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## Introduction

Many developing economies have their backbone supported by an industry called 'Outsourcing'. But who would have imagined the biggest nightmare would shape up in the form of spiked Covid-19 microorganism and its acts would haunt the dreams of many working in this industry. The wave of flu will be soon flattened with careful measures taken by the world leaders. But the question here is, will the outsourcing industry survive post Covid? This Ossisto Whitepaper will give you insights on what can be expected based on various suggestions and expert studies.

Someone has rightly said, "Those who do not learn history is doomed to repeat it." True that. It is wise to check what happened to the outsourcing industry during the past recession times in the history. The impact of an economic slowdown has definitely given the subject matter experts in this industry to review and revise its old way of operating. So, to determine what an outsourcing

business can expect post Covid period, a careful dissection of economic policies and conditions should also be done. With a hope to understand the Covid consequences better, Ossisto professionals have stitched together various facts, reasoning, studies and reports together. Have a meaningful read.

### **Covid-19 Pandemic**

The 2019–20 Coronavirus pandemic is an ongoing pandemic of Coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome Coronavirus 2 (SARS-CoV-2). The outbreak was identified in Wuhan, China, in December 2019, declared to be a Public Health Emergency of International Concern on 30 January 2020, and recognized as a pandemic by the World Health Organization on 11 March 2020. As of 17 April 2020, more than 2.16 million cases of COVID-19 have been reported in 210 countries and territories, resulting in more than 145,000 deaths. More than 550,000 people have recovered, although there may be a possibility of relapse or re-infection. The deaths per diagnosed cases vary significantly between countries.

## The Impact of Economic Recession on Outsourcing Business



It is said that in 1981, the term 'outsourcing' was coined for the act of involving an external individual/team or a company in developing nation by big companies in developed nation as a strategy to have the less important tasks done cost effectively. Today, there are 4 major types of outsourcing – professional outsourcing, IT outsourcing, manufacturing outsourcing and project outsourcing. And from US alone, 300,000 jobs get outsourced every year. Perhaps, the US president Donald Trump's efforts to bring back the American jobs to its own people have affected bit on the overall numbers. In the past, political and economical policies revised by various countries have affected the outsourcing workflow. Adding to the chaos are factors such as W, V, L, U or Tick shaped recessions. Don't get worried about the terms, these economic concepts are not so complicated and these are just types of recessions.

The Cambridge dictionary defines recession as a period when the economy of a country is not successful and conditions for business are bad.' Economists' world over studies recessions carefully to model the resulting hit. Now coming back to the W, V, U, L and Tick shaped recessions, here is the simplest explanation.

## W Shaped Recession

W indicates a double dip recession. That is one recession after recovering from another. The last double recession the United States of America faced was in 1980s, so it hasn't affected outsourcing largely as it was just in the mushrooming stage.

However, many economists with one accord says post Covid-19, the world will be witnessing a double dip recession. In a detailed blog titled 'Prepare for a 2020 double dip depression' Jeremy Blum, a former credit manager of a mid-sized publicly traded bank explains thoroughly in accordance with the title. Though he is not an economist, some of his reasoning is worth giving attention to. Here is the gist:

With many countries declaring lockdowns, the global economy has entered into a recession phase. Once the restrictions and lockdowns are lifted, every business will be anxious and enthusiastic to make a comeback just to realize that the damage caused by Covid is irreparable. Hence, the world will experience a second dip. This is tricky, because during this brief period, investors might get tricked in getting back in too early.



## How W type recession might affect Outsourcing Industry?

Though many of us do not want to utter the 'R' word, clearly the economy is dipping. As far as outsourcing is concerned 2 things can happen. Either, there will be a great demand or a dip. \*\*these are clearly probabilities, chances and the speculations which might come true.

### Demand

Demand because businesses would want to look out for cost effective solutions and cut down on in-house resources in the second half of the year 2020. More companies will look out for experts who can complete tasks faster and gain a competitive cutting edge.

### Dip

The dip because chances are that many businesses would shut down. Statistics suggest in this direction. Vulnerable industries such as travel, tourism, hospitality and manufacturing are causing domino effects. The subject matter experts and freelancers in this field and outsourcing agencies dealing with these industry accounts are all in trouble.

## V Shaped Recession

In the early April 2020, business newspaper headlines were 'Economists give up hope for V-shaped recovery', 'Forget the V-shaped recovery', 'Hopes of a V-shaped recovery is failing', etc. What does it indicate? Is V-shaped recession, the one with the least impact? To be truth spoken, any recession is bad. 'V' indicates, a sharp deceleration in economic growth is followed by a sharp acceleration. An Economy can recover fast post a V shaped recession. To State an example, there is nothing else perfect than 1953 recession in the United States. If you look into the history, the US economy was booming in 1950s, but the Federal Reserve System miscalculated it to be inflation and raised the interest rates. This resulted in pushing the economy into a deep recession. The recession ended in May 1954, making it one of the shortest recessions. Macroeconomic policies embraced by the government helped in leveling the curve faster than expected.

