

FUTURE OF OUTSOURCING

06 CYBER ATTACKS IN THE SUPPLY CHAIN

12 THE IMPORTANCE OF THE CULTURAL FIT

14 CAN OUTSOURCING CUT STAFF CHURN?



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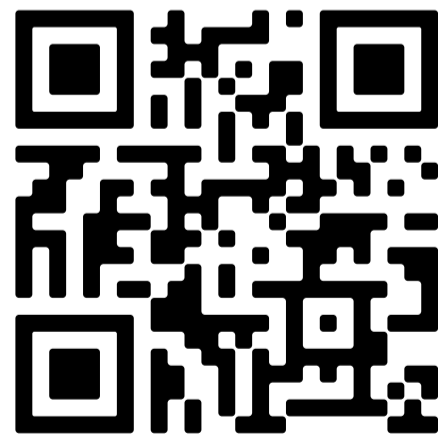
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FUTURE OF OUTSOURCING

Distributed in
THE TIMES

Contributors

MaryLou Costa

A business writer who specialises in the future of work and covers startups, innovation and technology. Published in *The Guardian*, *Business Insider* and others.

James Gordon

An experienced journalist and executive writer, who has written extensively about geopolitics, energy, healthcare, business, technology, logistics, manufacturing and sport.

Nick Martindale

An experienced freelance business journalist and editor, he contributes regularly to the national press covering workplace issues, supply chain and small businesses.

Nick Easen

Award-winning writer and broadcaster, covering science, technology, economics and business, and producing content for BBC World News, CNN and *Time* magazine.

Natasha Khullar-Relph

A freelance journalist with bylines in *The New York Times*, *Time* magazine, the BBC, CNN, *The South China Morning Post* and more.

Raconteur

Campaign manager
Caitlin McLaughlin

Reports editor
Ian Deering

Deputy reports editor
James Sutton

Editor
Sarah Vizard

Chief sub-editor
Neil Cole

Sub-editor
Christina Ryder

Commercial content editors
Laura Bithell
Joy Persaud

Associate commercial editor
Phoebe Borwell

Head of production
Justyna O'Connell

Design/production assistant
Louis Nassé

Design
Harry Lewis-Irlam
Celina Lucey
Colm McDermott
Samuele Motta
Sean Wyatt-Livesley

Illustration
Kellie Jerrard
Sara Gelfgren

Design director
Tim Whitlock

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TRANSFORMATION

Making the shift toward transformational outsourcing

Outsourcing has changed from a cost-cutting activity to a partnership that can change the structure and revenues of your business. Could it be right for your business?

Natasha Khullar-Relph

When Alex Milligan, co-founder and chief marketing officer of NuggMD, a US-based telemedicine platform, decided to transform the company into a hybrid workplace setting, he knew the transition would require outside help. He turned to a business transformation outsourcing service provider, which helped NuggMD redefine workflows for in-person and at-home work.

Outsourcing was once no more than a cost-cutting exercise that shifted mundane tasks from the core workforce. But outsourcers now position themselves as more than that, with many thinking of themselves as business partners that help companies transform their operations and reach broader business objectives.

"Transformational outsourcing was a lifesaver for us," says Milligan. "The truth is, your vision is likely going to be limited from an internal perspective. The initial changes we made as a team were deemed temporary and we found ourselves constantly tweaking what we'd established. Outsourcing helped us frame the big picture of how our business operated and enabled us to make adjustments that would benefit us in the long run."

While business transformation outsourcing certainly existed before the pandemic, it was Covid-19 and the impact of the ensuing global lockdowns that forced businesses into instant digitisation. This has created a large-scale demand for outsourcing service providers that could help companies with the transition.

39%

of global businesses are outsourcing at least some of their business processes

\$251bn

the size of the global business process outsourcing market

SkyQuest, 2022



“The truth is, your vision is likely going to be limited from an internal perspective

Arora. "Most people will think they can do it themselves. But that just takes too long."

For the past two decades, when businesses referred to outsourcing, what they meant was offshoring. The goal, primarily, was cost-cutting and improved service, usually achieved by sending the work to countries with a cheaper labour workforce, such as India.

Offshoring has remained important, says Arora, but the way that businesses think about it has changed. It is not just about labour arbitrage. "It's now talent arbitrage. You go where the talent is. What the pandemic taught us is that people don't need to be in a certain geographic boundary for work to be done and that's made people think about different types of geographic strategies." Such as nearshoring.

The bigger shift, though, has been the move toward transformational outsourcing as a means for organisations to achieve strategic objectives, reduce costs and enhance their ability to compete in a rapidly changing business environment.

Richard Nolan, the chief people officer at Epos Now, has seen at first hand the power of transformational outsourcing to streamline operations and drive business growth. "The key benefit of transformational outsourcing is that companies can leverage external resources in a way that frees them to focus on their core competencies, helping them to stay competitive."

"So, this could involve taking complex processes such as IT infrastructure management or financial services and delegating them to experts – something that would be difficult for any one company alone," he explains.

It can also, he observes, allow companies to access the latest technologies and expertise without the need for large initial investments or long-term commitments. "Instead of needing an entire team dedicated to specific tasks, businesses simply pay a fixed fee with either variable hourly rates or performance-based payment structures. That gives them more flexibility

and freedom in budgeting and scaling up their operations quickly.”

In addition, entrusting expert teams with certain tasks offsite frees up time for employees to be more productive on projects that they might be better suited to. This leads not only to cost savings, says Nolan, but ultimately drives efficiency through improved communication among distributed teams globally.

Traditional outsourcing focused on reducing the costs of a company while providing the same or similar services. Business transformation outsourcing, however, aims to materially change the business, not just its business processes. The impact should be measured in concrete performance metrics, such as increased revenue, faster speed to market and increased customer satisfaction.

Almost a decade ago, research showed that large companies wasted roughly \$400bn (£325bn) a year on digital and analytic business transformations that didn’t deliver what they had promised. A later study by Genpact revealed that more than two-thirds of digital transformation projects failed to meet expectations, owing largely to miscommunications between IT and business teams.

But by bringing in outside support and outsourcing this transformation, companies have been able to minimise those losses. According to Accenture, 90% of companies take assistance from third-party service providers to help with at least one element of business digitisation.

With any digitalisation drive, there is the crucial issue of ensuring cybersecurity. “In the event of cybercrime or other hazards, you can be assured that an experienced outsourcing provider has the finest security practices in place,” says Brad Anderson, executive director of Fruition. “If you rely on internal safeguards, then digitising some assets can present challenges. Organisations launching such projects might also greatly benefit from the specialised knowledge available through outsourcing.”

That specialised knowledge is exactly what many outsourcing providers pride themselves on now. Some of the areas in which they are helping companies to achieve transformation range from data analytics and business intelligence, through to product and service development, customer and employee experience and predictive modelling.

And when it comes to business transformation, technologies such as artificial intelligence will gain ground and become increasingly relevant. “So far we have seen pretty strong and sophisticated use cases of automation – but it has been very rules-based,” says Arora. This, he thinks, will likely change.

For instance, if a business has a lot of manual processing of activities, one approach is to send those processes to a lower-cost jurisdiction with an experienced outsourcing services market. Alternatively, an organisation could repurpose its workforce so that some of the simpler or repetitive tasks could be delivered through automation. “Companies have been able to free up 30% to 50% of the time that some-



one was doing manual work and given them more capacity by letting them focus on the value-added creative service,” Arora says.

While there are many benefits to working with an outsourcing service provider for business transformation, the process also presents several challenges. Key among them, says David Cohen, CEO of online flower delivery service Love Rose, is managing the cultural and organisational differences between the outsourcing partner and the company. “Effective communication, collaboration and alignment are essential for a successful outsourcing partnership,” says Cohen.

Then there’s the risk of losing control over critical business processes and information. Cohen suggests carefully selecting outsourcing partners and implementing strong governance and security protocols. “Transformational outsourcing can, overall, be a powerful tool for companies that are keen to adapt quickly to new ways of working. But it requires careful planning, communication and management to ensure that the benefits outweigh the risks and challenges.”

One of the biggest mistakes which companies make is to entrust their entire business transformation to an outsourcing provider and then wash their hands of the process. Arora calls this the lift-and-shift model. When top-level executives use this type of business transformation, it can be a recipe for disaster.

Similar to any transformation project, Arora says firms outsourcing transformation projects must be committed to change and invest in it. “That willingness to change is important. Those who capture it are investing in their own internal change processes.”

Effective communication, collaboration and alignment are essential for a successful outsourcing partnership

There have been many examples of successful business transformation projects over the years. One of the earliest success stories was Accenture helping AT&T achieve higher rates of customer retention. This was followed quickly by IBM transforming Procter and Gamble’s HR services, which at the time catered to 98,000 employees across 80 countries. More recently, in

2018, KPMG used transformational outsourcing in IT and operations to materially transform the business of a healthcare payer organisation by updating its technology, automating routine business processes, and providing enhanced data and analytics capabilities.

If you’re the CEO of a company that is considering business transformation outsourcing, there are a few key things to consider as they can make all the difference between success and failure.

