

FDI OUTSOURCING FORUM 2009 – RESEARCH DOCUMENT

FDI OUTSOURCING FORUM 2009
10th & 11th November
London, UK

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RESEARCH DOCUMENT

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FDI OUTSOURCING FORUM 2009 – RESEARCH DOCUMENT**PROGRAMME**

FDI OUTSOURCING FORUM 2009
10th & 11th November
Altitude 360, Westminster
London, UK

What is it?

This is an international Foreign Direct Investment (FDI) event looking at global location choices for the outsourcing industry, covering talent, cost, emerging locations, new companies in the sector, and current and future trends within the industry.

Who should attend?

- firms operating in the outsourcing sector;
- economic development agencies promoting their location for outsourcing, and;
- intermediaries advising on corporate location.

Tuesday 10th November

08:15 Conference registration and refreshments.

09:00 Welcome and introduction to the FDI OUTSOURCING FORUM 2009: **Catherine Dawson, Chief Executive Officer, Red Hot Locations**

Introduction to the conference chairman and moderator:
Peter Kellner, President YouGov, Political Commentator and Journalist, confirmed

Session 1: Outsourcing: The Recession and Beyond

09:20 The Wall Street Journal recently reported that “as companies and governments scramble to fight the recession, outsourcing specialists are reaping the rewards”. With companies chasing every dollar they can and the obvious cost savings that outsourcing offers, it’s no wonder that the industry is on a roll. But how long will this last and what does the future hold? And how can locations capitalise on this upturn, what should they be doing to secure investment from the industry?

We hear experts from the outsourcing industry expand on the outsourcing landscape for 2009 and beyond.

India’s business process outsourcing (BPO) sector is one of the highest growth areas of outsourcing, and Firstsource, ranked third in “Business Week” is one of the “hot players” in the offshore outsourcing world. With delivery centres across the US, India, Europe, Argentina and the Philippines, we hear about

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Firstsource's own expansion and location plans during such times.

Guest speaker panellist: Arul Nathaniel, Head of Strategy & Marketing, Firstsource, confirmed

IBM, invited
Accenture, invited

Session 2: Emerging Locations

KPMG's report, "Exploring Global Frontiers", lists the 31 emerging locations from around the globe with balanced and attractive offers to the outsourcing industry.

Besedo, a call centre for internet and media businesses, has offices in Sweden, Malta and Malaysia. What do they look for in a location, and which emerging locations are becoming attractive?

Guest speaker panellist: Jesper Lilliesköld, President and Chief Executive Officer, Besedo, confirmed

Hewlett Packard, invited

11:00 Break for refreshments and networking

Session 3: Perceptions of Global Locations

How do outsourcing companies perceive various locations? How do North American/ Asia/Pacific/ outsourcing firms gather the correct data in order to make informed location decisions? How can locations overcome certain perceptions in order to market a place? How should locations be more specific about their "offer" as a business location?

We hear stories from companies about city/place perceptions and how from their points of view, locations should be marketing themselves to companies in this sector. How does a US company for example, decide between Eastern and Western Europe? How do place perceptions influence location decisions?

Convergys was one of the big climbers in the top 10 of the International Association of Outsourcing Provider's 2009 rankings, rising to 6th this year, from 57th last year.

Guest speaker panellist: Londa Brady, Senior Director Corporate Real Estate, Convergys Corporation, invited

13:00 **Lunch and networking**

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FDI OUTSOURCING FORUM 2009 – RESEARCH DOCUMENT**Session 4: Talent vs Cost**

Do companies choose locations where talent pools are smaller and more expensive, yet more sophisticated in terms of knowledge and the language skills that they offer, or do companies stick to their aggressive cost-saving targets and go for locations where the talent pool is plentiful, costs are low, but skills are lacking? Or is the answer a combination of locations? Is this the common school of thought? We hear from 3-4 expanding companies about whether it is talent or cost or both that determines their location decisions.

Crimsonwing provides IT solutions to clients in the UK, Holland and Malta. How can locations strike the right balance and where is Crimsonwing looking to locate next?

Guest speaker panellist: David Walsh, President and Chief Executive Officer, Crimsonwing, confirmed

16:00 Break for refreshments and networking

Session 5: Meet your Corporate Investors

This will comprise a series of FDI speed meetings, on a 1:1 basis. Delegates will be able to meet with the agreed companies from the speaking panels. All companies will be expanding, some already multinational and others embarking on international expansion. The company representatives you can meet with will all be responsible for location decisions.

PLEASE NOTE: meetings will be offered on a first-come first-served basis up until Friday 2nd October.

Wednesday 11th November

08:15 Refreshments and networking.

09:00 Welcome and introduction to Day Two of the FDI OUTSOURCING FORUM 2009:
Catherine Dawson, Chief Executive Officer, Red Hot Locations

Session 6: Headquarters for Outsourcing

What makes for an attractive HQ for outsourcing companies? Are companies looking for traditional outsourcing locations to set up their headquarters, utilising the benefits that a cluster brings and taking advantage of the established facilities on offer? Or are

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companies looking to avoid mature markets and set up their headquarters in new locations, bucking the trend?

Sykes Global Services is part of the Sykes Group, which is a global leader in providing customer contact management solutions and services in the business process outsourcing (BPO) arena. Where are Sykes global and regional HQ's and what were the reasons behind these choices?

Guest speaker panellist: Kenny Morris, Senior Director Operations, Western Europe, Sykes Global Services, confirmed

Session 7: Rising Stars

The International Association of Outsourcing Professionals' Global Outsourcing 100 2009, which ranks the world's leading service providers, includes a category of "Rising Stars" which represents the industry's up and coming companies.

As these companies grow and expand into new locations we hear first-hand from 2-3 expanding companies what it is they look for when moving into new markets.

11:00 Break for refreshments and networking

Session 8: Financial Services: the Aftermath of the Credit Crunch

Outsourcing is often described as "a recession-proof business tool for financial services", perfect for stringent COOs and CFOs looking to cut costs, by any means, to boost profits.

Given the industry was hit hardest by the credit crunch, outsourcing looks set to continue playing a key role, helping institutions regain control of their balance sheets and what's more, those that have shunned outsourcing in the past will have to embrace it to protect their margins. We hear 3-4 expanding companies discuss this in greater detail.

13:00 **Lunch and networking**

Session 9: Shared Services and the Economic Downturn

As with outsourcing, the economic downturn has spurred on growth in the shared services market, with Soren Brandt, Senior Vice President, Maersk Global Business Services, recently commenting that the current climate "has enhanced the focus on cost, therefore the focus on moving more work to shared

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services centres”. As a result companies are setting up new shared services centres.

We hear from 3-4 companies about what is is they are looking for from potential locations for their new shared services centres. As with outsourcing, low-cost is an obvious factor, as is access to talent, but with the latter is there a particular type of talent that they are after? What is it a location needs to offer to draw them in?

15:45 Break for refreshments and networking

Session 10: Meet your Corporate Investors

16:00 This will comprise a series of FDI speed meetings, on a 1:1 basis. Delegates will be able to meet with the agreed companies from the speaking panels. All companies will be expanding, some already multinational and others embarking on international expansion. The company representatives you can meet with will all be responsible for location decisions.

PLEASE NOTE: meetings will be offered on a first-come first-served basis up until Friday 2nd October.

17:30 Conference close

*Please note that this is a draft programme in development. On the final programme we expect at least 25 companies to participate on the speaking panels – and to potentially be available for 1:1 meetings.

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Outsourcing: The Recession and Beyond**The Dynamics of Today's Outsourcing Market****Avinash Vashista, CEO, Tholons****www.globalservicesmedia.com February 17, 2009**

There are considerable opportunities for emerging outsourcing destinations amidst these turbulent times. Even as short-term engagements may experience contraction, the imminent recovery of the global market will eventually breathe new life to the global outsourcing space

Though today's global outsourcing landscape may look to be radically different from the same period only a year ago, in reality--**the fundamentals of what makes a location a good outsourcing destination remain largely unchanged.**

We do not discount the fact that sales pipelines are contracting and service provider revenue will likely be impacted for the rest of 2009. However, we should also consider that the current global economic downturn may in fact create an outsourcing ecosystem that is more competitive and ultimately more efficient.

