The Explosion in the Global Trade of Technology-Enabled Business Services

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Three Objectives Today

#1 Replace the old business model of:

Outsourcing as Facilities Management

with the new business model of:

Sourcing of Technology-Enabled Business Services

#2 Replace the transitory business concept of:

Offshoring

with the longer term reality of:

Globalisation

#3 And consider the consequences!

Evolving Away from the Facilities Management Model

Consider these ***Business to Business*** (B2B) Services

Broadband services

Server farms

Data processing

Systems integration

Architectural services

Accounting services

Research & Development

Legal services

All significantly ***technology-enabled***

Client value-add in the service – not the technology!

The UK Picture: Business Services (excluding Financial Services)

Business services (100% = 4 million jobs in the UK)

ICT-enabled services (85.8%)

- Renting of machinery, equipment and other (4.2%)
- Research and development (2.6%)
- Legal activities 7.7 (%)
- Accountancy (5.6%)
- Market research & management consultancy (8.5%)
- Architectural activities and technical consultancy (9.6%)
- Advertising (2.4%)
- Other business services (45.2%)

ICT- information & computer services (14.2 %)

- Software consultancy (8.2 %)
- Data processing and database activities (1.6 %)
- Hardware consultancy (0.6 %)
- Maintenance and repair of computing machinery (0.4 %)
- Other computer services (3.4 %)

% of UK total employment in 2002

Courtesy of Prof. Mari Sako

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Technology-Enabled Business Services
<u>TEBS</u>

Business to Business (***B2B***) Services

Significantly ***technology-enabled***

Accountancy	Architecture
Construction	Consultancy
Engineering	Education
Logistics	Law
Marketing	Medicine
Retailing	Research

<u>But also significantly ***rich in (applied) professionalism***</u>

<u>***Value-add in the 'professionalism' – not the technology***</u>

What Kind of Professionalism?
(The Widening of the Spectrum)

