Beyond Bangalore

These IT outsourcing locations deserve a fresh look **BY STEPHANIE OVERBY**

When you think of offshore IT outsourcing, you think of India. But "having all of your IT work done in one location is akin to having your entire retirement portfolio in a single stock—it's an unnecessary risk," says Esteban Herrera, partner with outsourcing consultancy Information Services Group.

Smart IT leaders seek to complement their India-based operations for risk-management and business-continuity purposes, but they also may be looking for specific language fluency, proximity, lower attrition or less wage inflation. Certain skills, such as automation testing, come at a premium in a hot market like India, says H. Karthik, vice president at outsourcing consultancy Everest Group. And many emerging countries are getting aggressive with perks like new software parks and welcoming tax or regulatory environments to win new IT outsourcing business, says Herrera.

Here are six IT and business-process outsourcing (BPO) destinations that may be worth a look.

COLOMBIA: Several Indian IT services companies have set up shop here. "Colombia is positively hot right now," says Herrera. "It also is large enough to have multiple cities that offer credible, educated workforces." Neutrally accented Spanish makes Colombia attractive for enterprises looking for regional customer support or IT help desks.

"Like other Latin American countries, [Colombia] offers same-time-zone coverage for increasingly important IT considerations like agile development and Web support," says Alan Hanson, senior vice president with outsourcing consultancy NeoGroup. Costs may be 20 percent higher than in India, but that may be offset by management savings due to proximity, Hanson adds.

Pros: Large labor pool, low operational costs

Cons: Low IT services maturity, limited English skills

PERU: Latin America's up-and-comer is garnering attention for its rapidly growing economy. "Companies that want early-mover advantage might be able to capture a loyal, long-term workforce if they set up shop right now," says Herrera.

Pros: Low operational costs

Cons: Nascent market, lower-quality education system, limited English skills

VIETNAM: Some IT leaders may be surprised to find that when you take into account wage inflation, real-estate costs, taxes and salaries, Vietnam ranks high among outsourcing destinations, says Hanson.

Pros: Low cost of operations, strong government support

Cons: Rampant software piracy, weak intellectual property laws, limited English skills

BULGARIA: Bulgaria is one of the least expensive destinations in this region. "A combination of excellent educational institutions (if still somewhat influenced by the Soviet, rote style of learning), a passion for higher education among its citizens, and relatively good availability of European language skills has fueled a lot of growth here," says Herrera.

Pros: Availability and quality of IT skills, proximity to Western Europe, BPO maturity

Cons: Low IT services maturity

TURKEY: Turkey is volatile, but viable, says Herrera. "We still have relatively few clients going here, but would not instinctively advise against it."

Pros: Large labor pool, European language support

Cons: Security and geopolitical risks, nascent IT market

SOUTH AFRICA: Like Bulgaria, South Africa has so far made its mark in BPO. But its bang for the buck is driving interest in sending IT-related work here as well. The country also boasts sophisticated finance- and accounting-specific skills, says Karthik.

Pros: Large English-speaking labor pool, European time zone compatibility, developed infrastructure

Cons: Higher operating costs than most offshore locations, lower IT services maturity

Smart IT leaders try to **complement** their India-based operations for risk-management and business-continuity purposes, or to avoid the worst of wage inflation.

Stephanie Overby is a regular contributor to CIO.com's IT Outsourcing section.