



Key Global Services Trends for 2021 and Lessons from 2020

March 4, 2021

Live Tweeting #EGAnalyst



Introductions



Michel Janssen

Chief Research Officer

michel.janssen@everestgrp.com



Sakshi Garg

Vice President, Global Sourcing

sakshi.garg@everestgrp.com



Prashray Kala

Vice President, Global Sourcing

prashray.kala@everestgrp.com

Discussion points for today

**Key global services market
developments in 2020**

**Key global services trends
for 2021**





What are your expectations for your organization's growth (revenue/scope) in 2021?

Quick poll 1 results

What are your expectations for your organization's growth (revenue / scope) in 2021?

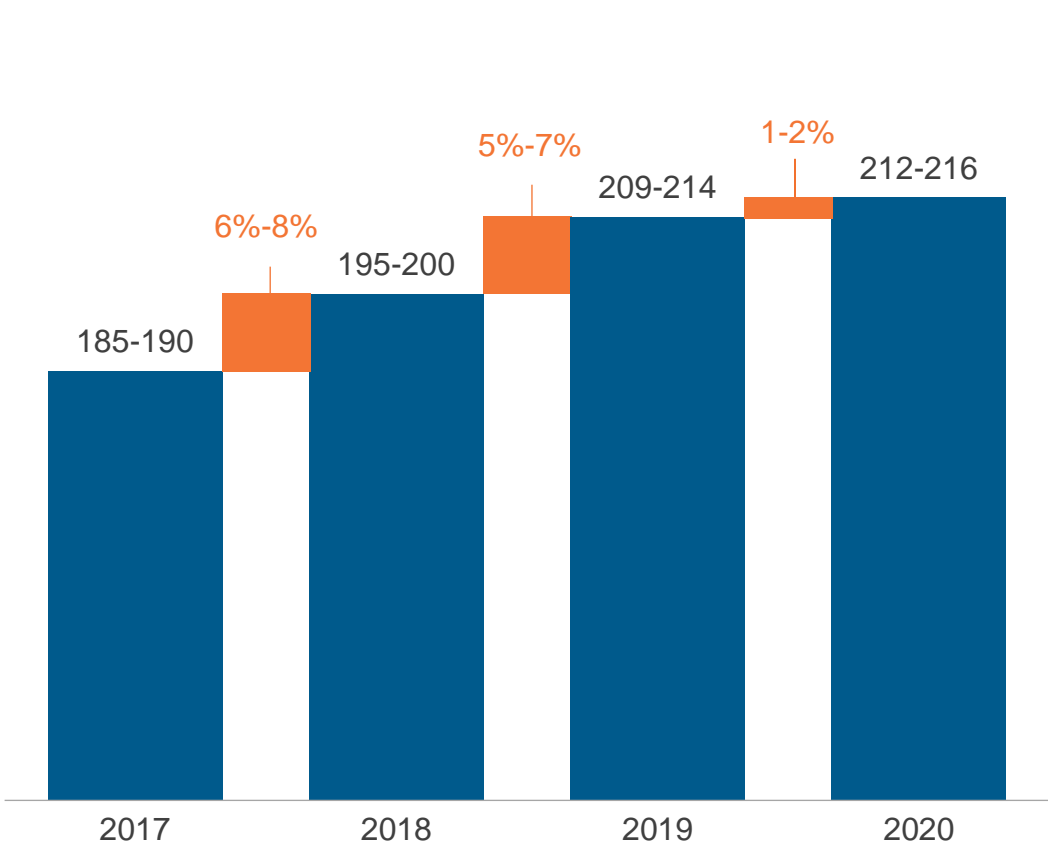
- >31% reduction – **2%**
- 21-30% reduction – **4%**
- 11-20% reduction – **2%**
- 2-10% reduction – **5%**
- Nearly flat – **8%**
- 2-10% growth – **36%**
- 11-20% growth – **30%**
- 21-30% growth – **8%**
- >31% growth - **5%**



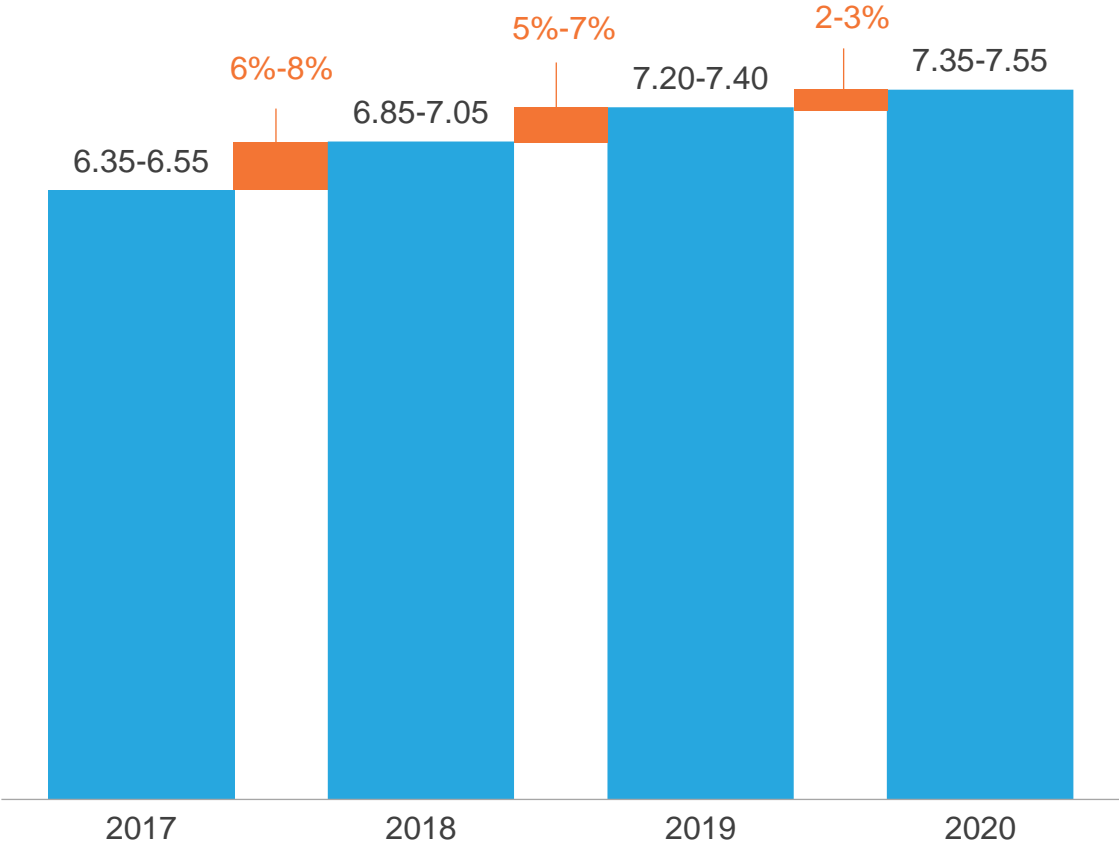
**A year with COVID-19:
How did the global sourcing industry perform in 2020?**

The global services market displayed admirable resilience amid the pandemic and continued to grow in 2020, albeit at a slower rate than before