Standing Out From the Pack

As contracting pipelines and scaled engagements begin to characterize the industry, outsourcing markets will need to become more competitive to differentiate themselves from competitors. This applies not only to service providers but also to delivery locations vying for the attention of global providers. **Governments and institutional bodies will need to be more aggressive in promoting their countries by offering more substantial incentives to locators, and cities will need to act more decisively in addressing infrastructural and resource concerns that may have been overlooked in the past.** If contracts are to be won in the near-term, they must be won immediately.

Adding to the competitive dynamics, a growing number of North American and trans-national companies, with the backlash of mass layoffs, have begun to explore and implement Insourcing models into their business lines. These processes, which would have otherwise gone the offshore route, will add additional pressure to delivery centers. **If quality of service and lower cost have become less convincing selling points, then delivery locations will have to find more compelling value propositions to separate themselves from the pack.**

What Was Good Yesterday is Still Good Today

In viewing the ecosystems of today's outsourcing destinations, we should consider that much of the fundamental draws of these locations have remained the same in the last year, and will continue to do so in the near term. Dalian in China still possesses a quality labor pool, capable of providing high value ITO services to both Korean and Japanese markets, Makati City in the Philippines remains a global hub for English, voice-based services, and Bangalore maintains its dominance in ADM (Application Development and Management) space.

Though the disruptive effects of the global recession may impact near-term engagements in such locations, their capacities and inherent capabilities as respective "Centers of Excellence" remain relatively unchanged. That is to say, these outsourcing markets will continue to have the ability to deliver the processes they have done so in the past.

The unfolding competitive dynamics in the current outsourcing market will also push such locations to deliver at a higher level of efficiency. In this cautious market, incumbent providers (and destinations) will need to be more aggressive in maintaining customers, as heightened competition is felt not only from other emerging global destinations, but also from in-country locations. Shanghai in China will continue to

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face competition from Dalian. Cebu City in Philippines will draw more attention from Makati City, and Bangalore in India will see providers prospecting other tier-2 Indian cities. **In this scenario, "retention" to be the guiding principle in weathering the downturn, and as locations may be best served in simply ensuring that existing customers are kept satisfied and remain in their fold.**

Emerging Locations

Although we see the global outsourcing market to take a more cautious (if not tepid) pace in 2009, we expect several delivery locations to continue to emerge and establish delivery capabilities. City centers in Vietnam should continue to evolve and expand their capabilities in the ITO space. While regional delivery hubs as found in Argentina and Chile are expected to increase market share in the multilingual contact-support space catering to the growing North American Hispanic market.

Likewise, the ongoing consolidation of global and North American financial institutions should provide large provider markets such as India, lucrative tracts into large-scale integration projects. These larger projects are likely to center on India and the Philippines in the non-voice and voice-based fronts respectively, as many of the still emerging global destinations will be unable to handle the scale involved.

Customer-Side Dynamics

The pressure exerted by current market conditions is not exclusive to the service provider. Even customers are now faced with the additional strain of having to "do more with less" as far as their outsourcing and IT budgets are concerned. Bottom lines are being monitored and scrutinized more closely than ever before, and the imperative to optimize spending is at the forefront for service buyers. In this situation, customers will have to become much more selective in choosing the "right service provider" and the "right delivery location." **Tholons believes that choosing a proper or optimal location will require customers to undertake a more concise and systematic assessment of delivery locations.** In many instances, customers will be forced to look beyond existing capabilities of the service provider, and will need to gain a deeper understanding of the capacity and scalability of a delivery location. Doing so, not only helps minimize risk, but also assists clients in sustaining business objectives where outsourcing is involved. Short-term outsourcing decisions cannot be made without having long-term considerations in mind.

There remain considerable opportunities for emerging outsourcing destinations amidst these turbulent times. Even as short-term engagements may experience contraction, the imminent recovery of the global market will eventually breathe new life to the global outsourcing space. Moreover, the fact that many businesses have turned to outsourcing as a "lifeboat" during these stormy conditions, only validates the outsourcing process and its long-term viability as a business model. What is essential during this period is that emerging locations are able to properly assess their delivery capabilities and capacities of scale, and prepare themselves for the impending rebound. **Destinations that can retool and repackage themselves now, and are able to sell their locations in spite of adverse conditions, will likely be the same locations who will lead the pack in the next surge of outsourcing.**

Top 10 Global Outsourcing Trends in 2009 – Tholons www.trendsniff.com January 19, 2009

Tholons, an advisory, investment and research company for IT/BPO/KPO services globalization, earlier announced the firm's predictions for 2009 outsourcing trends. Against the backdrop of a global economic downturn, service providers in the outsourcing industry are experiencing sluggish growth, diminishing margins and downsizing. Service buyers are reducing IT budget allocations but still under immense pressure to reduce cost and survive.

Despite the uncertainty, Tholons maintains that the long term demand for outsourcing remains intact. Lower margins will push providers to better utilize existing resources, leverage operational levers, implement new technologies efficiently to differentiate themselves and improve service delivery

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processes. Clients, with reduced IT budgets will be more selective – demanding stringent SLAs, greater contractual flexibility and output/result based payments.

The ***top ten Global Outsourcing trends in 2009*** according to Tholons:

1. The market downturn will impact revenues during the first 2-3 quarters before picking up and ending the year on a stronger note
2. Focus on domestic markets (such as China, India, Argentina and Brazil) to increase
3. Global economic downturn will lead to increased outsourcing in Healthcare, Education, Retail, Telecom and Legal Process Outsourcing (LPO)
4. Governments to take special initiatives in promoting destinations. Cebu City, Shanghai, Beijing, Ho Chi Minh and Krakow make up the top 5 spots in a recent Tholons *study*.
5. Clients will increase geographic diversity in their service delivery locations. Newer service delivery geographies are emerging with niche capabilities – “the Philippines has exhibited spectacular growth, with BPO export value aggregating close to 50% of India’s BPO exports.” Vietnam is emerging in IT services.
6. Pricing pressures will result in reduced rates and new measures to achieve cost savings and higher productivity
7. Consolidation imminent for small players – focus away from large deals
8. Outsourcing revival by 2009 end – driven by small to mid sized (SME) clients
9. Strong focus on innovation, R&D and technology adoption will be key differentiators for providers.
10. Sourcing deal sizes will increase for large clients

According to Avinash Vashistha, CEO, Tholons, “Service buyers will need to re-assess their outsourcing strategies and implement a better mix of multi-sourcing, nearshore and offshore models, while service providers will look to tap growing domestic markets as a means to hedge against the volatility of existing offshore contracts.”

These shifts will significantly induce a high degree of consolidation – smaller and less efficient providers may face difficulties in tapping new revenue streams and will be prone to acquisition or outright dissolution. Paul Santos, Managing Director, Tholons Capital says, “It’s an opportune time for the larger players to continue their string of strategic, niche acquisitions. In an increasingly competitive market, and improbable economic state, the mantra of only the strong will survive has never been more relevant.”

Demand For IT Outsourcing Set to Grow in 2009

www.ihotdesk.com January 27, 2009

The business and financial case for investing in [IT outsourcing](#) is strengthening due to the recession, according to experts.

EquaTerra, a business advisory company, says budget and employee cuts are increasing "pent-up" demand for [IT outsourcing](#) which is likely to result in more deals emerging in the latter half of the year.

"[Outsourcing](#) service providers have both a skills and cost advantage," said Stan Lepeak, managing director of global research at the firm.

EquaTerra's Pulse survey - conducted in the fourth quarter of 2008 - found that [IT outsourcing](#) remains popular among public sector and government enterprises, while over half of the service providers questioned forecasted demand will increase in the next quarter, up 14 per cent compared to the third quarter survey results.

Last week, data from analysts TPI showed that European [IT outsourcing](#) had a record year in 2008, with annualised contract value up to 14.1 billion euros (£13.2 billion), a 9.5 per cent rise compared to the previous year.

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Emerging Locations**Six New Outsourcing Hotspots for 2009
Management Today July 1, 2009**

Companies looking to cut costs through outsourcing can now look way beyond Bangalore, says Ian Wylie.

