



Impact of COVID-19 Beyond WFH: The Future of Delivery and Locations Strategies

September 10, 2020

Live Tweeting #MarketVista #EGAnalyst



Introductions



Michel Janssen

Chief Research Officer

michel.janssen@everestgrp.com



Anurag Srivastava

Vice President

anurag.srivastava@everestgrp.com



Hrishi Raj Agarwalla

Practice Director

hrishi.agarwalla@everestgrp.com

COVID created a compelling event for the WFH paradigm shift, but that quickly expanded into the future of work discussions

Rethink the worker



Talent model



Sourcing model

Reimagine the workways



Technology



Operating model and governance



Worker



Workplace



Workways



Covered in today's discussion

Re-envision the workplace



Locations portfolio



Work from home

Discussion points for today



What components of work do you see changing the most going forward?

- Talent models (e.g., gig, contingent) **34%**
- Sourcing models (insourcing vs. outsourcing) **27%**
- Locations strategy **50%**
- Organizational governance **16%**
- Working models (e.g., Work From Home) **75%**





**First reactions to COVID-19:
How has the outsourcing market responded?**

Key movements in the outsourcing market



Plus ça change <the more things change>



The number of outsourcing transactions declined by ~8% from 2019 to 2020



After a decline in 2019, in 2020 the share of ITO deals grew relative to BPO



The share of large deals (>200 million US\$) declined significantly

Plus c'est la même chose <the more they stay the same>



Relative share of industry verticals; BFSI continue to dominate, some uptick in technology and communications



Relative share of buyer geographies; North America continues to lead

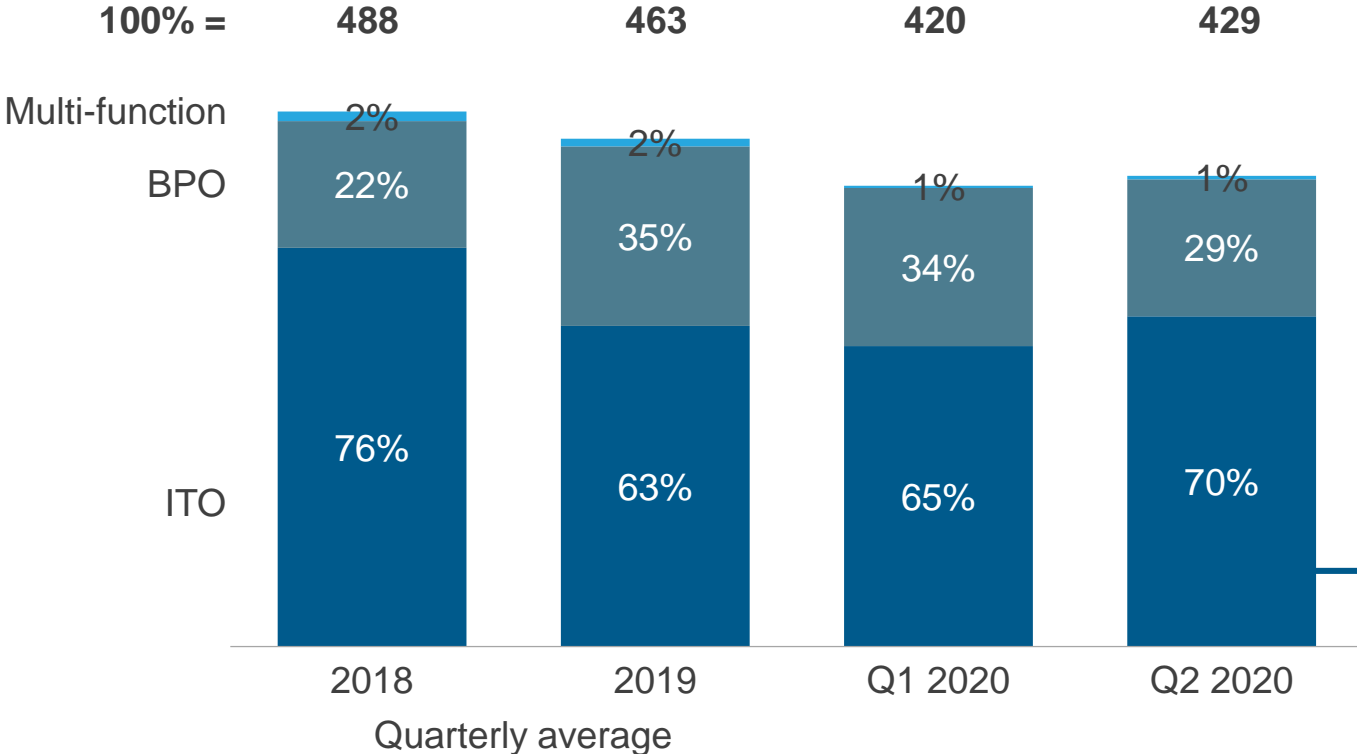


Deal tenure; short- to medium-term deals accounted for majority of the activity

Note: Key movements reflect relative comparison of activity in Q2 2020 (April through June 2020) with respect to quarterly average trends in 2018 and 2019

The outsourcing industry declined marginally in 2020 compared to 2018-19, but the share of ITO deals grew

Outsourcing transactions announced^{1, 2}
Number of transactions



Decline driven by

- Recessionary sentiment
- Global business slowdown
- Rising focus on insourcing/GBS

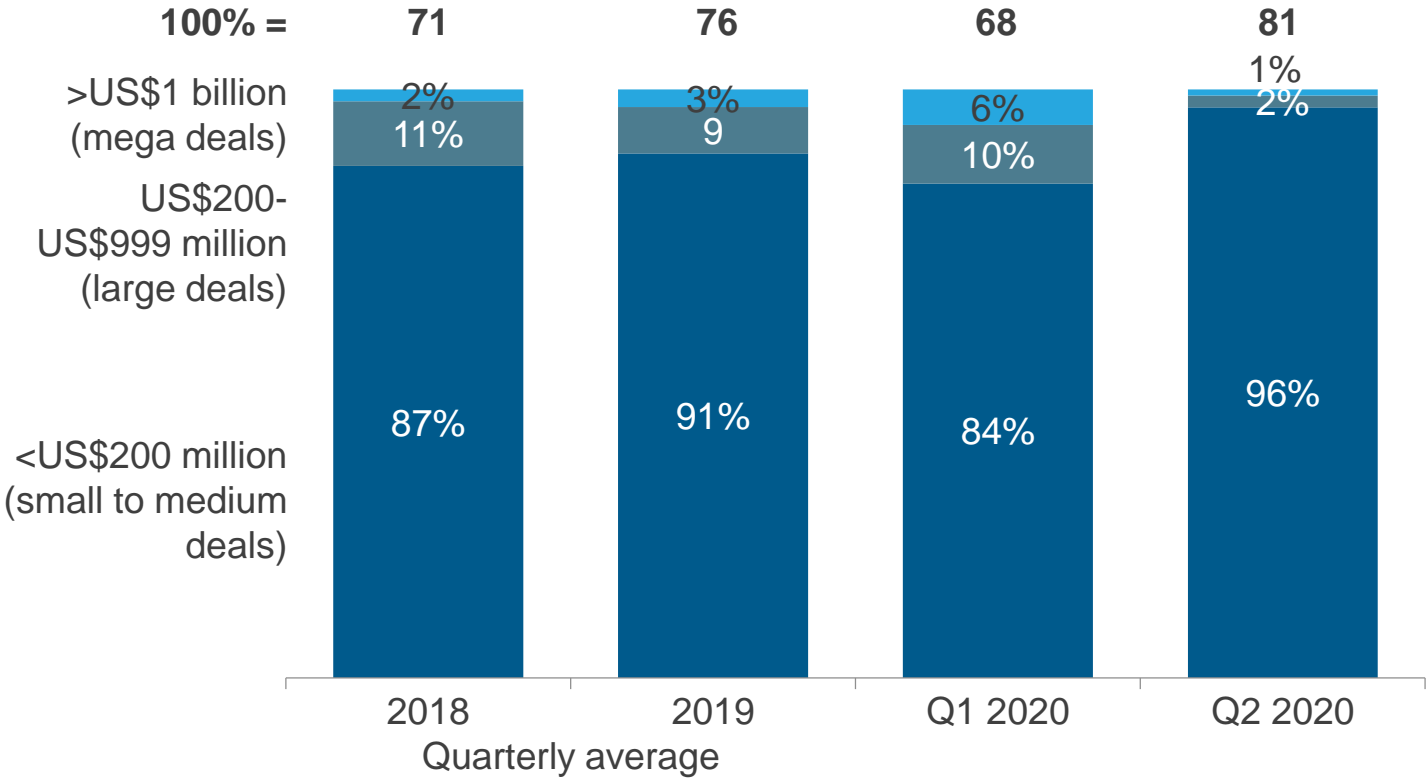
ITO deals have been gaining traction

- Push for digital transformation (COVID-19 outpacing CDO/CTO)
- Third-party speed/readiness

¹ Deal volume per iteration may vary due to ongoing enhancements to Everest Group's Transactions Intelligence Database
² The exact share of deals may vary due to decimal point rounding
 Source: Everest Group Transactions Intelligence Database

The significant decline in the share of large deals was driven by a conservative approach and budget freezes across enterprises

Distribution by deal size
2018-20; percentage share



- Global uncertainty leading to a conservative approach
- Slower decision making and budget freezes



Will there be a surge in large deals as disruption due to COVID-19 declines?