Global services revenue and growth
2017-20; US\$ billion



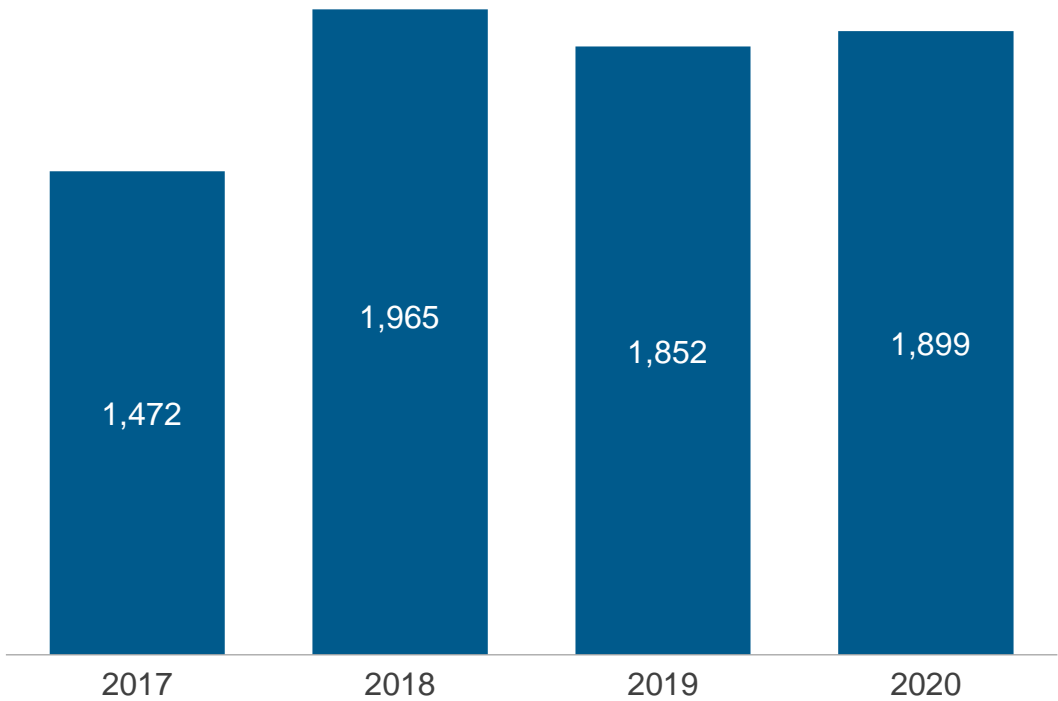
Global services headcount and growth
2017-20; number of FTEs (in millions)



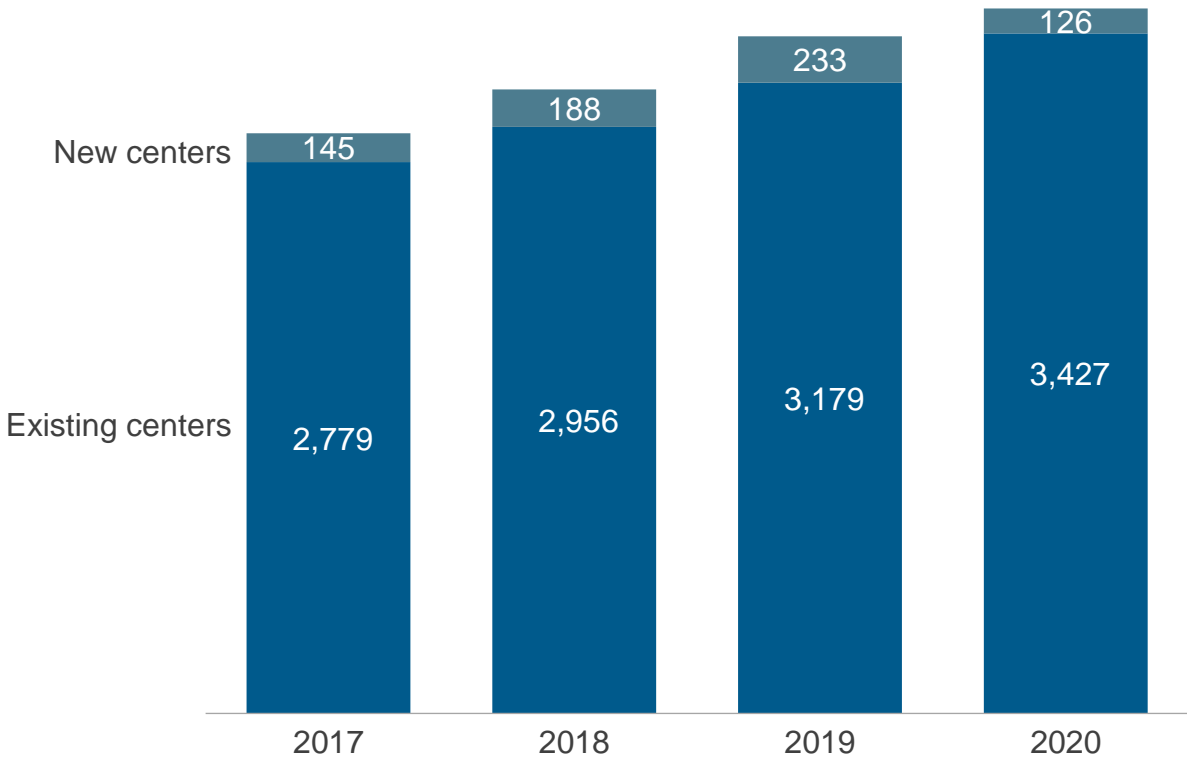
Note Includes global services exports from offshore/nearshore locations; excludes the domestic market
Source: Everest Group (2021)

Both outsourcing transactions and GBS setups continued to grow in 2020

Outsourcing transactions announced¹
2017-20; number of transactions



Number of offshore-nearshore GBS center setups
2017-20; number of GBS centers



¹ Deal volume per iteration may vary due to ongoing enhancements to Everest Group's Transactions Intelligence Database
Source: Everest Group Transactions Intelligence Database









**A year with COVID-19:
What were the key changes in the nature of demand?**

Demand grew significantly in the technology and communications industry, while the share of retail and CPG declined

Share of industry verticals for outsourcing deals and new GBS center setups
2020; percentage

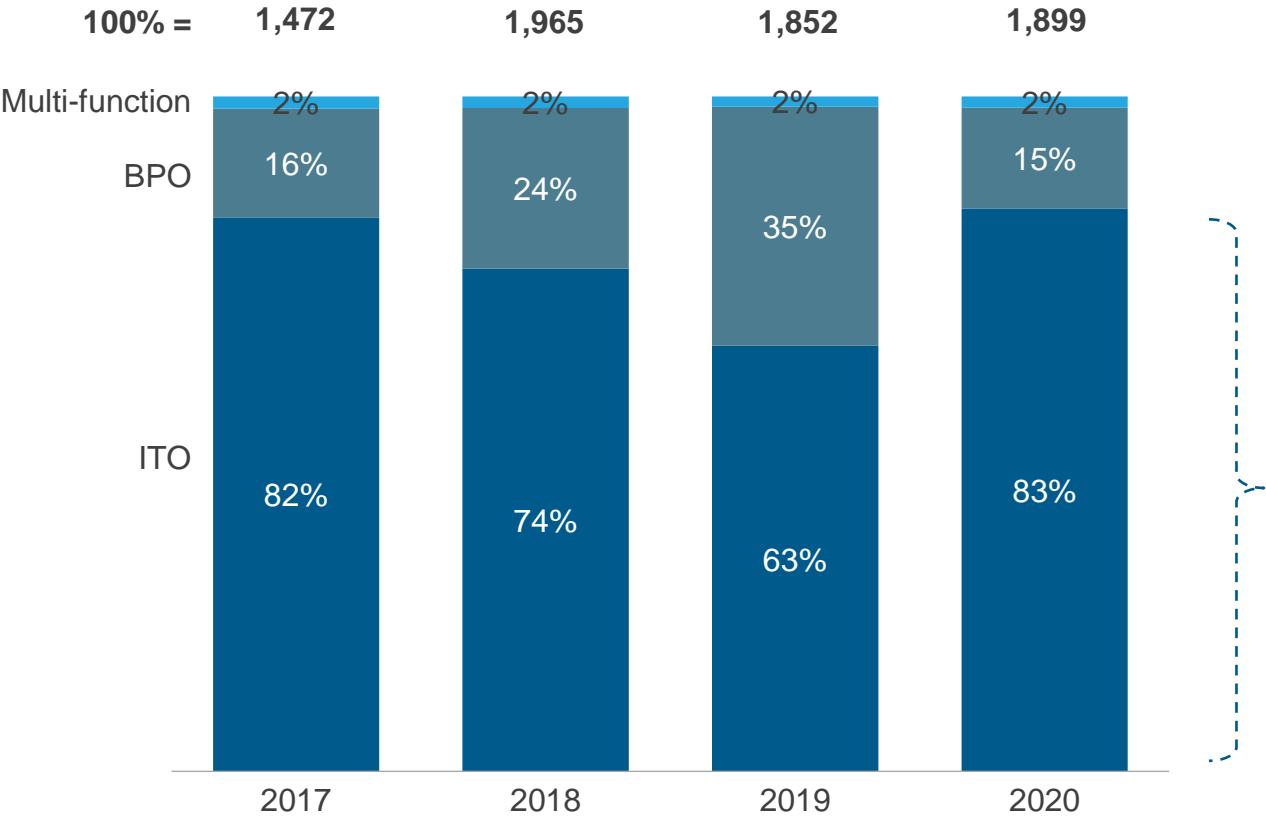
Change from 2019: ↑ Increased ↔ Negligible change ↓ Decreased

