

Emerging Market Suppliers: A Valuable Lever for Risk Diversification

Amneet Singh, Vice President
Jimit Arora, Research Director
Kiranjeet Kaur, Research Analyst

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“Imagine there’s no countries”
– *John Lennon*

Executive Summary

Recent events impacting offshore locations (e.g., terror attacks, typhoons) and suppliers (e.g., bankruptcies, frauds) underscore the need for holistic risk management in global sourcing. Traditionally, global sourcing risk management approaches remained largely focused on engagement-level performance management. However, a more sophisticated approach to risk management compels buyers to understand risk from the entire sourcing ecosystem spanning each individual supplier and delivery location, as well as the collective portfolio of suppliers and locations. As buyers evaluate the risks from their sourcing portfolios, they often realize that their operations are concentrated within a few large locations (typically in India) – a concern that is driving buyers to expand their global sourcing networks.

Further, a “new” global sourcing paradigm is emerging, and is generating additional push for creating a truly global delivery network. This new paradigm is associated with a more robust and complex demand profile that mandates a global delivery network, and is creating further impetus for expanding the delivery footprint beyond the traditionally favored offshore destination – India.

A combination of these two factors – risk management and the new global sourcing paradigm – is creating a demand for global locations that support technology and business process delivery. Unlike five years ago when the number of global sourcing destinations was limited, buyers now have a number of credible nearshore and offshore destinations from which to choose. Each destination offers unique leverage points such as time zone proximity, availability of specialist skills, or low-cost, scalable talent pools.

Our research examines six such important emerging markets – **Brazil, Central and Eastern Europe (C&EE), Israel, Mexico, the Philippines, and South Africa**. These six emerging markets represent a blend of locations that are either superior skill markets or large talent markets that global sourcing buyers can no longer ignore.

The supplier landscape in these emerging markets usually includes a mix of global majors, India-centric suppliers expanding their delivery footprint, and more recently, domestic/regional suppliers that have roots in the emerging market. A handful of suppliers in this new category (i.e., emerging market suppliers) have acquired meaningful operating scale (in some cases these are the largest in the given market) and, through investments in delivery capabilities and adopting industry best-practices, successfully serve Global 1000 corporations. Further, these suppliers are now no longer confined to their “home” countries and have augmented their delivery footprint by adding additional onshore, nearshore, or offshore locations.

These emerging market suppliers are credible options for sophisticated buyers, and represent an important breed of suppliers that buyers must evaluate while sourcing from these markets. This report showcases one “must-know” supplier from each of these six emerging markets, and provides an assessment of the distinctive capabilities and situations where the supplier offers a strong value proposition. The six prominent suppliers in these emerging markets showcased in this report are:

- Brazil – CPM Braxis ([page 12](#))
- C&EE – EPAM Systems ([page 13](#))
- Israel – Ness Technologies ([page 14](#))
- Mexico – Softtek ([page 15](#))
- Philippines – SPi Global Solutions ([page 16](#))
- South Africa – Merchants ([page 17](#))

Background: Risk Management Imperative in Global Sourcing Driving Global Delivery Networks

In the rapidly growing sourcing marketplace, global sourcing risk management has become a key area of executive attention. Since late 2008, a number of events related to global sourcing locations and suppliers created operational disruption, and threatened business continuity. For example, the terror attacks in Mumbai in late 2008 and the typhoons in Manila in September 2009 impacted delivery centers in these cities. Further, the collapse of BearingPoint and the accounting scandal at Satyam in early 2009 highlighted the fact that even relatively large suppliers are not immune to failure, and such events might create operational disruptions for their clients.

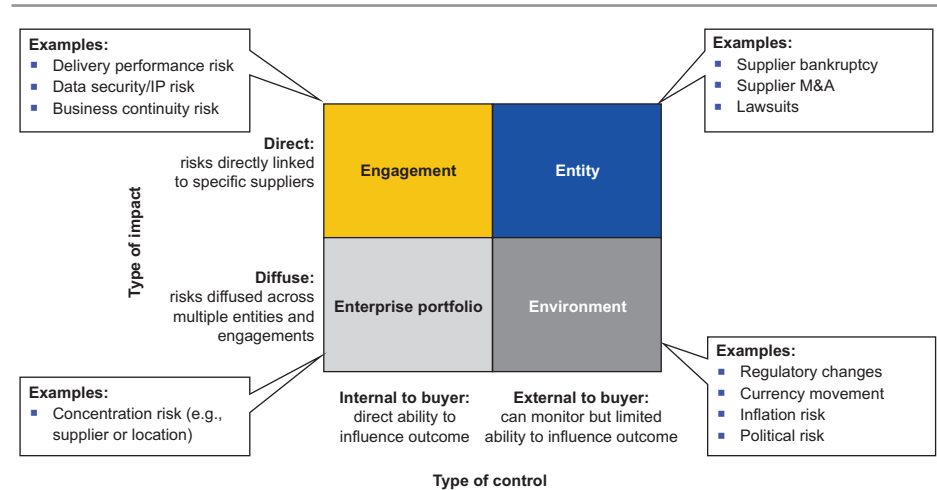
These recent events underscored the need for a more systemic and holistic approach to risk management. Even though global sourcing risk management is a much-discussed topic among buyers, most current “risk management” programs rarely extend beyond contract-specific performance management, and the occasional business continuity/disaster recovery plan. As global sourcing risks become real and better understood, it is imperative that buyers adopt a more holistic approach for managing the risks for their Information Technology (IT) and Business Processes Outsourcing (BPO) initiatives.

Based on our analysis of best-in-class global sourcing risk management practices, we recommend that buyers evaluate and manage risks along four key dimensions – the Engagement, the Entity, the Enterprise Portfolio, and the Environment – collectively referred to as Everest’s 4E Risk Management Framework (see Exhibit 1)

EXHIBIT 1

Everest’s 4E Global Sourcing Risk Management Framework

Source: Everest Research Institute



- **Engagement.** This risk emanates from each of the individual services transactions that a buyer has entered into with a supplier. In most cases, buyers manage multiple engagements, and each of these engagements poses risks such as delivery performance issues (e.g., poor service levels, customer dissatisfaction), cost overruns, data security breaches, or significant variances versus contracted terms.

