Everest Group®

Workforce and Delivery Location Strategies: What to Aim For in 2021

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Live Tweeting #EGAnalyst

Introductions

Everest Group®

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Discussion points for today

Delivery location trends in 2020 and outlook for 2021

Key forces shaping workforce and locations strategy in 2021

Q&A

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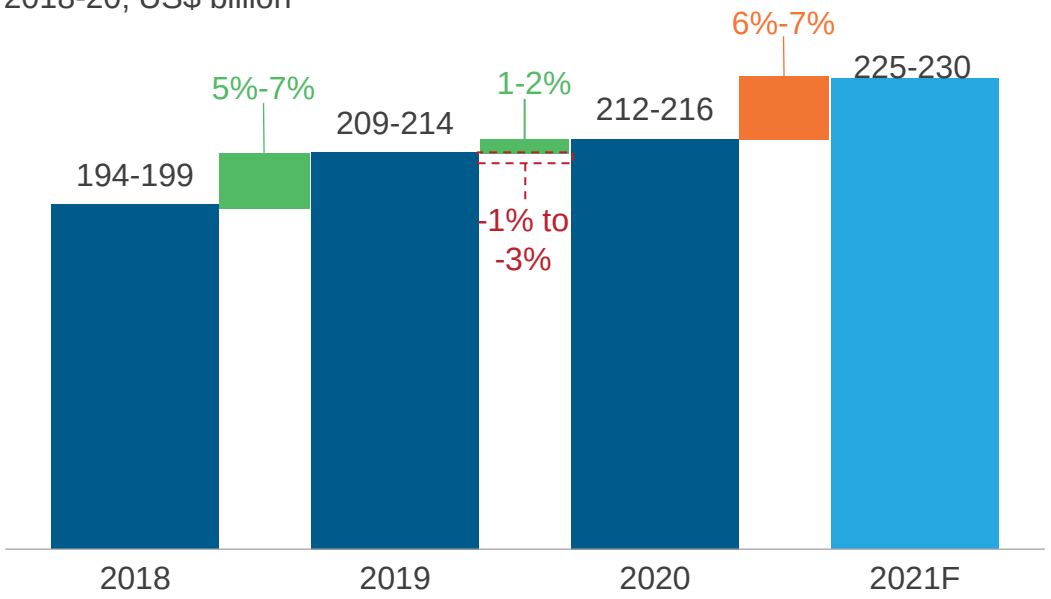
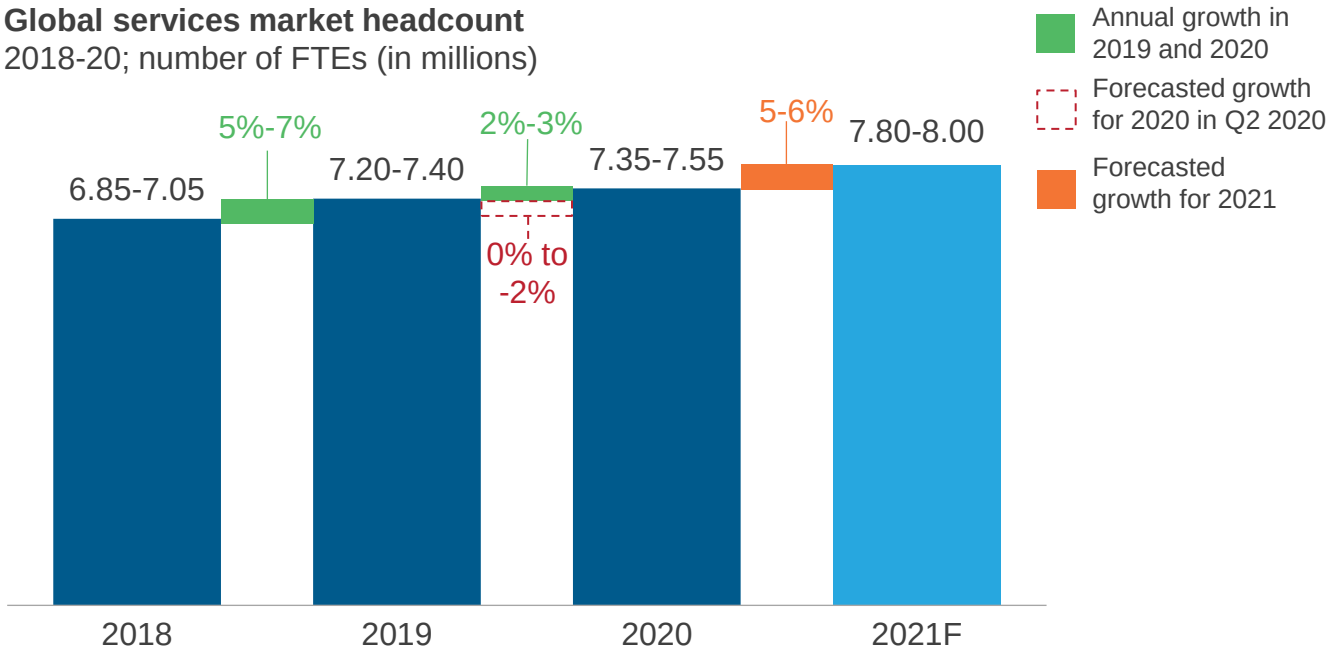
The global services market displayed admirable resilience amid the pandemic and is expected to regain momentum in 2021

