



## **CXO Agenda Item: Build a Talent Strategy for Today and Tomorrow**

September 9, 2021

Live Tweeting #EGAnalyst

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# Introductions



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# Discussion points for today

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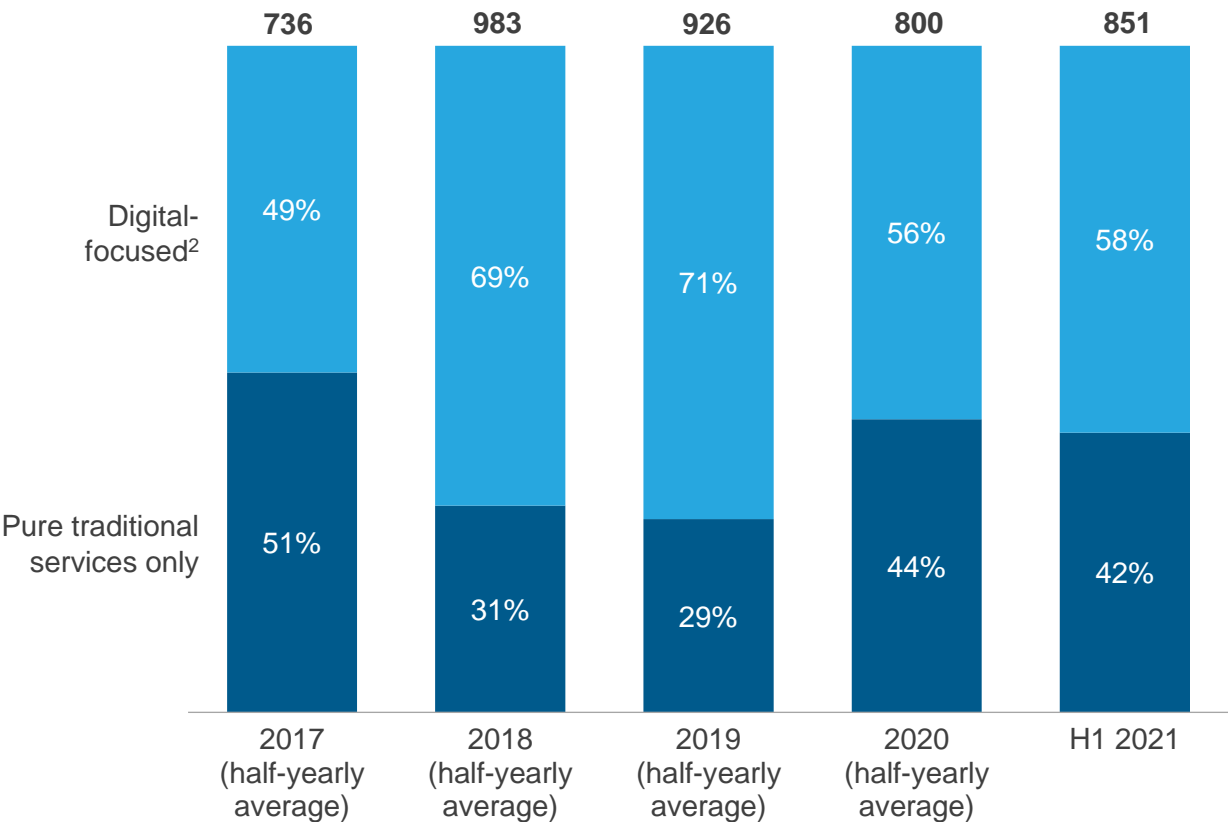
**Performance of global services industry beyond COVID-19 in 2021**

