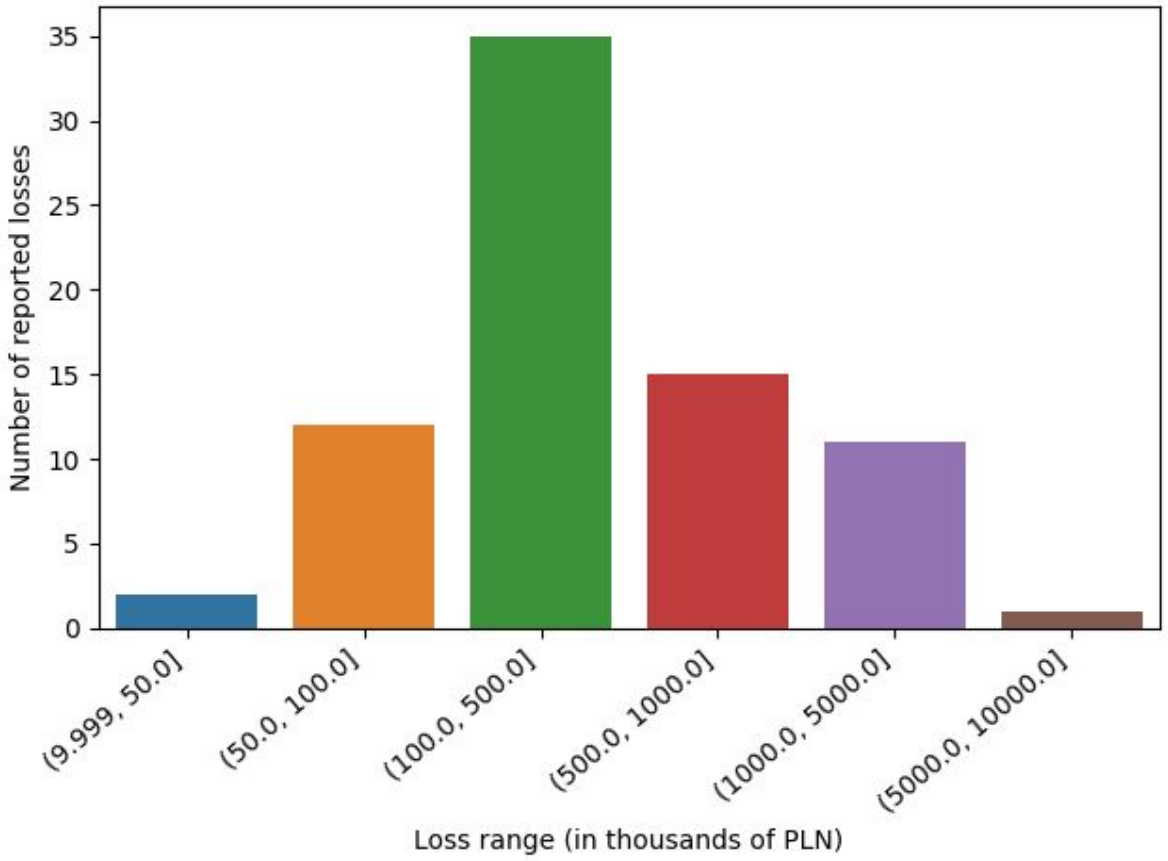

Fig 2. Histogram presenting distribution of reported losses with respect to loss value.