Global services market revenue
2018-20; US$ billion



Global services market headcount
2018-20; number of FTEs (in millions)



We expect multiple forces to drive growth of the global services industry in 2021

- Positive enterprise sentiment
- Vaccine roll-out
- Fiscal stimulus across demand geographies
- Digital acceleration
- Pent-up demand
- Need for cost optimization

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

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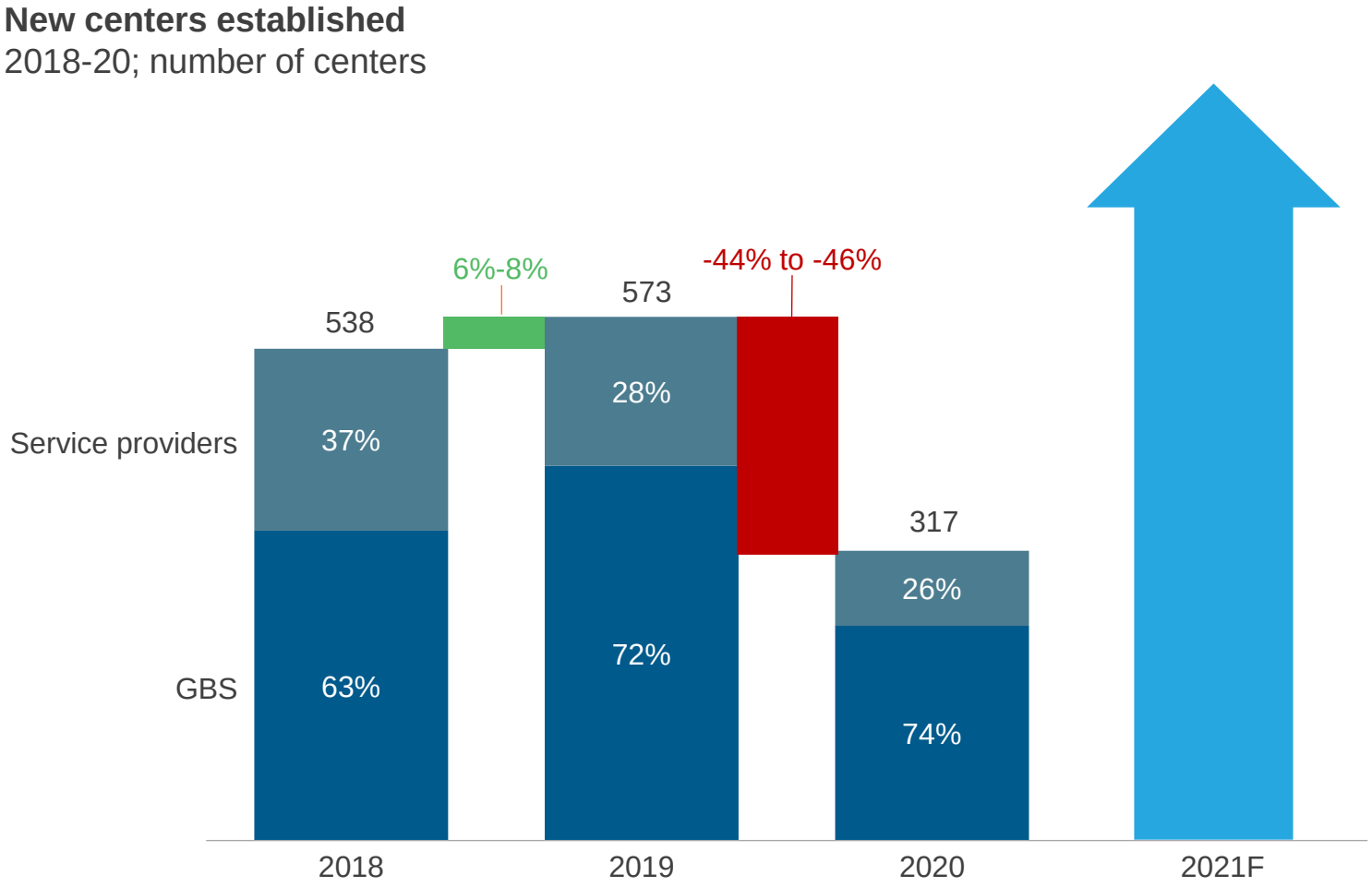
While the number of new center setups declined in 2020, GBS centers continued to dominate new capacity

