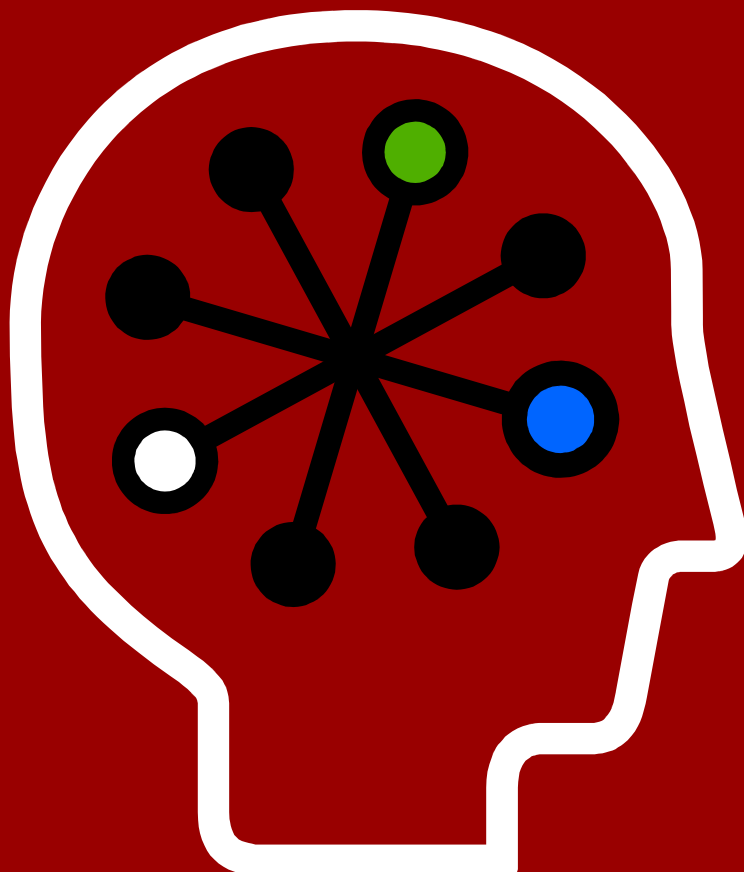




Outsourcing vo verejnej správe:

“Nové príležitosti?”



Martin Kubala
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Bratislava , Nov 19th

