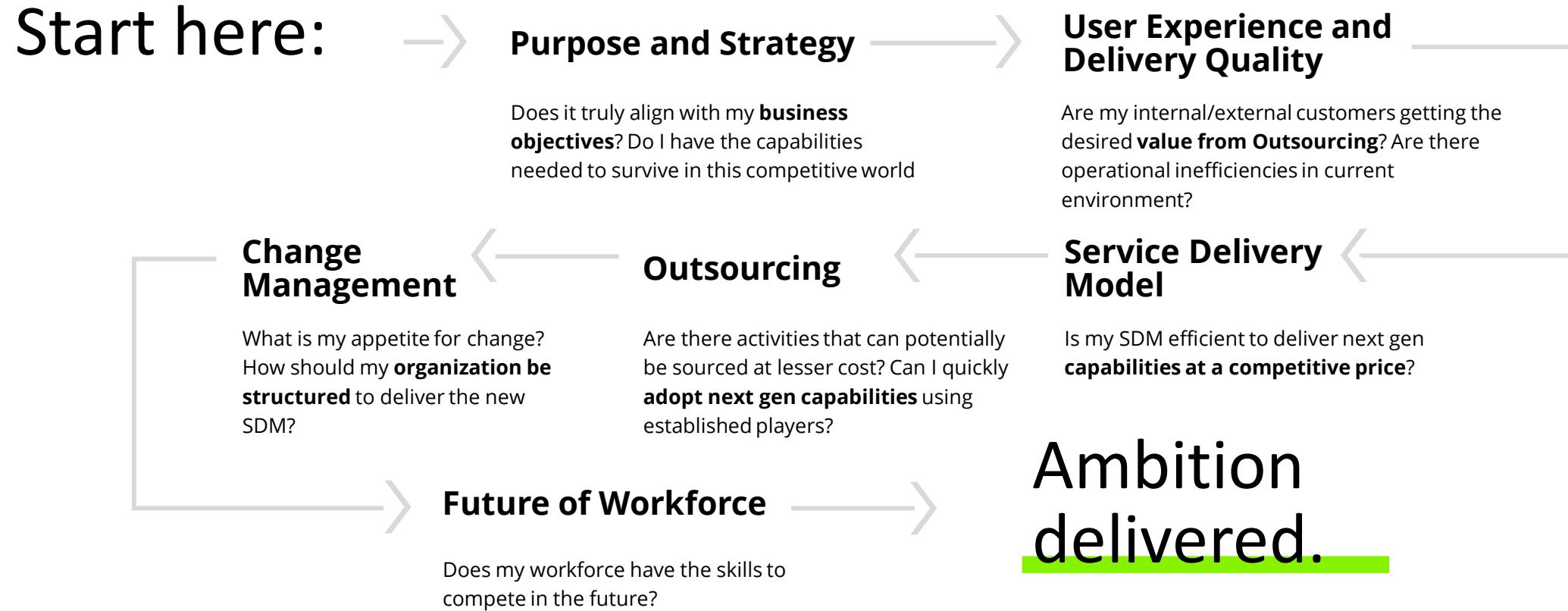


A dark blue background featuring a complex, glowing network of cyan lines and dots, representing a digital or organizational structure.