New centers established
2018-20; number of centers



2021 surge likely to be driven by:

- "Pent-up/op-timism"
- Digital acceleration
- Desire for locations "de-densification"

Source: Everest Group (2021)

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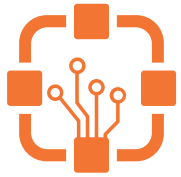
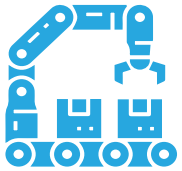
Technology & communications and healthcare, IT services and R&D were the biggest gainers

	Industries			Functions		
Growth in share of new center setups	Technology and Communication	Healthcare	Transport and Logistics	R&D / Engineering	Digital services	 IT infrastructure
Decline in share of new center setups	 Manufacturing	BFSI	Retail & CPG	Hospitality and Tourism	Customer Support	F&A	HR

Note: Growth and decline based on relative comparison of share of center setups in 2020 with respect to 2018-19
Source: Everest Group (2021)

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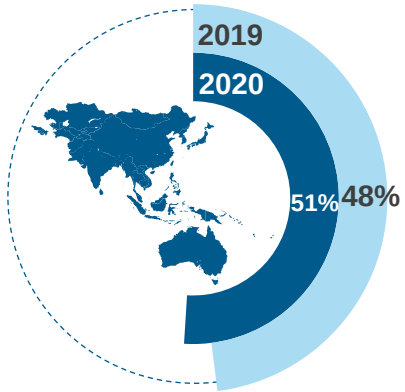
New center set-up activity was strong in emerging locations across regions

