Delivering value in the public sector through global distributed delivery

Summary

This document discusses the importance of adopting a global delivery model in the public sector to meet the growing demands for public services and ensure efficient use of taxpayers' money.

Key business drivers: The public sector faces challenges such as an ageing population, increased demand for better services, and high government debt. Digital transformation and adoption of advanced technologies are essential to address these challenges.

Global delivery model: The global delivery model offers quicker access to a diverse talent pool, flexible teams, and cost savings. It involves various delivery methods, including in-country, landed resources, nearshore, and offshore services.

Risks and mitigation: The document outlines potential risks of global delivery, such as communication challenges, quality assurance issues, data security concerns, and legal compliance. It provides strategies to mitigate these risks.

Benefits: The benefits of global delivery include access to a global talent pool, faster delivery times, scalability, knowledge transfer, focus on core competencies, and reduced time-to-hire.

This document emphasizes the need for a balanced approach to global delivery, considering strategy, skills, processes, management, and governance to ensure successful digital transformation in the public sector.

The future is digital

Government bodies are quickly realizing that they too need to align their services, their organizations and their systems with a digital approach and model to cater to their citizens' growing needs. A global delivery model (traditionally described as **offshoring**) can be a realistic option when choosing the best model for delivering public services. Two key benefits are:

- Quicker access to a diverse talent pool of specialists, hard-to-source skills and the expertise required to unlock the value of new and evolving technologies

- Flexible teams that can quickly scale up and down, based on changing business demands.

However, citizens are concerned about an exclusive focus on **cost savings through the relocation of local jobs,** as well as managing **risks associated with the security and confidentiality of sensitive public sector data.** Public or private sector organizations must carefully consider these rising concerns when choosing the right global delivery option.

In this paper, our experts leverage our rich experience with government organizations to provide guidance on the right approach and models that others can adopt for a seamless delivery of digital, data and technology services. We describe key factors that need to be considered by decision-makers when developing services and considering sourcing options by outlining the nuances of public services when implementing a global delivery model providing guidance to pave the way for a seamless digital journey ahead.

The demand-supply conundrum: Key business drivers affecting the public sector

The public sector faces a decade of radical change driven by gap between supply and demand.

An ageing population requires governments to expand overburdened healthcare, social care, and retirement programmes. Public expectations include better schools, reduced crime, and adequate border controls. Although public bodies aim to align themselves with their citizens' demands, government debt is at its highest level in seventy years.

Governments need to achieve sustainable improvements to retain any degree of fiscal discipline. Achieving this discipline requires multifaceted reform, including adoption of digital technologies to streamline processes, enhance citizen services, and increase investment in advanced data analytics, artificial intelligence, and machine learning. This will further optimize operations and improve decision-making. However, this change requires more flexible ways of investing, procuring, and governing digital services, as well as upskilling and capability-building to introduce and adapt new working methods.

Next, the public sector must compete more directly with the private sector for scarce talent rather than unhelpful competition between departments. As the pace of digital delivery quickens, the demand for digital skills is equally on an upward trajectory. Legacy technology is a constant risk that will increase over time as the gap between system functionality and business needs widens. As the complexity of systems and software increases, the skills to maintain and modernize technologies become more acute, leading to a resource crunch.

Governments need to expand the pools of talent they recruit from and create more attractive propositions.

Today's digital talent and youthful workforce share unique views of what good work looks like. This may not always align with traditional civil service roles. Additionally, the pay gap, regular moratorium on recruitment, barriers to switching between government and the private and wider public sector, and visa restrictions all act as deterrents, preventing capable talent from joining the government sector.

Finding high-quality and local digital talent at an aggressive price point and scale is proving increasingly difficult. There is an inherent trade-off between cost, quality and the timeliness of delivery. This gap in supply and demand leads to an understandable emphasis on value for money through procurement, with suppliers and service providers being asked to deliver quickly and scale up and down in line with demands that are often difficult to predict.