- **Entity.** The second dimension of risk pertains to each supplier entity with which the buyer has entered into a relationship. Entity-level risks evaluate overall “supplier health”, and typically include events related to mergers and acquisitions, financial trouble and bankruptcies, changes in strategic direction (e.g., decision to exit a particular market), lawsuits, leadership churn, and other factors.
- **Enterprise Portfolio.** The third dimension relates to aggregate risk across the buyer’s entire portfolio of suppliers and locations. This dimension spans all engagements, all suppliers, all associated delivery locations, and all outsourcing initiatives. Risks associated with the enterprise portfolio are typically related to the “balance” of the portfolio, and include the risk of excessive concentration within a particular supplier or location, or the inefficiencies of managing a fragmented portfolio of suppliers and locations.
- **Environment.** The fourth dimension of risk pertains to the operating environment within which the buyer conducts business. Typically location-specific, the environment risk includes changes in the regulatory environment, currency fluctuations, socio-political risks, risk of natural disaster, crime and terrorism risk, and inflation risk.

We characterize these four dimensions based on the type of control a buyer can exert in managing the risk:

- Entity and Environment risks are external to the buyer and are therefore difficult to directly control and influence. To manage these two external dimensions, buyers need adequate awareness/information on key issues and events that could pose challenges in the future (e.g., monitoring currency movements to pro-actively address potential changes to the offshore business case).
- Engagement and Enterprise portfolio risk are largely internal to a buyer. This allows the buyer to directly influence and manage these risks. As noted earlier, while most prevailing risk management approaches focus on evaluating specific engagements, recent events compel buyers to adopt a more holistic approach to managing supplier and location portfolios.

While buyer portfolios today include multiple suppliers, the delivery network is typically concentrated within a select few locations. These “unbalanced” portfolios raise concerns regarding location concentration, especially for India-based delivery. To mitigate this risk, buyers are increasingly seeking to expand their delivery networks beyond India in order to diversify their locations portfolio.

Increased Complexity in Global Sourcing Demand Profile Reinforces the Need for Global Networks

In addition to location concentration considerations, increased complexity of sourcing requirements is another principal driver pushing buyers beyond an India-centric delivery model. Based on initial offshoring success and increased buyer confidence, buyers seek to grow offshore scope across operating scale, functions sourced, geographies served, and process complexity. In this “new” global sourcing paradigm, a number of drivers are fuelling the need for global delivery networks, including the following:

- **Specialist talent needs** such as linguistic support (e.g., Spanish) or specialist qualifications (e.g., actuaries) that may not be available or scalable in India
- **Regulatory requirements** that limit movement of information/data outside the source country or region (e.g., data protection and transmission rules in Europe)
- **Regional sourcing** has gained prominence as global buyers extend outsourcing scope to regional business (e.g., Latin America, Central and Eastern Europe, Africa and S.E. Asia) that are difficult to serve without local or nearshore presence
- **Business requirements** such as a “follow-the-sun” delivery model or need for proximity to buyer markets on account of logistics constraints

As organizations seek to expand their delivery networks, a number of different nearshore and offshore regions emerge as possible candidates for inclusion in the delivery network. This research examines six different markets (i.e., emerging markets) across global regions that complement an India-centric delivery model.

- **Brazil.** The largest nation in South America, Brazil has a large labor pool with pockets of expertise in IT skills such as SAP and mainframe programming. Though current services expertise is derived from skills and experience from serving the domestic IT market, Brazil is fast gaining prominence as a hub for IT services delivery across Latin America. In addition, specialist IT skill requirements push U.S. and European buyers to seek delivery capabilities from Brazil.
- **Central and Eastern Europe.** A cluster of multiple countries, Central and Eastern Europe is a preferred location for sourcing multilingual skills especially for Western Europe. Countries such as Russia, Belarus, and Ukraine are gaining recognition as emerging IT locations for complex IT development, given the availability of quality technical skills and expertise (from the Soviet Union era).
- **Israel.** Not a typical “low-cost” country, Israel offers high-quality engineering talent suited for complex IT development and product engineering/R&D. The specialist talent in Israel is a natural complement to the large-scale IT talent pools available in India and China.

- **Mexico.** Proximity to the United States, and a large labor pool proficient in Spanish, positions Mexico favorably as a nearshore destination for serving U.S. clients. A natural choice for Spanish language BPO, Mexico also offers a sizable IT talent pool that is increasingly becoming relevant for buyers across the Americas.
- **Philippines.** A large English-speaking talent pool, cultural affinity with the United States, and costs that are comparable to India, already established the Philippines as a hub for voice-based customer support services. The Philippines is now gaining prominence as an ancillary destination to India for non-voice BPO services (e.g., F&A) and industry-specific transaction processing (e.g., remittances processing, insurance claim processing).
- **South Africa.** Compatibility of time zones with Europe, high English proficiency, and cultural affinity with products and services (especially for financial services and retail), positions South Africa favorably as a voice and non-voice BPO destination for the UK market. Further, South Africa is also strongly positioned to emerge as the delivery hub for Sub-Saharan Africa.

These six emerging markets represent a blend of locations that are either superior skill markets (e.g., offer specialist IT skills) or large talent markets (e.g., offer a large pool of low-cost English or Spanish language talent). Consequently, these markets represent an important mix of locations that global sourcing buyers need to include in their global services delivery network.

Increasing Relevance of Emerging Market Suppliers

Buyers seeking to expand their sourcing footprint in these six emerging markets have a number of credible suppliers across different categories from which to choose.

The supplier landscape in these emerging markets already includes a number of global majors (e.g., Accenture, HP, IBM) and India-centric players (e.g., Genpact, TCS, Wipro). These two categories of suppliers entered these markets to either capture the local “domestic” opportunity or leverage the geography as an offshore location.







However, another category of suppliers – national suppliers with roots in these emerging markets (subsequently referred to as **emerging market suppliers**) are increasingly making their presence known, and are becoming credible options for organizations evaluating suppliers in these geographies.

Based on our research, we recommend one “must-know” supplier in each of these six emerging markets that buyers should seriously evaluate as they consider sourcing from these markets.

EXHIBIT 2

Overview of showcased suppliers

Sources: Company inputs; Everest Research Institute

Emerging market	Featured supplier	Revenues	Supplier market focus
Brazil		US\$456 million	<ul style="list-style-type: none"> Services: IT applications, IT infrastructure, and systems integration services Clients: Enterprise and mid-market clients in Latin America, North American and European organizations leveraging Brazil as an offshore destination
Central and Eastern Europe (Belarus/Hungary/Russia/Ukraine)		US\$158 million	<ul style="list-style-type: none"> Services: Product software development, IT application development and maintenance services Clients: Global enterprises seeking to leverage engineering talent base in Central and Eastern Europe
Israel		US\$665 million	<ul style="list-style-type: none"> Services: Software product engineering, systems integration, and application development services Clients: Enterprise clients, independent software vendors (ISVs), and product-centric firms across Israel, North America, and Europe leveraging Ness's global development centers in India, C&EE, and Israel
Mexico		US\$284 million	<ul style="list-style-type: none"> Services: Applications outsourcing, IT consulting, infrastructure outsourcing, and BPO services Clients: Latin American and U.S. companies seeking IT support leveraging onsite, onshore, and nearshore delivery models
Philippines		US\$220 million	<ul style="list-style-type: none"> Services: Customer interaction, vertical-specific back-office services Clients: Global enterprises seeking voice and non-voice BPO services from the Philippines
South Africa		US\$55 million ¹	<ul style="list-style-type: none"> Services: Broad suite of customer contact center solutions Clients: African clients and African operations of global clients; UK and Australian clients seeking accent-neutral voice services

¹ Part of Dimension Data plc (a US\$4.5 billion company)
 Note: Revenues based on last reported annual financial results

Five key attributes of these emerging market suppliers make these an important supplier group for buyers to consider.