Building a talent strategy for today and tomorrow

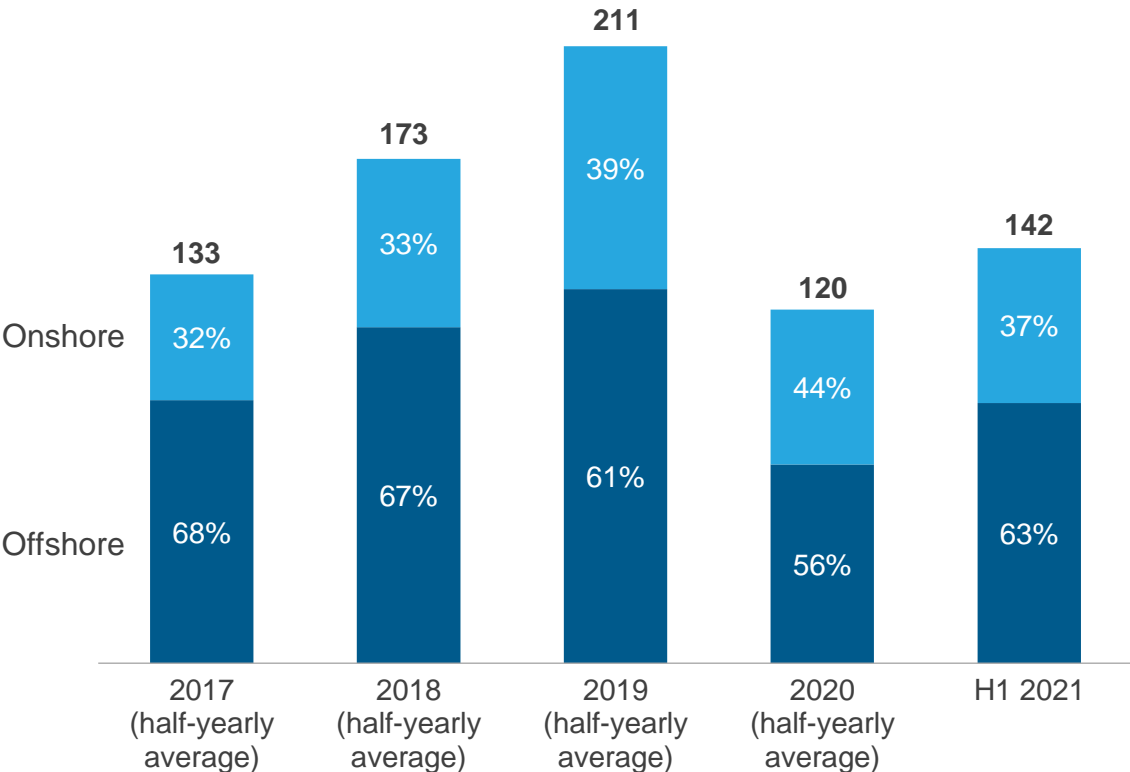


# After the initial shock of the COVID-19 pandemic, the global services market grew, albeit at a slower pace

**Outsourcing transactions announced<sup>1</sup>**  
2017-H1 2021; number of transactions



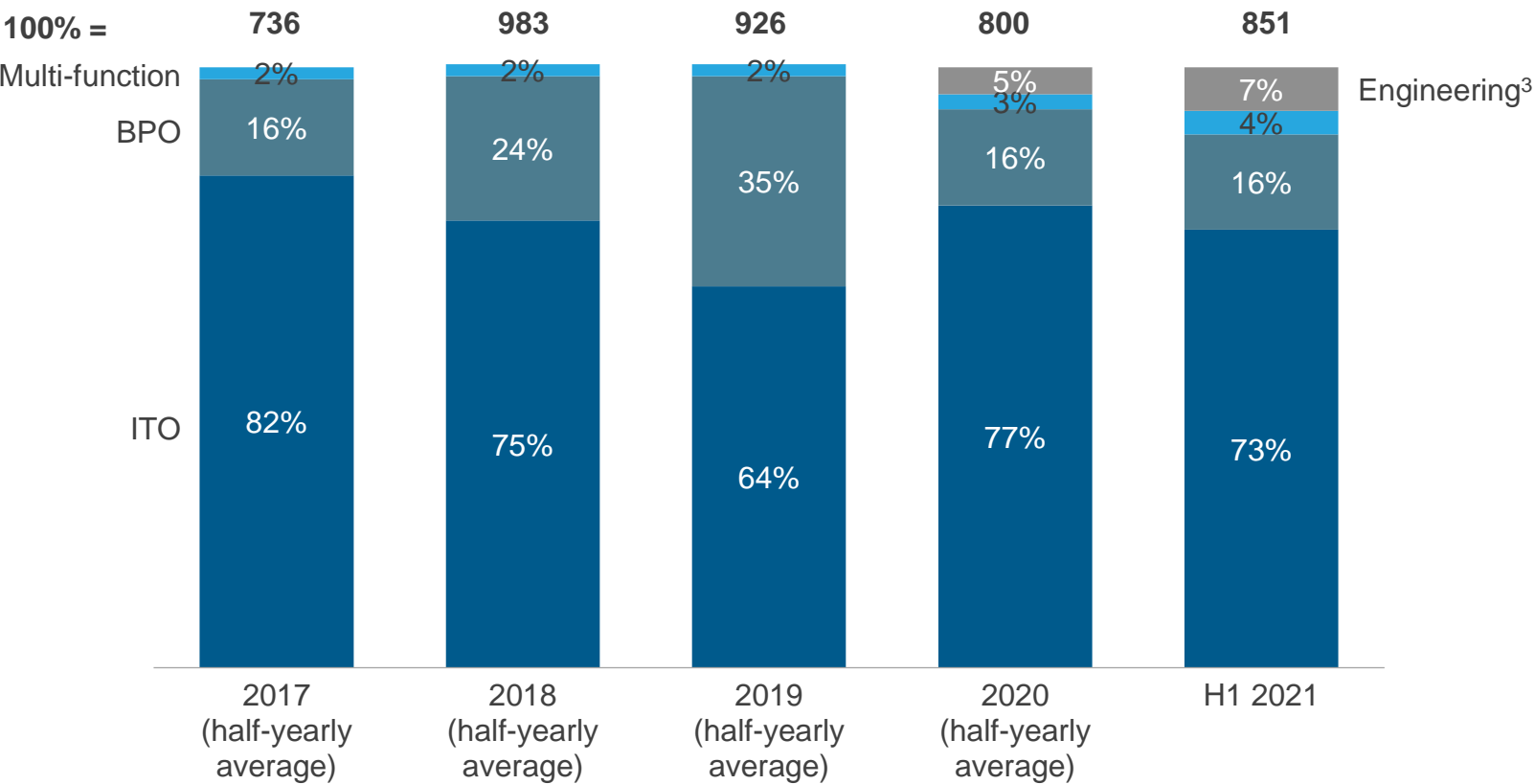
**New GBS center set-ups and expansions**  
2017-H1 2021; number of centers



<sup>1</sup> ACV is not reported for all transactions  
<sup>2</sup> Includes transactions that provide digital and traditional services  
Source: Everest Group Transaction Intelligence Database, Everest Group (2021)

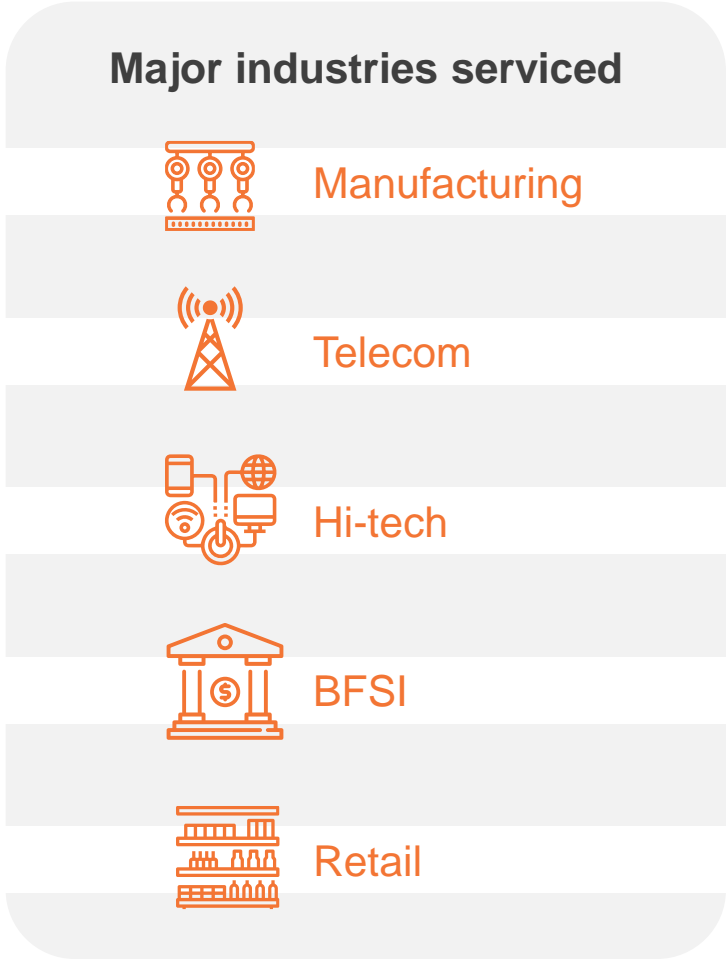
# Engineering and multi-function transactions grew in scale, as share of ITO transactions declined

Outsourcing transactions announced<sup>1,2</sup>  
2017-H1 2021; number of transactions



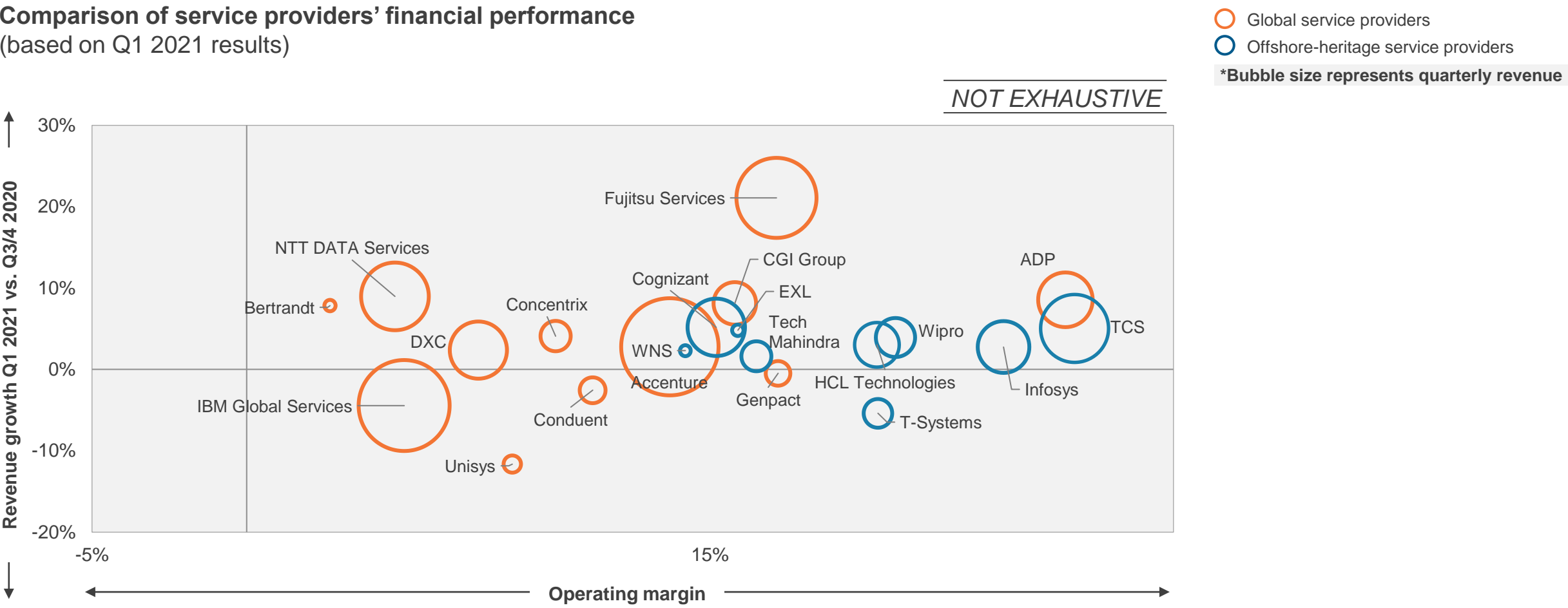
1 The deal volume per iteration may vary due to continuous enhancements to the Transactions Intelligence database  
2 Engineering deals have been included from 2020 onward  
3 ACV is not reported for all transactions

