

NOA predicts offshoring to drop in 2009

- The credit crunch, changing shape of ITO, education and virtualisation to dominate the outsourcing agenda in 2009 -

With rising unemployment in the UK, companies may be reluctant to send jobs offshore in favour of outsourcing to within the UK, predicts the National Outsourcing Association (NOA) in its annual forecast of upcoming trends.

The UK economy is weakening and with the value of the pound continuing to fall, companies will not be able to see the same level of cost savings from offshoring that they have experienced in the past. Also 'patriotic' sentiments and rising unemployment will encourage UK organisations to seek out areas in the UK to site new outsourcing business or bring back poor performing operations. This may feel good, but whether this is economically right entirely depends upon each situation. Once end users start to bring work back to the UK, offshore suppliers will see a loss of the economies of scale that made them initially attractive and therefore a rise in their own costs.

Whether onshore or offshore 2009 will see customers demanding price reductions which will mean existing suppliers are caught in a price trap. If they reduce costs significantly the users will question the supplier's current/initial rates, if they stand firm then they risk being significantly undercut by competitors. The credit crunch will force management on both sides to focus on cost and suppliers will need to have innovative solutions to either maintain existing end users or competitively bid for new contracts.

More predictions from the NOA include:

- **ITO changing shape** – 2009 will see ITO become less common with more vendors beginning to focus on specific vertical markets and delivering services that directly cater to their customers business. This will mean that end users will be able to take advantage of bespoke outsourcing services that work specifically in conjunction with their business practices rather than use a vendor which only offers a generic IT solution.

- **Education** – The importance of training and accredited qualifications will increase in 2009. Holding onto and motivating key staff is paramount during an economic downturn. Until now, there has been no common best practice standard or benchmark for outsourcing. Professionals and businesses alike are realising that they must have clear credentials that stand out in order to attract the attention of employers or clients. Recessions do not last forever; organisations that invest in their people will keep key staff well motivated and professionally trained in order to pick up the new business wave and retain existing clients.
- **The Virtualisation Age**- 2009 will see major technology users insist on virtualised technology platforms. These platforms will offer reduced costs and increased reliability. However, users who have developed their own applications may be disappointed, as the cost of re-writing the applications for virtualisation will be too great and may result in some large applications being left out altogether. New managerial structures, methods and techniques will need to be implemented in order to successfully run a virtual organisation.

Outsourcing 2.0- Web 2.0 or anything 2.0 (it seems) will start to herald greater collaboration tools, however, collaboration also means the likelihood of security breaches. In 2009 the low maturity of these tools and the organisations that use them, such as outsourcers, shared service and end users, will lead to security breaches. End users will have to ensure that the security schedules within their contracts adequately protect them from such threats; however, they will not have the expertise to fully understand the problems. Expect in 2009 the rise of specialist groups either within trade associations like the NOA or EOA, or specialist consultancies to tackle these problems, they've always been there of course but now they will be in much more demand.

- **Shared Services** – We expect that shared services will rise in popularity in 2009 as organisations, particularly government, strive to meet the implications of massive borrowing. However, it is likely that only if the shared service is set up as an external service provider will they be successful. This will lead to many public sector groups placing business with those who show superiority and professionalism in supply and will have all the attributes (SLAs, commercial models etc.) of a fully blown outsourcing

contract. In fact EDS's major competitor might just be a County Council, but probably not until 2010.

Martyn Hart, Chairman of the NOA, commented that: "2008 has been a challenging and interesting year for all industries, with the credit crunch affecting many business models. With the focus in 2009 being brought back to cost as the most important decisive factor in outsourcing, end users will be putting pressure on suppliers to ensure the best level of service is provided for the minimum of cost. However, both the supplier and end user must ensure that all outsourcing arrangements are carried out with best practice in mind."

Press contacts:

Toby Brown/ Morgan Fitzsimons
Buffalo Communications
+44 (0) 20 7 292 8680
press@noa.co.uk