

# 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).

Offshoring Strategies



EVOLVING CAPTIVE CENTER MODELS

Ilan Oshri

*The Handbook of*  
**GLOBAL  
OUTSOURCING  
and OFFSHORING**  
*3rd edition*

ILAN OSHRI, JULIA KOTLARSKY  
and LESLIE P. WILLCOCKS



## 2 AGENDA

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- 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

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- 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

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# COVID-19 AND IT/BUSINESS PROCESS OUTSOURCING: THE BAD NEWS

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- 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

## BPO workers lament company's lack of compassion amid COVID-19

By Richard D. ... May 1, 2020 ... 1 Comment ... BPO industry employees ... BPO workers, COVID-19, advanced ...



BPO workers join a protest rally in Manila to demand better working conditions, BPO photo by Mig Day Multimedia

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## COVID-19 AND IT/BUSINESS PROCESS OUTSOURCING: THE IMPACT

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- 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

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- 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.

# 7 COVID-19 AND IT/BUSINESS PROCESS OUTSOURCING: THE IMPACT

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- 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.



# WHAT CLIENT FIRMS WOULD DO POST COVID-19

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Real-Time Global **Services Buyer** Market Feedback

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

	Completely Disagree	Neutral	Completely Agree
More business continuity planning	21.1%	10.5%	68.4%
Eliminate processes that we realize do not need to be done	26.3%	10.5%	63.2%
More work-from-home options	21.0%	21.1%	58.0%
More automation	21.1%	31.6%	47.4%
More service provider diversity	42.1%	15.8%	42.1%
More talent training	52.6%	10.5%	36.9%
Less travel and commuting time	42.1%	21.1%	36.9%
More geographic dispersion	63.2%	5.3%	31.5%

# 9 COVID-19: HAS SOMETHING CHANGED IN THE FUNDAMENTALS OF IT OUTSOURCING?

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- 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?

# 10 THE DAY AFTER: CURRENT PREDICTIONS

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- Selective vendors
- Greater dependency on some vendors
- More digitalization
- Greater automation

# || THE CHALLENGE FOR NEW ZEALAND

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



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THANK YOU

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Q&A

