

The outlook on outsourcing

Bharat Khatau, CEO of Trigent looks at the future of outsourcing.

CXO. How do companies approach the outsourcing of IT services today and how has that changed over recent years?

BK. The outsourcing of software services has moved into the mainstream in the past few years. In 1995, when Trigent opened its offshore development center, companies outsourcing this work were early adopters who were willing to accept a relatively high degree of risk. Necessarily, the work tended toward maintenance, migration and less critical development projects. Today, from Fortune 100 companies to start-ups, businesses are much more educated about the benefits and risks of outsourcing. Companies are now willing to outsource much more complex development projects and also much more critical development – “bet the business” kinds of projects.

CXO. Have you seen C-level executives’ role in the process of outsourcing change as well?

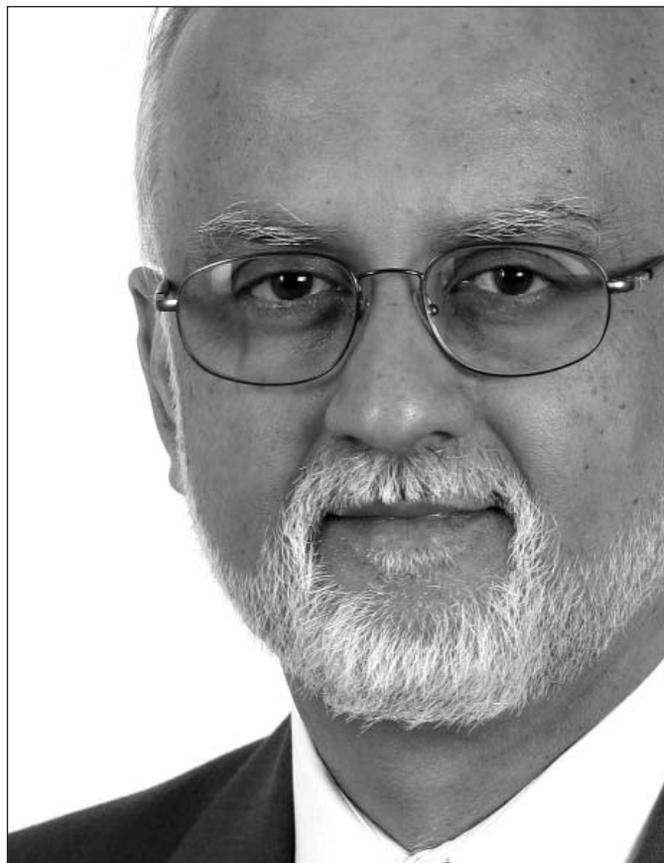
BK. Outsourcing is still very much a strategic decision. So the CEO and CIO have to be on board. But companies looking to outsource have many more choices today – of outsourcing models, of vendors, of locations. In larger companies, we’ve seen the emergence of outsourcing management roles. But in many smaller or mid-sized firms, such roles don’t usually exist, and senior business and IT executives must grapple with how to define the businesses needs, how to best structure the relationship, as well as with the ongoing management of the work. In the early stages of a relationship in particular, service providers often spend a lot of time helping clients to work through these questions and realistically assess what makes sense on both sides.

CXO. How do your clients define their criteria for choosing an outsourcer and how have you seen those criteria evolve?

BK. Naturally, cost saving is a driving factor in most companies’ decision to outsource. However, now that many companies have some experience working with outsourced service providers, they are more likely to look beyond an hourly development rate and place greater emphasis on criteria such as industry experience, specific technology expertise and flexibility in development processes. More companies today appreciate that gaining long-term business value means entering into a partnership with their services provider, allowing the vendor to understand their business needs at a deeper level.

CXO. What trends do you see for the future in IT services outsourcing?

BK. There has been a great deal of consolidation among IT services companies in the recent past and that will probably continue over the short term. IT services companies in the US have acquired offshore firms and vice versa. US companies have recognized that they need offshore delivery capabilities to compete effectively. And the offshore



firms want greater access to US markets. Ultimately, we expect offshore capability will simply become part of the delivery model, and relatively transparent to the client. A second significant trend is that the coding aspect of application development is becoming commoditized. This trend is likely to continue with the emergence of modeling and code generation technologies. But what these technologies really enable is another major trend, a move to custom applications that are adaptable to business change.

CXO. What do you mean by adaptable applications?

BK. Historically, custom business applications cost organizations a significant amount to develop and maintain. Making a change to the application was often slow, painful and expensive. But tomorrow’s applications will be much more agile. This is partly because the underlying technologies have evolved, but also due to emerging development automation technologies that will allow application code to be generated from requirement specifications. So companies can focus their resources on defining business requirements for a system, which they are uniquely positioned to do. The same technology will allow them to rapidly modify a system over time as their business processes evolve. ■