

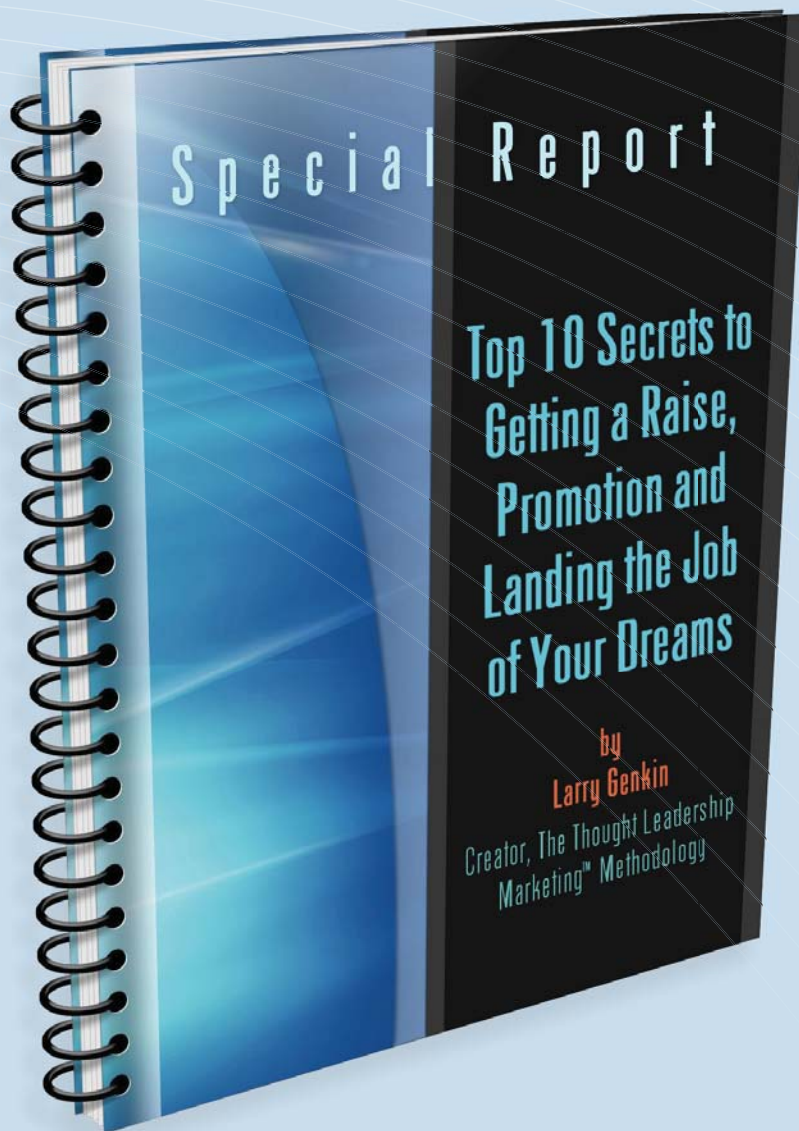
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April 2010

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If You Had a Magic Wand What Would You Change About Outsourcing?

Pro's & Pundits Weigh In
Page 20



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Ali Comelek

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1

CONVERGYS ANNOUNCES SALE OF ITS HUMAN RESOURCES MANAGEMENT LINE OF BUSINESS

www.convergys.com



Convergys Corporation (NYSE: CVG), a global leader in relationship management, announced today it has signed a definitive agreement to sell its Human Resources Management (HRM) line of business to NorthgateArinso, a leading global human resources software & services provider, for approximately \$85 million in cash at closing and \$15 million in cash over three years.

With its world headquarters in the United Kingdom, NorthgateArinso has offices in 31 countries on five continents delivering services in over 70 countries through a network of eight Service Delivery Centers. NorthgateArinso's approximately 5,000 staff members serve more than 20 percent of the FORTUNE Global 500 companies, and it is one of the five largest HR

service providers in the world.

Convergys and NorthgateArinso believe this transaction represents a unique opportunity for Convergys' HRM clients and employees to become part of a larger, dynamically focused entity with a strong record of accomplishment in the HR services business. NorthgateArinso will offer employment to the approximately 2,300 employees of Convergys' HRM line of business.

"This sale is a major step forward for our HRM clients because NorthgateArinso is a global leader committed to investing in the HRM business. Combining the assets of both companies is transformational and will create one of the top HR specialist companies in the world," said Jeff Fox, president and CEO of Convergys. "This transaction with NorthgateArinso provides an opportunity for Convergys to focus our investments and efforts on growing our Customer Management and Information Management businesses."

Convergys expects the transaction to close in the second quarter, once all customary consents and regulatory approvals are received. Jefferies & Company, Inc. acted as exclusive financial advisor to Convergys. ■

2

'INDIA READY TO MAKE IT BIG IN OUTSOURCING OF MEDICAL DEVICES'

www.sourcingmag.com

India is now in the limelight for its expertise in the medical devices space. The industry's inherent engineering strengths is being recognized by global majors who are looking to tap the emerging market opportunities to augment growth. This is where Bangalore-based MedVed sets up an advanced facility here, which has designed and developed high quality, reasonable priced implantable medical devices for cardiac rhythm management. The company's 'Stellar' brand for single and dual pacemakers, cardiac leads, pacing system analyzers will now revolutionize the heart surgery management. Dinesh Puri, chairman and managing director, MediVed Innovations Pvt Ltd provides an overview of the opportunities, business potential in

the segment. His view is that India is well placed in the outsourced contract design, development and manufacturing space because of its engineering capabilities in a wide spectrum of areas. Typically, there are two market opportunities in contract design and development of medical devices. One is that companies in the US and Europe can offload a whole range of existing medical device products to India to maximize the cost advantage. India has been proving to be a reliable and dependable source for this capability. The second is that global companies can look at India as a hub in the Asian region to undertake contract design, develop, manufacture and package the medical devices. ■



India: Well placed for medical device outsourcing



Emissions: Big global problem

3

EU 'OUTSOURCING' EMISSIONS TO EMERGING ECONOMIES

www.sourcimgmag.com

Consumers of goods from emerging economies should take responsibility for emissions created in production and manufacturing, according to the authors of a new report.

The study from the Carnegie Institution of Science found that the EU was effectively "outsourcing" a third of its emissions to poorer countries, such as China and India.

In the case of Switzerland, there were more emissions outside of the country than in its borders as a result of its consumption of imported goods. The USA was outsourcing around 11 percent of its total consumption-based emission.

Author Ken Caldeira said that these findings suggest that future international agreements have to recognise the impact of production and recalculate their carbon footprints. He said: "Where CO2 emissions occur doesn't matter to the climate system. Effective policy must have global scope.

"To the extent that constraints on developing countries' emissions are the major impediment to effective international climate policy, allocating responsibility for some portion of these emissions to final consumers elsewhere may represent an opportunity for compromise. ▣

4

OUTSOURCING PRICES STILL HEADED DOWN IN 2010

www.cio.com

Prices for most outsourced IT services will continue to drop in 2010, albeit at a slower pace than 2009, according to Alsbridge's ProBenchmark. However, the costs of some notable service categories -- like virtual server support -- are headed higher.

Two major trends led to lower prices for outsourced IT services last year—the global economic downturn and the uptick in remote infrastructure management (RIM) adoption. With the financial picture still far from clear and companies remaining interested in offshoring and remote infrastructure management to save money, outsourcing prices this year should follow a similar—if less dramatic—path downward, according to first quarter IT service price analysis from ProBenchmark, the pricing subsidiary of outsourcing consultancy Alsbridge. "How long the economy will be like this and how long client companies will continue to more aggressively [offshore] infrastructure remains to be seen," says Chris Pattacini, ProBenchmark's director. "It is clear that RIM will continue to proliferate in the market, continuing that downward price pressure, but not as much as last year."



Prices headed down in 2010

Another factor causing outsourcing prices to drop is contract renegotiation, according to ProBenchmark's Howard Davies. He says clients are responding to tough times by renegotiating with their vendors on price. "That's creatively pulling the price of services down," says Davies. Consequently, when other customers

benchmark their own deals, they're more likely to find they're paying more for IT services than the benchmark, and that encourages them to reexamine their deals with their providers. "The longer they wait, it seems the larger the opportunity is," he adds. ▣

5

INDIAN OUTSOURCERS GET SHIVERS AS LOCAL RIVALS PUSH UP

www.convergys.com

A new trend is rapidly developing on the current global IT market – instead of sending all projects to offshore locations like India, emerging local rivals are becoming more and more attractive for big outsourcing customers. Let's analyze the reasons why.

Globalization imposes tougher competition on the market, solely performance and capacity are no more enough, and even cost issues presently lose ground as the key differentiating factor. Customers seek quality, innovation, and value to their business. That is exactly what rivals in emerging outsourcing destinations like Central and Eastern Europe are staking on and are eager to provide. An increasing amount of companies are looking closer at local vendors who are winning through mature software engineering processes, reputation, and IT service quality. This is also recognized by leading analyst firms, including Everest.

"For many customers who already have significant presence in offshore locations like India, it's a risk diversification," said Jimit Arora, Research Director of outsourcing advisory firm Everest Group. "Some customers having 70-80 per cent of their offshore resources in India are realizing that they need to look at the third category of suppliers that are local and niche," he added.

Everest has recently researched six emerging destinations mature enough to be considered as viable alternatives to the India-centric



outsourcing model. Scrutinizing one of the world's top 3 outsourcing locations – Central and Eastern Europe – the report features EPAM Systems as a leading, "must-know" IT outsourcing services supplier with roots in the region. ■

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Destroyed houses and smashed cars after terrible earthquake In Haiti

6

HOW CROWDSOURCING HELPED HAITI'S RELIEF EFFORTS

www.radar.oreilly.com

Tech-minded volunteers quickly pitched in with a variety of communication and data services in the days following the Haiti earthquake. One company -- crowdsourcing platform CrowdFlower -- repurposed its service as a text-message translation tool to aid Mission 4636. CrowdFlower founder and CEO Lukas Biewald shares his story in this guest post.

Before January 12, I knew little to nothing about Haiti or the role of crowdsourcing in disaster relief. My company, CrowdFlower, offers a

crowdsourced labor platform to clients who are mostly Silicon Valley tech companies. The January earthquakes in Haiti ignited a completely new type of emergency response that involved the contributions of individuals, companies, NGOs, and staffed by thousands of volunteers around the world. On a more personal level, it led to the discovery of a very surprising application of our product.

Despite the massive devastation of buildings in Port-au-Prince, most of Haiti's cell tower infrastructure remained intact. Within 48 hours of the earthquake, Josh Nesbit of FrontlineSMS:Medic and Katie Stanton of the U.S. State Department convinced DigiCel, the largest telco in Haiti, to set up a short code -- "4636" -- that any individual could text for free to get help. Robert Munro of Energy for Opportunity and Brian Herbert set up a workflow where Kreyol-speaking volunteers could translate and classify the messages for aid workers to send relief.

Once the system was working, InSTEDD (in collaboration with Thompson Reuters) worked on the ground to broadcast the existence of the "4636" short code to as many Haitians as possible using radio and other means. Through word of mouth, the number of volunteer translators grew throughout the Haitian diaspora.

It was immediately clear that people were using this system to send absolutely urgent and heartbreaking messages.

The advantages of a flexible crowdsourcing workflow to managing disaster relief are huge. Businesses like crowdsourced work because they don't have to plan unknown work capacity in advance, and managing a crisis is an extreme version of this problem. There would be no practical way to have thousands of trained Kreyol speakers ready to handle emergency text messages, but through viral channels and a microtask framework it was possible to have thousands of people around the world doing mission-critical work within days.

When you run a company, you worry constantly about whether or not your product is something that your customers really want, whether or not your product is a necessary solution, whether or not it is reliable, etc. It was clear to me through Mission 4636 that our product was capable of not merely changing lives, but of saving them. As saddening as it is to reflect on the devastation and mortality caused by the Haiti earthquakes, the collaborative impact of Mission 4636 is truly inspirational. I hope it will become the model for future emergency relief efforts. ▣

7

RECIPHARM COBRA BIOLOGICS INITIATES BIOLOGICS OUTSOURCING IN A BIG WAY

www.outsourcing-pharma.com

RecipharmCobra Biologics (RCB) launched today as a specialist biologics contract development and manufacturing organization (CDMO).

The new group, set up by Swedish CDMO Recipharm after it completed its acquisition of Cobra Biomanufacturing last week, will operate under the leadership of former Cobra CEO Simon Saxby from its facilities in Oxford and Keele, UK.

Recipharm CEO Thomas Elderred said that RCB integrates Cobra's expertise in high-tech biologics development with the Swedish firm's wider drug contracting offering, including its manufacturing facility in Södertälje.

He also that: "[the new group] has, we believe, created a much stronger force in the industry's biologics outsourcing sector. Indeed, in addition to antibodies and rProteins, our integrated company competitively offers both process development and CGMP manufacturing services for viruses, DNA and cells."