Most important of all is to have a point person who thoroughly understands your company’s strategic direction – and then clearly and confidently communicates this to the service provider. This person needs to work closely with the team leaders in the organisation to understand their goals and objectives and liaise with the service provider to make

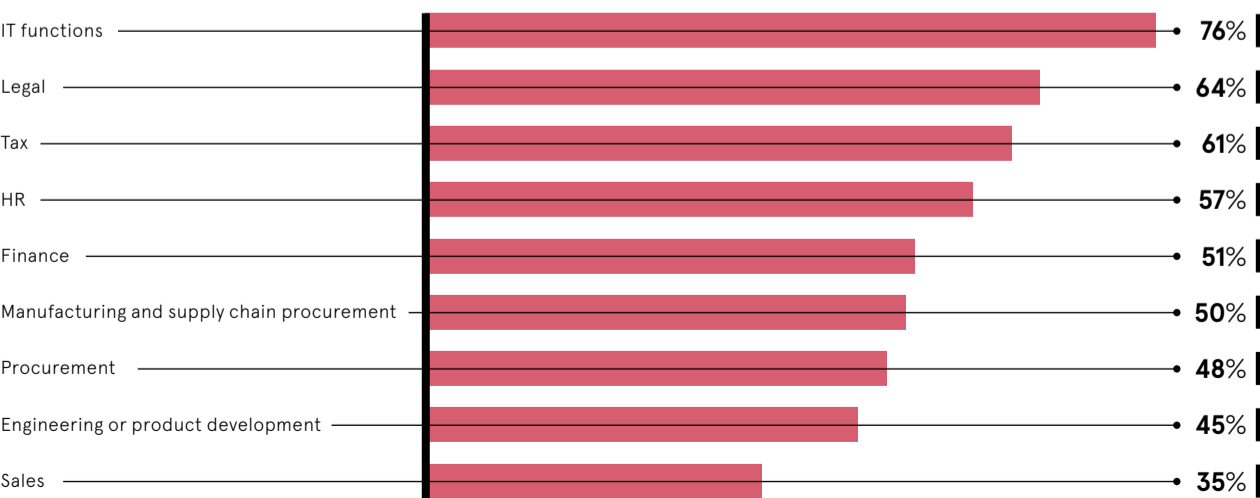
sure that everyone’s on the same page about what needs to change and when it needs to change.

Next on the list is to watch out for any conflicts. It is not unusual for business transformation projects, which by their nature challenge existing structures and models, to ruffle feathers and make some people feel uncomfortable.

And, finally, make sure that your business transformation has support from the top of the organisation. “You need to make sure that you have executive buy-in and that you will have it for some time. Transformation is a journey. It isn’t something you can achieve in three months or six months,” says Arora. “So you need to have that commitment. And you need to have the patience to see it through. When an organisation is looking for quick wins, it’s unlikely to get them.” ●

OUTSOURCING FOR ALL

Share of businesses that outsource the following functions



Deloitte, 2022

Commercial feature

RESILIENT COMPANIES RECOVERED FASTER AFTER THE GREAT RECESSION BY ACTING EARLY, BUILDING MORE OPERATIONAL FLEXIBILITY WITHOUT SACRIFICING CUSTOMER LOYALTY

Resilient companies increased their EBITDA by

10%

While industry peers had lost nearly

15%

HBJ, 2019

A RECENT STUDY BY RWS REVEALED THAT

88%

feel strongly that brands must show their understanding and appreciation of national identity, culture and languages

23%

feel brands understand their cultural needs as priorities

Street Insider, 2023

ACCORDING TO A RECENT ZENDESK STUDY

55%

of EMEA customers are frustrated with chatbots for not getting accurate information

44%

say they don’t have a choice between humans and bots at the start of service

Zendesk, 2022

‘great place to work’, is heavily committed to career development including future leadership. Last year it promoted 5,000 employees, more than half of them women.

“The more successful we are at attracting and retaining talent, the better we are at supporting and partnering with our customers for the long term,” says Sims. “And we are doing something right: in our Sofia business our average attrition rate was just 2.2% attrition per month across the entire organisation.”

Automating CX BPO

It’s a common mistake for companies to fast track the implementation of new technology based on a promise of efficiency gains and digital-first resolution. But it has to be about empowering the

consumer, and tech is the catalyst for enhancing CX. It has to make a positive impact on the consumer and the business, all while interacting through customers’ preferred channels.

“Different consumers will interact with different contact channels in different ways at different times during their customer life cycle,” says Sims. “If you want to make a complaint because you’ve had a bad experience on an airline, you’ll probably go to Twitter. But if you want to make a change to an upcoming flight, you’re almost certainly going to use the telephone. Don’t push people to use chat just because it’s available. Give people the choice and recognise the importance of that.”

By leveraging analytics from every customer interaction, contact centres can evaluate how to best resolve customer inquiries and automate only when confident the experience can effectively be handled without live support. Here, BPO companies can offer their experience and expertise in deploying the right technologies in the right ways at the right stage of the customer journey.

“Customer behaviours change on an ongoing basis, while technology continues to evolve rapidly,” says Sims. “Recognise the changes, and recognise the fact that you need partner-oriented people in your

organisation with the knowledge, capability and sophistication to help customers understand how the technology is capable of improving and impacting the future, not just today.”

Other CX-related challenges facing contact centres include economic instability, accelerated product life cycles and ramps. Legacy infrastructures and rapid technology changes also create difficulties for brands to master and manage on their own. BPO companies deliver sustainable CX to make businesses across industries recession-proof and serve as expert tech integrators.

“CX is an investment, not a cost,” says Sims. “CX is also a practice, not an adjunct to a business that provides a service or a product. Organisations like Alorica have that breadth and depth of experience that comes from working with a multitude of different verticals in many different guises for some of the world’s largest brands.”

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Addressing the need for adaptive CX

Customer experience can make or break a business, so brands need to ensure they get it right. Business-process outsourcing might be the answer

Customers no longer base their loyalty on price or product. What really builds customer loyalty is the quality and consistency of the customer experience (CX). Many leading brands have the opportunity to improve their customer service strategy by partnering with a business process outsourcing (BPO) provider and taking advantage of their wealth of experience and expertise in delivering exceptional CX.

BPO offers businesses significant benefits, enabling them to reduce operational overhead, mitigate risk, create cost savings by assessing and addressing internal operational inefficiencies and automate low-value capabilities that free up talent to focus on more complex, high-value tasks. However, this operational flexibility isn’t about cost avoidance, it’s about empowering the customer, as Matthew Sims, EMEA president at Alorica, a global provider of outsourced CX, explains.

He says: “CX is a strategy, not a tactic. The experience customers have when they interact with a company’s contact centre can make or break their customer loyalty, so much so that the focus on contact centres and customer service has shifted from being an expense to a business investment. But the key to a successful outsourced CX approach is the business partnership. It is a critical element of CX and the customer journey, which we understand better than most organisations. It’s why our average client tenure is more than 10 years.”

But customer behaviours are constantly changing. Organisations like Alorica are data empowered and data rich, in terms of understanding customer journeys, and are able to service unique interactions at different parts of the customer journey, ensuring that customers are catered for as individuals rather than a generic group of people.

Another top priority for businesses is globalisation, a move rife with complexities and potential language and cultural barriers. Brands are increasingly turning to BPO companies as strategic partners, using

their contact centres for omnichannel support across international markets, and Alorica’s recent expansion into the EMEA region gives it a strategic advantage. “Globalisation as a target-operating model has become more important than ever,” says Sims. “Working with an outsourcing partner that provides multilingual services is critical, but understanding culture and context is even more important to a brand’s connections with its customers and to its reputation with its customers.”

The war for talent

Exceptional CX relies on a talented, engaged workforce. The rationale is clear: happy employees lead to happy customers. In the current climate of acute talent shortages, organisations are exploring more diverse talent pools and markets. With an eye on increasing flexibility and scalability, they are also evaluating multi-shore, hybrid and work-at-home delivery models to avoid exposure to talent shortages and disruptions. Rather than trying to do it on their own, it’s more effective to outsource to a BPO partner that offers it as an embedded service.

Sims says: “First and foremost, Alorica is a people business and a very culturally aware and culturally diverse organisation that takes into consideration the different cultures of our staff in the same way that we would with the different cultures of our customers. Our focus is on hiring people who understand the industry and are ambassadors of our customers’ brands; providing that relevance is very important. This ensures our customers will always get the support they need from people who understand the brand they’re interacting with.”

Alorica’s teams are equipped with the training and tools to build confidence and maximise performance, while its Hypercare platform – enabling a 360-degree process based on employee feedback, data and insights to improve performance and retention – facilitates a rich, two-way communication and engagement experience between management and staff. The company, officially designated a

The experience customers have when they interact with a company’s contact centre can make or break their customer loyalty

