

NEW GAME TIME IN 2015

IN OUR ONGOING PURSUIT OF STAYING AHEAD OF THE LATEST TRENDS IN OUTSOURCING, PULSE ASKED IAOP MEMBERS TO DO SOME STAR GAZING INTO WHAT 2015 MAY HOLD.

JUDGING FROM WHAT THEY FORECAST,

IT'S A WHOLE NEW GAME

STORY BY SANDY FRINTON

TRENDS & FORECASTS

THE SKILLS THE PLAYERS EQUIP THEMSELVES WITH WILL CHANGE – LOOK FOR HIGHER SKILL LEVELS, GREATER TALENT AND DEMAND FOR MORE SPECIALIZED SKILLS

in areas providing data analytics, business intelligence and SMAC. Automation – and even robotics potentially - will let us do more with less. • Even how we judge who wins won't be the same as in the past. Instead of the lowest bid always being picked, you'll hear more talk about business outcomes and value creation. • Analytics and insights will become crucial to measure those game stats that will go into deciding who gets the next big deal. • Among the top 10 trends seen ahead (in no particular order) by our IAOP trend watchers are: business outcomes, partnerships, new talent needs, cloud, automation, analytics, governance, risk monitoring, consolidation and CSR.



THE COMPETITION MAY LOOK DIFFERENT

EXPECT MORE CONSOLIDATION, JOINT VENTURES AND TRADITIONAL PROVIDERS THAT DON'T CHANGE TO FOLD. RISK ASSESSMENT AND MONITORING WILL BECOME MORE IMPORTANT IN THESE NEW TIMES IN DETERMINING OUTSOURCING LOCATIONS.

“GLOBALLY 2015 WILL CONTINUE TO BE UNSETTLING FROM POLITICAL-ECONOMICAL POINTS OF VIEWS.”

— JAG DALAL, COP-GOV, IAOP'S CHIEF ADVISOR OF THOUGHT LEADERSHIP



“Companies need to hold their partners accountable for outcomes, not just costs. They need to tap into the resources of their partners and say ‘we want your knowledge, your expertise, your process automation, bring that all to me.’” – John C. Maher, COP, Executive Managing Director, CBRE

PREDICTION:

OUTSOURCING HAS MOVED BEYOND COST. BUSINESS OUTCOMES AND VALUE CREATION ARE THE NEW REQUIREMENTS. PROVIDERS THAT DON'T DELIVER BEYOND THE TRADITIONAL EXPECTATIONS WILL LOSE.

John C. Maher, COP, Executive Managing Director, CBRE, says his company has been seeing this shift to business outcomes and expects the momentum to pick up. Increasingly, he predicts, customers will ask: How do we achieve the best business outcomes?

“Companies need to hold their partners accountable for outcomes, not just costs. They need to tap into the resources of their partners and say ‘we want your knowledge, your expertise, your process automation, bring that all to me,’” said Maher, a member of IAOP’s strategic advisory board.

Another board member, Atul Vashistha, COP, CEO, Neo Group, says his firm has seen a steady shift from a focus on task to process to outcomes – steadily transforming global sourcing from a purely bottom-line, costs savings exercise toward a top-line, revenue-generating opportunity and paving the way for innovation.

David Brown, Global Lead, Shared Services and Outsourcing Advisory, KPMG, also on the IAOP board, predicts dissatisfaction will continue to rise if customers feel providers are not working proactively to provide value above and beyond the core table stakes of price and service quality.

“As the market continues to demonstrate, outsourcing is no longer about simply achieving cost reduction targets and streamlining functional operations,” Brown says. “It’s



John C. Maher, COP, Executive Managing Director, CBRE

about moving organizations into a new, future state that’s inherently more effective. It’s about leveraging enabling technologies, incorporating data analytics and bringing new solutions to the table that are based in the creation of value.”

Bobby Varanasi, COP, COP-GOV, COOPM, Chairman/CEO, Matryzel Consulting, says these factors will lead to increased contract re-negotiations in the coming year.

“The increasing irrelevance of traditional service providers will come to a head,” he says. “Almost all outsourcing deals premised on standard goals will end up getting renegotiated (or offered out to more innovative players), premised purely on shifting to outcome-centric performances, coupled with a plug into new technologies. Value at risk will drive all deals and models. The days of ‘hands-off fee-for-services models’ are over.”

