

Panel Discussion

## The Canadian Labour Market Squeeze

External Strategies for Managing your Skills & Resourcing Needs:

Global Sourcing

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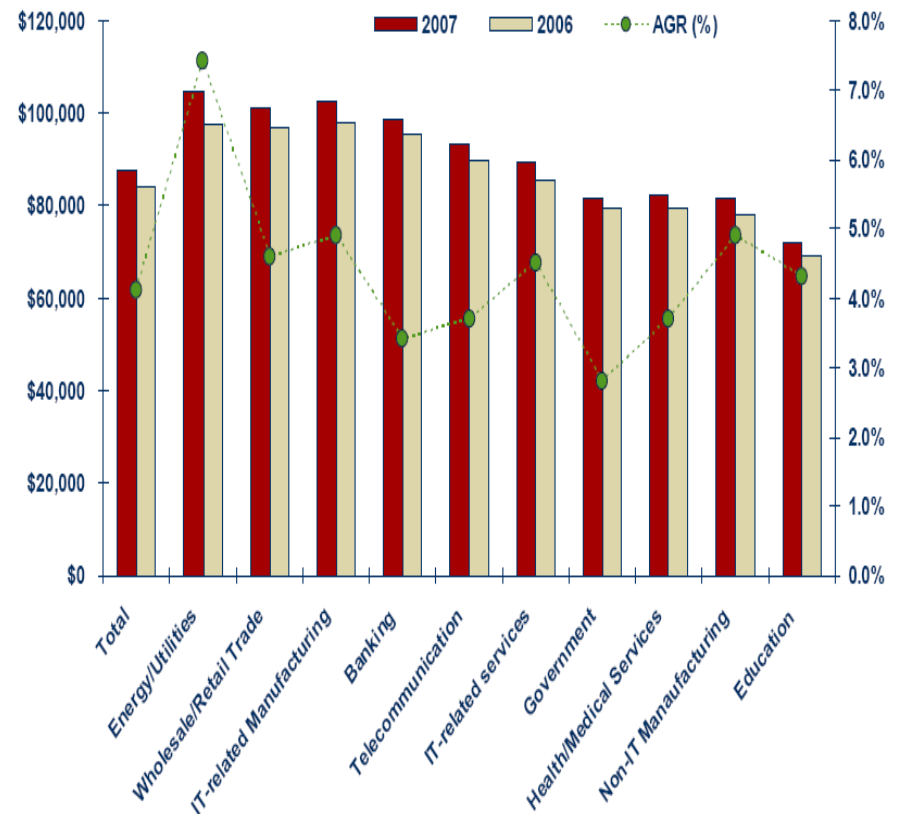
**POV #1: Canada's Supply side crisis – IT workforce is aging, growing & commanding increasing salaries. New Canadian graduates cannot fill the demand gap.**

- Most analysts predict that IT organizations in midsize and large companies in USA & Europe will shrink by 20-30% between 2000 – 2010 through staff moving to vendors, attrition or retirement.
- The retirement bubble will create significant delivery challenges. The US Bureau of Labour Statistics reports that:
  - More than 25% of the working population will reach retirement age by 2010, resulting in a potential shortage of nearly 10 million workers.
  - The number of people who are age 55 and older will increase by 73% by 2020, while the number of younger workers will grow by only 5%
- Statistics Canada census data showed the continued evolution of Canada's labour force:
  - **AGING:** In 2006, workers aged 55 and older accounted for 15.3% of the total labour force, up from 11.7% five years earlier
  - **GROWTH:** Over 35,000 IT jobs (systems analyst & consultant) were added to the Canadian workforce between 2001 and 2006
- There are 33 million university-educated young professionals in developing countries today (more than twice the number of those in advanced countries)

Compensation is growing at a rate faster than inflation, in an aging workforce.

Demand for IT skills continues to grow, while the Canadian education system is producing an insufficient quantity of technology graduates.

