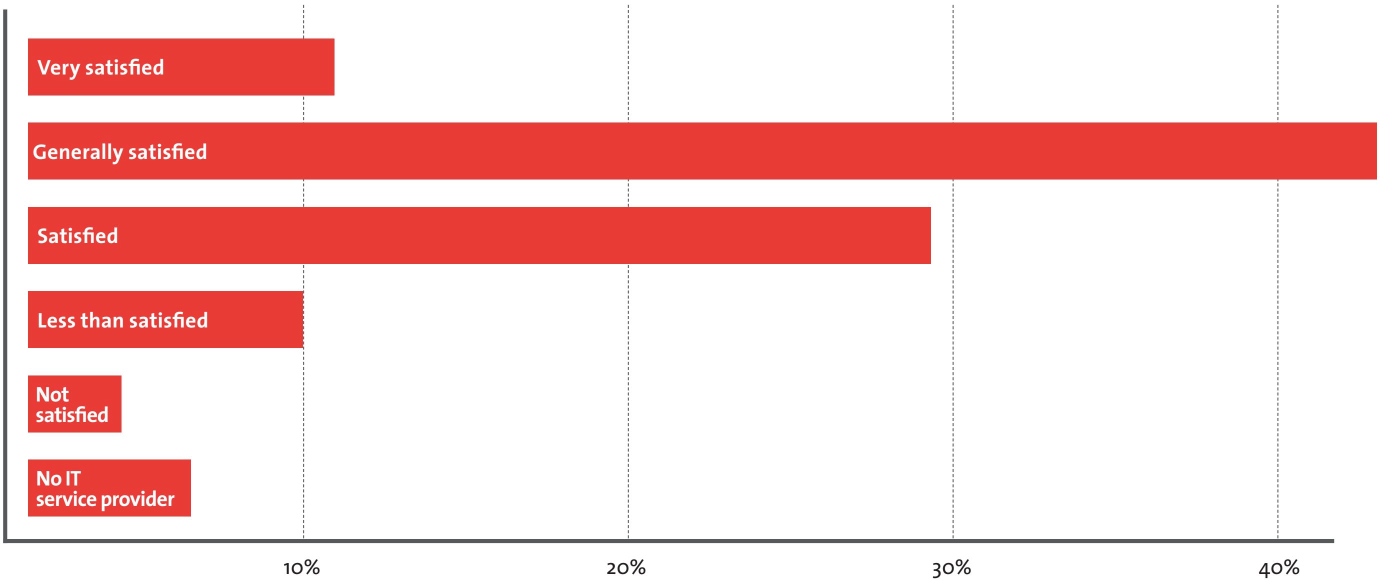
IT OUTSOURCING 2020

Most customers of IT outsourcing services are satisfied with their major service provider. They intend to outsource more than in the past, relying on long-term partnerships – not with only one provider, but with several specialists. Nearshoring and Cloud Computing will grow strongly in the future and as before, customers are looking for a chance to reduce IT costs.

HOW SATISFIED ARE YOU WITH THE OVERALL PERFORMANCE OF YOUR CENTRAL IT SERVICE PROVIDER?

Users of IT services are "generally satisfied" with their central provider. This is the result of a maturity survey in May 2014 about the "Future of Outsourcing". More than 250 IT and business managers of medium and large companies in Europe have participated in the poll. Accordingly, just two percent of the respondents are "not satisfied" with their provider, while only five percent of companies manage IT completely on their own.The survey reflects changes in recent years: On one hand providers learned to respond better to the needs of their customers, which is also a result of continuing strong competitive pressure in the market. On the other hand, clients reduced their expectations about outsourcing benefits, provided the necessary groundwork in their own service organisation, and learned to control providers with professional retained organisations.A retained organisation works as the interface between internal customers (business units) and IT service providers. It collects business and technical requirements, measures and controls performance and quality of services, maintains the service catalogue and manages overall performance as well as adjustments of the contract. Design, structures and skills of a retained organisation are crucial to the long-term success of outsourcing partnerships.



