

we make the difference
in software

CN

Czech Nearshoring
CN's 13 Years of Experience

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Introduction CN Group



History / Figures

- **Danish ownership**
- **Founded 1994 in Prague (CZ)**
 - **Bratislava (SK) 1998**
- **Business Streams:**
 - **Software Development Outsourcing**
 - **IT Consulting**
 - **IT Management Consulting**
- **13 years experience in Software Development outsourcing**
 - **in Finance since 1994**
 - **in Aerospace since 1996**
 - **in Telecoms since 1997**
 - **in e-Commerce since 2005**
- **130 employees**
- **Quality Programme – CMMI level 3**



CN Group Shareholders



Corena, the International software, services and consulting group, is the leading documentation supplier to major clients mainly in the aerospace, defence, airlines and manufacturing industries specialising in documentation services and systems particularly in safety critical and mission critical environments.



Anritsu A/S, a division of the Anritsu Corporation, is a leading worldwide provider of test and measurement instruments and network monitoring solutions for optical, wireless, wireline, broadband and enterprise networks to blue chip companies in over 140 countries.



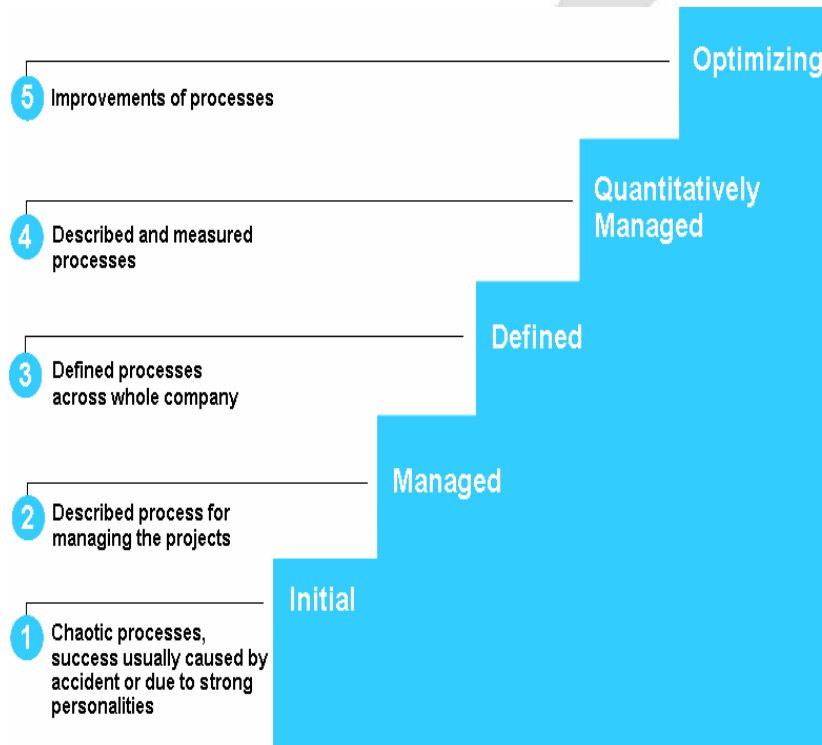
CN Group Scope of Business

- **CN's business activities are mainly focused on providing 'nearshoring' from Eastern Europe –**
 - **Software development for clients in Scandinavia, Germany, the UK and other EU countries.**
 - **Delivering the benefits of geographical proximity, competitively priced highly qualified resources and a shared business environment.**
- **Complemented by IT Management Consulting, including '*Consulting for Outsourcing*'**

