

ValueNotesTM
Sourcing Prism

Methodology

December 2009

Table of Contents

1 Preamble.....	4
2 The ValueNotes Sourcing Prism.....	5
2.1 About the parameters.....	5
2.1.1 Services Maturity.....	5
2.1.2 Sustainability.....	5
2.1.3 Strategic Intent.....	6
2.2 How the ValueNotes Sourcing Prism works.....	6
2.2.1 ValueNotes Sourcing Prism.....	6
2.2.2 2S Segments.....	8
2.3 Individual Sourcing Prisms.....	9
2.4 FAQs.....	9
3 About ValueNotes.....	11
3.1 Research Publications.....	11
3.2 Recent Custom Projects.....	12

Table of Exhibits

Exhibit 1: Sourcing Prism.....	6
Exhibit 2: Classification.....	7
Exhibit 3: 2S Segment.....	8
Exhibit 4: Assigning prism rating.....	9

Preamble

The ValueNotes Outsourcing Practice has been tracking the global outsourcing industry in knowledge services and certain sectors including legal services, publishing, e-Learning, market research since 2005. We provide fresh actionable insights into these identified segments by deploying a rigorous analytical framework and a comprehensive on-the-ground approach.

Through the years, we have observed the outsourcing industry attain maturity and surmount several challenges. Outsourcing has now gained greater acceptance and has moved beyond a means of just cutting costs. Increasing service provider maturity over the years has helped diminish the reluctance to outsource business critical processes. However, this has added to the complexity of sourcing related decision making for the buyer community. The service provider landscape has become as diverse as ever – with differentiation becoming the norm rather than the exception. Differences in offering, depth, maturity, scale, and strategy pose a challenge while trying to seek an understanding of the vendor landscape. For buyers of these services, this impedes the decision making process especially as it pertains to vendor selection or benchmarking.

With a bid to gain an insight into the service provider landscape, we have devised a formal means of vendor evaluation. Our model, the ValueNotes Sourcing Prism, is built on the three prism points:

- Services maturity
- Sustainability
- Strategic intent

This model will aid in sourcing strategy and investment decision making. During development, we ensured that the model could be easily understood, interpreted and used by readers.

The following sections describe the scope and the model development methodology and is aimed as a guide to facilitate effective usage.

The ValueNotes Sourcing Prism

The ValueNotes Sourcing Prism is a proprietary research tool developed by ValueNotes. The Sourcing Prism aims to provide an analysis of the participants and their maturity within a specific segment. The model allows for comparison amongst companies of different offerings, segmental presence, scale of operations, etc. The model evaluates each company on three parameters – services maturity, sustainability and strategic intent. Together, the three parameters help determine the “Best positioned service provider” in the segment under study.

All the three parameters are equally important as a means of comparison, and the best company in an industry would ideally have a balanced mix. To maintain the granular-level value of each parameter, they must be stressed upon in isolation. It is for this reason that we have not summated the scores and arrived at absolute ranking for each company.

2.1 About the parameters

2.1.1 Services Maturity

'Services Maturity' refers to the service expertise that a company has built in its chosen industry. For instance, a company may offer services in a few niche areas, while another might offer a wide range of services. The formers' strategy could be to position itself as a specialist, while the latter may want to be an end-to-end service provider. Services maturity is further indicated by the following sub-parameters:

- **Depth of service line:** Assesses the depth of knowledge and experience for a range of services across the value chain.
- **Experience:** Is indicative of the position of the company on the learning curve, with respect to its services.
- **Position on the value chain:** Demonstrates the focus of a company's services strategy, towards low and high end services.
- **Technology:** Company's demonstrated adoption of technology to improve its competitive positioning.

2.1.2 Sustainability

Sustainability is critical to understand the ability to sustain growth, enabling long term client relationships. Sustainability is further indicated by the following sub-parameters:

- **Financial strength:** Determines a company's ability to invest in growth, expand capacity, overcome financial shocks and remain profitable. It is also indicative of the ability of the company to expand its scale of operations, or invest in developing new service lines or cater to new segments.

- **Brand:** Reflects the perceptions of the buyer community.
- **Scale:** Is calculated on the basis of size of the company, relative to the industry average.
- **Risk:** Is inherent in every business and sustainability hinges on how companies deal with risks. Risks depend on internal and external factors such as ownership, client concentration, diversity of client base, segment focus (concentrated or otherwise) and debt levels.