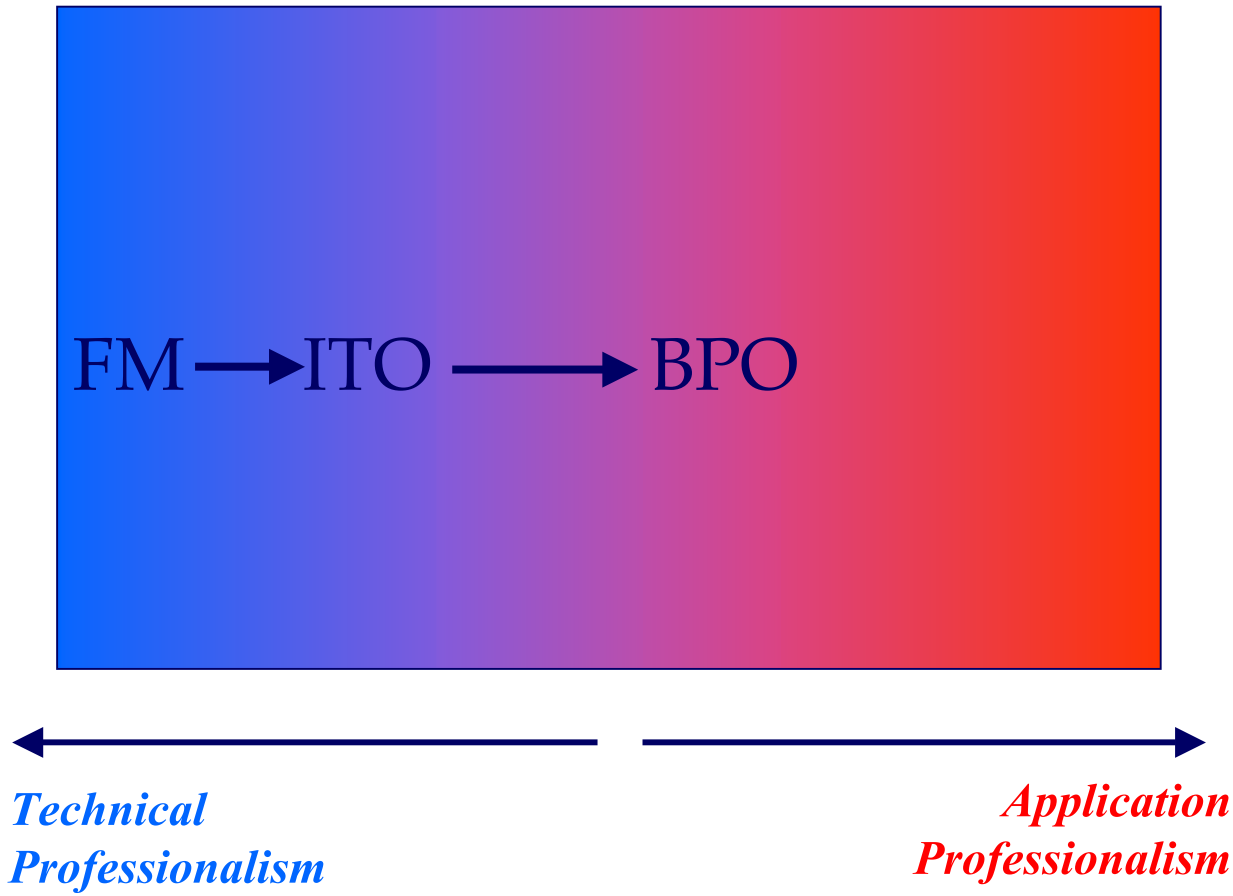
Technical Professionalism

Application Professionalism

Courtesy of the
Leading Edge Forum

CSC EXPERIENCE. RESULTS.

The ICT Industry Vision & Ambition



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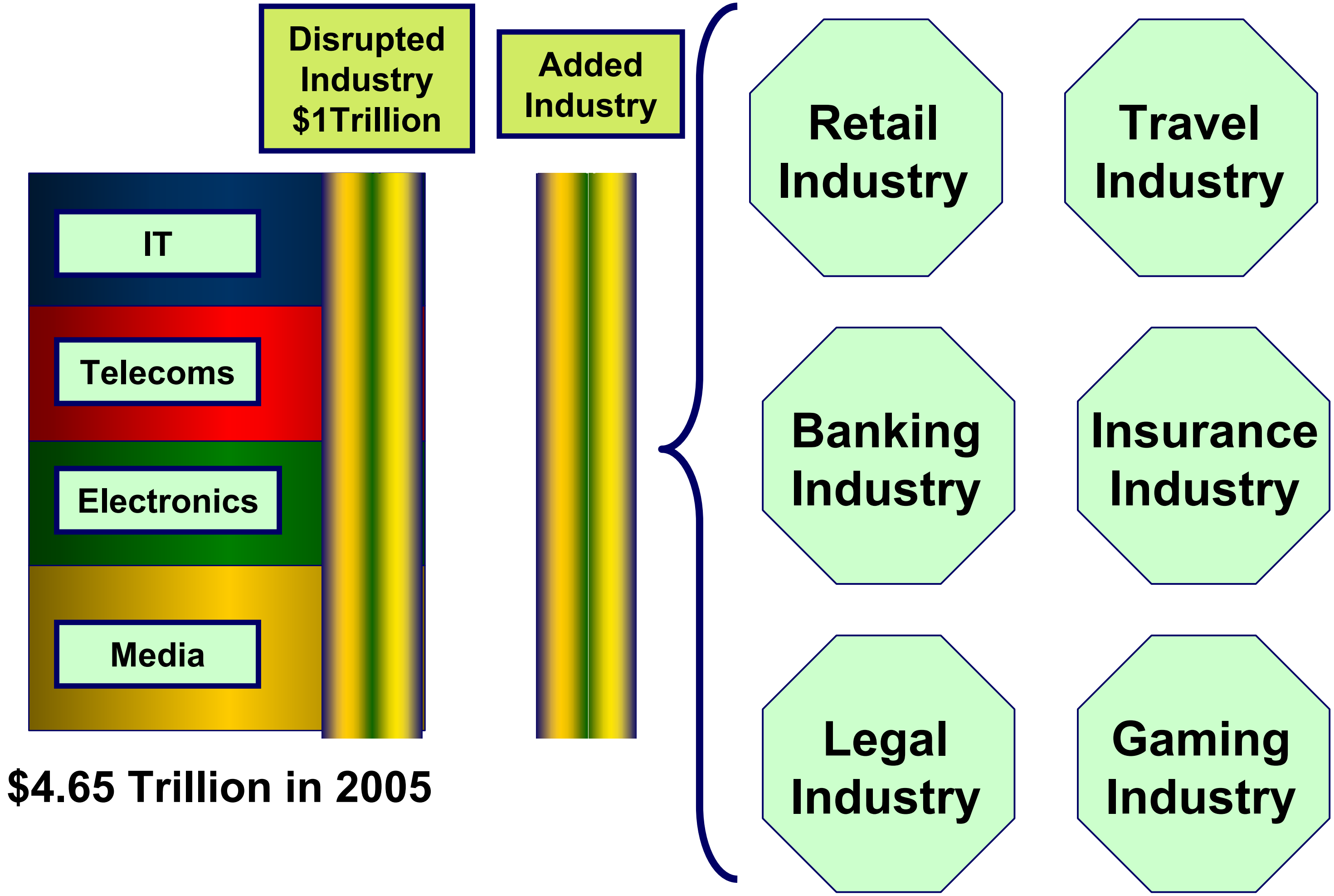
CSC EXPERIENCE. RESULTS.

