



Readying for the Next Normal: 6 Key Considerations to Future-Proof Your Outsourcing Portfolio

July 2020

Live Tweeting #EGAnalyst

Introductions



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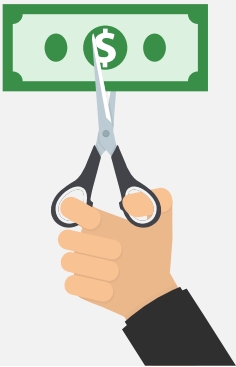


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Discussion points for today



External forces are driving a re-evaluation of most aspects of service delivery



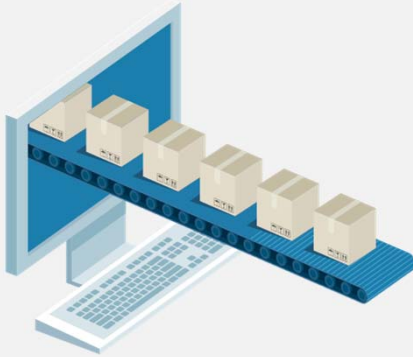
Pressure on cost structure

71% reigning in operational costs¹
62% cutting external spend¹



Concern over having the right partners for future needs

42% say they will look for more service provider diversity in the future¹



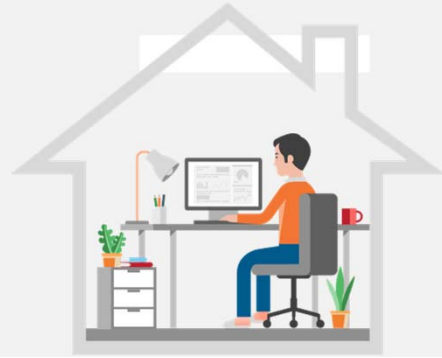
Increasing urgency for automation

48% implementing new technologies for automation and analytics¹



Imperative for cross location resilience

32% plan to consolidate sites
53% will close sites or exit countries²



Service providers long term increase in work from home

At least three large service providers have announced a shift to 50-75% WFH

¹ Everest Group, April 2020

² Everest Group Work From Home (WFH) for Outsourcing and Business Services Survey, July 2020

All options are on the table as enterprises prepare for the next normal

Goals



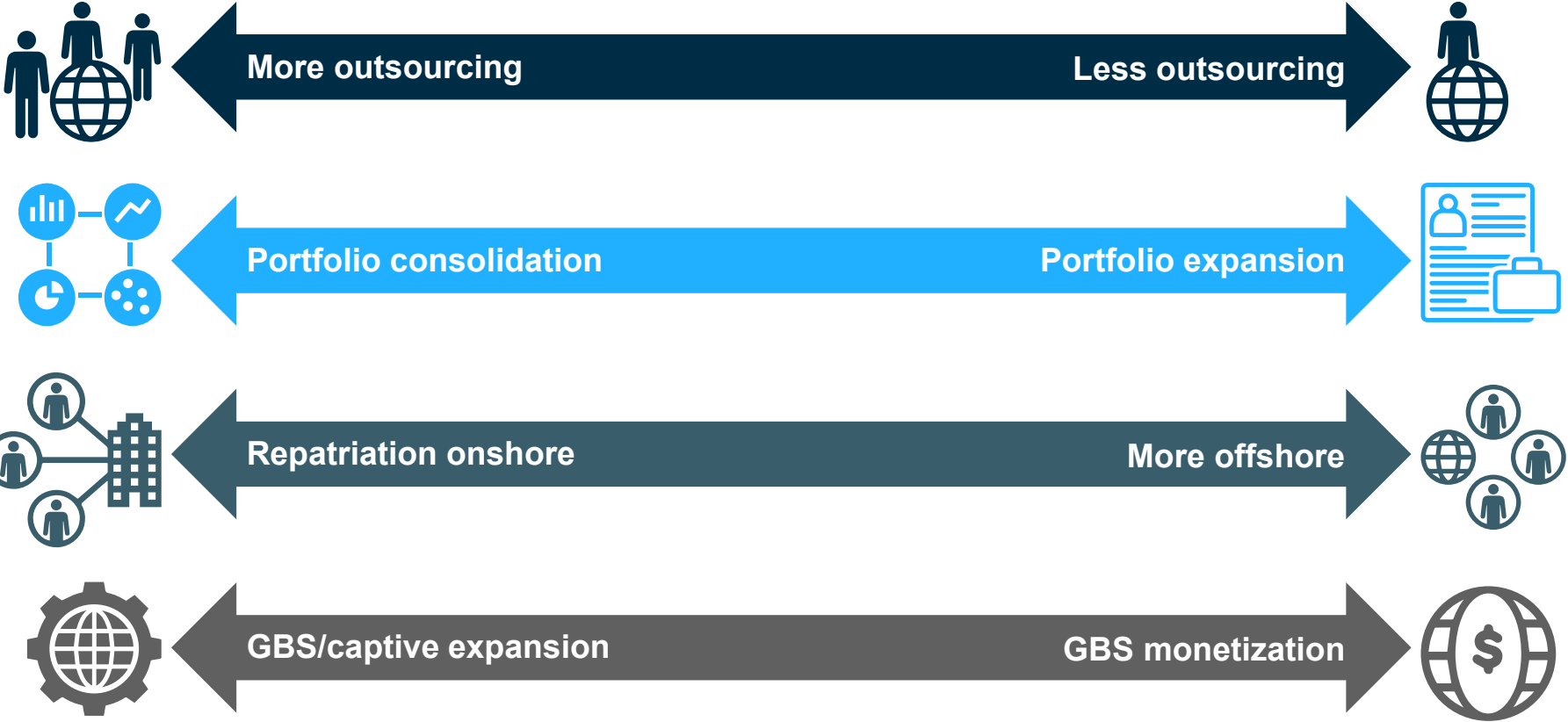
Dramatically reduce costs



Lower risk exposure

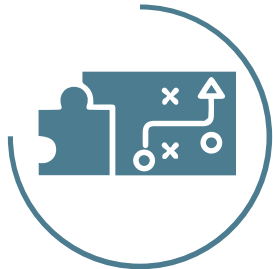


Increase productivity

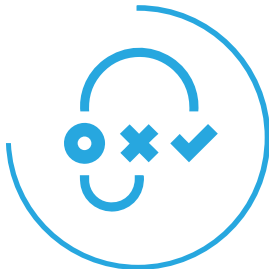


Decision areas to address when planning for the next normal in outsourced services

Sourcing strategy & provider portfolio



Solution design



Pricing and cost



Performance management



Policy and contracting



Risk management



Discussion points for today





Provocation #1

It's not the rates, stupid!

Look beyond immediate savings levers to create structural win-win outcomes

Buyers and service providers must look to “win-win” cost levers to create sustainable cost savings

NOT EXHAUSTIVE

Direct “negotiated” cost impact levers



Rate card reduction



Technology skill premium reduction



COLA impact waiver



Account management fee waiver



Indirect “win-win” cost impact levers



Calibrated service credit regime



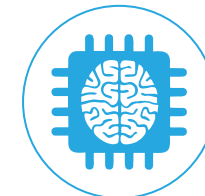
Improved productivity



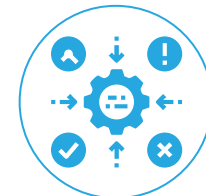
Preferred spend portfolio access



Higher offshore leverage



Higher levels of automation



Shared resource delivery model

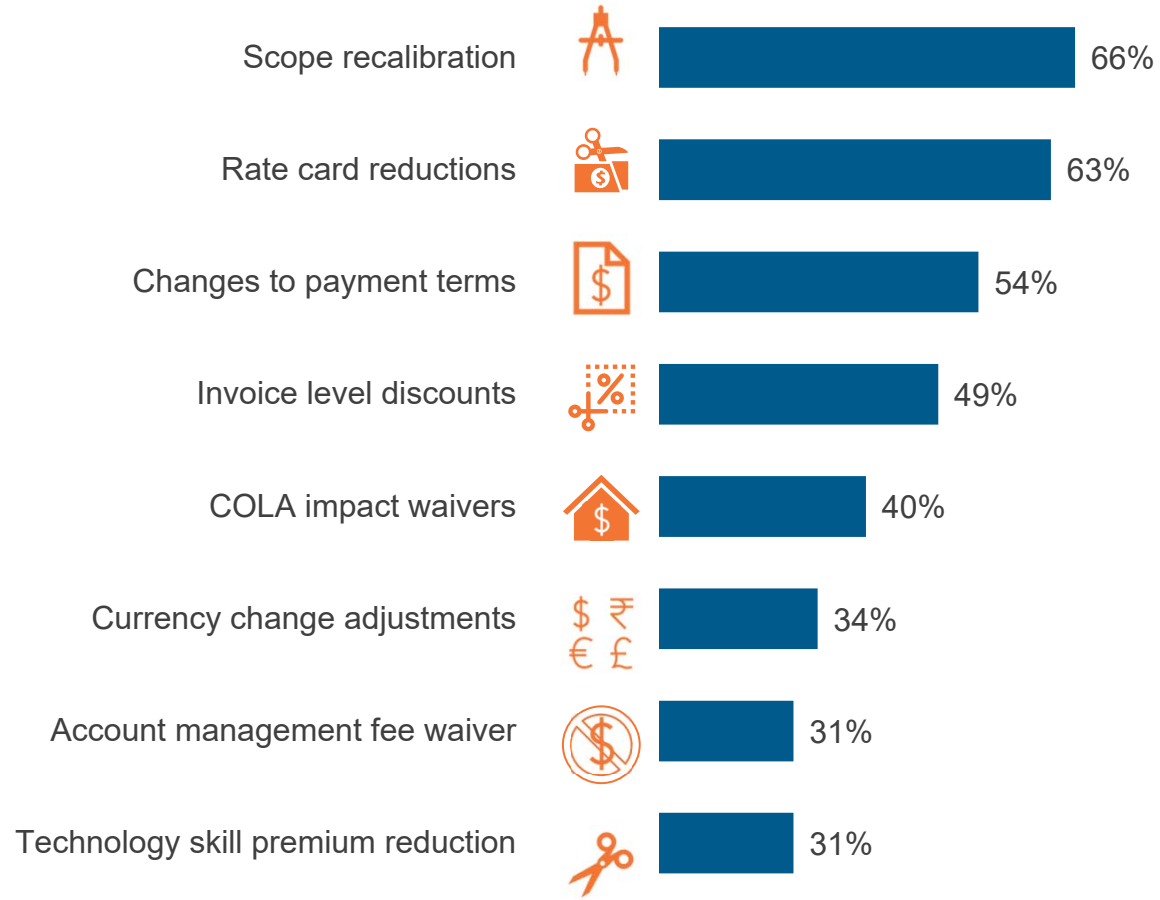
[View our recent webinar, “Outsourcing Pricing: Key Opportunities to Improve Costs Now”](#)



