

BREXIT: Retos y Oportunidades para la Economía Malagueña

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Brexit: Challenges and opportunities for nearshore/offshore locations

Javier González Marcos
Senior Executive Partner

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Agenda

- Determine “**Why**” you will **offshore/nearshore** and how **Brexit impacts** your operations.
- Shortlist the **countries** based on the service availability and existing vendors/shared-service centers
- Shortlist the **cities** based on your own set of city criteria
- **Recommendations**

Why you will nearshore and Brexit impact

More than 85% of enterprises utilize more than one location for offshore, nearshore or onshore IT and business process services.

Where Do You Start?

By Understanding the "Why" Driver of Your Offshoring/Nearshoring Strategy



Good Examples:

- Optimize costs while improving operations
- Leverage skilled resources
- Implement a global delivery model
- Realign nearshore operations



Bad Examples:

- To cut costs
- Because the CEO said so
- Because the vendor is pressuring
- Brexit

Four Phases of the Brexit Process

	Phase 1	Phase 2	Phase 3	Phase 4
Brexit Phase	Pre-Article 50	Article 50 Invoked	Negotiations Under Article 50	Negotiations of Items Unresolved
Time Frame	4 or More Months	2 or More Months	2 or More Years	Unknown
Information Available	Political Intentions BoE Actions	Target Date for EU Exit	Periodic Insight on Specific Areas of the Negotiations	List of Unresolved Issues Target Dates to Resolve Issues Political Inclinations on the Unresolved Periodic Updates on Status

* Estimated times frames.

BoE = Bank of England

Source: Gartner (July 2016)

The Impact of Brexit on Your Data Center and Cloud Service Strategy: Key Findings

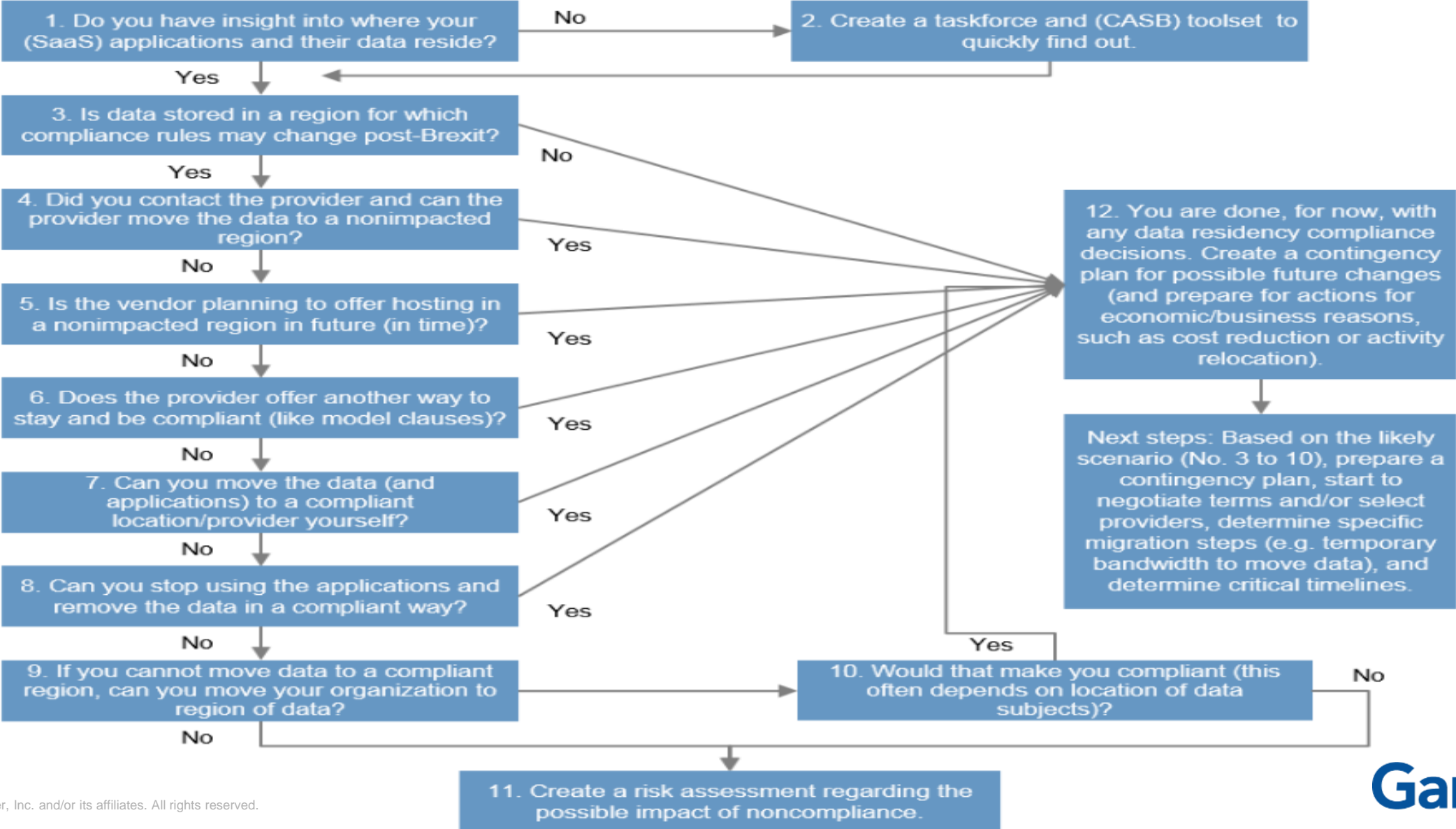
- The U.K. will have **at least two years to negotiate its exit from the EU** once official notice has been given to the European Council under Art. 50 of the Treaty on EU.
- It is Gartner's current opinion that, given this time frame, it is likely that implementation of the **General Data Protection Regulation (GDPR) will continue in the U.K. as planned.**
- **Data privacy considerations** are often cited by Gartner clients as some of the **biggest barriers to cloud adoption in Europe.**
- **Once the U.K. has left the EU and, potentially, the GDPR,** organizations with a U.K. data center presence **will need to consider the impact of this** on their European customers.
- **Data center investment** and colocation sourcing **decisions have a three- to five-year initial lifetime,** with the **physical migration taking around nine to 12 months** — meaning that any decision will need to be made with an awareness of this changing market.

