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IT Services and Outsourcing

LSE looks beyond India, China, Russia and Brazil

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BOOKMARKS

The London School of Economics has produced a detailed report of the advantages and disadvantages of 14 emerging destinations for offshore IT services.

The university this week published a report entitled Beyond Bric, which presented the case for offshoring services in destinations other than Brazil, Russia, India and China.

The 14 non-Bric locations studied were: Belarus, Bulgaria, Costa Rica, Czech Republic, Egypt, Mexico, Morocco, Philippines, Poland, Romania, Slovakia, Tunisia, Venezuela and Vietnam. The report was commissioned by the Egypt Information Technology Industry Development Agency.

Co-author Leslie Wilcox in the London School of Economics' Outsourcing Unit, said there is a shortage of information about offshore destinations other than those in the Bric countries.

But he said there is a huge opportunity for these destinations if they can get it right and that this does not have to be at the expense of Bric destinations. He said there is enough business for Bric locations as well as non-Bric locations in the current economic climate.

"IT outsourcing is recession-proof," he added. "Businesses find reasons to do it in recession as they do in good times."

He said as a result of this both Bric locations and non-Bric locations can win business. "A rising tide lifts all boats," he said.

The destinations were scored on their costs competitiveness, the availability of skills, environmental issues, the local infrastructure, the location risk profiles, as well as their market potential.

He said these non-Bric locations will become important parts of the multisourcing strategies of businesses alongside more established Bric locations. This is to spread risk, he added.

Wilcox said one of the major differences between the current recession and those before it, in terms of demand for outsourcing, is the fact that businesses want more innovation. "They are going to ask for more innovation instead of just going down the cost cutting route."

He said this is because the current recession is deeper and outsourcing on cost grounds alone will not work. "Also the suppliers have improved their capabilities over the last four or five years."

A measure of this is the fact that more established offshore service providers in locations such as India are outsourcing to emerging areas. The processes that involve cost cutting are being carried out in low cost emerging areas while innovative work is done in more established locations.

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