Post Covid, can we expect 'V' shaped recession with a faster recovery rate? That is what the newspaper headlines indicated, 'Nope, we cannot'. The pandemic has

caused irreparable damages. A potential for quick comeback is not quite possible anytime soon and the experts are anticipating W shaped or L shaped recession, which lasts for years together. First, unlike any other reason, the trajectory of the recession is unpredictable because it is a disease. Second, no one knows when a vaccine will be successfully developed. Everything is bleak and unclear. Moreover, every calculation is dipping. Since the Wuhan lockdown in January, authorities recorded -18% changes in the MSCI World Index of Global Stocks and -1.022 changes in the US Treasury bond. The case is same in every part of the world.



## How V type recession might affect Outsourcing Industry?

Outsourcing is a parasitic business; it depends on other businesses to flourish. When the financial results of businesses see a clear decline; growth and stability can only be achieved though deciding on reducing the budget. However, businesses might not opt for outsourcing to any Asian countries anytime soon, thinking of the productivity rate. Covid has caused crack in all the 5 dimensions of the Globalization – Economics, Politics, Technology, Environment and Culture. The gap will exist for a long time to come.



## **Demand**

In case V type recovery is possible post Covid, outsourcing, businesses just have a short time to make the maximum revenue before the elevation. Virtual assistance agencies, outsourcing firms and freelancers should build trust in people, before the businesses find its grip again. Competence matters. Like in the 2008 recession, outsourcing can help those businesses looking for the cost-effective solution, if only they show some trust.

## **Dip**

First and foremost, no experts foresee a V shaped recovery. Businesses are all in a panicky mode, amid trying to secure the jobs of their in-house staffs and protecting its ongoing projects. Choosing to outsource will be the last thing on their list. As different economies function differently, trust factor is also compromised. A firm in the USA might show reluctance in outsourcing new projects to India or Philippines. Obviously, these are judgmental decisions.

## **U Shaped Recession**

Unfortunately, an economy facing a 'U' shaped recession will take a longer time to come out of the recession. Here, GDP might shrink for several quarters, before the economic revival. Immediately after the Spanish flu that ended in the year 1920, many economies faced a long dragging phase before the elevation. This is a true example of a 'U' shaped recession. The rise after a 'U' shaped decline is expected to be anywhere over a period of 12 to 24 months. Along with GDP, other metrics taken are employment and industrial output.

In the early stages of Coronavirus outbreak, many economists ignored the chances of a recession. Then they plotted a 'V' shaped recovery. Now that it has been many months of steady economic decline due to shutdowns and lockdowns in many parts of the world, some trajectory plotted by top economists indicates 'U' shaped recovery. With approximately 1.5 million confirmed Coronavirus cases and over 100,000 deaths as of April 2020 reports, a 'U' shaped recovery is anticipated.

## How U type recession might affect Outsourcing Industry?

In a U shaped recovery, the elevation will be slow. Outsourcing business that has right agents, talents and strategies, will be in great demand. However, this again will vary from industry to industry. Policies and restrictions would continue even after the outbreak ends.



### Demand

IT-BPO, especially sees a clear opportunity post Covid. Take the example of India. IT industry has proven to be the strongest pillar of its economic growth for 2 decades now. IT-BPOs have given the job and stability to thousands of youth since 1991 economic liberalization initiated by Prime Minister P. V. Narasimha

Rao. Now the situation is that many businesses want to cut down on IT spending, due to the dragging phase. However, agents are trying their maximum to help businesses have continuity by assisting from their homes. WFH is the new work mode in the whole of India. Regular meetings, agent-client conversations, productivity checks are all happening regularly as if in an office environment.

As 'U' shaped recovery suggests, the pace will be slow. Agenda for outsourcing industry is to never give up on the existing project, even though they don't get to work on newer projects

### Dip

The bigger agencies that dealt more with clients from the industries that got badly affected like restaurants, travel, luxury goods, etc. are facing the most trouble in finding revenue. Medium agencies that have a mixed bunch of clients and variety of services all under one roof luckily are able to maintain their businesses. Outsourcing services that can promise on high-quality services, on-time delivery with 100 per cent accuracy and value additions to stand out from a competition, they can survive the race. All throughout the phase of dip in the economy, outsourcing too will suffer, but those companies that are able to support their clients during the dip and slow recovery, they will see success soon.

