

March 23, 2006

Inside Outsourcing™



Inside with: Kevin S. Parikh, Esq.

Vice President, Global Sourcing Transactions Leader, Gartner

Larry Janis' interview
with:

Kevin S. Parikh, Esq.

Vice President, Global
Sourcing Transactions
Leader, Gartner

Gartner the world's leading provider of research and analysis about the global information technology industry. We provide data, advice and opinions to 45,000 clients worldwide representing 9,000 distinct organizations, deliver 2,000 consulting engagements a year, and hold more than 50 annual events that draw in excess of 31,000 attendees. Our clients include chief information officers and other senior IT executives in corporations and government agencies, as well as technology companies and the investment community

LJ: How are your clients' expectations on the advantages of outsourcing changing?

KP: The ascent of the global workforce into the white-collar economy has brought new opportunities for expansion and cost cutting to our clients. It has also brought considerable risk. Of course, it is impossible to eliminate all risk from a business relationship; it is possible to reduce risk by outsourcing in a manner that aligns with business objectives.

From the Editor.

Welcome to our current
issue!

Inside Outsourcing's goal is to provide you with articles of interest and with a forum for the exchange of information in this rapidly evolving industry.

The first thing an organization must do, to ensure a smooth transaction, is to accept that outsourcing today is a global deal and involves a global workforce. In this environment, service providers are increasing the use of offshore resources to support delivery. As a result, organizations may be unknowingly leveraging out-of-country resources to support a local delivery team. Building a proper contractual relationship brings visibility into the outsourced relationship and ensures that resource allocation, intellectual property, and assets are being used in a manner that is consistent with a larger sourcing strategy. In this spirit, we advise our clients to make a reasoned, fact-based case for outsourcing, which is based on a clear risk analysis. For example, a decision to offshore should be based on a sound business case; it should consider productivity gains, quality improvement, and business risks, and not just cost savings.



Inside with: Kevin S. Parikh, Esq. ,

Vice President, Global Sourcing Transactions Leader, Gartner

Understanding the “real” risks to an organization is critical. For example, even when contracting with a U.S.-based service provider, services could be performed overseas and data could be moved to a country with limited IP protections and/or legal remedies. Further complicating this problem is the fact that different countries have different positions on enforcement of contract terms, such as limitations of liability caps, the award of damages for IP infringement, or disclosure of confidential information. As such, one major risk to assess and mitigate is the legal risk outsourcing presents to an organization. Modern IT-outsourcing contract must contemplate how cross-boundary disputes will be resolved.



In sum, many organizations are finding that offshoring not only makes them more competitive but also frees up resources to invest in emerging technologies and innovation, with the side benefit of creating more jobs. We help our clients realize the opportunity of outsourcing by managing contract, delivery, and business risks.

LJ: How sustainable are the benefits of offshoring once the labor arbitrage starts to shrink?

KP: Time and history are on the side of offshoring. It is already here, and its growth is unavoidable. Even after the labor arbitrage benefits start to shrink in maturing markets like India and China, there will be new markets to consider such as Vietnam, South Africa, and Mexico.

Gartner

Near-term legislation and public hysteria may delay the initial speed of offshoring, but it is not likely to stop global free trade and the business exploration of transboundary capabilities. Even so, many of the risks are still unknown in the growing the Business Process Outsourcing market and businesses must pay close attention executing offshoring contracts in this context. Focusing closely on these details now will not eliminate the media storms surrounding offshoring, but it will greatly improve your organization’s opportunities to reap the benefits that a well-prepared offshoring effort can offer.

Moreover, the investment in facilities, research, and infrastructure is so great in both China and India that these regions are unlikely to lose their competitive advantage, even after labor rates begin to equalize.

LJ: What is your view of the future of Outsourcing?

KP: Outsourcing has become a global effort and enterprise; the future promises more of the same. With new global service delivery models, managing clients through performance-based contracts is more critical than ever. To meet this challenge, service level requirements need to change to more closely align with real business objectives, risks, and results. *(continues next page)*



Inside with: Kevin S. Parikh, Esq.