NOT EXHAUSTIVE



Asia Pacific

Established locations

India, China, Singapore, Philippines

Emerging Locations

Indonesia, Sri Lanka, Taiwan, Vietnam, South Korea

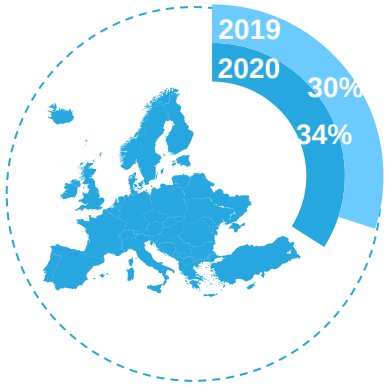
Latin America & Caribbean

Established locations

Brazil, Mexico, Argentina, Costa Rica

Emerging locations

Colombia, Nicaragua



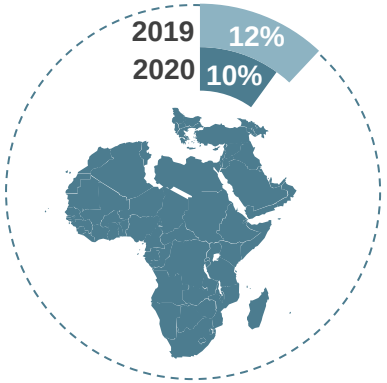
Nearshore Europe

Established locations

Ireland, Portugal, Poland, Romania, Scotland

Emerging locations

Latvia, Serbia, Northern Ireland



Middle East & Africa

Established locations

Israel, Egypt, UAE, South Africa

Emerging locations

Saudi Arabia, Tunisia, Mauritius

Note: Established locations represent countries with high share GBS and service provider centers historically and continued to grow in 2020; Emerging locations represent countries with significant growth in center setup activity in 2020 compared to previous years

Source: Everest Group (2021)

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

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...forcing organizations to relook at multiple aspects of their workforce and location strategy

Sourcing mix (in-house vs. outsource vs contingent)	Shoring mix (onshore vs. nearshore vs. offshore)	Geographic diversification (more countries)	Adoption of small-scale centers	Adoption of remote delivery (e.g., Work from Home, co-working space)

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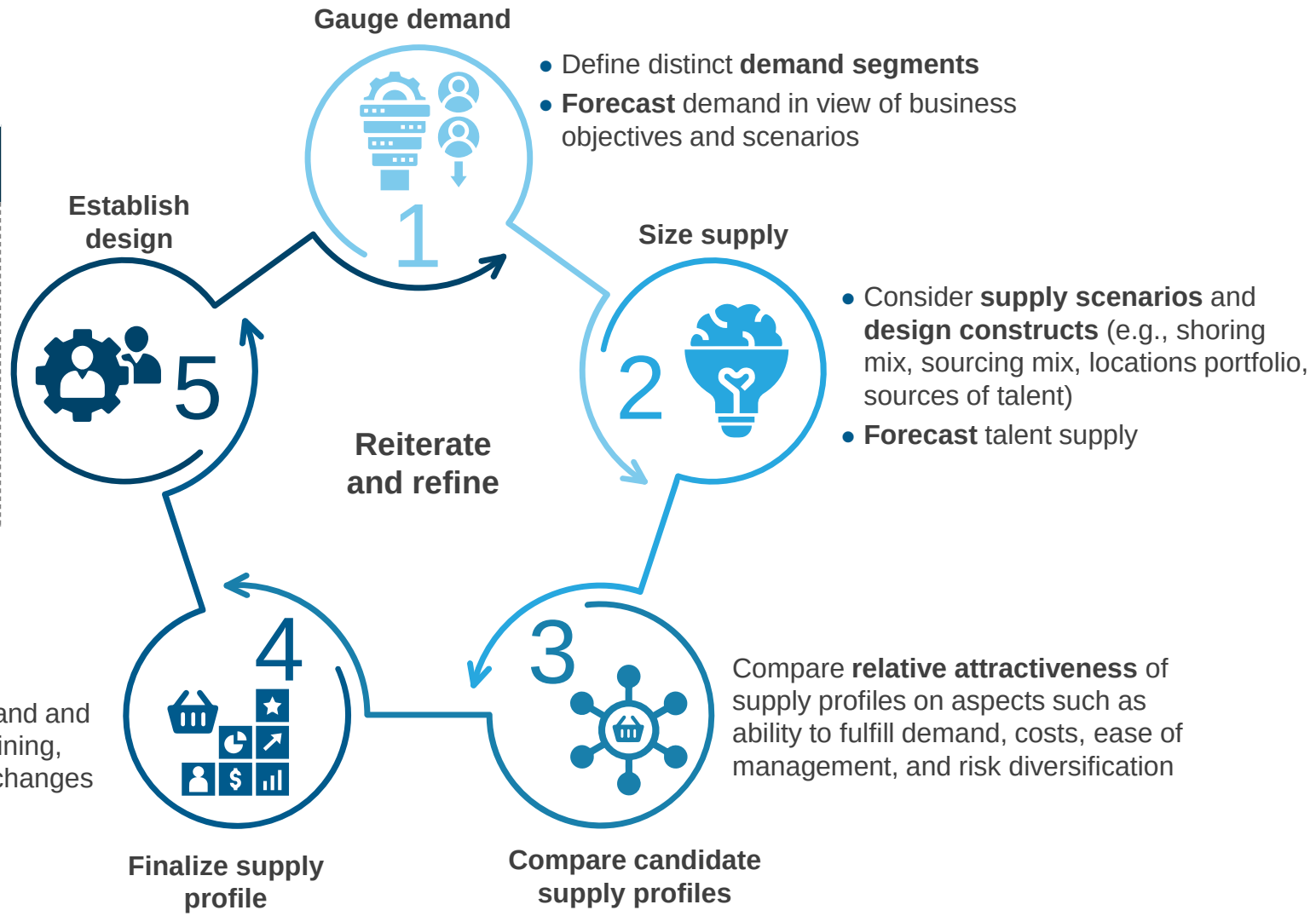
Leading organizations are thus being more intentional about adopting a design-led workforce and locations strategy