Quality assurance in CN Group - CMMI

CNCZ
the first CMMI level 3
company in Czech Republic

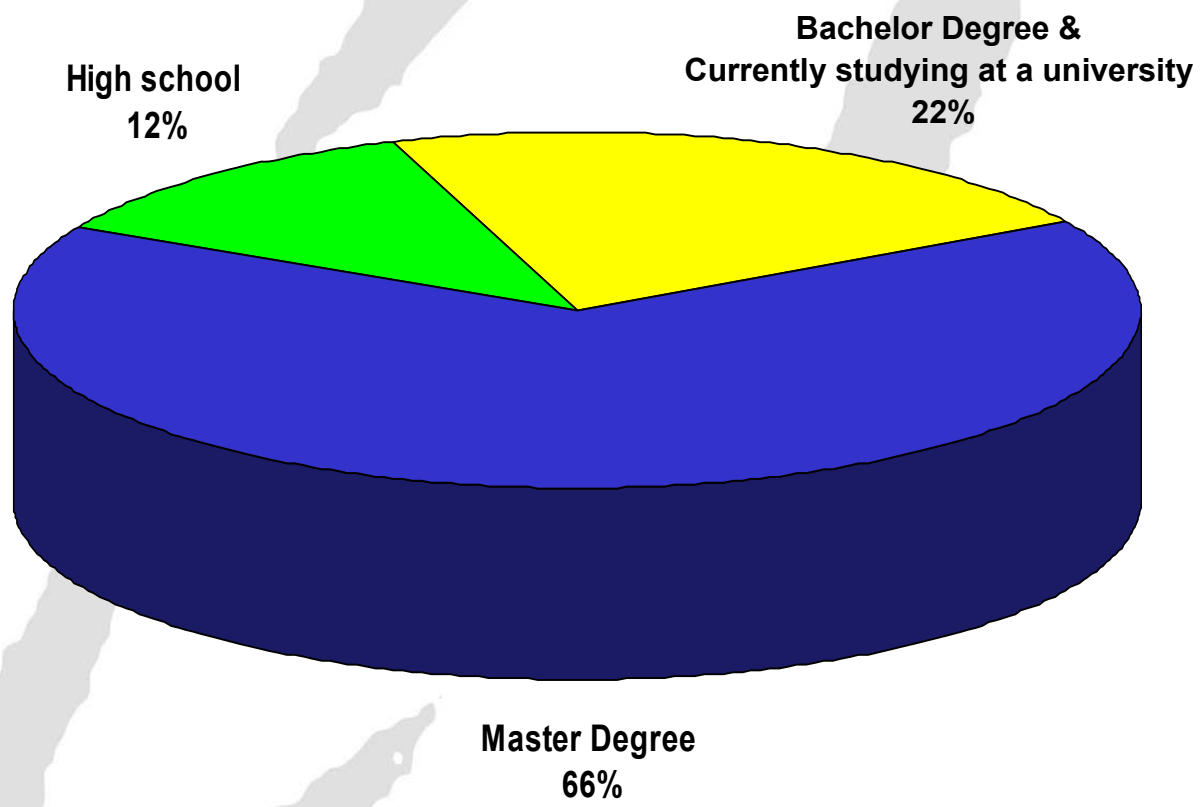
CNSK
the second CMMI level 3
company in Slovak Republic



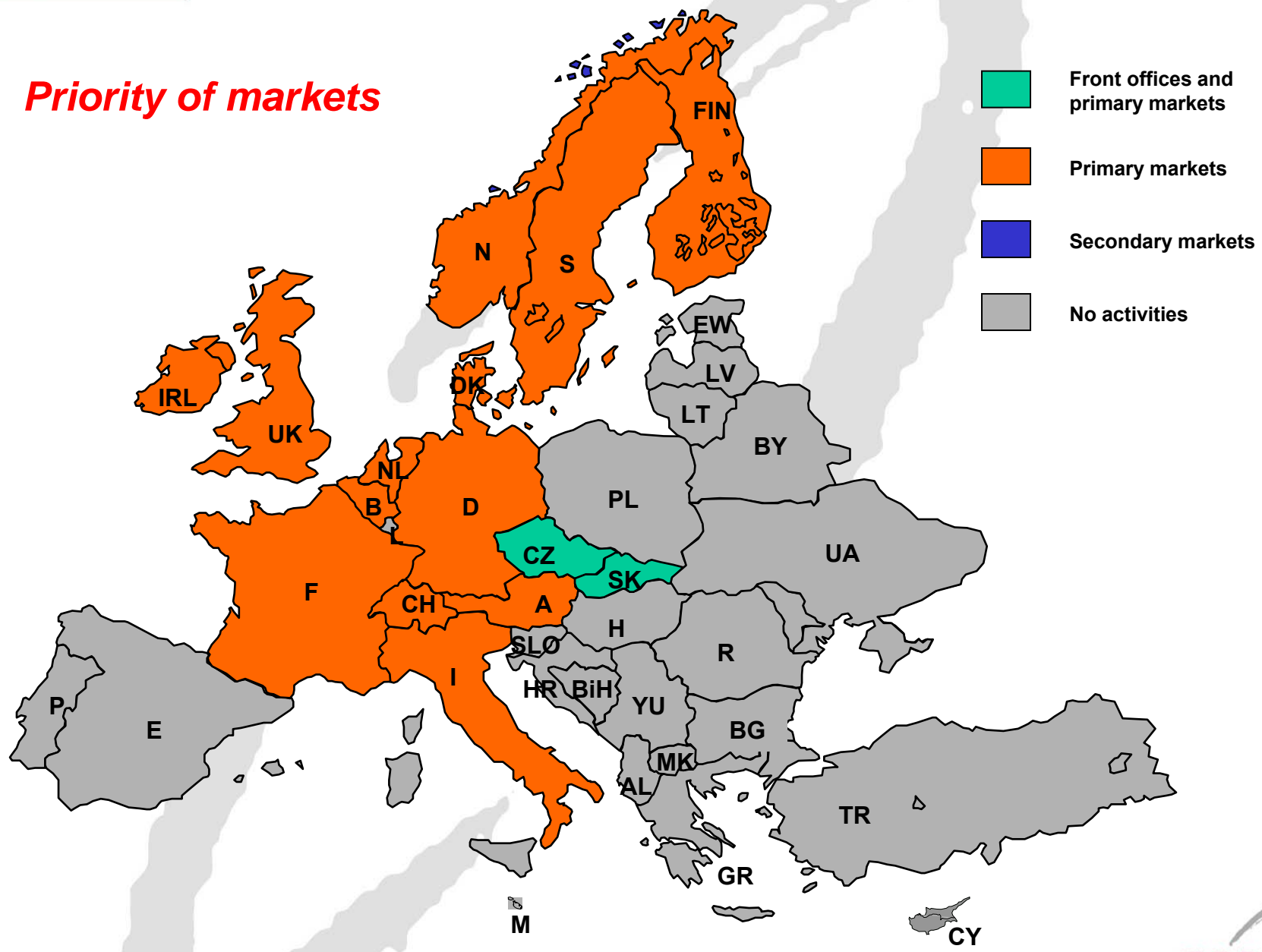
- **Capability Maturity Model (Integration) (CMM / CMMI)** - developed by the Software Engineering Institute (SEI) in 1991 (the 1st version).
- Focused on the definition, standardization and continuous improvement of **development processes**.
- It is the *de facto* US standard (50% of assessments)
- Over the last 5 years, has also started to be adopted as a standard in Europe.