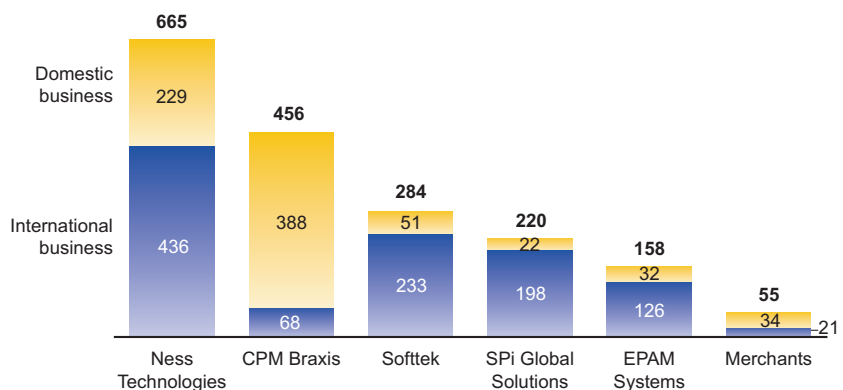
- 1. Operating scale.** With average revenues above US\$300 million, and aggregate headcount exceeding 40,000 employees, these suppliers have the scale and the experience required for managing large, multi-year relationships of global corporations. Further, the financial reserves and the quality of investment backing these suppliers indicate financial stability. This has emerged as a key criterion for buyer organizations in selecting suppliers, especially to manage the "Entity risk". Finally, though each of these suppliers participates in the domestic market, each has sizable experience in serving international clients leveraging a nearshore/offshore delivery model. While supplier-specific variances exist (see Exhibit 3), on an aggregate basis, these suppliers derive 60 percent of their revenues from international customers.

EXHIBIT 3

Distribution of domestic versus international business

Sources: Company inputs; Everest Research Institute

Revenue distribution by client geography
 US\$ million

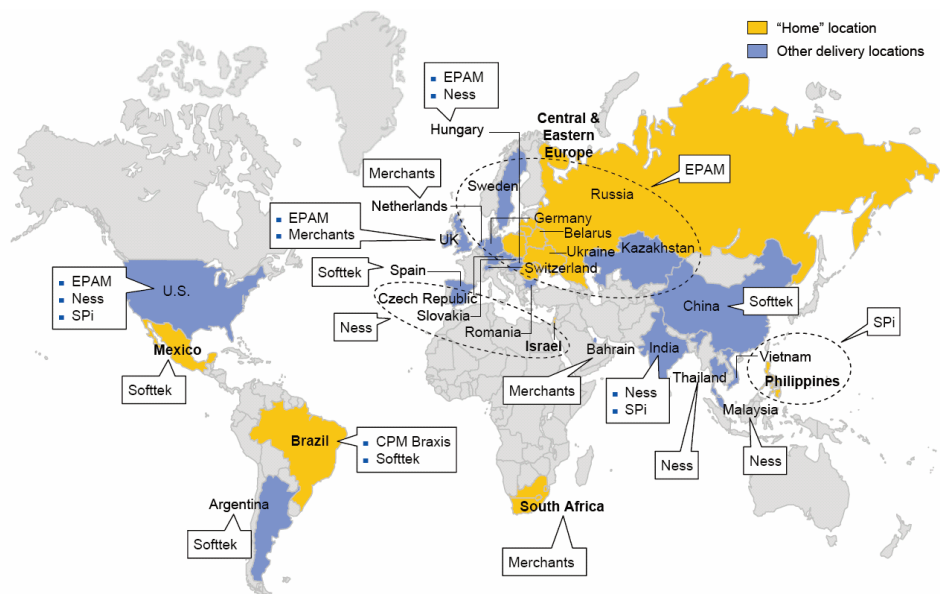


2. **Domestic/regional expertise.** The featured suppliers are usually the largest supplier in their respective markets. Consequently, these suppliers have the brand name and the reputation that allows them to recruit and retain the best talent available in the market, and consequently reduce the chances of engagement-level delivery performance risk. Further, this local and regional expertise proves valuable when global organizations seek sourcing for their regional or domestic operations.
3. **Delivery maturity.** All featured suppliers made significant investments in acquiring industry-accepted standards and certifications to level the playing field versus other larger competitors. Investments include quality certifications (e.g., ISO 9001, Six Sigma), security certifications (e.g., ISO 27001), adoption of industry-specific standards (e.g., HIPAA), and function-specific certifications and best practices (e.g., COPC, ITIL).
4. **Blue-chip client base.** All six suppliers count multiple Global 1000 enterprises among their customers – a feat that validates the experience and capability of these suppliers in working with global organizations that have complex sourcing requirements.
5. **Global footprint.** Despite their roots in emerging markets, the global footprint of the emerging market suppliers now extends beyond their “home” countries (see Exhibit 4). Most suppliers have invested in augmenting their capabilities in onshore locations (e.g., U.S., UK), regional locations (e.g., Central and Eastern Europe), and traditional offshore locations (e.g., India and China). This global growth further allows mitigation of risk within the Enterprise portfolio of delivery locations.

EXHIBIT 4

Global delivery centers of emerging market suppliers

Sources: Company inputs; Everest Research Institute



Note: Does not include onshore delivery teams working from client locations

Finally, the capabilities of emerging market suppliers complement those of global majors and India-centric suppliers, and are not in direct competition with these suppliers. Consequently, large buyers typically use emerging market suppliers to “plug gaps” in their portfolios that the larger suppliers may not be adequately positioned to address. The ability of these suppliers to play this “specialist” role in the portfolio becomes a key consideration for buyers seeking to rationalize supplier portfolios, and yet retain complete functionality and flexibility. For small and mid-sized buyers, however, these suppliers have the potential to play a more strategic role in the portfolio, which can position them as a primary supplier for the buyer.