Establish workforce strategy **design** for best-fit supply profile

Components of delivery	Design parameters
Shoring mix and locations	Number (how many) Size and share in portfolio Role in portfolio Work mix and placement
Sourcing models, e.g., GBS, third-party	
Sources of talent, e.g., permanent, contingent, gig	



Source: Everest Group (2021)

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Special offer for today's session (for enterprises only): complimentary access to Everest Group's Locations PEAK Matrix®

Select 2 functions
from a set of 6 function

Selected functions

- IT application development
- Digital
- Engineering / R&D services
- Complex/judgement-intensive BPS
- Contact Center (English language)
- Multi-lingual (European language) BPS

You will get
Everest Group's

Locations PEAK Matrix®

Relative attractiveness of leading offshore-nearshore global services delivery locations based on talent availability and cost arbitrage

HOW

To request your complimentary locations PEAK Matrix®, contact either Michel (michel.janssen@everestgrp.com) or Anurag (anurag.srivastava@everestgrp.com) or indicate your selections on the post-webinar survey

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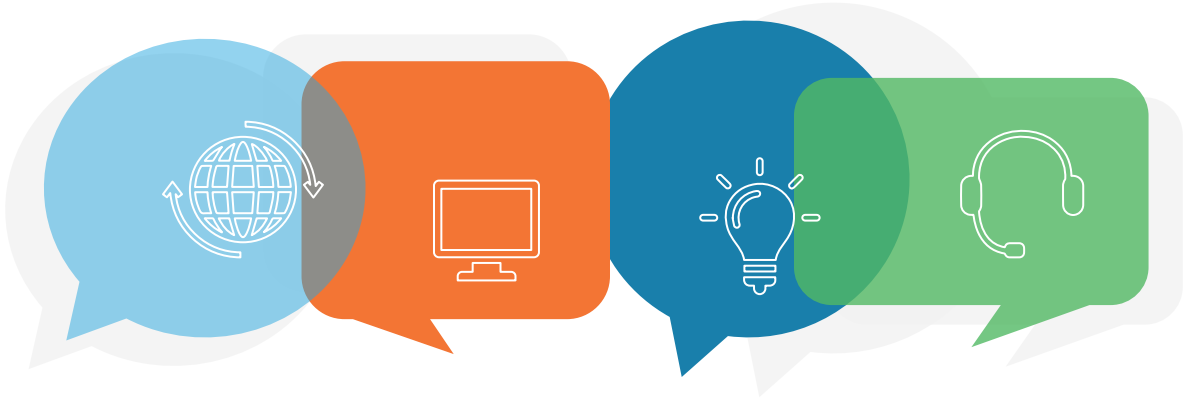

To ask a question during the Q&A session

- 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
  - Anurag Srivastava, anurag.srivastava@everestgrp.com