Elderred added: "The move will also serve to further build our position as a leading Contract Development and Manufacturing Organisation that provides a full range of high quality services."

Recipharm's expansion into biologics capacity fits with a general trend among Western contractors to focus on sectors with higher barriers to entry than traditional drug production, which can be done more cheaply elsewhere.



Speaking to Outsourcing-Pharma when the Cobra deal was announced last year, a Recipharm spokesman explained that the biologics' market's potential was a key motivation for the move.

"We believe this pharmaceutical sector will be more important in the future, both for being part of delivering better healthcare for patients and also because it will continue to grow." ▣ [Continued on page 48 >>](#)

BLOG BEAT

NEWS AND COMMENTARY FROM BLOGGERS AROUND THE WORLD

PROCUREMENTBLOG

www.blog.procurementleaders.com

CLOUD COMPUTING: A MAJOR OPPORTUNITY FOR IT OUTSOURCING

The ongoing evolution of cloud computing and software as a service is perhaps the single biggest development in the technology industry. It is, in effect, turning traditional ways of doing things on their head.

In February, Steve Hall wrote an interesting piece on the impact that cloud computing could have on the IT outsourcing industry - his theory being that while it could revolutionize relationships and pricing models, there are still many risks to overcome first.

But before you go stomping into your CIO's office demanding answers, Everest does pull out a number of risks.

"Enterprises face multiple challenges to adopting cloud computing such as fragmented application portfolios, lack of cloud standards, security, system

performance and management control," Everest claims. "Security breaches, downtime, business disruption, and regulatory non-compliance issues pose significant concerns to buyers, and Everest predicts broad-based standards won't come for 18 months or longer."

As a result, Everest sees three potential scenarios for the evolution of cloud computing IT outsourcing:

1. Niche adoption;
2. Industry consensus, where the cloud becomes a mainstream outsourcing option; and,
3. "Hype and decline," where most services are merely branded with the cloud stamp.

From a cost perspective, let's hope it's scenario two that becomes the reality.



www.horsesforsources.com

THE NEW RELENTLESS ECONOMY: WHY IT'S TIME TO STOP BEING SCARED

People are scared right now - they feel threatened and are struggling to visualize where their careers are heading, where their organizations are heading, where the economy is heading. But why be scared? Shouldn't we be filled with hope with this revitalized quest for improvement?

Having just spent two rather pleasant days with the excellent Sourcing Interests Group, enjoying (too much of) the carbohydrate-infused southern hospitality of Georgia's Savannah, the common theme of discussions was centered on this relentless pace of change, and the in-exhaustive corporate pursuit of cost elimination that is gripping the post-recession economy. And executives are worried. But why should they be?

Why we need to stop worrying

We've entered into an era which we have been demanding for a long, long time: companies finally waking up, prepared to take definitive action to improve their global operations. That means getting better at how efficiently they can close their books, pay their staff, hire new staff, manage their suppliers, collect their

debts, support their customers and access accurate, timely data to make decisions. Essentially, this entails ironing-out broken or inefficient process flows, sourcing better applications to enable them, and engaging talent to support them that doesn't cost the earth.

The fear comes from the fact that better automation and better process flows ultimately means organizations need less people to manage them. But won't that mean these organizations will be able to re-invest some of these newly-acquired efficiencies into areas that can help them develop new products or services, increase their sales staff, enter new markets, better manage their supply chains, investigate the potential of Cloud computing or video conferencing technology, or even, heaven forbid, develop their staff?

What we are witnessing is a re-distribution of human capital in today's economy - not necessarily a reduction of human capital. Many of us will need to explore role transformations where we take on jobs or responsibilities that we never imagined a few short years' ago. This change is one of new learning, new experiences, new challenges. It's about improving our own talents. One thing is clear: we won't have a choice not to...

Buzz Blog

www.outsourcing-buzz-blog.com

SABMILLER BUYS INTO THE BENEFITS OF TAX EFFICIENCY

Tax remains one of the most emotive issues in business and continues to polarize the average CEO - on the one hand, huge amounts of cash can be saved by becoming more tax efficient; on the other, screaming headlines often follow those that do. It explains why there's still a huge opportunity for many public companies - the reputational risks of being labeled as "tax dodgers" have often put off companies despite the cash benefits of doing so.

But the fact remains that a huge amount of corporate cash is lost to tax, and one of the biggest opportunities for minimizing it lies at the door of CPOs. SABMiller - the world's second-largest brewer, which has its headquarters in London, has recognized this and has chosen to locate its new global procurement arm in Switzerland as a result. What makes this story remarkable is the candid nature of how SAB's CEO Graham Mackay discussed the reasoning behind locating the unit in a tax-efficient jurisdiction. "Today the [UK] tax system is not predictable and there have been numerous increases, particularly when it comes to personal taxation," Mackay said in an e-mailed statement to Sky News which first broke the

story. "Taxation was a key part of our decision to locate a new global procurement business not in the UK but in Zug in Switzerland."

Vodafone is another global company, headquartered in London, which has opted to locate its global buying arm in a tax-efficient location; in its case, Luxembourg (although Vodafone bosses will argue that this wasn't solely for tax reasons). One can't help but wonder whether many more will follow now that the trail has been broken. Speaking to Andrew Underwood, a KPMG partner who specializes in tax-efficient procurement at the Procurement Leaders video day last week, it seems that many organizations could benefit from thinking more holistically about the tax impact of how they are structured and how they buy. And, while Underwood was keen to insist that tax should be treated as an end point not a starting point for any structural transformations, one must take this with a pinch of salt.

SABMiller's announcement shows that tax was at the very start of the discussions of where to locate its buying division. And while that doesn't prove much, it does prove that CPOs and CFOs should give this some serious thought. ■

THINKING DIFFERENTLY

By Michael F. Corbett

Outsourcing: Management Option or Management Necessity

THE GREAT RECESSION: GOOD FOR OUTSOURCING?

As the global economy, and the particularly hard-hit Western economies, begin to recover from what is increasingly being called the Great Recession, it's a good time to take stock of outsourcing as an industry and profession.

And certainly, all indications are that we've survived this crisis better than most. While some industries, such as financial services and real estate have been exceptionally hard hit, the outsourcing industry, based on data from this year's Global Outsourcing 100, actually grew by 5 percent in 2009.

But, I'd like to go one step further and suggest that outsourcing not only survived the Great Recession of 2007-2009 but actually prospered from it. I think that we'll look back at this point in time and, in spite of the challenges, come to see it as a turning point - as the moment when outsourcing went from a management option to a management necessity.

THE FENCE HAS BECOME A LONELY PLACE

At the beginning of 2009, when we asked our members how the developing economic crisis was affecting their outsourcing programs, companies told us that they were already beginning to renegotiate contracts for lower volumes and prices. But more than 40% were still on the fence - that is, they had made no changes to their current outsourcing programs.

Fast forward to January 2010 and most of those fence sitters were long gone. Only 16 percent of companies indicated that they had made no change to their outsourcing programs as result of the economic crisis and a full 28 percent had actually continued or renewed their contracts with higher volumes and expanded services - more than twice those that had gone the other way.

Even more remarkably, when we polled delegates at the 2010 Outsourcing World Summit in February, a full 70 percent said that the outsourcing plans at their or their clients' organizations had actually expanded over the past twelve months.

That's what many customers are telling me privately as well. One of



Michael F. Corbett is the founder, chairman, and chief strategy officer at IAOP. He believes it's time think differently about the world we live and work in.



our long-time members told me that he was amazed at the number of areas from across his business that were now seeking him out for his advice and guidance on how to get started with outsourcing. We're seeing not just expansion of outsourcing programs in areas that were already doing it; we're seeing first-time outsourcing initiatives in areas previously considered off limits.

WHERE'S THE RISK? OUTSOURCING OR INSOURCING?

Of course we can all look at this and conclude that it's not that surprising. After all, outsourcing has always been about reducing costs and who didn't need to cut costs this past year. But, I think this misses the point entirely.

What's really happening is that executives are starting to see outsourcing not as an option to be considered as long as you can manage the risks, but as the inherently less-risky alternative.

When asked about this at the Summit in February, only 35 percent said that over the past twelve months they had become more focused on using outsourcing to cut current costs. In contrast, 52 percent said that they had become more focused on outsourcing to reduce long-term costs, support future growth and increase business flexibility. What that says to me, is that they have come to see outsourcing as the less risky way to run a business. And, this is happening because of, not in spite of, the global financial crisis.

After all, which is riskier: A large, fixed internal investment in people, processes, and technologies, or a network of providers acting as shock absorbers for a bumpy world?

But what do you think? Email me at michael.corbett@iaop.org with your thoughts about the affect of the recent financial crisis on outsourcing. Also, let me know about examples of thinking differently on any aspect of globalization and business that you'd like to see explored in a future column. □

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IT INSIGHTS

By Mark Kobayashi-Hillary

Nearshoring, Africa and Other Items That Should be on Your Radar Screen

The global economic downturn, initially triggered by the credit crunch in the American banking sector, is having a number of effects on corporate purchasing and partnering. For many years, a wave of offshore outsourcing of services was driven by the financial services industry. Banks and insurance firms needed armies of back office staff to process accounts or claims and take calls from customers. Yet these are the organisations hardest hit by the downturn.

However, the technology suppliers appear to be coping; the industry is not quite flourishing, but is far from despair in a general climate of international decline. Some observers even argue that this cautious optimism is precisely because of the present economic uncertainty. As the scale of this crisis started to become clear, most company executives in all business sectors initiated cost-cutting measures. The road to survival in a recession depends on both reducing ongoing costs and being able to fix future costs with some predictability. Outsourcing, and particularly offshore outsourcing, facilitates this and so even though it has been taking longer to get budget approval, major projects are still being approved.

OUTSOURCING IS NO SILVER BULLET

Outsourcing is not a panacea and has not helped every organisation that has tried it. Many have tried and failed to make it work, especially when offshoring across vast distances to unfamiliar territories or cultures. Offshore outsourcing has driven much of the rush to create a lower-cost international service infrastructure



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for companies, but offshoring needs much stronger governance than typical outsourcing deals, though there are many ways of structuring a relationship. Even where the offshoring programme only involves employees from the same company working across borders, it is likely that some of the structures of outsourcing will be introduced to help manage the interface between the onshore client and offshore delivery centre – tools such as key performance indicators or service level agreements are common standards.

WHAT ARE THE REAL INDUSTRY TRENDS?

So what are the real trends that are driving outsourcing today, based on what the market has seen in the past year? There is the trend towards 'nearshoring'. There was a big rush to go offshore early this decade. India was the place every company executive was jettisoning to, but the time and expense of travelling to remote locations has been noticed. The time zone differences are not really the benefit once mooted – who really manages to extend the working day considerably because of time zones? And most



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developed regions have a cluster of lower-cost resource pretty close by – Mexico and Latin America for the US, or Eastern Europe for us here in the UK.

The consumer backlash against offshoring has continued. Initially, it was seen as a bonus to offshore a company function such as the customer service help line to agents in India. The call centre agents are better qualified than locals, highly intelligent, and cheaper. It all seemed perfect, but consumers hate calling their bank or insurance company and hearing someone thousands of miles away dealing with their details.

Africa is the story really waiting to break in the offshoring market and all eyes will be on the continent once the football world cup kicks off in June. Ghana, Kenya and Uganda are places where a huge number of smart young people want to work in hi-tech services and the infrastructure is now starting to catch up. Just a year ago there was not really enough broadband capacity

in Kenya to make offshoring feasible, but that's all changed now. Once customers get over their initial fear of working with partners in Africa, it's going to be the next big thing in offshoring.

And Africa is not alone in exploring the opportunities at IT offers to create an entirely new service industry. Much of Latin America is poised to enter the IT-enabled-services market, and with more than a million people working in IT in Brazil alone, that's no surprise. Some countries, such as Brazil and China, have been focused on their own domestic IT market and are just beginning to explore the immense possibilities offered by exporting their expertise.

GOING GREEN IMPERATIVE - NECESSITY OR POLITICALLY CORRECT CONVENIENCE?

The green agenda has changed considerably in the past few years. There was a period of time where the strength of feeling in the market about carbon neutrality was so strong that it seemed to be an imperative – go green or go bust. That strength of feeling has not survived the economic downturn, with most companies preferring to focus on survival rather than the environment. However, there will be a green revolution from this year, largely spurred on by the Carbon Reduction Commitment (CRC) legislation sweeping the EU and mandating large companies to measurably reduce their carbon footprint. The CRC itself is going to create business issues as it attempts to solve environmental ones, in part because the way the auditing is structured at present it's easy to pass off 'dirty' parts of your business to IT suppliers – improving your own green audit at their cost.

