

Decoding Managed Services for Staffing Providers: Navigating the IT Services (ITS) Landscape

March 2023 : Complimentary Abstract / Table of Contents



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Tracking: providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

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Introduction

Staffing firms have been key partners for enterprises in sourcing a contingent workforce. The pandemic has pushed the world into an era of **digital for survival**, which has led to the accelerated adoption of next-generation technologies. The huge demand for talent with next-generation skills and the **shortened half-life** of these skills has increased the demand for a contingent workforce. Amid recessionary warnings and enterprise cost-cutting measures, the demand for contingent staffing has taken a downturn, which underscores the issue of cyclical demand in the contingent staffing industry. Apart from this, the staffing industry is facing disruption from the wider adoption of alternate sourcing channels, heightened competition, and increased investment in learning and development initiatives to augment in-house talent. Staffing firms have started building the capability to undertake managed services engagement to attain sustainable growth.

In this report, we will explore the opportunities available in the managed services market across the IT services area such as application services, cloud, and infrastructure services, data and analytics services, digital Interactive services, and exponential technology services for staffing firms. Staffing firms can leverage this report to set their investment priority and build a high-level understanding of skill taxonomy and relevant roles across the service area.

In this research, we focus on:

- Foundational elements of the managed services model
- IT services landscape
- Market trends, growth drivers, and emerging themes
- Key roles and skills across IT services areas
- Examining the opportunities for staffing providers within each business process services area

Scope of this report



Geography
Global



Industry
Information technology
Services

Overview and abbreviated summary of key messages

In this report, we explore the opportunities for staffing providers across IT services practice lines. We conduct an in-depth analysis of the current state of adoption and key considerations for staffing providers within each service area. Additionally, we provide a framework for staffing providers to prioritize the most suitable business process service area.

Some of the findings in this report, among others, are:

Staffing providers repositioning through organic and inorganic investments

- Staffing providers are repositioning themselves as managed services providers either by leveraging their existing brand or by establishing a new specialist brand that focuses on managed services
- These providers are also making inorganic investments by acquiring managed services organizations to achieve rapid growth of their capabilities, client base, and brand value

IT service landscape

- Global IT services have experienced significant growth in recent years, which is largely attributed to enterprises embracing digital transformation strategies aimed at enhancing customer experience, streamlining processes, cost optimization, and fostering sustainable business growth through innovation

Current adoption level of managed services among staffing firms

- Few staffing firms have started offering traditional IT implementation services along with consulting focused services such as : strategic assessments and roadmaps, platform evaluation, identification of new business value streams across practice lines

Growth drivers for IT service areas

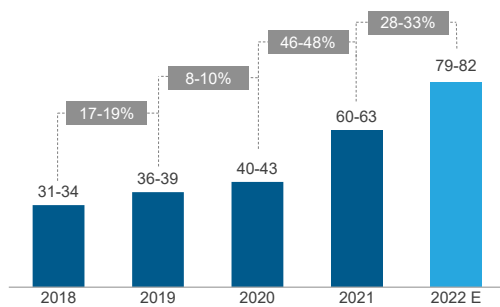
- Low - code application development remains a super bullish trend in shaping the future of software development
- Cloud services experienced high demand as businesses have begun moving beyond lift and shift to the adoption of PaaS, containers, and serverless for deriving business value beyond cost benefits
- Significant demand growth for MLOps as enterprises increasingly focus on scaling AI initiatives
- Adoption for automation tools that integrate CRM systems and demand for a seamless omnichannel experience is growing to drive personalized user experience for the end customer
- Enterprises have increased the adoption of Digital twin to reduce time, enhance product tracking and tracing, and better monitor the state of their assets

This study explores the opportunities for staffing providers to enter the managed services market across the IT Services (ITS) landscape; below are four charts to illustrate the depth of the report

Enterprise demand for managed services model

Services procurement spend managed by CWM providers
US\$ billion

Preliminary estimates

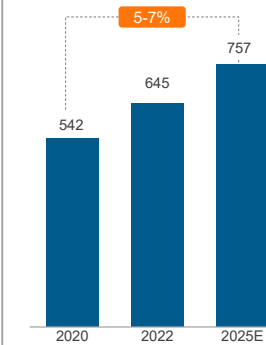


- The adoption of managed services has increased over the years, and it is evident by the Statement of Work (SoW) spend managed by the CWM/MSP providers
- The year 2020-21 recorded a growth of 46-48% and the year 2021-22 followed a strong growth pattern indicating significant demand from enterprises. Post slowdown in 2020 due to the pandemic, services procurement spend managed by CWM providers bounced back stronger and better than the pre-pandemic levels in 2021
- There is an increase in the adoption of flexible and innovative contingent options as enterprises look beyond traditional options, and hence managed services model is emerging as a frontrunner
- While the US is the major contributor to managed services, the UK and the Rest of Europe have also seen explosive growth as regulations such as IR35 are driving increased leverage of managed services to minimize risk