> The National Audit Office (NAO) recently reported that HMRC needs more skills to sustain the VAT legacy ICT due to the current age profile of its staff. They said that 'the existing skills gap is getting worse and... digital teams in departments will not have the skills and expertise necessary'. Only around 4% of civil servants are digital professionals, compared with an industry benchmark of between 8% and 12%.

The rise of global delivery and the distributed delivery model

The global delivery industry has experienced significant growth over the last twenty years. A 2006 survey of ninety companies highlighted that the most frequently offshored functions were IT (66%), finance and accounting (60%), and contact centres (54%). India, China, and other Asian economies were the favored economies. In January 2022, the global delivery market size was estimated to be in the hundreds of billions of dollars annually - and this included information technology, business, and knowledge process outsourcing.

This growth has occurred because organizations faced increased competition and realized the need to develop and maintain the expertise required to compete effectively. Traditional offshoring strategies focused on reducing costs by moving subsidiary services to lower-wage economies.

Global delivery and what it means for you

Global delivery is not a replacement of your current model, but an extension of it. Distributed delivery maintains some, perhaps a significant, degree of onshore presence through local teams, working closely with teams across the globe.

These can be further broken down into the following categories:

- **In-country:** Services are delivered by local teams in the same country in which the service is received.
- **Landed resources:** Teams of specialists from outside the country are brought into the country for a fixed period.
- **Nearshore:** Services are delivered by teams in a country near where it is received. Mostly this would be close to the same time zone and with comparable security posture, e.g. EU.
- **Offshore:** Services are delivered in a country with a significant difference in time zone.

The following is an example of a distributed delivery model:

The UK-based Company ABC uses a cloud service or platform hosted outside the UK, developing and testing computer code at a supplier's premises in France, storing customer data at a supplier's data centre in the United States, and providing overseas remote support to UK-based technology assets where remote administrators could access customer data.

The growth of global sourcing has been attributed to many factors, including:

- Improvements in technology and telecommunications, shrinking space and time and enabling coordination

- New technological developments such as the growth in computer vision and virtual reality technologies

- Increasing supply of skilled yet relatively low-cost labor in growing economies able to invest in soft and hard infrastructure

- Standardization of IT processes and communication protocols to improve the efficiency of corporate activities

In the last ten years, expectations of offshoring or global delivery have changed. The overarching trend is the move from a lift-and-shift approach towards tech-enabled and digital business process services. Automation tools designed to handle repetitive tasks and optimized testing, and other processes have proliferated. Software robots are increasingly used to improve efficiency, reduce errors and free up time for more creative tasks. As a result, many of the labor arbitrage advantages of global delivery have been removed.

Traditionally seen as a strategy that allowed organizations to tap into talent pools at a much lower cost, the focus of global delivery has significantly changed. Cost is no longer the primary driver of sourcing decisions. Organizations are now leveraging it for flexibility, access to talent, or business transformation opportunities.

Managing and mitigating potential risks of global arrangements

Global delivery models offer multiple advantages as outlined earlier. However, this comes with certain risks and challenges. Here are some of the most common ones and how leading global delivery service providers are addressing these:

- Differences in time zones, languages, and cultural norms can lead to **communication challenges** between offshore development teams and onshore stakeholders.

  » This can be addressed through tolls and platforms that facilitate real time communication and collaboration and the scheduling of overlapping work hours.

- Ensuring the **quality of offshore-developed software** can be challenging, especially with cultural or language barriers. Differences in development methodologies, coding standards, and quality assurance practices may affect the overall quality of the software product.

  » This may be resolved with standardized development methodologies, clear coding standards and comprehensive assurance practices.

- Offshoring software development involves sharing sensitive information with external teams, which increases **the risk of data breaches or unauthorized access** to sensitive information and highlights the need for robust security measures.

  - Strict access controls and data encryption, clear security policies and regular audits and assessments play important roles here.