CULTURE

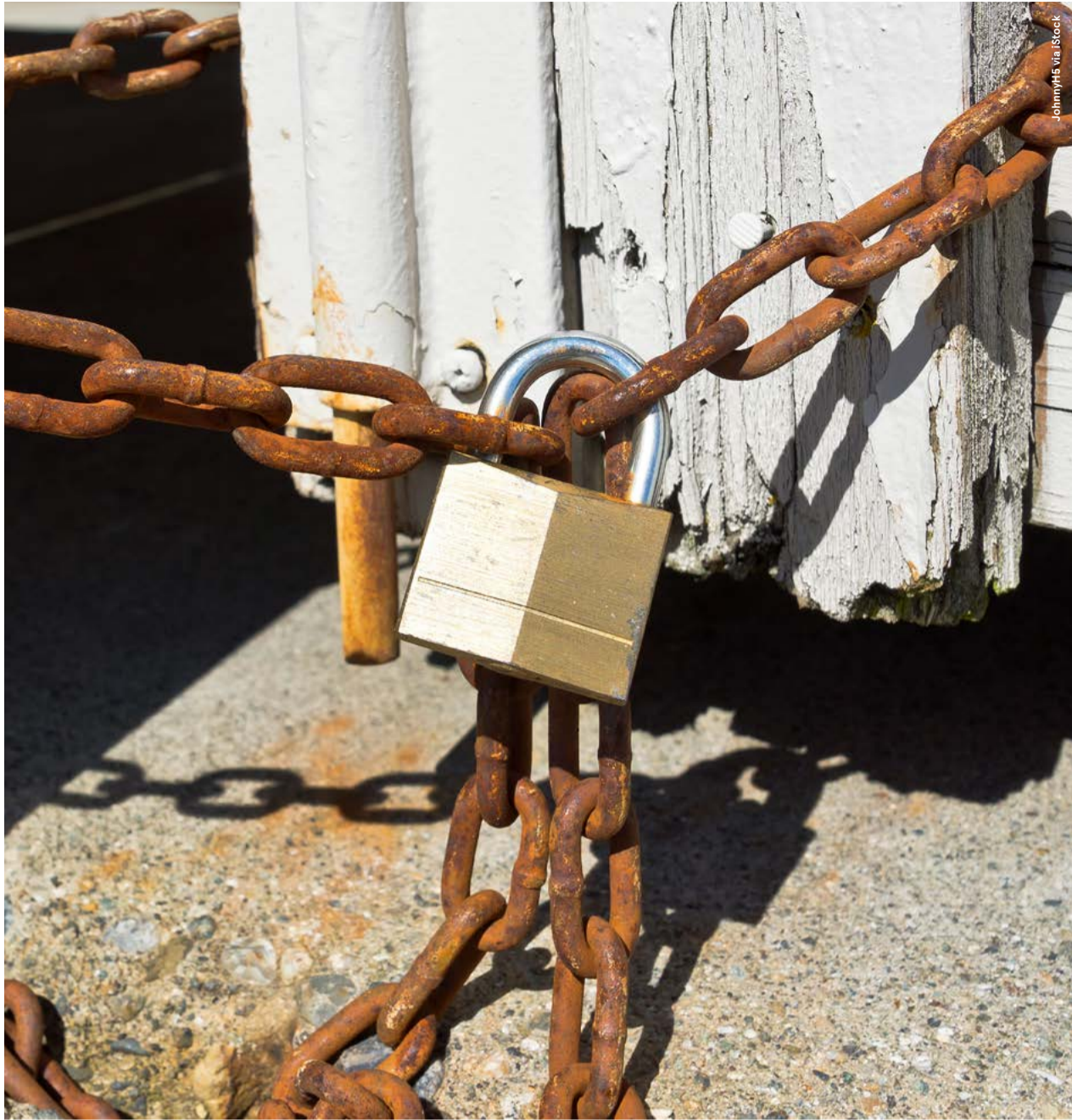
Chain reaction

Cybercriminals continue to find vulnerabilities despite the best security measures. Could better cyber hygiene help?

James Gordon

Last year, 39% of businesses in the UK discovered that they had been the target of cyber attacks. Those findings, published by the National Cyber Security Centre (NCSC) in its 2022 Cyber Security Breaches Survey, highlight the ever-present, pervasive and persistent nature of cybercrime. One attack stands out above all others. According to Brad Smith, vice-chairman and president of Microsoft, the attack on US management software company SolarWinds was “the largest and most sophisticated attack ever”. The 2020 breach was significant because it compromised not only SolarWinds’ data but also the data of 30,000 of its clients. That meant an entire supply chain, which included the US military, the Pentagon, hundreds of leading finance companies and universities. Professor Steve Schneider, the director of the Surrey Centre for Cyber Security, explains how the attack was carried out. “Instead of attacking a raft of major companies and institutions at the front end, the hackers infiltrated a SolarWinds network monitoring program. They then created an extremely sophisticated update, which contained malware. This enabled the hackers to access highly privileged and sensitive data plus the networks and systems of SolarWinds’ clients.”

Since the SolarWinds breach, which was reported in December 2020, there has been no let up in the number of cyber attacks on supply chains. A study by Enisa, the EU Agency for Cybersecurity, for instance, revealed that third-party incidents account for 17% of the intrusions in 2021 compared to less than 1% in 2020. According to Black Kite, a cyber security firm which specialises in disrupting third-party risk practices, Air France, KLM and Nissan America are just some organisations reporting data leaks in the past 18 months which were caused by third parties. Another statistic by the NCSC is equally telling. It found that fewer than one in 10 organisations were “monitoring risk posed by the supply chain”. But arguably it was during 2021, the year in which the world was wrestling with the Covid-19 pandemic, that some of the most high-profile attacks occurred. In January of that year, an attack on Microsoft Exchange impacted 250,000 servers, 30,000 companies and the Norwegian parliament. Six months later, Kaseya, an information technology management and security software company based in Florida, was hit by a ransomware attack which temporarily shut down the operations of around 1,500 companies. In Sweden, the attack led to a supermarket chain



being closed for a week, while in New Zealand schools and kindergartens were affected. What all these attacks had in common was that they were successful because they exploited vulnerabilities in smaller third-party partners. Emily Taylor is the CEO of Oxford Information Labs and an associate fellow of Chatham House’s international security programme. She notes that supply-chain cyber attacks through third-party software providers “illustrate the vulnerability of digital supply chains and the indiscriminate and widespread damage that such attacks can cause”. Dr Kalina Staykova is assistant professor, information systems and

management group at Warwick Business School, and has researched cyber attacks on supply chains. She takes a different view, saying that attacks which target IT-management providers only tell half the story.

“Audits must be centred on the premise that the chain is only as strong as its weakest link and that cybersecurity defences are not impregnable

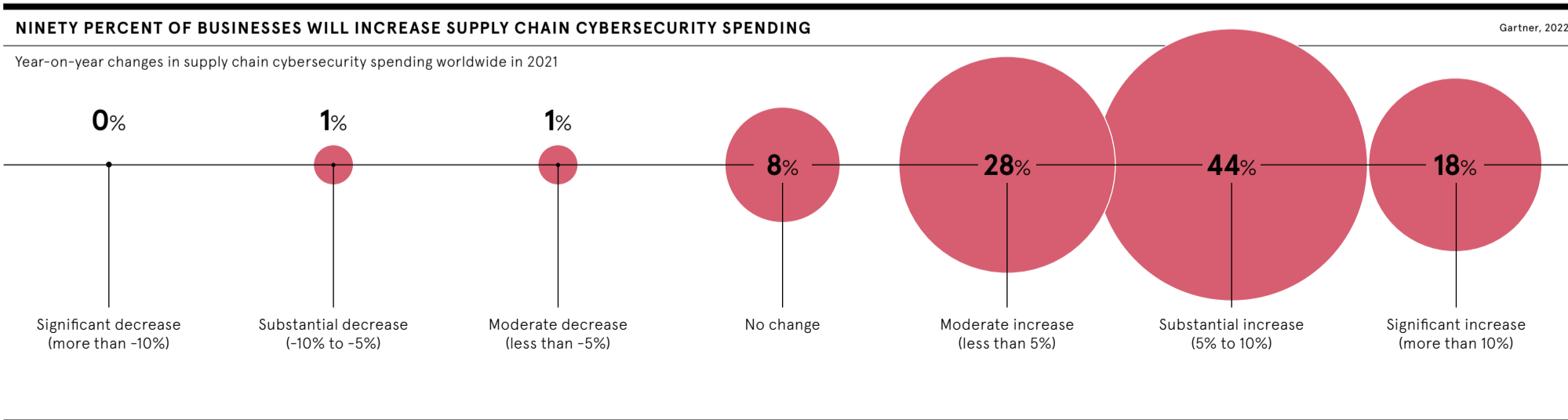
“Cyber attacks come from suppliers across all industry tiers,” she says. But while most companies focus on assessing the cyber risks coming mainly from tier-one and tier-two suppliers, Staykova warns that “threats also come from suppliers deep within the value chain”. She points to a cyber attack on Target, a large US retailer that has operations in every US state. “In the case of Target, the attackers managed to breach its cyber defences by infiltrating a third-party vendor, Fazio Mechanical Services, a heating, ventilation and air conditioning company,” she explains. This hack begs an important question. Are smaller suppliers that provide services to larger companies

perhaps more vulnerable to cyber attacks than larger vendors? While few concrete studies validate this hypothesis, research by the NCSC revealed that larger companies, due to “increased funding and expertise” had “more enhanced cyber security”. Staykova doesn’t think that there is enough empirical evidence to make this claim. But equally, she concedes that “often by definition smaller suppliers have poorer cybersecurity standards”. But even if it is the case that smaller suppliers are more vulnerable to cyber attacks than their larger counterparts, they are all part of the same supply chain ecosystems. So what steps can be taken to keep everyone safer from cyber attacks? In vast and complex supply chains, Staykova says that “maintaining visibility to manage risk” is the greatest challenge. To counter this risk, she believes organisations should “switch from what is an outdated, maturity-based approach to cybersecurity to one that is risk-based.” For such a risk-based strategy to be effective requires a cultural sea change, according to Emily Taylor, a specialist in internet law and governance. “This isn’t a technical issue. It’s an all-encompassing strategy that needs to be embraced at board level and embedded across the company – not left to technical teams to manage on their own,” she adds. Taylor says a successful approach is “not necessarily about installing expensive cybersecurity software and systems”. Instead, she thinks it is about staff training and clear policies and procedures that promote awareness, identify weaknesses in the security architecture and mitigate risk. That needn’t cost a lot and should be within the capability of every supplier – whether it is large, medium-sized or small.” Schneider agrees. “Too often, companies will underestimate the value of low-tech solutions.” “Take the principle of least privilege. This policy is effective as it ensures that third-party software should only obtain the access privileges it needs to perform its function. If this simple principle is applied across the value chain then, while it will never eliminate cyber attacks in the supply chain, it does succeed in closing that one particular attack vector.” But there are other approaches which can add value. According to Hiscox, a global cybersecurity insurance provider, third-party cyber attacks can be mitigated by better understanding supply chains and regular audits. But what should a thorough cybersecurity audit look like? For Staykova, the two are linked. “Audits must reflect reality,” she advises. “They must be centred on the premise that the chain is only as strong as its weakest link and that cybersecurity defences are not impregnable. So, therefore, audits should be complemented by real-world stress tests where an organisation and its key suppliers get together and conduct table-top exercises. They then launch mock attacks which allow them to gauge how staff respond.”