Vice President, Global Sourcing Transactions Leader, Gartner

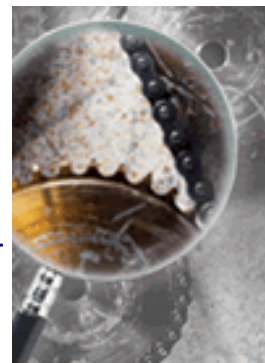
In the modern outsourcing arrangement, flexibility is paramount; and contracts should be nimble enough to change with new business needs. The lack of contract flexibility is a major problem in many existing deals and over time the agreement is no longer aligned with the client's needs. External factors are also an issue, for example, the geopolitical environment of the host country may change. In the late 90's, increased nuclear rhetoric between Pakistan and India was a cause for concern. Be sure to include—and carefully word—exit clauses, termination agreements, and the performance-based metrics by which you will measure success.

Of course, success is a lot easier to come by when you have planned for disaster. And since offshoring, particularly of BPO services, is such a relatively new phenomenon, planning for all worst-case scenarios is essential. Snafus will ensnare. Hiccups will disrupt, even working with an established Tier 1 service provider.

LJ: As an advisory firm, what are you top three goals for a client?

KP: Our goals are simple and as follows:

1. Ensure that the outsourcing strategy is properly aligned with business objectives; even if that means the decision is not to Outsource;
2. Negotiate a competitive Outsourcing Relationship in terms of both price and service; and
3. Create an outsourced result that the client has the capability of managing.



LJ: What are some of the advantages you offer to make you more successful than other advisory firms?

KP: Simply put, we have drawn from a broad array of skill sets by employing lawyers, IT professionals, accountants, human resource specialists, financial analysts, and program management specialists. The result is a outsourcing transaction that mitigates global risks, plans for regulatory requirements (such as Sarbanes-Oxley), applies auditing best practices, includes performance-based contracting terms, and manages HR, transition, and management risks. Like other firms, we draw from an array of best practice templates and agreement structures, however; we never employ a “cookie cutter” approach with our clients. We believe that every deal has to be tailored for customer business requirements and providers capabilities. Only then can one ensure a “win-win” relationship.



Integrated Search Solutions Group



We are a thirteen-year-old retainer based executive search firm that has successfully attracted top talent in the areas of Outsourcing (IT, BPO and BPM), Consulting (Strategy & Technology) and traditional IT functions (CIO, CTO, etc). We have worked effectively with major corporations as well as effectively with venture capitalized start-ups. Executive recruiters typically pride themselves in their ability to recruit top executives, irrespective of the industry. Leaders in outsourcing tell us a different story; outsourcers value what we do because we understand their business. Executive search in outsourcing is what we do.

Office Locations:

New York
Florida
London
Belgium

Phone: 516-767-3030

email: janis@issg.net

www.issg.net

Members of: HROA, SBPOA, BPOAdvisory Board

Business Outsourcing Makes Strong Push Forward with Small and Midsize Deals

Online News published in DMReview.com
March 22, 2006

According to a newly released IDC study, the business outsourcing market progressed positively in 2005, experiencing a 33 percent increase in the volume of deals signed. The IDC study, which provides an in-depth comparison of 2005 and 2004 business outsourcing deal activity, finds market adoption expanding and becoming more mainstream, as large, midsize, and small companies from a variety of industries embrace the business outsourcing model.

"The business outsourcing market saw healthy growth in 2005," said Romala Ravi, director of IDC's BPO Services research. "While the small number of mega deals signed caused overall contract values to slightly decline, the rest of the market pushed forward strongly. Mega deals can cause wild swings in the total contract values each year, but the reality is that these deals only represent a mere 3 percent of business outsourcing deal activity. The majority of this market, comprising deals under \$1 billion in value, continued to see vibrant activity with adoption spread out across a wide range of company sizes, industries, and geographies."

"Gratitude is not only the greatest of virtues, but the parent of all the others."

Sir Winston Churchill