Recommendations for U.K. CIOs (and those who work directly with the U.K.):

- Join or propose an **organizationwide task force, or Office of Brexit**, to assist in the current situation and potential risks and issues that may arise.
- **Create a list of suppliers and staff that may be impacted by the changes.** European skilled IT staff are at risk of leaving, which may impact new and existing projects.
- Identify EU cross-border collaboration **projects and transactions that may be directly impacted** due to unwillingness to share with U.K. agencies, or where funding may be reduced or halted.
- **Make cost optimization a high priority.** Identify the impact of **currency** fluctuations will be critical.
- Enhance horizon scanning to identify project and operational **interdependencies and signals of change in policy direction**, and be prepared to act swiftly when required.
- **Work with the legal department** to check U.K. or EU laws and regulations whose applicability may change over time.

Risk Assessment Process for Evaluating Brexit Impact

For each application:



Country Selection

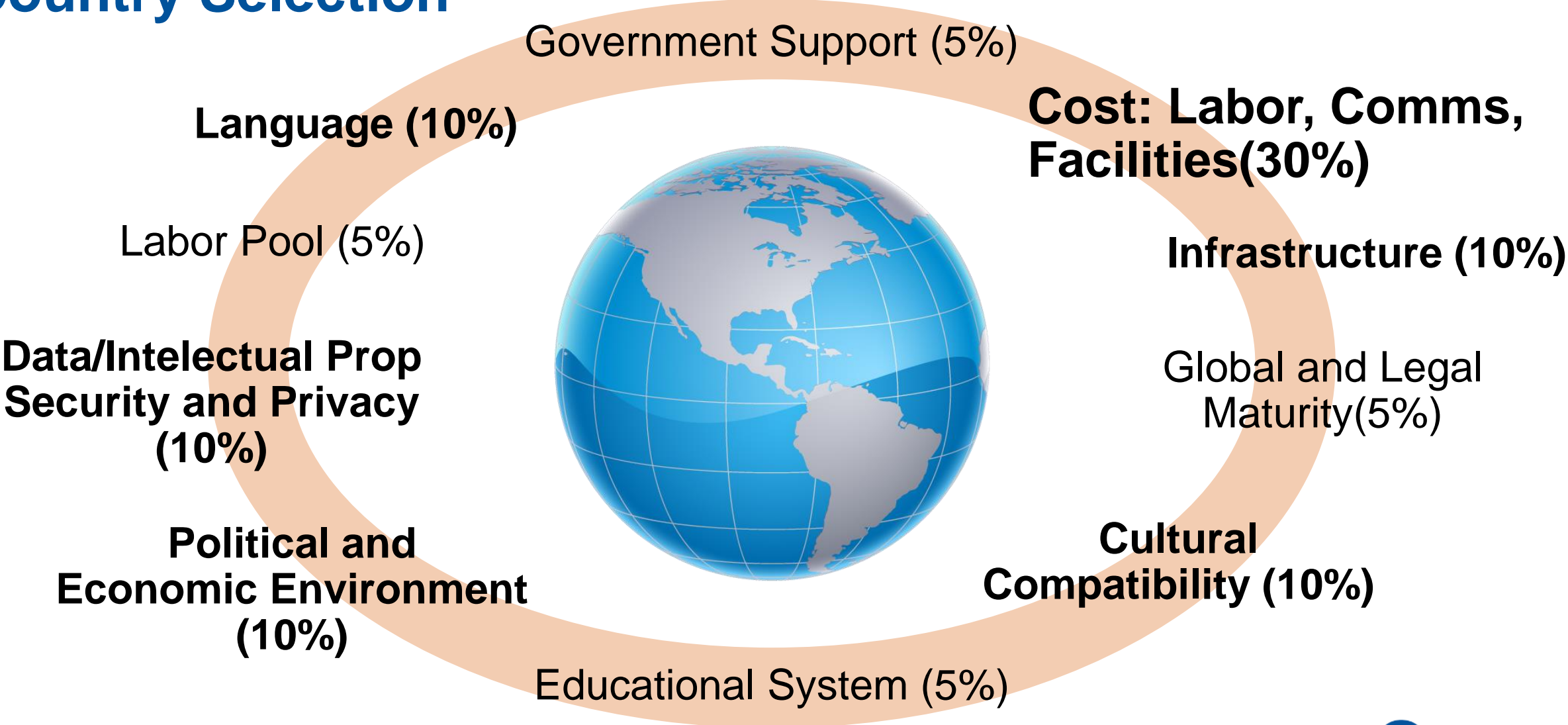
Which Countries Qualified?

