



*New York Stocks*

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The government aims to make Malaysia the preferred global SSO (shared services and outsourcing) hub by 2010, yielding a targeted export revenue of RM6 billion a year, said National SME Development Council (NSDC). *pág. 6*

## **INNOVATION DURING A RECESSION**

[mysimpleprocesses.com](http://mysimpleprocesses.com)

The world had pass through important economic changes. This is a period of profit-focused cost cutting. Innovation needs to be a priority for companies in this period of recession and ought to be a crucial element in a firm's recession strategy. It will allow them to do more with less and to generate profit by exploiting existing resources. See more on *page 2*.

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Com expectativa de gerar mil empregos diretos e outros 4 mil indiretos, a empresa norte-americana Emerson Process Management ampliará sua unidade em Sorocaba. *pág. 3*

## Innovation During a Recession

[mysimpleprocesses.com](http://mysimpleprocesses.com)

by Glenn Remoreras

Innovation is bringing creative ideas to life. It occurs in the organizational context when individuals and teams work to spark new product development, to implement new technology and even to transform the organization. Innovation is always linked to performance and growth through incremental improvements in efficiency, productivity, quality and services. On the other hand, it is also associated with radical improvement like inventions, new products and radical changes in the business model. It is a balance of incremental improvements and radical innovations that keep the company competitive in a changing world.

We are on the brink of important change in the world— and it is economic in nature. We have seen massive job cuts, company bankruptcies, budget reductions, etc. We are in a period of profit-focused cost cutting. Innovation may be a low priority for many companies in this period of recession but I think it is a big mistake. Innovation ought to be a crucial element in a firm's recession strategy. It will allow them to do more with less and to generate profit by exploiting existing resources.

Two kinds of Innovation that are especially valuable in a recession:

### Internal and External Collaboration

Greater internal collaboration— between departments and business units, as well as external collaboration— with customers and suppliers, are essential if companies are to stay healthy during the recession. For example, internal collaboration could result to a Cross Selling strategy that could increase sales to the existing captured market while lowering cost of selling. Collaboration can be a channel for transfer of best practices between operating units. Internal Collaboration can also result to inter-business-unit product innovation by creating new products and services from existing knowledge, technologies, products and brands. External collaboration, specifically with key entities of your supply chain network – from suppliers to customer, is vital to staying in business during a recession. The big challenge to firms is to reduce cost while maintaining service levels. Businesses need to have open communication with suppliers and customers alike and ensure a more effective and efficient supply chain.

It is also important for firms to use new technology and cheaper options for collaboration. Leveraging Web 2.0 in the enterprise can be one option. Let me give you a clearer example. It is critical for companies to understand how customers reassess priorities, reallocate funds, switch brands and redefine value of products and services. Web 2.0 platforms can be both a source of information and a channel to facilitate this kind of collaboration in a cost effective way.

### Leveraging Shared Services

If it's all about cost reduction and economies of scale, it's probably the best time to implement Shared Services. In these demanding times, companies are challenging themselves to discover business processes and business models that will open undiscovered synergies. Shared Services could be the answer to companies keenly looking for convergence and streamlining of an organization's functions.

Shared Services has to ensure that they deliver the services required of them as effectively and efficiently as possible. In a recession, this convergence enables the appreciation of economies of scale within the function and can enable multi-function collaboration where there is the potential to create more synergies. A word of caution though, a Shared Services implementation involves a large scale cultural and process transformation; it must come with a well-planned organizational transformation and change management strategy.

### In a nutshell

Shared Services has been around for years and companies have always strived to collaborate — internally and externally. I think the emphasis this time should be precision, timing, and bringing the best ideas forward. Forward looking and innovation-focused companies are seeing the light at the end of the tunnel. I strongly believe that this is the best time for innovation, for breakthrough value and for paradigm shifts. This is the best time to position your company ahead of the pack when the economy regains momentum again.

### Competition heats up for European shared service & contact centre investment

LONDON, PRNewswire - 29.09.09

Executives involved in site selection decisions for contact and shared service centres servicing the European market, are facing uncertain market conditions, but the choice of suitable locations is increasing, according to "International Shared Services and Contact Centres: International Strategies & Benchmarking Study" by consulting firms Oxford Intelligence and IBM-Plant Location International.

