

Global Sourcing of Business Services

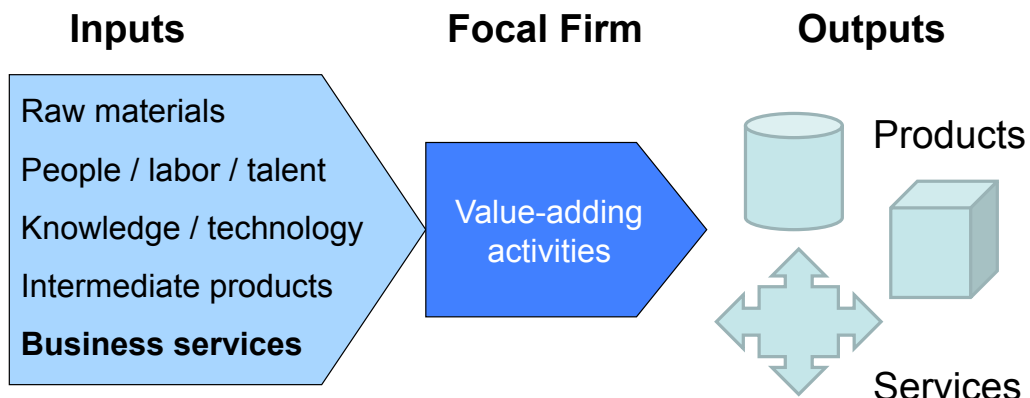
Prof. Stephan Manning

UMB College of Management

What does sourcing mean?

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- Organizing supply of inputs/resources needed for primary and support activities



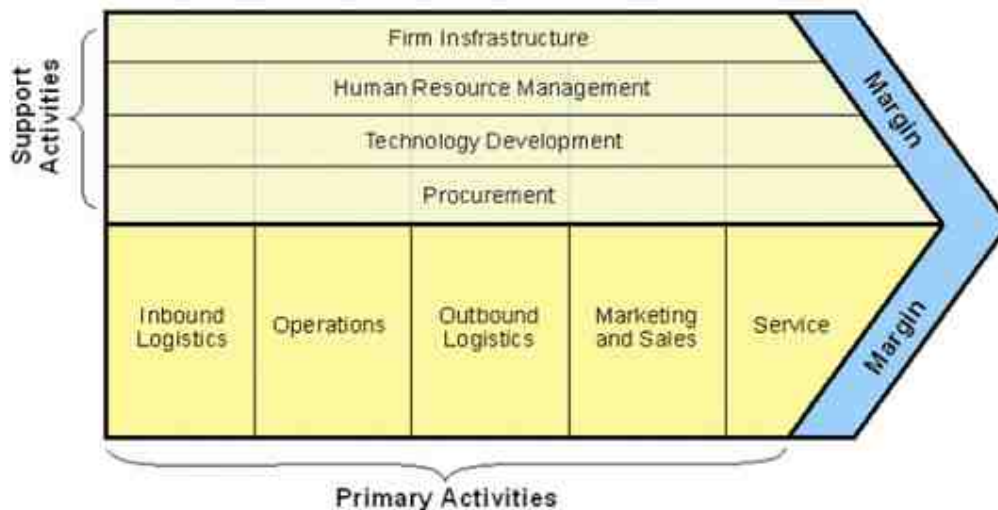
Sourcing of Business Services



What are business services?

What are business services?

- Intangible tasks performed as part of a firm's value-adding activities



Examples of business services include...

- Administrative services (HR, legal work, back office, finance and accounting, ...)
 - Call Centers
 - Marketing and Sales services
 - IT services
 - Procurement
 - Engineering support services
 - Software development
 - Design and R&D
 - Analytical services
- } Knowledge Services*

***Knowledge services are characterized by their symbolic-analytical nature and the need for higher-skilled technical talent and expertise to perform these services.**

Basic sourcing strategies

Delivery Model

		Internal sourcing (Make)	External sourcing (Buy)
Geographic location	Home country	Domestic (onshore) Internal Sourcing <i>e.g. payrolls processed by own HR department</i>	Domestic (onshore) Outsourcing <i>e.g. payrolls processed by other firm at home</i>
	Foreign country	Captive Offshoring <i>e.g. payrolls processed by own shared service center (SSC) abroad</i>	Offshore Outsourcing <i>e.g. payrolls processed by foreign business process (BPO) service provider</i>

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The Offshoring Research Network (ORN)

❖ Initiated in 2004 at Duke University, Fuqua School of Business

- Research network studying offshoring and outsourcing trends
- Involves partners in U.S., Australia, Belgium, Denmark, Germany, Italy, Netherlands, Spain, and UK
- Past and present sponsors include Booz Allen Hamilton, The Conference Board and PricewaterhouseCoopers

