

EDS to double its Chinese outsourcing facilities

The IT services provider sees growing demand from Chinese and western firms

James Murray, IT Week 20 Jun 2006

Outsourcing giant EDS is the latest IT services provider to plan for expansion in China. Reports last week said it aims to double its headcount in the country to 2,000 staff by the end of next year.

According to Reuters, Joe Eazer, EDS' Asia president and China chairman, said the company will invest "much more" in the country over the next few years as it builds up existing operations in Beijing, Chengdu, Guangzhou, Hong Kong and Shanghai.

The expansion is intended to attract more business from Chinese companies and multinationals with operations in the country. EDS aims to boost the proportion of revenue it gains from Asia from seven percent in 2005 to over 10 percent by 2011.

A spokeswoman for the company said its Chinese sites also provide offshore services to customers from the west as part of EDS' "best-shoring" global service delivery model.

Sanjiv Gossain, UK vice-president at IT services provider Cognizant, said EDS is following the wider trend for IT outsourcers to invest in China to simultaneously serve the burgeoning Chinese market and gain additional low-cost development sites to fit into global delivery models.

Gossain added that development centres in China tend to be 10 to 15 percent cheaper than those in India, and though English language skills are not as established in China they are improving rapidly.

"If you look at the scale of investment in infrastructure and education in China it will be a pretty mature offshore location within five years," he said. "We're looking to grow our 100-strong development centre just outside Shanghai and we're very optimistic that the skills, level of government backing and intellectual-property protection are improving."

Gossain predicted that growing numbers of UK firms would soon receive IT services from the country. "Increasingly UK firms aren't concerned about where the work is done, they are concerned about how good it is," he argued. "In the future they won't mind if it comes from China or India, what will matter is how well has the work been done, has it been tested properly and are calls answered quickly and efficiently."

In separate news, EDS extended its offshore presence further this month by completing its \$380m acquisition of a majority stake in Indian business process outsourcing (BPO) specialist Mphasis BFL.

EDS chief operating officer Ron Rittenmeyer said in a statement that the deal would help the company accelerate its growth in applications development, and business process and customer relationship management (CRM) services.