ASOCIO Summit, 2008

LEVERAGING SOURCING MODELS TO CREATE VALUE IN ASIA-OCEANIA REGION

10 Dec 2008

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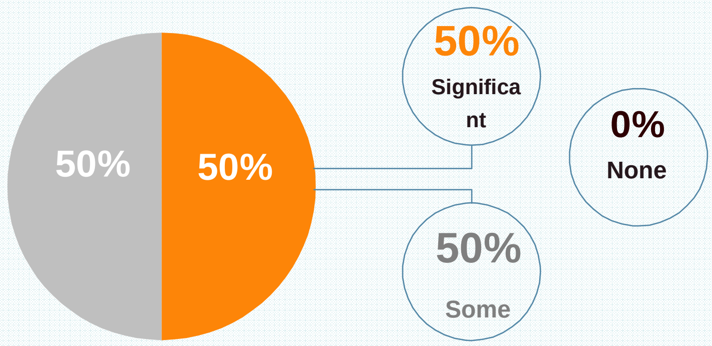
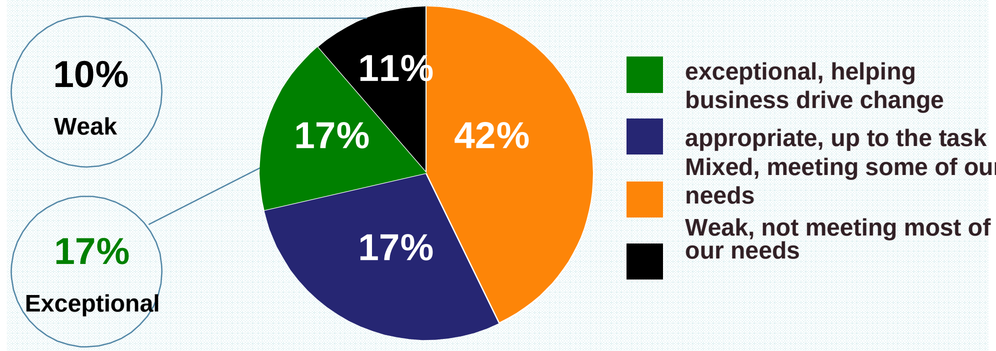
Agenda

- THE INDUSTRY IN TODAY'S TIMES
- THE OPPORTUNITY
- CHALLENGES & VALUE INHIBITORS
- CREATING VALUE – DIAMETRIC RETHINKING

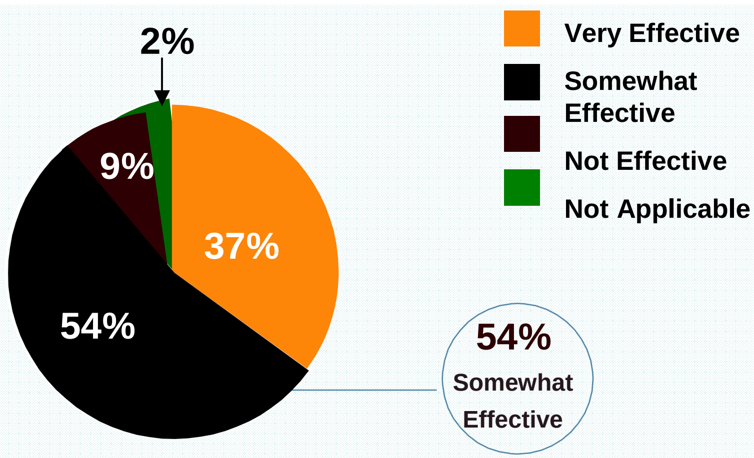
CEO Concerns Worldwide Are Endemic



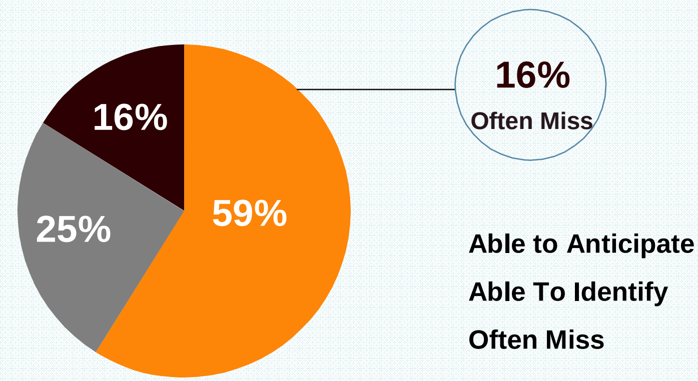
To What Extent Do You See Your Sector/ Industry Undergoing Course-Altering Market Changes?



How Would You Describe The Skill Level Of Resources Required To Manage Course-Altering Changes and Course-Corrective Actions?



How Effective Is Your Leadership With Managing Course-Altering Changes and Course-Corrective Actions?



How Effective Is Your Leadership And Organization At Identifying Course-Altering Changes?

