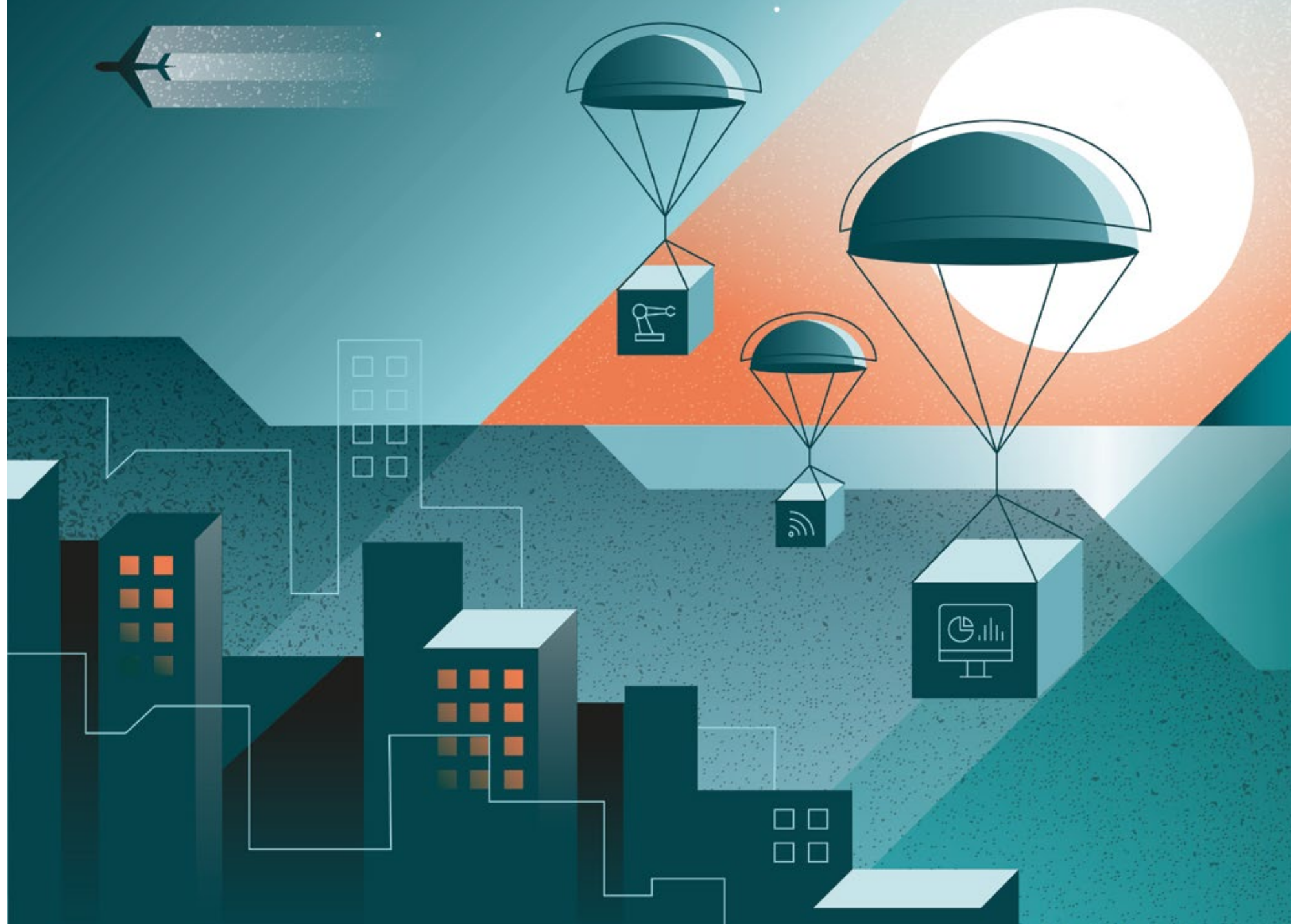


FUTURE OF OUTSOURCING

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IS MULTI-PLAYER



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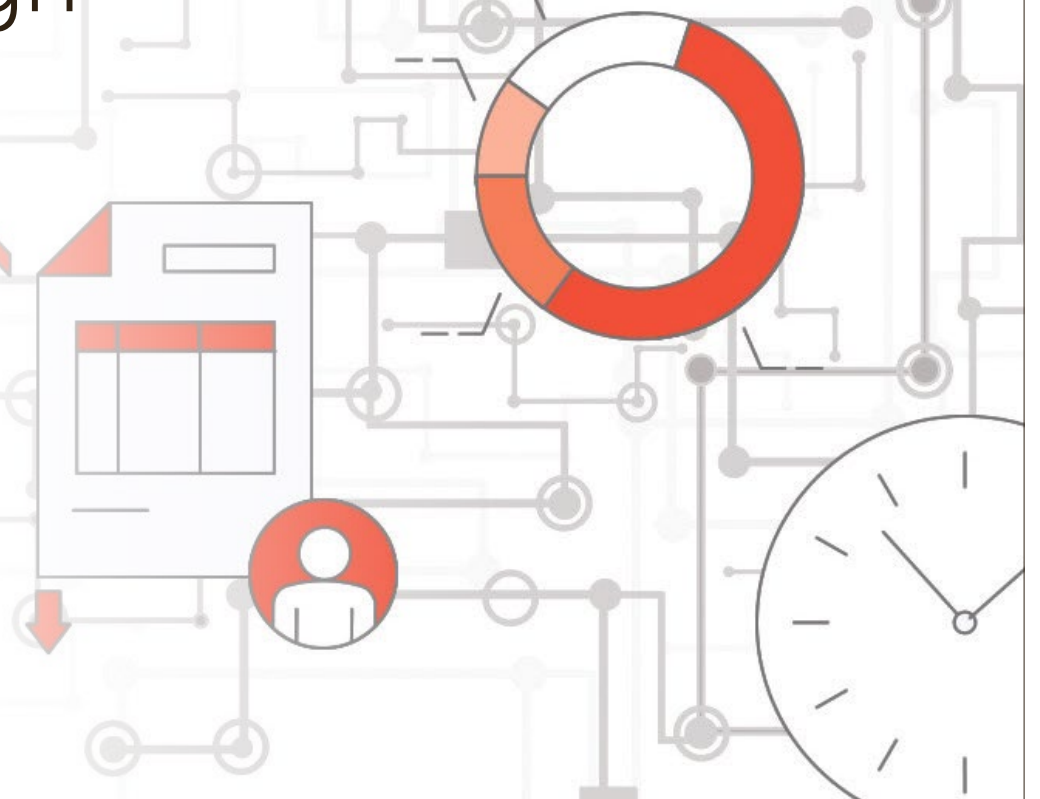
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OUTSOURCING

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REBRANDING

So much more
than cost-cutting

The term “outsourcing” may have outgrown itself, such is the rate of innovation within an agile industry

SHARON THIRUCHELVAM

The digital revolution hasn’t just broadened the reach of the global economy, it has extended the very boundaries of the firm. Outsourcing has become second nature to most companies, which today partner with specialists in design, IT and business process management (BPM) to market, reorganise and grow their businesses.

In the private sector, the outsourcing market has soared, growing a compound 36 per cent year on year since 2015, according to the Arvato Outsourcing Index. In 2017, the total value of outsourcing contracts rose 9 per cent, reaching a three-year high of £4.93 billion. Yet the term “outsourcing” remains very much a dirty word, leading to the question has the sector outgrown the term?

In its earliest incarnations, outsourcing meant contracting out work that was previously undertaken in-house. In the public consciousness, for that reason, it conjures images of redundancies, labour arbitrage, a lowering of labour standards and reduced accountability.

For consumers, it recalls frustrating experiences of cost-cutting customer services and scripted call centre conversations. The stigma attached to the term is kept alive by successive public sector outsourcing scandals, even as the private sector makes efforts to learn from past mistakes.

Companies in the private sector have strove to improve the quality of outsourced customer services, with many exchanging contracts with offshored call centres to outsourcers based in the UK. In 2017, mobile company EE announced that all its customer calls would be handled in the UK or Ireland, creating 1,000 new jobs at its sites in North Tyneside, Darlington, Plymouth and Merthyr Tydfil. Also in 2017, Vodafone announced plans to bring 2,100 customer service jobs back to the UK from South Africa, India and Egypt.

Despite its visibility to consumers, customer services represents just a fraction of the services that are outsourced. Indeed, the sector has flourished because it is dominated by tech. The vast bulk of the outsourcing industry in the UK, 73 per cent in 2017, was comprised of information technology outsourcing (ITO) contracts. And that volume is doubling year on year. UK businesses spent more than twice



Outsourcing, once an industry the public associated with labour arbitrage, has evolved rapidly over recent years

as much on ITO outsourcing in 2017 (£3.82 billion) as they did in 2016 (£1.73 billion). The sector is evolving at a pace that means most companies will never have the expertise to undertake new hosting services, network infrastructure and application management in-house.

The lean startup model has also radically reoriented the business environment. Companies of all sizes have responded to a market that rewards agility and accordingly are concentrating resources on their core competencies. For scrappy startups, especially, the support of specialist partners in compliance and legal services, human resources and payroll, accounting and IT not only spreads risk, but provides an opportunity to lean on external expertise.

Increasingly, outsourced back offices are perceived as adding value, rather than cutting costs. In 2017,

UK companies spent £1.80 billion on BPM deals, representing 26 per cent of all outsourced services.

If any recent development is to challenge the former boundaries of the firm, it is online labour platforms. Sites such as Upwork, Peopleperhour and Freelancer give companies the ability to source independent work from skilled individuals on a flexible part-time basis. A recent Oxford Internet Institute report argues: “Online freelancing platforms are transforming work, organisations and their business models.” Similarly, Accenture has identified online labour platforms as part of a major trend that it says will significantly transform existing organisational forms and management models by 2022.

Companies that provide automation services also, interestingly, fall within the outsourcing market. In

a case study of just how diverse this market is, there are players from the BPM sector potentially posing a threat to parts of the ITO sector. For BPM, robotic process automation (RPA) represents a high growth area.