The remainder of this research provides capability assessment snapshots for each of the six emerging market suppliers. These assessments are based on our independent data-driven research, supplier responses to questionnaires, and focused interviews with the leadership at each of the six organizations. Each assessment includes an overview of credentials, analyzes target market segments, and highlights distinctive capabilities of the suppliers – key elements that buyers require to evaluate suppliers. These assessments appear in the following order:

- Brazil – CPM Braxis
- C&EE – EPAM Systems
- Israel – Ness Technologies
- Mexico – Softek
- Philippines – SPi Global Solutions
- South Africa – Merchants

Brazil | CPM Braxis – Company Profile

Summary assessment: With its roots in the increasingly maturing Brazilian IT services market, CPM Braxis offers scale, deep industry and technology expertise, and mature delivery methodologies; and has established itself as a credible option for large and mid-market corporations seeking IT services delivery for and from Latin America.

Revenues (FY08): US\$456 million

Employees (FY08): 5,400

Headquarter: São Paulo, Brazil

Leadership:

- Jair Ribeiro, Co-Founder, Director and Chairman of Executive Committee
- Jose Luiz Rossi, CEO
- Alvi Abuaf, CEO CPM Braxis USA

Major clients:

- ABN AMRO Real
- Brasil Telecom
- Citibank
- HSBC
- Motorola
- Unibanco

Key service offerings:

- Applications outsourcing
- Infrastructure technology services
- Business solutions
- IT consulting

Quality certifications:

- ISO/IEC 20000 – 1:2005
- ISO 9001:2000
- ISO 14001:2004
- CMMi Level 5
- COBIT
- ITIL
- PMP
- SAS 70 (Type 2)

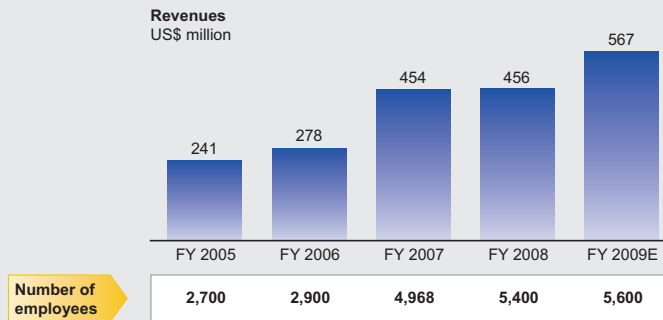
Delivery centers:

- 12 delivery centers in Brazil (São Paulo, Rio de Janeiro, Bahia, Minas Gerais, Brasília, Santa Catarina, Espírito Santo, Rio Grande do Sul)

Web site: www.cpmbraxis.com

Company overview

Formed through the merger of two Brazilian IT companies, CPM and Braxis, in March 2007, CPM Braxis is the largest Brazilian IT services company. Through its 5,600 professionals, the company provides IT consulting, application development and maintenance, packaged software integration, ERP, BPO, and remote infrastructure management services, primarily to clients in Brazil and Latin America. However, the company has been consistently growing its footprint in North America and Europe, establishing significant contracts and relationships with global customers. Based on its 27-year history, CPM Braxis' scale, deep vertical expertise, and delivery maturity, position it as a leader in the Brazilian and Latin American IT services market.



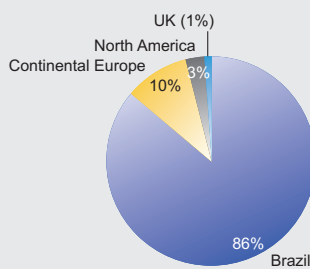
Key market segments

CPM Braxis currently derives over 85 percent of its revenues from Latin America (primarily the domestic Brazilian market). While Latin America is expected to remain a stronghold for CPM Braxis, the company strives to be a "global-ready" firm; and through investments in mature transition methodologies and alliances, it looks to grow its business from customers in North America and Europe.

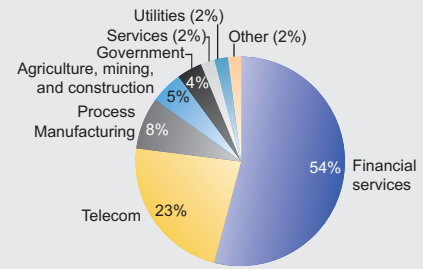
Financial services (54 percent of revenues) and telecom (23 percent) are the two primary focus verticals for CPM Braxis. In addition to serving Brazilian enterprises, CPM Braxis also serves the Brazilian and Latin American operations for some of the largest global corporations in the world. Further, CPM Braxis also focuses on the top quartile of the companies in the mid-market segment.

From within its services offerings, CPM Braxis identified rapid application development (RAD/Agile), application testing, mainframe development and maintenance, remote infrastructure management, and SAP implementation and post-implementation support as key growth engines for the future.

Distribution of total revenues by client geography
Percentage



Distribution of total revenues by client vertical
Percentage



Distinctive capabilities

Operating scale: CPM Braxis has over half a billion dollars in revenues and over 5,600 employees in Latin America, making it one of the largest offshore-based non-Indian IT services provider.

Financial services expertise: CPM Braxis brings deep industry experience to financial services clients and derives over half of its revenues from clients in this vertical. The company delivers IT solutions to eight of Latin America's 20 largest banks, and serves the outsourcing needs of global financial institutions including international companies growing their operations in Brazil and Latin America.

Latin American expertise: CPM Braxis brings significant local and regional expertise in meeting the IT services needs of clients in Brazil, and the rest of Latin America. This not only enables it to support local and regional enterprises, but also Latin American divisions of global corporations.

Sources: Company inputs; Everest Research Institute

Central and Eastern Europe | EPAM Systems – Company Profile

Summary assessment: Central and Eastern Europe has a large pool of highly qualified engineering resources for IT services delivery. EPAM, with the largest resource pool in the region, has leveraged this deep technological expertise to establish itself as the leading IT supplier in the region to serve global corporations seeking complex technology solutions.

Revenues (FY08): US\$ 158 million

Employees (FY08): 4,200

Headquarter: Newtown, PA, U.S.

