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RIQ Editorial

Eastern Europe to Watch in 2010

By Galiya Sayfutdinova
Editor, Russian IT Quarterly

The beginning of a new year is the perfect time for making a few predictions. Companies are budgeting, vendors are counting and analysts are trying to foresee the future.

Following the major trend, today we'll try to make several predictions regarding the Eastern European IT outsourcing market. What will we see here in the nearest future and what will be the results of 2009?

- Mild growth. As price is not the first selling point of Russian service providers, this market is unlikely to show the same rise as Chinese and Indian providers. However, we can expect mild growth, which is not bad at all against 2009's economic background.

- Europe's number one. Europe will remain the most significant consumer for Eastern European services providers. Indirect expenses make offshoring to more distant destinations less cost-effective for Western European countries while their continental neighbours offer high-end services at a competitive price.

However, in North America Eastern European companies don't possess these nearshore advantages and face fierce competition from outsourcing companies from India and Pacific Asia. This year these regions strengthened their positions on the American market and that will make competition really tough for any new player in the foreseeable future.

- Consolidation. We expect further mergers and acquisitions among the IT companies in Eastern Europe. Customers' concern for partners' stability and the increasing competition make small teams' prospects less certain. Even middle-sized companies, if they lack solid support from large IT holdings, do not feel secure these days, so next year we will probably see a new wave of mergers.

- Climbing the technology ladder. Striving to differentiate themselves from rivals and add value to their services, Eastern European providers are very likely to implement advanced operational methods and management practices, and apply for new quality certification to prove it. This will probably lead to a more distinct division of labour between various regions.

P.S.

As we enter 2010, we're striving to improve Russian IT Quarterly. Today we are introducing a brand new column that will see Reksoft experts share knowledge gained over more than 18 years of outsourcing experience. Here you will find advice and first-hand information direct from our R&D department and individual specialists.

Send your feedback and comments to pr@reksoft.com

Wishing you a peaceful and prosperous 2010,
Galiya Sayfutdinova,
Editor



Summary

The Essential Guide to Selecting an Outsourcing Service Provider

Selecting an outsourcing partner is very different from selecting a supplier to provide a specific task, or product. An outsourcing relationship is likely to span many years, the success of which will have a very profound impact on your firm's operations and future performance. Making the right choice now is likely to be one of the most important you make during your tenure within your current organization. This article highlights some vital considerations you will need to make to help you make the right choice of partner:

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Global Services
05.10.2009

Outsourcing - how to make sure it's reliable

Outsourced IT is of little value if it's not reliable. William Benn offers advice on how to make sure you can count on your technology [read more](#)

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20.10.2009

Europe Overtaking North America as Top Outsourcing Region: Report

According to the TPI "Momentum Market Trends & Insights 3Q'09 Geography" Report, European Global 2000 companies outspent their North American counterparts by approximately \$1.2 billion in average annual contract value (ACV) through the third quarter. North America, which led the world in outsourcing spending by G2000 companies in 2008 with \$29.6 billion in ACV versus \$28.7 billion for Europe, looks poised to miss that mark this year and lose its top spot: [read more](#)

Global Services
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10 Outsourcing Trends to Watch in 2010

Both suppliers and outsourcing customers could be in for a bumpy ride in 2010. Here are 10 trends to look out for as the IT services industry finds its feet in the "new normal" of the post-recession [read more](#)

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Outsourcing 2010: Green growth, public sector deals and rise of the SME

It's that time of year again - time to look forward at what 2010 has in store for the outsourcing industry with the NOA's annual predictions. [read more](#)

Silicon.com
12.01.2010

Reksoft Experience: 5 Best Practices of Outsourcing Product Engineering and Support

The decision to outsource IT product engineering is never taken lightly, and no less critical is the next step - choosing the right partner. Factoring in considerations like time-to-market pressure, limited budgets, and the need to localise the product for international markets can all give product managers sleepless nights. This article will give you some tips on what to look for to make product engineering outsourcing bear fruit. [read more](#)