		Outsourcing deals		GBS center setups	
	BFSI	21%	↔	10%	↓
	Healthcare	6%	↔	4%	↔
	Manufacturing	9%	↑	15%	↓
	Retail and CPG	6%	↓	2%	↓
	Technology and communication	14%	↑	53%	↑
	Others ¹	24%	↓	16%	↑


¹ Includes government, cyclical commodities, hospitality & tourism, and transportation & logistics
Source: Everest Group (2021)

Following a two-years decline, the share of ITO services in new deals increased significantly

Outsourcing transactions announced by function¹
2017-20; number of transactions



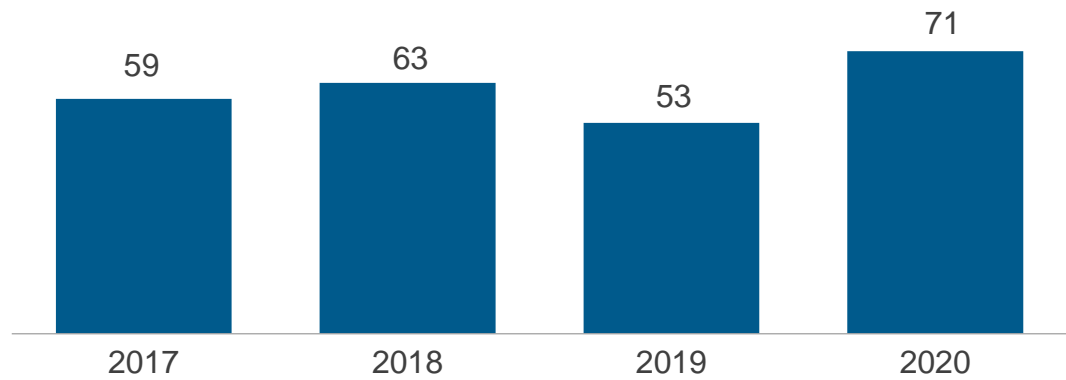
ITO growth driven by

-  Increasing demand for digital transformation
-  Increasing demand for cloud, cybersecurity, and workplace services

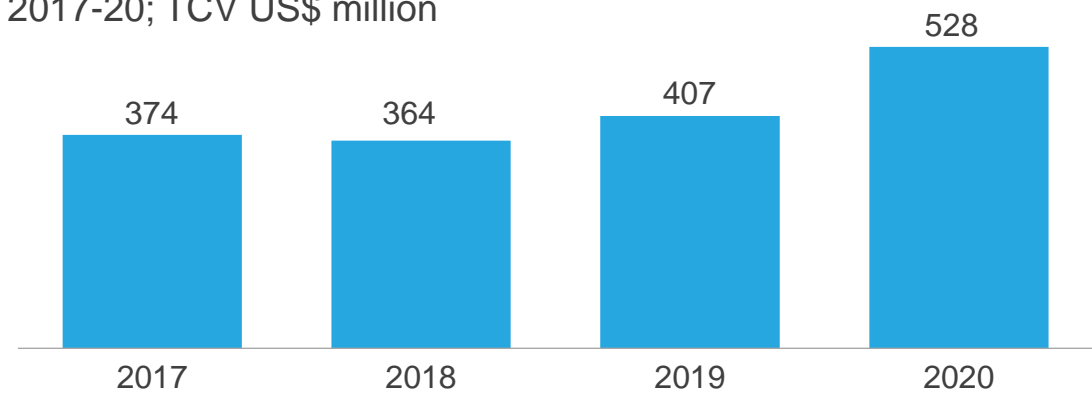
¹ Deal volume per iteration may vary due to ongoing enhancements to Everest Group's Transactions Intelligence Database
Source: Everest Group Transactions Intelligence Database

The number of large-scale deals grew in 2020, reflecting strong market confidence and a positive outlook

Count of large-scale deals (>US\$100 million)
2017-20; number of deals






Large deal average size
2017-20; TCV US\$ million



Source: Everest Group Transactions Intelligence Database of publicly announced deals, company filings

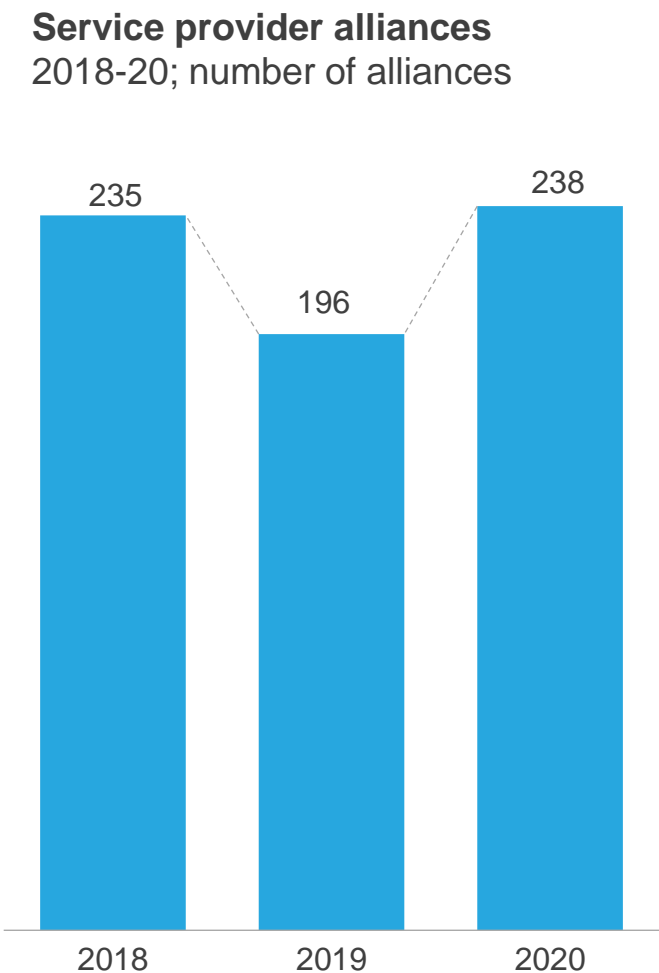
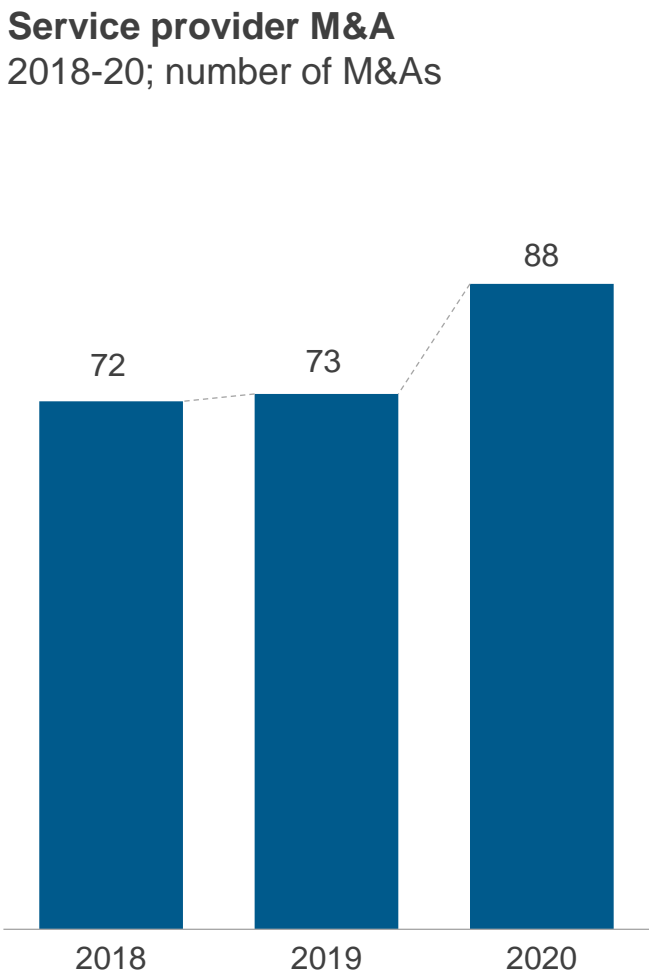
Growth driven by

