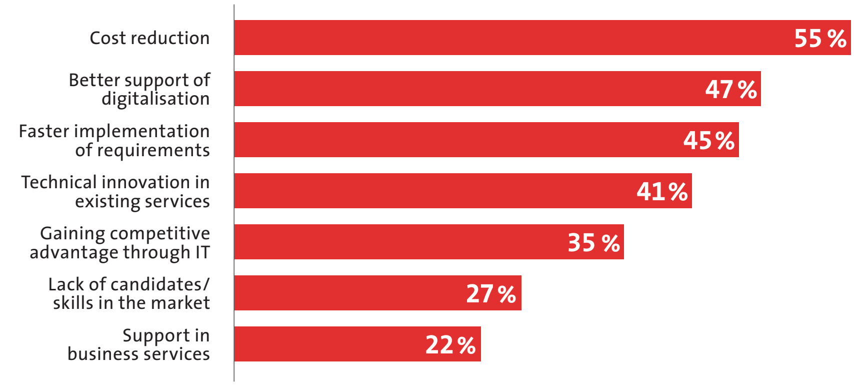
# 2020 IT SOURCING

**IT outsourcing is changing; deployment and functions are becoming ever smaller. This is mainly made possible by the cloud and its striking success in enterprise IT. A recent study by Maturity has also shown service providers can increasingly score with competencies for business processes, while technology is fading into the background.**

## FOCUS ON COST

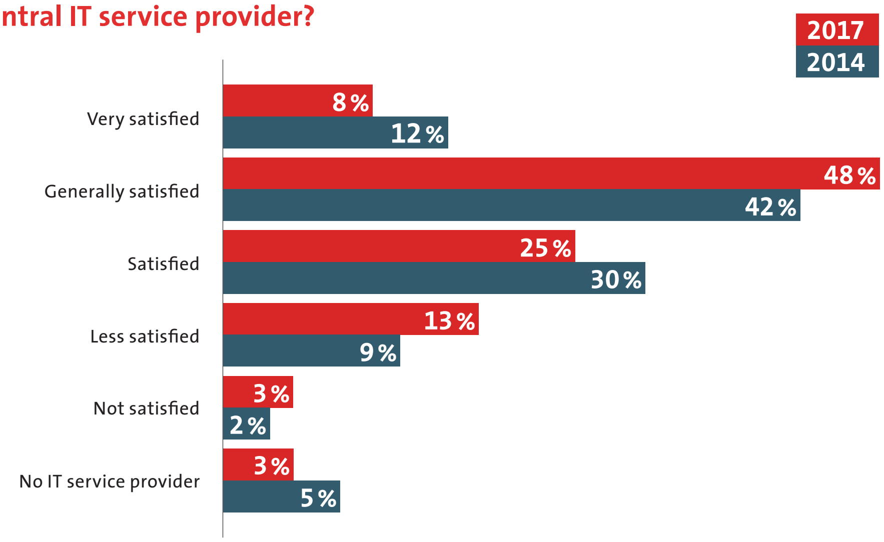
Outsourcing of IT services is well established in Europe. Nevertheless, one cannot speak of a standstill in the market, because the extent of external provision is constantly changing. Only when it comes to the question of the motives for change to an external supplier are companies sticking with tradition: cost savings are still the most important driver for outsourcing. This is the result of a Maturity survey conducted in the summer of 2017 compared to a similar survey three years earlier.

**What are your main motives for outsourcing?**




In 2014, the paradigm shift due to digitalisation was not yet foreseeable and the IT task of "supporting digitalisation" has already become the second most important motive for outsourcing. Third place is occupied by faster implementation of requirements, followed by technical innovations in existing services. In view of the media presence, it is astonishing that the shortage of IT skills is at the back of outsourcing motives.

