

Globalization of Services

Igniting The Futurized Corporation

Presenting at

MIS RESEARCH CENTER

UNIVERSITY OF MINNESOTA



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Seminar Content

Globalization of Services



The Futurized Corporation



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Globalization of Services



The Rise of “The Offshore Nation”

Consuming Borderless Services

7 Secrets of Successful Globalizers

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Member Request Capabilities

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The Old Era of Globalization



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Starting On The Journey



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The Global Services Economy

- Not since the industrial revolution has the global economy experienced such dramatic, transformational changes
- What started with sourcing low cost, low value services has matured to include what companies considered core just 4-5 years ago.
- As traditional low-cost locations mature towards higher value added work, emerging low-cost locations fill-in for the lost capacity in a virtuous cycle – impacting economies and societies
- **Less than \$80B of the \$500B potential in services trade has been exploited annually**



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The Rise of “The Offshore Nation”

Started with manufacturing



U.S. Trade Deficit with China

- Jan - Aug 2006: \$143,305.5 mil
- 2005: \$201,544.8 mil



Source:
U.S. Census Bureau

- Imports from China - \$20-22 bn (2005)
- 1/10th of US trade deficit with China (2005)
- 8th largest trading partner



Other large importers include Home Depot, Target Corporation, Lowe's, Motorola, Honeywell etc.

Imports from China Greater than GDPs of:

- **\$15-20 billion** – Kenya, Costa Rica, Latvia, Uruguay, Trinidad and Tobago, Panama, El Salvador
- **\$10-15 billion** – Ghana, Bahrain, Jordan, Estonia, Tanzania
- **\$5-10 billion** – Zambia, Nepal, Bolivia, Jamaica, Brunei, The Bahamas

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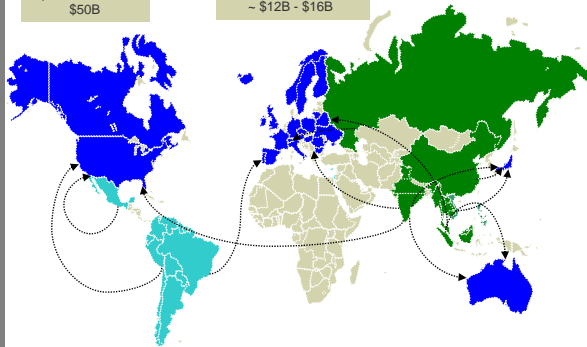
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Demand Factors

US IT/BPO Offshore expenses: ~ \$40B - \$50B

EU IT/BPO Offshore expenses: ~ \$12B - \$16B



■ Demand ■ Offshore Supply ■ Nearshore supply

Source: neoIT

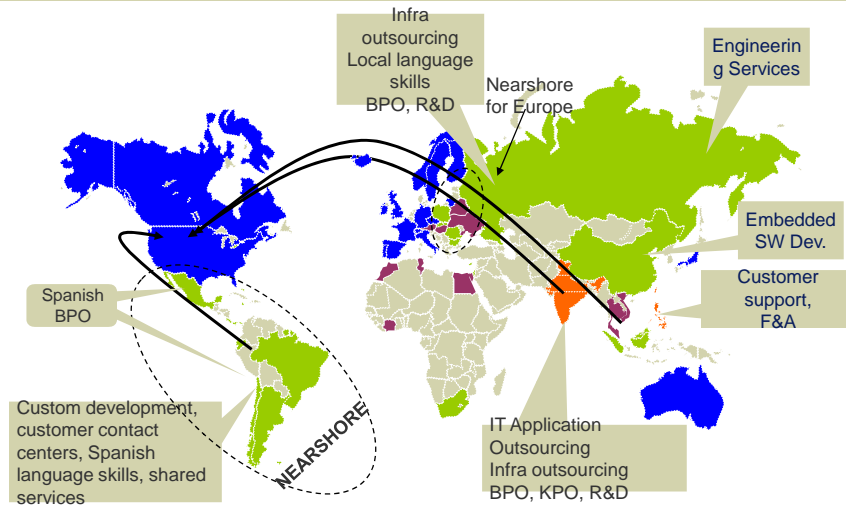
- Competition within vertical industries in demand markets continues to intensify
- Speed to market is becoming a critical competency for companies across high tech, healthcare, mfg, financial services and CPG among others
- Wall Street continues to reward efficient performers and punish high cost public companies
- **The talent crunch is real – whether it's IT, R&D, Engineering or finance**
- **Companies constantly re-evaluating what is core and what can be done better, faster, cheaper by others**
- **Uncertain economic conditions forcing companies to rethink their portfolio**



