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Canadian News

Vancouver Foundation Selects Fusepoint Managed Services

Vancouver Foundation has selected Fusepoint Managed Services, a national provider of outsourced IT and infrastructure services, to provide application and infrastructure support to Canada's largest community foundation.

This move comes on the heels of an intense five-year growth period, in which the organization now manages over 1,300 endowments worth approximately \$700 million.

Vancouver Foundation chose Fusepoint Managed Services based on its knowledge and skill-set for a fully-managed VMware enabled environment as well as its consultative approach with the Foundation's IT team.

"Vancouver Foundation is a very important organization in the Province of British Columbia," said Karina Thomas, director of IT, Vancouver Foundation, in a statement. "Our Web presence is responsible for bridging generous donors with organizations in need; we could not function without it. We sought a partner who understood our infrastructure needs so we could provide round-the-clock care and attention to our interested citizens and remain in contact with them," said Thomas.

Officials with Fusepoint said that ensuring donor information and other submitted information, such as grant forms, remain safe and secure is of utmost importance to Vancouver Foundation. The company's security assessments, managed firewall, VPN and intrusion detection services will ensure this type of information remains secure and protected from malicious activity.

"Web site presence and its availability have become paramount issues for many organizations in the digital world," said George Kerns, president and CEO of Fusepoint.

Kerns said that the company is pleased to provide Vancouver Foundation with the security, availability and technology to ensure it continues its great work.

Source: TMC. Net, March 2010

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Ambir Technology Receives Canadian Federal Grant To Develop Contact Center Tools

The Canadian province of New Brunswick was, along with Ireland, one of the first offshore/nearshore destinations for U.S.-based contact centers. Former premier and Canadian ambassador to the U.S. Frank McKenna, reportedly seeing Ireland's example, had identified this

industry and function as the kernel to create jobs to alleviate the province's longstanding high unemployment rate. Both Ireland's and New Brunswick's most plentiful resource has been their hardworking, well-educated and friendly people that have gone elsewhere, or 'down the road' to use an Atlantic Canada expression.

While the offshore/nearshore contact center work itself is disappearing due to the strong Canadian dollar, the knowledgebase created by it is now paying off with the development of new contact-center supporting - and employment-creating - technologies. Ambir Technology Group, which is based in Saint John, New Brunswick, has received \$333,000 contribution from the National Research Council of Canada Industrial Research Assistance Program "NRC-IRAP" that will help it develop flexible and secure remote monitoring systems that can control multiple contact centers simultaneously.

Contact centers in many offshore locations require network and computer specialists to maintain and upgrade their complex systems. The new technology being developed by Ambir Technology Group will automatically fix simple software problems, and flag the more complex problems to Canadian-based technicians. This will enable companies to employ high-value computer specialists in Canada.

The NRC-IRAP provides a range of both technical and business-oriented advisory services along with necessary financial support to qualified innovative Canadian small- and medium-sized enterprises. The program is delivered by a field staff of 240 professionals in more than 100 communities across Canada. The National Research Council is committed to working with small- and medium-sized enterprises while they realize their full potential, turning knowledge and innovation into strategic opportunities, jobs and prosperity for all Canadians.

"Investing in science and technology is critical for developing highly skilled people and improving the long-term competitiveness of Canadian firms," said Acting NRC President Daniel Gosselin. "That's why NRC-IRAP is helping innovative Canadian businesses like Ambir Technology Group grow stronger, faster and bigger."

Ambir Technology Group is an information and communication technology (ICT) consulting and application development outsourcing company. It is a full service consulting firm that assists organizations with IT solutions from concept to implementation.

"NRC-IRAP is playing a key role in the success of the company," said John Munro, Vice President Sales & Marketing. "The financial support we are receiving from NRC-IRAP has played an integral part in helping continue to innovate by using leading edge technology and providing access to world class researchers."

Source: TMCnet, February, 2010

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Axcan selects Emtec to provide value based management Services

Emtec Inc., a systems integrator, recently announced that Axcan Pharma ("Axcan"), a leading specialty pharmaceutical company in Montreal, Quebec, selected Emtec subsidiary, KOAN-IT, to provide Value Based Management (VBM) services to help align its IT infrastructure, people and services with their operational and internal end user support needs. As a result of the VBM assessment, Axcan lowered operational costs and improved its ability to measure the value of IT services for the organization.

With over 500 employees in the United States, the European Union and Canada, requiring IT support, Axcan Pharma decided to evaluate the activities/services of its outsourced IT support provider. Emtec's subsidiary, KOAN-IT, was chosen to construct an analysis of Axcan's IT needs, the services their IT outsourcer provided, and then create a roadmap with specific recommendations for development of an IT improvement plan moving forward.

"As our company continues to expand, we wanted to strategically assess and measure all of our IT components, specifically time to resolution," said Jean Morin, Senior Director of Information Technology and Solutions, Axcan. "We selected Emtec (KOAN-IT) to create a customized framework that would identify and detail our IT services and measure the value of our current offerings. By the end of the process we nearly doubled our service catalogue, documented expected service levels and are now able to measure performance/time to resolution. We have become more proactive instead of reactive.

"Emtec (KOAN-IT) is helping us realize our strategic plan- To evolve our IT division from someone who just delivers PCs or support to an integral part of organization bringing solutions and strategies that truly accelerate corporate strategy and goals. We are changing the value of IT to our organization." With a stronger and more efficient service catalogue properly defined, KOAN-IT developed a value chain model for Axcan's IT infrastructure which provides a roadmap to identify areas that Axcan would like to improve upon. This process provided the company with a forward looking vision into its future business objectives and enabled them to adjust services while identifying the resource/cost changes associated with those adjustments. These VBM techniques ensure that IT investments are being allocated in the right areas to bring the most value to the business.

Renée-Claude Lafontaine, IT Strategic Value Consultant, KOAN-IT, said, "By understanding the demand-for-value that is consumed by the organization, and how on-going IT activities and initiatives are contributing to the delivery or improvement of that value, IT managers and executive staff are empowered with real data to make decisions and no longer need to rely on instinct and intuition."

Source: Emtec, Inc, March 2010

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Terasen Gas to Open Two New British Columbia Contact Centers

Terasen Gas will be opening two new contact centers in the Canadian province of British Columbia, one at as-yet-to-be-decided location in the Metro Vancouver/Lower Mainland area and the other in Prince George, in the north by January 2012. It is also adding a billing operations centre and an updated customer information system. These new facilities and operation will result in approximately 300 jobs for the gas utility.

Terasen had been outsourcing its customer care; the British Columbia Utilities Commission (BCUC) approved its application move to an in-house customer care operating model. The firm is ultimately and indirectly owned by Fortis Inc., the largest investor-owned distribution utility in Canada.

“The approval to move to a new customer care operating model will help to ensure we can meet the growing needs of our customers in what is, and will continue to be, a rapidly changing and increasingly competitive energy marketplace,” explained Doug Stout, Vice President of Marketing and Business Development, Terasen Gas. “Our customer care services will be delivered by B.C.-based, Terasen Gas employees, who will be familiar with local energy and environmental considerations and with the evolving, expanding, and often more complex, suite of products and services we offer to our customers.”

The first of two new contact centers will be located in Prince George. It will create more than 100 new jobs there, as well as future economic benefits for the local community, which has been hard hit with the economic downturn and from the mountain pine beetle outbreak that has devastated the forestry industry that the city and its region depends on.

While communities like Prince George have sought nearshore contact centers, the strong Canadian dollar have driven many that have set up in Canada back to the U.S. In-house Canadian-customer-supporting centers like Terasen’s provide, say observers, a more stable source of employment.

Terasen Gas is still finalizing the details for the second center which would create approximately 200 additional jobs to support both contact centre and billing operations. The firm is headquartered in Surrey, which part of the Metro Vancouver area.

“As the economic development authority in Prince George, we are very pleased that Terasen Gas has chosen Prince George and is bringing 100 new jobs to our downtown core,” said Tim McEwan, President and Chief Executive Officer of Initiatives Prince George. “This is a big win for Prince George, and we look forward to welcoming Terasen Gas within our community.”

An updated customer information system will allow Terasen Gas to be more responsive in implementing new service offerings to customers. These include expanded energy conservation programs, and will replace the system that has been in service for more than ten years.

Terasen Gas is finalizing next steps in Prince George, which include renovations and improvements to the contact center building, as well as plans for recruiting and hiring of a local workforce with a strong customer focus, which will commence in mid-2011.

“An in-house customer care department and customer information system in our City's downtown will enhance the heart of our city and displays the confidence Terasen Gas has in our community and in our future,” added Mayor Dan Rogers, City of Prince George. “We welcome them with open arms.”

Source: TMC.net, March 2010

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In The News

4Q09 EquaTerra Pulse Survey Results

*EquaTerra Reports New Deal Pipelines Surged a Record 44 Percent in 2009
Game Changing Trends for 2010: Cloud Computing, SaaS and Large Scale Global Sourcing*

Growth in new deal pipelines increased a record 44 percent in 2009, according to global service providers polled for EquaTerra's 4Q09 Advisor and Business/IT Service Provider Pulse Survey, the second highest single-year surge in demand since the inception of EquaTerra's Pulse survey in 1Q05. EquaTerra forecasts demand for global sourcing will gain momentum as economic activity revs up and organizations retool to compete in an increasingly diverse marketplace.