Peter Rowell's Vision: 2006 Regent Conference



Acknowledgement to Peter Rowell, Regent Associates

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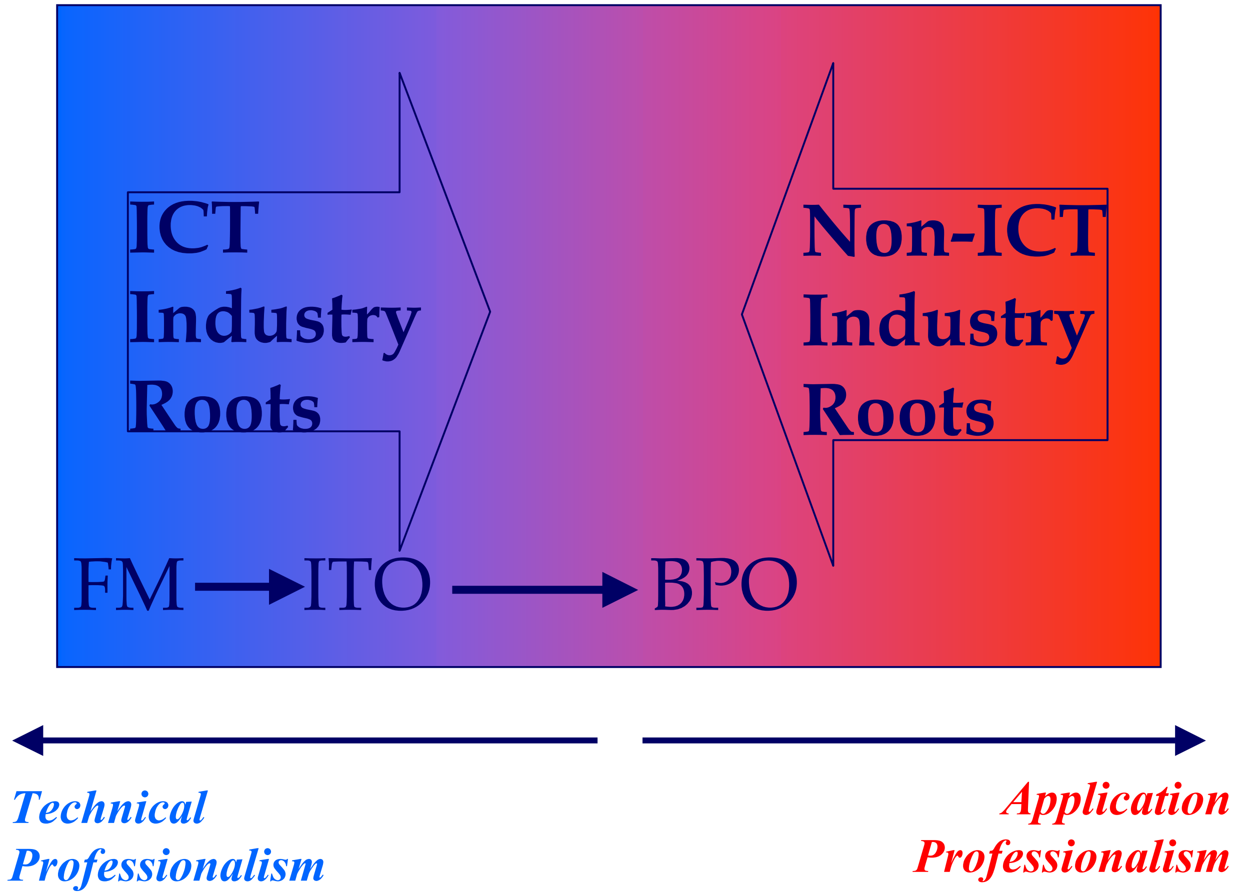
TEBS Model Suggests a Different Journey



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The Techie Market Place

World trade in ***computer & information services*** in 2003: ~$75bn (WTO)

#1 Ireland:	trade surplus $ 14.0 bn
#2 India:	trade surplus $ 10.9 bn
#3 UK:	trade surplus $ 4.1 bn
#4 USA:	trade surplus $ 2.4 bn