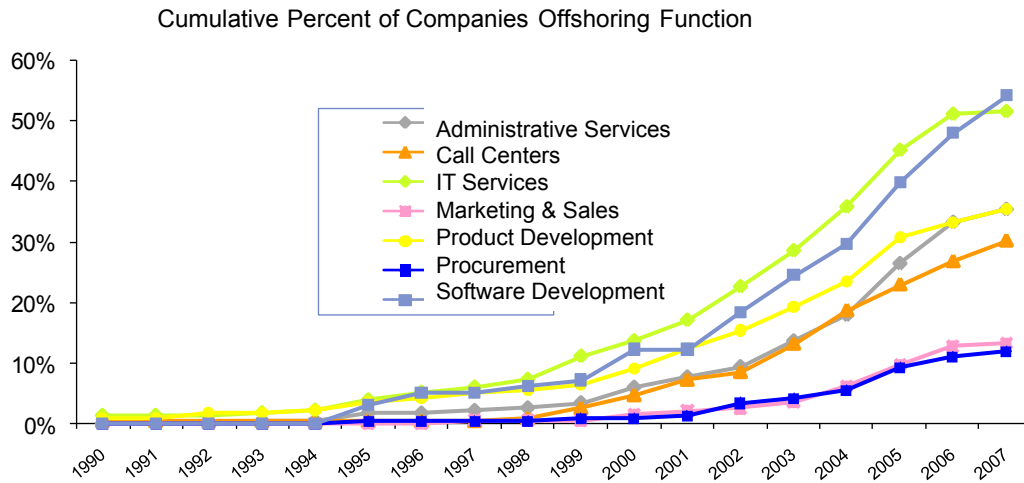
❖ Multi-year surveys of client companies and service providers

- Tracks offshoring drivers and risks, as well as concrete offshore implementations (incl. launch year, location, savings,)
- Includes all major *industries* (e.g. manufacturing, financial services, software, ...), *functions* (e.g. IT, finance & accounting, call centers, product development) and *delivery models* (e.g. captive, outsourced)
- Currently more than 2,500 client companies and 700 service providers have participated in the surveys

More info: http://en.wikipedia.org/wiki/Offshoring_Research_Network

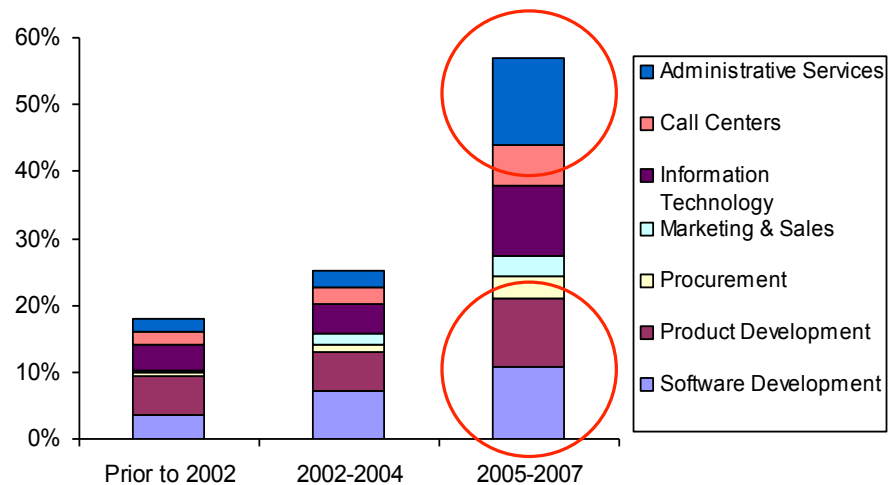
What services are most frequently sourced globally?

Global Sourcing Projects by Type of Service over Time



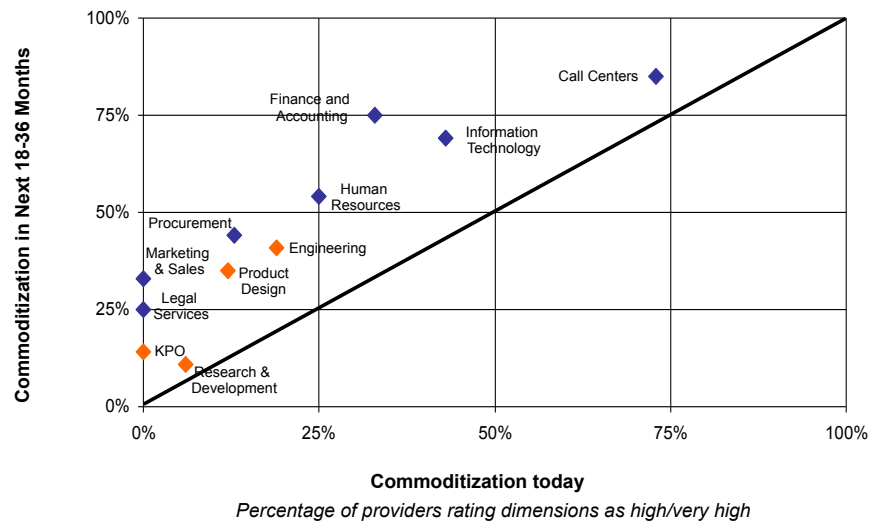
Source: Duke University/The Conference Board Offshoring Research Network 2007/8 U.S. Survey

Global Sourcing Projects by Type of Service over Time



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Increasing commoditization* of business services...



