

# Decoding Managed Services for Staffing Providers: Navigating the Business Process Services (BPS) Landscape

March 2023: Complimentary Abstract / Table of Contents



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- ▶ Service Optimization Technologies
- ▶ Software Product Engineering Services
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For more information on this and other research published by Everest Group, please contact us:

**Priyanka Mitra**, Vice President

**Varun Malik**, Practice Director

**Dileep Amanchi**, Senior Analyst

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## Introduction

The contingent staffing industry has conventionally leveraged the staff augmentation model over the years. In the staff augmentation model, the staffing providers source for talent required for the clients and manage that talent. However, in recent years, staffing providers have shown interest in managing the outcome and output of the projects rather than just providing talent, i.e., the staffing providers are pivoting toward the managed services construct from the traditional staff augmentation model. The pivot is due to various benefits of the managed services model for the staffing firms and continuous enterprise demand. The demand and adoption of managed services by enterprises have both increased significantly over the years and this 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% in SoW spend indicating a strong demand.

This report explores the opportunities for staffing providers to enter the managed services market across the Business Process Services (BPS) landscape. Within BPS, we analyze –

- Horizontal business process service areas: Customer Experience Management (CXM), Finance and Accounting Outsourcing (FAO), Human Resource Outsourcing (HRO), marketing services, and trust and safety services
- Vertical business process service areas: Banking and Financial Services (BFS), insurance, healthcare, and life sciences

In this research, we focus on:

- Introduction to managed services model
- Business Process Services (BPS) landscape
- Market overview and emerging themes of the overall BPS market and respective horizontal and vertical BPS markets
- Examining the opportunities and considerations for staffing providers within each horizontal and vertical business process services area
- Everest Group's three-step framework to prioritize the most suitable business process services area for staffing providers

### Scope of this report



**Geography**  
Global



**Services**  
Business Process  
Services (BPS)

## Overview and abbreviated summary of key messages

In this report, we explore the opportunities for staffing providers across both horizontal and vertical business process services. 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

### Growth drivers for horizontal business process service areas

- Need for superior customer experience along with cost and process efficiencies driving adoption of new-generation solutions such as intelligent process automation
- Emergence of offerings around new themes such as ESG investing, climate accounting, and Metaverse
- Switch to digital marketing creating downstream demand for data, analytics, and operations management
- Demand from small to medium business and mid-market segments, especially in regions such as Asia Pacific

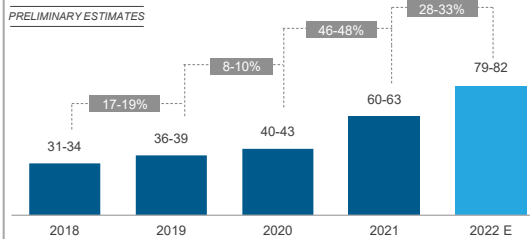
### Growth drivers for vertical business process service areas

- Increased level of outsourcing from neo banks / FinTechs, primarily around customer experience and automation services
- Emergence of Decentralized Finance (DeFi) for enabling customer and payment verifications
- Evolving regulatory landscape in the healthcare sector – EU MDR/IVDR regulations, No Surprises Act, and other regulatory changes should boost outsourcing in the near-term
- Increased demand for specialized resources in medical coding, regulatory affairs, and clinical trials

# This study explores the opportunities for staffing providers to enter the managed services market across the Business Process Services (BPS) 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



### Growth drivers enabling enterprise demand for managed services model

- Skill shortage
- Increased focus on risk management
- Increased focus on work (as against talent channels)
- Openness to plug and play / turnkey solutions
- Increased demand for midsize projects from small and midsize enterprises