**How satisfied are you with the overall performance of your central IT service provider?**

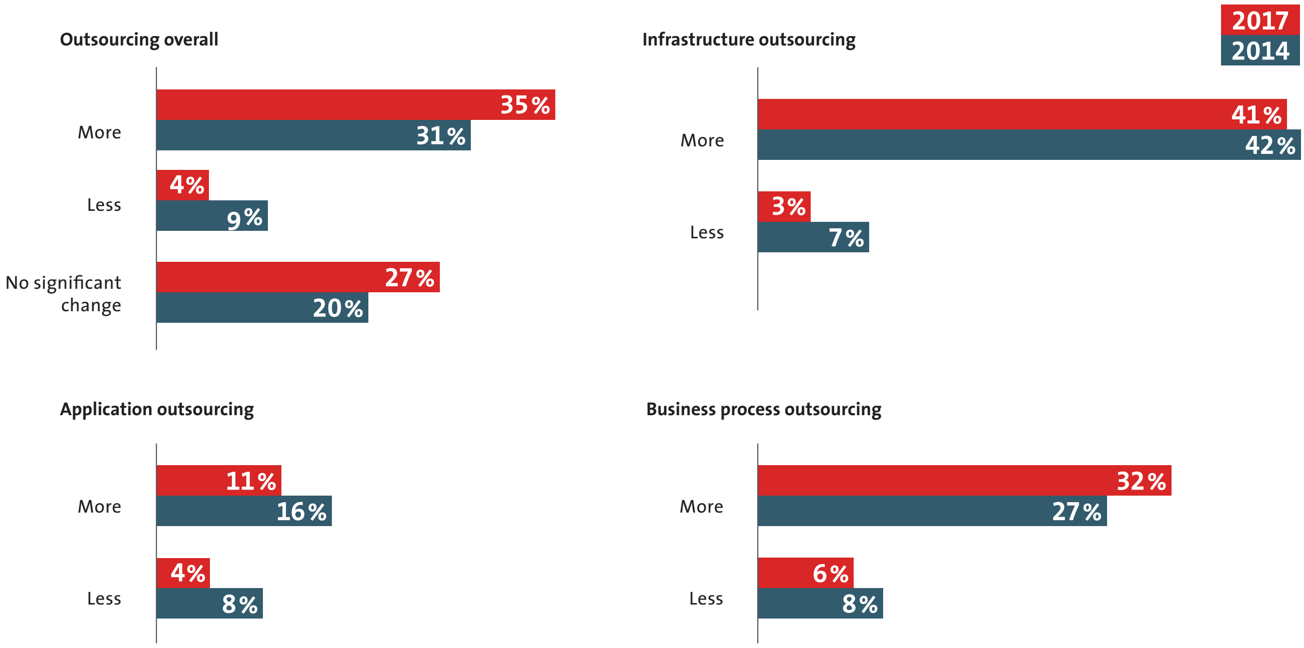



## SATISFIED CUSTOMERS

Users of external IT services are "predominantly satisfied" with their central provider. The value increased compared with 2014. However, the picture has varied over the past three years: the share of companies which were very satisfied and satisfied have fallen. In contrast, the proportion of clients who were not or less satisfied with their outsourcer rose. The share of companies which are doing their own IT completely themselves dropped from five to three percent in the survey.

In the study, we considered the question of how sourcing strategy will develop through to 2020. In principle, companies are planning to increase their outsourcing share in the medium term only slightly. While in the IT infrastructure sector it seems as if the peak has been reached, the proportion of outsourced applications will increase by 2020. In con-

## How will your sourcing strategy evolve?



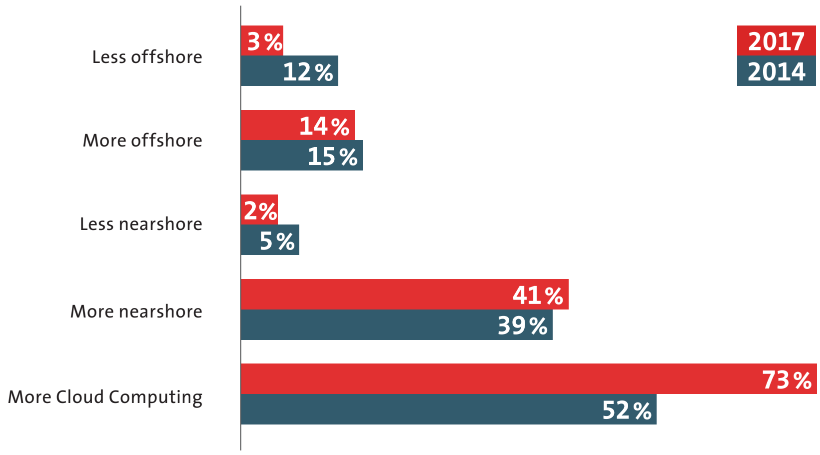

trast, there is a small damper on business processes performed externally: here, the expected increase compared to the previous survey declined. The strategy of generally bringing outsourced services back into the company ("less outsourcing in general") is pursued only in every 25th organisation - a significant decline compared to the level a few years earlier which was twice as high.