Reksoft R&D Department
10.01.2010



The Essential Guide to Selecting an Outsourcing Service Provider

Global Services
05.10.2009

Selecting an outsourcing partner is very different from selecting a supplier to provide a specific task, or product. An outsourcing relationship is likely to span many years, the success of which will have a very profound impact on your firm's operations and future performance. Making the right choice now is likely to be one of the most important you make during your tenure within your current organization. This article highlights some vital considerations you will need to make to help you make the right choice of partner:

1. Ensure you get the "A team" locked into your engagement

You need to get beyond the brand-glamour and messaging when evaluating service providers. While assets such as technology IP are important, your outsourcing experience is all about your staff working with their staff – and you want to ensure your provider is providing you their top talent with the real experience to learn, and help develop, your business. Insist to meet and interview the key project management staff your service provider is going to dedicate to your engagement while going through the selection process. There is nothing worse than getting the "B team", and many of our clients do not feel they currently get the best talent from their provider.

Moreover, take time to ask the provider how they retain their talent to ensure you won't lose critical staff. Some providers have specific career development programs for their staff which keep their attrition rates down – and these are especially effective in this economy where many staff are less willing to take risks and move jobs where there is less security. You can ask the staff these questions directly when you pre-screen their company. Another tactic that is proving particularly effective for offshore PMOs being retained onshore, is the use of the L1 temporary worker visa program, which ties down the staff to their provider while they work on multi-year engagements.

2. Focus on their willingness to take on outcome-based service levels.

Contract negotiations today can often get stuck in a price trade-off on cost per worker being deployed by the service provider. Moreover, the more you squeeze a service provider and manage the engagement by deploying punitive measures, the harder it often becomes to get any value from your relationship beyond their performing the basic stipulated tasks. When you hire contract lawyers, they will often take you too far down this path, and the focus moves away from innovation and delivery quality. Increasingly today, service providers are willing to move into arrangements whereby they are incentive not only meeting stringent service levels, but also on measures that are business outcome-related, for example increased customer satisfaction, increased productivity in certain areas, or even increased revenues. Some service providers even request a percentage of increases profits in areas they are directly working on. There is nothing better than a service provider working with you to achieve real productivity goals, so our advice is to work with them to develop these "gain-sharing" initiatives. Several enterprises today are now incorporating these co-incentive programs into their current engagements.

3. Get a real feel for their culture.

While you may have pre-conceptions about these providers, you'll quickly discover that some get on with your team, and other's simply won't. IBM might have the right culture for some companies, Accenture for others, or you may prefer the culture of some of the up-and-coming global providers, such as Cognizant or Infosys. Each service provider tends to have a unique culture in the way their staff interact with your staff, in the way they approach their activities, their values and work ethic. Keep an open mind when you enter into these evaluations, as the cultural fit may surprise you. Moreover, some service providers will seem a lot more passionate about their work and their desire to work with you. View this as a positive sign of things to come, if you genuinely feel you are dealing with service staff who really want your business.

4. Get beyond the sales hype and talk to their customers.



Everyone likes being sold-to, but you need to get past the pretty PowerPoint when you're dealing with service delivery. Service providers spend millions of dollars a year training their sales force to present a squeaky-clean image, highly-impressive value proposition and many big-ticket customer logos to win you over. We've seen many situations where customers feel they received very little of the tremendous value they were promised in the sales process. For example, one customer was promised crack-teams of Six-Sigma blackbelts to work on process improvement, and is still waiting after three years' for this to happen. Another was promised new technology applications to be deployed that would rapidly transform some business processes, and claims their provider had completely failed to deliver in this area.

Do what you can to talk with peers in other organization who use these providers – in addition to those on the referral lists provided directly by the pitching organization. Peer forums, such as those at AMR Research, or industry networks, such as the IAOP (International Association of Outsourcing Professionals), or the SSON (Shared Services and Outsourcing Network) are good venues where you can informally meet customers for the genuine stories of how these service providers perform.