Source: Everest Group Transaction Intelligence Database



# Meanwhile, a majority of service providers' revenue grew

Comparison of service providers' financial performance  
(based on Q1 2021 results)



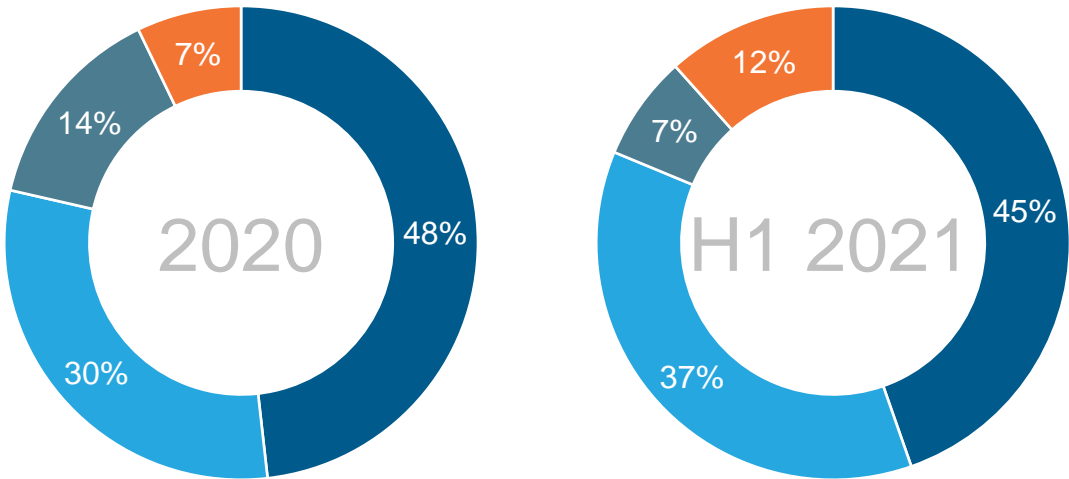
Most service providers reported a sequential revenue increase in Q1 2021; IBM among few who experienced decline

Source: Company websites, financial releases, and press releases, Everest Group (2021)

# Western Europe and LATAM witnessed increased share among onshore and offshore center set-ups respectively, as North America and MEA's share declined

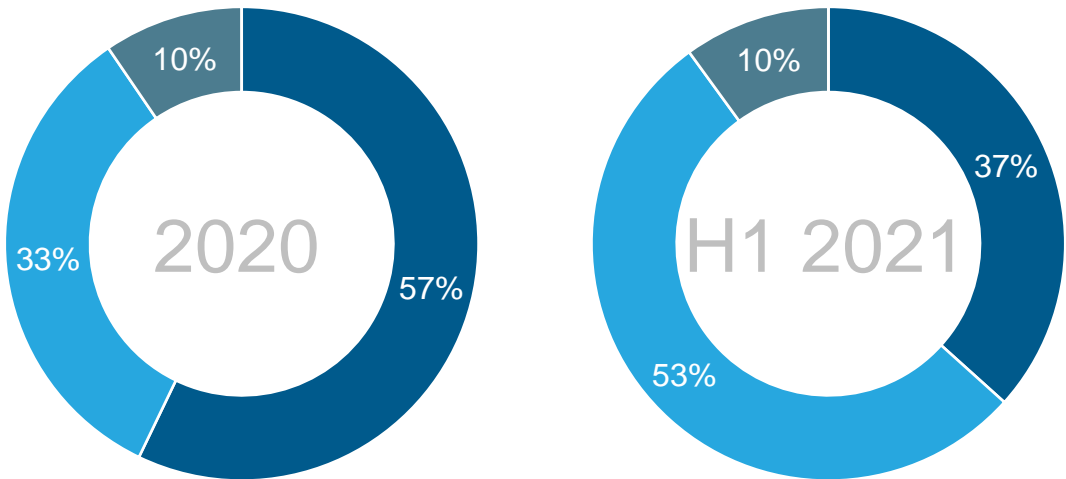
Breakdown of new offshore center set-ups (GBS + third-party)  
2020-21; percentage

APAC CEE and nearshore Europe MEA LATAM



Breakdown of new onshore center set-ups (GBS + third-party)  
2020-2021; percentage

North America Western Europe Onshore Asia



Source: Everest Group (2021)

# Discussion points for today

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Global services industry  
performance beyond COVID-19 in  
2021