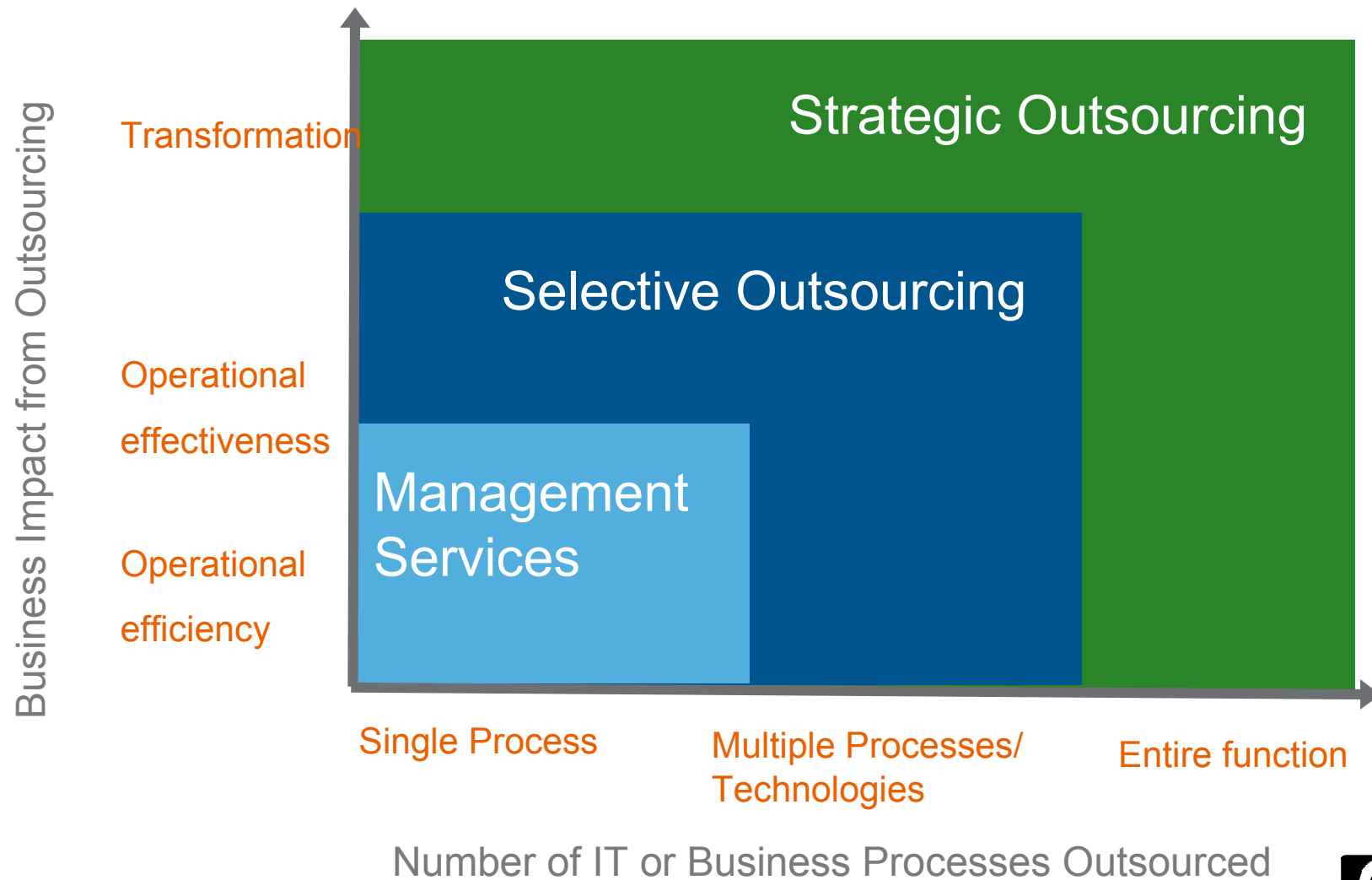
Technology for better business outcomes

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



• Reasons for outsourcing (Dictionary 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, re-pricing, 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.[\[14\]](#)
 - **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 a *in* 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 [risk management](#) 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.

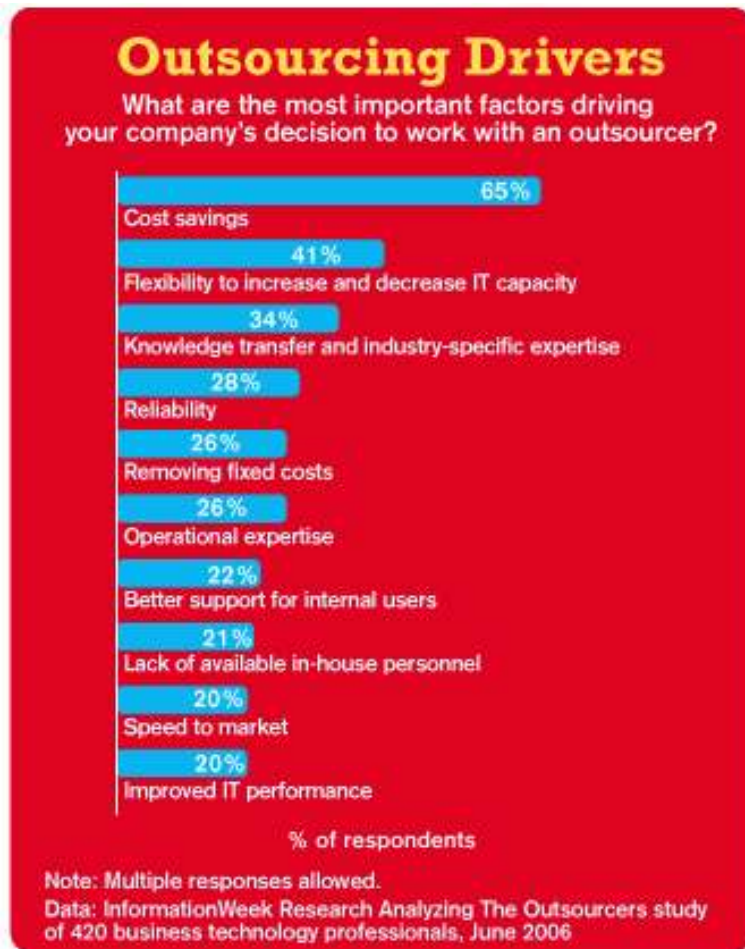
Most important factors driving outsourcing