Anupam Govil, Partner, Avasant & President, Avasense, sees transactional outsourcing models being replaced by transformational and outcome-linked models.

“Over the next year adoption of digital transformation solutions are expected to revolutionize the business of outsourcing both for the end-clients as well as for service providers,” he says. “It is safe to assume that businesses failing to transform themselves by adopting evolving technologies and business models may soon go offline all together.

Increased transparency, more clarity on what is and what is not core, and the continued application of outcome-based contracts will enable outsourcing partners to move closer together and establish much stronger interdependencies to pursue common goals based on a strategic and cultural alignment.

— Peter Ankerstjerne, Group Marketing Director, Head of Group Marketing, ISS World Services



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PREDICTION:

CUSTOMERS AND PROVIDERS WILL HAVE CLOSER RELATIONSHIPS AND BECOME PARTNERS.

IAOP Strategic Advisory Board Member Peter Ankerstjerne, Group Marketing Director, Head of Group Marketing, ISS World Services, says: “Increased transparency, more clarity on what is and what is not core, and the continued application of outcome-based contracts will enable outsourcing partners to move closer together and establish much stronger interdependencies to pursue common goals based on a strategic and cultural alignment.”

According to Vashistha, “As businesses seek to reap returns, they will insist on establishing deeper relationships (partnerships) with their suppliers, and will expect suppliers to have an intimate understanding of the industry, sector and have deep domain knowledge in order to provide meaningful, actionable analytics and business insight.”

PREDICTION:

WITH NEW SKILLS REQUIRED, TALENT WILL BE MORE IMPORTANT THAN EVER. DEMAND FOR THE BEST WILL ONLY INTENSIFY AND COMPANIES WILL LOOK AT NEW WAYS OF RECRUITING AND RETAINING THEIR WORKFORCE. NEW TITLES IN THE C-SUITE WILL EMERGE.

“There’s a major talent crunch on the way,” predicts Brown. “As we continue to see tech-enabled solutions replacing traditional processing capabilities, technologists and data scientists will become more critical than ever to the delivery models of the future. Companies will need to figure out whether they’re positioned to attract and retain these in-demand resources or if they’ll need to pursue outsourcing relationships in order to plug these skill gaps.”

Online talent communities will emerge as one solution, in response to workforce challenges outsourcing providers face, enabling companies to deliver high-demand talent to their operations with speed and quality, at a significantly lower cost, according to KellyOCG.

“Talent communities reflect changing demographics and new realities about how people today are choosing to work,” says Tom Kaminsky, Vice President, RPO Practice Lead, Americas, KellyOCG. “Companies who leverage these shifts can reach across all labor categories - temporary workers, full-time hires, independent contractors, project-based workers, interns, alumni, retirees, and others - and give them reasons to stay connected.”

Talent communities should have a customer mindset, be authentic, deliver high-quality content, have a consistent voice and boundaries in communications, and use superior technology to target the talent needed, Kaminsky says.

As companies increase their spend on social and digital technologies, Vashistha expects to see more companies creating the “Chief Digital Officer” role in 2015, while others will add this role to their CMO or CTO or CIO. This will benefit domestic and nearshore players and require resources that understand customer engagement and related technologies.

TRENDS & FORECASTS

OUTSOURCING CUSTOMERS,
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— DAVID BROWN, GLOBAL LEAD, SHARED
SERVICES AND OUTSOURCING ADVISORY, KPMG



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— Bobby Varanasi, COP, COP-GOV, COOPM, Chairman/CEO, Matryzel Consulting

PREDICTION:

THE CLOUD WILL TAKE ON EVEN MORE IMPORTANCE IN THE FUTURE, CREATING GROWTH OPPORTUNITIES FOR PROVIDERS THAT SPECIALIZE IN CLOUD PLATFORMS.

Many customers will require cloud-based services from their providers, altering how agreements are made, predicts Jag Dalal, COP-GOV, IAOP’s Chief Advisor of Thought Leadership and strategic advisory board member.

KPMG’s Brown also expects to continue to see the continued proliferation of cloud, which he says has already established itself as a serious alternative. He predicts successful providers will be those that can bridge the divide between cloud/infrastructure and process delivery.

“We’re seeing a lot of ambitious and sophisticated companies in the market that are realizing significant benefits by shifting from ‘on-premises’ to ‘as-a-service’ delivery models,” he says “It’s already taking place and will likely continue to pick up momentum over the next several years.”