Outsourcing is one business that is booming, thanks to the global economic slowdown. After all, offshoring 'non-core' and 'location-agnostic' activities such as IT, customer service, payroll and even some HR functions to a low-cost, high-skilled developing economy is a great way of saving a lot of money without, as they say, 'negatively impacting your service set'. At least in theory.

And according to a report published by KPMG, Exploring Global Frontiers, firms are now looking beyond the usual outsourcing suspects such as Bangalore and Chennai towards a new generation of even lower-cost, higher 'value-add' destinations. Places where it might be possible to outsource not just call centres and number-crunching jobs, but even more high-end functions - R&D, for example.

So to help you keep up to speed and ahead of the competition, here's MT's guide to the pros and cons of a few of the new, new outsourcing centres. You might want to have your atlas handy, as some are pretty out-of-the-way places: but remember, you saw them here first.

GDANSK, POLAND

How to find it: On the Baltic coast, an hour's flight from Warsaw.

Vital stats: Population 458,053, rainfall 60 cm, literacy rate 99.8%, Polish, English, German, Russian spoken.

The good: Strong foreign-language skills, infrastructure improvement projects planned for European Football Championship in 2012.

The bad: Emigration has depleted workforce size. It's prone to flooding.

Already there: Lufthansa, Intel, Reuters.

a good plumber.'

CAIRO, EGYPT

How to find it: In the north of Egypt on the banks of the Nile, five hours' flight from London.

Vital stats: Population 18 million, rainfall 20 cm, literacy 71.4%, Arabic and English spoken.

The good: Pro-Western attitude, strong culture of customer service, thanks both to history and tourism. Cairo University is one of the biggest in Africa.

The bad: Soaring inflation, high pollution, aggressive drivers, random acts of terrorism and political violence.

Already there: Fujitsu, Orange.

HO CHI MINH CITY, VIETNAM

How to find it: On the Saigon river, two hours' flight from Hanoi.

Vital stats: Population 5,244,700, rainfall 180 cm, literacy 99%, Vietnamese, Chinese, English and French spoken.

The good: Large, young talent pool, low salaries and cost of living.

The bad: Lots of petty crime (eg, pickpocketing), noise and air pollution, limited public transport and appalling traffic.

Already there: Oracle, Luxoft.

PORT LOUIS, MAURITIUS

How to find it: Capital of Mauritius, a four-hour flight from Jo'burg.

Vital statistics: Population 130,050, rainfall 150 cm, English and French Creole spoken, literacy 86%.

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The good: Positioning itself as an international financial services centre and specialist in disaster recovery; low corporation tax, beautiful beaches.

The bad: Water pollution, prone to cyclones between November and May; do you really want to outsource to a country where the national emblem is the dodo?

Already there: Orange, Microsoft.

BRISBANE, AUSTRALIA

How to find it: East coast of Australia, an hour's flight from Sydney.

Vital stats: Population 1,857,594, rainfall 115 cm, 52.6% literacy*, English, Chinese and Italian spoken.

The good: Lower employee costs than Sydney or Melbourne, growing reputation for gaming development, and grants of up to 100% of payroll and land taxes.

The bad: Occasionally subject to bushfires, floods and severe storms. And crocs.

Already there: Sony, Electronic Arts, Nintendo.

CLUJ-NAPOCA, ROMANIA

How to find it: North-western Transylvania, 50 minutes from Bucharest.

Vital stats: Population 310,243, rainfall 59 cm, literacy rate 97.3%*, Romanian, Hungarian, English, French, German spoken.

The good: Large student population, multi-lingual.

The bad: Relatively high cost of living, pollution, torrential rain.

Already there: Nokia, Orange, Vodafone.

Is the Outsourcing Boom Over?

Mark Ellisor

www.articlesbase.com June 30, 2009

While there are talks suggesting that the outsourcing boom is losing ground in India, outsourcing trends are forecasting that China is going to be a major outsourcing target over the next few years. According to the IDC, outsourcing in China is growing approximately 30% each year. In the mean time, the government of China is implementing a project to establish 20 cities as hubs for outsourcing. This means that not only is outsourcing going to continue, but it is also ready to grow.

One of the biggest areas of outsourcing is the software industry and IT services, which have mainly been outsourced to India. Now China is becoming a similar, if not competitive, base for outsourcing. As China continues to develop its outsourcing services, it is going to become a major challenge to India, which is currently the dominant center for outsourcing. In fact, American companies have recently gone overseas to Beijing to discuss with officials from the Ministry of Commerce about some effective ways to outsource to China.

China trends related to this issue have been changing in the recent past. Before, China would receive orders from companies in India where as now they are receiving orders directly from both the United States and Europe.

The financial crisis that is looming across the globe is a major contribution to such outsourcing trends. In general, during a financial crisis, companies begin to make plans to outsource to a third party in order to lower costs or use their time more efficiently. When the economy is dwindling, more and more companies seek other avenues of increasing productivity along with being more efficient and resourceful.

One of the first industries to get transferred over is the information technology (IT) sector. This also opens up whole new employment opportunities for the outsource providers. While some people suggest that companies will cut their overall IT costs and therefore hold back on outsourcing, studies show that very few companies will actually reduce their budgets. In other words, outsourcing is not going to end any time soon.

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Experts on this topic are professing that a globalized market will allow more outsource providers to come in to play as sources of out of country labor. This will cause smaller and developing countries to grasp on to the outsourcing trend instead of just the big countries including India, Brazil, Russia and of course China. Although this may seem to be a challenge, it could be seen as another means of creating more competition. This will allow a big and powerful country like China to dominate the outsourcing market.

The overall outlook on outsourcing is a positive and optimistic one, especially because the state of the global economy continues to fluctuate. Outsourcing not only helps companies save money and be more productive, it also allows outsource providers to generate revenue and create more jobs. People will also have the opportunity to seek further training to overcome language barriers and obtain new skills to bring a more secure and promising system of transfer.

Geography of Offshoring is Shifting, According to A.T. Kearney Study **www.atkearney.com May 18, 2009**

India and China continue as top offshoring destinations; but Central/Eastern Europe falls while Southeast Asia and Middle East countries rise

Chicago (May 18, 2009) – Deteriorating cost advantages and improved labor quality are driving a dramatic shift in the geography of offshoring according to the latest edition of global management consulting firm A.T. Kearney's Global Services Location Index (GSLI), a ranking of the most attractive offshoring destinations.

While India, China and Malaysia retain the top three spots they've occupied since the inaugural GSLI in 2004, a fundamental shift in the index has taken place as once strong Central European countries have yielded ground to countries in Asia, the Middle East and North Africa.

The GSLI analyzes and ranks the top 50 countries worldwide for locating outsourcing activities, including IT services and support, contact centers and back-office support. Each country's score is composed of a weighted combination of relative scores on 43 measurements, which are grouped into three categories: financial attractiveness, people and skills availability and business environment.

Established Central European countries including Poland, the Czech Republic, Hungary and Slovakia, once among the premier offshoring destinations for Western Europe companies, have fallen significantly due to a rapid increase in costs driven by both wage inflation and currency appreciation against the dollar. Meanwhile, low-cost countries in Southeast Asia and the Middle East made significant gains this year as the quality and availability of their labor forces improved. Egypt, Jordan and Vietnam ranked in the GSLI's top 10 for the first time ever.

"While cost remains a major driver in decisions about where to outsource, the quality of the labor pool is gaining importance as companies view the labor market through a global lens driven by talent shortages at home, particularly in higher, value-added functions," said Norbert Jorek, a partner with A.T. Kearney and managing director of the firm's Global Business Policy Council. "In response, governments all over the world are investing in the human capital demanded by the offshoring industry."

The complete results of this year's Index are provided below. A more detailed analysis and information on regional performance can be found at www.atkearney.com.

Highlights from this year's GSLI include:

- The Middle East and North Africa is emerging as a key offshoring region because of its large, well educated population and its proximity to Europe. In addition to Egypt and Jordan, ranked at sixth and ninth, respectively, Tunisia (17th), United Arab Emirates (29th) and Morocco (30th) all rank among in the GSLI's top 30 countries. "The Middle East and Africa area has the potential to redraw the offshoring map and in the process bring much needed opportunities for its large,

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underemployed educated class,” said Johan Gott, project manager for the Global Services Location Index.