2.1.3 Strategic Intent

A company with mature service offerings and sustainable operations might still lack direction that impedes its growth. 'Strategic Intent' measures the strategic decision-making element in a company, both in theory as well as execution.

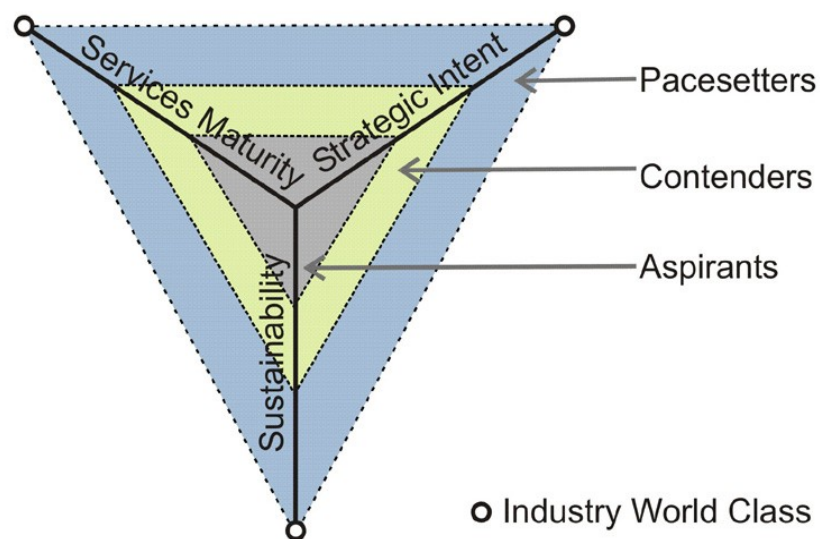
- **Clarity of vision, mission and objectives**
- **Clarity in terms of tactical steps** to achieve strategy. This could be how they go to market, choice of segment or services focus.
- **Demonstrated execution capabilities** as seen from proactive steps a company takes to reach its vision, mission and objectives.

2.2 How the ValueNotes Sourcing Prism works

2.2.1 ValueNotes Sourcing Prism

The ValueNotes' Sourcing Prism is primarily made of a 'Y' - three equal axes (on a scale of 5) representing Services Maturity, Sustainability and Strategic Intent. The Prism is illustrated below:

Exhibit 1: Sourcing Prism



Source: ValueNotes Research

Individual plotting on each axis, when connected, represents an area that illustrates deviations from industry benchmarks. Companies are given a score on five on all three parameters, and individual prisms are created for each company under the study. The ValueNotes Sourcing Prism compares each company's score with two benchmarks:

Industry Average – Average rating across the industry for each parameter.

Industry World Class – The highest rating possible in the industry, represented by the outermost corners of the Sourcing Prism.

Note: The rating standards are likely to be redefined each year as the industry matures. As a consequence, the Industry Average and Industry World Class benchmarks will differ every year, reflecting growing maturity (and evolving customer needs) .

Using different qualifiers for each criterion (listed in the exhibit below), the model further rates companies along each of the parameters. As per the scores in each of the three categories: companies are classified into three groups:

- **Pacesetters**
- **Contenders**
- **Aspirants**

Exhibit 2: Classification

Classification	Services Maturity	Sustainability	Strategic Intent
Aspirants	<ul style="list-style-type: none"> • Largely focused on lower end of value chain • Insufficient depth in chosen areas of focus • Relative lack of industry experience 	<ul style="list-style-type: none"> • Limited ability to fund future growth • Face significant risk on at least one (or more) of risk factors • Low to moderate brand strength 	<ul style="list-style-type: none"> • Highly opportunistic service strategy. Most yet to develop a clear strategic plan.
Contenders	<ul style="list-style-type: none"> • Possess capabilities to offer high value services • High service depth • Significant industry experience 	<ul style="list-style-type: none"> • Ability to fund future growth, including inorganic • Have mitigated most risks but are a bit more vulnerable than pacesetters • Moderate to high brand strength 	<ul style="list-style-type: none"> • Have clear strategic plan for future growth • Demonstrated adherence to execution of vision
Pacesetters	<ul style="list-style-type: none"> • Possess capabilities across value chain • Depth in multiple segments • Significant industry experience 	<ul style="list-style-type: none"> • Strongly funded to aggressively go after inorganic opportunities • Lowest risk profile with respect to geographical, people, financial, clients and other risks • High brand strength 	<ul style="list-style-type: none"> • Have a clear strategic plan for future growth • Unified execution across geographies

Source: ValueNotes Research

Note: This exhibit is indicative of the reasons behind rating companies as Aspirants/Contenders/Pacesetters. Thus, a company rated as an aspirant/contender/pacesetter may exhibit some (but not necessarily all) the features listed here.