5. Learn about their internal IP development capabilities

However good these service provider may be, you will always know your own business the best. The engagement is not solely about what the provider brings to the table today, but more about the value they will deliver in the years' ahead, and how well their people can learn your business, as you learn to work with them. You need to take time to understand how they develop their knowledge base internally, for example their industry-specific business process templates and pre-packaged application accelerators. Most of the providers have strong internal IP knowledge tools that help their staff – and your staff – have access to new technologies and new process acumen. Moreover, when staff do leave, much of their work can be transitioned to other staff. As we discussed here, outsourcing is as much about co-learning, than it is about signing a service contract.

6. Focus on their ability to evolve globally with you

As business become more global, we need service infrastructure that can evolve with us. For example, if you wanted to take your current business into China, you will likely need IT and business process support to help enable that to happen. Make sure your service provider has the global infrastructure to support multiple languages, multiple business cultures and has a solid global spread of delivery centers that can support your future plans. For example, one customer signed an engagement 4 years' ago with a mid-tier service provider, but that provider cannot support its expansion into Latin America. It now has to look at adding a new provider into its mix, or switching to another provider altogether.

7. Understand a service providers' business process and IT capabilities

As we're discussed previously at AMR Research, many global enterprises exploring outsourcing engagements are looking to find greater synergies between their IT and business functions. One avenue where businesses can find these synergies is sourcing both their software application and related business process services needs from the same provider—a practice termed bundled outsourcing. Enterprises can entice top-tier providers to bid for their business if they offer large-scale bundled services. Many enterprises have wanted to break down the IT-business process barriers for decades, but have never found a compelling business event to dismantle their internal silos. Outsourcing can provide that event. While it may not offer an immediate silver bullet, it does provide the vehicle to make it happen. Bundled outsourced services should be considered only if the provider can demonstrate it has the expertise to drive synergies across applications and services. If the provider has its software and business process architects working together on joint development and delivery, it can help drive significant cost efficiencies and business advantages. However, if the service provider wants to operate with two separate contracts, and its IT and business process staff appears to be working in clearly-separated divisions, it may be best to source the work to separate providers or look at alternative vendors that are more internally streamlined.

8. Be pragmatic about their future stability



It goes without saying that the future stability of your service provider is vital for the effectiveness of your engagement. Should it struggle financially, it could start to lose key talent, and if it is acquired by a competitor, the impact on its resources, performance – and your priority as a client – could become dramatically altered. Talk to industry experts, such as AMR's Global Business and Outsourcing Services team, who understand these service providers intimately, to get a feel for the likely future direction these firms will take.

9. Study their industry process templates

Service providers will tout their industry-specific acumen in order to win your business. Ask to see examples of their industry-focused templates for business and IT processes. This way you will start to get a feel for their genuine affinity with your specific needs and whether they really add a lot of additional expertise beyond transactional support.

10. Ask about their business model

Finally, try and understand how your service provider is going to make money from your engagement. The worst scenario is they take your existing processes, re-badge some staff and try to manage things the same way pre-outsourcing, but with less staff and resources (amusingly dubbed “your mess for less” by some industry pundits). You must try to avoid this situation. The best service providers will look beyond mere labor arbitrage to make profit out of you, for example increased productivity from better workflows, elimination of sub-tasks, and new technology enhancements, which should enable better performance with lower costs. As mentioned above, incentivizing them through outcome-based gainshare pricing models is also a route to drive more value from the relationship. Make sure you receive satisfactory answers on how they intend to drive a profit margins for themselves from your engagement, beyond mere low-cost labor provision.

Bottom-line

However you want to view it, an outsourcing engagement will ultimately be like a marriage with a service provider. You must view the whole experience as a decade-long journey, and not a quick-fix to drive out some imminent cost. Find a service partner with the passion and smarts that you genuinely feel has a good cultural fit with your current organization, and more importantly, the organization you want to become in the future. While price-points and contractual terms a vital, you will ultimately find most service providers falling within a ballpark, so you will be able to select on many of the criteria described above, that go above and beyond the letter of the contract.

