

Global ICT Services Sourcing Post Crisis: Trends and developments

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Closing summary

Graham Vickery, Head, Information Economy Group, OECD

The Workshop can be simply summarised under the headings of one “G”, three “C’s” and an “F”. This does not capture the full richness of presentations and discussions but it does aim to draw out the most striking features of the day’s proceedings.

Growth: There was an emerging consensus that not only are there good prospects for global ICT services sourcing, but that sourcing has either kept growing through the recession or at worst remained flat. Overall the last year can be summarised as “Crisis? What crisis?” This was captured in the morning session presentations of Detlev Hoch (McKinsey) and Randeep Sudan (World Bank).

Change: The new elements in the growth picture are the shift to non-OECD markets as drivers of global growth and to non-OECD countries and firms as suppliers to these markets. With conservative estimates of around USD 800 billion for the global IT market. With this market growing and these services increasingly traded internationally, there is clearly room for new entrants and new growth.

The Middle East and Africa respectively are expected to be the two fastest growing ICT goods and services markets overall in the near future. They have weathered the recession better and have grown more consistently through the decade. Within these high growth markets Egypt is sixth in terms of market ranking and there is only one OECD country (Slovakia) in the top 25. These developments were captured in the series of global maps included in various presentations to illustrate the shift in markets, suppliers and product mixes.

Continuity: There are also enduring trends despite these changes, including the continuing retention of important activities internal to the firm and/or in the home country. Tasks and activities that are strategic, or have dimensions of security, regulatory or risk tend to remain at home and/or in headquarters. Will this continue? Global capabilities for services supply still tend to come from the same places, but there are also new locations to develop and trade global capabilities. Session presentations by Jon Theuerkauf (Credit Suisse) and Nancy Thomas (IBM) covered these issues.

Contradictions: International sourcing of ICT services also reveals contradictions among firms, business associations and government in tactics, strategies, and time horizons. These include tensions between government policy encouraging clustering of similar firms, building or supporting the appropriate infrastructure and encouraging externalities and firms aiming to specialise and not have direct geographical competitors in narrow markets. There are also tensions between firms preferring to differentiate and specialise in individual locations and the government policy drive to achieve scale and scope. The aims and nature of government and firm planning also raise contradictions between long-term strategic aims of governments (build internationally competitive infrastructures to attract and retain international firms and at the same time develop world-class local firms) and short-term tactical aims of firms (build global capabilities and maximise global returns for international firms and develop

local markets and use these as a springboard to break into global ones for local firms). Brian Nicholson (Manchester Business School) raised some of these issues.

The Future: New services models are developing, with direct implications for global ICT sourcing aims and strategies. Cloud computing and other forms of distributed computing, automation of many IT services (including BPO services) and some software development and maintenance, rapidly declining costs for innovation in IT services and software are only a few of these new developments. Richard Sykes pointed to these developments and that e.g. Canada and the UK are and remain major exporters of ICT services.

Human resources will continue to be the core of ICT services, posing challenges to countries to develop general certifiable skills that can be widely used and for firms to develop the on-the-job skills so that work tasks can be achieved. The training framework was discussed by the panel comprising Mohamed Salem (Information Technology Institute), Anupam Prakash (Hewitt Associates) and Martin Taschdjian (University of Colorado).

Issues of taking global costs and benefits fully into account were a recurring theme throughout the workshop. “Planet pricing” over the whole services development and delivery life cycle was stressed, as was the growing pre-occupation with “green-sourcing” to increasingly source services from “green” suppliers and “green” locations.

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