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Outsourcing 2.0: What's the new India?

Tomorrow's world is an offshorer's playground

Tags: [outsourcing](#), [lse](#), [bric](#), [offshoring](#)

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Companies will soon see outsourcing as a game of dice - hedging their bets and spreading outsourcing deals across the world, a report by the London School of Economics (LSE) has predicted.

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Report co-author professor Leslie Willcocks said today the global growth in IT and business process outsourcing (BPO) in various new countries across the globe will allow businesses to gamble on many different offshoring deals.

"At one level it is a craps game, you spread your bets and you take your chances," he said.

"One country may be highly risky but you are willing to go ahead with the deal because you know that you can transfer it out if something goes wrong.

"Offshoring today is a transitional phase in a much larger movement towards a global division of labour."

The LSE's *Beyond Bric* report looked at 14 countries outside the traditional IT and BPO hubs of Brazil, Russia, India and China (Bric). Bric countries currently dominate the outsourcing market - accounting for \$45bn of its \$55bn annual global value.

The report examined fledgling IT and BPO outsourcing industries in Central and Eastern Europe; the Middle East and Africa; Asia and the Americas.

Willcocks said India's struggles with high levels of staff turnover, rising costs and overburdened infrastructure is making emerging competitors more attractive.

"India will continue to dominate for the next 20 years but it has run into some challenges.

"Meanwhile, China is seen as having difficulty in languages and problems with intellectual property and Russia can't seem to get its act together.

"If the non-Bric countries can take advantage of these countries' challenges then they will be able to work that to their advantage. They should look to learn from India's mistakes of not developing infrastructure and skills base fast enough to keep up with that growth."

The predicted growth in the global ITO and BPO markets - which Willcocks described as "recession proof" - with outsourcing revenue set to grow between six and nine per cent each year.

The need for more offshore deals will be compounded by a desire for nearshoring along with widespread skills shortages among Western countries. The UK is predicted to have a shortfall of more than 14,000 IT specialists by 2010 and the US a shortage of 15 million by 2025, Willcocks said.

Topping the report's list of the outsourcing hotspots in many areas was Egypt. The country is a good fit for offshore IT outsourcing, BPO and call centre deals because of its low costs, its ability to scale up its offerings and the 31,000 science, tech and engineering and 20,000 English speaking graduates it produces each year.

The report, which was commissioned by the Egypt's Information Technology Industry Development Agency, says that Egypt needs to work on improving its management skills and transportation systems, changing perceptions of risk in the US and on attracting more high value work from Western clients.