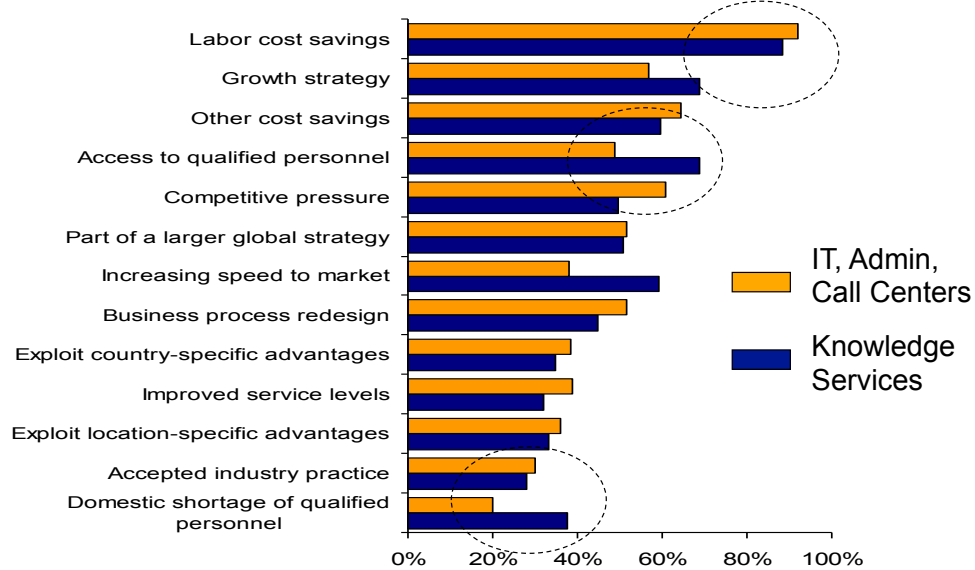
Source: Duke University Offshoring Research Network 2007 Service Provider Survey

*Commoditization refers to standardization and to some extent simplification of tasks and processes, and increasing diffusion of knowledge of service delivery across industries.

What are main drivers for sourcing business services globally?

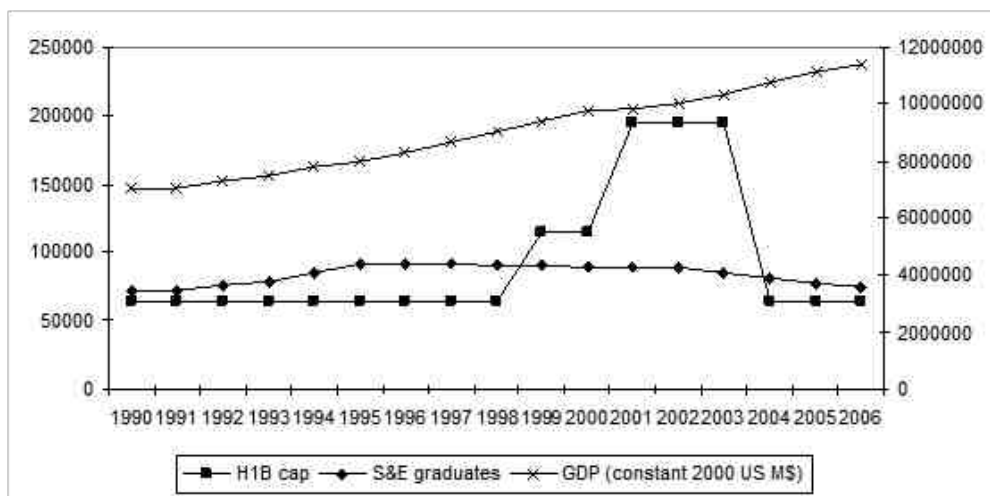
Why do companies source services globally?

Percent of Respondents Rating Driver as “(Very) Important”



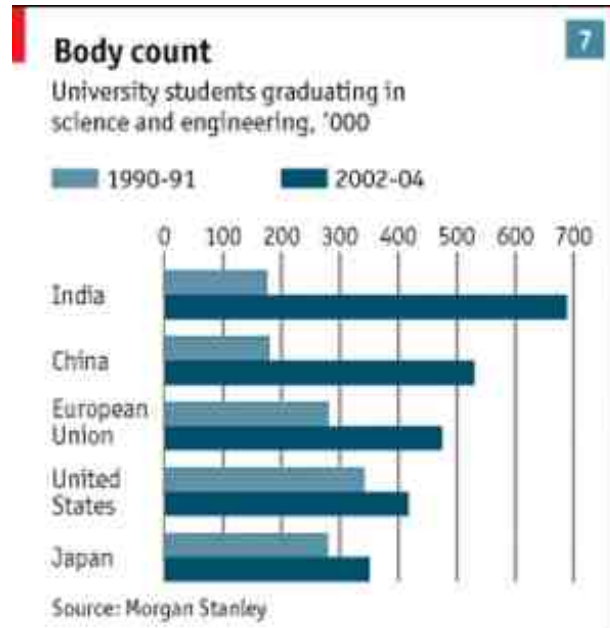
Source: Offshoring Research Network (ORN) U.S. Survey

Decreasing Supply of Science & Engineering Graduates in the U.S.

