

# Offshore Futures Survey

## 1. Introduction

### INTELLECT OFFSHORE FUTURES PROJECT

Many thanks for agreeing to take part in this important survey. The results will help to generate a high quality, high profile, balanced white paper on the future of offshoring and its impact on the UK IT industry.

We hope that you will find the survey includes thought-provoking questions, covering a range of salient topics within this evolving industry.

The survey asks you to gauge the significance of highlighted trends relating to outsourcing over the next five years. Additional space for further comment is available and we hope that you will take advantage of this (your responses will be attributed or not attributed, as specified by you).

The benefits of taking part include registering to receive free expert analysis of the results and an invitation to the high-profile launch of the White Paper. You will also receive automatic entry into a free prize draw to win two free tickets worth £800 to Intellect's Sourcing Conference in September 2008.

The survey can be completed in more than one sitting; once started click the 'exit this survey' option in the top right hand corner. To continue, please relick the link in the original email and the questionnaire will open at the page you left on.

If you think another colleague (or colleagues) would also be able to contribute to the survey, then please forward to the details to them. Furthermore, we are very happy for you to pass it on to other contacts, including suppliers, clients, analysts and industry commentators.

The survey will close on 31 July 2008.

If you have any questions on the content of the survey, please contact Paul Morrison ([paul.morrison@alsbridge.eu](mailto:paul.morrison@alsbridge.eu)). If you have difficulty completing the survey, please contact Ben Andersen-Tuffnell ([ben.andersen-tuffnell@intellectuk.org](mailto:ben.andersen-tuffnell@intellectuk.org)).

Thanks again for your participation in this exciting project.

Dr Richard Sykes, Chair, Outsourcing and Offshore Group

---

Copyright notice

(c) 2008 Intellect - All rights reserved

# Offshore Futures Survey

## 2. Respondent Information

### \* 1. Respondent Details

Respondent Name (or Anonymous):

Role:

Email (if you would like to receive a copy of the resulting White Paper):

Organisation:

### \* 2. Organisation Type

Academic

Analyst

Supplier

Adviser

End User

Other (please specify)

### \* 3. Would you be happy to have your comments quoted in the final report?

Yes

No

# Offshore Futures Survey

## 3. Demand

How will patterns of demand change? What activities will be offshored for the first time? What new industries and sectors will be the next growth areas for offshoring?

1. Please indicate how significant each of these trends will be over the next five years.

	High	Medium	Low	None	Don't Know
From "Scribe to Poet" - There is an accelerating trend in offshoring higher value work, include complex analytical and judgemental roles. As a result, the image of offshoring being 'just transactional' starts to fade. Transactional but also judgemental. Offshore providers shift from from 'scribe' to 'poet' (Economist). Areas of growth in knowledge-intensive offshoring demand are 'KPO' (Knowledge Process Outsourcing, such as equity analysis or market research); LPO (Legal Process Outsourcing) or PDO (Product Development Outsourcing).	jn	jn	jn	jn	jn
Offshore innovators - Offshore providers are increasingly seen as 'innovation partners' providing new propositions to clients to transform their business. The view of offshore providers as simply 'body shoppers' is over.	jn	jn	jn	jn	jn
Reaching the boundaries - Although offshoring of high value work increases in some areas, for the most part offshoring remains dominated by lower value or commoditised work, particularly in areas such as customer call centres, ITO and back office transaction processing. Key analytical and judgemental processes are not offshored.	jn	jn	jn	jn	jn
Public sector joins the club - The public sector increasingly uses offshore delivery, and many elements of public sector back office work become seen as 'offshoreable', except where national security is seen as an issue. The amount of work offshored by the public sector (e.g. share of IT spend) starts to catch up with the private sector.	jn	jn	jn	jn	jn
Public sector stays away - Despite a few examples of major public sector offshoring projects, for the most part national security and local concerns mean that the public sector does not widely embrace offshore services.	jn	jn	jn	jn	jn
Startup offshore - Startups take offshoring delivery as a given. Very few new firms retain inhouse payroll, accounting or development, and have very few reservations about offshoring this work. Startups are born ready to offshore.	jn	jn	jn	jn	jn
The middle market - Medium sized firms become an increasingly important part of the demand for offshore services. Smaller than the initial large corporate pioneers of offshoring, the middle market has growing understanding of and appetite for offshoring. Suppliers are increasingly geared up to take on medium sized clients.	jn	jn	jn	jn	jn
Demand aggregators - A new breed of 'offshoring brokers' emerge to aggregate demand across multiple, smaller clients. This enables SMEs to find potential suppliers, and for suppliers to generate sufficient economies of scale from small pieces of project work.	jn	jn	jn	jn	jn
Europe wakes up - Demand for offshoring in continental Europe rapidly accelerates, not just in more established offshore markets (e.g. Scandinavia / Benelux) but also in France, Germany and Spain. The UK no longer accounts for the greater part of the European offshoring market.	jn	jn	jn	jn	jn