As They Struggle With Various Options

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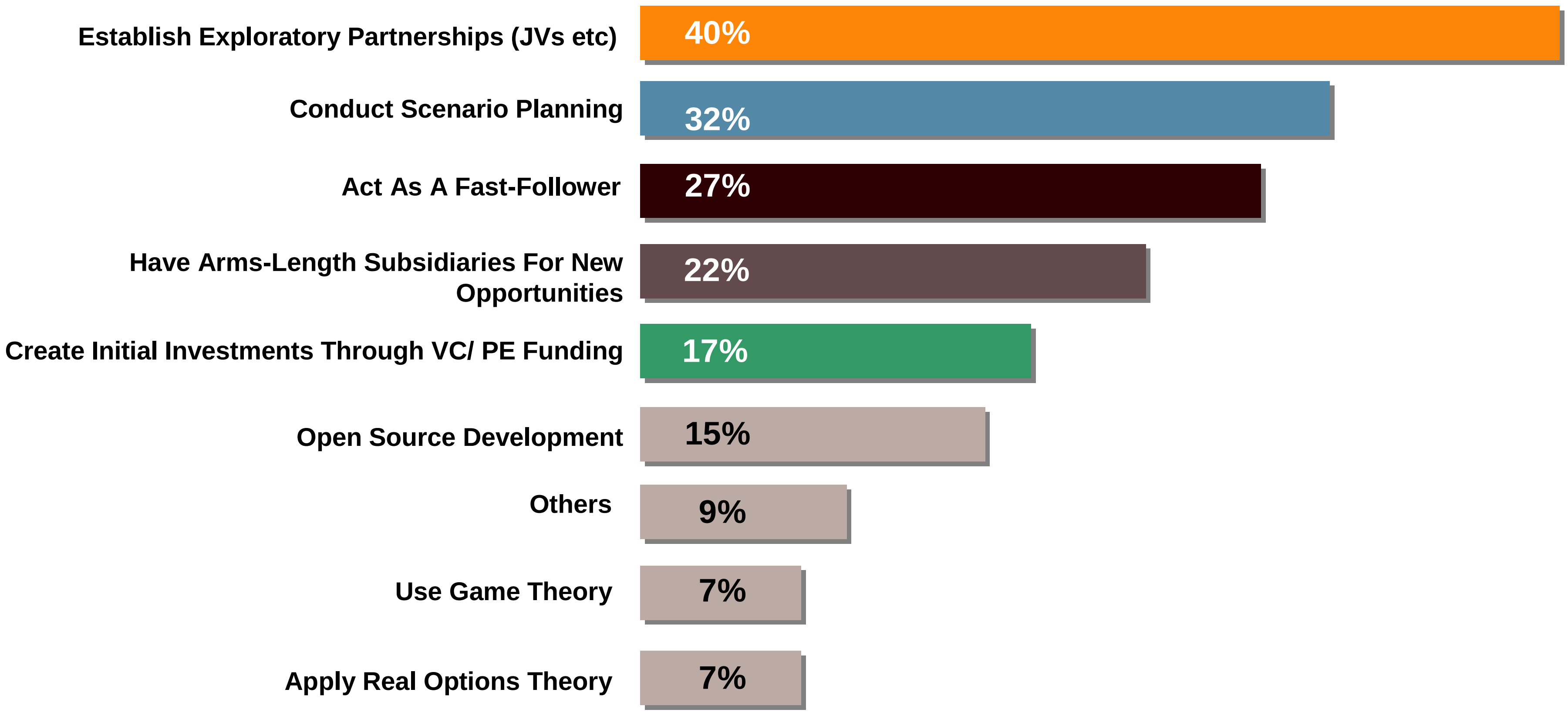

CEOs Struggling With Various Tools That They Either Plan To Use, Do Not Plan To Use, Have Knowledge Of, Are Told To Use To Assess Potential Course-Correcting Actions

While Balancing Core Strategic Imperatives

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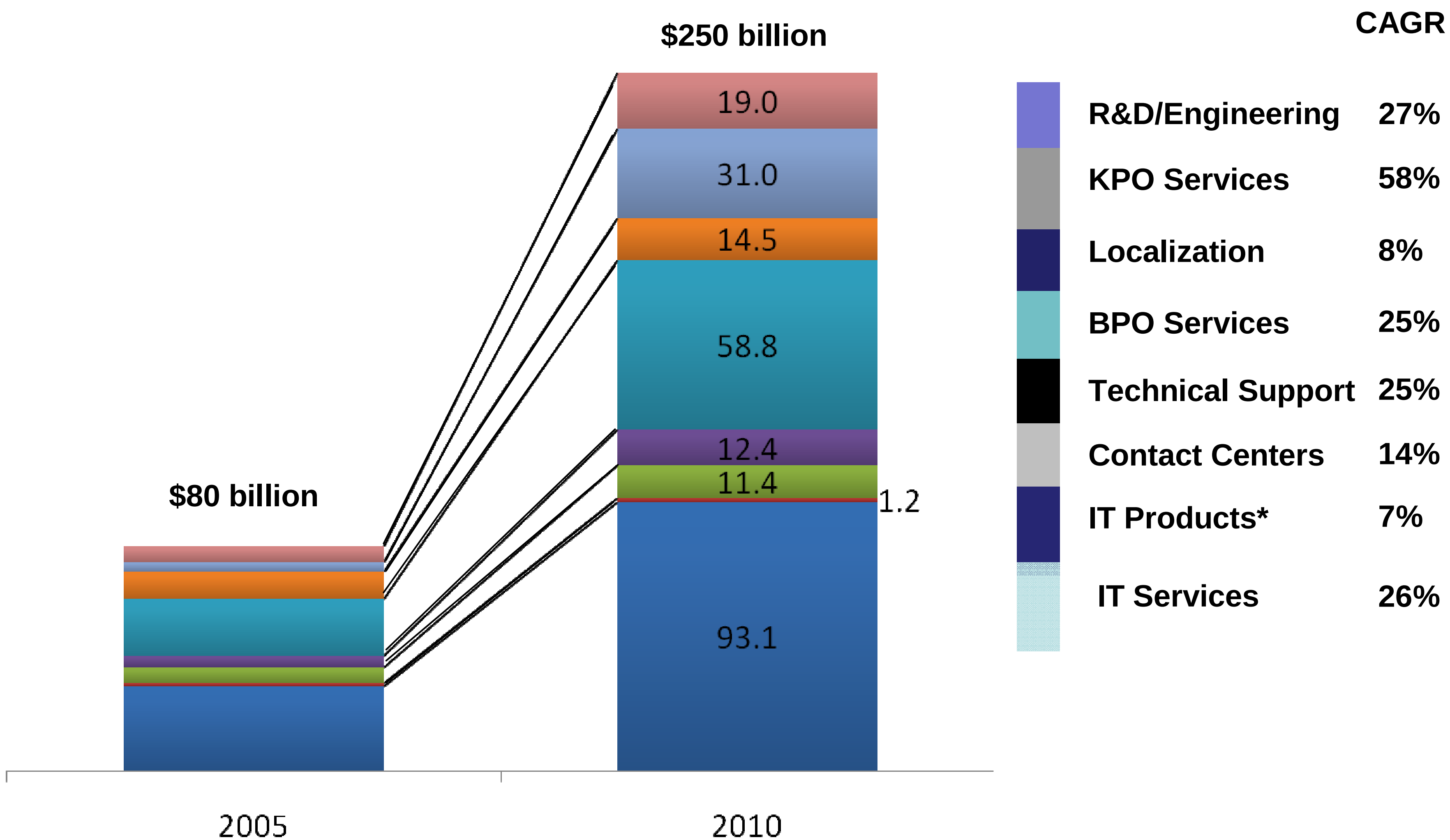
Remote Growth Across Segments Is High