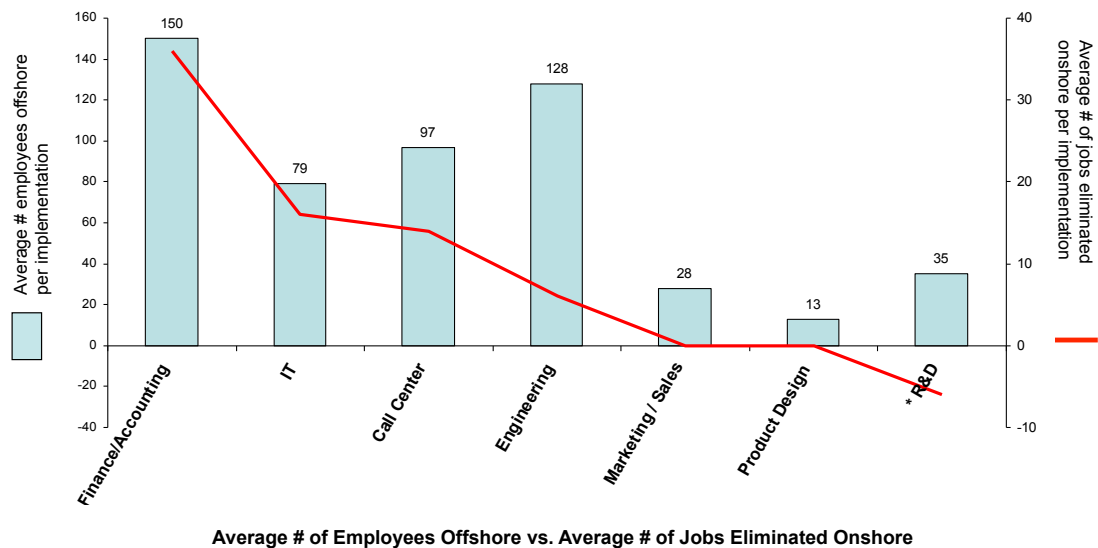


Source: National Science Foundation, Duke University analysis

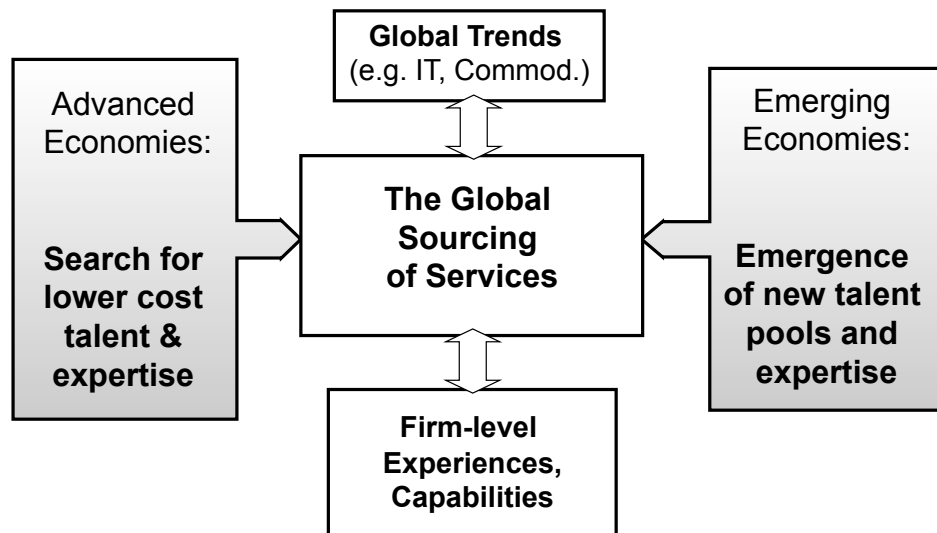
Increasing Supply of Science & Engineering Talent in India and China



Offshoring of finance & accounting leads to greatest job losses...