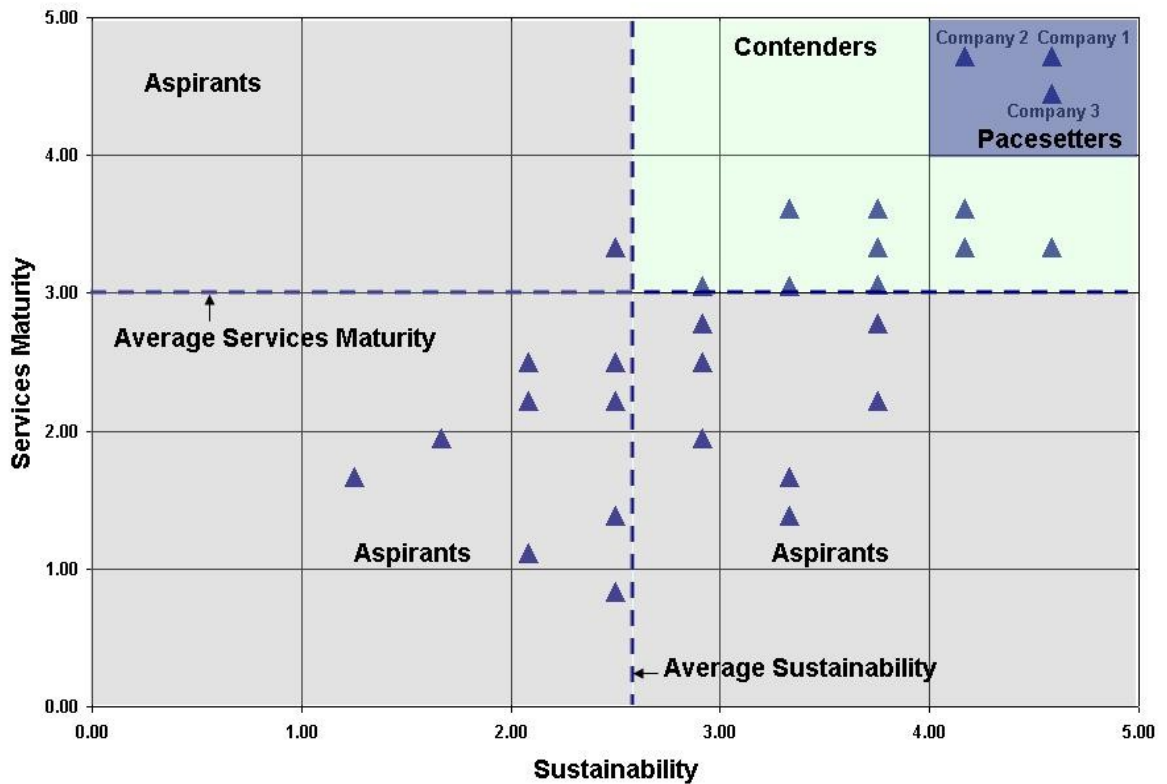
2.2.2 2S Segments

Demonstrating the relative rating on three parameters, across the industry, requires the use of the 2S Segments. The 2S Segments plot all companies on the following:

- Services Maturity vs. Sustainability
- Sustainability vs. Strategic Intent
- Services Maturity vs. Strategic Intent

Each of the 2S exhibits illustrate the spread of companies in the industry across the parameters. The exhibit below presents an example of Services Maturity and Sustainability.