When asked about the planned sourcing mix, a clear "winner" emerged: Cloud Computing. Just under three quarters of respondents stated in 2017 that they would increase the cloud proportion in the future. This even puts the outstanding value of the 2014 survey in the shade. Offshoring is no longer expected to grow significantly, while nearshoring slightly increases on the equally good result of 2014. However, hardly any company expects to reduce its offshore and nearshore outsourced services - after initial difficulties and cultural differences, sourcing relationships seem to be so tightened that there is no need to cut back on engagement. Cost advantages of between 40 and 70 percent in near- and offshore regions naturally also speak in favour of purchasing IT services from other countries.

The supplier structure has undergone some significant changes since 2014. First and foremost, customers expect suppliers to be more closely involved in business processes, while the share of IT providers concentrating solely on the technical dimension is declining. The latter also applies to long-term partnerships and short-term use in the event of peak loads. Specialized partners (applications, business processes, etc.) are thus moving closer to the core business of the companies and becoming a significant success factor for business models. To continue to be recognized as a business enabler, IT must form a strong retained organisation.

However, the trend towards outsourcing to a single partner is steadily declining, and companies are increasingly relying on cooperation with several specialist providers. This is where the cyclical movement in the IT sector between one-stop shopping (all from a single source) and Best of Breed are evident. Openness, flexibility and simple APIs make it possible that the pendulum's current move towards "best" solution components. The fact that topics such as application maintenance and hardware infrastructure have been migrated into the cloud also plays a role here. However, this also means that coordination of various suppliers is becoming more important, more difficult and more complex. Here, clients must become more professional if they are to orchestrate services like a broker, without any discord in the auditorium of business units. The retained organisation will also be faced with additional tasks if several specialist providers have to be coordinated.

## How will your sourcing mix evolve?



## EVERYTHING IN THE CLOUD

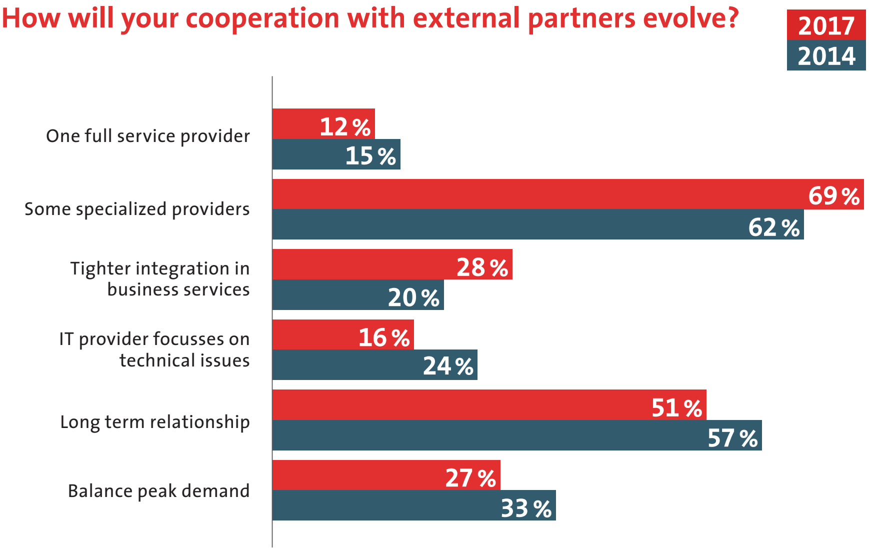
Cloud services play an important role in the sourcing mix, and their use is increasing across the board. Both software, platform and infrastructure as a service will grow over the next three years. This is where PaaS increases the most. This variant is often used to develop new applications - with PaaS, the development of (web) applications is increasingly migrating from on-premise to the cloud.

