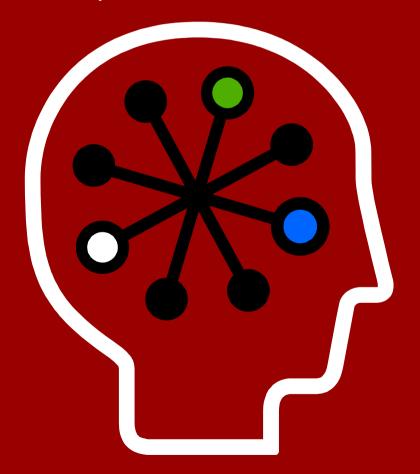


# Outsourcing vo verejnej správe:

"Nové priležitosti?"



Martin Kubala

Director, EDS Sales CEE

Bratislava, Nov 19th

Technology for better business outcomes

# Agenda

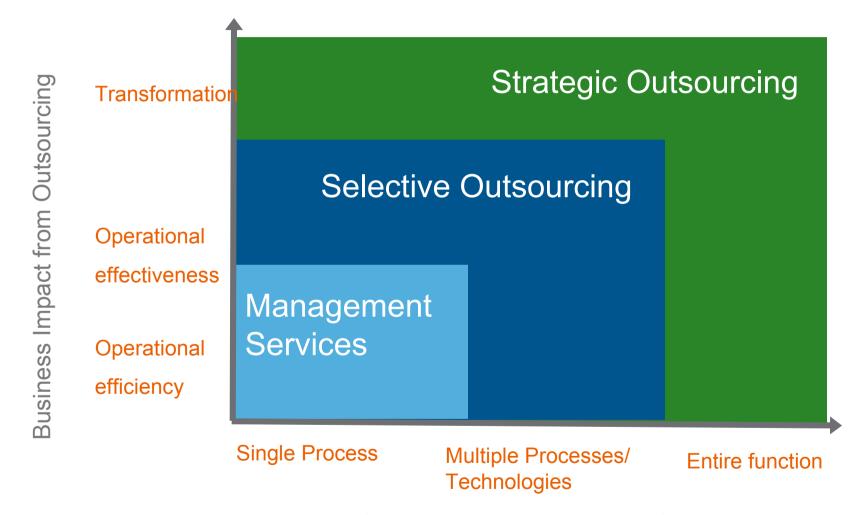
- Introduction what and why OS ... from standard to strategic
- Key motivation, reasons to go for outsourcing WE vers CEE
- outsourcing/ offshoring/nearshoring /rightshoring
- •Slovakia a billion opportunity? Predictions A, CZ SVK,
- •HP EDS in Public Sector



Outsourcing is subcontracting a process, such as product design or manufacturing, to a third-party company. [1] The decision to outsource is often made in the interest of lowering firm costs, redirecting or conserving energy directed at the competencies of a particular business, or to make more efficient use of labor, capital, technology and resources. Outsourcing became part of the business lexicon during the 1980s



