



SOURCING TRENDS

CENTER FOR GLOBAL OUTSOURCING

May/June2008

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Welcome to the annual issue of CGO **Sourcing Trends**. It will keep you updated on important events and trends shaping the global outsourcing industry. The Seventh Annual International Smart-Sourcing conference (ISSC'08), to be held in Hyderabad (nick-named Cyberabad), India on August 8-9, 2008 has nine tracks including healthcare outsourcing and medical tourism, human resources outsourcing, Global sourcing for SME vendors and SME clients, Issues and Challenges in Western Europe, Global Sourcing of Financial Services, and Global Sourcing of CRM. The theme of this conference is **Global Outsourcing: Vision 2020**. For details please visit <http://www.outsourceglobal.org/conference.htm>. Dr. Zareen Karani Araoz, President, *Managing Across Cultures*, and Dr. Rathi Dasgupta, MD, Intec India, will be plenary session speakers.

Global Outsourcing: Vision 2020

Dr. Shailendra Palvia (IIT Delhi graduate), MD & Co-Founder, Center for Global Outsourcing and Dr. Rathi Dasgupta, MD, Intec India

Outsourcing, especially offshoring, exemplifies the essence of true globalization, with services being provided where they can be most efficiently and cost effectively produced and delivered where they are most needed and valued.

- In 1989, IT outsourcing was approximately a \$4 billion business. According to the Global Insight report, by 2008, IT offshoring will account for roughly \$125 billion in US GDP annually, a \$9 billion jump in US exports and a net increase of 317,000 jobs; and the amount is expected to increase to \$250 billion by 2015.
- Gartner Dataquest (2003) estimates the global market for IT Enabled Services (ITES) or Business Process Outsourcing (BPO) would reach \$131 billion in 2004, \$131 billion in 2007, growing at a compounded annual growth rate of 9.5%.

India has become the primary destination for offshore outsourcing of IT as well as ITES. AT Kearney ranks India highest in an index of country attractiveness for offshore outsourcing of IT among 11 countries. Canada is #2 with a score of 6.2. Philippines, Ireland, Australia, and China have been respectively ranked as 5, 7, 8 and 11. The remaining six countries that were ranked are: Brazil, Mexico, Hungary, the Czech Republic, and Russia.

The notion that global outsourcing reduces employment and hurts economies of countries such as the U.S. and U.K. is a myth. Outsourcing activities directly benefit the US economy. McKinsey & Co. (2003) report cost savings of approximately \$ 0.58 for every dollar spent on outsourcing jobs to India. Furthermore, American jobs outsourced to China and elsewhere have generated demand for other products made in the US, and created jobs in other sectors as well.

The generally accepted benefits of global outsourcing include cost reduction while maintaining quality, leveraging time zones to improve productivity, availability of higher capacity on demand, access to state-of-the-art technologies, opportunities for organizational transformation through partnerships, emergence and maturation of process management standards. The downside risks for the client company generally cited are: loss of control, flexibility, qualified personnel, and loss of competitive advantages in ICT.

Current trend for client companies in developed countries is to have a portfolio of vendor countries and companies for IT and ITES. A model for achieving that goal is shown on next page. According to this model, while exploring global outsourcing, choose first the country and then the company.

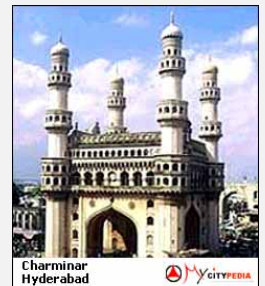
Center for Global Outsourcing

Seventh Annual International Smart-Sourcing Conference

August 8-9, 2008

[University of Hyderabad](http://www.universityofhyderabad.org)