## HYBRID CATCHING UP

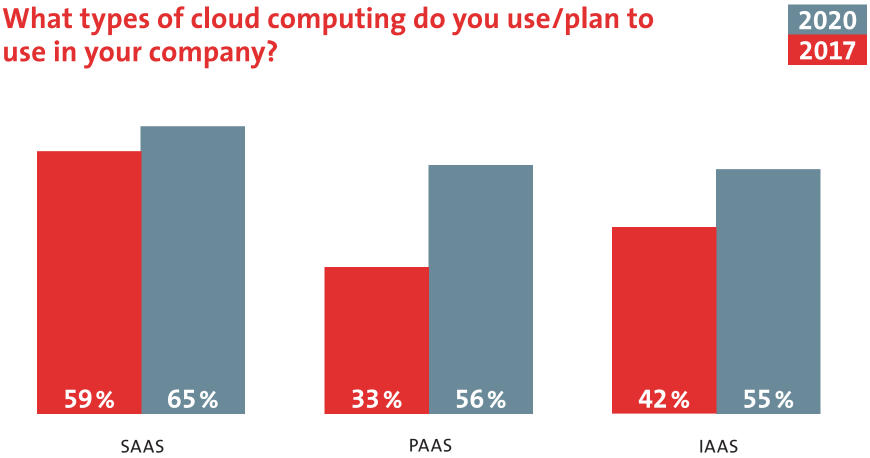
In the cloud delivery models, borders are becoming increasingly blurred. Although private cloud is still by far the leader today, its share will fall slightly in coming years. In contrast, the hybrid cloud is almost catching up with the leading position and is able to double its quota. Multi cloud even increases by a factor of 3.5. This involves using a supply chain from different cloud suppliers.

Our theses on the development of service sourcing and management (see next page) refer to some "homework" which lies ahead. All questions could be answered on a scale from 1 (no agreement at all) to 6 (complete agreement). For the presentation of results, answers 1 to 3 were rated as "No, I do not agree with this thesis" and answers 4 to 6 as "Yes, I agree with this thesis".

**How will your cooperation with external partners evolve?**

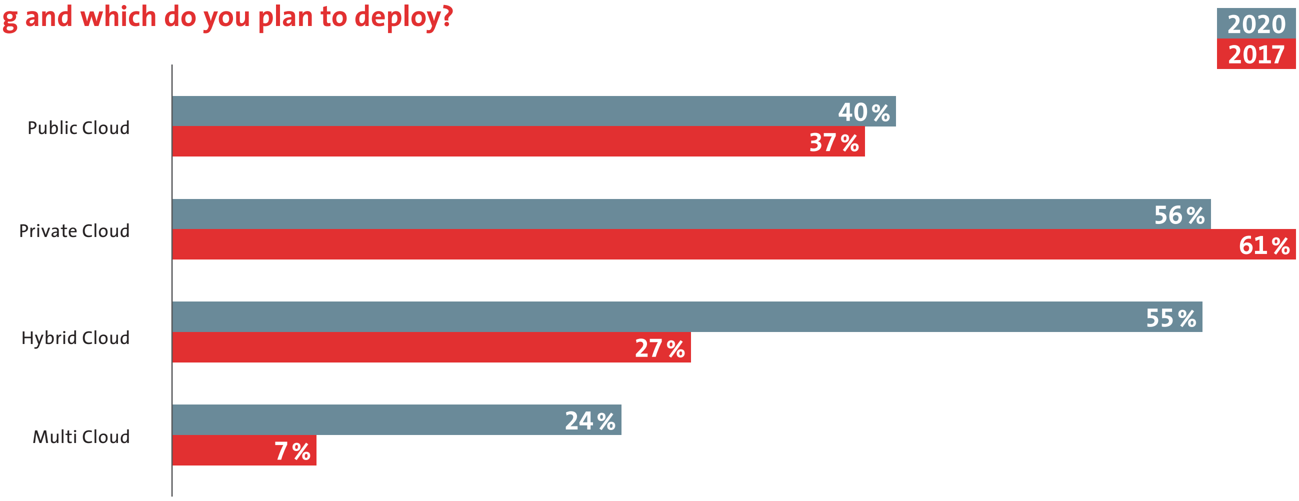



**What types of cloud computing do you use/plan to use in your company?**




First and foremost, respondents assume that demands on transparency due to transaction-oriented billing are growing. In addition, KPIs (and in this case also many KPI systems) have to be revised for monitoring and control. Two-thirds expect all suppliers to be evaluated in a uniform process (provider tiering), and three-quarters of respondents say benchmarking IT and business services is an effective means of gaining transparency. This is not only about costs, but also about volume, complexity and quality.

