

theoutsourcinginstitute
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Presents:

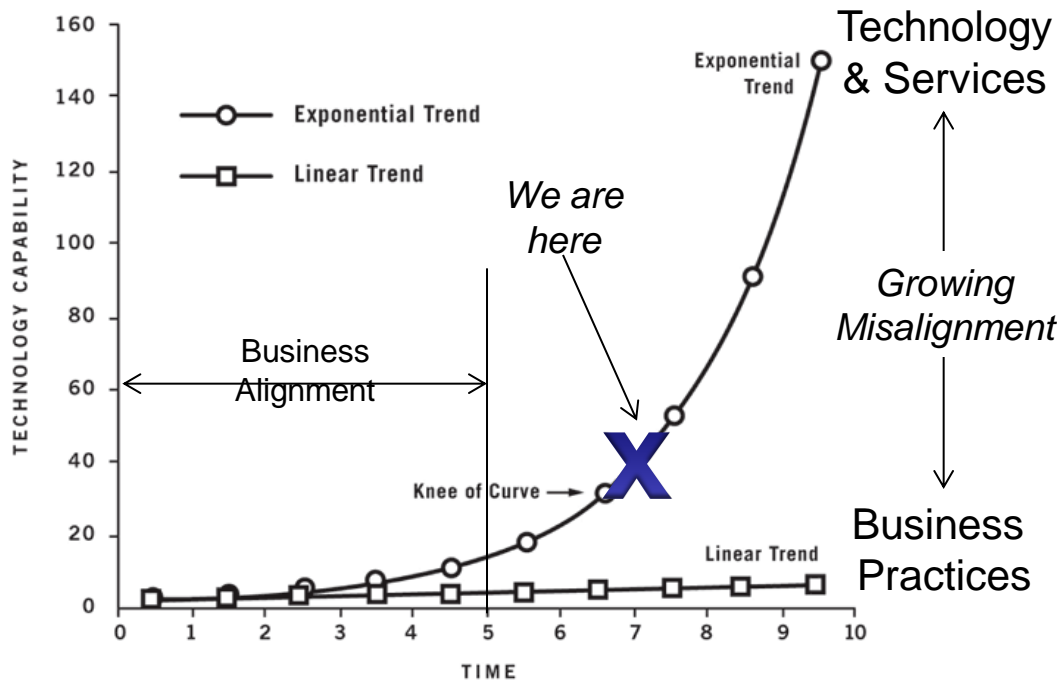
Twice the Output
for
Half the Price

Thomas Young

Pace of Change > Pace of Learning

The pace of change in today's market is exceeding our collective pace of learning. Services and pricing are changing, but our commercial models were not designed for this new world.

LINER VS. EXPONENTIAL GROWTH



Linear vs. Exponential: Linear growth is steady; exponential growth becomes explosive

Market Disconnects

Where is the misalignment?

Pricing

•Pricing vectors for services are dramatically dropping as Service Providers begin to implement

- Labor Automation
- Big Data and Analytics
- Software Tools & Platforms

Innovation

•Normal commercial relationships (i.e., contracts) limit innovation by eliminating or severely restricting:

- Transparency
- Risk Taking
- Shared Failure
- Shared Reward

Commercial Constructs

•1,000 page contracts with prescriptive SOW's, SLA's, and pricing does not work well in a dynamic and sometime ambiguous market.

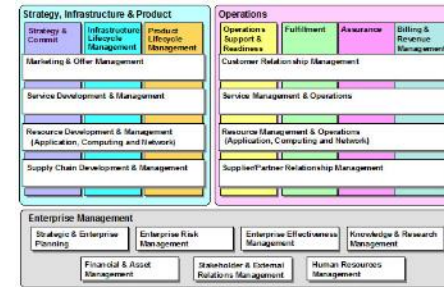
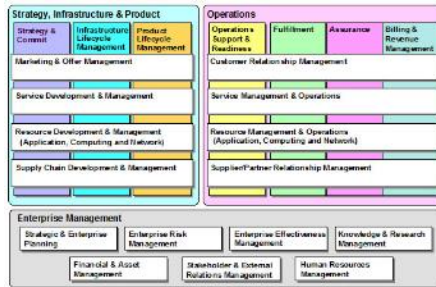
•More collaborative and dynamic approaches are required.