Note: The deal size split is based on a smaller sample size and is not representative of all outsourcing activity

First reactions to COVID-19: What has the trend been in new center set-ups?



Key trends in new center set-up activity

Plus ça change <the more things change>

More than 60% decline in center set-up activity

Share of GBS/GIC set-ups increased; however, decline in total number of GBS/GIC center set-ups as well

Among GBS set-ups, the share of engineering/R&D centers grew significantly, accounting for more than 60% of new GBS set-ups



Plus c'est la même chose <the more they stay the same>

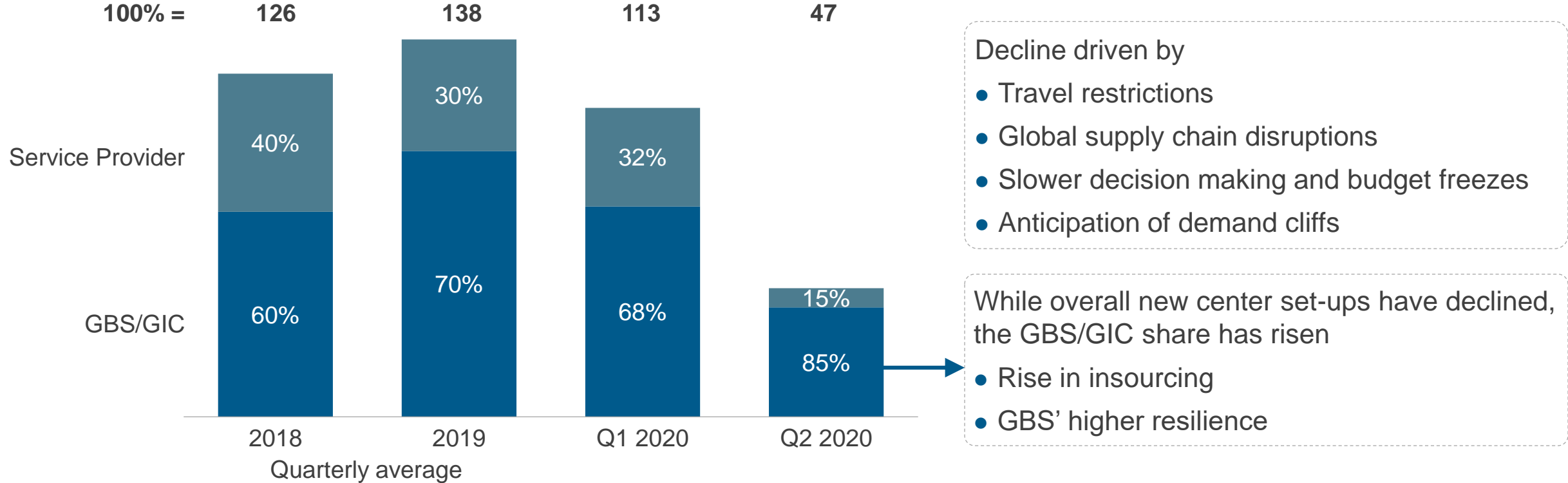
The share of different geographies remains similar; however, there has been a decline across all geographies

Offshore/nearshore locations continue to dominate

Note: Key movements reflect relative comparison of activity in Q2 2020 (April - June 2020) with respect to quarterly average data in 2018/2019

New delivery center set-ups declined significantly across geographies

New delivery center set-ups
2018-20; number and split



? Will activity regain momentum in H2 2020 as several countries lift lockdowns and ease travel restrictions?

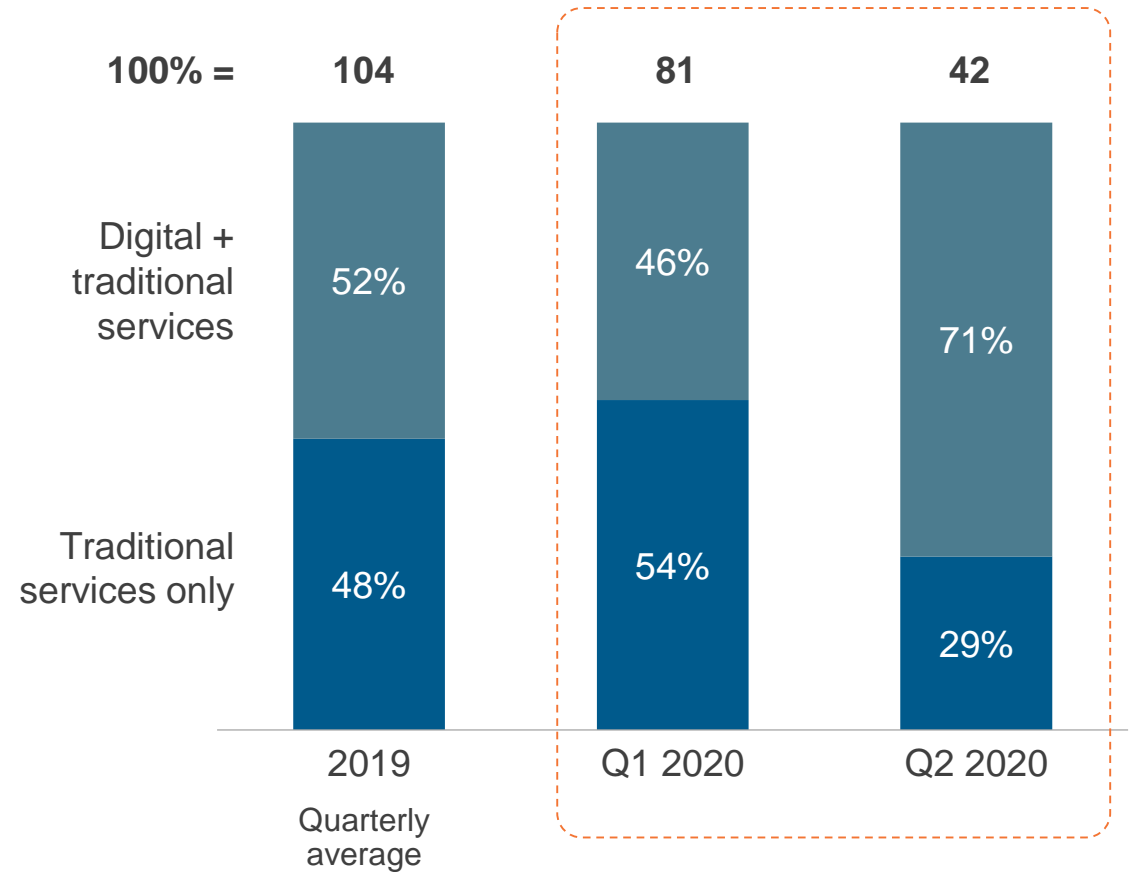
The background of the slide is a complex, abstract digital pattern. It features a dense network of glowing lines in shades of orange, yellow, and blue, set against a dark blue background. The lines are interconnected and form a grid-like structure that recedes into the distance, creating a sense of depth. Scattered throughout the network are numerous small, multi-colored dots in various colors including red, green, purple, and white, which appear to be data points or nodes in a network. The overall effect is that of a high-tech, futuristic digital environment.

**First reactions to COVID-19:
Which digital services have had high demand?**

Digital services account for the lion's share of new GBS center set-ups and outsourcing