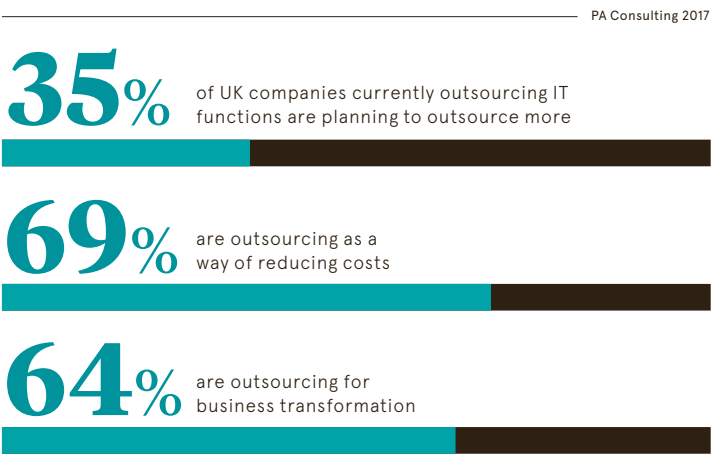
RPA involves the programming of software robots, or bots, to mimic the way people use user interface applications, such as Excel spreadsheets and customer relations management programs, enabling companies to automate routine, repetitive data management tasks that administrators would otherwise do. The most obvious applications are in data management, but more advanced uses include email triage and payroll functions.

When marketing RPA, companies tend to lean heavily upon this anthropomorphic parallel. “The messaging about RPA as a digital workforce is driven by the need for marketing traction and adoption,” David Brakoniecki, managing director of the process automation firm BP3 Global, notes. “A digital workforce of bots that can work 24 hours a day is a powerful analogy, with direct implications for some segments of the outsourcing industry.”

Mr Brakoniecki says the best ITO companies are already automating at least some of their clients’ processes and communicating this process as added value. Vishal Sikka, executive vice chairman of Infosys, the Indian IT and business consulting giant, told staff last year: “We will not survive if we remain in the constricted space of doing as we are told, depending solely on cost-arbitrage. If we don’t, we will be made obsolete by the tidal wave of automation and technology-fuelled transformation that is almost upon us.”

BP3 Global’s Mr Brakoniecki observes: “Technology doesn’t stand still,” noting that in the not too distant future, RPA itself will become redundant as companies replace their legacy systems and user interface application with application programming interface software. Indeed, when machine-learning meets the mass market, outsourcing partners will be on hand to guide their clients through the digital transformation.

By then, “outsourcing”, a term that already feels outdated, will seem entirely redundant. The firm of the future will be a “corporate marketplace”, Accenture argues, that combines on-demand labour platforms and online work management solutions. Whatever you call it, don’t call it outsourcing. ♦



CUSTOMER RELATIONSHIP



Two partners working for a shared goal

Successful outsourcing requires a partnership between client and supplier to achieve trust, transparency and an agile working relationship

NICOLA SMITH

All too often, failed outsourcing projects stem from a breakdown in relations with the customer and it's usually the supplier who gets the blame, accused of over-promising or exceeding the agreed time or budget. But times are changing for maligned outsourcing suppliers as customers start to accept greater accountability.

As Anthony Potter, partner at consultancy Elixirr, says: "Successful deals tend to be characterised by a change in the nature of the relationship between the outsourcer and the client towards true partnerships,

rather than transactional relationships. Such a partnership means both parties are incentivised by the same outcomes and aligned to the client's objectives."

Changes in the supplier-customer relationship are also driven by other factors, chiefly the pace of technological change and the unease prompted by Brexit. It means that no longer are lengthy, costly and rigid deals the norm.

Punit Bhatia, partner at Deloitte, says typical contracts used to be for ten or even twenty years, particularly in the public sector, but three to five-year deals are more typical now. "People want certainty over their cost profile over the next five years. Neither the client nor

the supplier really know what new, game-changing technology will hit them in another two years, so people are having to be a lot more flexible at contracting," he says.

"There is also so much economic uncertainty out there that people don't feel comfortable committing for a long time."

In addition, there is a growing need for an agile way of working, something particularly being seen in the digital sector, and this is changing the dynamics between suppliers and customers. James Cannings, co-founder of design and build agency MMT Digital, whose clients include Vodafone, says the majority of request for proposals now reference a requirement to work in an agile way.

"For agile delivery to be successful, it often requires the wider organisation to adjust, and that is rarely backed up with a deep knowledge of what is required in terms of skills, technology and culture to achieve success. Often it is seen, incorrectly, as a silver bullet to the delivery of a successful project and something that, in the most part, can just be outsourced."

As he says, forming a single team between the customer and supplier is the key to agile working. "Everything has to be 100 per cent transparent to ensure that every individual on the team understands the business challenge and the end-user needs, so they can input into the process every step of the way," says Mr Cannings.

His words resonate with those of Mr Bhatia, who cites lack of change management as the number-one cause of outsourcing relationships failing, as evidenced by Deloitte's 2016 Global Outsourcing Survey.

89%

of clients sometimes or always leverage their current provider(s) for additional services

Deloitte 2016

"One of my clients is a major insurance provider and they are carrying out an outsourcing programme across a number of functions, putting change management at the core of it. We have carried out training with their people in each area of the business and had them appoint 'change champions'. It is saying to the client in each case, 'you are responsible for driving this change, no one else will do it for you'."

It is part of a wider shift towards both customer accountability and greater honesty between the two parties. John Oswald, global principal and advisory at digital innovation consultancy Futurice, which works with multinationals on digital strategy and innovation culture, says: "Successful deals require trust and transparency, where the supplier is open about staffing, timelines, issues and risks, and the customer isn't trying to bully the supplier into delivering miracles."

Mr Oswald says he is starting to see a shift from a more traditional customer-supplier axis to a more collaborative approach. "Customers are increasingly willing to 'co-create' the desired outcomes, rather than simply issuing a tender and expecting a partner to be as aligned and capable as the tender document demands," he says.

It is also a trend being seen by Rajesh Subramaniam, chief executive and managing director at business process outsourcer Firstsource Solutions. "There has been a definite cultural shift towards clients engaging with outsourcers to make a success of their partnerships," he says. "They need to be able to trust their outsourcing partners to help them ride the wave of change, rather than being pulled under by it. For example, in our client relationships, we're seeing an increase in project management and strategic planning capability."

There is a definite change in the air, not least the cultural shift taking place as customers realise the necessity and wider benefits of working more closely with their outsourcing partners. But there is still work to be done, on both sides.

Successful deals require trust and transparency, where the supplier is open about staffing, timelines, issues and risks, and the customer isn't trying to bully the supplier into delivering miracles

Mr Bhatia says he has one client just starting out on the outsourcing journey and they "can't understand why the supplier can't just do it all", yet suppliers can be their own worst enemy. "In the heat of the sales process, many are still promising clients that they can drive this process for both sides," he says.

Overpromising is one of the common reasons for a relationship breakdown between customer and supplier. As Mr Oswald says: "If expectations are sky high and managed through a procurement department, it's highly likely that the supplier's performance will be unsatisfactory." But if a customer and a supplier can align objectives and responsibilities from the start, the project has a much greater chance of success.

Dave Walker, director of technology at pay-as-you-go storage company Lovespace, outsources the organisation's cloud-hosting to Cogeco Peer 1. Having been involved in both successful and unsuccessful outsourcing projects, it is clear "you don't simply hand over the risk and expect to walk away with anything close to a winning formula", he says, concluding: "It is a relationship which needs open and constant communication to build the trust needed that both sides are looking out for each other's best interests." ♦

Difference of opinions

Where outsourcing providers and clients feel the other needs to improve in the future

Clients believe service providers need to improve...

Collaboration

Relationship management

Delivering innovation

Creating and delivering value

Quality of staff

Service providers believe clients need to improve...

Relationship management

Focus on outcomes, not outputs

Alignment of business objectives

Better understanding of their own processes

Collaboration

Strongest agreement

Lowest agreement

Strongest agreement

Global Sourcing Association 2016

Q&A Personal assistants enter the sharing economy

Having already disrupted industries such as hospitality and transport, the sharing economy is now transforming the market for personal assistants. **Andrew Wright**, SmartPA chief executive, answers key questions on the significance of this trend, and how it is benefiting women and businesses

How has SmartPA disrupted the way in which personal assistants and secretarial staff work and are recruited?

When we entered the market ten years ago, it was all about education. We knew it wasn't going to be a quick change. Nothing ever is; you only need to look at how the mobile phone was dismissed by all of the major telecommunication conglomerates when it first entered the market in the 80s. We weren't naive and took a long-term view, knowing the SmartPA journey would take a number of years. We wanted to create the workforce and talent pool first, and then build quality from within.

The first step was to set up our training team and online academy, focusing our energies around building that talent pool.

Today, as a business, we have more than 200 partners worldwide and are in growth mode in Europe, Africa and the United States. By the end of 2018, we will have more than 500 partners worldwide and a 75,000-strong roster, made up of

predominantly females, 35 to 55, from a middle management-plus background, who have ambition and a desire to succeed, but want a better work-life balance and the flexibility of home-working.

Our roster is catching the eye of corporate clients who are talking about moving into our shared economy, which is exciting. They have been especially impressed by the range of services we offer along with our business advisory piece.

How is your model different to other businesses providing outsourcing PA services?

Outsourcing professional services is now commonplace across industry, with administration following the trends of sectors such as IT and manufacturing. Our model is completely different to our competitors in that we're not just building a vast group of people and services; instead our focus is quality, training and our bespoke technologies. Our success comes from continuous learning and mentoring programmes.

Our talent force continues to grow exponentially; it's quite a phenomenon. We'll have more than 500,000 on our roster by 2020. These are really powerful numbers that even the largest resource companies would struggle to compete with. We support thousands of businesses worldwide, so our SmartPAs aren't just sitting in one organisation supporting one ethos, they're managing multiple businesses across multiple sectors. For this reason, our intelligence, training and continuous learning are pivotal going forward. Ultimately, this is what sets us apart as market leaders in the provision of virtual personal assistants and business support services.

SmartPA's focus is quality, training and bespoke technologies. Our success comes from continuous learning and mentoring programmes

Has a sharing economy always been part of your vision?

Simply put, yes. The working trends of today are changing so dramatically. For example, only a few years ago, one of our large corporate clients based in America wouldn't allow its employees to work from home and actually had to adapt its policy to accommodate the introduction of SmartPA. Since then we've seen even more significant changes in the global workplace, with home-working and the telecommute becoming much more prevalent. This really lends itself to SmartPA's sharing-economy model.

But even before the emergence of these trends, we identified a need and built our business strategies, growth plans and investments accordingly.

Much like the mobile phone, SmartPA was laughed out of court by investors who didn't buy into our vision. It was a space that was continuously ignored, with a whole gap of learning, development and technology which SmartPA has now plugged. It's great for us to now witness our vision come to fruition.

Businesses of all sizes, from one-man bands to large global corporations, are tapping into our sharing economy and our full spectrum of administrative and business support services alongside some of our more specialist offerings, such as translation, book-keeping, marketing and

social media management, with packages starting from as little as £500 a month for full-time support.