Polar Shift in the Relation of Technology & Labor

Today

Tomorrow

Business Process



Business Process

People



Polar Shift

Old: Technology Supports Labor
New: Labor Supports Technology

Cognitive

Big Data
&
Analytics

Moore's Law

Technology



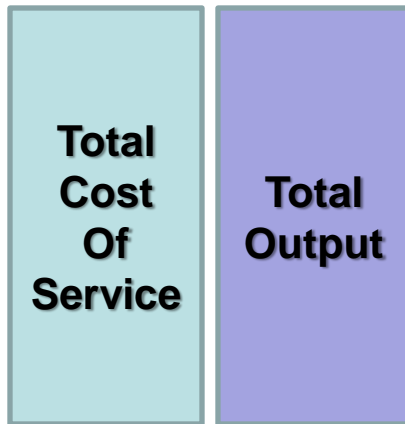
Technology



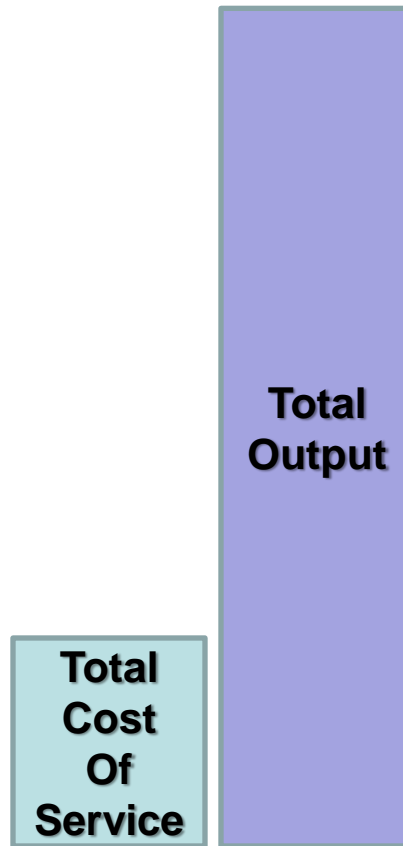
People



2x the Output – ½ the Price



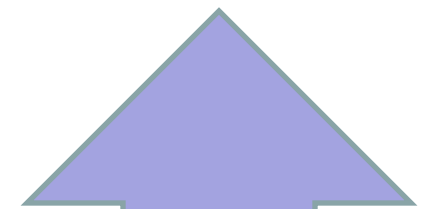
*Traditional
Labor Based Model*



*Autonomic
Based Model*

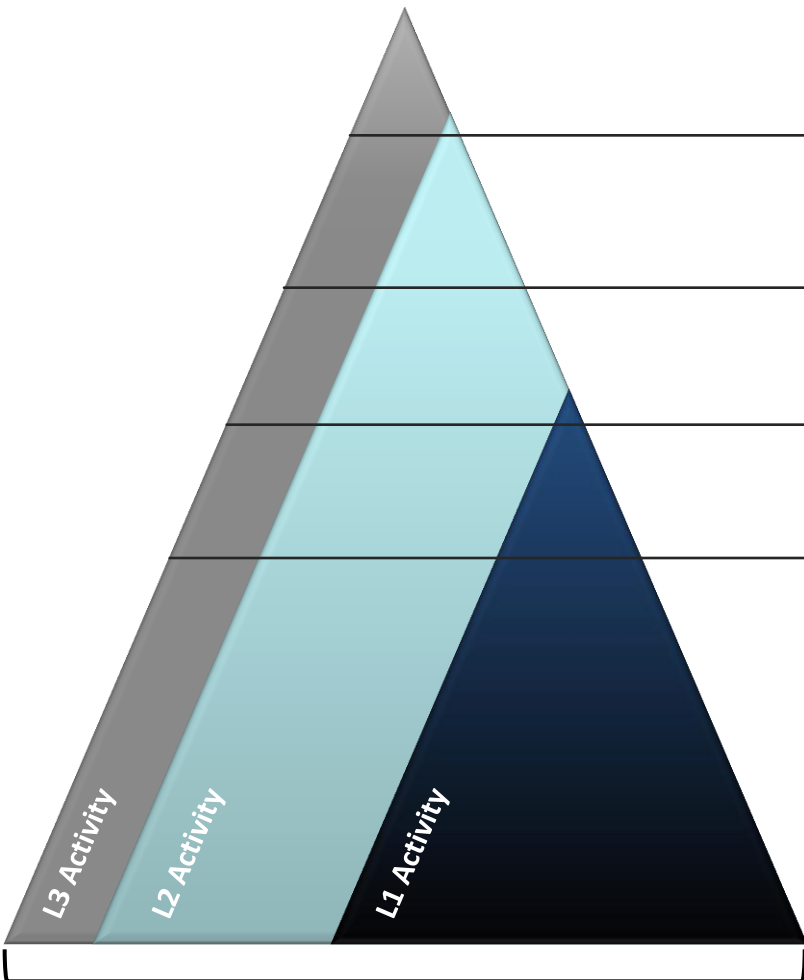


*Cognitive
Based Model*



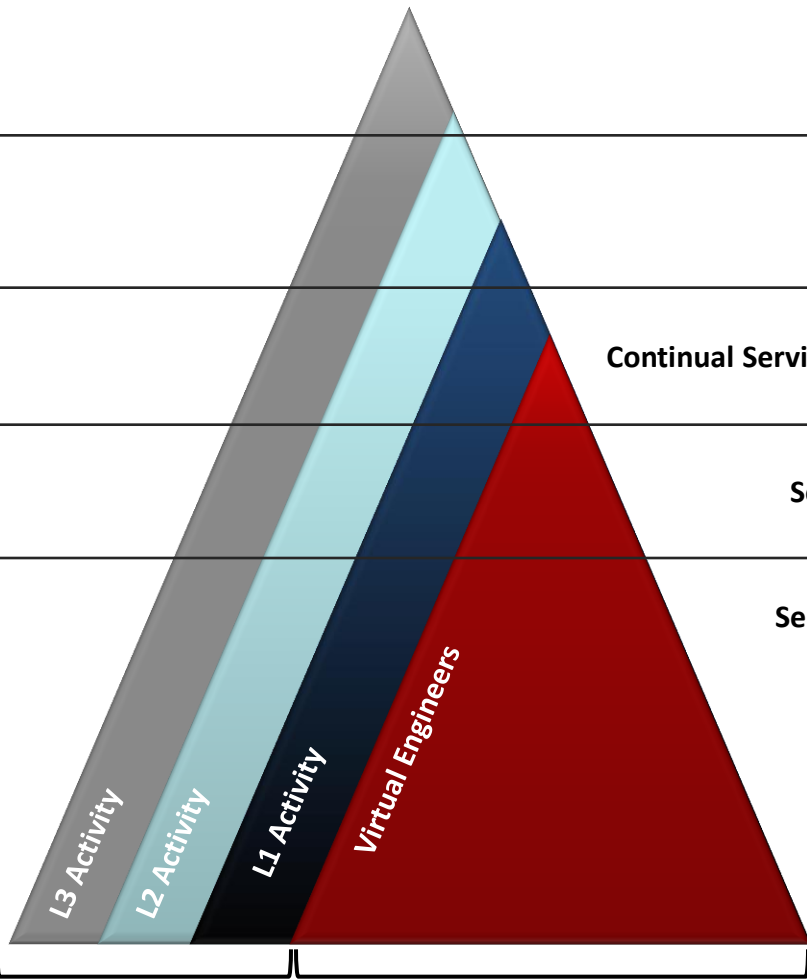
Outcomes – reduction in manual effort

