Quick Answer: Do I Need to Do Anything to Secure My IT Services Delivery from India as COVID-19 Escalates in April-May 2021?

Published 26 April 2021 - ID G00751440 - 7 min read
By Analysts DD Mishra, Alan Stanley, David Groombridge, Daniel Barros

Initiatives: IT Services and Solutions; CIO Leadership of Innovation, Disruptive Trends and Emerging Practices

India’s COVID-19 situation has degraded rapidly during April 2021. Organizations that use India-based resources to deliver IT services should use this Quick Answer to help assess the impact and take mitigating actions now.

Quick Answer

Do I need to do anything to secure my IT services delivery from India as COVID-19 escalates in April-May 2021?

Yes, and here is what you need to know:

- The current second wave of COVID-19 in India is one of the worst of its kind and growing exponentially.
- Complete nationwide lockdown is not possible.
- Current mortality rate is 1% due to COVID, and less than 5% should require hospitalization.
- Gartner estimates that absenteeism in the IT services sector may reach around 6% or significantly higher in a worst-case scenario.
- India’s population is 1.3 billion. The vaccination program in India is making relatively slow progress currently (at present 10%).
- There are 4.5 million people in India providing consulting and outsourcing services to clients outside India.
- Service providers can probably adapt to handle up to 5% of their workforce being unable to work without substantial service disruption.
- All organizations who use India-based resources should act now to plan for disruption and potentially severe disruption.
- The actions outlined below are where you should start.
More Detail

Why I Need to Act

- In India now, the number of daily confirmed COVID-19 cases is significantly higher than during any previous wave. The number of cases in April 2021 is already exceeding 350,000 per day and growing exponentially, compared to a previous peak of 100,000 per day. You can track the COVID-19 data specifically for India at the state level using www.covid19india.org.

- Complete nationwide lockdown is not being considered by the Indian government. Lockdown will push a large population that depends on daily wages and contract jobs to extreme poverty, triggering a socioeconomic crisis. However, mobility is already being impacted by partial lockdowns across various states and cities. There can be a situation when the data center staff may be forced to work remotely in some parts of the country.

- Ninety percent of India’s population is less than 60 years old, with 51% below 30 years. Hence, the requirement for hospitalization will be less. Current mortality rate is 1% due to COVID-19, and less than 5% require hospitalization. However, if the infection continues to spread at the current rate, health facilities will be overwhelmed. Though the IT sector employs a relatively younger population, absenteeism can grow due to ill family members. Gartner analysts estimate that such absenteeism could reach 6% but will likely be very variable by region. In addition the variant in India is making younger people seriously ill and that will increase the impact on the workforce.

- India’s population is 1.3 billion. The vaccination program India is making relatively slow progress, with only 10% inoculated so far. This will help reduce spread to some extent, but so far the numbers are still accelerating. The rate of vaccination is varying between 1 to 3 million per day. With this rate, it will take months to fully vaccinate the entire country.

- India has 4.5 million people providing IT services to out-of-country clients. In April 2020, service providers worked rapidly to switch these workers from on-site delivery centers to work-from-home. As a result, service disruptions were kept to a minimum during the first wave of COVID-19. Limited disruption is initially expected on IT services as IT companies have stabilized remote working capabilities, and the lessons from the first wave of COVID-19 impact last year will help to reduce the risk. The new double-mutant strain is more virulent and spreads faster. Hospitals and healthcare capability have already crumbled due to the sudden spike.

- This will be a rapidly evolving situation in the next few weeks. Service providers can probably adapt to handle up to 5% of their workforce being unable to work without substantial service disruption. However, if the case rate were to rise as high as the peak rates seen in heavily hit countries like Brazil, many more workers would be affected, and the disruption of services delivered from India could become very severe. The concern is already increasing about the impact in some organisations offshoring to India.

What I Need to Do
Organizations will have considered mitigation actions when the first phase of COVID-19 hit globally last year and peaked in India in September 2020. Take a look at the links provided below to see if the advice and actions proposed then have been implemented already. With this new Indian wave, many purchasing organizations are unaware or perhaps optimistically ignoring the potential impact, given the improving COVID-19 situation in their specific location. The likelihood is certain that there will be some India disruption and there is also a small possibility of medium-term severe disruption to the India-based IT services workforce.

Organizations should take action now:

- Create a priority and risk assessment framework specific to your India locations similar to the example provided in Figure 1. More details can be found in 5 Actions to Manage Outsourced Service Impacts Due to Coronavirus and COVID-19. Use this to reassess which services are most at risk.