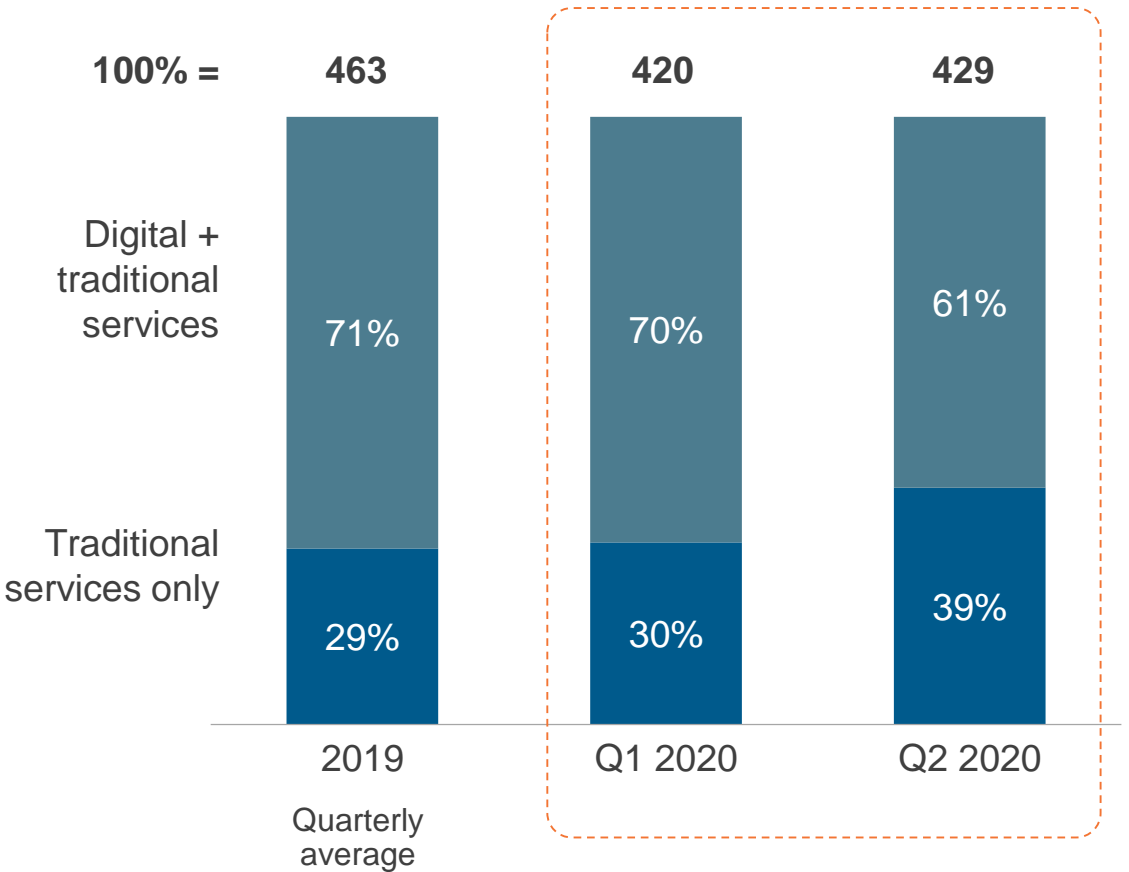
GBS center set-ups

Number of service delivery centers set up



Outsourcing market activity







Number of outsourcing transactions



Automation and analytics are largely retained in-house, while there is a greater preference to outsource cloud services

Distribution by digital components
H1 2020

Change from 2019: ↑ Increased ↔ Negligible change ↓ Decreased

		GBS/In-house		Outsourced	
	Advanced automation ¹	57%	↓	17%	↑
	Analytics	30%	↑	14%	↔
	IoT	15%	↓	3%	↔
	Cloud	6%	↓	57%	↑
	RPA	10%	↑	16%	↔
	Digital – others ²	21%	↓	27%	↑

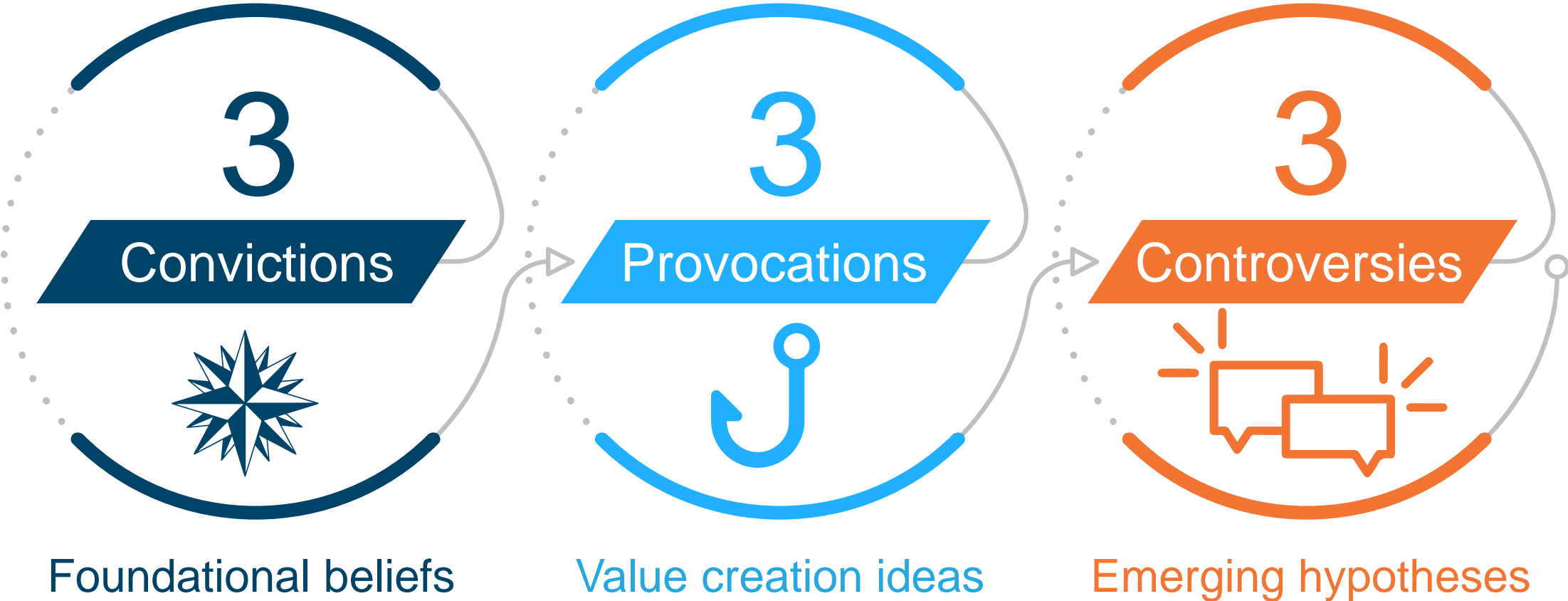
1 Includes AI, cognitive, and Machine Learning (ML)

2 Others include digital components such as social media, mobility, cybersecurity, digital interactive, consulting, and blockchain

Discussion points for today

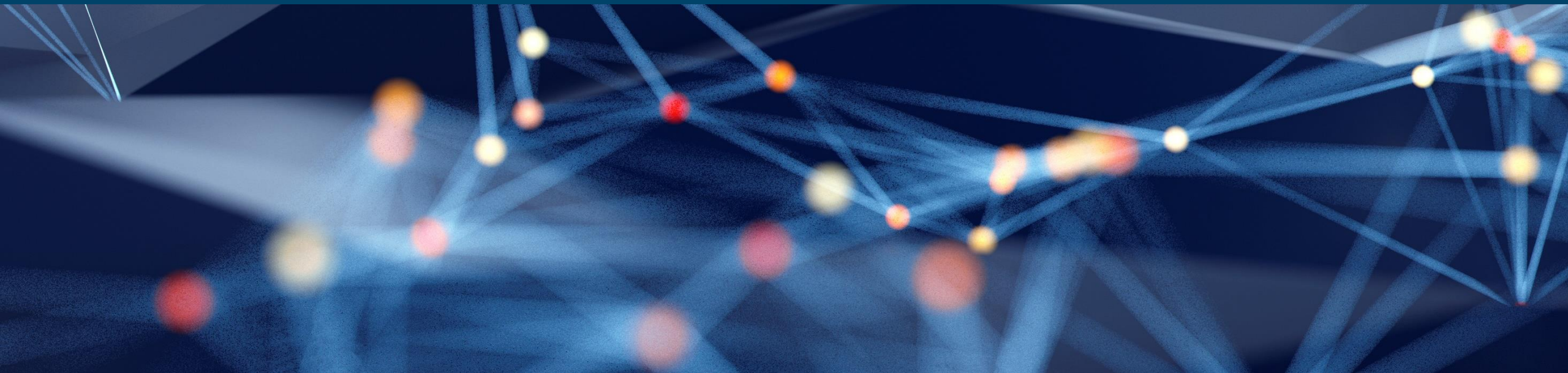


Convictions, provocations, controversies



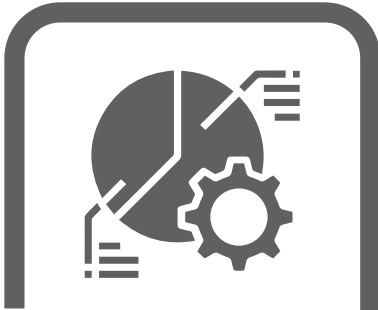


Conviction #1: Enterprises are redesigning their services delivery and locations models at an unprecedented scale



Multiple external forces are driving a re-evaluation of the global services delivery and locations model

Rising cost pressures driven by the business slowdown



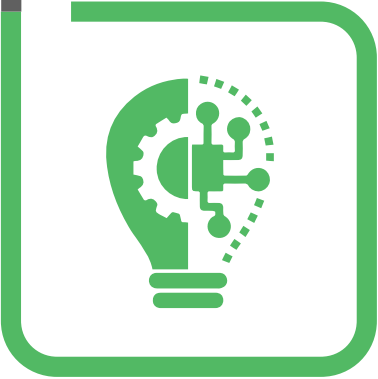
Focus on business continuity, resilience, and lower risk exposure



Rising unemployment and protectionist sentiments in source geographies



Higher adoption of flexible working models (WFH, freelancers, office pods)



Greater demand for complex skills (digital, next-generation IT)

A background image featuring a complex network of glowing blue and white nodes connected by thin lines, set against a light blue gradient. The nodes vary in size and brightness, creating a sense of depth and connectivity.

