

Global IT Services Sourcing Post Crises: Trends and Developments

From Technology Services to Business
Services: A New Factor in the Offshoring Mix

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The Crises Favours A New Model

Classic *Outsourcing* is being challenged by a new business model – the *Direct Sourcing of Services*.

New (chiefly American) vendors are driving this young market development. Their business models are based on the leverage of highly automated manufacturing technology - combined with the direct delivery of services over the Internet - rather than the offshore leverage of white collar skills.

Their highly competitive economics favours them in the current recession and their sales growth is rapid.

Virtualisation: The Quiet Revolution

***Virtualisation* ‘wraps’ each piece of data/process instruction with sufficient information to give it an independent identity – underwriting new technical architectures that enable software structures (and the operational & business systems they support) to be loosely & flexibly inter-linked and managed.**

Virtualisation enables a major transformation in the management of data processing, data storage and data networking *through a high level of automation* – sharply raising asset utilisation, and sharply reducing operational costs.

The impact of VoIP (Voice over Internet Protocol) is an early example.

And the Pioneers have been.....

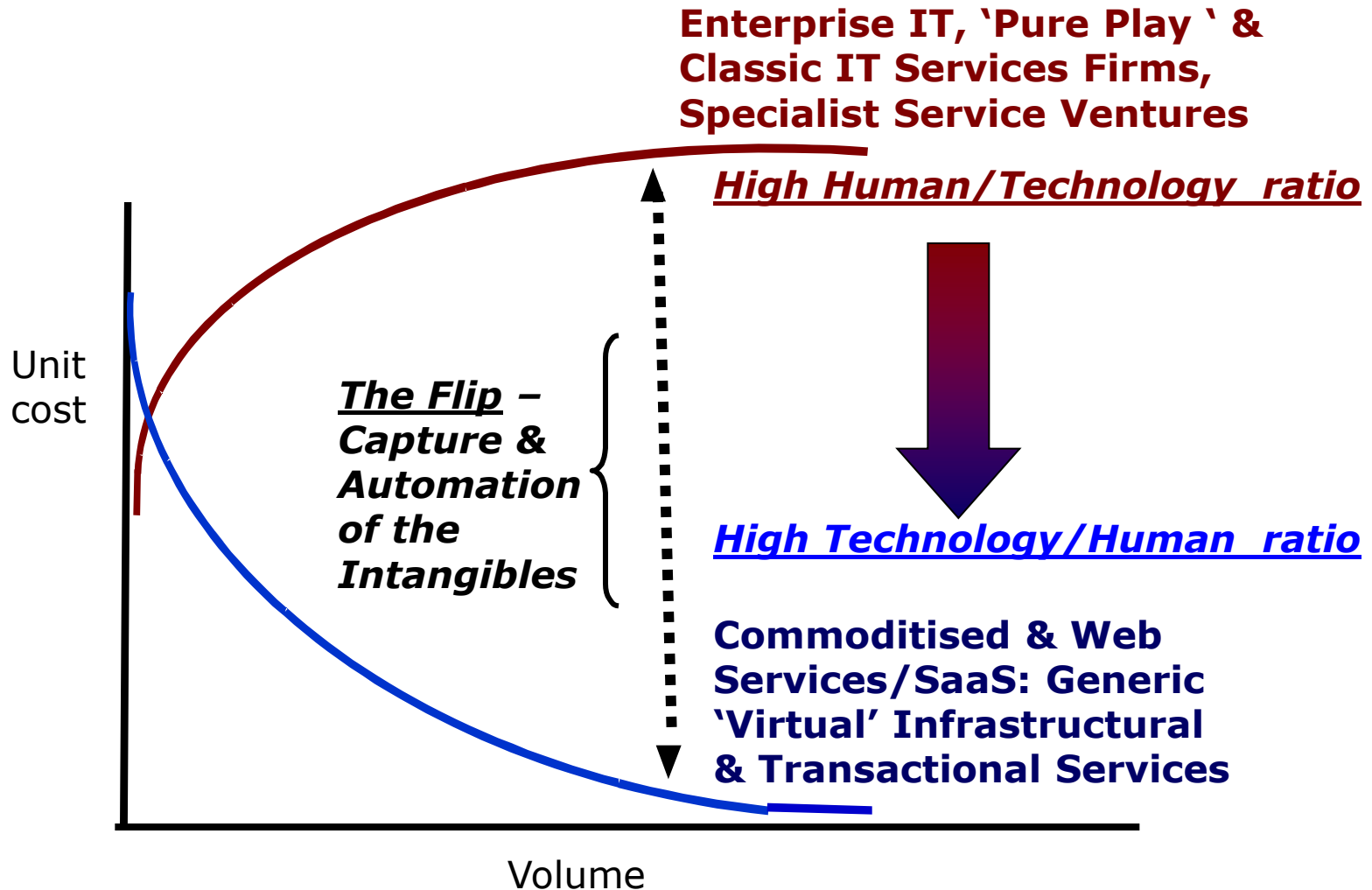
Companies such as Google & Amazon have pioneered the highly automated manufacture of consumer services as business processes delivered over the Internet in *consumer services*. The development of e-commerce has driven their learning.

In parallel, companies such as salesforce.com have pioneered this model in the *business services* space.