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Supply Factors – Emergence of CoEs



■ Nascent Location
 ■ Emerging Location
 ■ Established Location
 ■ Demand

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The Rise of “The Offshore Nation”

Now starting to see it in services



Central & Eastern Europe
 Poland, Czech Republic,
 Hungary, Russia

Latin America
 Mexico,
 Costa Rica,
 Brazil

Asia Pacific
 India, China,
 Philippines,
 Malaysia

Centers of Excellence Emerging

- **India:** IT, Back office and analytics
- **Philippines:** Customer Support
- **China:** Embedded software
- **Poland:** European back office
- **Hungary:** European back-office
- **Russia:** Engineering services
- **Mexico:** Spanish language skills
- **Brazil:** ERP support & maintenance
- **Costa Rica:** Shared services
- **Singapore:** Data Center

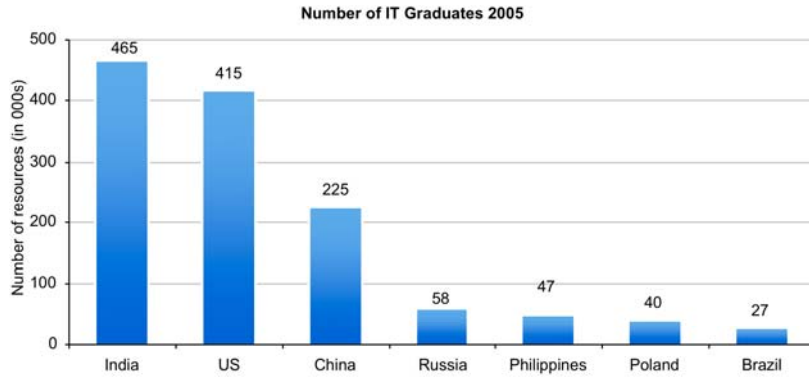
Emerging Centers of Excellence

Large enterprises will increasingly be concerned about de-risking their operations through global diversification

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The Rise of "The Offshore Nation"