-  Large-scale digital transformation initiatives
-  Rise in asset-leveraged deals as enterprises monetize their non-core assets
-  Vendor portfolio consolidation to drive cost efficiency




Examples of large-scale deals



Significant growth in mergers and acquisitions and alliances across service providers



Growth driven by

-  Desire to augment digital capabilities
-  Geographic expansion
-  Attractive valuation of start-ups driven by COVID-19, coupled with many service providers' cash-rich positions

Discussion points for today

Key global services market
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for 2021



Growth of the overall global services industry

Multiple factors are driving global services industry growth



Positive enterprise sentiments



Vaccine roll-out



Fiscal stimulus across demand geographies



Pent-up demand



Digital acceleration

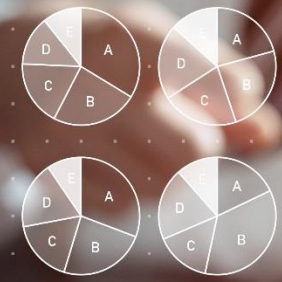


Need for cost optimization





AIU 1,822 (-35)	WWE 890 (-20)	PLD 6,350 (-200)	QRT 665 (-15)	GBV 6,800 (-115)
MBC 3,605 (+210)	LJH 9,542 (-128)	MJB 2,609 (+35)	PON 7,654 (+169)	UGH 1,632 (-54)
YBV 3,204 (-33)	QMN 5,211 (+156)	MMJ 7,100 (-60)	IIT 7,150 (-150)	CCX 1,901 (+10)
MBB 3,320 (-120)	WFF 712 (+12)	HJM 134 (+5)	QLC 2,022 (-18)	SDH 6,287 (-57)






Trend #1: GBS organizations will play a significant role in 2021 enterprise recovery; growth in scale, scope, and stature within the organization



While hiring expectations for the market are muted for 2021, GBS centers are bullish based on 2020 successes and are expecting significant growth in 2021

Sentiments about anticipated headcount growth
Percentage of respondents



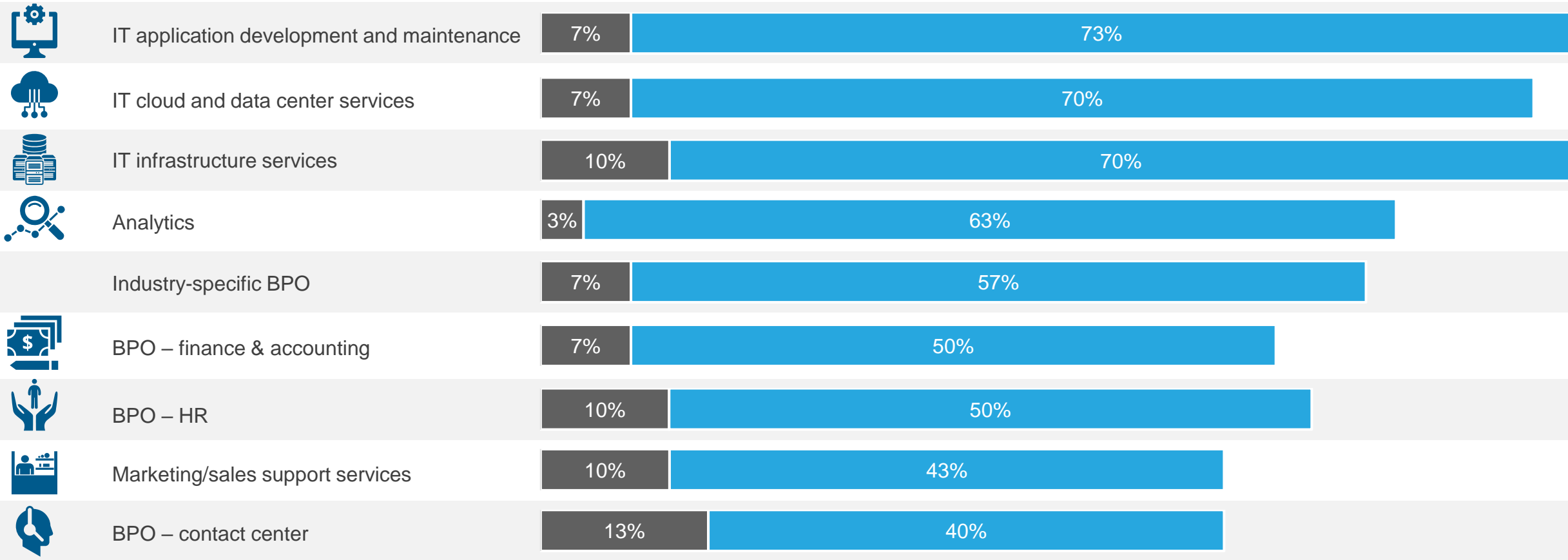
		2020	2021
	Enterprise average growth	3.9%	0.6%
	GBS average growth	2.8%	6.2%
	Service provider average growth	7.5%	5.0%

Source: Everest Group Key Issues Survey, 2019 and 2020, respectively

GBS' scope of delivery will expand, with growth expected to be more pronounced in the technology and analytics spaces

Sentiments about anticipated growth by function – GBS

■ Increase ■ Decrease

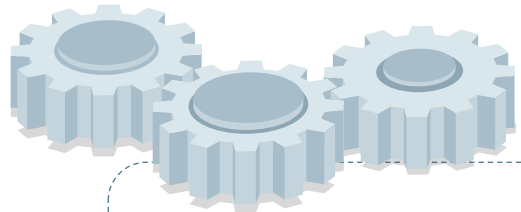


Note Bars do not sum to 100% because they exclude the neutral respondents
Source: Everest Group Key Issues Survey, 2020

GBS organizations will evolve to increase their degree of influence in the enterprise

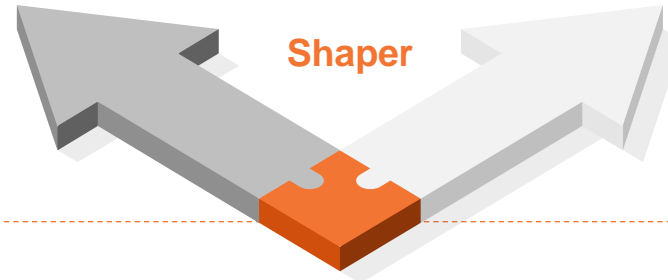


Increasing influence of GBS



Helper

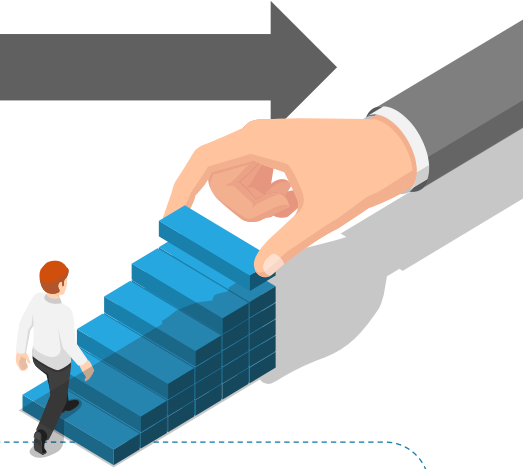
- Parent/enterprises leading major initiatives, **GBS primarily executes**
- **Limited/no seat at the table** for decision-making



Shaper

- GBS has significant responsibility beyond delivery, which could include:
 - Influencing **investments in new capabilities**, e.g., tools and platforms
 - Shaping **sourcing strategy**, e.g., in-house vs. outsource and vendor recommendations)
 - Driving innovation
- **Seat at the table** in some functions/areas