# Range of flexible sourcing relationships



Number of IT or Business Processes Outsourced

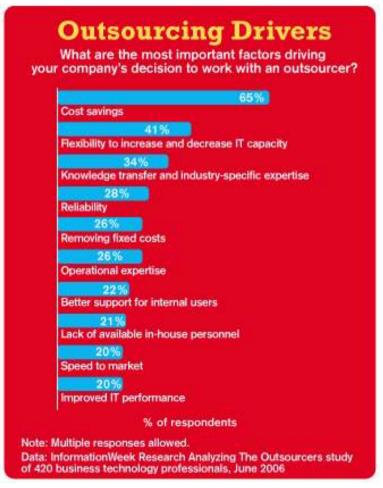


# Reasons for outsourcing (Dictonary view)

- Organizations that outsource are seeking to realize benefits or address the following issues:
- Cost savings. The lowering of the overall cost of the service to the business. This will involve reducing the scope, defining quality levels, repricing, re-negotiation, cost re-structuring. Access to lower cost economies through offshoring called "labor arbitrage" generated by the wage gap between industrialized and developing nations.[12]
- Cost restructuring. Operating leverage is a measure that compares fixed costs to variable costs. Outsourcing changes the balance of this ratio by offering a move from variable to fixed cost and also by making variable costs more predictable.
- Improve quality. Achieve a step change in quality through contracting out the service with a new service level agreement.
- Knowledge. Access to intellectual property and wider experience and knowledge. [13]
- Contract. Services will be provided to a legally binding contract with financial penalties and legal redress. This is not the case with internal services.
- Operational expertise. Access to operational best practice that would be too difficult or time consuming to develop in-house.
- Staffing issues. Access to a larger talent pool and a sustainable source of skills.
- Capacity management. An improved method of capacity management of services and technology where the risk in providing the excess capacity is borne by the supplier.
- Catalyst for change. An organization can use an outsourcing agreement as a catalyst for major step change that can not be achieved alone. The outsourcer becomes an in the process.
- **Reduce time to market**. The acceleration of the development or production of a product through the additional capability brought by the supplier.
- **Commodification**. The trend of standardizing business processes, IT Services and application services enabling businesses to intelligently buy at the right price. Allows a wide range of businesses access to services previously only available to large corporations.
- Risk management. An approach to <u>risk management</u> for some types of risks is to partner with an outsourcer who is better able to provide the mitigation.[15]
- **Time zone**. A sequential task can be done during normal day shift in different time zones to make it seamlessly available 24x7. Same/similar can be done on a longer term between earth's hemispheres of summer/winter.
- Customer Pressure. Customers may see benefits in dealing with your company, but are not happy with the performance of certain elements of the business, which they may not see a solution to except through outsourcing.



# Most important factors driving outsourcing



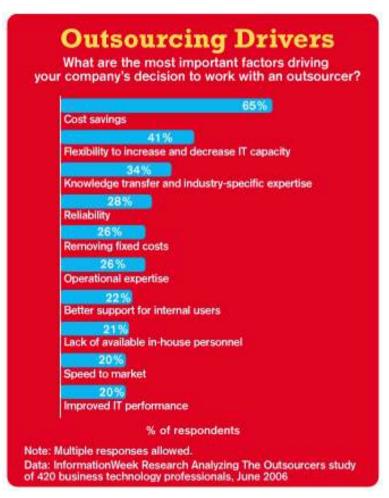
Nearly two-thirds of the companies that hand off tech work to a third party--whether a domestic services provider or an offshore vendor--say cost cutting is the main reason for the move.





# Information Week:

# Most important factors driving outsourcing



# **CEE** ranking

- New services /missing expertise
- Costs (long term!)
- IT transformation (service org)
- Better IT support (global)
- Flexibility (M&A, debundling)
- Freeing up Investment capital
- Saving jobs

Analyzing the Outsourcers 2006: Global Service Providers





2008

Source: "Customers Rate Their Outsourcers." June 19, 2006

Published: June 19, 2006



# Off / near/best shoring

"Everything to India" is out

Preferred Combination of on site with nearshoring and offshoring

CEE very preferred location of nearshoring –CZ leading, then Poland, SVK,...



# Tower WW Capabilities Map

# **Global Facts:**

- > 250 customers 850 FTE
- > 3000 SIDs
- > 650000 named user

## SAP Center of Excellence – Böblingen, Germany *BS7799*

#### **Activities**

- Application Operations
- · Architecture & Design
- Mission Critical Support
- Presales Support

#### **Experience**

- Wide range of skills in technologies, platforms & complementary software products
- Services include mySAP, NETWEAVER, Portals and middleware

## Philippines Center - Manila

#### Activities

Application Operations

#### Experience

 Skilled in SAP, Siebel, Oracle Applications and PEOPLESOFT

## America Center Toronto/Cincinnati/ Sao Paulo

#### **Activities**

 Application Operations, Presales Support

#### Experience

- Skilled in SAP, Siebel, Oracle Applications and
- 9 PEOPUESOFT

# Costa Rica Center Slovakia C

#### Activities

- Application Operations
   Experience
- Skilled in SAP

# Slovakia Center, BTV BS7799

#### Activities

- Application operations
   Experience
- Wide range of skills in technologies, platforms & complementary software products

## Singapore

#### Activities

- Application Operations,
- Presales Support

#### **Experience**

· Skilled in SAP



# **Trends WE vers CEE**

- WE –majority 2nd/3rd generation OS projects
- 35% is changing vendor
- Global Sourcing impact still increasing, but visible trend of "Reverse ofshoring"
- Preferred mixed onshoring & ofshoring
- Ofshoring -India vers CEE (increasing acceptance & preference of CEE)
- Industry expertise getting to 1st priority by OS providers



# **CEE** –a billion\$ OS opportunity?

Slovakia - half billion (\$) outsourcing market?