According to KPMG International conducted research (Executive Report: The State of Services and Outsourcing in 2014), close to one-in-three organizations already is using or about to use BPaas/cloud as an alternative to legacy outsourcing in areas like Human Resources, Finance, Accounting, Procurement, etc.

Govil says “organizations will wholeheartedly embrace the cloud beyond their non-core applications as it is key to driving agility in a rapidly shifting business environment. Moreover, the need for real time analytics and omni-channel connectivity with the digital consumer will drive greater cloud adoption across the organization.”



Bobby Varanasi
COP, COP-GOV, COOPM, Chairman/CEO, Matryzel Consulting

PREDICTION:

AUTOMATION WILL CONTINUE TO MAKE SIGNIFICANT GAINS.

The next wave in business process management and decision automation/rule-based automation will improve quality and reduce labor costs, Vashistha predicts.

“With new test automation technologies such as Business Rules-Based Test Automation, accelerated testing can be achieved, with anywhere from a 40 to 60 percent reduction in labor effort,” he says.

Says Brown: “Whether you’re talking about back office processing, front office customer interactions or anything in between, organizations now have access to the tools and applications to target and interpret meaningful data, software solutions that can automate – even robotize – processes like never before and all of this is happening in a culture that’s more mobile than at any other point in time...And this will likely be achieved with less human intervention and oversight than at any time in history.”

“Companies that are able to Industrialize the new process will rise above the competition, as this will be an ongoing process of continuous improvement. – Atul Vashistha, COP, CEO, Neo Group

PREDICTION:

ANALYTICS THAT DELIVER BUSINESS INSIGHTS WILL HAVE SIGNIFICANT IMPACTS. BUSINESSES WILL EXPECT TO BE ENABLED, REQUIRING TEAMS THAT HAVE DEEP KNOWLEDGE OF BUSINESS INTELLIGENCE TOOLS, ACCESS TO RICH DATA, AND ANALYTICAL AND MODELING SKILLS THAT PRODUCE OUTPUT WITH ACTIONABLE INSIGHTS.

“In 2015, we expect to see increased predictive analytics use in favor of descriptive analytics,” says Vashistha. “Companies that are able to Industrialize the new process will rise above the competition, as this will be an ongoing process of continuous improvement. These all will need to be included in sourcing and ongoing governance.”



Atul Vashistha, COP, CEO, Neo Group

PREDICTION:

SERVICE ORCHESTRATION AND GOVERNANCE WILL BECOME IMPERATIVE.

“As companies increase the mix of service providers and make sourcing more strategic, the need for effective governance through a service orchestration platform becomes more critical,” says Govil. “Avoiding value leakage, enhancing performance, providing key analytics data through an automated or managed governance service will be key to ensuring long-term success.”

PREDICTION:

EXPECT INDUSTRY CONSOLIDATION, MERGERS AND ACQUISITIONS, AND JOINT VENTURES ON THE HORIZON.

Customer expectations of higher valued services along with the emergence of cloud-based services will further drive consolidation and especially will adversely impact under-invested providers, says Dalal.

“Consolidation of vendors will become a pivotal pursuit, as such competencies are acquired. Meanwhile, client-vendor joint ventures will only increase, particularly in fast-growing regions of Asia Pacific and Latin America,” Varanasi says.

PREDICTION:

CSR MODELS WILL CONTINUE TO GROW.

“Increased commitment to socially responsible sourcing initiatives, particularly in fast-growing nations like Brazil and India will fuel access to technology,” Varanasi says. “You’ll see more simple and easy-to-deploy solutions that cater to local specificities, which are supported by the increasing sense of global responsibility amongst large corporations.”