Outsourcing - how to make sure it's reliable

Silicon.com by William Benn
20.10.2009

Outsourced IT is of little value if it's not reliable. William Benn offers advice on how to make sure you can count on your technology.

Last month I wrote about the critical dimension of security when outsourcing IT. Security ensures a safe environment in which the technology can operate.

The next factor to consider for any outsourcing relationship is reliability - the extent to which you can trust your technology to perform as expected.

Reliability is absolutely crucial to user acceptance, and hence to achieving business benefits from tech investments. After all, no one wants to be the next high-profile tech disaster.

A lack of confidence in the IT systems also breeds a lack of trust in the overall management and leadership of your organisation in the same way that an inefficient hospital receptionist will cause anxiety about the quality of the surgery.



It's not just air traffic control, intelligence or banking where reliability of IT systems is of such vital importance. Most systems exist within a complex web of interdependence - so predictable performance and outputs are essential for the effective behavior of the IT environment as a whole. This may be less of an issue when you have direct control of every part of the chain - but in today's complex arena of outsourced services, infrastructure and software, the challenge can become unmanageable.

There are two key dimensions to reliability that you can influence throughout the lifecycle of any IT outsourcing arrangement: consistency and stability. Consistency means that the IT services will deliver the expected results in accordance with the agreed specification under all circumstances. Stability means that the services are predictably available and accessible, and that users can have confidence in the operation of the services.

As always, you get what you pay for in IT outsourcing. If you don't specify parameters for reliability then don't be surprised if system behavior fails to meet user expectations. Equally, you may be tempted to set parameters that look good on paper (i.e. 100 per cent availability) but that are unachievable, immeasurable or prohibitively expensive.

The other important principle is to specify reliability in terms of standards and outputs rather than inputs. For example in an IT infrastructure system, availability is the output but the hours of effort put in to keep the system running is an input. You may be interested in the inputs (to ensure that a supplier can feasibly provide the service) but your key measure is the output.

Consistency

In your outsourcing relationships, it's essential to define the degree of consistency that's required in the outputs from the system, and how exceptions should be treated. In complex banking systems, for instance, you will want absolute assurance that the system is giving the same answer under the same conditions every time. Hence you'll require error checking, validation and audit to be at the heart of your outsourcing arrangements.

Thorough testing at every stage in the outsourcing cycle will be essential, and therefore you'll want to agree the process of testing with your provider upfront. The acceptable pass rate for these tests should be clear and agreed upon, and the costs of testing (which may be significant) should be fully transparent. The implications of failing a test and the costs of rework are best to be formulated in advance so commercial considerations do not derail progress.

The trend towards multi-vendor systems puts even more emphasis upon effective interoperability - the extent to which individual systems work consistently as a whole. An emerging practice of collaborative 'plug testing' helps to ensure that systems work to common standards and principles across the full spectrum of technologies.

Stability

For a system to behave predictably, it must operate effectively in everyday conditions but also perform properly when things go wrong. The 'blue screen of death' will be familiar to many end users but would be completely unacceptable behavior for an enterprise wide system.

IT outsourcers build their reputation upon the security and stability of their services (prevention really is cheaper and more profitable than fault fixing). Therefore, if you are working with an established provider, you can usually have confidence in their potential to provide a stable platform. But it's still essential to work actively with the supplier to ensure this potential is realised in your own unique circumstances.

Working with your suppliers during the selection phase will give you greater confidence in their approach to ensuring the availability of their services. While sticking to the principle of specifying outputs and standards rather than detailed methods, you should satisfy yourself about the arrangements for fault diagnosis and fixing, planned preventive and pre-emptive maintenance, and arrangements for business continuity (including any planned redundancy in the system).

Monitoring and fine tuning



You should have a number of service-level agreements (SLAs) defined with your supplier that are relevant to the reliability of the system. Ultimately, there is no better measure of reliability than customer feedback - and this should be shared with suppliers in a constructive manner to foster a joint problem-solving approach to any issues that are revealed.

