Report co-author professor Leslie Willcocks said on Tuesday that the global growth in IT and business process outsourcing (BPO) in various new countries across the globe will allow businesses to gamble on many different offshoring deals.

“At one level it is a crap game, you spread your bets and you take your chances,” Willcocks said. “One country may be highly risky but you are willing to go ahead with the deal because you know that you can transfer it out if something goes wrong. Offshoring today is a transitional phase in a much larger movement towards a global division of labour.”

The LSE’s Beyond BPO report looked at 14 countries outside the traditional IT and BPO hubs of Brazil, Russia, India and China (BRIC) – accounting for $45bn (£29bn) of its $55bn annual global value.

The report examined fledgling IT and BPO outsourcing industries in Central and Eastern Europe; the Middle East and Africa; and Asia and the Americas.

Willcocks said India’s struggles with high levels of staff turnover, rising costs and overburdened infrastructure is making emerging competitors more attractive.

“India will continue to dominate for the next 20 years but it has run into some challenges. Meanwhile, China is seen as having difficulty in languages and problems with intellectual property and Russia can’t seem to get its act together,” Willcocks said.
"If the non-bloc countries can take advantage of these countries' challenges, they will be able to work to their advantage. They should learn from India's mistakes of not developing infrastructure and skill base fast enough to keep up with that growth," he added.

The predicted growth in the global IT and BPO markets — which Willock described as "recession proof" — with outsourcing revenues set to grow between six and nine percent each year.

The need for more offshore deals will be compounded by a desire for nearshoring along with widespread skills shortages among Western countries. The UK is predicted to have a shortfall of more than 14,000 IT specialists by 2010 and the US a shortage of 15 million by 2025, Willock said.

Topping the report's list of the outsourcing hotspots in many areas was Egypt. The country is a good fit for offshore IT outsourcing, BPO and callcenter deals because of its low costs, its ability to scale up its offerings and the 31,000 science, tech and engineering and 20,000 English-speaking graduates it produces each year.

The report, which was commissioned by the Egypt's Information Technology Industry Development Agency, says Egypt needs to work on improving its management and transportation systems, changing perceptions of risk in the US and on attracting more high-value work from Western clients.

Credit: Outsourcing 2.0? What's the new India? from silicon.com