Business Process Outsourcing

January 2025

The Outsourcing Journey





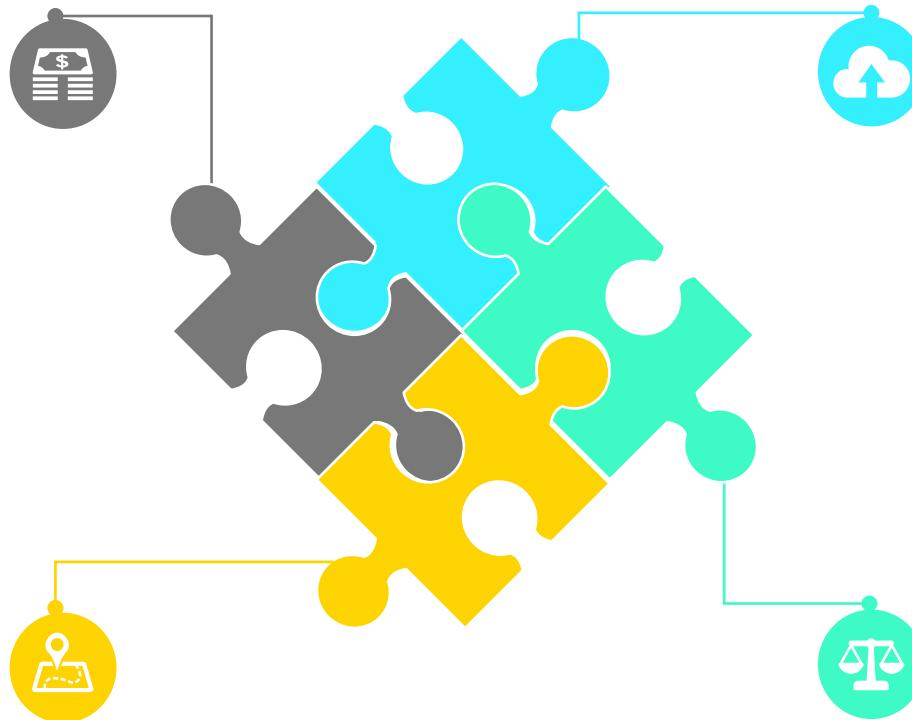
Market Perspective

Outsourcing Landscape

Current outsourcing landscape is shifting and has brought forward four key trends impacting how clients and vendors are doing business

Shifts in buying patterns

- Buyer friendly market
- Agile contracting
- Repatriation of services as proximity to core business
- Reorientation towards process



Next gen adoption

- Automation and robotics
- Decision based analytics
- Innovation incubator
- Engineer for Cyber and regulatory compliance
- Offshore taken for granted

Change in landscape

- Increased Tier 1 competition and vendor consolidation
- Eco-system and niche partners
- Industry solutions led by consortia of leaders or neutral third parties

Shift in "art of the deal"

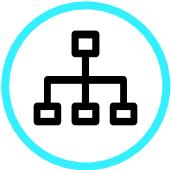
- Utility pricing models
- Outcome driven
- Moving back to custom
- Renewed focus on partnerships
- Everything as a Service



Value Drivers and Challenges

Outsourcing – Drivers

Organizations are employing outsourcing to achieve additional strategic and workforce benefits



SPEND OPTIMIZATION

- **Labor Spend Efficiency** – Realize cost savings through utilization of labor from cheaper locations and a more optimal service delivery model
- **Workforce Optimization** – Right size and re-organize workforce to ensure maximum utilization of resources
- **Cost Certainty** – Utilize suppliers with well defined pricing mechanism contributing to more predictable cost models
- **Change in Cost Structure** – Change from fixed cost commitments to more variable and outcome based supplier pricing models



STRATEGIC LEVERAGE

- **Focus on Core Business** – Focus internal employees on business critical activities that create competitive advantage
- **Service Certainty** – Utilize suppliers with well defined service levels contributing to more predictable service delivery and operations
- **Transformation Agent** – Leverage sourcing as a launch pad to incorporate disruptive solutions including RPA, Blockchain implementation
- **Improved Governance** – Use industry leading governance and reporting processes for improved service delivery



CAPABILITY ENHANCEMENT

- **Innovation Focus** - Allows organization to innovate faster with access to leading supplier tools and technologies
- **Access to Talent** – Accelerate access and deployment of resources on projects or in new markets in support of new market entry or business expansion
- **Access to new capabilities** – Acquire capabilities to create new business models, new products or differentiate existing products
- **Accelerate Process Improvement** - Standardize processes, tools, governance and reporting structures by leveraging comprehensive vendor management function

Outsourcing – Key Plans and Outcomes

Outsourcing involves multiple considerations to achieve the desired outcomes



Outsource More – *What to outsource and why to outsource*

Increase outsourcing scope by carving out processes and activities that can be performed by a supplier