- While navigating complex legal and regulatory frameworks in different jurisdictions, offshoring teams must deal with **compliance**, with local laws, data protection regulations, and IP rights. Noncompliance may lead to legal risks and liabilities.

  » It is important to conduct thorough research on the legal and regulatory requirements, clearly outlining responsibilities and obligations on all parties involved, and ongoing monitoring of changes.

- While offshore development can offer cost savings, there may be **hidden costs** associated with managing offshore teams, such as travel expenses, communication infrastructure, and coordination overhead.

  » Using virtual communication tools for meetings and collaboration, clear processes and protocols for coordination between teams, or a 'follow-the-sun' model where work is handed off between teams in different time zones helps contain costs.

- Offshore development locations may be susceptible to **geopolitical risks**, such as political changes, civil unrest, or natural disasters. These factors can disrupt operations, impact project timelines, and challenge business continuity.

  » Thorough risk assessments and robust business continuity plans help outline the steps to be taken in the event of a disruption, including alternative work arrangements, communication protocols, and recovery procedures.

- Organizations may need help maintaining control of offshore development activities, especially when dealing with remote teams in different time zones. **Limited visibility** into the development process can lead to delays, quality issues, and project misalignment.

  » Robust project management tools and clear communication protocols provide real-time updates and visibility into the development process.

- Offshore software development often involves knowledge transfer from onshore teams to offshore teams. Ensuring effective **knowledge transfer** and retention can be challenging, especially when turnover rates are high or critical personnel leave the project.

  - Comprehensive documentation of processes, decisions and project updates, including a knowledge management system and regular training and development helps streamline the knowledge transfer.

These risks are common to all organizations. However, they are more acute for governments, considering regulatory compliance and security factors. Governments must employ a multifaceted approach to assess and mitigate the risks while considering cabinet office, departmental, and other government policies and guardrails.

For example, sensitive assets and activities should not be offshored to countries where special security regulations apply.

The multi-fold benefits of global delivery arrangements

Governments are constantly looking to optimize the success of their investment in IT and business services.

A business case is a framework used to state the problem, outline possible approaches and offer practical solutions. In the public sector, the business case for the global delivery of Digital, Data and Technology (DDaT) should be comprehensive and address several key aspects. However, this does include cost savings, where development costs may be reduced compared to in-house development or onshore outsourcing.

Several economic, financial and management advantages of the business case play a key role when choosing the right delivery model:

- **Access to a global talent pool**
  Offshoring allows organizations to access a diverse talent pool with a wide range of skills and expertise.

- **More access to global intellectual property (IP)**
  More R&D enables customers to leverage better accelerators developed by global teams.

- **Faster delivery time**
  Offshoring can lead to more rapid time to value for products and services, leveraging time zone differences, continuous development cycles, and faster project delivery.

- **Scalability**
  These teams can quickly scale up or down based on project requirements without requiring extensive recruitment processes or infrastructure investments.

- **Knowledge transfer**
  Offshore teams are familiar with changing demands of quick deployment — from identifying needs to mobilization. Their robust yet flexible processes allow them to scale resources even when there is a high turnover of team members.

- **Focus on core competencies**
  While outsourcing non-core development tasks to offshore teams, their leaders can focus their resources and attention on core competencies.

- **Access to emerging technologies**
  The offshore teams are experts in emerging technologies and trends.

- **Reduced time-to-hire**
  With well-established recruitment processes and access to a large talent pool, offshore software development providers can significantly reduce the time-to-hire for new team members compared to in-house hiring.