- Saharan Africa also showed strength. Ghana ranked 15th, Mauritius 25th, Senegal 26th and South Africa 39th.
- Countries in Latin America and the Caribbean continue to capitalize on their proximity to the United States as nearshore destinations. Chile placed highest among countries from the region, ranking 8th on the strength of its political stability and favorable business environment. Other strong performers in the region include Mexico (11th), Brazil (12th) and Jamaica, which rose 11 places to rank 23rd.
- India, China and Malaysia continue to lead the index by a wide margin through a unique combination of high people skills, favorable business environment and low cost. In particular, India has remained at the forefront of the outsourcing industry and actually has become an enabler for industry growth through expansion of Indian offshoring firms into other countries.
- The United States, as represented by the onshoring potential of smaller “tier II” cities such as San Antonio, rose to 14th in the rankings due to the financial benefits of a falling dollar. The country is the leader in the people skills category and the combination of rising unemployment and political pressure to create jobs is increasing interest in onshoring possibilities among smaller inland locations. Similar trends are evident in the UK, France and Germany, all of which also rose in the GSLI.
- While the global financial crisis has slowed recent offshoring moves, the percentage of companies’ staff offshore may very well increase as a result of the crisis. Layoffs at home are not translating to layoffs among offshore workers as companies seek to maintain service but reduce costs. Additionally, offshore facilities tend to be more efficient because they are newer and lack years of inefficiencies often built up in onshore facilities.

“The dynamics of global offshoring are clearly shifting as companies re-evaluate the political risks, labor arbitrage and skill requirements in the context of the likely aftermath of the global economic crisis,” said Paul A. Laudicina, A.T. Kearney chairman and managing officer. “Risk management will take on new importance to protect global service delivery from interruption and ensure capabilities are strategically dispersed rather than concentrated in a few cost-effective locations.”

Global Services Location Index 2009

(number in parenthesis indicates ranking in 2007 GSLI)

1. India (position in 2007 GSLI: 1)	26. Senegal (39)
2. China (2)	27. Argentina (23)
3. Malaysia (3)	28. Canada (35)
4. Thailand (4)	29. United Arab Emirates (20)
5. Indonesia(6)	30. Morocco (36)
6. Egypt (13)	31. United Kingdom (Tier II)* (42)
7. Philippines (8)	32. Czech Republic (16)
8. Chile (7)	33. Russia (37)
9. Jordan (14)	34. Germany (Tier II)* (40)
10. Vietnam (19)	35. Singapore (11)
11. Mexico (10)	36. Uruguay (22)
12. Brazil (5)	37. Hungary (24)
13. Bulgaria (9)	38. Poland (18)
14. United States (Tier II)* (21)	39. South Africa (31)
15. Ghana (27)	40. Slovakia (12)
16. Sri Lanka (29)	41. France (Tier II)* (48)
17. Tunisia (26)	42. Ukraine (47)
18. Estonia (15)	43. Panama (41)
19. Romania (33)	44. Turkey (49)
20. Pakistan (30)	45. Spain (43)

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21. Lithuania (28)	46. New Zealand (44)
22. Latvia (17)	47. Australia (45)
23. Costa Rica (34)	48. Ireland (50)
24. Jamaica (32)	49. Israel (38)
25. Mauritius (25)	50. Portugal (46)

*Based on lower-cost locations in each country: San Antonio (U.S.), Belfast (UK), Leipzig (Germany) and Marseilles (France).

Egypt Emerges as New Growth Market in London School of Economics Outsourcing Study
www.ameinfo.com March 31, 2009

The study, researched independently by the LSE over 5 months, provides an original analysis of the offshoring competitiveness of 14 non-BRIC countries setting Egypt within the context of these locations.

The ITIDA-commissioned study was presented at the launch by Professor Leslie Willcocks, Director of the LSE Outsourcing Unit. Also present was Dr Hazem Abdelazim, CEO of ITIDA who spoke about Egypt's continuing progress as a global offshoring location.

Beyond BRIC utilised the LSE Outsourcing Unit's database of 1,000 plus global sourcing IT, BPO and offshoring studies from 1993-2009 as well as interviews with 50 plus client organisations, suppliers and analysts to compare Egypt with the following countries: Romania, Bulgaria, Poland, Slovakia, Czech Republic, Belarus, Morocco, Tunisia, Costa Rica, Mexico, Venezuela, Vietnam and the Philippines.

According to Professor Leslie Willcocks:

'The Beyond BRIC study sheds new light on the global offshoring industry outside of traditional outsourcing markets, such as India. Egypt fared particularly well - coming top of our analysis of cost perception, skills comparison and market potential. It's been a privilege and education to undertake this research.'

A key finding of the report was that the non-BRIC countries investigated are creating new and profitable offshoring opportunities, capable of development even in recessionary times. Though it remains to be seen how all non-BRIC countries stand to benefit from this dynamic, the authors of the report make clear that Egypt has made a substantial start in this market.

Egypt: Land of Pyramids, the Sphinx...and Outsourcing?**Ben Worthern****Wall Street Journal February 27, 2009**

India's tech boom has inspired other developing nations to promote themselves as outsourcing destinations. The latest to try to cash in: Egypt.

Egypt seems like an unlikely place for Western companies to send tech work and open call centers, but Tarek El-Sadany, a government official in charge of helping to grow the country's information-technology industry, says that the country is well positioned to do these tasks—literally. Egypt is only two hours off of Greenwich Mean Time, so daytime there corresponds nicely with the European workday. For U.S. companies committed to outsourcing, Egypt can be a hop between the U.S. and India.

Another benefit, according to El-Sadany, is that the weekend in Egypt is observed on Thursday and Friday. People typically work on Saturday and Sunday so companies won't have to pay extra for those shifts—or get stuck with second class workers—as they might in other countries.

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El-Sadany spent more than 20 years working in the U.S tech sector before returning to Egypt last year, most recently as the chief technology officer at Iris Financial Services. In 2005, while a vice president at Oracle, he opened a technical support center in Egypt.

In December, Egypt for the first time cracked the tech research company Gartner's list of the 30 top countries for outsourcing. (The countries on the list aren't ranked.) The list takes into account criteria such as the size of the talent pool, how proficient a country's workforce is in other languages, and how committed the government is to its tech sector.

Egypt graduates more than 30,000 engineering students a year, and thousands more fluent in English, French and German. "Egypt from a cultural view is in the center of the world," says El-Sadany.

But it's the commitment to fostering a tech industry that sets Egypt apart, says El-Sadany. Egypt's prime minister was formerly the minister of information technology and a professor of engineering before that. "When a country is in a military crisis, leaders come from the military," says El-Sadany. The same holds true for IT: When a country is trying to boost its IT capabilities, it turns to leaders from that sector, he says.

One sign the strategy is paying off: In December, Intel said it would open a production center in Egypt.

KPMG Selects 'Locations to Watch' for Next Outsourcing Boom www.kpmg.com February 12, 2009

The credit crisis seems set to prompt a new rush for outsourcing services across the I.T. sector, with a number of new locations worldwide emerging as viable Business Process Outsourcing (BPO) hubs, according to KPMG's Advisory practice.

Launching their *Exploring Global Frontiers* report at this week's NASSCOM outsourcing event in India, KPMG claims to have identified 31 cities which are rapidly emerging as leading pretenders to the BPO crown held by the traditional powerhouses such as Bangalore, Chennai or Shanghai.

As those locations rapidly approach saturation point, there is a sizable opportunity for these new and emerging locations to swallow up a large proportion of the new outsourcing work which the credit crisis is apparently creating.

The 31 locations are an eclectic mix, ranging from well-known cities in developed countries to lesser-known places in the emerging markets, well off the tourist track. Winnipeg and Belfast feature for example, alongside Queretaro, Davao City and Cluj-Napoca.

On the KPMG list, Buenos Aires, with its population of nearly 13 million, thus features alongside tiny Port Louis (population 130,000) in Mauritius. Despite the difference in size, both are emerging as important future outsourcing centers, with the latter rapidly developing an international reputation as a disaster recovery center.

