

# Predictions



Can you predict the future? No, neither can I! But what I can do is analyse the thousands of conversations I have in a year about outsourcing and make informed guesses, based on people's questions and concerns, on which of those conversations will morph into trends over the next 12 months. If you look into the present hard enough, it turns into the future...

## The As-a-Service Economy

The "As-a-Service Economy" is set to disrupt the traditional outsourcing industry we know and love in a major way, impacting on how service buyers receive services and how service providers sell and deliver them. Organisations are reviewing how they can maximise value in this new era, be that through infrastructure-as-a-service, platform-as-a-service or software-as-a-service. The NOA is supporting HfS Research in a study in this area. We'll tell you how ready UK companies are to embrace this new dawn, compared to their European and American counterparts, at our Symposium on 24 June in London.

## Outsourcing politicised

2015 being an election year, expect outsourcing to pop up on the campaign trail, as well as in live TV debates - and get roundly criticised by MPs who know very little about how it works. Expect them to snipe about the supposed 'creeping privatisation' of the NHS and condemnation of PFI initiatives, while simultaneously offering no concrete plans on how to improve infrastructure and services without private sector help. And don't expect any party to speak up in favour of outsourcing - even though privately they might be in favour, when running in the quinquennial national popularity contest, showing a modicum of support for outsourcing might cost them a few vital votes from the red-top reading White Van man.

## Skills crunch to turn a corner

If you believe all you read, every industry is in a skills crisis. The outsourcing industry does need more skilled people on the technology side and also the interpersonal, relationship governance side. The BBC's Make It Digital initiative, to boost coding and digital creativity skills among young people, is a very welcome move and most of the political parties are calling for businesses to create more apprenticeships... I predict a rush of new apprenticeships in late 2015, once the government is



**Kerry Hallard**

CEO, NOA

decided and tax breaks for making apprentice jobs are announced.

On the interpersonal skills side, there needs to be training for young people on how to be client-facing, collaborative and have a good customer service ethic - they could do a lot worse than take on the NOA's GCSE-level qualification. I also believe it's high time negotiation was taught in schools - negotiation is a big part of life and kids should leave school with a good understanding of the process. I'd like to see that form part of any upcoming reviews of the national curriculum.

## Cloud gets more expensive as it grows up

2015 is touted as the year businesses stop fighting the cloud, but the cloud will have its own battles to overcome if this is to be its watershed year: towards the end of 2015, the world will be right on the brink of producing more data than it can store. In 2013, we generated around 600bn DVDs' worth - by 2020, it's expected to be 7500bn, a whopping 44 zettabytes (source: BBC news). This means the cloud has got to grow, therefore we'll need massive investments in data centres and new, cutting edge technology that means a greater density of data can be stored in a smaller space. Of course, there will be a fresh round of security concerns, with firewalls beefed up accordingly. Will all this make cloud solutions more expensive? Probably! Get a price-fix built in before 2015 ends, folks.

## Customer experience management will become increasingly important

We're living in an age of peer reviews and social media, where consumers call the shots. As more and more consumers get confident with this power, we are going to see a situation where heightening the customer experience across all touch-points is at the forefront of every outsourcing buyers' mind. If suppliers don't make the effort to noticeably improve the customers' experience, questions will be asked around the value of their work. I'm expecting many more companies to increase their customer-centricity across various platforms, and I'm predicting that many more companies will engage specialist social media customer service agencies to up-skill in this area.

## Robots might not mean bargains

Some say that robotics is to 2015 what offshore BPO was 10 years ago: that it will change the game forever... signifying a

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death knell to long-distance, low-cost offshoring. Yet offshoring to India et al could become the PR-friendly moralist's choice: we might see a perception shift to 'at least jobs are being created somewhere'. Robotics certainly has an allure for anyone wishing to save money on their BPO. But who will save the money, really? I think there will be some interesting conversations going on where BPO contracts are already live. Will suppliers proactively switch from FTE models and pass the savings on to their clients? Or will they simply reap the benefits of their innovation themselves? I expect that will depend on the length and quality of the individual relationship... and the calibre and expertise of the buy-side team.