“Third-party supplier cyber attacks now account for 40% of all ransomware attacks globally

As for shining a light on cyber weaknesses in the value chain, Staykova advises organisations in the same supply chain space to commission third-party security providers to audit the status of cybersecurity defence by third-party vendors. This would be instead of third parties self-reporting on this, which is usually via questionnaires that she judges are “insufficient to paint an accurate picture of cyber hygiene”. Taylor thinks that, in addition to cybersecurity prevention awareness, “cyber hygiene across the supply chain must improve across the board”. For technical development teams, she notes that external penetration testing (pen testing) “can be effective in raising standards of security by design”. But resilience can, she thinks, be improved through organisation-wide training and awareness.

She explains: “When there is a major outage, we often assume that it’s a highly sophisticated cyber attack. But the truth is that many outages are caused by human error or breaches that would never have got through if the level of cyber hygiene had been higher.” For smaller organisations, an NCSC-backed certification scheme, Cyber Essentials, is within reach and can help to improve standards. But Taylor believes the insurance sector “could play more of a key role” to raise the level of cyber hygiene. “A few years ago there was a belief in policy circles that insurers would ride to the rescue by incentivising organisations to improve standards of cyber hygiene. But that hasn’t really happened. I still firmly believe, though, that there is a potential virtuous circle to be created by insurers offering lower premiums to suppliers that can demonstrate higher levels of security.” But Tim Andrews, a senior cyber underwriter for Hiscox, says that over the past few years the cyber insurance market has significantly increased the baseline requirements for cyber cover. “Organisations are now expected to have cyber security controls in place that just a few years ago would have been seen as ‘nice to have’. And underwriters are scrutinising those controls in much greater detail – including how those controls have been implemented and are governed,” he explains. With research from Hiscox also revealing that third-party supplier cyber attacks account for 40% of all ransomware attacks globally, for some vendors that help can’t come soon enough. ●



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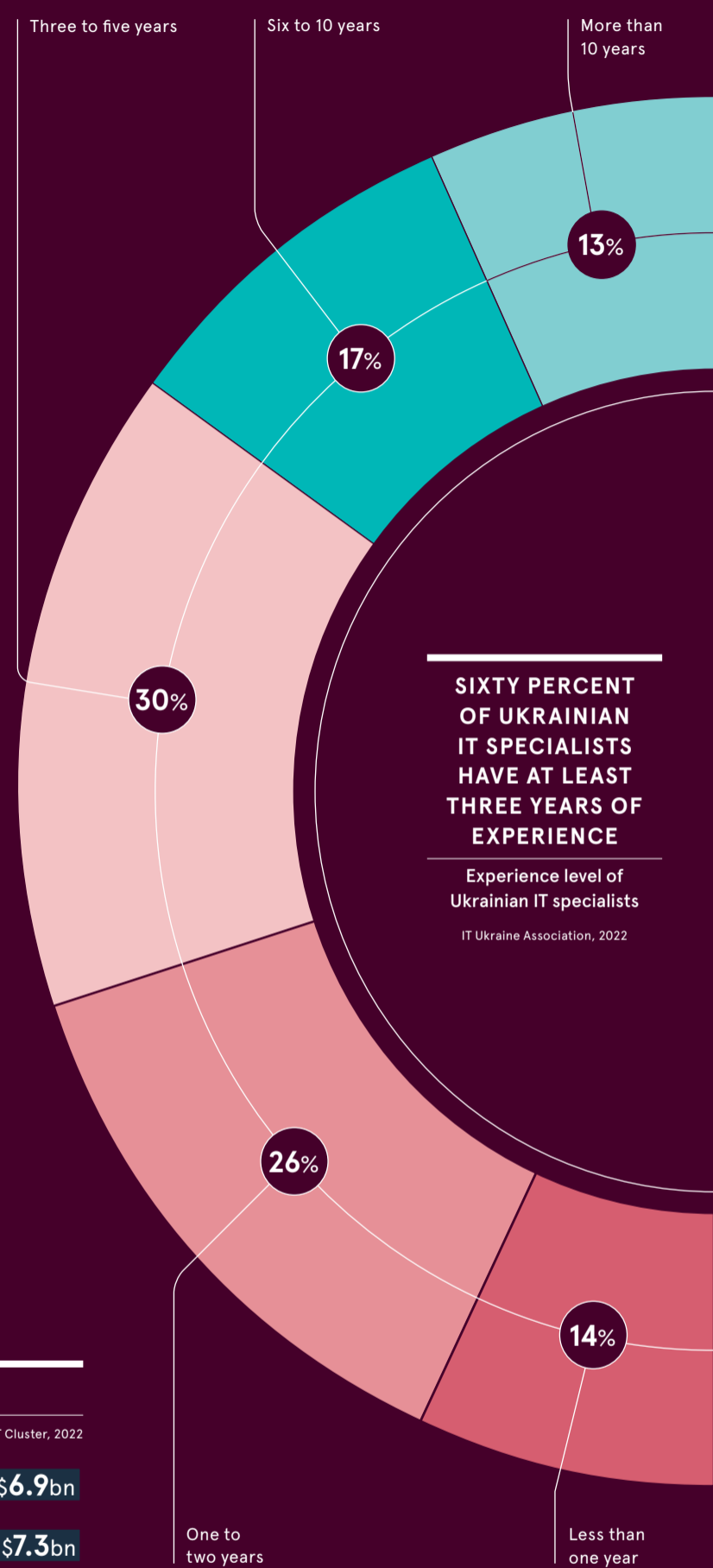
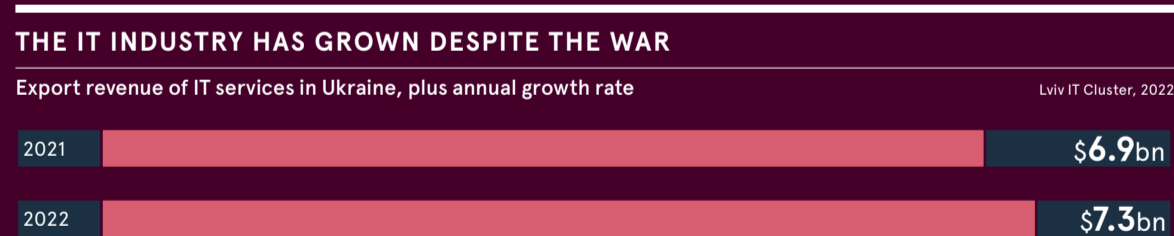
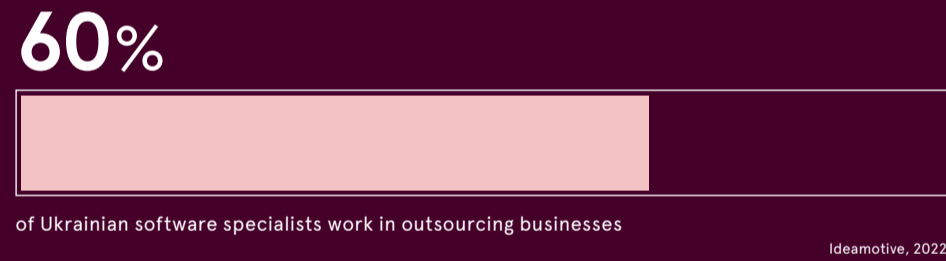
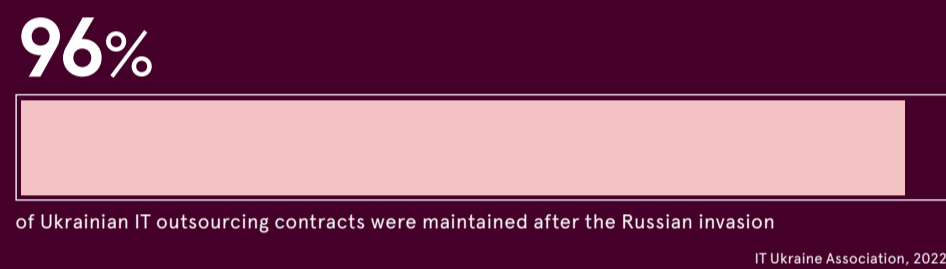
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OUTSOURCING TO UKRAINE