WHAT ABOUT SMALL BUSINESSES

There is still no easy way for small businesses to reach out across the world and interact with each other, using the outsourcing lessons learned by larger companies. The small business sector has a lot to gain from being able to explore networks of partners internationally using the Internet. Some services, such as eLance or oDesk do exist, but the user experience is far from satisfactory.

With new regions looking at the success of India, and the international economic slowdown causing an intense focus on operational cost, companies will use more outsourcing in the foreseeable future. The future for most suppliers in this market is bright, provided they can deliver a quality service at the right price. Many clients are moving away from traditional outsourcing to a supplier to a model where they buy a utility service – the cloud-computing model. It's been proven to work in business areas such as Customer Relationship Management, so it

will be no surprise if it becomes a far more important delivery mechanism.

Outsourcing has changed so much over the past two or three years. Expect more change to come as companies utilise ever more innovate sourcing strategies in a bid to emerge stronger than ever once the economy recovers. ■

“The road to survival in a recession depends on both reducing ongoing costs and being able to fix future costs with some predictability”

Mark Kobayashi Hillary



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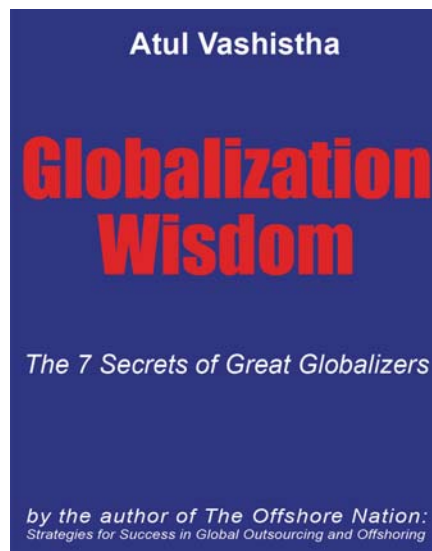
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SECRETS OF SUCCESSFUL OUTSOURCING PROFESSIONALS

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SECRET #4: ALIGN BUSINESS AND GLOBALIZATION OBJECTIVES

By Atul Vashistha

I've said before that a company that wishes to flourish in today's global market must adopt a services globalization strategy. But not every company is ready to globalize every process today. A successful services globalization strategy takes diligent planning and thought—and that takes time and focused effort.

In the last chapter on adopting a lifecycle approach (Secret #3), we talked about answering the following questions: Should the organization globalize? Why will the organization globalize? What will the organization globalize? When will it globalize?

The last two questions are more operational than strategic; the first two—

about why the organization is globalizing and if it even should globalize, are purely strategic. In answering those strategic questions, an organization must look at globalization in relation to its overall business strategy. This is the fourth secret: Align business and globalization objectives. If the two don't align, the organization is wasting its resources and should not globalize.

When talking about GE's globalization strategies, former CEO Jack Welch, arguably one of the best strategists of modern business and a highly successful globalizer, says “If GE's strategy of investment in China is wrong, it represents a loss of a billion dollars, perhaps a couple of billion dollars. If it is right, it is the future of this company for the next century.”

Not every organization will risk

billions of dollars in its globalization strategy, but each runs the risk of unsuccessfully globalizing and missing out on the opportunity to complement business strategy with globalization. In order to successfully leverage services globalization—to “be right” in globalization decisions—organizations must ensure that their globalization strategy is driven by and aligned with their business strategy.

The sections that follow aim to offer insight into the questions an organization needs to ask when determining if its business strategy and globalization strategy align.

**IS BUSINESS STRATEGY DRIVING
SERVICES GLOBALIZATION? WHAT PART
OF YOUR BUSINESS STRATEGY DOES
GLOBALIZATION HELP YOU EXECUTE?**



ENSURING THAT BUSINESS STRATEGY DRIVES GLOBALIZATION STRATEGY, NOT THE OTHER WAY AROUND

As services globalization becomes a business imperative for industries from financial services to health care, companies will be even more inclined to jump on the bandwagon with their peers. Afraid of being left in the dust, too many companies globalize without really considering whether services globalization is right for them—and whether their particular approach to services globalization is the best one.

While it's true that services globalization is becoming a business imperative and should receive due consideration from executives at every organization, services globalization is not a one-size-fits-all

proposition: the way Company A executes its global strategy will not necessarily work for Company B, just as the reasons for Company B to globalize are not necessarily the same as Company A's reasons.

In other words, too often globalization initiatives are taken on with no real strategy at all. Or an organization allows its globalization strategy to drive its business strategy. Successful globalizers, in contrast, develop very clear globalization strategies before setting one foot out the door, and those plans are driven every step of the way by the corporate strategy.

Applied Materials' Group VP and CIO Ron Kifer says that aligning business and globalization objectives is really about securing the future for the company. "Your business strategy should be the primary driver of the globalization strategy because globalization doesn't happen in isolation. If you look at what Applied Materials is doing with globalization, we're all-around optimizing performance and focusing on the core, critical competencies of the organization, the cost-effectiveness of the solutions closer to our customers, and that means a different geographic footprint."

Successful globalizers thoroughly assess their business process portfolio, financial state, goals, objectives, risk and transformation needs, as well as the supplier landscape and market capabilities in provider locations. Using information from those assessments, successful globalizers build a globalization strategy that includes the following elements:

- Future proofing
- Risk management
- IP protection
- Transformation
- Service extension
- Resource redeployment
- Innovation management

Armed with a globalization strategy, successful globalizers develop an execution roadmap, which includes:

- Geographic placement
- Ownership model
- Third-party supplier relationships
- Transition timing
- Financial return
- Governance organization

CASE STUDY: TOO MUCH, TOO FAST

One S&P 100 global investment bank offers a good example of a company that did not allow its business strategy to drive its globalization strategy. Instead, perhaps eager to jump on the bandwagon of financial services firms adopting services globalization, the company globalized too much, too fast.

The organization globalized its application development, application support and maintenance, IT infrastructure management, and internal IT help desk all at the same time. Overloaded and lacking a clearly defined globalization strategy, the investment bank began to experience performance and quality issues with its offshore internal IT help desk services.

To remedy the problem, the organization had to backtrack, taking steps that it would have been wiser to take initially, including securing buy-in from key client stakeholders, providing for effective knowledge transfer, and building a well-planned, solid governance framework. After taking those steps and determining that its newly defined services globalization strategy did follow its overall business strategy, the company was able to successfully resume its initiative.

HAVING A CLEAR IDEA OF THE PART OF THE BUSINESS STRATEGY THAT GLOBALIZATION WILL HELP EXECUTE

In addition to aligning its globalization strategy with its business strategy and ensuring that it is the business strategy that's the driver, the successful globalizer has a clear idea of what part of its business strategy globalization will help execute.

Former Lenovo CIO Steve Bandrowczak explains that globalization is not just for the sake of lowering costs. "We were lowering costs not because we were not competitive in the industry. We were lowering costs because our stakeholders expected it and competition demands it. You keep getting back to what are the strategic objectives of your business."

Bandrowczak added that in his staff meetings, the alignment between globalization and business strategy was crystal clear. "If you had sat in my staff meeting, we didn't say 'Okay we're going to shut two data centers down and we're going

Industrialize and innovate

By Jo G. DeBlaere, chief operating officer—Accenture and Jeffrey D. Osborne, chief operating officer—BPO

Industrialization: It isn't a pretty word, especially when spoken in the same breath as "services," a word that carries connotations of customization and a personal touch. After all, "industrialization" shows up for work not in a business suit but in a pair of overalls. But then, when applied to the outsourcing of services and business processes, that's precisely the source of its value.

The industrialization of any activity represents a relentless drive to discover the essence of how that activity is optimally done, and then to do it in exactly the same way every time. It breaks a task or capability into smaller components, optimizes them, eliminates redundancies, automates and standardizes wherever possible, and then drives the work itself to the most cost-effective and competent workforce available. The result is that companies get to mitigate the biggest threat to a business: the unknown.

Outsourcing has succeeded because of its ability to reduce risk, drive standardization, increase productivity, and improve reliability and predictability within the domains it touches. In other words, where outsourcing has been successful, it has been so because of its ability to industrialize assets, capabilities, functions and tasks.

Not just standard work, but the right work

Industrialization is often thought of as a way to standardize production or processes. That's part of the picture, but only one part. Using standardized production methods, a company could make the very best concrete lifejacket in the world—faster, cheaper, and better—but it obviously wouldn't have any practical value.

In much the same way, a company can standardize IT infrastructure and applications using a one-to-many platform or through rationalized technologies. But unless standard technologies are aligned with the correct business processes, the standardization does not produce sufficient business value. True industrialization goes closer to the heart of the matter—taking a company beyond "standard" work to efficient and effective work.

But just how does industrialization work exactly? The companies that have been most

successful in driving business value through industrialized outsourcing of business processes have leveraged the following principles.

Apply lean and Six Sigma principles to the services environment

The majority of companies do not spend the time or money to look in detail at the efficiency of their non-core business processes. An outsourcing provider, however, can give these kinds of processes an end-to-end review and apply so-called "lean" principles and Six Sigma approaches to drive time and waste out of all the handoffs, and to eliminate needless variations when they occur.

To innovate, get the noise out of the system

In an outsourcing environment, innovation is actually rooted in industrialization. The inefficiencies in processes and functions—redundancies, delays, performance issues, multiple operating models, and the like—constitute "noise" that has to be eliminated if the voice of innovation is to be heard. If a company can get the operating environment stabilized and running optimally, it can look beyond today's urgencies toward the innovations of tomorrow. It will also have savings generated by those efficiencies that can be plowed back into making new ideas actionable.

Focus on what's common, not only what's different

Often, the biggest sticking point that companies face internally as they move to adopt advanced industrialization principles is the belief that their operations are somehow different from the norm. The key is not letting pockets of uniqueness get in the way of improving those parts of the business that really can benefit from solutions and approaches that have been tested in the fires of experience with multiple companies. Industrialization lets a company use common approaches where those are workable, and particular ones where those are appropriate.

Measure outcomes, not inputs

Challenging though it may be, executives often need to change their management mindsets when working with an outsourcing provider. If they try to stay "down in the weeds" and manage the inputs—every detail of how the

process is delivered—they may simply add more noise to the system and disrupt an otherwise smoothly flowing industrialized process.

The answer to the problem of managing inputs is simply stated but sometimes difficult to achieve: **trust**. The establishment of trust is essential to driving greater value from industrialization.

Trust the process, not only the people

What a company relying on an outsourcing provider really needs to do, in short, is put faith in the reputation and qualifications of the provider's industrialized model, not simply the personalities who designed or are implementing the model – trust the process, in other words, not just the people.

Conclusion

Many business activities and processes now being industrialized within contemporary outsourcing solutions were once considered out of the reach of effective management. But industrialization is enabling executives to look with more penetrating insight into their operations and processes, and freeing their organizations to think and act in more innovative ways.

That which can be made repeatable and predictable needs to be made so, leaving the considerable space that remains as the foundation from which to innovate and grow.

This article is based on [or: is an excerpt from] 'Industrialize and Innovate,' which originally appeared in the January, 2010 issue of Outlook, an Accenture publication. Used with permission.

You can read the full article at: http://www.accenture.com/Global/Research_and_Insights/Outlook/Journal/Feb2010/industrialize.htm

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to save three centers.' Instead, we said 'We're going to improve our expense-to-revenue ratio from an IT perspective because we're going to get in line with industry standards and we have to deliver \$100 million to the bottom line of Lenovo.' You constantly have to keep tying your global initiatives to those business and strategic directions."

CASE STUDY: LACK OF CLARITY AND DEFINITION

A Fortune 500 electronics company provides an example of an organization that did not develop a clear idea of the part of its business strategy that globalization would help execute before beginning its globalization initiative. As a result, the organization encountered a number of (avoidable) problems.

The company initially decided to offshore its corporate business customer service, retail customer service, levels 1, 2 and 3 customer support, order processing, accounts payable and receivable, and order-to-cash processes to third-party suppliers as well as a captive center in India and the Philippines.

Once the initiative was underway, the electronics company found significant performance and quality issues with corporate business customer service processes within its captive center. Additionally, the ramp-up of higher-end, customer-facing processes was slower than the company had originally expected.

After analyzing the problems that had occurred within its services globalization initiative, the organization realized that its fault lay in not fully analyzing its portfolio of processes to understand the fundamental what, when, where and how questions that services globalization requires. Additionally, the company found that its fragmented processes needed to be aggregated and that an effective transition needed to be based on a detailed analysis of processes.

This Fortune 500 electronics company responded to the deficiencies it found in its services globalization rollout, re-planned the initiatives by answering those critical what, when, where and how questions, and developed a clear picture of how globalization would help the company accomplish its business objectives. Now it has very successful offshore operations.

CASE STUDY: LEADING WITH STRATEGY

A Fortune 500 health and life insurance company provides a good example of the strategic considerations a company might make at different levels of the organization. This company had a very fragmented and inefficient life claims process, with no existing manuals or desktop procedures. Each examiner had his or her own version of the process and method for calculating claim amounts.