We offer not just CMMI knowledge, but also first-hand experience based on 'real life' CMMI implementation!

Education level of Software engineers in CN Group



Priority of markets



Key References of CN Group

Finance

- **Commerzbank AG (D/CZ)**
- **CitiBank (CZ)**
- **Komerční banka (CZ)**
- **ING Bank (CZ)**
- **easyDebit (D)**

Telecoms

- **Anritsu (DK)**
- **GoHello Connect (UK)**
- **Tail-f Systems (S)**
- **Sitronics Telecom Solutions (CZ)**
- **Alcatel (SK)**
- **GOOM Radio (F)**
- **OPTION (D)**
- **Center (A)**

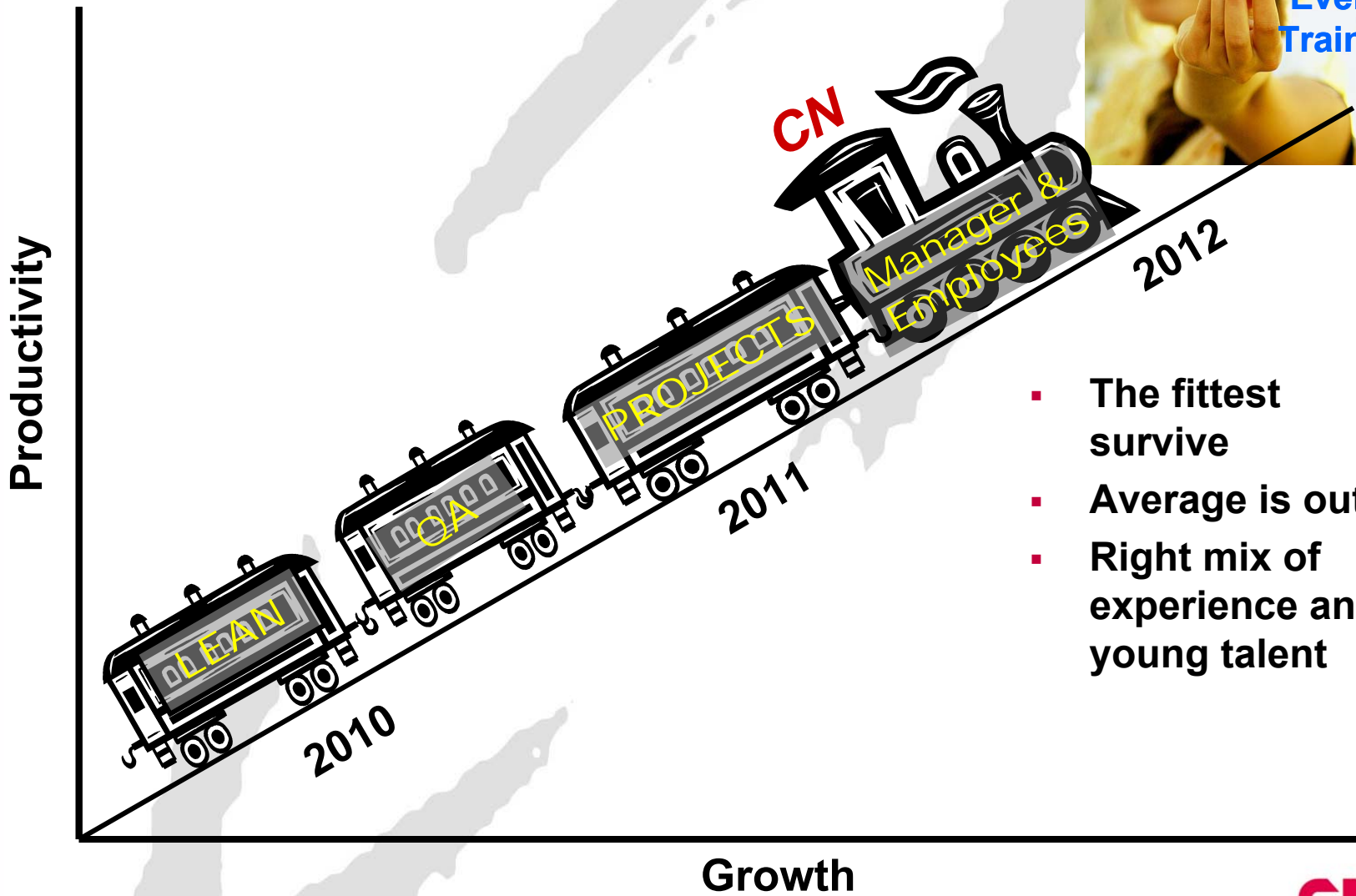
Aviation / Automotive

- **Corena (D)**
 - **Lufthansa (D)**
 - **Eurocopter (D)**
 - **MAN (D)**
- **TATRA Trucks (CZ)**

Retail/Service/Public

- **RDF (UK)**
- **JT Consultancy (UK)**
- **Figleaves.com (UK)**
- **Manpower (D/S)**
- **Czech Post (CZ)**
- **Ministry of Social Affairs (SK)**
- **Pilsner Urquell (CZ)**