TEBS – The Business Market Place

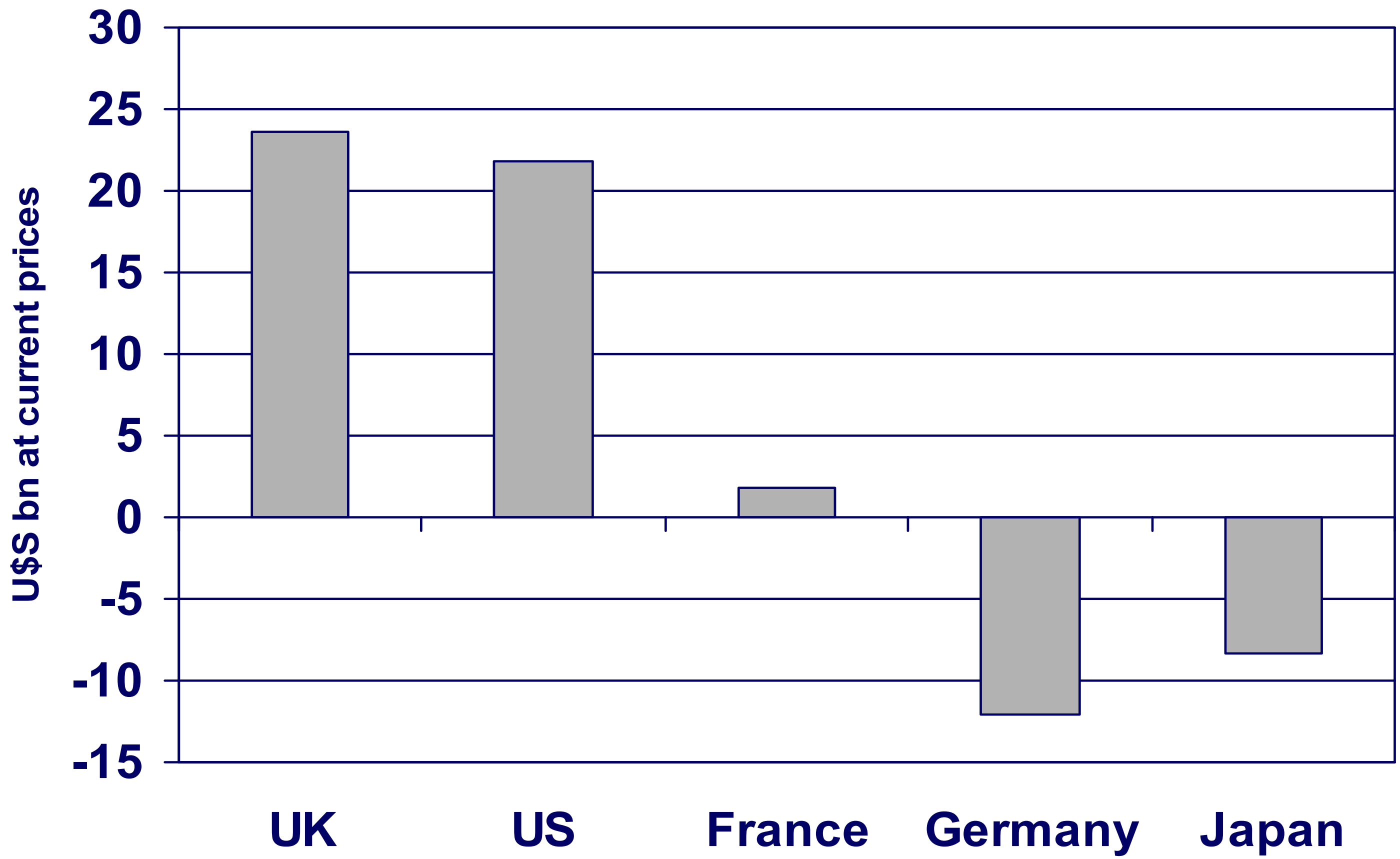
World exports of ***other professional services*** in 2003: ~$420 bn (WTO):

- includes business process services such as accounting, auditing, call centres, R&D
- ~70% between 13 developed economies

Combining ***computer & information services*** with ***other professional services:***

- #1 UK trade surplus $28.8 bn (~1.8% GDP)
- #2 USA trade surplus $19.0 bn (~0.2% GDP)
- [#6 Ireland: #8 India]

TEBS Trade: UK & US Strong Players



(Excludes Financial Services)