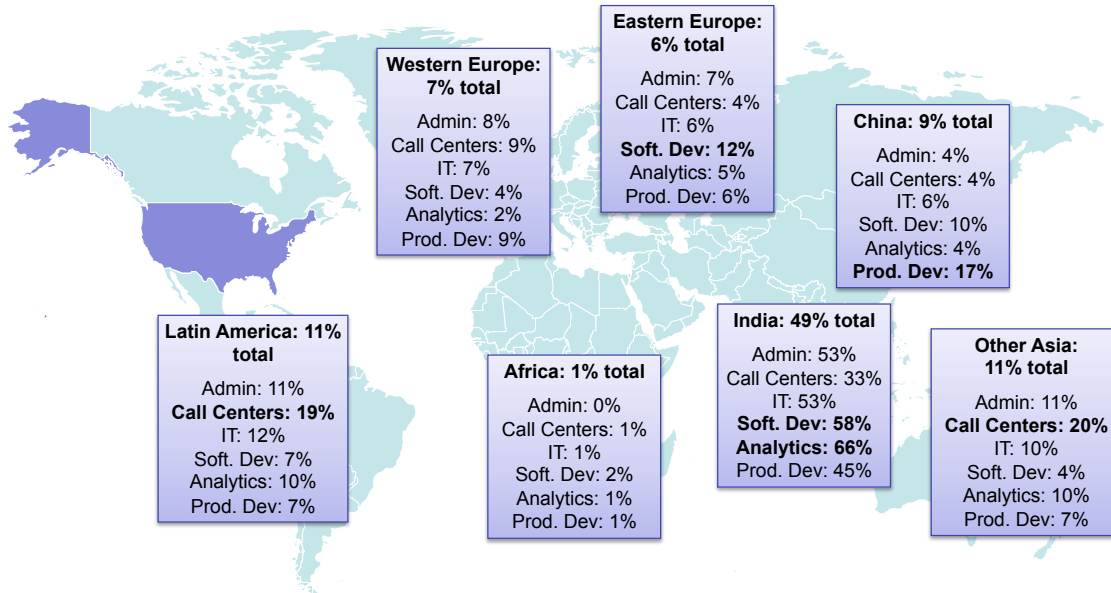


The Dynamics of Global Services Sourcing



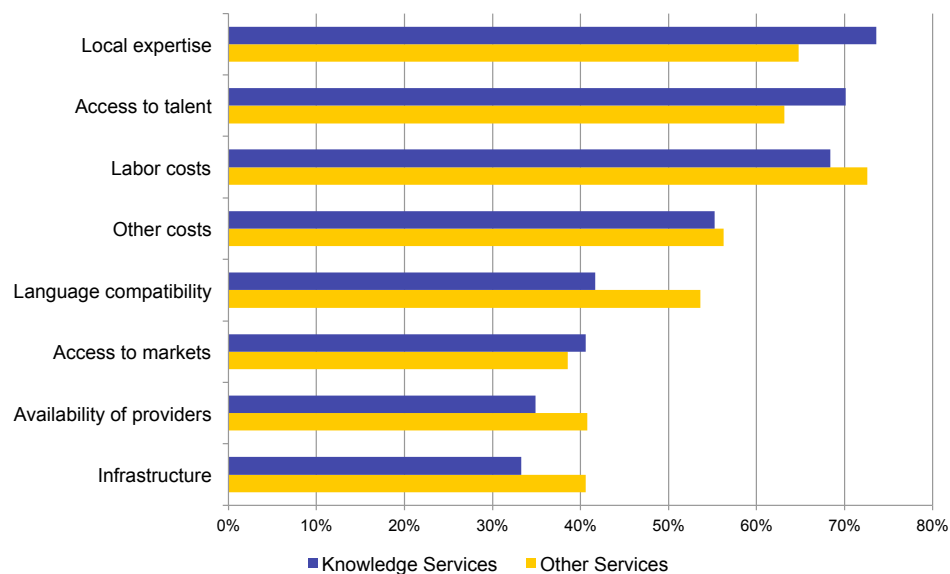
**Where do companies
source services from?**

Location distribution of offshoring projects by US firms (%)

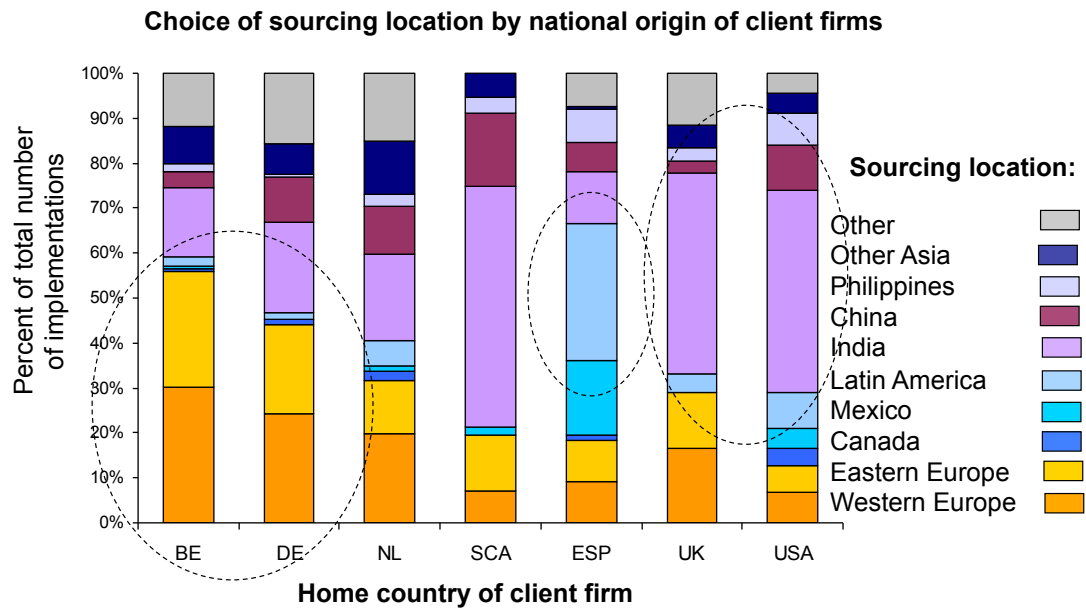


Source: Offshoring Research Network (ORN)

Percentage of respondents* saying factor is 'very important'



*ORN Client survey (2006-2010)