Roel Spee, Global Leader, IBM-PLI said; "In the future it is clear that there will be an ever-widening scope in location competition for both shared services but especially for contact centres." The next generation of investment locations will be in Latin America, North Africa, other CEE countries (e.g. Balkans, Baltics, Belarus, Bulgaria, Ukraine) and additional APAC locations – China, Indonesia, Thailand, Vietnam as well as second and third tier cities in India and the Philippines.

In the short term, senior executives were cautiously confident about future plans, with 55% of SSCs and 72% of CCs with firm international investment plans through to 2010 while only 53% of SSC executives and 37% of CC

executives expressed positive investment intentions in the longer term.

28 locations across 21 different countries in Western Europe, CEE and offshore locations in India, the Far East, Africa and Latin America, were benchmarked in the study. Cities such as Amsterdam, Marseilles, Barcelona, Manchester, Berlin, Glasgow, Liverpool, Dublin, Maastricht, Belfast, Leeds and Madrid are well-positioned, according to the study.

"Western European locations still have a strong proposition for more complex and higher value facilities" said Michel Lemagnen, Research Director, Oxford Intelligence. Companies will continue to develop the most efficient processes in the traditional Western European centres and then to migrate or outsource non-core, lower risk and low value-added functions to lower cost solutions. (be that in-house, outsourced or virtual).

For the better-established CEE locations the coming years will be challenging due to executive perceptions on overheating, salary inflation and a decline in overall efficiency. It is the newer locations that will provide the next wave of competitive CEE locations. Asian locations have been most successful in attracting larger contact centres whilst Europe, has attracted far smaller facilities. New investments are more likely to occur in locations that have a large and sustainable workforce with the right skills and in those locations where labour laws are favourable.

### Empresa deve gerar 4 mil empregos com ampliação

Jornal Cruzeiro do Sul - 27.10.09

Por Thiago Arioza

Com expectativa de gerar mil empregos diretos e outros 4 mil indiretos, a empresa norte-americana Emerson Process Management ampliará sua unidade em Sorocaba a partir do investimento de R\$ 60 milhões. As obras de ampliação em 45 mil metros da unidade já existente na avenida Hollingsworth, no bairro Iporanga, deverá ser iniciada no primeiro trimestre de 2010 e concluída em até dois anos, tornando-se sede da empresa no Brasil. A previsão é de que o número de funcionários dobre quando a fábrica estiver pronta.

O reforço nas atividades da Emerson no País foi anunciado na tarde desta terça-feira (27), quando dirigentes do Brasil e dos Estados Unidos se reuniram com o Prefeito Vitor Lippi na assinatura do Protocolo de Intenções. Segundo os

executivos, a companhia planeja consolidar suas funções de serviços compartilhados no novo empreendimento, incluindo os setores de finanças, administração, jurídico, TI, marketing, logística e atendimento ao cliente. "Esperamos que o investimento dobre nosso faturamento em três anos e apesar da economia global enfrentar um momento de crise a Emerson já não está mais nesta fase", declarou Edward Monser, representante americano que destacou a capacidade de recrutar e reter engenheiros em suas empresas.

Para o secretário municipal de Desenvolvimento Econômico, Mário Tanigawa, "o crescimento da cidade é compatível com o desenvolvimento nos diversos setores, especialmente na educação, um dos fatores que estimulou a multinacional a escolher Sorocaba como sede no Brasil".

A companhia está presente no Brasil desde 1972, onde instalou suas cinco unidades que operam para o suprimento de tecnologias para diversos setores. Desde 1995 em Sorocaba a empresa produz fluxímetros, válvulas e transmissores utilizados para melhorar a eficiência das operações dentro unidades de fabricação, como refinarias.

## The Other Side Of Outsourcing

Forbes.com - 02.11.09

Everyone's doing it, so why shouldn't you? They're taking servers from the data center, consolidating some with virtualization, co-locating others through a third party and handing others off to cloud-hosting companies.

The pitch from the cloud providers, as well as the software-as-a-service companies, is that no one should be doing what isn't their core competency. And besides, no one has the manpower left to effectively run all these servers or learn the applications as well as the companies that develop them or deal with them every day. For the CIO, it's also a good way to tell the CEO and CFO that you've been able to slash costs and apply those dollars for better purpose.