Issues relating to women in the workplace, including equal pay and representation, have been in the spotlight recently. With more than 90 per cent of your talent pool female, how important are these issues to you?

We care passionately about getting women back to work and fighting for equal pay. We see how unfairly women are treated when re-entering the marketplace after a period of absence, and how their advancement is sadly still restricted in certain industries

and organisations. Women struggle more than men to get back to their pre-break level and have to fight so much harder for something that is simply right and fair.

This year we're providing nearly £2 million-worth of free training to women in less fortunate places across the world. By the end of 2018, we will have helped support more than 500 women worldwide back to work, around 80 per cent of whom will be earning more money than when they were working full-time and commuting into cities. As the sharing economy continues to grow, this number will turn into thousands. We're really proud of that.

Who is SmartPA?

SmartPA is a leading provider of PA, secretarial and administrative support to small and medium-sized enterprises, and corporates, across the full range of sectors and industries.

From the company's conception ten years ago, its goal has been to empower and support individuals on their pathway to long-term success, while educating the marketplace on the true value of an expert administrative support function.

The vision in the first instance was to help women re-enter the workplace, and give them control over their economic stability and work-life balance. This vision has remained at the company's core, while growing to also encompass men and the full spectrum of ages and backgrounds.

Such growth and variety has supported the development of the SmartPA talent pool and enabled dramatic expansion of its service proposition.

SmartPA's roster of flexible workers allows companies large

and small to delegate all aspects of their administrative and secretarial function, including travel organisation, transcription services, audio typing, social media management, book-keeping and, most recently, GDPR (General Data Protection Regulation) administrative support. We are able to offer this unrivalled spectrum of services as a result of our wide and varied talent pool and bespoke "insourcing" model.

With more than 90 per cent of its talent pool female, SmartPA has become one of the fastest-growing franchises for women in the UK and is now witnessing rapid growth across South Africa, Europe and, most recently, the United States.

For more information please google SmartPA

SmartPA®



Andrew Wright
Chief executive, SmartPA



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LESSONS FROM CARILLION



Carrying on after the lessons of Carillion

Now that the dust has settled, how can the outsourcing sector get back on track following the collapse of Carillion?

CHARLES ORTON-JONES

The death of Carillion triggered an outpouring of theories about the shortcomings of public sector outsourcing. But it's worth remembering that until that fateful moment in January, the industry was basking in a long series of successes.

At the beginning of the year, 200 small companies a week were signing up to the Contracts Portal, a scheme created by the government for small and medium-sized enterprises (SMEs) to compete with big corporations for outsourcing contracts. The supplier list passed 22,000 members, up 53 per cent in 12 months. Great news.

The government announced it was on target to get one pound in three of outsourcing contracts awarded to SME bidders by 2022. That's two years later than planned, but still good news.

And the Crown Commercial Service (CCS), founded in 2014 to improve the negotiating firepower of the civil service, was growing into a mature, sophisticated troubleshooter.

All seemed rosy. And then Carillion went bust and the entire industry went into panic mode. Leader of the Opposition, Labour's Jeremy Corbyn, called it the beginning of the end for outsourcing. Confidence evaporated and ever since the outsourcing industry has been in crisis.

Front and centre is the problem of oversized bidders. Yes, the SME bidders were growing in numbers, but the mid-size were getting hammered.

Denise O'Leary, boss of Purpol Marketing, a construction industry bid-writing specialist, witnessed the calamitous erosion of mid-sized bidders. "The government procurement method of placing value on the largest organisation had already driven the collapse of many regional and local contractors from the supply chain," she says.

"In the recession, the larger companies chose to win projects at under cost to keep their teams busy, and cash-strapped local authorities took as many savings as they could, even if they recognised that their selection may not be sustainable for the duration of the project."

Big bidders built a track record of handling big contracts, despite the wafer-thin or negative margins, leading to further bid wins. Ms O'Leary puts it this way: "Large companies had most evidence of past projects, which were given highest weighting in the assessment model. Many of these had to be in the last five years, so only organisations that had chosen to make a loss and taken jobs then had the case studies to prove their suitability for future ones. This then squeezed more and more contractors out of the supply chain." It was a recipe for disaster.

A second glitch in the matrix came from the evaluations used



A Carillion sign is lowered following the company's downfall

DANIEL SORABJI/AFP/Getty Images

While we tend to only hear about failing outsourcers and failing councils, in reality the majority of councils are well run and most outsourcing contracts deliver what was promised

why you need contracts that will allow contractors to make a profit to stay afloat.”

In theory, the CCS should swoop in to help beleaguered public entities. But it failed to notice the problems at Carillion. And it arguably failed in its primary duty to help state bodies negotiate viable deals with the company. Worse, claims James Bousher, manager at consultancy group Ayming, the CCS strategy for helping is flawed.

“The CCS attempts to do this through maintaining their strategic supplier list, but it only contains around 30 suppliers and their impact doesn’t reach far beyond central government,” says Mr Bousher. “There’s no clear path, or necessarily even expectation, for a devolved contracting authority to raise concerns as a warning to the wider public sector. Even then, once bad contracts are identified, the real challenge is working out what to do with them.”

Other helpful tools are underused. Open book costing, where margins are agreed with the buyer, are promising, but not routine. The British Standard on collaboration (BS 11000) has a poor take-up. In theory, it should help contracts be shared between multiple parties, removing the “winner takes all” problem of today.

In the final analysis, it is worth remembering that most public sector contracts work well. As Mr Dossett of Grant Thornton puts it: “While we tend to only hear about failing outsourcers and failing councils, in reality the majority of councils are well run and most outsourcing contracts deliver what was promised.”

Carillion should not undermine the role of outsourcing in the public sector. An ecosystem of outsourcers can supply agility, technical expertise, focus and a motivated workforce. But the landscape must change. Mid-sized bidders must thrive. Contracts must include larger provision for quality. The public sector must foster talent, experienced in deal-making and the CCS is critical in that mission.

Above all, the public sector must learn that outsource partners can’t live on below 3 per cent margins. Cheap does not equal good. If Carillion offers one lasting lesson, let it be that one. ♦

by councils. Helen Randall, partner at law firm Trowers & Hamlins, helped negotiate contracts with Carillion and other major public sector contractors. She says the quality component was underrated. “Most PFI [private finance initiative] contracts were evaluated on a 60 per cent quality, 40 per cent price basis. However, experience has shown that if a public authority applies an evaluation ratio where price represents anything more than 30 per cent, then inevitably price will always trump quality,” says Ms Randall.

Another problem is that falling budgets led to falling expertise. Paul Dossett, head of local government for Grant Thornton UK, saw this at first hand. “Headcount reduction due to prolonged austerity has led to many councils not having the necessary in-house expertise to effectively draw up contracts and procure suppliers, or the capacity and capability to undertake the correct due diligence and effectively monitor contracts once they have been let,” he says.

His view is supported by Ms Randall. “As someone who has worked in both the public and private sectors, I can see both sides of the picture, but many civil servants haven’t had enough exposure to the business world so they don’t understand how a bid is put together,” she says. “I’m a strong advocate of seconding civil servants into the commercial sector so they can understand how profit is calculated and

Machines revolutionise role of outsourcing

Automation is enabling new models of IT that are turning outsourcing on its head and bringing conversations of technology-driven transformation to the boardroom

At the heart of a major inflexion point in IT, automation is driving a revolution in outsourcing, which traditionally was turned to principally for cost-reduction.

Now, with new technologies such as artificial intelligence, machine-learning, automation and the growing pervasiveness of more modern delivery methods including DevOps, IT outsourcing is changing rapidly.

The recent lack of headcount growth at pure-play IT service providers demonstrates the stagnant appetite among organisations for the traditional global delivery model that has typified outsourcing to date.

“Whether it is through the rise of the internet of things, the data explosion, mobility, microservices architectures, next-generation automation – the list goes on – the strategic need is for truly agile, fluid IT organisations capable of delivering material, ‘change the business’ results,” says Simon Winter, head of NTT DATA Services’ Europe, Middle East and Africa region.

However, most IT operating models are not built for this level of visibility and speed of change, and they are certainly not suitable for managing enterprise-wide automation. They lack a central function for automation, which businesses need if they want to survive and thrive in an automated world.



“Organisations need to create the foundations of a truly automated enterprise correctly,” says Mr Winter. “They require an operating model that allows them to create, manage, depreciate and audit their ‘automata’. Our approach is to harness best-of-breed tools from the market and integrate them with our own IP to create an adaptive ecosystem that services the needs of our customers from an automation perspective.

“If organisations do not have a plan to address automation today, I expect they will suffer increased competitive threats as a result.”

Durvesh Ganveer, global solution consulting lead for NTT DATA Services, adds: “The moment you start exploring transformative automation, you realise that it cuts across traditional IT organisational boundaries. Successfully navigating the associated IT organisational ‘change journey’ becomes critical.

“Organisations need help to understand the business and services contexts, and they need to have the ability to manage the automated enterprise without building a legacy of the future.”

Rapid developments in cognitive capabilities in recent years have not only readied automation technologies for the enterprise, but also made them more cost effective. This has been accelerated by the vast improvement in the ability of virtual agents to process and understand humans through natural language processing.

“The key to success is not to focus on people replacement, but removing and automating the work itself. Thus effective process automation with a high focus on quality is also critical,” says Kris Fitzgerald, vice president and chief technology officer at NTT DATA Services.

“By front-ending certain work requests with virtual agents and having automated numerous tasks, if a human still had to engage, they would be aware of the matter and what had already been tried.”

An existing shortage in IT skills is being exacerbated by the rise of automation. With the role of IT in business changing to a front-line enabler of business transformation, the market requires enhanced skills to augment the capabilities that traditional outsourcers can bring to the table.

The days of just outsourcing everything to reduce costs are gone. Organisations require service providers that can advise wisely on the process of evaluating the efficacy of automation of IT service transactions, and then evaluating what should be kept in-house and what should be outsourced. Increasingly, that discussion involves C-suite executives who traditionally didn’t discuss technology.

“We’re still very much engaged with chief information officers, but our conversations now also include chief executives and chief marketing officers,” says Mark Devonshire, vice president at NTT DATA Services. “Cost is, of course, still important to those conversations, but executives are just as interested in how to enable transformation and how our engagement drives top-line revenue growth as part of the business change.”