In addition, the organization was bogged down in paper-based calculations that were full of errors with no audit trail. Furthermore, process output/productivity, accuracy, and efficiency were not tracked. As a result, the firm was unable to leverage its systems and knowledge to compete in the market against new players.

This organization resisted the urge to adopt services globalization as a fix-it solution to its inefficiencies. Instead, it considered its strategic goals and how it could accomplish those goals with an aligned services globalization strategy. Each executive team member contributed in a different way to the strategic development: the CEO had a strategic focus, concerned with leading the business into the future; the CIO took a performance focus, concerned with flexibility, productivity, guaranteed services levels and proven technology. The CFO took a bottom-line focus, concerned with reducing current costs and managing future costs.

Instead of using services globalization as a substitute for sound business strategy, this Fortune 500 health and life insurance company used a well-developed services globalization strategy to complement its business strategy, which was geared in part toward overcoming several process inefficiencies.

SECRET #5: ASSIGN THE BEST PEOPLE

Globalization is not about a single action, or even a group of actions. Globalization, when successful, is about an attitude. Yet even when the CEO of a company embraces globalization as a new attitude, it will fail unless their partners—the people who work for them—embrace the attitude as well. But getting others on board is not a job the CEO can do alone; they must

recruit the best people to help.

That's what the fifth secret is about: recruiting the best people to help roll out (and guide) globalization initiatives throughout the company. With the best people at the helm, the globalization initiatives can find strong support at all levels of the organization.

Wim Elfrink, Chief Globalization Officer of Cisco says that assigning the best people was a key success factor for the company. "Assigning the best people is a key differentiator between what we did differently from companies that traditionally approach the management of outsourcing. We had to have the right people empowered as decision-makers on both sides of the house. We insisted on having people who could make the decision in the actual negotiation process. And that was huge in us being able to accelerate the timeline and deliver value. I don't think that you can afford to do anything else in this process."

Assigning the best people to their globalization initiative just makes sense for successful globalizers. "Our philosophy is: you put your best people on the project and it's successful. You take your second- or third-level people and put them on the initiative, and you're going to get a second- or third-rate result. Globalization deserves the organization's best people. It's a top-priority project within the company," said Ron Kifer, CIO at Applied Materials.

As football great Vince Lombardi said, "Individual commitment to a group effort is what makes a team work, a company work, a society work, a civilization work." The fifth secret of successful globalizers is about generating that individual commitment to the group effort.

Strong participation from the organization's C-level executives is important for its role-modeling effects and to help generate buy-in within the organization's lower levels.

In addition, attention and recognition by senior management make it easier to lure the best talent to lead globalization initiatives. And developing the practice of strategic learning will allow the organization to take advantage of the myriad of opportunities our increasingly interconnected world offers.

This secret reminds me of the adage, "You get what you pay for." If the organization

doesn't put its best people in charge of services globalization—if it sends in the B-team, for example, it will see second-rate results.

THE “BEST PEOPLE”

The best people are not necessarily those who know the most about IT, if the organization is globalizing IT, for example. Instead, they're the people who are agile, understand change and are globally savvy. All too often, companies trade the sometimes challenging task of finding the best people in favor of the most easily accessible people, even when those people are not right for the job. In many of those cases, the initiative does not reach its full potential.

When former GE CEO Jack Welch was globalizing the company in the 1980s, his best people were those who knew how to adapt to, and even embraced, change. He defined the best people not as the best performers, but as the best fit for a globalized, cross-cultural environment.

Consider a common example of what can happen when an organization doesn't assign the best people: The company decides to globalize its IT processes, so it assigns the IT managers to lead the initiative.

Those IT managers are extremely well-versed in IT processes and have a lot of knowledge about the company's IT system, but are overall more reserved, introverted types. They shy away from high-profile leadership roles and generally dislike change.

The organization thinks that the IT managers can guide the initiative because they know IT, in spite of their shortcomings as globally savvy leaders. Yet the initiative falls short.

Why? While the IT managers played an important role in the organization's IT department, they were not often the best people to lead a globalization initiative. They lacked most of the important “global people” characteristics. The “global people” stars are resilient, embrace change, have a global mindset and an affinity for different cultures, are performance-oriented, take initiative, are admired by others within the company and build consensus.

Take another example of an organization that assigns a number of leaders from



different departments within the organization. These people have a record of embracing—even spearheading—change. They seek out high-profile roles and enjoy leading others; they're admired and have proven their ability to build consensus among employees.

Despite the fact that most of these people know little about the day-to-day details of the organization's IT processes, the organization assigns them to head the initiative. The initiative succeeds.

Why? The organization assigned as leaders those people who had demonstrated the ability to be good leaders and possessed many of the “global people” characteristics. When they needed to understand the details of IT processes, they sought out the IT managers, who were able to do what they did best.

Indeed, being one of the company's “best people” is not necessarily about knowing things, Wim Elfrink of Cisco explains that it's more about the right business relationships. “It's not about knowing the scope of definition of the activities from the start; that's all detail to be added. Instead, we looked for people who understood proper contextual relationship that we were going to establish with these service providers—people who understood the

business relationship and could make obligations to that business relationship.”

At Cisco, Chief Globalization Officer, Wim Elfrink looks for people who have “a never-ending desire to be challenged and to win. “I think that it's a special A-type personality who absolutely enjoys driving these big changes. I always say that at the end of the day, the best people want to leave their mark. Their mark is the big change—the big results that they deliver. I think you'll find that consistent with people who are good at globalization—they really do enjoy it.” ▣

RESOURCE BOX:

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■ 1 INDIA	■ 7 PHILIPPINES
■ 2 CHINA	■ 8 CHILE
■ 3 MALAYSIA	■ 9 JORDAN
■ 4 THAILAND	■ 10 VIETNAM
■ 5 INDONESIA	■ 11 MEXICO
■ 6 EGYPT	■ 12 BRAZIL

Source: A.T. Kearney (www.atkearney.com), 2009



**Chile mirrors the US
Eastern time zone
from April to October.**



The Global Competitiveness Index 2009 - 2010

» **1st** Among Latin American Countries and 30th Overall Ranking (among 132 countries).

Source: World Economic Forum (www.weforum.org), 2009

Business Environment Ranking 2009-2013

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Source: Economist Intelligence Unit (www.eiu.com), 2009

» The number of Chileans with higher education more than doubled in the last decade.

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» 720,000+ annual enrollment in higher education.

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(*) The Chilean higher educational system is divided in university studies (which are at least 5 years long) and technical degrees (2-4 years).

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Source: Heritage Foundation/Wall Street Journal (www.heritage.com), 2009

Corruption Perception Index

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(*) Uruguay is in the same position
Source: Transparency International (www.transparency.org), 2009

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INSIDE A \$6,400,000,000 MERGER

Head-to-Head with Lynn Blodgett

Every year, the IAOP makes ten predictions for the coming year. One of the top 10 predictions for 2010 was for the continuation of outsourcing merger and acquisition activity. On February 8, 2010 Xerox completed its \$6.4 billion acquisition of Affiliated Computer Services (ACS), making it one of the largest purchases in recent history. To get an insiders view, IAOP's Matt Shocklee recently sat down with Lynn Blodgett, President and CEO of ACS.

Matt Shocklee: In 2009 the outsourcing industry responded to the global economic slowdown with a surge in mergers and acquisitions with, of course, your merger activity with Xerox, Dell-Perot Systems and Oracle-Sun as well. As you look to 2010, how do you see the climate and the appetite for continued activity in M&A in the outsourcing industry?

Lynn Blodgett: I think that the climate is good. The fact that the financial markets have loosened up the way they have is going to be a huge driver, obviously, to M&A activity. And I also think that customers are looking more and more at end-to-end providers. It goes through cycles, and sometimes people are looking for what they perceive as best in class, and other times they are looking at the value of having one provider to provide end-to-end, and I think that still is a very strong preference on the part of customers. So that will drive acquisition activity as larger providers try to fill out their portfolio. I also think that there will be pressure on smaller companies, and it depends on their niche. If you're in a real small niche, maybe this won't be the case. But if you're a niche provider in a relatively competitive area, I think there is going to be more and more pressure to consolidate. So I think you're going to continue to see it.

Matt Shocklee: As you look to the experiences you've had in guiding your organization through the M&A activity with Xerox, what should customers of ACS see that might be different or unique as you prepare the new ACS for 2010?



Lynn Blodgett, President and CEO of ACS

Lynn Blodgett: The main thing is we want to make sure that they don't see anything that is negative; we don't want anyone to feel like – I think the biggest concern people have is, "Is this going to affect my direct team? Am I going to lose some of the people that I have grown to be reliant upon and that I like working with, and so on. Is this merger going to cause any of that to change?" And as we've looked at our integration plan, one of the things we've tried very diligently to avoid is anything that would disrupt service at the individual client level. So in terms of the existing team and existing interface, we're not expecting to change any of that. What we hope to change, on a positive note, will be the fact that we will have more resources. Xerox

INSIDE A \$6,400,000,000 MERGER

Head-to-Head with Lynn Blodgett

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obviously has a large research capability – they spend about a billion dollars a year in R&D, so we expect we will be able to bring some of that to bear in helping to solve some of our clients' problems. So increased innovation; we also are confident that the global capability – global footprint of Xerox – will be an advantage. We have a lot of customers, a lot of U.S.-based companies that have a global reach that need more resources in Asia-Pac or in Europe or whatever, and this will allow us to better serve them. We don't want to change anything that's good, and try to bring a couple of nice additions such as I've described.

Matt Shocklee: You mentioned the potential impact on the smaller to medium size services firms with continued M&A activity; As you know, there are emerging destination markets and competition in the outsourcing industry whether it be traditionally India or emerging new markets like China and Africa. What impact do you see M&A activity having on those markets.

Lynn Blodgett: Well, I think that if you look at our company as an example, we've done more M&A activity outside of the United States in the last two years than we've done inside the U.S., and I'm speaking independent of the major M&A activity of Xerox. ACS as a standalone company has done more outside than we have inside, which is the first time in our history that that's occurred. So clearly we're looking at M&A as a mechanism to expand our footprint. We acquired a great company in Argentina; another great one in Jamaica. The challenge that you have, especially when you talk about markets like China or India – those countries tended to demand a much higher multiple than buying something in Jamaica. That may seem like a simple thing, but that definitely influences what people are able to do in terms of M&A. We're not going to go into China and make an acquisition that's highly diluted, for example. And most of the startups and relatively small niche players in India and China tend to have a pretty high premium – or want a pretty high premium on their property. So that will influence us. We've never made an acquisition in India. , While others have, and others have been successful, but for us, the price tag's just too high. And it was the same thing when we were initially doing M&A in Europe; there was a long period of time when we just felt we couldn't do anything because the multiples were so high. Some of those have moderated a little bit, so it makes M&A a little easier.

Matt Shocklee: You don't get many opportunities to live through and lead organizations through large complex deals like the recent Xerox/ACS merger. Now that you're coming out of the merger, what are the key lessons learned that you can extract from this.

Lynn Blodgett: I think there are a lot, obviously, and it is an exciting opportunity to go through, and I'm really proud of our team. We just reported our last quarter and had good results, and I think that was a testament to the focus that our team was able to maintain in terms of continuing to deliver services. I think it's very easy to get star struck and start thinking so much about what the future's going to be like, and how great it's going to be, etc etc. Then you can lose focus on the task at hand which is to take care of your customers and stick to your knitting, which is what we've tried to preach to our people. So I think one lesson learned is that you have to focus and

probably spend more effort in maintaining focus than I would have thought at the beginning. It requires effort in order to keep people pulling the same way. I think the other lesson that I've learned is that they're complicated – they're more complicated than I knew. There's an awful lot of detail to a transaction like this. I've never done one like this before, and I don't know if there are a lot of people that have. [There was so much detail] we put a team together that had subject matter experts from all aspects of the legal side of things and the finance, operations, integrations, branding – there's a lot. So the detail that's involved in a transaction of this magnitude is something that was a little bit surprising to me. The lesson learned is don't take that for granted – you better have the people on the team that can take those details and digest them.

Matt Shocklee: As we look to the future of the global economy, the forecasters that we talk to are still a little uncertain about 2010, and whether this is going to be the come out year for the U.S. and/or the broader economy in general. What's your sense? And what role do you think the outsourcing industry will play in the overall global recovery?