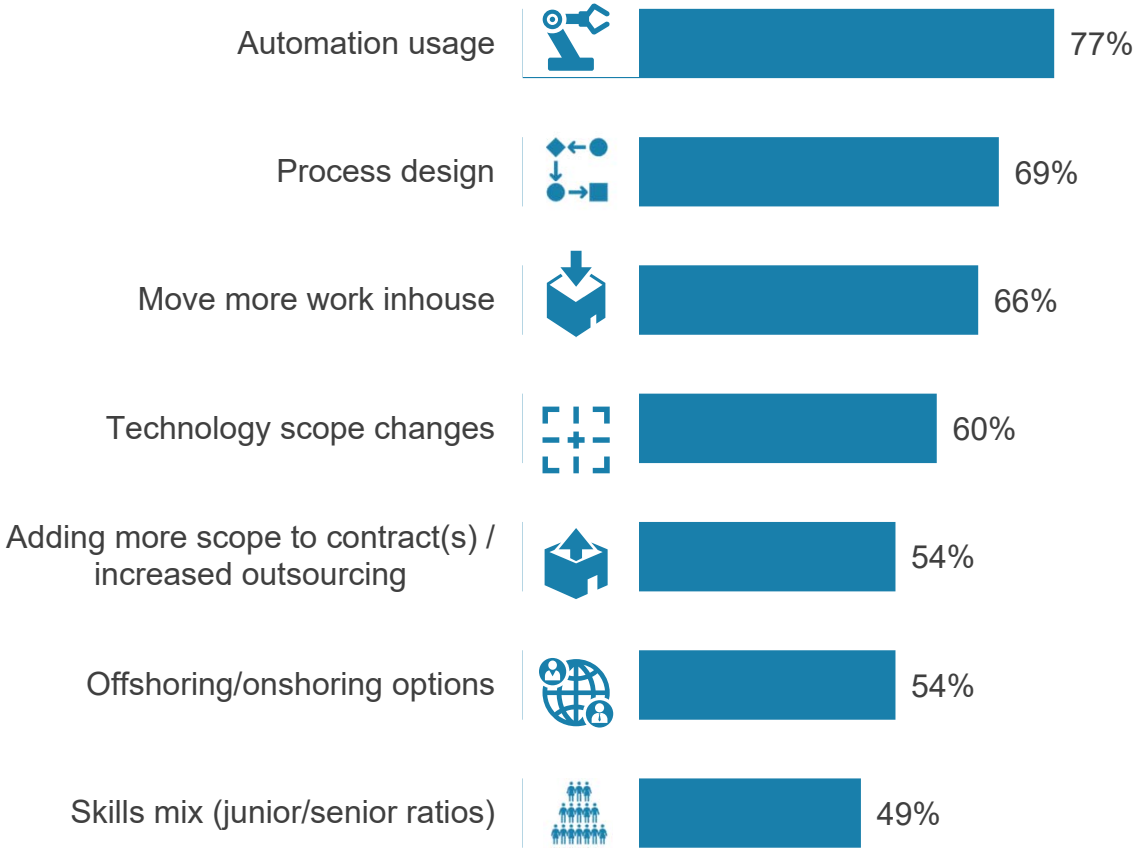
Services buyers are embracing an assortment of these tactics to improve cost structure in the near and long term

What savings levers are buyers employing / asking of their service providers?

Immediate savings levers



Structural changes





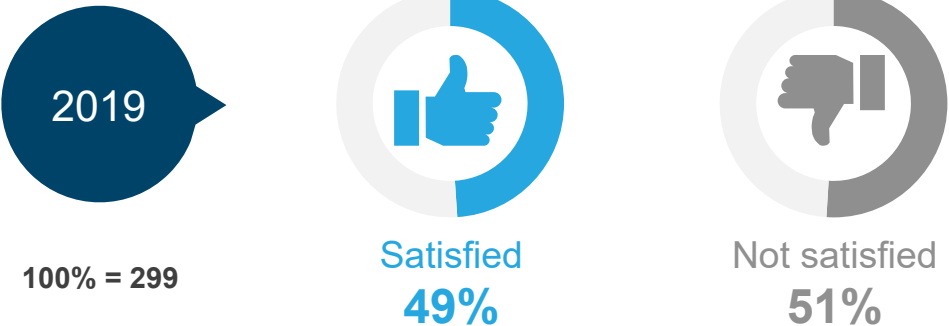
Provocation #2

Renew your vows (or don't?)

Act now to future-proof your sourcing portfolio

With digital adoption gaining scale, there has been a change in goalposts that determine customer satisfaction, leading to a further drop in overall satisfaction

Enterprises' overall satisfaction with service providers¹ Percentage of total

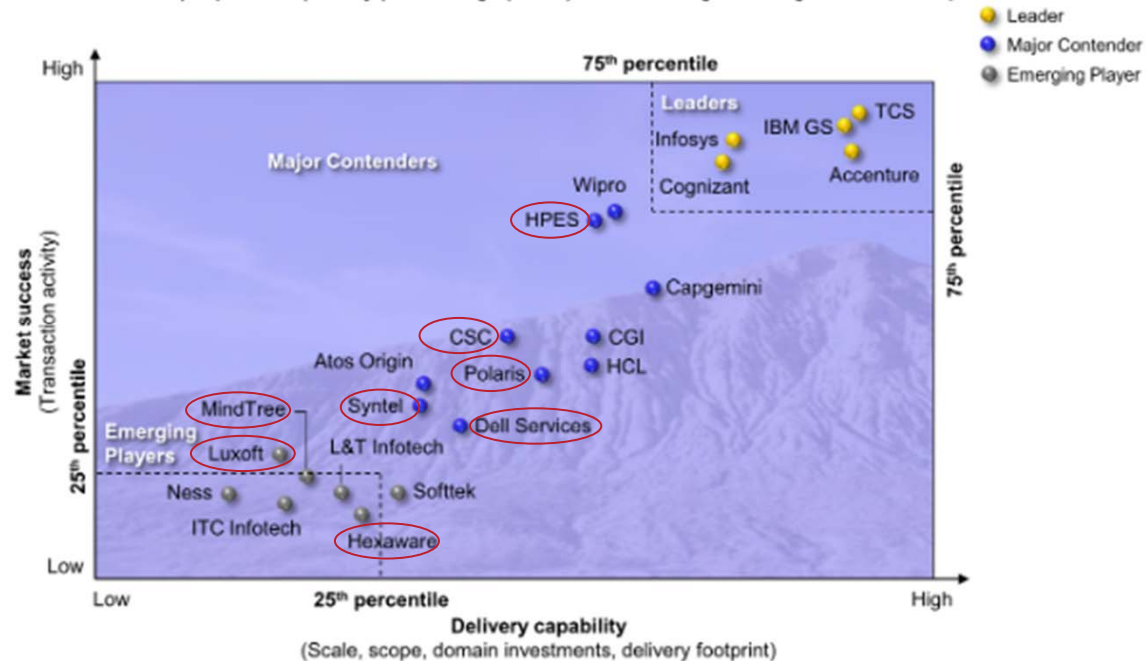


¹ Satisfied: Satisfaction rating of eight or above, Not satisfied: Satisfaction rating below eight (out of 10)
Source: Everest Group (2020)

The landscape of service providers has changed significantly since the last recession