An effective IT quality management system, such as Six Sigma, may ensure that a control process is put in place so the outputs are consistent and reliable - and that any minor issues are quickly and cost-effectively resolved in collaboration between client and supplier.

Looking to the future, the good news is that systems generally become more stable and reliable over time. However, the bad news is that this general trend is matched by increasing complexity and user expectations that all systems will have 100 per cent availability under all conditions. The wave of virtualisation and cloud computing should help to create new levels of reliability - and should be factored into any upcoming outsourced IT arrangements.

Europe Overtaking North America as Top Outsourcing Region: Report

Global Services
22.12.2009

According to the TPI "Momentum Market Trends & Insights 3Q'09 Geography" Report, European Global 2000 companies outspent their North American counterparts by approximately \$1.2 billion in average annual contract value (ACV) through the third quarter. North America, which led the world in outsourcing spending by G2000 companies in 2008 with \$29.6 billion in ACV versus \$28.7 billion for Europe, looks poised to miss that mark this year and lose its top spot.

TPI, the sourcing data and advisory firm, and a unit of Information Services Group, an industry-leading information-based services company, have released data which shows that through the first three quarters of 2009, Europe surpassed North America as the leading region in the world for outsourcing spending by Global 2000 companies and is on track to end the year as the highest-spending region for the first time.

According to the TPI "Momentum Market Trends & Insights 3Q'09 Geography" Report, European Global 2000 companies outspent their North American counterparts by approximately \$1.2 billion in average annual contract value (ACV) through the third quarter. North America, which led the world in outsourcing spending by G2000 companies in 2008 with \$29.6 billion in ACV versus \$28.7 billion for Europe, looks poised to miss that mark this year and lose its top spot.

The TPI Momentum Market Trends & Insights 3Q09 Geography Report is the latest in the Market Trends & Insights series, which combines robust market data with expert analysis to provide a completely new perspective on the sourcing industry.

"Understanding the global outsourcing market requires up-to-date information on local and regional dynamics in every part of the world," said Melany Williams, Partner and Managing Director, TPI Momentum. "This Report offers on-the-ground detail and analysis by TPI experts and advisors to help service providers and others identify and pursue the most promising opportunities - wherever they might lie."

For each of the six regions, the Report analyzes contract trends, delivery center activity and business and political developments that impact the sourcing industry. Twenty-nine individual country profiles provide more detailed information about the sourcing climate within key markets, including changes in size, opportunities for future growth and penetration rates of service providers.

The Report also introduces a new research methodology, the TPI Outsourcing Viability Index, which compares the strengths and weaknesses of 115 countries on the key attributes that service providers look for when deciding where to establish a service delivery



center, including Education & Workforce, Infrastructure & Technology and Political and Economic Stability. TPI designed the Index based on its experience evaluating service delivery locations for hundreds of outsourcing buyers.

Among the notable results from the TPI Outsourcing Viability Index:

North America and Europe dominate the rankings, with the United States and Canada at No.1 and 3, respectively, and six European countries making the top 10--the United Kingdom (2), Germany (4), the Netherlands (6), France (7), Switzerland (9) and Denmark (10).

While other markets are growing slowly but steadily, India (13) and China (21) have experienced a rapid rise in spending among their G2000 companies, with China's market growth appearing to lag India's by about two years. Both countries were rated among the top 10 on the Sourcing Environment dimension.

Brazil (24), the highest-ranked country in Latin America, also made the top 10 for Sourcing Environment. The Report found that Latin America is home to the fourth-highest market opportunity among the regions with \$3 billion in additional ACV potential.

10 Outsourcing Trends to Watch in 2010

Computer World
22.12.2009

Both suppliers and outsourcing customers could be in for a bumpy ride in 2010. Here are 10 trends to look out for as the IT services industry finds its feet in the "new normal" of the post-recession

It was a long year of intense ups and downs in the IT outsourcing industry. Consolidation among vendors and interest in remote infrastructure management increased, while overall outsourcing demand and IT services pricing decreased.