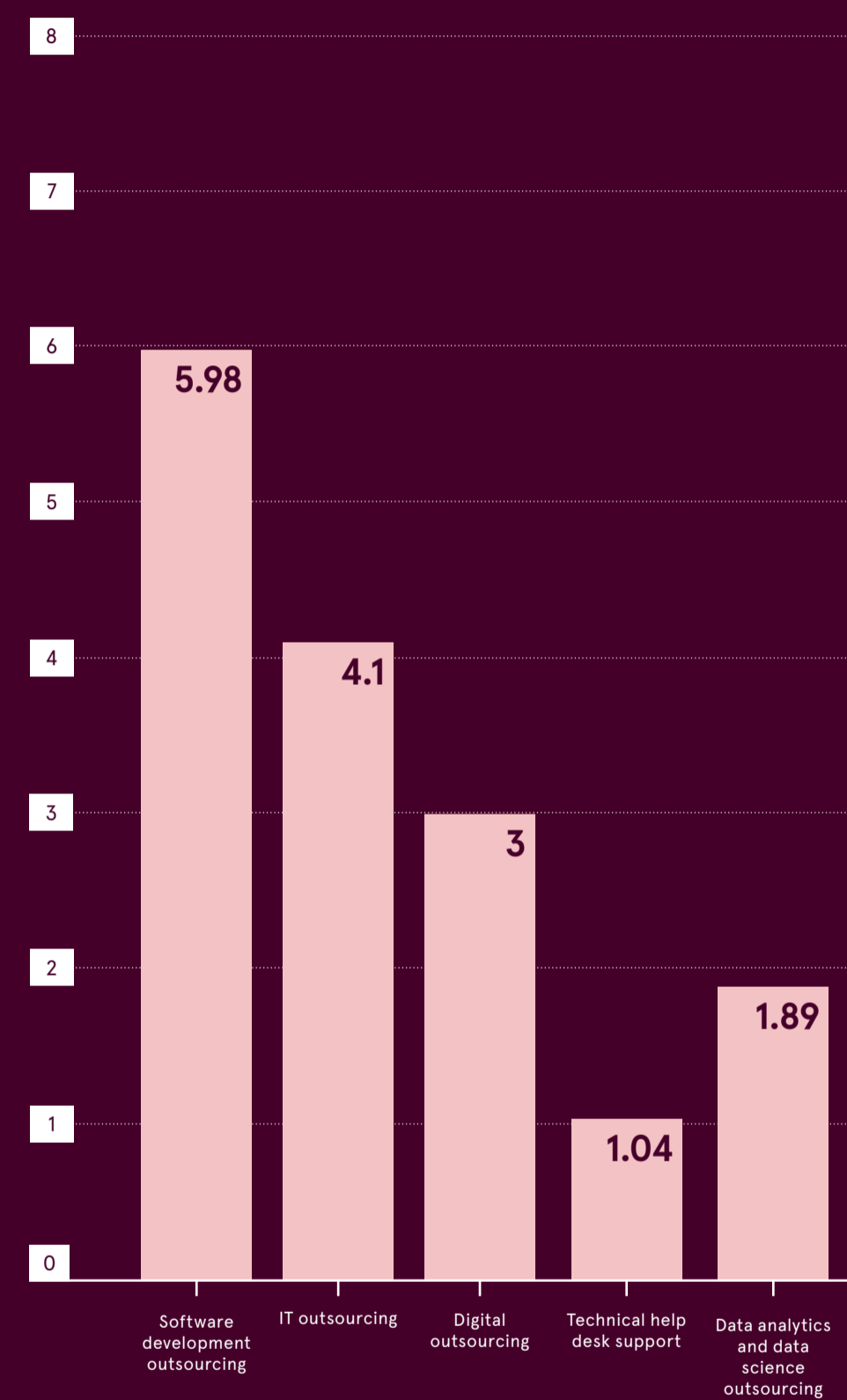
It's been more than a year since Russia, unprovoked, invaded Ukraine and launched an all-out assault on major cities across several regions of the country. In the years leading up to the invasion, Ukraine had developed into one of the most popular locations in the Western world for IT and tech outsourcing. So how has the industry fared since the beginning of the war in February 2022?



UKRAINE IS ESPECIALLY COMPETITIVE FOR IT AND SOFTWARE DEVELOPMENT OUTSOURCING

Ukraine's ranking and index score for various outsourcing services among emerging European countries (index score out of 8; rank out of 23)

Emerging Europe, 2022



UKRAINIAN IT COMPANIES HAVE BEEN ABLE TO MAINTAIN THE VAST MAJORITY OF CONTRACTS THROUGHOUT 2022

Share of Ukrainian IT companies that have maintained their contracts during the war, by company size

IT Ukraine Association, 2022





Cecile Arcurs via Getty Images

RISK MANAGEMENT

Why firms can’t contract out their legal obligations

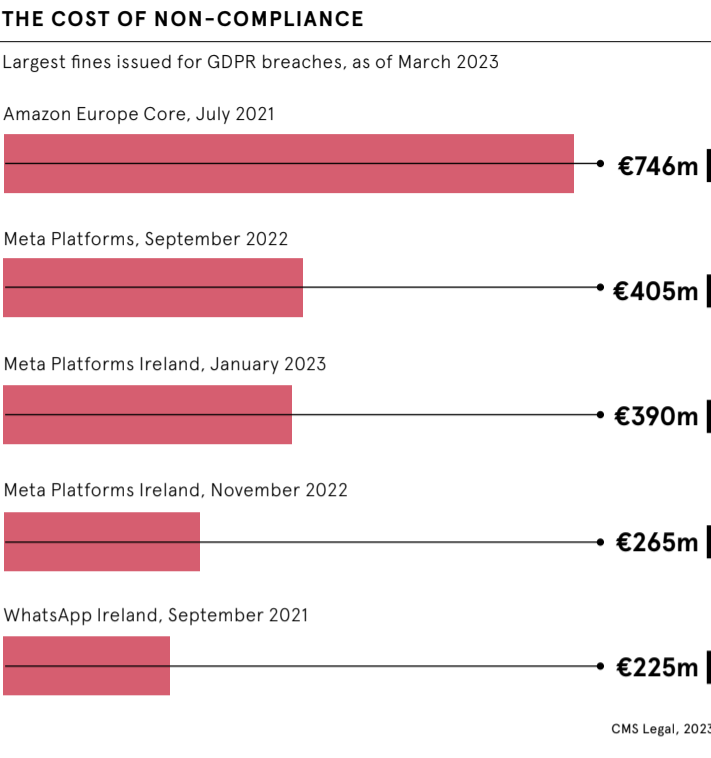
Some companies might think that outsourcing a whole function will hand over all the associated compliance responsibilities to the provider. This is a misapprehension – and a dangerous one at that

Nick Martindale

Although farming out work to a specialist provider will give a firm access to experts in their field, the client would be wrong to assume that handing over a whole function outsources every liability associated with it. This is particularly true when the work in question is tightly regulated, making compliance a key consideration. “It’s a common misconception that outsourcing can free a business from its ultimate responsibility for compliance,” notes Penny Rinta-Suksi, a partner and expert in commercial

contracts at law firm Blake Morgan. “In most cases, the outsourcing entity is acting on behalf of the business, which is therefore responsible for any action undertaken by that entity. It’s impossible for the business to outsource its health and safety, data protection and cybersecurity obligations in a way that completely transfers liability.” This fallacy is less likely to prevail in highly regulated professions and industries such as financial services, according to Tim Wright, a partner at Fladgate and co-leader

“If the outsourced function is fundamental to the performance of the business, it may be better to keep it insourced where it can be clearly controlled and understood



manage the risks that exist all the way down through this structure. That may cover audit rights required under the European Banking Authority’s outsourcing guidelines for a financial institution; supply chain governance issues covered by the Modern Slavery Act 2015 for a manufacturer; or personal data flows for pretty much any company.” The risk that an outsourced provider will lose data as the result of a cyber attack can be a particular concern for businesses. “We often hear the saying ‘if the data breach doesn’t kill your business, the fine might’, which succinctly describes both the reputational and financial risks,” says Weng Yee Ng, a partner at consultancy the Forensic Risk Alliance. “The aviation industry has been under a series of attacks leading to data breaches, including British Airways, which cited the outsourcing of IT systems and even the General Data Protection Regulation as potential contributory factors.” There are steps that organisations can take to mitigate the various risks associated with their outsourcing arrangements. The contract, says Rinta-Suksi, is an obvious place to start. “When outsourcing, businesses should protect themselves by securing contractual obligations from their outsourcing entity to comply with appropriate laws, standards and policies. They should include indemnities against any third-party claim arising from the outsourcing entity’s breaches,” she advises. Firms thinking about outsourcing various functions to cloud service providers may need to accept a “shared responsibility model”, particularly if the provider holds more bargaining power. So says Andrew Northage, a partner in the regulatory and compliance team at law firm Walker Morris. “This may differ depending on the service model adopted by the provider. The outsourcer will therefore need to familiarise itself with the division of responsibility adopted in that service model,” he adds.

James Gill, partner and co-head of the digital, commerce and creative team at law firm Lewis Silkin, predicts that companies will increasingly need to consider contractual terms when choosing partners. “Software-as-a-service or shared-service models offering a ‘one size fits all’ approach can present a particular challenge for regulated industries,” he says. “Customers may need to be ready to pay more for the provider to adapt its service on a bespoke basis. Otherwise, they’ll have to seek another solution.” Gill points out that it’s vital to have suitable insurance in place as well, but adds that this should be seen as a last resort. “Insurance coverage offered by providers should merely provide additional balance-sheet comfort,” he says. “Parent company guarantees can be useful. Business continuity – and other insurance coverage by buyers – is advisable. This should cover not only loss of earnings, but also extra costs incurred on activities such as data restoration, dealing with unhappy customers and possibly even retendering.” Regular audits and reviews of service providers are crucial measures too, Ng stresses. “These should serve to ensure that your service provider is keeping up with the latest developments in the relevant regulations – and that its processes and controls duly address those requirements,” she says. Outsourcing organisations should also have one senior person who has responsibility for the relevant outsourced service line, advises David Lowe, partner and head of commercial contracts at Gowing WLG. “That senior accountable person – or their team – must possess all the skills required to manage the supplier,” he says. “This will mean that a business should retain some internal expertise and not outsource its total capability. If the outsourced function is fundamental to the performance of the business, it may be better to keep it in-house, where its activities can be clearly understood and controlled.” ●



An evolution is happening in IT outsourcing

Companies are now looking for providers that are partners in their transformation journey

IT outsourcing is changing fast. The era when outsourced IT was synonymous with distant, cheaply run helpdesks is ending as firms seek new, partnership-based models that help them with their digital transformation journey. Outsourcing is also helping companies with one of their most pressing IT challenges—skills shortages. “Outsourcing is important because it allows customers to focus on their core business” says Nikolai Laković, UK managing director of service provider Getronics. “Leveraging a service partner like Getronics enables clients to benefit from deep knowledge, specialist skills and the capability to build an effective digital future. To understand this profound change, it helps to look at how IT outsourcing has evolved in the UK and beyond. One of the first companies to outsource their tech operations was Eastman Kodak, which in 1989 was still considered one of the world’s most innovative companies. The company’s CIO, Katherine Hudson, had a novel idea: the photography giant no longer needed its sizeable IT estate, so decided to outsource most of it. This triggered an explosion in outsourcing for basic technology functions such as helpdesk, device management and network ops. But the original insights behind IT outsourcing got diluted. Instead

of being seen as a way of liberating companies to focus on their core business, it became synonymous with cost-cutting. Companies drew up a service-level agreement for various IT functions and contracted with whomever promised the lowest price. Fast-forward to 2023, however, and at last, IT outsourcing is fulfilling its true potential. The most progressive firms in IT outsourcing such as Getronics are no longer just there to sluice away jobs, but are helping businesses build and support better technology platforms quickly, so companies can focus on their core competencies while enjoying the benefits of cutting-edge technologies like AI and the internet of things. Many companies see the business need for these new technologies but can struggle to deploy them using in-house talents. They also struggle in other key areas, such as cybersecurity. But IT specialists that offer outsourced services have the critical mass to attract and retain talent—and keep their skills up-to-date. Operating in a very shaky macroeconomic environment, CIOs increasingly recognise the need to re-evaluate their IT strategies in support of the business goals. They need to focus on building resilient, secure, responsive and agile services, but they are also under tremendous pressure to deliver those services with highly constrained budgets.