Category

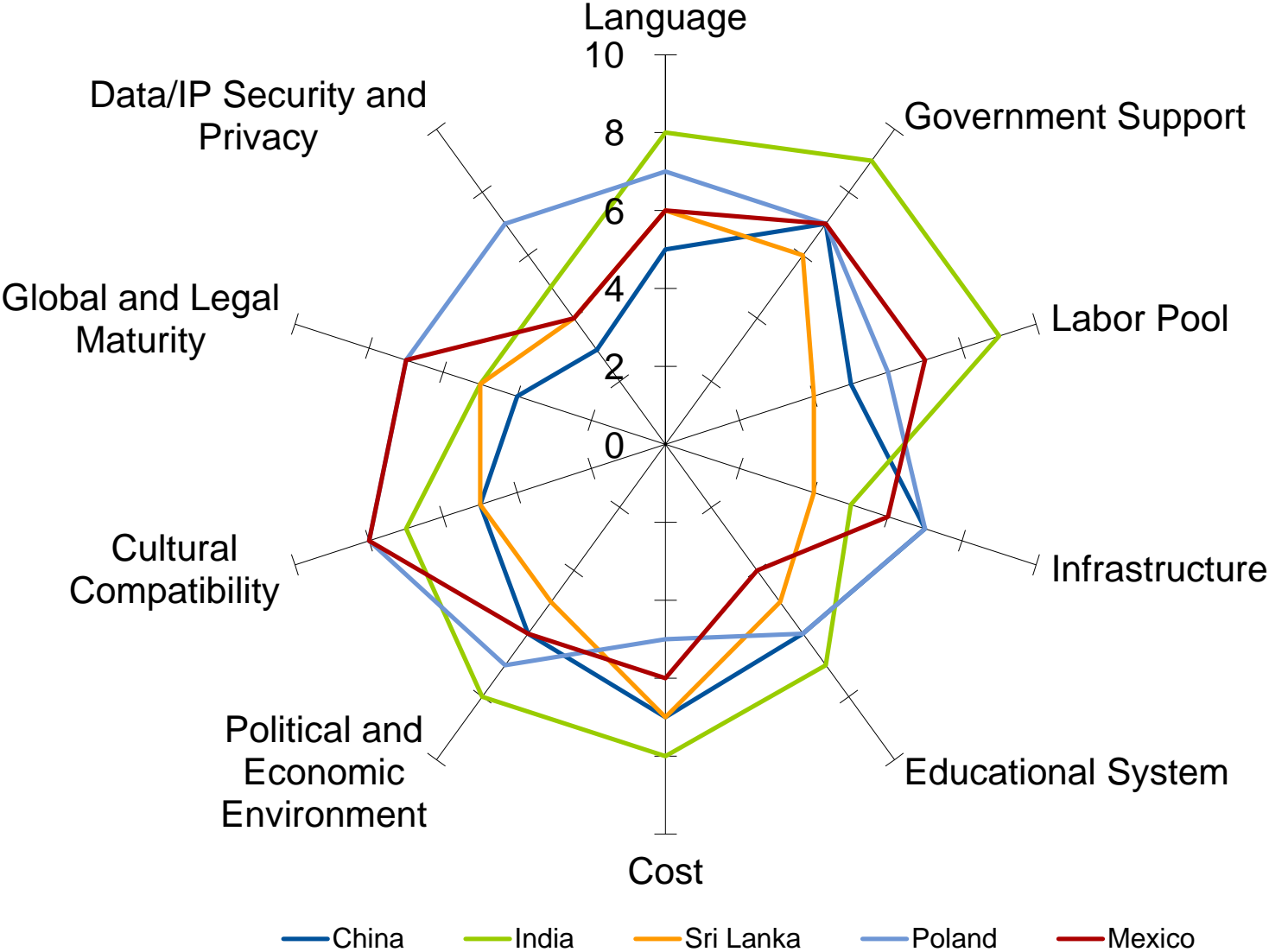
Regional Countries by Category

Primary Locations	<ul style="list-style-type: none">▪ APAC: China, India, Malaysia, Philippines, Sri Lanka, Vietnam▪ EMEA: Belarus, Bulgaria, Czech Republic, Egypt, Hungary, Poland, Romania, Russia, South Africa▪ Americas: Argentina, Chile, Colombia, Costa Rica, Mexico
Contenders	<ul style="list-style-type: none">▪ APAC: Bangladesh, Indonesia, Myanmar▪ EMEA: Baltic States (Estonia, Latvia, Lithuania), Mauritius, Morocco, Slovakia, Turkey, Ukraine▪ Americas: Guatemala, Panama, Peru, Puerto Rico, Uruguay
Mature Developed Markets	<ul style="list-style-type: none">▪ APAC: Australia, Hong Kong, New Zealand, Singapore, Taiwan▪ EMEA region: Ireland, Israel, Spain, Regional Centers in Germany, Regional Centers in the U.K.▪ Americas: Brazil, Canada, United States

Gartner's 10 Key Criteria Used for Offshore/ Nearshore Country Selection



Example of Country Comparison



City Selection

City Evaluation Criteria

- Choose your main criteria from the City criteria inventory
- Typically 7 to 12 criteria
- Assign a weight (%) to each criteria.

Definition of Evaluation Criteria

Criteria	Weightings
Availability of application services	20.0%
Availability of vendors	25.0%
Data privacy laws (cross-border data needs)	10.0%
Labor pool size (meets or exceeds scale needed for sourcing initiative)	5.0%
Labor pool quality	5.0%
Time zone compatibility	20.0%
Price or cost of core services in scope	15.0%
Total	100.0%

City Evaluation Criteria inventory (I)

- Alignment to the size and scope of our deal
- Availability of application services
- Availability of business process services
- Availability of contact center services
- **Availability of IT infrastructure services**
- Availability of knowledge process services
- **Availability of vendors**
- Business process expertise (list specifics, such as supply chain areas and CRM-specific skills)
- **Cultural compatibility (similarity of values, organizational style and approach)**
- **Data privacy laws (cross-border data needs)**
- **Ease of doing business**
- Ease of setting up a captive center (real estate, telecom)

City Evaluation Criteria inventory (II)

- Enterprise experience or track record in location
- Expatriate index
- Functional knowledge (list specifics)
- **Industry expertise (subsegment of industry specialization)**
- **Labor pool quality**
- **Labor pool size (meets or exceeds scale needed for sourcing initiative)**
- Language availability
- **Maturity level**
- **Price or cost of core services in scope**
- Quality of references
- Security categories
- Technical skills (list specifics)
- **Time zone compatibility**

City Evaluation Scoring

- Select a set of cities to evaluate.
- Define the metrics for the criteria data.
- For each city, Gather the data and Score each criteria, according to the scoring scale (Nearshoring Toolkit).
- Get the prioritized shortlist of cities for nearshoring.

