



# Locations Optimization 3.0

September 2017

# Widespread disruption is forcing enterprises to transform service delivery

Multiple disruptive forces affect large enterprises and are creating the need for massive transformation of service delivery

## Market forces

- Changing customer expectations (e.g., millennials)
- Rapid rate of product/service evolution and need for shorter time-to-market
- Technology lowering barriers to entry

## Cost and margins pressure

- Growing market competition and need for investments into innovation
- Declining growth rates and margins across most industries

## Environment constraints

- Macro-economic: Sluggish growth in major markets
- Geo-political: Brexit, increasing threats to safety/security
- Legal/regulatory: EU-GDPR, tightening of US visa regime



## Leverage of technology

- Rotation to digital
- Automation
- Platforms and Everything-as-a-service



## Design thinking

- Functional orientation to outcome-based orientation
- New operational paradigms (DevOps, Agile)
- Front-to-back office integration

This transformation is imposing unprecedented demands on talent and locations strategy

# Locations strategy is being used as a lever to drive enterprise-wide delivery transformation

## TRADITIONAL VIEW OF LOCATIONS STRATEGY

- Regional/local view of demand
- Single/some BU(s), function(s), process(es), sourcing model(s)

## LOCATIONS STRATEGY AS A LEVER FOR DELIVERY TRANSFORMATION

- Global view of demand
- Across entire portfolio of BUs, processes, functions, and sourcing models

SCOPE

KEY DRIVERS

Costs, efficiency, and productivity

Quality of talent; capacity for innovation and shortening time-to-market

PLANNING HORIZON

3-5 year view

10-15-year view

STAKEHOLDERS

Largely service-delivery view; minimal group-level involvement

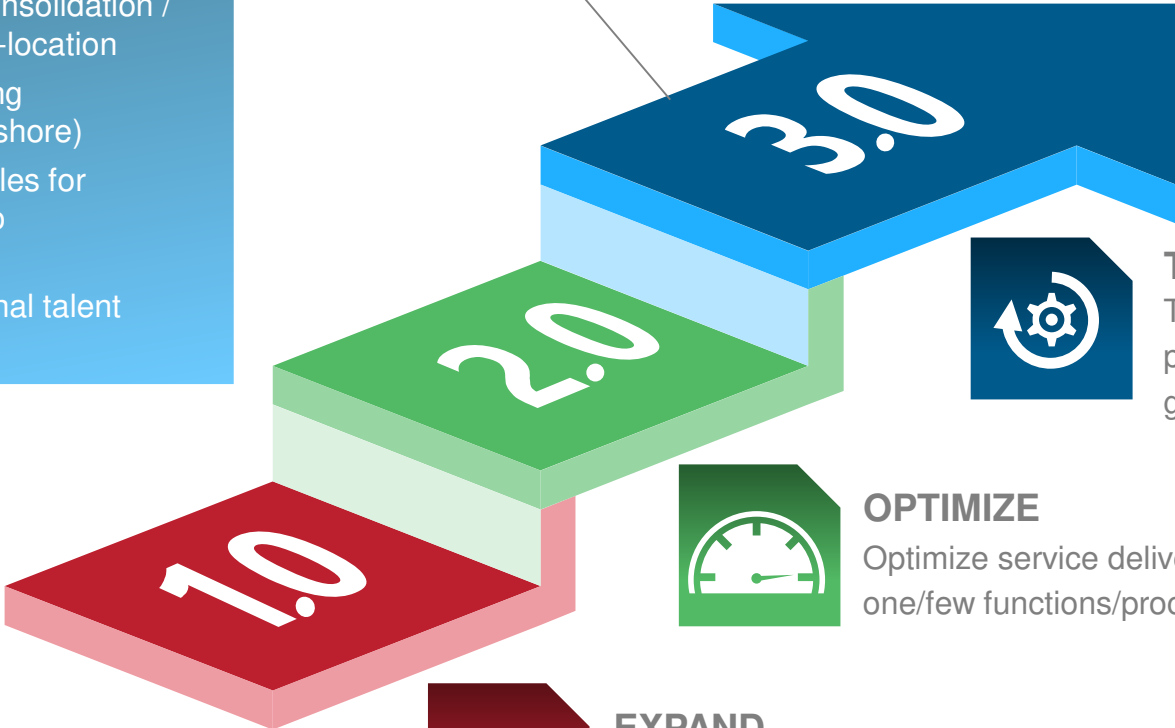
Core to group-level strategy; CXO-level involvement

# We define this transformational view of locations strategy as *Locations Optimization (LO) 3.0*

**Key aspects of delivery transformation**

- Large-scale portfolio consolidation / right-sizing; process co-location
- Shoring mix re-balancing (offshore/nearshore/onshore)
- Clear and intentional roles for locations in the portfolio (hubs/spokes/CoEs)
- Focus on cross-functional talent and learnability

## STAGES OF LOCATIONS OPTIMIZATION



### EXPAND

Address local/regional demand by function



### OPTIMIZE

Optimize service delivery globally across one/few functions/processes/ BUs



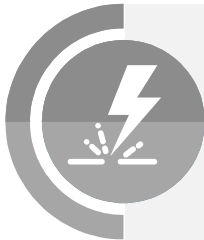
### TRANSFORM

Transform entire portfolio of services globally

# Call to action for companies to transform their service delivery



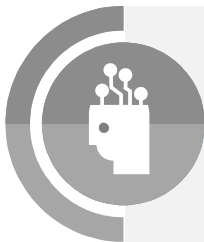
Intentionally think about future demand profile and key skill sets – having a comprehensive **view of “end-state”** is critical



**Prepare for disruption** (e.g., impact of automation on delivery locations, movement towards platforms, and asset-light models)



Invest in developing **cross-functional talent**; hire for **learnability** and **innovation**



**Challenge conventional** thinking and contextualize (e.g., redundancy is not always critical, small-scale is not always inefficient, offshore is not always the best solution)



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