## Impact sourcing to make a big impact

We know all about outsourcing to do well - now you can outsource to do good. I predict a rise of impact sourcing in 2015 with partnerships set up in underdeveloped geo-locations, with one eye on the bottom line and one on the bigger picture. It's not strictly CSR, which can be any type of philanthropic activity - this is giving back by redirecting jobs where they are needed most which, synergistically, happens to be cheap labour pools. An emphatic win/win and the counterbalance to the rise of the robots. I'm not sure this will take off at quite the same pace as robotics, but it is an option that is well and truly on the map in 2015 and that can only be a good thing.

## The internet of everything

Connectivity ubiquity is coming on strong in 2015. Using a smartphone to turn your central heating on during your commute homewards will be just the start of it. Soon enough, there will be fully smart homes, smart offices, smart cars: how about a coffee percolator that orders its own refills, delivered by a Google Car within the hour?

With a whole new range of connected devices being built, by 2017, the internet of things is predicted to be bigger than the PC, tablet and smartphone markets combined, hence why venture capital is flooding in for developers of IoT devices. I'll bet both cyber criminals and anti-malware companies are rubbing their hands with glee; imagine your central heating catching a virus and holding you to ransom before you can get your radiators going. Taking the right steps to secure the new digital 'wild west' will be absolutely paramount to it taking off.

## Open book accounting will be all the rage

What started a few years ago as an exercise in public sector freedom of information is moving headlong into the private sector: if the public sector can insist on knowing profit margins etc., why can't the private? More and more deals are being negotiated with such clauses, even when contracts are already underway. In 2015, anyone not making use of such contractual obligations, in my opinion, isn't governing their outsourcing

contracts in an optimised fashion. Many, many books will be falling open all through this year.

## Contracting for outcomes will become key

Could 2015 be the year the world gets wise to KPIs? Buyers still love them, but intelligent governance reporting only has them as a small snippet of information. They're not much use - they often create dysfunctional behaviour because, once you make a measure a target, it's no longer fit for purpose as a measure. Contracting for outcomes is the way to avoid suppliers striving to meet a target that doesn't really mean anything - and that way you only pay for what you really wanted in the first place.

## Innovation will remain mysterious

Innovation has always been tricky to pin down. All the frameworks in the world won't make a company automatically innovative; you can't just turn it on like a light switch. Leaders will continue to covet it, suppliers will promise it, buyers will be suspicious of paying upfront for it. Will we be any closer to a magic formula to guarantee innovation in 2015? Possibly not, but big innovations will happen, in companies with a culture sufficiently open-minded to allow it. A lot of the time, they're the smaller players, and when they have an eye-catching innovative success, they get acquired by the behemoths and bring a bit of that culture with them. So I predict lots of innovation, lots of acquisition and maybe a few new models such as innovation-as-a-service or, more aptly, the results of innovation-as-a-service. That's what buyers want, so suppliers will have to work out a way to sell it to them.

## Standards to raise the bar

2015 will be a year for suppliers and buyers to assess their outsourcing maturity levels against global benchmarks, with the best getting accredited for their excellence.

Thanks to the hard work of our very own Adrian Quayle (amongst others), late 2014 saw the rubberstamping of ISO 37500, a global standard in outsourcing. With the outsourcing market predicted to keep on growing, the more people who understand the language and norms of a healthy collaborative culture, the better chance there is that people will feel comfortable they're doing the right things at the right times and operating in the spirit of partnership. If you're wondering how mature and optimised your contracts are, taking the 15 minute online NOA outsourcing lifecycle assessment is the best place to start - and the first step to getting your company accredited. With growing concerns of who should be responsible for meeting the costs of regulation, I predict adhering to standards and proving it through accreditation will race up the corporate agenda in 2015.



**Johan Goff**  
Senior Manager  
ATKearney

**Q1) Can you summarise the key trends for 2014. What's changed? What are you seeing more/less of?**

As we consider the world of back office services, we can see three waves of arbitrage. Though they have appeared in sequence, today, they are all present in concert. And they have all evolved in different ways during 2014.