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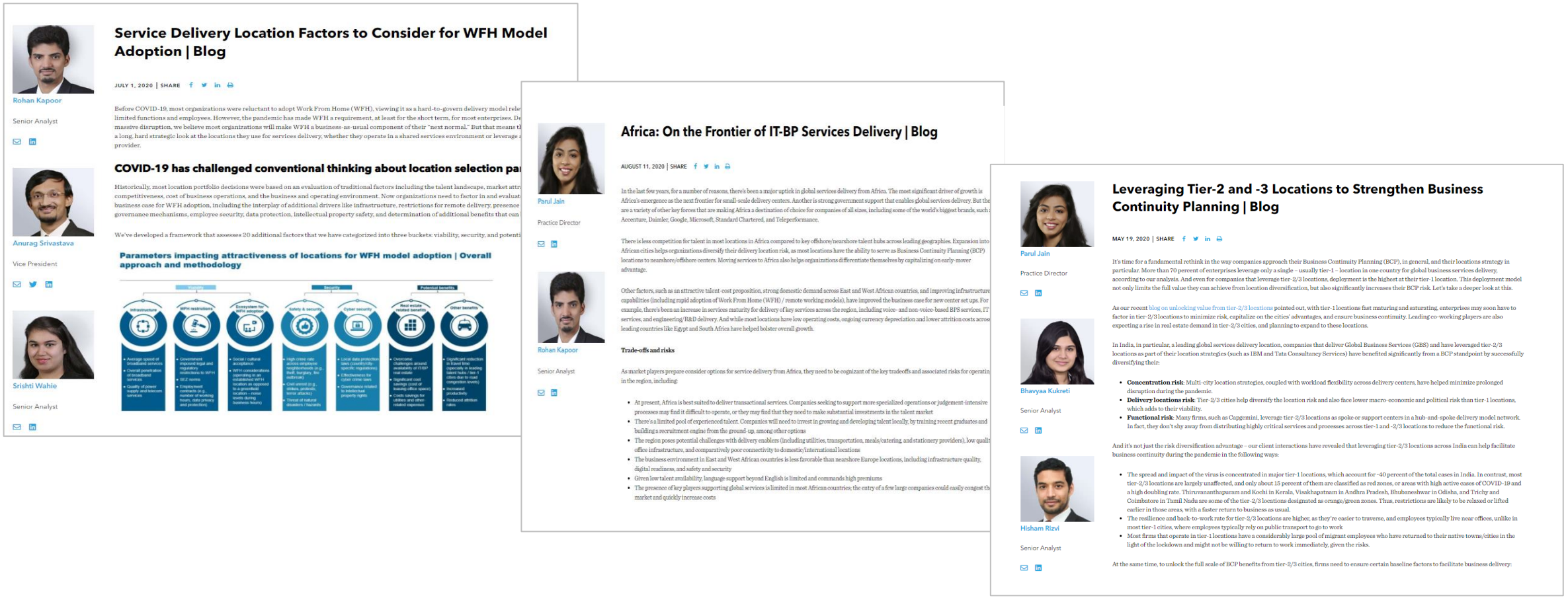
Check out our blog for the latest perspectives on the global services industry



Service Delivery Location Factors to Consider for WFH Model Adoption | Blog

JULY 1, 2020 | SHARE

Rohan Kapoor

Senior Analyst

Before COVID-19, most organizations were reluctant to adopt Work From Home (WFH), viewing it as a hard-to-govern delivery model rele
limited functions and employees. However, the pandemic has made WFH a requirement, at least for the short term, for most enterprises. De
massive disruption, we believe most organizations will make WFH a business-as-usual component of their "next normal." But that means t
a long, hard strategic look at the locations they use for services delivery, whether they operate in a shared services environment or leverage
provider.

COVID-19 has challenged conventional thinking about location selection pa

Historically, most location portfolio decisions were based on an evaluation of traditional factors including the talent landscape, market attr
competitiveness, cost of business operations, and the business and operating environment. Now organizations need to factor in and evaluat
business case for WFH adoption, including the interplay of additional drivers like infrastructure, restrictions for remote delivery, presence
governance mechanisms, employee security, data protection, intellectual property safety, and determination of additional benefits that can

We've developed a framework that assesses 20 additional factors that we have categorized into three buckets: viability, security, and potenti

Anurag Srivastava

Vice President

Srishti Wahie

Senior Analyst

Parameters impacting attractiveness of locations for WFH model adoption | Overall approach and methodology

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

AUGUST 11, 2020 | SHARE

Parul Jain

Practice Director

Rohan Kapoor

Senior Analyst

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 the are a variety of other key forces that are making Africa a destination of choice for companies of all sizes, including some of the world's biggest brands, such Accenture, Daimler, Google, Microsoft, Standard Chartered, and Teleperformance.