Source: Gartner, IDC, neoIT, A.T. Kearney Research

Emerging Sourcing Destinations With HUB & SPOKE Models

Popular Offshore Outsourcing Destinations

- Multinational companies are aiming at a global supply chain, while service providers are looking at newer destinations to enhance their delivery footprint in the competitive sourcing scenario.
- Companies that have made India and/or China their "**hub**" are especially looking at countries like the Philippines, Malaysia, Vietnam, etc as "**spokes**".
- For instance, Indian companies like Infosys, Satyam, Wipro, etc. have set up centers in Malaysia & Philippines to compete with the global giants like IBM, Accenture, etc.
- The "Spokes" serve as regional centers serve or disaster recovery and business continuity centers, and sometimes just near-shore centers to some of the key markets.

The adoption of "global delivery" – as a result of increasing knowledge and maturity amongst buyers – is leading to a search for newer locations beyond established destinations like India, and creating opportunities for emerging destinations

Source: KPMG Analysis

Competitive Landscape - Provider Markets

	INDIA	ISRAEL	MALAYSIA	IRELAND	CANADA	CHINA	PHILIPPINES	EASTERN EUROPE	LATIN AMERICA
Government Support	High	Medium	High	High	Medium	Medium	Medium	Low	Low
Labor Pool	High	Medium	Medium	Low	Medium	Medium	Medium	Medium	Medium
Infrastructure	Medium	High	High	High	High	Medium	High	Low	Low
Educational System	High	High	Medium	High	High	High	Medium	Medium	Medium
Cost Advantage	High	Medium	High	Low	Medium	High	High	Medium	Medium
Quality	High	High	Medium	Medium	High	Low	Medium	Medium	Low
Cultural Compatibility	Medium	Medium	Medium	High	High	Low	High	Medium	Medium
English Proficiency	High	High	High	High	High	Low	High	Medium	Medium
Overall Climate (Including Political Landscape)	High	High	High	High	High	Low	Medium	Low	Low