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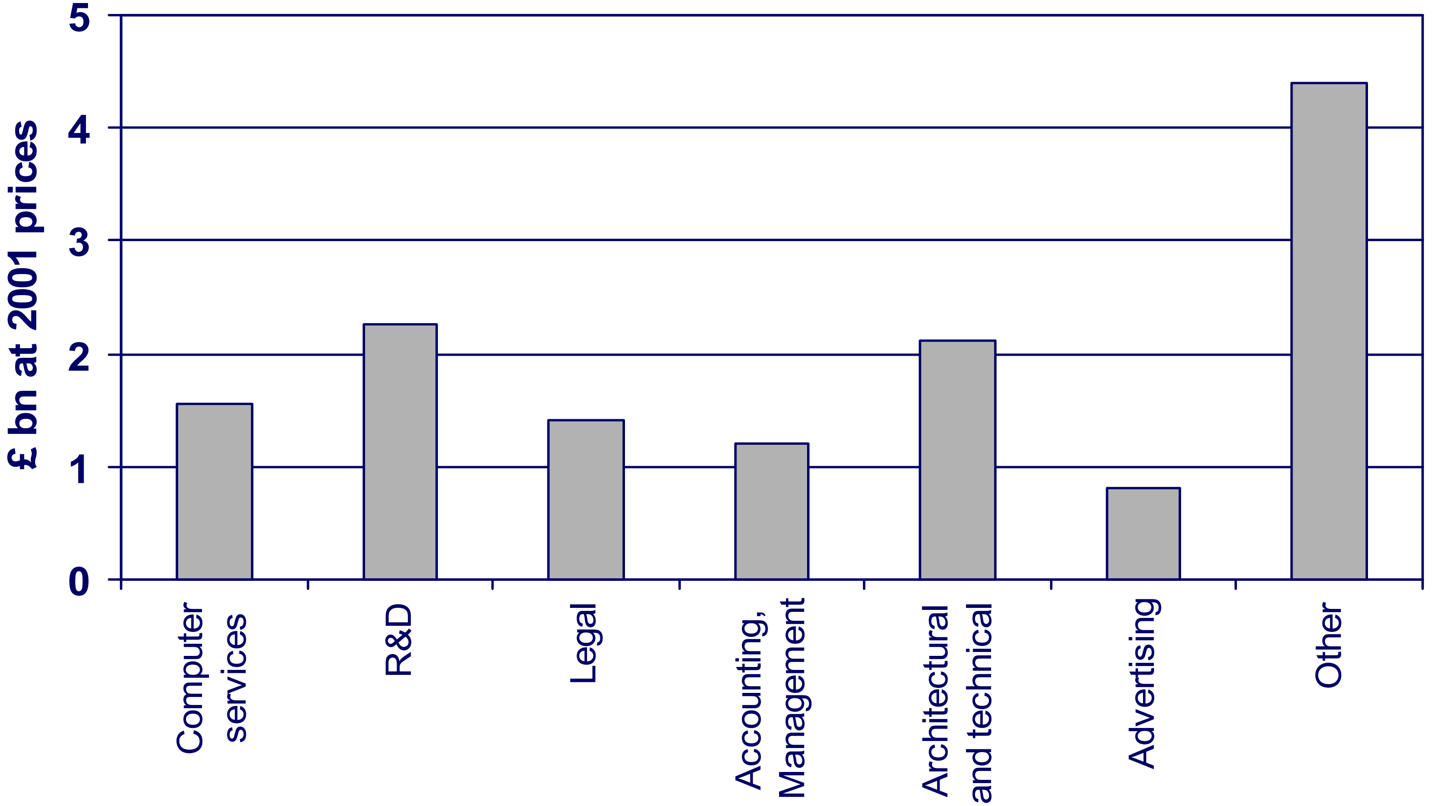
And the UK is a Strong Player Across All Sectors



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Business-to-Business (B2B)
Technology-Enabled
Professionally Rich
Services

TEBS

How does this fresh market analysis inform our view of the future?

Outsourcing: The *Refining Furnace* that Feeds the Business Services Model

Outsourcing is how the young & still 'techie' ICT industry learns how to become a practiced service provider

Still on a very tough *learning* curve!

Two decades of that *learning*, underwritten by the 'e'/internet revolution, and accelerated by the 'new globalisation', has brought the ***business services proposition*** to the fore.