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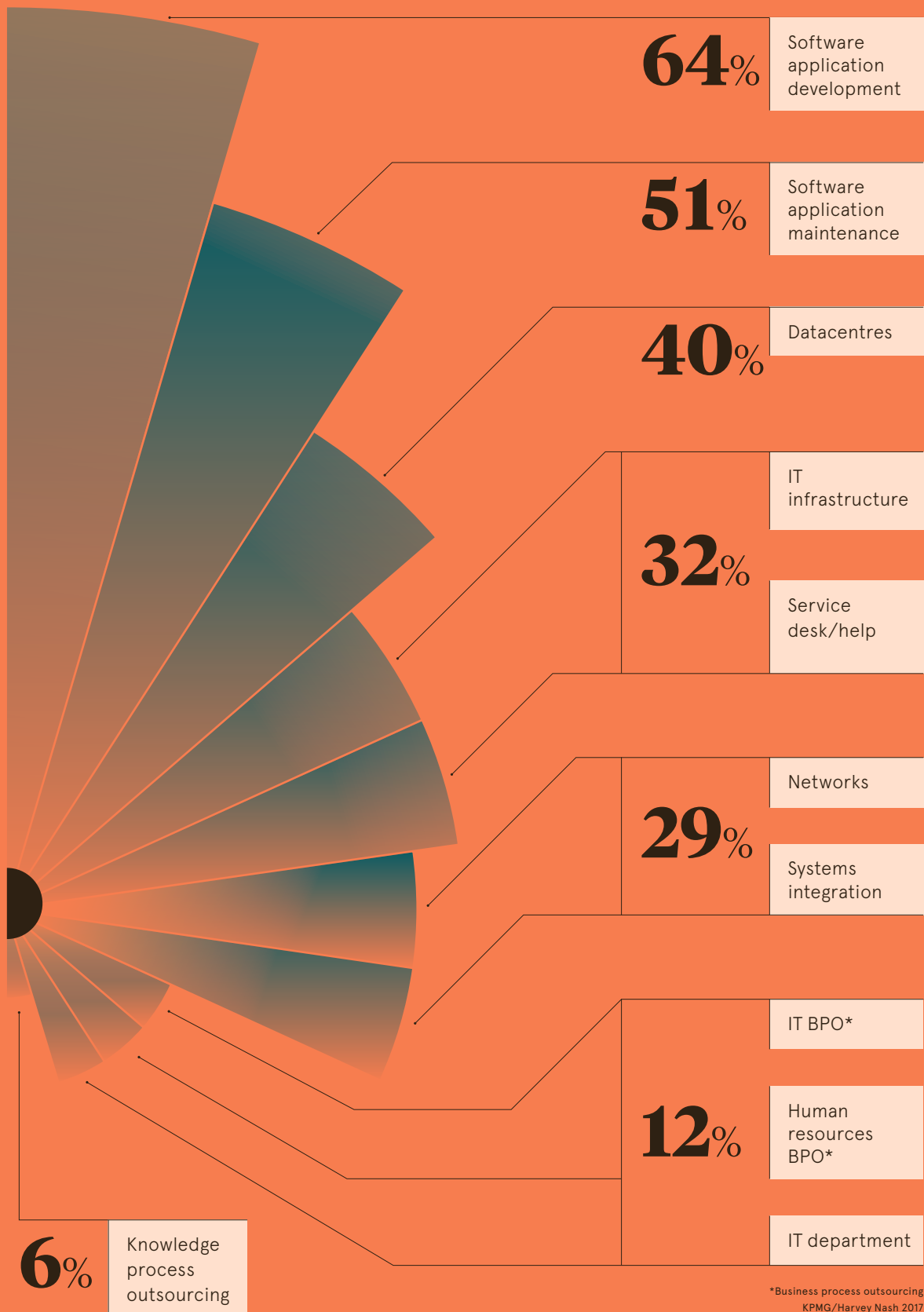
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OUTSOURCED TECH

Whether it's because of a lack of relevant skills in-house or a need for greater agility, businesses from every industry are increasingly choosing to outsource IT and technology functions to specialist providers

Most commonly outsourced or offshored technology functions
Percentage of global technology executives who currently outsource or offshore the following services...

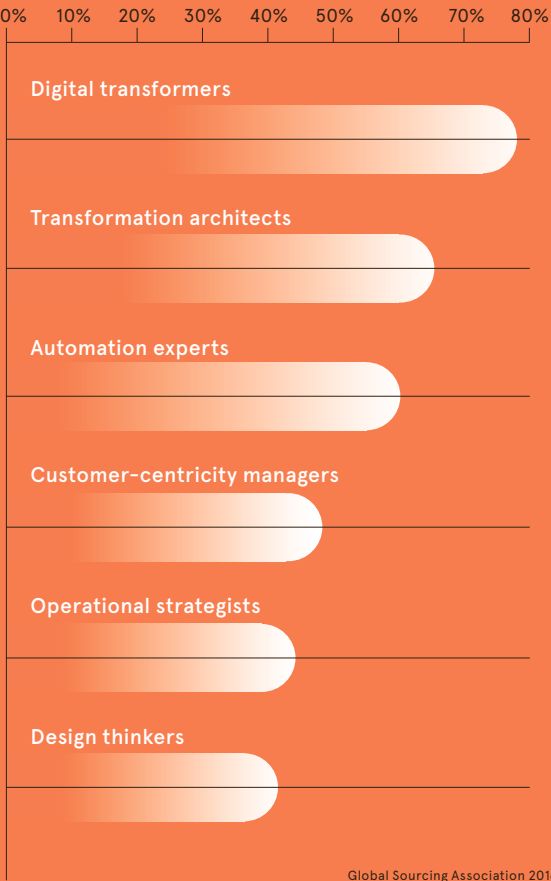


44%

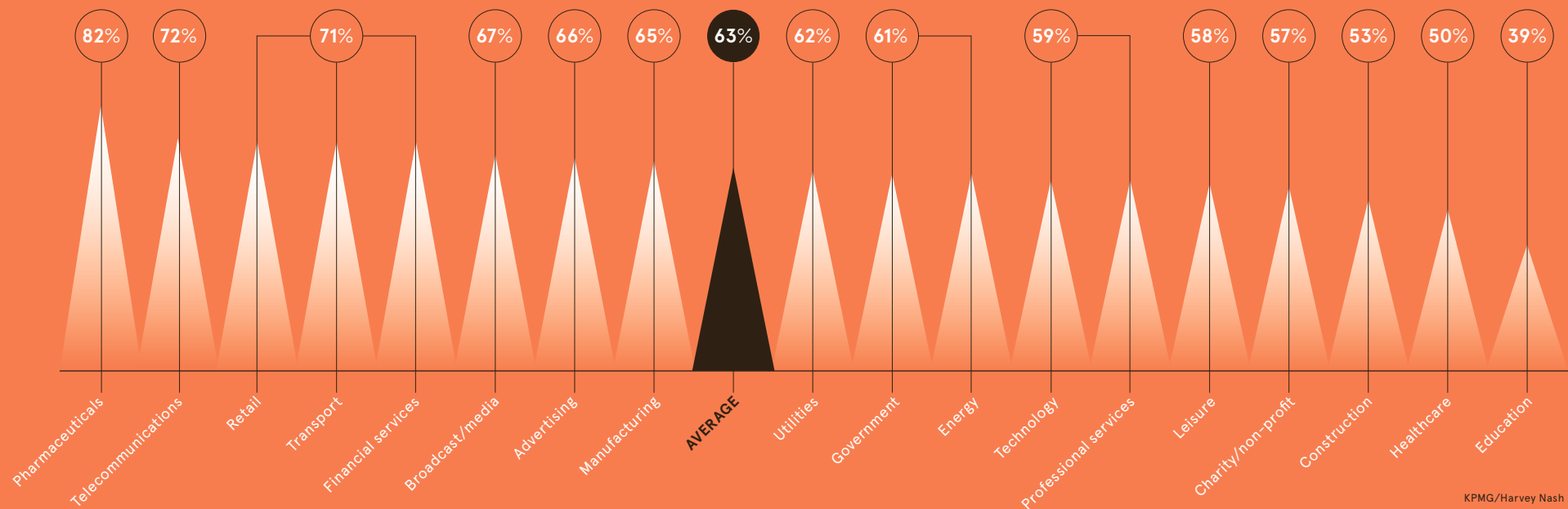
of chief information officers say IT projects are now more likely to use outsourcing suppliers than five years ago

KPMG 2017

Outsourcing skills needed for 2020
Percentage of service providers that believe development is needed in the following skills...

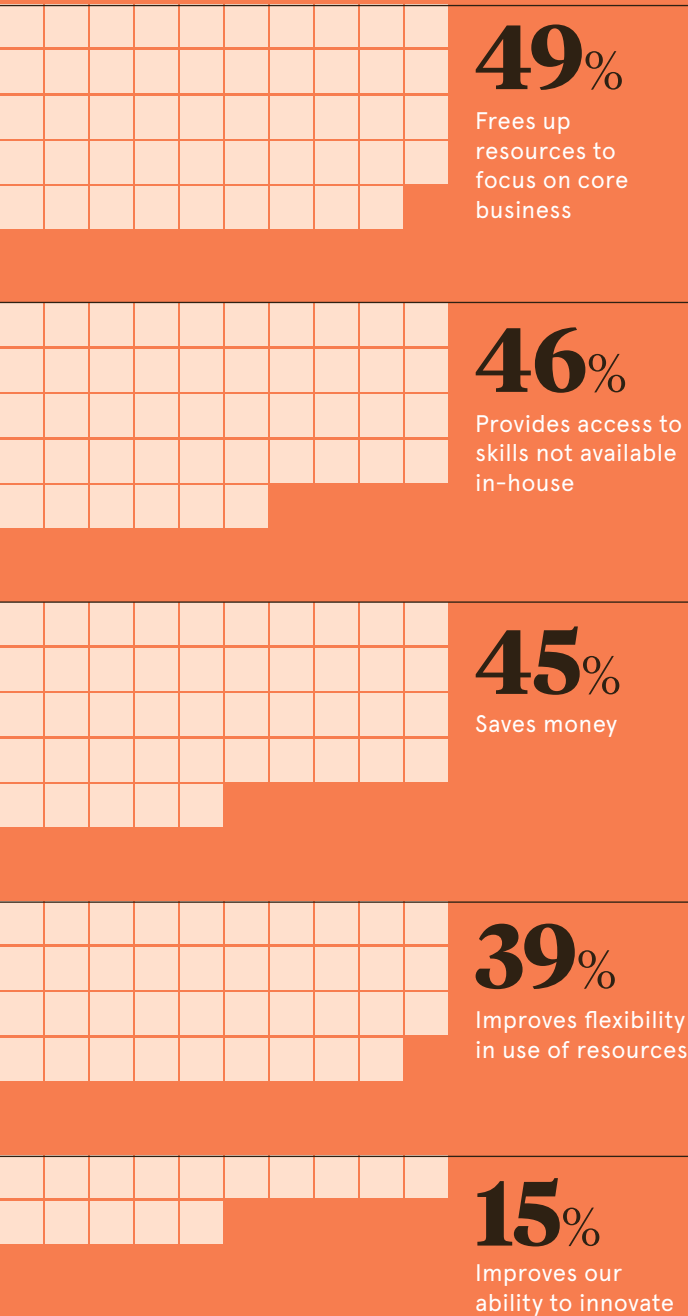


Sectors most reliant on outsourcing
Percentage of global technology executives who currently outsource or offshore services