"The recession has profoundly reshaped the marketplace and now both buyers and service providers are analyzing ways to adapt to the current market and take advantage of new opportunities," said Stan Lepeak, managing director of global research for EquaTerra. "Ways to reduce costs and optimize operations continue to top the business agenda, but new competitive strategies are emerging."

Key Findings:

Strong demand for outsourcing continues – Market demand for outsourcing as measured by growth in the new deal pipelines of global service providers rose steadily in 2009, finishing the year 44 percent higher than 2008. Seventy six percent of service providers polled in the 4Q09 survey cited continued growth in their new deal pipeline and nearly two-thirds of them (63 percent) predict demand will remain steady through the first quarter of 2010. Fifty four percent of EquaTerra's advisors - who provide a forward view of demand two to three quarters out - also cited increased demand, up six percent from last quarter.

Service providers expect to increase scope in current accounts – Eighty three percent of service providers expected to increase the scope of contracts in their current accounts, up 23 percent from last quarter, a further indication of buyer demand.

While demand remains strong, preference for global sourcing models shifts – Participants were 12 percent more likely to prefer offshore outsourcing in the second half of the year (up 12 percent from 2Q09), a change driven largely by the need to maximize cost savings. Buyer interest in nearshore/offshore captives waned (down 11 percent from 2Q09 levels) as establishing and managing a competitive captive operation proved more challenging than anticipated.

Game Changing Trends for 2010

The recession caused organizations worldwide to hit the reset button. Now, as the turmoil subsides, three trends are shaping up to transform business fundamentals - global sourcing on a larger scale, cloud computing and software as a service (SaaS). The urgent need for cost reduction forced new buyers to enter the global outsourcing market and compelled experienced buyers to renegotiate contracts, demand ROI and improve governance to ensure they realized expected outcomes. Lessons were learned. It's expected this experience will be put to good use as organizations emerge from recession and find themselves on a new playing field.

Cloud computing is a step toward comprehensive outsourcing of essential business systems - core infrastructure, computing power, data storage and recovery systems and software applications. Not only will cloud computing relieve organizations of the burden of buying, managing and upgrading hardware and software, it will usher in a dramatically different cost model.

For many, SaaS will be the first foray into the cloud. Small and mid-sized enterprises view SaaS as a competitive advantage, a way to bypass the capital expense associated with the purchase and maintenance of commercial enterprise software. Larger organizations can use SaaS as a catalyst for transformation, forcing the adoption of more cost-effective standardized systems and processes. For now, big organizations are typically deploying SaaS to support underserved areas such as HR, but wide-scale adoption of SaaS is inevitable. The speed of change will depend on organizational objectives and how quickly enterprises can transition from legacy systems.

"Traditional outsourcing was a step in the right direction because it created economies of scale," says Lepeak. "But cloud computing and SaaS are game changers. There are plenty of challenges to be overcome, but they are dwarfed by the potential cost savings and improved operational efficiencies these innovations will ultimately deliver."

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Other Conclusions

Business process outsourcing (BPO) and IT Outsourcing (ITO) demand growth gained strength in 4Q09 according to EquaTerra advisors and third-party business and IT service providers polled. Providers were more bullish on growth than advisors but both groups cited growing market strength. Ongoing pressure to reduce costs continues to drive demand as buyers continue to focus on doing more with less. An improving economy, as well as lack of investments in key

operational areas over the past two years, are also favorably driving demand as buyers seek innovative means to support growth and investments.

The market for more discretionary third-party services, such as consulting, systems integration and some application development work, remains weaker than for outsourcing, though there are signs of improvement in demand for application development services. Public sector demand for all types of third-party business, mission support and IT services remains strong.

The top trends identified for 2010 in the business and IT service market include the following:

- Software as a service (SaaS), especially in the HR functional area
- Cloud computing and the growth of non-traditional software applications (like SaaS and open source)
- Shared service centers as a complement to outsourcing or in lieu of outsourcing industries like the public sector
- Continued service provider market consolidation with mixed results for buyers given the challenges of smoothly completing these efforts

The globalization of business and IT services will continue unabated in 2010. Buyers will continue to diversify the locations from which they source services, as well as take a broader range of services offshore. The growth of global sourcing, however, will continue to outpace most buyers' ability to source and manage these increasingly complex efforts, leading to underachievement of potential benefits and an occasional failed effort.

Buyers continue to face many challenges to deal consummation. The key to overcoming these challenges is to recognize and proactively address them early in sourcing efforts and also, where appropriate, modify sourcing efforts to ease the impact of the challenges. The top challenges cited include the following:

- Retained organization, relationship management and outsourcing governance challenges
- Inadequate executive and management support
- Change management concerns
- The economy or the impact of the economy on operations

Service provider capacity is improving somewhat for deal pursuit but remains tight for transition and delivery. Service provider selectiveness is helping to improve capacity, but budget and skill constraints and the need to chase and deliver more smaller deals exacerbate capacity constraints, as do fits and starts in buyers' sourcing efforts.

Growth in pricing pressure on service providers has reversed direction from the past few quarters and has started to grow again as buyers seek lower cost deals occasionally at the expense of quality.

Source: Equaterra

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4Q09 Market Vista & FAO Annual Report 2010- Everest

The outsourcing and offshoring market witnessed continued trends of global recovery as evidenced by sustained global transaction activity led by buyers in the United States and Europe, continued captive growth, increased hiring by leading Indian suppliers, and other indicators, according to the **Market Vista: Q4 2009** report by Everest. Everest's quarterly study on global outsourcing and offshoring activity reports transaction volume in the fourth quarter was similar to the third quarter, but a few mega-deals pushed annual contract value (ACV) up 72 percent to about US \$4 billion.

Comparing Q4 to Q3 2009, the report includes the following findings:

- * Business process outsourcing (BPO) comprised 26 percent of deals signed in Q4 with increases of 12 percent in transaction volume and 25 percent in ACV.
- * IT outsourcing (ITO) held 71 percent of transaction activity; deal volume remained steady and ACV rose 21 percent.
- * Deals with both ITO and BPO components drove the ACV significantly in Q4 on account of a few mega-deals of this nature.
- * The BFSI (banking, financial services, insurance) and MDR (manufacturing, distribution, retail) verticals contributed towards about one-third of deal signings.
- * The BFSI vertical witnessed a marginal decrease in overall transaction volumes but contributed towards one-sixth of overall market ACV. Half of the BFSI deals were inked by banks, which constituted an equal proportion of the ACV as well.
- * In the MDR vertical, contract signings resembled Q3 activity, but ACV increased 44 percent.
- * North America and Europe again contributed towards three-fourths of total transaction signings in Q4, with the ACV increasing significantly in the United Kingdom.
- * Captive activity in Q4 reached a two-year high, led by MDR and BFSI verticals, with 40 new announcements led by 14 in India and 18 in Rest of Asia.
- * Both Tier-I and Tier-II locations contributed equally towards overall offshore delivery (i.e., both captive and third-party centers).
- * Overall supplier transaction activity held steady and improved for traditional global majors and declined for offshore centric-suppliers. M&A activity saw 10 acquisitions and 39 new alliances.

“Recovery continues to be slow and steady, but the global sourcing market is turning the corner as buyers are out of the reactive mode and now able to once again focus forward on proactive

measures to reach long-term business objectives,” said Eric Simonson, Managing Principal of Research, Everest. “The last half of 2009 saw signs of recovery momentum with transaction volumes holding steady. Although we saw ACV levels rise sharply due to a handful of mega-deals, we’re still seeing buyers sign bite-sized deals as well.”

The Finance and Accounting Outsourcing (FAO) business is expected to rebound from pre-recessionary growth levels to clock 20% plus growth to reach US\$ 3.7 bn, according to the **Finance & Accounting Outsourcing Annual Report 2010, by Everest Group**. The year 2009 witnessed significant onshore FTE ramp-ups (especially in U.S.) implying the growth of an onshore-nearshore-offshore delivery mix. However, the maximum growth from an offshore / nearshore standpoint took place in India (both tier 1 and tier 2 locations) and S.E. Asia. It is interesting to note that captives continued to be key M&A targets for suppliers.

Annual Contract Values (ACV) growth slowed to 11% in 2009, as compared to 20% plus growth rates observed in 2006-2008, according to the study. In the next 3 years, US\$4.8 bn in FAO contracts are up for renewal. The study also reveals that although the number of contracts signed was lower in 2009 compared to recent years, organic growth through contract extensions picked up significantly and contributed to almost 40% of the ACV growth in 2009. Only 9% of end-of-term contracts were terminated, largely due to macro-economic conditions such as buyer bankruptcies and lower transaction volumes.

Approximately 80% of F&A work is delivered out of offshore and nearshore locations and the overall FTE strength of FAO grew by over 30% in 2009. The maximum growth took place in India (both tier 1 and tier 2 locations), S.E. Asia, and in onshore destinations.

The FAO market growth continues to see aggressive adoption across manufacturing, consumer packaged goods, retail and high-tech sectors. Telecom and Pharma are emerging sectors with the highest growth rates.