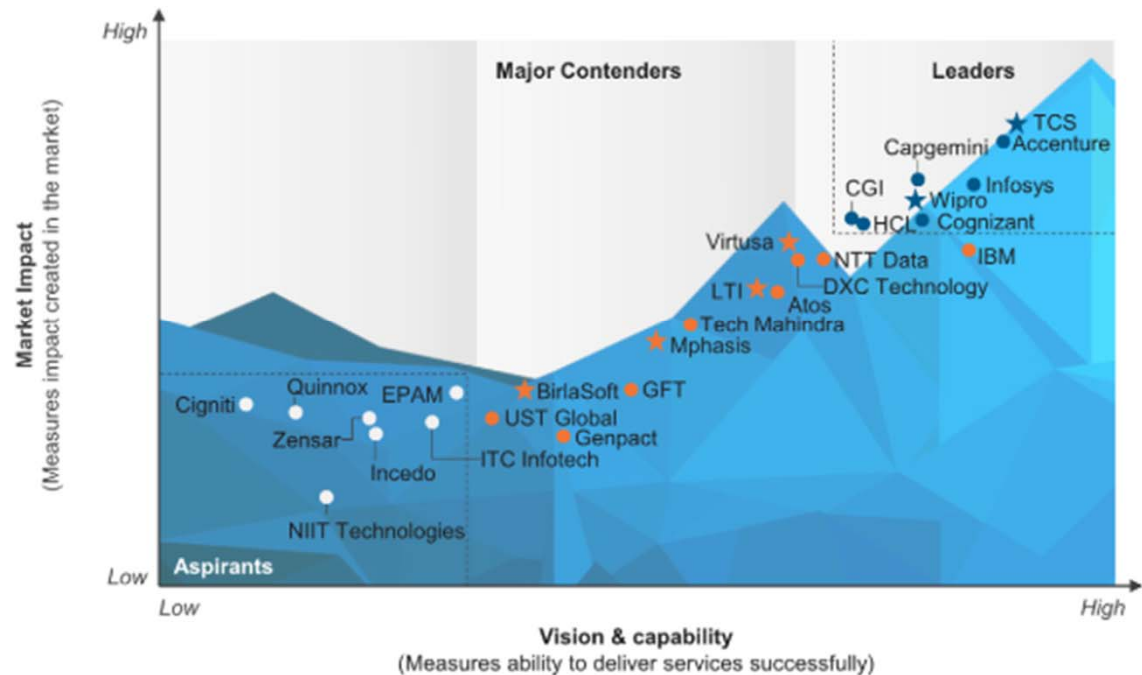
2011

Everest Performance | Experience | Ability | Knowledge (PEAK) Matrix for large banking AO relationships¹



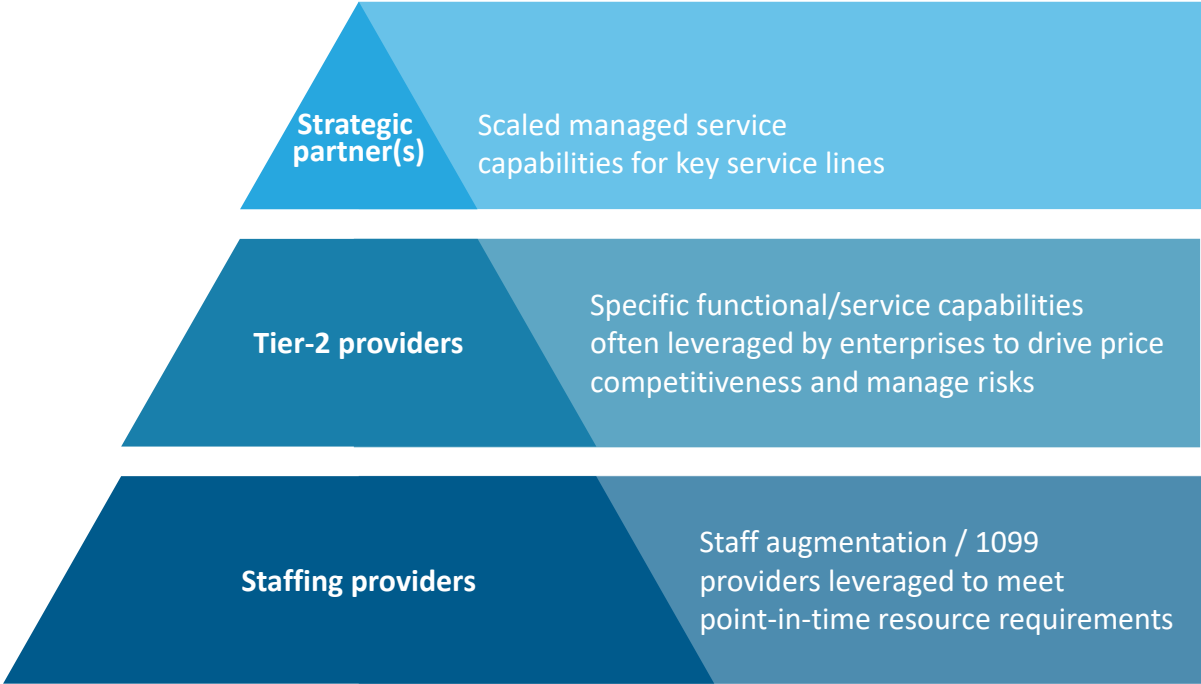
2020

Application and Digital Services in Banking – Services PEAK Matrix™ Assessment 2020



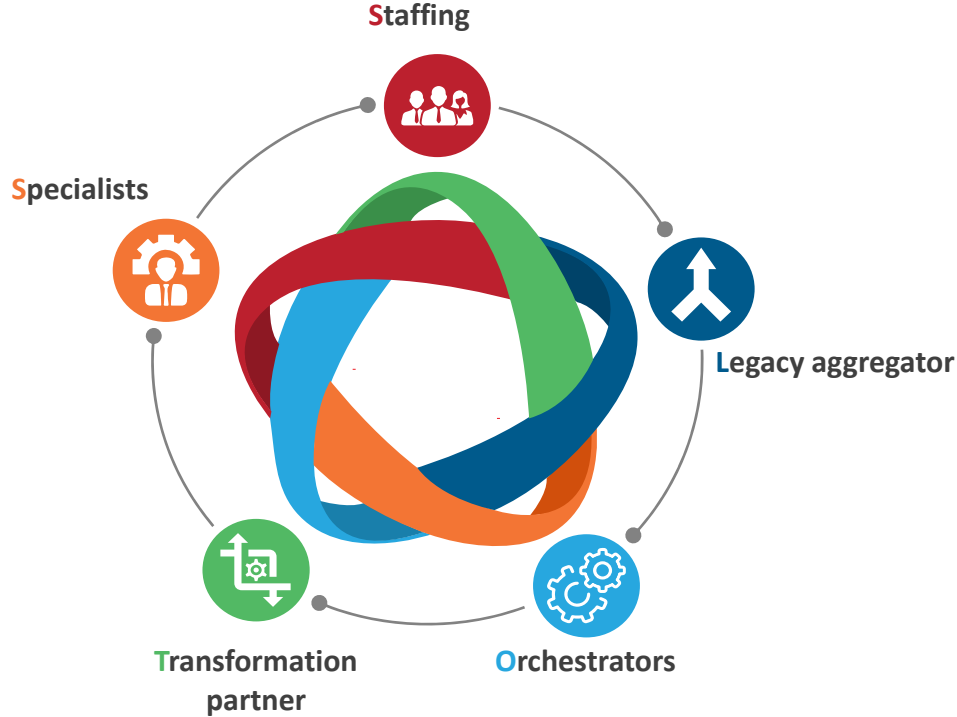
Enterprises are relooking at their sourcing model to deliver more business impact beyond cost savings

Traditional sourcing model for global enterprises:



- Provider segmentation by scale rather than by strategic intent
- Portfolio effectiveness measured by traditional, cost-centric metrics
- Limited provider view into overall enterprise business strategies
- Providers engaged within enterprise siloes limiting business impact

Introducing the SLOTS framework for strategic sourcing:



- Designed to make IT more efficient and effective for the business
- Geared towards services efficiency, resilience, and agility
- Business value and growth is the objective function
- Well laid-out provider roles and expected outcomes

What changes are you considering making to your service provider portfolio?

- Consolidate providers
- Add providers with specialty capabilities
- Drop lower performing providers
- Shift geographic footprint
- None of the above / Not applicable



Provocation #3

95-5 is the new 80-20

Challenge your organization's assumptions on the need for onsite/onshore resources

As organizations re-think their future location strategies, multiple forces will come into play



Key factors driving future location strategy

Rising cost pressures	Rising unemployment and protectionist sentiments (visa policies)	Accelerated automation adoption, especially for low complexity and voluminous services	Greater demand for complex skills (digital, next-gen IT)	Higher adoption of flexible working models (WFH, contingent workforce)



Long-term outlook (2-3 years)

Economic rules are more powerful than legislative actions

Work from home will lessen the importance of location decisions

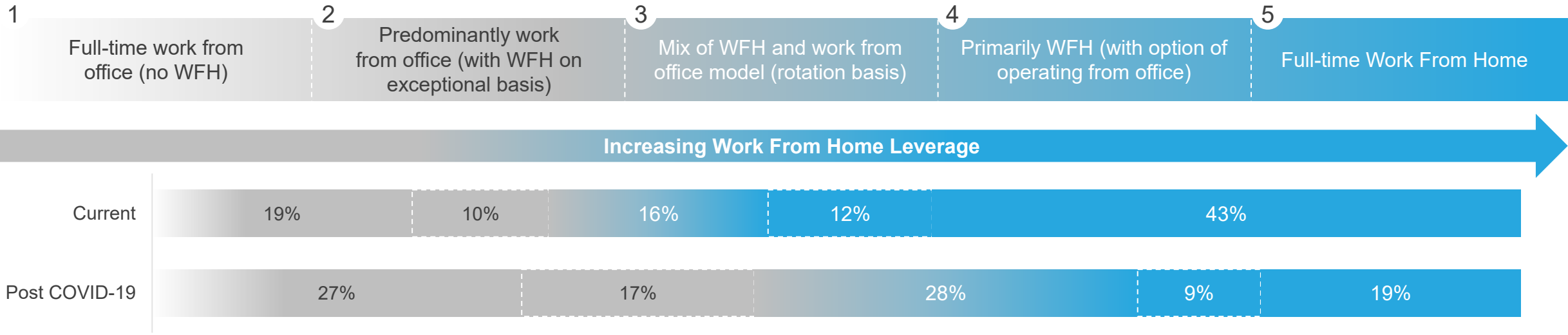


Provocation #4

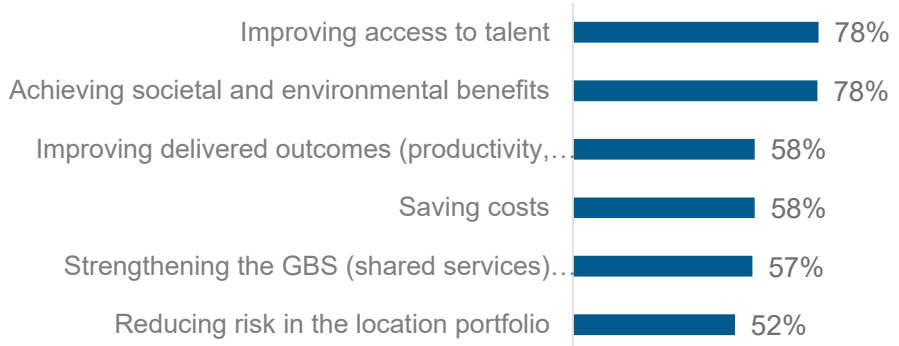
The stories of the death of the ODC are highly exaggerated
WFH is real but the journey will not be all kittens and rainbows