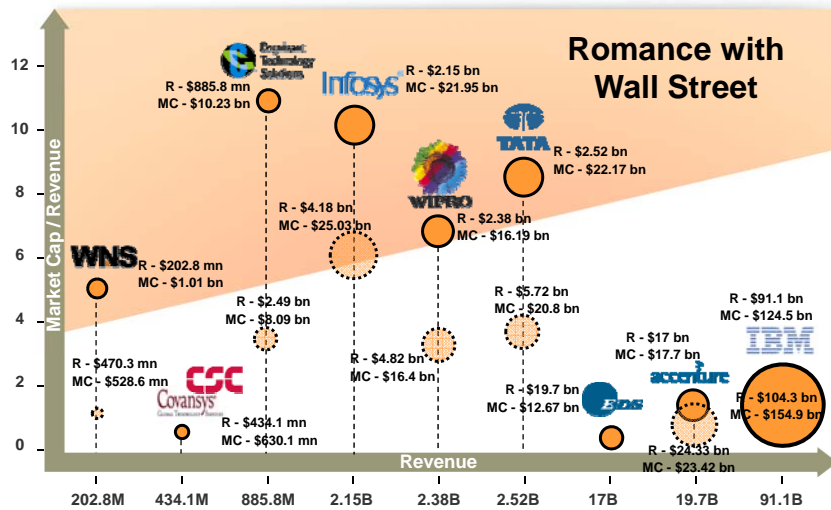
India and China – Booming talent pool



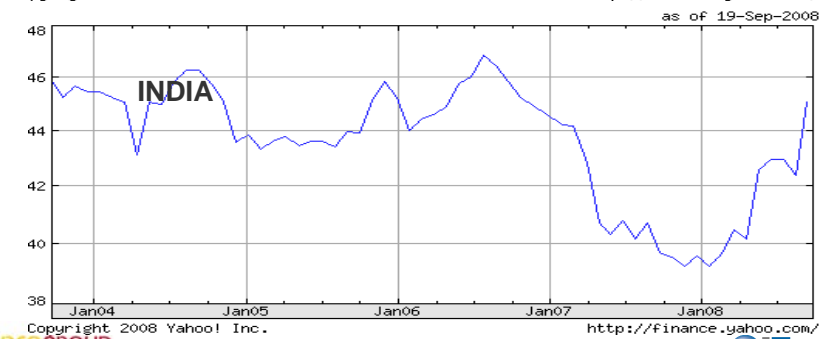
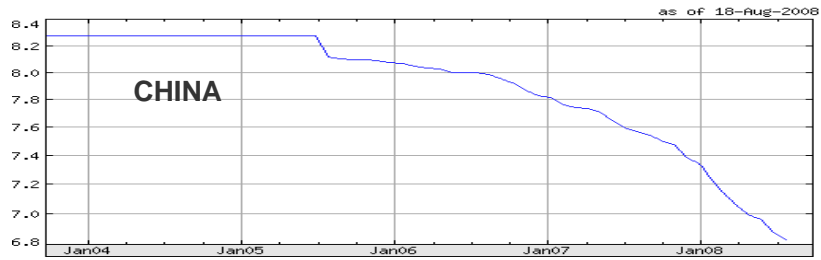
Rivals talent pool in the USA

The Rise of "The Offshore Nation"

Romance with Wall Street

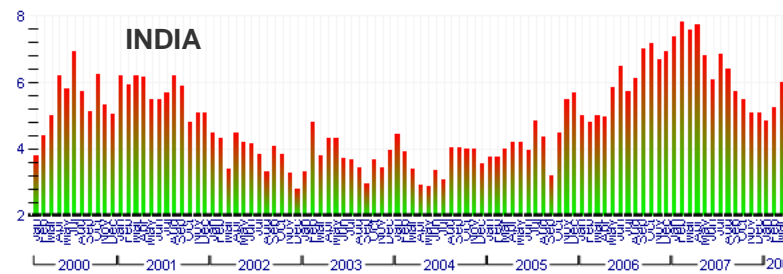
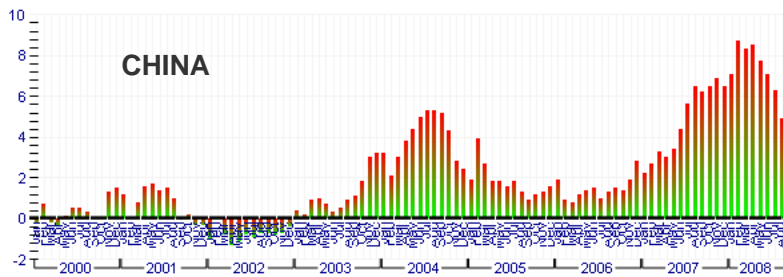


Trends in India & China: Currency



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Trends in India & China: Inflation



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The Rise of “The Offshore Nation”