Exhibit 3: 2S Segment



Source: ValueNotes Research

Industry averages of the two parameters have been marked across the graph (blue dotted lines), representing the level of maturity in services and sustainability for the industry. The colored sections allow us to distinguish between the groups, to be read as follows:

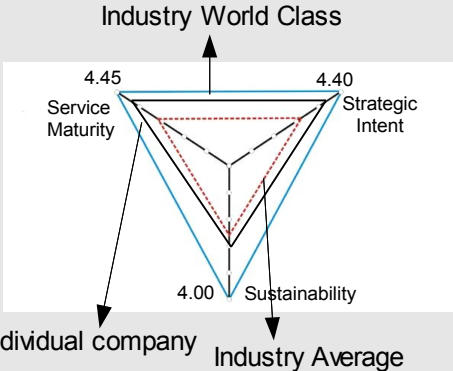
Exhibit 4: Assigning prism rating

Co lour Code	Score	Classification	Description
Blue	Highest scores along both parameters - top 20% of industry scoring	Pacesetters	These firms are defining the highest standards in the industry, for the respective parameters, reaching the outermost points of the 'Y' in the model.
Green	Above average on both parameters	Contenders	These companies have a healthy combination of the parameters under study, and are challengers for the 'Pacesetters'.
Grey	Less than average on one parameter, and above average on one parameter or less than industry average on both parameters	Aspirants	Companies in this group have the potential, but are currently under restraints.

Source: ValueNotes Research

Accordingly, the company (Company 1) circled in Exhibit 2, placed in the blue Segment, is one of the 'Pacesetters'. The circled company has scored the maximum on both Services Maturity and Sustainability.

2.3 Individual Sourcing Prisms

Company	Sourcing Prism			
<p>XYZ Co. Founded in XXXX and head quartered in XXXXX (XXX), XYZ Co. offers large scale e-discovery management and implementation other services like legal staffing and legal process outsourcing services.</p> <p>URL: www.xyzco.com</p> <table border="1" data-bbox="304 819 596 864"> <tr> <td>2S_1</td> <td>2S_2</td> <td>2S_3</td> </tr> </table> <p>Benchmarks</p> <p>2S_1 = Services Maturity vs. Sustainability segment 2S_2= Services Maturity vs. Strategic Intent segment 2S_3= Sustainability vs. Strategic Intent segment Benchmarks = Pacesetters/Contenders/Aspirants, based on a summation of the segmental rating above.</p>	2S_1	2S_2	2S_3	 <p>The diagram is a triangular prism with three vertices: Service Maturity (4.45), Strategic Intent (4.40), and Sustainability (4.00). A dashed red line represents the 'Industry Average' with a score of 4.00 at the Sustainability vertex. A solid blue line represents the 'Individual company' performance. An arrow points from the top vertex towards 'Industry World Class'.</p>
2S_1	2S_2	2S_3		

2.4 FAQs

How did you gather the information required to populate the ValueNotes Sourcing Prism?

The data collection methodology included a combination of secondary research (including internal database/existing research, review of documents, company websites, articles, news, publications – online and offline), and primary research (including industry interactions, interviews and discussions with the stakeholders in the company, vendor briefings, field visits) and inputs from ValueNotes analysts.

Analysts then evaluated and rated each vendor using the weighted criteria. The resulting scores are used to plot each company across the three parameters.

Please note that the quality of information depended on the cooperation of respondents. Where vendors did not disclose information, secondary data, internal analysis and other suitable criteria were used.

How many sectors is the ValueNotes Sourcing Prism going to focus on?

Currently, the legal services outsourcing edition has been released. This will be followed by the publishing, e-learning, research and analytics and engineering design outsourcing segments.

How frequently is the ValueNotes Sourcing Prism updated (annually/half-yearly/quarterly)?

The ValueNotes Sourcing Prism is currently scheduled for updates on an annual basis. Through the

updates, it will be possible to glean overall industry trends along the three parameters and also understand changes in ratings for individual companies.

Has my company been rated as an Aspirant/Contender/Pacesetter?

A summation of the groupings in the three 2S Segments will determine the overall rating of each company as an Aspirant/Contender/Pacesetter. The overall company ratings are presented in the section 'Individual Sourcing Prisms'.

Why hasn't my company been included in the ValueNotes Sourcing Prism?

It is possible that we have inadvertently missed a few companies. In most cases, this will be due to incomplete information, as few companies refused to provide complete information to our analysts during the study.

What can I do to include my company in the next issue of the ValueNotes Sourcing Prism?

Please contact us at bporesearch@valuenotes.biz to submit information about your company so that we may consider you for the next issue. Alternatively, you may contact our analysts for a more detailed discussion.

Can I use the ValueNotes Sourcing Prism as a tool for selecting vendors?