Current Industry Support Stack



Operations Activity by Tier

Future State Support Stack



Manual Operations

Automated Operations

Service Strategy

Service Design

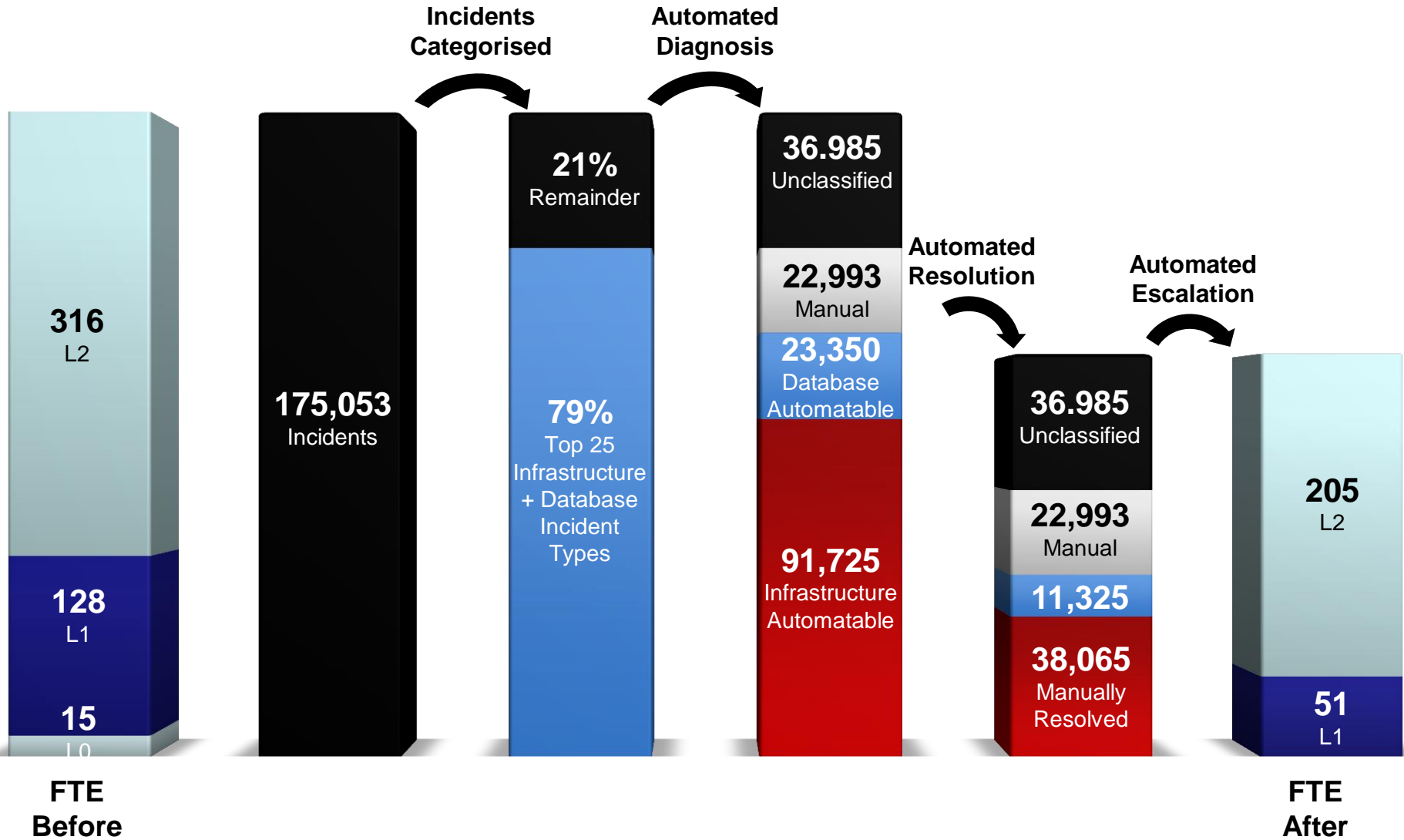
Continual Service Improvement

Service Transition

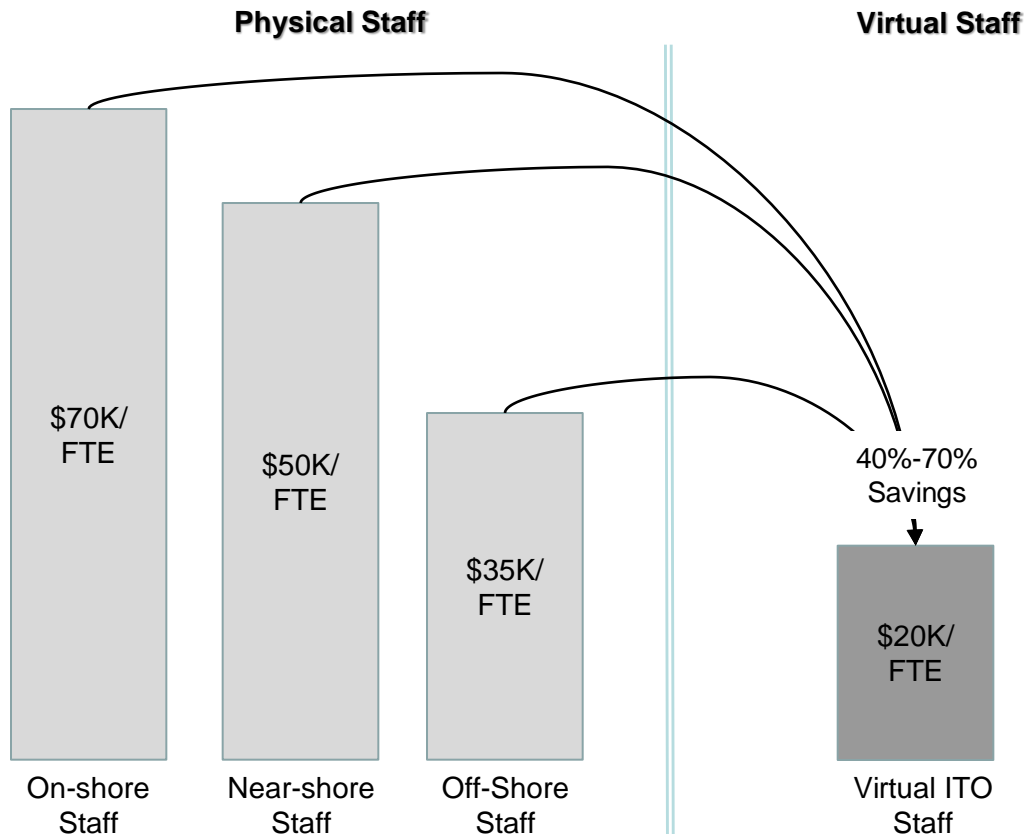
Service Operations

Savings example: Global Financial Institution

Impact (current to future ops)



Micro-Economics of Autonomics



Fine Print

Is this too good to be true?

Physical Staff

- Typically, the work that can be moved to a virtual environment is done by staff in the L0/L1/L2 engineers:
 - L0 – 95%
 - L1 – 65%
 - L2 – 35%