Speaking at the report's launch, Edge Zarrella, Global Head of IT Advisory at KPMG and a partner in the Hong Kong firm, said: "*Traditional sourcing locations, which have been at the forefront of the outsourcing boom, were always going to reach saturation point. Corporates now need to know which locations to consider next for their outsourcing activities. There are many locations around the world which are able to supply a credible outsourcing capability. However, there are subtle nuances in terms of labor skills, niche specialisms and government incentives which have led us to highlight these 31 locations as stars of the future.*"

"The need to develop new, cost effective, viable outsourcing locations has been highlighted by the economic events of the past few months. Companies are focused on reducing their cost base, both for

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short-term and long-term gain. As a result, more organizations are considering savings obtained through outsourcing parts of their operations. Most importantly, they should be convinced that by doing so, they are not sacrificing performance for the sake of cutting costs. Our location study aims to highlight the benefits brought by the different city choices available to them.”

The full list of highlighted destinations includes 10 locations in the Americas (including Calgary, Guadalajara and Indianapolis); 10 in Asia-Pacific (including Changsha, Jaipur and Ho Chi Minh City); and 11 in Europe, the Middle East and Africa (including Sofia, Belfast and Gdansk).

The reasons for these locations making it on to the final KPMG list are varied but cities in the Americas should typically benefit from large labor pools, scalability, a more mature service offering, proximity to the major client base and multiple language skills. AsPac benefits from lower costs, younger populations, plenty of government incentives and the lessons learned from the numerous outsourcing centers which already dot the region. The Europe, Middle East and Africa region offers great diversity, excellent infrastructure and numerous niche specialisms.

Zarella concluded: *“These are fascinating times to be choosing a new outsourcing provider or location as there is simply so much choice. New cities are emerging as outsourcing contenders all the time, each boasting a different set of characteristics. Just within our 31 for example, there are specific specialisms on offer — such as accounting, R&D or even animation — driven by an apparent skills bias within the pool of locally available graduates. As a word of warning though, these locations are still ‘emerging’ and, as such, can still carry a degree of risk; an element of venturing into the unknown. This is why all outsourcing location decisions should be carefully thought through on a case-by-case basis; there is no ‘one size fits all’ approach to outsourcing.”*

Talent vs Cost**India Has Ample Talent for Outsourcing****MJ Batta**www.articlesbase.com July 14, 2009

Once in a way, media stories come up which say that India will soon face a severe crunch of talent. This may be an attempt to question or even derail the Indian success story of offering outsourcing and off-shoring services to the world. But such critics and doomsday predictors are proved wrong by a recent global survey that has clearly brought out the fact that there is no dearth of talent, especially in the IT field in India.

In fact, the study says that the shortage of talent is of little consequence in the sub-continent as compared to the other nations of the world. A global employment service reporting company, Manpower Inc says that only 13% of employers in India are finding it difficult to fill their employment positions. This survey, conducted across 33000 companies in 23 countries, established that 40% of employers in the world face a severe talent crunch.

Mexico with 78%, Canada with 66% and Japan 58% lead this fearsome crisis of inability to fill positions. Therefore, at just 13% India's problem appears insignificant. However, even in India, certain categories of jobs like sales representatives, accountants, marketing and PR executives, teachers and IT professionals are difficult to fill.

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**Genpact: A Third Way to Offshore - Patrick Cogy and Andrew Groth
Michael Jones
Finance Director Europe**

To get the best out of offshoring, companies need to source talent from multiple locations while retaining control. Genpact's Patrick Cogy, European CEO, and Andrew Groth, European senior vice president of business development, tell Michael Jones of FDE about an alternative route to offshore.

FDE: Outsourcing has been advanced as a solution for meeting the shortage of skilled labour in Europe. How does it help?

Patrick Cogy: European corporations are facing major challenges, including a shortage of skilled workers, heightened global competition and increased demand for products and services. Higher life expectancy in Europe and growth in the global markets have spurred demand for products and services while decades of reduced birth rates combined with a retiring workforce have resulted in a shortage of skilled workers.

The demand-supply imbalance makes hiring local talent difficult. Not only does excess demand push up wages, but corporates will witness high attrition rates, as many companies vie for the same talent. Talent churn also increases training costs and results in knowledge loss, which can disrupt processes. Sourcing services from talent-rich offshore locations, such as Eastern Europe, India and China, is the obvious answer. US-based corporations are already successfully offshoring multiple processes and Europe can benefit, too. Offshoring provides access to talent, cost savings and increased process productivity.

FDE: Many European corporates have been sourcing services from Eastern Europe for several years and are now facing wage escalation and attrition. Do you think outsourcing is a long-term solution to bridge the talent gap?

Andrew Groth: Global outsourcing is definitely a long-term solution to bridge the talent gap, and several European corporates are already sourcing services solely from Eastern Europe. However, the rapid increase of captive centres in such locations has resulted in wage escalation and increased attrition, which obviously reduces or even neutralises the effectiveness of offshoring.

'It is important to create a global services value chain linking talent across several countries to tap into the best each location has to offer.'

Limiting yourself to Eastern Europe is not the best strategy. We believe corporates should have a comprehensive sourcing platform that can access talent all over the world. India and China are two locations that can be part of your outsourcing portfolio. India particularly has a vast talent pool. A comprehensive outsourcing strategy must be composed of multiple components that provide an optimum solution. We believe that European companies should use Eastern Europe to meet specific language requirements and tap India for a cost-effective and deep talent pool. Attrition will continue to be an issue, but can be managed by selecting the right offshoring model.

FDE: What are the pros and cons of outsourcing to Eastern Europe vs. India or China?

AG: Firstly, the question is not about Eastern Europe vs. India or China. We believe that European companies must tap all these locations to implement a successful and comprehensive outsourcing initiative. The needs of European customers are unique. Even though India has a large talent pool, its services are in English, which does not effectively serve customers in non-English speaking countries. European companies need an offshore model that can tap the deep talent pool in India and access Eastern European talent for specialised languages. India has a huge talent pool, with nearly 400,000 graduates added each year, and its metropolises and large and secondary cities have a ready talent base of more than 30 million people. English is widely used and the country is the largest democracy with a favourable business and tax environment. Senior talent is available at low cost and BPOs are valued for offering leading-edge careers.

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Eastern Europe, on the other hand, has a fragmented talent pool of about three million, but has strong French, German, Italian and Spanish language skills. Business and tax environments are tougher and senior management talent is in short supply. Eastern Europe has very little experience in global service delivery as it is dominated by small captives with 50 to 500 employees.

Selecting just one location will limit the benefits of an outsourcing initiative. It is therefore important to create a global services value chain linking talent across several countries to tap into the best each location has to offer.

FDE: What are the different models corporations use to outsource offshore and which works best?

AG: Corporates take two different approaches to offshoring: they either set up a captive centre or partner with a third-party service provider. The captive offshoring model has a distinct disadvantage. It operates on a much smaller scale than third-party vendors, making it difficult to adopt a multi-country strategy. Companies tapping offshore talent must be able to source talent from wherever it is available around the world to mitigate the risk of wage escalation and attrition.

‘The Virtual Captive model takes the best of independent providers and captive centres and eliminates the drawbacks.’

Europe’s talent needs are different to those of US and UK companies because although countries such as India can provide services in English, they cannot meet the multi-language needs of European corporates. This essentially means that European companies must tap multiple locations to truly overcome the talent gap.

Since captives operate on a small scale, this is not the most effective model to source talent from several countries. Large third-party vendors are the best partners for implementing a multi-country sourcing initiative.

Third-party vendors cost less than captives and they continuously invest in talent and knowledge management to remain competitive and control attrition. Using a third party also means that buyers can eliminate fixed costs and exit the partnership if they are not satisfied.

However, since third-party vendors have numerous clients, they may not be committed to a single relationship or dedicate the best talent exclusively to a customer. Once buyers sign the dotted line, they may find vendors reluctant to invest in a governance model, resulting in limited control of the outsourcing initiative.

Captive centres provide better controllership, integrity with corporate culture and access to dedicated resources. However, corporations devote a lot of resources to running a captive. The lack of scale hampers investment in talent management and the ability to tap multi-country resources. Also, employees have limited growth opportunities as they are working for a single customer, which increases the risk of attrition. Serving a single customer means captives have limited access to global best practices. Captives also find it more difficult than independent providers to roll out gain-sharing models for fear of distorting compensation structures within the organisation. Finally, being part of an organisation makes it difficult to exit a captive relationship.