But how do you know when you've outsourced too much? Where do you draw the line between more expertise on the outside and core competencies on the inside?

What happens when a server running 60 virtual machines crashes or the cloud provider has a hiccup and data gets lost and you don't have anyone left internally who knows anything about the problem?

Despite the pressure to remain competitive by cutting costs, there are risks associated with that strategy. In fact, the pitch for clouds and outsourcing of all sorts sounds remarkably similar to the arguments for offshoring manufacturing, application development and services in the 1990s. Some of it worked as planned, but certainly not all of it--and not all the time.

So what can go wrong? First of all, it's far easier to cut people than to hire them. It's always tough to get budget approval for increased headcount. It's also hard to get people to move without some major incentives when they're already gainfully employed. One of the top jobs in Silicon Valley in the 1980s and 1990s was vice president of human resources. The engineering and business leaders that showed up in the Valley were largely the result of some extremely talented HR people.

Many companies already have outsourced their HR personnel--or at least many of the functions inside HR--and the search for new people is now largely in the hands of search firms. While these people can do their jobs well enough, they certainly don't have an inside feel for the culture of a company and what makes it tick.

That's particularly true in the CIO's world. Just having an MBA and an expensive coffee habit doesn't mean the person is a fit for a company's culture or is committed to making sure it moves in the right direction. And while bringing in new blood can often be a good thing, it's not necessarily the best thing.

Second, there's a crossover point inside companies. Each one is different, so there's no way to create a formula for this, but the key metric is what's commonly described as critical mass inside departments. That critical mass is essential for doing more than just maintaining the status quo, which is often what happens when companies outsource too much. Growth requires a core of people who get together and discuss what needs to be done and how to get those things done, and it requires people to do the work. Granted, not all the work has to be done in-house, but at least some of it does or what you get is a canned product instead of something that really makes IT invaluable to the business units within a company.

Third, keeping things in-house doesn't prevent data leakage and defections to other companies, but it certainly helps. The more that escapes out the door, or over the corporate network, the more likely it will end up in the hands of competitors. And that happens no matter how good the agreements are with outside service providers. Some of it is simply leaking of information. Some of it is wholesale theft. And the more companies move data back and forth, the more opportunity there is to steal it.

No one wants to talk about that, aside from the people selling security solutions. But dig into any company, and you'll find people who worry about these kinds of breaches and how to ratchet down security in particularly sensitive areas while treating others with standard solutions they know don't work anymore. And they agree, almost universally, that outsourcing can make the problems worse.

And finally, there's the unmeasurable aspect of what happens when a company is no longer a culture but an amalgamation of outsourcing partners. They may add great efficiency into the business, but they generally add nothing to the long-term vision. As most companies that have been around awhile are aware, great ideas don't always come from the people at the top. Outsourcing can eliminate an entire interaction layer that is impossible to measure with objective tools. Cultures are inextricably linked to innovation and quality, and the less there is of the former the more the latter two will suffer in the long term.

**Focus on cost reduction is leading IT and finance to forge a closer relationship, and the two are working closely together to identify, evaluate and approve projects that provide measurable and tangible return in improving efficiency and productivity.**

A new survey-based research report from CFO Research Services, released today, sheds some light on how CFOs and IT are working together to prepare for economic recovery. A close look at the survey results indicate new IT trends will emerge as economic recovery continues.

The report evaluates the survey results of 198 senior finance executives across the globe. Survey responders include representatives from big name companies through North America, Asia and Europe like 3M, Kraft Foods and McLaren Automotive. Respondents shared their views of IT's role and business value to their organizations as well as the dominant business criteria for making purchase decisions.

It's no big surprise results indicate companies are under pressure to cut costs. More surprisingly is the indication that most companies' fundamental commitment to IT investment is still strongly intact. Underscoring that point, most respondents affirm that IT's key role is two-fold: to improve efficiency and provide a competitive advantage. The enterprise's focus on cost reduction is leading IT and finance to forge a closer and more collaborative relationship, and the two are working closely together to identify, evaluate and approve projects that provide measurable and tangible return in improving efficiency and productivity.

Companies are looking at technology and the subsequent operational efficiency it provides as a potential way out of the downturn. 71 percent of respondents also believe that IT and its operations are absolutely essential to their competitive positioning as the economy rebounds.