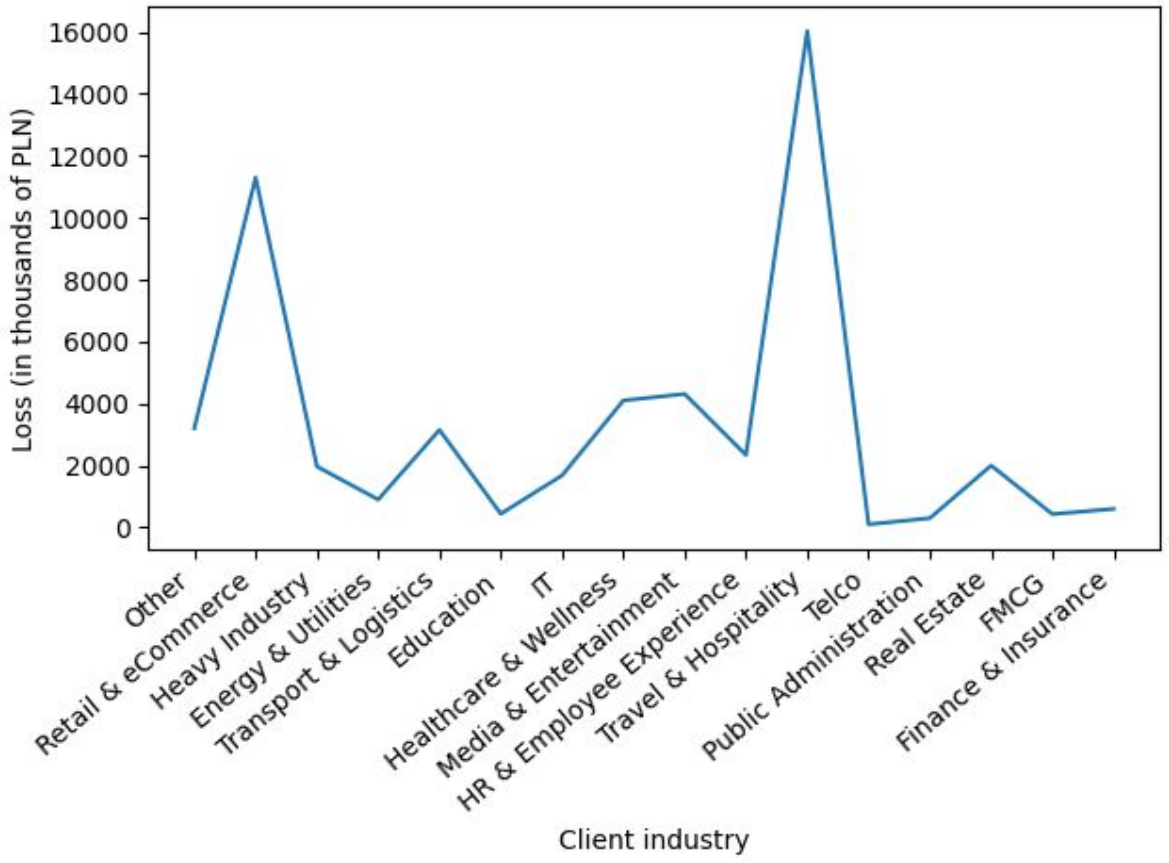

Fig 3. Cumulative losses in IT projects with regard to project/client industry.

