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Why India May Not Be the Outsourcing Destination of Choice

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ENABLING STRATEGIC IMPACT

Agenda

- Why India May Not Be The Outsourcing Destination of Choice – A Global Perspective on Global Outsourcing
- Can You Afford Not To Be In India?
- Framework For Dealing With Unique Challenges in India
- Maturity Model for a Low Cost Country Arbitrage Plan
- Talent Management

Globalization, Crisis and Supply Chain Risks

- Bankruptcies (suppliers, customers, nations)
- Talent Management challenges
- Internal political / social unrest growing
- Increased protectionism
- New areas of concern re: social responsibility
- Carbon footprints

- Geo-political impact globally
- Currency destabilization
- Have / Have Not split growing
- Desire for energy independence

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There Are Many Challenges to Operating in a Global Economy. Some Are Clear, Others Are Not.

Strategy	• A clear strategy on how to approach the market, structure the deal, and plan to make it all happen.
Organizational Alignment	• Making sure the organization is aligned with the desired outcome of global expansion.
Economic Conditions	• Contingency plans to address economic, social, and political conditions and events in a foreign country that might adversely affect buyer and seller operations.
Capturing Value	• Managing the proper balance between the need to reduce cost and become more efficient.
The Cost	• What it will cost to outsource or buy offshore - is this a divestiture, joint venture, new buyer/seller relationship, etc.
Managing Relationships	• Making sure the right supplier is chosen and understand what is expected of them and then managing the relationships.

India's Unique Challenges

Fiscal Woes

Existing deficit (6.2% of GDP in 2009 / 10% with sub-national debt included) limits funding options to address major issues:

- Infrastructure
- Health Care
- Employment
- Education

Fueling high inflation (13.73% in June, 2010)

- Reduced buying power, especially for masses
- Impacting costs in all sectors

Commitment to lower National Debt (80% of GDP in 2010)

- Raise taxes / fees
- Generate revenue through privatization
- Slow growth

India's Unique Challenges

In Addition…

Labor regulations most restrictive and complex in developing world

- Slows growth in labor-intensive industries
- Impacts unemployment (10.7% est. for 2010) and underemployment

Human Development Index (purchasing power of income, literacy rate and longevity) = .607 (Rank 128th in world)

Significant income inequality between classes and regions

Continuing population pressure

Pros – Rapidly Growing Economy

- **Population: 1.17 billion *(Aug 2010 est.)***
- **Comparative Area slightly more than 1/3rd the size of U.S.**
- **Middle Class will grow 14X in next 10 years**
- **Language: While Hindi is the national language, English is the language of commerce**
- **Manufacturing Sector growing at 9.4%**
- **GDP real growth rate: 8.6% *(April, 2010 est.)***

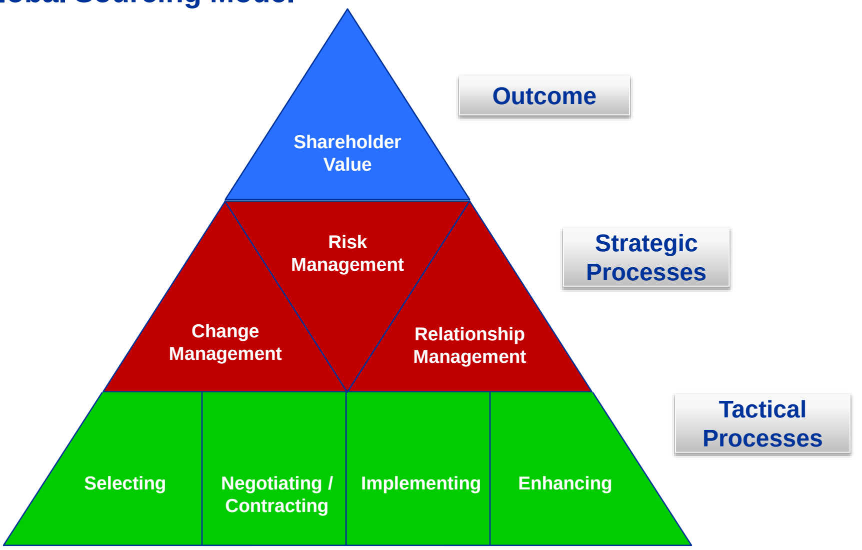
Getting Started - Considerations

TMG's New Sourcing Maturity Model

Client Example	Traditional Purchasing	Basic Sourcing	Intermediate Sourcing	Advanced Sourcing	Value Creating
Procurement Strategy	✓				
Strategic Portfolio Management	✓				
Globalization of the Supply Chain	✓				
Demand Rationalization	✓				
Sourcing Performance Metrics	✓				
Third Party Risk Management	✓				
Supply and Supplier Management	✓				
Procurement Processes	✓				
Info Mgmt and Technology	✓				
Supply Chain Management	✓				
People	✓				
Consolidated					

Global Issues and Challenges

Global Sourcing Model



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