- **Risk mitigation**
  Offshoring software development can help mitigate risks associated with talent shortages, project delays, or unexpected resource constraints. By diversifying their development resources across different locations, organizations can minimize the impact of potential risks.
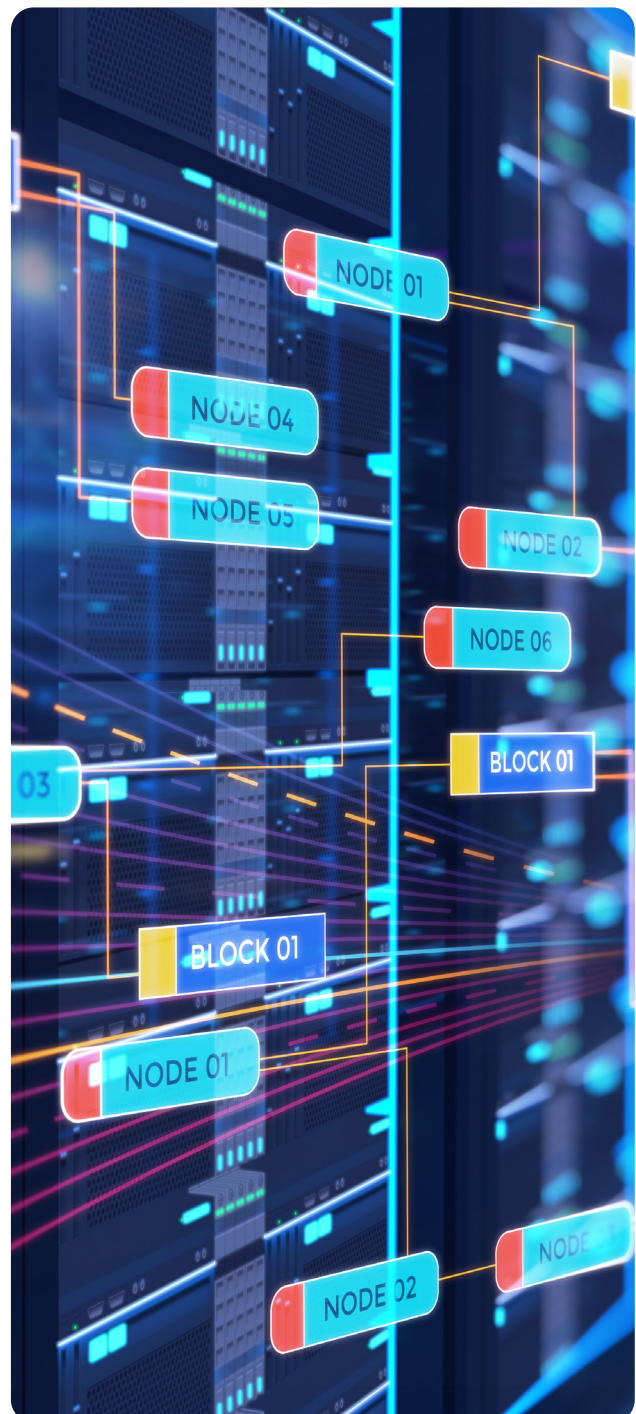
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A nifty three-step due diligence guide

When it comes to assessing global delivery partners, setting expectations is critical. Our experts have outlined three key steps to help organizations with their due diligence when considering a global delivery model:

Step 1: Take an evidence-based approach to reaching a decision on whether you should deliver a service, or part of a service through a global delivery model. Establish clear communication channels and processes. Consider this:

- Understand the primary reasons for the transition, such as cost savings, access to specialized skills or improved service delivery.

- Based on this strategic analysis, identify the strategic, operational and financial evaluation criteria.

- Ensure the data and evidence needed to for the specification design and evaluation criteria is available.

- Establish the whole life costs of delivering the service.

- Allocate suitably experienced and skilled staff to build the business case and evaluate suitable partners.

Step 2: Determine whether your current infrastructure and processes can support a global delivery model and evaluate the technical capabilities of potential partners and their ability to complement or integrate with your existing systems. Here's how to do this:

- Understand the various regulations such as data protection and privacy laws that govern your business. Discuss how to be compliant with these.

- Explain and establish the legal implications of operating across different jurisdictions.

- Agree on the tools and processes that will be used to facilitate effective communication and collaboration.

- And how you and your partners will maintain consistent quality standards across all locations and the term of the contract.