The market for IT outsourcing is expected to rebound a bit in 2010, say industry watchers. For instance, more than 75 percent of the service providers polled by EquaTerra in the third quarter of this year reported continued growth in their deal pipeline, which was up 10 percent from the previous quarter and 34 percent from the same period last year.

But don't expect too robust a revival. Outsourcing consultancy Everest predicts that although suppliers will see a resurgence in demand for IT and business process outsourcing services in 2009, growth rates are unlikely to return to pre-2008 levels.

Both suppliers and outsourcing customers could be in for a bumpy ride in 2010. Here are 10 trends to look out for as the IT services industry finds its feet in the "new normal" of the post-recession.

1. Transformers. Sure, outsourcing customers will still want vendors to transform IT in 2010. But revolutionizing IT service delivery is expensive and difficult.

"Optimization is the new transformation," says Mark Toon, CEO of outsourcing consultancy EquaTerra. "Ultimately, organizations will still want to 'transform' how they deliver back office services, but they typically will want to move in pragmatic, incremental steps and focus on achieving best in class, standardized and optimized delivery models."

2. If at First You Don't Succeed, Renegotiate. There has been an increase in the number of contracts being renegotiated and rebid during the past 12 months, according to outsourcing consultancy Compass America, and that will continue in 2010.

"While many organizations remain keen to avoid the costs of new capital and migrating to new suppliers," says Tom Schramm, EquaTerra's managing director of finance and accounting, "investment is being made in ensuring existing suppliers and internal processes are delivering optimum value."



3. Multi-Sourcing Malaise. Multi-sourcing seems ideal in theory-work with best-in-class IT service providers and keep costs in check, thanks to the competition. In reality, it's been difficult at best and disastrous at worst for many customers.

"Organizations are reassessing their approach to selective sourcing and multi-sourcing, and realizing that they need to have a certain level of maturity in terms of processes, governance and vendor management in order to make the multi-vendor model work," says Bob Mathers, senior consultant with Compass America. "Organizations that have pursued multi-sourcing without investing in management capabilities are finding themselves longing for the problems they used to have with their one and only vendor." Watch for reevaluation and restructuring of these relationships next year.

4. Captive No More? While certain companies will continue to set up fully-owned IT delivery centers abroad, look for more captive center divestitures in the new year and a "marginally lower" number of new captives being set up, predicts Everest.

5. The Urge to Merge. The number of top-tier service providers shrunk this year, creating both challenges and opportunities for other vendors in 2010.

"Consolidation at firms, including HP, EDS, Dell, Perot, ACS and Xerox, may represent an opportunity for their competitors," says Charles Arnold, managing director of EquaTerra's IT advisory for the Americas. "From acquiring former staff of top-tier providers to snapping up now empty chairs at the bidding table, competitive providers may be able to leverage this chance to grow capability and market share in 2010."

The M&A party is likely to continue after we've rung in the new year. "This consolidation will most likely involve tier two and tier three providers, as they struggle to compete with the breadth and depth that their tier one competitors can offer," says David Rutchik, partner with outsourcing consultancy Pace Harmon. "We would not be surprised to see a non-offshore provider acquiring an offshore-based provider."

Everest predicts that most consolidation in 2010 will focus on acquisitions of "adjacent and complementary capabilities across functions, verticals and geographies," as opposed to mergers solely to increase scale.

6. Offshoring to...America? The greenback has had a grueling year. That could play out in some interesting ways. "With the continued decline in value of the dollar and sluggish employment, I would expect to see more U.S.-based sourcing solutions evaluated by private and public sector clients across the globe," says Peter Iannone, EquaTerra's executive director for the Americas.

7. The Mega-Death of Mega-Deals. Increased near-term cost pressures will drive a continued decline in mega-deals in 2010, Everest predicts. Customers will continue to eschew the billion-plus deals for more flexible approaches to outsourcing, says Lee Ayling, manager of Equaterra's U.K.-based IT advisory.