While some roles will return to the office after COVID-19 risks subside, many are expected to remain remote

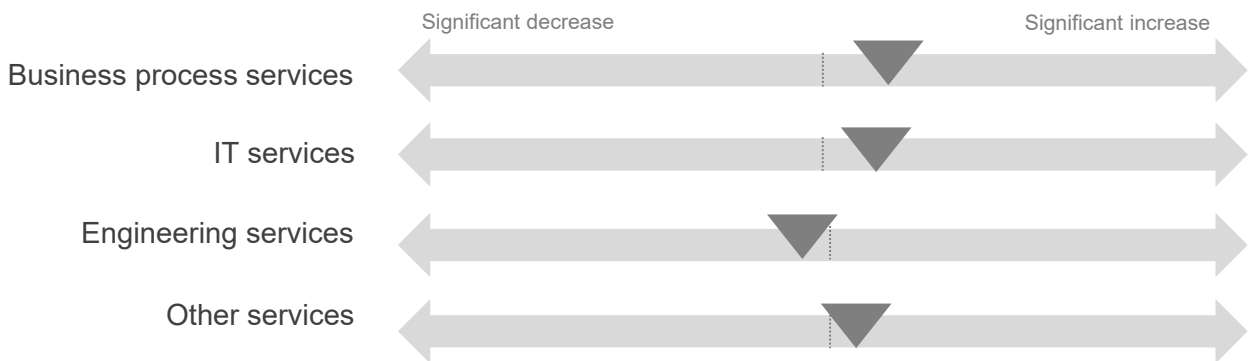
What portion of your **outsourced** workforce will be work from home (WFH)?



Most prevalent reasons for service providers' move to WFH

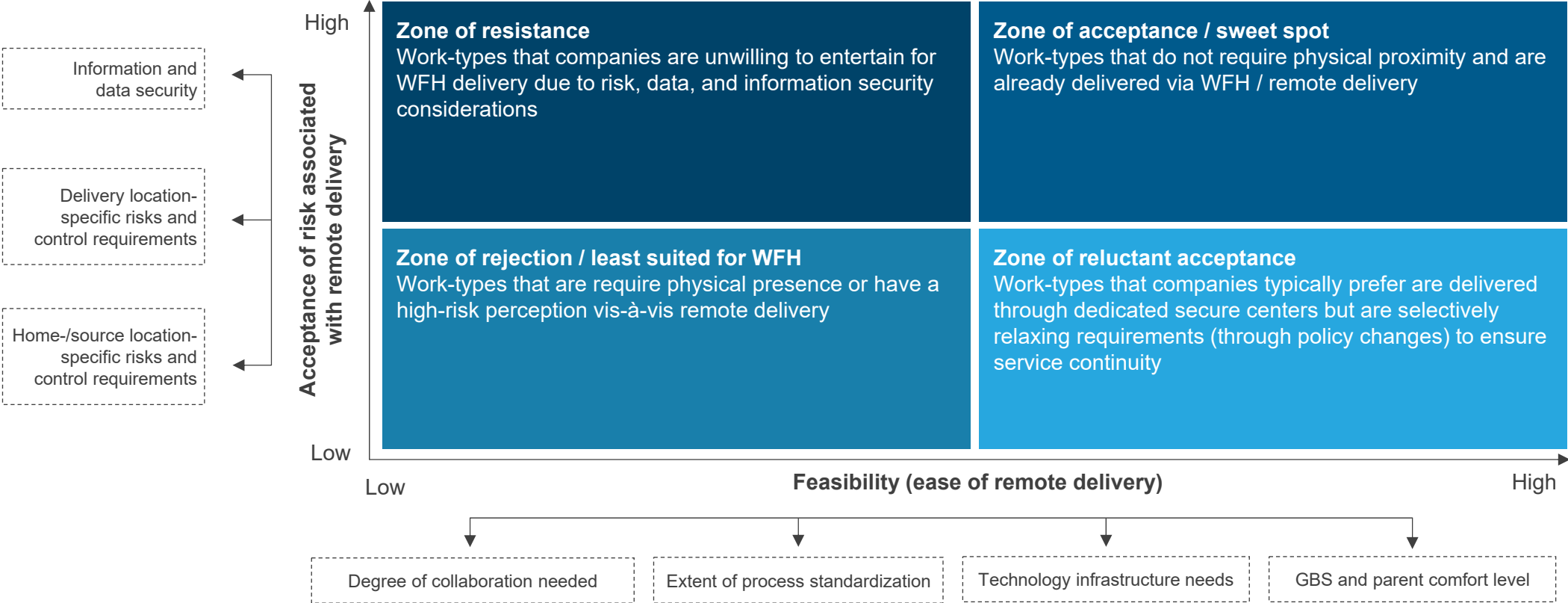


An increase in WFH is not expected to significantly impact outsourcing decisions



While buyers need to consider multiple factors to carefully assess what to allow to be delivered remotely, the vast majority of global services can be delivered through a WFH model

Everest Group framework for identifying and prioritizing work-types for remote delivery



This framework helps identify work-types that are currently better suited for the WFH model and those for which organizations need to address specific challenges to improve feasibility and reduce the risk associated with WFH

There are multiple concerns to manage when allowing WFH

What productivity and security issues are you worried about in the WFH model?



Top tactics to manage data security

- Strengthening policies (e.g., requirements for workforce to sign NDAs, codes of conduct, privacy guidelines)
- Encryption protocols (data masking, automation-based sensitive data processing, VOIP, etc.)
- Network risk monitoring
- Additional training on at home security practices
- Workforce authentication protocols (biometric, multi-factor authentication, etc.)
- Background checks of new employee

Tactics for talent management

- Virtual training and development
- Virtual new employee orientation
- Remote employee engagement practices (e.g., virtual gatherings and recognition programs)

Top tactics to manage productivity

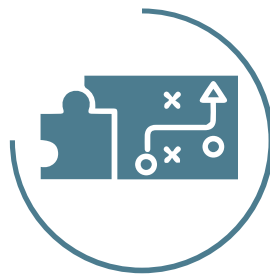
- Trusting employees
- Defined output metrics
- Check-in calls / status reports

Additional concerns with WFH

Employee wellbeing	Ergonomics, health and safety issues	Loss of employees to other WFH opportunities	Resilience risk	Governance issues
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Request our latest executive brief with “next normal” checklist and a consult to future-proof your outsourcing portfolio

Sourcing strategy & provider portfolio



Solution design



Pricing and cost



Performance management



Policy and contracting



Risk management



25 Questions to address internally and with your service providers

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1. Shall we consolidate providers or diversify our portfolio?
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Solution design

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Pricing and cost

11. How should we change our pricing model?
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There's no room in the portfolio for the wrong partners

- Demand outlook
- Future growth strategies
- Investment appetite and leadership strength of service providers

5. Future outlook

- Engagement model: Fixed price vs. T&M
- Success with managed services

Relative suitability of various business process services for remote delivery

Everest Group framework for identifying and prioritizing work types for remote delivery

Everest Group®

Readying for the Next Normal: Checklist to Future Proof your Outsourcing Portfolio

July 2020

This framework helps identify work-types that address specific challenges

Select “Yes” in the quick poll to request our latest executive brief with “next normal” checklist and related consultation. Discussion topics may include:

- Portfolio balancing
- Solution design strategy session
- Workplace services modernization
- (Related topic of your choice)




