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Companies Look For Outsourcing Providers to Drive Innovation As Well As Reduce Costs According to Capgemini/IDC Annual Survey

More Than Half Surveyed Believe Outsourcing Has Met Or Exceeded Their Expectations – Almost A Third Say Too Early To Tell

New York, NEW YORK, March 29, 2006 – As Business Process Outsourcing (BPO) continues to experience market growth with an increase in a diverse array of deals and engagements, executives cite reducing costs (41.2%), driving innovation (35.3%), and the ability to focus on core competencies (14.7%) as the main drivers when deciding to use BPO in a corporate strategy, according to the annual survey conducted by IDC and Capgemini.

Capgemini, a global leader in consulting, technology and outsourcing, and IDC, the premier global market intelligence and advisory firm in the information technology and business services industries, joined together again this week for the IDC Outsourcing Forum East, where almost 300 executives shared BPO best practices. The audience participated in a survey to identify best practices, as well as gauge levels of interest and satisfaction of outsourcing engagements in the market.

“Companies understand the next chapter of outsourcing will focus on the importance of growth and innovation to their business,” said Rick Tober, vice president, Capgemini. “Simply focusing on the lowest cost solution without transformational services and innovation solutions will not allow companies to obtain the more sustained ongoing strategic value they want.”

Consistent with last year’s results, IT Outsourcing (51.5%) is the outsourcing strategy that has the biggest potential upside to an organization over the next 3-5 years, followed

by Finance & Accounting Outsourcing (21.2%). IT Outsourcing (37.3%) is also the main service that has already been outsourced to external service providers.

Additional survey highlights include:

- More than one third (38.2%) of participants felt the biggest downside to outsourcing is not getting the expected results, followed by public/customer backlash (23.5%), and anxiety over losing control (20.6%).
- The greatest internal challenge participants felt the company faced when considering BPO was management resistance (39.4%), followed by lack of internal metrics/goals (27.3%) and cultural issues (24.2%).
- The three most important legal issues concerning BPO today according to those surveyed were: governance procedures (33.8%), business continuity (27.7%) and intellectual property rights (26.2%)
- Again, this year, participants cited ability to offer transformational services in addition to operate capability as the most important criteria for selecting a BPO provider (45.6% last year and 47.2% this year).

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