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# Inside Outsourcing™



INTERVIEWED BY LARRY JANIS

Inside with:

**Phil Fersht, Research Director,**

**AMR Research**

AMR Research is the No. 1 research firm focused on the intersection of business processes with value chain and enterprise technologies. Founded in 1986, AMR Research provides subscription advisory services and peer networking opportunities to operations and IT executives in the consumer products, life sciences, manufacturing, and retail sectors. Phil is also founder and author of the popular sourcing industry blog “Horses For Sources” ([www.horsesforsources.com](http://www.horsesforsources.com)) which has a fast-growing readership of over 30,000 people globally.



***LJ: You have been in the Outsourcing Industry for several years in different capacities. What changes have you seen in the industry?***

**PF:** I'll keep this answer simple: outsourcing has matured beyond recognition in the last few years.

**IT:** India has become the world's foremost provider of IT services. Whereas a few short years' ago you used India resources solely to save money, these days you have to use them as India has the skills you need for software development and support, which you may struggle to find onshore.

**BPO:** Has been a long way behind the adoption of IT, namely because we're dealing with people and processes, as opposed to technology. However, we have seen significant changes between old BPO models where companies simply threw their back office work over to lower-cost regions with limited changes to their process of technology.

With all the competitive dynamics and experiences from the decade-long surge of IT outsourcing, we are seeing a swift maturation of the BPO industry, especially with the current recession. Service providers have quickly recognized the business models that are profitable and scalable, with those wanting to deliver BPO services pretty much already having made their move into the market.

FROM THE EDITOR

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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.

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And the biggest game-changer has been the surge of Indian head-quartered service providers into the industry. They are determined to move up the business value chain and offer higher value services to their customers, quickly realizing the way to distinguish themselves is to focus on areas where they can add business value while achieving significant cost savings for their clients.

If you had a look at India, Inc.'s BPO industry just three years ago, you would have observed a handful of local providers trying to get in on the rear of the action that was then being enjoyed entirely by Western incumbents: Accenture, ACS, Cap Gemini, HP and IBM. Now, the leading global enterprises are all including top-tier Indian BPO providers on their shortlists, most commonly Genpact, Infosys, and Wipro for finance and accounting; TCS for human resources and call center; and Cognizant for some industry-specific areas, such as retail and life sciences. Then you look at the up-and-coming Indian BPO providers to observe the sheer scale and potential of this industry: WNS, HCL and Sutherland Global, for example, are all eagerly taking on BPO services with smartly focused and low-cost business services.

***LJ: You have provided advisory and research services to companies, how have the buyers of outsourcing services changed?***

**PF:** For ITO buyers, the industry has become a lot more commoditized over the last couple of years, and buyers – on the whole – are a lot more sophisticated at using offshore / outsourced IT. The sourcing advisors are also a lot better and driving clients through to contract faster and at better pricing than ever. For many companies today, it's simply a consolidation exercise – i.e. how was we move from 6 providers to 3 and which are the best avenues for delineation. One model I am seeing getting more popular is one service provider for testing, one for development/maintenance and one for infrastructure – and may be a niche provider for an area that requires special expertise. One other change is that most of the basic development skills for today's applications reside with the service providers these days, and are tough to find / build organically.

For BPO, not a lot has changed, and most companies going into BPO are doing it for the first time. Hence, a high lack of good information, experience and knowledge of how this works. And while a couple of sourcing advisors can run BPO deals competently, others are throwing IT advisors on deals and making a bit of a mess of it. It's getting better though, namely as a result of service providers getting their act together and putting together more robust offerings.



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**LJ: What do you see as the necessities to be successful in F&A BPO?**

**PF:** Patience on the side of the buyer – it takes a couple of years to find a workable relationship with your service provider. But most buyers find that balance, and the fact we’re yet to see more than a couple of switch-outs / backsources, is testament to the fact that these F&A BPO models do work over time. On top of that is a real focus on getting the culture and attitude right between provider and buyer. It’s not all about green-light SLAs and meeting every single metric without fail, it’s about working together to do things better, based on both process and technology acumen.

*“On top of that is a real focus on getting the culture and attitude right between provider and buyer”*

**LJ: What do you see as the next direction for BPO?**

**PF:** Two aspects:

- ◇ SaaS-based services within a BPO context: SaaS delivery is much more suitable within a BPO environment, where the fundamental delivery is business process-based, as opposed to a complex IT outsourcing (ITO) environment. In an ITO context, the service provider is basing its revenue model on developing and supporting an application / suite of applications. Hence, SaaS can conflict directly in this context, when it is eradicating the need for application customization. BPO is a different ball-game, where common standards and common processes are the critical ingredient, and SaaS fits the bill. BPO service providers want simplicity and utility, and complex technology customization is not always well-suited to their business models, and can often be a deal-breaker where cost-reduction is the prime buying motivation.
- ◇ Industry-flavored BPO services: those provider that are specializing in cross-industry BPO services that build an intimate knowledge of industry specific processes, for example point-of-sale in retail, revenue accounting in energy, supply chain accounting for consumer goods, or clinical data management in life sciences, are where many of these services are headed. And the more technology IP that can be leveraged to underpin these processes, the most scaleable and profitable they will be for the service providers. Those providers that only focus on people-centric processes will get left behind, or squeezed down market into delivering largely transactional work.



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**LJ: What makes you successful?**

**PF:** I treat people well. I always throw a bone or two over to people who ask for a favor. If I get one back, then great. If I don't, then I stop throwing them.

I also hate bullshit politics and try to stick to real business relationships. End of the day, businesses work if talented people enjoy working together. I pick the people I get a buzz out of working with and stick with them. I also surround myself with smart people I can learn from. Plus, people I like. Getting on with people is so important. And getting on with your clients is even more golden in this market.

One other thing I have learned is to quickly get past bad periods with people. We always have sticky moments with peers or colleagues where it's easy to fall out. I find if you keep communicating regularly with people, it's easy to get over arguments or conflicting interests.

I also network a lot, and never miss-up a good chance to meet smart people.

And I am always educating myself – it's increasingly tough to stay ahead in this market, and I need to use all the resources at my disposal to keep learning – that's from other people, from good news media, good conferences, from clients, from books, blogs and news programs. Not so sure about Twitter though :-)



*“never miss-up  
a good chance  
to meet smart  
people.”*

## Integrated Search Solutions Group

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