

OUTSOURCING AND COVID:

IMPACT AND RESPONSE



The COVID-19 pandemic has accelerated innovation across all facets of technology organizations - in some cases, advancements in unexpected areas.

This paper explores how technology outsourcing supports innovation acceleration, the needed restructuring of outsourcing agreements, technology transformation's contribution to back office efficiencies, and how the pandemic has reshaped the need for outsourced technology talent.

Real Transformation Is Achievable - Especially Now

The only certainty in life is continuous change. The COVID-19 pandemic required jarring, nearly instantaneous changes that rippled across the globe. Office buildings, factories, and offshore technology centers were shuttered as government-ordered stay-at-home mandates ground regular activity to a halt.

It is certain that the COVID-19 pandemic is the most disruptive event in decades. As fast as everything stopped, business operations, technology development, and customer service needed to resume just as quickly as it was disrupted. The mission-critical nature of most outsourced operations required an immediate return to business as usual - even though the definition of "business as usual" underwent significant transformation. For companies to continue functioning, everyone made

trade-offs and navigated the initial crisis to continue operations.

Organizations that outsource core business and operational functions were especially vulnerable. While the final impact of the pandemic on outsourced operations is not yet known, It's easy to predict that more disruption is expected in the coming months. How you respond and how you capitalize on this disruption will separate the winners and the losers this year and next.

COVID Clarified Outsourcing's Role in Facilitating Innovation

Outsourcing is generally not thought of as a conduit to innovation. However, the pandemic brought into sharper focus the two types of innovation needed. First, is disruptive or radical innovation. These are the amazing inventions that we think of when we think about innovation—they change markets and create truly new ways of doing things. The second is the "quiet innovation" that, while not as flashy or disruptive, improves operations, increases efficiencies, and often incrementally improves the customer experience.

The pandemic has and will continue to demand innovative ways of structuring product and service delivery, creating new products, fostering efficiency and cost reduction to withstand economic downturn, and the ability to complete work in manners we never have before.

In order to have the bandwidth to innovate, teams must seek opportunities for quiet innovation and find

ways to push repetitive tasks and day-to-day business activities to outsourcing partners. Freedom, or at least significant reduction, from heavy "run the shop" workloads that can be done by cost-effective partners is the only way internal teams will have the time and mental energy to develop cutting-edge solutions to both survive and thrive in turbulent times.



COVID Challenges Agreements

In January 2020, very few people could imagine the far-reaching impact of a global pandemic on business continuity plans. For many, business continuity and disaster recovery strategies relied on the assumption that workers and systems at one location could be shifted to another in case of emergency. This strategy was no help during a global pandemic when shifting locations was just not possible. Going forward, organizations must stress test mechanisms for remote work across as many processes, departments, and worst-case scenarios as possible. Additionally, contracts, governance requirements, and the very way work gets done must be reconsidered.

All offshore agreements are defined contractually. Creative thinking about these agreements will allow companies to better manage future risks and stretch further. There are a number of processes that must be reconsidered. Here are a few:



Risk Management and Governance Arrangements

Out of necessity, many governance arrangements were relaxed at the beginning of the outbreak, but they now must be tightened. For many organizations, a tiered structure of governance and controls that can be quickly ratcheted up or down, depending on the circumstances, will be most effective. These controls should be pre-determined and stress-tested in the context of a remote working environment.

prepared for operations to abruptly stop, or shift or return to at-home working conditions in the weeks and months ahead which raises bandwidth concerns. Service level agreements must address these realities so that if capacity is again restricted, available capacity is used wisely.



Security and Business Continuity Plans

At the onset of the pandemic, many companies found themselves in violation of Service Level Agreements as work shut down completely. Employees, regardless of where they are located around the world, cannot be required to work in unsafe conditions. This created potential bandwidth restrictions and required reprioritization of work. Clients and their offshore partners need to be



COVID Accelerates Back Office Efficiencies

Social distancing and employee safety measures put an additional layer of pressure on back office operations. While some organizations are able to shift to remote work, many large scale BPO processes lack the infrastructure needed to support such activities.

