

Information Services Outsourcing



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Introduction To Outsourcing

Over the last two decades, the role played by Information Technology (IT) has undergone a sea change. IT is now looked upon by organizations as a means towards value creation and business effectiveness. This is a significant change from the days of looking at IT as a means to achieve automation, cost control, and efficiency. This change directly reflects in the changing expectations that organizations have from Outside Service Providers.

Today, the two main reasons for organizations to look at Outside Service Providers (OSP) for their Information Systems (IS) needs are – lowering cost of IS operations, and benefiting from the specialized expertise of OSPs. The use of such OSPs, popularly known as outsourcing, has gained wide acceptance globally.

The Gartner Group reports that three areas where OSPs most impact businesses are:

- Increase efficiency in the way the IT utility operates thereby assisting the business in providing low-cost services.
- Added effectiveness in the way the business operates by supporting business process improvement through the use of technology, directly adding value added services to the external customer base, or providing increased customer service and informative databases to business customers.
- Better and faster product improvement through the use of technology, thereby reaching the market faster with required products and services.

The following illustration gives a snapshot of the motives to outsource for a sample of client assignments at Magna Infotech.

Industry	Project Description	Reason for Outsourcing
Telecommunication	Product re-engineering	Reduce costs, prioritize internal resources
Manufacturing	Develop new application	Access to cross functional skills, business process improvement
Healthcare	Develop new application	Mapping technology to business processes, access to cross functional skills, increase efficiency
Retail	Implement and customize product	Reduce costs, increased customer service, aggressive time-to-market schedule
Internet	Maintain new product	Access to cross functional skills



The Offshore Outsourcing Model

In an offshore model, application development, maintenance or support projects could be executed onsite, offsite (in the same country) or offshore (in another country). The offshore model consists of a mix of staff at these different locations and varies from project to project.

As an example, Magna Infotech has executed a project for a major manufacturing company wherein the system study, feasibility analysis were done onsite at the client facilities, the design was completed offsite at Magna facilities in USA, the development, testing was done at Magna's offshore development center in India and the implementation was carried out onsite at the client facilities. This was achieved by seamlessly integrating the resources of Magna Infotech staff at three locations in coordination with the client's technical team.

A significant number of companies – big and small, have started or are in the process of using this offshore model and India has emerged as a major destination for several reasons:

- Skilled IT resources are readily available
- The rates for offshore are substantially lower than those in North America and Europe
- High quality standards
- English as the accepted business language
- Time difference is an advantage

Today, offshore outsourcing has evolved from merely software outsourcing to IT enabled services and Business Process Outsourcing. These are typically going forward from development services to regular deployment of the IT solutions in day-to-day business and services that are getting more and more IT enabled.

Advantages Of Outsourcing

In today's fast paced and competitive business environment, outsourcing is a widely accepted, viable strategic management tool. It has been used in all industry and government segments globally as a strategic move to enable organizations to concentrate on running their business, not on running IS related functions.

Outsourcing allows organizations to focus on core competencies, leverage business critical infrastructure, convert fixed costs into variable costs, facilitate best-of-breed implementations and redirect resources for core competency development through reduced costs. Outsourcing also brings predictability and reliability to the management of Information Technology.

Outsourcing has become one of the most powerful management tools to meet several critical success needs in today's global economy. These include speed to market, a standardized global presence, overcoming skill shortages, and coping with trends like the rise of e-business, deregulation and privatization.

Magna Infotech Outsourcing Services

As a premier provider of IT solutions to clients worldwide since 1995, Magna Infotech has significant experience in handling outsourced projects from clients across several industry segments. Magna Infotech offers its clients a broad spectrum of services using its offshore development centers:

System Software

Providing clients with system software services such as new technology development, software product development, re-engineering, testing and release management.

Application Development

Supporting client organizations to develop new applications, features, extensions, improved versions or enhancement, interfaces and upgrades for their existing business applications. Magna Infotech gets involved from the conceptualization stage of the solution to the specification, design, architecture, implementation, testing and deployment.