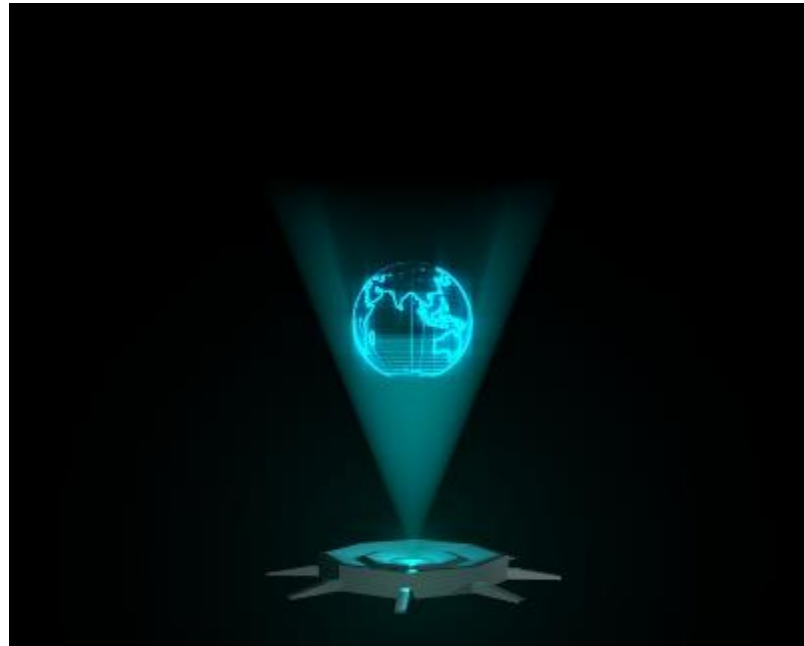
Virtual Staff

- The virtual staff will outperform every human based worker on multiple dimensions: cost, defect rate, efficiency
- The virtual staff has no labor churn or resulting knowledge transfer.
- Every action on every activity is logged and stored for review.
 - Important for audit and regulatory compliance