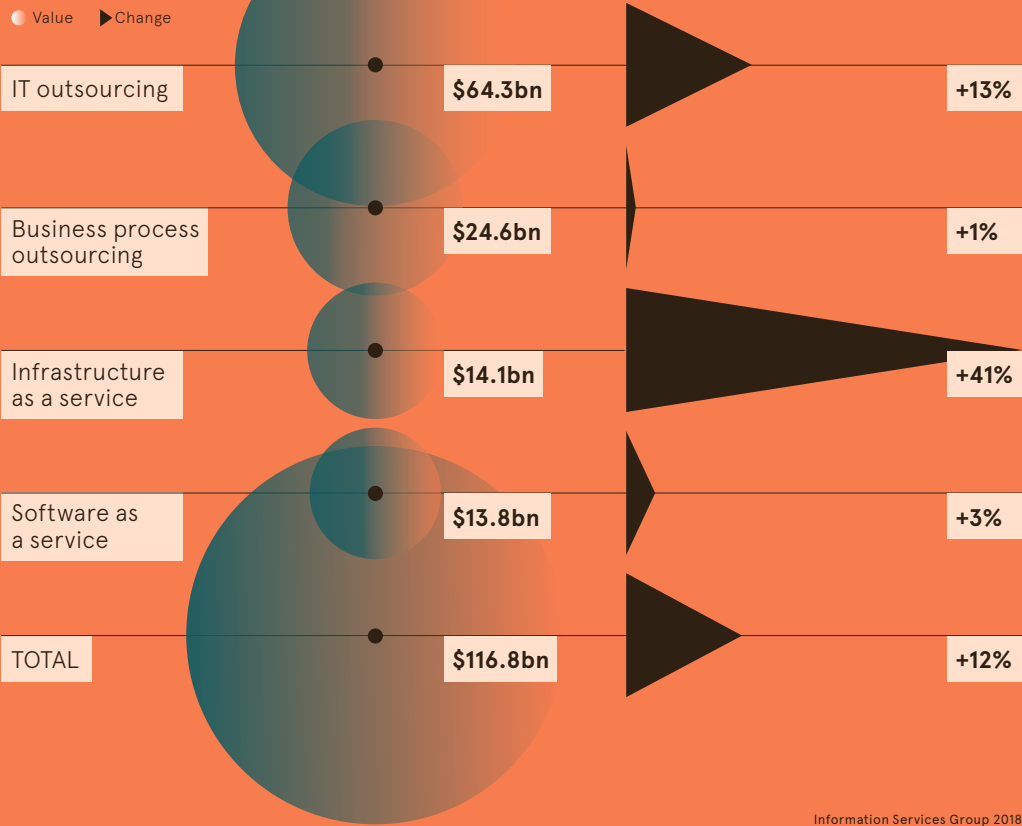
KPMG/Harvey Nash 2017

Top reasons why firms outsource IT
Ranked by global technology executives



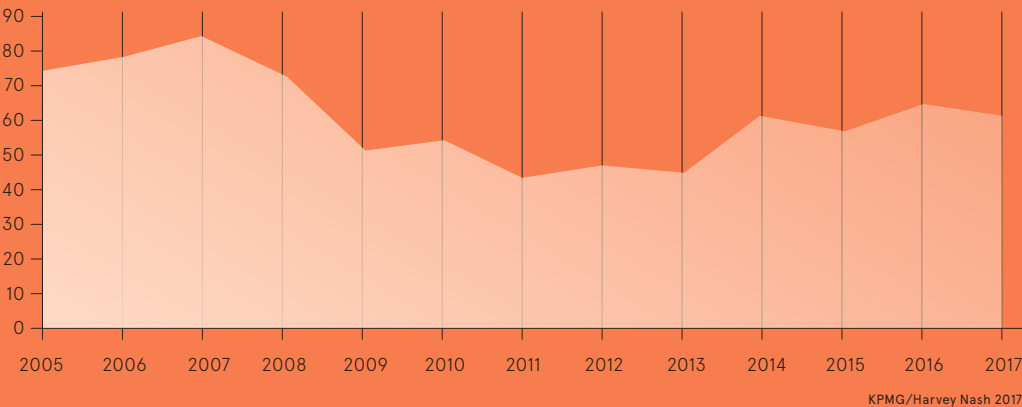
KPMG/Harvey Nash 2017

Breakdown of global outsourcing market
Total contract value and year-on-year change in 2017



Information Services Group 2018

Demand for outsourced technology is boosted by an in-house lack of talent
Percentage of global technology executives citing a technology skills shortage



KPMG/Harvey Nash 2017



How robotic process automation is now powering all industries

David Brakoniecki, managing director of BP3 Europe – BP3 Global Ltd – explains the leap forward in automating outsourcing through robotic process automation



David Brakoniecki
BP3 Europe

Recent technological advancements have wrought tectonic shifts in process management. In all disrupted markets the landscape is rapidly changing. It is critical, therefore, that business leaders are agile enough to keep pace with the megatrends, and developments in artificial intelligence (AI), machine learning and automation.

For most of the last two decades,

outsourcing organisations have been driven by labour arbitrage. The business case would follow these lines: if you have a low-skilled data-entry job, you can outsource it in London, where it will cost a small fortune, or in the north-east of England, say, where it is less expensive, or in India, where it is cheaper still.

Robotic process automation (RPA) – automating mundane, repetitive software tasks to free up employees to perform higher-value work – has been around for 15 years, though it has enjoyed limited success, with some discouraged by teething problems and early limitations. Now, though, we are witnessing a paradigm shift. RPA 2.0 is supercharged by the evolution of AI and machine-learning.

In 2018, RPA is better, cheaper, more mature and reliable, and it is able to handle increasingly complex processes. Unsurprisingly, it is causing a huge impact on the traditional business process outsourcing industry, and has a vital role to play in the present and future of outsourcing. Little wonder RPA has become a hot topic of conversation when I speak with

progressive-minded C-suite executives. We have reached a tipping point.

Our clients, including global financial institutions, major utilities and health-care conglomerates, plus numerous leaders in other markets, confidently use RPA to transfer and migrate data between systems, or when there is no back-end integration available. It is also employed to extract data from documents, or convert unstructured text to useful and readable data. I'm excited about the near-future possibilities because RPA's capabilities are only going to improve.

Adoption of RPA reduces human error, decreases development costs, accelerates the time to achieve value and increases efficiency throughout an organisation by fulfilling automated tasks in seconds or minutes, around the clock.

Sceptics and technophobes alike have voiced concerns that robots will take the jobs of humans, and for low-skilled work that might be true, admittedly. However, RPA will drastically enhance the work of the majority of employees. You need not worry about a bot making a key decision, or human judgment being ignored – RPA simply speeds your processes up. Moreover, it can catalyse an organisation's digital transformation.

For example, a human, branch-based bank customer-service representative might be asked to search through a client's records, spanning five accounts and ten years, for something

specific. By using RPA, accessing the correct data is significantly less time consuming for the employee and the client is happy that he or she has not had to wait around for the answer. As better levels of customer services are demanded in the digital age, this is a crucial point and those who manage to meet expectations will gain a competitive advantage.

Last year, McKinsey Global Institute's *A Future That Works: Automation, Employment and Productivity* report calculated "about 60 per cent of all occupations have at least 30 per cent of constituent activities that could be automated". It added: "More occupations will change than will be automated away."

The fact of the matter is the headline "Company fires 5,000 workers and replaces them with robots" is more evocative than the nuanced reality that RPA and bots will actually improve human's jobs. Just imagine the effectiveness of your team, and also the morale boost now that responsibility for the duller elements of their job has been removed, if they had 30 per cent more time to work on the tasks that will generate greater value.

With business complexity, competition, as well as the expectations of

various stakeholders all increasing, and budgets either flat or decreasing, organisations are scrambling to enable their employees – and here is where BP3 can help. To achieve great automation and determine which technology would best suit, it is imperative to map out an organisation's processes and business goals.

In a short discovery exercise, BP3's experts will be able to understand the connection between the experience a client is trying to deliver to its customers. Our experienced team will not only suggest which work can be automated, they will implement the appropriate technology, such as business process management, decision management, content management, machine-learning and AI.

In summary, BP3 can create and power a digital operations framework for your organisation, with RPA at the core. In these changing times our expertise and guidance could prove to be the difference between success and failure.

For more information please visit bp-3.com or email info@bp-3.com



How BP3 can help your organisation

The common business goal across industries is to grow. Organisations want to grow their business, grow their revenue and deliver results. But as growth goes up, so does a business' complexity. And in many businesses, as complexity and revenues increase, budgets are either flat or decreasing.

Many organisations see a gap between the services they need to deliver and their ability to deliver them. Analysts, researchers and technology vendors agree that the solution to this is to automate.

Most vendors will tell you that the solution lies in something like robotic process automation (RPA).

But all business leaders should be thinking about more than just automating tasks. Those wishing to optimise their organisation must wholly understand the business processes and, most importantly, the customer and user experiences.

This is where BP3 comes in. We work with a plethora of automation technologies to create excellent business outcomes. We focus not only on task automation, but also bring digital operations to the speed of today. We layer tools such as RPA with artificial intelligence to create smart bots that help you make decisions and bring management solutions together. That is the BP3 difference.

You need not worry about a bot making a key decision, or human judgment being ignored – RPA simply speeds your processes up

Rowing back against tide of protectionism

Fearing clients might bring home offshore outsourcing contracts, service providers are adapting to widen and improve their offering

FINBARR TOESLAND

Once seemingly unstoppable forces of globalisation and free trade are being challenged by the rise of protectionist policies in many Western countries. In turn, the future of offshore outsourcing is growing increasingly uncertain, especially as US President Donald Trump makes overtures to withdraw from major trade agreements and the populist upheaval in Europe puts pressure on companies to reshore their operations.

Overseas companies are acutely aware of the disruptive market they find themselves in, with the level of concern varying from region to region, according to Dave Hecker, an offshore software outsourcing specialist who has advised Fortune 500 companies.