Consuming Borderless Services

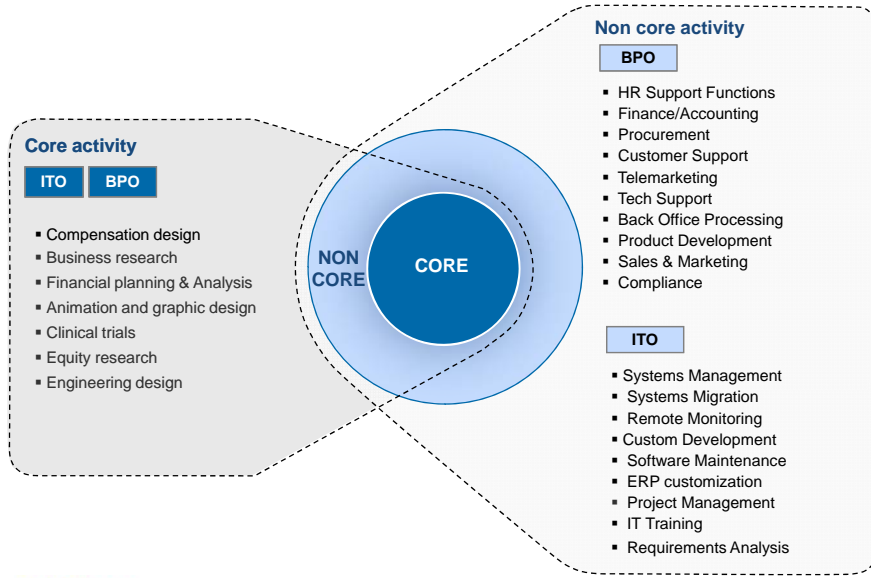
7 Secrets of Successful Globalizers



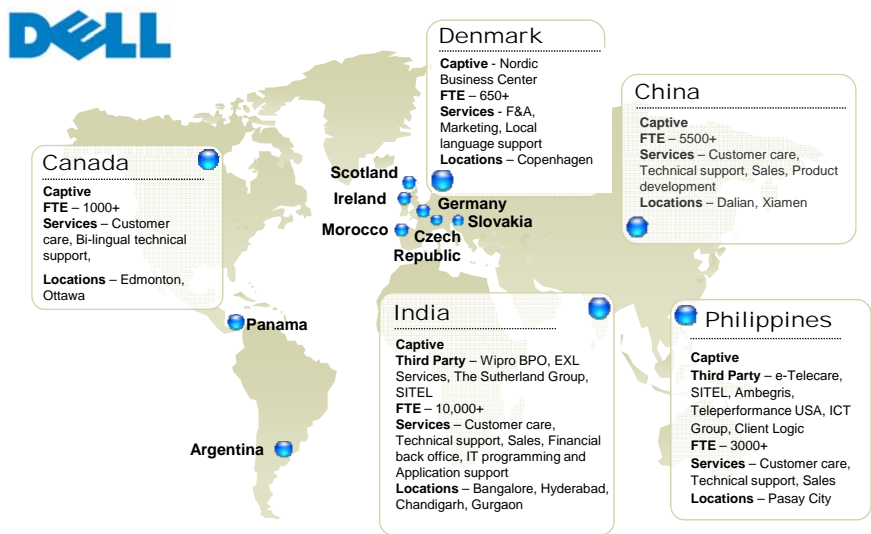
Consuming Borderless Services



Consuming Borderless Services



Consuming Borderless Services



Consuming Borderless Services



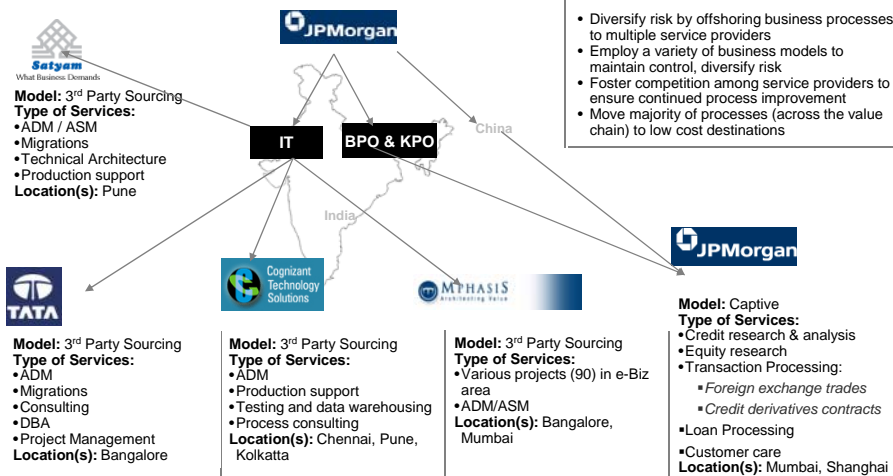
- Realized 35% reduction in total cost of IT operations
- Improved nimbleness and agility to effectively respond to business cyclicity
- Resulted in optimization of technology leading to cost efficiency
- Innovative engagement model with flexibility to scale / shrink requirements
- Strategic partnership approach providing a platform for global roll-out



Consuming Borderless Services

Offshoring Model

Strategic Objectives



- Diversify risk by offshoring business processes to multiple service providers
- Employ a variety of business models to maintain control, diversify risk
- Foster competition among service providers to ensure continued process improvement
- Move majority of processes (across the value chain) to low cost destinations

