

**COVID-19: A wake up call  
for the BPO industry**  
Part 2 of Impacts of COVID-19



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**The COVID-19 pandemic is acting as a catalyst for rapid transformation of the traditional BPO model. It is shining a light on how flexible Outsourcing Partners have been with their clients when conditions change rapidly and how far along the digital journey they have ventured.** Where an Outsourcing Partner lacks preparedness and flexibility clients may choose to end the relationship and perhaps take work back in-house. Equally, there will be cases where providers are lauded for their practical approach. How Outsourcing Partners respond beyond the immediate crisis will determine the winners and losers in the future, and whether the industry as a whole thrives or not.

# The future of outsourcing: flexibility, responsiveness and digital adoption

There are few precedents for the scale and speed of change that the COVID-19 pandemic has brought on businesses across the world.

As the pandemic unfolded, how did Business Process Outsourcers (BPOs) respond? Did they act flexibly as true partners, and try to find innovative and pragmatic solutions to support their clients in their hour of need? Or did they check the contract, call 'force majeure', and simply try to minimise any short-term losses? Similarly, did clients manage to work more flexibly to find practical solutions, rather than claiming penalties for missed Service Level Agreements (SLAs) and deadlines?

As we settle into the 'new normal' for what might be an extended period of time, what are BPOs doing to support their clients over the next 12-18 months? The Deloitte CFO survey shows that 99% of CFOs have taken or intend to take measures to introduce or expand alternative working arrangements (e.g. remote working, shifts and other flexibility measures) as a response to the COVID-19 pandemic.<sup>1</sup> Whilst increased flexibility may suit the client organisation, how will this work for an Outsourcing Partner that wants to ensure a secure environment for client data, 'sweat the IT assets' with two or three shifts a day using the same desktop equipment, and provide a seamless and professional service to clients? What implications does this have for future BPO service provision, data security, process centralisation and the digital agenda? Will the location of service delivery continue to matter with increasing automation and, potentially, a move away from centralisation?

And what possibly fundamental changes, might need to be made to the way that outsourcing services are contracted and delivered in the long term? A recent Deloitte poll in April 2020 found that 32 per cent of clients believe there will be less outsourcing when the crisis ends.<sup>2</sup> This may be due to the inflexibility (perceived or real) of hard contract terms and conditions, that may have hampered the immediate actions needed in response to the sudden changes that the crisis presented.

The 'DNA' of the outsourcing model needs to become more flexible and responsive, so that it can anticipate and respond to seismic shocks to their clients' businesses and markets, and provide solutions at speed but with the required security protocols in place. The pursuit of digital transformation – long talked about and promised – will need fresh impetus to help reduce the reliance on people for critical and high volume processing, and to fundamentally improve business agility in response to events such as COVID-19.

## View from Amiya Kagalwala, Head of BPO Advisory

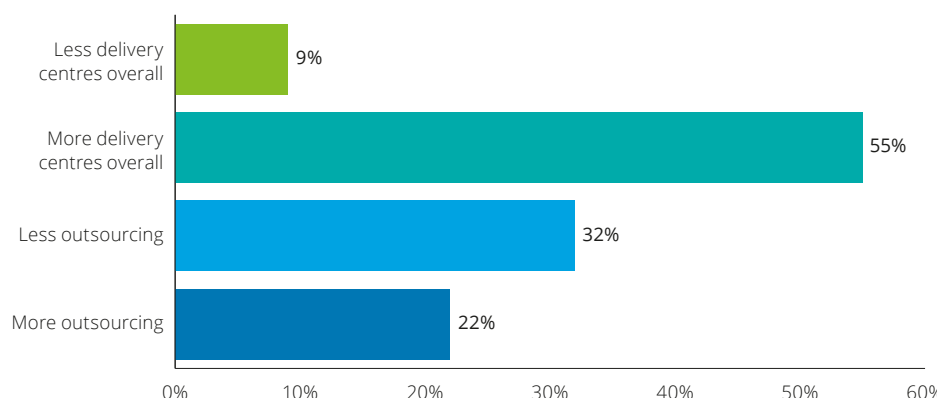
*"Everyone involved in BPO talks about the true value of being in a partnership rather than the contractual relationship. This pandemic will have tested this simple and 'easy to say' principle to the fullest, even for the truest of believers."*

