Global Sourcing (GS)
Market Update: July 2010 – Preview Deck

Topic: Global Sourcing 2.0 – Evolving Global Delivery Imperatives for Outsourcing Service Providers

ERI-2010-2-PD-0439

Background and scope of the research

Background of the research

- The maturing of the global sourcing industry presents outsourcing suppliers with changing buyer needs and preferences such as value expectations beyond labor arbitrage, robust risk mitigation mechanisms, sophisticated delivery requirements, and a more strategic approach towards outsourcing
- These evolving buyer needs and preferences force suppliers to rethink their global delivery models to remain competitive in this next phase of global sourcing. To prepare for the changing dynamics, suppliers are gearing up multiple components of their global delivery strategy, e.g., location footprint, service delivery, skill enhancement, delivery tools, and methodologies
- As the outsourcing industry evolves in sophistication, understanding these global delivery trends holds importance for suppliers and buyers alike. While it is critical that suppliers be aware of these imperatives and prepare to compete with the changing paradigm, buyers need to incorporate and leverage these next-generation global delivery characteristics in their decision making and drive improved value from their sourcing programs
- This Everest report analyzes key global delivery trends and imperatives in outsourcing and discusses their implications for buyers and suppliers

The scope of analysis includes

- The report analyzes the trends and next-generation imperatives for suppliers along some of the key components of global delivery – location portfolio, operating model, and talent management
- The findings and analysis in this report are based on a representative sample of leading global and Indian suppliers
- The analysis along key global delivery dimensions is indicative of the industry as a whole and should not be interpreted as a validation of delivery strategy for a particular supplier/segment
- The trends analyzed in this study are valid for majority of service lines in outsourcing including Application Development and Maintenance (ADM), IT infrastructure, and Business Process Outsourcing (BPO)

Methodology and approach (page 1 of 2)

Everest's findings are based on an analysis of a sample set of leading global and Indian suppliers, selected based on scale and services scope criteria

Supplier selection criteria	Global suppliers	Indian suppliers
Revenue	>US$5 billion	>US$1 billion
Headcount	>75,000 FTEs	>50,000 FTEs
Delivery footprint spread	>10 countries	>5 countries
Scope of services	▪ IT ADM ▪ IT Infrastructure ▪ BPO	▪ IT ADM ▪ IT Infrastructure ▪ BPO

Consideration set

Global majors

accenture, ACS (A xerox Company), CSC, hp, IBM

Indian majors

Cognizant, HCL, Infosys, TATA CONSULTANCY SERVICES, WIPRO

We selected five global and five Indian suppliers meeting the above criteria to analyze the leading market practices in global delivery

Methodology and approach (page 2 of 2)

We layered the trends observed in leading market players with wider Everest research and proprietary intelligence

Supplier discussions	Buyer discussions
Discussions with leadership personnel in supplier organizations of the consideration set (e.g., dedicated global sourcing groups, corporate strategy groups, delivery leads)	Discussions with global sourcing offices of large mature buyers

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Everest proprietary intelligence

Supplier Intelligence practice	IT Infrastructure, Applications and BPO expertise	Global Sourcing practice
▪ Dedicated five-analyst team tracking 50+ outsourcing suppliers and maintaining a fact-based database of 500+ global and regional suppliers ▪ In-depth understanding of delivery location portfolios of suppliers	▪ Insights into supplier behaviors through 19+ years of advisory experience across IT and BPO ▪ Dedicated functional research teams for IT ADM, IT infrastructure, and BPO research that provide detailed understanding of supplier capabilities	▪ Dedicated Global Sourcing team tracking offshore delivery trends ▪ The Location Optimization practice extensively tracks developments in more than 150 sourcing locations across the globe

While the report analyzes the trends in global delivery of leading global and Indian players, it is directionally representative of the wider industry

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Overview and abbreviated summary of key messages

This report analyzes the trends and next generation imperatives for service providers along some of the key components of global delivery – location portfolio, operating model, and talent management. The report presents the global delivery trends with pertinent examples, data analysis and observations, and draws important implications for service providers as well as buyers of outsourcing services.

Some of the findings in this report, among others, are:

Location portfolio

- Offshore leverage continues to dominate the outsourcing economics and is an accepted reality for staying competitive in the global services business
- Service providers view a diversified delivery location portfolio as a strategy to meet evolving buyer requirements and mitigate risks associated with labor markets and currency movement

Operating model

- There is an increasing trend towards building a globally integrated delivery organization, shaped as matrix structure around industry verticals and service lines
- Industrialization is a prime area of focus for the next-generation operating model

Talent management

- To meet the changing industry dynamics and to remain responsive towards growth requirements, suppliers are effectively adopting resource-planning approaches such as hiring ahead of demand, maintaining a strategic bench, etc.
- Training is a prime component of professional development with suppliers investing 3-4% of their revenues in this area

The next generation global delivery imperatives have been identified based on in-depth analysis of trends shaping the underlying value drivers