PREDICTION:

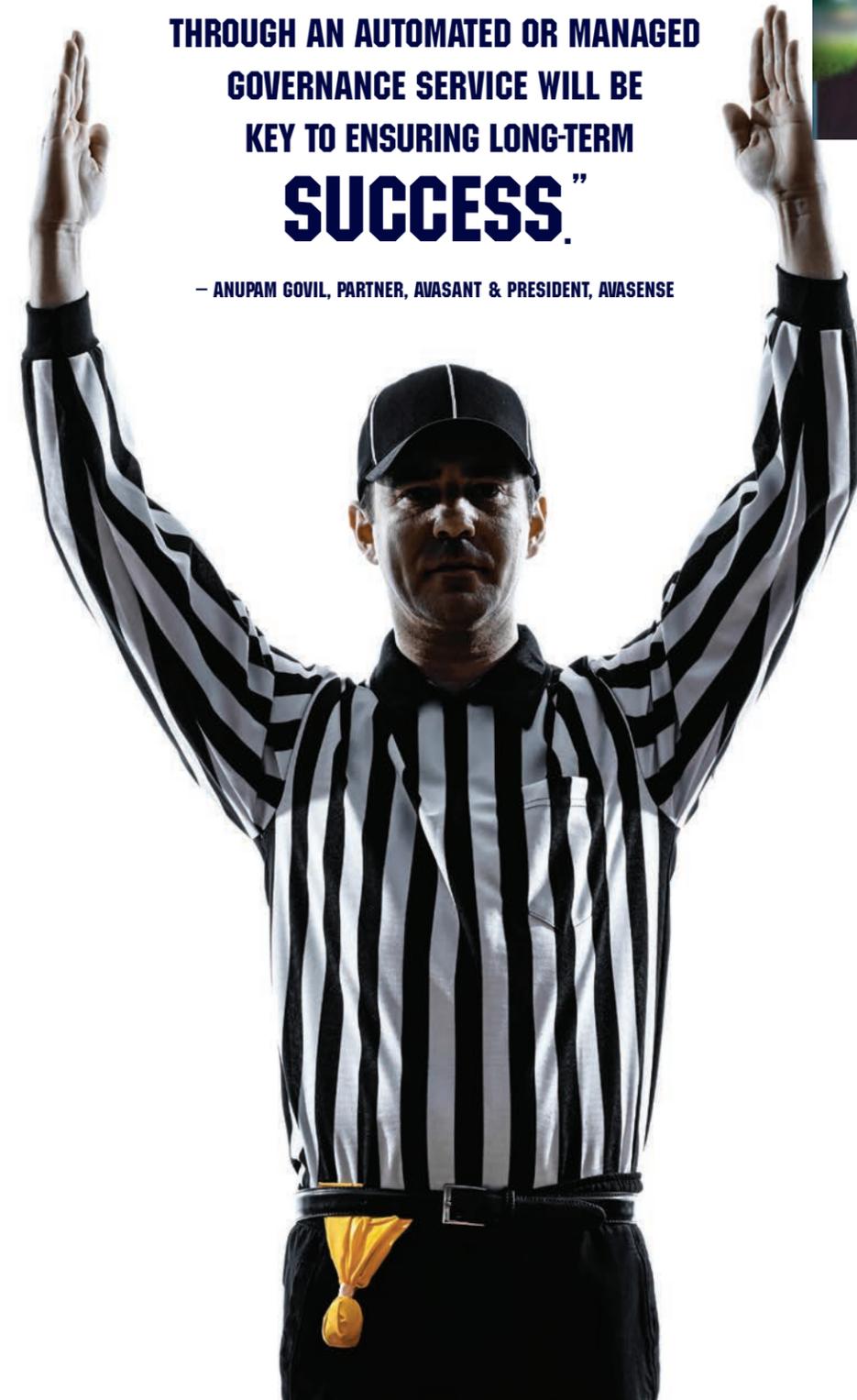
BUSINESSES WILL BE EVER MORE CAREFUL IN ASSESSING OFFSHORING RISKS AND WILL INCREASE THEIR GOVERNANCE (ESPECIALLY RISK ASSESSMENT AND MANAGEMENT) DILIGENCE.

“Globally 2015 will continue to be unsettling from political-economical points of views,” Dalal says. “Although businesses won’t curtail their offshoring activities significantly, there will be a greater emphasis placed on risk assessment and monitoring as a part of their governance process. Unsettled political climates in some of the countries will impede their ability to be considered a viable offshoring location for services.”

TRENDS & FORECASTS

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INDUSTRY SEGMENT FORECASTS IN FACILITY MANAGEMENT, FINANCIAL SERVICES & MEDICAL

FACILITY MANAGEMENT



Curtis Bragg, Vice President, Strategic Integration, Business & Industry Facility Services, Aramark, says facilities management outsourcing will rise to take its place of importance alongside ITO and BPO in the outsourcing conversation. “Viewed by most today as a sub-category of BPO (providing specific tasks on behalf of a client organization), facility management scope and strategy has broadened significantly beyond solely maintaining the built environment,” Bragg says. “The push for horizontal integration and ultimately reduced risk across the service delivery spectrum will drive FMO to be part of the outsourcing conversation in 2015 unlike ever before.”