Leader



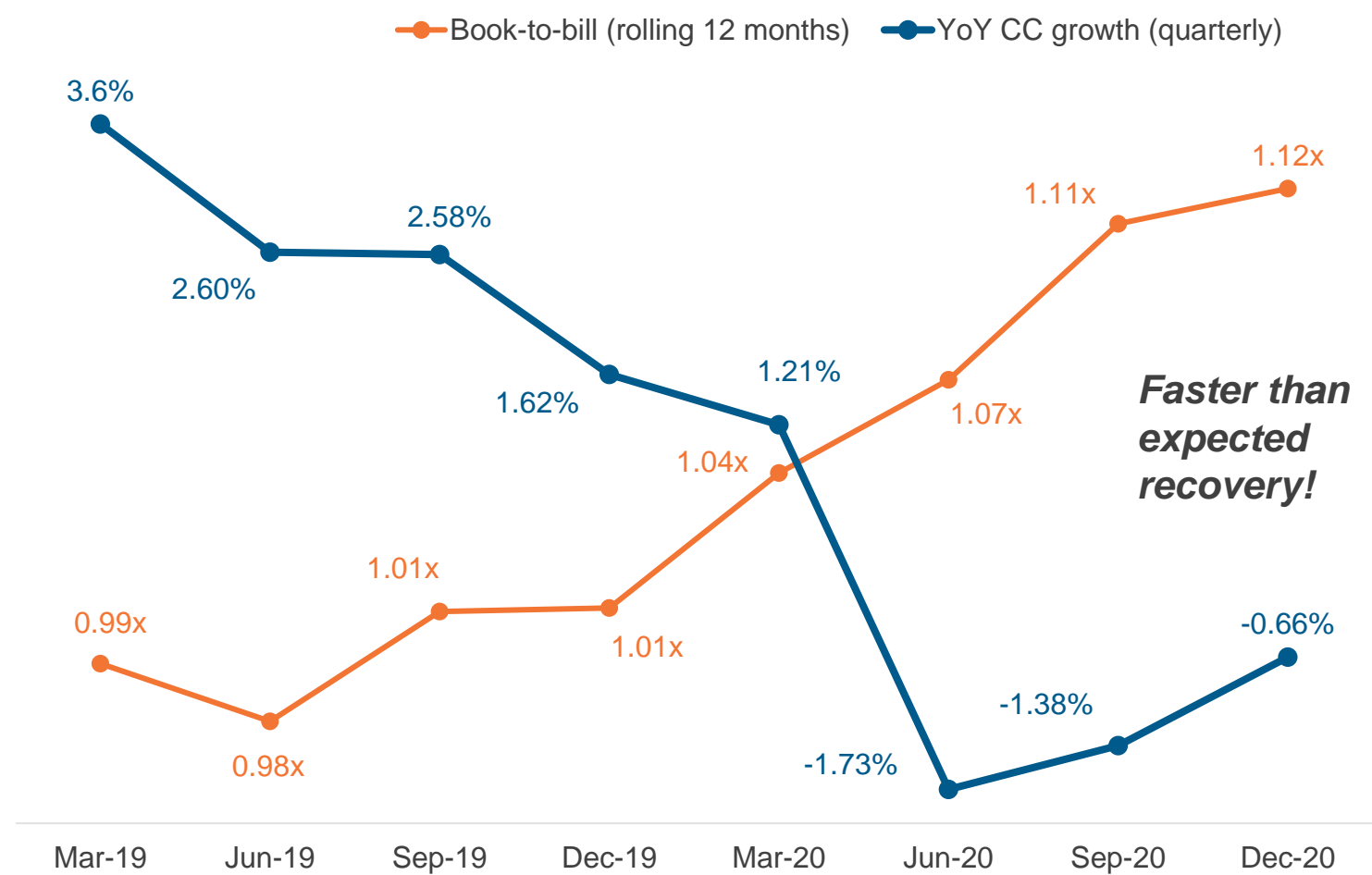
- GBS assumes leadership role for the enterprise in **ideation, design, and implementation of major initiatives**; often leading teams that include the parent and GBS
- GBS seen as true nerve center for some capabilities, e.g., setting up automation center of excellence

Trend #2: As with GBS, outsourcing is on the rise – showing that enterprises are firing on both thrusters for increased global services usage




Outsourcing revenue is recovering sharply; bookings have accelerated significantly

Aggregate YoY revenue growth of select leading service providers



What else is notable?

- Leading outsourcing companies' stock prices and valuations are at record highs
- Margins are increasing steadily
- Large deal percentage is increasing

An aerial, high-angle photograph of a busy city street. The pavement is made of dark, rectangular tiles. Numerous pedestrians are visible, their figures blurred due to motion, suggesting a fast-paced environment. The blurring is most prominent in the foreground and background, while the center of the image shows more distinct figures. A semi-transparent dark banner is overlaid across the middle of the image, containing white text.

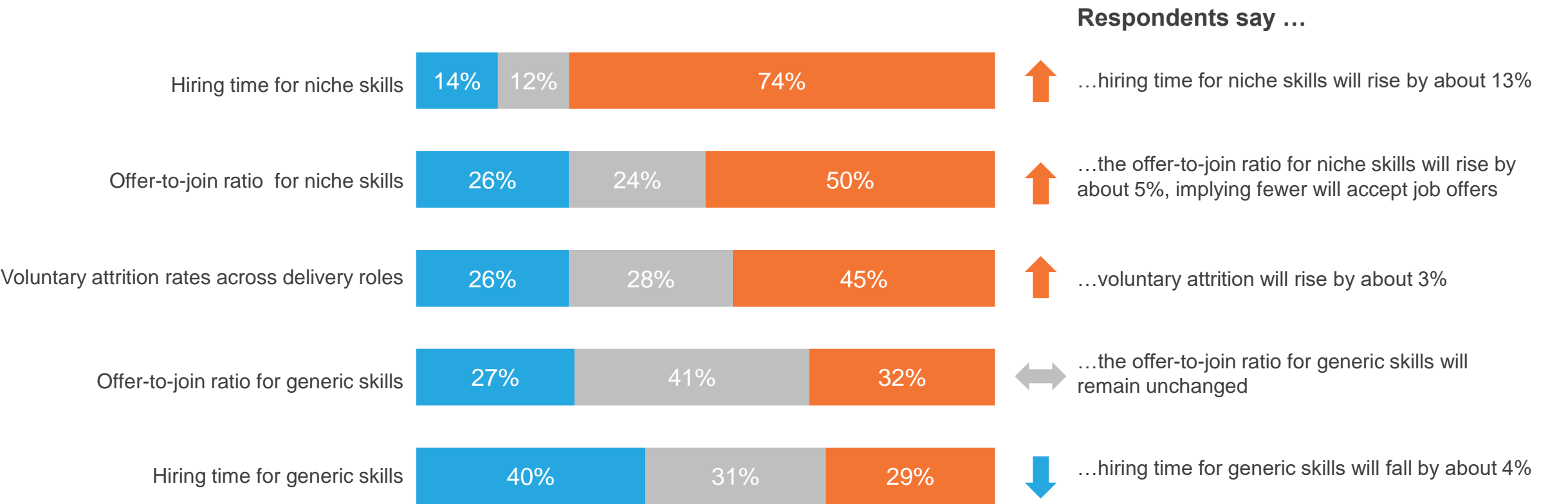
Trend #3: While COVID-19 led to better talent retention in 2020, we expect the talent market to be tougher in 2021

Segments of the talent market will experience increased hiring time and attrition along with a decline in job offer acceptances, making it tough to hire and retain talent