*How Outsourcing Partners have stepped up to find innovative and pragmatic solutions and how clients have flexed their responses, set new priorities, and accepted risks that would have been unthinkable before COVID-19 will be remembered long after the crisis has come under control."*

**Amiya Kagalwala**

1. Deloitte "The Deloitte CFO Survey Q1 2020 – Crash, slow recovery, lasting change" survey results, April 2020
2. Deloitte "Leading GBS through a time of uncertainty – Respond, Recover, Thrive" webinar participant poll results, April 2020

## What changes do you envisage will be made to your global delivery network when the pandemic is over as a result of lessons learned?<sup>2</sup>



**Will COVID-19 be a catalyst for change that delivers real flexibility?**

Business flexibility and agility are required to help organisations respond effectively to global pandemics.

The key operating model considerations that clients need to keep in mind while collaborating with their Outsourcing Partners are set out below.

Operating model layers	Typical business-as-usual scenario	COVID-19 on the ground situation		Key considerations for BPO post Covid-19
		Impact	Immediate response	
Channels	Working together in the same location, or via email/phone	High	Weakness around <b>traditional channels</b> exposed, while <b>self-service and collaboration-driven models were resilient</b>	Is your BPO pushing hard to <b>drive self-service</b> , and <b>not revenue maximisation</b> alone?
Customers	Defined set with known needs to be fulfilled and serviced	Medium	<b>Needs around data, forecasts, analysis are amplified</b> , but capabilities are not as developed as they should be	What <b>co-innovation options</b> will be offered to develop <b>enterprise data and analytics</b> ?
Processes	More human-centric and not optimised for automation	Medium	Process <b>hand-offs are not seamless</b> and quality checks are performed remotely; significant <b>focus around critical tasks</b>	Will your Outsourcing Partner propose a <b>time-driven and feasible automation/transformation roadmap</b> ?
Organisation	Leadership onshore, and process activities offshore	High	Lack of local personnel with process knowledge and un-served requests piling up	How will your Outsourcing Partner <b>re-think spans of control</b> within operations?
Location	Single offshore hub and market presence for language/statutory requirements	High	Severe lockdown measures and inadequate infrastructure and practices for work from home came under the spotlight	Will your Outsourcing Partner have the <b>ability to stand up a contingent workforce on demand (onshore/near-shore/offshore)</b> ?
People	Capability-driven full-time employment, working in physical proximity	High	<b>High levels of remote working under virtual supervision</b> and <b>strict social distancing in offices</b> resulting in lower productivity and service levels	When business continuity is threatened, how <b>effective and seamless</b> will be the switch to <b>working from home</b> ? Or will current levels of working from home be continued?
Technology	Fragmented systems using desktops	High	Rapid deployment of secure end-points to access technology remotely	How will your Outsourcing Partner <b>balance full remote working, information security and pricing</b> ?  What is the level of <b>sophistication around virtual working</b> in the provider workforce?

**Case studies**

**Global outsourcing vendor**

After seeing the crisis unfolding in their operations China in January 2020, an Outsourcing Partner used its size, scale and alliances to procure (a combination of buying and renting) over 100,000 laptops for its staff around the world. This enabled the transition of delivery teams to ‘work from home’ far more seamlessly for its clients.

**Travel firm and internet service provider (ISP)**

Two clients of the same Outsourcing Partner with two very different problems. The travel agency firm saw bookings and calls drop to near zero and didn’t want to keep paying for large numbers of agents with little work. On the other hand, the ISP had a significant spike in enquiries as its

existing customers wanted to upgrade their packages to work from home more productively, and in addition had large numbers of new clients looking to join the network. The Outsourcing Partner was able to re-deploy agents (and cost) between the two clients in the short-term, to the benefit of all.

**Will contract management processes facilitate more flexible, open and transparent partnerships post COVID-19?**

Many clients and Outsourcing Partners found that during the COVID-19 crisis there was no playbook, plan or rehearsal for what was happening.

Here we present an outline of how the focus and thinking will need to change.

**Business continuity planning (BCP)**

BCP will be a key feature of the solution review processes, rather than a simple discussion and acceptance of the Outsourcing Partner's standard out-of-the-box package. For most clients, for the first time, the response given by the Outsourcing Partner could be a deal breaker!