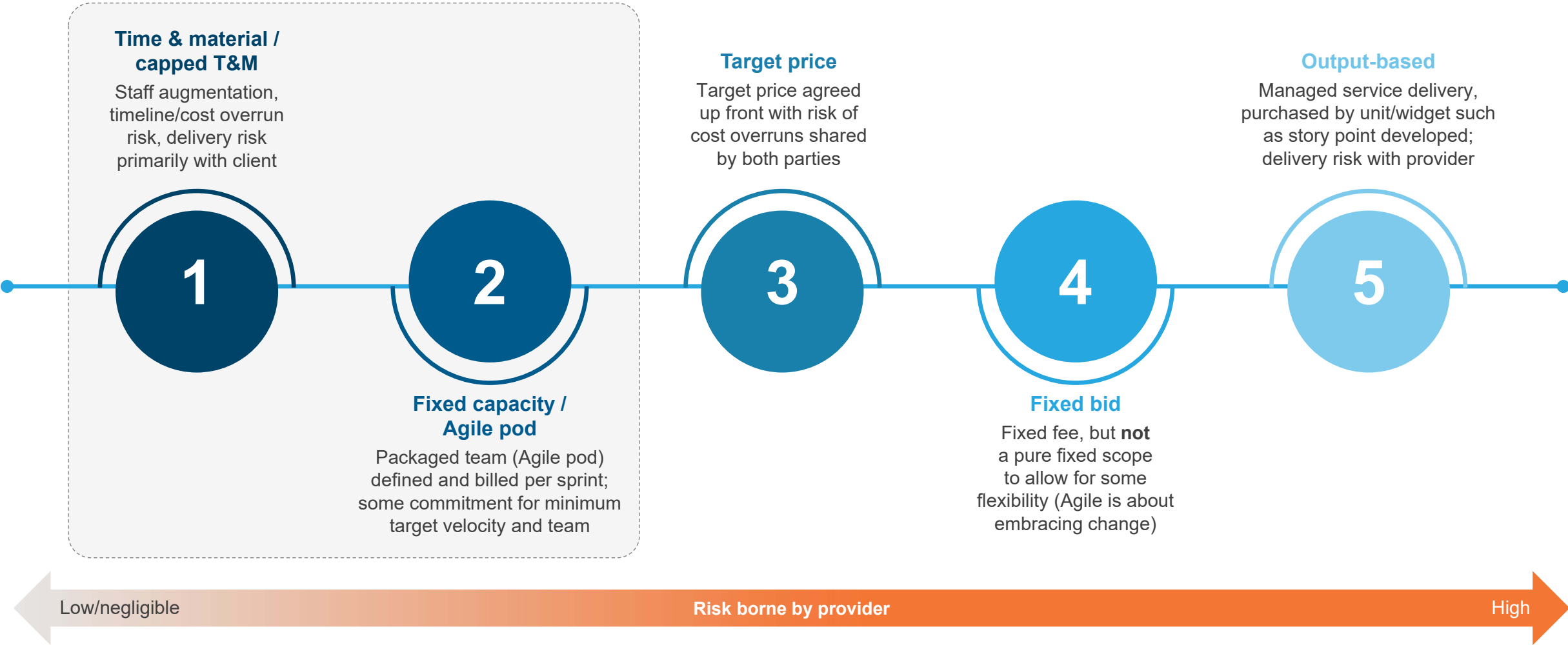
Provocation #5

This is, perhaps, the beginning of the end of T&M

The desire for more accountability in a lower oversight model will raise the tide for “managed” models

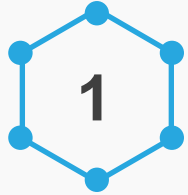
There are 5 primary contracting models that are used for outsourcing contracts, each suitable for various stages of maturity

 Most commonly used pricing models



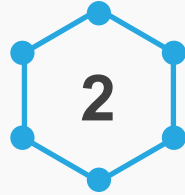
Pre-requisites for a managed service model to be successful

NOT EXHAUSTIVE



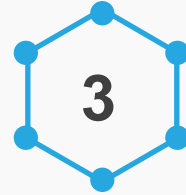
Homogeneous output units

The units of delivery should be discrete and measurable with the same standard. High degrees of variation make the transaction-based pricing unsuitable



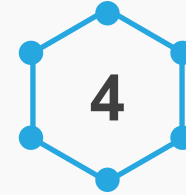
Predictable volume fluctuation

Volume fluctuations are fine, as long as they are predictable and/or within limit. Major swings lead to too much risk or constant re-baselining



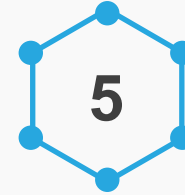
Repeatable, high volume transactions

Judgement-based services are not suitable. The services in scope should be repeatable so that they can be impacted by tech-driven productivity improvements



Historical baseline data availability

One cannot improve what one cannot measure. A strong sense of transaction volumes and associated effort is critical to ensure an equitable price



Buyer's willingness to cede some control

The buyer should be comfortable with ceding control over # of resources or how much margin the provider makes

Disruption potential if not considered



High

Low

What percent of your outsourcing contracts are based on time and materials?

- Less than 25%
- 26-50%
- 51-75%
- 75-100%
- Unsure / Not applicable

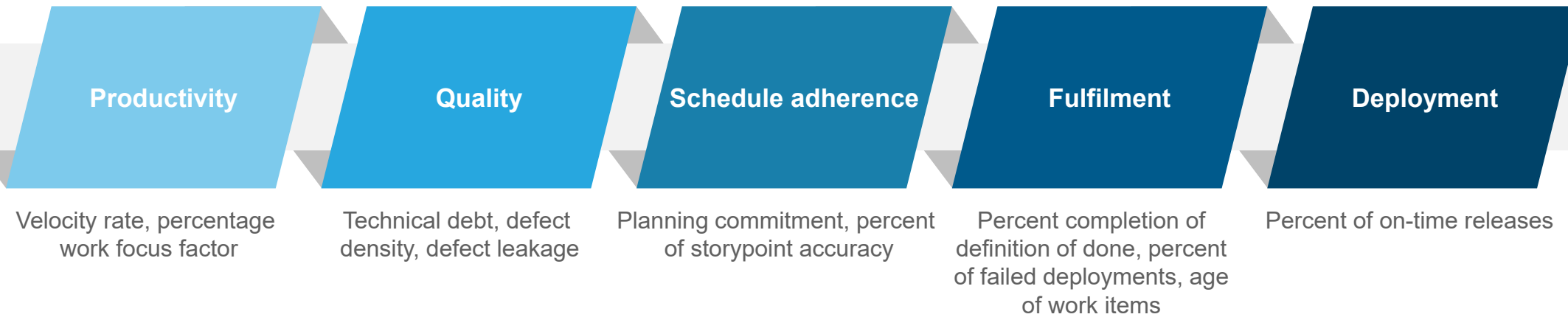


Provocation #6

Measure what matters... what you measure, matters

Traditional SLAs are not set up to create desired business impact

As speed becomes the objective function in IT applications services, Agile requires a new set of measures and KPIs



Evolution of KPIs

KPI/SLA	Description	Benchmark range		
		Lenient	Typical	Stringent
Velocity rate (burndown)	Number of story points delivered by seven-member team in a three-week sprint	18	22	28
Accuracy of commitment	$(\text{Accepted story points} / \text{committed story points}) \times 100\%$	80%	85%	90%
Work focus factor	$(\text{Velocity}/\text{capacity}) \times 100$	70%	77%	84%
Planning commitment	Percentage of plan delivered	XX	XX	XX
Load factor	Index (actual effort / allocated effort)	XX	XX	XX

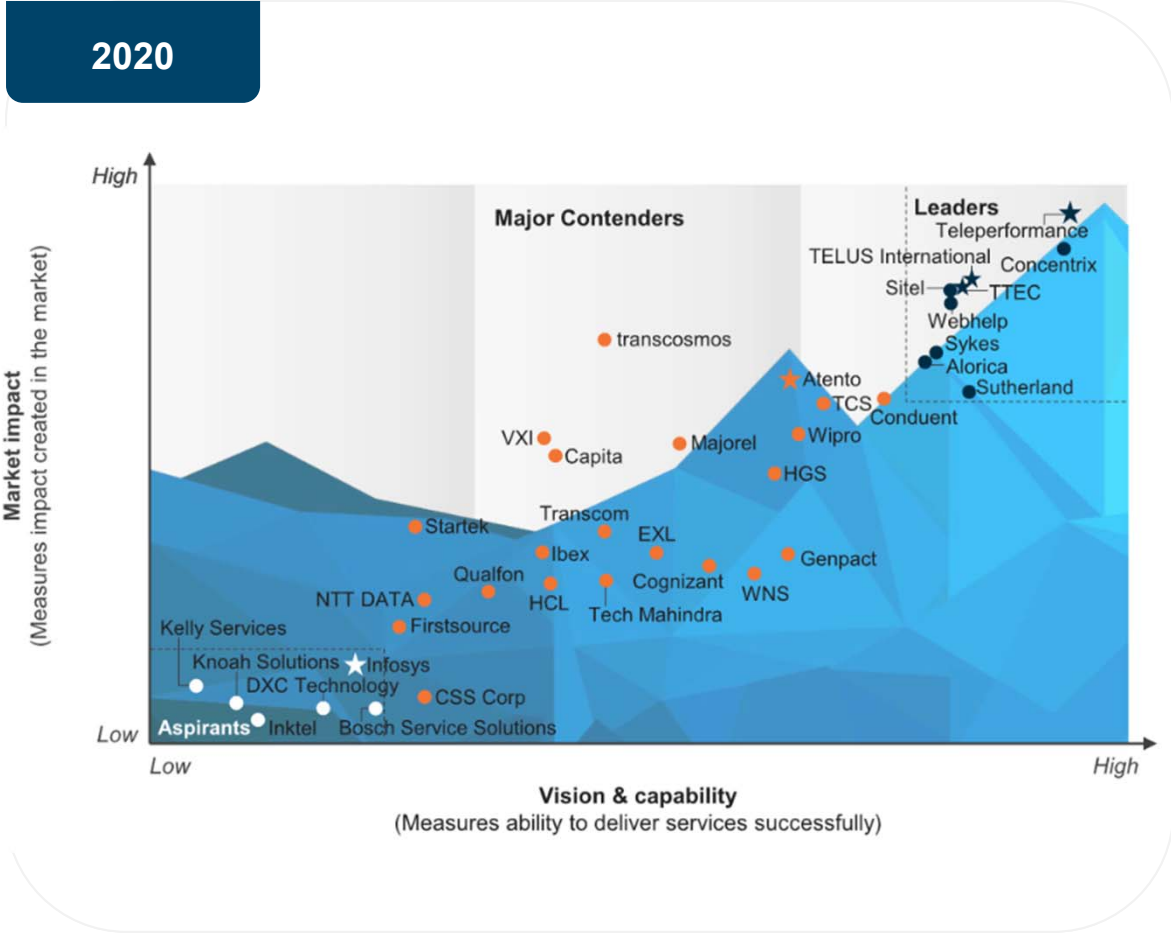
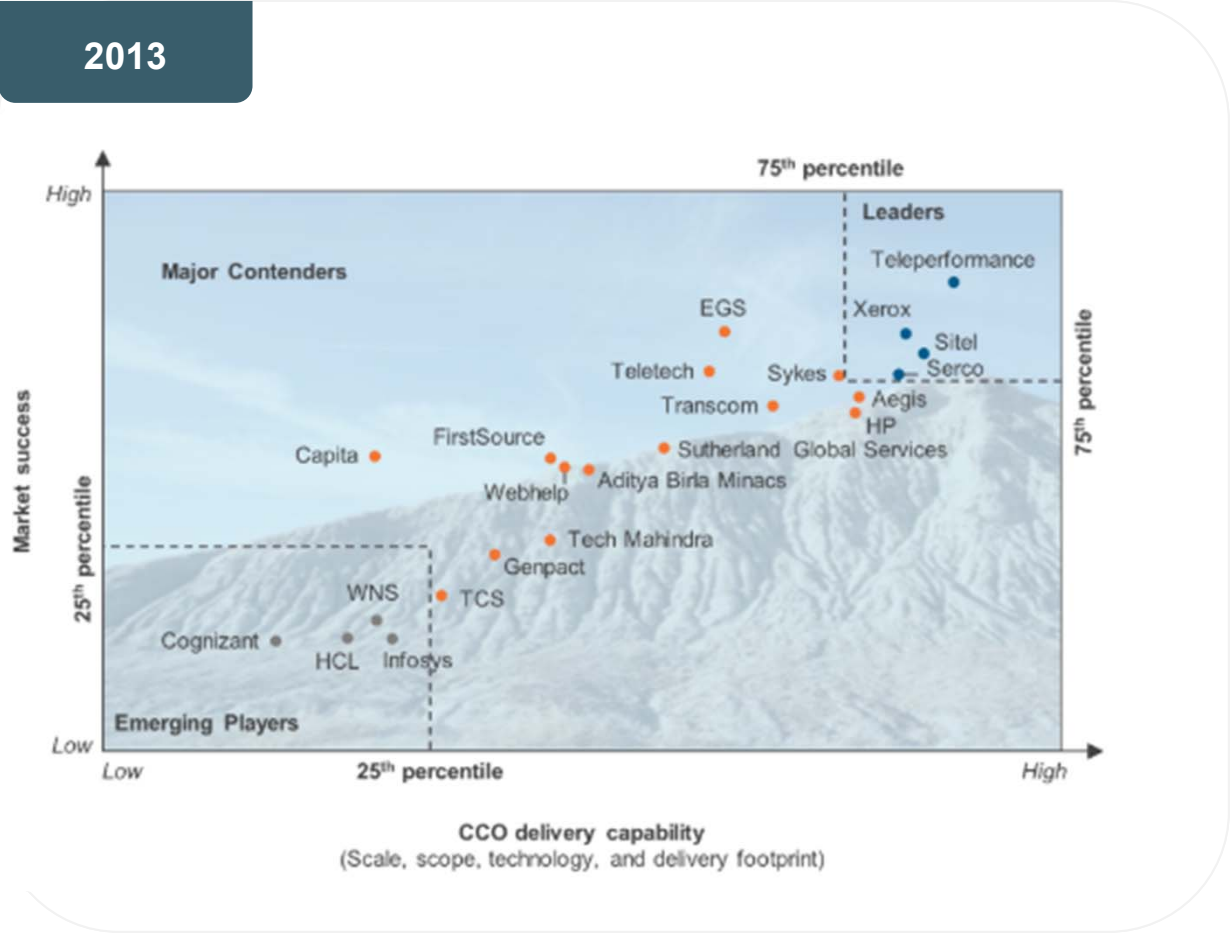
Discussion points for today



