



**Toby Strauss**



## Surviving the credit crisis

As the fall-out from the US sub-prime crisis plays out, IT customers will want changes to the traditional services model

The jury is still out on the effect America's sub-prime mortgage crisis will have on the UK information technology industry. Gartner estimates growth in technology spending worldwide will be 5.5 per cent, down from about eight per cent in 2007, but the company also predicted a major growth in business process and IT outsourcing for 2008. Projects such as the 2012 Olympics and the extension of the London tube network will create significant opportunities for IT professionals.

But will this business go to home-grown IT services companies or to overseas outsourcers?

As IT resellers look to trim spending, many might bring their service offerings — often supported by external firms — back in-house. Others might demand a more flexible business model from their contractors to suit the unpredictable climate. The credit crisis might also serve as an excuse for companies to shed excess staff employed during boom times. The workforce might no longer be working consistently to capacity, so there might be staff

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reductions for IT departments.

This would present an opportunity for IT services companies as more resellers look to outsource their service offerings, such as customer installations, in a bid to cut costs.

Recent examples of heavyweight outsourcing contracts include BNP Paribas' £50m deal with Atos Origin, and Royal Dutch Shell's announcement it was to outsource its entire IT function to EDS.

The traditional outsourcing model, based on a long-term, fixed contract, is being redefined as flexibility becomes a high priority. Many larger companies want to

outsource on a case-by-case basis. This may include outsourcing or offshoring agreements for some aspects of the customer's IT.

Other areas of work are better suited by alternative options, such as “preferred supplier lists” of specialists, or the use of contractors to supplement customers' in-house teams. More innovative services firms are capitalising on their surplus resource by trading it out to corporations, including resellers, using a web-based platform.

It will be interesting to watch how the multinational IT services firms navigate their way through the fallout of the credit crisis and use these options to meet their own resourcing and outsourcing requirements. As they shift their approach to adopt a more flexible model, enabling them to stay highly efficient, we may well see them rise above the negative economic climate to claim new opportunities for profit and growth. ■

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