The global COVID 19 pandemic crisis has proved to be a catalyst for change for organizations. Businesses have been spurred to continue investing more in **IT budget** to secure and support their remote workforce operations in spite of slow revenue growth due to the pandemic.

According to a survey of more than 1,000 businesses by [Spiceworks Ziff Davis](https://swzd.com/resources/state-of-it/), 76 percent of them plan on implementing long-term IT changes in their IT budget and 44 percent plan on accelerating their **digital transformation** plans. It also indicates that more than one-third of IT budget increases in 2021 will be influenced by COVID-19.

Businesses are also expected to increase their **IT spending** on their IT assets such as cloud and managed services, while hardware spending in 2021 is anticipated to decline. Moreover, many have dropped their plans to adopt cutting edge technologies in favor of investing in more pressing needs.

**IT Budgeting in 2021: Remote Working to Drive Spending**

As data forecasting suggests, growing concerns over security and old IT infrastructure will be the key drivers of budget growth in 2021. But as more than half of organizations plan to retain their work-from-home policies for the next year, a major part of **IT spending** will be based on remote work practices.

Among the businesses that intend to increase their IT spending in 2021, these factors will impact their **budget growth** during the next year

* Changes to business operations during COVID 19 (38%)
* Increased priority over IT projects (45%)
* The need for supporting a remote workforce (36%)

**Software Budgeting**

As businesses all over the world continue to plan on supporting remote workforce culture in 2021, it is anticipated that the highest spending category will be that of **productivity software**, amounting to 12% spending and increasing to a great extent over the next two years.

When analyzing business size, smaller companies will allocate their software budget more on productivity software and industry-specific apps – for instance education (distance-learning apps) and health sector (electronic medical records). On the other hand, larger companies looking to establish a distributed workforce will tend to spend more of their software budget on **communications software** (8%).

When considering locations, businesses in the North American region are anticipated to spend a higher proportion of their IT budgets on productivity software, business support applications like **IT monitoring tools** and industry-specific apps as compared to businesses in the European region. European businesses are likely to spend more on communications and virtualization software.

**Cloud Budgeting**

Cloud budgets in the past two years had a three percent increase in overall IT budget whereas hardware budget has reduced by four percent. This growth has paved the way for adopting communications solutions, **cloud storage** and productivity apps. These are all relevant to a work-from home environment.

In 2021 though, online productivity and **backup and recovery software** will take the top place in cloud budgeting. This expected growth in spending on cloud for business transformation can be directly attributed to the coronavirus crisis. Around 17 percent of organizations are planning to adopt “as-a-service” model due to coronavirus.

Another 35 percent already have or are planning to migrate their workload to the cloud due to the coronavirus pandemic. Moreover, bigger companies or enterprises still plan to allocate a bigger portion of their IT budget to **desktop-as-a-service** and platform-as-a-service as compared to smaller businesses.

Organizations in the IT industry who are often seen as early adopters can be seen spending a major portion of their budget on **cloud budgeting**, most of which will be spent on Infrastructure-as-a-service. Hence, cloud will take up a major portion of the IT budget in the next year.

**Managed Services Budget**

Managed hardware support, **managed hosting and storage/backup** will take the largest spending of managed services share. As security concerns have increased due to remote work, managed security services will also be a priority for businesses. Managed cloud infrastructure will also be a key area for IT budgets in the managed services.

According to size of businesses, the **forecast chart** suggests that smaller businesses will assign a significant portion of their managed services budget for managed hosting as opposed to mid-sized businesses. Large enterprises on the other hand should assign higher percentage of their IT budget on managed cloud infrastructure, which is 3% more than smaller businesses.

**Miscellaneous Factors that will Influence the Setting Up of IT Budget for 2021**

We now already know how the global pandemic has caused a shift in IT budget planning of businesses in 2021. There are factors that have and will cause businesses to invest in new software, hardware and IT services. Generally, IT asset management including **technology upgrades** and business growth will be key drivers for technology investment.

At the same time, many businesses have planned to allocate their previous funding to enable **remote work initiatives**. The year 2021 will not see as much adoption of emerging technologies as it would have been previously anticipated, nor will there be much interest to invest in software and hardware upgrades due to new features availability.

**Planning Your IT Budget**

For planning your IT budget in 2021, its more important than ever to identify your **Return on Investment** (RoI). Cut out the individual line items which are not proven to driving margin and revenue. Considering the economic uncertainty, keep the following in mind:

* Why and where does your organization need to invest in Information Technology?
* What does your organization want to accomplish and how the technology can help achieve those goals?
* Are you able to quantify the impact of new technology in terms of your ROI?
* Have you done an inventory budget analysis to compare estimated costs against actual costs to evaluate what assets to invest in and hold over the next year?

**Virtual Metric’s Inventory Monitoring for your IT Budgeting**

Our **Inventory Monitoring and Reporting** tool can help you control IT inventory budget for 2021. Monitor IT inventory assets and carry hardware asset management in one place. Keep a track of your inventory and get automatic reports for software, hardware and virtual machines. Get a free trial of our Inventory Monitoring and Reporting tool [here](https://www.virtualmetric.com/inventory-monitoring-and-reporting).