**Building a talent strategy for  
today and tomorrow**





# 2020 was a watershed year for the service delivery industry, significantly heating up competition for complex skills

## Disruptions in the global services industry

2000



### Y2K crisis

Led to the growth of offshoring

2008



### Global financial crisis

Caused a surge in offshoring across multiple destinations

2020



### COVID-19

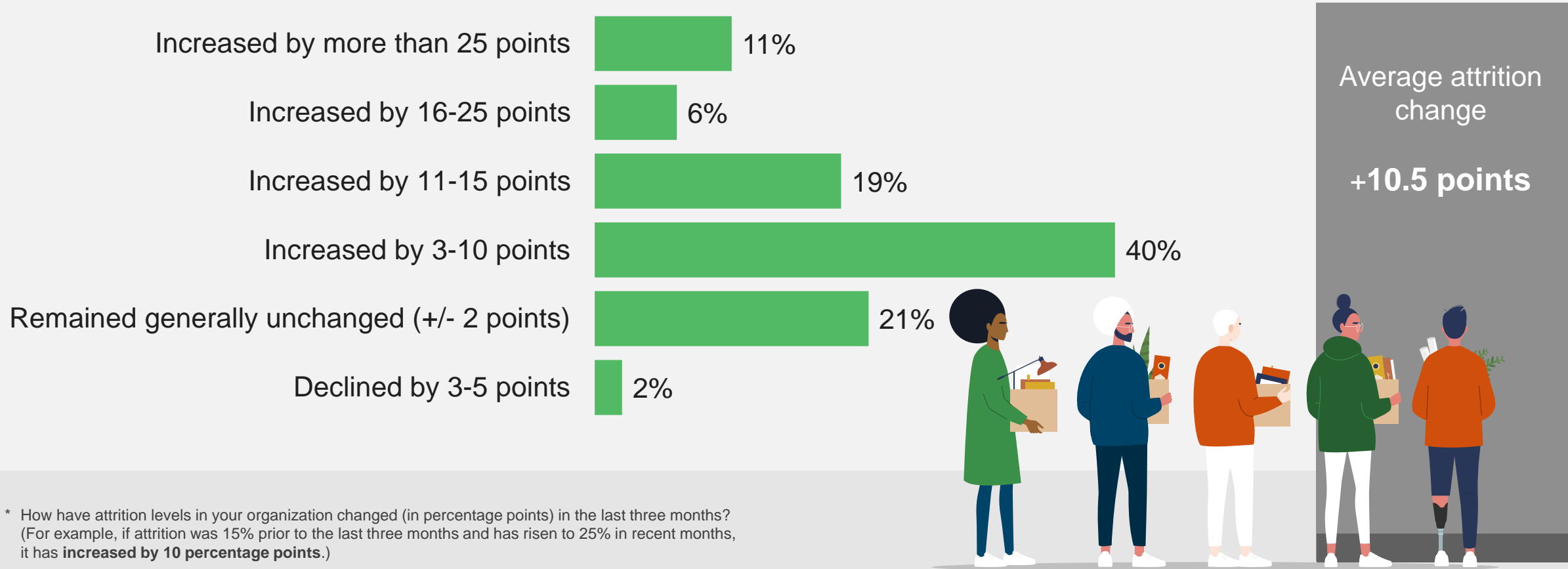
Drove explosive growth in demand for niche skills



Source: Everest Group (2021)

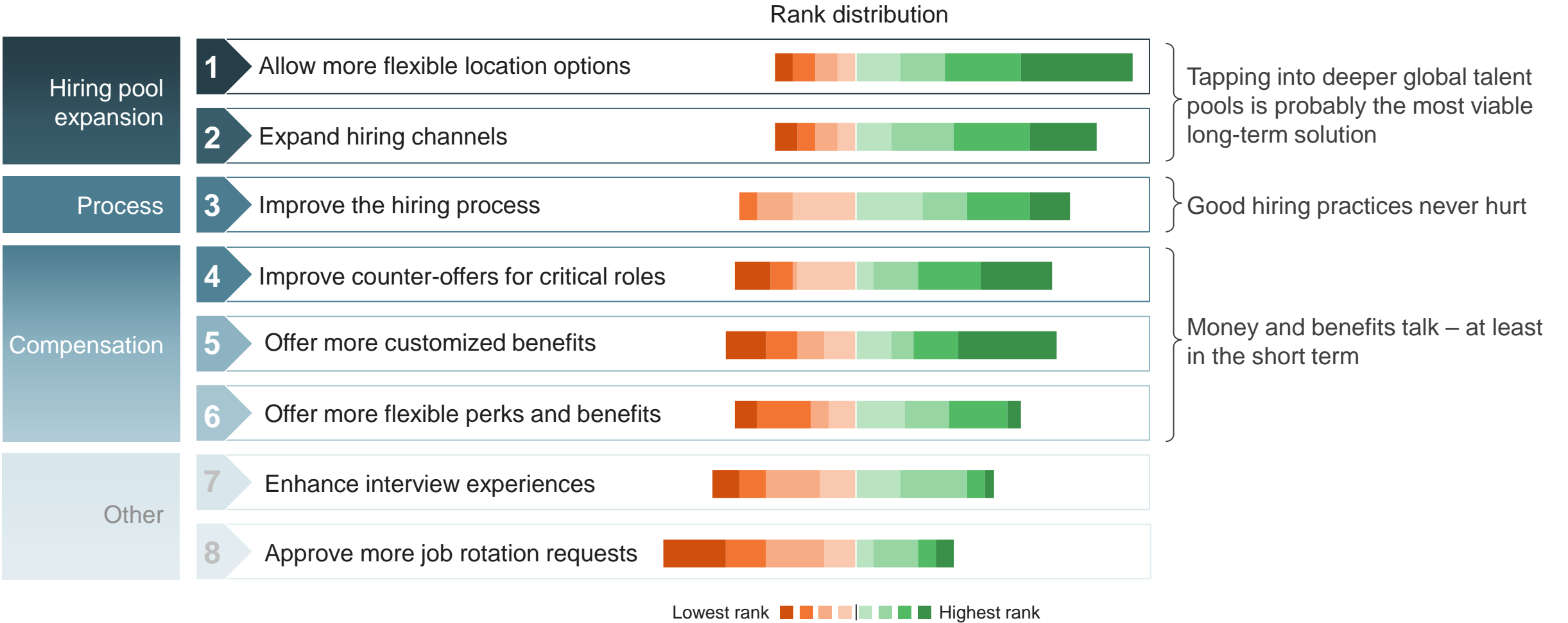
# As a result, attrition across industries is at a record high

Attrition rate\*  
2021; percentage



Source: Everest Group quick poll (August 2021)

# Organizations have pulled traditional short-term levers such as higher monetary benefits and expanding hiring channels



Source: Everest Group quick poll (August 2021)

# But this talent war is unprecedented and will need unconventional approaches to mitigate it

## MAJOR FACTORS EXACERBATING THE WAR ON TALENT



Talent is going to be increasingly scarce, given demographics and the fight for next-gen skills



Work from Anywhere (WFX) is breaking existing talent paradigms



Climate change is threatening viability of delivery locations



Rise in social and regulatory pressures – such as diversity and pay equity

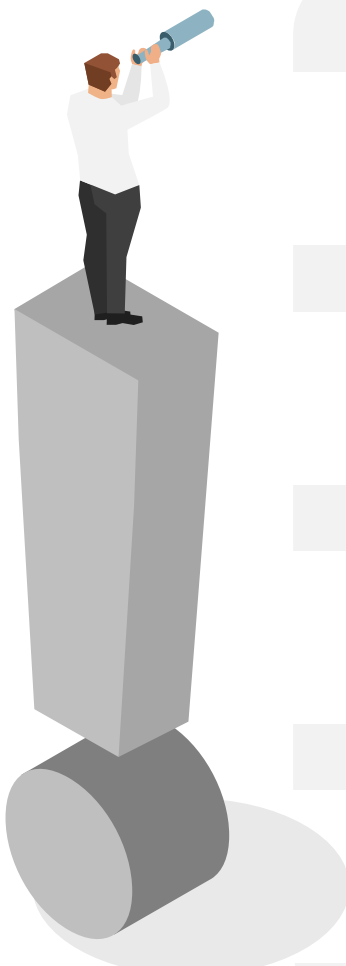
Source: Everest Group (2021)







# Which of these factors have you NOT considered so far in planning your talent and locations strategy?

- Competition for skills – **8%**
- Work from anywhere – **10%**
- Changes in demographics – **11%**
- Climate change – **77%**
- Social and governance – **33%**

# A sustainable talent strategy addresses next-generation considerations



## A sustainable talent strategy...

-  ...incorporates the **short and long terms**
-  ...aims to achieve the **greater good** through collaboration, not only individual gains
-  ...is **inclusive** across social strata, genders, ethnicities, geographies, sexual orientation
-  ...cares about **social** impact and good **governance**

## Key considerations of a sustainable talent strategy



### Competition for skills

- What locations offer more constrained scalability for next-gen skills?
- How do growth plans of competition impact scalability of skills?