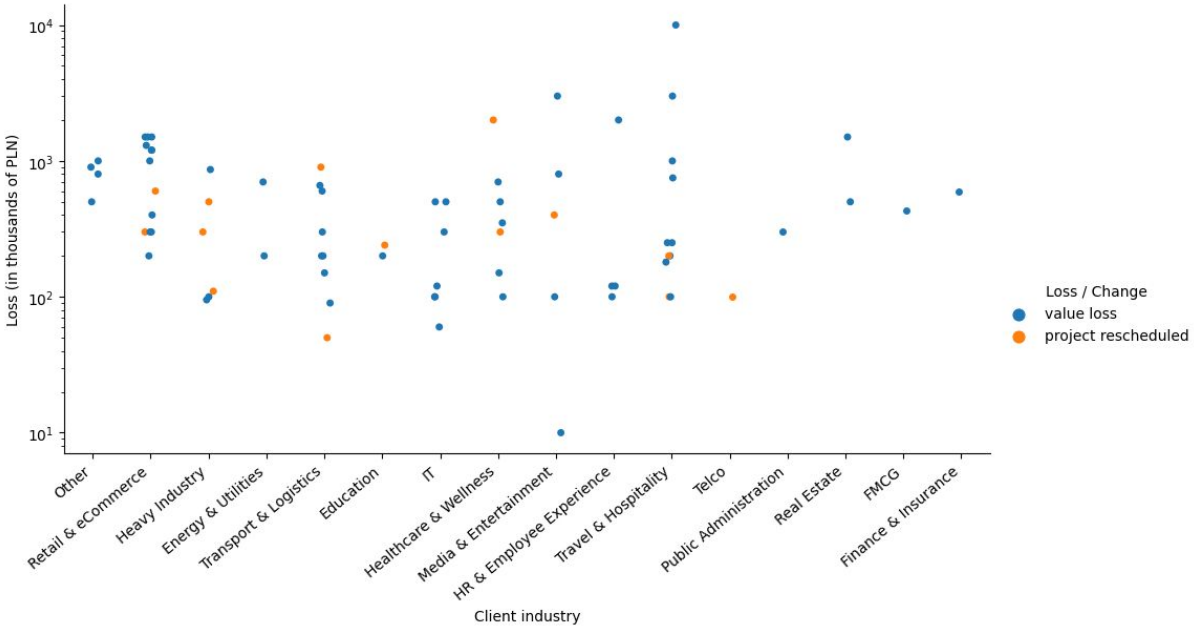

Fig 4. A logarithmic-scale mapping of recorded losses with regard to project/client industry.

