



## The outsourcing decision for a globally integrated enterprise: from commodity outsourcing to value creation

*Leveraging global resources, capability and innovation to drive growth*

*Gone is the commodity outsourcing model of yesteryear. A new brand of outsourcing is emerging. For companies intent on leading in a globalized economy, outsourcing is less about labor arbitrage and more about accessing the global tapestry of talent available to business today. It enables firms to pick and choose the work they want to do and where they want to do it to drive growth and business value. That makes it a fundamental enabler for the globally integrated enterprise.*

Globalization and advances in technology have changed the way business gets done. Companies entering into outsourcing agreements expect to reduce costs and drive efficiency, but such commodity benefits are just the price of admission for today's outsourcing agreements. With every market and customer up for grabs, forward-thinking firms are looking to unleash outsourcing's greater business and transformative potential. These companies are focused on value creation and the revenue opportunities that outsourcing can deliver.

### **A fundamental enabler for the globally integrated enterprise**

With worldwide access to skills and resources, business leaders are empowered to choose the tasks they want to do and where they want them done. They realize that in a connected world many

in-house business functions can be done better and cheaper elsewhere, and they are tapping into the global marketplace to optimize their production and delivery capabilities, acquire desired skillsets and reduce their costs. They aren't intimidated by geographic boundaries and don't limit themselves to local resources and partners. In fact, they are just as likely to leverage infrastructures, applications and personnel from distant nations. These characteristics are the hallmarks of the globally integrated enterprise.

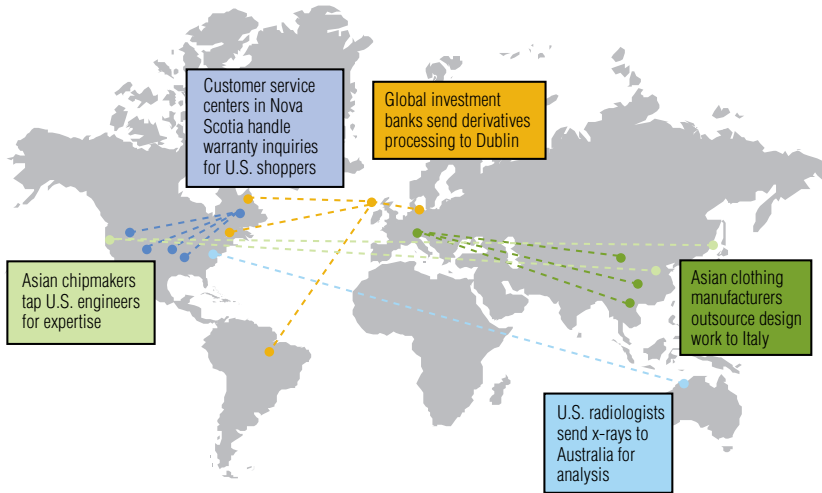
The ability to manage operations, expertise and resources more fluidly enables globally integrated enterprises to enter new markets and seize new business opportunities wherever they happen to arise. It also enables them to restructure the organization for optimal

efficiency, replacing redundant branch and country operations with hubs of industry and technology expertise in the most beneficial locations, wherever they happen to be.

Outsourcing is a major enabler for the globally integrated enterprise. It connects companies with one another, opening the door to collaborative projects, innovation partnerships, and communications and networking technologies that facilitate global business. It increases the spread of open business standards that enable global integration and the free exchange of information. By helping companies acquire the latest technologies and expertise, outsourcing enables them to adapt successfully to changing market dynamics. It can help them integrate their supply chains, overcome trade barriers, and establish the kind of business ecosystems and open-source communities that are required of globally integrated enterprises.



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*The globally integrated enterprise can tap into the best hubs of skill and knowledge, no matter where they are located.*

### The new outsourcing agenda

Companies that are or aspire to be globally integrated enterprises still want outsourcing to produce the kind of cost savings and predictable business results that shareholders demand, but these firms are focused on a bigger prize. They view outsourcing as a means to drive productivity gains that can fund high-value innovation and business transformation initiatives. This focus on value creation represents a significant shift in how outsourcing decisions are made.

Globally-minded firms are willing to form outsourcing partnerships with multiple specialized providers to obtain desired capabilities, skills and infrastructure. They are using outsourcing to fill a gap in their suite of services, expand their

portfolio and penetrate new markets. Instead of waiting for mergers and acquisitions to help them pursue new revenue opportunities, their outsourcing decisions reflect a willingness to turn to an array of external partners in an increasingly globalized market.

Their success depends on finding partners with the right mix of expertise, services and infrastructure in locations that offer favorable tax and transport. The best providers have a level of global maturity that is in alignment with their clients' business and technology aspirations, and a global governance framework that ensures their outsourcing operations are consistent worldwide and in compliance with local tax, legal and environmental regulations.

### Conclusion

As globalization intensifies and companies continue to move work to its best, most profitable location, outsourcing decisions will grow more critical and strategic. Those firms that are willing to see past outsourcing's traditional boundaries will be in the best position to unlock and exploit its business and transformational value.

### For more information

For more information on outsourcing for the globally integrated enterprise, please call your IBM representative or IBM Business Partner, or visit:

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