One respondent, a Belgian CFO in the real estate sector, shared, "IT is seen as an enabler to add value to the business and is taken more seriously as a possible way out of the downturn."

Although it may often seem that budgets have dried up, respondents said IT commitments made before the

economic downturn are holding steady in most companies. 58 percent of respondents say that their companies remain committed to most IT projects approved prior to the downturn. 39 percent of respondents said project delays and scaling back is occurring at their companies, but they are still planning on forging ahead with the projects. Only 2 percent of respondents say their organizations are stopping IT projects without any expectation of restarting them.

3M's director of finance for the industrial and transportation division, Ippocratis Vrohidis, said that, "IT, just like any other function, has been asked to prioritize projects and raise the bar on what projects get accepted." He continued, "For some projects, we have slowed down spending, but for the most part if it is a strategic project, we are moving forward with it."

When asked what IT Investments would prove most valuable as the economy improves, respondents cited improvements in administrative efficiencies as well as solutions that boost employee productivity. Respondents also said the most important metric for return on an IT projects is that it contributes to gains in efficiency (70 percent) and to cost savings (68 percent).

In this economic environment, most companies are looking to modify rather than replace existing critical business systems. At the top of the list of infrastructure that is most likely to be replaced rather than modified is ERP Systems (71 percent) and the IT Shared Services Center (71 percent). In good news for CRM vendors, CRM systems are still getting the replacement nod as well as web and ecommerce initiatives.

When deciding to move forward on a project, survey results indicate that finance is partial to projects that will produce a swift and positive return on investment. 64 percent of respondents say they are very likely to consider the amount of time projected to realize ROI when making IT investments. Further, when asked about criteria given to IT investment decisions, respondents said they are much more likely to give "a great deal of consideration" to an investment's near-term benefits (34 percent) rather than long-term, difficult-to-measure benefits (19 percent).

A solid majority of respondents said that it's at least somewhat difficult to measure the ROI on IT projects. 27 percent said it's very difficult.

Vrohidis of 3M shed some light on why it is so difficult, "I think the hardest part is to quantify projects that you know in your gut make sense but whose benefits span across the organization—making it difficult to justify the cost of the project for any one business unit," he said.

Trends show that as companies evaluate projects, they need to see the project's effect across the whole of the enterprise. This need is leading finance, business owners and IT to work closer together to define metrics and apply them to potential projects.

The report was sponsored by application management vendor Micro Focus.



## Plan to make Malaysia SSO hub by 2010

Malaysia National News Agency - 04. 11.09

The government aims to make Malaysia the preferred global SSO (shared services and outsourcing) hub by 2010, yielding a targeted export revenue of RM6 billion a year, said National SME Development Council (NSDC).

In its annual SME Report 2008 released today, the NSDC said the SSO sector was expected to contribute significantly to gross domestic product, investment as well as employment.

It said under the Ninth Malaysia Plan, the government aimed to attract local companies to undertake high-end SSO-related services in the areas of marketing, project management, product development and supply chain.

"To complement this initiative, the government provides attractive incentive package (for MSC Malaysia-status companies and operational headquarters) and other assistance to enable local outsourcing firms to acquire world-class competencies, have access to greater offshore markets and expand their operations," it said.

The report said the legal framework for intellectual property rights protection would be also be strengthened to enhance the environment for outsourcing activity.

It said the worldwide market for SSO was huge, around US\$1 trillion (US\$1=RM3.39) per year, and was expected to increase to US\$1.5 trillion in future, driven by liberalisation of the services sector.

In Malaysia, the outsourcing activities began since early 1990s, with the establishment of operational headquarters, international procurement centres and regional distribution centres, it said.

It said Malaysia has already established itself as a premier outsourcing destination.

NSDC said the A.T. Kearney Study ranked Malaysia the world's third most attractive location for outsourcing centre, after India and China.

It said Gartner ranked Malaysia as Asia Pacific's fourth leading location for outsourcing activities due to favourable government support and infrastructure, political and economic stability as well as availability of labour pool as among the main advantage.

"Malaysia is a natural choice for outsourcing due to attractive cost structure and business environment among emerging markets as well as high levels of global integration," it said.

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