The CN Road

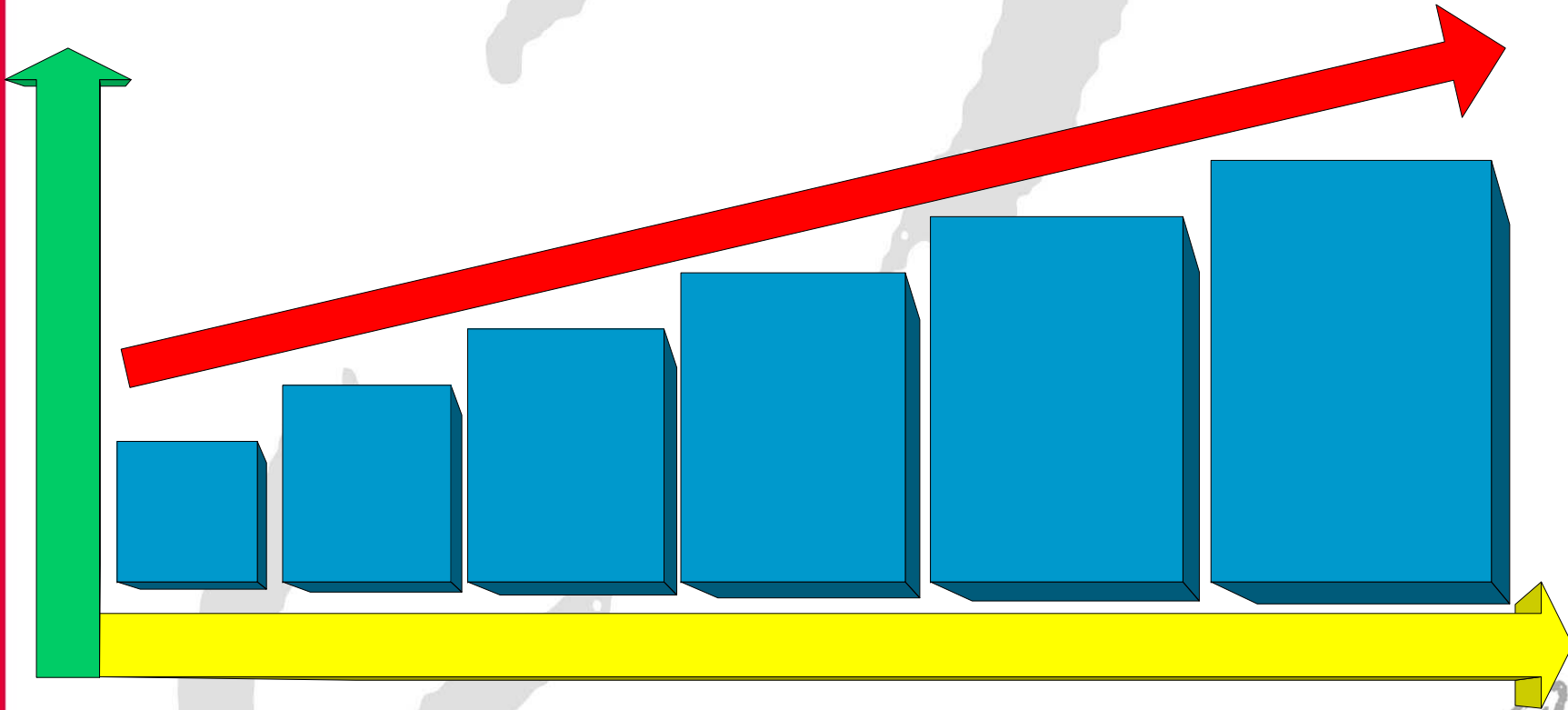


- The fittest survive
- Average is out
- Right mix of experience and young talent



How CN makes the difference

- Excellence is what we package around our core services



How to achieve synergy through Outsourcing to CN Group

- **Up front Investment**

- More detailed specifications
- Knowledge transfer
 - Defined areas
- Double functions in a period

- **Risk sharing**

- F/P
- Availability of resources

- **Better Quality**

- Detailed specifications
- CMMI 3

- **ROI**

- Lower production costs
- Lower investment
 - Workspaces, Infrastructure / Tools
 - QA
 - Education