2. Please elaborate or add further comment.

# Offshore Futures Survey

## 4. Supply

Which suppliers will win in the offshore market?

1. Please indicate how significant each of these trends will be over the next five years.

	High	Medium	Low	None	Don't Know
Survival of the biggest - Consolidation in the sector accelerates. The larger suppliers acquire smaller specialists, smaller suppliers look to merge, or end up failing. Most successful offshore providers provide a comprehensive range of services, across multiple sectors and domains.	jn	jn	jn	jn	jn
Survival of the specialists - It is increasingly difficult for 'full service' or generalist providers to control the marketplace, and highly specialised service providers (e.g. KPO or HRO only) flourish.	jn	jn	jn	jn	jn
Commoditisation - The vast bulk of offshoring becomes increasingly commoditised, with heated competition and erosion of prices. Many areas of offshore activities become low margin, profitable only for the largest players.	jn	jn	jn	jn	jn
New kids on the block - There is an ever growing fringe of new players entering the offshore market. In particular they emerge where new industries or processes are offshored for the first time, for example where new technology or deregulation disrupts the established order.	jn	jn	jn	jn	jn
Private equity makes an impact - Private equity investors accelerate their investments and help to build up new offshore suppliers through both their acquisition and management of emerging suppliers, and also through their application of offshoring to their investment portfolio.	jn	jn	jn	jn	jn

2. Please elaborate or add further comment.

# Offshore Futures Survey

## 5. Management

Making offshoring deliver? How will organisations manage offshoring? What techniques emerge to handle the complexities of global sourcing delivery, and how do end users manage and govern their offshore deals and relationships?

1. Please indicate how significant each of these trends will be over the next five years.

	High	Medium	Low	None	Don't Know
Inhouse sourcing expertise - Organisations using offshoring accumulate and actively develop increasing amounts of sourcing expertise. This is borne out by the emergence of specialised teams / departments, such as 'Global Sourcing Offices', and new corporate roles such as the Chief Sourcing Officers. Global sourcing is no longer seen as a simple, transactional task to be handled by other corporate functions such as procurement or IT.	jn	jn	jn	jn	jn
The rise of the advisor - A range of specialist advisory firms emerge to fill the gap in skills and capacity that firms encounter in a major outsourcing undertaking. Companies increasingly turn to advisors to guide strategy, location and supplier selection, and offshoring optimisation, including benchmarking.	jn	jn	jn	jn	jn
Off the Chief Exec radar - Most areas of offshoring become so familiar or trusted that they cease to be the subject of 'C-level' or senior executive deliberation. Offshoring decisions are devolved to specialised teams, but are seen as less and less strategic.	jn	jn	jn	jn	jn
Benchmarking gets teeth - Deeper buyer side ex-sourcing experience leads to a more prevalent and effective use of benchmarking as means of steering offshoring relationships, including in new areas, such as BPO.	jn	jn	jn	jn	jn
Contracting for bodies - Offshoring contracts continue to focus on pricing primarily around counting hours, effort, resources and equipment. Much discussed visions of sophisticated pricing, involving value and transactional volumes, do not become more prevalent.	jn	jn	jn	jn	jn
Contracting for value - Old pricing mechanisms around FTE pricing are gradually replaced with pricing by transaction or by value. The mindset is less about labour arbitrage, and more on focusing on specific business outcomes.	jn	jn	jn	jn	jn
Juggling complexity - The main challenge of offshoring becomes how best to manage multiple offshore facilities and service providers in a range of locations. New techniques in 'multi-sourcing' become essential in making offshoring run smoothly.	jn	jn	jn	jn	jn
Compliance core competence - Increasingly, offshore operations (outsourced and captive) are world-class in terms of service compliance, data protection and security, utilising advanced processes and technologies such as iris scanning.	jn	jn	jn	jn	jn