Other highlights:

The domestic outsourcing market in Asia Pacific including Australia and India witnessed strong activity in 2009

Asia Pacific (including India-to-India market) started to emerge as a source geography for FAO deals in 2009 registering YoY TCV growth of ~45%

Global sourcing leverage continues as a component of the FAO solution with an average of around 80% F&A work being delivered out of offshore and nearshore locations

Established leaders Accenture, ACS-Xerox, Capgemini, Genpact and IBM account for nearly 65% percent of the FAO market’s ACV. Other suppliers included in the analysis include Cognizant, Compass BPO, EXL, HCL, HP, iGate, Infosys BPO, Intelenet, KPIT Cummins Infosystems, Outsource Partners International, Patni, RMS, Steria, TCS, Vengroff Williams & Associates (VWA), Wipro and WNS.

In this year’s report, Everest highlighted five suppliers as ‘2009 FAO Market Star Performers’: Genpact, IBM, Infosys, Wipro and WNS. These suppliers demonstrated the strongest movement forward across the following two dimensions in 2009:

Market success in 2009 based on ACV growth, number of contract signings, and value of contract signings in 2009

Capability advancements in 2009 based on expansion of scale, scope, delivery footprint, and technology investments

The Star Performers designation relates to year-on-year performance for a given supplier and does not reflect on overall market leadership positions. Those identified as the 2009 Star Performers include both leading suppliers and major contenders.

Source: www.everestresearchinstitute.com, February 2010

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TPI Index Finds Outsourcing Market in Europe Surged During 4Q09

TPI, a unit of Information Services Group, Inc. (ISG), announced last month that the value of outsourcing contracts awarded in Europe, the Middle East and Africa (EMEA) surged during the fourth quarter of 2009, contributing significantly to the turn of the global market.

The 4Q09 EMEA TPI Index, which tracks commercial outsourcing contracts valued at EUR20 million or more, showed Total Contract Value (TCV) in the region hit EUR12.4 billion in the last three months of the year, an increase of 135 percent compared with the previous quarter and 61 percent year-on-year.

EMEA's strong performance in the quarter drove the global market and contrasted sharply with a modest sequential improvement in the Americas and a decline in Asia Pacific. Fourth-quarter TCV in the region was just shy of the level achieved in the second quarter of 2008, the last quarter before the downturn in the sourcing market began, and mega-deal TCV reached EUR4.7 billion, the highest level in six quarters in EMEA.

However, as in other regions of the world, the strong quarterly performance was not enough to offset the effects of the global recession and the pause in outsourcing decision-making on full-year results. EMEA's EUR29.3 billion of TCV for 2009 represented a 21 percent year-over-year decline and was the lowest annual total for the region since 2006. In the United Kingdom - the world's second most mature outsourcing market after the United States - full-year TCV fell by half from its 2008 level. In addition, despite the improvement in mega-deals, the overall market shift to smaller value deals continued. More than 70 percent of all contracts awarded in the broader market in 2009 were valued at under EUR80 million, the highest in EMEA outsourcing history.

'The fourth quarter showed clear signs of recovery, but as expected, the recession took a toll on the full-year results,' said Duncan Aitchison, Partner and President, EMEA, TPI. 'The market clearly bottomed in the first half of 2009 but managed to turn in the second half of the year.'

While we don't expect a bounce back to pre-recession levels, we are maintaining a positive outlook for 2010 as the market starts to show momentum in key industry verticals and signs of steady recovery in the broader market.'

IT Outsourcing (ITO) dominated EMEA market activity in the fourth quarter. TCV in this category was up 127 percent from the previous quarter and 62 percent year-over-year, and at EUR10 billion marked the best quarterly ITO performance in more than four years. Business process outsourcing (BPO) TCV in the region grew 214 percent compared to the third quarter and 57 percent year-on-year. For the year, however, BPO TCV fell 45 percent in the region, its worst showing since 2002.

The three industry sectors that have historically led the outsourcing market in EMEA showed significant improvement during the second half of the year and were integral to the overall regional performance. The TCV of contracts awarded in Financial Services, driven by mega-deal activity, increased 57 percent from the first half of the year, while in Telecom & Media it increased 198 percent on the strength of one significant transaction and in Manufacturing it was up 7 percent.

Through the first three quarters of 2009, Europe surpassed North America as the leading region for outsourcing spending by \$1.2 billion in average annual contract value, according to a separate report, from TPI. The sourcing data and advisory firm's latest quarterly TPI Momentum Report, released last month, said that North America led the world in 2008 with \$29.6 billion in contract value.

In terms of outsourcing viability, which indicates how economically attractive a country is to outsourcing service providers, TPI reported that the U.S. is still ranked No. 1, with the United Kingdom in second place and Canada in third. However, India (No. 13) and China (No. 21) are rapidly rising due to increased spending, and both consistently rank high in countries providing outsourcing. Brazil, the highest-ranking Latin American country, was also in the top 10 for outsourcing providers. In its 2009 year-end forecast, published last fall, IT research firm XMG Global projected the global outsourcing market to reach \$373 billion in total revenue in 2009, an increase of 14.4 percent over the previous year. India and China are estimated to have outsourcing revenues of \$48 billion and \$28 billion, respectively, for 2009. However, XMG also cited South Africa, Egypt and Mexico as growing sources for offshoring operations.

"[Outsourcing] fosters rational allocation of capital and growing global trade. That is certainly preferable to vertical integration driven by fear of supply shortages," the Wall Street Journal says. "This not only feeds on itself, as more supplies get 'locked up,' but leads to inefficiencies as the competitive dynamic is removed from the supplier-customer relationship."

Source: NOA Thomas net news, January 2010

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IBM and Panasonic Ink Largest Cloud-Computing Deal

IBM has scored a major cloud-computing coup, with Panasonic selecting LotusLive collaboration software for more than 100,000 workers. The IBM-Panasonic deal is the largest enterprise cloud-computing deployment ever. Panasonic says the IBM deal allows it to increase its IT infrastructure without increasing its internal IT departments.

In a new marker for outsourced IT services, Panasonic has announced it will adopt IBM's LotusLive suite of collaboration technologies. This is reportedly the largest cloud-computing arrangement ever, involving support for 100,000 Panasonic workers that will eventually expand to more than 300,000 users, including partners and suppliers. Mitsuhiro Aoyama, vice president of corporate information systems at Panasonic, said the deal will allow the company's employees "to truly function as a globally integrated enterprise" so everyone can work "as if they were in the same location." The terms of the agreement were not released.

'Strategic Right-Sourcing'

Panasonic said the move allows it to increase its IT infrastructure without increasing its internal IT departments as it builds on a decision to unify its brands worldwide under the Panasonic name. The hosted LotusLive suite includes e-mail, conferencing, chat and file sharing. James Staten, an analyst with industry research firm Forrester, said the deal is more significant as an example of "mix-and-match outsourcing," rather than for its cloud-computing aspect.

He said Forrester is describing this trend as "strategic right-sourcing," in which IT heads will outsource only the services they need when they realize they do not have enough internal resources. "The old way," he said, "would have been to hand the IT keys to a company" such as IBM, but now IT departments are being "much more selective" and are becoming more open to using hosted solutions. An enterprise can give e-mail to IBM as Panasonic is doing, he said, web operations to someone else, and so on. In Panasonic's case, Staten noted, handing e-mail to IBM is easier because the company is "already a Lotus shop." **Day After Microsoft /HP Deal**

While cloud computing can be part of a growing IT department's solution, he said, it's "unrealistic" that any major enterprise is going to "go 100 percent cloud." Staten said key reasons are applications that don't fit the cloud model, compliance issues, and, often, cultural issues about managing IT resources in a remote cloud. With IBM projecting the global cloud-computing market will grow at a compounded annual rate of 28 percent to \$126 billion by 2012, the deal marks a new level for the growing industry of outsourced, cloud-based services.

The IBM/Panasonic deal comes a day after Microsoft and Hewlett-Packard announced they will spend \$250 million over three years to co-develop cloud-computing systems. The goals are to develop a next-generation infrastructure-to-application model, to advance cloud computing by speeding application implementation, and to lower costs by eliminating complexities of management through automation. Staten noted that the announcement signaled "a market expansion" for Microsoft, which has "done well so far in hosted services," as has IBM. He added that HP's portfolio of such services has been "pretty minimal" up to this point.

Source: Newsfactor.com

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Staples Turns Out an IT Outsourcing Option for Small Businesses

The new Staples Technology Solutions offers everything from computer equipment management to a full IT department

Small businesses really are the engines of our economy. Unfortunately, the recession has taken its toll. Many of those that have managed to stay alive (and there are a lot... small businesses have a certain grit about them) have had to make cuts, or have had to put initiatives on hold. Which is why, perhaps now more than ever, IT outsourcing makes a lot of sense.

When businesses have to deal with a lack of resources for IT—be it staff, budgets or expertise—outsourcing can fill in the gaps. But the big IT outsourcing guns, such as CSC, IBM, EDS and others, aren't typically on the radar of small businesses. And offshoring IT is seemingly even less of an option, since a big part of successful offshoring is negotiating the right contract and then managing the offshore deal once work gets underway.

Small and midsize businesses more often seek out local companies, many of whom are small and midsize businesses themselves. But expect more options to hit the market.

In fact, just this week, office retailer Staples unveiled a new service designed specifically for small businesses that want to outsource any part—or all—of their IT operations. The move is an acknowledgement of the growing need small and midsize businesses have and a central part of Staples' strategy to become more than an office retailer and instead become also an office delivery business that services companies large and small in all of their office needs.