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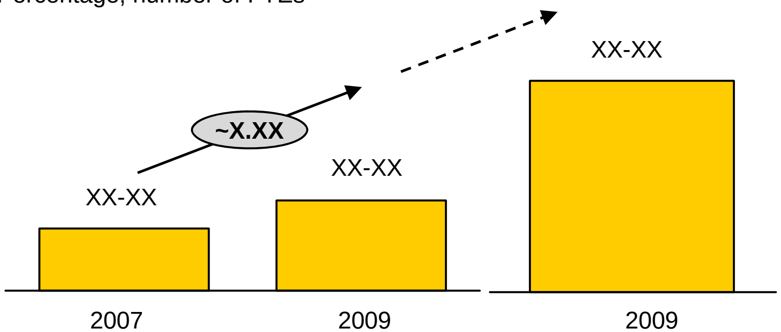
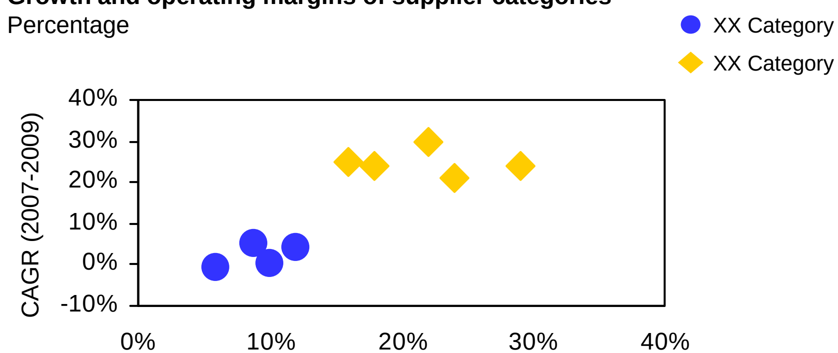
Offshore leverage

Offshore leverage of suppliers
Percentage; number of FTEs



Growth & profitability

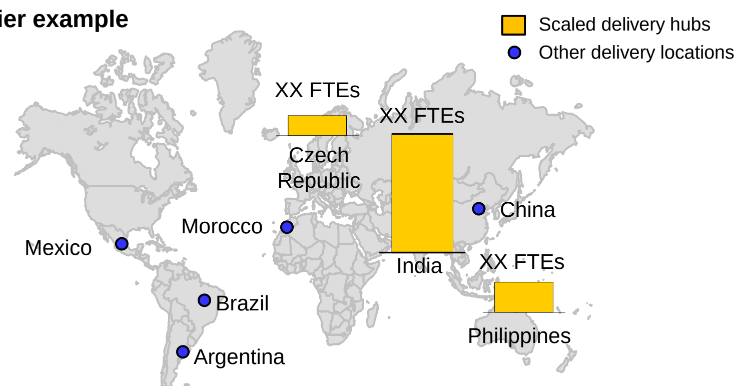
Growth and operating margins of supplier categories
Percentage



Delivery centricity

NOT EXHAUSTIVE

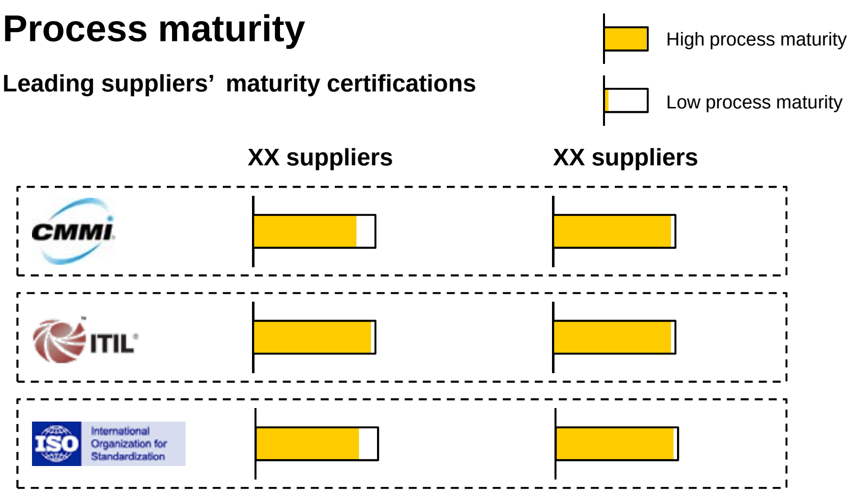
XX supplier example



Example of a supplier attempting to reduce centricity by building credible scale (>XX FTEs) in XX other locations outside India