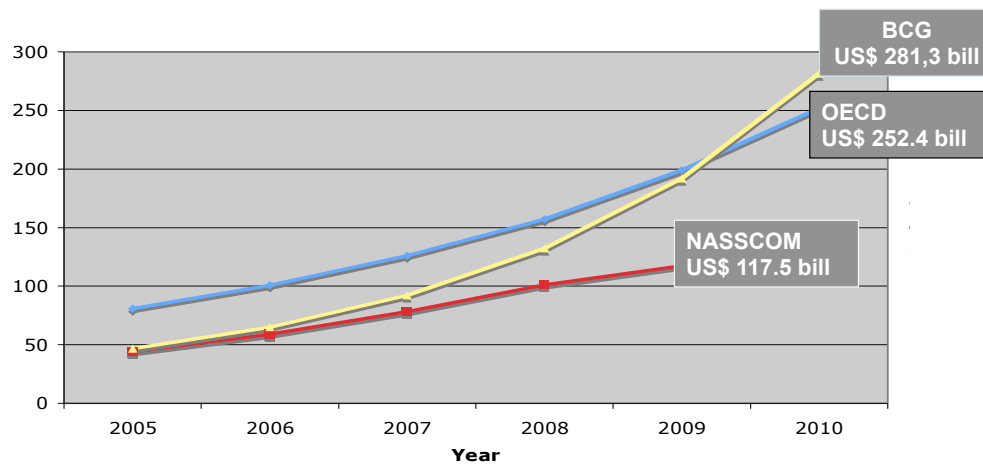
Source: Offshoring Research Network (ORN) Survey

Who is providing business services?

Basic sourcing strategies

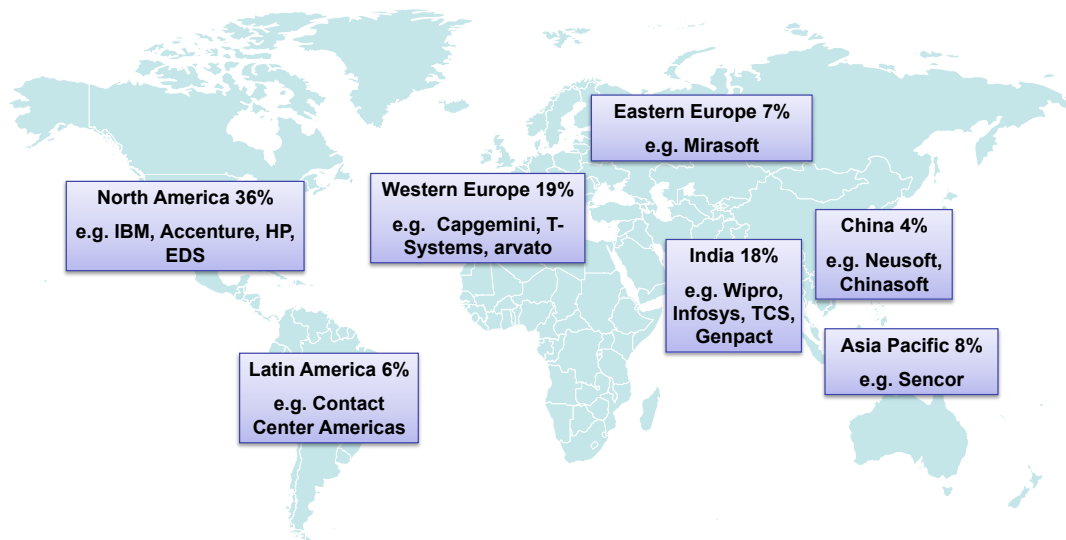
		Delivery Model	
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Estimation of growth of global service provider market (\$ Billion)



Source: Offshoring Research Network (ORN)

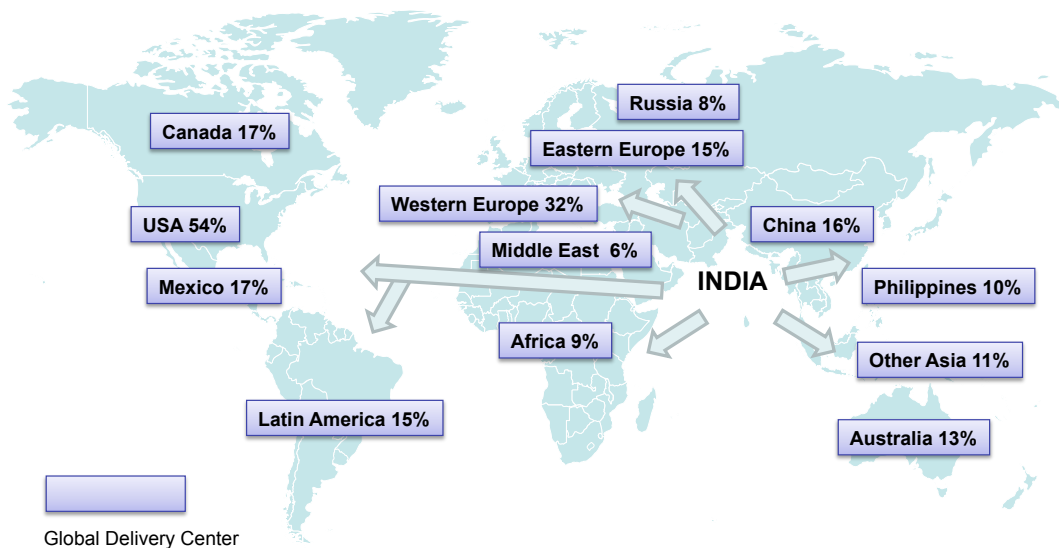
Distribution of headquarter locations of global service providers (%)