FDE: Given the fact that wages do eventually rise, what is the secret of long-term outsourcing success?

PC: People in all countries aspire to improve their lives, and wages will rise to meet these aspirations. We believe that cost reduction alone is not the measure of success in outsourcing. Buyers should look at the total business impact that outsourcing provides through continuous process improvement, automation and productivity. Some of the benefits include higher revenues, customer acquisition and retention, penetrating new markets and improving cash management.

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**Infosys Chief Urges Action on Ageing
Richard Milne
Financial Times May 4, 2009**

Europe needs to embrace either immigration or outsourcing to overcome the huge challenges of its ageing population - and it is currently doing neither, according to one of Asia's leading businessmen. Nandan Nilekani, co-chairman of Infosys, the Indian outsourcing company, said that Europe was ducking the ways of solving its demographic problem, perhaps its main long-term test.

"Europe has a very difficult quandary: when you have an ageing population, either you import your workers or you export your work. It is immigration or outsourcing. If you do neither, you have a challenge," he told the Financial Times.

The comments by Mr Nilekani, the inspiration behind "The World Is Flat" book title used by Thomas Friedman, play into a rising fear in Europe about the implications of its ageing population. But they also underline the growing confidence of Asian companies to speak about issues outside their borders. A European Commission report last week showed how the continent's working-age population would peak next year before starting a decline that would have big budgetary and economic impacts. By 2060 the ratio of working people to those aged over 65 will be two to one, against four to one currently.

Vladimir Spidla, the European Commissioner for social affairs, warned that the current recession should not deflect governments from acting: "In dealing with the short-term challenges of the economic crisis, we must not forget the long-term challenge of ageing . . . We need to emerge from this crisis with more and better employment opportunities for older people."

The report forecasts that the annual number of immigrants to the European Union will more than halve in the next 50 years. That could put a strain on many European countries that are facing low birth rates. Already there is anecdotal evidence that the economic crisis is causing immigrants to return home from countries such as Spain.

Outsourcing has been embraced by many companies in Europe but there is still widespread public concern over it, as well as mixed results in the manufacturing sector. Several companies have started moving work back from low-cost countries in recent months to western Europe, including Zumtobel, the Austrian lighting group, that last week closed its Romanian factory and transferred the work to the UK and Austria.

Mr Nilekani said Europe had to face up to decisions that were "easy economically but difficult politically". He pointed to the need to get fresh capital to plug a likely gap in pensions and pointed to India as a possible source for that.

Headquarters for Outsourcing**Patni Opens New EMEA Headquarters to Drive Growth for Outsourced IT and BPO Services
www.generalatlantic.com May 28, 2009**

MUMBAI / LONDON--Patni Computer Systems (BSE: PATNI COMPUT, NSE: PATNI, NYSE: PTI), a leading global IT and BPO services provider, today opened its new EMEA headquarters, based at Heathrow in London. The investment in a new regional headquarters with dedicated operational facilities enables Patni to place an increased focus on helping businesses across Europe and the Middle East to achieve both operational efficiencies and continue to innovate in new products and services.

The new headquarters will be a home to the company's UK employees and support Patni's centres across Europe and the Middle East, including Germany, Finland, Sweden and The Netherlands. The Patni Building is spread over nearly 14,000 sq ft and hosts a dedicated delivery centre together with

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business development and administrative functions. With 15 years' experience servicing clients in this region, the building will provide a new facility for Patni to serve its extensive customer base through its industry-focused practices, which includes insurance, financial services, manufacturing, life sciences, telecommunications and media & entertainment, as well as its technology-focused practices.

Company founder and Chairman Narendra Patni said: "For the EMEA region, what differentiates our approach is the blend of a deep understanding of local markets complemented by high quality services provided on-site and offshore. Our investment in the new headquarters sends a clear signal of our commitment to growth in this region."

Patni's Chief Executive Jeya Kumar commented: "Our dual strategy of unlocking cost savings and efficiencies through outsourcing and using our expertise locally to help our customers innovate is ideal. As we continue to invest in the region, our EMEA headquarters provides a strong platform for us to build effective partnerships with our customers."

meet their efficiency objectives and that we are well-positioned to help them grow as market conditions improve."

Rising Stars

IAOP Announces 2009 Rankings for The World's Best Outsourcing Providers and Releases First Advisors List

www.outsourcingprofessionals.org April 28, 2009

POUGHKEEPSIE, N.Y., April 28, 2009 – Accenture and IBM were named to the top two positions for the second consecutive year in the *Global Outsourcing 100*[™], and PricewaterhouseCoopers was recognized as the number one advisor and Quint Wellington Redwood as the leading niche firm in the first *World's Best Outsourcing Advisors* list.

The [International Association of Outsourcing Professionals \(IAOP\)](http://www.outsourcingprofessionals.org) released the rankings today for the fifth annual list of the world's leading service providers and debut of the new list for outsourcing consulting, legal and advisory firms.

The overall results show the continued strength of the outsourcing industry. Provider revenues grew 13 percent in 2008, down just slightly from 14 percent the prior year, while employment increased 18 percent on average. Average revenue for the companies considered by IAOP was more than \$1 billion.

"Once again, this year's outsourcing companies showed impressive growth, particularly considering the economy," said Jagdish Dalal, Certified Outsourcing Professional[™] (COP), IAOP's managing director, thought leadership, who led the judges' panel. "The results show that the outsourcing industry is robust and growing."

"The economy has led companies to re-evaluate the business case for outsourcing and companies are seeking more flexibility, cost savings and innovation from providers," said IAOP Chairman Michael Corbett. "These companies on the *Global Outsourcing 100* list have what it takes to succeed in the new game of outsourcing."

IAOP established the lists as resources to help companies compare providers and advisors using an objective methodology. Companies were judged by an eight-person independent panel that examined 18 criteria, including size and growth, customer references, organizational competencies and management capabilities.

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Global Outsourcing 100 Results

The *Global Outsourcing 100* list is divided into two sections: Leaders, which represents larger, more established companies, and Rising Stars, smaller fast-growing companies that are ranked numbers 76 to 100 on the list. It also includes more than 75 sublists based on geographies, services and industry.

Making up the top 10 Leaders were large companies from the U.S., Europe and the Asia Pacific region. In addition to Accenture (1) and IBM (2), the companies in ranked order were: (3) Sodexo, France; (4) Tata Consultancy Services, India; (5) Wipro Technologies, India (6) Convergys, U.S.; (7) ISS, Denmark; (8) CB Richard Ellis, Denmark; (9) Infosys Technologies, India; and (10) Capgemini, France.

“This year’s *Global Outsourcing 100* was particularly competitive as more large companies applied in the leaders’ category and several companies made huge jumps into the top positions,” said Dalal.

Among the big climbers on the top 10, Convergys, the Cincinnati-based customer relationship management expert, rose from number 57 and real estate giant CB Richard Ellis catapulted from 29th last year, fueled in part by its 2006 acquisition of Trammell Crow. Facility services provider ISS rose from 31st based on its balanced performance.

Rising Stars

The Rising Star category represents up and coming companies and outsourcing destinations to watch for. These include India, China and other countries in Asia Pacific, as well as South America and lower-cost economies that are attracting the next wave of outsourcing, such as Egypt and Sri Lanka.

Leading this section were: (76) Synogy, Inc., U.S; (77) China Data Group, China; (78) Grupo ASSA, Argentina; (79) Xceed, Egypt; (80) Emerio, Singapore; (81) ePerformax Contact Centers; U.S. (82); Beyondsoft, China; (83) InterGlobe Technologies; India (84) Nair & Co., U.S. and (85) Bleum, China.

Top Advisors Named

The *World’s Best Outsourcing Advisors* list is split between firms with large global practices of more than 50 professionals or \$25 million in revenue and Boutiques, featuring more specialized niche players.

Topping the list of larger firms are (1) PricewaterhouseCoopers, (2) EquaTerra and (3) Gartner. In the Boutique category, Quint Wellington Redwood placed first, followed by Kirkland & Ellis, and Expense Management Solutions. In total, 20 firms were named to the first-time list.

For the complete lists, see: www.outsourcingprofessional.org/content/23/152/1793/.