Lynn Blodgett: I think everybody wants it to be better. They are tired of it being as difficult as it's been. I'm not so sure that it's a lot better – I don't think it's getting any worse, but I haven't seen any significant pick-up in volumes and those kinds of things. And we do a lot of transactional work and so we're able to watch things like driver miles for example, which is a great bell-weather for the base economy, because that gets to employment. If driver miles go down, sometimes that means that it's because people are unemployed – they don't drive as much. We look at number of insurance claims processed, and transactions in the shipping area, and so on. Looking at those metrics, again, I don't see anything that would say it's getting any worse, but there hasn't been a significant pick-up. So I think people need to continue to play it safe. Now's not the time, in my opinion, to be doing a lot. I think people need to keep their belts tight, and if people do that, they're going to be in better shape than if have premature optimism and do things they shouldn't. There's been an awful lot of discipline implemented in the business world over the last 18 months, and I think people need to continue to maintain that. As far as the outsourcing industry, I think that the fact that the economy has been in as difficult a position as it's been in is good for the outsourcing business. I expect that will continue, and I actually think people, as you go through these difficult times, more people have been more focused on cost, and that opens up more opportunity. As people have successful outsourcing relationships which may have started because people, out of necessity, did outsourcing, I think the tendency will be for people to outsource more. We're looking at our existing base as one of the best sources of new revenue, because they have had a positive experience, they know they need to save money, and they have a trusted supplier.

Matt: Lynn, thank you very much for sharing your insights today, and congratulations on your recent successful merger with Xerox. We wish you all the best in 2010 and we look forward to seeing you at another IAOP event in the near future.

Lynn: Thanks Matt, we really appreciate it. And good luck to you. ▣

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As you press through the past year's uncertainty and look forward to the coming business upturn, partner with a company that's still standing strong. The RPO practice of Kelly Outsourcing and Consulting Group has been honored for the past six years by *HRO Today* as a leader in enterprise-wide RPO solutions, including recognition on the 2009 Global RPO Leaders list. Backed by more than 60 years of experience from our parent company, workforce solutions leader Kelly Services®, you can be assured that we are well positioned to help move your business forward now and for years to come.

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developing relevant
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THINK RESULTS.

By D. Zachary Misko, Global Director, KellyOCG

Now more than ever, the ability to develop and deliver an effective recruitment strategy is imperative. Candidate lifestyles have changed dramatically over recent years and many companies are still behaving as though it is 1985. Candidates and people in general are on the go and using technology in ways we never imagined. Social relevance, personalized experiences, and transparency in activities and communication are prevalent in this wireless, inter-collaborated world we now live in. The days of help wanted signs and newspaper job ads have passed, and now people with media power and large advertising budgets are competing against no or low cost methods like a blog or webcam to post information.

The mindset of a recruiting department needs to move from developing processes and tools to screen people *out*, to embracing today's media tools to focus on inviting the right types of profiles *in*. This can include better analyzing a career web site, how it is indexed, the verbiage used for web engine crawlers to tag, and RSS feeds that allow potential candidates to opt-in to receive information when it is convenient. Organizations should evolve their mindsets to opening their virtual doors to allow people to get to know them. If they don't, bloggers, tweeters, and other Internet groups will do this for them, which can have positive or negative results.

This being considered, it is crucial for you to evaluate the tools in your recruiter's toolbox, remembering it is not about the quantity of tools you have. Understanding and effectively utilizing the tools is much more important.

A lot of people are talking on the web today, but are they *listening to you*? **Here is my top 10 list to keep in mind for your 2010 recruitment team.**

1. **Use niche web sites.** Many of the general job boards have become flooded with résumés, often taking more time to review and not focusing on any one industry. Niche sites give you a better chance of targeting that passive industry expert you're looking for.
2. **Make social media—Facebook®, XING, and MySpace® to name a few—a part of your toolbox.** Find the one that works best for you and ensure you manage that *one* site properly, contributing to communication and updates at least daily.
3. **Set up a company or recruiter-specific LinkedIn® profile,** and regularly update the profile with information about your company and culture. You can also use the events feature to inform people when you will be at job fairs and industry events.
4. **Author or sponsor industry-specific white papers,** post them to your web site, and link to these when advertising and communicating in blogs, social media, etc.

5. **Develop and present webcasts** that showcase your company and culture, product, or a best practice. Thought leadership demonstrates a good place to work and gets people interested in what you are doing and saying.
6. **Blog where potential candidates and industry experts are listening.** Use microblogs like Twitter™ to communicate with people.
7. **Automate your sourcing efforts with web tools** and products to allow your recruiters more time to communicate directly with candidates and their hiring managers (e.g., TalentSeekr™).
8. **Revisit and use your own applicant tracking system (ATS).** Many companies have a great database readily available and neglect to use this as a sourcing tool. Oftentimes, previous candidates not qualified for one position may be qualified for a current opening, and candidates you don't remember or never talked to are uncovered in effective searches. Do you have or use a CRM tool?
9. **Join online groups and participate.** Be seen as an industry expert and get people interested in what you have to say. Depending upon the forum, the recruitment team may wish to engage help from the operations or management team to speak more specifically on industry topics. Doing so is a great way to feature your employees as thought leaders and industry experts.
10. **Build a passive candidate database** through online searches and use of sites like resumeblaster.com or resumezapper.com, to name a few.

Although the Internet can be overwhelming, a sourcing toolkit should be tight but effective. And remember, it's not the tools that make the difference in a sourcing toolkit; it's the expertise of the people who use those tools to attract the right talent for an organization. When combined with energizing recruitment marketing/messaging (e.g., the story you want to tell candidates about your organization) and fluid processes and technology, an experienced and effective sourcing team can position you for success.

D. Zachary Misko is Global Director—Recruitment Process Outsourcing for Kelly Outsourcing and Consulting Group. Zachary works with *Fortune* 500® companies throughout the world to develop and implement processes that improve and drive recruitment and retention solutions. He was named to *HRO Today* magazine's annual list of "HRO Superstars" as a Provider Superstar for 2010.

SOURCING RELATIONSHIP MANAGEMENT (SRM)

Insights to Optimizing Outsourcing Relationships

Welcome to the April edition of Sourcing Relationship Management (SRM) where we share the latest developments, findings and best practices in optimizing outsourcing and shared service center relationships as captured through the Value Health Check Survey™ (VHCSTM).

FINANCIAL PERFORMANCE – NOT THE ONLY PRIORITY & THERE'S ROOM FOR IMPROVEMENT IN TODAY'S OUTSOURCING RELATIONSHIPS!

IAOP Corporate Customer and Service Providers are casting their votes and what's clear is that it's not just about financial performance anymore in outsourcing and shared service center relationships. While organizations have stripped costs from their sourcing relationships during the recent economic down-turn, they now appear to be turning their focus to getting the capabilities they need to improve operations, differentiate and innovate with governance as a close second area of priority.

Does this mean that customers and service providers are satisfied they're getting the financial performance they should from their relationships? No, to the contrary, when asked if "the customer" is getting the financial performance they should from their service providers, 50+% of the customers indicated that their service providers overall financial performance was the lowest ranked value driver in their relationship! Service providers also ranked financial performance as their lowest ranked area of performance with comments suggesting that customer's expectations are unrealistic and further cuts by service providers would eat into vital muscle in business operations affecting service quality and risk/compliance.



RELATIONSHIP

COMMUNICATION AND COOPERATION ARE KEY!

As we peel back the onion on the issue of financial performance, we find IAOP members believe top priorities in optimizing financial performance in outsourcing are:

- We conduct periodic formal reviews of financial performance of the relationship with all key stakeholders (i.e...we communicate)
- Our service provider is cooperative and proactive about cost cutting initiatives (i.e...we cooperate)

However, when asked if they're conducting periodic reviews about financial performance of the relationship with all key stakeholders and is proactive cooperation for real, the majority of customers and service providers indicated that they're not doing enough in these areas. Two areas of concern surfaced based on low scores in the following value drivers:

- We have the processes, tools and technologies to easily monitor, manage and report on business case realization
- We have the required number of skilled and experienced human resources to effectively and efficiently govern the relationship

Comments by IAOP customer and provider members reinforced the low scores as several members expressed a need for greater transparency into real-time data/information on financial performance and a lack of resources, skills and training to provide support.

Level of Priority										
Low		Somewhat Lower		Business As Usual		Somewhat High		High		Not Observed
0	1	2	3	4	5	6	7	8	9	10
Completely Disagree		Somewhat Disagree		Neutral or Unsure		Somewhat Agree		Completely Agree		Not Observed
Level of Agreement										

Financial Performance Moving Forward...Innovation!

As IAOP Customer and Service Provider Members look to the future of their relationships and how they can best optimize financial performance, they're increasingly expecting innovation to contribute to driving financial results. When asked their relative priority and level of agreement with the following statement:

- Our service provider is providing us with the appropriate level of innovation and creativity in addressing our current business needs

both customers and service providers ranked this value drive very high in priority, however relatively low in their current level of agreement! From comments during VHCS debriefings, it's clear that both customers and service providers are looking to innovation as an enabler of greater financial value in their relationships. What are the major inhibiting factors for providing innovation in their relationships per IAOP members? It basically circles back to the nagging points of effective communication and cooperation

coupled with improved overall governance of the relationship!

As more and more organizations use the VHCS, we'll be sharing additional insights on the topic of innovation and how customers and service providers are using innovation to create financial value in their relationships. We encourage IAOP Corporate Customer and Provider Members to use their complementary VHCS as part of their annual membership. If you'd like to learn more about the IAOP Value Health Check Survey (VHCS), visit: <http://www.outsourcingprofessional.org/surveys/VHCS/Login.aspx>

EARLY PARTICIPATION IN THE VALUE HEALTH CHECK SURVEY

In the first six months of general availability of the VHCS (through March 1, 2010), approximately twenty (20) VHCS have been completed involving IAOP Customer/ Provider Members and Non-Members. Participating organizations come from various industries ranging from high tech and financial services, to consumer goods and engineering. The scope of outsourcing services includes contact/call center, facilities/property management, IT infrastructure, application development and engineering support services to name just a few. On average, customers and service providers involve 6 respondents in the VHCS process from disciplines across their respective organizations and from around the world. ■

VHCS PROCESS AT-A-GLANCE

1. VHCS collects demographic information on each outsourcing or shared service center relationship, enabling peer group scoring & trend analysis.
2. Customers and Service Providers prioritize and score their level of agreement with a series value statements across each of the five areas of business value.
3. Stakeholder's comments are encouraged and collected at each value statement and/or overall value domain
4. Each stakeholder gets immediate feedback on their overall score and value driver assessment
5. Once all Stakeholder results are compiled, a Basic Report is provided consisting of 30 pages of detailed data/information and analysis comparing responses from customer and provider. Once sufficient industry data is captured in the VHCS database, peer group scoring will be available to participating IAOP Members and Non-Members

RESOURCE BOX

Matt Shocklee assists organizations world-wide as they develop, implement and optimize their global sourcing strategies and relationships. He's currently the President and CEO of Global Sourcing Optimization Services (GSOS). In addition, Matt is the Global Ambassador for the International Association of Outsourcing Professionals (IAOP), Chairman of the IAOP's Outsourcing Tools & Technology Innovation Chapter, Co-Chairman of the IAOP Midwest Chapter and a Certified Outsourcing Professional (COP). Matt is the author of the Sourcing Relationship Value Framework™ and the Value Health Check Survey™ (VHCS). He is a frequent speaker on the developing management science in outsourcing and Sourcing Relationship Management (SRM).

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MEMBERSHIP AND CHAPTERS

Membership in IAOP provides access to an extensive array of services, and just as importantly distinguishes organizations and professionals as leaders in the field of outsourcing. IAOP membership demonstrates a commitment to innovative thinking, continuous performance improvement, and to the sustaining development of outsourcing as both an industry and as a profession.

WELCOME NEW IAOP MEMBERS

IAOP is pleased to welcome new and renewing corporate and professional members from: Accenture; Acosta; ACS; Alihdaya Indonesia; Allstate Financial; American Express; Ameriprise Financial; ANDI (National Business Association of Colombia); AT&T; Bancocolombia; Best Buy Company; Blazent; Booz & Company; CIGNA; City of San Diego; Cognizant Technology Solutions; Compass America, Inc.; Copenhagen Business School; CustomerServ, LTD; Danfoss A/S; Diebold; DOCOMO interTouch Pte. Ltd.; Ernst & Young; Express Scripts; Firstsource; Foley & Lardner LLP; General Motors; Genpact; GijimaAst; GlaxoSmith-Kline; HBC; Hewitt Associates; Infosys Technologies; Intel; InvestChile-CORFO; Invest in Bogota; Johnson & Johnson; Kelly OCG; Kelly Services Inc.; Kirkland & Ellis; Kraft Foods; Liberty Mutual Insurance; ManageChina; Marsh & McLennan Companies; Microsoft; Migros Club Schule; Morrison & Foerster LLP; Mphasis; Neo Group; Northern Trust Company; Novigos S.p.A; Novozymes South Asia Ltd.; Objectiva Software Solutions(Beijing) Inc.; Oce Business Services; Omicron Solutions; OMRON Corporation; Orange Business Services; Petco; PricewaterhouseCoopers; ProBarranquilla; Procter & Gamble; Purdue Pharma; Reliance Ltd.; ResourcePro; Rio Tinto; Salmat; Santa Clara University; SNC-Lavalin ProFac Inc.; Sunway Shared Services Centre; Systems Plus Solutions; Tata Consultancy Services; TEKsystems Global Services, LLC; The MCS Group, Inc.; TransUnion Interactive; Unilever; University of Philippines; University of St. Thomas; Vodafone Netherlands; Wipro Technologies; Wolters Kluwer North America; Xceed; Yahoo! and Zensar Technologies Ltd.