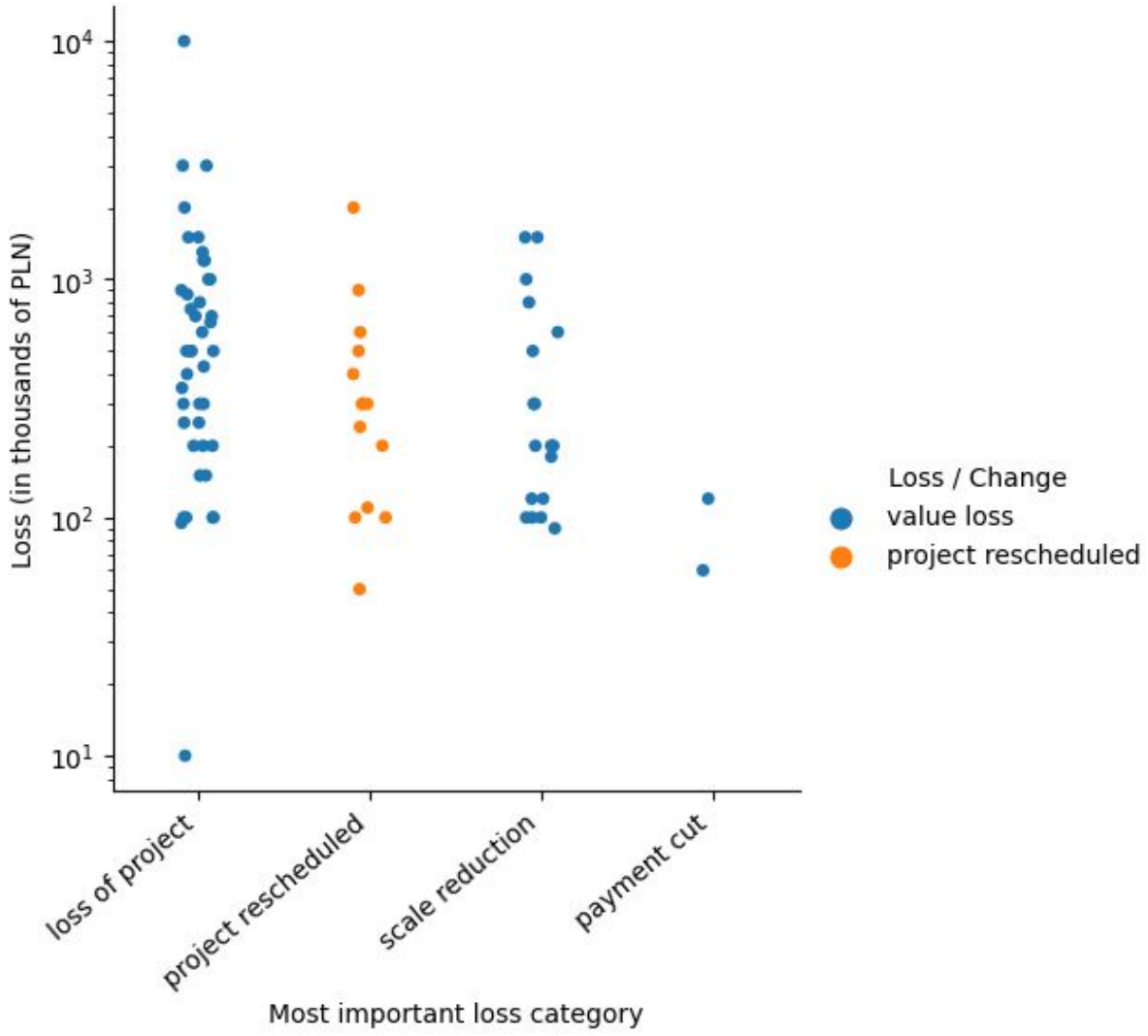

Fig. 5. Loss vs loss category. For this chart, from the multiple-choice question the first matching response was used, in the following order: (loss of project, scale reduction, payment cut, project rescheduled).

Reported attitudes

Two perspectives were used in the study. One question asked for the current attitude with regard to COVID-19 (see Fig 6.), the second one asked for impact in the period of the next 12 months (see Fig 7.)

In addition, an open question for commentary and interpretation was used to probe the voices of the respondents.

On Fig 8. a relation can be seen between current reported impact due to COVID-19 and 12-month perspective by the respondents. It can be seen that in general most of the respondents base their long-term perspectives on the reported current impact on business.

One outstanding group is the group that reported a positive impact, who have very optimistic prognosis on the coming events.