Outsourcing poll, May 2014

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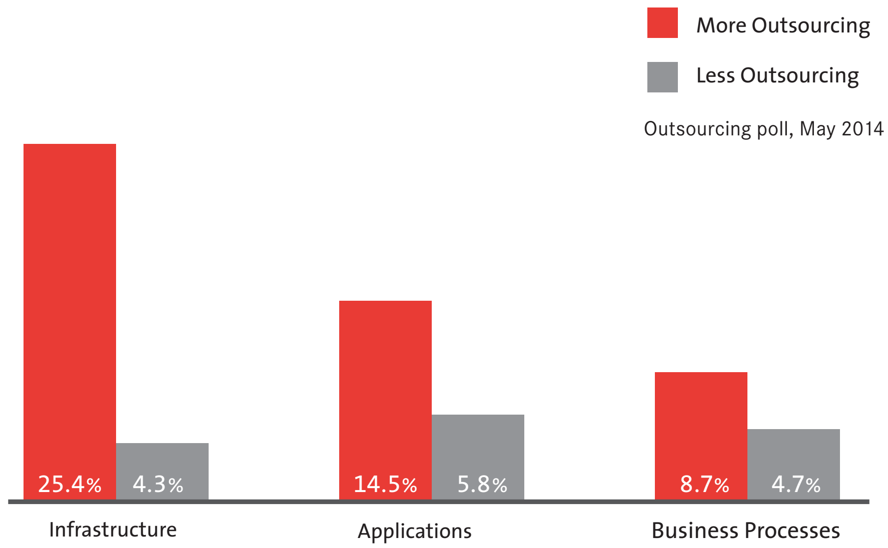
HOW WILL YOUR SOURCING STRATEGY EVOLVE BETWEEN NOW AND 2020?

With regard to the sourcing strategy, a traditional image prevails. The major trend lies in outsourcing of IT infrastructure. In contrast, IT managers are much more hesitant to transfer applications or entire business processes to external partners. The strategy to bring outsourced services back into the company will be pursued only in one of 20 organisations.

In the free answers to this question, the outsourcing of legacy systems and the consolidation of data centres have been explicitly mentioned. In addition, a "regular validation" of internal and external service was demanded. One respondent summed up the overall trend: "More outsourcing in ICT operations, less in ICT development."



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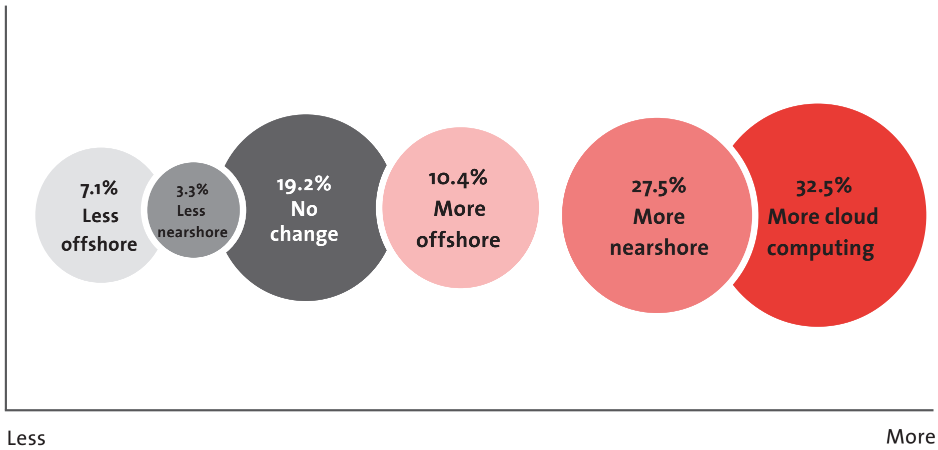
HOW WILL YOUR SOURCING MIX EVOLVE BETWEEN NOW AND 2020?

Analysing the sourcing mix shows two clear winners of outsourcing: nearshore locations as well as cloud computing. The latter receives great popularity among our respondents – more than a third want to expand their IT delivery from the cloud. This includes offerings such as public and private clouds. The result of the current survey is, however, in contrast to a Maturity survey in December 2013, in which internal delivery of IT services was on the increase in the short term. The scepticism in the previous year can be partly attributed to the NSA affair, which weighed much more heavily at that time.Nearshoring is expected to expand considerably, according to the respondents, and few companies are planning a retreat from low-cost locations - mainly in Eastern Europe. In contrast, the plans for expansion and cutting back offshoring business are almost in a balance. This suggests that many expectations could not be met in offshoring destinations. Thus, the coordination and control of an offshore service provider is often more costly than originally planned. Some companies refer to difficulties from the spatial and cultural distance as an experience from offshore projects. This often led to broken saving promises. In contrast, the savings potential for nearshore providers is indeed lower, but the control effort for customers is also less time consuming.