Leadership:

- Arkadiy Dobkin, CEO and President
- Karl Robb, President of EU Operations, Executive Vice President
- Ilya Cantor, CFO
- Max Bogretsov, Senior Vice President, Global Delivery
- Balazs Fejes, Chief Technology Officer

Major clients:

- ATG
- Hotels.com
- Microsoft
- MTV Networks
- Oracle
- Renaissance Capital
- SAP
- The Coca-Cola Company
- Thomson Reuters
- Wolters Kluwer

Key service offerings:

- Product software development
- Custom application development
- SAP advanced technology solutions
- Independent application testing
- Application maintenance and support

Quality certifications:

- ISO 9001:2000
- CMMi Level 4
- SAS 70 (Type 2)

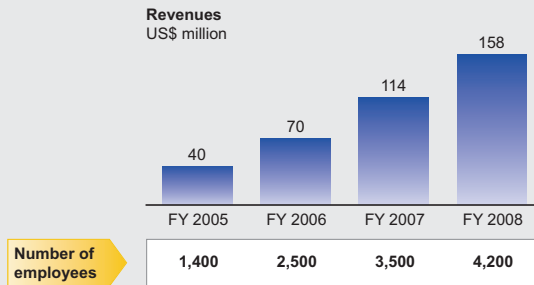
Delivery centers:

- Russia (Moscow, St.Petersburg, Ryazan, Saratov, Samara)
- Belarus (Minsk, Gomel, Grodno)
- Ukraine (Kyiv, Kharkiv, Lviv)
- Hungary (Budapest)
- Kazakhstan (Astana, Karaganda)
- U.S. (Newtown, PA; Boston; Atlanta; San Francisco)
- UK (London)
- Sweden (Stockholm)
- Switzerland (Zurich)
- Germany (Frankfurt)

Web site: www.epam.com

Company overview

Established in 1993, EPAM Systems, Inc. is a leading software engineering and IT consulting supplier with delivery centers in Russia, Belarus, Hungary, and Ukraine. With close to 60 percent year-on-year growth (revenues have grown over four times since 2005), EPAM now delivers IT services through its 4,000+ professionals deployed across delivery centers in Central and Eastern Europe, and client teams in the United States, Germany, Sweden, Switzerland and UK.



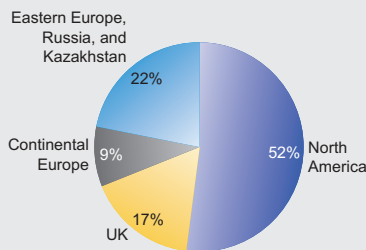
Key market segments

North America is the largest market for EPAM, followed by Western Europe, and Central and Eastern Europe.

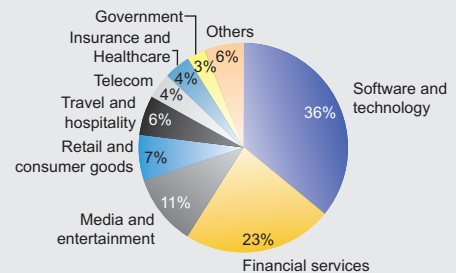
EPAM focuses on delivering software engineering services to leading platform vendors including SAP, Oracle, and Microsoft, as well as development, testing, maintenance, and support of mission-critical business applications, and vertically oriented IT consulting services for Fortune 500 corporations.

From a client vertical perspective, EPAM derives over one-third of its revenues from software and technology providers (especially ISVs). Further, through several small acquisitions, and focus on special internal and external training activities, EPAM acquired meaningful scale and expertise in industries such as financial services, media and entertainment, retail, and travel and hospitality.

Distribution of total revenues by client geography
Percentage



Distribution of total revenues by client vertical
Percentage



Distinctive capabilities

Scale in C&EE: With exceptional growth that leveraged an organic and inorganic growth strategy, EPAM is the largest regional software engineering and IT consulting provider in Central and Eastern Europe with over 4,000 skilled professionals in the region.

Technology expertise: EPAM uses its broad product engineering engagement experience to service some of the biggest software product companies such as Microsoft, SAP, and Oracle. Further, the company serves five out of the world's 10 largest software companies (with some relationships that are over ten years already), and about 50 other ISVs and technology providers.

Delivery maturity: EPAM's processes and methodology are certified against the world's leading standards proving the quality, security, and reliability of the company's services. Further, EPAM's strong onsite presence, coupled with a robust infrastructure for recruiting, retaining, and developing the intellectual capital – a key differentiator for the region – enables it to deliver complex and mission-critical applications required by global corporations.

Sources: Company inputs; Everest Research Institute

Israel | Ness Technologies – Company Profile

Summary assessment: With its global scale, multi-shore strength in Israel, C&EE, and India, differentiated focus on the mid-market, and deep expertise in several vertical market domains, Ness has successfully positioned itself as a credible player in the software engineering and IT applications services markets as evidenced by its substantial customer base from around the world.

Revenues (FY08): US\$665 million

Employees (FY08): 8,425

Headquarter: Tel Aviv, Israel

Leadership:

- Sachi Gerlitz, President, CEO, and Director
- Ofer Segev, CFO and EVP
- Holly Ripley-Boyd, President, Ness Software Product Labs
- Larry Scott, President, Ness Global Industries
- Ivan Hruška, President, Ness Europe
- Effi Kotek, President, Ness Israel
- Michael Zinderman, President, Technologies & Systems Group

Major clients:

- Česká Televize
- Migtal
- O2
- PayPal
- Pfizer
- Quintiles
- Societe Generale
- Standard & Poor's
- Teva

Key service offerings:

- Software product engineering
- System integration
- Application development
- Consulting
- Software distribution
- BPO

Quality certifications:

- ISO 9001
- ISO 27001
- CMMi Level 3 and Level 4

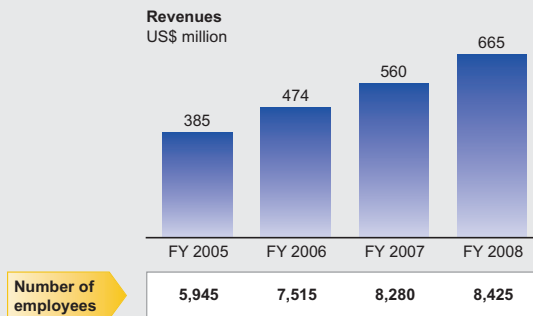
Delivery centers:

- India (Bangalore, Mumbai, Pune, Hyderabad, Chennai)
- Czech Republic (Prague, Ostrava, Brno)
- Israel (Tel Aviv)
- Malaysia (Kuala Lumpur)
- Thailand (Bangkok)
- Romania (Bucharest, Iasi)
- Hungary (Budapest)
- Slovakia (Bratislava, Košice)
- U.S. (San Jose, Santa Clara, Hackensack, Canonsburg)

Web site: www.ness.com

Company overview

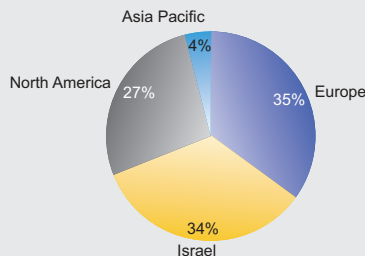
Founded in Israel in 1999, Ness Technologies (NASDAQ: NSTC) has expanded rapidly across Europe, North America, and India. Ness provides specialized IT and business services and solutions through three business units – Its global Systems Integration Unit, Ness Software Product Labs(sm), and its NessPRO Software Distribution group. The Global Systems Integration Unit offers systems integration, custom application development, consulting, business intelligence / information management, and business process services for enterprise clients. Ness Software Product Labs provides R&D and software product engineering and consulting services to independent software vendors (ISVs) and product-centric companies with software-based services. With growth of over 40 percent over the last three years, Ness established itself as one of the largest global software engineering, and offshore-centric IT services providers outside India, even though India retains a key position in Ness' global delivery network.