- Low - Medium - High

Source: neoIT

Demanding Variegated Benefits From Partners

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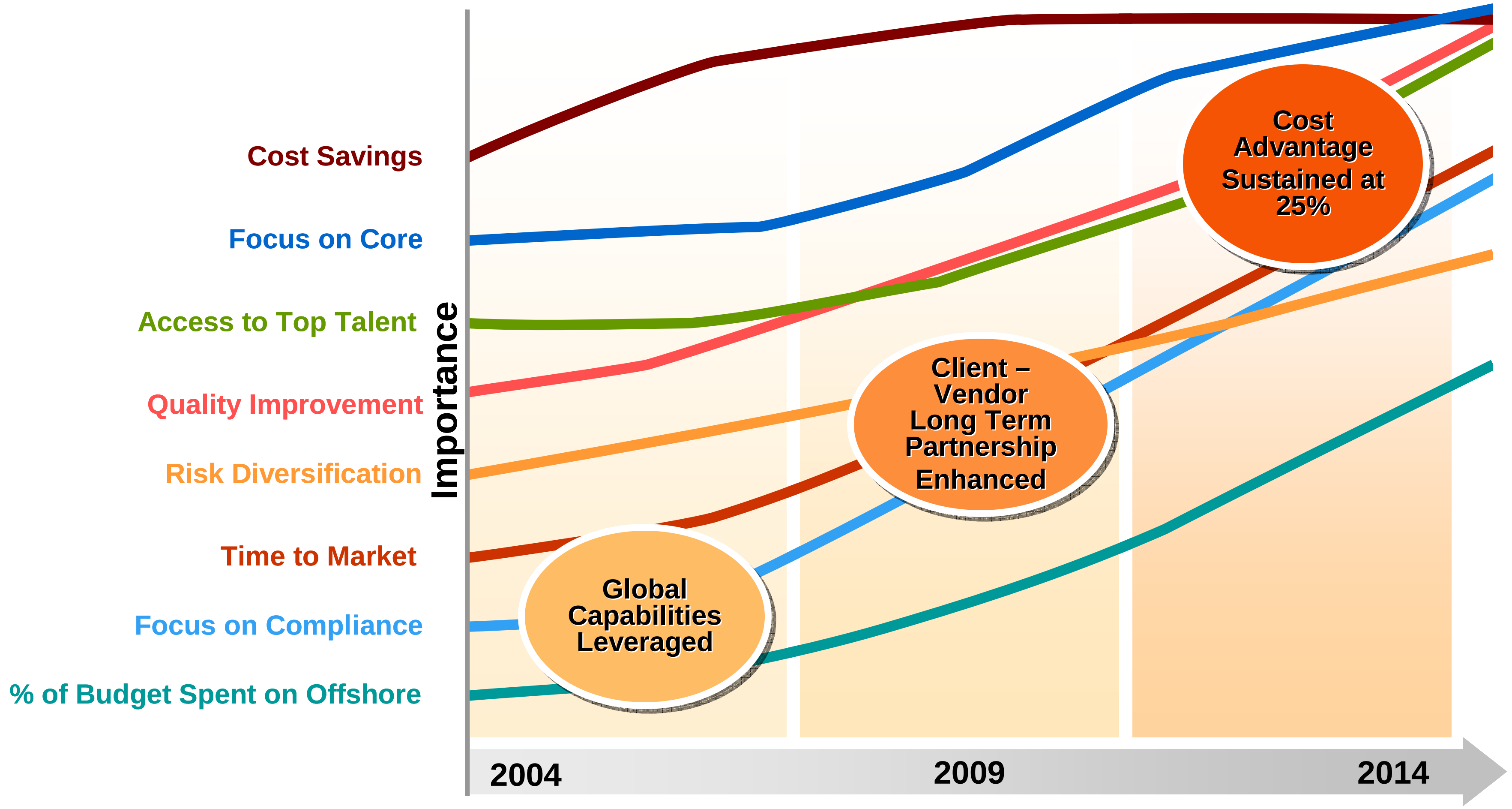
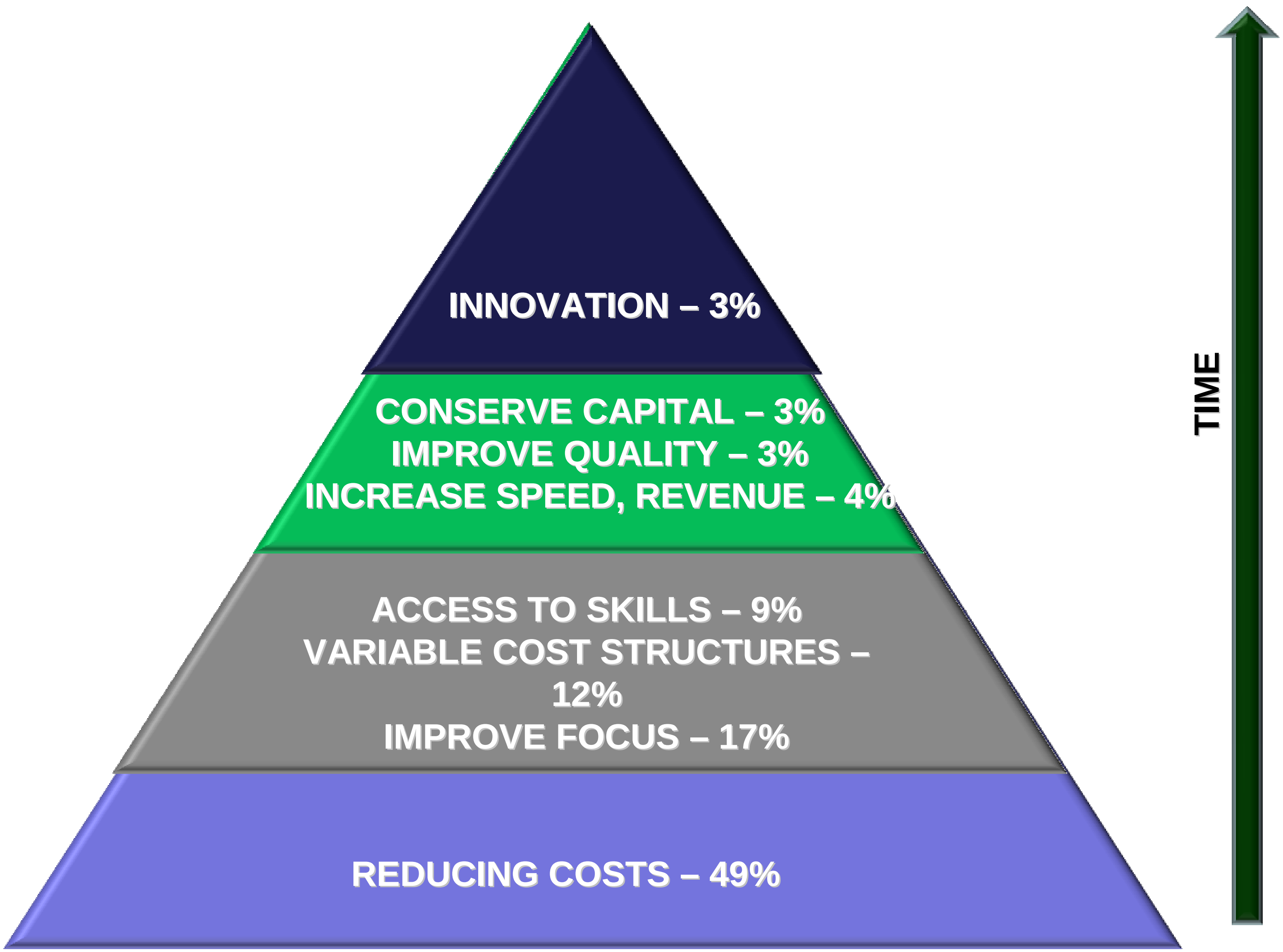