**Which of the listed Cloud models is your company already using and which do you plan to deploy?**

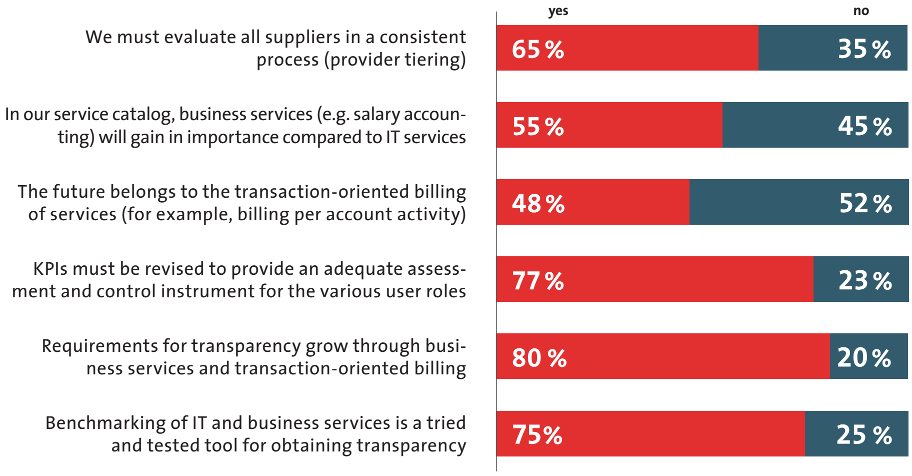


## CONCLUSION

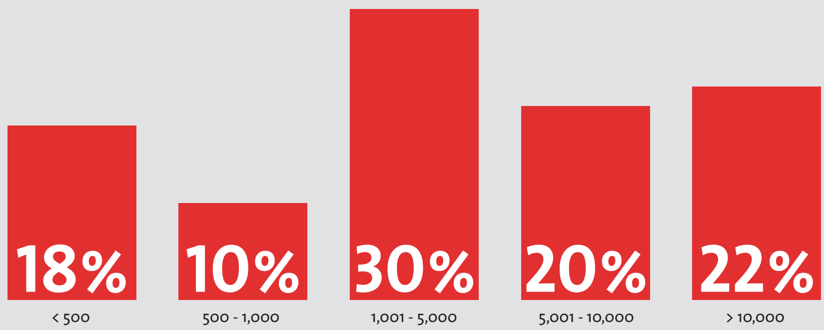
Over the past ten years, IT outsourcing has changed dramatically. The evolution of monoliths into microservices is characterised by new technical solutions as well as trends in provisioning. The days when a single IT service provider and an ERP system regulated "everything" are over. Best of Breed is currently in demand - in terms of features as well as in terms of delivery.

This inevitably leads to IT organisations having to perfect their dealings with smaller partners in order to ultimately benefit from it. The focus is on key performance indicator systems for controlling granular services and for deciding which services are procured from which suppliers. Transparency becomes the decisive quality here.

### Theses on the further development of sourcing and control of services




### Number of Employees

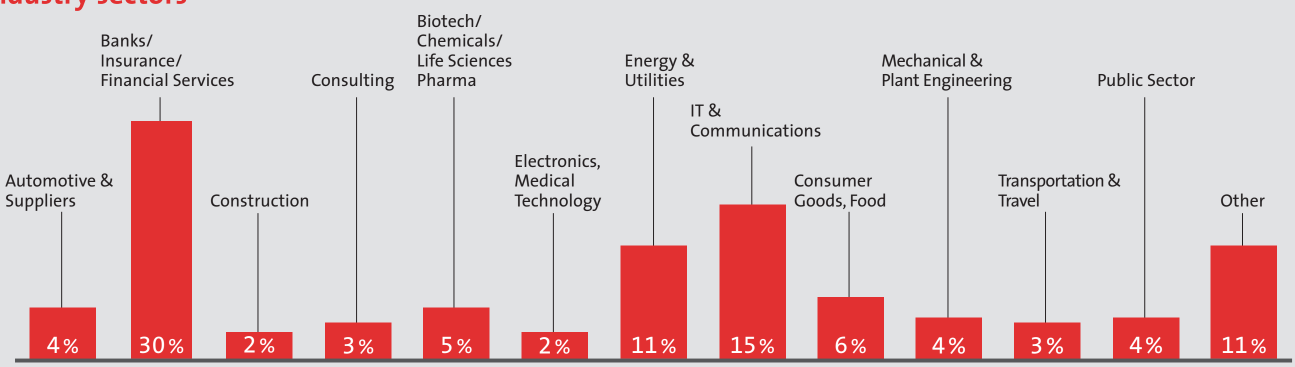



### About the survey

*The study "**2020 IT Sourcing**" is based on an online survey during summer 2017. Respondents were European decision-makers in business and IT.*

*A total of 179 participants responded to the questions, for example CIOs and IT board members as well as IT managers, IT project managers, Heads of business units, buyers and other professional functions. Maturity has also conducted the survey in 2014.*

### Industry sectors

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