Content

The Rise of “The Offshore Nation”

Consuming Borderless Services

7 Secrets of Successful Globalizers



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Secret #1: Embrace Globalization



- 1 Embrace globalization across the business
- 2 Ask why it cannot be done elsewhere
- 3 Mandate it
- 4 Keep an eye on the future

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Secret #2: Welcome It As A Transformation Lever



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Secret #3: Adopt A Lifecycle Approach



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Secret #4: Align Business and Globalization Objectives



- Ensure that business strategy drives services globalization
- Why are you looking at globalization?
- What part of your business strategy does it help you execute?
- What are you going to do?
- Is the organization ready for this?

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Secret #5: Assign The Best People



- The best that fit are selected and assigned to launch and manage the program
- Strong participation from the CEO and C-Level Executives
- Attention and recognition by senior management makes it attractive to lure the best talent
- Team Secrets strategic learning

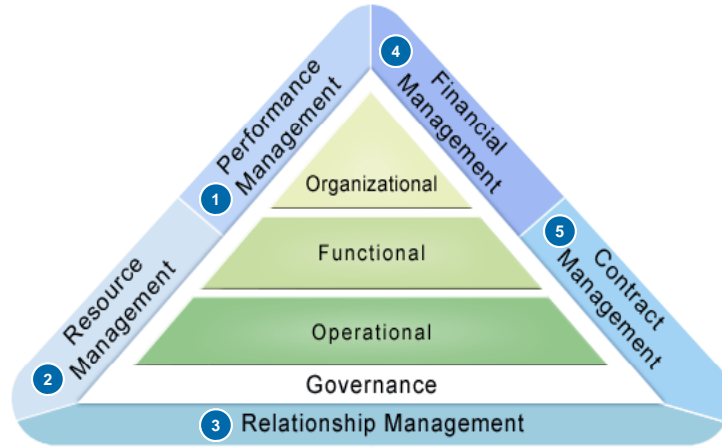
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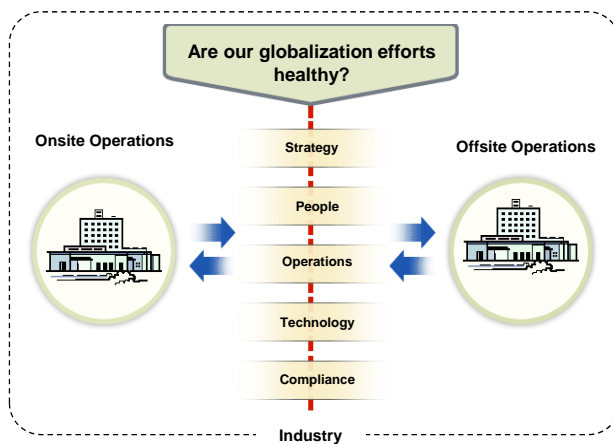
Secret #6: Implement A Strong Governance Model



neoIT M5 Framework

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Secret #7: Embrace A Continuous Improvement Mind-Set



- Programs such as Six Sigma are part of the ongoing operations

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The 7 Secrets

- 1 Embrace Globalization
- 2 Welcome It As A Transformation Lever
- 3 Take a Lifecycle Approach
- 4 Align Business And Globalization Objectives
- 5 Assign The Best People
- 6 Implement a Strong Governance Model
- 7 Embrace A Continuous Improvement Mind-set

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The Futurized Corporation

Roadmap to becoming a “Futurized Corporation

Case Study

Key Takeaways

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Listening to the Pundits



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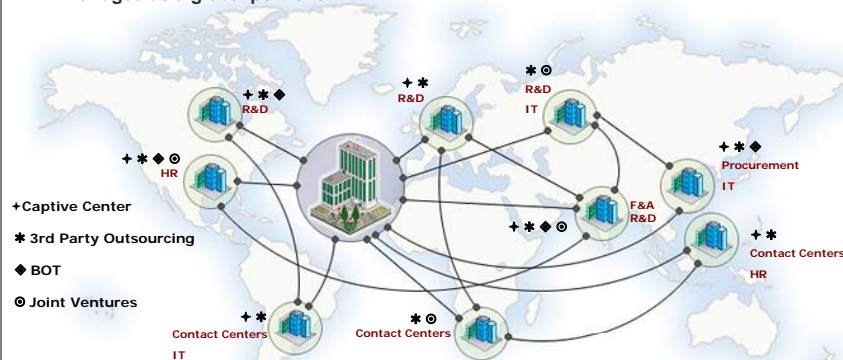
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The Corporation in 2015