RECENT IAOP ANNOUNCEMENTS

IAOP RELEASES COMPANIES NAMED TO GLOBAL OUTSOURCING 100 AND WORLD'S BEST OUTSOURCING ADVISORS

The unranked top 100 service providers globally (75 Leaders and 25 Rising Stars) and the best outsourcing advisory firms were announced at The 2010 Outsourcing World Summit. Visit www.IAOP.org to download the full lists of companies. The ranked lists will be published in the May 3, Fortune 500 issue of FORTUNE® magazine. You can also download the prospectus for the special advertising section titled "IAOP Global 100 Celebration." For more information about applying for the 2011 Global Outsourcing 100, please contact Pam O'Dell at pam.odell@iaop.org.

CUSTOMER CORPORATE MEMBERSHIP

Organizations that are currently outsourcing or are considering one or more outsourcing initiatives should become Customer Corporate Members of IAOP. This membership provides organization-wide access to the association's research, training, certification, and networking programs - all designed to help companies achieve better business results through outsourcing.

PROVIDER/ADVISOR CORPORATE MEMBERSHIP

Outsourcing service providers and advisory firms should join IAOP as Provider/Advisor Corporate Members. This membership provides the same organization-wide access to IAOP's research, training, certification, and networking programs as Customer Corporate Membership, but also includes member-only sponsorship opportunities that serve the marketing and business development needs of these companies.

PROFESSIONAL MEMBERSHIP

Professional Membership is available to individuals either as part of their company's corporate membership or on an individual basis. This membership serves the needs of practitioners working in the field of outsourcing whether as customers, providers, or advisors. In addition, it provides these professionals with direct, personal access to association services.

STUDENT MEMBERSHIP

Student Membership is available to all full and part-time students actively enrolled in a college or university. Student Membership provides direct access to IAOP services and includes full use of the association's online knowledge center, Firmbuilder.com®.

For information on IAOP Membership, e-mail sales@IAOP.org.

CALENDAR OF EVENTS**CHAPTER MEETING CALENDAR**

Through its active and expansive chapter network, IAOP members can share their expertise and find knowledge on best practices for specific industry segments, topics and geographic areas within outsourcing.

• APRIL 1	WASHINGTON D.C. CHAPTER MEETING
• APRIL 21	GLOBAL TECHNOLOGY INDUSTRY CHAPTER MEETING
• APRIL 22	SAN FRANCISCO CHAPTER MEETING
• APRIL 22	CHICAGO CHAPTER MEETING

Gain knowledge, network and earn COP credits! Sign up for a chapter meeting today at www.IAOP.org.

IAOP PARTNERS WITH CONFEDERATION OF INDIAN INDUSTRIES

IAOP and Confederation of Indian Industries (CII) announced an affiliate association partnership to promote outsourcing. The two associations will work together to advance the outsourcing, offshoring, shared services and related management practices, industries and professions in India by forming new IAOP chapters; holding conferences, training and certification programs; sharing research and thought leadership; and many other industry-advancing initiatives.

OUTSOURCING ASSOCIATION LAUNCHES CLOUD COMPUTING CHAPTER

With cloud computing emerging as a technology with potential to revolutionize the outsourcing industry, IAOP® has formed a chapter dedicated to exploring its impact. IAOP's Cloud Computing Chapter held its inaugural meeting New York to talk about the business value as well as risks associated with the rise of cloud computing outsourced solutions.

CERTIFICATION & PROFESSIONAL DEVELOPMENT

The Certified Outsourcing Professional® (COP) designation distinguishes individuals as leaders in the field of outsourcing. It powerfully demonstrates that they possess the experience and knowledge required to design, implement, and manage outsourcing initiatives that have a high probability of achieving an organization's intended outcomes.

COMPLIMENTARY COP WEBINAR

Looking for more information on IAOP's de facto certification? The next COP Prep Class is taking place Wednesday, April 7, at 12:00 p.m. EST. Go to www.IAOP.org to register for this complimentary 60-minute primer and find out what it takes to become a COP.

COP MASTER CLASSES AND GOVERNANCE WORKSHOPS

The COP Master Class is an integral part of the COP program. It provides outsourcing professionals — whether they work as customers, providers or advisors — with an intensive learning experience on the state-of-the-art, end-to-end process for outsourcing success. Individuals who complete the course will not only earn 75 points toward their COP designation, but also will immediately be able to improve outsourcing outcomes at the organizations with which they work.

- **APRIL 15-18, KUALA LUMPUR. SPECIAL REGIONAL PRICING. TO REGISTER FOR THE MALAYSIA MASTER CLASS, PLEASE E-MAIL BOBBY VARANASI, COP, AUTHORIZED IAOP INSTRUCTOR AT BOBBY@MATRYZEL.COM.**
- **MAY 11-14, ROME, ITALY.**
- **NEW DATES! JUNE 21-25, TORONTO, CANADA. REGISTER EARLY AND SAVE \$500 ON THE "BUNDLE" MASTER CLASS AND GOVERNANCE WORKSHOP. THIS COP MASTER CLASS IS NOW A THREE-DAY INTENSIVE FOLLOWED BY A ONE-DAY GOVERNANCE WORKSHOP.***
- **NEW! SEPTEMBER 13-16, CHAPEL HILL, NC. REGISTER EARLY AND SAVE \$500 ON THE "BUNDLE" MASTER CLASS AND GOVERNANCE WORKSHOP.***
- **NEW! NOVEMBER 1-4, L'ESTANCIA, LA JOLLA, CA. REGISTER EARLY AND SAVE \$500 ON THE "BUNDLE" MASTER CLASS AND GOVERNANCE WORKSHOP. THIS COP MASTER CLASS IS NOW A THREE-DAY INTENSIVE FOLLOWED BY A ONE-DAY GOVERNANCE WORKSHOP.***

Unless otherwise noted, please register for the above classes and workshops at www.IAOP.org

*The one-day intensive Outsourcing Governance Workshop content is based on the Outsourcing Professional Body of Knowledge (OPBOK) and the Outsourcing Professional Standards developed by IAOP and the Outsourcing Standards Board.

CAN'T ATTEND A CLASSROOM COP MASTER CLASS

The online COP Master Class is a great alternative for those who cannot attend a live classroom version. Save time and travel expense. Register at www.iaop-cop.com today.

ADDITIONAL MEMBER BENEFITS

- **VALUE HEALTH CHECK SURVEY (VHCS) – CHECK THE OVERALL HEALTH OF YOUR EXISTING OUTSOURCING RELATIONSHIPS.**
- **WWW.BESTOUTSOURCINGJOBS.COM – THE PLACE WHERE JOB SEEKERS AND RECRUITERS CONNECT WITH THE BEST!**
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Contact us at memberservices@iaop.org today to find out more about your benefits as an IAOP member.

The new chapter is headed by leading IT companies and advisors, BeyondCore, Microsoft, Accenture and Infosys. IAOP has taken a leadership role in educating outsourcing professionals about the impact of cloud computing. Cloud computing, or delivering hosted and scalable services over the Internet, is revolutionizing the way that outsourced services are sold, purchased and delivered, resulting in greater flexibility in the delivery of services. The cloud computing meeting was held in conjunction with IAOP's New York chapter, chaired by Morrison & Foerster LLP.

IAOP EXPANDS ACADEMIC ALLIANCES TO PROMOTE INDUSTRY

The association announced a new academic alliance partnerships in the U.S. and Europe to promote the outsourcing industry and profession. The association has joined with Copenhagen Business School in Denmark; University of St. Thomas Cameron School of Business in Houston, Texas; and University of Missouri St. Louis College of Business Administration to collectively advance outsourcing. These business schools will work with IAOP to share research, articles, best practices and thought leadership related to the outsourcing industry and also contribute to the association's Career Mapping initiative. In addition, academic leaders from the schools will provide outsourcing leadership by heading geographic and specialty chapters. Copenhagen Business School will co-chair the Nordic chapter; University of St. Thomas will co-chair the Tools and Technology Innovation and Texas chapters; and University of Missouri will co-chair the Midwest chapter.

CONGRATULATIONS NEW CERTIFIED OUTSOURCING PROFESSIONALS (COPS)

- Deirdre Hall, COP, Associate Director, Pfizer
- Kumanan Murugan, COP, Delivery Assurance Leader, EDS MSC Sdn Bhd
- Jay Desai, COP, VP & Manager, Northern Trust Company
- Joshua Jewett, COP, SVP & CIO, Family Dollar
- Dmitry Loschinin, COP, President & CEO, LUXOFT
- Tom Cappelli, COP, Senior Director: Global Outsourcing, Deibold Inc.
- Ulrike Rolinitis, COP, U.S. IT Operations Service Management, PricewaterhouseCoopers
- Prabhakar Cruwmdhi, COP, Program Manager, HCL America
- Kalyanaraman J, COP, Senior Vice President, HCL Coment Ltd.

eSOURCING BOOK NOW AVAILABLE

The eSourcing Capability Model for Client Organizations (eSCM-CL) book, developed by ITSq and endorsed by IAOP, is now available through Van Haren Publishing at a 15% discount to all IAOP members. Download the eSCM-CL - Flyer at www.iaop.org. The companion eSCM-SP for Service Providers is also available. ITSq is a Certification & Professional Development Alliance Partner of IAOP.

NEW OFFERING IN THE OPCC AND CEH REMINDER

IAOP's Outsourcing Professional Course Catalog (OPCC) recently added the Sourcing Governance Foundation Course developed by Quint Wellington Redwood to the growing number of accredited courses. Those who successfully complete this course may earn 25 points toward COP certification and 15 points towards recertification. Quint Wellington Redwood is a Certification & Professional Development Alliance Partner of IAOP. View the OPCC at www.iaop.org.

A reminder for all current and future COPs to visit the OPCC frequently for updated accredited courses and conferences, such as the recent Outsourcing World Summit®, workshops attended at the Summit, and IAOP chapter meetings. You are responsible for keeping track of your CEHs in your application. For more information, contact Courtney at courtney.giardina@iaop.org.

For more information on corporate and professional development, e-mail coppogramservices@iaop.org.

EVENTS

THE 2010 OUTSOURCING WORLD SUMMIT – A MAJOR SUCCESS!

IAOP would like to thank everyone who participated The 2010

Outsourcing World Summit®. Nearly 600 professionals from around the globe attended the 2010 Outsourcing World Summit®, demonstrating the strength and importance of outsourcing as companies recover from tough economic times. IAOP's three-day annual conference held in Florida brought together record numbers of executives from world-class organizations. During the event, the association inducted new members into the Hall of Fame, honored its "Members of the Year," unveiled the initial lists of the Global Outsourcing 100®, and launched its new official publication, Globalization Today. See the Scrapbook on page 50 to view event highlights!

Presentations from The 2010 Outsourcing World Summit are now available on Firmbuilder.com®, IAOP's Knowledge Center. IAOP Professional Members can view presentations from this and other events in The Outsourcing World Summit Conference Series, as well as IAOP Chapter meetings and an abundance of articles, studies and reports. Not a Professional Member? Please visit www.iaop.org and become one today.

ANNOUNCING...

The 2011 Outsourcing World Summit®

February 21-23, 2010 | Renaissance Esmeralda, Indian Wells, California



The 2011 Outsourcing World Summit's program will directly address the issues that arise in today's global marketplace by showcasing the breakthrough achievements of the companies paving the way. The Summit looks at outsourcing as a management practice – from strategy to implementation and ongoing relationship management.

Introductory pricing is available for a limited time. Go to www.iaop.org to find out more.

IAOP INDUCTS THREE LEADERS INTO OUTSOURCING HALL OF FAME

IAOP® is pleased to announce that Joshua R. Jewett, Senior Vice President – Information Technology and Procurement & CIO, Family Dollar Stores, Dmitry A. Loschinin, President & CEO, Luxoft and the late Dewang Mehta, past president, NASSCOM are 2010 inductees into The Outsourcing Hall of Fame. The recipients were selected by IAOP's Advocacy & Outreach Committee, chaired by Atul Vashistha, CEO of Neo Advisory, and were inducted into the Hall of Fame at IAOP's Outsourcing World Summit, Lake Buena Vista, Florida, on February 16, 2010.

Established in 2006, The Hall of Fame is unique in its recognition of individuals not only for their contributions to the management practice and industry of outsourcing, but also for their contributions to community-based economic development and socially-directed investments, as well as career development, education and training through outsourcing.

