



Everest: IT Outsourcing Suppliers' Consulting Strategies Yielding Minimal Returns

Suppliers Seek to Resolve Synergy Disconnect Between Consulting and Outsourcing Models

Press release

DALLAS, January 12, 2009 – Although IT consulting services often lead client companies toward outsourcing, there is little evidence that outsourcing suppliers with consulting practices perform better than suppliers without consulting units, according to Everest, a global [consulting](#) and [research](#) firm.

The Everest study, [*IT Consulting as a Catalyst of ITO – The Pursuit of a Vague Synergy*](#), defines the IT consulting market in terms of size, segments and models; analyzes the linkage between drivers of IT consulting and IT outsourcing; and provides recommendations for buyers and suppliers to develop successful business strategies. Everest estimates the total IT consulting market is US\$116 billion with package implementations driving nearly 40 percent of engagements.

Consulting engagements position enterprises for transformation, which may lead to higher readiness for outsourcing, and IT outsourcing suppliers are pursuing this linkage between consulting and outsourcing by establishing consulting practices or acquiring consulting companies, according to the study. While some U.S. multinational suppliers are implementing this strategy, Indian outsourcing suppliers have been particularly active over the past five years in acquiring consulting practices and are projected to continue building or enhancing consulting capabilities.

“The most common notions in supplier strategies are that business consulting increases the chances of winning outsourcing deals and IT consulting leads to downstream outsourcing work,” said [Ross Tisnovsky](#), Vice President, Research. “However, few suppliers are successful in grabbing the purported benefits because buyers often choose to retain flexibility by selecting a different supplier for downstream outsourcing work. Historical market observations show many suppliers’ previous efforts in benefiting from an investment in consulting were not highly successful.”

Evidence of the consulting-outsourcing disconnect is that suppliers with consulting practices haven’t grown outsourcing revenues beyond competitor suppliers that don’t invest in consulting services, according to the study.

“Suppliers rarely find it easy to create outsourcing opportunities through consulting, and this is primarily due to lack of trust and conflict of interest between the buyer and supplier,” said Tisnovsky. “However, buyers and suppliers can benefit from the synergies of the consulting and outsourcing models if they enter into relationships with a set of rules – buyers need to adopt separate relationship strategies for consulting and outsourcing engagements, and suppliers need to carefully separate the two services within the organization and maintain a high level of integrity on client projects.”

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To read an extract of the [*IT Consulting as a Catalyst of ITO – The Pursuit of a Vague Synergy*](#) study, purchase the report, or inquire about other research services, please visit www.everestresearchinstitute.com, email info@everestresearchinstitute.com, or call +1-214-451-3110.

The following documents provide additional insights on this topic or complementary content that may be of interest:

- [Reading the Alphabet Soup: SI, PI, ERP, Etc. – The Changing Drivers of IT Consulting](#)
- [ITO Request for Information 2009 – A Market Insights Report](#)

About Everest

Everest Group is a global consulting and research firm that comprehensively serves the outsourcing and offshoring market. An industry leader since creating the sourcing consultancy practice in 1991, Everest has earned a worldwide reputation for ongoing innovation by helping clients capture optimum value through sourcing strategies and implementation. Everest provides information, insight, and advice to help buyers, suppliers, and enablers of services effectively navigate all stages of the sourcing lifecycle. Committed to thought leadership, Everest is noted for its fact-based analyses and insights on the outsourcing and offshoring marketplace. For more information, please visit www.everestgrp.com and www.everestresearchinstitute.com.