The Changing Nature of the ***'Outsourcing/Offshoring'*** Market Space

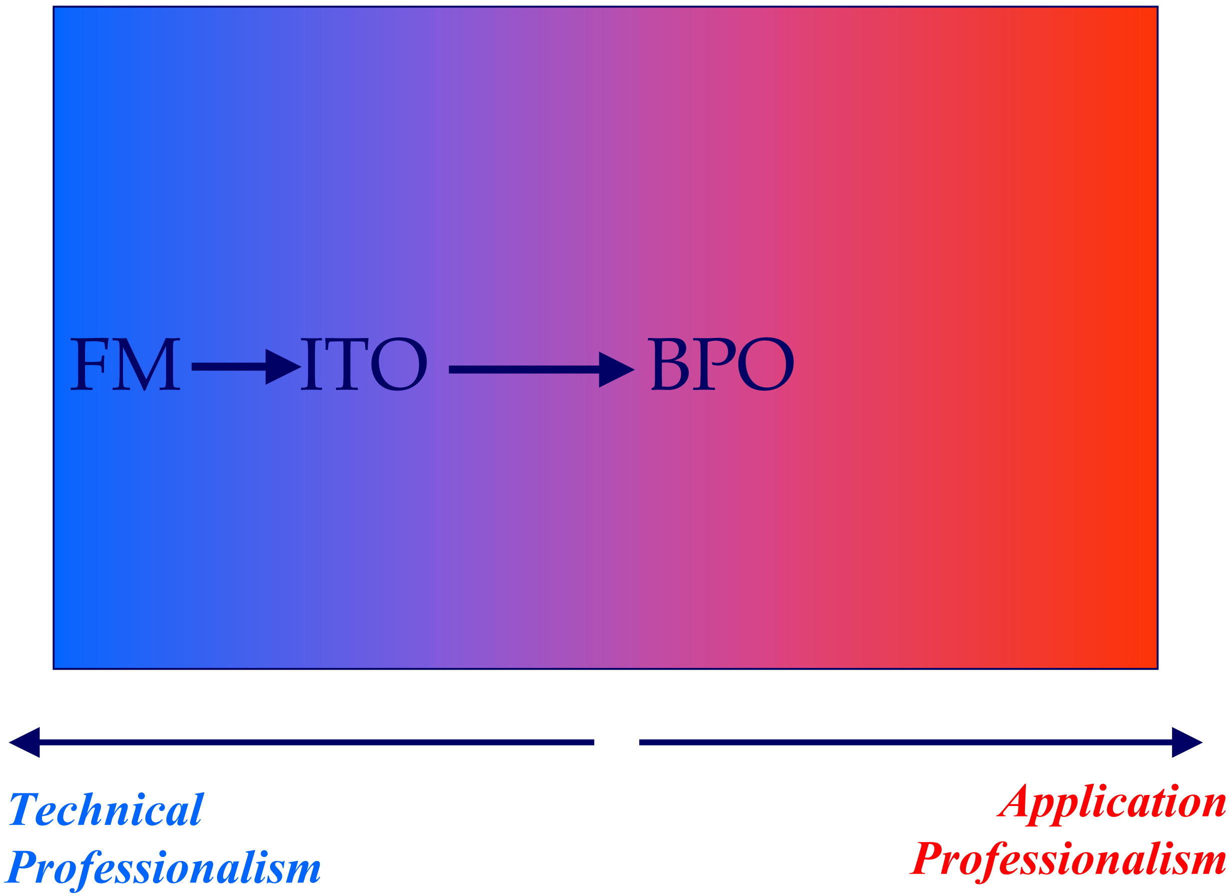
#1: Into the ***Application Space***

#2: Drivers for ***Commoditisation***

#3: A ***Levelling Global Infrastructure***

These three realities are speeding the growth of the global commerce of TEBS

#1: Into the Application Space



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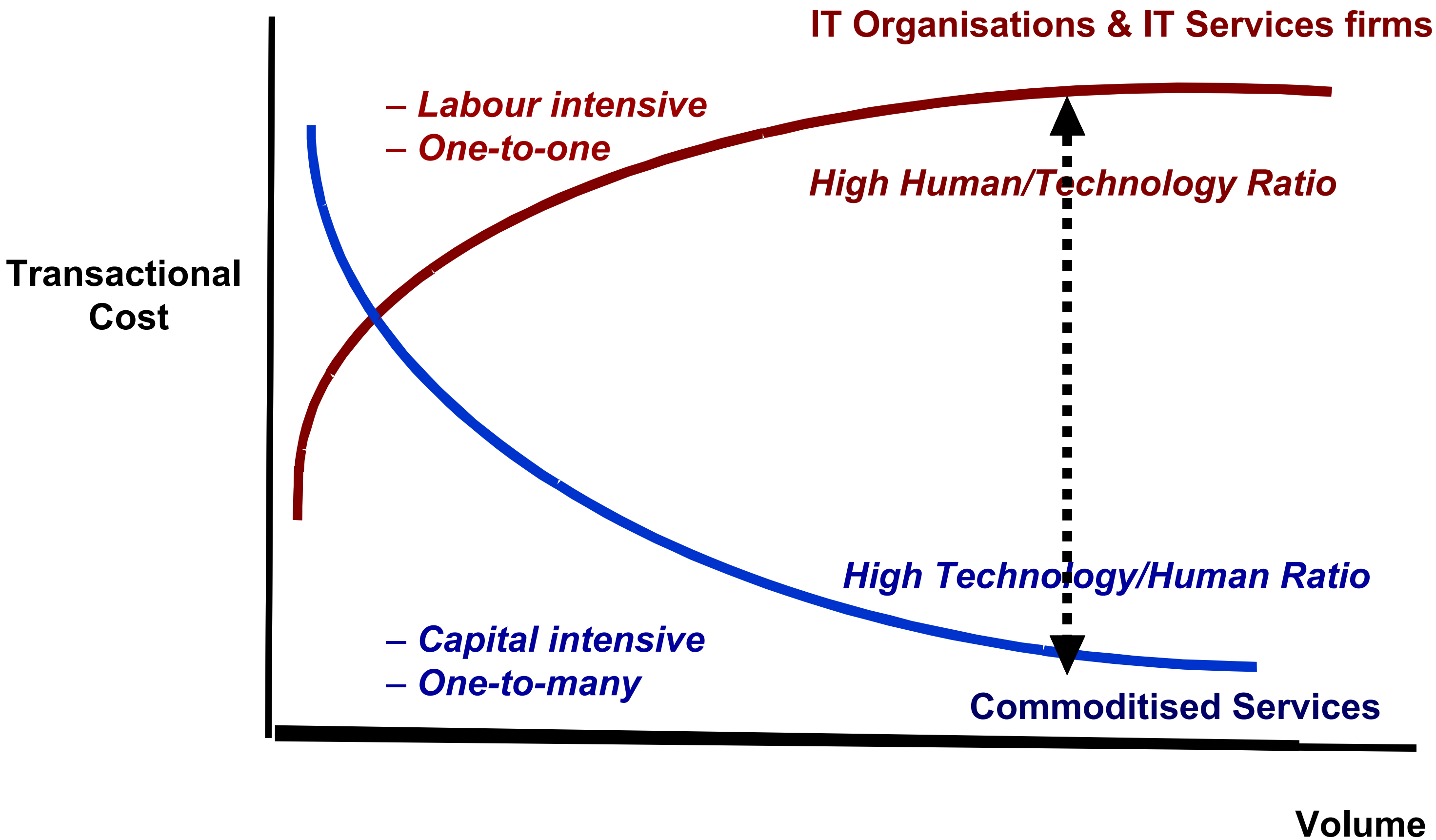
#2: Drivers for Commoditisation



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#3: A Levelling Global Infrastructure

'Web2.0'/'Over IP' *plus* Broadband access is creating an open & public infrastructure

A 21st C global highway for the trade in technology-enabled services

plus

Development of quality models and standards that can assure service excellence along global service supply chains

e-SCM & ISO/IEC 20000 (Quality Standards for Service Management)

Outsourcing ⟺ Business Services

At core, outsourcing reflects an opportunity for businesses to specialise & focus on core competencies. It raises productivity across the economy.

Competition is driving restructuring within the ICT vendor community: businesses are moving to focus on their core competencies, and 'hand-off', partner with other suppliers for the non-core.

<u>The rapidly developing commerce of TEBS ***enables*** this process – it mediates & lubricates the restructuring processes.</u>

Outsourcing ⟺ *Business Services*

As this decade moves to the next, we will see the restructuring of the industry between:

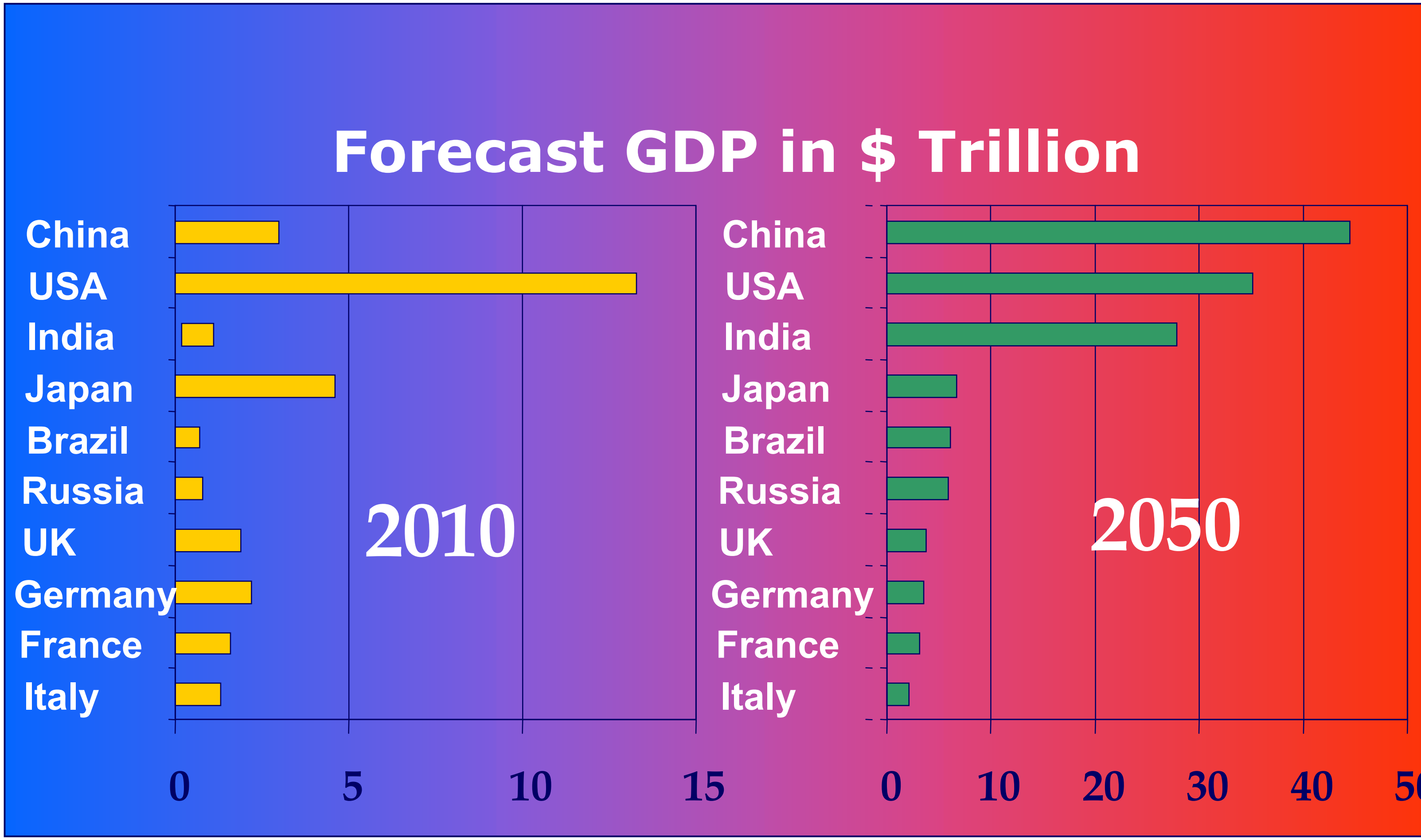
Volume players delivering commoditised infrastructural & transactional services (Commodity TEBS) ***and***

Specialised players delivering sector-specific services with high application professionalism (Specialised sector-specific TEBS)

This will be enabled by/feed the rapid growth of the commerce in TEBS

[And, where ***application professionalism*** is the prime value creator, this restructuring will be lead by players from outside the ICT industry 'pool'.]

Market Shift - Geographic GDP



Technical Professionalism

McKinsey Estimates/ Regent

Application Professionalism

Business Services ⟺ Globalisation

The economic development of major economies such as India, China, Russia, Brazil will broaden ***their*** skills towards the ***application professionalism*** end of the spectrum

They will take significant market share in the fast growing global commerce of TEBS

So let us move from the language of ***'offshoring'*** – to the language of ***'globalisation'***!

Indian, Chinese, Brazilian, Russian players will all play leading roles in the restructuring of the ICT vendor community

The Big, the Small & the Specialised

Classically, small & medium enterprises have created the new, 'broken the mould' in our industry

In future, they will need to ***have one foot in the global*** if they are to survive, compete and flourish

To keep their cost base competitive

To access key skills, key customers

To know their competition

The commerce of TEBS opens the market place to the small & medium company 'offer' – ***providing they have 'edge', there is a level global playing field on which to play!***

An open market place ***plus*** a delivery infrastructure global in its reach ***equals*** the new level playing field for a vigorous world commerce in TEBS:

Business-to-Business (B2B)

Technology-Enabled

Professionally Rich

Services

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