Source: Offshoring Research Network (ORN)

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Global Expansion of Indian Providers: Percent of Operations that are (Partly) Performed by Global Delivery Centers (2010)



Source: ORN Data (Sample size for 2010 = 240)

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Internationalization of Service Providers: Example Wipro



Example 1: Genpact



GenPact: Quick Facts

- Service provider headquartered in Gurgaon, India
- Formerly owned by GE; independent 1997; public since 2007
- Services include:
 - Finance and accounting; sales and marketing
 - Analytics; IT, healthcare; customer support
- 49,000 employees worldwide (2010); revenue \$1.3 billion
- Offices in numerous countries worldwide, e.g. Europe, Latin America, Asia (recently also Africa)
- Recent acquisition: Headstrong, Virginia-based consulting and IT services company

GenPact: Services (Finance & Accounting)

Transaction		Core Accounting		Core Operations		Decision Support
Accounts Payable	Processing and Receivables Management	Accounting	Closing and Reporting	Cash Management	Tax Services	Financial Planning and Analysis
<ul style="list-style-type: none"> ▶ Invoice Receipt and Matching ▶ Dispute Resolution ▶ Duplicate Payments ▶ Remittance Tracking and Resolution ▶ Deduction Management ▶ Collections and Recoveries 		<ul style="list-style-type: none"> ▶ General Ledger Closing ▶ Consolidations ▶ Reconciliation ▶ SEC and US GAAP Reporting ▶ Statutory Reporting ▶ System / Platform Maintenance 		<ul style="list-style-type: none"> ▶ Bank Operations and Cash Forecasting ▶ Risk Management – ALM, Hedging, FAS 52 ▶ Rating Agencies ▶ Tax Returns Preparation ▶ Tax Reconciliations 		<ul style="list-style-type: none"> ▶ Management Reporting ▶ Variable / Fixed Cost, Balance Sheet and Cash Flow Analysis ▶ Budget Preparation ▶ Variance and Issue Analysis ▶ Competitor Analysis

GenPact: Services (Customer Services)

Collections	Customer Relations Services	Originations / Order Management	
Accounts Receivable Management	Account Servicing and Customer Care	Originations / New Applications	Booking and Funding Billing
<ul style="list-style-type: none"> ▶ Early to Late Stage Collections ▶ Recoveries (Post Charge-off) ▶ Inbound Collections ▶ Skip Tracing ▶ Refunds ▶ Account Reconciliations ▶ Specialized Services <ul style="list-style-type: none"> ■ Pre Legal ■ Bankruptcy 	<ul style="list-style-type: none"> ▶ Customer Queries ▶ Inbound Phones ▶ Follow-up ▶ General Servicing ▶ Asset Management – Buy-outs and Upgrades ▶ Billing Disputes and Queries ▶ Tax Administration ▶ Underwriting ▶ Mortgage Services 	<ul style="list-style-type: none"> ▶ Application Entry ▶ Credit Worthiness <ul style="list-style-type: none"> ■ Auto Decisions ■ Analyst Underwriting ▶ Target Company Profiling ▶ Cash Flow Modeling ▶ Risk Audit 	<ul style="list-style-type: none"> ▶ Document Generation ▶ Booking ▶ Funding ▶ Field Service Billing ▶ Parts Billing ▶ Acquisition Strategies ▶ Fraud Prevention ▶ Pricing ▶ MIS and Reporting

GenPact: Services (Analytical Services)

Business Opportunity Assessment	Customer Acquisition	Customer Growth / Retention	Risk Mitigation	Operations Improvement
<ul style="list-style-type: none"> ▶ Market Opportunity Sizing ▶ Segmentation ▶ Product Feasibility Analysis ▶ Portfolio Analysis ▶ Competitor & Sector Research ▶ Customer Surveys ▶ Administration & Analysis 	<ul style="list-style-type: none"> ▶ Acquisition Strategy ▶ Lead Generation / Sales Force Effectiveness ▶ Campaign Execution ▶ Market Mix Modeling ▶ Underwriting Support ▶ Capital Market Support ▶ Pricing Models 	<ul style="list-style-type: none"> ▶ Cross-sell Analytics ▶ Retention Strategy ▶ Portfolio Management ▶ Profitability Analysis ▶ Revenue Modeling ▶ Net Promoter Score Analysis 	<ul style="list-style-type: none"> ▶ Risk Modeling ▶ Fraud Detection ▶ Actuarial Science ▶ Working Capital Management ▶ Asset Management 	<ul style="list-style-type: none"> ▶ Inventory Planning Analysis ▶ Supplier Quality ▶ Capacity Planning ▶ Asset Optimization ▶ Claims Modeling and Analysis ▶ Spend Analytics ▶ HR Analytics

GenPact Delivery Centers (2010)



GenPact Delivery Centers (2010)



GenPact in Guatemala

Call Center operation established in 2008; business services in English and Spanish for U.S. clients; more than 700 staff