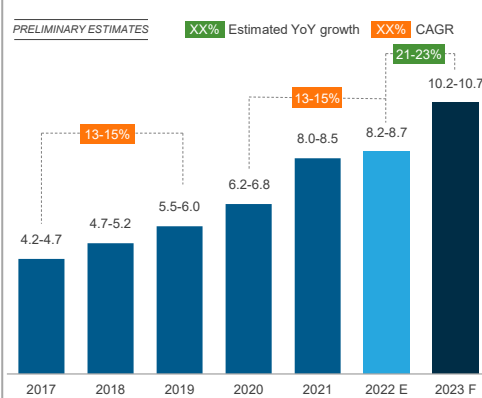
- The adoption of managed services has increased over the years, and it is evident by the Statement of Work (SoW) spend managed by the CWM/MSP providers
- The year 2020-21 recorded a growth of 46-48% and the year 2021-22 followed a strong growth pattern indicating significant demand from enterprises. 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

### Enterprises are increasingly adopting to managed services model to obtain various benefits

- Increase in spend savings
- Increased process accuracy and reduction in cycle time
- Better compliance
- Better alignment with business objectives
- Improved employee satisfaction

## Market overview and emerging themes of each horizontal and vertical BPS market

Outsourced marketing services market size and growth  
2017-23F; revenue in US\$ billion



- **Globalized operating model:** Motivated by efficiency and economic parameters, enterprises are looking for partners capable of delivering their unique needs while staying cost-effective. This has driven providers to adopt a blended delivery model that leverages cost & productivity advantages while enabling a rapid scale-up of new capabilities. It has also led to the exploration of new nearshore/offshore delivery locations. While India continues to lead in terms of overall headcount, many emerging nearshore and offshore locations are gaining traction
- **Rapid adoption of automation and AI:** Automation in marketing has seen interest from providers and enterprises in areas such as real-time, actionable insights, personalized customer interactions, frictionless customer journeys, cost-efficiencies, and faster turnaround time. AI is leveraged in use cases such as AI content creation engine, hyperlocal geotargeting, contextual advertising in a cookie-less world, and AI influencers
- **Rapidly evolving customer preferences:** Customer expectations have evolved drastically over the last few years. They expect seamless and frictionless multichannel experiences while making sure that brands adhere to their personal stance on ESG, privacy, etc. Purchase patterns have also seen massive fluctuations, with deferred purchases making way for revenge spending. Customers now use their last best experience as a baseline for their next experience, a behavior expected to continue in the future
- **Growth of customer and marketing support talent:** Rapidly evolving customer preferences and the rising focus on customer retention across digital platforms is driving the growth of customer processes. Marketing support functions are seeing strong growth, backed by a strong demand for executing loyalty programs
- **Growth of midsize market:** While all three segments have seen steady growth, midsize buyers have grown the fastest, driven by the rapid growth of digital-first media and tech companies that are now rapidly outsourcing operational tasks

Key providers: **accenture** **cognizant** **IBM** **Infosys** **MERKLE** **PUBLICIS GROUPE** **WUNDERMAN THOMPSON**

## Opportunities within each horizontal and vertical BPS market



### Current talent demand and adoption

- **Talent supply-demand:** There is a talent shortage in FAO services due to high attrition rates. However, macroeconomic conditions such as impending recession will reduce this talent demand
- **Sourcing experience of staffing providers:** Staffing providers have vast experience in sourcing for finance and accounting roles and have been engaging with enterprises and FAO service providers to source talent
- **Managed services adoption:** They are currently limited to providing talent with limited instances of FAO-managed services deals



### Key opportunities

- **Market**
  - The small-medium market segment is growing rapidly, and small-medium buyers are more open to newer providers. Staffing providers can capitalize on these opportunities by targeting the small-medium segment buyers
  - Some of the deals in FAO services are headcount (number of employees in the project) based. Within these headcount deals, the number of employees is as low as 10-20. To enter the market, staffing providers can target these 10-20 headcount deals as they are operationally more feasible
- **Services** The staffing providers can target transaction-intensive services such as accounts payable, accounts receivable, and general accounting as these services are slightly more open to the newer providers



