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Evolution of Asian Offshoring Models

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Overview

- Observations from Practice

- Interactive / Questions Encouraged

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Offshoring

- Captive
  - Early Adopters
  - Current Examples
    - Fortune 50
    - Startups
- Outsourcing
- Hybrid Models
  - Combination of Sources
  - BOT

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Motivations to Outsource

- Economies of Scale

- Labor Arbitrage

- Quality / Best Practices

- Flexibility
  - Variable Staffing / Costs

- Focus on Core Functions

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Motives for Captive Offshoring

- Organic Growth
  - Examples
- Common Culture
  - Cohesion with retained operations
- Control
- Retention
  - Equity Compensation
- Costs

Different Types of Outsourcing

- Contract Manufacturing
- Information Technology
  - Application Development & Maintenance (AD&M)
  - IT Infrastructure
- Business Process Outsourcing (BPO)
- Knowledge Process Outsourcing (KPO)

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Contract Manufacturing

- Ubiquitous
- Representative Companies
  - Pure-Play Foundries
  - OEMs
- Additional Engineering Services / IP Development: ODM, EMS
- Developments in India

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Features / Issues

- Long-standing industry practice
- Typically Turn-key
- Non-core
- Work product easily tested
- Fungible: relatively easy to second source
- Potential IP issues in ODM / EMS

IT - AD&M

- Initial Drivers
  - QA
  - Y2K
- Vendors
  - Tiers
- Primarily in India

IT Infrastructure

- Examples
  - Hosting
  - BC / Data Recovery
  - Desktop Maintenance
  - Help Desk / Support
- Background
  - Timesharing
  - Vendors
    - Originally On Shore
    - Early and Current Indian Efforts

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IT Outsourcing – Issues

- Core or non-core
- Mission Critical
- Economies of Scale
- Fungible
- Quantitative Quality Metrics
- Personnel

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Business Process Outsourcing

- Most rapidly expanding
- Early examples: Call centers, transcription services
- Current Examples
  - F&A, Tech Support, Order Fulfillment, Sales
- Vendors
  - Focused in India

Business Process Outsourcing – Issues

- Trend from back-end services to higher level, core operations
- Results often harder to test
  - Reporting tools often limited
  - Quality harder to quantify
  - Outsourced services often highly customized to customer

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KPO

- Professional Services Provided Offshore
  - Marketing, Market Research
  - Legal Services
  - Educational Services
  - R&D
  - Consulting

Moving Up Value Chain

- KPO
- IT
- BPO
- Manufacturing

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Structure of Outsourcing Transactions

- RFP
- MoU / Term Sheet
- MSA
  - Local Agreements
  - Scope

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Typical Issues

- Duration
    - Termination
- Governing Law / Dispute Resolution
- Legal Compliance
    - Onshore Regulations
    - Offshore Regulations
    - Changes
- IP
    - Customer, Vendor, Third Party (FOSS)
    - License Terms
        - Region – Specific

Typical Issues …

- Governance
  - Change Management
    - Gainsharing
  - New Services
- Personnel
  - Background Checks
  - Retention
  - Non-Compete
- Transition
- Disaster Recovery

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Typical Issues …

- Work Product
  - Acceptance / Testing Criteria
- SLAs
  - At Risk Pool
  - Baselining
  - Reporting

Typical Issues …

- Benchmarking / MFT
- Pricing Model
    - Project - Based
    - FTE – Based
    - Transaction -Based
- Forex / CPI
- Taxes
    - Offshore and Onshore

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Trends / Evolving Issues

- Attrition
- Training
- Multi-sourcing
- Geographical Distribution
  - Within India
  - Other Destinations
- BOT
  - STP / SEZ
  - Stock vs. Asset / Slump Sale
  - FDI / RBI
- Other Issues

Questions?

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