- **Frees own key resources for**

- R & D
- Business Development
- Sales / Presales

Benefits through Outsourcing to CN Group

Contribution

- Growth
- Bottom line
- Cash Flow

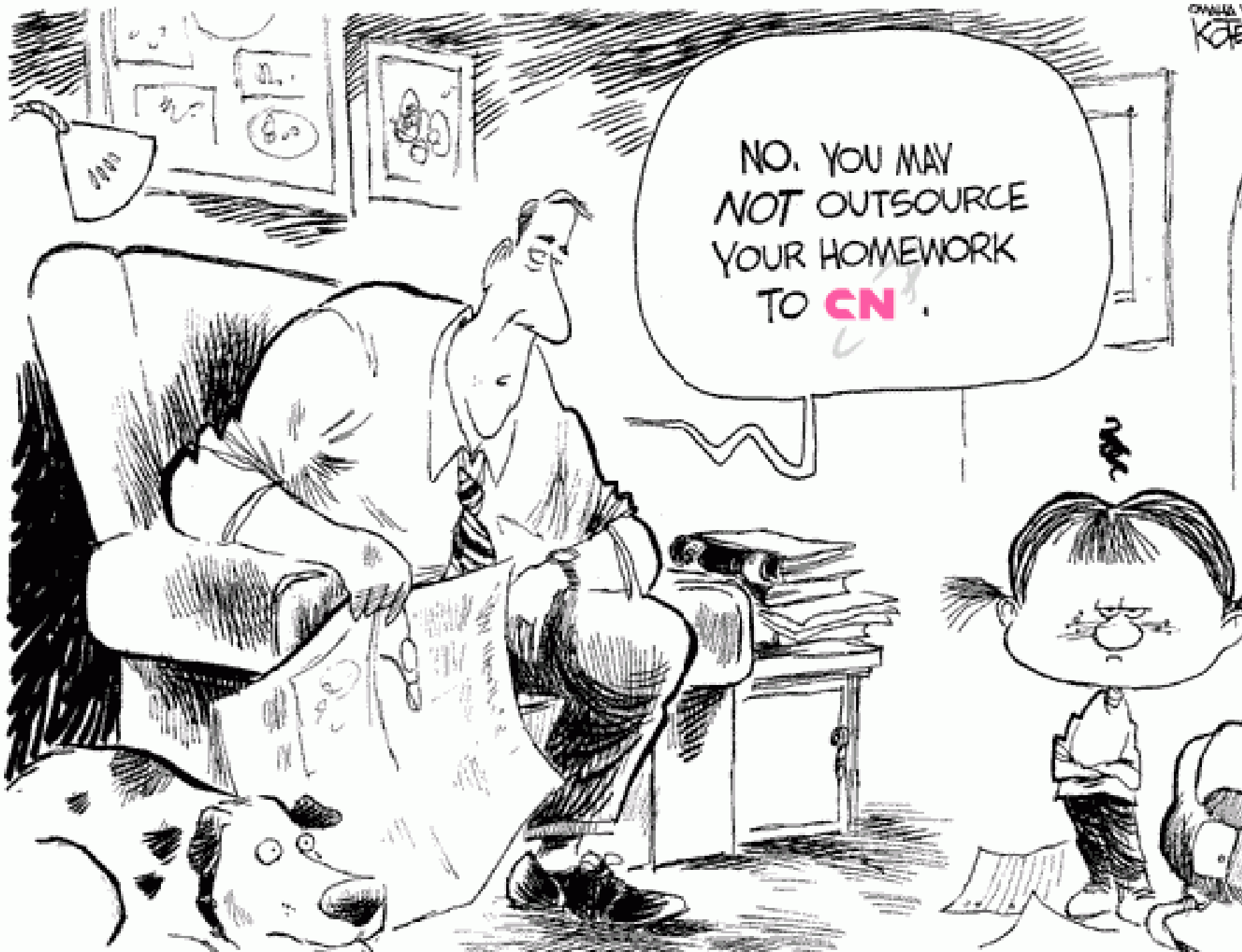
Conclusion

- Scalability
- Focus on core business
- Cost savings
- Risk sharing

CN Group Know How

- 13 years experience in SW DP outsourcing
- QA / CMMI 3
- Business Processes
- Business case/ROI/Benchmarking studies
- PM / TL training concept

NO. YOU MAY
NOT OUTSOURCE
YOUR HOMEWORK
TO **CN**.



Outsourcing in Europe Today



Outsourcing in Western Europe

- **Historically, spending on IT outsourcing by Western European companies lagged behind that of the US.**
 - Traditionally the UK led – 50% of total European ITO spend.
 - By contrast Germany, France, Austria and Italy lagged far behind.
- **From first half of 2007 demand for ITO in Europe increased ...today uptake is just 5% on average behind US.**
- **However, European firms remain cautious about ITO when questioned.**

Sources: Gartner, Forrester, etc.

Yet....

- **Most business analysts agree:**
 - outsourcing, in particular near-shore and offshore, will continue to be an essential tool of successful companies in the future.
 - companies that do not adopt an outsourcing strategy, or that adopt one too late, will eventually fail.
- **To quote PricewaterhouseCoopers:**
 - *"Only the companies that are best-in-world are going to do well [in the global economy] and they are going to have to focus on what they do well and outsource the rest."*

Factors that lead to Success

- **Good Governance structures**
- **Don't be too proud to get outside help**
- **Clear definition of what the outsourcing must achieve**
- **Understand *and* manage the risks the company is taking at the highest level**
- **Preparation is the Key**
- **Acknowledged and managed Cultural Differences**
- **Choose right location / cultural match**