## The three waves of back office arbitrage

Wave	1 Offshore	2 Outsource	3 Automate
Emergence	~ 2000	Mid 2000s	Mid 2010s
Evolution	<ul style="list-style-type: none"> <li>Location of IT/BPO resources in low cost countries was, and is, the main way of finding arbitrage</li> <li>Still, the globalisation of services has just begun</li> <li>The range of countries and their respective roles in global value chains are in constant evolution</li> </ul>	<ul style="list-style-type: none"> <li>Third parties operate back office operations, on or off-shore, much more effectively</li> <li>Most companies spun off non-core operations to vendors in mid 2000s</li> <li>Companies selectively bring key roles back in-house to retain knowledge and adapt to shifting core businesses</li> </ul>	<ul style="list-style-type: none"> <li>Currently, automation is in the form of ERP solutions that automate repetitive high volume jobs</li> <li>Large investments have been needed to implement</li> <li>Quick and easy deployment make a automation feasible for whole new categories of jobs</li> </ul>

**1.** The first wave of arbitrage was to move offshore to seek out talented labor with lower wages than onshore. The breakdown of national barriers to access new labor markets still represents the biggest game changer for the services industry in decades and has been revolutionary to many countries. We have seen, and in 2014 are still seeing, big changes in the countries participating in this global exchange of services. Countries value propositions are evolving and new countries are joining the competition to attract companies to locate service production on their shores. Recently, A.T. Kearney released the Global Services Location Index (GSLI), which offers a snapshot of the global labor market for services for business leaders who must choose among a growing number of locations. The GSLI analyzes and ranks the top 51 countries worldwide as the best destinations for providing outsourcing activities, including IT services and support, contact centers and back-office support.

**2.** The second wave came as companies reconsidered their strategies to organize their production of back office services. After spending considerable time and effort to build up their own centers in offshore locations, it has since become mainstream to locate services with outsource providers, such as IBM, CapGemini, and TCS. In 2014 we have seen companies reassessing their outsource strategies from a broad based move outsource to a selective move to insource specific functions to retain know-how and adapt to a changing role of IT functions.

**3.** The biggest outsourcing development in 2014 is, in one word: No-shoring. This constitutes the third wave, still in its infancy: automation. While labor in many countries is still many times cheaper than equivalent talent in advanced economies, robots can be programmed to perform many routine tasks at

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even lower costs. As the technology allows companies to replace workers with robots, we can expect dramatic changes to how we look at both offshoring and outsourcing in the future. This has potentially revolutionary consequences for industry rationalization and labor markets. It also has the effect that the location where a task is performed becomes meaningless. The technology is already available and as so often, the main obstacle to rapid implementation is human: organizational obstacles and slow adaptation of new technologies. The question is not if, but how fast, companies will adopt this new technology and if traditional outsourcing providers will be quick enough to adapt before their business models have become obsolete.

... the main obstacle to rapid implementation is human: organisational obstacles and slow adaptation of new technologies.

## Q2) What company has impressed you the most in 2014?

E.g. this could be a buyer through their use of outsourcing, or a new innovation deployed by a service provider

As so often, it is not the main players in the industry, i.e. the buyers or the sellers of outsource services, that are causing disruptive change, it is technology players adjacent to the industry that are rewriting the map of services. Thus, the most interesting conversations I have had this year has been with British technology company Blue Prism, who has developed the technology for automation of small scale service functions, enabling the industry to deploy automation on a broad scale, one function at a time and in whole new areas.

## Q3) Looking ahead, what do you think will be the number one issue for:

- ...buyers, automation offers the next wave of cost savings at a time when offshoring and outsourcing have exhausted their arbitrage potential. As costs on the back office side can be further reduced, more focus can be directed towards the company's core business. At the same time, scarce IT resources can be freed up to focus on more strategic issues than helping business units with low scale automation tasks. The main challenge for companies is to evolve their

organizations to be able to adopt already existing technology.