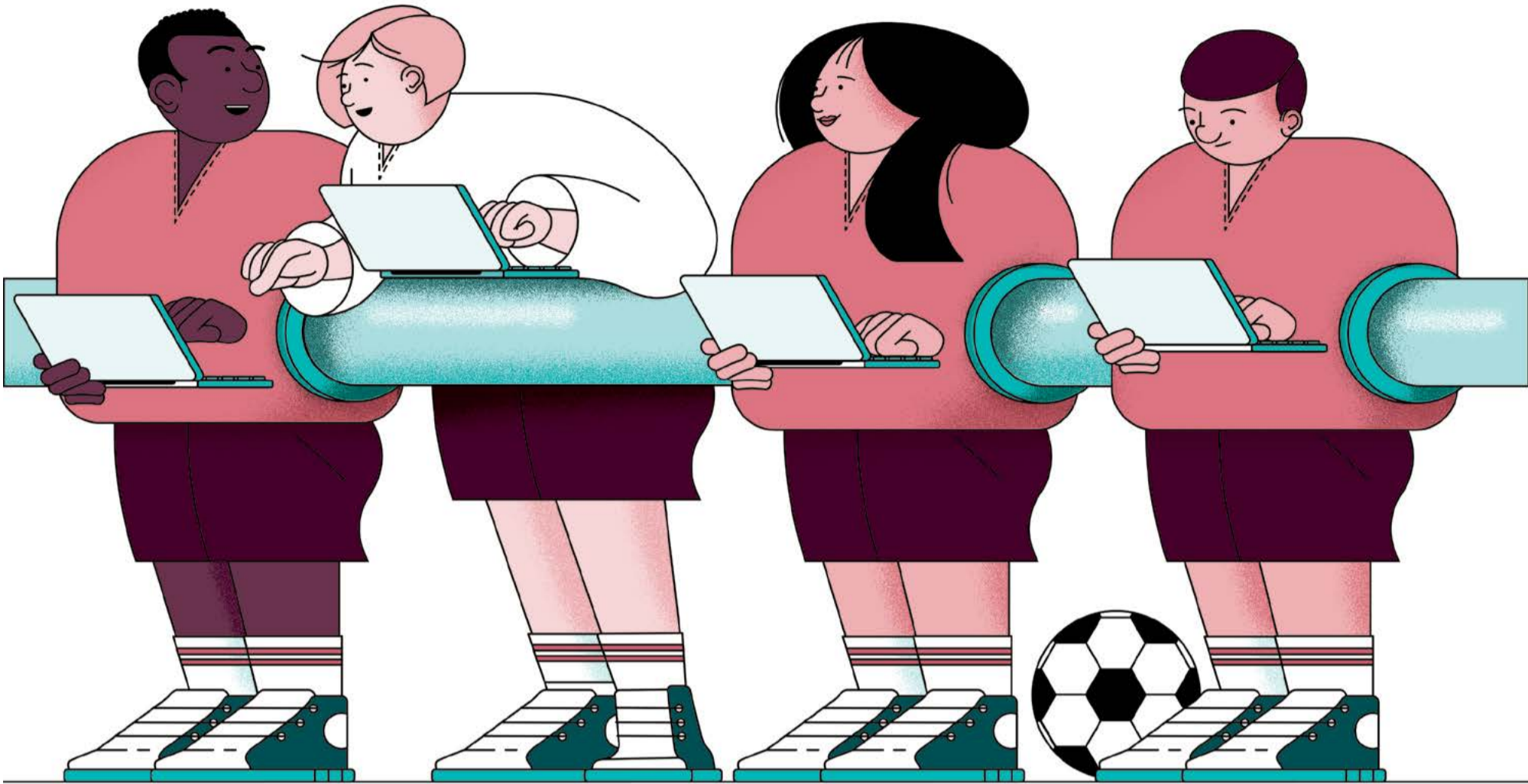
“Nine out of 10 organisations are building platforms for consumption whether that’s internally or externally,” comments Laković. “They’re building platforms that they can leverage and scale up and down to cope with economic changes—and that’s what our customers are looking for: flexible operating models they can basically build on, get services and consume them. They don’t have to make massive ongoing investments to reap the rewards.” And there’s a whole host of unseen, complex problems around people and processes in order to deliver these digital technologies. So perhaps that’s why a blended outsourcing model is becoming an increasingly attractive option for businesses that want to focus on what they’re good at. In the same way that the biggest hyperscale cloud providers offer

flexibility and scalability around running infrastructure, outsourcing can provide the same kinds of benefits for skills where an organisation may be lacking internal expertise. This is reflected in the changing tasks being handled by outsourcers. For example, instead of ‘just’ running a help desk, they are now more likely to be also helping with business-critical functions, such as application development. Laković says: “We’re seeing clients moving away from those monolithic outsourcing models because they clearly haven’t worked or delivered the value that they were seeking. Clients are now selecting solutions based on how they will address their specific service requirements.” “We have the capability to consult and deliver value, both from within Getronics’ comprehensive portfolio of capabilities and from our partners, for instance Azure or AWS, or from a global product supplier, where all services are managed by us.” This new thinking is also changing how services are procured. In the past, businesses approached outsourcers chiefly to cut costs, but this led to something like a price war among the biggest of them. Prices were driven down so much that customers got threadbare products, and business value wasn’t being delivered on top of it. Outsourcers on wafer-thin margins had no incentive or capacity to help clients meet broader business goals. “If you are negotiated down to the lowest possible price, you’re very restricted [in what you can do],” says Laković. In contrast, he says, the new approach to outsourcing focuses on customer experience and business outcomes. “It’s going to be less and less about the service level, more about the experience model and value you can bring.” Instead of the outsourced staff being in distant locations with the cheapest labour costs, Getronics is seeing increasing demand for

blended onshore and near-shore staffing models that can provide high-quality, flexible services, visiting a client in person to get full understanding of their business and their digital requirements. This all adds up to a considerable shift in the IT outsourcing model, with businesses increasingly looking for partnerships focused on value rather than just the price point alone. They want more of a partnership where the experts with those elusive skills, the operational agility and the ability to scale are on hand to be consulted with and to help steer strategy. Businesses want advice and dialogue, not a service provider that delivers narrowly to the letter of the contract and nothing more. Outsourcing is also the preferred option for the end-to-end application development process, where providers like Getronics can provide instant access to expert talent and skills and give them the flexibility, agility and speed to market they need, notes Laurence Kresnyak, business development director of Getronics UK. Laković summarises: “For over 130 years, Getronics has been guiding and supporting customers through the ever-changing use of technology. Today, Getronics still maintains that strong customer connection, helping businesses through their own transformation journeys by leveraging our secure-by-design portfolio. Having the capability to deliver globally, but being agile enough to respond flexibly to the changing needs of businesses is not just a strength, but a core company value.”

For more information visit getronics.com





CULTURE

Squad game: how to make outsourced staff part of the team

Focusing too much on KPIs over culture fit is a recipe for failure, as those who have experienced it reveal

MaryLou Costa

Outsourcing is set to boom. Google is to cut 12,000 roles this year; Meta plans 10,000 layoffs in addition to the 11,000 it has axed; and almost 15,000 jobs in British retail have gone since the start of the year. But while businesses have identified the commercial need to downsize, they will be keen to maintain momentum. Outsourcing for the interim and the long term is a way for firms to claw back growth. While outsourcing technology and process-based departments such as IT, payroll and recruitment has been a mainstay of big and small businesses, the trend is to include senior finance leadership, marketing and more general business operations, as Forbes predicts. For example, cycling brand Zwift's recently

announced 15% workforce cull will fall largely on marketing and HR, while tech firm Atlassian's latest cuts are to affect talent acquisition, programme management and research and insights. Downsized companies stand to get their outsourcing wrong if they focus too much on KPIs (key performance indicators) and SLAs (service level agreements) as they fill their resource gaps. It is also crucial to have an alignment of company culture and values to work towards a shared vision that is built on trust. So says Richard Skellett, founder of the Globalution Group of consultancies, which provides outsourced solutions in IT, recruitment, research, training, marketing and people management. Just this month, Skellett asked to advise two

large British city councils regarding the failure of two long-term, big-ticket outsourced contracts which he attributes to those factors. "A poor culture fit can lead to misunderstanding and conflict, which delay project delivery and have a negative impact on the quality of work. So it's important that everyone is on the same page," says Skellett. He adds that outsourcing can only be effective when there are clear communications, operational oversight and a strong match in culture and values for longer-term projects. This includes adding outsourced partners to team communication tools and setting expectations on areas such as how to give status updates, dealing with urgent requests and what response times should look like.

Skellett says it is crucial to get a handle on this now because, looking at the ongoing mass layoffs, outsourcing has an important role in the future of business. Out with the model of a large permanent headcount and its associated expenses and duty of care. In with the ability to dial resources up or down through partnerships that focus on timely requirements for skills. It's a business model that Skellett calls "mutable", where a business is in a permanent state of reinvention to match the increasing volatility of the world. A mutable business that works with several partners could, he theorises, adopt a 'command-and-control' model that uses KPIs, SLAs and even penalties for non-compliance. But this is not ideal. The alternative, he suggests, is a partnership-driven model of working collectively with a strong outcome focus. This could then be tied to incentivising the outsourcer with rewards to be shared for achieving those outcomes.