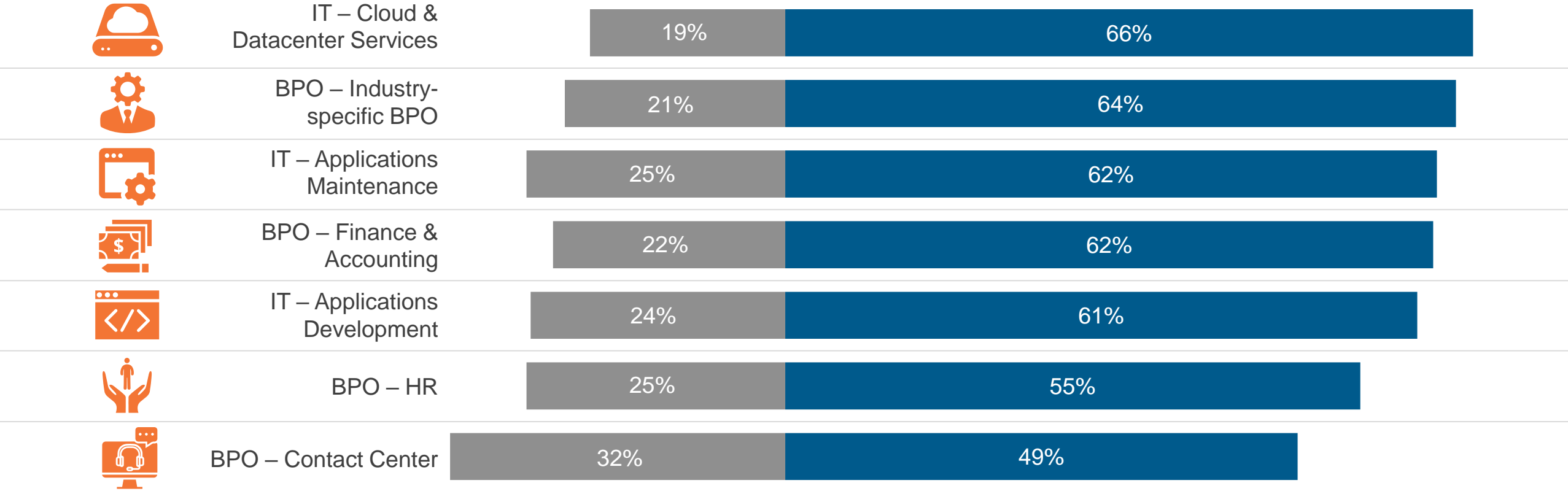
Provocation #1: “I’ll have what she’s having” is a recipe for disaster

- *Firms will diversify across offshore/nearshore/onshore markets*
- *Strong focus on de-densifying will further increase portfolio complexity*
- *“Design-shoring” will be critical to achieve objectives*

While most enterprises are bullish on offshoring as a key lever to reduce costs...

Are enterprises likely to increase or decrease offshoring?

■ Decrease ■ Increase

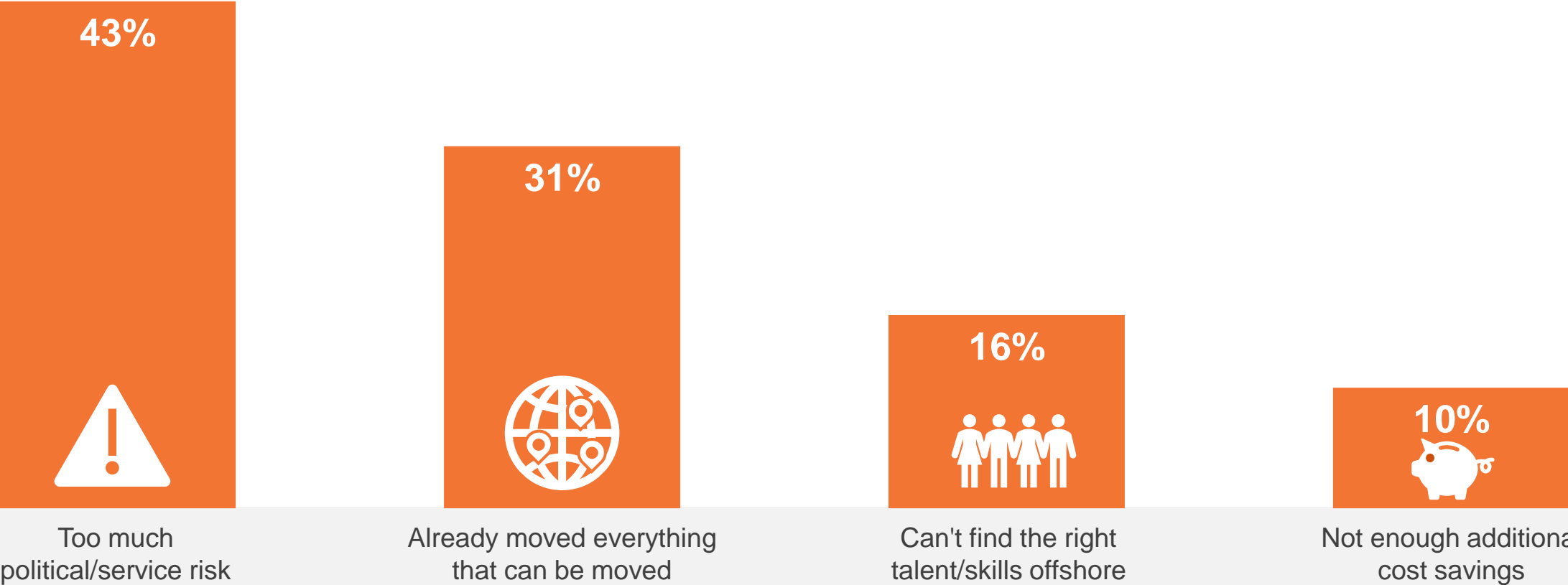


Note: Bars do not sum to 100% because they exclude the neutral respondents

Source: Everest Group Survey – July 2020

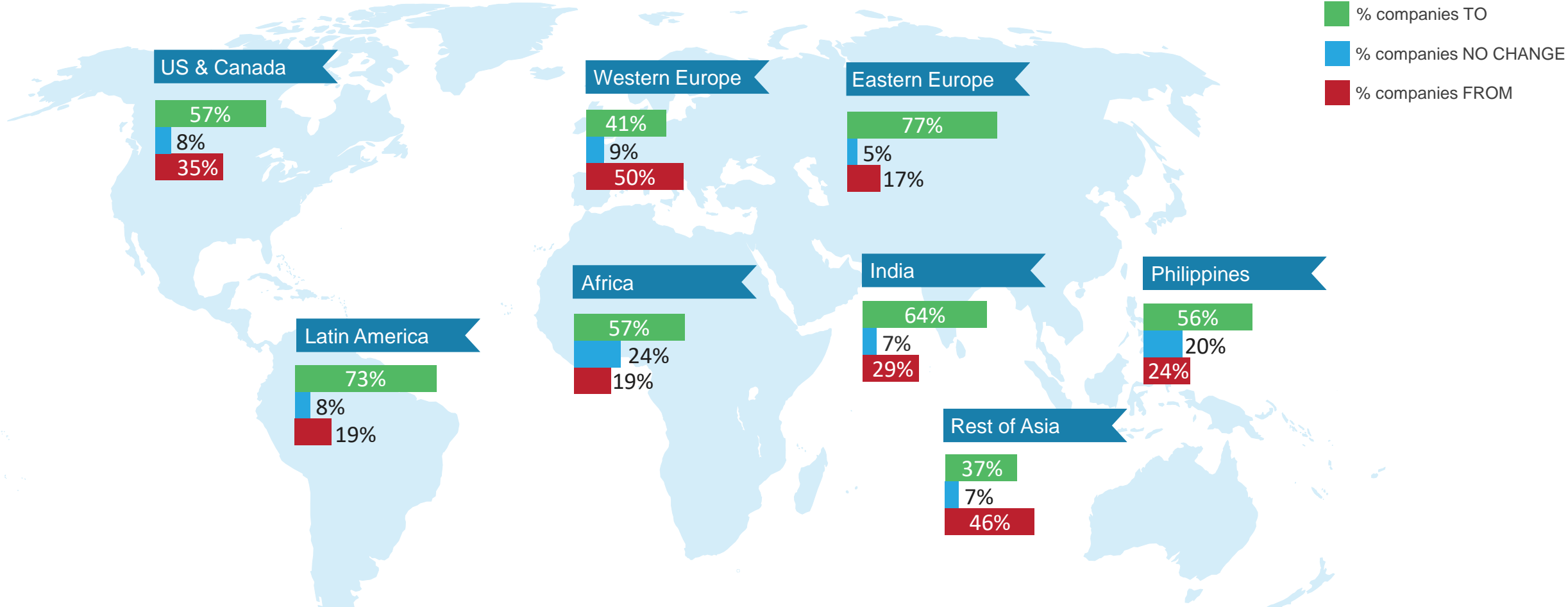
...challenges such as political and service delivery risk are limiting the adoption of offshoring

What's keeping enterprises from doing more offshoring?