- ...outsourcing providers automation can be a blessing to continue to stay competitive when most other sources of cost savings are exhausted. At the same time, this new paradigm presents a risk for companies that do not adapt fast enough. We have seen again and again how companies that have found competitive advantage in a niche are unwilling to change when that is challenged by new technologies and sliding into irrelevance. Adaptation among companies so far is uneven and slow movers may suffer. At this point, uptake is will smaller companies that are quick and nimble and what to focus on new ways of competitive advantage.
- ...countries in the low value add niche; an industry development strategy that relied on starting with data entry and similar routine tasks is increasingly in danger. Some countries, like India, has effectively moved up the value chain to perform more advanced tasks but thousands of people in the country's offshore hubs are still working with routine tasks. Other countries that are new to the industry may still be stuck doing less efficient tasks. Countries need to have a strategy to aggressively move up the value chain if they want to stay relevant in the industry. At the same time, a new opportunity is opening up, while the robots are physically located in anonymous server halls located anywhere, there is still a need for qualified staff that can program and direct these robots. These jobs will be far fewer than the ones they replace but will be higher value added and require more skills. Countries that already have an advanced IT/BPO industry are in pole position to capture this opportunity.



**Ian Puddy**

Vice President  
Gartner

**Q1) Can you summarise in bullet points, the key trends for 2014. What's changed? What are you seeing more/less of?**

From a Gartner perspective we are seeing across the globe an increased interest in the use and deployment of Cloud computing plus awareness of the role “digitalisation” has in the market. Some organisations have already successfully implement Cloud computing capability both from an infrastructure perspective as well as using SaaS capabilities such as Salesforce.com

As we enter 2015, economists expect a mixed year, with many advanced economies finally recovering from protracted downturns, and growth slowing in some developing countries. Against the backdrop of this gradual macroeconomic shift, there is a much bigger tectonic shift happening. All industries and all geographies are being radically reshaped by digital opportunities and threats. Arguably, the traditional, physical-asset-heavy and primary industries are even more affected than high-tech companies. Examples include agriculture companies that can help predict and optimize yields in near real time; sports companies that blur the boundaries with healthcare organizations; logistics companies that can price financial risk in real time better than banks can; and governments that can go beyond asking what citizens want, observing and responding to their needs in real time.

Current enterprise IT is not set up to easily deliver on these digital dreams. In the Gartner global CIO survey, we tested respondents' agreement with a very strong statement: "My business and IT organization are being engulfed by a torrent of digital opportunities. We cannot respond in a timely fashion. This threatens the success of the business and the credibility of the IT organization." Fifty-one percent — the majority of CIOs —

agreed. This is why Gartner has chosen the meme of the "digital dragon" — potentially very powerful, but also potentially destructive if not tamed.

Beyond not being ready now, 42% of CIOs believe that their IT organizations do not have the right skills and capabilities in place to get ready for the future.

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All industries and all geographies are being radically reshaped by digital opportunities and threats.

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**Q2) In your opinion, what has been the biggest outsourcing development in 2014?**

In the global sourcing market we now see less and less single supplier “mega” deals and more of a move towards multisourcing through the selection of a few “best of breed” suppliers who can work together in a “vendor eco system” and deliver the end to end services required to support the business. Agility, the ability to quickly respond to market conditions, is a key theme for many organisations.

Many enterprises still struggle with the fundamentals of sourcing; even those that use the layered approach of the Gartner Adaptive Sourcing framework which helps leaders establish a rational approach to applying different governance rules to enterprise IT services.

Similar but not identical to Gartner's Pace-Layered Application Strategy, the Adaptive Sourcing Model's three layers distinguish IT services, depending on their rate and speed of change and the degree and locus of required oversight. For example, at the

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lowest layer — run — core transaction processing and master data are often impacted, so services in this layer are subject to far more oversight than more "disposable" services in the innovate layer. The layers are defined as follows:

- **Innovate.** These services are sourced on an ad hoc basis to address emerging business requirements or opportunities. They typically entail a short life cycle and use departmental, external and consumer-grade technologies. Since learning and/or short-term gains are the goal, innovate services tend to suffer high failure rates due to their experimental nature.
- **Differentiate.** These services enable ongoing improvement of unique company processes and industry-specific capabilities. They have a medium life cycle (one to three years) and need frequent reconfiguring to accommodate changing business practices and customer requirements. Continuous process improvement and reconfiguration are the major goals here.
- **Run.** These established services support the end-to-end delivery of IT services, such as core transaction processing and critical master data management for corporate processes and the entire business. Typically, they constitute 50% to 70% of the IT budget, and being critical for business viability, they are subject to the highest control in terms of security, compliance, financial and technical compatibility, management and automation features, and general oversight. Process efficiency is the primary focus here. Because run includes the operation and support of systems of record, innovation and differentiation (once the latter two enter production), the compliance requirements are very specific.