Customer Experience Management

The landscape of service providers in the contact center market has evolved significantly

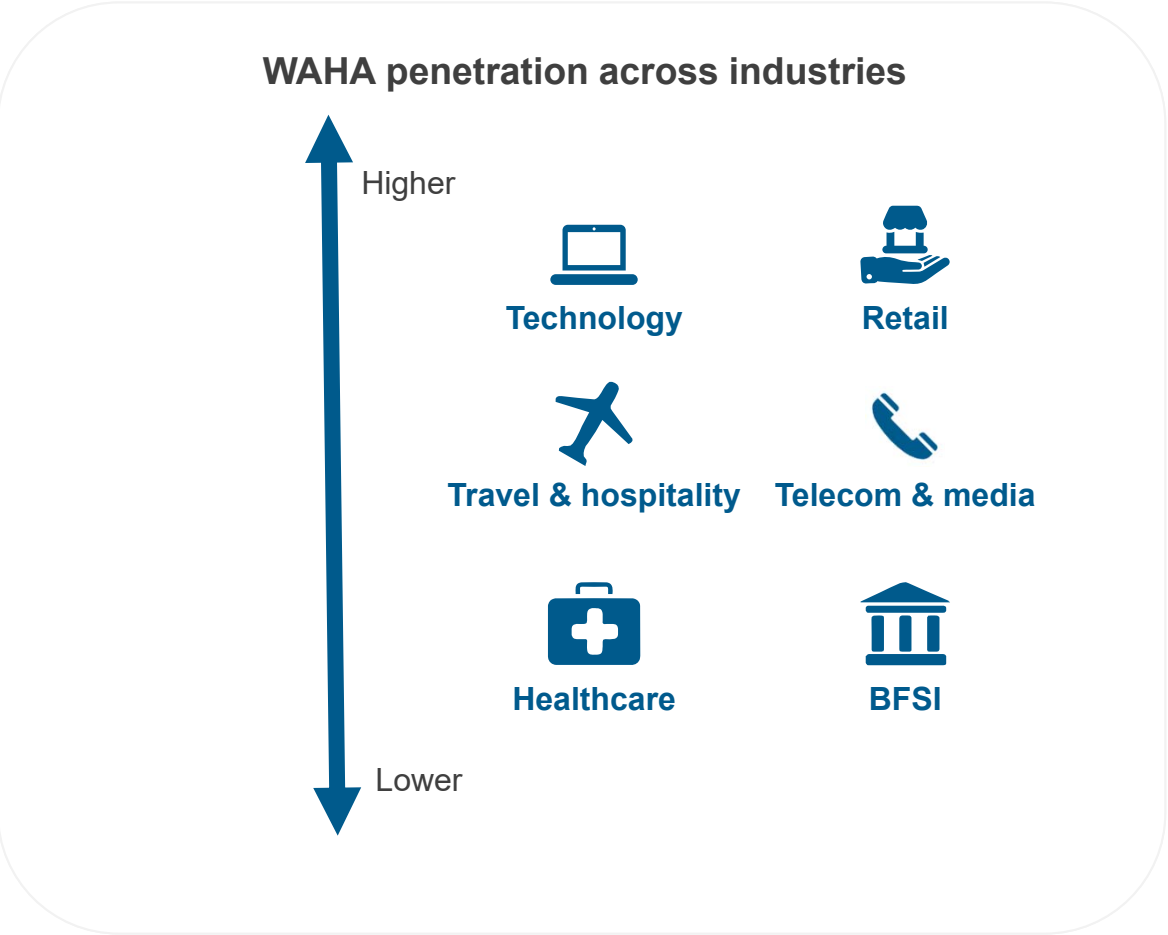
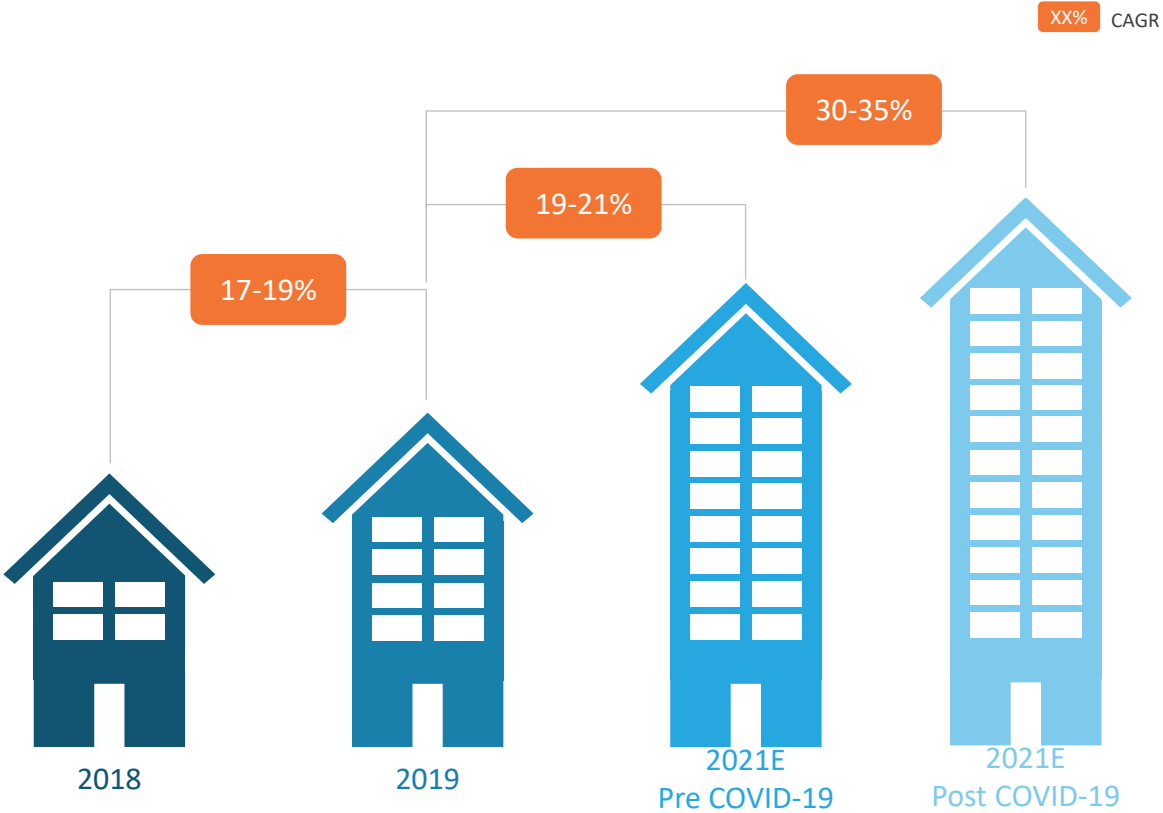
Services scope: Customer Experience Management (CXM) encompasses digital contact centers, contact center outsourcing (CCO), and evolving issues related to interactions with customers.