"In 2010, we will see many contracts focused on core processes with shorter, less expensive transition periods and reduced return on investment timescales," says Brad Everett, executive director of EquaTerra's human resource practice.

8. The Public Interest. All signs point to increased outsourcing in local and state government. "Budgets are tight, but demands for new technologies are strong," explains Glenn Davidson, head of EquaTerra's public sector practice. "The winners in the competition will be offering innovative financing and strong risk insurance."

However, he predicts decreased outsourcing in D.C. "The federal government, with its ability to print money and this administration's push for insourcing, is likely to continue its investment in internal solutions," Davidson says.

9. The (Slow) Return of the Discretionary Spend. Providers of application development, and maintenance and consulting services will develop innovative contract and pricing structures to win customers as the market rebounds next year, according to Everest. Both types of deals took a hit as buyers put discretionary spending on hold.

But such projects will make a gradual recovery in 2010, predicts Everest, noting that "the pace of this change will be dictated entirely by the improvement in the global business environment."



10. Semi-Sourcing. Cloud computing and software-as-a-service-which EquaTerra's Stan Lepeak calls "semi-outsourcing alternatives"-will make waves in the IT services industry in the year ahead.

The IT outsourcing market has reached a major tipping point, according to Forrester Research analysts, and a focus on outcomes means that traditional deals will continue to decrease during the next several years as new utility and cloud service offerings proliferate. "This will be a large focus as companies try to figure out how this will work," agrees Dave Brown, head of EquaTerra's financial architecture practice. "Those that develop a sustainable commercial offering will hit the headlines early and often."

Modularity will be the name of the game. Suppliers are poised to offer buyers more and more plug-and-play services coupled with pay-as-you-go pricing. "We have observed a continuing move toward a more scalable and virtual infrastructure for many services...and more aggressive efforts to take advantage of sourcing's ability to scale up or down with the size of the business," says Melany Williams, partner and managing director of service provider consultancy TPI Momentum.

But it will be small and midsize companies leading the charge in this space in 2010, says Everest, while large enterprises wait for more of the technical and business challenges to be resolved before adopting these new delivery models.

Outsourcing 2010: Green growth, public sector deals and rise of the SME

Silicon.com
12.01.2010

It's that time of year again - time to look forward at what 2010 has in store for the outsourcing industry with the NOA's annual predictions.

More public sector deals

Top of the pops, predictably perhaps, is the public sector's impending and colossal challenge - to cut costs left, right and centre and help claw back the government's huge budget deficit. The NOA membership base and board, predicts a big rise in public sector sourcing arrangements. The sector's ability to cut costs by traditional means, such as staff cuts, is limited, so sourcing and shared service arrangements will come as a matter of course. This prediction is starting to come true right from the word go, as Lancashire County Council has just announced a new £1.9bn shared service project. We expect many more deals like this to come.

Green growth

Next up is the growth of green technologies and 'green sourcing' arrangements. Though global leaders failed to reach a consensus at the recent Copenhagen summit, there are some promising noises coming from the business world that give cause for hope. There are scarce few outsourcing contracts that go through nowadays without taking into account some measure of supplier 'greenness'. But this year will see green embedded further and deeper into sourcing than ever before. The NOA predicts a more concerted move to understand what 'greenness' actually means in sourcing, and has also launched its Green Steering Committee, to help guide the industry.

Green innovation

Likewise, 2010 will also see more innovation in green services and products that impact an organisation's green credentials. Legislation such as the Carbon Reduction Commitment (CRC), though it has some interesting side-effects on sourcing, provides new business process outsourcing (BPO) opportunities. Advisory FirstCarbon, a subset of ADEC launched last year, is an early mover in this space. The company has seen the opportunity



to use its BPO processing capacity to carry out 'carbon accounting'. As companies race to work out, and reduce, their overall carbon footprint, such services look set to become increasingly popular.