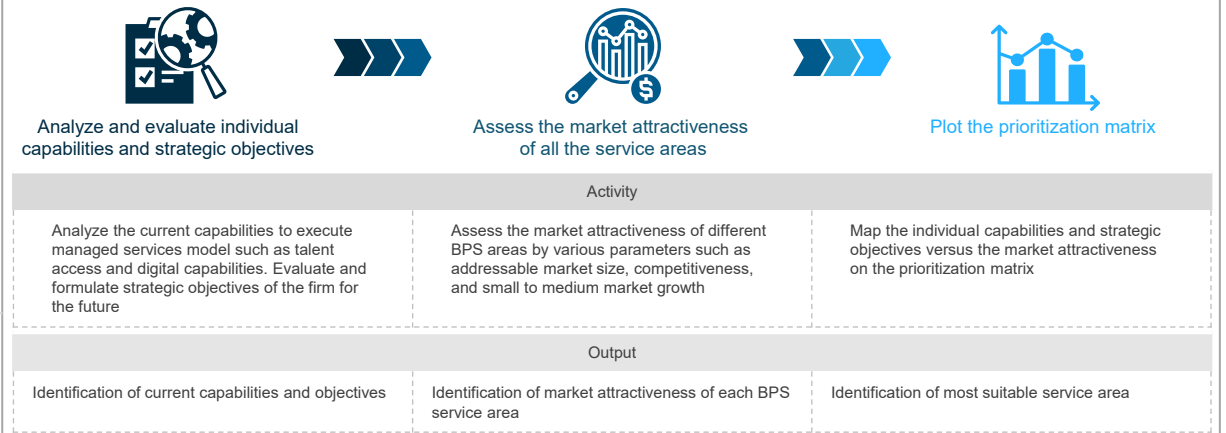
### Key considerations

- **Specialized talent:** The provider needs to build a techno-functional team with talent specialized in tech and finance
- **Robust governance:** Given the sensitivity of the information and transactions, staffing providers should invest in having robust governance mechanisms and centralized delivery operations centers
- **Competition:** The market is intensely competitive with IT-BPO and BPO providers
- **Technology:** The staffing providers need to invest heavily in technology as many FAO services are tech-infused and automated

Digital capabilities required	
Automation	Artificial Intelligence
Interactive	Process mining

By investing heavily in digital assets and focusing on providing transaction-intensive services to the growing small-medium segment, the staffing providers can enter the FAO services market, although with a minimal market impact.

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





# Research calendar

## Contingent Staffing

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
Disruption in IT Staffing	May 2021
US Contingent Workforce (Staffing) Provider PEAK Matrix® Assessment 2021 – Going Beyond Scale	June 2021
US IT Contingent Workforce (Staffing) Provider PEAK Matrix® Assessment 2021 – Going Beyond Scale	September 2021
Contingent Workforce (Staffing) State of the Market Report 2022: Disrupt or Get Disrupted	November 2021
Positioning for Success: Pivot toward Managed Services Engagements	July 2022
US Contingent Staffing Services PEAK Matrix® Assessment 2022	July 2022
UK Contingent Staffing Services PEAK Matrix® Assessment 2023	November 2022
Contingent Staffing Services State of the Market 2023	November 2022
Digital-led Staffing – An Overview Of Digital Platforms and Tools to Source and Retain Contingent Talent	March 2023
<b>Decoding Managed Services for Staffing Providers: Navigating the Business Process Services (BPS) Landscape</b>	<b>March 2023</b>
Decoding Managed Services for Staffing Providers: Navigating the IT Services Landscape	Q1 2023
Non-linear Career Pathways To Build Tomorrow's Workforce	Q2 2023
US Contingent Staffing Provider PEAK Matrix® Assessment 2023	Q3 2023
US Contingent Staffing Provider Compendium 2023	Q3 2023
UK Contingent Staffing Provider PEAK Matrix® Assessment 2023	Q4 2023

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## Stay connected

**Dallas (Headquarters)**  
info@everestgrp.com  
+1-214-451-3000

**Bangalore**  
india@everestgrp.com  
+91-80-61463500

**Delhi**  
india@everestgrp.com  
+91-124-496-1000

**London**  
unitedkingdom@everestgrp.com  
+44-207-129-1318

**Toronto**  
canada@everestgrp.com  
+1-647-557-3475

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