"IAOP is thrilled to recognize these three leaders who have reshaped outsourcing," said IAOP Chairman Michael Corbett. "Josh Jewett, Dmitry Loschinin and the late Dewang Mehta have inspired each of us in this industry to higher achievements and contributions to the world around us."

"These leaders have shaped the outsourcing profession and we all benefit from their contributions today," said Atul Vashistha.

Other recent inductees are: Oliver T. Bussmann, chief information officer of SAP AG in Germany; Michael S. Mensik, partner in the Chicago law office of Baker & McKenzie International; Yang Berhormat Senator Tan Sri Amirsham A Aziz, former president and CEO of Maybank; and Dr. Liu Jiren, chairman and CEO, Neusoft Corporation.

CUSTOMER GIVES BACK TO NONPROFIT

Jewett has strategic and operational responsibility for all aspects of IT and Procurement for Family Dollar, an \$8 billion national discount retailer. He has expanded the capacity of the IT function through multinational, strategic partnerships designed to augment both resources and skills, provide cost and process efficiencies through a global delivery model, and deliver several significant technological achievements for the company in recent years.



Jewett

Jewett has joined other area CIOs to apply his leadership and technical experience to aid non-profit organizations in leveraging technology to further their missions through his continued involvement in the NPower organization in Charlotte, N.C.

Prior to Family Dollar Stores, he served as senior director for Answerthink, Inc., an international management consulting firm for 10 years. Jewett holds a bachelor's degree from Dartmouth College.

"I am honored to accept this recognition from IAOP," Jewett said. "Having Family Dollar included among other progressive organizations is a compliment to our management team and my dedicated staff. The

investments our company makes in our talented people, innovative processes and enabling technology has helped Family Dollar succeed in the current economy. Being able to leverage our outsourcing capability enables the business to run as a low-cost retailer providing value and convenience to our customers in small neighborhood locations during this challenging economic time."

OUTSTANDING PROVIDER CHIEF

Loschinin has led Luxoft from its inception in April 2000 in Russia into a leading global IT outsourcing provider serving some of the world's most successful companies. He has 20 years of IT experience, holding positions as a software engineer and management roles within leading multinationals such as KED GmbH, MCP GmbH and IBM.

Loschinin joined the IBS Group in 1998 where he successfully established an SAP implementation practice before taking charge of the IBS initiative to offer offshore software services that later became Luxoft.

Loschinin is a recognized expert on the issues of outsourcing and offshoring, and is a frequent speaker at various international industry and technology events, including Gartner's Outsourcing Summits and RUSSOFT's Outsourcing & Software Summits. He holds a Master of Science degree from the Moscow State University and graduated from The Wharton School, University of Pennsylvania.

"I am honored to be inducted into The Outsourcing Hall of Fame," said Loschinin. "Being included with such a distinguished group of people in the outsourcing industry is a testament not only to my own accomplishments but of those of the entire Luxoft team. This recognition from IAOP reaffirms the importance of Eastern Europe in the outsourcing arena and the valuable skills we are able to provide in high-end outsourcing. Technical acumen along with vertical expertise and problem-solving capabilities are a top priority at Luxoft and enable us to be a valued partner to our clients."



Loschinin

INDIA'S LATE IT GURU LAUDED

The late Mehta was recognized as a transformation leader in India's IT industry. He led NASSCOM, the premier trade body and the chamber of commerce of the IT-BPO industries in India, from 1991 to his death in 2001.

Under his leadership, the association became a key voice of the Indian software and services



Dr. Ganesh Natarajan

segment and today has more than 1200 members. Mehta launched the India, Inc. crusade, building the country's software industry into a \$50 billion export to the world and successfully lobbied for favorable government policies for the industry.

He also developed a blueprint for transforming the lives of India's people through IT. The Dewang Mehta Foundation is committed to fulfilling his dreams of an IT-literate India. It supports activities that help narrow the digital divide and deliver the benefits of IT to the masses of the country.

Dr. Ganesh Natarajan, immediate past chairman, NASSCOM (2008-2009), accepted the award from IAOP at the luncheon ceremony.

"We are delighted that our late President Dewang Mehta has been inducted into the Outsourcing Hall of Fame by IAOP. Dewang was instrumental in not only building a unique organization like NASSCOM, but creating the vision and foundation for the industry in India," said Som Mittal, president, NASSCOM.

"His passion, thrust and focus on constantly promoting India, partnering with the government and building international partnerships has helped the country achieve its status as a leading sourcing destination."

THE 2010 MEMBER OF THE YEAR AWARD RECIPIENTS WERE ANNOUNCED AT THE 2010 OUTSOURCING WORLD SUMMIT

As an association "of outsourcing professionals for outsourcing professionals," IAOP's success depends on the willingness of its members to contribute their time and talents. Annually, IAOP recognizes those who have made exceptional contributions to the association and its members. These individuals are recognized by their peers at a special awards luncheon held at the association's annual global gathering — The Outsourcing World Summit®.

On behalf of all of our members and the entire global community of outsourcing professionals, we thank the 2010 Member of the Year Award recipients for their dedication, contributions and leadership:

Rich Etzkorn is responsible for the overall management of Cassidy Turley Corporate Services operations. Cassidy Turley Corporate Services is the premier provider of outsourced corporate real estate services to corporations. In his current capacity, Rich oversees the account teams comprising more than 250 associates. These teams are responsible for managing more than 22,000 locations for Colliers' clients in the United States and



Rich Etzkorn
Senior Vice President, Cassidy Turley

across the globe. Each working day, these teams complete a turn-key new store opening every 80 minutes and a lease renewal every 45 minutes for several major companies. These companies include: Humana, Proctor & Gamble, Hanesbrands, Sara Lee, Edward Jones; H&R Block; Baskin Robbins; UPS Stores and others. Rich chairs the IAOP Midwest Chapter.

Julia Santos has industry experience dating back to 1990. She established a "Center of Excellence" for R&D Contracting and Outsourcing and supports over half a billion in annual R&D spend globally. She has implemented a "Best in Class" outsourcing strategy, resulting in 50% reduction in contract cycle time and over \$100M in cost savings. Julia leads global teams to achieve savings through Supplier Relationship Management initiatives and has expertise on creating collaborative partnerships in highly matrix organizations. She has the Global Delivery Experience



Julia Santos, COP
Director- Worldwide Strategic Outsourcing
Johnson & Johnson Group of Consumer Companies

and Cross-Cultural Aptitude to lead and influence through Change Management initiatives. Julia co-chairs the IAOP Global Human Capital Chapter and is industry leader in outsourcing. ■

A SPOTLIGHT ON IAOP STANDARDS AND KNOWLEDGE

Outsourcing Professional Standards (OPS)

The core of IAOP's corporate and professional development programs are the Outsourcing Professional Standards (OPS). These standards identify more than 100 specific areas of knowledge, experience, and skill individuals need to for outsourcing success. These standards, developed and maintained by the not-for-profit Outsourcing Standards Board, are available at www.IAOP.org at no cost.

Outsourcing Professional Body of Knowledge (OPBOK)

The Outsourcing Professional Body of Knowledge (OPBOK) is a 300-plus page guide to implementing the Outsourcing Professional Standards. It contains detailed information on how to design, implement, and manage outsourcing, and is supported by a battery of templates that guide the practitioner through the application of the principles described. Professional Members of IAOP can download the OPBOK from Firmbuilder.com®, IAOP's Knowledge Center. Not a Professional Member? Please visit www.IAOP.org and become one today.

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CUSTOMER-EYE VIEW OF OUTSOURCING

Globalization Today publisher Ali Comelek caught up with Chris Long (COP) right after IAOP's Outsourcing World Summit. Chris is chair of IAOP's Customer Chapter, which gives him a very sensitive "fingers on the pulse" of the outsourcing customer.

Globalization Today: What would you say are today's top customer issues that keep both executives and managers up at night?

Chris Long: Certainly people are fearful of whether an outsourcing engagement will fail and if it is failing, how to get ahead of that. I would sum it up as risk – outsourcing is at times risky, and that is certainly something that is on the top of minds.

Globalization Today: Related to risk, is there a logical place to draw a line, in other words is there an appropriate level of liability that you want the provider to assume when it comes to an outsourcing contract?

Chris Long: I think there's kind of the legal way to handle risk, which you want to get your lawyers involved and have discussions about the amount of risk and make sure you're covered legally and financially. But that is a backstop for something that has gone awry in a way that it won't just totally sink the initiative or the company. The discussions at the summit were more around how do you make sure you don't ever have to read the liability clause in a contract.

There are different strategies that customers can follow, such as:

- Having a diversified provider portfolio,
- Having a diversified geography
- Also, there are the things that customers should want to diversify against:
- A provider gets bought by one of your competitors
- A provider gets bought by another provider

- They decide they don't want to serve your type of industry anymore
- A provider has financial difficulty,

You want to diversify your provider portfolio, [especially] if you have a really large outsourcing operation, by splitting against a couple providers. And when you do split [providers], you may want to split across a large provider, and maybe a small sort of mixed provider in your industry to get some diversified solutions to your particular issue.

Other important ways to diversify are:

- By geography
- By country
- By foreign exchange rates
- By different labor forced issues
- For disaster recovery and other types of weather patterns.

Globalization Today: What are some of the ways to quantify the value capture – and how do you ensure value is there?

Chris Long: I think it depends on the type of outsourcing that you're doing. So in the case of something like business process outsourcing, let's say a typical call center type of outsourcing, where you are simply taking advantage of labor arbitrage, your value is built in up front because you know the provider's labor costs are cheaper if it's offshore. Now you need to build lots of little things around making sure that the quality is still there, and making sure that the service is still up to par and all that, and that's the hard part, but the value part is probably pretty obvious.

In a case like business process outsourcing, where maybe you weren't just looking for cost savings, but for something like improved service,



Chris is the Senior Vice President and Chief Operational Officer for StayWell Health Management. He oversees operations, IT, production and distribution and is responsible for strategic planning, quality assurance, and optimization of everyday operations.

then you can start to quantify your value around things such as, better phone statistics. Or maybe the provider has technologies that I would never buy, and never be able to afford. And they might be able to afford those because they're leveraging them across other people, and so they can provide better service. Then you simply measure the things that you're very keen on making sure are in place along the way, such as quality and service levels. In an application development project, where you're hoping someone can do it better, faster, potentially cheaper, than we can do it internally. That gets harder.

In those cases, the way to build in value is arrangements such as building in gain sharing for both. So, if the project were done faster than planned, then both entities would gain financially from that. If the project were a higher level of quality, both entities would gain.

Globalization Today: What do you see as the skill sets that an outsourcing professional would have over procurement professional?

Chris Long: In some of my experiences the procurement team was simply the people who went out and sourced things, bought them,

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and then handed them over to someone in the business and left to move on to the next thing.

Whereas an outsourcing professional is the person who builds the business case to actually send something out, and go search something. Then they might actually leverage the procurement team to go source it, and to negotiate a contract. But, and the most important part, is that the outsourcing professional runs it on an ongoing basis. They are there for the whole cycle of the outsourcing process, which is all the way through governance and ongoing management. That to me is the difference

Globalization Today: Leave cost aside for a second, what do you see as the main differentiators between well-established markets versus emerging markets? For example India versus Ghana?

Chris Long: It very much depends on the type of service you're looking for. If you're looking for something where someone can provide you incredible scale, and people who've done things for years and years, look at India for something like that. If this is something that's more unique and smaller, and something that you could potentially build a team around your particular need, you could do that in one of the more emerging markets. You need to look at the raw skills that are there. So [you have to ask] is the technology infrastructure there? Is the talent pool – do they have the skills that you need for your particular issue, and so forth? It really comes down to the specifics of the project. You need to weigh the pros and cons of all these various areas for your particular project.

Globalization Today: What is the best way to find the right provider?

Chris Long: If it's in a type of service that I've done several times, then I probably know the providers, and I would develop an RFQ, and send it out to the handful of providers that I know work in this space and do it well. If it's something new to me, and I don't necessarily know the providers, or if it's been a few years since I've looked at the provider panel in a certain type of discipline, then I would absolutely hire an advisor to help me.

The work of sending an RFQ out – creating an RFQ in the first place, and then sending it, and then evaluating an RFQ is a lot of work on the customer. It's also a lot of work on the provider obviously. So you don't want to send out an RFQ to an unqualified panel of providers, entities that people just suggested to you. I wouldn't do that. I would make sure that you have a qualified

panel so that the providers know that you're very serious, and so that you have a prayer of getting through what would probably be a bunch of different responses.

Globalization Today: At the Customer-Only session at the World Summit how much provider gossip was there? Were there many horror stories shared?