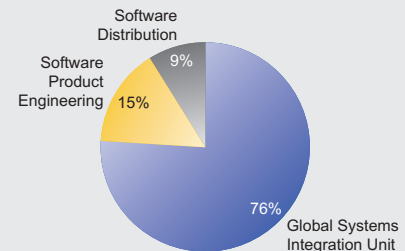
Key market segments

Over the years, Ness has acquired over 500 global clients including several Fortune 1000 and Global 2000 companies. Key client verticals include ISVs, utilities, government, financial services, travel, and life sciences and healthcare. Ness's geographic client portfolio is evenly distributed across Israel, North America, and Europe. Ness's Software Product Labs Unit, which currently contributes 15 percent to revenues, is expected to be a key growth engine.

Distribution of total revenues by client geography
Percentage; FY 2008



Distribution of total revenues by service offerings
Percentage; FY 2008



Distinctive capabilities

Operating scale and financial stability. A publicly listed enterprise with 2008 revenues above US\$650 million, Ness is one of the few offshore-centric IT services suppliers with roots outside India that offers the scale and financial stability required by global customers today.

Global delivery model. With its roots in Israel, Ness has created a multi-country global delivery model and leverages a combination of offshore, nearshore, and local teams to meet sourcing requirements of global companies. Ness's workforce is distributed across North America, Europe, Israel, India, and Asia Pacific. This model allows Ness to combine the technical expertise available in-country, with scalable, low-cost delivery from India and Eastern Europe, to deliver cost-effective yet technically differentiated solutions.

Domain expertise. Ness has long-term client relationships and deep expertise in industries such as high-tech, utilities, telecom, life sciences, and financial services. Coupling this deep market expertise with a set of distinctive practices in areas such as business intelligence, ERP, and IT outsourcing, ensures that Ness remains responsive to customers' needs in these areas.

Sources: Company inputs; Everest Research Institute

Mexico | Softek – Company Profile

Summary assessment: A pioneer of the Nearshore model, Softek has established a prominent position for itself as a leading Mexico-based IT services supplier. Given its scale, diversified and blue-chip client base, a global delivery model, and growing SAP credentials, Softek is well positioned to further strengthen its competitive positioning in the offshore IT supplier landscape.

Revenues (FY08): US\$284 million

Employees (FY08): 5,850

Headquarter: Monterrey, Mexico

Leadership:

- Blanca Trevino, President & CEO
- Jorge Sapien, CFO
- Roberto Montelongo, COO
- Fabio Daniel, CEO – Mexico and Central America

Public clients (based on Everest Research):

- BBVA
- Citibank
- GE
- Novell

Key service offerings:

- Application development
- Application maintenance and support
- Application security and testing
- Enterprise application services (SAP-centric)
- Remote infrastructure management (L1 and L2 desktop support, network and server administration, security administration, asset management, and telephony support)
- Business process outsourcing (source-to-pay, identity management, claim processing)

Quality certifications:

- SEI CMM/CMMi Level 5
- ISO 9001:2000
- Six Sigma
- ITIL
- SAS 70

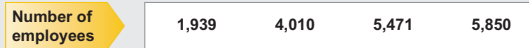
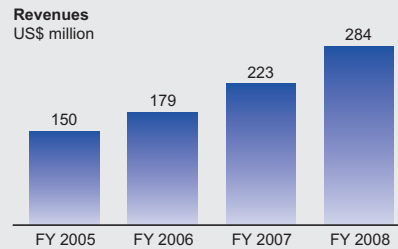
Delivery centers:

- Mexico (Monterrey, Mexico City, Aguascalientes, Ensenada)
- Brazil (Sao Paulo)
- China (Beijing, Wuxi)
- Argentina (La Plata)
- Spain (A Coruña)

Web site: www.softtek.com

Company overview

Founded in 1982, Mexico-based Softek provides IT and business process solutions through its nine Global Delivery Centers in Mexico, Brazil, China, Argentina, and Spain. Softek provides solutions and services to top-tier corporations in over 20 countries through a combination of onsite, onshore, and its trademarked Global Nearshore service delivery models. Softek’s services portfolio is focused on application development & maintenance and ERP services, though infrastructure and business process outsourcing are key emerging areas. With an annual growth rate of ~30 percent over the last three years, Softek has emerged as one of the largest privately held IT services providers south of the U.S. border.



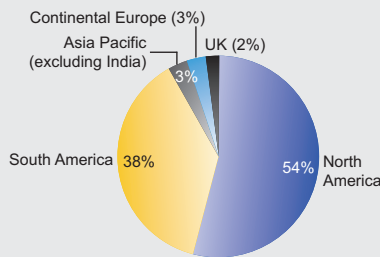
Key market segments

Softek focuses primarily on the North American market, and derives over half its revenues from clients in North America. South America is the second largest geography for Softek, with clients in several countries including Argentina, Brazil, Chile, Venezuela, and Colombia.

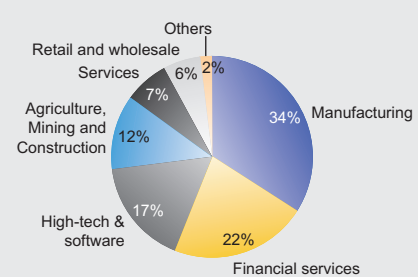
Though primarily focused on IT applications and ERP services, Softek also has small, but rapidly growing BPO and IT infrastructure services practices. Softek expects IT applications to remain core to its business strategy, and is committed towards investments in this space.

Softek has a significant track record in key industries such as manufacturing, financial services, and high-tech and software. These verticals account for over 70 percent of Softek’s annual revenues.

Distribution of total revenues by client geography
Percentage



Distribution of total revenues by client vertical
Percentage



Distinctive capabilities

Scale and delivery maturity: With over 6,000 professionals and around US\$300 million in revenue, Softek has emerged as one of the largest global providers of IT and business process solutions outside of India. Further, Softek’s investments in quality – adoption of methodologies such as Lean, Kaizen, and the first regional supplier in Latin America to acquire the CMM Level 5 (in 2004) – enable it to compete effectively with global majors and the larger India-centric players.

