Globalization of Services

Igniting The Futurized Corporation

Presenting at
MIS RESEARCH CENTER

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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
Starting On The Journey

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.
The Rise of “The Offshore Nation”

**Started with manufacturing**

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

**U.S. Trade Deficit with China**

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

**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

**Other large importers include**

- Home Depot, Target Corporation, Lowe’s, Motorola, Honeywell etc.

**Demand Factors**

- 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

**Source:** neoIT
Supply Factors – Emergence of CoEs

- Infra outsourcing
- Local language skills
- BPO, R&D
- Nearshore for Europe
- Engineering Services
- Embedded SW Dev.
- Customer support, F&A
- IT Application Outsourcing
- Nearshore Outsourcing
- BPO, KPO, R&D
- Custom development, customer contact centers, Spanish language skills, shared services

The Rise of “The Offshore Nation”

Now starting to see it in services

Emerging Centers of Excellence

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

Latin America
- Mexico,
  Costa Rica, Brazil

Asia Pacific
- India, China,
  Philippines, Malaysia

- 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

Centers of Excellence Emerging

Large enterprises will increasingly be concerned about de-risking their operations through global diversification
The Rise of “The Offshore Nation”

India and China – Booming talent pool

Number of IT Graduates 2005

Rivals talent pool in the USA

The Rise of “The Offshore Nation”

Romance with Wall Street

Revenue vs. Market Cap / Revenue
Trends in India & China: Currency

Trends in India & China: Inflation
Content

The Rise of “The Offshore Nation”

Consuming Borderless Services

7 Secrets of Successful Globalizers

Consuming Borderless Services
Consuming Borderless Services

Core activity

- HR Support Functions
- Finance/Accounting
- Procurement
- Customer Support
- Telemarketing
- Tech Support
- Back Office Processing
- Product Development
- Sales & Marketing
- Compliance

Non core activity

- Systems Management
- Systems Migration
- Remote Monitoring
- Custom Development
- Software Maintenance
- ERP customization
- Project Management
- IT Training
- Requirements Analysis

Captive

- Nordic Business Center
- FTE – 650+
- Services: F&A, Marketing, Local language support
- Locations: Copenhagen

Third Party

- e-Telecare, SITEL Ambegris
- FTE – 10,000+
- Services: Customer care, Technical support, Sales, Financial back office, IT programming and Application support
- Locations: Pasay City

Argentina

- Captive Third Party – Wipro BPO, EXL Services, The Sutherland Group, SITEL
- FTE – 3000+
- Services: Customer care, Technical support, Sales, Product development
- Locations: Dalian, Xiamen

Philippines

- Captive Third Party – e-Telecare, SITEL, Ambegris,
  Teleperformance USA, ICT Group, Client Logic
- FTE – 3000+
- Services: Customer care, Technical support, Sales
- Locations: Pasay City

India

- Captive Third Party – Wipro BPO, EXL Services, The Sutherland Group, SITEL
- FTE – 10,000+
- Services: Customer care, Technical support, Sales, Financial back office, IT programming and Application support
- Locations: Bangalore, Hyderabad, Chandigarh, Gurgaon

Denmark

- Captive – Nordic Business Center
- FTE – 650+
- Services: F&A, Marketing, Local language support
- Locations: Copenhagen

Canada

- Captive
- FTE – 1000+
- Services: Customer care, Bi-lingual technical support
- Locations: Edmonton, Ottawa

Canada

- Captive
- FTE – 1000+
- Services: Customer care, Bi-lingual technical support
- Locations: Edmonton, Ottawa

China

- Captive
- FTE – 5500+
- Services: Customer care, Bi-lingual technical support
- Locations: Dalian, Xiamen

Panama

- Captive
- FTE – 5500+
- Services: Customer care, Bi-lingual technical support
- Locations: Dalian, Xiamen

Philippines

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Consuming Borderless Services

- Realized 35% reduction in total cost of IT operations
- Improved nimbleness and agility to effectively respond to business cyclicality
- 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