Canadian IT Salaries, 2007



Source: IT World Canada, 2007

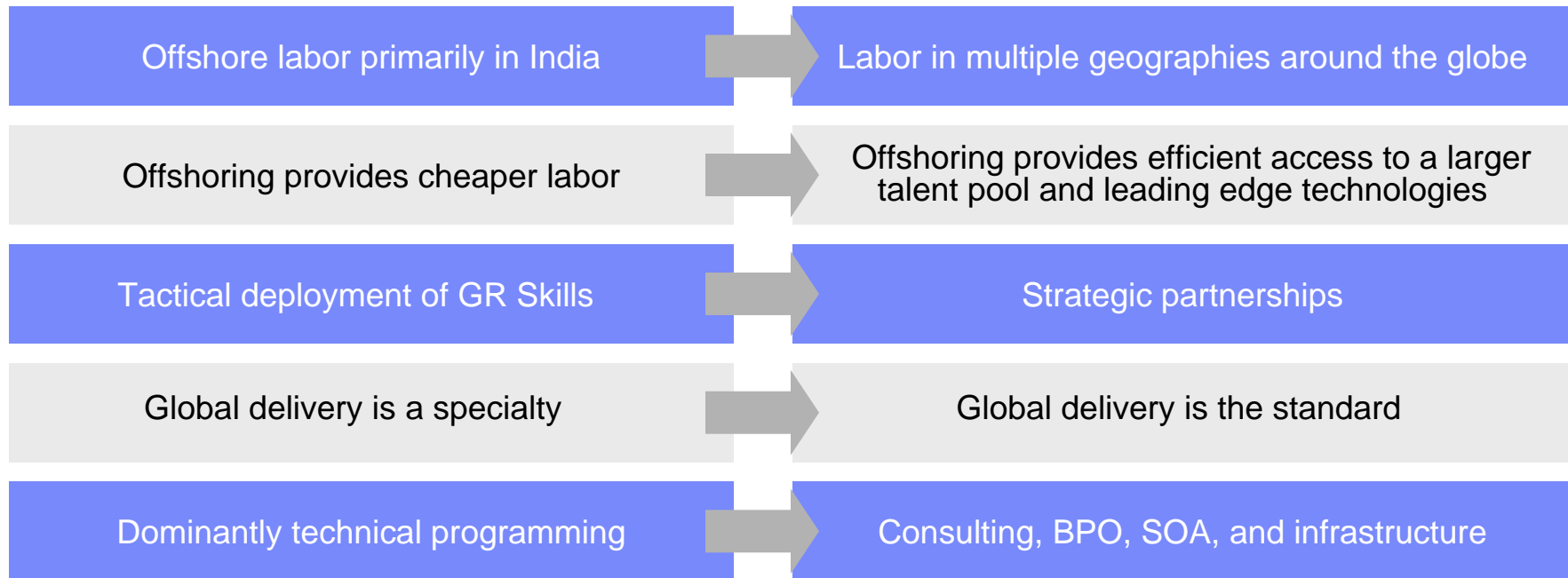
Source: The IT Professional Outlook: Where Will We Go From Here?, October 2004; IT Workforce Management: Prepare for a Future Unlike the Past, Gartner 2005; <http://www.perfectlaborstorm.com/facts.html>; Statistics Canada census of population, 2001 and 2006; IT World Canada 2007;

**POV #2: How is this being addressed: Alternate sources will fill the labour gap**

**Global sourcing is here to stay and is evolving:**

*Evolving From...*

*... Evolving To*



*Global delivery will continue to grow and evolve -- away from a simple cost play for lower value services*

Sources: Future of IT Services, Bernstein Research, May 22, 2006; Gartner on Outsourcing, Gartner, December 14 2005; Future of Outsourcing, Forrester Research, Oct 24, 2006

**POV #3: What's driving globalization – pressures from economic and environmental changes, the business world is transforming to global integration**

Key Drivers for Global Delivery – Analyst and IBM Perspective

Analyst Perspective

- Access to skills/talent
- Cost reduction; converting maintenance spend to new development spend
- Dealing with complexity
- Modernizing legacy systems; self-funded transformation
- Quality improvement; system level and development
- Time to market concerns driving full lifecycle outsourcing
- Agility
- Adoption of specialized packaged applications

IBM Experience relative to Canadian Organizations

- Access to Skills
  - Lack of skills, Retirement issues, Heavy contract reliance, Increase Capacity
- Free up key resources to work on strategic initiatives
- Address significant backlog issues
- Transform Applications
- Application Stability
  - Documentation
  - High visibility, problem areas “Refactoring”
- Increase support coverage / Time to Market
  - Onsite coverage for batch runs
  - Extended Test execution

