

IT Outsourcing Trends in 2012. Is Outsourcing Still Considered a Bad Word?

Presented by Mark Latham, Founder of RHL Success

Is outsourcing still considered a bad word? For more than two decades, the service industry has discussed the pros and cons of outsourcing. The arguments used to include key phrases like “cheap labor” and “poor customer service levels”, but now there is a shift. Conversations about outsourcing now include buzz words like “onshore outsourcing”, “virtual work environments” and “work/life balance”.

Key Learnings:

- IT Outsourcing trends for 2012
- What is being outsourced
- Investment required to outsource
- Optimizing and balancing outsourcing against needs of business



Mark Latham

Founder
RHL Success

Technology's Impact on our World

Google Search (Unencrypted), Egypt Traffic Divided by Worldwide Traffic and Normalized



Photo: Google

The Google Transparency Report shows the moment when the government in Cairo cut off access to the Internet for Egypt. Click the graphic to see the interactive version on Google.

Change Is Not Just Technology

- ✓ Today's college graduates will hold 14 jobs by the time they are 38 years old
- ✓ Over 40% of workers will be contractors by 2016
- ✓ 71 million baby boomers begin exiting the workforce in 2011



What Changes Do Outsourcers Face?

- ▶ Vendors shipped 488 million smart phones, compared to 415 million PC's in 2011

Canalys Feb 2012



Latest Outsourcing Trends – 2012 Computer Weekly.com

Smaller outsourcing deals will change suppliers more often

- Larger Outsourcing deals all but disappeared

“Convenience sourcing” raises suppliers’ margins

- Large players working successfully on small additions to increase margins

Decline in outsourcing obligations and liabilities

- Contracts have less measures and remedies for poor performance, data protection, and exit responsibilities



CIO Magazine – IT Outsourcing Predictions for 2012

Mixed bag of M&A activity

Outsourcing buyers take it slowly

The cloud comes down to earth

IT service buyers look beyond labor arbitrage (but vendors don't)

IT outsourcing deals gets smaller

IT offshore providers take over Infrastructure Outsourcing

IT service providers account managers get the boot

More back-sourcing talk than action

IT outsourcers embrace riskier models

Application development migrates stateside



Typical Margins in IT Outsourcing

- ▶ Infosys – 41.2%
- ▶ IBM – 46.5%
- ▶ Accenture 33.1%
- ▶ Unisys – 27.9%



What Does This Mean For Buyers?

Outsourcing isn't as structured and formal as it used to be

- Fewer barriers, and more options

Don't be afraid to only source some of your business

- Niche sourcing for some of your needs is gaining acceptance from large outsourcers

Back-front-sideways-sourcing are only relevant components if you want them to be

- Many options exist for sourcing solutions and not one size fits all is required



Is IT Aligned With The Business?

Business expectations for IT focus on improving current operations and performance

Business expectations	Ranking of Business Priorities CIO's selected as one of their top 5 priorities			
	2011	2010	2009	2008
Developing or managing a flexible infrastructure	1	8	11	11
Delivering application and growth projects	2	1	3	1
Reducing enterprise costs	3	3	2	10
Improving IT management and governance	4	6	4	7
Consolidating IT operations and resources	5	9	9	12
Reorganizing IT (Attracting/Retaining IT personnel)	6	10	8	3
Expanding the use of business intelligence	7	7	10	9
Implementing business process improvements	8	4	5	6
Implementing cloud solutions	9*		*	*
Improving/Linking the business IT relationship	10	2	1	2

* New question

Gartner: Meeting the Challenge: The 2011 CIO Agenda, January 2011

Is IT Aligned With The Business in 2012?

Top 10 CIO Business and Technology Priorities in 2012

Top 10 Business Priorities	Ranking	Top 10 Technology Priorities	Ranking
Increasing enterprise growth	1	Analytics and business intelligence	1
Attracting and retaining new customers	2	Mobile technologies	2
Reducing enterprise costs	3	Cloud computing (SaaS, IaaS, PaaS)	3
Creating new products and services (innovation)	4	Collaboration technologies (workflow)	4
Delivering operational results	5	Virtualization	5
Improving efficiency	6	Legacy Modernization	6
Improving profitability (margins)	7	IT Management	7
Attracting and retaining the workforce	8	CRM	8
Improving marketing and sales effectiveness	9	ERP Applications	9
Expanding into new markets and geographies	10	Security	10

Questions? Comments?



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We'd Love To Hear From You!

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