HOW COVID-19 HAS AFFECTED THE INFORMATION TECHNOLOGY OUTSOURCING SECTOR

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A BIT ABOUT MYSELF

- Main line of research is in IT outsourcing and offshoring, digital transformation and emerging technologies (RPA, ML and AI);
- Published 20 books including the Handbook of Global Outsourcing and Offshoring;
- Regular contributor to the media (CIO Magazine).
2 AGENDA

• The fundamentals of IT outsourcing
• COVID-19 and IT/Business Process outsourcing: the bad, the good and the impact
• Everest Survey: what would you do differently the day after?
• Has something changed in the fundamentals of IT outsourcing?
• Current predictions
3 THE FUNDAMENTALS OF IT OUTSOURCING

- Clients select best of breed vendors
- Client and vendor enter contractual relationships based on well defined SLAs
- Vendor delivers service from delivery services in nearshore/offshore
- Client monitors SLAs through formal and informal controls, ensuring vendors do not behave opportunistically
- Vendor monitors delivery teams to ensure margins
- Disputes are resolved using formal dispute resolution mechanisms
COVID-19 AND IT/BUSINESS PROCESS OUTSOURCING: THE BAD NEWS

• Lockdown in many countries: vendor personnel needed to work from home;

• Business continuity challenges:
  • No suitable computing equipment
  • No VPN
  • Broadband problems
  • No management controls
  • Data issues: security and storage;

• Travel restrictions
COVID-19 AND IT/BUSINESS PROCESS OUTSOURCING: THE IMPACT

• Service failure: Some call centers in the Philippines and India shut down. Spark and Acer told their customers not to call their call centers; Concentrix 70,000 employees could not work.

• Some back-sourcing: Telstra, an Australian firm with offshore call centers in the Philippines, brought back their operations onshore, quickly recruiting 3,500 staff in Australia;

• No or little switching between delivery centres: Large vendors with global footprints reported that they struggled to shift service delivery from one region to another as all regions faced similar lockdown restrictions;

• Business continuity: Client firms and vendors realized they didn’t have bulletproof business contingency plan for a global crisis of this magnitude;

• Requests to adjust SLAs (challenging conditions), pricing models (managed service to T&M), update contractual provisions (work from home);

• Some client firms requested to reduce FTEs offshore.
6 COVID-19 AND IT/BUSINESS PROCESS OUTSOURCING: THE GOOD NEWS

• Reports about the acceleration of digital transformation programs;
• Spike in software purchasing (virtual environments, VPN) to support remote work;
• Strong demand for Cloud services during COVID-19;
• Socially responsible behavior by vendors – making technology, capital and talent available to combat COVID-19 and help society cope with the challenge.
COVID-19 AND IT/BUSINESS PROCESS OUTSOURCING: THE IMPACT

- Clients and vendors are rethinking:
  - What matters in digital;
  - What resilience is in crisis;
  - What functions are mission critical;
  - Who would be my ‘savior’ vendor.
### Real-Time Global Services Buyer Market Feedback

#### What Will You Do Differently After the Crisis Has Abated?

<table>
<thead>
<tr>
<th>Change in Practice</th>
<th>Completely Disagree</th>
<th>Neutral</th>
<th>Completely Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>More business continuity planning</td>
<td>21.1%</td>
<td>10.5%</td>
<td>68.4%</td>
</tr>
<tr>
<td>Eliminate processes that we realize do not need to be done</td>
<td>26.3%</td>
<td>10.5%</td>
<td>63.2%</td>
</tr>
<tr>
<td>More work-from-home options</td>
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<td>21.1%</td>
<td>58.0%</td>
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<tr>
<td>More automation</td>
<td>21.1%</td>
<td>31.6%</td>
<td>47.4%</td>
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<tr>
<td>More service provider diversity</td>
<td>42.1%</td>
<td>15.8%</td>
<td>42.1%</td>
</tr>
<tr>
<td>More talent training</td>
<td>52.6%</td>
<td>10.5%</td>
<td>36.9%</td>
</tr>
<tr>
<td>Less travel and commuting time</td>
<td>42.1%</td>
<td>21.1%</td>
<td>36.9%</td>
</tr>
<tr>
<td>More geographic dispersion</td>
<td>63.2%</td>
<td>5.3%</td>
<td>31.5%</td>
</tr>
</tbody>
</table>
COVID-19: HAS SOMETHING CHANGED IN THE FUNDAMENTALS OF IT OUTSOURCING?

• Three key aspects:
  • Sourcing decision – still buy? backsource/make? make and buy? which functions to what vendors?
  • Contractual – new forms of governance? outcome-based? knowledge retention strategies?
  • Relationships – vendor selection? client development? co-sourcing?
THE DAY AFTER: CURRENT PREDICTIONS

- Selective vendors
- Greater dependency on some vendors
- More digitalization
- Greater automation
THE CHALLENGE FOR NEW ZEALAND

- Digital competitiveness
- Industrial structure (SMEs)
- Eco-systems and platforms
THANK YOU

Q&A