



# VancelInfo

China's Emergence as a Global Delivery Centre

By John Barton, General Manager Europe, VancelInfo

In a recent report comparing the suitability for outsourcing of Chinese and Indian cities, IDC made a strong case for Beijing and Shanghai. China has taken many actions to encourage the growth of the IT outsourcing business (ITO) in “model cities” around the country. The support given to ITO business should not be surprising; ITO represents a low-carbon, high value-add, technology-intensive industry – in short, exactly the kind of industry China wants to attract and develop. Within the outsourcing space, which most observers agree China only truly entered four or five years ago, ITO is a much greater part of the outsourcing business than BPO (business process outsourcing), which includes many traditionally outsourced services, such as call centers, credit card processing, indexing, etc. Indeed, though still a large player in terms of revenue, China lags behind heavyweight India, and also the Philippines and Ireland, in BPO services. Still, analysts agree China is maintaining a strong lead in ITO, with BPO catching-up fast.

Many European companies, especially in Britain, turn to India as a default outsourcing destination. In fact, China is already competing with India and other global providers, and is anticipated by industry research firm IDC to become the outsourcing delivery destination of choice in several years' time. Some basic advantages China enjoys are modern infrastructure, a well-run intellectual property rights (IPR) environment, easy scalability of existing operations, and the

trust of the international business community. (Those who have ridden China's “bullet train” from Shanghai to Beijing will testify to the technology and investment that went into that project.) Chinese cities are also well-connected to electricity and water networks, even in western China. China's education system produces a large number of engineering and computer science graduates all over the country, so outsourcing delivery centers are able to find diverse talent across many different regions as well as scale-up operations quickly if need be. Finally, the success of long-term outsourcing relationships such as that between VancelInfo, China's leading software development services provider, and Microsoft, the world's leading software company, create a strong precedent for overseas collaboration.

VancelInfo's 15-year relationship with Microsoft is an example of how the international sourcing industry is moving towards innovative projects in a cross-cultural, global environment. This relationship is unique in length, breadth of services offered, and durability. These fifteen years saw many changes at both firms, but especially at VancelInfo – the IT company at the forefront of China's technology boom. More and more China's companies are learning how to build trust in sourcing relationship with western customers, manage the sometimes breakneck pace of economic and social change, and work together to lower the barriers to doing business in China.