

## Wisdom outsourcing

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**Confronted with the economic crisis and the pressure to reduce costs, Czech companies are learning more and more how to outsource their services and strategic operations.**



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At the same time, the future development growth of Czech exports hinges on emerging markets and not on Western Europe, where companies were primarily focused till 2007. Among the emerging markets, Asia seems to offer tremendous business opportunities to the knowledgeable businessmen.

A recent study by the global consultancy PricewaterhouseCoopers (PwC) notes that many companies in the Czech Republic are considering, or have already implemented, outsourcing of processes that are not key for their businesses.

“In most cases, we still see outsourcing within the Czech Republic. But there are international companies and financial institutions already outsourcing their activities abroad, mostly at the insistence of their parent companies,” said Jan Malý, outsourcing expert with PwC in the Czech Republic. Support functions are frequently outsourced, such as IT services, processing of finance or PR activities. “In the Czech market, we also often see the outsourcing of logistic services, for example, by trade or production companies,” Malý said.

Globally, outsourcing providers around the world predict that demand for their services is going to expand rapidly, and they are adding staff and investing in new services to meet the new demand. PwC’s survey of 514 outsourcing service providers in 50 countries found that the industry is being transformed by the emergence of new providers around the world and by the efforts of existing outsourcers to expand into new markets. Outsourcing companies in North America and India, which have long dominated the industry, are being

challenged by competition from countries in Latin America, Eastern Europe and Asia, especially in service areas such as contact centers, business process outsourcing and information technology services.

According to the survey, a large number of service providers said they would begin new software development and IT services in the next 18 to 36 months. The number of service providers planning to offer new finance and accounting, human resources and innovation services more than doubled from the previous year. In addition to new service offerings, 62 percent of service providers said they plan to expand the scale of their existing offerings.

### **Emerging Asia**

The study emphasized the growth in importance of doing business in Asia. "Growing competition has transformed the outsourcing industry into a global race for market share," said Antonín Hamřík, another outsourcing expert with PwC Audit. "India's success as the world's back office has motivated other developing countries with well-educated and underemployed populations to seek to duplicate their experience," he said.

Mainly in legal services, the growth in outsourcing has been strong and is likely to remain so, particularly in India, the survey found. Outsourcing of legal services is growing at an annual rate of 40 percent in India, with about 110 service providers in the country. The Philippines and Sri Lanka provide 20 percent of legal outsourcing.

"The economic benefits of outsourcing legal services are undeniable; it provides the highest profit margins for service providers and the highest cost savings for companies," Hamřík said. "The emergence of available outsourced legal services and the impact of the economic conditions have changed the perception of the legal industry, once regarded as too sensitive to be outsourced," he noted.