Sentiment about change in talent acquisition metrics in 2021

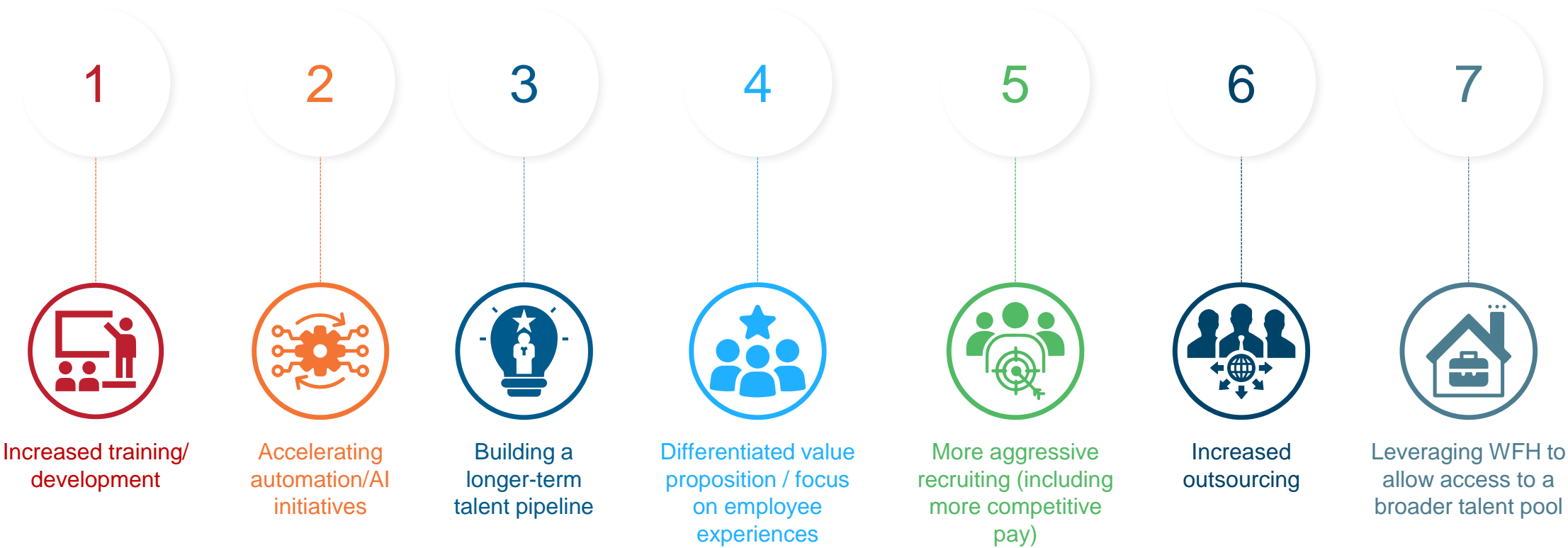
Response distribution; % of total

Change from 2019: ↑ Increased ↔ No change ↓ Decreased



More focus on training and development, automation, and building a longer-term talent pipeline are the key levers to addressing talent-related challenges

Key levers to addressing talent-related challenges
Ranking based on percentage of respondents selecting as high priority



Source: Everest Group Key Issues Survey, 2021

Additionally, enterprises need to rethink several attributes of their overall workforce strategies to make them future-ready

What skills will your organization need in the post-COVID world? Which skills will become redundant?



How will you accelerate transformation toward a robotic workforce? What role will the human workforce play in the future delivery model?

Will the current organization structure work in the future? Do enterprises need to transition to a roles-based organization model to build the future workforce?



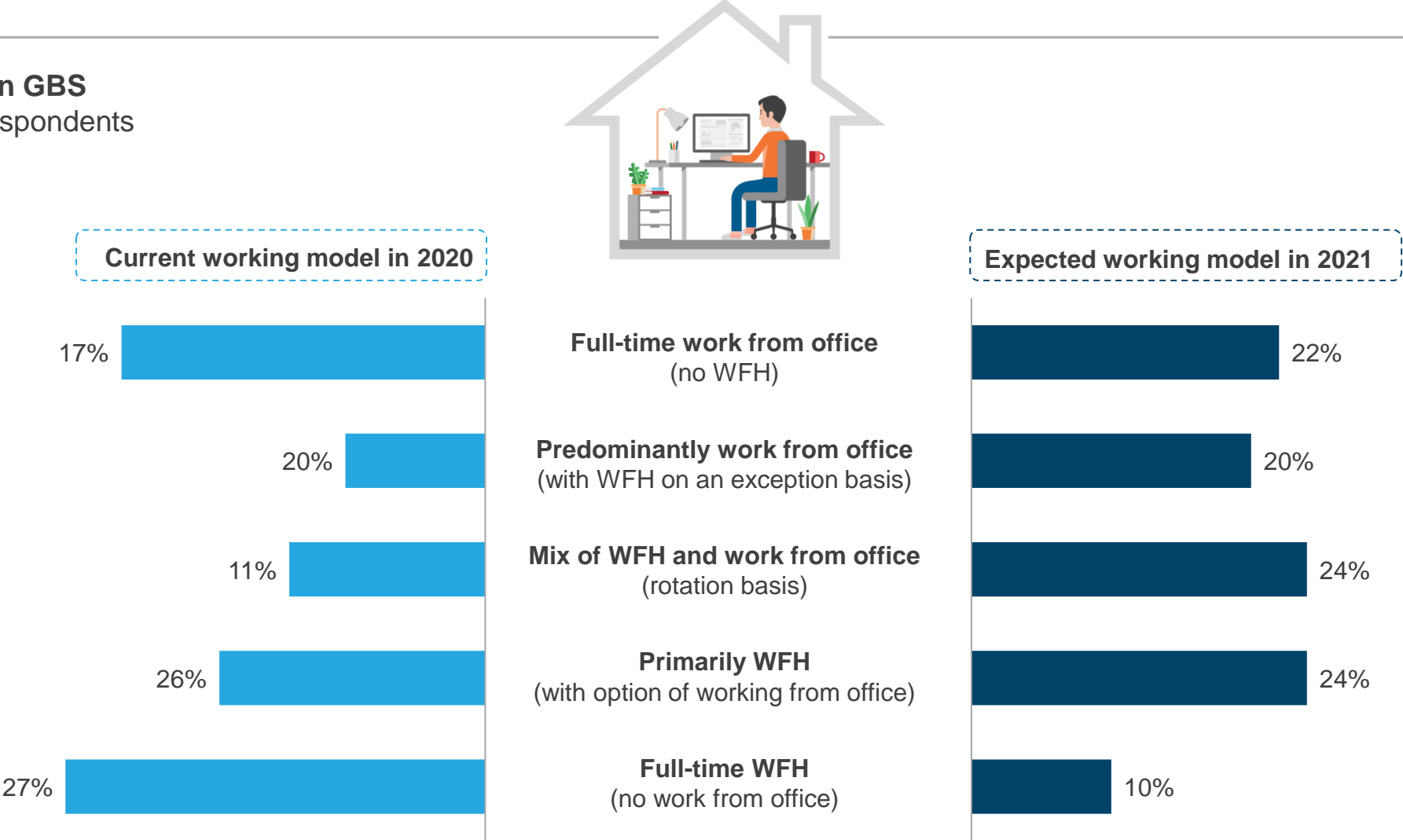
Will traditional models of engaging the workforce continue to apply? Will adoption of the gig workforce (both internal and external) rise?

Trend #4: WFH is not going away; enhancing employee experience will be a key priority for enterprises



While WFH model adoption will decline from current levels, it will continue to be part of the delivery model strategy with a more intentional approach

WFH adoption in GBS
Percentage of respondents




Source: Everest Group Key Issues Survey, 2020


Organizations will need to invest in a wide array of tools, technologies, and platforms to enhance employee experience

