



THE 2014 OUTSOURCING WORLD SUMMIT

Disney's Contemporary Resort & Conference Center

Lake Buena Vista, Florida

February 17-19, 2014



Outsourcing Global Value

**Jagdish Dalal, Chief Advisor, Thought Leadership
IAOP**



Benefits





- 1: a fair return or equivalent in goods, services, or money for something exchanged
- 2: the monetary worth of something
- 3: relative worth, utility, or importance
- 4: a numerical quantity that is assigned or is determined by calculation or measurement
- 6: something (as a principle or quality) intrinsically valuable or desirable



Why Measure Outsourcing Value?

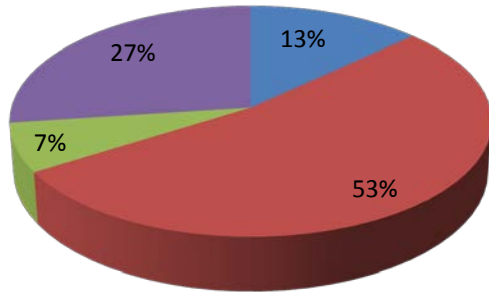
- Establish a foundation for the profession
- Create a common language and definitions
- Address market myths and assumptions
- Promote investment in infrastructure

Why is it so difficult?

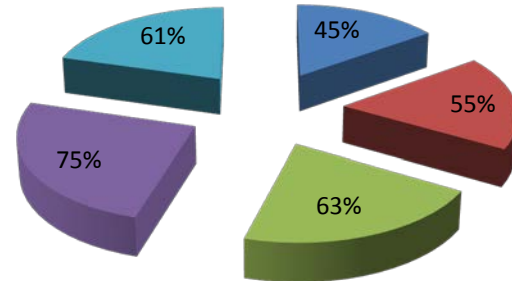


- “value” is difficult to identify and quantify
 - ❖ Common outsourcing measurements are:
 - Transactional in nature
 - Retrospective and not prospective
 - Accounting focused and not value focused
 - Single-dimensionals (financials)
- There is no immediate incentive for businesses (customers and providers) to think about it
 - ❖ But is of more importance to government and observers of economic trends

IAOP State of Industry Survey



- Been significantly curtailed or cancelled
- Increased in volume or scope
- Reduced in volume or scope
- Renegotiated for change in terms

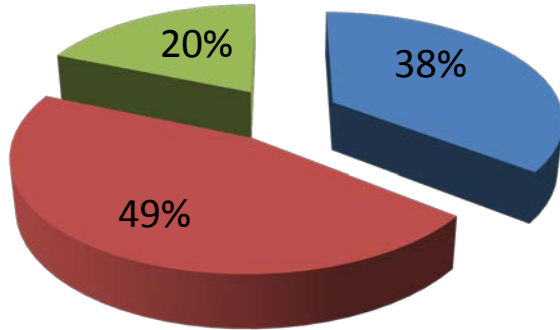


- Accessing skills/talent
- Long term financial impact
- Short term financial impact
- Support for business growth and expansion
- Increasing business flexibility

Tells us that outsourcing continues to be viewed as generating “value” for business

IAOP 2013 CSR Survey

Does your company track measures concerning CSR?