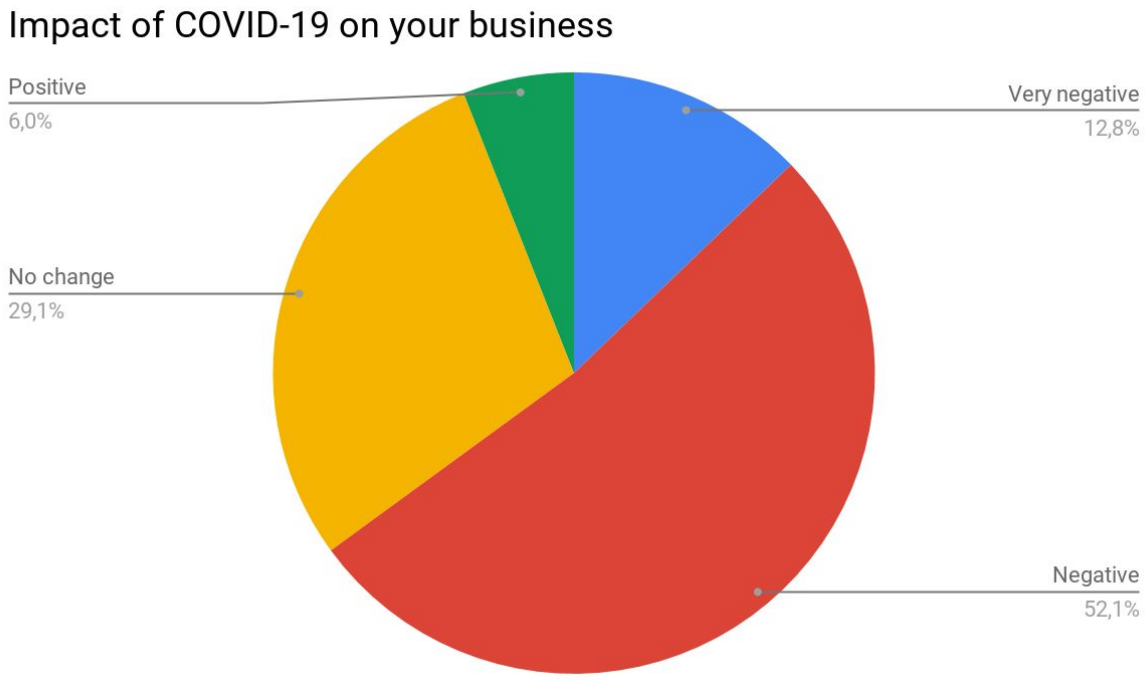

Fig 6. An illustration of current impact of COVID-19 on businesses at the moment of responding.

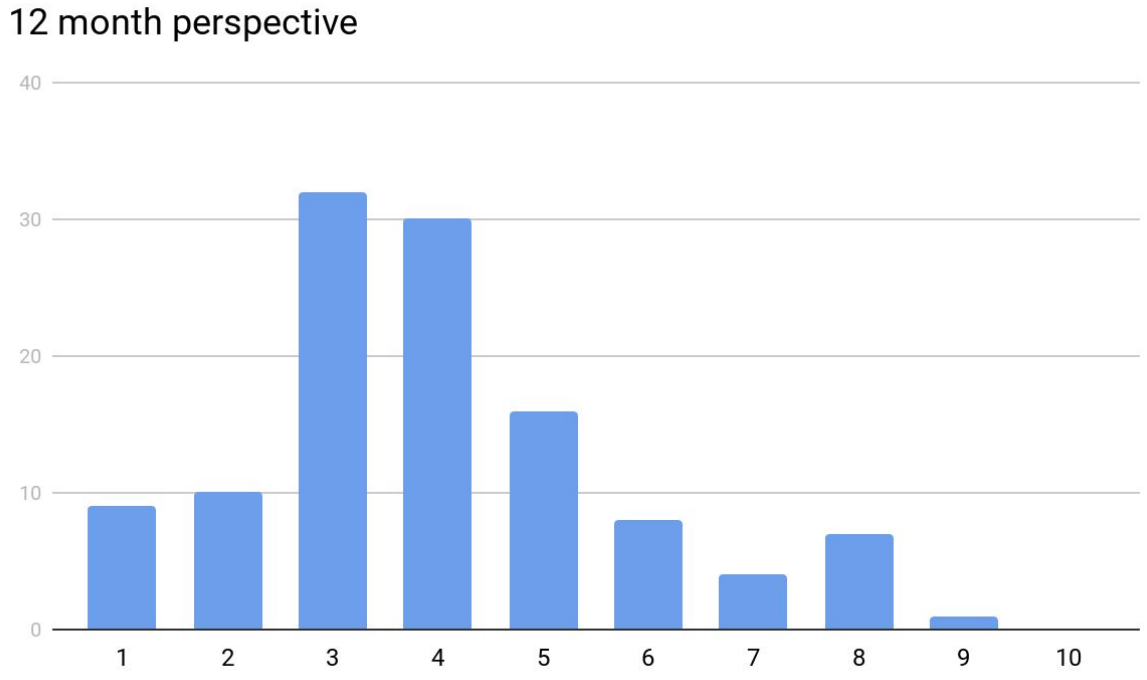

Fig 7. 12 month perspective on the future impact of COVID-19 on business. 1 is most negative, 10 is most positive.