NOT EXHAUSTIVE

1


Virtual interview


**AllyO**


**Avature**

harver

HireVue


**interviewstream**
POWERED BY RVS


**myInterview**

**OUTMATCH**

rec•right


SPARK HIRE


**VidCruiter**

**XOR**

2


Employee onboarding

**ClickUp**

**Soapbox**


Typeform


Typelane





3


Diagramming, prototyping, and graphics editor


**ZEPLIN**

**Sketch**

**Figma**

**Pingboard**

**inVISION**





4

Remote learning

apty

WizIQ


**ezTalks**


**ispring**

loop


5


Meeting and collaboration



**Skype**


zoom



Webex Meetings


**GoToMeeting**


6

Knowledge sharing and management

**Dropbox**


**nextcloud**


**OneDrive**





7


Project management

**Trello**

**asana**


**GitBook**


**Basecamp**


**JIRA**


8

Scheduling

**BOOMERANG CALENDAR**

**colendly**

**Doodle**

**Google Calendar**

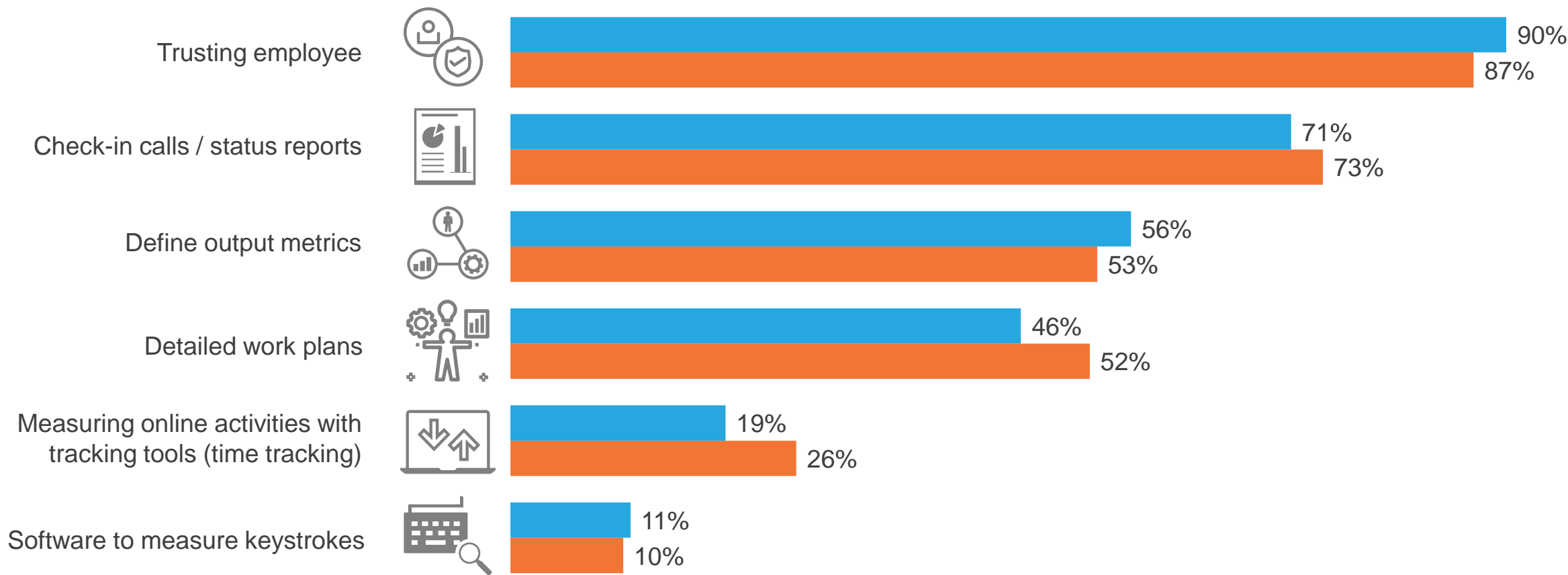


Trend #5: Employee productivity measurement will move from conversation to action

Productivity measurement was in the limelight in 2020; however, the majority of the organizations deployed rudimentary approaches to measure productivity

Approach to measuring employee productivity
Percentage of respondents

June 2020 November 2020



Where are you in your employee productivity measurement tool adoption journey?

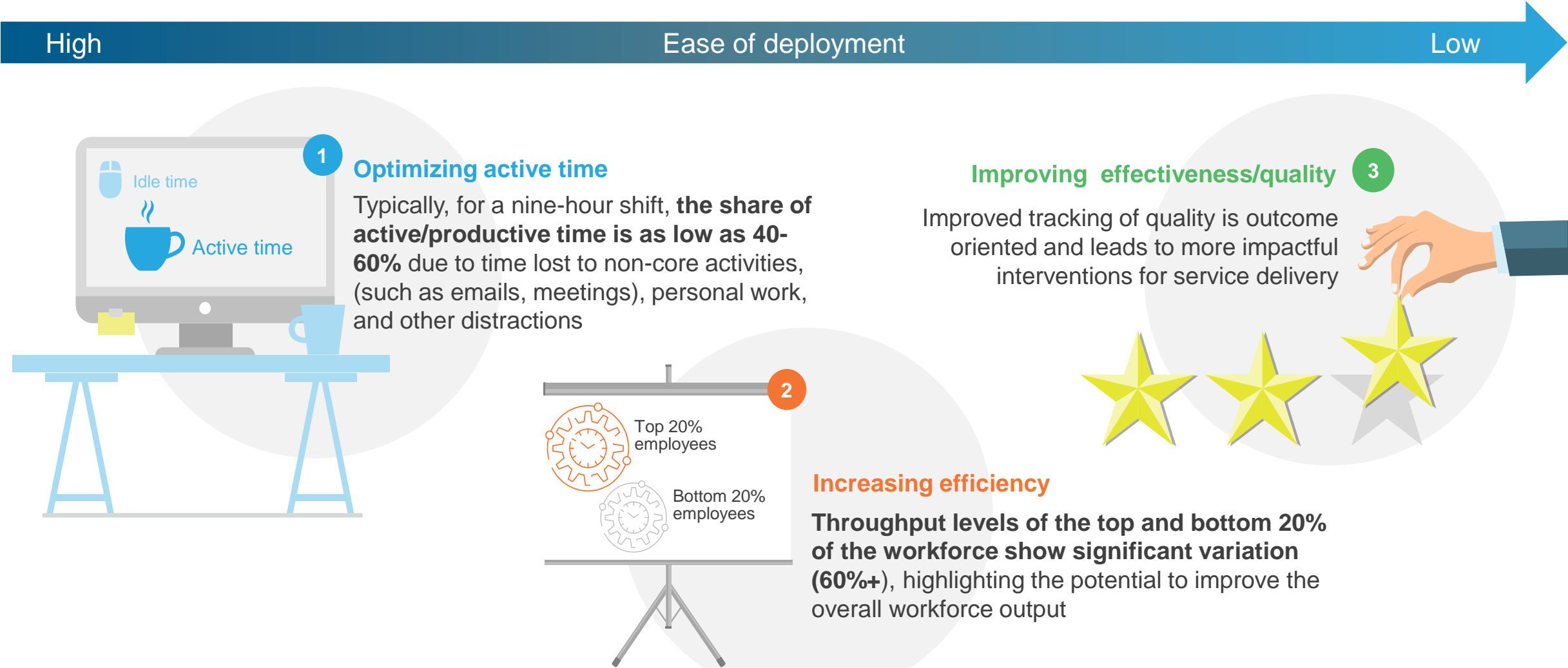


Quick poll 2 results




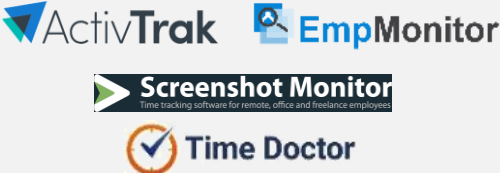



Where are you at in your employee productivity measurement tool adoption journey?

- Not planning to implement a tool to measure productivity – **23%**
- Want to implement but do not know where to start – **11%**
- Evaluating different measurement tools available in the market – **21%**
- Finalized the tool and will be implementing soon – **7%**
- Implemented productivity measurement tool at scale already – **28%**
- Not focused on productivity measurement – **11%**

Organizations will leverage multiple levers to enhance employee productivity



Adoption of productivity measurement tools will expand to include tools providing insights on output, quality, and effectiveness and not only activities and time spent

	<div> <div>Low</div> <div>Increasing complexity of productivity solution</div> <div>High</div> </div>			
	Traditional time monitoring	Activity monitoring	Output monitoring	Comprehensive workforce efficiency monitoring
<div>  <p>Scope of functionality</p> </div>	Manually recording employee work time – includes capturing relatively simple metrics such as attendance, time-in/time-out, and time spent on key tasks	Automatically/manually monitoring employee behavior with respect to core and non-core activities – includes activities such as emails, website browsing, social media, screen status	Automatically/manually monitoring employee output – includes tracking the completion of core activities, such as invoices processed	Integrated output and input monitoring by automatically capturing employee output and time spent – includes capturing employee productivity, efficiency, or throughput
<div>  <p>Platforms/tools (examples)</p> </div>	<div>  </div>	<div>  </div>	<div>  </div>	
<div>  <p>Key benefits</p> </div>	Simple to use and limited deployment cost	Moderate ease and cost of deployment	Moderate ease and cost of deployment	Correlated insights on both process input, such as time, and output; offers significant potential for workforce analytics, including improving effectiveness
<div>  <p>Key trade-offs</p> </div>	Limited employee output insights; primarily captures overall time clocked in	Limited insights on employee output and overall time utilization patterns; primarily captures time spent on specific activities, such as emails and browsing	Limited insights on process inputs such as time utilization; primarily collates achievement of objectives such as completion of key tasks	Typically, proprietary platforms require high investment at deployment stage