MEDICAL TECHNOLOGY



IAOP Strategic Advisory Board member Ashish Malhotra, VP Global IT Workforce Management, Time Warner, predicts medical technology care consolidation, creating growth for a few large providers who will control the delivery of medical technology on behalf of corporations, similar to what hospitals, doctors and nurses do for healthcare today, he anticipates.

This trend towards consolidation to the majors will be driven by their large buying power, adaptation of cloud infrastructure, broader influence on regulatory issues, greater access to funding for R&D, and greater ability to manage environmental and socio-economic risks.

“Mobility devices will become the equivalent of the medicine cabinet offering self-care for routine matters that do not require a visit such as renegotiation to the primary care physician being handled by a major technology provider,” Malhotra says.

FINANCIAL SERVICES



The financial services industry is realizing that a technology ‘engagement layer’ that leverages pre-existing IT investments is critical to driving innovative operating models, says Sanjay Srivastava, senior vice president and business leader, Enterprise Technology Services at Genpact and an IAOP strategic advisory board member.

“Going forward financial institutions will increasingly leverage a new layer of technology – the ‘engagement’ layer that sits between process and core technology applications. This is a thin, zero-footprint (cloud based), flexible, and configurable layer of technology that will help automate and improve processes, foster rapid user adoption, enable better collaborations between teams, and increase visibility with actionable reporting and real-time decisions. Systems of engagement can amplify operations’ economies of scale because they use people and assets better, irrespective of what, who and where they are. The result is that it can increase efficiency, optimize effectiveness (including at the customer front-end), and improve visibility, governance, and compliance as well as keep execution costs in check. This combination of effectiveness, speed to result, and overall limited investment has made systems of engagement an obvious option for financial services COOs and CFOs who need to transform their operating models today. The ongoing industry pressures as well as continuous improvement of the technology will fuel their adoption for the foreseeable future.”



HERE'S WHAT WE PREDICTED A YEAR AGO:

GROWTH AREAS

SOURCING TYPES: Domestic sourcing, rural sourcing, nearshore

MODELS: Managed Services, Value-added

INDUSTRY SECTORS: Government/public, healthcare (U.S.), financial

GEOGRAPHIES: Latin and Central America, Africa, Eastern Europe, Asia Pacific

OTHER TRENDS: Impact Sourcing and CSR, SMAC, re-negotiated contracts, closer relationships, increased risks and regulations, governance, industry consolidation

WHAT HAPPENED?



“2014 was another interesting year for outsourcing, especially global outsourcing. In ITO, we saw increased activity in offshore infrastructure sourcing while application sourcing saw increased vendor consolidation. The BPO market has been challenging and while we expected a much faster pace of growth, it did not materialize. Upon investigation, it seems that global business services, particularly, global in-house centers, have been responsible for the slower growth, along with a hesitation to source complex industry specific processes.”

– Atul Vashistha, COP, CEO, Neo Group



“2014 was an outstanding year for the Sourcing industry with a significant surge in deal numbers and magnitude. While a good part of the growth came from a record number of renewal deals, there were also a considerable number of new transformational sourcing initiatives driven by rapid shifts in business environment. As clients accelerated their move towards Cloud and Mobility, most major service providers jumped on the opportunity to offer a migration path and provide service integration support to manage a multi-tiered/multi-vendor environment. The offshore majors like Wipro (Atco, Canada) and Cognizant (Trizetto) also made significant acquisitions to gain captive revenue, signaling an era of consolidation. The one dark spot in the growth story was the BPO sector which lagged behind primarily due to uncertainty in the markets and shifting regulatory environment.”

– Anupam Govil, Partner, Avasant & President, Avasense



“We saw significant growth in outsourcing interest. More and more companies are realizing this is a great business model. We’ve seen volume, the quality of relationships and the focus on outcomes going up. As an industry, we’re also creating jobs. Managing an outsourcing relationship is different than managing a vendor relationship. This is leading to enhanced career opportunities.”

– John Maher COP, Executive Managing Director, CBRE