The following considerations may be used to open up and facilitate a discussion:

- Developing business continuity solutions for scenarios such as global shutdowns, prolonged disruption, sudden volume spikes/reductions, and non-traditional physical workplaces (e.g. homes)
- Standardising business processes across geographies to enable seamless back-up of roles minimising additional staff training at the time of need
- Shifting focus beyond testing only for short-term local problems to long-term global crisis management

Once governments ease lockdown measures, the Outsourcing Partners must provide transparency on the challenges they faced from this action.

- Understanding recovery time objectives, not just for core critical processes but also for recovering all processes in the event of sustained and long-term disruption
- Reviewing and testing plans to ensure that the risks they address remain relevant, and both sides are clear on the protocols in place and responsibilities of each party
- Achieving a balance between what is acceptable financially and from a risk management perspective
- Integrating plans of the client and Outsourcing Partner, with defined roles and responsibility frameworks, supported by a governance structure that facilitates proactive crisis management
- Diversifying the vendor strategy, to include the potential to deploy different planning scenarios across regions to enhance business agility.

**Data and security**

By being 'forced' to allow their outsourced delivery team to work from home during the pandemic, clients had to make rapid decisions on highly important and sensitive topics such as security, data privacy as well as service obligations, without having full visibility of the impact of these decisions. Once governments ease lockdown measures, Outsourcing Partners must provide transparency on the challenges they faced from this action.

For example:

- Any consequences of a breach of contractual obligations during interim working arrangements and the possibility of third-party claims
- Possible damage to client reputation and brand from work-at-home/ emergency measures
- Mitigation of cybersecurity and data privacy risks in future remote working solutions.

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## Innovation

The crisis has demonstrated that highly digitised businesses have seen less disruption (or have even thrived) compared to competitors that are less enabled. So what are the options for clients that want innovation to be a central part of their outsourcing agreement?

- Redesign of the Innovation Schedule whereby obligations are tracked and measured, with financial penalties for non-compliance
- Business outcomes that are contractually linked to pricing and the transformation roadmap
- Consideration of the end-to-end commercial model and how outsourcing services are re-charged back to the client business, to incentivise the adoption of new ways of working

## Does COVID-19 change the way that clients and Outsourcing Partners think about digital transformation?

For some time, the digital agenda has been a focal point of the outsourcing sales cycle. Outsourcing Partners have been building their internal capability, and have formed strategic alliances and invested in tools and software. However for many clients the reality has fallen far short of the marketing and the hype. For the most part (with some notable exceptions) the digital 'revolution' for clients was often underwhelming. This continues to be an area of discussion and friction at the end of the contract period about the reasons why.

**The COVID-19 pandemic** could be the perfect storm to reset that balance, **incentivising a step change that clients have been looking for both contractually and operationally.**

For clients and Outsourcing Partners that have the confidence, capability and skills to leap over the technology chasm, outsourcing can unlock the potential for top line growth, as well as enabling more agile and effective operations.

### 1. Payment models

Models such as 'outcome-based support' or 'as-a-service' may start to re-emerge in the market as offering the flexibility needed in uncertain times

### 2. Transformation models

Many traditional transformation roadblocks, including extensive upfront planning, capital expenditure, lengthy implementation times, and long-term contracts could undergo a makeover, giving way to non-traditional models (develop and deploy fast) or a new generation of Outsourcing Partners capable of agile working and contract flexibility

### 3. Focused investment

With cash flow and capital expenditure being a huge challenge across industries, clients and Outsourcing Partners may find common goals that focus on transformational spend and look to drive innovative ways to expand capabilities and re-design internal operations.

## Looking forward

Outsourcing Partners that have acted like true business partners, have been flexible with their clients, and have rapidly implemented digital solutions. They will come out of this crisis with their reputations not only intact but potentially enhanced. This will put them in a position to increase their market share post COVID-19. In contrast, traditional Outsourcing Partners that are still operating on a simple labour arbitrage model and that have been neither flexible nor willing to adopt new digital operating models may fall by the wayside. This was the direction of travel within the BPO industry before the crisis – COVID-19 is simply going to accelerate this trend.

The COVID-19 pandemic could be the perfect storm to reset that balance, incentivising a step change that clients have been looking for both contractually and operationally.

# Contacts

To learn more about how your BPO delivery model can build greater resilience and flexibility into its operations, please get in touch with the contacts below.

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