

TOP 3 PREDICTIONS FOR GLOBAL DELIVERY IN 2022

**Robots hire robots, talent uproots to
anywhere, and TikTok takes on TCS**

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▼ FALLOUT FROM THE PANDEMIC WILL LEAD TO THE MOST DISRUPTIVE YEAR IN GLOBAL DELIVERY SINCE THE START OF OUTSOURCING

TBR anticipates sea changes on three fronts in 2022. First, accelerated adoption and sustained refinement of automation will lead to AI-enabled platforms determining the automation tools needed to optimize an increasing number of processes. And those AI-smart platforms will make procurement decisions independently. In short, robots are hiring robots, with all the implications on talent, productivity, KPIs and pricing.




Second, the pandemic proved IT services can be delivered from anywhere. In 2022 that reality will shift compensation models, as vendors begin to eliminate disparities based on location. Smart IT services vendors will hire talent anywhere and reward professionals who find ways to meet their colleagues in person. Lagging IT services vendors will cling to now-outdated compensation models that pay a professional in Boston more for doing the exact same job as someone in Bangalore, India.

Third, the rise of enterprises that are outside the software and IT services realm but differentiate based on software and IP will exacerbate the ongoing war for software developer talent. Is that too many mentions of “software” in one sentence in an IT services predictions paper? Yes. But the large IT services vendors with business models built around skilled developers will start losing talent to the likes of TikTok and Tesla, and may also eventually lose business to those new competitors.

We are not exaggerating: By the end of 2022, global delivery will be a different game.

▼ PREDICTIONS




THE ROBOTS WILL HIRE EACH OTHER, COMPLICATING THE PEOPLE PART OF GLOBAL DELIVERY

-  **Trend:** AI-enabled platforms increasingly determine which tools will optimize a software asset deployment. Assessments have begun leading directly to procurement, further eliminating the human role.
-  **Driver:** Automation across IT services plateaued in 2019 and saw a resurgence in deployments and expected benefits during the pandemic. Adoption and refinements have led to more robust and applicable automations across a greater spectrum of outsourced services.
-  **Result:** Robots are hiring robots. AI-enabled tools and platforms are making purchasing, deployment and evaluation decisions with human oversight, but not human intervention. And automation is getting closer to the promise of fully eliminating routine administrative tasks while beginning to optimize processes autonomously.

It took a pandemic for IT buyers and decision makers to fully appreciate the capabilities of AI-enabled automations, although adoption has been neither universal nor without challenges. Just as the pandemic highlighted the business case for cloud computing, virtual delivery from everywhere highlighted the case for increased use of automation for as many routine tasks as possible, with the added benefit that AI-enabled platforms could begin learning which tools performed best and which assets were essential to a fully functioning process. In short, the robots used the pandemic to get smarter and will now begin hiring other robots to speed up automation adoption across enterprises.




For IT services vendors, robots hiring robots presents a triple-edged sword. At a time when attrition is top of mind for HR departments and hiring continues to be challenged by pandemic protocols and restrictions, automation assets can sustain productivity and ensure clients continue to be served. Yet clients will also continue to evaluate their IT services contracts and likely seek reduced terms as the sheer number of people deployed slows while the number of robots swells. Twisting one more time, the IT services vendors will see margins improve, even if total revenues per client fall, as robots cost less to maintain than people.

GET PAID FOR WHAT YOU DO, NOT FOR WHERE YOU LIVE GOES GLOBAL, WITH BUSINESS MODEL AND BUSINESS CULTURE IMPLICATIONS

-  **Trend:** IT services vendors have begun reevaluating compensation packages to more heavily weigh an employee's skills, certifications and experience, rather than physical location. Differing pay scales based on an employee's home office — e.g., New York City versus Bangalore — have begun to disappear.
-  **Driver:** Pivoting to all virtual delivery allowed IT services employees to work from anywhere. While most employees stayed put, some opted for more cost-effective locations. Concurrently, IT services vendors realized their talent pools expanded from within an hour's drive to the office to anywhere in the world.
-  **Result:** Top talent will always gravitate toward each other, and cities will continue to be where the majority of talent wants to live and work. IT services vendors that are the most flexible in accommodating talent location, the most transparent in talent evaluation, and the most adept at ensuring out-of-sight does not mean out of a promotion will win the perpetual talent war.

TBR would not be exaggerating to say this could be the most significant shift in the IT services talent model since the advent of offshoring. As teaming software and project management improve and skills certifications become more rigid, verifiable and transparent, HR departments will be more willing to hire from anywhere. At a leadership level, IT services vendors will need to adjust — culturally — to the implications that a person should be compensated almost completely on their skills, capabilities and experience, regardless of their physical location. TBR anticipates IT services vendors will financially reward employees for maintaining some proximity to colleagues, which would allow for more in-office or shared-working-space arrangements and the business culture benefits that come from in-person interactions. But IT services vendors will frame the extra financial boost as a bonus for being close, not financial compensation for living in a more expensive city. IT services vendors that are able to overcome the cultural changes and fast-track hiring from anywhere will significantly disrupt the offshoring model. TBR believes new competitors, including startups and/or the HR departments of Amazon or Google, might be the first to adopt such a model as they are currently architecting their global delivery capabilities and could align them with the workforce of the future. That said, **Infosys** is rolling out a skills-based compensation model that will initially target employees at the bottom of the pyramid and serve as both a retention and risk management tool, allowing Infosys to continue to grow revenue profitably. TBR anticipates this model, if it proves successful, to be deployed at a companywide level as attrition remains the most imminent threat to profitability for Infosys and India-centric peers.

SOFTWARE DEVELOPERS DEFECTING TO TIKTOK CHALLENGE IT SERVICES VENDORS' TALENT MODELS

-  **Trend:** Outside of traditional IT services and software vendors, other enterprises have ramped up demand for developers to support software-intensive business initiatives, such as autonomous vehicles.
-  **Driver:** Software increasingly accounts for larger percentages of the value added to manufactured products and certain services. The number of new software developers has not kept up with demand.
-  **Result:** By drawing talent away from IT services, cloud and software vendors companies like Tesla and TikTok will create their own captive IT business units, initially supporting internal IT and eventually serving the broader market.

Tesla will not displace Tata Consultancy Services (TCS) in the outsourcing market, but Tesla's spend on IT support, like many other enterprises increasingly dependent on software for differentiation, will diminish as it seeks to recruit software developers and keep talent in-house. In the near term, these new entrants into the talent wars will exacerbate human capital management challenges for IT services vendors. Some enterprises will likely develop in-house capabilities to the point that they are able to monetize their skills and IP into a service offering adjacent to their core business. If Tesla can build batteries for Ford, it can sell the autonomous vehicle software too.

In the long term, the IT services vendors will maintain their business value to clients, the vast majority of which will not rely on software as a critical business differentiation. But in 2022, IT services vendors will need to become more creative in attracting and retaining software talent or become highly adept at leveraging the previous two predictions around automation and talent based anywhere.

The developer communities and platforms such as GitHub and GitLab may become substantial disruptors, given that they are increasingly becoming the go-to-places for software engineering talent that seeks better work-life balance. The gig economy phenomenon is not new, but given the current moves and ongoing shift toward hybrid work and work from anywhere, the implications around workforce mobility and the associated tax code changes could be a make it or break it for these developer platforms. TBR believes these developer platforms and the rise of open-software pose a short-term threat to the traditional IT services staffing model. In the long term, broader tax reform might put some pressure on the work-from-anywhere/work-for-anyone trend.

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