Unprecedented division of services labor... leveraging centers of excellence...
managed as a global portfolio



...taking into account capabilities, human capital, infrastructure, political risk, currency
fluctuations, cost of labor, productivity, taxation, security and legal environment

.....to produce the optimum, networked services value chain.

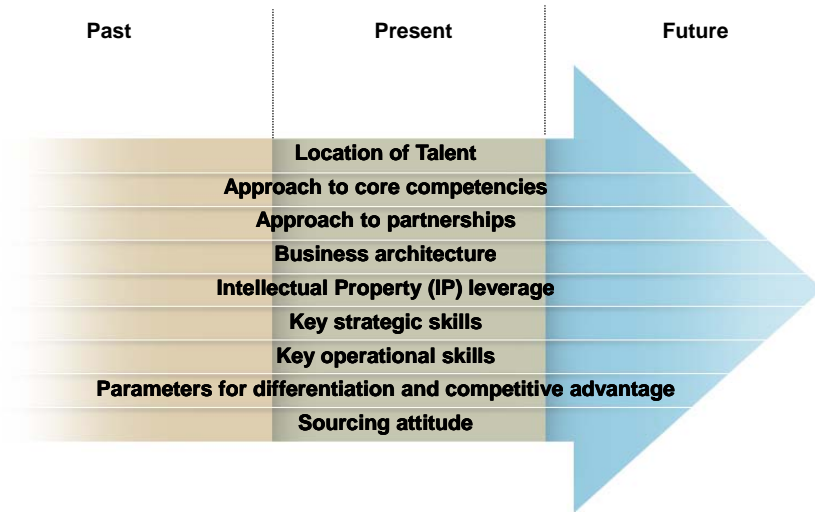
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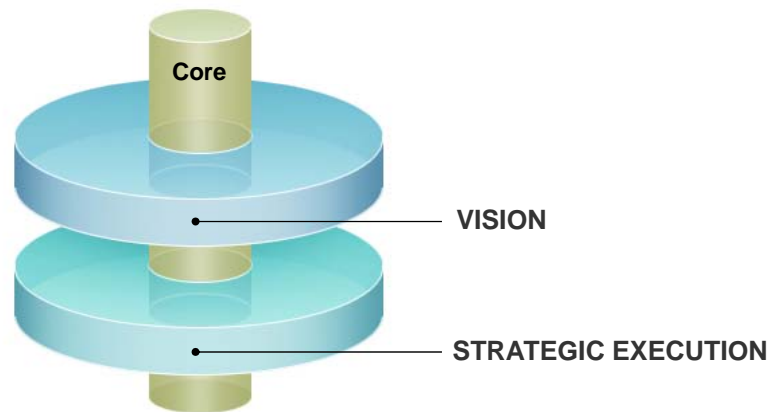
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Evolution of the Futurized Corporation



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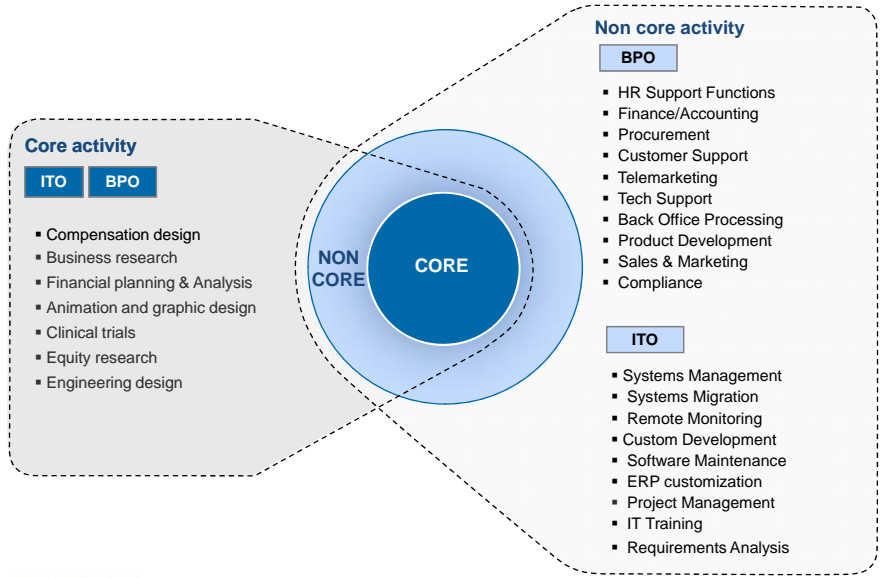
The Building Blocks of The Futurized Corporation



