

Outsourcing: Reaping the Benefits, Managing the Challenges

Frances Grigsby

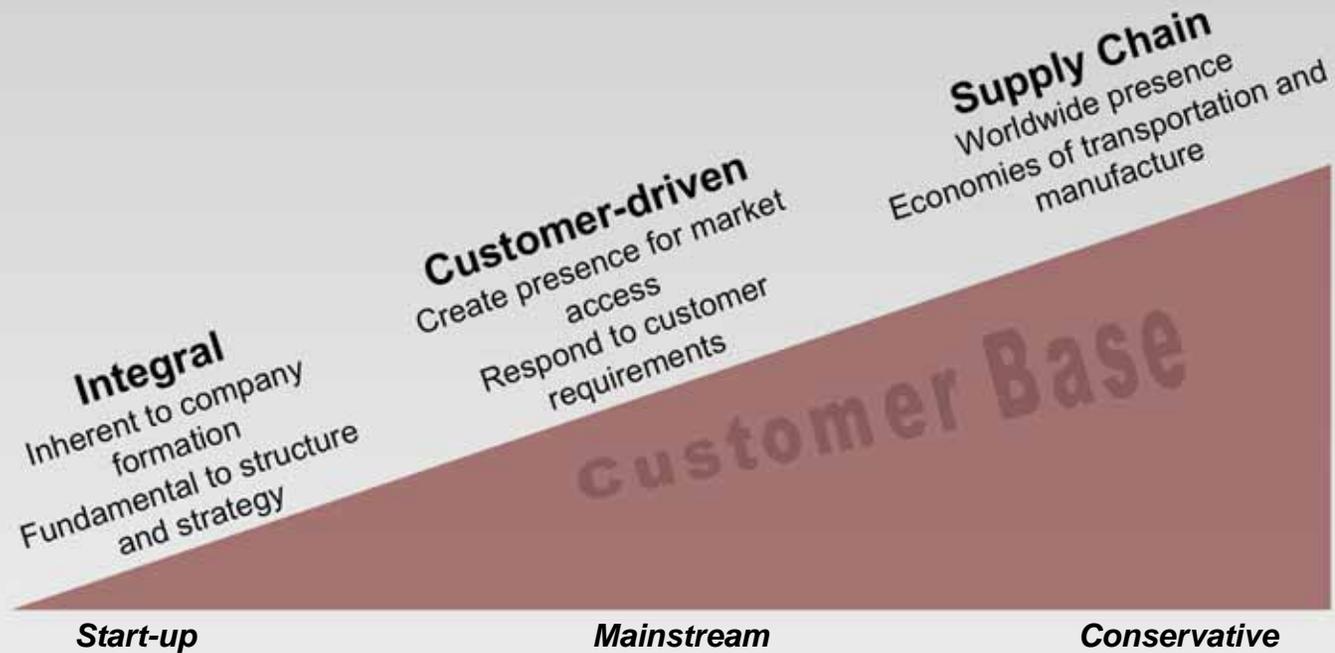
Babson College
ESADE Entrepreneurship Program

- Success factors
 - Risks
 - Preparation

Discussion Items

Strategic priorities
Outsourcing trends
What next?

Outsourcing Taxonomy



Other Motivators

- Vertical or horizontal integration
- Balancing currency and economic cycles
- Opportunistic – politics, major order

Motivation to Outsource

- Speed to Market and Innovation
- Focus on Core Competencies
- Increasing Complexity
- Stagnating Growth
- Financial Performance

International Software Outsourcing Industry

Country	Number of Trained Professionals	Average Annual Wage
India	300,000	\$5,000-8,000
China	400,000; 35,000 highly skilled	\$6,000-8,000
Russia	3,000-4,000	\$5,000-8,000
Pakistan	23,000	\$3,600-6,120+
Philippines	30,000-50,000	\$8,000-10,000

Sources: Forbes, National Association of Software and Services Companies, Software Association of Pakistan, Software Outsourcing Research. Average annual wage is first-year salary for a highly trained professional.

Trends in Outsourcing

Out-tasking



Organizational complexity and time
Fill resource gaps
Risk minimization

Full Outsourcing



Competitive imperative
Limited in-house skills
Accessing industry thought leadership