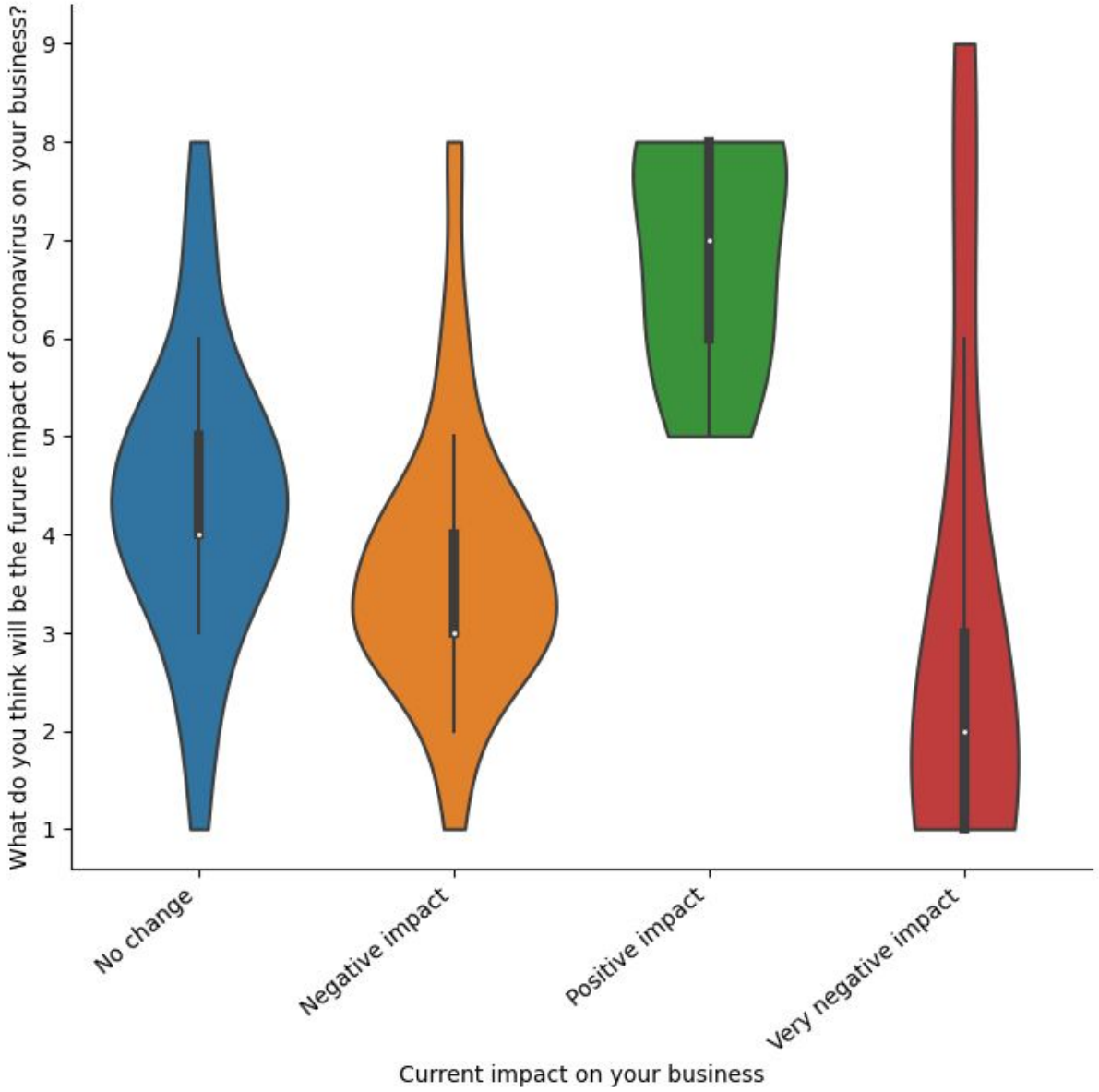

Fig 8. Current impact vs future perspective. Each group is represented by a single violin plot.

Findings, interpretations and conclusions

C-Suite recommendations

- Foster relationships with your clients and support their switch to remote communication with you. They might have less experience in that, so be there for them.
- We might be entering a new era, an era where trust is the most valuable commodity. The rate of digital transformation is accelerating. Now it's even more important to be responsible – and respectable to those, who use your services.