### Climate change

- Will climate change result in disruption to operations in certain locations?
- How do short-, medium-, long-term implications differ?



### WFX

- What are implications on talent availability of WFX?
- Are certain locations more amenable to the use of WFX models?



### Demographic change

How does projected demographic change affect talent sustainability?



### Social and governance responsibility

- How can you use talent/locations strategy to address increased scrutiny on diversity and governance?
- What locations offer opportunities for impact sourcing?

Source: Everest Group (2021)

# A sustainable talent strategy is essential for survival; leaders will leverage this to thrive

## Why should organizations care about a sustainable talent strategy



**Survive** impact of competition, climate change, and demographic shifts

Target and Walmart are offering free college tuition to attract and retain workers



**Differentiate** employee value proposition in talent market

Google dropped the Pentagon AI contract after employee objections to the ‘business of war’



**Mitigate** some talent challenges directly (e.g., lower attrition in impact workers)

The success of Patagonia and Lemonade show the potential of differentiation on ethical and sustainable practices



**Distinguish** brand with ethically conscious customers and employees

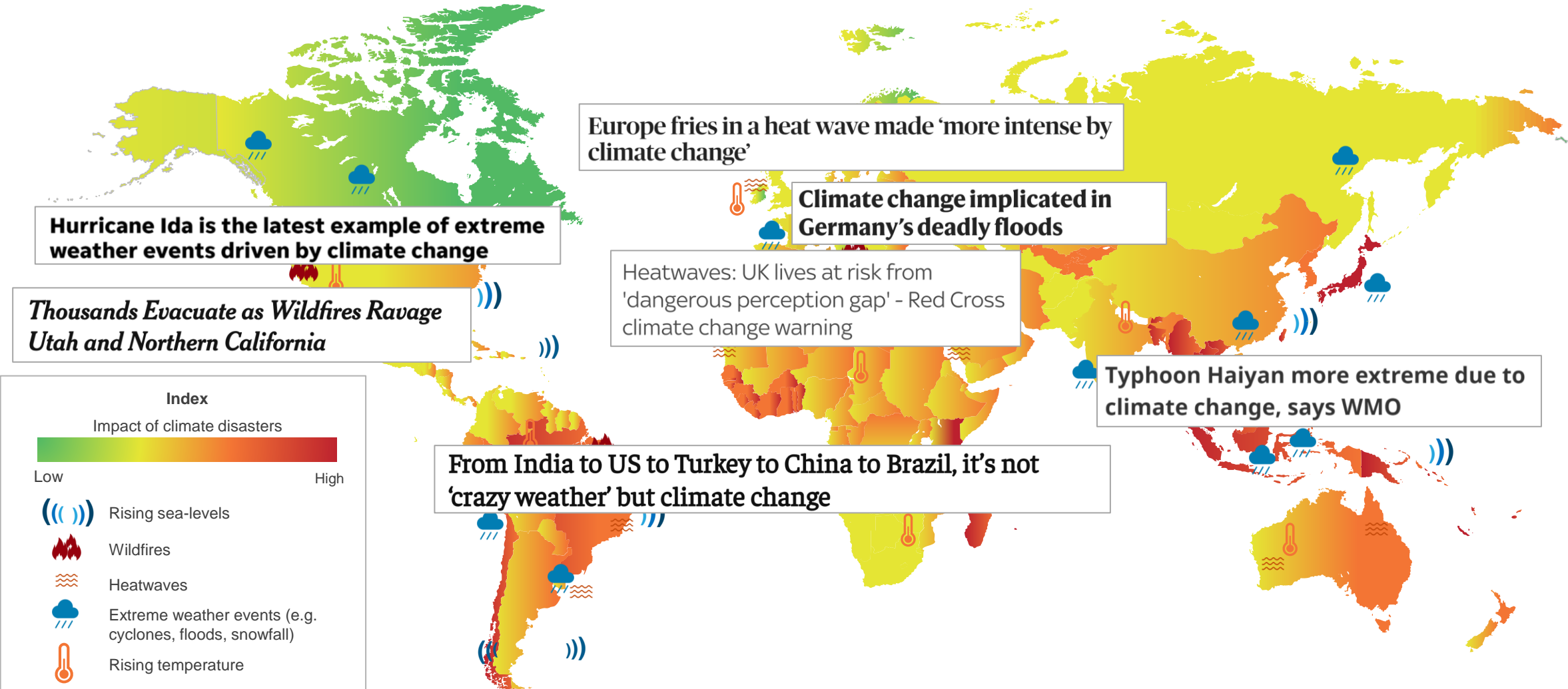


**Innovate** through diversity

L'Oréal USA taps into perspectives from a diverse employee base for product innovation



# Threat from climate change is here and it is pervasive



Source: Government statistical offices, inputs from market players, recruitment firms, investment agencies, Everest Group (2021)



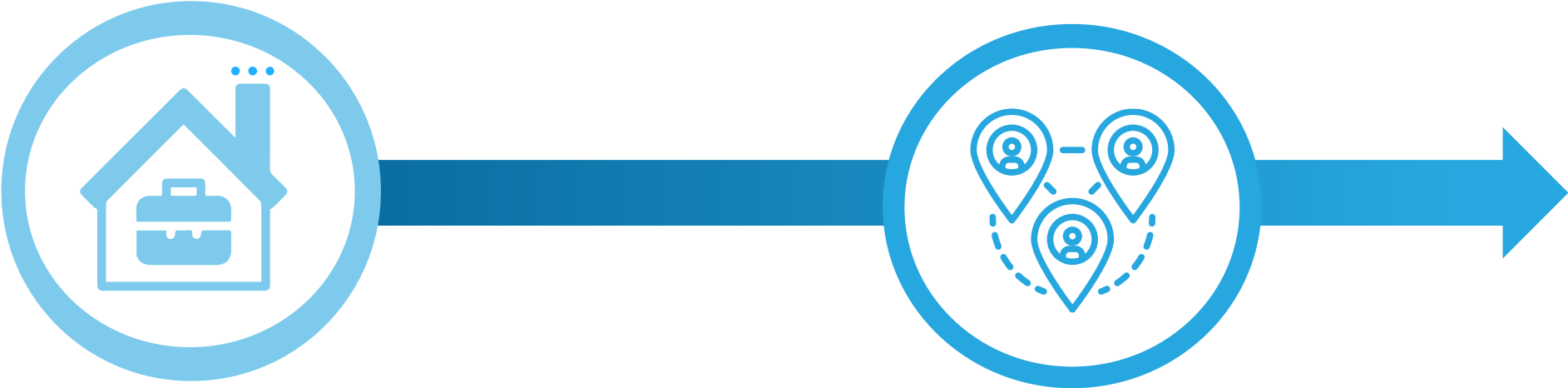
# Climate change has material impact on service delivery



Impacts of climate change	Impact on service delivery				Key metros affected
	Lower productivity	Absenteeism due to sickness	Loss of infrastructure	Loss of life	
Sea level rise					Metro Manila, Jakarta, Hong Kong, Singapore, Buenos Aires, Bangkok, Mumbai
Increase in temperatures					London, Tel Aviv, Buenos Aires, Vilnius, Sydney, Mexico City, Santa Cruz, Houston
Excessive precipitation					Sofia, Rio de Janeiro, Austin, Berlin, Barcelona, Sydney, London
Droughts					Johannesburg, Cape Town, Rio de Janeiro, Casablanca, Cairo, Nairobi
Extreme weather events (snowfall, flash flood, cyclones)					Kolkata, Chennai, Paris, Helsinki, Wroclaw, New York, Dalian, Sydney, Oslo

