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Media Contact:
Eve Sheridan
Young & Associates
303-637-0886
eves@yapr.com

Currency Often Ignored in Offshoring Deals but Plays Kingpin Role Says Pace Harmon

Leading Outsourcing Advisory Services Firm Urges Companies to Factor Currency into the Equation to Secure the Best Offshoring Deals

VIENNA, Va., June 4, 2009 – Recognizing the implications of minimizing or ignoring foreign exchange rates when negotiating and managing existing outsourcing deals in today's volatile economy, Pace Harmon has released its "Offshoring — Why Foreign Exchange Matters and What to Do About It" report. An outsourcing advisory services firm, Pace Harmon is advising its clients to specifically focus on outsourcing currency implications and developed the report to help organizations realize the full financial benefits of their offshore outsourcing transactions.

With information technology outsourcing (ITO) and business process outsourcing (BPO) deals, many enterprises are leaving currency implications out of the discussion. This can be due to a lack of familiarity or comfort with the subject, complacence with the previous savings generated from labor arbitrage, or internal treasury/finance groups not playing a role in the transaction.

"Now, more than ever, yielding bottom-line results from an offshoring engagement is critical to companies' viability," said David Rutchik, partner, Pace Harmon. "While it is difficult to completely remove the currency risks associated with offshore services, sidestepping currency discussions often results in leaving money on the table and missing out on significant potential savings."

The report explains the key benefits of weaving foreign exchange considerations into offshore transaction negotiations. For example, offshore providers typically deliver services from emerging market locations and pay their resources in local currency. Because of recent market fluctuations, many offshore providers' costs to deliver services have decreased substantially resulting in a financial windfall for the outsourcer that could be passed along, or at least shared, with the customer. On the other hand, during times when the dollar is worth less against emerging market currencies; a contract with payment tied to local currency would cost the company more.

Pace Harmon's report recommends that companies consider five currency deal structures to yield the best possible financial results: pay in U.S. dollars tied to the specific local currency; arrange for fixed payment in U.S. dollars; agree to band currency changes to a certain percentage in either direction; take a hybrid approach of averaging past exchange rates and apply local currency fluctuation to the prospective period; and engage in hedging.

Selecting the right option requires careful consideration of individual companies' risk profiles, cash flow positions, operating margins and other factors. Specifically, Pace Harmon advises organizations to closely examine the implications of the agreement term length, revenue generation location, relative size of the contract, and service provision location.

Pace Harmon's clients include Fortune 500 and select high growth middle-market companies spanning industries such as Telecommunications, Health Care, Financial Services, Manufacturing, Technology, and Energy.

To download a full copy of the report, please visit www.paceharmon.com.

About Pace Harmon

Pace Harmon is an outsourcing advisory services firm providing guidance on complex outsourcing and strategic sourcing transactions, process optimization, and vendor program management. Founded in 2003 and headquartered in Tysons Corner, Va., Pace Harmon provides pragmatic and insightful advice that helps its client base of Fortune 500 and other large enterprises maximize the benefits achieved from their mission-critical supplier relationships. For more information, please visit www.paceharmon.com.

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