With A Focus On Hierarchical Nature Of Benefits



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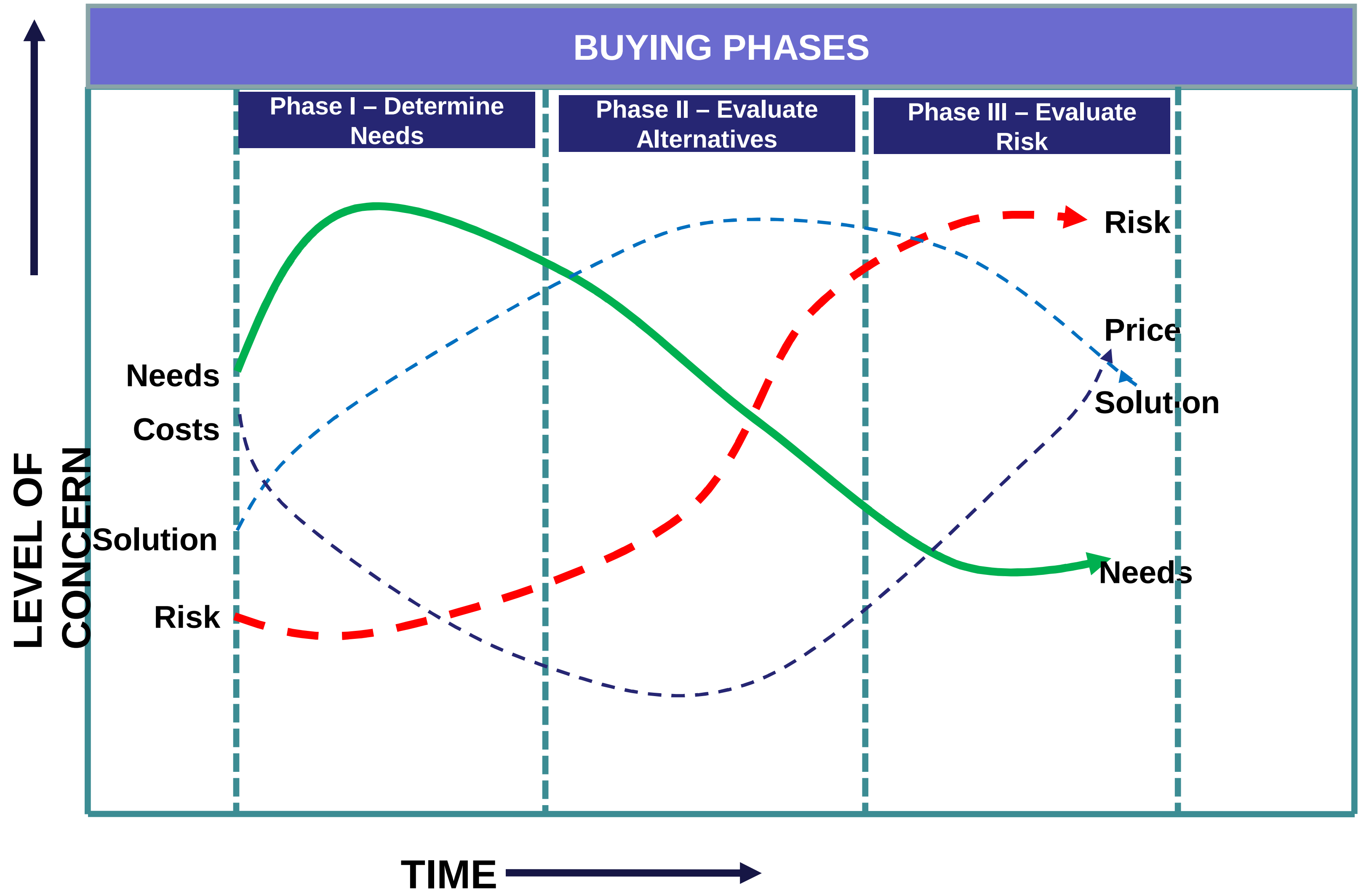
Buyers' Concerns Shift Over Time



Multiple Factors Act As Value Inhibitors

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	CAUSE	EFFECT
Fragmented Effort	Lack of corporate initiative; initiative pursued by individual business units	▪ Inefficient ▪ Reinventing the wheel each time ▪ Not taking advantage of economies of scale
Ignorance of Benefits	Not realizing all potential benefits of offshoring	▪ Not realizing full potential cost savings ▪ Not getting the benefits of productivity increases ▪ Not achieving increased quality/performance
Wrong Model	Offshore Model chosen without a clear long term strategy	▪ Loss of quality output ▪ Not achieving projected cost savings ▪ Reverse migration of work
Transitioning as is…	No experience in re-engineering the process for offshore	▪ Perceived lack of quality ▪ Lack of productivity in offshore resources ▪ Inefficient use of resources
Insufficient Controls	Current governance structure replicated in the offshore scenario	▪ Compliance breaches ▪ Data security violations ▪ Loss of performance, quality, productivity

Challenge - Recognizing & Managing Outsourcing Risks

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External Risks	Internal Risks	External Risks
Time zone differences	▪ Poor Transition/ Governance. ▪ Failure to achieve outsourcing process maturity ▪ Weak process/process mismatch between supplier & client.	Vendor stability
Country infrastructure	▪ Organization/internal customers-resistance to outsourcing. ▪ Low employee morale –low productivity ▪ Employee Attrition ▪ Internal staff project sabotage	Cultural differences
Management challenges	▪ Unrealistic expectations ▪ Lack of supplier understanding of client business environment	Geo-political concerns
Security	▪ Inadequate performance management ▪ Incorrect/ no job profiling ▪ Poor control	Distance to vendor

Internal Risks –most overlooked

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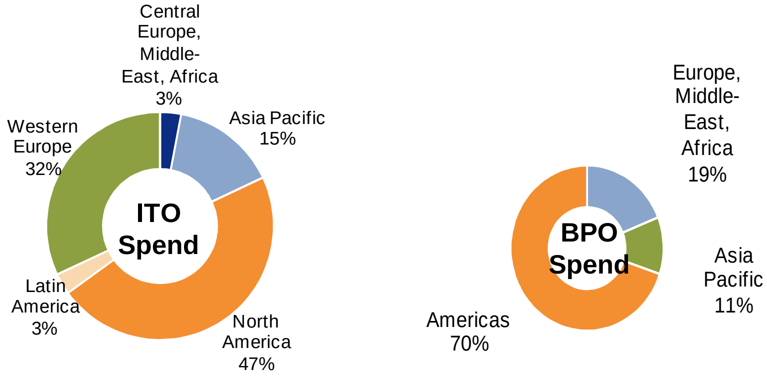
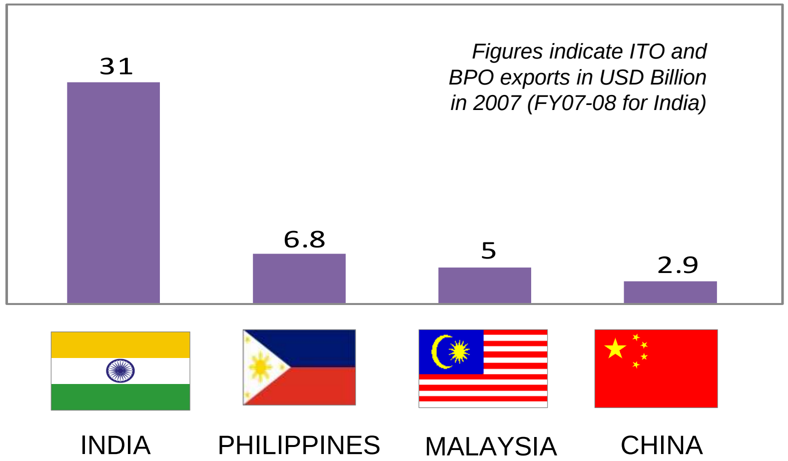
1. Focus On Higher-Value Services & Not Just Scale