Sources: Gartner January 2007

## Opportunity for Global Sourcing to Add Value

*Based on brand new research that IBM sponsored with FEI on Globalization*

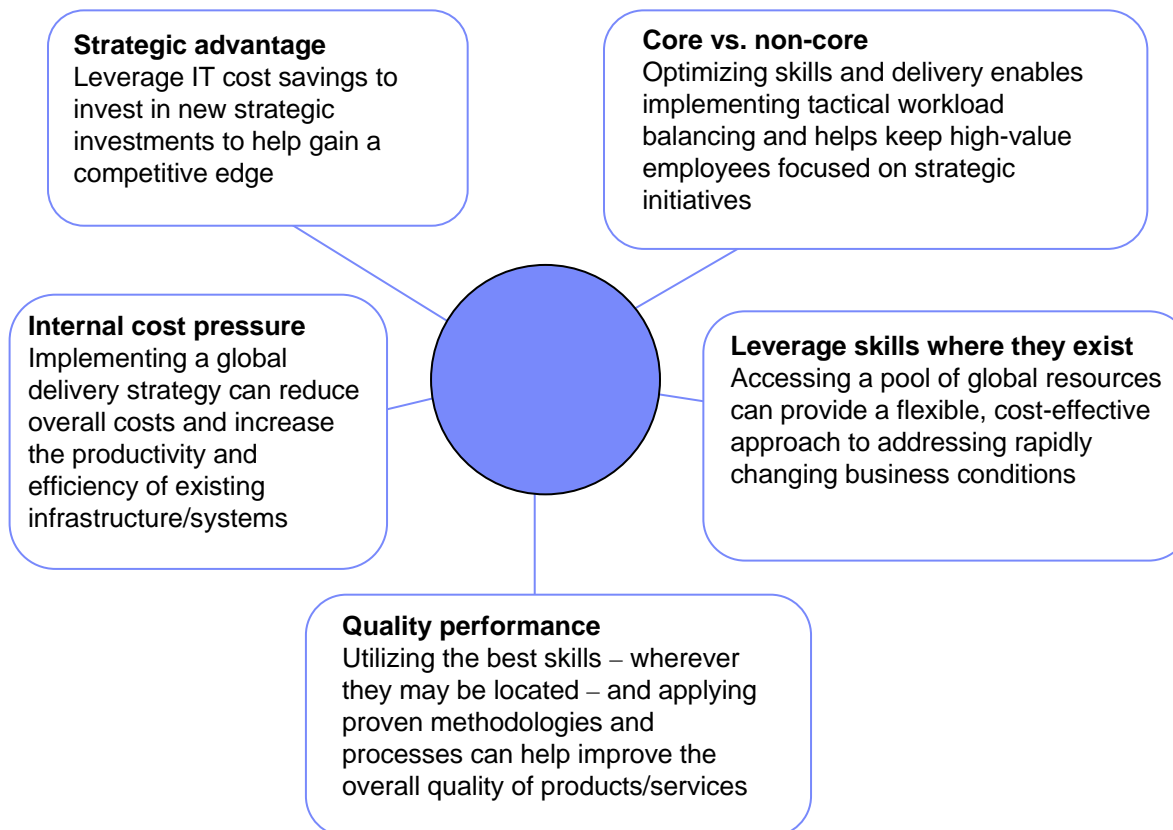
The following respondents indicated that the various global sourcing strategies represented an opportunity to add value to their organizations

- Improving infrastructure support: **51.4%** of respondents
- Creating shared services: **48.6%**
- Business Process Outsourcing: **42%**
- Overall global sourcing: **38.2%**