Current IT Services and Outsourcing business models are people intensive. Thus the international leverage of the white collar professional has fed the growth of offshoring.

The new highly automated & technology intensive businesses operate to a very different economic model. *They are disruptive.*

A Fundamental Shift in Business Model

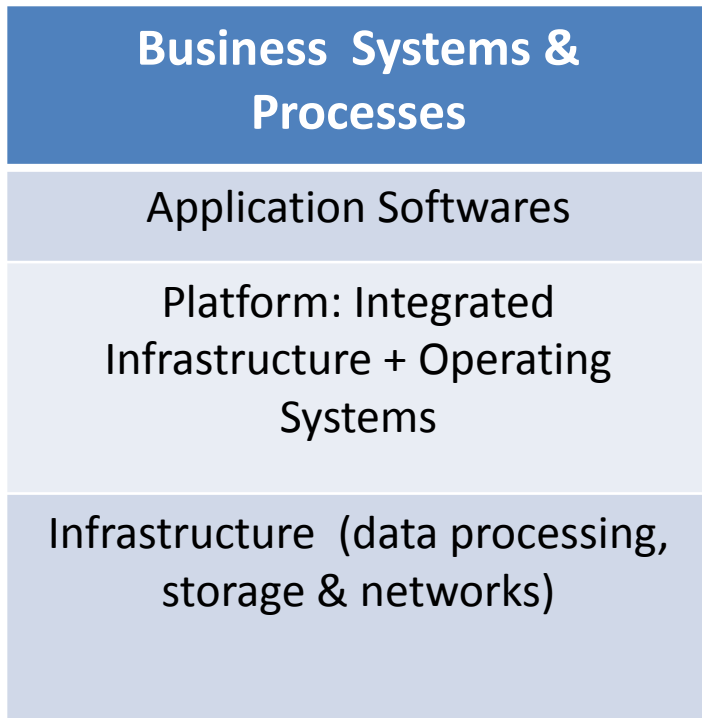


Virtualisation: The Quiet Revolution

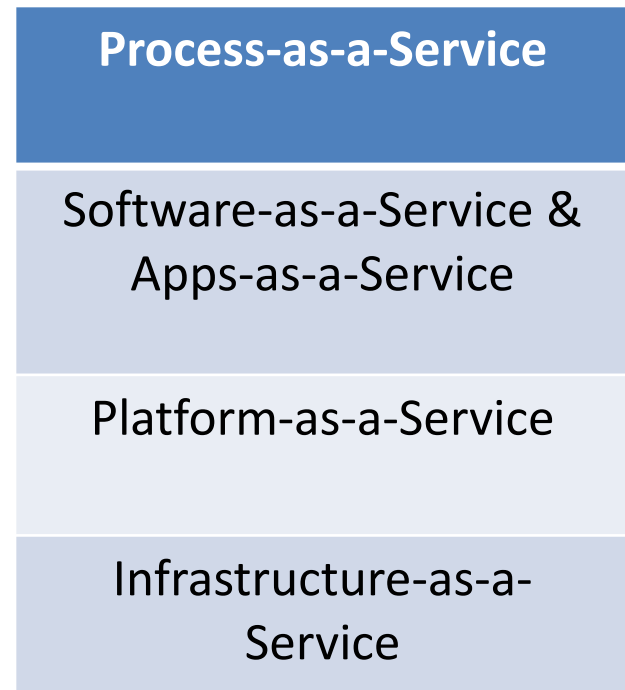
Virtualisation also enables the decoupling the layers of the classic ‘big company’ technology stack.

Each layer can potentially then be sourced as distinct *service*.

The Legacy IT Stack: Tightly Integrated



The Virtualised IT Stack: Loosely Coupled



New Vendors, New Commerce

The Virtualised Stack: Loosely Coupled

Process-as-a-Service

Software-as-a-Service &
Apps-as-a-Service

Platform-as-a-Service

Infrastructure-as-a-
Service

The New Business Services

*Salesforce.com CRM (Customer
Relationship Management)*

Google Apps Integrated Desktop

*Apple's i-Apps & force.com
Platforms*

Amazon Elastic Cloud, Skype

The 'Edge' of the New Commerce

These new business services are competing in the ITO and BPO market spaces. Their 'edge' lies in their promise of:

- **A sharp drop in operating costs;**
- **A significant improvement in energy efficiency (Green!)**
- **(Flexible) opex budgeting, escaping the restraints of capex;**
- **Flexible & scaleable sourcing (up/down) with demand**
- **Fast & simple on-line procurement**
- **Ease of small scale trialling followed by rapid up-scaling**
- **Fast development & deployment of new applications**
- **'One version' softwares, upgraded unobtrusively.**
- **Automatic services integration**

And in the Competitiveness of the 'Shores'?

The challenge is to re-focus the international leverage of the white collar professional

***Away* from 'production factory' (infrastructural ITO & generic back office BPO) business services**

***Towards* the more focused & specialised front-line business services where the human value-add is positively & sustainably rewarded. Domain knowledge rules OK!**

Position to exploit the new business services - they provide powerful new means for rapid 'apps development' and they are in essence global services. This requires effective high capacity & cost competitive network services and Internet access.

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Thank You

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