2. Please elaborate or add further comment.

# Offshore Futures Survey

## 6. Technology

How will offshoring be changed by new trends in technology?

1. Please indicate how significant each of these trends will be over the next five years.

	High	Medium	Low	None	Don't Know
Componentisation of services / Service Orientated Architecture - Technology is increasingly influenced by SOA with an emphasis on modular, on-demand systems. In addition the 'service supply chain' is increasingly 'industrialised', borrowing from the techniques of manufacturing supply chain thinking.	jn	jn	jn	jn	jn
Standardisation of services / SaaS - Service providers and software vendors collaborate on the development of standardised software (e.g. ERP applications for a specific industry sector), which become de facto standardised platforms for IT or BPO delivery. Customers increasingly purchase standard payroll, finance or IT systems, rather than developing customised bespoke systems and services. This is accelerated by the growth of SaaS (Software as a Service), i.e. the use of web-based applications in which supplier takes on the responsibilities of ownership and maintenance.	jn	jn	jn	jn	jn
Automation - The end of arbitrage - The automation of processes steadily erodes the need for human involvement in transactional processes. Just as more voice recognition is replacing some call centre tasks, more advanced systems replace the need for human intervention in many ITO and BPO activities. Highly repetitive and rules based tasks are automated, or streamlined with periodic human intervention. As a result, automation is chasing global services 'up the value chain'.	jn	jn	jn	jn	jn

2. Please elaborate or add further comment.

# Offshore Futures Survey

## 7. Politics

How will the political and ethical debate on offshoring evolve?

1. Please indicate how significant each of these trends will be over the next five years.

	High	Medium	Low	None	Don't Know
"What backlash?" - Offshoring is seen as a standard business practice, rather than something new or political charged. Consumers become indifferent to offshoring, or increasingly start to see offshoring as a something that can be in their interests.	jn	jn	jn	jn	jn
Continued Controversy - In a number of sectors, offshoring will continue to be highly controversial, such as the public sector, or R&D intensive industries such as pharmaceuticals. Periodically, headlines appear that question the quality or security of offshore sourcing.	jn	jn	jn	jn	jn
Recession - all bets are off - In the event of a sustained economic downturn, there is a return to more strident opposition to offshoring, which is widely presented as a destructive force, damaging local workforces and eroding national competitiveness.	jn	jn	jn	jn	jn
Greensourcing - For the first time the environmental consequences of offshoring becomes a major issue (e.g. impact of travel, service centre construction). Offshore providers and users alike start to measure and improve the green credentials of their offshoring activities, including carbon neutrality.	jn	jn	jn	jn	jn

2. Please elaborate or add further comment.

# Offshore Futures Survey

## 8. Location

Is there a centre in a flat world? Will India's pre-eminence be challenged? How will newcomers such as China be integrated in global service delivery? Will location be just an issue for offshore providers to manage, or will it remain a strategic question?