**Q3) Looking ahead, what do you think will be the number one issue for: Buyers, Suppliers and Support services (law firms, advisors etc)**

Digital business is accelerating new technology adoption and driving CIOs to innovate and to be more customer centric and rethink their IT services value chain. A pace-layered sourcing strategy will help sourcing executives to innovate, differentiate and run their IT operations better.

Digital business is accelerating new technology adoption and driving CIOs to innovate and to be more customer centric and rethink their IT services value chain.

Key Challenges include

- Success with new digital models and the adoption of the Nexus of Forces-related technology (mobile, social, information and cloud) necessitates a significant redesign of the corporate IT services value chain.
- Abundant new technology options exist, but proven business models are relatively scarce and most organizations are not prepared to innovate quickly for digital business transformation.
- Customer-oriented business innovation will spur unprecedented, fast transformation of business processes to meet new customer expectations, ramp up on scale and deliver competitively superior business performance.
- Online client interactions require top-quality services to drive volume growth, while security and reliability are threatened by the accelerated rate of change, driven by the accrued rate of innovation.
- **Buyers**  
The ability to selectively chose the right providers who can work together to deliver the IT services and capability that the enterprise needs from a business perspective, particularly within the digital area
- **Suppliers**  
The ability to work together with other suppliers in a seamless way as one vendor eco system and deliver the ongoing IT services and capabilities required by the clients business.
- **Support services (law firms, advisors etc)**  
To understand and recognise the different buyers of IT services within an enterprise and how to deliver the best advice across the different and often new stakeholders



**Q1) Can you summarise in bullet points, the key trends for 2014. What's changed? What are you seeing more/less of?**

- Robotic process automation is rapidly taking over as a key wrap-around for BPO. Initially, the main usage of robotics is for getting data from one or more applications to another, making intelligent deductions & matching in support of data enrichment, and filling in missing fields. A bit like macros on steroids. Loosely coupled with existing systems rather than changing them. The advantage of RPA is that it seems to be achieving a 30% plus cost take-out where employed and very quickly. So a big one-off boost for many organizations
- Analytics is becoming all-pervasive and increasingly predictive. Analytics has been around in support of process improvement initiatives & Lean Six sigma projects for many years. It has also been present in areas like fraud analytics. However, analytics is now becoming much more pervasive, much more embedded in processes, and much more predictive & forward-looking in terms of recommending immediate business actions

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Clearly the continuing adoption of Global Business Services is a factor in enhancing synergies across processes and maintaining the investment to drive change...

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- Digital is becoming critical both in the front-office in support of channel shift and improved customer journeys, a single view of the customer & linked multi-channel delivery, and in the back-office in support of supplier management & liaison.



**John Willmott**

CEO  
NelsonHall

Like analytics, Digital is pervading many organizational processes across the board

- The Internet of Things. An emerging development rather than a fully-fledged one but one that has the potential to open up a whole new world of sensor-enabled industry-specific BPO in areas ranging from healthcare to predictive maintenance. This takes outsourcing beyond administrative tasks and out into the real world
- BPO vendors increasingly developing their own platforms. This approach potentially enables them to retain the IP in-house, an important factor in areas like robotics and AI, reduce their cost to serve by eliminating the cost of third-party licences, and achieve a much more tightly integrated and coherent combination of pre-built processes, dashboards and analytics supported by underlying best practice process models
- Use of cloud-based portals, emerging strongly particularly in HR in areas like personnel administration.