SAP expertise: With over 1,500 SAP professionals, Softek is one of the largest regional SAP-focused suppliers in Latin America. Softek delivers its SAP implementation and maintenance services to over 16 countries, with 80 percent of revenues derived from multi-country engagements. With over 50 percent annualized revenue growth over the last two years, Softek’s SAP credentials position it as a leader for the Latin American market, and as a strong credible alternate to offshore-centric suppliers for the U.S. market.

Global delivery: Despite pioneering the nearshore service delivery model in 1997, Softek developed an extensive global delivery model, which includes centers in Brazil, Argentina, Spain, and China in addition to those in Mexico. These centers allow the company to provide Global Nearshore solutions as well as complete “follow-the-sun” solutions to its clients.

Sources: Company inputs; Everest Research Institute

Philippines | SPi Global Solutions – Company Profile

Summary assessment: In the Philippines market where voice-based services dominate, SPi has differentiated itself by developing scale in both voice and non-voice BPO services. With its wide array of voice and non-voice BPO services, deep vertical expertise (in healthcare, publishing, and telecommunications), and a global footprint, SPi is well positioned to emerge as a BPO leader from the Philippines.

Revenues (FY08): US\$220 million

Employees (FY08): 14,000

Headquarter: Metro Manila, Philippines

Leadership:

- Maulik Parekh, President & CEO, SPi Global Solutions
- Peter D. Maquera, President, SPi Technologies
- Helen T. Marquez, President, SPi Ventus

Major clients:

- Cleveland Clinic
- Elsevier
- Springer
- Wolters Kluwer
- Xerox

Key service offerings:

- Revenue cycle services
- Medical transcription
- Pre-press services
- Digitization, eProducts, database services
- Inbound / outbound contact center
- Back-office support / transaction processing
- Litigation coding services

Quality certifications:

- ISO 9001:2000
- ISO/IEC 27001:2005
- Six Sigma
- HIPAA
- PCI DSS

Delivery centers:

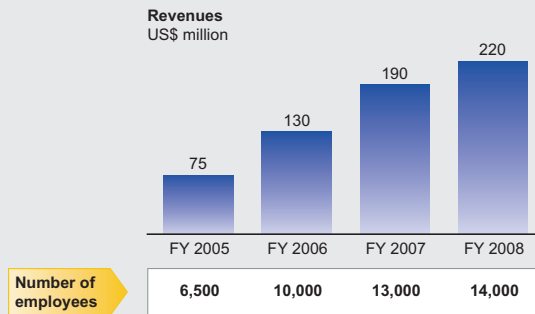
- Philippines (Cebu, Dumaguete, Iloilo, Laguna, Manila)
- India (Chennai, Coimbatore, Pondicherry)
- U.S. (San Clemente, Tinley Park, Nashville, Richmond)
- Vietnam (Hanoi)

Web site: www.spi-bpo.com

Company overview

SPi Global Solutions is the holding company for ePLDT Ventus, a Filipino contact center supplier, and SPi Technologies, a Filipino BPO company. SPi Global Solutions is 100 percent owned by ePLDT, a wholly owned subsidiary of the Philippine Long Distance Telephone Company (PLDT), a NYSE-listed telecommunications provider in the Philippines, with revenues of over US\$3 billion.

Building on its 29-year history of content and voice outsourcing, and PLDT’s financial strength, SPi emerged as one of Philippines’ largest diversified supplier offering an array of healthcare revenue cycle management services, media and publishing services, customer interaction services, and transaction processing services for large enterprise customers in North America and Europe.

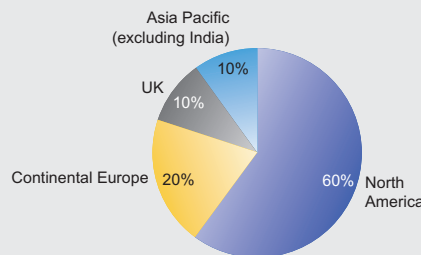


Key market segments

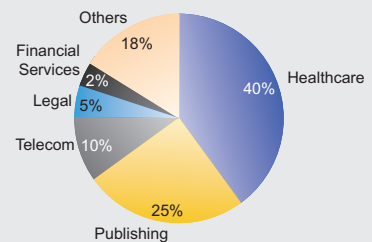
SPi has over 450 global clients, and derives 75 percent of its revenues from three verticals – healthcare, publishing, and telecommunications. SPi specializes in providing vertical-specific back-office services such as medical billing, coding and transcription to healthcare clients, content production, editorial services, digitization services and customer support services for publishing and media clients, and transaction processing and call center services for telecommunications customers.

While the majority of SPi’s clients are from North America, it also serves clients in Europe and the Philippines.

Distribution of total revenues by client geography
Percentage



Distribution of total revenues by client vertical
Percentage



Distinctive capabilities

Operating scale and financial stability: With close to 14,000 employees and the financial backing of PLDT, SPi has emerged as one of the largest integrated voice and non-voice BPO suppliers in the Philippines – a market where scale is becoming increasingly critical.

Distinctive focus on non-voice BPO: While voice-based services dominate the Philippines’ BPO market, SPi successfully differentiates itself by focusing significantly on the non-voice, back-office transaction processing market. With over 7,500 resources focused on non-voice services, SPi is one of the few scaled options for non-voice BPO outside India.

Solution maturity: SPi’s multi-country operating model spans North America, Europe, and Asia (the Philippines, India, and Vietnam). This offers significant cost advantages, risk mitigation, enhanced scalability, and flexibility to its global clients. In addition, quality and industry certifications such as ISO 9001:2000, ISO 27001:2005, HIPAA, and Six Sigma, further strengthen SPi’s solution capability.

Sources: Company inputs; Everest Research Institute

South Africa | Merchants – Company Profile

Summary assessment: With its long history in customer service, delivery maturity and solution flexibility Merchants’ has successfully positioned itself as key supplier in South Africa especially for European clients seeking high-quality, yet lower-cost options in a similar time zone; and global clients with African operations.

