

19 OCT 1999

Moggie-Outsourcing

MOGGIE URGES IT VENDORS TO OUTSOURCE LOCALLY

KUALA LUMPUR, Oct 19 (Bernama) -- Information technology (IT) vendors and service providers should consider the local outsourcing market seriously because of its high growth potential, said Energy, Communications and Multimedia Minister Datuk Amar Leo Moggie.

The segment, worth US\$25 million (RM90 million) in 1997, was projected to grow by eight per cent last year due to reduced IT budgets, increasing competition, shortage of skilled manpower and technology obsolescence, he said.

The banking and financial sector contributed 23 per cent to the market followed by manufacturing (18 per cent), retail and wholesale (16 per cent), government (13 per cent), communications (nine per cent) and others (20 per cent), he said.

"In Malaysia, IT outsourcing is considered still in its infancy as most companies are unclear on the proper mechanism to be utilised as well as the type of business to be outsourced," he said.

Moggie said this in his keynote address at the National Outsourcing Conference organised by the Asian Strategy and Leadership Institute (Asli) here today.

Also present was Asli president Mirzan Mahathir.

He said the pace was expected to pick up over the next few years as more companies realise that outsourcing could assist in maximising efficiency, trimming costs and sharpening competitiveness.

Outsourcing in simple term means buying services from external providers.

Key services in demand included;

- * data centre management;
- * disaster recovery;
- * systems integration and implementation;
- * hardware and software maintenance;
- * desktop management; and
- * applications maintenance.

While the future augured well for the industry, Moggie said it was unwise to outsource a process of service that was undefined.

"The biggest reason outsourcing projects fail is because of people and not technology," Moggie said.

Mirzan, in his speech earlier, said outsourcing in Malaysia was expected to be worth RM500 million in three years time and the global value last year was US\$99 billion (RM376.2 billion).

He said a recent survey by Fortune financial magazine of 500 CEOs concluded that outsourcing was clearly being regarded as plus factor by companies seeking to gain a competitive advantage.

"It has reached the status of a megatrend in American business with Europe and Asia practices not far behind," Mirzan added.

-- BERNAMA

AR RYN