## L Shaped Recession

Recovery after the L shaped recession is the most difficult one. It might take decades for a recovery. World economic forum suggests that the possibilities of an L Shaped recession are quite impossible. For the dangerous L to occur, the Coronavirus tally should increase. Wuhan, the epicenter of the disease has uplifted the lockdown and it has partially kick-started its industries. Considering all the positive aspects, there is no possibility of an 'L' shaped recession. The worst case scenario can be avoided, if everyone follows the Quarantine rules and safety protocols. Great recession of December 2007 to June 2009, played out to be the 'L' shaped recession.

Dramatic shutdowns have resulted in corporate layoffs, bankruptcies and total chaos. Every political leader, head of the states and other ruling systems are on constant effort to reduce the repercussions. For instance, American President Trump in March 2020 assured that he is going to pass an important bill in favor of those who are out of a job. In one of his Twitter update he mentioned, "For the people that are now out of work because of the important and necessary containment policies, for instance the shutting down of hotels, bars and restaurants, money will soon be coming to you".

### How L type recession might affect Outsourcing Industry?

L shaped recession is often called as a hockey stick slump. Imagine, a diver jumps from a considerable height into a deep pool and doesn't come to the surface for a long time; despite he or she is an ace swimmer. That is exactly what happens post an L shaped recession. Everyone is waiting for the economy to surface successfully, but all in vain. A clear cut example of an L shaped recession is the one that occurred in Japan around 1990 post Japanese asset price bubble burst. This majorly affected real estate and stock markets.



## **Demand**

It is easier for a developed nation to free itself from the shackles of recession than for a developing nation in the long run. Many countries have passed amazing business support policies and laws to support those who are out of jobs and for businesses which are on the verge of shutting down. It is good news for outsourcing companies. If businesses around the world continue, there will never be a halt in the outsourcing business unless there is a scene of gloomy L recession.

## **Dip**

If ever an L shaped recession happens, most outsourcing services will be totally shut down. Hopefully, it wouldn't be the case in any economy.

## **Tick-Shaped Recession :**

Berenberg (a Hamburg-based multinational full-service investment bank) economist Florian Hense opines that the world economies will face a tick-shaped recession. Tick as in a tick mark and this type is also called as Nike Swoosh. A sudden dip in the economy and then careful progress is the peculiarity of a tick-shaped recovery. Post Coronavirus, even if the lockdown rules and other government regulations eases up, people will be spending less than they used to be and will be super cautious to travel far. As the money exchanges are less post a Nike Swoosh, the economy will get back to normal only slowly. Outsourcing industry will also face a stagnant period, which calls for strategized business planning and wise business decision making that gives utmost value to the clients.

## Brave faces of Outsourcing Players



Economic recovery is going to be quite rough. More than 6.6 million Americans have filed for unemployment benefits within the first 3 months of 2020. It is not just the medicos, journalists and law enforces that have worn the bravest mask during the Covid times, many businesses, especially outsourcing business firms are playing a rough and tough game to help its employees have a proper job. Also, they are serving its existing clients as if nothing grave has ever happened. Many are looking only at the positive side. Take some inspiration from them, especially if you are into outsourcing business.

Countries like India, Ukraine, Romania, Brazil, Taiwan, China and the Philippines have built its economies based on outsourcing. Singapore too has many BPOs, KPOs, Virtual Assistant firms despite being one of the world's progressive nations. Former Prime Minister of Singapore, Lee Kuan Yew has once said "if you deprive yourself of outsourcing and your competitors do not, you are putting yourself out of business." Such nations near future are bleak until the Coronavirus crises come to an end. Basically, it is the trade of ideas rather than tangible items. Despite many of these countries lack great English language skills, they are smart enough to capture IT businesses from the developed nation. Meanwhile, developed nations find it truly economical considering the difference in lifestyle and cost differences in the developing nations. However, Covid-19 situation has created agony to all the industries. It's the developed countries like the UK and USA that has more cases and death rates. Who will think of outsourcing business when health and sustenance is the primary objective? Perhaps, once the economy slowly opens up; again there will be a demand for freelancers, virtual assistants and outsourcing companies.

In such a scenario, outsourcing businesses are trying to play it safe, to retain businesses and to retain its employees. Definitely, it is quite a Herculean task. Here are a few key areas smart businesses are taking extra serious during the Covid times.

## 1. Understand the Economy :

To understand the economic flow is as important as keeping the business afloat. According to a very important article published by Harvard Business Review, below concepts need a keen watch by first line managers to take right decisions?