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



Off / near/best shoring

“Everything to India” is out

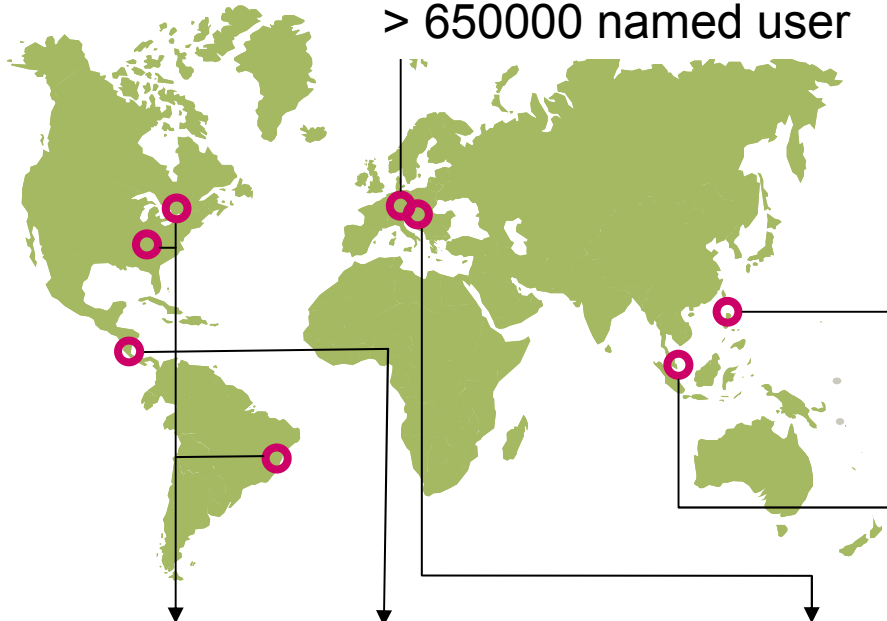
Preferred Combination of on site with nearshoring
and offshoring

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 PEOPLESOFT

Costa Rica Center

- 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
 - Appl management
 - IS outsourcing
 - Netw & EUWS
 - Hosting appl /IT serv
- Projects
 - SI
 - Netw cons &int
 - IS consulting
 - Custom appl cons &devel
- Support & Trainings