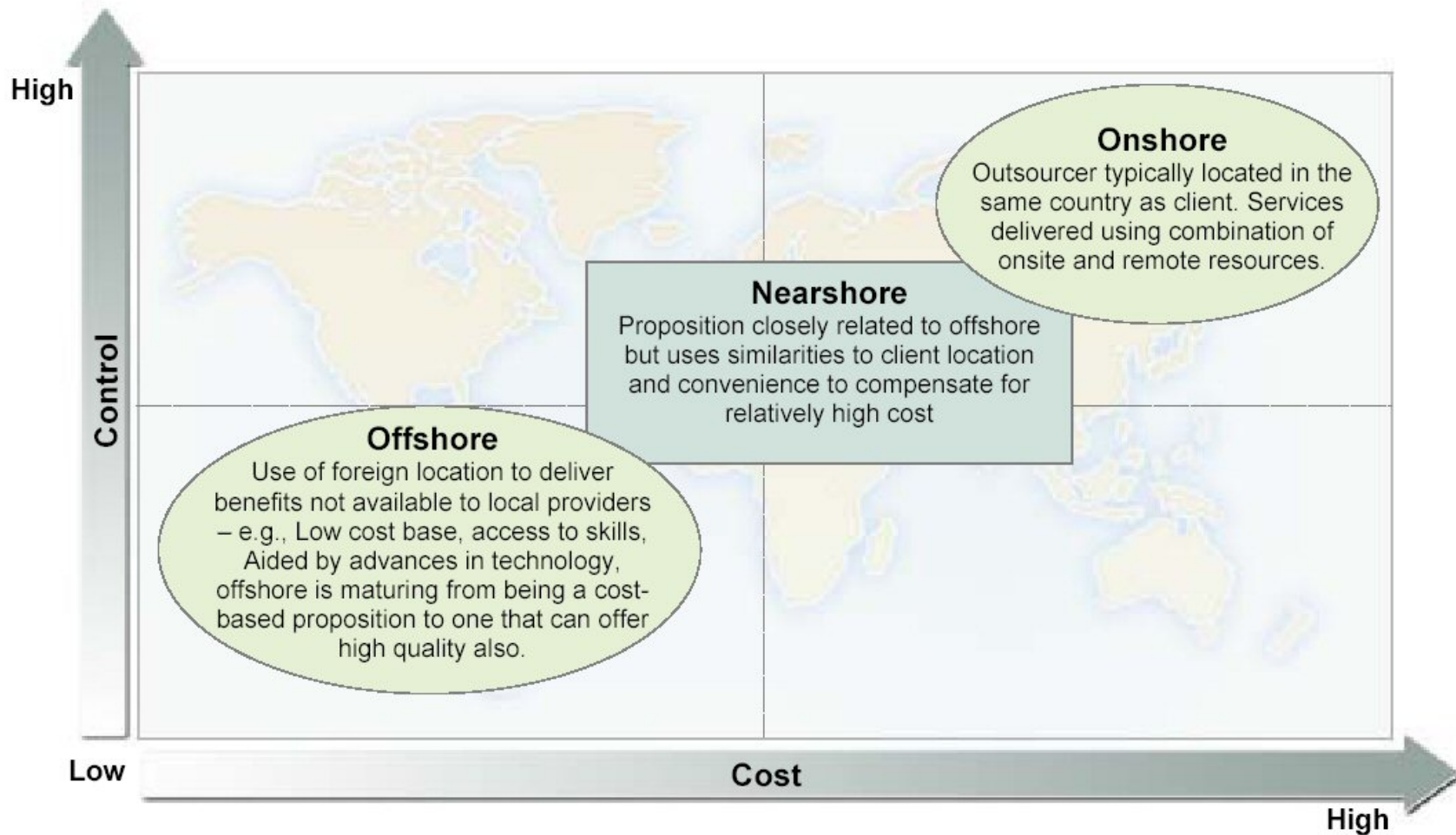
Outsourcing Nearshore vs. Farshore



The balance between Cost and Control

- **Choice between offshore and nearshore - not just a question of direct cost**
 - offshore direct costs usually cheaper than near-shore,
 - but it is not true of ***total costs***
- **Operational Control and Risk Management often more important**
 - The losses involved getting these wrong will far outweigh any cost savings
- ***“Companies are realising that the cost benefits of offshore outsourcing are not always worth the effort when compared to the costs of equivalent onshore (or near shore) outsourcing.”*** (DiamondCluster Global IT Outsourcing Study)
- **Direct cost saving and operational control are usually inversely proportional**

The balance between Cost and Control



Graphic from "Mapping Offshore Markets Update 2005" by NeoIT

Smarter Risk Management through Nearshoring

- **Geographic proximity:**
 - **easier governance + faster problem resolution = better risk management**
- **Cultural proximity = better understanding = reduced risk of misunderstanding**
- **Legal and ethical proximity promotes best practise regarding customer data and intellectual property**

Advantages of European (EU) Nearshoring

- **Lower labour costs than at home**
- **Language and cultural compatibility**
- **Good understanding of, and commonalities in, business and legal structures**
 - **Nothing “lost in translation”**
- **Ability to leverage benefits of trade agreements and EU membership**
- **No visa or work permit requirements in EU**
- **Quicker and cheaper access to outsourced facilities and people**
- **Shorter lines of communication**