Application Migration and Re-Engineering

Magna Infotech has substantial experience in re-engineering and migration services and has customized migration methodologies to suit specific client requirements – be it new emerging technologies or business imperatives.

Application Maintenance

Offering clients a variety of maintenance models, using a combination of onsite and offshore services. The Magna team blends seamlessly into the client's business process to provide quality software maintenance services with a capability to provide 24x7 maintenance from its offshore development center.

Application Renovation

Magna Infotech uses its well defined onsite/offshore methodology to carry out modifications to applications to ensure compliance with changeover requirements that could have an effect across all current development and operational systems. Existing applications could also be web enabled.

Dedicated Lab

This concept is offered to clients who require a dedicated development or research lab at competitive rates and low overheads, but who do not want to set up a separate division within their own company for this. The Dedicated Lab at Magna Infotech's offshore development center would be a virtual extension of the client's own facilities and would be dedicated solely for the development activities and related services of that client.

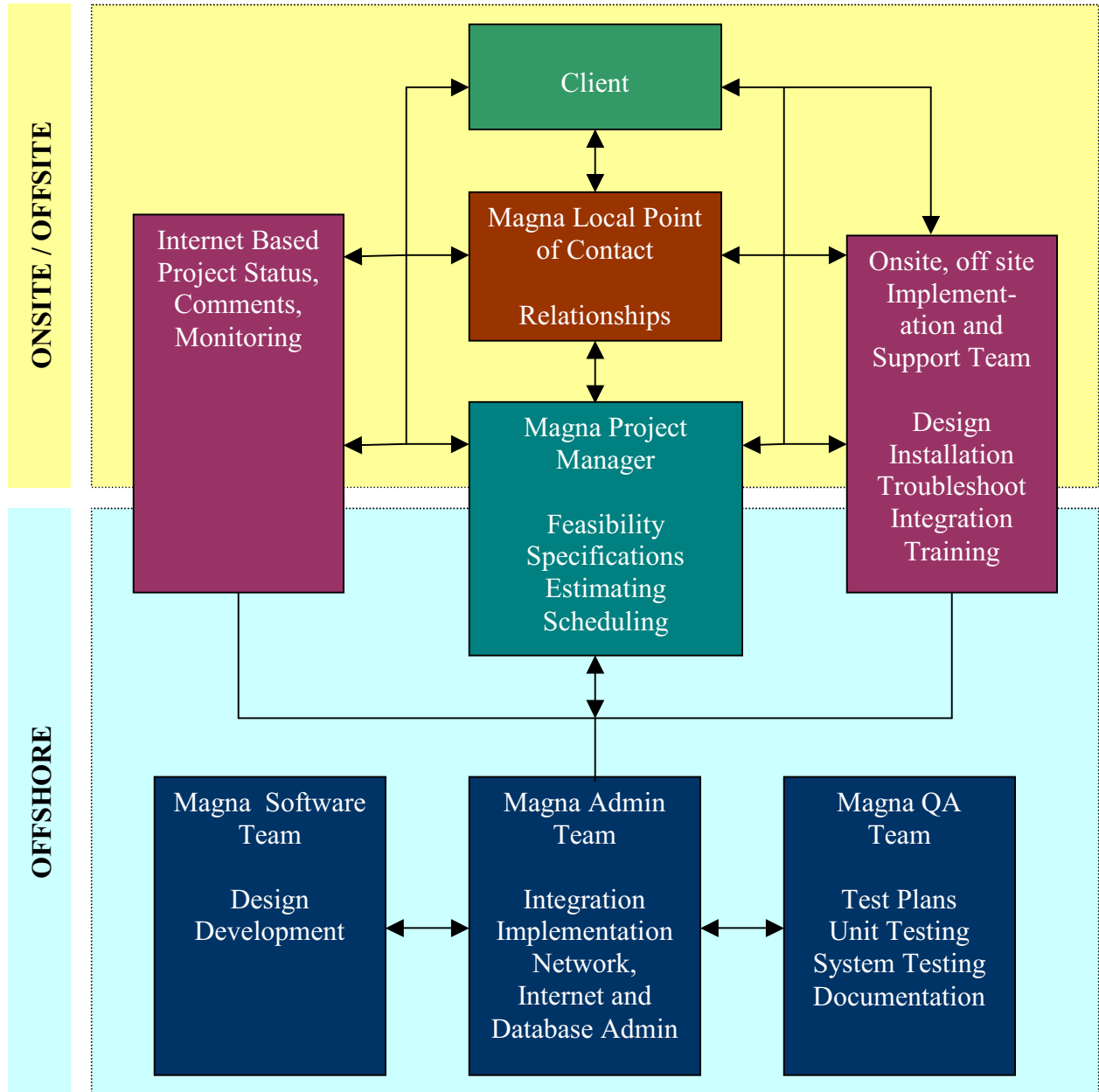
Magna Infotech Outsourcing Methodology

Typically, the outsourced development process consists of the following phases which could be scaled up or down depending on the size of the project.

- Feasibility Analysis and Project Agreement
- Planning
- Analysis
- Technical Design
- Set-up Offshore Environment
- Build
- Unit Testing
- Link and System Testing
- Offshore Acceptance
- Acceptance Testing
- Client Acceptance
- Ongoing Support

Magna has a well defined model for its outsourced project development process using a combination of onsite, offsite and offshore processes. This combination offers high quality, cost-effective service to clients who also benefit from the significantly lower costs of offshore services combined with local project management.

MAGNA INFOTECH'S OUTSOURCING MODEL



Magna – Your Outsourcing Partner

Magna has been providing IT services for several Fortune 50 companies since 1995 and has an excellent reputation for quality, timely delivery and cost-effectiveness.

- We have a detailed understanding of the business processes and the way IT supports them.
- Given our experience, Magna Infotech has the ability to ramp up and sustain its resources. We will dedicate a team solely to work on a given project of a client. We are also one of the few companies that have its own corporate training center capable of providing training in specific technologies.