Figure 1. Prioritization of Outsourced Services to Mitigate Based on Business-Criticality of Processes and Location Risk

<table>
<thead>
<tr>
<th>Outsourced Service</th>
<th>Key Service Locations</th>
<th>Alignment To Critical Processes</th>
<th>Service Impact Assessment</th>
<th>Overall Priority&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>CRM</td>
<td>Manufacturing</td>
<td>Billing</td>
</tr>
<tr>
<td>Finance BPO</td>
<td>Manila, Philippines</td>
<td>2</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>HR BPO</td>
<td>Prague, Czech Republic</td>
<td>2</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Application</td>
<td>Milan, Italy</td>
<td>1</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Development</td>
<td>San Jose, Costa Rica</td>
<td>2</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Network Operations</td>
<td>Manila, Philippines</td>
<td>3</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Data Center</td>
<td>Pune, India</td>
<td>3</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>New York, U.S.</td>
<td>1</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Service Desk</td>
<td>Bangalore, India</td>
<td>1</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Security Services</td>
<td>Seattle, U.S.</td>
<td>2</td>
<td>Medium</td>
<td>Low</td>
</tr>
</tbody>
</table>

Source: Gartner

<sup>a</sup> Overall Sum of Scores
<sup>b</sup> Location Risk x Change in Demand
<sup>c</sup> Process Alignment x Service Impact

722531_C
Map in detail which Indian cities your services are delivered from. The disruption is likely to vary by location. You can see the situation in various states in cities using www.covid19India.org.

Once a detailed view is established, look at the characteristics of each different type of service and consider which require real-time interaction or access to sensitive data. If the service must be provided from a secure location and is not asynchronous (i.e., able to be caught up later) then consider how to secure that service outside of India.

Hold regular meetings with your service providers to understand the current situation and what actions they are taking until the situation in India stabilizes. Consider a temporary relaxation of SLA obligations, service coverage and or penalties if that will help out the service provider to be more flexible in resource usage.

Track down with your service providers all available knowledge transfer and documentation artifacts that support service delivery, especially areas of subject matter expertise, and make them accessible outside India.

Understand and document what disaster recovery and business continuity plans your service providers have under these new situations, especially plans they have to (a) move work if needed within India and (b) to leverage resources currently outside India. It will not be an option to move visa-ready staff to outside India or onshore.

Initiate increased staff shadowing of key roles, so that potentially additional backups exist. This can be either internal staff shadowing key service provider staff, or perhaps negotiating with your service provider to have more shared knowledge and staff acting as “buddies” from non-India locations.

Scan now for alternative temporary service options outside India — and consider what it would take to temporarily use retained IT staff for critical processes if required. Be aware what options you have if the disruption does become significant and long-term.

Look at alternative delivery options that can help your service provider. For example, determine if some services can become shared services with other clients temporarily, or if the work can be delivered at hours when more staff may be available.

Be willing to be flexible in managing your service provider. While normally vendor managers would expect to hold suppliers accountable and ensure they deliver to the contract, the current situation is abnormal and was unforeseen at the time most contracts were written.

If a supplier is underperforming, it is not necessarily a sign of poor quality and commitment. It may well be that they simply don't have the workers available due to COVID-19 impact that they would in normal times. If the pandemic in India spreads really widely, all suppliers will be in the same situation. Recognize that your supplier’s hands are tied in whom they can make available to do your work. As long as you are seeing them doing their best to support you, be flexible and cooperative, and be willing to reassign resources to suit priorities.
Overall, as you can see from the statistics above, this is a significant escalation in the COVID-19 situation in India. The last COVID-19 wave showed that the IT services sector was able to continue to deliver IT services through the COVID-19 peak using remote, home-based staff. This time, the peak will be significantly bigger and organizations that use service providers with India-based staff will need to take action to plan for and mitigate if needed.

**Recommended by the Authors**

5 Actions to Manage Outsourced Service Impacts Due to Coronavirus and COVID-19

Keeping the Lights On: Optimizing Indian Offshore Service Delivery Through a Pandemic Cycle

**Evidence**

1. Demographic Age Trends in India
3. B.1.617: The Curious Case of the Deadly Double Mutant Coronavirus Strain
4. High Spike In COVID-19 in India Affecting Workforce for Third-Party Services in the U.S.

© 2021 Gartner, Inc. and/or its affiliates. All rights reserved. Gartner is a registered trademark of Gartner, Inc. and its affiliates. This publication may not be reproduced or distributed in any form without Gartner's prior written permission. It consists of the opinions of Gartner's research organization, which should not be construed as statements of fact. While the information contained in this publication has been obtained from sources believed to be reliable, Gartner disclaims all warranties as to the accuracy, completeness or adequacy of such information. Although Gartner research may address legal and financial issues, Gartner does not provide legal or investment advice and its research should not be construed or used as such. Your access and use of this publication are governed by Gartner's Usage Policy. Gartner prides itself on its reputation for independence and objectivity. Its research is produced independently by its research organization without input or influence from any third party. For further information, see "Guiding Principles on Independence and Objectivity."