The ValueNotes Sourcing Prism evaluates companies across Services Maturity, Sustainability and Strategic Intent. While these parameters are a suitable means for comparing service providers during the vendor selection process, clients will ultimately be required to align their specific requirements with providers, rather than solely focusing on the 'Pacesetters' category companies.

Disclaimer - Findings are based on secondary research combined with detailed discussions with vendors. Quality of information depended on the cooperation of respondents from the management of the companies. Where vendors did not disclose information, secondary data, internal analysis and other suitable criteria were used.

About ValueNotes

ValueNotes Database is a leading provider of business intelligence and research, with expertise across selected domains and types of customer needs. Working with clients across the globe we have significant understanding of international markets.

The ValueNotes Outsourcing Practice is one of the largest information providers on the outsourcing

industry. The Practice uses a comprehensive, analytical framework providing fresh insights into the fast emerging and yet, complex outsourcing space. We extensively track the outsourcing space in-depth through a regular analysis of news and events and continuous primary research and contact with the industry.

3.1 Research Publications

Our publications combine our extensive research experience and knowledge of the outsourcing space to bring you unparalleled insights and analysis. We continuously track all news and events in the outsourcing industry, and supplement this with extensive primary research from vendors, customers, consultants and other experts in the outsourcing space. Over time, we aim to provide a wide range of publications with differing levels of depth for the needs of different audiences. A list of our recent publications is as follows:

- Market Research Outsourcing – The India Growth Story [Jan 2008, 98 pages, US\$625]
- Bioinformatics Outsourcing for Life Sciences – India Opportunity [Dec 2007, 90 pages, US\$675]
- Offshoring Legal Services to India – An Update [July 2007, 96 pages, \$625]
- Offshoring in the Publishing vertical – An Update [May 2007, 72 pages, \$625]
- Pharmaceutical Outsourcing in Drug Discovery & Development: Contract Research Opportunity in India [April 2007, 129 pages, US\$1200]
- US Healthcare Revenue Cycle Management: Offshoring of Medical Coding and Billing Services [February 2007, 50 pages, US\$395]
- Offshoring Tax Returns Preparation to India [November 2006, 115 pages, US\$495]
- Insurance Outsourcing: India Gains Momentum As Offshoring Intensifies: Trends, Insights and Key Vendor Profiles [October 2006, 85 pages, US\$395]
- Banking and Financial Services Offshoring: From Transaction Processing to Analytics [July 2006, 90 pages, US\$495]
- Offshoring of Automotive Design and Engineering Services to India [July 2006, 74 pages, US\$495]
- The US Medical Transcription Industry: Perspective on outsourcing and offshoring [May 2006, 88 pages, US\$395]

3.2 Recent Custom Projects

In the outsourcing space, some of our recent assignments have included:

Target Intelligence	Market Intelligence
<ul style="list-style-type: none"> • Evaluation and Benchmarking of vendors in the legal publishing industry • Benchmarking for an Engineering Design Outsourcing operation • Industry Overview and Partner Due Diligence in Medical Transcription • Detailed profiles on global IT/BPO service providers 	<ul style="list-style-type: none"> • Study of captive units of global banking and financial services organizations • Opportunity Assessment Study: Canada as a near-shore destinations • Opportunities for venture capital and private equity investment in India's IT sector
Entry / Implementation Strategy	Country Analysis / Comparison
<ul style="list-style-type: none"> • Study to analyze market-size and acceptance for an auditing solutions provider company. • Cost analysis for a legal outsourcing vendor • Setting up a captive Offshore operation for a Financial Services firm • Human Resources manual for a financial services captive BPO 	<ul style="list-style-type: none"> • Comparative Analysis of large IT services & BPO vendors in the US and India • Competitive assessment of Call Center locations – India, Philippines, Jamaica, South Africa and Mexico • Comparison of India vs./ China: Telecom Software • Study of IT vendors in Poland, Hungary and Czech Republic

Note: This is not a complete list

To learn more about the ValueNotes Outsourcing Practice or provide us with your feedback on this research, please contact us at:

ValueNotes Database Private Limited,

1, Bhuvaneshwar Society, Abhimanshree Road, Pashan, Pune 411 008

Tel: +91 20 2588 1164 / 65

URL: www.sourcingnotes.com

Contact Person: Neeta Joshi

Email: bporesearch@valuenotes.biz