

# Yes, China Can!

A BLEUM POINT OF VIEW ON THE FUTURE OF OUTSOURCING IN CHINA

Although their evolutions share many similarities, for the Chinese outsourcing industry to overshadow India it must undergo an image makeover. This was the thrust of IAOP China Chairman and Bleum CEO Eric Rongley's speech to a gathering of the Global Leaders Institute on the subject of global financial service outsourcing. "China outsourcing must become outcome based..." according to Rongley. As the Chinese outsourcing market continues to expand, outcome delivery will help to set expectations between vendor and client, as well as leverage outsourcing's full potential.

The current economic downturn, according to Rongley, is again making outsourcing a strategic corporate option. According to IAOP, for every firm decreasing outsourcing spending there are 2 increasing spending. The environment is also evolving from pure "needs based" considerations (typically focused on cost reduction) to more multidimensional views of value for money, including point specialist skills and deep domain expertise. Who are the vendors of choice? Rongley argues that these are singular vendors who can do more, from bundled and knowledge-based services to flexible processes. In the wake of recent scandals and attacks on the technology sector, customers are also backing vendors with an adherence to strong corporate social responsibility and security.

How is China differentiating itself? According to Frost & Sullivan, the Chinese Government is investing billions of dollars in IT infrastructure as well as enforcing binding legislation to combat financial and intellectual property malfeasance. IAOP surveys point to the country graduating over 650,000 engineering students annually, noting it is poised to

exploit a very favorable supply and demand vertex. The Indian market, however, is reaching full saturation, leading to a decrease in available talent. China, though, is still able to supply top-notch talent across teams of 50, 100 or even 500 people. "Every company that wants to outsource goes to India and there are fewer resources...in China, however, everyone on a team can be a deeply skilled developer."

What of the future? Rongley argues that the bellwether event placing Indian outsourcing on the world stage was Y2K. "Although China is lacking a catalytic event like Y2K, China-based vendors are moving along a maturity curve that will place them in direct competition with more mature Indian counterparts within the decade." With companies moving up the curve, the divide between Indian and Chinese outsourcing providers is shrinking. This will increasingly make the idea of choosing China over India more palatable to western prospects, as well as other developed Asian countries, and even within China itself.

Individually, companies in China are at different levels on the curve. Rongley stated that most China-based vendors are currently in the staff augmentation phase, where India was 5-7 years ago. Others, including Bleum, have highly evolved services including independent offshore development centers and outcome-based deliverables, and are competing on par with India currently. Given the investment in both physical and human resources, Rongley is convinced those lower-phase Chinese firms will quickly evolve, allowing the entire industry to rival its Indian counterpart in the next several years.

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