Process maturity

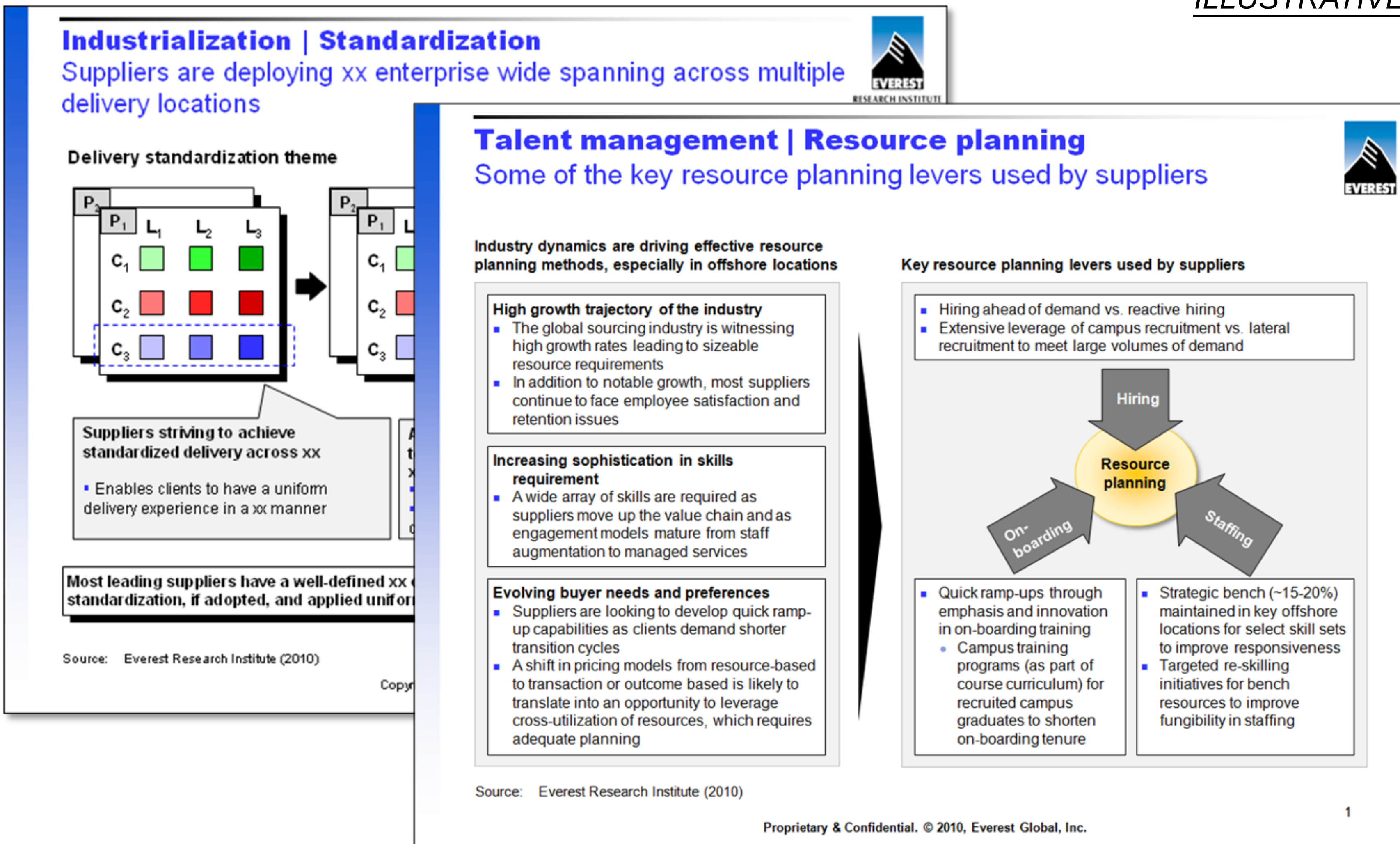
Leading suppliers' maturity certifications



Source: Everest Research Institute (2010)

The report also provides deep insights into strategic issues shaping the next generation global delivery models

ILLUSTRATIVE



Source: Everest Research Institute (2010)

Appendix: Additional GS research references

The following documents are recommended for additional insight on the topic covered in this Research Report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

1. **Market Vista: Q1 2010** (ERI-2010-8-R-0419); 2010. This report summarizes the key trends and developments for Q1 2010 in the global offshoring and outsourcing market

2. **Offshore Locations: Buyers' Perceptions and Plans for 2011-2012** (ERI-2010-8-W-0438); 2010. As the global economy recovers from the recession of 2009, the global sourcing market is witnessing an increase in activity. To gain further insight into these trends in the market, Everest conducted a market survey during January-February 2010. The survey focused on understanding the current location footprint, expansion plans, and perceptions of risk in offshore locations. This whitepaper presents a summary of the findings from the survey

3. **Market Vista Q1 2010 Primer: Overview of Key Latin American Contact Center Suppliers** (ERI-2010-8-R-0423); 2010. This Everest research provides an overview of some of the key Latin American contact center players that are emerging as credible options for global buyers for sourcing Spanish language contact center services

For more information on this and other research published by the Everest Research Institute, please contact us:

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