- Discuss how you will identify and mitigate the potential risks associated with global delivery now and through the contract.

Step 3: Create a detailed plan outlining the steps needed to transition to a global delivery model, including timelines, resource allocation, and risk management strategies, and ensure that all stakeholders are on board and understand their roles in the implementation process. This involves several key components:

- Define the objectives and scope of the transition, including the specific goals to be achieved.

- Create a detailed timetable that includes key milestones and deadlines for the transition (planning, implementation, review and optimisation).

- Judiciously allocate necessary resources, including personnel, technology and budget.

- Draft a strategy to manage and mitigate potential risks associated with the transition, including contingency planning for any unforeseen issues.

- Your communication plan must keep all stakeholders informed and engaged, including training and support and feedback mechanisms.

The following section provides a helpful summary of many of the key considerations you should be taking into account when developing and implementing a global delivery model.

In a nutshell: A business case analysis of global delivery options[1]

Strengths

- **Cost advantages** through the creation of economies of scale including a reduction or stabilization of overhead costs

- **Access** to the unique expertise, in-demand skills and innovation capabilities

- Ability to rapidly adjust the scale and **scope of skills** and capabilities in response to changing demands

- Greater depth, quality and sophisticated **knowledge** in specialized areas

Opportunities

- **Objective view of costs** and calculation of expected benefits, going beyond cost savings alone such as business agility and increased resilience

- **Faster deployment,** optimal use of new technologies and an ability to leverage external programmes of investment

- **Feedback systems** that share knowledge of what works and innovation in both directions

Weaknesses

- **Loss of critical skills** or **overdependence** on an external organization for carrying out important functions

- A **changing organizational structure** that may lead to redundancies and layoffs

- **Decreased motivation** of the workforce and increasing turnover of staff

- **Poor service quality,** often associated with a lack of cultural fit or loss of control

- **Difficulties in securing visas,** particularly associated with landed resources

- **Security and confidentiality** of private, sensitive and mission critical data

Threats

- **Overreliance** on and the rigidity of contracts, leading to less than stellar performance from an innovation standpoint

- A more **challenging macro-economic environment** and **global political instability**

- Lack of evidence of return on investment, with value closely linked to transformation and productivity improvements, leading to **incorrect focus on immediate cost savings** rather than whole-life costs

- **Less transformative market opportunities** and the narrowing of opportunities into lower value activities

- **Less emphasis on vital sources of domain knowledge and industry credibility** such as ecosystems and partnering networks

Driving change in the public sector with global delivery models

In the public sector, there are only select services that are suitable for offshoring. Government organizations can use the three-step guide to due diligence outlined in the previous section to establish the activities and risks eligible for this task. Activities where proximity is crucially important, services for which the value of the activity far outweighs the cost, and activities that form a sustainable centre of expertise may be ruled out.

However, successful offshoring depends on striking the right balance between strategy, skills, processes, management and governance. Skills are also needed to support technical design, project management, supplier management, data protection and transition management functions in the pre-offshoring phase of a project. Quality processes and governance ensure any globally distributed delivery of services achieves and retains a high level of compliance with recognized standards.

At Eviden, our comprehensive **advisory services offering** includes the global delivery of IT and business services. From seamless successes and an always-on approach to compliance and security, our team's deep subject matter expertise is reflected in the variety of projects we have delivered in across the public sector.

Our integrated approach paves the way for development, operating model design, business case negotiation, transition management and program governance. In addition to this, our IP assets and proprietary tools accelerate project go-to-market, reduce risks and add significant value to the processes we deliver. From seamless successes and an always-on approach to compliance and security, our team's deep subject matter expertise across the public sector is reflected in the variety of projects we have delivered in this sector.

Eviden's global delivery model has been successfully deployed in developing and testing software for HM Revenue and Customers, the Department for Environment, Food and Rural Affairs (Defra) and the Department for Education (through the Student Loans Company) across the UK.

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