Skellett's mutable model dovetails with the demand for remote and flexible work, which has clear benefits for team members and organisations but can cause communication breakdowns when outsourced talent is not integrated properly. So says Kelly Lawler, vice-president of sales at WorkReduce, a US-based firm which provides marketing capability as an interim or long-term solution to both brands and agencies. Lawler points to advertising agency networks such as WPP, which noted in its Q3 2022 trading update the increased use of contingent workers as a way to protect clients from inflationary pressure, but clients seeing a misalignment when

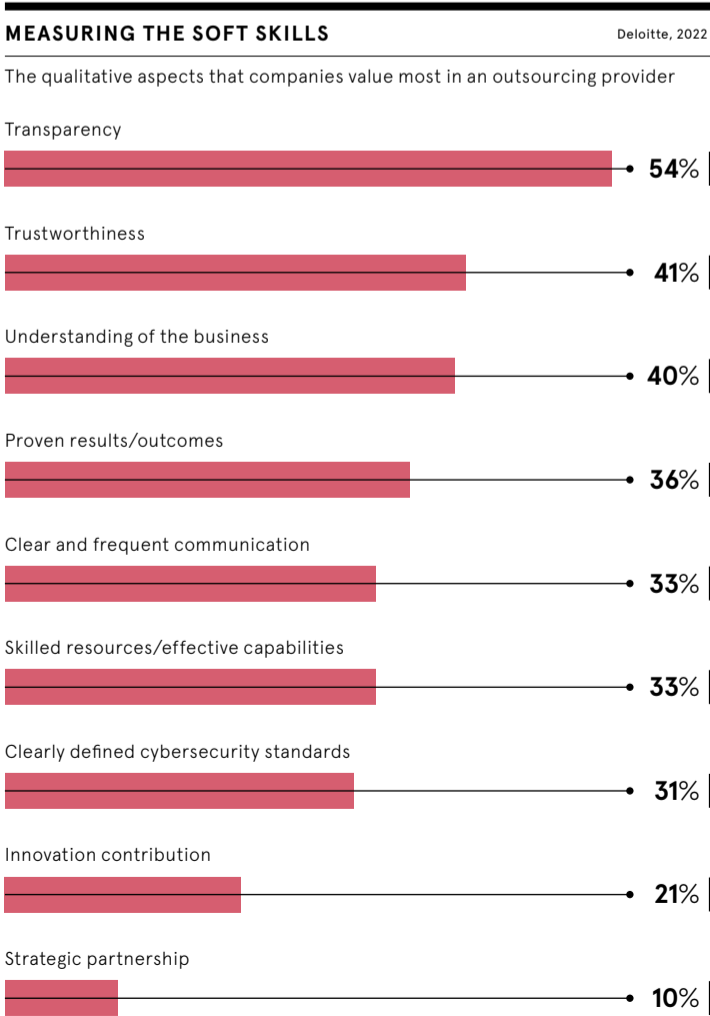
expectations are not met because of poor integration. "Outsourced team members need to be treated the same as internal staff to encourage collaboration and boost morale, to get the best results," Lawler recommends. This includes attendance at team status meetings, and company-wide meetings in certain cases to understand the business trajectory. "Too often, it's the verbal nuances from discussions that are missed in meeting summaries that can make the biggest difference. Being a part of meetings will lead to efficient onboarding, decrease ramp-up time and allow them to ask questions, and brainstorm with the team to improve the quality of work. "The sooner you can provide access to the relevant systems, the sooner your external talent can start performing the function they were hired for." Over the past three years, Lawler has seen improvements in how companies work with outsourced teams. With remote work becoming commonplace, the timing to incorporate outsourced talent has shortened and the process for that has become

“ Outsourced team members should be treated the same as internal staff, to encourage collaboration and boost morale – and get the best results

more efficient. She also notes how the pandemic has accelerated this trend, with more companies investing in automation, process documentation and effective communication tools for internal and external team members. Unilever is an example of a multinational corporation with a strong track record of outsourcing areas such as IT and HR in long-term, multimillion-pound deals with the likes of IBM, HP and Accenture. Case studies have outlined how the business established which functions to outsource, so it could prioritise strengthening its competitive edge in brand and product. It then ensured close interaction between internal and external teams for a successful collaboration. Yet perhaps mindful of how outsourcing might be mishandled, as Lawler and Skellett underlined, Unilever has developed an innovative way to fill resource gaps. Open to current and past Unilever employees, its flexible staffing model U-Work allows people to move across projects as they arise, plugging skills gaps while driving diversity. They are paid both a project fee and a monthly retainer, while accumulating annual and sick leave. Under the U-Work scheme, people can also work for themselves or another company, as they aren't considered to be permanent staff. "We recognise that individuals want flexibility in the way that they work. And I don't just mean in a hybrid or remote way but how they work and the type of relationship they want with their employers. At the same time, we wanted greater flexibility in some of our resourcing," explains Morag Lynagh, Unilever's future of work director.

“ Businesses will have to work out how to manage multiple outsourcers of services in an integrated way

“We looked at what we have already. On the one hand, we have the gig economy. It is fully flexible but offers limited security. On the other hand, we have regular employment, which has lots of security but there is less flexibility. And what we're trying to do with U-Work is to find that sweet spot in the middle.” Whatever the model, businesses will have to work out how to manage multiple outsourcers of services in an integrated way, which is only going to become more of a complex mission, in Skellett's view. "Outsourcing was once as simple as joining the dots. But now we've got a lot more dots on the page than we used to have and how we join those up has a massive impact both on the organisation and on the people," says Skellett. "If you're simply thinking, 'I've got a problem keeping my lights on' and you're looking for a service provider to help you do that, then you've got another problem. "Why not think about the design of your team differently? You need to move the money you spent keeping the lights on to support growth and change in your organisation.” ●



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EMPLOYEE ENGAGEMENT

A motivated workforce

If businesses are strategic about what they get off their books, outsourcing could usher in an era of creativity and boost talent retention

Nick Easen

No one's attracted to a job description that says that you'll be doing tedious, data entry for 20 hours a week. Boring, repetitive tasks not only sap productivity. They also make it difficult to retain and manage skilled employees. This is where outsourcing can be a boon to business.

Payroll, IT services, tax compliance and onboarding recruits are critical business functions but the tasks involved in keeping these functions running can be onerous.

Push out the monotonous activities, systems and processes to a third party and this should, in theory, free up a worker's time to add more value, innovate and be creative. This is especially true when economic times are tough. Outsourcing could allow employees to focus on their core business and the bottom line, rather than on periphery services that use considerable time and resources.

“Enterprises effectively rent capability, rather than building a whole organisation which may not be suitable in the medium term

But outsourcing to third parties to boost internal creativity has not historically been the motivation for the majority who have detailed requests for proposals, in industries globally. The meteoric success of digital enterprises in many markets, who are past masters at outsourcing a swathe of non-core activities, shows however that this model can work.

“The digital economy, and the job creation associated with it, has certainly benefited from the ability to outsource a variety of services, which enterprises used to provide for themselves. There is no reason, in theory, why outsourcing routine activities could not lead to a greater focus on more creative activities,” explains Martin Reeves, chairman of the BCG Henderson Institute.

Outsourcing everything from HR services to IT servers is typically a financially motivated decision and it is on the up. The ISG Index, which tracks sourcing deals worth more than \$5m (around £4m) annually, shows that outsourcing has grown in the UK by 12% since 2018. The index also indicates that business process outsourcing grew at 37% annually (to \$3.6bn annually) during 2022 in EMEA.

For outsourcers that systematise and automate business processes, robotic process automation and self-service tools have become particularly useful applications. Both reduce manual data entry and processing, mimicking what used to be human tasks. Such outsourcing services are useful in relieving the human grind ploughed into uninteresting tasks, whether it's processing holiday requests or setting up IT accounts for new hires.

Anthony Drake is director at ISG, a technology research and advisory firm. He thinks that many of the skills required in today's business will be obsolete in 10 years. “So by outsourcing, enterprises are effectively renting capability, rather than building a whole organisation that

may no longer still be suitable in the medium term. Outsourcing allows them to focus on the skills that they know they will need in the future, not just for today,” he explains.

In the short term, cost inflation, labour shortages and future-proofing periphery services are spurring the outsourcing market, rather than a vision of a creative future. The idea of turning fixed costs into variable ones is attractive, especially during

economic hardships. But in the long term, firms should aim to identify where in-house employees can add value more than a well-programmed bot or software platform.

“In tax, we see individuals in companies who spend over 50% of their time on repetitive, manual tasks like data entry. Outsourcing those tasks allows the skilled worker to do more strategic activities of higher value. For instance, providing intelligence

to the business or working on the ESG agenda,” points out Russell Gammon, chief solutions officer at Tax Systems, which provides tax compliance services.

“Tax professionals usually train for more than five years and have to pass multiple exams to qualify. So for them to then spend half their working day on data inputting is incredibly wasteful. Ultimately, companies who outsource these tasks can better utilise the skills their employees are trained in.”

The big issue for many businesses is that outsourcing also has costs. There is of course the cost of the services themselves. But there is also a certain loss of control to the outsourcing providers – not to mention the loss of employment within the organisations.

“There are still quite a few negative connotations associated with outsourcing. It is often viewed as a means of cost-cutting rather than as a tool to promote a better workplace,” points out Mark Gomes, vice-president of sales at Intellias, a custom software solutions firm. Perhaps this is why outsourcing is not typically a strategic move made by the board and the CEO – but instead by the finance department and procurement teams, with an eye on functionality.