The new Staples Technology Solutions is supposed to be able to handle tech products and services for business customers, ranging from computer equipment and printer maintenance to managing all the company's IT needs. The company says it could provide a full IT department to a small business (defined as a business with 10 to 250 employees).

Staples Technology Solutions is the upshot of Staples' acquisitions of Thrive Networks, a tech consulting firm, in 2006, and Corporate Express, a European office supplier to businesses, in 2008. The new unit will offer customers services on a contract basis and charge monthly fees.

Clearly, services such as the one Staples' new unit is offering can help small and midsize businesses make up for shrunken revenue, shrunken IT staff, and shrunken IT budgets.

But small and midsize business execs also need to consider how outsourcing some or all of their IT operations can also help propel their companies forward.

Just like bigger companies, outsourcing IT means getting back to core business operations. And focusing on what you do best means getting better at what you do best.

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What lies ahead for Xerox

It's been a long time since 104-year-old Xerox Corp. could be considered an upstart in anything. But that's exactly what the venerable office equipment maker is now that its \$6.4 billion acquisition of outsourcer Affiliated Computer Services Inc. has closed. The deal anchors Xerox in the lucrative but increasingly competitive field of business services, a market dominated by IBM Corp. and Hewlett-Packard Co. and populated by dozens of smaller, vertical players.

Xerox had a narrow presence in services, helping clients manage documents. But by bundling its offerings with ACS' accounting, human resources, claims management and other business process outsourcing services, Xerox believes it can save existing customers money and win new clients.

"Cross-selling is maybe the richest area in the transaction, with only 20% overlap in our top customers," says Xerox chief strategy officer Paul Hartley, who recently added the title of vice president, acquisition operations office. "We go to clients and say, 'You're spending \$20 million with us to solve this set of problems, but we see you have sets of problems that are outside of that. Let us work with you in those areas.' "

Already, Hartley says customers asking about ways to consolidate services.

Still, in a world where the most successful providers bundle information technology services, BPO and strategic consulting in so-called transformational deals, coupling document management with the outsourcing of back-office functions isn't the most ambitious model. "There's an opportunity there, but I don't think most executives are up at night worrying about document management," says Dane Anderson, Gartner Inc.'s vice president of IT services and outsourcing. "It's an efficiency play. I just don't think it's on the cusp of transforming any business in any industry."

That transformational proposition is where the industry is headed, says Phil Fersht, who previously led outsourcing practices for AMR Research Inc. (acquired by Gartner) and Deloitte Consulting LLP, and now writes the industry blog *Horses for Sources*. "The Holy Grail in the industry is what we call business utility, where [a provider] can offer the technology infrastructure, the application and business processes bundled in a smart fashion. The Xerox-ACS proposition right now is moving down the value chain rather than up, selling simple process, smaller deals. They're unlikely to be selling to the CFO or senior finance person, who will be looking at business transformation and big, broad IT/BPO."

If Xerox CEO Ursula Burns aspires to compete on that field, she'll have to be prepared for more strategic manoeuvring and acquisitions. ACS is only one piece of the puzzle. It is strong in BPO but lacking in IT services. Tech-related offerings accounted for about one-fifth of ACS' \$6.5 billion in 2009 revenue.

"It wouldn't surprise me if Xerox is looking at a further acquisition," says Fersht. "If they could take a tier-two IT shop out, integrate it into the mix very quickly, then they've got something to really shout about."

Attractive targets, says Fersht, include Patni Computer Systems Ltd., Intelligroup Inc., MindTree Ltd., Zensar Technologies Ltd. and Syntel Inc. Acquiring a consulting firm could be a smart future play, too, adds Fersht. Certainly IBM's \$3.5 billion, 2002 acquisition of PwC Consulting rounded out its business services offering.

New deals would introduce risk. Though Xerox is running ACS as a standalone company, its cross-selling ambitions mean it must do some work to better integrate the small companies ACS rolled up before Xerox bought it.

But there is pressure on management to jolt performance. Xerox revenue dropped 14%, to \$15.2 billion, in 2009, and its share price hasn't broken the \$10 mark since October 2008, after averaging closer to \$15 in the years prior.

What does Xerox think about building a bigger, bolder outsourcing business? "Our model is not an IBM model, it's not an HP model. It's not our primary mission to go head-on," says Xerox's Hartley. "The ITO/BPO marketplace is immense. It's \$400 billion. We have a unique value proposition around the diversified BPO space. And we can offer ITO and [enterprise print services]."

For now, at least, Xerox is happy to take its time combining products. It will continue to do deals, says Hartley, but nothing as major as ACS.

If ACS' transition into the Xerox fold goes smoothly, and the sales force experiences some success cross-selling products, however, don't be surprised to see this business services newcomer try to build on that momentum.

Source: The deal magazine, March 2010

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Articles in Depth

IT Outsourcing Consultants: Same Great Advice, New Low Price

The economic downturn has taken its toll on the IT services industry, and consequently, on the consultancies that swelled to support corporate outsourcing efforts in better days. Over the last two years, everyone--from the IT outsourcing arms of the biggest general business advisories (the KPMGs and Accentures, for instance) to the consulting divisions of IT service providers (the IBMs and HPs) to the leading outsourcing-specific consultancies (the TPis and Alsbridges)--has been hit with layoffs, consolidation and upheaval.

But what's been difficult for the consulting industry and the community of IT outsourcing experts it employed may have an upside for IT organizations in need of external expertise. Some of the talent that once logged \$300 an hour for the likes of IBM, TPI or EquaTerra have set up

shop for themselves, and--minus the overhead of their big bosses--are available at as much as half the cost.

Mark Ruckman is one example. He spent more than 12 years at IBM Global Services in a variety of roles from outsourcing delivery to sales. His tenure at Big Blue was followed by a stint at outsourcing consultancy Alsbridge, where he led clients through RFPs, vendor selection and contract negotiation. Today he provides the same service for his clients as a solo consultant--for about 30 percent less.

After leaving Alsbridge last February, Ruckman says, he had little choice but to go independent. The once-booming business of high-priced outsourcing hand-holding had gone bust. Michael Engel, who was laid off from Deloitte last spring with a "large contingent" of sourcing consultants, echoes Ruckman: "I suspect in most cases becoming an independent advisor was more of a necessity than a strategy."

Engel went on to form Sylvan VI consultancy with five fellow Deloitte refugees. The need for these consultants to strike out on their own is serendipitous for that segment of clientele looking for lower cost, targeted outsourcing advice. "The major consulting firms were laying off or not hiring," Ruckman says. "But working with my network I discovered companies still required consulting support, but they didn't have budgets for large consulting teams."

The Outsourcing Soloist's Selling Points

Independents and smaller firms are cheaper for a number of reasons. They don't have as much overhead. They often work virtually, instead of travelling on the client's dime. And they only have so many hours for which they can charge.

"When someone at a big firm is put on a deal, they are expected to charge 40 to 50 hours per week--every week--for a long period of time. They internally allocate people by the month," says Adam Strichman, who worked for IBM Global Services and Meta Group before selling his six-person benchmarking firm Nautilus Advisors to Alsbridge and going solo in 2008. "The 'butts-in-seats' model is not what I do. My hours are often 20 to 40 percent less than big firms'." Combined with his lower rates, Strichman can do a job at up to half the total cost of a larger firm, he says.

Price may be the biggest selling point for the independent outsourcing consultant and boutique advisory firm, but it's not the only one. While mature outsourcing consultancies and business advisories hew closely to their own established practices, "our size allows us the flexibility to blend our processes with a client's process," Ruckman explains.

What's more, flexibility can sometimes translate into increased speed. "I feel like we are moving at warp speed being able to adjust our business model to the market business requirements," says Craig Tobin, managing director of Lone Tree, Colo.-based Eventus Sourcing Group, which he formed last February after a corporate sourcing career at GE and taking an exit package from Accenture.

Working with an independent outsourcing advisor or small consultancy also may foster more trust with clients. "What you see is what you get," says Susan Tan, IT services and sourcing research director for Gartner. She's alluding to the "bait-and-switch" tactics that big firms

sometimes employ, when they" trot out their best consultants during the early days, only to replace them with less experienced staff over time.

Phil Fersht, who recently launched Horses for Sources Research, an independent consulting firm, after leading AMR Research's outsourcing practice and working briefly for offshore outsourcer Cognizant, concurs: "Clients genuinely get what they pay for--no junior 'number crunchers' here."

Outsourcing's David v. Goliath

Of course, going with the big guys has its benefits. "From a client perspective, the biggest difference is that most independents don't have a bench," explains Ruckman. "If a client wanted to kick off a large project in two weeks, I would have to ask for three or four [weeks] to build a team." Thus, the upstarts must partner to scale, and that can only get them so far. Moreover, they don't have the name recognition of the big firms. "Nobody ever got fired for buying IBM. That philosophy holds true [in sourcing consulting], with a small modification," says Strichman. "Clients think, 'If one of the big consultancies screws up, they will be in trouble. But if you screw up, I will be in trouble.'"

While independent consultants and small firms get most of their new business from their existing networks, hiring them can require a bigger leap of faith. It's easier to sell a CEO on an outsourcing plan if it has an Accenture or TPI seal of approval. Even with the 40-plus experienced consultants he works with (as independent contractors, not full-time employees), Tobin of Eventus Sourcing Group says there's a misperception that he can't offer customers "board-safe" decisions or that his company doesn't have the financial resources or company experiences that come with working with billion dollar organizations. In fact, Eventus today serves several Fortune 100 companies including American Express and GE, he says. The deals just start smaller at the beginning.