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

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

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

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

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



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

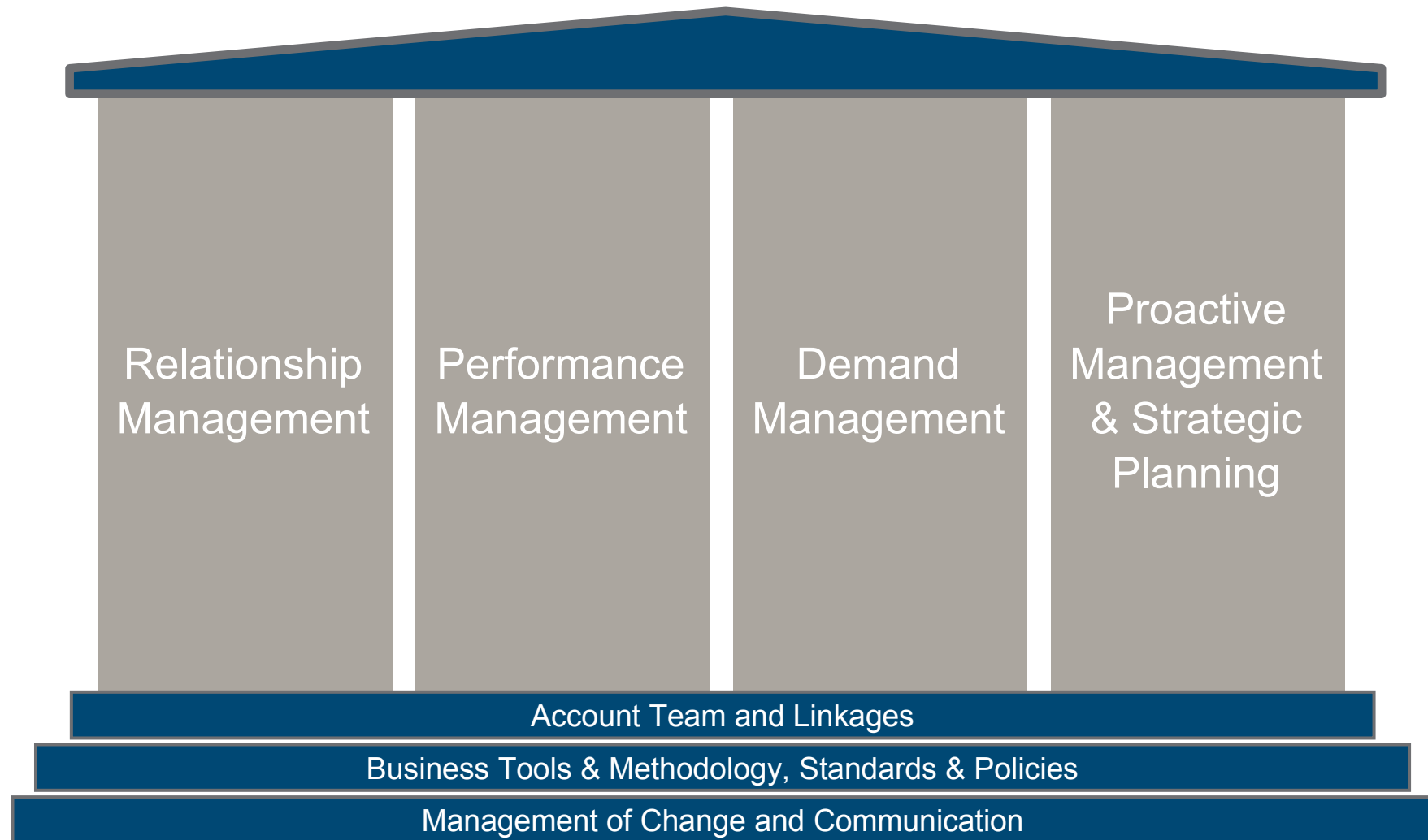
• Ďakujem

- Backup slides

Segment-Based Approach Allows Creation of Targeted Value Propositions



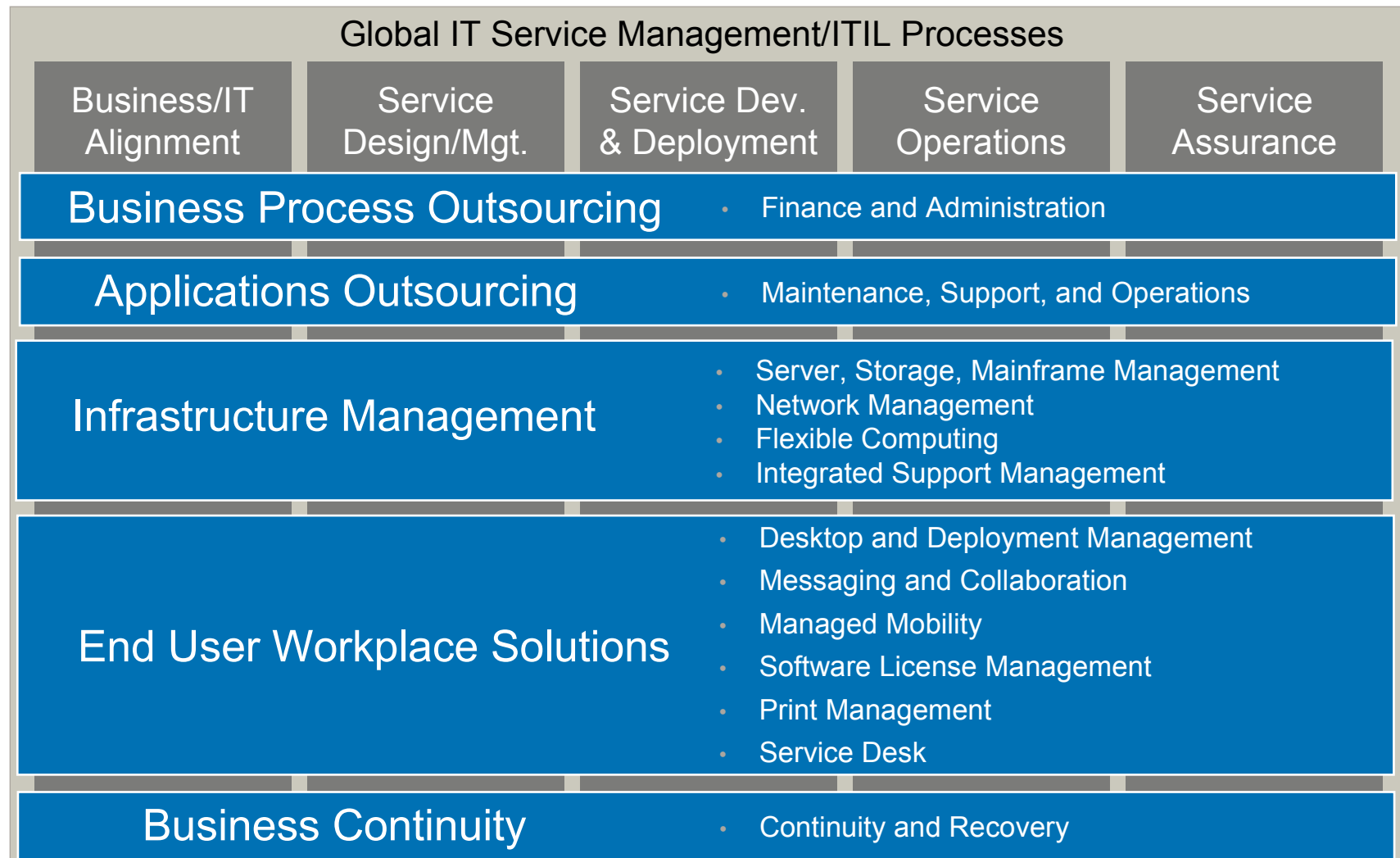
4 pillars of governance



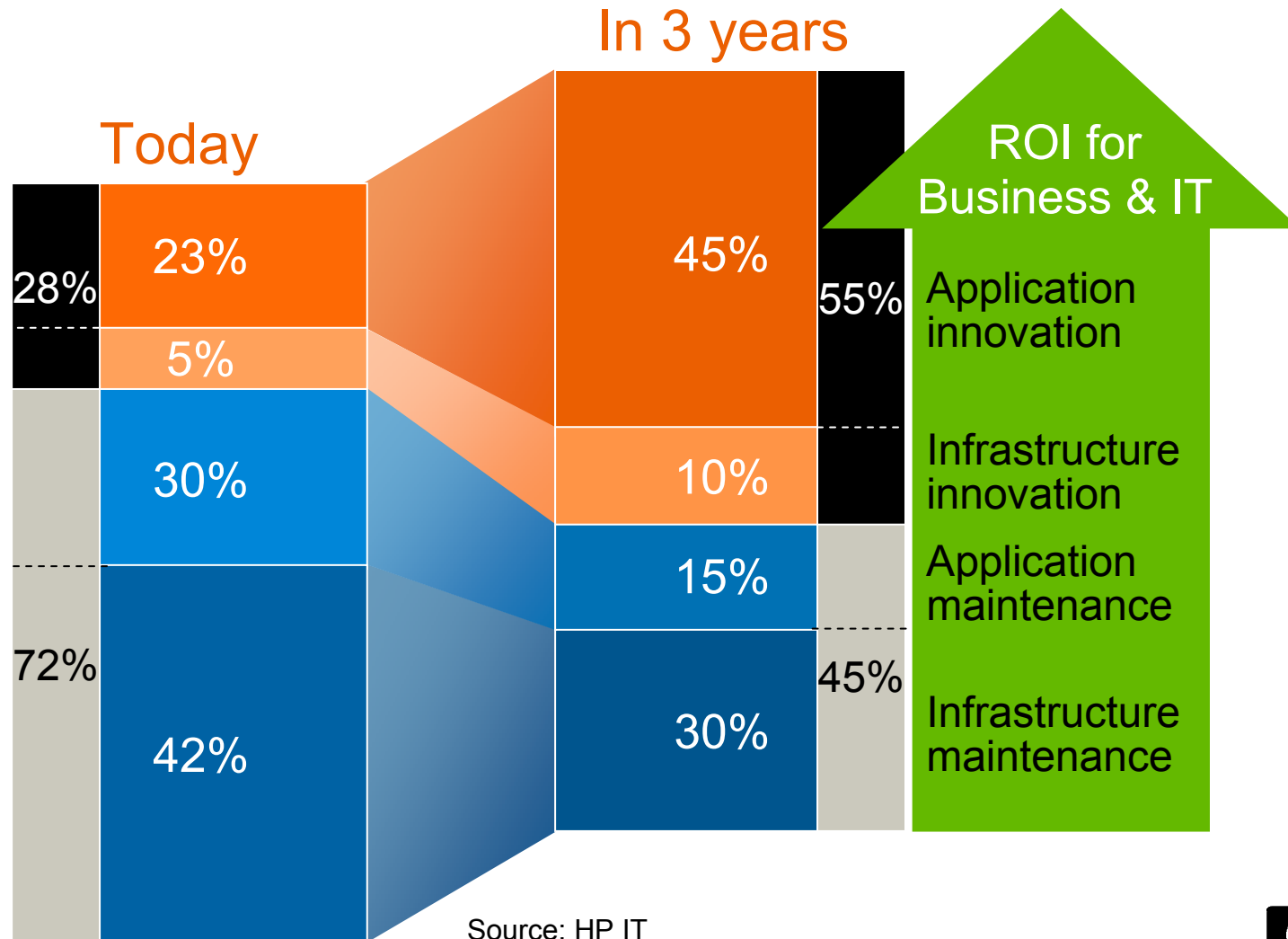