- Magna Infotech's 30,000 sq. ft offshore development center in India consists of a completely networked work environment, economically designed work spaces with full support services, high speed data-communication links with redundancy for providing connectivity to clients world-wide, latest hardware and software resources including multiple operating environments and round-the-clock security. This center has been recognized as a 100% EOU by the Government of India.
- Magna has full-fledged offices in USA and Europe giving clients a local presence to communicate with freely and monitor the project. Project contracts are drawn up under the relevant local laws.
- Magna Infotech is an associate company of the \$1 billion Nagarjuna Group. We leverage the financial stability of the group and our own technical expertise to enable clients to get the best value for their IT budget.

CONCLUSION

With the information presented in the preceding sections, outsourcing would be a viable option for organizations, irrespective of their size. With the IT budgets shrinking, organizations are in need of cost-effective solutions. With global communications becoming more reliable, outsourcing has finally come of age and has matured. Organizations have reached a substantial level of awareness and comfort with regard to outsourcing models and the processes involved. They have realized that outsourcing not only saves them money, but also enables them to have access to cross functional skills and focus on their core competencies.

REFERENCES



Magna performed very well. Magna's offshore philosophy is somewhat different from most I have previewed. They maintained good project control with shared communications and avoided delay in response by staffing appropriately. Additionally, Magna carries various areas of expertise which they can pull from when needed.

Director, Information Technology



Magna Infotech has been providing software services to my organization. I would recommend Magna Infotech resource for telecommunications related services.

Technical Manager



Magna Infotech consultants have the right technical expertise, skills and they have delivered their best efforts to my projects. Magna Infotech believes in partnering itself in the whole process of the projects, which gives them an edge over the rest. This has been proven by the efforts, sincerity, dedication and hard work of their consultants in mission critical projects.

Senior eBusiness Executive



We have had a good partnership with Magna Infotech and are happy with the technical knowledge and professionalism demonstrated by Magna team members. We could not have completed the project without them.

Manager - Client Server Application Development



Magna resource has excellent project skills and requires very little supervision. All projects were delivered on time and were of the highest quality.

*Project Delivery Manager, Information Technology
International Comfort Products*