Scoring Scale

A numeric scale, with 0 being lowest value and 5 being highest	
Scores	Criteria
5	Significantly exceeds requirements , is achievable, applies best practices, is clearly and concisely presented, is logically organized and is well-integrated
4	Somewhat exceeds requirements , is achievable, applies best practices, is clearly and concisely presented, is logically organized and is well-integrated
3	Meets requirements , is achievable, is suitable, is acceptably presented, is organized and is integrated
2	Somewhat less than meets requirements , is achievable, is somewhat suitable, is less than acceptably presented, is somewhat unorganized and is somewhat integrated
1	Significantly less than meets requirements , and is not fully achievable, suitable or addressed
0	Is not addressed , or failed to answer the question appropriately

Note: Scores can be entered as whole numbers or as decimals (for example, 3.5).

City List

City	Country	City Population (2014)	City GDP 2013-2014 (\$ billion)	Country Nominal GDP 2014 (\$ billion)	Country Nominal GDP Per Capita 2014 (\$)	Time Zone (GMT +/-)
Gurgaon, Haryana	India	902,112		2,050.81	1,613.32	+5:30
Koju (Cochin)	India	2,119,724		2,050.81	1,613.32	+5:30
Nasik	India	1,561,809		2,050.81	1,613.32	+5:30
Chandigarh	India	1,026,459		2,050.81	1,613.32	+5:30
Coimbatore	India	2,136,916		2,050.81	1,613.32	+5:30
Mysore	India	990,900		2,050.81	1,613.32	+5:30
Mangalore, Karnataka	India	623,841		2,050.81	1,613.32	+5:30
Dublin	Ireland	527,612		250.78	53,526.13	GMT offset
Belfast	Ireland	280,211		250.78	53,526.13	Offset
Kuala Lumpur	Malaysia	1,700,000		338.11	11,200.12	+8:00
Mexico City	Mexico	8,555,272		1,289.79	10,286.53	-6:00
Guadalajara	Mexico	1,495,182		1,289.79	10,286.53	-6:00
Monterrey	Mexico	1,135,512		1,289.79	10,286.53	-6:00
Juarez	Mexico	1,332,131		1,289.79	10,286.53	-6:00
Baguio City	Philippines	318,676		284.79	2,872.63	+8:00
Makati	Philippines	529,039		284.79	2,872.63	+8:00
Cebu City	Philippines	866,171		284.79	2,872.63	+8:00
Pasig City	Philippines	669,773		284.79	2,872.63	+8:00
Quezon City	Philippines	2,761,720		284.79	2,872.63	+8:00
Mandaluyong City	Philippines	328,699		284.79	2,872.63	+8:00
Subic Bay (former military base)	Philippines	68,377		284.79	2,872.63	+8:00

City	Country	City Population (2014)	City GDP 2013-2014 (\$ billion)	Country Nominal GDP 2014 (\$ billion)	Country Nominal GDP Per Capita 2014 (\$)	Time Zone (GMT +/-)
Clark (former military base)	Philippines			284.79	2,872.63	-7:00
Kraków	Poland	757,611		548.08	14,191.71	+1:00
Warsaw	Poland	757,611		548.08	14,191.71	+1:00
Lodz	Poland	728,892		548.08	14,191.71	+1:00
Gdnask	Poland	460,276		548.08	14,191.71	+1:00
Wroclaw	Poland	630,131		548.08	14,191.71	+1:00
Bucharest	Romania	1,883,425		199.46	10,149.80	+2:00
Brasov	Romania	253,200		199.46	10,149.80	+2:00
Cluj-Napoca	Romania	324,576		199.46	10,149.80	+2:00
Lasi	Romania	290,422		199.46	10,149.80	+2:00
Timisoara	Romania	319,279		199.46	10,149.80	+2:00
St. Petersburg	Russia	4,879,566	118	1,878.01	13,169.25	+3:00
Moscow	Russia	11,612,885		1,878.01	13,169.25	+3:00
Dubna	Russia	70,663		1,878.01	13,169.25	+3:00
Omsk	Russia	1,154,116		1,878.01	13,169.25	+6:00
Singapore City	Singapore	5,076,700		307.87	55,909.59	+8:00
Bratislava	Slovakia	411,228		99.79	18,406.82	+1:00
Ljubljana	Slovenia	272,220		49.48	23,855.72	+1:00
Johannesburg	South Africa	7,860,781		350.00	6,603.23	+2:00
Madrid	Spain	3,198,645		1,406.05	29,906.18	+1:00
Asturias	Spain	1,075,179		1,406.05	29,906.18	+1:00