Source: Everest Group (2021)

# WFX offers massive potential to expand access to untapped talent



## Hybrid WFH

- Mix of office-based and remote delivery
- Only incremental talent-related benefits such as improved Employee Value Proposition (EVP)

## Work from anywhere (WFX)

- Fully remote delivery with occasional touch-points
- Unlocks untapped talent in new hiring catchment areas

Market leaders



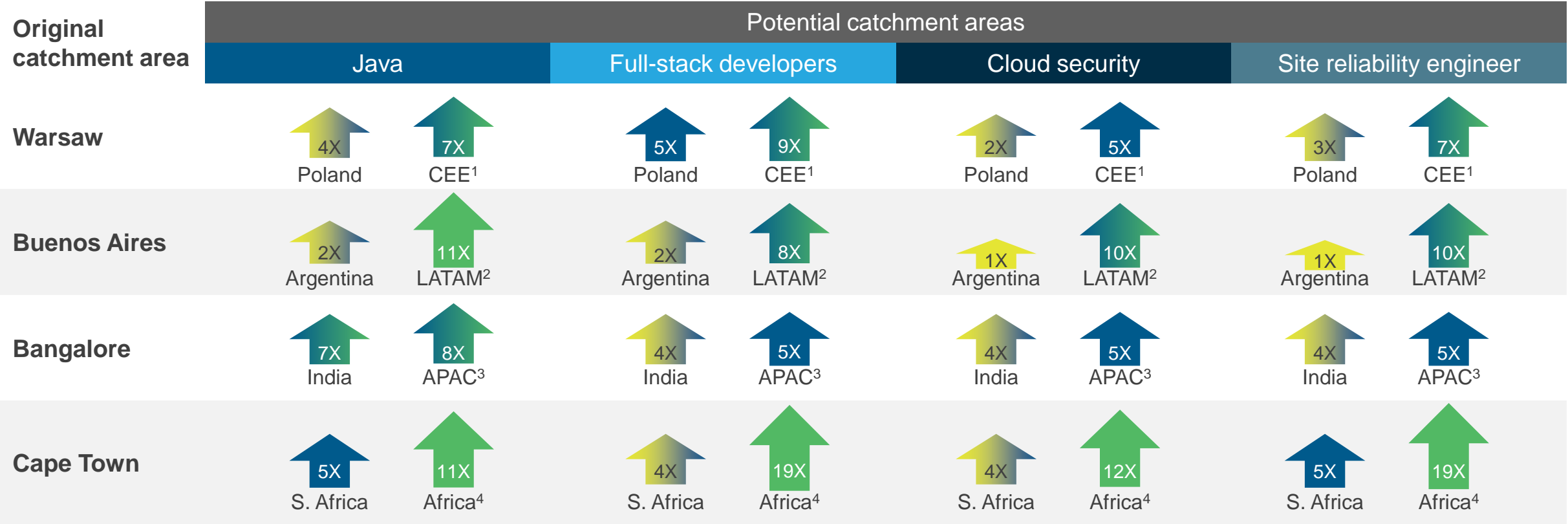
Source: Everest Group (2021)

# New talent catchment areas can increase talent access exponentially



Employed pool  
2021; multiples

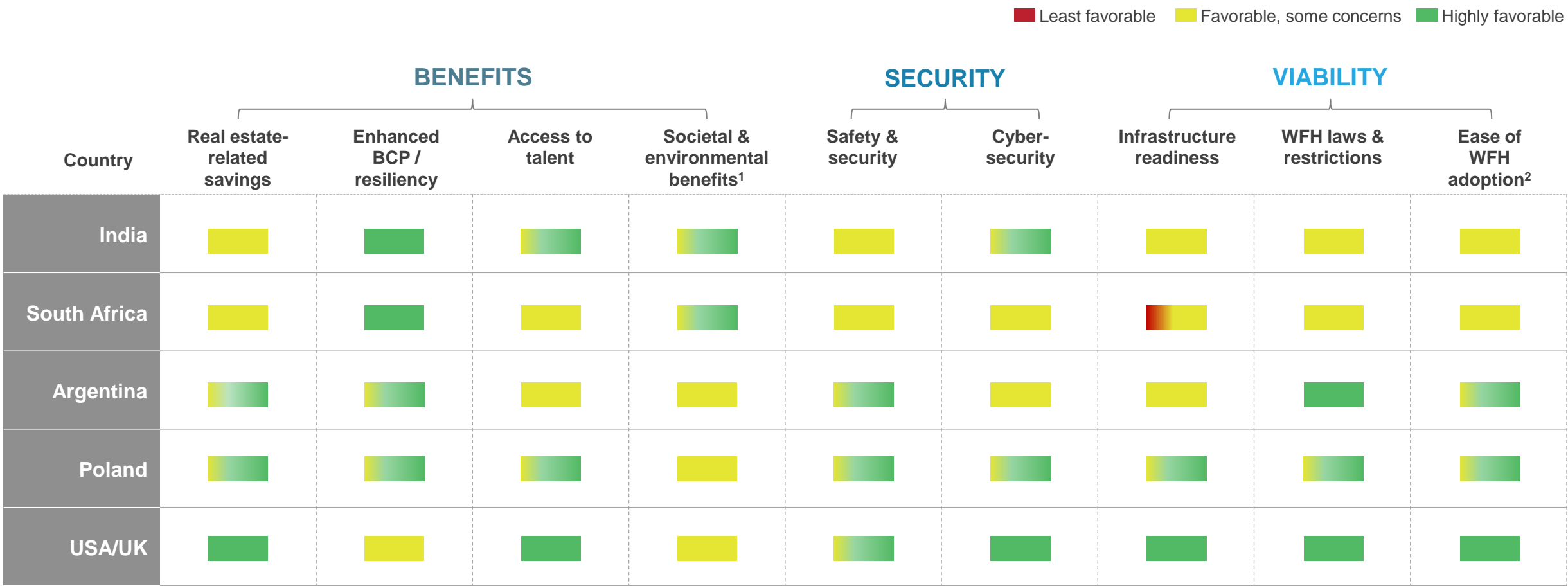
X – times higher than city talent pool      Impact <2X      4X < Impact < 7X      Impact >10X



1 Key delivery locations in CEE (e.g., Czech Republic, Hungary, Romania, Lithuania, Poland)  
2 Key delivery locations in LATAM (e.g., Brazil, Chile, Colombia, Mexico, Argentina)  
3 Key delivery locations in APAC (e.g., Sri Lanka, Malaysia, Philippines, Indonesia, India)  
4 Key delivery locations in Africa (e.g., Nigeria, Kenya, Morocco, Egypt, South Africa)

Source: Everest Group (2021)