# CEE -What is coming?

• Growth attracts 7% < 42%

OS

Projects

Support & Trainings

- Appl management
- IS outsourcing
- Netw & EUWS
- Hosting appl /IT serv

•SI

- Netw cons &int
- •IS consulting
- Custom appl cons &devel

WE	2007	2012
Projects	38%	37%
Outsourcing	38%	42%
Support and Traings	24%	21%

Aus	2007
Projects	\$0.637b
Outsourcing	40% \$1.55b
Support and Traings	

CZ	2007	
Projects	\$0.396b	
Outsourcing	17% \$0.275b	
Support and Traings		

SVK	2007
Projects	\$0.170b
Outsourcing	8% \$40m
Support and Traings	



# Government is key to HP-EDS

- HP-EDS is the largest global player in government IT services globally (with the exception of defence contractors) and has a 5% share of the global market
- Government business is fundamental to EDS, with it being the largest industry vertical in EDS accounting for almost a third of total revenue.



# Our Global Footprint Spans all Tiers of Government – Transnational, Central, State & Local

#### **Canada**

Govt of Canada Prov. Of Saskatchewan Prov. of Alberta Prov. of Ontario Prov. Of British Columbia City of Calgary Government of Manitoba

France

Fire Brigade

Management

**ARTEMIS - Emergency** 

### <u>U.S.</u>

40+ state and local governments

Dept of Defense
US Navy
US Army
US Air Force

Mexico
National Tax
Agency

US Marine Corps
Dept of Commerce
Dept of Defense

Dept of Defense
Dept of Energy
Dept of Education

Colombia
Contraloría General
de la República

Dept of Health & Human Services
Dept of Homeland Security
Dept of Housing & Urban Devt
Dept of Interior
Dept of Justice
Dept of State

Dept of Treasury (IRS)
Dept of Veterans Affairs
Dept of Agriculture

Dept of Transportation

**General Services Administration** 

### **Germany**

Land Baden-Württemberg
Federal Ministry of Interior
City of Hamburg
Dataport (provider of services to Hamburg, Bremen
and Schleswig-Holstein)
European Space Control Centre

**Switzerland** 

Management

AVANTI - Public

**Security & Emergency** 

# Belgium

Flemish Government

# Italy

Ministries of Welfare Ministry of Public Administration Ministry of Justice Public Information Services

Agency Ministry of Education

### UK

Dept for Work and Pensions

- Jobcentre Plus (Employment Service)
- The Pension Service

- Child Support Agency Ministry of Defence

-Defence Information Infrastructure

-Armed Forces Personnel Administration Agency -Defence Logistics Org

-Army Training & Recruiting Agency Northern Ireland Social Sec Agency HM Prison Service Post Office

# China

Hong Kong IT Services Dept HK Immigration Dept HK Social Welfare Dept

### **Singapore**

Immigration & Checkpoints
Authority

### **Australia**

Australian Taxation Office
Australian Child Support Agency
Govt. of South Australia
Australia Government
Information Management Office
VicRoads

### **New Zealand**

Immigration Service
Inland Revenue
Land Information NZ
Ministry of Social Devt
Dept of Justice



# Few examples: EDS provides a wide range of services to support critical government functions

- NMCI & DII: Two of the largest and most secure intranets in the world
- Delivered more than 15 million common access cards for DoD
- Manage \$5.5 billion each month in disbursements for DFAS
- Rolled out 4.5 million cards for HM Post, 11 million Oyster cards for Transport for London
- Process benefits for more than 11 million pensioners in the UK
- Manage 7300 kiosks for Jobcentre Plus the world's largest network of kiosks
- Process payroll and benefits for UK Armed Forces with 30% reduction in costs
- Verify eligibility for 28 million DoD beneficiaries
- Manage more than 40 revenue sources for British Columbia
- Help Alberta process 15 million registration and search service transactions a year
- Provide services to citizens in 45 US States including Election Services in 12; Retirement benefits in 18, DMV in 9 & Welfare in 12 States