Economic recovery

Most signs point to economic recovery for the UK early this year. This of course depends on a personal level of optimism versus pessimism and whether you believe the naysayers or not. Personally I'm prepared to go with the popular opinion of recovery, especially as it means good things for outsourcing. Vendors should be especially happy as their clients stop asking for reductions and look towards expansion of capacity to support renewed growth.

Lots of big contracts

The sourcing advisory firm TPI supports the idea of outsourcing growth. It expects to see a rise in the number of large scale contracts awarded both globally and in Europe in the next six to nine months. This, it says, is due to the clearing of a blockage in contracts that has built up since 2008 as decision makers refrained from actually making decisions. Well, this year looks set to see them deciding with a vengeance again. Hopefully, a bit more money flowing through the system will also help boost new innovation.

SMEs step in

There are some very interesting predictions coming from South Asia. Not least is some recent research from Slasscom, the Sri Lankan equivalent of Nasscom, the IT and outsourcing industry trade body in India. Slasscom found that many UK SMEs plan to offshore this year. According to their report, almost one quarter of companies are considering it, while one in 10 say they are very likely to dive in. This is interesting considering SMEs' erstwhile reticence towards the discipline and spells good things for those smaller offshore locations such as Mauritius, Sri Lanka itself and up-and-coming African nations.

Location, location, location

Other location-based predictions proffer China as a new, upcoming call centre player; the Philippines and Russia to increase in prominence on the world stage; and Brazil to take a bigger role in global IT outsourcing despite increased competition from Chile. 2010 should also see more location specialisation, for instance focusing on finance or elements of IT delivery, as countries recognise that global outsourcing cannot grow interminably.

Tale of two trends

Overall it looks like 2010 will be a game of two halves for outsourcing. On one hand we see optimism rising in the private sector with companies using outsourcing to seize growth opportunities and re-skill with minimal risk. But on the other we see what amounts to a public sector recession wreaking havoc on those people and organisations in charge of public service delivery. Either way, outsourcing and offshoring can, and will, be used positively in both respects, so you can expect sizeable sector growth across the board.

Reksoft Experience: 5 Best Practices of Outsourcing Product Engineering and Support

Reksoft R&D Department
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The decision to outsource IT product engineering is never taken lightly, and no less critical is the next step - choosing the right partner. Factoring in considerations like time-to-market pressure, limited budgets, and the need to localise the product for international markets can all give product managers sleepless nights. This article will give you some tips on what to look for to make product engineering outsourcing bear fruit.



Focus on skills and ability to deliver on time

Undeniably, the ability to deliver a cost advantage is an important part of any outsourcing decision. A more relevant metric than cost, however, is value. No amount of savings justifies the cost if the result is not the right product hitting the market on time. Choose a service provider that can deliver the skills that you need, when you need them, providing not only savings but also value in terms of flexibility and accelerated ramp-up.

Look for strategic leadership in your outsourcing partner

Product development service providers often have more experience than ISVs across different technologies and industries. It makes sense to look for a partner that can challenge your ideas and suggest alternative, more effective development paths to the realisation of your product.

Demand flexible conditions to scale and adapt to changing needs

The capacity to react quickly and effectively to changing market conditions is vital to the success of most product companies. Make sure that your outsourcing engagement model provides the flexibility to evolve the project up, down and sideways at relatively short notice.

Choose the best-fit provider, not necessarily the biggest

For most startups, getting the right product to market on time is the difference between the company's success and its failure. For established companies, client support may require small teams distributed in target countries.

In both cases, success is dependent on vendor flexibility and a willingness to sit down and understand the specific challenges posed by the client's project. To larger outsourcing vendors, however, such projects might seem insignificant, and may be pushed down their list of priorities. Find a provider of a suitable size and with the right experience and cultural fit, and you will obtain the service your product deserves.

Face time: go and talk to your team

Whether a couple of hours flight away or on the other side of the globe, you should budget resources to meet regularly with your outsourced development team. Even project services with definite requirements and deadlines should be treated as close collaboration, the value of which will be boosted by spending some time communicating directly with the team.