

NOA Research: Is the UK ready for global outsourcing leadership?

The NOA conducted a survey of its membership to determine the strengths and weaknesses of the outsourcing industry today.

“I’ve been involved with the NOA for 12 years now,” said Kerry Hallard, chief executive of the National Outsourcing Association, when presenting the NOA’s latest research at the NOA Symposium 2015. “And I would say the changes that we’ve seen in the outsourcing industry over the last 12 months surpass the number of changes we saw over the last 12 years.”

In doing so, she set the tone for the rest of the conference. After a tumultuous general election, UK outsourcing has regained some welcome stability, and following one of the industry’s strongest ever years, many outsourcing professionals across a wide variety of sectors are excited by its future potential.

Kerry Hallard went on to propose that the UK has a fantastic opportunity to become the strategic global hub for outsourcing, pointing to the UK industry’s various accolades: second largest outsourcing market in the world, the most mature market across BFSI and the public sector, and a government that invested £120 billion in outsourced public services during its last term. With further foreign investment and more vocal support from the government, the UK has all of the ingredients necessary to become the global leader in outsourcing and business services capital of the world.

Post-Election Research

So, now that the UK markets have steadied post-election, how positive does the rest of the industry feel towards outsourcing and its growth prospects? The NOA conducted a poll of its membership to find out; buyers, suppliers and support providers were all surveyed to ascertain what will cause industry growth, and what will hold it back.

How positive do you feel about the growth of outsourcing over the next five years?

In the NOA’s survey, members on both the buy and supply-side were asked how positive they felt about the outsourcing industry’s growth potential. Buyers responded with an average positivity rating of 66%, while service providers were more optimistic with a positivity rating of 76%. All in all, this

conveyed a strong sense of positivity regarding the outsourcing industry’s future prospects.

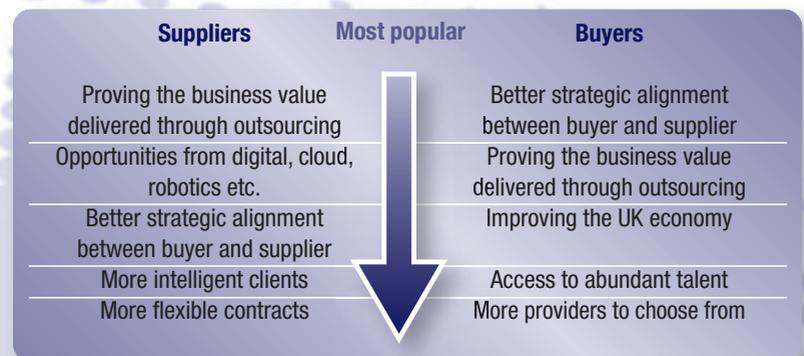
Buyers 66% Average Positivity Rating

Service Providers 76% Average Positivity Rating

Which of the following will most drive the growth of outsourcing over the next five years?

Here organisations were asked to rank the top five factors they think are driving outsourcing growth, with an extensive list of options to choose from. The five most popular factors are given below.

“Proving the business value delivered through outsourcing” was unsurprisingly a strong favourite with the service providers (as it was with the audience on the day of the Symposium), while buyers thought only “better strategic alignment between buyer and supplier” to be more important. “Open book accounting” and “the new Conservative government” were among the options that didn’t break the top five.



Which of the following is your main concern about the future of outsourcing today?

“Recruiting good people” was the biggest concern with suppliers, while too much emphasis on cost-cutting and the talent of personnel hired by service providers were the two main worries for the buyers. Combined, these results suggest that the quality of the people working in outsourcing is a chief concern on both sides.

Suppliers	Most popular	Buyers
Recruiting good people	↓	Too much focus on cost-cutting over quality
Procurement processes		Quality of people within service providers
Disruptive technologies		Attracting and retaining the best talent
Decreasing profit margins		Managing relationships to deliver best value
Proving the business value delivered through outsourcing		Proving the business value delivered through outsourcing

How significant is the skills shortage in the UK outsourcing industry?

Buyers displayed more concern regarding the state of skills in the outsourcing industry with a 6.7/10 severity rating. Service providers returned an average rating of 5.6/10, demonstrating that they were still concerned, but less so than the buy-side.

Overall 20% believed there to be a severe skills shortage (8/10 or higher) while only 8% deemed the skills shortage to be insignificant (2/10 or lower).

How are companies addressing the skills issue?

An overwhelming majority on both sides saw training as the key solution to the perceived skills issue. While recruiting good people is a prominent concern, as shown before, the outsourcing space is often disrupted by new technologies and innovative working models, meaning the skills of existing employees must be consistently honed and updated. That's why professional development, like that provided by the NOA, is so vital. Reshoring and apprenticeships were lowly valued on both sides.

Suppliers	Most used	Buyers
Training	↓	Training
More flexible working models		More flexible working models
Nearshoring		Moving into UK regions
Offshoring		Reshoring
Apprenticeships		Nearshoring
Reshoring		Apprenticeships

Conclusions

What lies between the UK and global leadership?

The NOA membership conveyed a strong sense of positivity regarding the growth of outsourcing over the next five years, suggesting that now is a good time for the UK to extend its reach and become the global strategic hub of outsourcing that the NOA has called for.

For this to happen, UK-based suppliers must be capable of irrefutably proving the business value behind the services they provide. They would also benefit from access to a larger pool of digitally-skilled British workers. The government could play a key role here by investing in the nation's technological development and accepting the assistance of foreign talent where necessary.

Bad news for David Cameron

In the 2015 summer Budget released in July, the government pledged to provide three million new apprenticeships, sticking by plans outlined in the Conservative manifesto pre-election. The results of this survey do not bode well for David Cameron then, as apprenticeships were one of the lowest priorities for companies looking to upskill their operations.

Reshoring also largely failed to pique the interest of the survey's respondents. At the World Economic Forum 2014, David Cameron publicly announced his ambition to make Britain the "re-shore nation", in order to boost the nation's employment and economic growth. Making the UK outsourcing's strategic hub would be a more effective strategy towards achieving this development, by attracting many higher level jobs that basic reshoring would fail to bring in.

People make outsourcing work

Suppliers are concerned that they're unable to recruit the right people; buyers are troubled by the quality of the staff working for their service providers. On both sides, the training of existing employees at all levels is seen as the best way to address skills issues in the UK.

If there's one last message to be taken away from this research, it's this: regardless of whether they're being recruited, trained or retained, people are the key to making outsourcing work. Organisations that recognise this are most likely to prosper; those that do not will be left by the wayside.