# EDS Client Case Study: Child Support Agency Australia

## **Client Issues**

• To support sweeping child support reform, the Child Support Agency Australia needed to transform IT first

# **Our Approach**

- Aligned the organization with an end-to-end view of the agency's business and IT environments
- Designed a project strategy with processes and governance
- Built an SOA solution, enabling repeatable processes that are closely aligned with agency goals
- Reused services and components to reduce risk and maximize the existing application investment

## **Services Featured**

- Business and Technology Services
- Integration and SOA Services

## **Results**

- EDS' iterative approach to the Proof of Concept across multiple workstreams ensured all activities were synchronized across the organization
- Upon implementation, the SOA solution would provide CSA with the ability to quickly adapt technology to changing business requirements and enable greater agency-wide collaboration, enhanced productivity from streamlined processes and unprecedented visibility



# EDS Client Case Study: City of Anaheim

## **Client Issues**

• The City of Anaheim needed to accelerate its response to local emergencies, and at the same time improve information-sharing among police, fire and other city departments.

## **Our Approach**

• EDS deployed an Enterprise Virtual Operations Center (EVOC), giving officials access to blueprints, utility plans and video cameras throughout the city during an emergency

## **Services Featured**

- Applications Development Services
- Composite Application and Portal Services
- Integration and SOA Services
- Server Management Services
- Site Support Services

## **Results**

- Officials can see activities on all of Anaheim's critical response fronts online in real time
- EVOC facilitates proactive, knowledge-based decision-making and cross-departmental collaboration
- As a virtual command center, EVOC eliminates the risk of failure if a brick-and-mortar command post is damaged



# Ďakujem



# Backup slides



# Segment-Based Approach Allows Creation of Targeted Value Propositions

#### **DEFENSE**



- Secure Infrastructure
- · Command and **Control Systems**
- Personnel
- Logistics

## NATIONAL SECURITY &



- Transportation Security
- Information Integration and **Fusion Centers**
- Public Safety and **Justice**
- Emergency Response and Dispatch

### **TAX & REVENUE**



- COTS-based Revenue and Tax Solutions
- Large-scale Billing and Payment Systems
- Risk Management

# **WELFARE &** SOCIAL



- Fraud & Abuse
- Decision Support
- E-Health Record
- Welfare Benefits Eligibility Management
- Public Retirement

## CITIZEN-CENTRIC



- Motor Vehicle & Driver's Licenses
- Election Management
- Public Retirement

SERVICES BPO

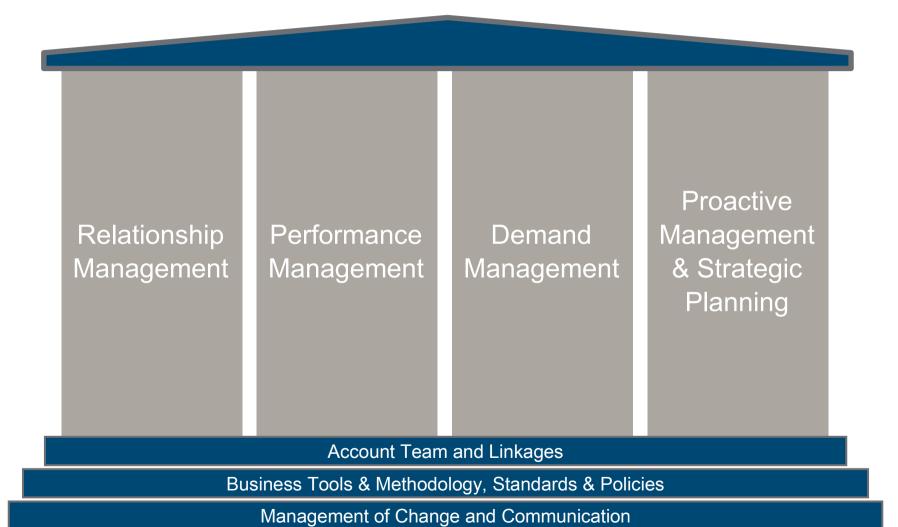
**INDUSTRY CAPABILITIES and SOLUTIONS** 

**ENTERPRISE OFFERINGS** 

**APPLICATION SERVICES** 

**ITO SERVICES** 

# 4 pillars of governance



# Summary –Back up

Flexibility

+

**Standards** 



Innovation



Global delivery



Collaboration

- Sourcing options
- Portfolio breadth
- Transformation
- Consistent
- Cost effective
- Best practices
- Products
- Services
- Focused R&D
- Predictable
- Proven
- Robust
- Trusting
- Structured
- Accountable