# Work from anywhere location selection will be based on a combination of benefits, security, and viability

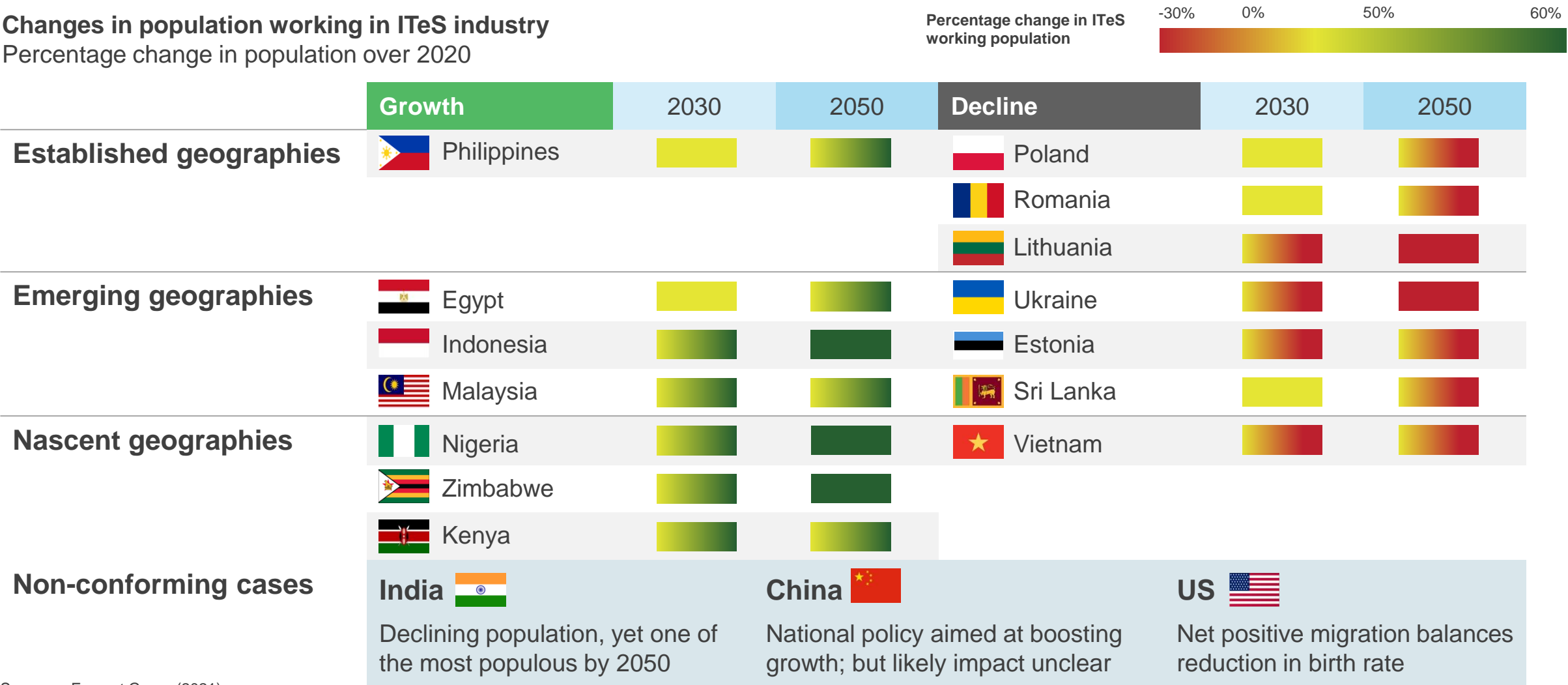


<sup>1</sup> Reflects reduced environmental impact, pollution, travel time, and expenditure  
<sup>2</sup> Reflects propensity for WFH, social and cultural acceptability of WFH, and suitability of available ecosystem for remote working  
 Source: Everest Group (2021)

# Emerging and nascent geographies are poised to gain significantly from demographic shifts



Changes in population working in ITeS industry  
Percentage change in population over 2020



Source: Everest Group (2021)

# Organizations are increasingly focusing on diversity and inclusion, under pressure from regulators and society



## How Austin's Tech Scene Is Celebrating Pride and Supporting the LGBTQIA+ Community

Pride takes place in June, but for these companies, the celebration and activism continues year-round.

Written by [Adrienne Teeley](#)

June 3, 2021 • Updated: June 3, 2021

It's become a trend for companies to beef up their marketing efforts during June, using vibrant rainbow colors to showcase their support of the LGBTQIA+ community. But beyond the advertisements, billboards and sponsored floats, one might still wonder: Are these companies actually doing anything to invest in equality?

## General Motors advances commitment to workplace inclusion

#GenderEquality #GeneralMotors #Diversity #Inclusion

General Motors (GM) has joined the Gender and Diversity KPI Alliance to further its commitments to workplace inclusion...

## Amazon Celebrates Local Businesses in Singapore for National Day

## Microsoft launches initiative to help 25 million people acquire digital skills

- This technology initiative will build on data and digital technology, give people access to data on jobs, skills from the LinkedIn Economic Graph
- Free access to content in LinkedIn Learning, Microsoft Learn, and the GitHub Learning Lab, Microsoft Certifications and LinkedIn job-seeking tools.

## SEC approves Nasdaq proposal aimed at diversifying boards

# Locations strategy offers unique opportunities to hire diverse talent



Highly favorable      Favorable, some concerns      Least favorable

BIPOC<sup>1</sup> population in major US cities 2021; percentage of overall population



Columbus, OH	28%
Denver, CO	31%
Fresno, CA	71%
Houston, TX	64%
Norfolk, VA	39%
Washington, DC	45%

Female workforce presence in India 2021; percentage of overall working population



Bangalore	24%
Coimbatore	24%
Chennai	20%
Delhi NCR	10%
Kolkata	17%
Pune	18%

Inclusion of LGBTQ+ in Europe 2020; rankings



Bucharest	39th
Budapest	32nd
Dublin	15th
London	8th
Stockholm	10th
Warsaw	42nd

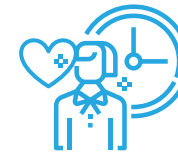
BAME<sup>2</sup> working population in the UK & Ireland 2021; percentage of overall working population



Birmingham	42%
Dublin	17%
Edinburgh	8%
London	40%
Manchester	35%

1 BIPOC: Black, Indigenous, and People of color  
2 Black, Asian, and Minority Ethnic  
Source: WEF; EIU; inputs from investment promotion agencies; Everest Group (2021)

# Leveraging Impact Sourcing to address talent challenges



## STABLE AND ENGAGED EMPLOYEES

Impact workers are more engaged and less likely to leave the organizations given the limited opportunities they would have outside.



## ACCESS TO UNTAPPED TALENT

Companies get access to qualified talent and certain investments in training can help them come up to speed.



## SOCIAL IMPACT

Companies can contribute toward wealth distribution as they reassess parts of their value chain vs. assigning value to the final product.



## LONG-TERM COST SAVINGS

Low turnover and high engagement generates long-term savings as companies spend less time in recruitment and training activities.

Source: Everest Group (2021)



# Taking your sourcing strategy to the next level with impact sourcing



## Dispelling myths about impact sourcing

01

Impact sourcing is part of CSR and philanthropy

While an outcome of impact sourcing is social good, the impetus and reason for scale are business benefits

02

Impact sourcing specialists are too small for mainstream

Unique partnerships have emerged between large providers and specialists to integrate impact sourcing

03

Impact sourcing is just a developing country strategy

There are robust examples of impact sourcing around the globe across both established and emerging markets

Source: Everest Group (2021)

## EXAMPLES

Infosys



desicrew

Infosys and specialist DesiCrew have partnered in rural India for delivery to large buyers like P&G



**Teleperformance**  
each interaction matters

Teleperformance extended job offers to over 2,000 Venezuelan refugees in Colombia



intuit.