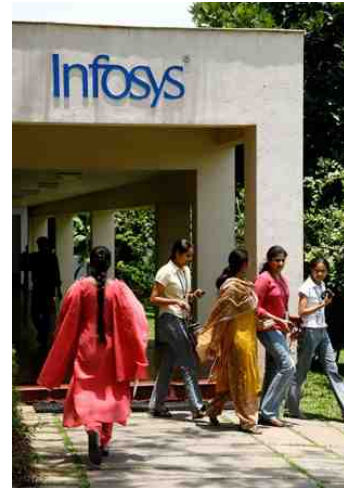


Nitin Bhat, Vice President
and Country Manager at
Genpact, Guatemala

Typical Call Center



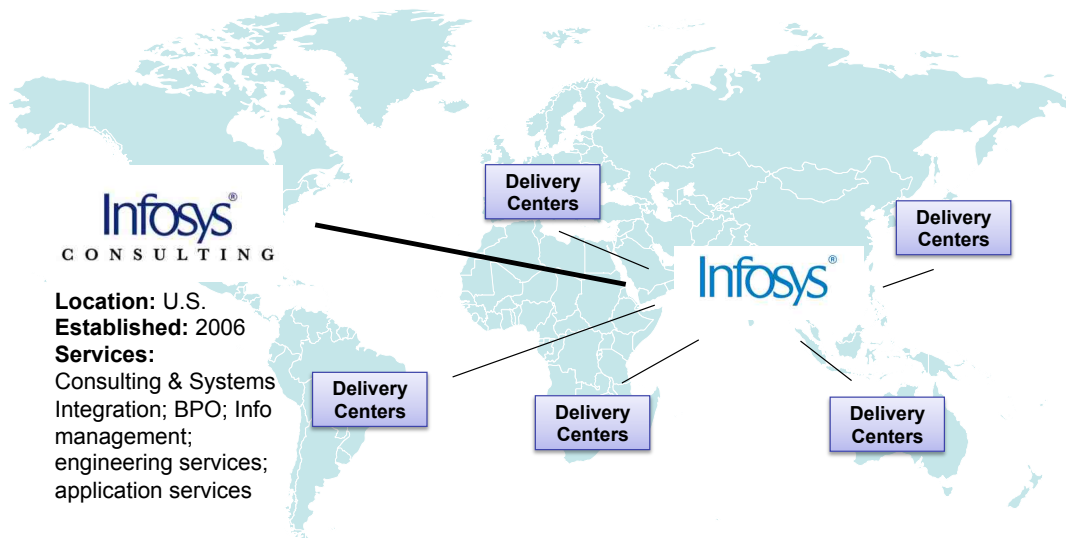
Example 2: Infosys



Infosys: Quick Facts

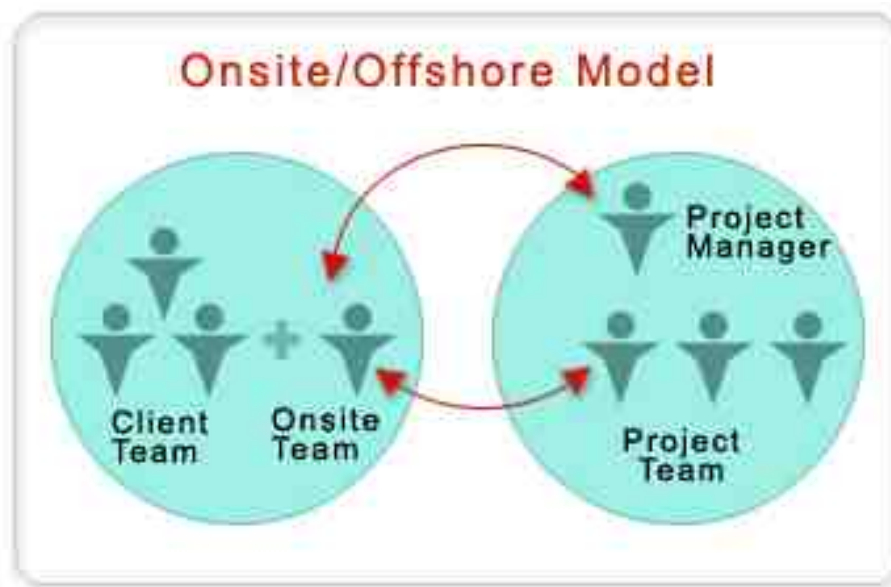
- Business services company headquartered in Bangalore
- Services include:
 - IT services (application development, system integration, information management)
 - Business processes
 - Engineering services
 - Consulting services (e.g. ICI)
- Founded in 1981, went public in 1993
- 115,000 employees (2010)
- Offices in 33 countries
- Development centers in India, China, Australia, UK, Japan
- Serves clients across industries

Infosys Consulting: The Global Delivery Model



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Infosys: Global Delivery Model



Infosys: Global Delivery Model



Thank you!

If you have any further questions:
stephan.manning@umb.edu

MBA Strategic Management Guest Lecture

The Role of Sound In Firm Branding and Strategy

Steve Milton
(Entrepreneur & Musician)

Wednesday, November 16 2011
6-8 pm, Room M-1-213