Strategic Objectives

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

Offshoring Model

- Type of Services: ADM / ASM
- Type of Services: Migrations
- Process consulting
- Location(s): Bangalore, Pune, Kolkata
- Location(s): Chennai, Pune, Kolkata
- Location(s): Bangalore, Mumbai
- Location(s): Mumbai, Shanghai

Model: 3rd Party Sourcing
- Type of Services: ADM
- Migrations
- Consulting
- DBA
- Project Management

Model: 3rd Party Sourcing
- Type of Services: ADM
- Production support
- Testing and data warehousing
- Process consulting

Model: 3rd Party Sourcing
- Type of Services: ADM
- ASM
- Location(s): Bangalore, Mumbai
- Location(s): Bangalore, Mumbai
- Location(s): Bangalore, Mumbai
Content

The Rise of “The Offshore Nation”
Consuming Borderless Services
7 Secrets of Successful Globalizers

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
Secret #2: Welcome It As A Transformation Lever

Secret #3: Adopt A Lifecycle Approach
Secret #4: Align Business and Globalization Objectives

- Control: Ownership preference as influenced by risk & culture factors
- Industry Activity: Offshore actions of competitors and industry players
- Company Culture: Affinity for outsourcing & globalization including past experiences
- Cost Savings: Need for reducing cost or fundamentally altering business model
- Risk: Manage stability, security, privacy, volatility, etc.
- Social Responsibility: Issues related to job loss, globalization, employee upheaval, etc.
- Quality: Need for consistent quality and service levels
- Corporate Strategy: Business plan, goals and results expected: acquisition, cost structure, growth, flexibility, risk aversion, profitability, cash, etc.

Globalization Strategy & Readiness Framework

- 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?

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
Secret #6: Implement A Strong Governance Model

Secret #7: Embrace A Continuous Improvement Mind-Set

- Programs such as Six Sigma are part of the ongoing operations.
# 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**
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.
Evolution of the Futurized Corporation

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<th>Present</th>
<th>Future</th>
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<td>Approach to core competencies</td>
<td>Business architecture</td>
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<td>Approach to partnerships</td>
<td>Intellectual Property (IP) leverage</td>
<td>Key strategic skills</td>
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<td>Business architecture</td>
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<td>Parameters for differentiation and competitive advantage</td>
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<tr>
<td>Intellectual Property (IP) leverage</td>
<td>Sourcing attitude</td>
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The Building Blocks of The Futurized Corporation

Core

VISION

STRATEGIC EXECUTION

The Concept of SOBA .........
Redefining Core

Core activity
- Compensation design
- Business research
- Financial planning & Analysis
- Animation and graphic design
- Clinical trials
- Equity research
- Engineering design

Non core activity
- HR Support Functions
- Finance/Accounting
- Procurement
- Customer Support
- Telemarketing
- Tech Support
- Back Office Processing
- Product Development
- Sales & Marketing
- Compliance

ITOutsourcing

Service Oriented Business Architecture (SOBA)

Services A
From SP X

Services B
From SP X

Services C
From SP Y

Services D
From SP Z

Services E
From own Captive
Service Oriented Business Architecture (SOBA)

Supermarket Aisle

Value Chain of The Futurized Corporation

Evolution of Business Functions

Customer Service (example for a Bank)

IT (example for a Consumer Goods company)

HR (example for a Telco)

Finance (example for a Manufacturer)
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

Execution – Complete Alignment
Content

The Futurized Corporation

Roadmap to becoming a “Futurized Corporation

Case Study

Key Takeaways

Roadmap to Becoming Futurized

1. Assess SOBA Readiness
2. Develop a Services Globalization Competency
3. Restructure as a Utility Operational Model
4. Virtualize the Services Supply Chain
5. Leverage Economic Value of the Service Network
Content

The Futurized Corporation

Roadmap to becoming a “Futurized Corporation

Case Study

Key Takeaways

Case Study: Virgin Mobile
Future of Procurement???

7E7 Structures Work Share
- Boeing: 35%
- Japan: 35%
- Vought/Alenia: 26%
- Other: 4%

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The Futurized Corporation

Roadmap to becoming a “Futurized Corporation

Case Study

Key Takeaways
Key Takeaways

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

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