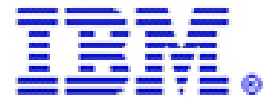
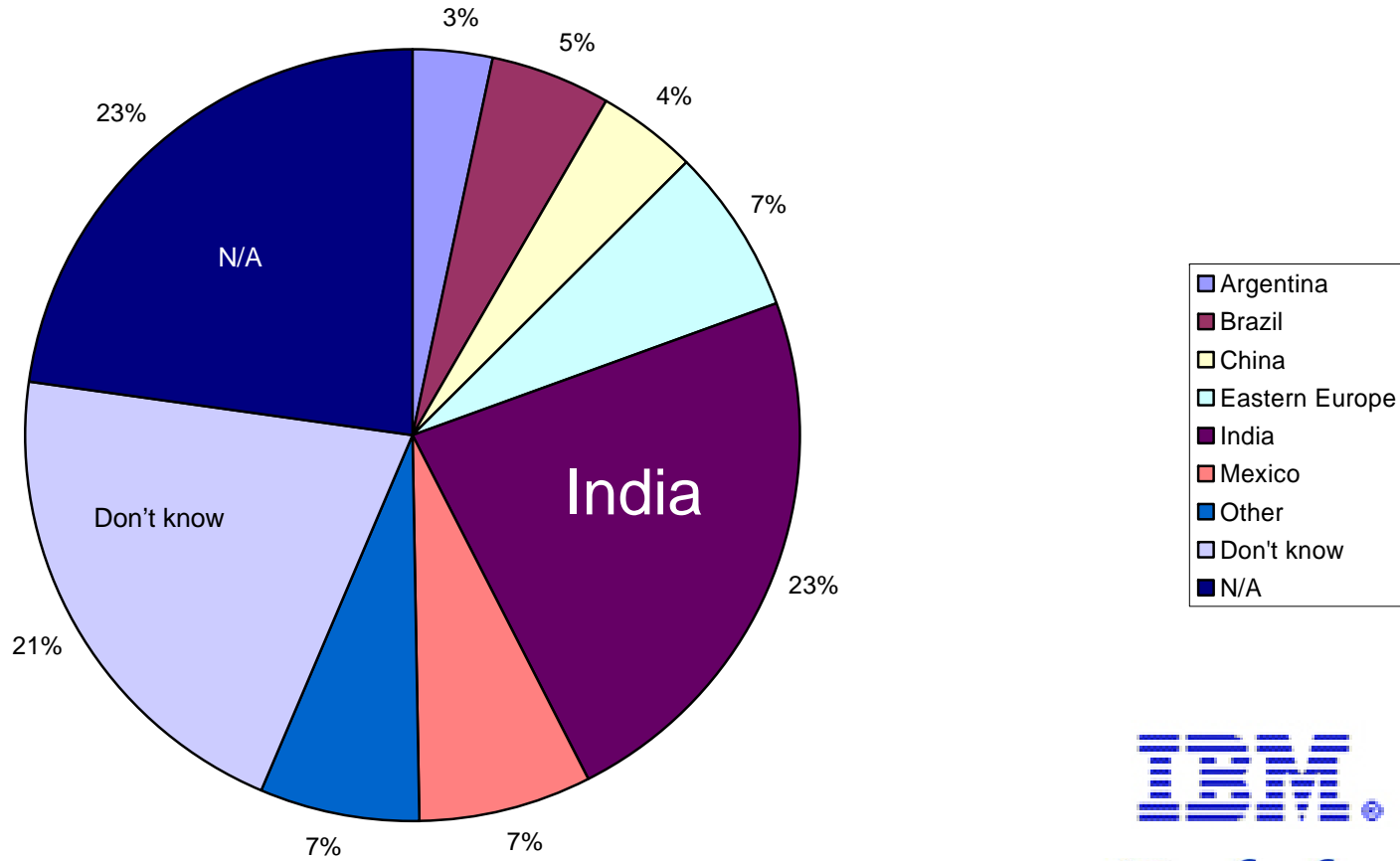


**POV #4: How do you use Global Sourcing and how do you benefit**

Leveraging global sourcing alternatives and a worldwide network of high-quality skills can help meet businesses' demands for growth and innovation