Recap of 2021 trends



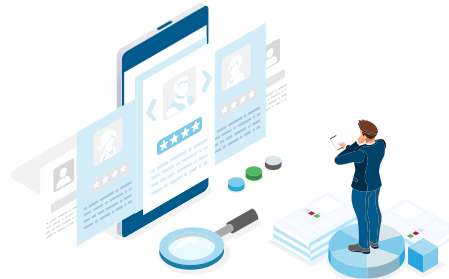
Trend #1

GBS organizations will play a significant role in 2021 enterprise recovery; growth in scale, scope, and stature within the organization



Trend #2

As with GBS, outsourcing is on the rise – showing that enterprises are firing on both thrusters for increased global services usage



Trend #3

While COVID-19 led to better talent retention in 2020, we expect the talent market to be tougher in 2021



Trend #4

WFH is not going away; enhancing employee experience will be a key priority for enterprises



Trend #5

Employee productivity will move from conversation to action

Special offer for today's session (for enterprises only): complimentary cost check



HOW To request your complimentary talent and cost check, contact either Michel (michel.janssen@everestgrp.com) or Prashray (prashray.kala@everestgrp.com) or indicate your selections on the post-webinar survey

1 Cost per FTE includes people cost, support staff and management cost, facilities cost, training and recruitment cost, transportation cost, technology cost, and other miscellaneous costs; does not include center set-up and transition costs or travel and other expat-related costs

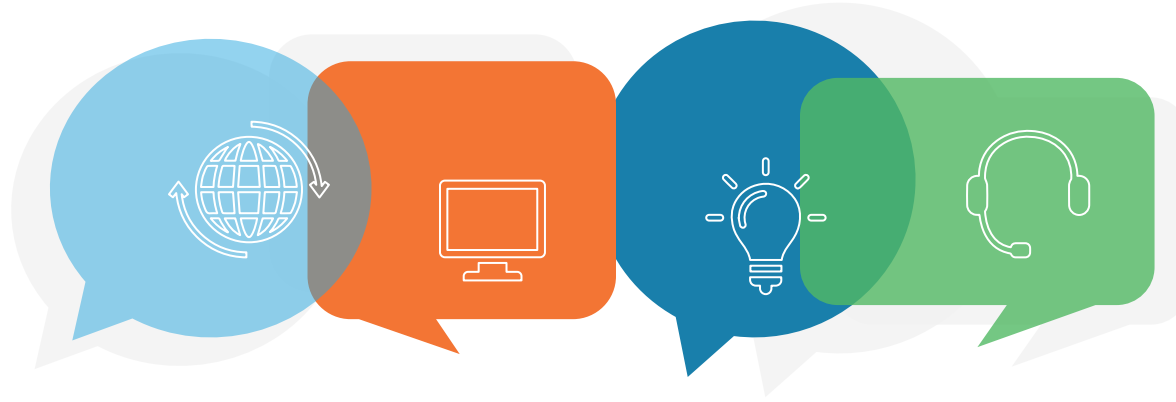
2 Cost drivers are representative of quantitative metrics such as attrition, delivery pyramid across four levels, space utilization, and space per seat

Discussion points for today

Key global services market
developments in 2020

Key global services trends
for 2021





To ask a question during the Q&A session


- Access the Questions panel within the Zoom console, which is typically located on the bottom of your Zoom window
- Type your question in the dialogue box, then select Send 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 cost check, please contact:
 - Michel Janssen, michel.janssen@everestgrp.com
 - Sakshi Garg, sakshi.garg@everestgrp.com
 - Prashray Kala, prashray.kala@everestgrp.com

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

Shared Services Centers and the Myth of Scale | Blog


Posted On September 26, 2019

Author By



Akshay Pandita
Senior Analyst
Everest Group

[in](#)



Vivek Bhatia
Practice Director
Global Sourcing

[in](#)

GIC shared services SSC

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Shared Services Centers (SSCs) – what we refer to as Global In-house Centers (GICs) – need to achieve breakeven to be financially viable. The breakeven equation is straightforward: the point at which total labor arbitrage (the average difference in labor cost between the SSC and a center at home) is equal to the SSC's run cost (all non-labor costs such as facility costs, utilities, training, recruitment, travel, and other miscellaneous costs.)

Conventional wisdom says that only large centers with a minimum of 1,000 FTEs can achieve breakeven. But this is school thinking, and old-world reality.

We analyzed the breakeven point for 850 GICs in today's digital world across a variety of factors, including the scope and complexity of services delivered, locations leveraged, and employee profiles. And we found that even an SSC with as few as 500 FTEs can be financially viable if it is delivering high-end, judgment-intensive services.

The rise of small SSCs/GICs

In the last three years, the average SSC scale, as measured by the number of FTEs, has declined by about 60 percent.


Why are we seeing this significant increase in small-scale centers? Several reasons:

- Lower barriers to entry: Technology advancements facilitate better collaboration and knowledge transfer among GICs and peers
- More robust ecosystem: Better infrastructure, access to a large talent pool with relevant technical and functional skills, and multiple professional services firms to provide on-ground support
- Lower cost: Easier access to cost-competitive real estate, and wider availability of talent with the relevant functional and managerial skills.

Is Your Shared Services Center Driving Automation Across Your Enterprise? | Blog


Posted On December 5, 2019

Author By



Bhansali M
Global Sourcing
Practice Director

[in](#)



Param Dhar
Senior Analyst, Global
Sourcing

[in](#)

automation shared services


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Over the past few years, automation has become an integral part of Shared Services Centers' (SSCs) growth and evolution. Whether large or small, whether onshore, nearshore, or offshore, SSCs – what we refer to as Global In-house Centers (GICs) – have made strong progress in adopting automation solutions.


Some have only dipped their toe into basic RPA. Others have moved ahead with more advanced automation technologies like machine learning and artificial intelligence. And a handful have started emerging as key strategic and revenue-generating entities for their parent companies. These GICs have built scaled delivery teams with strong domain knowledge around the implementation of automation solutions. There are multiple instances of GICs housing the global automation Center of Excellence (CoE) and driving initiatives across the enterprise. Aggressive adopters have moved beyond automating processes within the center and are now supporting process automation across locations and businesses. And they're increasingly leading the design and execution of automation strategy, and are influencing decisions on go/no-go opportunities.

Everest Group's recently published report *Scaling Up the Adoption of Automation Solutions – The Evolving Role of Global In-house Centers* discusses the key adoption trends and challenges in the GIC and automation space.


Let's take a quick look at the four key trends:




GICs are expanding their scope of support, such as advisory and end-to-end implementation support, to their parent enterprises



GICs are intentionally focused on strengthening the in-house talent ecosystem



GICs are proactively upgrading their CoE models to align with the broader automation roadmap and strategy




Some mature GICs are developing in-house automation tools to support automation across the enterprise

Demand for Next-Gen Services Defining Location Strategies | Blog


Posted On November 18, 2019

Author By



Rohan Kapoor
Senior Analyst, Global
Sourcing

[in](#)



Surbhi Gupta
Senior Analyst, Global
Sourcing

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Location Strategy

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Regulatory uncertainty, technological disruption, talent challenges, and a host of other issues have all played significant roles in enterprises' and service providers' location strategies for global services delivery over the past couple of years.

The deep-dive analysis we conducted on enormous volumes of 2018 data to develop our *Global Locations Annual Report 2019* made it clear that five key trends came into play in 2019, and will continue into 2020:

- Increased focus on digital and R&D/engineering services
- Increase in nearshoring
- Slowdown in headcount growth
- Increase in onshoring by service providers
- Growth in emerging locations.


Here's a quick look at each of these trends.

Digital and R&D/engineering services continue to dominate

Enterprise demand for digital services and the associated R&D/engineering services compelled most global service providers to set up innovation centers and COEs to keep up with the changes in the digital landscape. And there was a significant rise in the number of R&D/engineering and digital service delivery centers – especially in APAC and nearshore Europe – as providers vie to develop data-driven, intelligent, and robust systems using automation, cloud, and AI-based capabilities.

Experts in global services

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Dallas (Headquarters)

info@everestgrp.com

+1-214-451-3000

Bangalore

india@everestgrp.com

+91-80-61463500

Delhi

india@everestgrp.com

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London

unitedkingdom@everestgrp.com

+44-207-129-1318

New York

info@everestgrp.com

+1-646-805-4000

Toronto

canada@everestgrp.com

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