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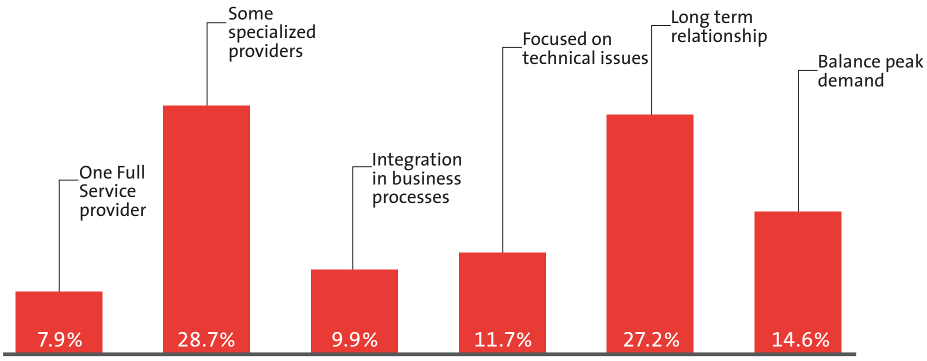
MATURITY

HOW WILL YOUR COOPERATION WITH EXTERNAL PARTNERS EVOLVE BETWEEN NOW AND 2020?

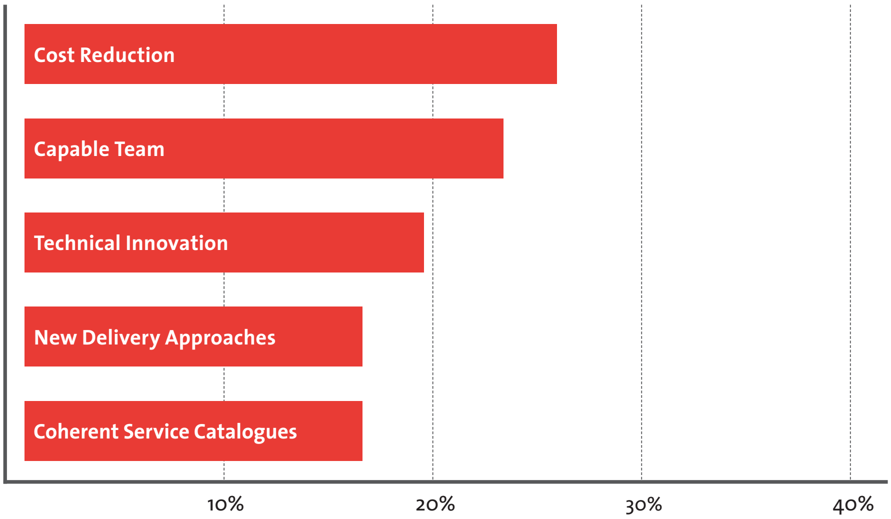
Our question about evolving cooperation shows that customers prefer to rely on several specialist providers working together, rather than rely on one large provider. The preferences are similarly distributed to providers with know-how in specific business processes, as well as service providers with a technical focus. Clearly visible, however, is the desire to enter into a long-term partnership - regardless of the fact that service providers are always needed to compensate peak workloads.
In this case, providers of Cloud and special services can play to their strengths: For temporary projects, for example in the area of Big Data, they may offer financial advantages over outsourcing generalists as well as the expansion of internal resources.



Outsourcing poll, May 2014

WHAT DO YOU EXPECT FROM YOUR FUTURE PROVIDERS?

Expectations from IT service providers in the future are clear: They have to reduce IT costs. In second place, the respondents demand the "competence of the team". Behind these central criteria, other points such as technical innovations in existing services, new delivery approaches such as Cloud, IaaS, SaaS and PaaS as well as simple and understandable service catalogues are less important. The low uptake for the last point is somewhat surprising, because service catalogues enable cost transparency and support competent teams. Without precise definition of requirements, there is no basis for successful negotiations and a stable partnership.



Outsourcing poll, May 2014

CONCLUSION

Most European companies which allocate IT services to external providers are satisfied with the partnership. This does not, however, rule out changes in relationships. In our experience, at the end of the contractual period many arrangements are put to the test.

Expanding Cloud and nearshore offers can prove to be a touchstone of a contented, comprehensive partnership. In sourcing strategies 2020, however, we can't see any abrupt cuts and changes. Cooperation with external partners is constantly evolving, but with a sense of proportion – reducing costs remains the primary motive for outsourcing.

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