OFFSHORING:
MEETING THE CHALLENGE

Elizabeth Sparrow
Chair, BCS Working Party on Offshoring
and author A Guide to Global Sourcing
IT service globalization
Impact on Britain’s IT workforce
Impact on Britain’s trade
Building on our competitive strengths
Career development and training
Helping those displaced by offshoring
IT service globalization

Much more than simply offshore outsourcing
<table>
<thead>
<tr>
<th>Service Responsibility</th>
<th>Delivery Model</th>
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<td>Retained in-house</td>
<td>➔ IT departments</td>
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<td>➔ Acquisitions</td>
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<td>➔ Organic growth</td>
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<td>Shared</td>
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<td>Transferred to external service provider</td>
<td>➔ Outsourcing service suppliers</td>
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Shell’s sourcing strategy

- ‘IT Vision’ initiative to achieve world-class price performance by 2008
- Application portfolio and global infrastructure rationalized and global IT workforce to be reduced
- Work to be moved away from higher cost economies
- Outsourcing to IBM and Indian suppliers such as Wipro
- Shell IT centre in Cyberjaya, Malaysia
Global sourcing examples

- Thames Water outsourced to Wipro
- Tesco’s own centre in Bangalore
- Britannia Airways hybrid model with LogicaCMG
- DHL’s centre in Prague
- Colgate-Palmolive used EPAM developers in Russia and Belarus
- HSBC’s centre in Malaysia
Service centres in the UK, Czech Republic, India and Malaysia

4,700 consultants deliver outsourcing solutions globally

LogicaCMG’s global delivery services operation in Bangalore employs over 1,200 and expects to grow to 2,600 by early 2006
Arrk Group

- Providing consultancy and software services since 1998
- Annual turnover approx. £2.5m
- Customer Solutions Centre in Mumbai
- 5 virtual offshore development centres for customers such as RAC
Annual turnover reached £1 billion in the year ended 31st March 2005, an increase of 39% year on year

- Employs over 39,000 associates
- Operates in 35 countries
- 9 development centres
- Over 380 customers in USA, Europe and Japan
IT service company comparison

Annual Turnover £ million

- EDS
- Accenture
- Capgemini
- Atos Origin
- LogicaCMG
- Capita
- Wipro
- Infosys
- Xansa
- Luxoft
IT offshoring around the world

<table>
<thead>
<tr>
<th>Country</th>
<th>IT Export Revenues (£ million)</th>
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<tr>
<td>Canada</td>
<td></td>
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<tr>
<td>China</td>
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<tr>
<td>Central and Eastern Europe</td>
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<td>India</td>
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<td>Ireland</td>
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<tr>
<td>Israel</td>
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<tr>
<td>Mexico, Malaysia, Latin America</td>
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<tr>
<td>The Philippines</td>
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<td>Russia</td>
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Source: www.evalueserve.com
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Number of jobs offshored from the UK

Source: www.evalueserve.com
Offshoring – putting job losses in context

ICT workforce unemployment

Unemployment rates by industry and occupation, 2001-2004

Source: ONS Labour Force Survey
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UK trade in ICT services, 2001-2004

Source: Office for National Statistics
IBM Hursley
  – The software lab submits scores of patent applications each year

Microsoft Research Cambridge
  – Microsoft’s first research laboratory to be established outside the United States

HP Labs Bristol
  – HP’s second largest central research laboratory
Impact of an aging population

Figure 1: Global Sourcing to Meet the Labour Shortfall – 2010 (thousands)

Source: Evalueserve Analysis
To summarise

- Offshoring is a reality of business life

- Globalization will have a significant but not overwhelming impact on the UK IT workforce

- The UK is also a beneficiary of globalization
How can the UK’s IT profession:

- Meet the challenge of globalization?
- Exploit new opportunities?
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Unless we understand our achievements and abilities we may underestimate global competition and miss out on opportunities in the future.

<table>
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<th>Strengths</th>
<th>Weaknesses</th>
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<tr>
<td>Opportunities</td>
<td>Threats</td>
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SWOT analysis for Britain’s IT profession

Strengths
• Software innovation and hardware pioneering developments
• Experience in managing large, complex programmes
• Good problem-solving and analytical skills in new areas of work and a culture that encourages creativity
• Multicultural society and professionals drawn from different ethnic backgrounds

Weaknesses
• British IT professionals are expensive compared to offshore workers
• Many professionals lack formal accreditation and training
• Employers do not place a high value on experience in IT
• Britain has traditionally had a low regard for technical and engineering education and skills

Opportunities
• Business analysis and process re-engineering projects
• Biotechnology and nanotechnology developments
• Development and management of safety critical systems where low risk is paramount
• Outsourcing advisory services

Threats
• Potential for overseas professionals to offer better quality as well as cheaper services
• If low level work is moved offshore this leaves fewer opportunities for basic skills training
• IT careers may be seen as offering poor prospects and may attract fewer good candidates
A wide debate is needed to help us understand how others see the IT profession.

We need to nurture and build on our competitive strengths.

We also need to look for ways to exploit the opportunities opened up by the new global IT services industry.
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A new career model for a new era

Foundation IT training

Business skills development
Programme management experience
‘Soft’ skills training
Supplier management, negotiation and relationship development
Specialist technical training

IT professionals embedded in business areas
Project and programme management
IT strategy managers
IT service and contract management
Technical specialists
We need to identify our value added skills
Lifelong learning is essential
‘Soft’ skills are not optional
IT professionals should aim to spend part of their career working in a mainstream business function
Employer-led organization responsible for IT skills development

Research with Gartner Consulting in 2004 found that:

- The effects of offshoring are leading to a stronger demand for broader and deeper skills
- Over the coming decade, significant numbers of people are needed each year to enter the IT workforce, filling increasingly complex, added value roles

Sector Skills Agreement for IT action plan launched in 2005

Supported by Cisco, IBM, British Airways, Ford and EDS

Introduction of employer-designed Information Technology Management for Business honours degree
Gartner tips for IT professionals

- Master the underlying principles
- Be prepared to change your attitudes
- Develop your interpersonal skills
- Use opportunities to broaden your business knowledge
- Become an agent of change, not a victim

Source: Computing, June 2005
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Agreements between companies and employee representatives underpinned by CSR principles:

- Percentage of savings made reinvested in staff development and training
- Voluntary redundancy register
- Job matching to avoid compulsory redundancies
- Redeployment with time allowed for retraining
- Independent career advice and support
Helping yourself to a successful career

BCS Working Party on Offshoring tips:

- Invest in your long-term career
- Monitor skills shortages and employment trends
- Don’t get locked into a technical role that is eminently suitable for offshoring
- Be aware of the business skills and domain knowledge you possess
- Make use of training opportunities to broaden and deepen your skills
- Adopt lifelong learning
BCS

Helping those displaced by offshoring

- ISEB qualifications
- Career builder
- Chartered status
- Professional awards
- Continuing professional development
- Specialist groups and branches
- Professionalism programme
Globalization, automation and developments such as computing-on-demand will all influence the size and structure of the future IT workforce and IT industry.

UK IT professionals can offer added value.

BCS member services and professionalism are key.