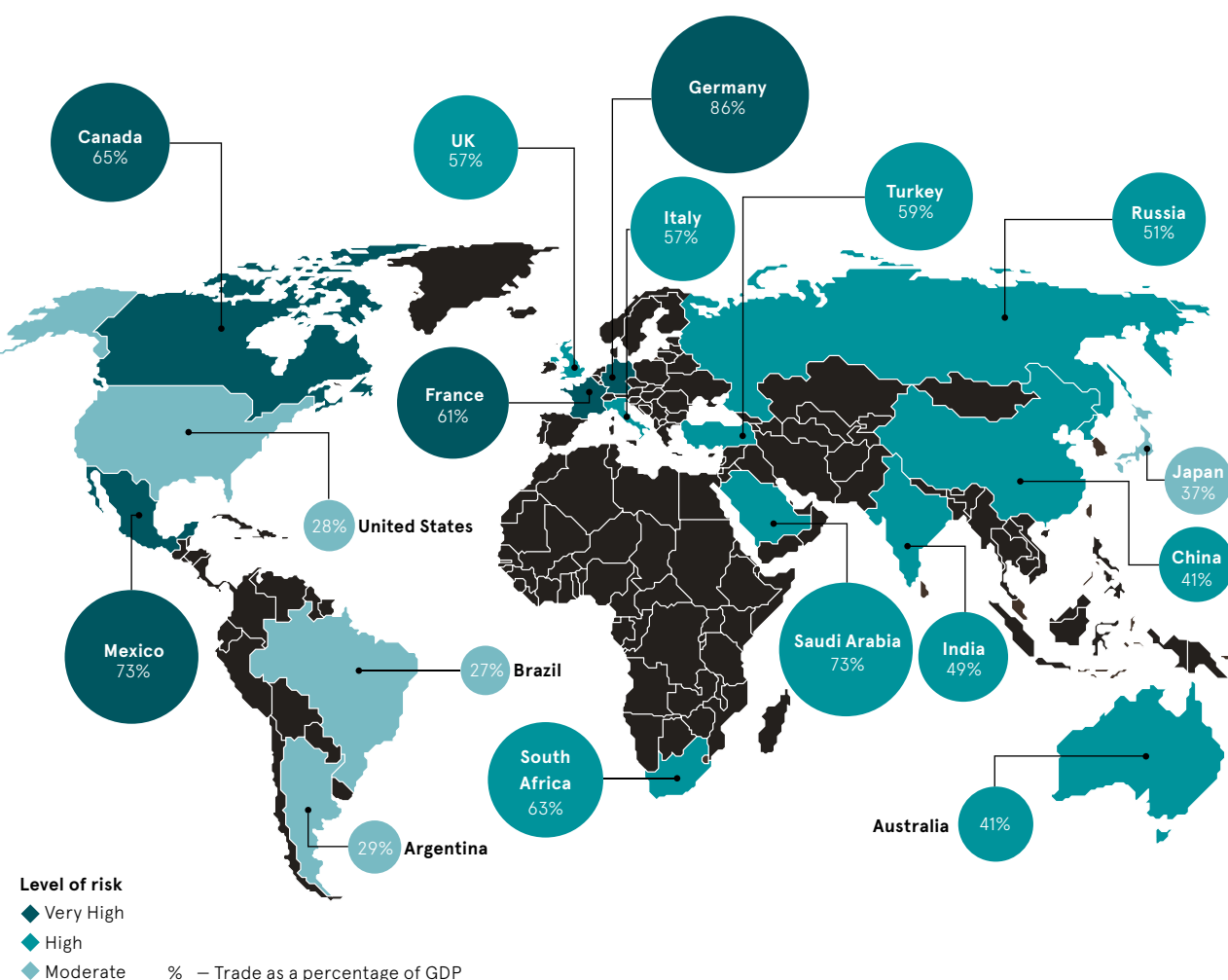
"Many large software firms in India express real concern about protectionist policies in the United States because they rely heavily on US outsourcing and are the biggest participants in the H-1B visa [extension] programme. Meanwhile, Eastern European software vendors seem to have little concern over protectionism in the US, as they have easy access to the European market, which is smaller than the US, closer

and very lucrative," says Mr Hecker.

Even before Brexit and Trump, restrictive trade policies were being implemented by governments across the globe. According to research by law firm Gowling WLG, from 2009 to 2016, 5,657 European Union directives and measures harmful to trade were enacted. While these policies will obviously not have a positive impact on outsourcing-reliant companies and economies, the urgent need for the efficiencies and expertise offered by outsourcing remains undeniable.

There are few signs that the backlash against globalisation is set to tail off anytime soon, but at the same time large corporations still require employees with specific skills and knowledge that can sometimes be best located overseas. A central issue critics have of offshore outsourcing is the apparent job losses caused by it at home, although a recent study from Professor Nigel Driffield at Warwick Business School goes some way towards dispelling this claim.

Professor Driffield and his colleagues investigated the impact that offshore outsourcing had on home-country employment over an almost 20-year period and found "there is no evidence to support the assertion that offshoring will have a negative effect on employ-



Mapping protectionism

Gowling WLG studied how exposed some countries in the G20 are to protectionist policies, based on a reliance on a country's imports and the impact of global trade policies implemented since 2009

Gowling WLG 2018

ment at home'. Multinational companies would be quite reasonably concerned about offshore outsourcing, if they fear adverse populist reactions, but the true impact of offshoring is more complex than a simple soundbite.

"Politics and culture aside, we simply don't have enough truly qualified software professionals in the US, so the idea that foreigners are 'taking our jobs' simply isn't true. It's hard to imagine any administration enacting policy that would have a huge negative impact on the software industry and Silicon Valley," says Tom

Quigley, chief executive of think-tank Emerging Europe Alliance.

Mr Quigley explains how a number of Central and Eastern European (CEE) outsourcing service providers are starting to put boots on the ground in the UK, giving them the ability to conduct regular face-to-face meetings at an account management level. In the CEE region itself, there are calls for the creation of new partnerships and collaborations to improve its value proposition.

"At market level, businesses in Poland are partnering with businesses in Ukraine, and trade associations are sharing knowledge and data, co-hosting events and collaborating more actively," says Mr Quigley. "Businesses in the region are increasingly focusing on innovation and value creation, leveraging new technologies and talking up their partnership methodologies like transparency, share of risk, access to future skills and emerging technologies."

The recent launch of the Emerging Europe Alliance for Business Services, Innovation and Technology, which sets out to raise the profile of the region in global markets, is one example of the organisations being created in response to threats of reshoring and political risks that challenge the outsourcing status quo.

This alliance will work to create a new ecosystem of service providers, advisories, startups and incubators. "Because this is a platform at a scale

5,657 directives and measures harmful to trade were enacted in the European Union alone between 2009 and 2016
Gowling WLG

which has never existed before, it will open up all sorts of possibilities for partnerships, collaboration and further innovation, which we predict will contribute to economic growth," says Mr Quigley.

In a bid to stay competitive in an era of anti-globalisation, forward-thinking outsourcers are embracing new ways of doing business. Sukand Ramachandran, partner at the Boston Consulting Group in London, believes that as the use of robotic process automation and artificial intelligence technologies increases at companies of all sizes, outsourcers are changing their service offering.

"Outsourcers are looking to harness the digitisation wave and move progressively from being a provider of 'smart labour' at a 'cost-effective' price to a provider of digitised activities, charging for outcomes and digital activities, or harnessing digital technologies to provide value-added services," he says. ♦



Electric Egg/Shutterstock

Case study Brexit

In the aftermath of the UK's June 2016 vote to leave the European Union, a number of major companies began to reshore parts of their overseas operations. Shoemaker Clarks announced in early-2017 that a new production facility will be opened in Somerset to manufacture desert boots previously made in Vietnam and India. Moreover, a Chartered Institute of Procurement & Supply study found 32 per cent of UK businesses that currently

use EU suppliers are actively looking for British substitutes.

Depending on new procurement rules and possible tariff barriers imposed after Brexit, the ability to establish outsourcing agreements between UK companies and overseas firms may be damaged. Overseas suppliers can also face a public backlash when taking on high-profile contracts. Franco-Dutch printing firm Gemalto was awarded the contract to produce post-Brexit blue passports, but was drawn into a politically sensitive debate after more than 200,000 people signed a petition calling for the new passport to be made in the UK.

Even before Brexit and Trump, restrictive trade policies were being implemented by governments across the globe

Outsourcing tech is now multi-player

No one tech vendor can now adequately supply an organisation's needs, such is the breadth and complexity of technology

DAVID BENADY

The global technology industry is facing shockwaves as the outsourcing trend of the past decade goes into reverse. Where once the world's businesses handed over the management of all their tech needs to single IT giants, today they are more likely to work with a wide number of specialists.