REGIONAL SPEND ON IT AND BPO SERVICES



Source: Nasscom 2008; Gartner; IDC

IT-BPO EXPORTS OF KEY COUNTRIES



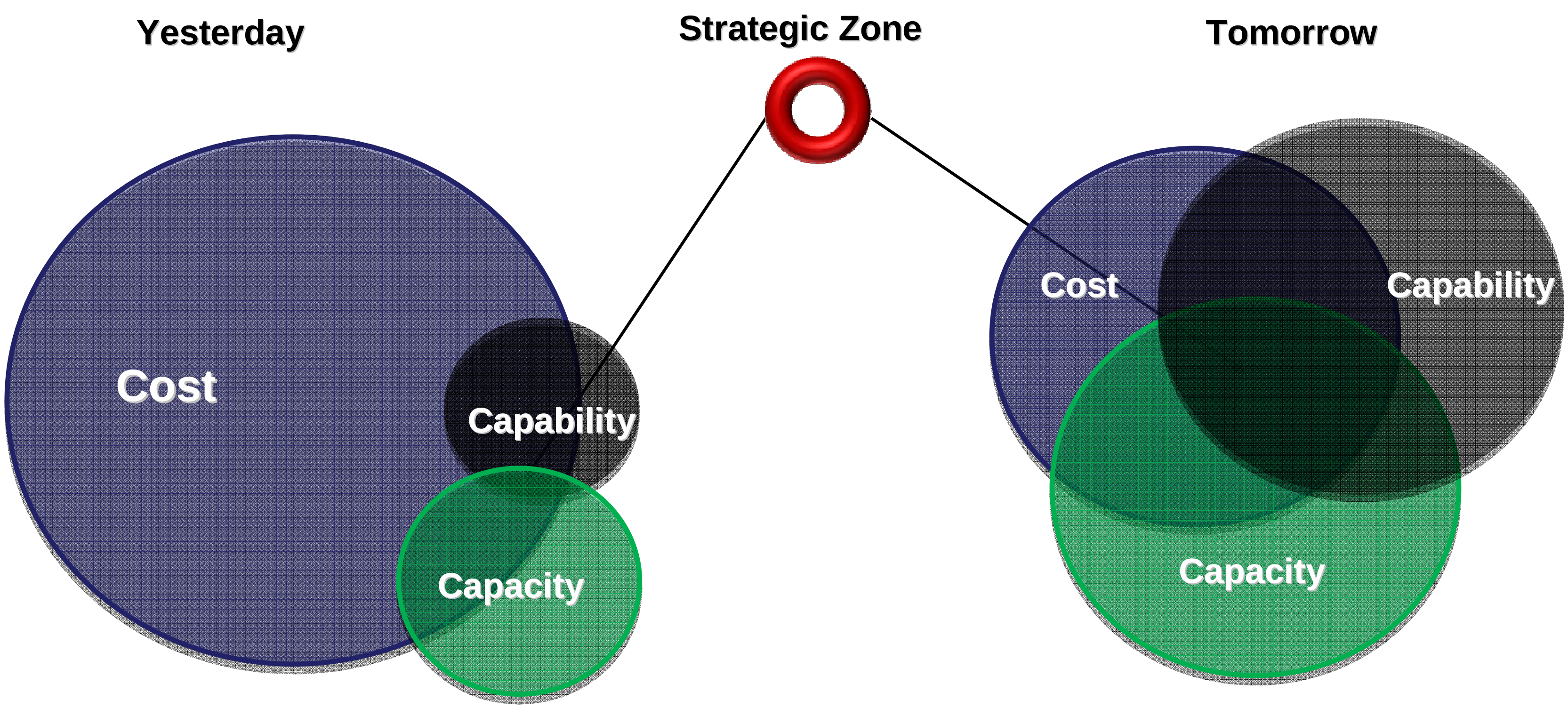
Source: NASSCOM, BPAP, PIKOM, White Paper on China's Software and Information Service Outsourcing Industry 2008

- Growth in offshore exports is expected to continue in the range of 20 to 30 percent according to various estimates.
- Rapid growth is expected in the "newer" areas of outsourcing such as knowledge services, R&D etc., compared with the more traditional areas of IT applications development and maintenance, call centers, etc.

- Malaysia's & Philippines Are close competitors, while the latter is capable of offering more scale due to its larger size.
- Smaller nations need to focus on higher-value adding services that are relatively less scale dependent – e.g. high-end financial services, process-oriented operational competencies, etc.

2. Transform Your View Of These Attributes

3Cs With Distinct Orientation Around Business Processes Uniting Technology & Operations



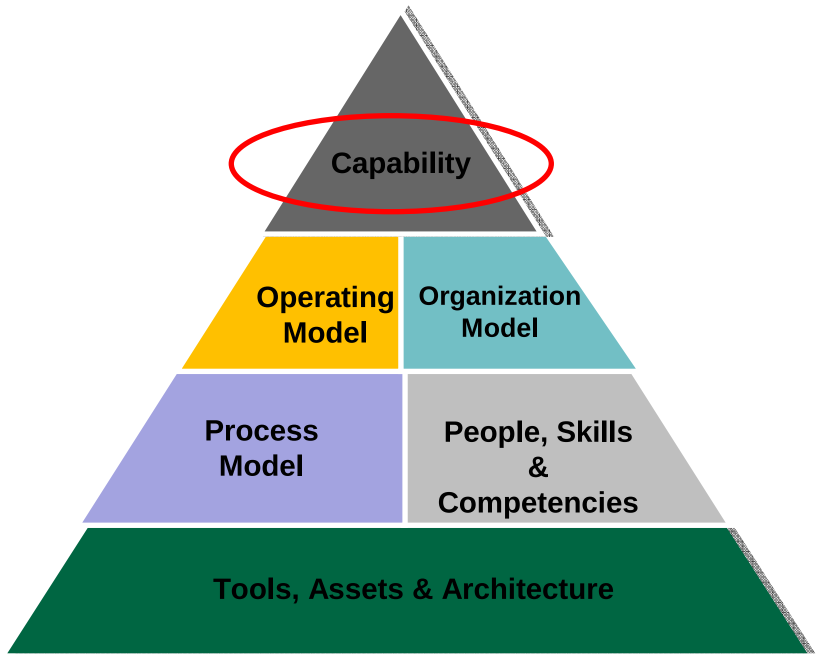
COST IS KING

- Near Term Cost Attributes
- Access To Skilled Resources
- Effort Oriented, Rather Than Productivity Driven