Customer Experience Management

WAHA delivery model has witnessed high growth as it offers flexibility and access to specialized talent, while lowering operational costs

Growth of CCO WAHA FTEs



The Importance of First Call Resolution in Call Center Effectiveness

While Net Promoter Score (NPS) is the preferred KPI in the call center industry, organizations should benchmark First Call Resolution (FCR), as it directly impacts NPS. A matrix that combines FCR with Average Handle Time (AHT) benchmarks provides better insight into the maturity of call handling in call center operations.

Our research shows that an increase in FCR by **5%** in absolute terms **reduces ACV by \$160K** for a 250 FTE voice contact center operation in the Philippines

FOUR SCENARIOS

First Call Resolution	Average Handle Time	Net Promoter Score	State
Low	Low	Low	Inefficient call handling for simple processes <i>Recommendation: Invest in quality hiring and agent training</i>
Low	High	Low	Inefficient call handling, likely caused by inefficient technology stack (ACD/IVR, speech analytics, etc.) <i>Recommendation: use speech analytics to identify the root cause of the low FCR, upgrade ACD/IVR, use process redesign to simplify processes</i>
High	High	Medium	Complex/detailed process <i>Recommendation: use a combination of process redesign and intelligent automation to reduce AHT</i>
High	Low	High	Efficient call handling resulting in a good NPS



Digital Workplace Services

A true digital workplace assumes end-user experience (not unit cost reduction) as the primary objective

Services scope: Workplace Services encompasses end user support services, service decks, communications, asset management, mobile and desktop management in a commercial workplace

Workplace for the enterprise

- Minimize unit cost
- Designed for the enterprise
- Resolve faster
- Improve IT metrics
- Reactive
- Ticket-driven
- Subjective; observational
- High-touch; impersonal

User experience becoming the objective function

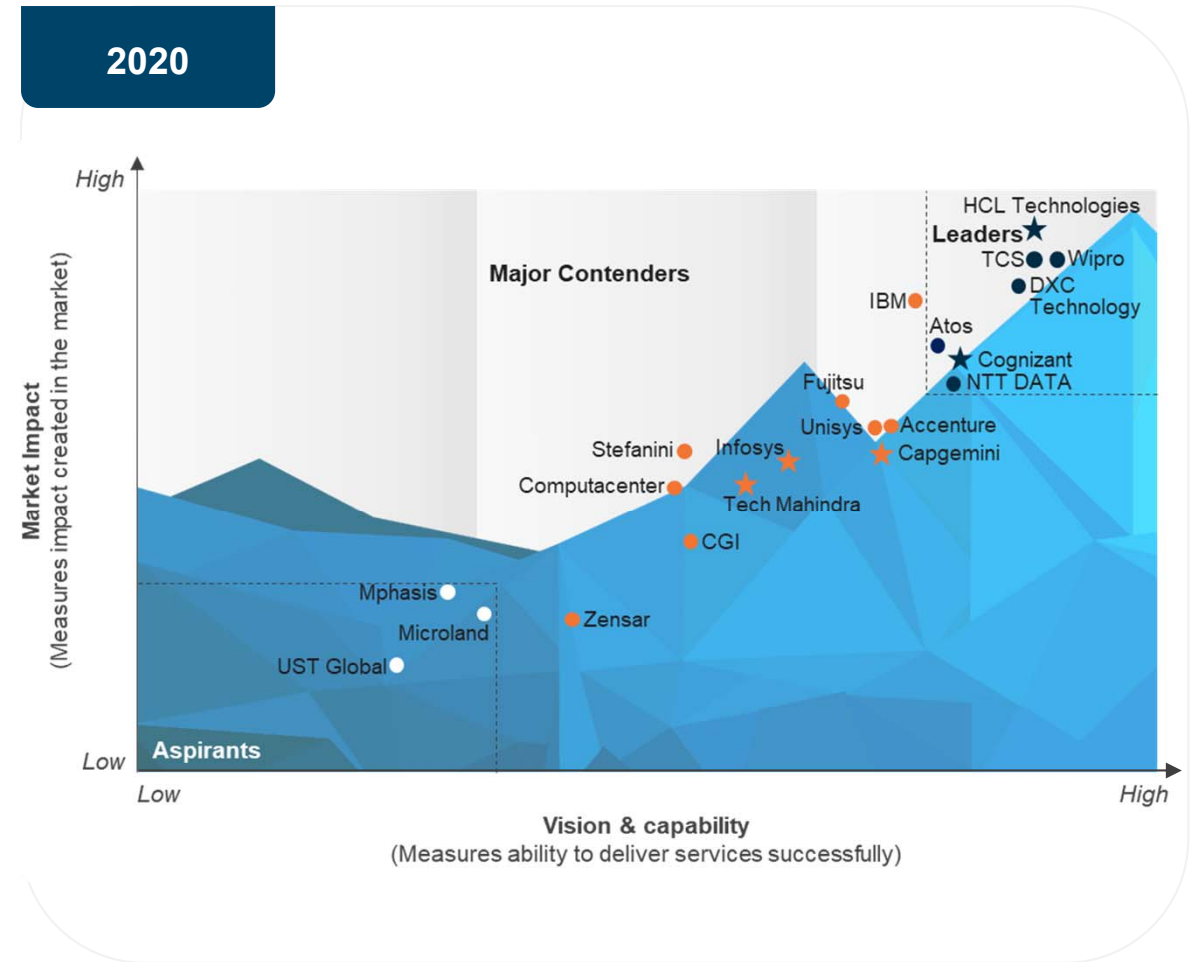
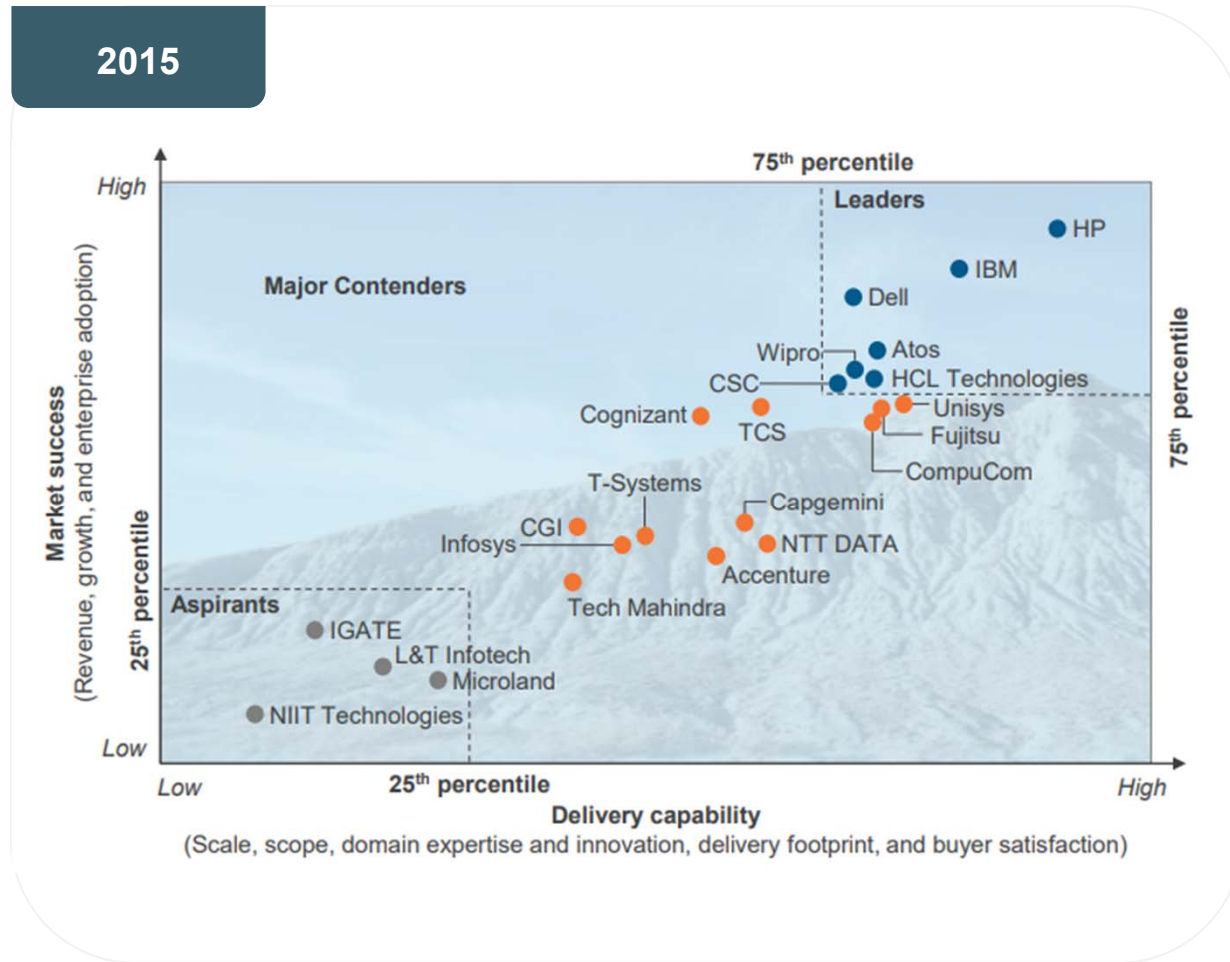