**Q2) In your opinion, what has been the biggest outsourcing development in 2014?**

The recognition not only that outsourcing needs to deliver innovation but that it needs to do so at pace. In the past both buyers and vendors have sometimes been reluctant to adopt change and have lacked confidence in the outcomes of change. However, BPO has now grown up in many areas, though not all, and we are seeing the emergence of “High Velocity BPO” where significant transformation increasingly takes place at the front-

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end of contracts rather than the back-end, and where there is much greater focus on looking at the end-to-end KPIs, and key business, rather than process, outcomes and driving towards these fast. Clearly the continuing adoption of Global Business Services is a factor in enhancing synergies across processes and maintaining the investment to drive change, and organizations are increasingly looking forward to new business models rather than just trying to achieve greater efficiency within the status quo. This change in focus to identifying and pursuing a future business vision is a really major change in corporate thinking with organizations now very much focusing on building for the future and not just reducing cost. The arrival of digital, in particular, means that the majority of current business models are broken and organizations need to look to new ways of doing business.

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...organizations are concerned about the level of vendor lock-in that potentially results from the adoption of high-levels of often proprietary automation.

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### **Q3) What company has impressed you the most in 2014? E.g. this could be a buyer through their use of outsourcing, or a new innovation deployed by a service provider**

There are numerous examples where progress has been made in the past year. In particular, I'm impressed by the way in which the customer management services vendors have moved beyond excellence in people management and begun to embrace consulting and analytics in support of improved digital-enhanced customer journeys, together with their increasing confidence in using technology to achieve a single view of the customer and begin to become more confident in predicting next best actions both through agents and online. In the middle-office, utilities are beginning to emerge in a number of areas particularly within the capital markets sector. While in the back-office, HR outsourcing is undergoing a new lease of life and becoming better able to support employees and managers across the organization with services based on platforms such as Workday and successfactors, while the recruiters in RPO and MSP are increasingly adopting all forms of social media to identify and entice a high calibre of

candidate. And in areas like finance & accounting BPO, the process models are now very mature and RPA is having a major impact on productivity.

### **Q4) Looking ahead, what do you think will be the number one issue for:**

#### a) Buyers

- Possibly how fast to move to cloud and adopt other forms of automation. There have been considerable developments in addressing the major inhibitor of cloud, namely security, during 2014, nonetheless security remains a major concern restricting the pace and extent to which organizations rollout hybrid cloud and increase the role of public cloud adoptions. Similarly, organizations are concerned about the level of vendor lock-in that potentially results from the adoption of high-levels of often proprietary automation.

#### b) Suppliers

- Suppliers in the past year have all been caught up in the perceived need to increase the levels of automation in their existing contracts before a competitor offers to do so and displaces them. This creates several challenges. Firstly the commercial challenge of not wanting to be caught with an FTE-based contract and secondly the need to move their services up the value chain and achieve client adoption ahead of the advancing wave of automation. These challenges will continue apace for at least another year before they plateau out, probably coming to a head in 2015

#### c) Support services (law firms, advisors etc)

- For law firms, the issue probably remains one of how to contract for innovation. It is relatively easy and established practice to contract for steady state processes. However, it is much harder to contract for dynamic environments where the values of outcomes are much harder to predict



**Clive Longbottom**

Service Director  
QuoCirca

**Q1) Can you summarise in bullet points, the key trends for 2014. What's changed? What are you seeing more/less of?**

- Greater acceptance and understanding of global outsourcing
- Chasing domain expertise and discrete skills, rather than chasing lower cost
- The world is getting smaller due to technology: VoIP, video conferencing, collaboration tools all make global outsourcing so much easier.
  
- A greater knowledge of the issues involved
- Technical – issues such as latency, priority and quality of service, security, mobility needs
- Business – issues such as investing in outsourcing, rather than going in on the expectation of saving money
- Geo-political – issues such as shifting sands at the political level and the need for “Plan B” to always be in place, for example to switch to an alternative provider in case of regime change or natural disaster.
  
- Greater use of multi-outsourcing, but with single contract with one throat to choke
- Again, based on gaining access to the best skills available, using a master contract through a headline outsourcer, with them owning all the subcontracts and having to sort out any issues.
  