 - Valuable for performing service delivery analytics

Commercials

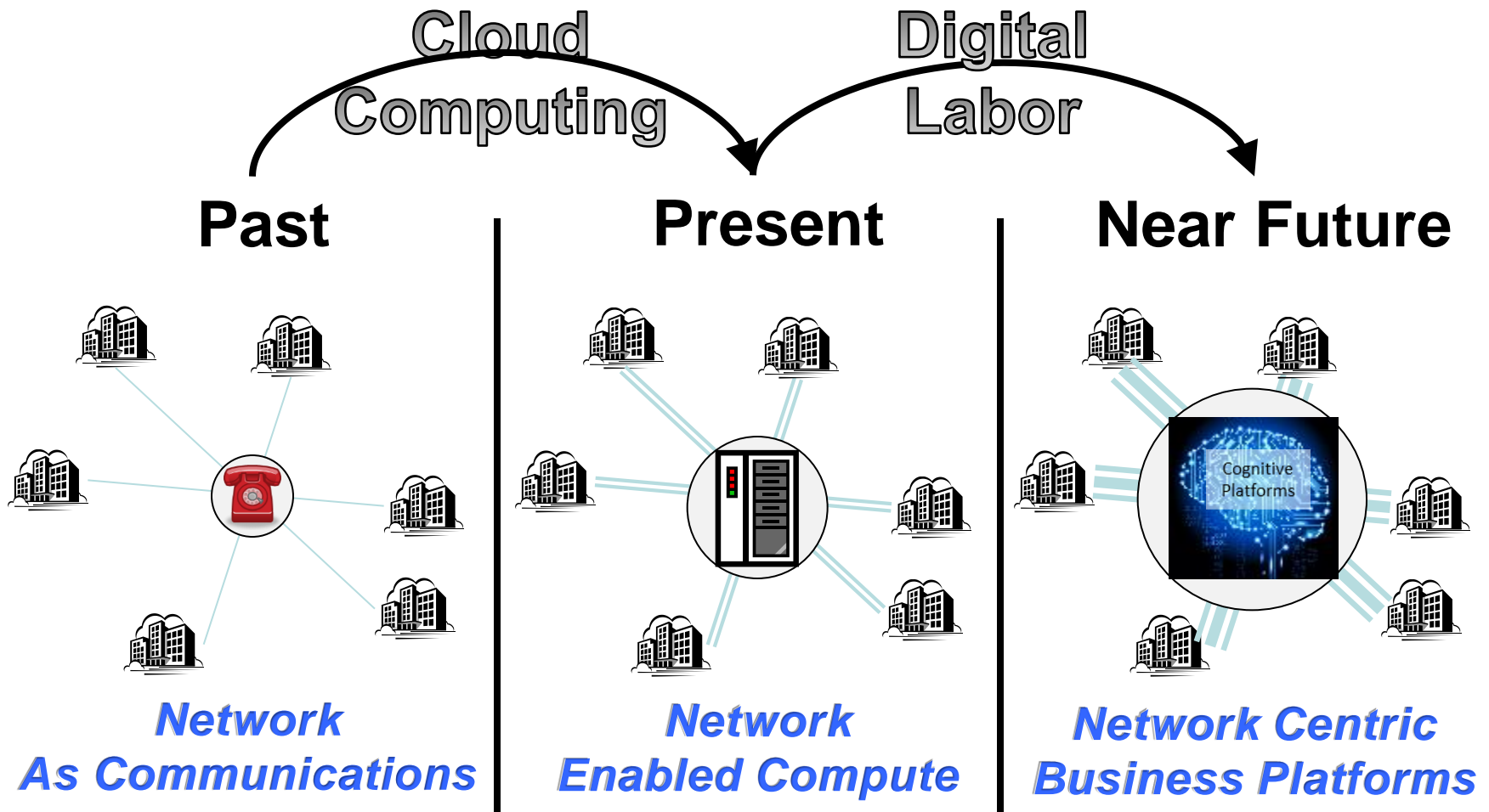
- Micro-economics of Autonomics are extremely compelling.
- The cost of setting up the platform to execute this transfer of work from the physical worker to the virtual worker varies depending on size and scope.
 - In 95% of cases, the ROI is < 1 year for the one-time costs.