Source: Everest Group Survey – August 2020

We will see a large-scale rebalancing of work across locations as enterprises try to balance multiple conflicting priorities

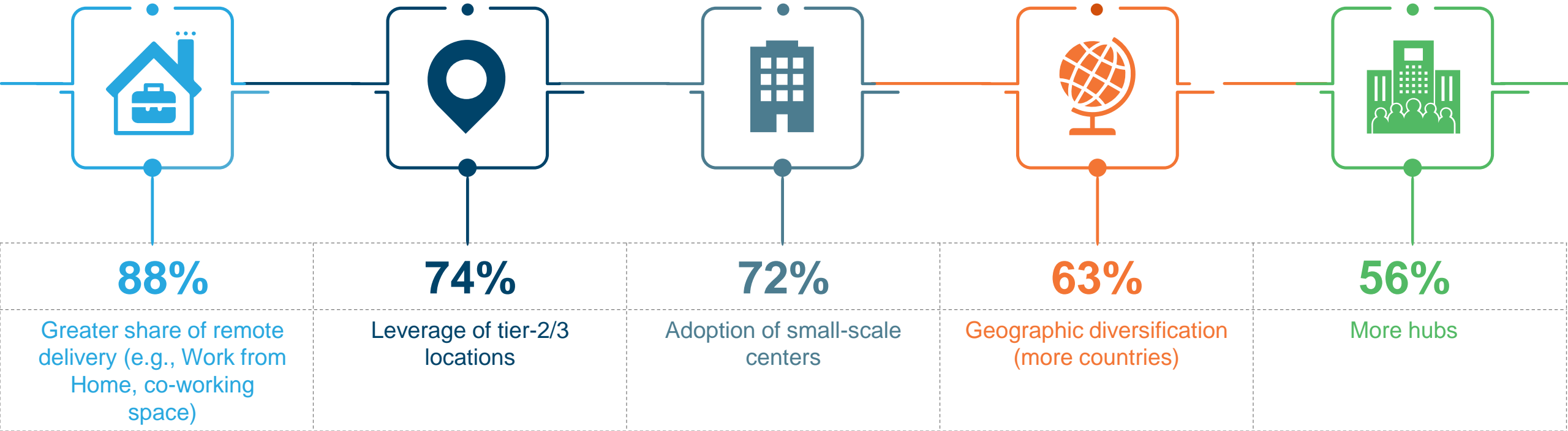


Bi-directional movement of work across onshore and offshore/nearshore locations, resulting in an omni-shoring model

Source: Everest Group Survey – August 2020





Strong focus on reducing locations portfolio density

Key changes expected in future location models

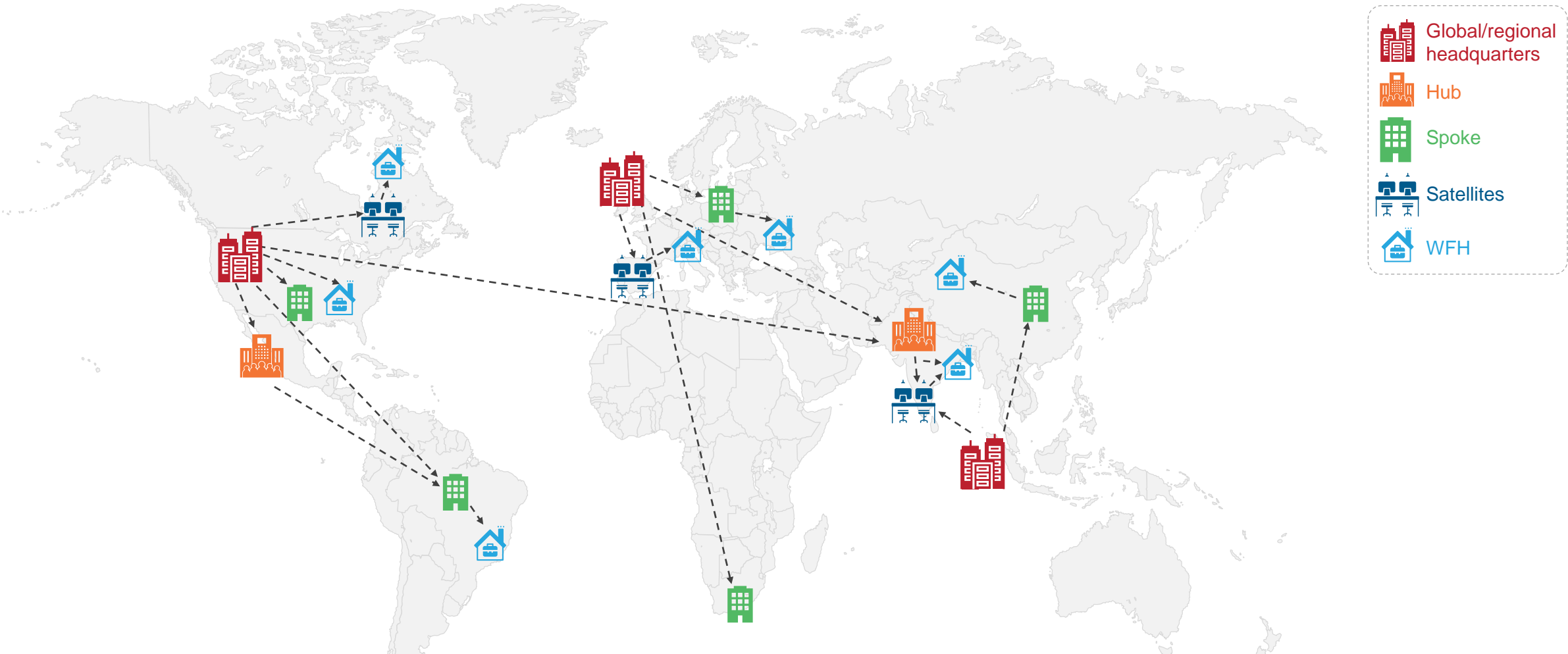


Source: Everest Group Survey – August 2020

As a result, new workplace models will emerge...

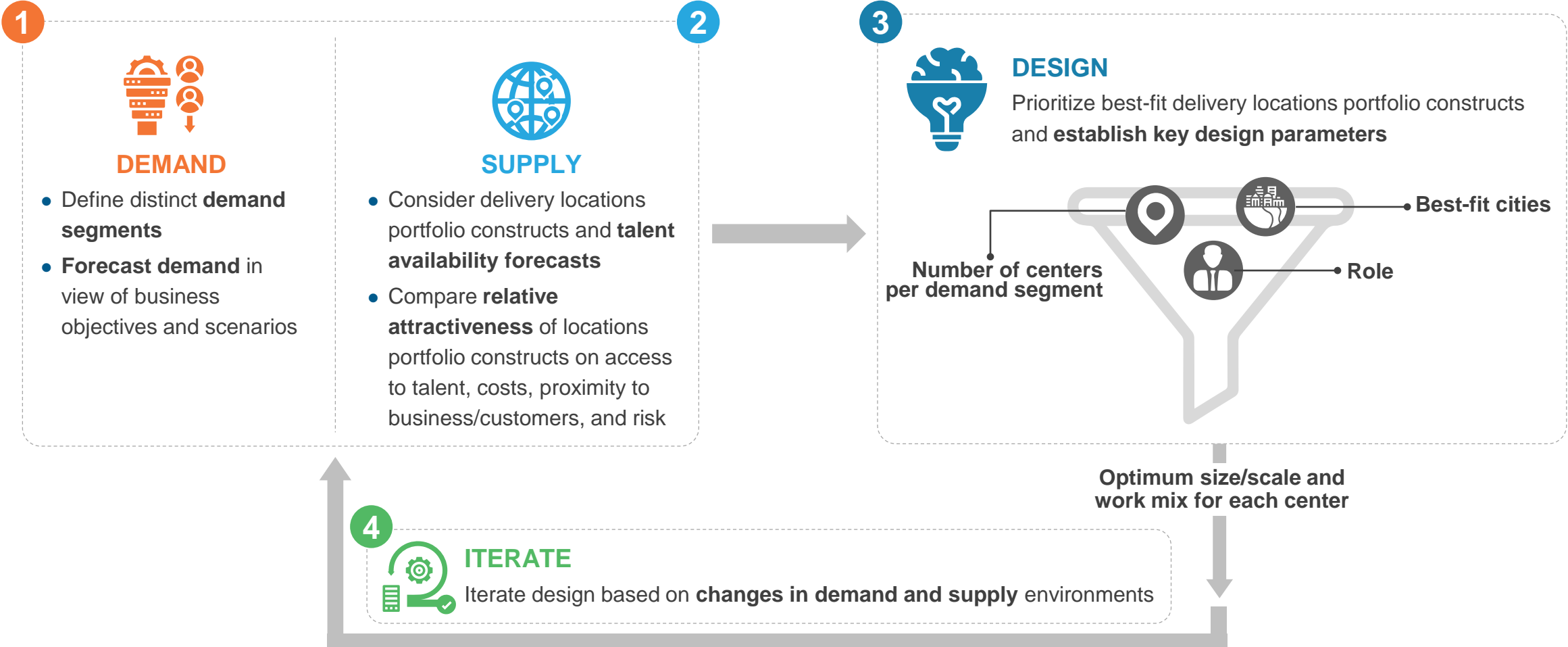
	Centralized	Decreasing size / increasingly complex to manage		Remote
Components of delivery model in the next normal	 HUB	 SPOKE	 SATELLITES/PODS	 WFH
Characteristics	<ul style="list-style-type: none"> • Large scale • Multi-function 	<ul style="list-style-type: none"> • Small to medium scale • 1-2 functions 	<ul style="list-style-type: none"> • Small scale (<50 FTEs) or sub-scale • Branded or shared workspace 	<ul style="list-style-type: none"> • Individuals working from home, either part- or full-time
Analytics	<ul style="list-style-type: none"> • Standardization/normalization • Economies of scale, synergies • Collaboration • Driver of firm culture • Plug-in point for remote employees 	<ul style="list-style-type: none"> • Complement hubs for niche skills, language, time zone, client proximity, risk diversification • Possible plug-in point for remote employees • Possible CoE 	<ul style="list-style-type: none"> • Enhance access to scarce talent, aid in BCP goals, or help improve quality of life (cycle/walk to work) • Possible collaboration/CoE • Flexible workspace • Well-suited for contingent/gig/crowd 	<ul style="list-style-type: none"> • Enhance EVP • Aid in BCP goals • Well suited for contingent/gig/crowd