The Concept of SOBA

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Redefining Core



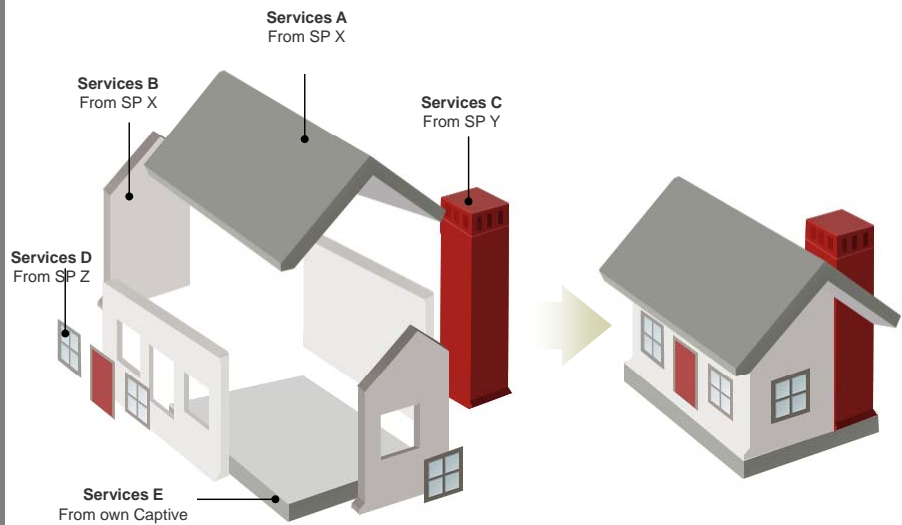
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Service Oriented Business Architecture (SOBA)



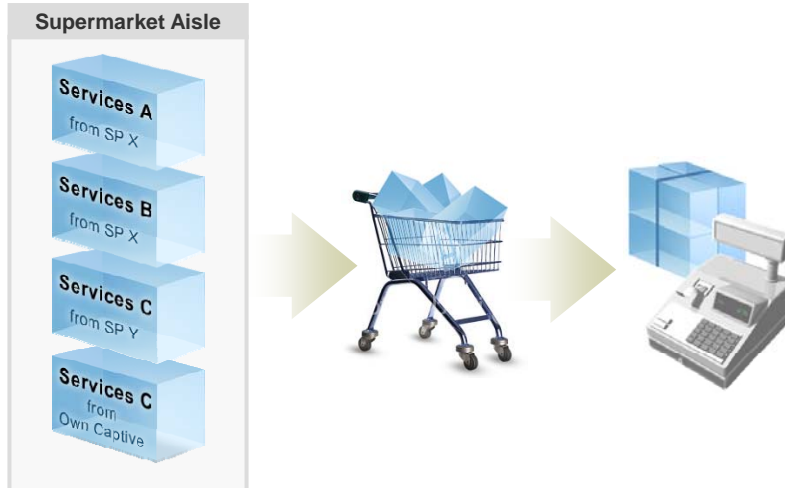
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Service Oriented Business Architecture (SOBA)