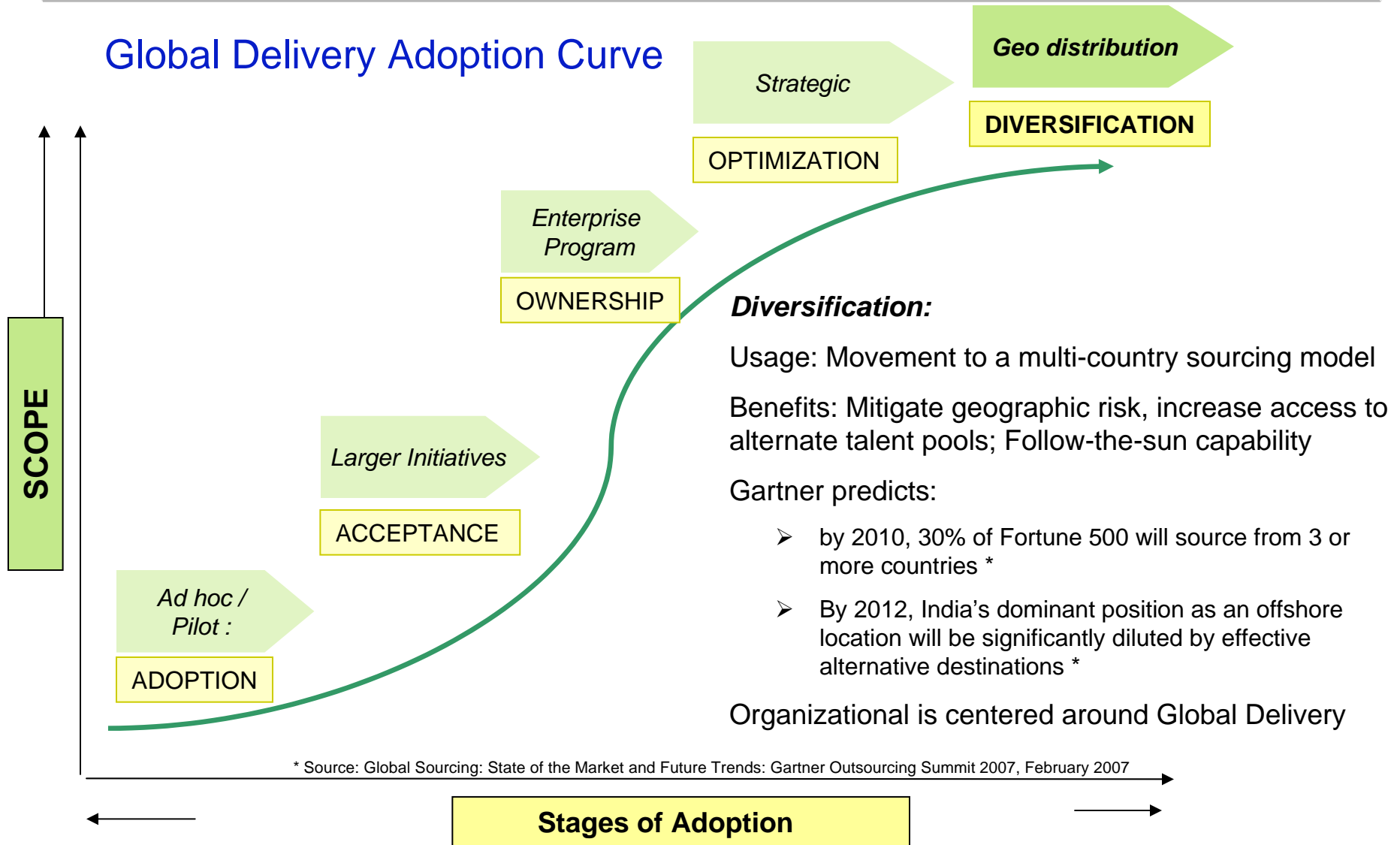


Offshore Location

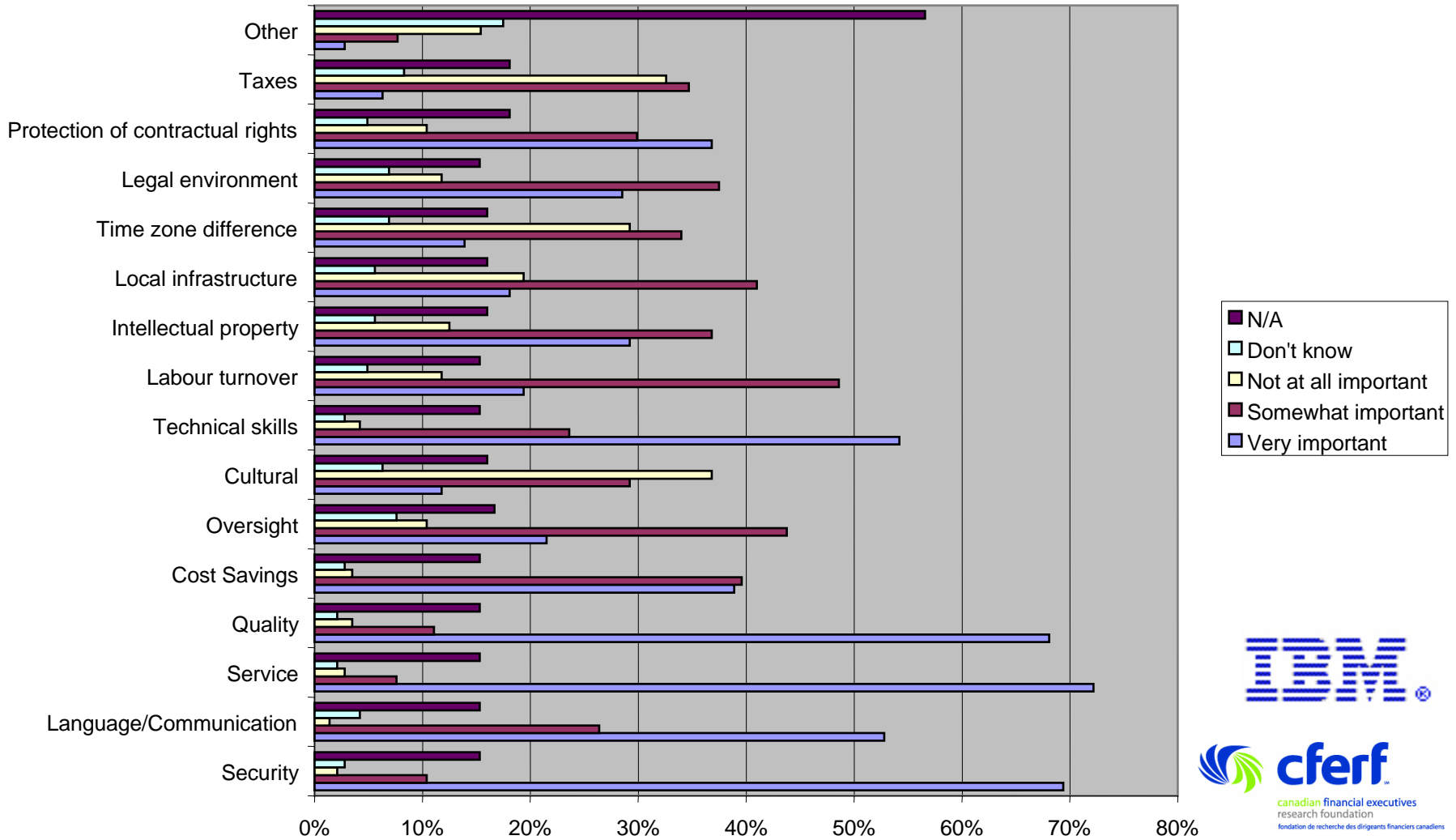


POV #5: An organization's ability to manage change is a critical to its ability to fully leverage Global Delivery

## Global Delivery Adoption Curve



### Criteria for Global Sourcing



## CFOs Involved in offshoring decision:

	<\$50 million	>\$50 million
Very involved	52.9% (9)	38.3% (18)
Somewhat involved	41.1% (7)	46.8%(22)
Not at all	5.8%(1)	14.8% (7)
Total number	17	47



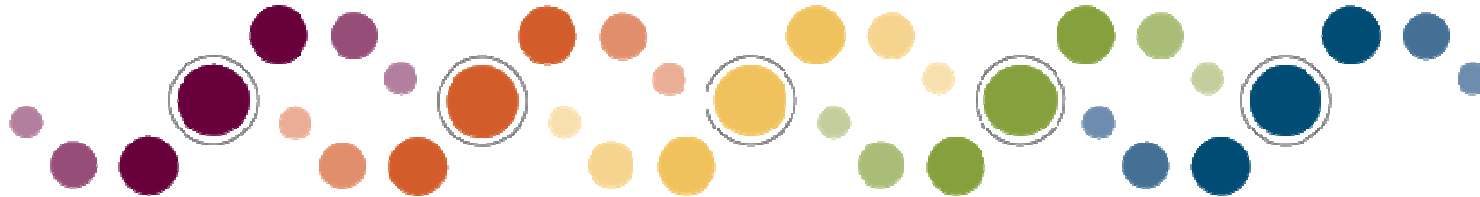
## Business Case Materialized:

	\$<50 million	\$>50 million
Yes	40% (6)	58.3% (28)
No	20%(3)	16.6% (8)
Don't know	40% (6)	29.1% (14)
Total number	15	48



**POV #6: In the future, to be competitive and grow, organizations must have a strategy on globalization to win the war on talent**

## The Enterprise of the Future is ...



**1  
Hungry  
for  
change**

**2  
Innovative  
beyond  
customer  
imagination**

**3  
Globally  
integrated**

**4  
Disruptive  
by nature**

**5  
Genuine,  
not just  
generous**

innovate: product or business model  
become a globally integrated enterprise  
ensure you're doing the best work, at the best place for the best cost