

Interview with CGI's Mike Roach

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Balanced Viewpoint Managing Director Peter Lindfield interviewed CGI President and CEO Mike Roach about the challenges facing organizations when engaged in or contemplating a global delivery model.

Balanced Viewpoint: Beyond cost cutting, what do customers hope to get from a multisourcing IT strategy?

Mike Roach: There are a number of pros and cons of multiple sourcing. I think the advantages of using two is that you have the opportunity to get the best of each partner and each supplier in terms of mind share and depth of expertise, leveraging their scale of expertise.

The second broad reason is to mitigate risk, to not necessarily put all your apples in one basket ensuring that you have some kind of back up. Some look at it as a way to keep everyone more on their toes by having multiple suppliers.

The challenge is, of course, that you have to have a very good governance and control model to make sure that it's seamless to your internal and ultimately your external clients. Someone has to ensure that the partners themselves are working horizontally across your enterprise for on-time reliable delivery of IT services and ultimately the business services that they supply.

With multishoring in a global delivery model, you get access to lower cost without giving up the value equation. A key advantage of our Atlantic Canada global delivery center is that we get higher quality people that are dedicated to the profession in terms of application maintenance or application development. We have a CMM certified shop and ISO certified processes, and we have a model that encourages our investment in best tools and processes. And for the client, they get diversity, they get delivery with a lower cost, a high-value location and they also have a channel in which to increase downstream flexibility in terms of moving more work to this channel if it is performing well. They have business continuity with not all their operations being done in a single location; so there are many advantages.

Another big advantage is actually around skills. Many clients are challenged that they can't get access to skills. There's been a fundamental shift in the industry over the years. Over 25 years ago IT people were embedded largely in companies whose core business wasn't IT... they were with telephone companies, the banks, insurance companies. But with the formation of services companies such as CGI, kids coming out of university want to join companies whose core business is their profession. As a result it gets tougher for clients to retain the leading edge skills in their internal IT shops, and in a many cases they rely on contractors or professional services firms for leading edge technologies. A global sourcing strategy allows them to get access to those skills through a partner without having to hire and retain them internally.

Balanced Viewpoint: Many customers developed a shoring strategy - both offshore and nearshore to manage commodity IT services, increasingly in a consortium or strategic alliance environment. What do you look for in an outsourcing partner?

Mike Roach: I think what people are looking for in an outsourcing partner is someone who has a track record of delivery; they have to be able to demonstrate that they can deliver on time, on budget.

Secondly, I think you need to look at the people side. Do they have a high turnover rate; do they have good continuity in terms of management and leadership; do they have a solid, quality management framework in which they operate. And I think to some degree they also must have an element of scale because one of the benefits of outsourcing is the ability to leverage the scale of the outsourcer with your back room so that you achieve the benefits of the bigger shop in terms of service, quality and cost without having to expand your own back room.

Balanced Viewpoint: What do you see as the key challenges of multisourcing that must be overcome to make it widely accepted as a business practice?

Mike Roach: I really start with the premise that to me outsourcing is a fundamental change in how governments and businesses will operate in a global economy. Essentially, to compete globally, companies need to change how they structure themselves. Companies have begun to look at themselves as dual operations with a front room that's focused on the areas where they have to be the best in the world in terms of their competitive advantage, and they have a back room that supports the front room.

The back room of a company or government is the front room of the outsourcer. Where the client spends maybe 30% of their investment and time in the back room the outsourcer spends 100% of their time invested in the back room. Outsourcing enables companies and governments to respond to market conditions. It addresses the issue of skills shortages; and it addresses the challenges of access to the best technology and the best thought leadership without having to invest in the development of such levers as global delivery and nearshore.

To me, it's not a fad. It is a permanent change in how the industry and government will continue to evolve over time. The adoption rate will accelerate as global competition intensifies and as more companies see that their competitors have successfully adopted an outsourcing model that has given them competitive advantage.

As companies and governments continue to struggle with the demographics of the workforce, they are increasingly going to look at outsourcing as a way and means to address that problem. Outsourcing provides them with access to an abundance of highly qualified labour without having to focus on retaining or recruiting those skills within their business. This will drive a permanent change and make outsourcing the business model of the future.

Balanced Viewpoint: Thank you for your valuable insights.

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About CGI

Founded in 1976, CGI Group Inc. is one of the largest independent information technology and business process services firms in the world. CGI and its affiliated companies employ more than 20,000 professionals. CGI provides end-to-end IT and business process services to clients worldwide from offices in Canada, the United States, Europe, Asia Pacific as well as from centers of excellence in North America, Europe and India. CGI shares are listed on the TSX (GIB.A) and the NYSE (GIB) and are included in the S&P/TSX Composite Index as well as the S&P/TSX Capped Information Technology and MidCap Indices. Website: www.cgi.com.

About Balanced Viewpoint

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