But it could be time for outsourcing providers to highlight what it is their services allow staff to focus on: driving value.

While employers should consider the impact that outsourcing will have on their retained workforce, a more enlightened approach could allow businesses to be more proactive and offer employees better work, so that they don't leave.

“Outsourcing engagements can only have a positive impact on employees if the provider takes the necessary time to go on a journey with the customer,” details Girish Ravindran, senior vice-president for IT operations and automation at Hexaware Technologies, a global IT solutions provider.

He continues: “This includes checking whether they have the right operating model, driving organisational change management with the employee experience in mind.

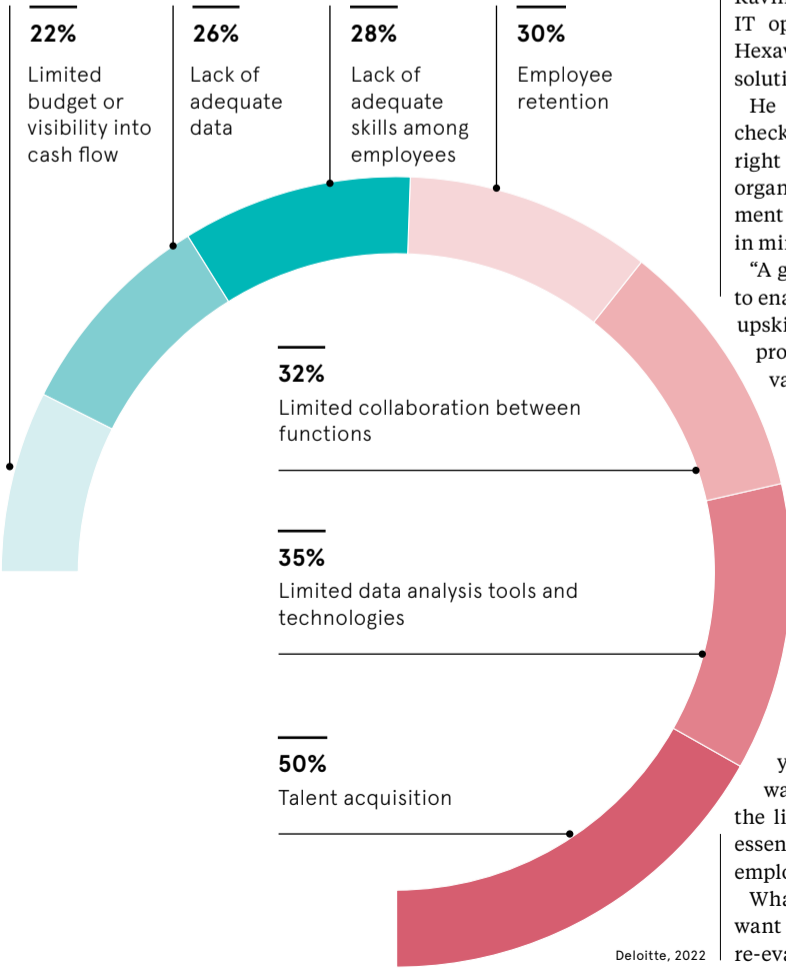
“A good outsourcer will also work to enable a customer's employees to upskill, so that they can be more productive and deliver a higher value to a business.”

If outsourced services were purchased on their ability to unleash employee potential and retain staff it would be a paradigm shift. Hans-Petter Møllerud, founder and CEO of Zalaris, a payroll and HR services provider, believes that we should see outsourced services like utilities – water, gas or electricity – always on and readily available when you need them. At least that way, these services are seen as the lifeblood of a business and an essential provision, on which employees then build and innovate.

Whatever way we look at it, if we want better creativity, we need to re-evaluate outsourcing. ●

TALENT ACQUISITION AND EMPLOYEE RETENTION ARE KEY BARRIERS TO STRATEGIC GOALS

Top internal challenges for organisations to meet their strategic objectives



Less weight, more agility: securing talent in a world of uncertainty

Firms struggle to bridge critical skills gaps in their workforce. **Matthew Vowls**, vice-president of client services at Sevenstep, explains why greater flexibility in their hiring plans could be the solution

Employers face a hiring dilemma of near-historic proportions. The global economy threatens a downturn of uncertain severity and duration. Meanwhile, companies struggle to secure critical workers, and despite recent layoffs, the supply of high-value talent remains exceptionally tight.

These challenges are being felt around the world, as job vacancies remain well above pre-pandemic levels and unemployment remains low. For example, the UK is experiencing “entrenched labour shortages”, which could cost it up to £39bn in GDP each year from 2024, according to the Recruitment and Employment Confederation. At the same time, 53% of tech workers surveyed by the CWJobs preemptively applied for new positions due to fears of redundancy.

The EU, which is in a similar situation, has declared 2023 the ‘European year of skills’ in a bid to reduce labour shortages across the bloc. It points out that 77% of companies in the region struggle to find workers with the requisite skills. In Germany alone – the EU’s biggest economy – this skills deficit costs an estimated €86bn annually in lost output.

These conditions can create paralysing uncertainty for employers. The large and unwieldy workforce plans of the past are now untenable. Decision-makers struggle to increase recruitment budgets when they cannot predict what the next quarter holds. But work still needs to get done and a wait-and-see approach is not an option. How do you move forward when high-value talent is difficult to find?

The good news is that a growing number of executives and hiring managers are not shying away from this question. Rather than freeze activity or make do with ad hoc workforce decisions, they navigate uncertainty with a decisive approach to hiring. And they do so by focusing on one key goal: improving agility.

In the world of recruiting – or ‘talent acquisition’ (TA) as it is known in the industry – agility stems from fundamental priorities: flexible use of external recruiting resources, improved engagement of contractors and permanent hires and access to broad TA capabilities. Thanks to advances in practices and technology, these priorities are within reach. Understanding and embracing each can make the difference in securing the talent you need to navigate an uncertain future.

Get the right help right now
The first priority for agile TA is the

flexible use of external recruiting resources. This approach is best seen in the evolution of recruitment process outsourcing (RPO). The RPO solution has long been a staple of large and mid-level organisations with challenging talent needs. The specialised recruiters, supporting technology and domain expertise of a quality RPO, create a reliable approach to securing talent when internal teams do not have the capacity or specialisation to deliver.

However, companies often need outsourced support when they can least afford to commit to multi-year enterprise RPO contracts. Fortunately, more advanced providers are stepping up their ‘project RPO’ offerings.

Project RPO enables companies to engage a provider to address specific, near-term talent demands. The employer may need to add recruiters to internal teams or outsource an entire TA operation to meet a hiring goal. In either case, a project RPO can scale up quickly and end once the goal is achieved.

Not all project RPOs are equal, however. The best providers will bring market analysis and an ability to assess and adjust the strategy, adding or reducing resources and capabilities on demand. After all, adjustments may be needed in an environment of constant change, even during a limited hiring project. The RPO must equip the employer to make those adjustments quickly and effectively.

Open your doors to the entire workforce supply

The second priority for boosting agility is to improve engagement with the permanent-employee and contingent workforce. To do so, companies are bringing both worker classes into one ‘total talent’ approach. This is a break from the silos of the past where HR oversaw permanent-employee recruitment, and procurement managed the contingent workforce.

The total talent approach works particularly well today because it makes it easier for employers to follow workers on their career journey. More than ever, those workers can move easily between permanent and flexible roles. For example, recently laid-off software engineers may take on project work while considering their next employment position. The total talent model builds on processes and technology that meet workers where they are in their careers, and it gives decision-makers a single view of all channels to available talent.

Total talent often replaces pre-determined employee- or contractor-only



hiring goals with a mix of worker types to yield the best results in terms of cost and quality. For example, based on available data, an organisation may set goals to include 25% contractors and 75% employees. In the process, they access more candidates, reduce timelines and ultimately convert many contractors into the permanent roles the organisation sought to fill.

These results are not theory. They reflect the experience of a Sevenstep client with total talent in the health-care industry. It is a telling example of an organisation facing challenging hiring needs and talent shortages, and we see similar value for organisations focused on talent across all industries. A partner with the technology to manage data and guide the change management is essential to bringing the model to life.

Bring a full array of tools to the recruiting effort

A third path to agility is to expand access to specialised recruiting resources, expertise and technology. As conditions change, a company may need to recruit new skill or work in different locations than initially planned. It may need to boost sourcing, research and identification of potential candidates in the market. Or it may require support for recruiting diverse candidates or refining the employer brand, supporting the company's reputation and ability to attract the talent it needs.

Of all capabilities, one remains elusive for many organisations: the ability to turn data into actionable intelligence. To do this, a technology must aggregate data from all internal and external systems and sources, interpret that data with predictive analytics, provide a single field of view for all information and deliver detailed answers to the most difficult questions. What should you pay for talent? Where is the hidden roadblock in the recruiting process? What resources do you need to achieve your future hiring goal? These questions should not be answered with guesses. Our Sevayo Insights platform is proof technology can inform the answers to these questions, and it is an essential part of a truly agile talent-acquisition function.

Access to all capabilities, technologies and resources gives employers

the readiness to navigate change. Most employers do not maintain every TA capability they need in-house, but a talent solutions provider should have them available. When an employer can approach the market with a change-ready stance, it stands the best chance of adjusting to talent demands with the speed and cost-control needed to keep the business moving.

Do not wait for a more predictable future

Together, these paths to agility add up to a business-friendly alternative to the inflexible structures of the past. Organisations may have varying appetites for each approach, but the agility they bring is now essential for survival in today's business climate. For the executive who steers the entire enterprise, or the hiring manager who simply needs to secure the right people for the job at hand, the move toward flexible workforce strategies will position them to succeed, both now and in the future.

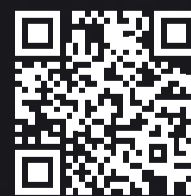
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