Workplace for the user

- Maximize employee experience
- Designed for the individual
- Zero resolution
- Improve business metrics
- Proactive
- Individual context-driven
- Objective; data-driven
- High-touch; personalized

Digital Workplace Services

The supplier landscape for digital workplace services has changed significantly in the last five years



Service desk transformation

XLA measurement framework delivers ongoing value and builds performance improvements into the contract



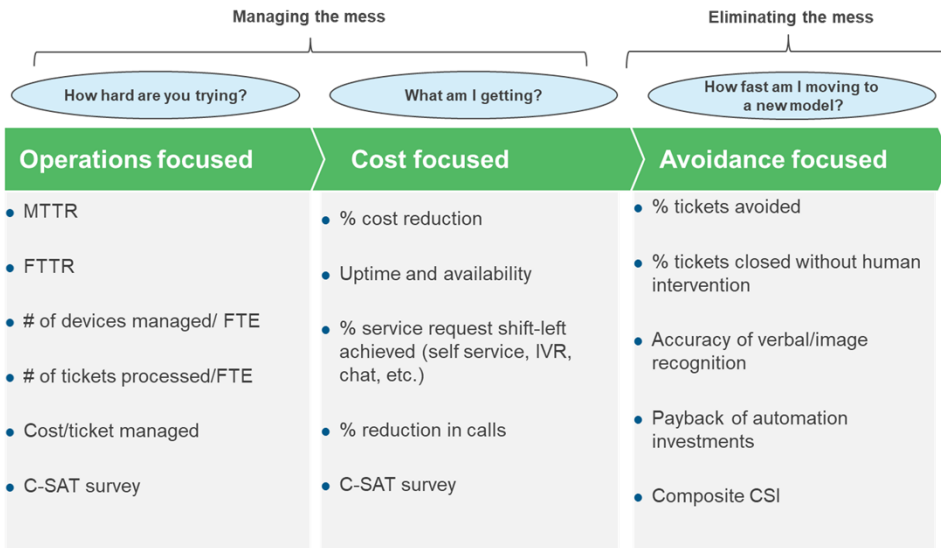
Service Level Agreements (SLAs)

- “Technical lens” to performance
- Hard, technical metrics
- Point-in-time view of UX
- Siloed view/accountability of operations

Experience Level Agreements (XLAs)

- “UX lens” to performance
- Aggregated value-aligned metrics
- Progressive view of UX journey
- Accountability distributed across functions

Focus on keeping the lights green



Focus on user satisfaction and delight

XLA scorecard – service desk metrics and benchmarks

Influencer	Enabler	Supporting KPIs	Target Range
Service desk Quality	QoE Framework, CSAT	Service desk Quality Score	XX
		Service Now CSAT Scores	XX
Self Service Strategy	Semantic Search, Gamification, Virtual Assistance, Service Catalog	% Accuracy of knowledgebase search	XX
		% Issues resolved through self help	XX
		% Reduction in Service desk volumes	XX
		% resolution through Peer to Peer Collaboration	XX
Connect Model	Skype-based solution, speech recognition	% of Requests orchestrated	XX
		% of dropped calls	XX
		% Reduction in Phone based contacts	XX
Persona Centric Support	Computer Telephony Integration	Time to reach Service desk through the IVR	XX
		% Reduction in Average Handle Time	XX
		% Accuracy of data at Service desk	XX
Speed to Resolve	MTTR, FCR, ASA	% personas ported to CTI versus personas available	XX
		% Reduction in MTTR	XX
Cultural Fitment	Location Strategy, Cultural Sensitization	% Increase in First Call Resolution	XX
		% Improvement in ASA	XX
Business Knowledge	Business SLAs	Number of end user escalations	XX
		% of critical business processes measured	XX

Next steps in readying for the Next Normal

A close-up, blue-toned photograph of a hand placing a puzzle piece into a larger puzzle. The puzzle pieces are dark blue with white outlines, and the hand is positioned at the top right, with fingers carefully fitting a piece into a gap. The background is a grid of other puzzle pieces, some of which are also being placed or adjusted.

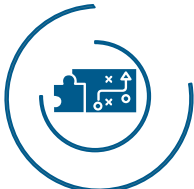
- Identify the opportunities for structural savings
- Reevaluate your service provider portfolio
- Confirm your future offshore/onshore mix
- Fine tune a WFH strategy with service providers
- Plan the shift from T&M to more mature models
- Begin updating SLAs to capture real value

Everest Group assists sourcing organizations in capturing value from their services spend through memberships and focused projects

Ongoing retained support



Strategic Outsourcing and Vendor Management membership
Best-in-class research-based market insights to maximize value from technology and operations services categories



Sourcing strategy / provider portfolio



Solution design



Performance management




Risk management

Accelerated project-based support



Sourcing advisory services
Project based support to accelerate execution and journey support for end-to-end sourcing and vendor management activities



Pricing-as-a-Service
On-demand price and performance analytics to maximize outsourced spend reduction



Pricing and cost



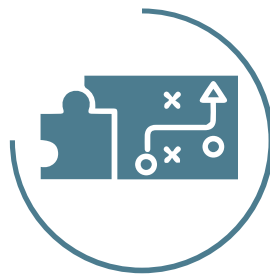
Policy and contracting



Strategic Proposal Review
Project based reviews to create market aligned contracts that maximize value and minimize risks

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- Demand outlook
- Future growth strategies
- Investment appetite and leadership strength of service providers

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- Success with managed services

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Everest Group framework for identifying and prioritizing work types for remote delivery

Everest Group

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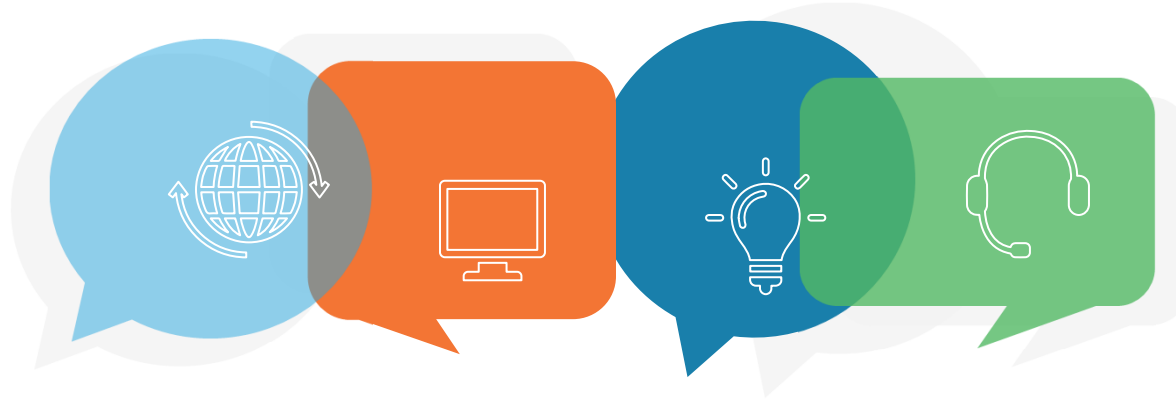
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- Access the **Chat** pane within the GoToWebinar console, which is typically located on the right side of your screen
- Type your question in the dialogue box, then select **Send** to submit the question to our session panelists

- Attendees will receive an email with instructions for accessing today's presentation
- To ask a specific follow-up question or to arrange a related consultation, please contact:
 - Michel Janssen, michel.janssen@everestgrp.com
 - Amy Fong, amy.fong@everestgrp.com
 - Jimit Arora, jimit.arora@everestgrp.com

Related content

Comprehensive, fact-based resources to assist companies on their journey to “next normal” in services

COVID-19: the journey from here back to the next normal

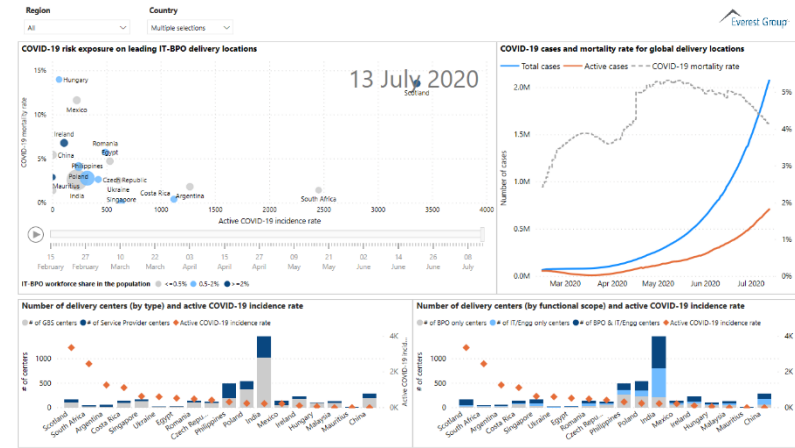
On this untravelled road, we are here to help you navigate through the twists and turns, the rough terrain, and the upcoming roadblocks.

We are with you on this journey.

COVID-19 information tailored for you | On-page links

- Webinar | Coronavirus: Mitigating Business Impact and Uncovering the Positive
- Video | Top 10 Tips for Working from Home - Staying Sane and Productive during the COVID-19 Outbreak
- Podcast | COVID-19 Lesson #1: Digital Readiness – The Key to Surviving & Thriving
- For strategic outsourcing and vendor management leaders
- For global business services / shared services leaders
- For service provider leaders
- Recent COVID-19 reports
- External COVID-19 resources

IT/BPO delivery locations dynamic tracker



<https://www.everestgrp.com/covid-19>

Integrating Work From Home (WFH) in the Global Services Delivery Model

Executive Brief – June 2020

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