...that will result in increased delivery portfolio complexity



More locations and delivery model options resulting in increasing complexity of locations decisions

Design principles are intentional and iterative



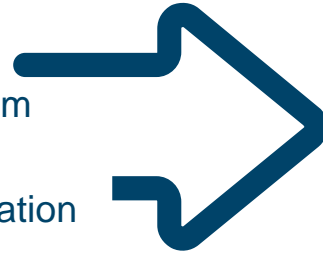
Future of work | De-risk your locations strategy – explore up-and-coming cities

Get a head start on your journey with **Everest Group's location analysis**



Select 2 locations from a standard **set of 20**

Select 1 baseline location



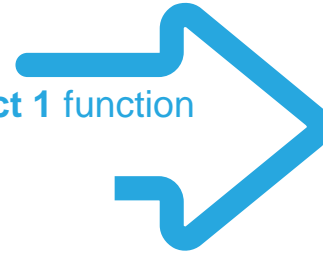
Sample comparison locations

- Brno
- Cairo
- Calgary
- Campinas
- Cavite
- Colombo
- Cork
- Guatemala City
- + 12 more

Baseline locations

- Bangalore
- Dallas
- Krakow
- London
- Manila

Select 1 function



Functions

- IT applications development and maintenance
- Finance and accounting

You will get



Insights on the locations'

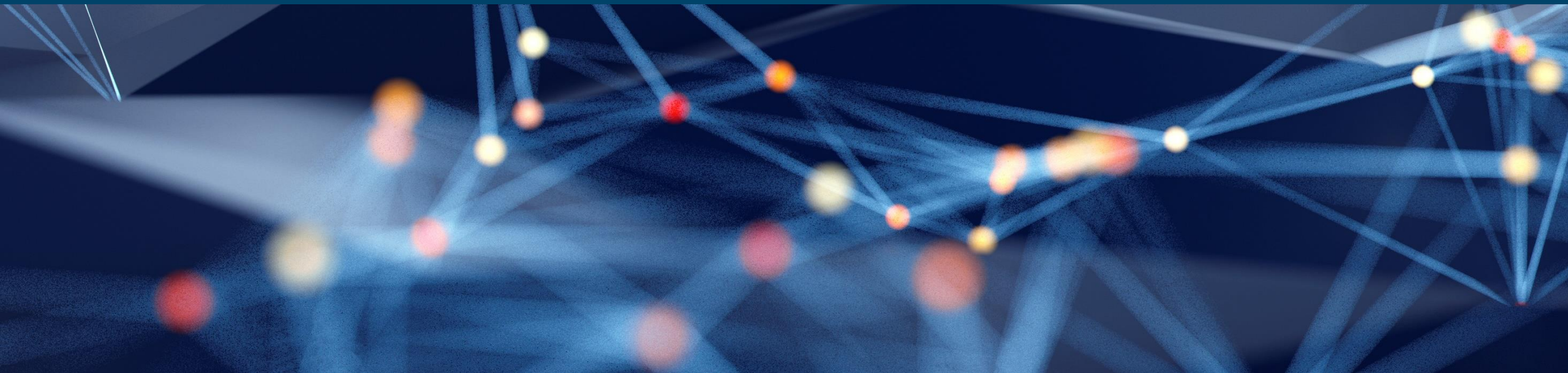
- Financial attractiveness
- Operating and business risk
- Entry-level talent pool
- Market landscape and key players

HOW

To request your complimentary future of work | talent check submit a request here: <https://www.everestgrp.com/future-of-work-talent-check/>



Conviction #2: Work From Home (WFH) is here to stay and will co-exist with Work From Office (WFO)



While most enterprises have realized the benefits of WFH, they will also need to be cognizant of the impending challenges



BENEFITS



Significant cost savings



Access to diverse talent



Enhanced BCP / resiliency



Improved delivery model flexibility



Societal and environmental benefits

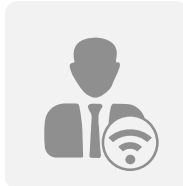


Employee value proposition

CHALLENGES



Recruitment/ onboarding



Remote management



Innovation



Contract changes



Company culture



Data security



Technology upgradation



WFH burn-out

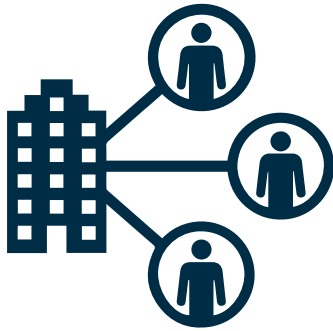
The background of the slide features a complex network of glowing blue and white nodes connected by thin lines, set against a light blue gradient. The nodes vary in size and brightness, creating a sense of depth and connectivity.

Provocation #2: Work From Home post COVID-19 will not be an extension of WFH during COVID-19

- *WFH decisions will need to be tailored for each function/process and team*
- *WFH will require different locations considerations than traditional philosophies*

Going forward, WFH penetration is likely to decline from during COVID-19 levels; however, it is likely to remain significantly above what it was pre-COVID-19

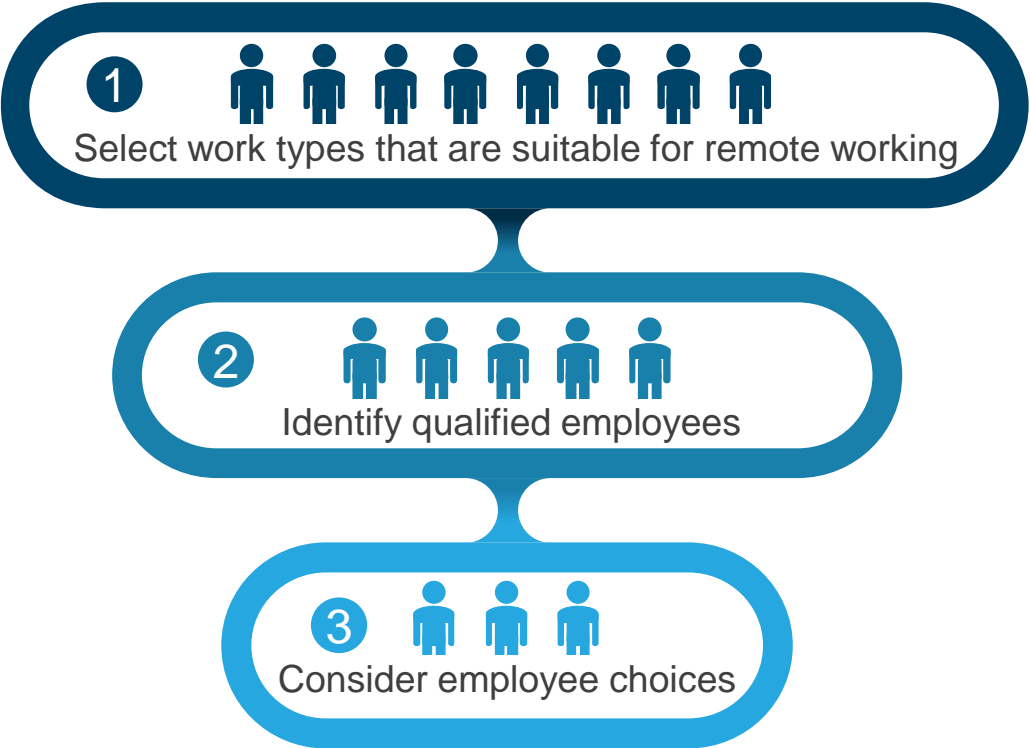
Most prominent model Adoption rate: ● High ○ Low