About IAOP

[The International Association of Outsourcing Professionals](http://www.outsourcingprofessional.org) (IAOP) is the global, standard-setting organization and advocate for the outsourcing profession. With more than 100,000 members and affiliates worldwide, IAOP helps companies increase their outsourcing success rate, improve their outsourcing ROI, and expand the opportunities for outsourcing across their businesses. To learn more, visit www.outsourcingprofessional.org.

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Financial Services: the Aftermath of the Credit Crunch**Why Banks Will Push Ahead With Offshoring****Andy Jones**www.silicon.com February 10, 2009

Tough times mean banks and financial services firms may have to overcome their fears and embrace new forms of offshoring, says consultant Andy Jones.

Offshoring in the banking and financial services sector, like most industries, is an accepted and widely adopted way of doing business.

Throughout the 1990s financial services (FS) organisations quickly embraced offshoring. Organisations such as HSBC and Morgan Stanley set up captive shared service centres in locations such as Mumbai and Chennai for the provision of predominantly IT and transactional back-office functions including mortgage, credit card and loan processing. This early enthusiasm focused on standard, repetitive transactional processes.

Tech Hotspots: The list

1. Silicon Valley
2. Bangalore
3. London
4. Tokyo
5. Boston
6. Cambridge
7. Shanghai
8. Tel Aviv
9. Seoul
10. Beijing
11. Chennai
12. Pune
13. Singapore
14. Helsinki
15. Moscow
16. Hong Kong
17. Hyderabad
18. New York
19. Sydney
20. Shenzhen

Today the FS offshore market still strongly reflects its heritage - and take-up of offshoring more complex processes such as finance and accounts (F&A) has been minimal.

Given the current market turmoil, what lies ahead for this industry? Will FS institutions venture into offshoring processes that were previously retained?

To answer these questions, we must first look at why the FS sector lags behind others in offshoring F&A.

The first reason is that over the last few years FS organisations have had other priorities - primarily dealing with changes in accounting practices and regulations such as Basel II, MiFID and Sarbanes-Oxley.

But that's not all. While working on a recent UK bank engagement, three areas of risk were cited as barriers to offshoring: operational, compliance and reputational.

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For operational risk, the safety and 'lock-down' functionality of technology, systems and data were cited as reasons for blocking certain types of offshoring. There was concern that remote offices are less secure. This location issue has, however, not stopped other banks from offshoring, so clearly this is not insurmountable. Fraud was also a concern and it was felt the increased remote nature and use of third parties extenuated the risk.

The compliance risk makes sense as the FS industry is fiercely regulated. There is increasing pressure for the sector to be more transparent and able to provide regulators and investors with meaningful investment information. Because top executives are personally responsible for compliance, they want to guard all work closely so they can ensure compliance and control.

Some organisations have taken innovative steps to minimise compliance risk. Credit Suisse, for instance, puts their management 'on the ground' at their offshored location, working alongside their third party provider. This relationship and contract is a success.

The reputational risk is based on the fear among FS organisations that if something fails, it could be detrimental to the brand. That's true - but the risk is not necessarily increased because a third party supplier is involved.

Despite all the reasons the finance sector hasn't widely adopted the offshoring of F&A, the climate is now changing.

You cannot open a newspaper or turn on the TV without hearing about the worsening economy and the government bailing out the banks.

The last decade has been a time of great success and profits for banks, meaning they have not had to focus on their cost base. However this is going to change. Over the next 12 to 24 months FS organisations will have conflicting pressures. There will no doubt be more regulatory changes (as a result of recent events) to implement but at the same time they will have to also address cost pressures too.

CFOs are going to have to make tough decisions. For those organisations which have not already done so, offshoring is an option to overcome both cost and resourcing challenges. Offshoring will be utilised not just to get the competitive edge as the likes of HSBC and Morgan Stanley did years ago, but to ensure these organisations stay in the game.

Recent events will increasingly focus attention to parts of the FS organisation where cost savings and efficiencies can be achieved. F&A offshoring is an established market with a proven track record so is a sensible starting place. The current economic situation will result in boundaries being pushed and changes that were 'nice to have' becoming a necessity.

Andy Jones is a director with offshoring consultancy Alsbridge.

How Financial Turmoil Will Shape Outsourcing**Peter Fawcett**www.silicon.com October 14, 2008

The current financial shake-up is changing how firms in the sector think about outsourcing. Peter Fawcett outlines the options they need to consider.

The restructuring underway in the banking industry is of such a magnitude that in the short term, many firms are simply parking the outsourcing debate to the side, as they seek to understand who owns who, who will have what jobs and whether the various financial rescue packages are successful.

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When the dust settles, the resulting merged entities will look at what outsourcing arrangements they have inherited and how they can be optimised.

For those firms undergoing mergers or acquisitions, there are some specific challenges to consider, particularly if there are existing outsourcing arrangements already in place. There are major drivers in favour of outsourcing, predominantly around reducing costs. However there are also key challenges, including how to combine different sourcing strategies and cultures. There are also penalty clause implications to consider if contracts are to be changed or terminated.

If we look into the crystal ball, the financial services 'survivors' will likely be the ones to continue to aggressively reduce costs through a variety of sourcing routes. This could be a mix of offshoring, outsourcing and shared services.

Outsourcing in particular is seen by many financial institutions as a faster way to drive dramatic and sustainable cost reduction than other initiatives. More conventional long-term cost reduction business transformation initiatives often prove to be highly complex, take a long time to deliver and have a high risk of failure. Meanwhile, traditional short-term 'slash and burn' cost reduction initiatives can often damage a firm's longer term position by losing core skills.

A sizeable number of major financial institutions are offshoring and outsourcing as a way to achieve radical cost reduction, with some major breakthrough deals recently announced such as the \$1bn Aviva deal in July.

HSBC is an example of a firm that has gone down the offshore captive route (where a company will take advantage of a lower paid workforce employed overseas within its own global group), leveraging their substantial operations in India. A number of investment banks have consolidated substantial parts of their UK back operations into trading centres such as Singapore, as part of their plans to consolidate their operations globally.

In order to understand which route will deliver the greatest savings at lowest risk, firms need to consider whether it is cheaper to stay in-house, what level of sustainable savings are achievable and what investment is needed.

Recently there has been a trend towards offshoring via an outsourcer, with a growth in the number and quality of outsourcing firms now serving the financial sector. For those firms new to offshoring, the time and expense in setting up a captive and the need for fast results is likely to deter them from doing this on their own.

If a suitable supplier is available which has already gained a good reputation with another financial institution, this can seem the easiest route. The extra hurdle of a supplier margin or potential VAT can then be offset by gaining benefits earlier and not having the upfront costs of setting up a captive.

Many global banks may continue to keep operations in-house, particularly if they already have an existing overseas operation in such regions as Eastern Europe, India or Singapore. It is a comparatively straightforward task for them to take on the back office operations from an acquisition and build this into their existing captive offshore organisation.

Recent deals are largely going down the outsource route, with some banks selling their captives to outsourcers, to realise the value generated in them over time.

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Once the turbulence subsides in the financial world, cost pressures are likely to drive surviving firms to place outsourcing and offshoring back onto their top management agenda.

At that point it will be even more important for the surviving firms to understand the dynamics of the sourcing marketplace in order to drive sustainable cost advantage. Those that get their sourcing decisions wrong could end up with inflexible and expensive arrangements they will live to regret.

Peter Fawcett is a director of consultancy Alsbridge

Shared Services and the Economic Downturn

Shared Services in a Changing Landscape

Martin Priestley & Oliver Beulah, International law firm Pinsent Masons

www.ssonetwork.com June, 2009

This economic downturn will drive the private and public sector to reduce costs through implementing shared services across business units, streamline services and look at ways to add value through existing shared service provisions.

The current financial crisis is, according to most commentators, far from over and an immediate consequence of the turmoil has been the tightening of belts throughout the private sector and government. In this economic climate it is likely that the public sector will seek to drive efficiencies wherever possible and will increasingly look to the shared services agenda as a way of cutting overheads and streamlining services. The economic downturn will also result in the private sector looking for ways to reduce costs through implementing shared services across business units or looking at the expansion of existing shared service provisions.