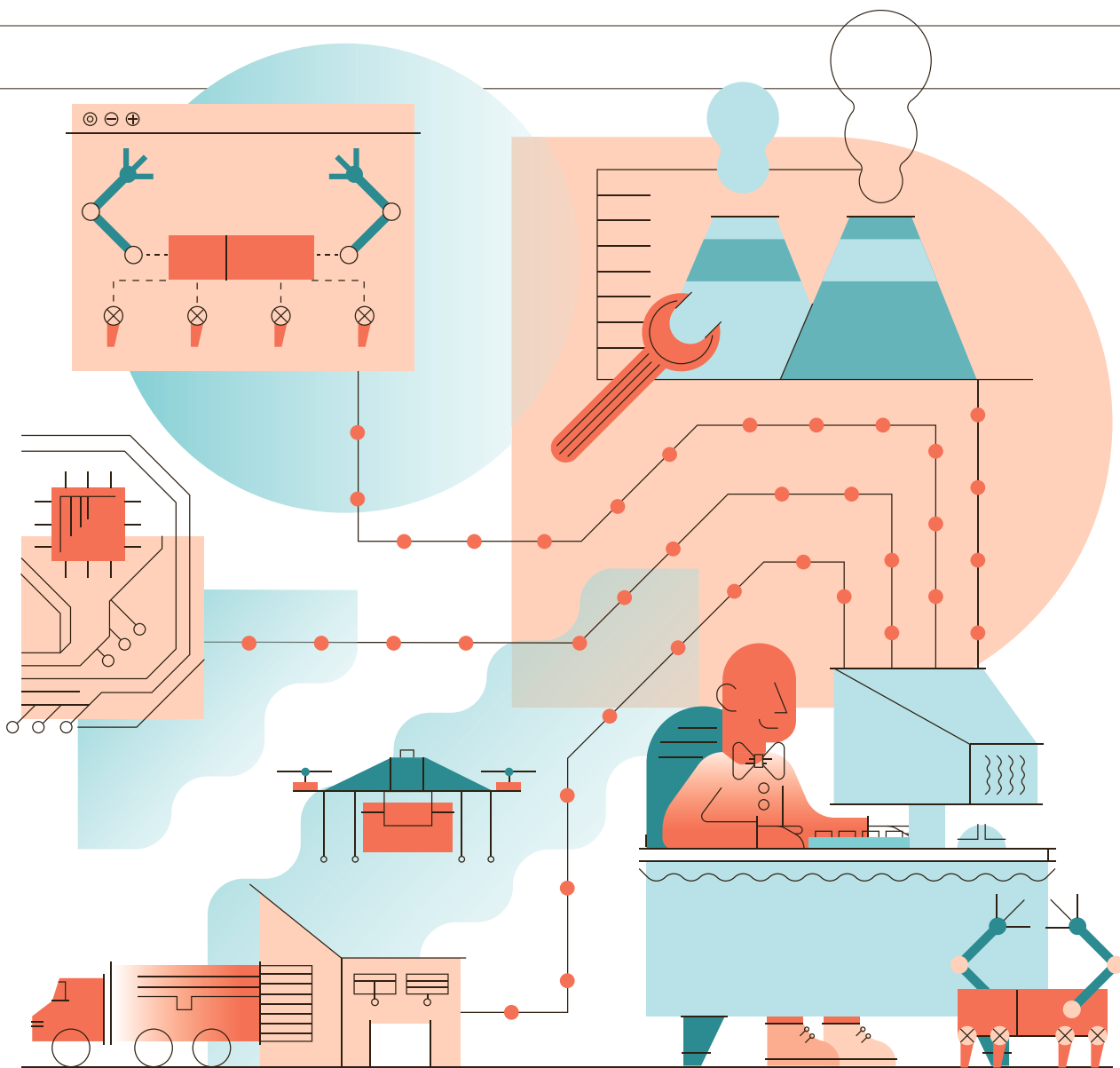
The shift away from single-vendor outsourcing has been stark. Consultancy ISG says its data shows that in 2008, 42 per cent of the Forbes G-2000 largest global businesses outsourced IT to single companies, but now that has declined to just 15 per cent. This is having a damaging impact on many IT giants that offered businesses significant cost-savings and economies of scale, often using low-cost expertise in India.

"Traditional outsourcing in technology is changing as much as it has at any time in its history," says Steven Hall, president, Europe, Middle East and Africa, at ISG. Driving this change is the rise of

software-as-a-service and the cloud. "The client says that instead of going to IBM, DXC, Capgemini, ATOS or one of the Indian providers to run my datacentre, I'm actually going to move my workload and applications to Amazon cloud. Or instead of doing human resources applications in-house, I'm going to move them to Workday," explains Mr Hall.

Over the past five years, a range of revolutionary technologies have come to fruition that are set to transform business processes, from cloud services and edge-to-cloud computing to robotics, artificial intelligence (AI), machine-learning, blockchain and the internet of things (IoT). Many of these technologies are offered by specialist start-ups. Client companies are partnering with these specialists, while established IT giants are looking to acquire them as they expand their offers into the new fields.

In future, no single company will have all the technology skills necessary to run business operations, says Manish Vyas, president of communications, media and entertainment at Indian IT giant Tech



Mahindra. "The speed at which tech is attacking us is crazy. The world will move towards specialisation and software is not just something to outsource; you have to have capabilities in-house and you will need a collaboration model."

But some wonder whether collaborating with multiple IT specialists rather than outsourcing to a single partner will create more problems than it solves. Chief information officers (CIOs) and chief data officers are faced with overseeing many different providers, and extracting the best value for money and efficiency from them. This introduces a high level of complexity and multiplies the threats to data security and privacy, ramping up the dangers of outages if problems hit any one of these technologies.

To address this, a range of mid-sized IT vendors are offering to integrate the multiple specialist providers. Luxoft is a Swiss-based software business spun off from a Russian IT firm. It employs 13,000 staff, many in Eastern Europe, and many of whom are highly qualified data scientists and software engineers. They can both build specialist technology services and integrate the multiple services used by businesses.

As managing director for digital enterprise Sam Mantle says: "We compete against the large Indian companies and giants such as Accenture where they have pockets of excellence. Then we compete against very niche vendors that are the best in world at IoT or machine-learning.

"But where they struggle is that they are not able to connect the dots between their niche areas of expertise

and the broader set of capabilities you need to implement machine-learning. We are in a sweet spot; we can connect the dots across those different tech stacks and relate them to the industry domains where we operate."

Mr Mantle cites niche specialists such as Ensono, a provider for cloud services and devOps – aiming to unify software development and operation – Precision Health AI and specialist blockchain provider Datarella.

For Punit Bhatia, partner at Deloitte UK who specialises in outsourcing, a big reason for the demise of large monolithic outsourcing contracts is that they often failed to deliver on their promises. Clients thought they were buying a single integrated service, but, as Mr Bhatia says: "They found the organisations were so big, you may as well be dealing with multiple providers. They weren't co-ordinated enough. You talk to the infrastructure arm, the applications arm, then business process outsourcing; they speak different

languages and can be difficult to co-ordinate among themselves."

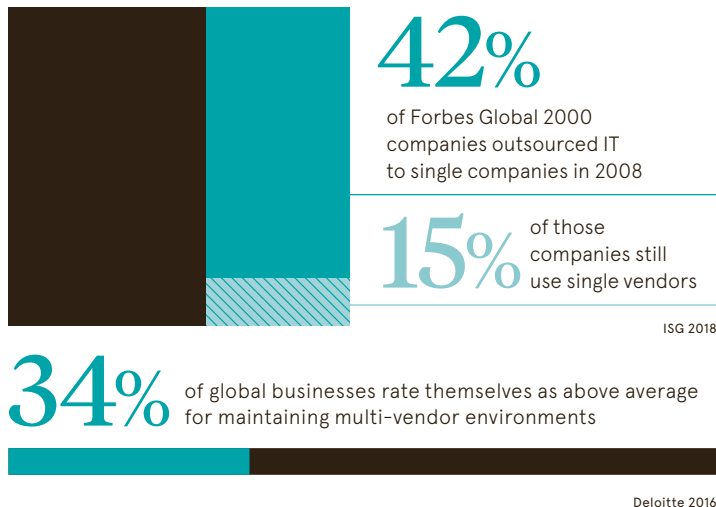
He points out that outsourcing decisions vary by department. Finance is rarely split into different contracts because it requires too many handovers of data between providers. If something goes wrong, it can be impossible to identify which supplier was at fault. But in human resources, there is no single service which solves all the challenges. There are only two or three providers that handle payroll globally, while learning and development is often done regionally. HR often has little choice but to use multiple providers.

The single-vendor model can be attractive to mid-sized companies, says Mr Bhatia, as breaking IT work into specialisms would make the projects too small to warrant much attention from each tech specialist. Pooling all spend into one provider gives greater firepower. He cites specialist robotic process automation companies such as Blue Prism, Automation Anywhere and UiPath.

Meanwhile, Serhiy Kozlov, founder of software company Romexsoft, points to Deloitte's 2016 *Global Outsourcing Survey*, which shows that 34 per cent of companies rate themselves as above average for maintaining multi-vendor environments. "Once you have mastered the process of managing multiple vendors, you will understand the value of this approach and see the value it brings to the organisation's growth and success," says Mr Kozlov.

Collaboration with tech startups and outsourcing to multiple vendors is here to stay. The challenge for CIOs is to discover how to make the multi-vendor strategy work effectively. ♦

Shift away from single-vendor outsourcing



“Once you have mastered the process of managing multiple vendors, you will understand the value of this approach and see the value it brings to the organisation's growth and success

OPINION COLUMN

‘The UK is viewed as a centre of excellence for outsourcing and an international leader in business services’

It's no hyperbole, I believe, to say that outsourcing currently stands on a burning platform, and that we possess a golden, possibly unique opportunity to reshape and repurpose our industry.

For quite some time, the outsourcing sector has been impacted by a number of powerfully disruptive trends, most obviously, of course, new technologies such as cloud computing and intelligent automation, but including political, demographic, organisational, financial and other factors, driving increasingly rapid change in and to many aspects of the space.

However, it's undeniable other corners of the industry, and certain professionals and organisations within it, have been resistant to, or unable to cope sufficiently with, that change and, moreover, that such intransigence is having an increasingly deleterious effect in terms of outsourcing's ability to deliver to its full potential.

Throw in the media and political backlash following the collapse of Carillion earlier this year – grist for the mill of those for whom “outsourcing” is inescapably a dirty word – and the increasingly voluble threats from a resurgent Labour Party that public sector outsourcing at least may find itself consigned to the scrapheap, and we have an operating climate as unfriendly as any since the initial rise of the outsourcing model some decades ago.

Nevertheless, here at the GSA we see an opportunity in this predicament to galvanise beleaguered outsourcing professionals to drive much-needed change within and beyond the industry, and to improve its perception in the eyes of a public, which may not fully appreciate the huge benefits outsourcing brings to individual organisations, society and the public purse, nor how the UK continues to be viewed from abroad as a centre of excellence for outsourcing and an international leader in business services generally.

As a result, we've launched our most ambitious project ever, #ReshapingOutsourcing, a broad programme of work intended to address the most prominent problems facing outsourcing and, as the name suggests, repurpose the industry and futureproof its professionals.

As one major arm of that project, over the next few months, working groups will investigate the challenges and opportunities inherent in each of

five key topics selected by representatives from across the industry in collaboration with the GSA Council.

The themes under investigation by the working groups include proving outsourcing works. A concerted communication effort is required to improve outsourcing's public standing, focusing on success stories and showcasing the industry's myriad capabilities at a time of ever-squeezing budgets.

The second key topic is demystifying technology. The community needs to collaborate to educate professionals on tech's true value, and its ramifications for aspects of the model, such as pricing and partnership, which are especially subject to rapid change.

Third are new contract models. Professionals must be made aware of new, more agile and sophisticated options for the contract – the heart of the outsourcing model – which will allow it to remain fit for purpose.

Fourth is attracting talent. Hiring for today, let alone the future, has never been harder, so how can the industry work to ensure the right skills are being acquired and developed across multiple generations of employees within rapidly evolving organisations?

And finally we must focus on the digital workforce. What will be the optimal way to combine human and digital workers, and what does this combination mean for the buyer-vendor relationship?

The activities of these working groups will contribute to the formulation of a comprehensive plan of action for the industry as a whole, to be unveiled at our GSA Symposium and Awards, to be held in London on November 22. If you'd like to help shape your industry by participating in this programme, please contact me today. The day of change has arrived. Let's seize it.



