

Entrepreneur



ON THE COVER

Hot Stuff

Want to know what's hot for 2004? We've got the businesses, markets and trends you shouldn't miss out on.

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Hot Biz: Outsourcing

Technology continues to make outsourcing an attractive solution for cost-conscious companies. The finance and accounting outsourcing market alone is expected to generate \$37.7 billion worldwide by 2004, according to research firm Gartner Inc. Some estimates price the global outsourcing market at \$300 billion annually.

"This is the globalization of the IT industry," says Stephen Lane, research vice president of IT services at market analysis firm Aberdeen Group in Boston. "Outsourcing is really hot right now."

So hot that the U.S. government is opening 850,000 jobs to outsourcing and says \$85 billion in federal IT contracts will be awarded over the next three years. International outsourcing, meanwhile, is controversial—and growing: 3.3 million U.S. jobs (\$136 billion in wages) will move offshore by 2015, according to technology research firm Forrester Research Inc.

So what are the hot areas for 2004? Outsourcing of business processes such as HR and accounting will remain popular, as will network security. There's also room for small firms that can help companies figure out what to outsource and how to manage their off-shore projects.

"We've consistently grown and made money every year," says Gurvendra Suri, 40, founder and CEO of Optimal Solutions Integration Inc., an 8-year-old enterprise technology consulting firm in Irving, Texas, with 130 employees. The company is going global: It already employs 30 people in Bangalore, India. Sales in 2002 were \$22.2 million, and Suri estimates 25 percent sales growth in 2003. With a growing number of global projects starting to pay off, Suri says, "We should have 50 percent or more [growth] in 2004."

Outsourcing firms are shifting to contracts with fewer fixed costs for customers seeking greater flexibility. "You pay for what you use," Lane says. "That's one of the value propositions [outsourcers] are putting in front of their customers." — C.P.