There is less competition for talent in most locations in Africa compared to key offshore/nearshore 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/offshore 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 BPS services, I'T services, and engineering/R&D 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 operatin in the region, including:

- At present, Africa is best suited to deliver transactional services. Companies seeking to support more specialized operations or judgement-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, among other options
- The region poses potential challenges with delivery enablers (including utilities, transportation, meals/catering, and stationery providers), low qualit 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
- Given low talent availability, language support beyond English is limited and commands high premiums
- The presence of key players supporting global services is limited in most African countries; the entry of a few large companies could easily congest th market and quickly increase costs

Leveraging Tier-2 and -3 Locations to Strengthen Business Continuity Planning | Blog

MAY 19, 2020 | SHARE

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Hisham Rizvi

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It's time for a fundamental rethink in the way companies approach their Business Continuity Planning (BCP), in general, and their locations strategy in particular. More than 70 percent of enterprises leverage only a single – usually tier-1 – location in one country for global business services delivery, according to our analysis. And even for companies that leverage tier-2/3 locations, deployment is the highest at their tier-1 location. This deployment model not only limits the full value they can achieve from location diversification, but also significantly increases their BCP risk. Let's take a deeper look at this.

As our recent blog on unlocking value from tier-2/3 locations pointed out, with tier-1 locations fast maturing and saturating, enterprises may soon have to factor in tier-2/3 locations to minimize risk, capitalize on the cities' advantages, and ensure business continuity. Leading co-working players are also expecting a rise in real estate demand in tier-2/3 cities, and planning to expand to these locations.

In India, in particular, a leading global services delivery location, companies that deliver Global Business Services (GBS) and have leveraged tier-2/3 locations as part of their location strategies (such as IBM and Tata Consultancy Services) have benefited significantly from a BCP standpoint by successfully diversifying their:

- **Concentration risk**: Multi-city location strategies, coupled with workload flexibility across delivery centers, have helped minimize prolonged disruption during the pandemic.
- **Delivery locations risk**: Tier-2/3 cities help diversify the location risk and also face lower macro-economic and political risk than tier-1 locations, which adds to their viability.
- **Functional risk**: Many firms, such as Capgemini, leverage tier-2/3 locations as spoke or support centers in a hub-and-spoke delivery model network. In fact, they don't shy away from distributing highly critical services and processes across tier-1 and -2/3 locations to reduce the functional risk.

And it's not just the risk diversification advantage – our client interactions have revealed that leveraging tier-2/3 locations across India can help facilitate business continuity during the pandemic in the following ways:

- The spread and impact of the virus is concentrated in major tier-1 locations, which account for ~40 percent of the total cases in India. In contrast, most tier-2/3 locations are largely unaffected, and only about 15 percent of them are classified as red zones, or areas with high active cases of COVID-19 and a high doubling rate. Thiruvananthapuram and Kochi in Kerala, Visakhapatnam in Andhra Pradesh, Bhubaneshwar in Odisha, and Trichy and Coimbatore in Tamil Nadu are some of the tier-2/3 locations designated as orange/green zones. Thus, restrictions are likely to be relaxed or lifted earlier in those areas, with a faster return to business as usual.
- The resilience and back-to-work rate for tier-2/3 locations are higher, as they're easier to traverse, and employees typically live near offices, unlike in most tier-1 cities, where employees typically rely on public transport to go to work
- Most firms that operate in tier-1 locations have a considerably large pool of migrant employees who have returned to their native towns/cities in the light of the lockdown and might not be willing to return to work immediately, given the risks.

At the same time, to unlock the full scale of BCP benefits from tier-2/3 cities, firms need to ensure certain baseline factors to facilitate business delivery:

Experts in global services

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- Data & Analytics Handbook – Delivery Location Strategy to Steer Through Digital Disruption
- Engineering Services Skills Handbook – Preparing for Next Wave of Growth in Global ER&D
- Cloud Talent Handbook – Guide to Cloud Skills Across the Globe
- Leading European Locations for Global Delivery of Engineering Services
- The Impact of COVID-19 on Global Delivery Locations and Portfolio Strategies
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