Intuit has partnered with Sykes and others to create 'Prosperity Hubs' in rural North America



Microsoft

Microsoft established the African Development Center in Kenya and Nigeria for digital services



# How do your IT applications or engineering services rates compare?

Get a complimentary price check for selected input-based resource units (for enterprises only)



2 roles (FTE)  
from a set of 6 IT areas



Across 3 geographies

Development



Architecture

Testing



Project management

Support



Business analysis



Onshore



Nearshore



Offshore

# Calls to action



Focus on demand reduction through leverage of technology (e.g., automation, STP)

Revisit locations strategy

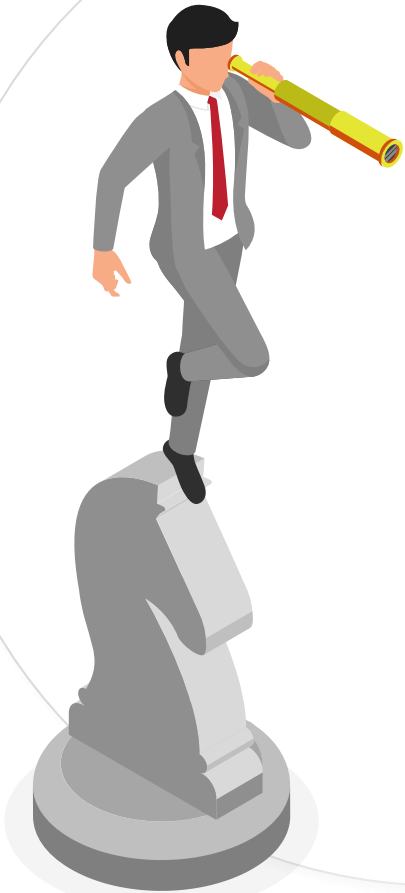
- Diversify portfolio as disruption risks increase everywhere
- Consider impacts on design principles of portfolio (e.g., roles of locations, optimum scale)

Realign talent models

- Strengthen training, upskilling, and reskilling, as talent diversifies
- Evaluate role of contingent/gig/crowd/impact workforce
- Invest in talent management (productivity, retention, skills repositories, demand governance)

Layer DE&I and impact sourcing with talent/locations strategy (e.g., responsible automation, upskilling/reskilling of marginalized populations)

# Trends to watch out for



Will we see more utilities or talent cooperatives run in industry collaboration, such as KUBE?

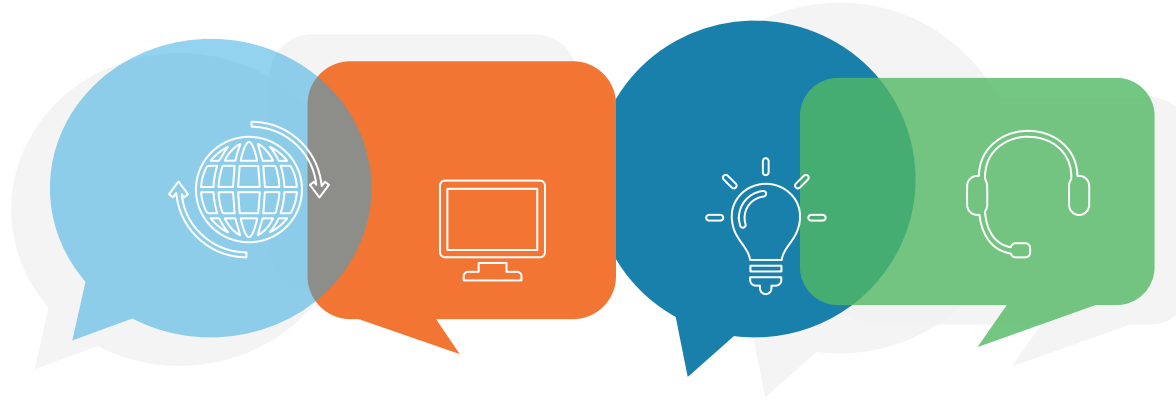
Will there be a bigger role for Africa and Southeast Asia in delivery, given greater demographic dividend and growth of impact sourcing?

Will there be more contingent or outsourcing activity in markets perceived to be “riskier”?

Will governments intervene (e.g., Poland incentives on childbirth, scrutiny on diversity disclosures)?

Will some cities become hubs of talent as they attract digital nomads?


Will more rural areas and smaller towns become viable on the back of WFX and impact sourcing?



### 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
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Peter Bendor-Samuel


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## Why Is There a Surge in Companies Building Global Services Centers? | Blog

AUGUST 17, 2021 | SHARE [f](#) [t](#) [in](#) [p](#)

The business world is changing quickly and affecting party service providers, outsources functions that pre the Philippines, Eastern Europe, and even in US territ will the increase in GBS centers affect the third-party



Rajesh Ranjan

Partner

✉️ 🌐

## An Unnecessary Defense of “Indian IT” | Blog

JUNE 23, 2021 | SHARE [f](#) [t](#) [in](#) [p](#)

*The recent headline, Indian IT Firms Set to Slash 3 Million Jobs by 2022 Due to Automation, grabbed attention. But our analysis shows this is nothing more than a catchy title. To learn about the other side of the p*


Occasionally, a news article or stray comment will sug onslaught of automation, cloud, and insourcing. The la NASSCOM shared data that suggested the opposite, an

We had a chance to view an [excerpt](#) of the original Ban productivity. Our initial reaction is that the original sto headline.

Below we share a more nuanced understanding of the i

### The Definition of Indian IT-BP

Media coverage of the Indian IT and Business Process like TCS, Infosys, Wipro, HCL, and Tech Mahindra. Th



David Rickard

Vice President

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## Surprising Sub-saharan Africa and the Continent’s Growing Relevance for Service Delivery: What You Need to Know to Select Your Next Offshore Location | Blog


JULY 8, 2021 | SHARE [f](#) [t](#) [in](#) [p](#)

*Looking at offshore destinations for service delivery, Sub-Saharan Africa – particularly Nigeria – is emerging as a surprising location with the potential for forward-looking providers and customers to seize. But what risks come along with the opportunities for doing business in this part of the world? To learn what you need to know to make the right site selection, read on.*

Africa does not immediately come to mind as an offshore destination for service delivery. In the past, the main destinations for low-cost offshore centers, both in-house and outsourced, have been India (for broad BPS operations including customer-facing CXM) and the Philippines (for CXM), particularly when the operation requires a good level of English language proficiency.

However, in recent years, the level of interest in Africa as a destination has been growing as enterprises look for cost-effective alternatives to traditional locations and to balance their risk from too much activity in one country/region.

Within Africa, South Africa has been strong for several years, especially for CXM. North African locations such as Egypt, Tunisia, and Morocco have also experienced growth for IT, back office, and language support for French and other EMEA languages. Up until now, there has been less activity in Sub-Saharan Africa (outside of South Africa), but this is starting to change.



Anurag Srivastava

Vice President

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- [Global Locations State of the Market 2021: Embracing Uncertainties in a Disrupted World | Risk Watch](#)
- [Civil Unrest in South Africa: Limited Impact on Global Services Delivery](#)
- [Location Spotlight – Ghana](#)
- [Location Spotlight – Latvia](#)
- [Leading European Locations for Global Delivery of Engineering Services](#)
- [Impact of COVID-19 Beyond WFH: The Future of Delivery and Locations Strategies](#)
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