Another challenge associated with the soloists: While these outsourcing consultants can bring with them double-digit years of experience, they' have to leave behind many proprietary methodologies, frameworks and other intellectual property they used when they worked for the big firms.

The market's need for the larger, general IT or pure-play outsourcing consultancy isn't likely to go away anytime soon. "Solo consultants and the small consultancies they set up certainly have a place in the client portfolio of work. They are clearly most suited to work that requires experts as well as situations when clients need consultants as coaches, rather than as arms and legs," says Gartner's Tan. "But large scale applications work is still best done by big firms who have the scale, methodology and sources of cheap labor from offshore delivery centers."

The Future of Outsourcing Consultants

Going independent isn't easy for a seasoned outsourcing professional. "Establishing a pipeline and managing the slow periods have been the biggest challenges," says Ruckman.

Solo outsourcing consultants say the need to fly under the radar for the first year in order to stay out of trouble on the non-compete front further complicates their efforts to build a project pipeline. And even in the leanest early days, newly independent consultants can't take every job

that comes their way if they want to be successful. "We don't have the scalability, and we have to be selective in the clients and projects we take on as we continue to build the organization," says Tobin.

Then there are the tax and incorporation headaches.

Despite those challenges, Fersht, for one, is upbeat. "Clients prefer to work with boutiques these days," he says, noting that he knows of about twenty small consultancies that have sprung up in the last year or so. "They're more flexible and have higher quality staff," he notes.

In the end, the increase in independent outsourcing consultants is less a major market shift than a sign of the times. "I'm aware of a handful of sourcing professionals who set up their own shop," Ruckman says. "As companies look for alternatives to execute deals with limited budgets, this trend could grow. I wonder if the economy will force more companies to look at the ROI of a deal and include consulting cost in the ROI. If the answer is yes, this will be great for independents."

For his part, Ruckman keeps communication lines open with his contacts at the larger consultancies and could see himself suiting back up for them if his pipeline runs dry or they make him an offer he can't refuse.

Strichman, who still occasionally hears grumbling from former employers concerned he's stealing their business, insists there's plenty of room in the pond for advisors of all sizes.

"We serve a different client and a different space. Somebody with a large outsourcing initiative needs the scale of a large firm. I fill the void for smaller jobs: an addendum here, a renegotiation of a single tower there," says Strichman, noting that his biggest growth area is insourcing advice these days, a niche unmet by larger firms. "Independence lends itself to smaller jobs, so I don't swim upstream."

Source: CIO, March 2010

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The CIO role: evolving or disappearing?

CBR reporter assesses the changing, and perhaps threatened, role of the CIO

The role of the CIO has been in focus in various IT publications and the recent IBM report "**The New Voice of the CIO**". These studies usually send the same messages: the role of the CIO is becoming less technical and more strategic, the CIO is a business person just like his or her peers, one should not differentiate between "business" and "IT".

In fact the chasm between business management and IT is slowly disappearing, increasingly CIOs have a board seat, CIOs are taking on additional responsibilities as they have a global understanding of their businesses, CIOs are value creators and innovators, not simply cost reducers, and so on.

Most CIOs either believe the strategic importance of their role is already as described by these studies, or take heart when reading these opinions because they feel that things can only get better for them in their organisations.

Having heard and read about this evolution of the CIO's role for at least 15 years in scores of studies, articles, conferences and events, and despite having been a very vocal defender of these concepts in the past, I have recently started to develop serious doubts on the subject.

Don't get me wrong: strategic thinking CIOs can have a significant impact on the competitiveness of their organisations, and judicious use of IT is essential for the success of any company. If I did not believe that, I would not be proud of the work that I do for my own company, or previous companies I was CIO of.

And yet, I believe that as a community we have been too keen to blow our own trumpet instead of admitting that we are just business savvy supporters of others' strategic initiatives. In this article I would like to argue that this evolution of the CIO is overrated and that in fact the future will see the disappearance of the CIO role.

My first concern is that the message has barely changed for at least a decade if not much longer. The strategic importance of IT and the evolving role of the CIO has been talked about so long that today it sounds like a mantra more than a genuine evolution.

A web search on "evolving role of the CIO 1995" took me down memory lane, lined with many articles that I remembered reading and believing, all saying roughly the same thing as the studies we read today. If there is indeed such an evolution, it seems to be as slow as the one Darwin described.

A more important concern is that the conclusions about CIOs' evolution are usually reached by asking CIOs themselves. This would be fine, if it were not for the fact that CEOs do not seem to share the view.

A recent Forrester study showed that CEOs are by and large satisfied with IT, but had a very low opinion of IT's contribution to business innovation and to process improvement. Basically, CEOs were happy with IT because they had low expectations from IT, even when the CIO was given a board seat.

What is the reason for this discrepancy? Why have CIOs been hearing the same message for so long? Is the evolution slow but progressing, or is there something fundamentally wrong with the whole idea of the CIO role becoming increasingly strategic?

The education of the CEO

It is an undeniable fact that as IT evolved, it had a significant impact on the strategic competitiveness of innovative companies. The data centre administrator became an IT manager, then an IT director or vice-president of IT, and often a CIO, to reflect the importance of IT for the company. He or she had to come to terms with the strategic significance of IT platforms, and if not, was left behind at the lower levels of the IT organisation.

Despite the continuing message today about how the CIO has to think more strategically and less technically, at least in my experience I have not met a single CIO who does not already think of IT as a strategic contributor to the company's goals.

And yet, while we have heard about this transformation of the role countless times over the years, it must be said that the CEO has not, except perhaps when getting advice from a recruiter about how to define the role.

When was the last time you heard about a conference on the changing role of the CIO, or improving the business/IT gap, targeted towards not CIOs but CEOs? How often do CEOs get advice about improving their relationships with their CIOs, or better applications of strategic IT for their businesses? CEOs get plenty of advice about marketing, or distribution channels, or production, or finance – why is IT still not one of the core functions that the CEO feels directly responsible for?

The reason is that, whereas finance, marketing, production and the like are primary activities of most businesses, IT, as high an impact as it may have on the business, is a supporting function. It is, in fact, two things in one: information technology, and information management, neither of which is a primary business function.

IT and IM

“Technology is the name we have for stuff that doesn't work yet,” said Daniel Hillis, tongue in cheek, perhaps, but quite accurately. We tend to think of IT as something new and quite different from everything else companies have adopted over centuries, but the reality is that organisations have been adopting various technologies since the beginning of time; and the adoption always went through a period of trial and error, success and failure, and the creation of specific roles in companies that helped with the adoption process.

Sooner or later, as the technology stops being “technology” (i.e. it works without effort) and the adoption standards and best practices are understood by everyone, the special role disappears, and the technology just becomes a tool or a service that is simply procured.

A perfect example of this is the adoption of electricity in companies about a century ago. Specialist knowledge and strategic thinking was required for this new and exciting technology in every company; not only because what one could do with it was vast and unexplored, but also because often it had to be generated in-house, and that was a huge undertaking with significant capital outlays. Thus, a vice-president of electricity, or a director of electricity was essential.

Today, electricity is just a service every company (with some exceptions such as industrial gas production sites) buys from an external party, and though vital, electricity is not considered a strategic activity of the company.

“Ah”, the strategic thinking CIO will say, “my role is not about the technology, but the strategic management of information, so regardless of the evolution of the technology the role maintains its critical importance.” Although this has been the accepted wisdom by CIOs for a long time, one must ask whether anything has changed about managing information within a company since the advent of IT.

Yes, we have more information than we have ever had before and it moves faster than ever before, and we need technology to manage it, but is it really true that a special role needs to be created to do the task? Is it not up to the COO, or the MD, or the CEO even, and various functional directors of the company to decide how information flows and is used in their organisation?

IT, as technology, is at best in its adolescence though it is not too hard to foresee its maturity, a world where one will be able to completely dissociate functionality from the underlying technology, where the management of information will not require technical understanding even if the information resides on complex technical platforms. In that world, will a CIO still be needed?

Strategic IT projects

It is quite interesting to note in the IBM study that the top ten priorities of CIOs are either technology issues (virtualisation, mobility, application harmonisation, SOA/web services, unified communications), or initiatives undoubtedly initiated or requested by the business (business intelligence and analytics, risk management and compliance, customer and partner collaboration, self-service portals, BPM), not “opening up new distribution channels”, or “optimising the supply chain”, or “improving our product” or even “making our company more profitable”.

IBM’s report calls the ten priorities “visionary”. I would argue, without at all putting down the contribution of the CIO, of the IT organisation, and of technology itself, that these priorities are not visionary, for the simple reason that the CIO’s role is to support the visionary initiatives of others in the organisation with judiciously selected technology platforms.

HP’s CEO Mark Hurd has recently indicated that bad IT most often means a bad CEO. The corollary is not too difficult to argue: good IT means a good CEO, who would have to be among other things someone who does understand the basic relation between the company’s business processes and IT.

The CEO is ultimately responsible for IT just as he or she is responsible for finance, marketing, HR, or any other function of the organisation; selects a CIO according to his or her understanding of strategic IT issues, and perhaps most importantly controls the overall budget allocation to IT.