- Amidst the chaos, new opportunities happen. Consider diversification of your sources of information and engage with the community.

Loss value in context

One could think that the IT industry would be simple to manage during the COVID-19 pandemic. An argument could be made that due to the possibility of remote work and high technical prowess of employees, software houses (as called in Poland) would be left unscathed.

But the IT industry, and software development in particular are a high-growth industry that functions as a derivative of the economy as a whole. What we have seen in the data is the effect of a “fast freeze” phase of the COVID-19 pandemic.

The reported loss value **52 849 000 PLN** is a large amount given the number of respondents (76 losses being the 65% of respondents). To put this amount in some context, the following three perspectives are presented:

Market size: IT services in Poland in 2018 were valued in between 12.37[1] and 15[2] billion PLN. In such a context, the above loss value contributes to the 0.35% of the market. However, given the number of responses analyzed (76 losses) and the number of software development companies in Poland (8000 – 9000)[3], the figure above could simply be a lot bigger. Modest guesses can indicate at least 3.5% of the market with a valuation of over half a billion PLN.

Salaries: As the majority of the costs of software development are the costs of people involved in making software, the loss will trickle down to the employees and, if not managed nor aided, will result in unemployment. Loss of 52 million PLN is equivalent to over 5700 typical software developer salaries[4].

Taxes: It also means less income for the Polish government of nearly 50% amount of the loss (estimated near 29.5 million PLN). The estimation was done as follows:

- 12 million PLN VAT income *(loss * 23%)*
- ~1.5 million PLN CIT *(simplified 19% or 9%) * 15% margin*
- Up to 16 million PLN: Income tax, Social Security – ZUS *(UoP ok. 40%) (loss * 75% employee cost * 40%)*

These perspectives shed some light on the size of the reported loss. On the other hand, we cannot draw any certain conclusions regarding the future from this data alone. This “fast

---

[1] Whole market size estimated from the *ITwiz Best 100 Report* (2018): 25% from 49,5 billion PLN: Największe firmy IT w Polsce w roku 2018 – ranking ITwiz Best100 [PL]
[2] Whole market size estimated from the *Computerworld TOP200* Report (2018): 25% from 60 billion PLN: Computerworld TOP200 Edycja 2019 [PL]
[3] Data provided by Talent Alpha (https://talent-alpha.com/), based on analysis of companies active on the Internet (self-employment excluded), cross-checked with other available data and reports.
[4] 9158 PLN net B2B Mid/programmer monthly salary calculated from Bulldogjob.pl report Bulldogjob.pl IT report 2020 [PL].

freeze” moment has now passed and the new reality is now unfolding in real-time in front of us.

Attitude towards future

There are signs of new opportunities in the digitalization era that just started accelerating in some comments of the respondents. A few companies reported new sales leads, and most are approaching the COVID-19 pandemic head-on, focused and alert, but with a little less fear.

Some of the respondents do suggest a slowdown of decision making. However, it’s important to treat decision making and adoption of technologies as separate beings, which could go in opposite directions.

In this new reality, we anticipate more IT projects that will be done in a more careful and thoughtful way and more engaged clients that will be able to participate in the project from everywhere in the world.

Closing remarks

As mentioned above, more data is needed to assess the current situation. This report is a partial report and we will be conducting more research on the topic.

Colophon

Authors

Software Development Association Poland (SoDA, https://www.sodapl.com/):

- Michał Moroz (Makimo, https://makimo.pl/)
- Konrad Weiske (Spyrosoft, https://spyro-soft.com/)
- Łukasz Czajkowski (SoDA)
- Justyna Piechowicz (SoDA)

You can contact us via e-mail: badania@sodapl.com.

Thanks

We'd like to thank all the companies that participated in this study.

We'd also like to thank the following people for their contributions to the study:
Adam Maciejek (CSHARK, https://cshark.com/)
Agnieszka Porębska (TalentAlpha, https://talent-alpha.com/)
Piotr Jakubiak