■ Yes

■ No

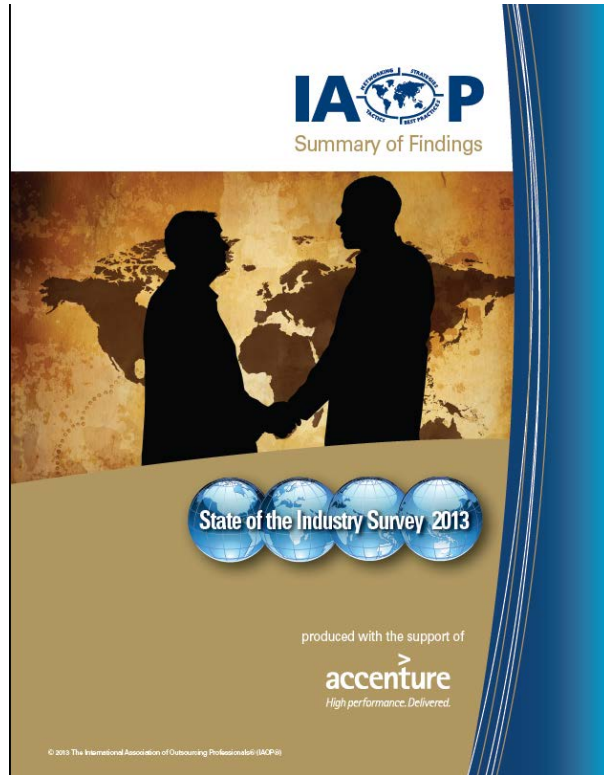
■ N/A

Some of the measures indicated in the response

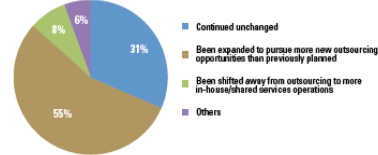
- Energy Consumption
- environmental sustainability
- Recycling waste minimization
- commitment to green technology
- corruption avoidance strategies
- incidences of violations
- CSR time spent by individuals per annum
- Voluntary monetary contributions
- Safety, discrimination, harassment, child labor, corruption

Tells us that measuring CSR value is not yet widely established in the outsourcing profession

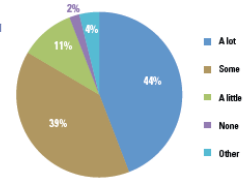
2013 State of Industry Survey Report*



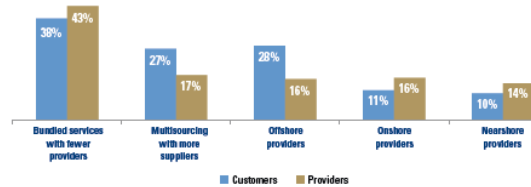
**Customers:
New outsourcing
contracts over the
past 12 months have:**



**How much innovation do you
expect from your providers?**



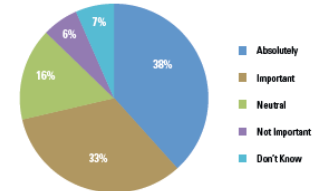
Customers and Providers: Delivery approaches over past twelve months



Information security is a top concern among outsourcing customers and high percentages are putting in place supplier security certifications

Among Summit delegates asked if security is a top-five priority this year, 71 percent agreed that it was either "important" or "absolutely important."

**Is security
a top-5
priority
for your company
this year?**



* - For complete report, visit www.IAOP.org/SOIreport



Business



Nation



Business

$$SHV = (VC - VD) \times CF$$

Where:

SHV – Shareholder value

VC – Value created

VD – Value destroyed

CF – Confidence Factor (Risk)

Value Creation

- Profitability management
- Products
- Markets
- Brand
- Cycle Time
- Quality

Value Destruction

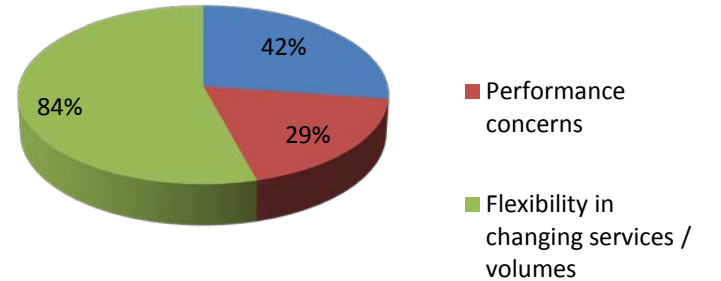
- Cost growth
- Capital misapplication
- Stagnant management
- Reluctance to change
- Social irresponsibility



Business

Risk considerations:

- Cost of operation
- Productivity
- Resource (skills, availability)
- Investment capacity
- Market valuation
- Political / Social acceptance



Risk plays a major role in establishing confidence level in the value created and therefore has to be managed



$$NW = GNP + QSL$$

Where:

NW = National Wealth

GNP = Gross National Product

QSL = Quality of Social Life

Value Creation

- Domestic economic growth
- Foreign direct investment
- Steady price controls
- Increasing employment level
- Livable wages

Value Destruction

- Debt relative to GNP
- Investment discouragements
- Inflation relative to world
- Unhealthy environment
- Unsound labor practices

IAOP – Outsourcing Global Value Project





1. Identify elements
2. Establish baseline using pilots
3. Collect information
 - 1) Globally – through regions
 - 2) Customers and providers
4. Publish initial baseline
5. Track global value progression



Economic Value:

- Financial – short and long term
 - ❖ Profitability
 - ❖ Capital consumption
 - ❖ Wage impact
- Economic health
 - ❖ Productivity
 - ❖ Attractiveness for investment
 - ❖ Earning potential



Social Value

- Environment
- Human rights and working conditions
- Societal contribution to welfare
- Global standing

Your Thoughts??



Participate in our survey