Physicality → Virtuality



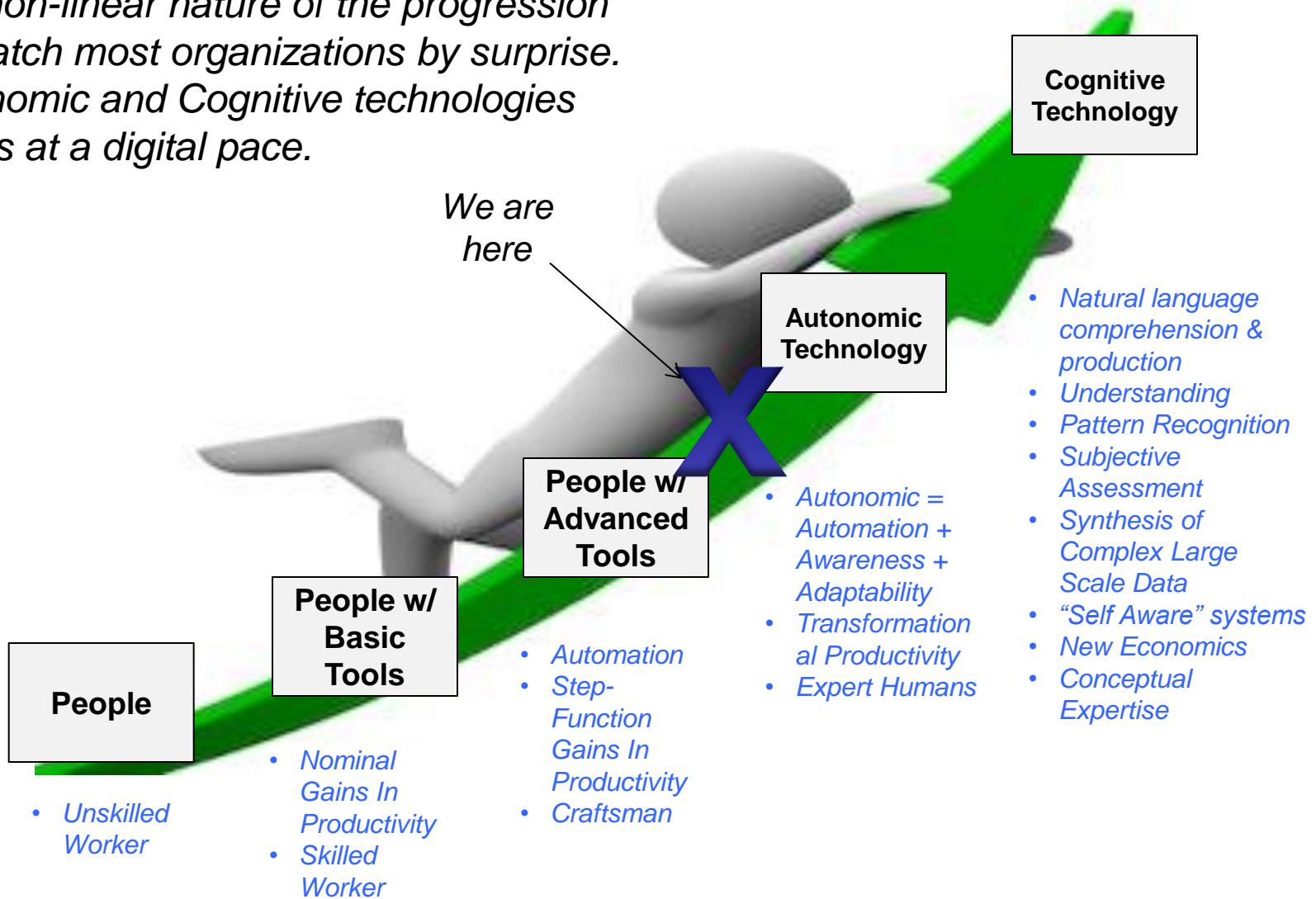
Network Centric Service Delivery Evolution

The role of the network will have increasingly central role in the delivery of business platforms and service delivery. Cloud Computing – Phase 1. Digital Labor – Phase 2.

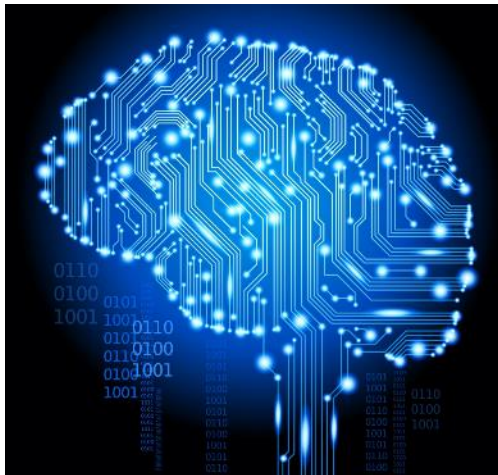


Labor Technology Trend

The non-linear nature of the progression will catch most organizations by surprise. Autonomic and Cognitive technologies scales at a digital pace.



Cognitive Technologies: Sci-Fi Meets Reality



- **Language comprehension**
 - Nuance Technologies
- **Language production**
 - Narrative Science – news articles written by bots
- **Understanding**
 - IPsoft’s Amelia – avatar with a neural processor capable of dynamic process grafting
- **Pattern Recognition**
 - Opera Solutions – signal to noise data parsing
 - Google Brain
- **Subjective Assessment**
 - IBM Watson
- **Synthesis of Complex or Large Scale Data**
 - Google Car
- **Self Aware Systems**
 - Kurzweil’s Singularity



Digital Labor: Waves of Value

The **primary** impacts of labor automation in the business case are obvious: lower cost, shorter cycle times, improved quality, etc.

The **secondary and tertiary** waves, enabled from Service Delivery Telemetry, are less obvious, but can dwarf the primary impacts.