Source: "Toolkit: Evaluate Offshore/Nearshore Countries and Cities for Outsourcing, Shared Services and Captives, 2016" (G00298550)

City List

City	Country	City Population (2014)	City GDP 2013-2014 (\$ billion)	Country Nominal GDP 2014 (\$ billion)	Country Nominal GDP Per Capita 2014 (\$)	Time Zone (GMT +/-)
La Coruna	Spain			1,406.05	29,906.18	+1:00
Barcelona	Spain	1,611,013		1,406.05	29,906.18	+1:00
Malaga	Spain	561,435		1,406.05	29,906.18	+1:00
Colombo	Sri Lanka	561,314		74.94	3,634.63	+5:30
Glasgow	U.K.	590,507		2,990.52	46,428.50	Offset
San Antonio, Texas	U.S.	1,327,556	89.46	17,348.08	54,303.69	-6
Oklahoma City, Oklahoma	U.S.	580,008	71.95	17,348.08	54,303.69	-6:00
Birmingham, Alabama	U.S.	212,193	59.72	17,348.08	54,303.69	-6:00
Odessa	Ukraine	1,029,049		131.65	2,925.32	+2:00
Kiev	Ukraine	2,611,327		131.65	2,925.32	+2:00
Dnepropetrovsk	Ukraine	1,065,008		131.65	2,925.32	+2:00
Ho Chi Minh City	Vietnam	5,880,615	19.2	186.21	2,014.72	+7:00
Hanoi	Vietnam	2,316,772	8.6	186.21	2,014.72	+7:00

Source: ["Toolkit: Evaluate Offshore/Nearshore Countries and Cities for Outsourcing, Shared Services and Captives, 2016"](#) (G00298550)

Get the results: Scores and Weightings From Toolkit

Criteria Automatically Populate Below From Evaluation Criteria tab	Overall Weightings	Rio de Janeiro		Buenos Aires		Bangalore, Karnataka	
		Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
Availability of application services	20.0%	3.0	0.6	4.0	0.8	5.0	1.0
Availability of vendors	25.0%	4.0	0.8	4.0	0.8	5.0	1.0
Data privacy laws (cross-border data needs)	10.0%	4.0	0.8	3.0	0.6	4.0	0.8
Labor pool size (meets or exceeds scale needed for sourcing initiative)	5.0%	2.0	0.4	4.0	0.8	5.0	1.0
Labor pool quality	5.0%	5.0	1.0	3.0	0.6	3.0	0.6
Time zone compatibility	20.0%	3.0	0.6	4.0	0.8	1.0	0.2
Price or cost of core services in scope	15.0%	2.0	0.4	3.0	0.6	5.0	1.0
Total	100.0%		4.6		5.0		5.6

Recommendations

Recommendations for Enterprises

- ✓ Determine “Why” you will offshore/nearshore that's aligned to your business strategy before you approach vendors or elect a country/city.
- ✓ Consider the impact of Brexit and the timeframe to take decisions and execute it.
- ✓ Work with other departments to evaluate the real impact and develop a plan.
- ✓ Shortlist the countries and cities based on the service availability and existing vendors/shared-service centers or captive center feasibility.
- ✓ Consider local vendors and not just global leaders.

Recommendations for Cities

- ✓ Understand “Why” the enterprises will offshore/nearshore and the risk they want to avoid.
- ✓ Determine the market trends and key drivers to have offshore offering aligned with the midterm enterprises demand to elect a country/city.
- ✓ Identify changing markets and opportunities (Brexit,...)
- ✓ Rate your capabilities/attractiveness against the counties and cities evaluation criteria.
- ✓ Reinforce your weak areas and develop the ones with higher demand.
- ✓ Develop a communication strategy to attract enterprises and resources.

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