Outsource vs. Retain

Identify which functions to consider for outsourcing

Local vs. Global Delivery

For in-scope functions, determine the types of services that can be delivered remotely

Captive / Shared Service Leverage

Determine right balance of scope that can be outsourced to external supplier vs. what can be delivered from in-house offshore captive

Lower cost and access to talent



Outsource Better – – *Whom to partner with and how to engage*

Optimize the supplier mix, engagement model, and delivery model to align outsourcing approach with objectives

Supplier Mix

Determine whether to use single supplier, multiple 'best of breed' suppliers or hybrid

Engagement Model

Find balance between input based pricing and outcome based pricing

Solution and Process Change

For in-scope functions, determine whether to keep as-is or transform

Increased flexibility and better performance



Beyond Outsourcing – *Increase the scope of outsourcing*

Use outsourcing as a platform for cost reduction, transformation efforts and to gain competitive advantage

Automation & Analytics

Evaluate opportunities to adopt RPA, Intelligent Automation, and Cognitive Analytics

Digital

Evaluate creation of new products and services to meet 'Digital' objectives

New capabilities, products, and services

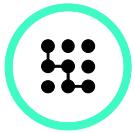
Common Outsourcing pitfalls

While there is significant value in outsourcing, the execution of these programs is challenging and complicated



Lack of Experience

- Clients with less outsourcing experience lack focus on proper planning and risks mitigation
- Even mature outsourcing clients find it hard to catch pace with suppliers who have significantly evolved over time



Unfavorable Commercial Terms

- Lack of access to industry benchmarks often lead to client over paying for scope of services
- Unclear written contracts lead by supplier commercial teams often cause confusion over pricing and scope of work in steady state



Lack of industry leading tools

- Clients with limited access to tools that can help with agile based contracting, assess competitiveness of supplier pricing, etc. face delays during contracting phase
- Lack of effective program management tools that can provide single view on all risks/issues, track activities status lead to transition delays



Absence of focus on Quality

- Suppliers often try to rush through transition in order to get to steady state billing. This directly impacts the knowledge transfer process (in the event of lack of strict quality management)
- Suppliers try to focus more on meeting SLA's and do not drive innovation, in the absence of stringent contract clauses



Underestimating the quantum of work

- Clients who fail to appreciate the importance of adequate internal stakeholder involvement (enabling workstreams, regional/functional leadership) face issues
- There are several scope changes throughout contracting and transition that lead to changes in contract pricing, supplier technical solution, supplier staffing, etc.