Market overview and emerging themes of each IT services market

Global IT services market
2020 - 2025(E); US\$ billion

XX% CAGR



The pandemic has accelerated digital transformation across industries, with enterprises shifting gears to get on the digital transformation bandwagon to build operational efficiency and business resilience. Enterprises across industries are extensively investing in innovative, next-generation IT services to gain strategic advantage over their competitors:

- BFSI** firms have invested heavily in developing cyber resilience, fraud detection capabilities, and agile IT architectures to increase responsiveness, accelerate decision-making, and streamline their processes
- Electronic & hi-tech** enterprises are leveraging technology to strengthen R&D (design & testing) capability for autonomous processing and monitoring
- The **telecom, media, and entertainment** industry has seen investments to optimize network resources to rollout 5G offerings in the market, build next-generation zero-touch networks, and deliver personalized content to OTT subscribers
- Retail, distribution, and CPG** companies have invested in developing immersive omnichannel capabilities to deliver personalized experiences, improve inventory management, and streamline order management
- The **manufacturing** industry has seen investments to drive sustainability, remote asset management, and streamlining and optimizing processes to enhance efficiency
- Energy and utility** firms' investments were directed to improve operational efficiencies, enhance end-to-end production visibility, scale their operations, and transform their workplace services
- The **healthcare and life sciences** industry have seen the investments to enable real-time analytics, predict and reduce unplanned hospitalization, and drive R&D capability (drug discovery and optimization speed and data accuracy in clinical trials)

The IT services market has registered high growth over the past few years and is expected to be stay resilient in spite of the economic headwinds.

Opportunities within each IT services area

Current talent demand and adoption

- Huge demand-supply gap for creative content and design services; also compensations of talent tend to be on the higher side
- Staffing providers offerings are limited to services such as customer and employee experience strategy and website and product design

Key opportunities

- The digital interactive services market is a rapidly growing and dynamic space driven by the rise in demand to orchestrate personalized experiences with touchless experience, data-powered experiences, and emerging technology (such as AR/VR)
- Enterprises are looking for partners with verticalized and productized offerings to drive user experiences
- Staffing firms can leverage their access to talent across a wide range of geographies and establish themselves as geo-specific providers

Key considerations

- Staffing providers need to invest heavily in building accelerators (IP, tools, and frameworks) to develop a point of view and rapid prototyping
- Staffing providers need to build a heterogeneous mix of talent with industrial and technical expertise and should be cognizant of the ever-evolving data privacy regulations
- The market is highly competitive with GICs, and niche and regional providers that have developed the capabilities to provide personalized, scalable, and sustainable experiences

Top areas to target

- Real-time personalization at scale
- Immersive experiences and design
- Shoppable experiences
- Privacy first experiences

Key providers



Niche/Specialized providers



Staffing firms should start by targeting the top areas, and consider positioning themselves as the regional providers with highly verticalized and productized offerings.

Everest Group's three step framework to prioritize most suitable ITS area

It is essential to analyze, assess, and prioritize the most suited service area to invest as the market opportunities and capabilities required within each service area in ITS are different from one another.



Activity

Analyze the current capabilities to execute managed services model such as talent access and digital capabilities. Evaluate and formulate strategic objectives of the firm for the future

Assess the market attractiveness of different ITS areas by various parameters such as addressable market size, competitiveness, and small to medium market growth

Map the individual capabilities and strategic objectives versus the market attractiveness on the prioritization matrix

Output

Identification of current capabilities and objectives

Identification of market attractiveness of each ITS service area

Identification of most suitable service area

Research calendar

Technology skills and talent

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
The War for Talent in Data, Analytics, and AI (DAAI) : Finding the Ideal Operating Model for Organization	Nov 2022
Impact Sourcing Specialist Profiles 2022	Jun 2022
The Growing Need for Inclusive Talent Models: Learning from Impact Sourcing Specialists	May 2022
Technology Skills and Talent: Reimagining Talent Acquisition and Management with Technology Platforms	Mar 2022
Decoding Managed Services for Staffing Providers: Navigating the IT Services (ITS) Landscape	March 2023
IT Talent Scramble: Trends to Watch out for in 2023	Q2 2023
IT Skills and Roles for the Future	Q2 2023
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Talent Readiness for Next-generation IT Services PEAK Matrix [®] Assessment 2023	Q3 2023
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Fixing the Talent Gap for Sustainability Services	Q3 2023
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