1. Please indicate how significant each of these trends will be over the next five years.

	High	Medium	Low	None	Don't Know
India grows - India's position as the centre of the offshoring industry accelerates, with the clustering of expertise, talent and assets in its leading cities, the development of a range of tier 2 and 3 cities, and improvements in terms of regulation and infrastructure. India's share of the offshoring market increases above 2008 levels.	jñ	jñ	jñ	jñ	jñ
India slows - India continues to be the centre of gravity of the offshoring industry, but its relative share of the market falls from 2008 levels. Competition is offered by other offshore destinations, including established locations (e.g. Philippines) and a wide range newer alternatives (such as Egypt, Brazil, South Africa, Russia).	jñ	jñ	jñ	jñ	jñ
Emergence of China - China will emerge as a viable low-cost, high-scale sourcing alternative to India. Limitations around management and language skills start to lessen, and an increasing amount of offshore work will move to China, often at the expense of Indian alternatives.	jñ	jñ	jñ	jñ	jñ
Chindia - The Chinese and Indian sourcing markets develop a mutual interdependence, rather than in competition. Collaboration between the locations and local companies (e.g. training exchanges; infrastructure investments) becomes more important than direct competition.	jñ	jñ	jñ	jñ	jñ
Europe's nearshore advantage - Locations in Eastern Europe will thrive, particularly in BPO and shared services. This will be driven by the scarcity of European language skills outside of Europe, and the perceived benefits of geographical and cultural proximity.	jñ	jñ	jñ	jñ	jñ
Location delegation - The question of offshore location becomes an increasingly operational, rather than strategic question. In most cases, the end user is comfortable delegating location decisions to the supplier, who may select the appropriate destination in their global network, provided that service targets are met. Only in the set up of inhouse shared service centres is location still a strategic question.	jñ	jñ	jñ	jñ	jñ
Rise of the cities - As the offshoring market matures, cities rather than countries become the dominant unit of analysis. The positioning of cities as centres of excellence becomes highly competitive and targeted, competing for specialised niches in terms of industry expertise, functional expertise and linguistic skills.	jñ	jñ	jñ	jñ	jñ
UK as a global sourcing hub - Because of the UK's central role in the first decades of offshoring, it remains a global centre of outsourcing and offshoring expertise.	jñ	jñ	jñ	jñ	jñ

2. Please elaborate or add further comment.

# Offshore Futures Survey

## 9. Strategy

What's the big idea? What are the strategic concepts shaping how organisations tap into the global sourcing market place?

1. Please indicate how significant each of these trends will be over the next five years.

	High	Medium	Low	None	Don't know
End of the captive - In most areas of offshoring, particularly more mature sectors such as customer contact and IT development, there is an accelerating trend of migration from captive (in-house) to outsourced operations.	jn	jn	jn	jn	jn
From offshoring to global sourcing - All types of organisations become used to the back office work sourced from multiple locations. There is a gradual shift in thinking, from the 'offshoring' of work (the point-to-point transfer of work to a single shore location), towards a 'global delivery model' (sourcing across a range of locations).	jn	jn	jn	jn	jn
Onshore excellence - Companies still use onshore locations for a wide range of functions that are, in theory, globally mobile. The continuing importance of onshore service delivery is a reflection that there are deep pools of expertise close to home, that remain competitive in the global marketplace. These onshore pools of expertise may be industry specific, or function specific.	jn	jn	jn	jn	jn
Bringing it back home - Many organisations decide to bring offshore activities back onshore, after issues with service delivery, control or external perceptions. This 'insourcing' is a reversal of the trend to offshoring, and is more pronounced in a few industry sectors.	jn	jn	jn	jn	jn
The captive survives - The in-house control and operation of offshore centres retains a strong hold on sourcing strategy. In many sectors, particularly those that are highly regulated, captive operations are the dominant model of offshoring.	jn	jn	jn	jn	jn
Offshore, over here - Instead of distributing work to offshore locations, increasingly offshore resources are deployed to onshore locations (typically via temporary visa regulations).	jn	jn	jn	jn	jn

2. Please elaborate or add further comment.