Kerry Hallard
Chief executive
Global Sourcing Association – GSA UK

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ARTIFICIAL INTELLIGENCE

Is it smart to outsource all your AI?

Outsourcing may be the only way to access cost-effective expertise in artificial intelligence, but beware of the possible pitfalls

OLIVER PICKUP

Artificial intelligence (AI) has fuelled science fiction for decades. Yet now, with technology having caught up with and overtaken human imagination, its capabilities are becoming science fact and too powerful for business leaders to ignore.

AI, even in its relative infancy, is enabling C-suiters to redraw all aspects of their organisations. Those who embrace AI and related nascent digital technologies – automation, robotics, machine-learning, big data – are already gaining a significant advantage over laggards.

“Everything invented in the past 150 years will be reinvented using AI within the next 15 years,” predicts Randy Dean, San Francisco-based chief business officer at Launchpad. AI. “Every industry is going to be affected; almost every enterprise problem is ripe for an AI-derived solution or improvement. Early adopters will have an advantage.”

The potential corporate market for AI services, software and hardware is colossal. International Data Corporation research forecasts it will reach \$57.6 billion in 2021, significantly more than the \$12 billion spent last year. Further, PwC estimates AI could contribute up to \$15.7 trillion to the global economy in 2030, a higher figure than the current output of China and India combined.

However, incorporating AI into an organisation can be extremely challenging and risky, especially for large enterprises lumbered with legacy systems. While cutting-edge AI applications are increasingly common place, with a mushrooming number of organisations, from tech giants to startups, developing working solutions, the financial and time

capital involved can be overwhelmingly extensive.

These are costs that have to be taken on, though, if an organisation, regardless of size, wants to thrive in the future.

Outsourcing AI is one option many are seriously considering. The benefits of using third-party service providers for AI solutions are manifold. They include greater access to global talent pools – a key point when you consider that leading AI data scientists, because of their scarcity, can command seven-figure salaries – and the ability to tap into specialist skill-sets and experts who will be able to solve company-specific problems with greater efficiency, thus helping business leaders choose the appropriate technology for their organisation.

“Even the largest technology brands are outsourcing AI projects,” says Dr Paula Parpart, founder of Brainpool, a worldwide network of AI and machine-learning luminaries. “Demand for top AI experts and data scientists is far outstripping supply, which is why outsourcing is a compelling option. Some of the specialisms required are so niche, the talent so hard to find and contractual relationships so tight that it could take two years for an organisation to fill a role.”

Further, thanks to that level of expertise, tried-and-tested models are quicker to implement compared with crafting them internally. And if an outsourced AI solution does not quite work and needs to be switched, the cost and risk burden is markedly less than the in-house alternative. And, at this stage of AI's maturity, experimentation is advised.

A recent Accenture report predicts that AI will add £654 billion to the UK economy by 2035. Vinod Patel, managing director of Accenture Operations, says: “A



Insight
Pros and cons of outsourcing AI

PROS
▲ The big positive in outsourcing is that it gives organisations a means of accessing top-level artificial intelligence (AI) experts who are normally extremely difficult to find and would be expensive to have on the payroll permanently. Their day rates might seem high, but they do not compare with the seven-figure salaries if they were full-time employees. Outsourcing opens up AI to benefit more organisations and democratises access to skills...
Dr Peter Bebbington, chief technology officer at Brainpool

▲ Planning AI projects without previous experience can result in mistakes and even lead to the entirely wrong approach being taken. External providers can draw on experience and knowledge to identify both the right approach and project for the business. Additionally, if a project isn't delivering, the organisation can walk away from an external data company whenever they need to...
Richard Potter, chief executive of Peak

▲ Companies will naturally benefit from utilising external AI-powered solutions to streamline their business because these providers are tapping into a global network of dynamic, demand-driven data. To try and replicate this scale of data would be a cost-inefficiency, if even possible at all...
Mark O'Shea, chief technology officer at Maistro

CONS
▼ There will likely be a lack of domain expertise when outsourcing to third-party AI developers. This can mean education is required before these developers are able to provide industry-specific AI application. Organisations that choose to outsource also lose the ability to groom their own specialist teams...
Nav Dhunay, co-founder and chief executive of Imaginea.AI
▼ By outsourcing you relinquish a certain amount of output and control. And outsourcing AI puts pressure on an organisation's "plumbing", which is responsible for transporting the intelligence to the person or process that can actually use it to drive business transformation. It is imperative, therefore, to optimise communication to make sure you get what you want, rather than receive what the outsourcer wishes to give you...
Will Edward, chief commercial officer at Autologyx
▼ The biggest pitfall in AI, and therefore outsourcing AI capabilities, is the assumption that it will solve everything. Organisations need to apply a level of discovery to their current and, importantly, their future business to determine the applicability of AI. The prioritisation of AI will help business leaders determine where to start and the journey to increase AI, and in turn this will frame the strategy for outsourcing AI...
Vinod Patel, managing director of Accenture Operations

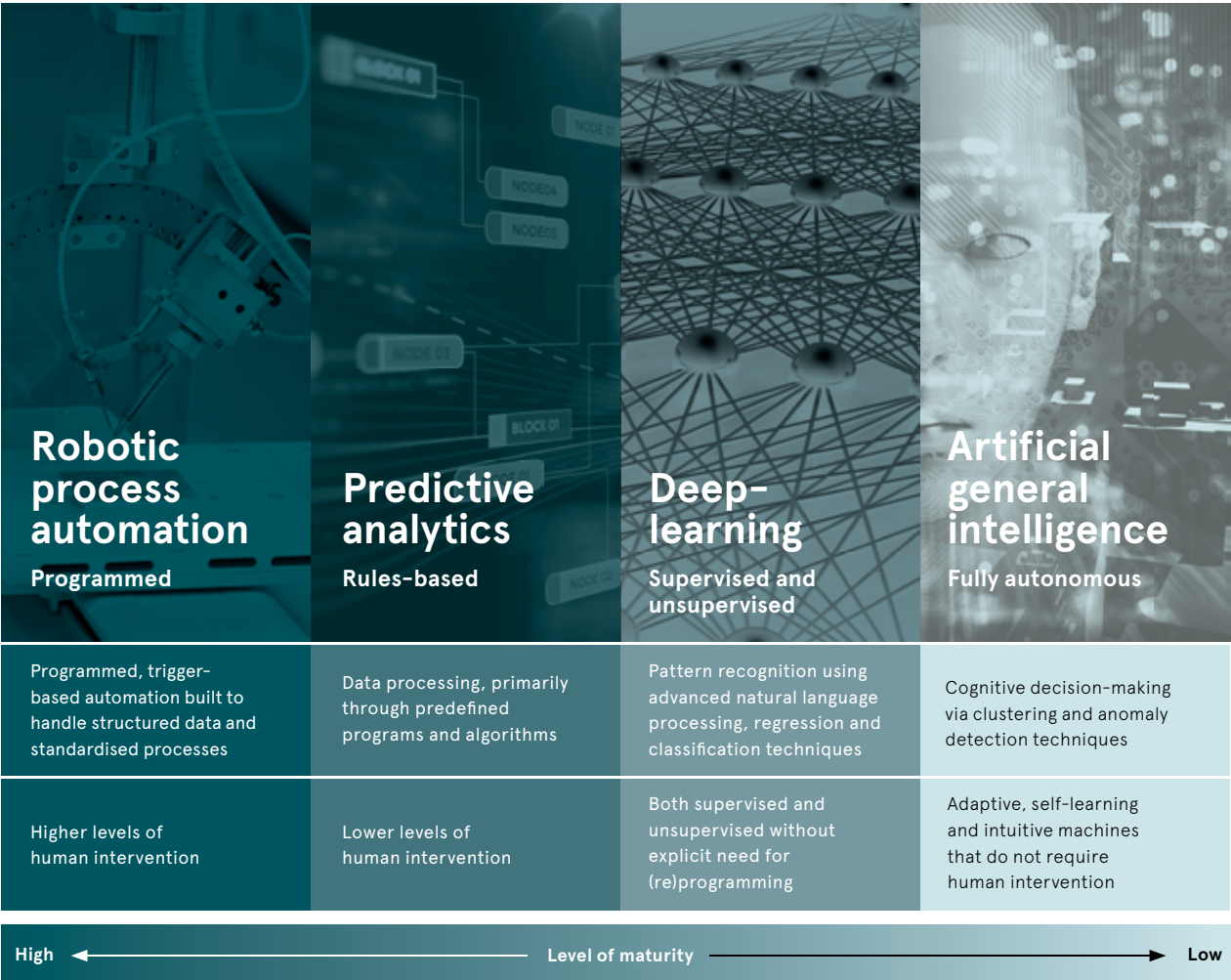
significant portion of that will be outsourced to third-party service providers. Increasingly, organisations are looking at external parties to drive innovation.”
Advising caution, Mr Dean says: “It’s important to note that AI is not magic and it is not always successful in finding improvements. But outsourcing provides ready access to the required talent today versus waiting to recruit and hire people, which will be very hard, time consuming and expensive.”
“There are millions of AI opportunities across the enterprise, though there is very little off-the-shelf software. AI is a diverse field and often requires an ensemble of approaches to achieve success. It will take multiple years for organisations to begin to take full advantage of AI, but the sooner business leaders start understanding what AI can do for them, and experimenting with it, the more likely they are to come out on the other side, successful in the marketplace.”
Marco Rimini, chief development officer of Mindshare Worldwide, agrees that AI “if applied correctly, will empower an organisation to operate at levels previously out of reach of manual capability and ability, which in turn will lead to significant opportunities, irrespective of industry”.
He echoes Cathy O’Neil’s observation, in *Weapons of Math Destruction*, that poorly thought-through AI applications can be highly damaging; another reason to engage

“**Demand for top AI experts and data scientists is far outstripping supply, which is why outsourcing is a compelling option**”

experienced third parties in the AI space. “If a business incorrectly applies AI, or ignores it, it will enforce negative change and that could be fatally damaging,” says Mr Rimini.
He warns that it is critical for business leaders who chose to outsource AI that they guard the most important digital assets and data from the third parties, and deliberate over their business strategy, which could be altered unrecognisably by potent new technology.
Mr Rimini cautions: “Whatever size, you need to invest in-house to determine the role of AI, or risk outsourcing the core of your organisation and also becoming overdependent on the outsourcing company, which in a worst-case scenario could become a direct competitor.”
“AI is not an additional service, or function in itself, but can be the heartbeat of a business. Ultimately, you shouldn’t outsource the core of your business.” ♦

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