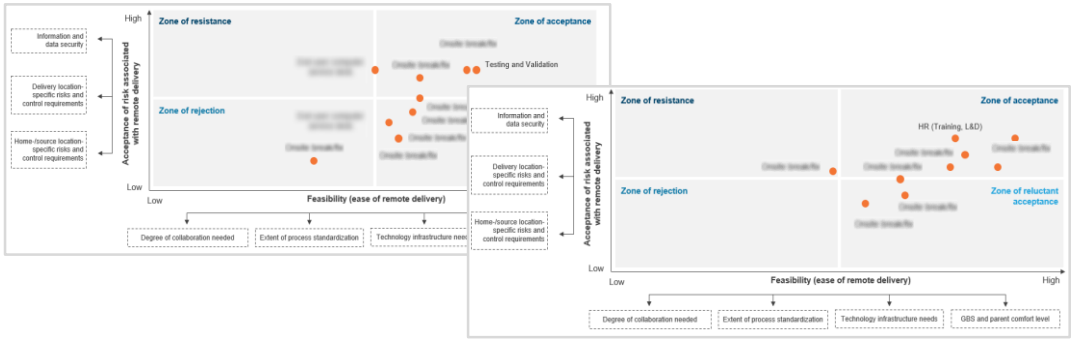
Share of remote workforce	Adoption by enterprises/GBS		
	Pre COVID-19	During COVID-19	Post COVID-19
Limited/no adoption (less than 10%)			
Selective adoption (10-20%)			
Strategic adoption (20-50%)			
Advanced adoption (50-75%)			
Primary delivery model (more than 75%)			

Organizations will need a fact-based approach to identify best-fit work types and employees/teams for WFH

Identifying best-fit remote workers is a three-step process



Relative suitability of various IT services and business process services for remote delivery



Toolkit to assess the size of WFH teams and real estate needs

Function	Sub-function / process	Suitability for WFH model	Choose a delivery model				
			Full-time work from office (no WFH)	Predominantly work from office (with WFH on an exception basis)	Mix of WFH and work from office model (rotation basis)	Primarily WFH (with option of operating from office)	Full-time Work From Home
HR	HR Strategy	Zone of acceptance					
HR	Employee relations	Zone of acceptance					
HR	Performance & succession	Zone of acceptance					
HR	Learning and development	Zone of acceptance					
HR	Recruitment	Zone of acceptance					
BPS (aggregated)				1,244	803	647	716
	HR			203	118	78	150
	Contact center (voice)			0	0	0	0
	Contact center (non-voice)			0	0	0	0
	Finance & accounting			477	291	218	311
	Procurement			0	0	0	0
	Marketing services			564	395	351	256
	Insurance operations			0	0	0	0
	Others			0	0	0	0

The considerations for WFH locations selection will be different from those for traditional brick-and-mortar delivery centers



Work from home location selection will be based on a combination of benefits and viability

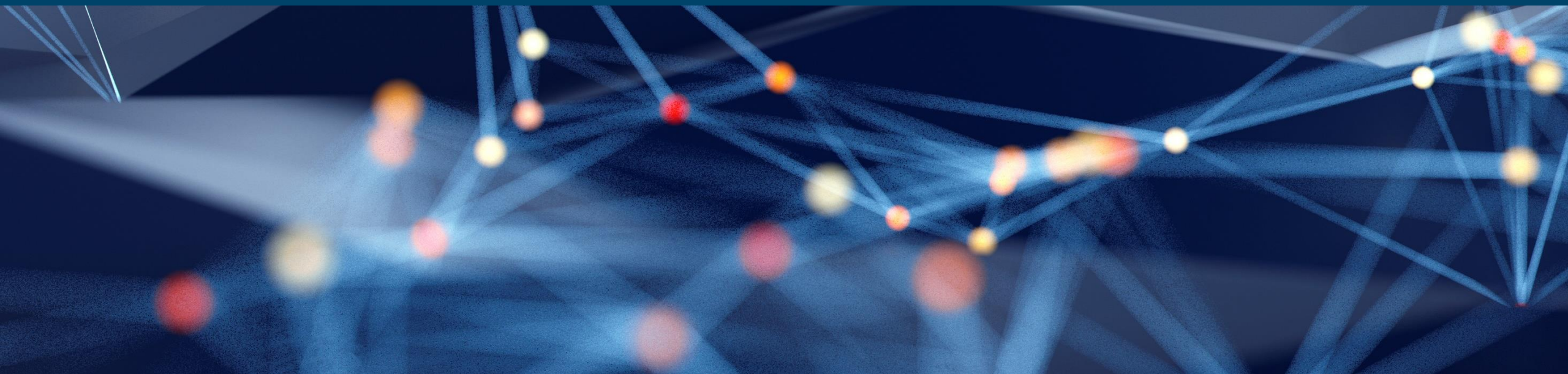
■ Least favorable
 ■ Favorable, some concerns
 ■ Highly favorable

Country	BENEFITS				SECURITY		VIABILITY		
	Real estate-related savings	Enhanced BCP / resiliency	Access to talent	Societal & environmental benefits ¹	Safety & security	Cyber-security	Infrastructure readiness	WFH laws & restrictions	WFH adoption ²
India	Yellow	Green	Green	Green	Yellow	Green	Yellow	Yellow	Yellow
Philippines	Yellow	Green	Yellow	Green	Yellow	Yellow	Red	Yellow	Yellow
Costa Rica	Green	Green	Yellow	Yellow	Green	Yellow	Yellow	Green	Green
Poland	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
USA/UK	Green	Yellow	Green	Yellow	Green	Green	Green	Green	Green

1 Reflects reduced environmental impact, pollution, travel time, and expenditure
 2 Reflects propensity for WFH, social and cultural acceptability of WFH, and suitability of available ecosystem for remote working



Conviction #3: Locations and delivery portfolios cannot be optimized in isolation – all options are on the table as enterprises prepare for the next-normal





Provocation #3: Don't let the crisis go to waste

Take advantage of the disruption to shape a holistic workforce strategy for the future

Leaders should focus on the opportunity to expand the conversation to a more holistic approach



COVID-19 has allowed leaders to challenge conventional wisdom

Automation has not worked because we do not really understand the work

Work from home is considered analogous to future of work – but it is not



Legacy strategies are driven by pursuit of scale without thinking about the impact of changes to the work



We follow familiar footpaths for location strategy and force-fit the work – now the role of the office is also in doubt



All operating model options should be on the table, but they are not!

COVID created a compelling event for the WFH paradigm shift, but that quickly expanded into the future of work discussions

Rethink the worker



Talent model



Sourcing model

Reimagine the workways



Technology



Operating model and governance



Worker



Workplace



Workways



Covered in today's discussion

Re-envision the workplace



Locations portfolio



Work from home



1 Do the increasing need for diversification and advances in collaboration technology threaten the future of large-scale delivery/hubs?

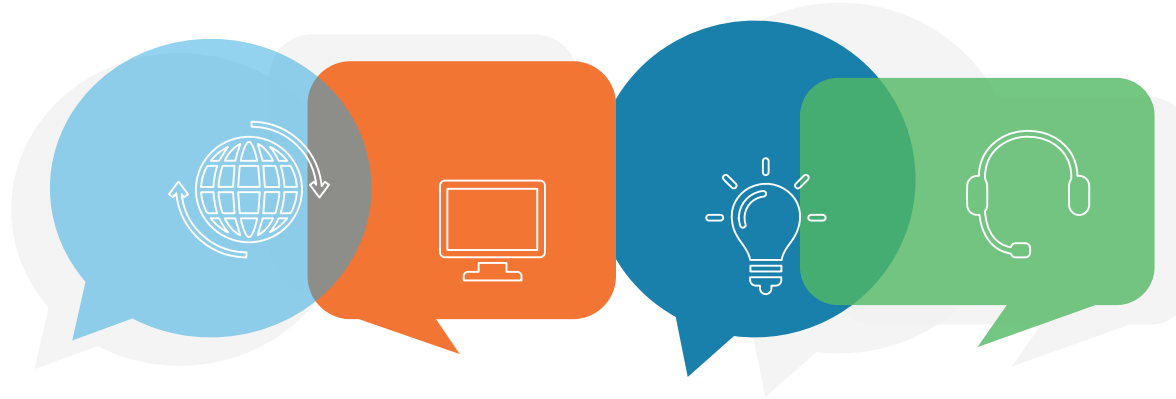
2 How will remote delivery change the supply landscape?

- Increasing leverage of contingent talent models?
- Cities emerging as talent hubs based solely on quality of life?
- More inclusiveness/diversity (e.g., impact sourcing, women coming back to work, less developed areas)?