Hosted Services



Speed to market and innovation
Capex minimization
Risk sharing

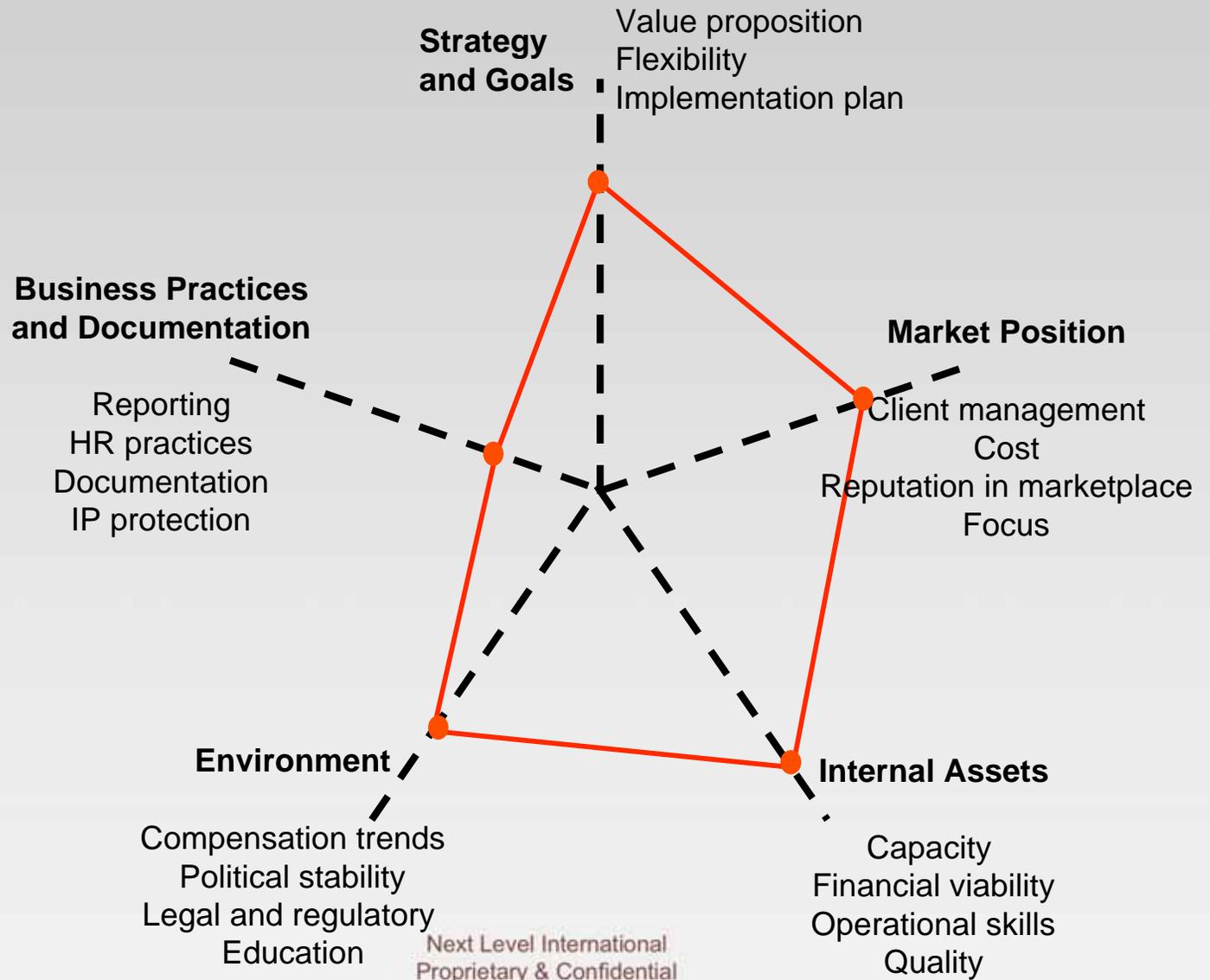
What Goes Wrong?

- Over-expectation
- Sloppy preparation
- Employee resentment
- Intellectual property theft
- Quality deterioration
- Price escalation

Key Success Factors

- One size does not fit all
 - Different macro- economic situations – GDP growth, EU accession
 - Diverse competitive landscapes
 - Different market position – Incumbent, new entrant, etc.
- Strategic evaluation
- Strong, comprehensive agreements and monitoring
- Direct personal contact with supplier
- Experts to shorten learning curve
- Patience about cost savings
- Keeping core skills internal
- Enhanced opportunities for employees
- Protecting the customer experience
- Supplier and country with long-term capabilities

Evaluating a Supplier



Next Level International

- Market entry for technology companies
- Specializing in
 - Business development
 - M&A preparation and integration
 - Outsourcing/supply chain

199 Independence Road
Concord, MA 01742
978-369-0012
www.nextlevelinternational.com



What Can Be Outsourced?

- Good candidates for offshoring
 - Web sales
 - Accounting
 - Order processing
 - Transaction processing and documents
 - Transcription
 - Telesales/telemarketing
 - Benefits administration
 - Tax processing
 - Human resources administration
 - Biotech trials
 - Claims processing
 - Product updates and migration
 - Defined product engineering
 - Manufacturing
- Questionable candidates
 - Customer service and inquiry handling
 - Help desk
 - Telemarketing
 - Account management

Options

- Turn-key nearshore
- Turn-key offshore
- Joint venture
- Build-operate-transfer
- Wholly-owned
- Local provider