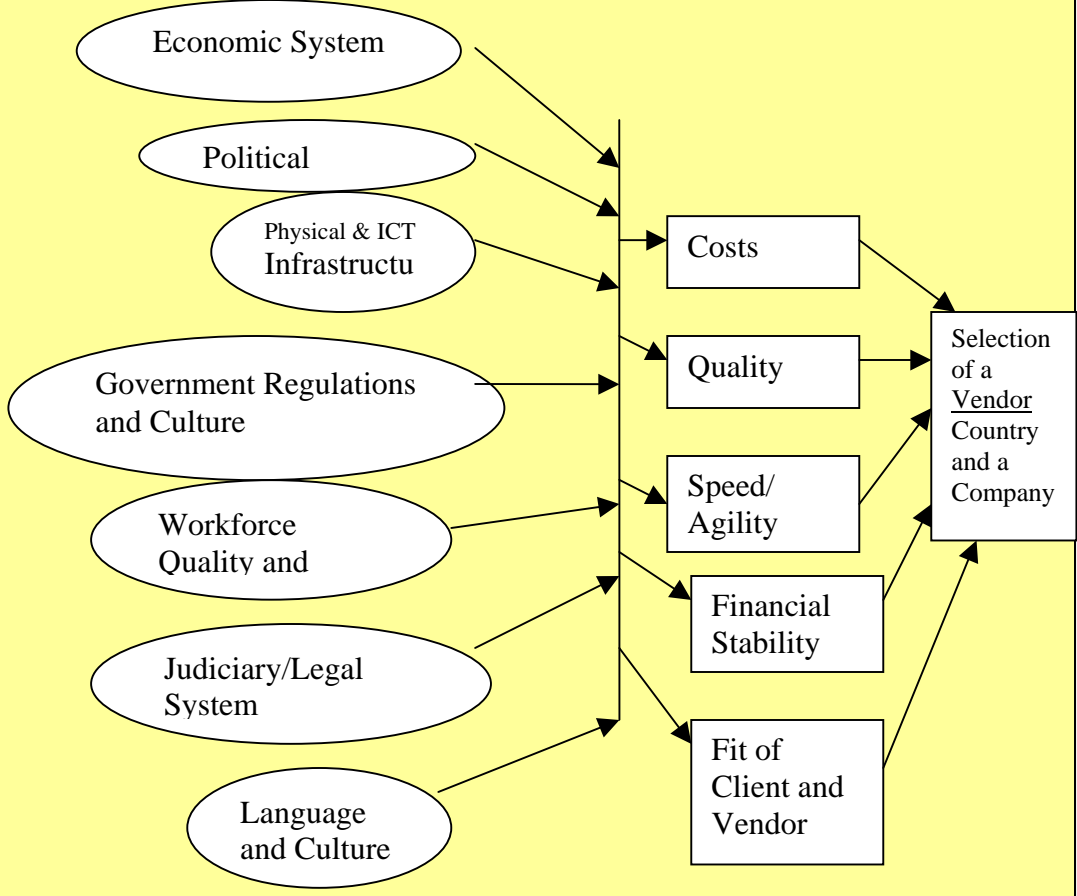
in Hyderabad, India



Mr. Kiran Karnik, President of NASSCOM from 2001 to January, 2008 will be a keynote speaker.

Register before June 30, 2008

www.outsourceglobal.org



TAKE HOME VALUE by attending the 7th Annual Int'l Smart-Sourcing Conference (ISSC'08)?

- Distinguish yourself with a certificate in global outsourcing management / 15 CPE/PDU credits
- Network with clients, visit vendor booths; Learn from the expert researchers.
- . Listen to predictions from visionary keynote speakers
- Cost of the conference is 1/3rd that of similar conferences.



John P. Gilboy, CIO of The Upper Deck Companies with operations in the Americas, Europe, Asia and Austral-Asia will be a keynote speaker

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Fast forward to 2020. Outsourcing / offshoring is going to a “right shoring” model as a movement towards convergence. The next decade will probably see an eco- system of a large number of captive outfits, captive outfits being converted as third party outsource partners and major outsource partners. We can also anticipate the large Indian IT services companies acquiring captive center of the multinationals. It will also be a trend where Indian IT services companies acquiring large management consulting houses such as PwC, Cap-Gemini, Deloitte and likes of them. India and China may become the hub of budding entrepreneurs creating innovative start-up product companies. CGO commits to stay focused on offshoring/right-shoring and innovation. CGO is starting sponsored research in the areas of outsourcing and offshoring and also advisory services to companies in the client countries: USA, Western Europe, and Japan; and also in the vendor countries: India, China, Philippines, Russia, Brazil, and Thailand.

To capture the essence of Vision 2020 for Global Outsourcing of IT and ITES, we will be sending a short survey to our international delegates (spanning more than 25 countries) of the past CGO conferences. **One day before the conference, on Thursday, August 7, there will be a ONE DAY workshop for the executives of client companies (CIOs, CMOs, CFOs, CHROs). Those attending this workshop will receive complimentary registration for the conference on August 8-9.**

For more announcements, please visit CGO website – www.outsourceglobal.org.