COMPOUNDING EFFECT

- Relative Equilibrium Among Sourcing Imperatives
- Capability Prominent For Buss. Value Decisions
- Greater Client-Provider Collaboration

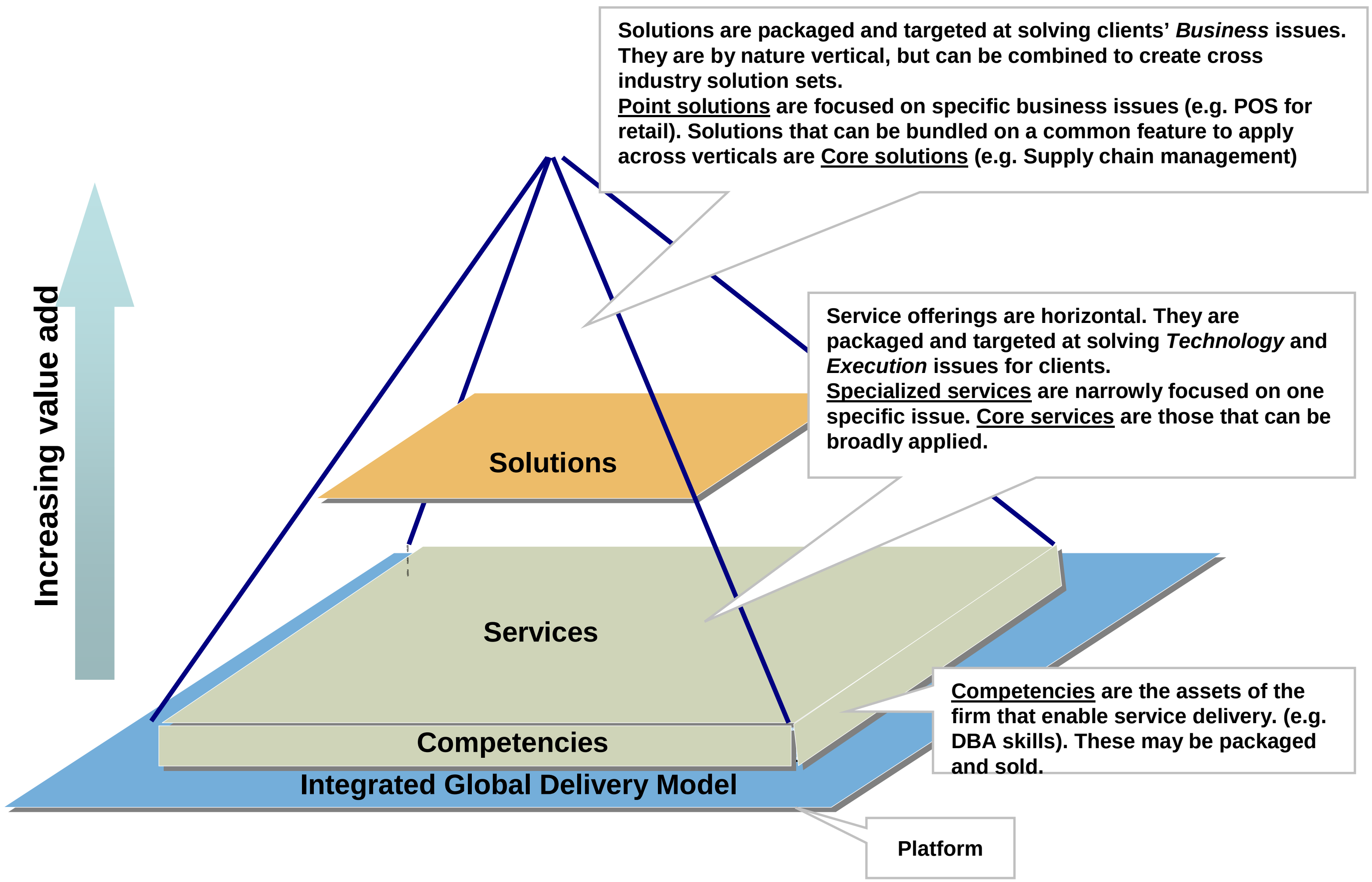
3. Create "Rounded Capabilities" – Not Just Functional



Capability	Sum Of All Parts, Determining Overall Value IT Can Deliver
Operating Model	How IT Function Is Structured
Organization Model	How IT Function Is Organized
Process Model	Flow of IT Activities Supporting The Operating Model
People, Skills & Competencies	Human Performance Element, Supporting the Organization Model
Tools, Assets Architecture	Knowledge Capital, IT Tools, Architectures And Other Tangible & Non-Tangible Assets