Of course the CIO may introduce technologies that can offer better solutions to problems than the business even knew existed, when a new business intelligence platform is introduced for example.

But does that make the CIO a visionary any more than the production manager introducing new production techniques, or marketing using newly established channels? It seems to me that calling such initiatives visionary is only a hold-out from the days when the CIO was just a data centre manager, but the role is now at the same level as any officer of any importance in the company.

Many believe that innovation is essential for the successful CIO, that CIOs should know what their businesses need, understand what the strategic priorities of their companies are, etc. All of this is correct, of course, but are also a given for any senior manager of a company.

These pieces of advice were necessary for the technical IT manager of the past, but anybody who is given the title of chief information officer clearly has this attitude already. I meet many CIOs, and I do not believe I have seen a single one who does not already have this kind of approach, though conversations always reveal that their success (or their frustration) is very much dependent on the CEO's (or other executive management's) attitude towards IT.

Successful IT management

If the real success of IT depends on the business's approach to it (with the CIO's business-like approach taken as a given), the most important thing a CIO can and should do is to try to improve the CEO's knowledge of and attitude to technology matters, because that is where IT success lies.

This is an arduous task, as it has always been when it comes to introducing new technology concepts to a conservative generation. In some cases, it works; in others it does not, despite the best efforts of a patient CIO.

The executive management's correct attitude is essential because all the measures of successful IT strictly depend on the non-IT players in the company, and these measures can be boiled down to two principal ones:

- 1) Successfully implementing strategically important projects, which must always be business-led projects. Even if the CIO comes up with the new idea say for improving logistics through the use of RFIDs, or reducing Claims fraud through integration to a fraud database, or real-time business decision through implementation of BAM, it is business units that need to embrace, sponsor, and lead these projects for them to be successful.

Though CIO publications often cite CIOs as having implemented such projects, one will never read in mainstream business publications that these are competitive advantages delivered by the CIO; and for good reason, since these are business initiatives for which the business should rightfully take credit.

- 2) Calculating the ROI on such projects, pre- and post-implementation, which must be again a business led activity. It is the logistics operation that will measure the benefits of the RFID system, the Claims operation that will measure reduced fraud, the COO or MD who will evaluate the returns from real-time decision making.

There are, of course, many stories about CIOs extending their responsibilities to other areas of the business; logistics, quite often, but also e-business, production, and the like, with a few CIOs even becoming CEO in their own companies.

This is usually shown as the proof to the evolving role of the CIO, but this thinking is simply wrong. These CIOs are excellent business people and branch out to different or additional responsibilities, like any officer in the company can and often does. This is not proof of the CIO role evolving but proof that good business people can assume different roles. In fact, these cases may even be indications of the reduction in the importance of the CIO role.

The future of the CIO

We are at a turning point in the history of IT. SOA, web services, SaaS, the Cloud, and other standards and technologies are all playing an important role in abstracting information management from the underlying technology. At the same time, a new generation of executive management has a much better understanding of how IT can help their companies, and how the right information management approach is essential for their survival.

The convergence of these two events means that soon non-IT management will be able to specify and procure IT services without the help of a C-level expert, just like they procure electricity or logistics systems today.

It will not be long before any type of application platform will be purchased and implemented, in the Cloud, through a simple configuration screen (think of how many you are already using this way), and not much longer before computer systems will understand business needs through an almost natural language interface.

The CIO role will not evolve; it will revert to simpler times and will eventually disappear. A good CIO will seek and find other opportunities, for sure, as the best are already doing, just like any good business person does, but that is not the evolution of the CIO as a role but of the CIO as an individual.

Source: CBR, March 2010

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Hertz & ACS- global learning solutions- A case Study

A Drivers' Education for Driving Business

In late-2007, Hertz had a firm plan to outsource virtually all HR functions to a single provider globally, via a comprehensive, end-to-end engagement. Then, the financial crisis and consequent recession reared up, and Hertz, the world's leading vehicle renting organization, hit the brakes on most of its plans. The one administrative responsibility it did ultimately shed was employee training.

During the past 18 months, Hertz and outsourcing provider ACS Learning Services have implemented a global learning solutions strategy that provides a consistent framework for training Hertz employees in North America and Europe. Among the company's goals is enhanced customer satisfaction—a rewarding, reliable, and dependable experience, whether picking up a car in Paris, France, or dropping one off in Paris, Texas. (And, yes, Hertz has offices in each.) Although it decided against a comprehensive, end-to-end HRO solution, Hertz is cruising happily forward with a comprehensive, end-to-end learning solution.

The reasons why become obvious in light of Hertz's previous learning model, which left a lot to be desired. "It was very dispersed and essentially broken," acknowledges Maria O'Donoghue, director of global learning and development for Hertz at its Dublin, Ireland-based shared services center. "We had 15 different training organizations globally, multiple authors of training content, multiple curricula, multiple suppliers, and multiple sets of duplicate content. Learning reported to operations in the United States, and to HR in Europe, which was confusing and inefficient.

There was also a strong emphasis on instructor-led training, as opposed to Web-based learning. And the trainers only trained people 50 percent of the time—the rest [was] spent performing administrative functions or developing content.”

Add it all up and Hertz’s learning model was inconsistent and costly, making it ripe for an outsourcing solution. “When an organization has disparate training programs across the globe and more suppliers than they need delivering the same content at different price ranges, outsourcing can be an effective response,” says John Higgins, founder and president of consultancy Higgins Learning Group. “It not only offers consistency in training but a consistency in design content, delivery, and management, thereby enhancing the skills of employees in a consistent way across the globe.” (Higgins, who this month starts a regular column on Learning in these pages, was formerly the chief learning officer at BearingPoint and the global lead for learning innovation at Accenture.)

Higher Mileage

The five-year engagement between Hertz and ACS was struck in July 2008, just as the recession was taking hold. Like many organizations at the time, 92-year-old Hertz sought to get the most out of its 25,000 employees in 147 countries worldwide, who collectively serve more than 30 million car renters annually. From a learning standpoint, it wanted to eliminate waste and redundancy, improve training quality, and leverage best practices. ACS promised to do all of the above, in addition to providing a single point of accountability for its services. “Hertz had a 100 percent classroom-delivery model, with instructors running all over the world teaching classes, and we talked to them about what a transformed learning organization might look like—one that would drive business strategies and be operationally efficient and effective to boot,” says Richard Klingshirn, ACS executive managing director of learning services.

ACS got into the learning process outsourcing business in 2006, following its acquisition of provider Intellinex from Ernst & Young. Intellinex had developed more than 50,000 hours of learning content and curricula for 200 corporate clients and government agencies in North America and Europe, including such companies as Cisco Systems, Canon USA, Ernst & Young, and Turner Construction, giving ACS significant traction. Today, the learning services operation is one of “four towers” making up its human capital management business (the others are its HRO end-to-end offering, employee benefits outsourcing, and Buck Consultants). “Since the acquisition, we’ve grown the learning solutions business from \$80 million to an anticipated \$120 million this year,” Klingshirn says.

ACS’s broad learning expertise, technology platform (inherited from Intellinex), and geographic footprint were key factors in Hertz’s selection of the provider for the engagement. O’Donoghue says that both companies also had compatible cultures and a similar mindset about how learning would contribute strategically to Hertz’s bottom line. “We wanted to move from the previous model where learning and development was focused primarily on administration delivery to one in which performance enhancement was the goal,” she explains. “ACS really got to understand our organization and our specific needs in the learning space, and were very proactive and responsive in putting forward potential solutions.”

The partners are still in the process of building out the global curricula. At present, ACS is offering classes in the global onboarding process, global new hire management, global manager development, and a global Six Sigma/LEAN curriculum. Some specific classes that ACS provides include Role of the Manager, Setting Manager Expectations, and Giving Performance Feedback. The training is consistent, although it is adjusted appropriately to confront language and cultural differences, what O’Donoghue calls “localized solutions” for the company’s

multiple geographies. (She also notes that all Service Level Agreements to date have been met, without any “tweaking.”)

As in many outsourcing engagements, employees from Hertz’s former learning operation are on the provider’s payroll now—45 people re-badged as ACS training personnel. Less than a handful have since left the organization, a “very good attrition rate,” Klingshirn says. Those who stayed on, he adds, “grasped the opportunity as learning professionals to become part of an organization that lives and breathes learning, day in and day out.” Many had 25 years of experience at Hertz, so re-badging allows them to continue to dedicate their learning experience to the company. “Their institutional knowledge also makes our job a lot easier,” Klingshirn observes.

Seven people remain within Hertz’s learning organization, including O’Donoghue. ACS essentially runs learning solutions “soup to nuts” for Hertz, positioning its hosted technology platform to offer flexible, scalable training programs. Consultant Higgins sees this as a plus from a best practices standpoint.” As new learning initiatives come to the fore—bear in mind that ACS has dozens of other clients for whom they have developed content—it becomes easy to scale up to meet this demand,” he explains.

The cost of the outsourced model is a compelling factor in the engagement. As a provider of services to many clients, ACS is able to amortize its labor costs, making the overall cost to buyers far lower than what they previously spent on an internal solution. Another cost benefit is the Web-based nature of the course material. While classroom training also is provided, it is integrated with online courses. “You don’t end up with instructors going around applying concepts that were already learned in the Web-based environment,” Klingshirn explains. “This cuts down on the amount of overall classwork, the time that employees are out of pocket, and the travel expenses of instructors.”