Here we focus mainly on the public sector (using UK Government statistics) as the economic downturn and the corresponding increase in the take up of shared services and the resulting benefits are clearer and more demonstrable. However, the comments in relation to procuring shared services and the negotiation of contract documentation apply equally to the private and the public sector.

THE IMPACT OF THE CREDIT CRUNCH AND THE RECESSION ON THE GOVERNMENT'S APPROACH TO SHARED SERVICES

The UK Government has a strong commitment to shared services following the Gershon review and the Transformational Government Implementation Plan published in March 2006, which set out plans for the sharing of corporate services in order to cut costs and improve efficiencies across the public sector.

The current economic downturn creates an added driver for the public sector to cut costs and get the most value from taxpayer's money. The UK Government's Operational Efficiency Programme (labelled "Gershon Mark 2") was launched by the Chief Secretary to the Treasury in 2008 with plans to deliver another £30 billion in savings looking at the following cross-cutting areas:

- Back office / IT
- Collaborative procurement
- Asset management / sales
- Property
- Local incentives / empowerment

FDI OUTSOURCING FORUM 2009 – RESEARCH DOCUMENT

Q& A: Soren Brandt, Senior VP, Maersk GBS
Sarah Clayton
www.ssonetwork.com June, 2009

Maersk Global Business Services has gone through a transformation, going from transactional, standardising services to a very healthy set-up, where the organization is primarily focusing on efficiency gains to follow up on the different data labor arbitrage

Soren Brandt, Senior VP of Maersk Global Business Services has a 'glass is half full' view of the effect the current economy is having on the company's business services.

SSON; Can you firstly tell us a bit about Global Business Services at Maersk and then a little about how you made the business case initially.

Soren Brandt: First of all Maersk Global Services Center, as we are called - we are the captive center if you like for the AP Moller & Maersk group. And to put that in context – the group has 120,000 employees in Maersk Line, which is one of the key pillars of the group. We are 20,000 and out of those, about 5,500 are in the captive services center. That gives you a bit of perspective of the headcount we have. We service a group on a global scale, because we have a truly global operation and we do that out of centers in India, China and the Philippines. We handle IT, finance and we handle a lot of processes that are specific to the container business and the logistics industry out of these centers.

How did we build the business case? I guess initially it was a pretty straight forward value proposition of looking at labor costs verses our current labor costs, taking advantage of labour arbitrage. I guess as many companies do when they start. And since then we have grown from about 1000 people in 2003 to where we are right now – 5,500 people. And in that period of time, we have gone through a great transformation, going from transactional, standardising services to now, where we are primarily focusing on efficiency gains to follow up on the different data labor arbitrage gains that we had.

SSON: How has the current climate impacted how you do business at the GBS?

SB: Positively – not that we are in a positive environment – quite the contrary, but it has enhanced the focus on cost, therefore the focus on moving more work to Shared Service centers, so clearly you could say over the last 6-12 months, the last straw of resistance has gone away and we get a lot more support from the organization than we got in the past. And again it is based on being able to deliver, that is point number one. But also current prices are the perfect opportunity in terms of moving this concept further in the company.

SSON; Where is this going in the next three years – in other words what is your main focus going forward?

SB: One thing that we have successfully managed to do over this period of time is to make Shared Services or offshoring I should say an integrated part of the company strategy. Primarily Maersk Line works as a key customer, but also with other business units within the company. My aim would be to over the next 2-3 years prove to other parts of the company that we can deliver a really good service to them so we can grow the widths and the depths of the services in the company.

SSON: Do you have any particular functions or processes in mind that are ripe for transferring to GSB?

SB: We are focusing on process improvement across the board, but we are also moving into more value based or knowledge based services, data-mining, analytic jobs, whereby we can support the decision making of the company, that I can see is catching on.

FDI OUTSOURCING FORUM 2009 – RESEARCH DOCUMENT

Q&A: Patrick Cogny, CEO, Genpact Europe
Niamh Byrne
www.ssonetwork.com June, 2009

Patrick Cogny, CEO of Genpact Europe participated at the European premier of the G8: Global Sourcing Think Tank. In this interview, he shares his thoughts on future trends in the global sourcing market.

SSON: Patrick, I just wanted to get your thoughts today on sourcing trends for the future. Here at the Shared Services and Outsourcing week in Budapest – we have heard some surveys which have revealed that outsourcing will grow by 50% - what are your views on that?

Patrick Cogny: I think it will remain at a very dynamic rate for outsourcing so the growth rate that you are talking about is nothing new. If you look at the past five years we probably exceeded that, so I just think that dynamic will continue with different attributes probably. The providers are gaining in maturity so they will tend to take on more end-to-end services. End-to-end services will mean that providers will compliment their offshore footprint with nearshore and onshore footprints. Some of them already have a global delivery footprint – I think that footprint will become more diversified because they need to locate to a more diversified need on the client side.

On the process side, the provider will have to keep investing more and more in technology, because I think as they handle more and more of the clients' processes, the onus will be more on them to develop the technology stack to drastically improve the processes. And finally providers will not be able to retrench behind contractual terms but will need to become a bigger strategic partner of their clients and look at end-to-end impact of the processes they run for their customers and be measured on the same metrics as their CFO, CEO, CIO of the company the server is measured.

SSON: So currently there are 1300 Shared Services Centers in Europe alone, do you see this number going down?

PC: Absolutely. In Europe the pace of change is always a question. The problem with the 1300 captives in Europe is that probably most of them are sub-scale. The issue does not lie with companies who have made strategic investments that are well-run and there the question is how long the companies think this is strategic for them to invest in this. But they work. There is a flurry of captive centers especially in Eastern Europe, which are subscale and are not working well.

The time pools in Eastern Europe are fragile, they are much smaller than the time pools in India or other more Eastern locations. And I think there has been a thing in Europe where the comfort, more than data and the resistance to change has driven, what I would call, short-sighted decisions. Again not in the large captives, but more on the small captives side. And I think we will see those disappearing all the time.

SSON: But surely within Europe there is comfort as it is more nearshore for western organizations, rather than offshored. Do you think there is a fear of losing control by outsourcing elements of organizations to the likes of India and Manila etc.?

PC: Absolutely there is a fear and a concern. That is something as providers we need to address - we can't just ignore it. And again there are a number of ways of doing that by lining our objectives with company objectives and being smarter about that. Being smarter in terms of governance and change management. I think these are some of the things which we invest in.

Its less and less for us a game about pure labor arbitrage. It's becoming a game of bringing additional value whether it be controllership or activity, business impact in terms of cash reduction and reduction in cost of procurement etc. So as we are bringing those values to the table, we are showing to the clients its not just an offshore or onshore labor arbitrage game, it's a readers process excellence game. As we do this we look more and more like our clients' footprints. Today we have got 2, 200 people in Europe for example, which are spread across Eastern Europe in locations and also across Western Europe in locations. At some point we ourselves go and get that talent, wherever that talent is.

SSON: In terms of contracts are you finding clients have more control of contracts with BPO providers, compared to a few years ago because of the current state of the economy?

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PC: I am not sure because the state of the economy is driving more people to look at outsourcing, to probably leverage the fact that there is competition between providers so that drives efficiencies up and that is healthy, but that is nothing new. I think that competition has been around for the last four or five years and that has actually helped our industry grow fast. So I don't see the crisis itself. The crisis is giving us more opportunity. Contracts have never been a walk in the park for us to deliver on. They were demanding and we have always met on the productivity and the impact commitments that we have made to our clients.

SSON: Why is it do you think that Shared Service Centers and stand alone captives don't have the same type of contract arrangements that outsourcing organisations do?

PC: Some of them do and they are successful. We were a captive with general contractual agreements with our parents when we were part of General Electric, so we know how that works and that works well, but it was completely managed at arms-length and nobody would have called us a captive or a shared service center at that time, we were sticklers about that actually. So when we had to sell or services internally inside GE, we were in competition with outside parties, because at the end of the day competition keeps you fit and healthy – so few, but some captives remain able to stay fit because they have those contractual relationships internally. But you need to have a successful captive and you need to have an intersection of two strong things. One is to have this spirit of competitiveness, of contractual relationship. The other thing is you need some scale, because it very difficult to compete without a similar amount of scale as the outside market place – it is very difficult to compete because you can't invest if you don't have enough scale and you can't attract the best people etc.