- State of the economy
- Health of the current target market
- Emergence of new market
- Forecasted Covid recovery rate
- Chances for additional capital

Only an agile leader can take the agile executives and others in the right direction.

## 2. Right Information Flow :

Every decision taken by a company should be communicated with the clients and the employees alike. Clients should be informed on how their project will not get affected by the lockdowns and restrictions posed by Covid-19 crises. A constant reminder on how the employees are working from home and how their work is constantly monitored gives the clients hope and a secure feeling. Agents should constantly have face 2 face online conversat they have on work flow during these difficult times. This is quite crucial if the client is based out of a different continent.

## 3. Keep An Insightful Data Ready :

During these difficult times, everyone likes to keep correct data and statistics ready to show the new prospective clients. Outsourcing businesses can showcase examples on how big companies like Apple Inc., IBM, CISCO survived during 2008 recession and how business can still resort to outsourcing during Covid times. Did you know that Apple Inc. outsourced its production to China during the 2008 recession and even now, 1 out of 3 Engineers are outsourced? Trivial facts like this should be included in the insightful data to give a clear picture to the prospective clients. Data on cost efficiency, time saving factors etc, will give more adiposity to the points one is making to keep the business alive.

Vaccine for Coronavirus will take at least a year or so to develop. Until then outsourcing can't go into dormancy. It needs to find a new land that gives them survival means. Venturing out into new domains and market will be quite difficult but, contrary to this point, having a variety of services might attract small businesses. Virtual Assistant firms in particular might get more projects.

## 4. Follow Wise Advices :

In fact, it is always better to listen to those front-runners with deep insights. In a recent CNBC report, a statement clearly points towards how small and medium businesses can still stay afloat amid chaos by setting remote workforces and prepare for a worse outbreak. Frightened customers, skittish employees and an ever dipping market is what businesses are currently dealing with. Along with setting a remote workforce, it's the right time to try Virtual Assistants. You are not too late for this plan.

### The Ossisto Story

Around 47 kilometers away from one of the best airports in India, Kempegowda International Airport (KIA), functions a medium level virtual assistant agency with a wide range of services open to everybody around the globe. Everything was going smooth until February 2020, until Coronavirus confirmed in Bangalore. A busy city with a large population of IT employees and migrant workers suddenly started deserting the city, it is definitely not normal. An efficient management at Ossisto, knew for sure that if work from home and remote working facility is not set up on an immediate basis, everything is going to turn upside down. Its clients along with its employees would suffer in the long run. That is exactly why its employees are allowed to work from their own home but clearly connected and monitored by the authority. Thanks to various technologies and tools available in the market; regular online meetings and discussions are all conducted hassle free, proving remote working is the need of the hour.

## 5. Learn from the Disaster :

No one has ever thought that the disaster will cause a large-scale impact on businesses or fewer companies had disaster management plans in place. This is definitely a lesson for most of us and it's the right time to have a set of disaster preparedness policies. It should include :

- Insurance coverage for cancelled trips and business closures
- Allocating contingency funds
- Easy-to-reference guide for people who work from home

- Setting up rules and regulations for monitoring the work flow
- Delineating ways to appease valuable clients and retain business
- Business continuity plan

Neo-feudal level of wealth inequality is something that many economies will be facing in the near future. Covid-19 and its ripple effect will continue to haunt outsourcing industry for some unspecified period of time. However, smart business will survive relying on endless possibilities posed by outsourcing, freelancers and virtual assistant firms. While VAs and outsourcing firms have to deal some of the important questions like;

- Am I pricing the jobs right?
- Where to find the most profitable clients?
- Does the agency have money to make the payroll?
- Are the employees working from home effectively? , etc.

We are all in this together, so mutual help and support is irreplaceable.

## Conclusion

Through careful analysis of business trends in 2020, outsourcing businesses can chart out the future plan suiting the current economic scenes. Filter out negative news and stay positive as far as one can. Good news for companies in India and other Asian countries are that some statistics suggest an increased demand for outsourcing services. Amid Corona chaos, western companies are increasingly dependent on BPO functions provided by Asian nations. Despite, logistical and technical trouble faced by companies in Asian Countries, they are able to serve the clients in a very effective way. In India alone 4 million people are surviving on IT and outsourcing Industry. More than 1.3 million are an integral part of BPO sector. Definitely, to developing nation –Outsourcing industry is more than picking up a call from clients and getting a work for done for him or her. It is about sustenance and living. It's a battle for developed and developing nations alike, but it is also a chance to test the capabilities and value system.

Covid-19 will fall into the pages of history texts and future generations will learn about it. This trial and tribulations are to test your business caliber. Don't fall out of progress. This too shall pass.

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