Revenues (FY09): US\$55 million

Employees (FY09): 2,355

Headquarter: Johannesburg, South Africa

Leadership:

- Adam Foster, Managing Director
- Craig Gibson, Director African Operations
- Paul Scott, Solutions Director
- Vanda Dickson, Marketing Director
- Jay Patel, Commercial Director
- Shane Budd, Financial Director

Major clients:

- Asda (part of Wal-Mart Group)
- iiNet
- MTN Banking
- Silah Gulf (Joint Venture between Merchants and Bahrainian eGovernment Authority)
- South African Airways
- TSYS Managed Services EMEA (Joint Venture). Clients include ABN Amro, Rabo Bank, Nationwide, etc.
- Vodacom

Key service offerings:

- Inbound customer service
- Outbound customer service
- IT support and helpdesk
- Email correspondence
- Authorizations
- Customer loyalty management
- Hosted facilities
- Consulting
- Benchmarking

Quality certifications:

- ISO 9000
- COPC
- Six Sigma
- SETA – provisional accreditation
- SETQAA – provisional accreditation
- EDEXCEL (BTECH)
- Prince 2

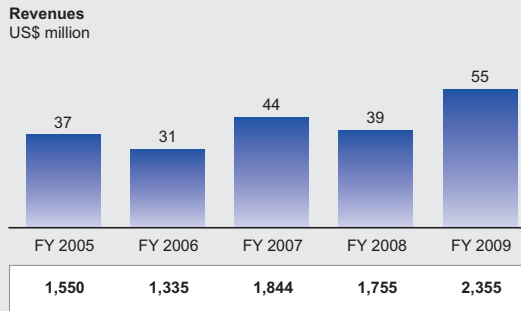
Delivery centers:

- South Africa (Cape Town, Johannesburg)
- Bahrain (Manama)
- Netherlands (Barneveld)
- UK (Coventry, Milton Keynes)

Web site: www.merchants.co.za

Company overview

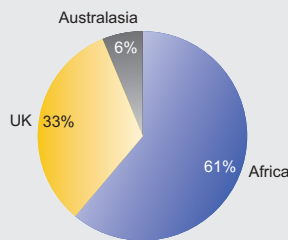
Merchants, a wholly owned subsidiary of Dimension Data plc (a US\$4.5 billion company), a specialist IT services and solution provider, is one of the largest outsourcing suppliers in South Africa, with over 25 years of experience in delivering customer contact solutions to clients. A specialist in contact center services and contact center consulting, Merchants’ contact center operations range from inbound customer service to outbound sales delivered to business-to-business or direct-to-end customers. Merchants’ financial backing, operating history, and solution flexibility, successfully position it as a leading supplier in the region.



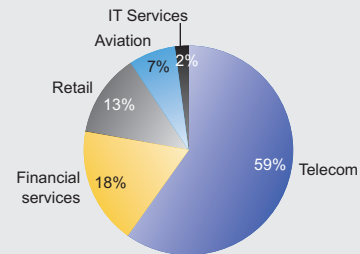
Key market segments

Though Merchants derives the majority of its revenues from the African market, it derives roughly one-third of its revenues from clients in the UK, which is the primary offshore market for suppliers in South Africa. Telecommunications (including ISPs) is the largest industry vertical for Merchants, followed by retail and financial services. Aviation, which contributed 7 percent to revenues, is expected to be a key growth engine for the future, given recent client successes.

Distribution of total revenues by client geography
Percentage



Distribution of total revenues by client vertical
Percentage



Distinctive capabilities

Financial stability: The backing of Dimension Data provides Merchants the financial stability that global corporations require in their supplier portfolios.

Delivery maturity: Merchants’ 25+-year history in delivering contact center solutions created a brand that allows it to recruit and retain the best talent in South Africa. Further, even for a company of its size, Merchants’ delivery network extends beyond South Africa, and includes presence in the UK, the Netherlands, and Bahrain. Finally, industry certifications such as COPC, Six Sigma, and SETA further strengthen Merchants’ competitive positioning in the African supplier landscape.

Solution flexibility: Merchants has demonstrated success in adopting flexible business models to meet unique client requirements. These include strategic partnerships and joint ventures with TSYS for a managed service solution in EMEA, and Bahrain eGovernment for contact center solutions; innovative contract structures (e.g., open-book contracts, risk and reward / gain-share); DBOT (design, build, operate, and transfer) methodology. Merchants’ flexible approach to client delivery has allowed it to successfully compete, and win in competitive situations. Further, access to best-of-breed technology and connectivity solutions via Dimension Data adds value to clients looking for turnkey solutions.

Sources: Company inputs; Everest Research Institute

Conclusion

As risk management considerations and changing demand dynamics push the global sourcing market into the next wave of maturity, a global services delivery network is positioned to become more important and relevant. While we expect India to retain a prominent role in this global network, a number of new locations will continue to demonstrate significant growth and activity, and a large chunk of this growth will be led by the emerging market suppliers in these locations. With their above-average growth rates, increasing operating scale, maturing delivery capabilities, and growing global footprints, emerging market suppliers are strongly positioned for success, and represent a new set of options that will re-draw the boundaries in the global sourcing supplier landscape.

About Everest

Everest Group is a global consulting and research firm that comprehensively serves the outsourcing and offshoring market. An industry leader since creating the sourcing consultancy practice in 1991, Everest has earned a worldwide reputation for ongoing innovation by helping clients capture optimum value through the development and implementation of leading-edge sourcing strategies, including captive, outsourced, and shared-services approaches. We help companies create strategies and sourcing relationships that deliver total value – improving performance and results while effectively managing risks.

Since its inception, Everest has forged over 600 major outsourcing relationships, advising clients on complex sourcing issues in more than 30 key business processes worldwide. Our experience spans numerous Fortune 500 clients in banking, insurance, retail, energy & utilities, healthcare, manufacturing, telecom, media & entertainment, and hospitality sectors, among others.

The Everest Research Institute serves as a central source of independent and objective strategic intelligence, analysis, and actionable insight for leading corporations, suppliers, technology providers, and investors in the global outsourcing and offshoring marketplace. Our research analysts address both business process and information technology sourcing topics, providing the global outsourcing and offshoring community with information that empowers highly productive, sustainable sourcing strategies and relationships.

Through a uniquely integrated consulting and research delivery model, Everest offers its clients the flexibility and scalability to support a broad scope of business situations, client needs, and project requirements. Service offerings range from comprehensive support for critical initiatives to modular support for ad hoc inquiries.

Everest is headquartered in Dallas, Texas, and has offices in New York, Toronto, London, Amsterdam, New Delhi, Melbourne, and Sydney. For more information, please visit www.everestgrp.com and www.everestresearchinstitute.com.

For more information about Everest, please contact:

Everest Research Institute
+1-214-451-3110
info@everestresearchinstitute.com

For more information about this topic please contact the authors:

Amneet Singh, Vice President, Research
asingh@everestgrp.com

Jimit Arora, Research Director
jarora@everestgrp.com

Kiranjeet Kaur, Research Analyst
kkaur@everestgrp.com