Summary –Back up



Outsourcing portfolio of capabilities

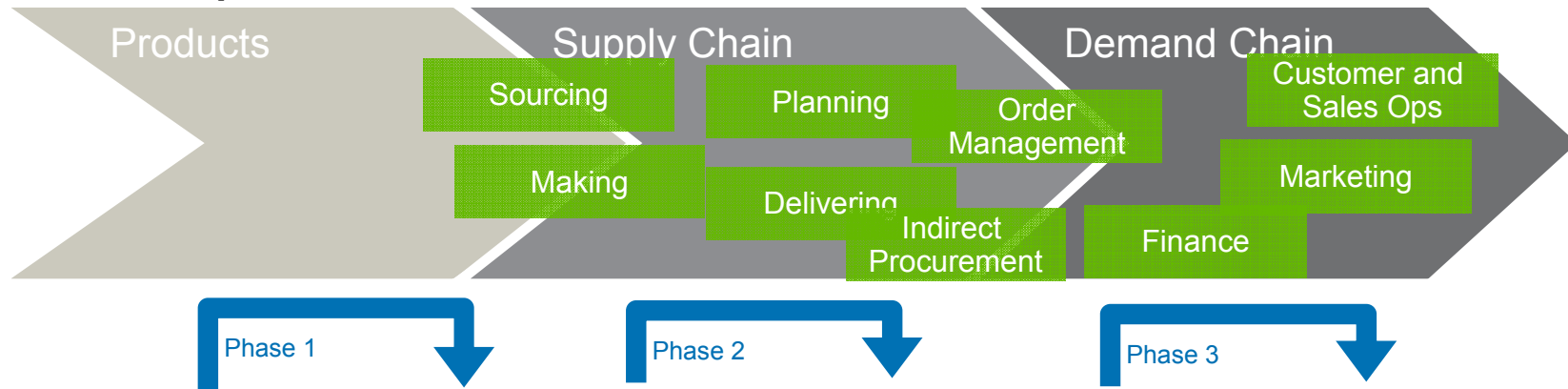


The need to free IT investment for innovation – To be more competitive



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 centres	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)