# Operational:

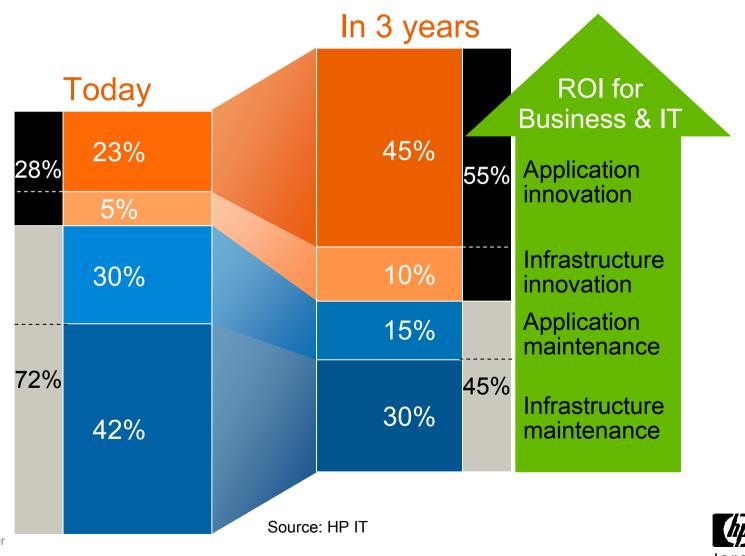
- Cost reduction
- Quality improvements
- Risk mitigation
- Agility



# Outsourcing portfolio of capabilities

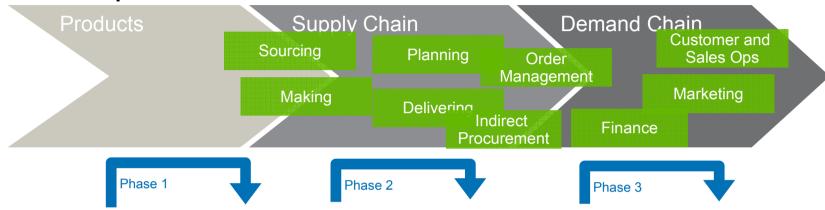
Global IT Service Management/ITIL Processes					
Business/IT Alignment	Service Design/Mgt.	Service Dev. & Deployment		Service Operations	Service Assurance
Business Process Outsourcing Finance and Administration					
Applications Outsourcing • Maintenance, Support, and Operations					
<ul> <li>Server, Storage, Mainframe Management</li> <li>Network Management</li> <li>Flexible Computing</li> <li>Integrated Support Management</li> </ul>					
End User W	orkplace Solu	ıtions	<ul> <li>Desktop and Deployment Management</li> <li>Messaging and Collaboration</li> <li>Managed Mobility</li> <li>Software License Management</li> <li>Print Management</li> <li>Service Desk</li> </ul>		
Business	s Continuity		• Contin	uity and Recovery	

# The need to free IT investment for innovation – To be more competitive



# HP's own IT approach in 1 slide

**Process Optimization** 



2002 Pre Merger	2004	2006	2008
9,500+ applications	4,691 applications	3,400 applications	1,500 applications
25,000 servers	19,000 servers	16,900 servers	10,000 servers
300 data centrers	85 Data centers	85 Data centers	6 Data centers
IT cost = 4.6% of revenue	IT cost = 4.0% of revenue 600 Million removed	IT cost = 3.7% of revenue	IT cost = 1.8% of revenue
Innovation = 28% of IT spend	Innovation = 34% of IT spend	Innovation = 40% of IT spend	Innovation = 80% of IT spend
Data	750 + Data Marts	600+ Data Marts, Kick-off Enterprise Data Warehouse	1 EDW

**IT Optimization** 

Adaptive (Business Processes)

Efficient (Applications)

Stable (Infrastructure)

2008