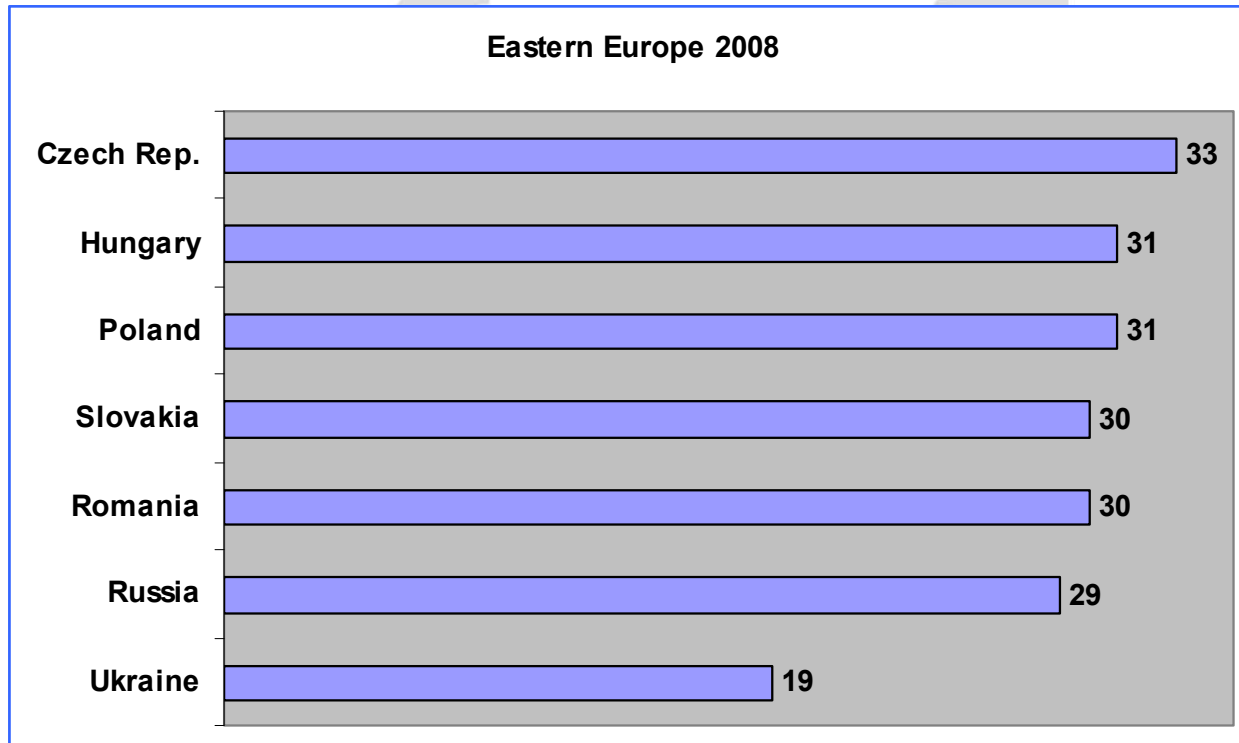
Advantages of European (EU) Near-shoring

- **Political stability**
- **Excellent telecommunications infrastructure**
- **Advanced General country infrastructure**
- **Better able to meet management challenges than farshore providers – e.g. PM skills weak in India**
- **Lower communications costs**
- **Lower travel costs**
- **All operations in same/adjacent time zone**
 - **No losses due to time zone differences**

Near-shoring in Eastern Europe

Attractiveness of European Outsourcing Areas

In its most recent publicly available report, Gartner rated worldwide IT outsourcing hot spots on ten factors such as language skills, infrastructure, educational system, cost, cultural compatibility etc. Expressed as units, Eastern European scores were:



India, the world leader scored 36

Return on Investment A Case Study

**Outsourcing to Czech Republic and
Slovakia can deliver both cost saving and
process improvement**

In-house vs. Outsource to CN

- **Analysis compared development costs at the clients' Scandinavian sites with those of CN Group, based on historic costs**
- **Effective hourly rate (based on costs of annual yearly salary, office expenses, HR and training but excluding management of outsourcing, housing, QA organization and other costs related to 'own' SW development activity):**

DEVELOPMENT CENTRE	INDEX
Scandinavian Client Sites	>200
CN Group	100

Saving made by outsourcing to CN Group

	Scandinavian Client Sites
Direct Production Saving (as % of Potential Full Production Cost)	>50%
Management of Outsourcing	- X
Housing	+Y
Q.A. etc.	+ Z
Cash Flow	30 - 75 Days

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The Smart Choice



Nearshore is Smarter

- **Less risky**
- **Better Governance**
- **Lower total cost**
- **More responsive**
- **Totally flexible**
- **Better integrated**
- **Faster turnaround**

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Yes we

CN

@

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