3 Will governments change regulations to support remote delivery in the next normal?

Discussion points for today





To ask a question during the Q&A session

- Access the **Questions** panel within the GoToWebinar console, which is typically located on the right side of your screen
- Type your question in the dialogue box, then select **Send Privately** to submit the question to our session Organizers/Panelists
- Attendees will receive an email with instructions for accessing today's presentation
- To ask a specific follow-up question, or to request your complimentary talent and cost check, please contact:
 - Michel Janssen, michel.janssen@everestgrp.com
 - Anurag Srivastava, anurag.srivastava@everestgrp.com
 - Hrishu Raj Agarwalla, hrishi.agarwalla@everestgrp.com

Check out our blog for the latest perspectives on global services industry



Bharath M

Practice Director



A World Caught Unaware: Business Continuity and Disaster Recovery in the Wake of COVID-19 | Blog

MARCH 16, 2020 | SHARE

This is the fourth in a series of blogs that explore a range of topics related to those issues and will naturally evolve as events unfold and facts reveal themselves.

The blogs are in no way intended to provide scientific or health expertise, but rather focus on the implications and options for service delivery.

These insights are based on our ongoing interactions with organizations operating in impacted areas, our expertise in global service delivery, and our experience with clients facing challenges from the SARS, MERS, and Zika viruses, as well as other unique risk situations.

A virus originating in China has brought life to a standstill around the globe – and that includes service providers and shared services hubs (GHCs). From delays in procuring office supplies (most of them sourced from China) and reevaluating of important measures that threaten the virus poses to human capital, the risks have pushed most firms to re-evaluate their business plans and potentially prepare for all eventualities. The virus spread has also been a wakeup call for providers and shared services centers, testing their preparedness in terms of disaster recovery. In fact, it has made some firms comprehend the need to balance their cost-competitive mindset with a risk-averse

Some organizations are well prepared and offer examples for others to follow. In this blog, we take a look at some of those noteworthy and disaster recovery measures, based on our conversations with more than 20 GHCs and service providers globally. Strategies that stand out include:

- **Site-based strategies for senior leadership** – A few firms have balanced their leadership positions across centers and geographic sites for critical processes and not based in a single location
- **Headcount thresholds** – Some firms have thresholds on the maximum number of Full Time Equivalents (FTEs) in a particular city level and country level
- **Dedicated resilience management groups** – Some firms maintain a full-fledged business continuity team to manage crises
- **Robust work placement strategies** – A number of firms ensure that critical activities are spread across locations

For example, a UK-headquartered bank (with GHCs across multiple locations) has an intra-city, inter-city, and inter-country Business Continuity Plan (BCP) strategy. The bank follows a robust BCP operating procedure by: (A) assessing a service/process' business impact/criticality to reputational, financial, or customer-related reasons, among others; and, (B) identifying the work location based upon criticality – services/processes are typically distributed across two countries. To understand this better, the company involves:



Parul Jain

Practice Director



Africa: On the Frontier of IT-BP Services Delivery | Blog

AUGUST 11, 2020 | SHARE

In the last few years, for a number of reasons, there's been a major uptick in global services delivery from Africa. The most significant driver of growth is Africa's emergence as the next frontier for small scale delivery centers. Another is strong government support that enables global services delivery. But there are a variety of other key factors that are making Africa a destination of choice for companies of all sizes, including some of the world's biggest brands, such as Accenture, Deloitte, Google, Microsoft, Standard Chartered, and Teleperformance.

There is less competition for talent in most locations in Africa compared to key offices/hubs where talent hubs across leading geographies. Expansion into African cities helps organizations diversify their delivery location risk, as most locations have the ability to serve as Business Continuity Planning (BCP) locations to nearshore/office centers. Moving services to Africa also helps organizations differentiate themselves by capitalizing on early-mover advantage.

Other factors, such as an attractive talent-cost proposition, strong domestic demand across East and West African countries, and improving infrastructure capabilities (including rapid adoption of Work From Home (WFH) / remote working models), have improved the business case for new center set ups. For example, there's been an increase in services maturity for delivery of key services across the region, including voice- and non-voice based BPO services, IT services, and engineering/ITAD delivery. And while most locations have low operating costs, ongoing currency depreciation and lower attrition costs across leading countries like Egypt and South Africa have helped bolster overall growth.

Trade-offs and risks

As market players prepare consider options for service delivery from Africa, they need to be cognizant of the key tradeoffs and associated risks for operating in the region, including:

- At present, Africa is best suited to deliver transactional services. Companies seeking to support more specialized operations or judgment-intensive processes may find it difficult to operate, or they may find that they need to make substantial investments in the talent market
- There's a limited pool of experienced talent. Companies will need to invest in growing and developing talent locally, by training recent graduates and building a recruitment engine from the ground up, using other options
- The region poses potential challenges with delivery enablers (including utilities, transportation, mobile/banking, and stationary providers), low quality office infrastructure, and comparatively poor connectivity to domestic/international locations
- The business environment in East and West African countries is less favorable than nearshore Europe locations, including infrastructure quality, digital readiness, and safety and security



Rohan Kapoor

Senior Analyst



Hrish Agarwalla

Practice Director



Kunai Anand



Bhavya Kulcetti

Analyst



Choosing Your Best-fit Cloud Services Delivery Location | Blog

AUGUST 27, 2020 | SHARE

While enterprises around the globe began their steady march toward cloud services well before the outbreak of COVID-19, the pandemic has fueled cloud adoption like never before. Following the outbreak, organizations quickly went digital to enable remote working, maintain data security, and ensure operational efficiencies. Globally, first quarter spend on cloud infrastructure services in 2020 increased 39% over the same period last year.

Given the new realities, as firms make long-term cloud investments, it is vital for them to understand the cloud landscapes and how various regions and countries fare in comparison to each other as cloud destinations. In this blog, we evaluate and compare the capabilities of different geographies in delivering cloud services.

The Americas

North America is among the most mature geographies for cloud services delivery. The US and Canada offer excellent infrastructure, a mature cloud ecosystem, high innovation potential, a favorable business environment, and business-friendly rules and regulations. The US is the most mature location in North America, offering a large talent pool and high collaboration prospects due to the presence of multiple technology start-ups, global business services centers, and service providers. However, the cost of operations is significantly high, primarily driven by high labor and real estate costs.

In contrast, most locations in Latin America (LATAM) have less mature cloud markets and ecosystems. While they provide proximity to key source markets in the US and considerable cost savings as compared to established markets (60-80%), they offer low innovation potential, a relatively small talent pool, few government policies to promote cloud computing, and limited breadth and depth of cloud delivery. Mexico is a standout location in LATAM, scoring better than others on parameters such as quality of cloud infrastructure, size of talent pool, and business environment.

Europe

Europe provides a good mix of established and emerging locations for cloud services. Countries in Western Europe have a fairly robust infrastructure to support cloud services with high cybersecurity readiness, sizable talent pools, high complexity of services, and robust digital agendas and cloud policies. England and Germany are the most favorable locations in the region, driven by a comparatively large talent pool accompanied by high innovation potential, excellent cloud and general infrastructure, and high collaboration prospects due to numerous technology start-ups and enterprises. However, high cloud adoption maturity has markedly driven up operating costs and intensified competition in those markets.

Countries in Central and Eastern Europe (CEE) offer moderate cost savings (in the 30-50% range) over leading source locations in Western Europe. While they offer a favorable cloud ecosystem, talent availability, greater proximity to key source markets, and lower competitive intensity, they score lower on innovation potential, complexity of services offered, and concentration of technology start-ups and players. The Czech Republic is a prominent location for cloud services in the CEE, while Poland and Romania are emerging destinations.

Asia Pacific (APAC)

Experts in global services

www.everestgrp.com/blog/

Related content

- [Market Vista™: 2019 Year in Review and Outlook for 2020](#)
- [Market Vista™: Q3 2020](#)
- [The Impact of COVID-19 on Global Delivery Locations and Portfolio Strategies](#)
- [Business Continuity Planning \(BCP\): A Strategic Rethink](#)
- [Global Locations State of the Market 2020: Moving Forward in Turbulent Times | Key Trends Shaping the Landscape](#)
- [Winning the War for Talent: An Enterprise Guide to Building a Sustainable Workforce Strategy](#)
- [Playbook: Integrating Work From Home \(WFH\) in the Global Business Services \(GBS\) Delivery Model](#)
- [GBS State of the Market Report: Evolving Operating and Governance Models to Build GBS of the Future](#)

www.everestgrp.com



Stay connected

Website
everestgrp.com

Social Media
@EverestGroup
@Everest Group
@Everest Group
@Everest Group

Blog
everestgrp.com/blog

Podcast
DigitalReallTY



Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

Bangalore
india@everestgrp.com
+91-80-61463500

Delhi
india@everestgrp.com
+91-124-496-1000

London
unitedkingdom@everestgrp.com
+44-207-129-1318

New York
info@everestgrp.com
+1-646-805-4000

Toronto
canada@everestgrp.com
+1-416-388-6765