Lack of face-to-face interaction (among other things) accelerated investment in automation and 'bots.' Increased use of Robotic Process Automation (RPA) in outsourced processes drove new efficiencies and improved collaboration. In some cases, increased use of automation to reduce costs created opportunities to bring business processes back in-house.

It is telling that an EY study revealed that 41 percent of executives accelerated investments in their automation strategies when the pandemic's ongoing disruption became clear.³ However, again, organizations seeking to utilize artificial intelligence (AI), robotic process automation (RPA), cloud computing, and other advanced technologies will need to tap pools of technology talent wherever the

talent is located. Much of this talent will be made accessible by relationships with the right offshore partners.



Real Transformation Is Achievable - Especially Now

In the past, many businesses were unwilling to allocate enough technology budget to drive real transformation.

Before the pandemic, the prevailing sentiment was "the technology in place is good enough," and waiting another year or so to make investments in technology transformation was fine. The pandemic has forced new thinking and new urgency around digital transformation. This transformation will require accessing needed technology talent regardless of where the professionals might be located, automating many menial business process tasks, and building teams to foster ongoing innovation.

For organizations with well-positioned technology infrastructures, now is the time to drive forward with innovation and product development projects while the companies are working to catch up. A large concern for many organizations is ensuring ongoing access to the technology talent needed to fuel growth and assure that they are disruption-ready

regardless of the disruption. Companies ready for digital transformation will have to tackle this challenge quickly to position themselves for the new face of "business as usual."



COVID Reshapes Demand for Technology Talent

Recent conversations with owners and CTOs reveal a sustained demand for technology services. However, that demand will be shaped in new ways as strategies, processes, and relationships are restructured and rebuilt to ensure that future business processes and operations are disruption ready.

The COVID-19 pandemic has already accelerated a number of trends such as migration to the cloud, remote working, and more. Many of these trends are here to stay for good. These trends, when combined with previous pressures on the supply of technology talent in the US, highlight a rapidly reshaping market:



Increasing demand for technology talent

The need for computer and information technology professionals was projected to grow 12 percent from 2018 to 2028, much faster than the average for all occupations. With the pandemic the solutions demanded of technology have doubled overnight, further increasing the demand for technology professionals that were already in short supply. 1

To further support the talent supply challenge, IBM's 2019 report, The Enterprise Guide to Closing the Skills Gap, included 2018 talent shortage impact data. When surveyed, 45 percent of organizations stated that they can't find the skills they need. That percentage is even higher—67 percent for large companies. A lack of applicants and the lack of necessary experience were significant factors contributing to the shortage.2

Companies seeking to grow and innovate will need offshore talent to keep pace with their resource requirements AND budgets.



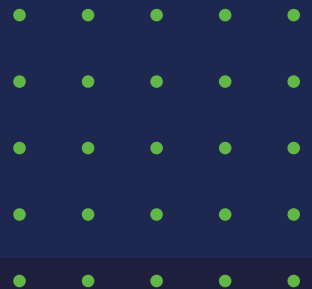
Immigration policies

To add insult to injury, travel restrictions and currently imposed restrictions in immigration further reduce access to IT talent. Increased demand will both challenge the ability to complete technology projects and will create financial pressure as tech companies compete for the talent that is available.1 Current US immigration policies are severely impacting the number of international professionals the US can employ. For IT professionals, securing H-1B's has long been a dependable strategy for hiring technical talent. However, this option is becoming less feasible, which reduces the available talent pool and creates further competition for scarce talent.



Sources

1. U.S. Bureau of Labor Statistics
2. "The Enterprise Guide to Closing the Skills Gap," IBM 2019 Report
3. "Capital strategies being rewritten as C-Suite grapples with immediate impact of new reality," EY.com, March 30, 2020



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