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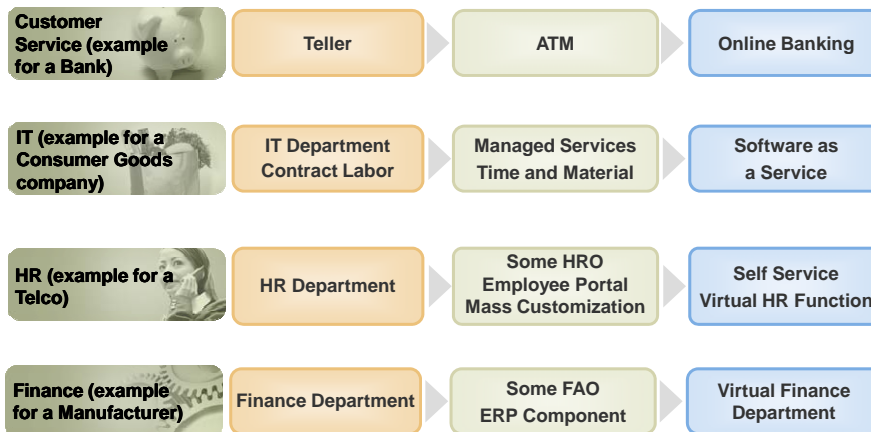
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Value Chain of The Futurized Corporation

Evolution of Business Functions



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Value Chain of The Futurized Corporation

Evolution of Business Functions

**Investment Analytics
for an Investment
Bank**

In House
Research

KPO

Online Expert
Research as a
Service

**Game Development
for a Gaming
Company**

In House
Development

Outsource Testing &
Art Asset Development

In House:
Conceptualization
& Design Only

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Execution – Complete Alignment

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The Futurized Corporation

Roadmap to becoming a “Futurized Corporation

Case Study

Key Takeaways

Roadmap to Becoming Futurized



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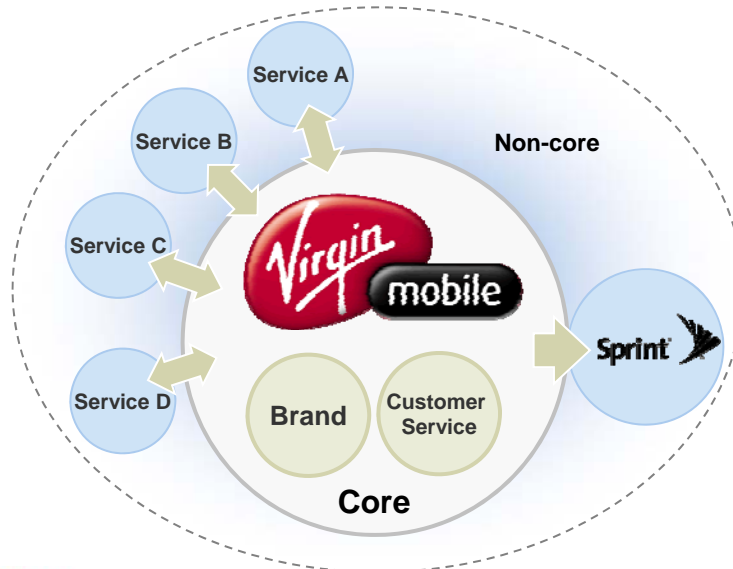
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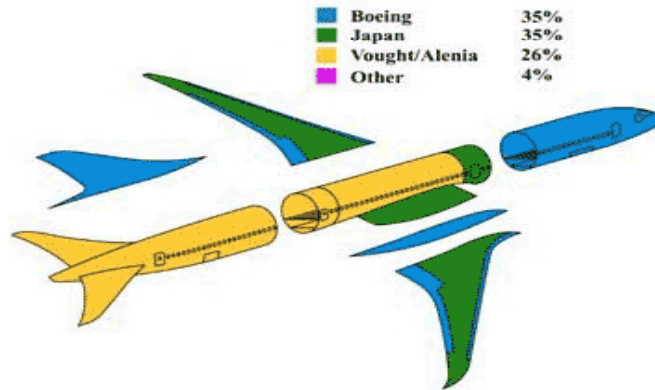
Key Takeaways

Case Study: Virgin Mobile



Future of Procurement???

7E7 Structures Work Share



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The Futurized Corporation

Roadmap to becoming a "Futurized Corporation"

Case Study

Key Takeaways



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Key Takeaways

- **Embrace Globalization**
- **Leverage Talent Globally**
- **Learn how to work globally**
- **Agility is key to long term success**



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