Chris Long: What was discussed was not about particular providers or horror stories at all. If we were discussing risk mitigation for instance, then someone would say 'I am right now in the middle of an exercise to source X, Y, Z, and I'm looking in these directions,' not down the particular providers, not necessarily certain areas or anything, just in general. And 'I'm struggling with how to mitigate risk. Who's done that before and what suggestions do you have?' And then the rest of the table would talk about their various experiences when they have maybe tackled a similar type of issue.

Globalization Today: Fine, don't share any dirt. Let me ask you about what happens after a deal is made with a provider, do you have any tips or pointers regarding the internal change management aspect within the company?

Chris Long: Yes. Whomever it is that owns the relationship needs to be accountable for the results. You can't point the finger at the provider. The businessperson inside the customer is accountable. It's extremely important to have that mentality; otherwise people are just going to point the finger at the provider constantly. There needs to be a person who must act as the champion for change inside the company. And it's that person's job to make sure that people are comfortable with the solution.

And, when there are issues with the bottom line results, I often find that those issues are within the customer company, not within the provider. Maybe someone gave the provider inappropriate instructions. Or maybe they didn't get them data that they needed to complete their job. Or maybe they didn't give them information on time. I've often found that people are really working hard to make [certain] the whole solution is successful within the customer company and are spending more time making sure the customer company doesn't mess up the provider.

Globalization Today: Do you think customers are going to do more, or less, outsourcing in the near future?

Chris Long: I think from the customer only networking session, as well as some surveys that we did in the general sessions at the IAOP Outsourcing World Summit, there was a resounding feeling that there was more outsourcing to come. The pressure of the economy has certainly had an interesting effect on outsourcing. The numbers of transactions have shrunk because of the economy and every customer's business is unfortunately doing less business right now. But, people are thinking

about moving things out that they would not of thought about moving out before. And so I think there's a little lull in the overall numbers of transactions that are occurring in

outsourcing, but it's primed for more outsourcing in the future when – because it takes a long time to outsource something. So in 2010, 2011, these things that people started thinking about in 2008, 2009, will be gone and will be outsourced. And then the things that already were out might increase in size as the customer company's volume increase back up the levels they were before the downturn.

Globalization Today: s, what did you think of this year's Outsourcing World Summit?

Chris Long: For the World Summit in general, my impressions were it was a great summit, a great time for professionals in this industry to get outside of their day-to-day jobs and come together with people who are having the same challenges and sharing opportunities outside our day-to-day job, so it's really helpful for that.

Globalization Today: Chris, thank you. It was great being able to speak to you and learn so much about a customer's point of view. I'm sure that a lot of readers and listeners will appreciate your insight. □

Chris Long: Well, thank you very much for the opportunity.

You can reach Chris Long via IAOP's Customer Chapter at www.iaop.org
Have a suggestion for how we interview for 10 Questions?
Write to us at info@globalizaitontoday.com

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8

CLOUD COMPUTING SHAKES UP TRADITIONAL IT OUTSOURCING

www.computerworld.com

For all the vagaries of IT services, traditional IT outsourcing has always been quite tangible—servers, data centers, networks, specifications, man-hours, lines of code. The rise of cloud computing, however, is changing all of that with flexible, asset-free IT services available on an as-needed basis for more aspects of enterprise technology.

Cloud services are a boon for many IT departments willing to forego customization: They help IT organizations chip away at hefty capital expenditures from back-end infrastructure to customer-facing software and everything in between. Consequently, the cloud is turning the traditional IT services industry on its head.

“Cloud computing represents a fundamental shift in how companies pay for and access IT services,” says Susan Tan, IT services and sourcing research director for Gartner.

In fact, Gartner predicts that by 2012, 20 percent of businesses will own virtually no IT assets. That will be a game changer—for better or worse—for outsourcing vendors of all stripes, from traditional onshore and offshore IT service providers and consultants to system integrators and new, niche vendors.

“If [the] cloud was only about gutting the clunky, expensive and environmentally-unfriendly infrastructure, and having Amazon and company deliver the computing power, then it’s really just

an infrastructure utility offering,” says Phil Fersht, founder of outsourcing consultancy Horses for Sources.

“However, if you’re going to have your data and applications hosted externally in the cloud, do you really need to manage them yourself anymore? Do you really gain a competitive edge with the way you process your insurance claims, or isn’t it time to find a services vendor that will host the app, the associated infrastructure and even process the transactions for you?”

Fersht calls cloud services the foundation for next-generation enterprise sourcing solutions. He believes cloud services will make traditional delivery of IT services more efficient and cost-effective. “They also help create a delivery mechanism for true business process services,” he adds. “This new class of [outsourcing] has the potential to unlock tremendous value for customers.” ■

9

US CAR MAKERS GEAR UP FOR GLOBAL SOURCING

www.procurementleaders.com

Moves by General Motors, Ford and, to a lesser extent, Chrysler to switch their North American production from largely regional to overwhelmingly global platforms is going to create growth opportunities for suppliers, market watchers predict.

Advisory firm Grant Thornton LLP says suppliers must position themselves in 2010 for change, potentially including new mergers, acquisitions and alliances as the companies position themselves to win future business.

“The conversion to global platforms is accelerating, but to capitalize on the growth opportunity, suppliers will need to offer automakers more than high quality, a healthy balance sheet and a good track record on program delivery,” said James Ricci, a director in Grant Thornton’s Corporate Advisory group.

“Suppliers will need to have the best technologies, the right geographic footprint, and global engineering and manufacturing capabilities. We believe they will use strategic mergers, acquisitions, alliances and even divestitures to position themselves to win the longer-term sourcing business that Detroit has to offer.”

Grant Thornton’s analysis suggests that the next five years will see some of the “most profound changes in the North American auto industry” since the post-World War II shakeout that established GM, Ford and Chrysler as dominant players.

It notes that GM, Ford and Chrysler plan to shrink their total number of vehicle platforms from 40 in

2009 to 29 by 2014. Of these, 14 platforms will be global, which means that they will be produced in North America and at least one other region, such as Europe, Asia or South America, with no single region dominating production.

The study also reveals that 65 per cent of GM and Ford’s North American production will be from global platforms, up from 10 per cent and 6 per cent, respectively.

“Stricter fuel-economy rules in the United States, lack of investment capital, competitive pressure from new entrants and a focus on reducing structural cost have spurred the Detroit-based automakers to embrace global platforms,” Ricci said.

“The long-term benefits of this strategy will be significant. The global approach reduces engineering costs, provides flexibility, scrubs complexity from the manufacturing system and supply chain, and improves quality—all of which contribute to higher margins.”

In Grant Thornton’s view, these market dynamics make it a “critical time” for companies and investors in the auto industry to strategically assess their products and technologies and the plans to deliver them.

“The obvious value of being sourced on a global platform produced by a Detroit-based OEM is with the sheer volume increase from the number of model variants built on them. It is enhanced by the fact that it normally takes a long time to penetrate the global platforms of Asian OEMs,” Ricci said.



US car makers switch from regional to global production

He added that the best-positioned suppliers will be those that are considered long-term partners by their OEM customers for particular commodities.

“Some of the most interesting supplier companies to watch will be the ‘pure plays’ that have narrowed their focus to a particular commodity or group of commodities, such as safety, steering and fuel systems,” Ricci said. “These companies tend to benefit from having highly focused product development and good economies of scale, which helps to establish clear value in the marketplace.” ■

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Non-stop networking and social events provided attendees with numerous opportunities to engage with colleagues from all over the world and establish ongoing relationships.

Dozens of IAOP's geographical and topical chapters participated in the IAOP Showcase Luncheon. Here, Neil S. Hirshman, COP, Partner, Kirkland & Ellis LLP and Chair of the Chicago Chapter talks to event participants.



The Summit's Global Services Mall. Delegates attend the Summit to gain insights and guidance and treat its exhibitors not as vendors, but as a valued part of their educational experience at the Summit, providing everyone a powerful platform for building relationships.



Jeff Noel, Facilitator, Disney Institute presents "Leading Through Turbulent Times" to a packed main session. Other keynote presenters included: Russell M. Bostick, EVP of Technology and Operations, Conseqo; Tim McBride, CPO, Microsoft; Atul Vashistha, COPChairman, Neo Advisory & Neo Group; Ron Kifer, COPGroup Vice President and CIO, Applied Materials; Mahadeva Matt Mani, Principal, Booz & Company; Michael J. Salvino, Group Chief Executive- BPO, Accenture; Bill F. Concannon, President, Global Corporate Services, CB Richard Ellis; and Michael F. Corbett, Chairman, IAOP.



The Voice of the Customer – IAOP Corporate Member Panel featured Straight stories from outsourcing's front lines are shared by a panel of IAOP's Customer Corporate Members. Panel participants included (shown from left to right): Moderator Christopher A. Long, COP, EVP and General Manager, LifeMasters Supported SelfCare - a StayWell and panelists Julia V. Santos, COP, Head of Worldwide Strategic Outsourcing, Johnson & Johnson Group of Consumer Companies; Angela Marina Gracias, Head of Global Sourcing, Visa Inc. and Rene Herlaar, COP, Head of Enabling Platforms, Vodafone The Netherlands.



IAOP® announced the 2010 inductees into The Outsourcing Hall of Fame. From left to right: Dmitry A. Loschinin, President & CEO, Luxoft, Joshua R. Jewett, Senior Vice President – Information Technology and Procurement & CIO, Family Dollar Stores and Dr. Ganesh Natarajan, Chairman, CII National Committee on IT, ITes & eCommerce & Global CEO, Zensar Technologies Ltd. (accepting the award on behalf of the late Dewang Mehta, past president, NASSCOM).



IAOP® honored two of its members at a luncheon ceremony during its annual conference, The 2010 Outsourcing World Summit, at Disney's Yacht & Beach Club Resort, Lake Buena Vista, FL, on February 16, 2010. From left to right: Debi Hamill, Senior Managing Director, IAOP; Members of the Year Rich Etzkorn, Senior Vice President, Cassidy Turley; Julia Santos, COP, Director- Worldwide Strategic Outsourcing, Johnson & Johnson Group of Consumer Companies and Mike Corbett, Chairman, IAOP.

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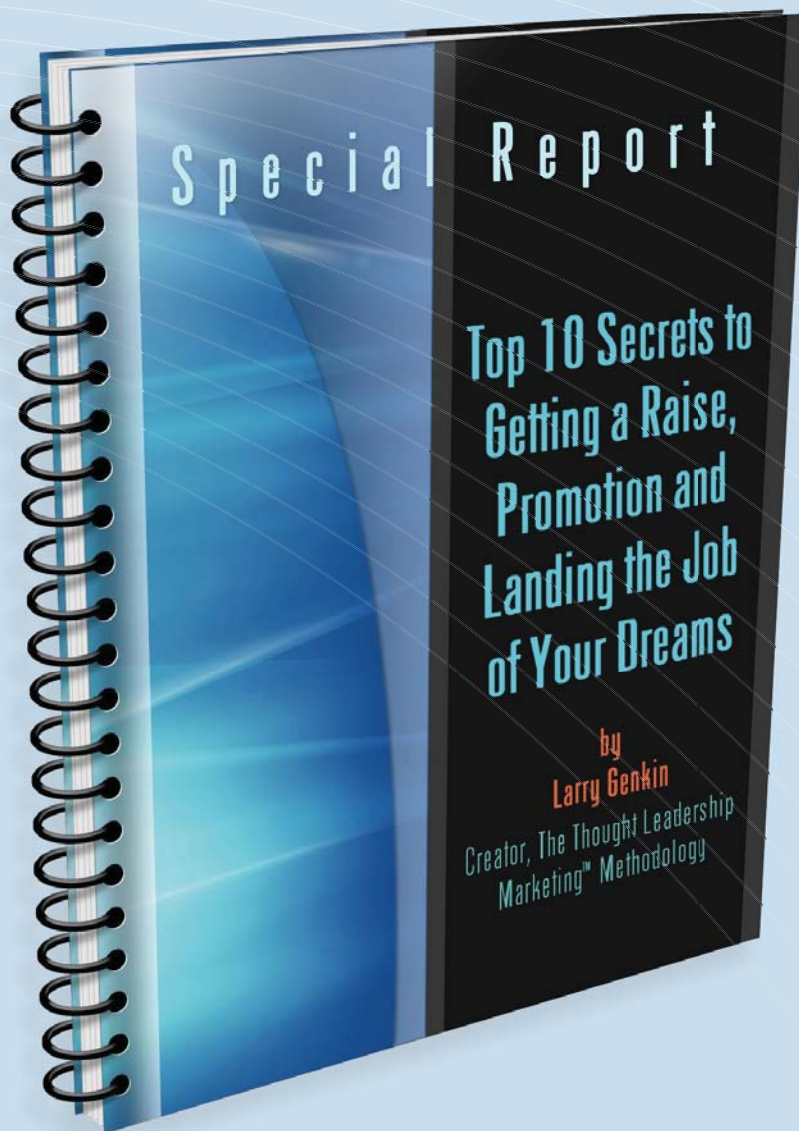
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