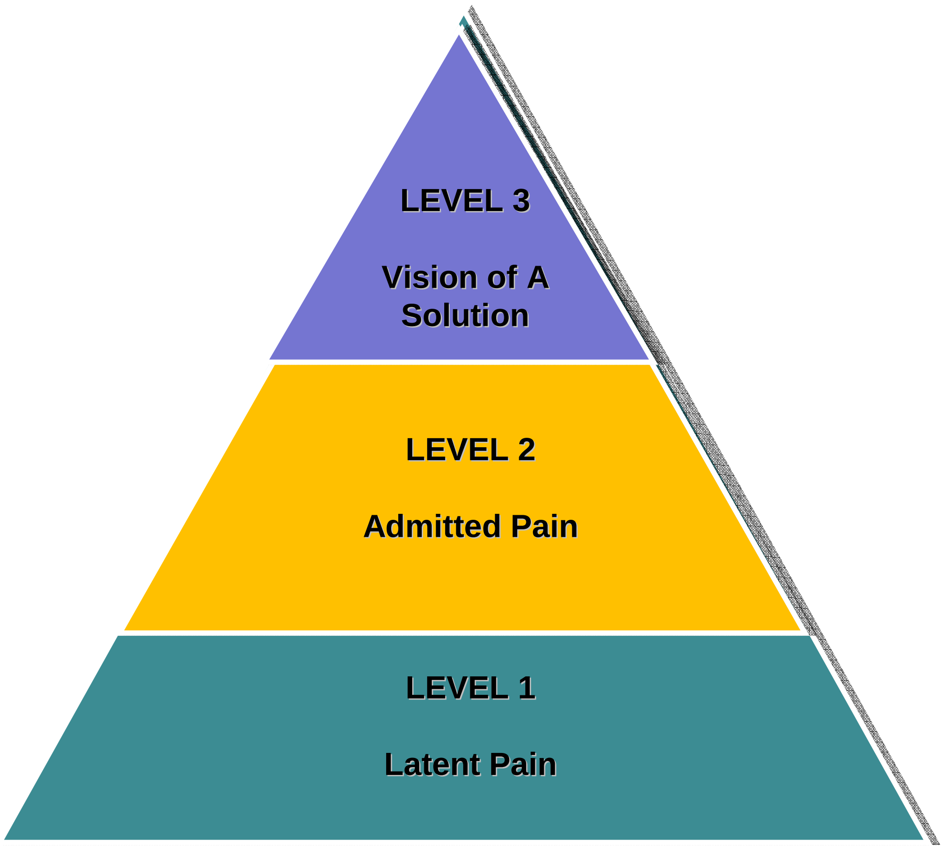
4. By Overhauling The Service Portfolio

Revamp & Overhaul Existing Services Portfolio From A Value Chain Perspective



Source: Matryzel Consulting

5. Differentiate Clients By Knowing Their Adoption Maturity



Level 1

- Not Actively Looking To Solve Problems
- Either Ignorant Or Have Rationalized Internally
- <u>Sales Focus: Awareness</u>

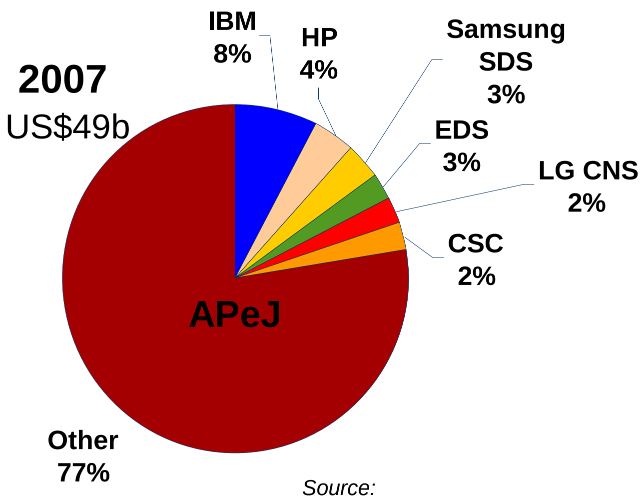
Level 2

- Willing To Discuss Problems Incl. Existing Dissatisfaction
- Doesn't Know How To Resolve
- <u>Sales Focus: Diagnosis of Problem & Creating A Vision For a Solution</u>

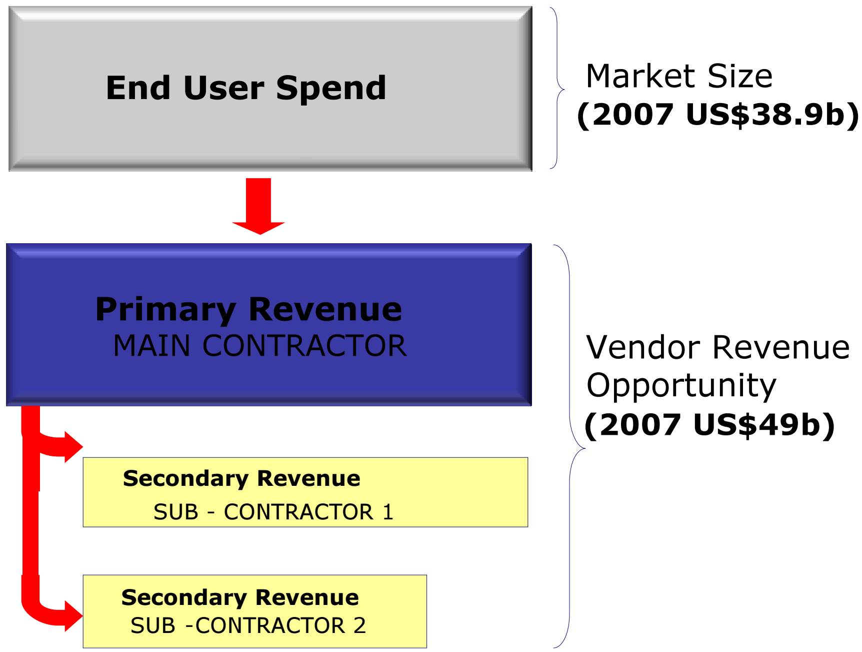
Level 3

- Buyer Accepts Responsibility For Solving Problems & Knows The Solution/s
- Can Visualize End State And Needs Guidance
- <u>Sales Focus: Support Vision, Don't Assume Deal Is in Hand</u>

6. Acquire Clients Through Collaboration



Source:
2H 2007 IDC A/P IT Services Tracker



Key Takeaways

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Services Globalization & Today's Economic Slowdown Will Further Push Organizations To Adopt **COLLABORATIVE PARTNERSHIPS TO CO-CREATE VALUE**

Demand Continues To Surge For Sourcing Partnerships, But Focus Is On Providers Who Can **ENTRENCH THEIR BUSINESSES WITH THAT OF THEIR CLIENTS**

ROUNDED CAPABILITIES Is Today's Need Of The Hour – Gone Are The Days When Products or Tools Helped Differentiate Providers

Localized Vendors Are Compelled To Create **VALUE SCALE** Through Collaborating With Larger Global Vendors

Customers Want **SOLUTIONS**, Not Just Services – **DOMAIN KNOWLEDGE** Is Key

Going Through Business Cycles On Your Own Is Not Feasible For Organizations Anymore – **CO-CREATING SOLUTIONS** Is Pertinent

Competition Is Fierce From Over 20 Emerging Destinations Spanning Multiple Continents – **GLOBAL READINESS IS IMPERATIVE**

Thank You

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