Improper Change Planning

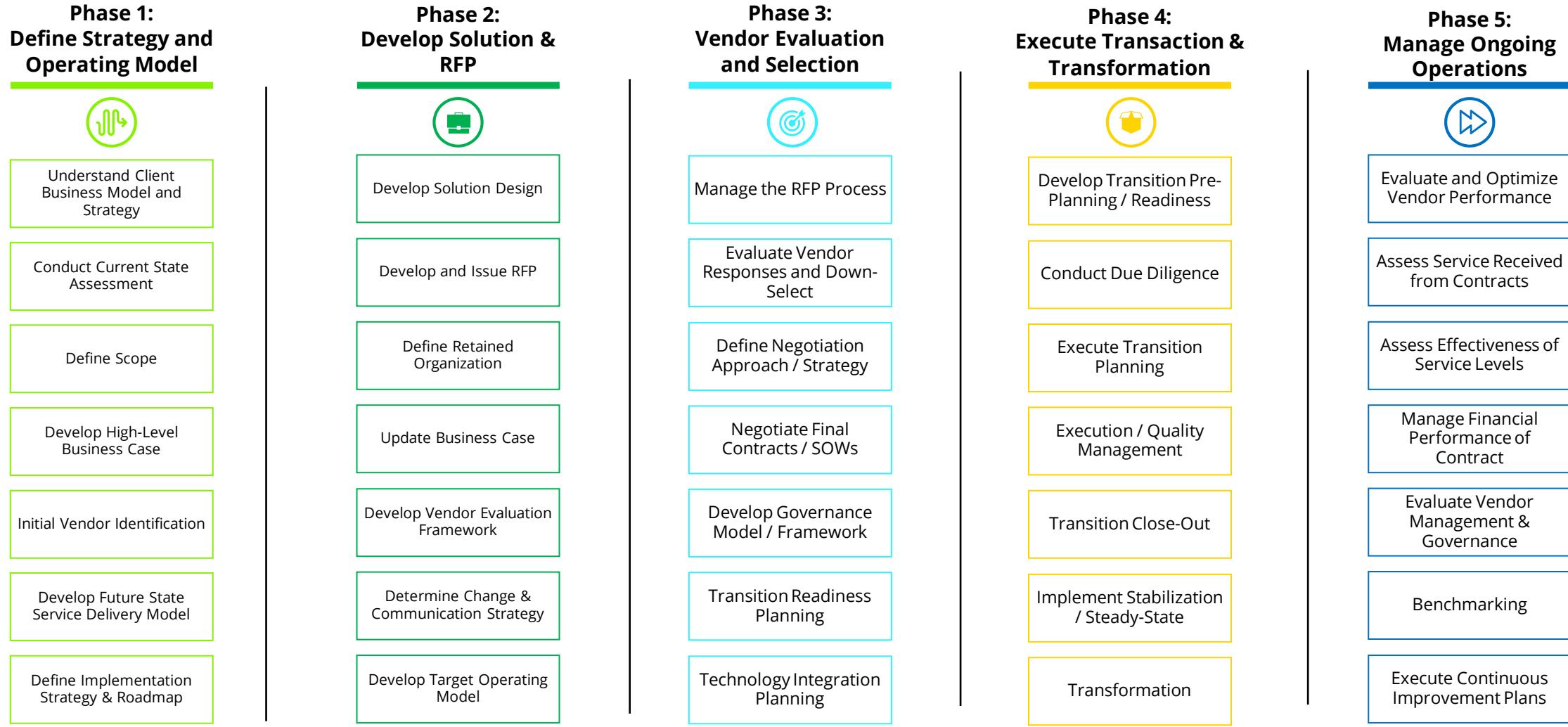
- Clients often underestimate the significance of retained organization design that leads to improper governance in steady state
- Lack of proper change management during transition leads to employee frustration and loss of brand



Methodology

Deloitte's Detailed Outsourcing Methodology

To be tailored to incorporate learnings and adapt to ways of working in your organisation



Evaluating and optimizing vendor performance

Assessing current contract lifecycle and preparing for future contracts

Key Activities



CONTRACT LIFECYCLE MANAGEMENT

- Assess current state contract management process and tools to identify gaps
- Based on gap analysis, develop processes to manage the contract lifecycle processes, including contract development, negotiation, execution, renewal / amendment and termination



SUPPLIER ECOSYSTEM OPTIMIZATION

- Evaluate the supplier ecosystem with service delivery requirements and cost containment targets
- Drive Service Management alignment across suppliers; rationalize SLAs/ terms and conditions
- Reduce niche providers and move to strategic partnerships



SUPPLIER GOVERNANCE AND MANAGEMENT

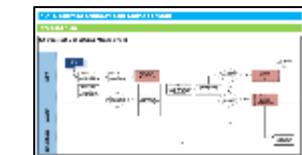
- Conduct interviews with Supplier Management Office, sourcing and procurement teams to assess current state
- Validate organization structure, roles and responsibilities of Supplier Management team; develop / enhance governance
- Develop and implement processes to manage, track and report on contract obligations across the Supplier Ecosystem



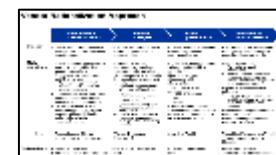
CONTRACT ANALYSIS AND RESTRUCTURING

- Review and assess existing contract against market standards to check for rates, service levels and other key contract terms
- Solicit both buyer's and supplier's input on potential areas for improvement
- Identify opportunities beyond contract optimization and plan for the application of new or emerging technologies

Deliverables



Contract Management Process



Supplier Rationalization Framework



Supplier Management Playbook



Opportunity Hypothesis



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