- Smaller, point projects with better defined KPIs based on desired outcomes – a move away from e.g. contact centre agents being measured on number of calls dealt with to the happiness of the caller after the call (as with Birmingham city centre, who actually pulled an outsourced contact centre back in as a KPI based on number of calls dealt with meant that the company responsible was actively dealing badly with

calls to get people to call back again), or on reduction on number of issues for areas such as dealing with forms-based data and so on.

- In fact, fewer project-base agreements. There is more of a movement towards the use of rolling agreements without a specific end result in mind, where as long as the agreement continues to work for both sides, a “subscription” will be paid by the customer. A far better approach than a 12, 18 or 36 month “fixed” project that then fails.
  
- Fewer failures – the market is maturing; business models are being ironed out and stabilised. Outsourcing is moving away from the Wild West Frontier area to being far more of a proven model that enables organisations to do things that they couldn't have done previously within cost constraints.

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Outsourcing is moving away from the Wild West Frontier area to being far more of a proven model...

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**Q2) In your opinion, what has been the biggest outsourcing development in 2014?**

- The evolution of the underlying technology to make it that an offshore outsourcer can operate just as effectively as an onshore one. Global networks are now highly available and pretty effective; modern applications and communication/collaboration systems are built to make the most of these. Therefore, an outsourcer in Japan can operate as effectively as one in Jarrow – as long as all the human aspects of culture, language and working across time zones are all dealt with by the outsourcing company.

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- Increased use of technology in integrating the outsource company's activities with the customer. For example, by using cloud-based systems, the customer can integrate what the outsourcing company is doing directly into its processes, rather than waiting for outputs from the outsource company that then have to be integrated separately or manually imported.
- Building of greater trust relationships between the outsource company and the customer – it is a two-way thing, and Quocirca is seeing that more companies are realising that seeing the outsource company as a supplier is not helpful and for the outsource company to see the customer as just a client is also sub-optimal. Making both parties work as if part of the same company means that both sides have skin in the game: SLAs are increasingly being based on closely watching trends and sitting down and talking about them, rather than waving a stick when previously agreed levels have been missed.

...more companies are realising that seeing the outsource company as a supplier is not helpful and for the outsource company to see the customer as just a client is also sub-optimal.

### **Q3) What company has impressed you the most in 2014?**

**E.g. this could be a buyer through their use of outsourcing, or a new innovation deployed by a service provider**

This is a difficult one. 2014 has been a massively dynamic year for outsourcing: on the tails of 2013, we have seen Indian outsourcing companies continue to move far more towards a global comparative system, rather than a labour arbitrage one. We have seen the resurgence of Generation 1 offshoring outsourcing areas, such as the Philippines and Ireland. UK-based outsourcing companies have had to re-invent themselves to deal with labour arbitrage, constrained capital markets and faster moving customer requirements. More technology vendors have moved into the outsourcing market through the use of cloud technologies and either internal professional service teams or partnerships with new or existing outsourcing companies. All told, 2014 has been a time of major change for many players in the outsourcing markets: I would have to

decline to pick any one player and just state that 2015 will show which players have made the right moves and can build upon them, and those who have made the wrong bets and will regret them.

### **Q4) Looking ahead, what do you think will be the number one issue for:**

a) Buyers –

Avoiding lock in to unsuitable contracts through outsourcing companies who have yet to fully understand the new world

b) Suppliers –

Getting far enough ahead of the curve so that they do not find themselves having to carry out major changes to respond adequately to the markets, and yet can carry their existing customer base with them as required. This may require re-negotiating many existing contracts to bring existing customers into the new world: however, as in many cases, this will be to the customer's advantage, it should not be a major issue (better service provision, more trusted relationship, more skin in the game, etc)

c) Support services (law firms, advisors etc) –

Moving with the times. Open-ended agreements with subscription costs, rather than fixed projects with "fixed" prices will need new contracts and new ways of extricating either party from any agreement. Measuring effectiveness and value will need a new type of advisor/consultant who can cover the softer side of what any outsourcing agreement has managed to provide – for example, was such and such a change down to how the outsourcing company did something, or down to how the business changed its processes?