Roadside Attraction

The rubber really meets the road in terms of enhanced customer service—a key strategic goal in the outsourcing solution. “We’re trying to get to a place where all our employees understand the importance of providing the best possible service to our customers, understanding what the drivers for this are, and how we measure it,” O’Donoghue says. “We want employees to realize that there are clear business benefits to having happy customers, which is our business, after all. We want customers to have an experience that will bring them back again and again, in addition to recommending Hertz to family and colleagues. To do that, we must provide a consistent customer experience. Right now we have pockets of excellence and others not so good. We believe that a consistent learning experience will culminate in consistently excellent customer service across the globe.”

Klingshirn agrees: “A better-educated workforce will improve customer service, which leads to more repeat business and more revenue.”

It’s a lot to place on ACS’s shoulders, but O’Donoghue is confident the provider can bear it well. “They understand our strategic goals in different parts of the business and how learning can support it,” she says. “They understand and analyze our needs, design solutions, develop the content, manage and update the curricula, handle all the instruction, and take care of all the administration. Really, it is practically all with ACS.”

As the global director of learning and development, O’Donoghue is the lead of all learning and development, ensuring that training programs are business driven, and Hertz employees are afforded the proper amount of training for their respective jobs. With that comes governance. Toward this end, two organizations have been formed—a Strategic Learning Council, made up

of senior members of both companies that meets biannually to discuss strategic objectives and investments and to sign off on the annual business plan; and a Learning Advisory Board, a more tactical organization made up of different layers of management across both companies that meets quarterly. “We’ve learned that a successful outsourcing relationship involves teamwork; it cannot be ‘us and them,’ then nobody wins,” O’Donoghue says, adding that a combination of conference attendance and “extensive reading” have helped her anticipate, and avoid, typical pitfalls. “We want ACS to succeed, and they want Hertz to succeed. And the key to this is communication.”

Higgins agrees that effective governance is vital. “A key challenge for global enterprises in terms of learning solutions is that they are often so geographically and culturally dispersed that it becomes difficult to get the corporate training function aligned with the business units,” he says. “An end-to-end learning solutions provider like ACS with a sound global governance model can help ensure this alignment. They are in a position to manage third-party vendors in different parts of the world, all the while ensuring learning consistency and quality.”

Source: HRO today, February 2010

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The Argument for Rural Sourcing: Not Just 'Flag Waving'

IT Business Edge contributor Don Tennant spoke with Monty Hamilton, CEO of Atlanta-based Rural Sourcing Inc., shortly after the 2010 Outsourcing World Summit last month. Hamilton presented at the event, where he found high receptivity to the idea of outsourcing IT work to low-cost, non-urban areas in the U.S. as an alternative to offshore outsourcing.

Hamilton said RSI grew 300 percent last year, with outsourcing centers in Jonesboro, Ark., and Greensboro, N.C. His goal is to open 30 centers over the next five to six years, and his current focus is on Georgia and Iowa. RSI currently has about 15 clients, ranging from start-ups to Fortune 500 companies. But the sweet spot, Hamilton said, is the midmarket.

“Those are the companies that are primarily going to have U.S.-based businesses,” he said. “They’re not going to have the patience or wherewithal or investment dollars to go make an offshore operation in India work. But they’re going to have to figure out how to stretch their IT dollars and be more cost-efficient. For them, outsourcing is something they haven’t done a lot, or even looked at in the past.”

Don Tennant spoke with Monty Hamilton, CEO of Rural Sourcing Inc., about the growing popularity of outsourcing IT work to relatively low-cost, non-metro U.S. areas as an alternative to offshore locations. According to Hamilton, it’s not just about “waving the American flag,” but about serving a sweet spot that falls squarely in the midmarket.

Tennant: You presented at the 2010 Outsourcing World Summit in Orlando last month. How was the receptivity?

Hamilton: It was great. I was shocked, to be honest with you. I went in there thinking I was going to be the little minnow swimming amongst all the sharks. But even the larger competitors in India understand and get the model, and understand that they’re probably going to have to put up some similar kinds of

centers to build up their onshore capabilities as well. There was no denying that this is a viable model, and a place that companies are going to want to take a look at.

My bandwagon is what I call Outsourcing 2.0, which is not just looking at India as my default choice. What are my other choices out there? Could it be Eastern Europe? Could it be China? Could it be my backyard in the U.S.? My goal is to put backyard U.S. as one of the check boxes people will look at. There was a group there from Ghana, pushing Ghana as an outsourcing location. I can give you all the competitive reasons why I think we're better than Ghana.

Tennant: Give me a couple of them.

Hamilton: Ghana is a country of 4 million people, compared to 60 million people living in non-metro U.S. – I think we've got a much better opportunity to scale our model. Obviously, the infrastructure and other things aren't up to speed in Ghana, not to mention some of the political issues. But I applaud the hell out of them for saying, "Hey, here's something we're going to go after and see if we can't make this work." The point is, there are a lot of locations out there saying, "We could be the next India."

Tennant: What effect has the recession had on your business?

Hamilton: What we're seeing is a reverse-migration trend. It happens every recession – as long as things are going well, we all flock to the big cities for big opportunities. Once the food begins to dry up and the weather doesn't look so good anymore, we return home. I'm sure we'll see in the next census that people are moving back to their roots and their family infrastructure.

Tennant: How many clients does RSI have?

Hamilton: About 15, from entrepreneurial ISVs to GlaxoSmithKline and R.J. Reynolds. I don't think either of those extremes is where the sweet spot for us will eventually be. I believe our sweet spot will be mid-size companies, anywhere from \$3 million to \$3 billion [in annual revenue]. Those are the companies that are primarily going to have U.S.-based businesses. They're not going to have the patience or wherewithal or investment dollars to go make an offshore operation in India work. But they're going to have to figure out how to stretch their IT dollars and be more cost-efficient. For them, outsourcing is something they haven't done a lot, or even looked at in the past.

Tennant: Is there any work that's more suitably outsourced offshore rather than to rural locations in the U.S.?

Hamilton: Yeah. The rote, very little thinking about it, move stack A to stack B kind of stuff is going to be done cheaper offshore.

Tennant: I've written about the backlash from some areas being promoted as offshore alternatives, which stems from the perception that offshoring equates to low-quality call centers. Have you seen that?

Hamilton: I have not. I don't think that fairly represents most of non-metro America. In fact, there's a company called New Corp. in the warranty call-center business. They put their locations in places like Meridian, Mississippi; Pine Bluff, Arkansas; the Dakotas; and other places all around the country where there's a low cost of living.

They've won all sorts of awards, and what they will credit it to is the kinds of people they're able to get in these locations, who really like what they do. They're great on the phone, they give great service, and they don't turn themselves over every other day.

I have a friend who's an entrepreneur, and he's looking at putting one of these call centers in Fannin County, Georgia, a retirement location in the north Georgia mountains. He's going to be one of those retirees – he's been a senior-level executive at Cox [Communications] in Atlanta. The Fannin Chamber of Commerce said, "Frankly, there's only so much golf you can play. And the retirement funds that some of these people had have been cut in half. If we had some jobs they could do for four or five hours a day, they would love that." Nobody wants to wilt away. And in some cases, they're forced to look at their retirement a little differently than they did a few years ago.

Tennant: Do you employ any workers from outside the U.S. who are here on non-immigrant work visas?

Hamilton: We currently do not.

Tennant: Does that mean you're open to the possibility?

Hamilton: They would be perfectly welcome to apply, although we do have some sensitive data support work that would have to be kept separate.

Tennant: To be clear, you're fully open to hiring someone here on an H-1B visa?

Hamilton: If they're already here. I'm not going to be the one supporting that visa request.

Tennant: What's your position on the H-1B visa program? Is it good or bad for the country?

Hamilton: My answer to that would be yes. It is both good and bad, and I don't mean to be evasive. It certainly has been abused. I think it was put in with good intentions, and I think honestly, we needed it at certain times in this country. Does that mean we need it every year, and at the same exact number every year? I think not. I think we need to look at it like anything else we do, which is in terms of supply and demand. If the demand this year says we need 65,000, then great, let's turn the spigot on. If the demand says 10,000 probably gets us to the right number this year, let's adjust accordingly. Now, is the government quick enough to do that, and evaluate that? I'm not sure.

Tennant: Do you think there's a shortage of needed IT skills in the U.S.?

Hamilton: Yes.

Tennant: What skills?

Hamilton: I couldn't give you specifics. I think it's probably across the board. I do think there's been a lack of interest in going into what might be considered old-school typical computer software skills. If you're asking whether that has been aided by the H-1B legislation, I can't say – I haven't looked at any empirical evidence of that one way or the other. I do think there's a shortage, otherwise we wouldn't have been importing so many of those talented people, right? I think we have to figure out a way to create that supply internally.

(For slides from this presentation visit-

<http://www.itbusinessedge.com/slideshows/show.aspx?c=78218&slide=4>)

Source: IT Business Edge, March 2010

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Time To Do The Math On Cloud Computing

A precursor to the Cloud Connect conference, produced by UBM TechWeb and co-sponsored by InformationWeek

Why do cloud?- This is the question that any business-focused CIO must ask. After all, CIO's have a small number of projects that they can really focus on in any given year, and major initiatives must have a compelling rationale or won't get supported by senior leadership, including the board. The technology will only be important if the business value is clear and compelling.

In practice, there are a number of reasons to leverage the cloud. One is agility: Resources and services that are immediately available for on-demand use clearly enhance agility over months-long engineering, procurement, and installation efforts. This can help to introduce new services, test new code, enter new markets, or meet unexpected sales spikes. Another is user experience. Larger cloud providers' globally dispersed footprint can bring highly interactive processing closer to the end user.

But perhaps topping the list is total cost reduction. According to a recent Yankee Group report, 43% of enterprises cite cost control as a rationale for interest in the cloud. So, how exactly should we think about cloud costs?

Consider this: There's a range of schools of thought out there right now. Some believe cloud computing will take over all IT and that CIO's may as well start making plans to shutter their data centers. At the other extreme, there's a view that cloud computing is currently too expensive and that enterprises should focus their attention elsewhere.

The truth lies between these two extremes. Some applications and data will continue to reside in enterprise data centers. Other services are likely to be purely cloud-resident. And hybrid solutions--sometimes also called virtual private clouds--involving the enterprise data center coupled with cloud infrastructure are likely to offer the lowest total cost.

The key drivers of the economics of the solutions depend on a variety of factors, including the enterprise applications portfolio, demand variability, and user experience requirements. Here are some scenarios:

Cloud Cost Advantages: Assuming that all other factors are comparable, if you assess and benchmark the unit cost of cloud services to be lower than that of your owned infrastructure, then you should switch and save. After all, if gas is thirty cents cheaper per gallon at the station across the street, why wouldn't you fill up there instead? **Spiky Demand:** However, cloud services may well cost more than some enterprise data centers on a unit cost basis. One might think that this would imply that you should shy away from the cloud, but that's not the case. The key reason has to do with the usage-based pricing paradigm of cloud services. The important insight here is that even if cloud services do cost more when they are used, they cost nothing when they aren't used. This is a very different story than the enterprise data center, where owned resources continue to cost money whether they're used or not. This is the same difference that exists between an owned (depreciated, leased, or financed) car and a rented one. An owned car parked in your garage still carries costs, whether you drive it or not. The key factor in the

economics of the cloud is then how spiky demand is. In effect, if you drive your car every day, it's going to be cheaper to own it. If you only need a car once a week, renting is probably better. And, if you only need automobile transport for a few minutes each month, maybe you should just take a cab. If the frequency of use is low enough, it can more than compensate for a potentially more expensive unit cost, and a pure cloud strategy, even if more expensive on a unit cost basis, can still offer a compelling value proposition in terms of total cost.

Any Variability in Demand: Interestingly, while both scenarios above lead to a pure cloud advantage, it is often the case that a hybrid scenario is cost-optimal. Virtually all enterprises have some sort of variability in demand. Retailers have Thanksgiving to Christmas as well as Cyber Monday. Tax preparation firms have a peak in February of early filers and a peak on April 15th of procrastinators. Mortgage lenders are at the mercy of seasonal trends in home buying, shifts in interest rates for re-fis, and macroeconomic factors for home equity loans. We can think of all these firms, however, as having a pretty regular baseline, as well as peaks that rise above this baseline. If cloud services have a higher unit cost, a hybrid strategy is typically optimal. The strategy involves using enterprise data center resources to handle the baseline and cloud resources to handle the spikes, and it's referred to as cloud-bursting. It is often better than using dedicated resources built to peak, which then end up underutilized.

Adjustments to all of these strategies must be made depending on the application and the enterprise architecture. For example, the costs of managing multiple copies of data as well as data transport must be factored in.

Given the importance of this area, an entire track has been dedicated to the topic at Cloud Connect, where both the math behind the economics and the technical architectural implications of that math, as well as empirical benchmarks from a variety of real world examples will be addressed. To help conduct this analysis, a number of ROI tools and methodologies have now arisen for the cloud. Cloud computing is a rapidly changing technology and business model. New dynamic pricing and spot auction markets are arising for capacity, and the future is likely to hold much more in the way of business model and pricing innovation, as well as ecosystem evolution.

Source: Informationweek, March 2010

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Events

SIG's -Fixing Broken Outsourcing Arrangements

Tuesday, March 16, 2010 11:00 am Pacific Daylight Time

Webinar

SIG Global Sourcing Summit

March 30 - April 1, 2010

Savannah, Georgia, USA

Cloud Computing- an IT Paradigm Shift Conference

co-located with- IT360° conference and Asterisk & Open Telephony conference

April 7, 2010

MTCC, Toronto

CIO Peer Forum 2010 - Rebranding the CIO

April 15-16, 2010 (1.5 days)

Hosted by CIO Association of Canada

TPI Americas Sourcing Leadership Exchange (SLE)

May 17-19, 2010

Boston, Massachusetts

Government IT Leadership Forum 2010

The CIOs and Strategies transforming the federal sector

Newseum, Washington D.C.

June 15, 2010

Gartner's Outsourcing & vendor management Summit 2010

September 14-16, 2010

Marriot World Center, Orlando, Florida

Gartner's Symposium/ITxpo-Outsourcing & IT Services Marketplace

October 17 – 21, 2010

Orlando, Florida

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Books and Reports

The New Value Integrator- The 2010 IBM Global CFO Study

IBM recently released the results of its annual global survey of chief financial officers, who judging from the study are struggling with how to get the most relevant financial information into not only their own hands, but to the rest of the management team as well.

The most striking thing about the IBM survey is that 74 percent of the CFOs surveyed said that driving information across the enterprise is a major priority for them, but only 39 percent said they were good at doing that. That's all the more perplexing when you think about how many CIOs report into CFOs. It would seem that most CFOs have spent all these years thinking about how to contain IT costs, rather than employing IT as strategic tool.

Obviously, the change in the underlying economy is driving more CFOs to want to at least embrace IT, and business intelligence in particular. This is especially true now, said Doug Barton, IBM worldwide product marketing manager for financial planning management and analytic applications, because more CFOs are now being asked for strategic input into business decisions on the assumption that CFOs have critical information concerning product line profitability and cash flow at their disposal.

Unfortunately, there is a divide between the finance unit and the business units within most companies, resulting in almost two different sets of books. The central finance systems are managed almost in a batch mode that is updated weekly, while various business units update their own systems on a daily basis. The goal, says Barton, should be to have one seamless information system that spans all the business units.

That means the only real question is do CFOs really have the political fortitude and political capital needed to build these systems? For the most part, the answer to that question has been "no." But following the recent economic collapse, IBM at least is betting that the answer is going to be increasingly "yes."

The 2010 Global CFO Study is based on input from more than 1,900 CFOs.

Detailed report available at-

<http://www-931.ibm.com/tela/servlet/Asset/336218/GBE03277GBEN.PDF>

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Global IT Buyer Industry Outlook to 2010: Technology Buyer Spend and Procurement Strategies and the Impact of Recession and Recovery

This is a report published by ICD Research that analyzes how IT buyers spend, use procurement strategies & practices while the business is affected by the recession. In an uncertain economic climate this report gives access to the category-level spending outlooks, buyer budgets, supplier selection criteria, business challenges and investment opportunities of leading purchase decision makers. The report also identifies buyers and suppliers future growth, M&A and investment expectations. The research is based on an extensive survey of senior and C-level industry executives from ICD's market leading panels.

Scope

The opinions and forward looking statements of over 250 industry executives have been captured in the in-depth survey, of which over 50% represent Director & C-level respondents

This report covers data and analysis on buyer spend, procurement and industry developments by IT buyers and IT vendors worldwide

The report examines current practices and provides future expectations over the next 12-24 months

The research is based on primary survey research conducted by ICD Research accessing its B2B panels comprised of senior purchase decision makers and leading vendor organizations

Key topics covered include IT buyer spend activity, procurement behaviors & strategies and how these have been affected by the recession, threats & opportunities for the IT industry, economic outlook and business confidence.

In the report buyers identify what suppliers need to do to maintain their business and the key actions being taken by industry players to overcome the leading business threats

The report provides qualitative analysis of the key industry threats and opportunities and contains full survey results

The geographical scope of the research is global – drawing on the activity and expectations of leading industry players across the Americas, Europe, Asia-Pacific and Africa & Middle East

Highlights

Only 25% of buyers expect to increase their I.T. spend over the next 12 months, with a further 20% looking to maintain it at current levels, however with many claiming to be re-evaluating their supplier base the market open to competition is expected to increase over the coming year

35% of I.T. buyers are seeking to engage in partnerships to optimize working capital and reduce costs - closer cooperation between suppliers and buyers is being sought during this time of market uncertainty

As many as 91% of I.T. buyers think it is important or very important to monitor the supplier's financial strength when selecting a technology vendor

By: ICD Research, Published: Jul-2009

The US Contact Center Decision-Maker's Guide - 2009-2010

The "US Contact Center Decision-Makers' Guide (2009/2010 - 3rd edition)" replaces the "US Contact Center Operational Review" as the major annual report studying the performance, operations, technology and HR aspects of US contact center operations.

Taking a random sample of the industry, a detailed structured questionnaire was asked to 212 contact center managers and directors between April and August 2009. Analysis of the results was carried out August to November 2009. The result is the 3rd edition of the largest and most comprehensive study of all aspects of the US contact center industry.

A free copy of the entire 250-page report is available from the ContactBabel website-
www.contactbabel.com

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