# Agenda

## I. Introduction and research methodology

## II. IT outsourcing trends

## III. Service provider performance
- General satisfaction and Key Performance Indicators
- Satisfaction by IT domain

## IV. Additional sourcing/governance trends
- Sole sourcing and nearshore/offshore experience
- Governance capabilities
- Cloud computing satisfaction
PA Consulting Group

PA is a leading independent sourcing advisor.
- Management Consulting firm operating worldwide with over 2,500 employees
- Broad set of business consulting, technology and innovation services
- 330 consultants in the Nordics

IT outsourcing
PA has advised on more than 700 sourcing engagements for more than 600 clients world-wide, with sourcing representing 20% of PA’s revenue.

Nordic IT sourcing presence
In PA Nordic, we have a team of more than 40 consultants focused primarily on sourcing.

Independent
PA is independent from service providers, technology and solutions and assist our clients evaluate the most suitable options and opportunities.
Research methodology

- More than 300 participants of the top IT spending organisations in Denmark, Finland, Norway and Sweden that have evaluated close to 1,000 unique IT outsourcing contracts

- 29 IT service providers have been evaluated and ranked based on the opinion of their clients (not on the opinion of Whitelane Research or PA Consulting)

- In order to be ranked in this report, service providers must have at least 8 client evaluations for general satisfaction

- In order to be ranked in the application, infrastructure and end-user rankings, service providers must have at least 7 client evaluations for these respective IT areas

- Whitelane Research has been responsible for the data collection via an online survey questionnaire. Participants are CIOs, CFOs or their direct reports

- Both Whitelane Research and PA Consulting Group are completely independent organisations.
The survey covers all top spending organisations across all sectors

- Financial services: 19%
- Manufacturing: 17%
- Public Sector: 11%
- Retail, Wholesale: 11%
- Telecommunications: 9%
- Energy/Utilities, Oil & Gas: 8%
- Consumer Packaged Goods: 7%
- Foods/Beverages: 3%
- Transportation & Logistics: 3%
- Professional Services: 2%
- Other: 2%
- Healthcare: 2%
- Pharmaceuticals: 2%
- Entertainment/Media: 2%

N = 317
Close to 1,000 outsourcing contracts have been evaluated, enabling us to rank the top 29 IT outsourcing providers in the Nordics.
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Even more sourcing is still on the agenda in the Nordics

- We will outsource more: 8% (Denmark), 46% (Nordics), 39% (Norway), 54% (Sweden), 53% (Finland)
- There will be no change: 7% (Denmark), 26% (Nordics), 6% (Norway), 7% (Sweden), 10% (Finland)
- We will outsource less: 7% (Denmark), 11% (Nordics), 6% (Norway), 6% (Sweden), 10% (Finland)
- We don’t know yet: 8% (Denmark), 15% (Nordics), 10% (Norway), 7% (Sweden), 27% (Finland)

N = 317
Access to resources is becoming a prime reason for outsourcing in the Nordics

- Cost reduction: 67%
- Access to resources: 62%
- Focus on core business: 57%
- Improvement of service quality: 38%
- Business transformation: 34%
- More financial flexibility: 24%
- More transparency on costs: 15%
- Other: 5%

The need for scalability, flexibility and lack of talent drives the need for access to resources.

With higher satisfaction levels the focus of improvement of service quality is dropping.

Organisations do not have flexible capacity and capabilities to drive major business transformation.
The oil and gas industry is the largest sector in Norway in terms of value. In 2015, due to the sharp and continuous decline in the oil price, there was a 27% drop in revenue from NOK 312 billion in 2014.

The Norwegian organisations have the most appetite for outsourcing more and 81% defined cost reduction as a reason for, up from 73% in 2015 and , indicating a desire to reduce or control overall costs with the means of outsourcing.

The reason to outsource varies across borders, while cost reduction is still a high priority in Norway due to macro-economic factors.

### MACRO-ECONOMIC FACTORS AS A FACTOR FOR OUTSOURCING

<table>
<thead>
<tr>
<th>Factor</th>
<th>Denmark</th>
<th>Finland</th>
<th>Norway</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to resources</td>
<td>72%</td>
<td>64%</td>
<td>81%</td>
<td>61%</td>
</tr>
<tr>
<td>Focus on core business</td>
<td>68%</td>
<td>57%</td>
<td>53%</td>
<td>61%</td>
</tr>
<tr>
<td>Cost reduction</td>
<td>52%</td>
<td>50%</td>
<td>53%</td>
<td>55%</td>
</tr>
<tr>
<td>Business transformation</td>
<td>28%</td>
<td>43%</td>
<td>31%</td>
<td>39%</td>
</tr>
<tr>
<td>Improvement of service quality</td>
<td>28%</td>
<td>29%</td>
<td>47%</td>
<td>39%</td>
</tr>
<tr>
<td>More transparency on costs</td>
<td>16%</td>
<td>21%</td>
<td>11%</td>
<td>37%</td>
</tr>
<tr>
<td>Other</td>
<td>12%</td>
<td>14%</td>
<td>3%</td>
<td>18%</td>
</tr>
<tr>
<td>More financial flexibility</td>
<td>12%</td>
<td>0%</td>
<td>22%</td>
<td>3%</td>
</tr>
</tbody>
</table>

2. 2015 Nordic IT Outsourcing Study, Whitelane and PA Consulting.
Agenda

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   - Sole sourcing and nearshore/offshore experience
   - Governance capabilities
   - Cloud computing satisfaction
General high satisfaction among clients in the Nordics

- **Denmark**
  - Very unsatisfied: 12%
  - Unsatisfied: 1%
  - Somewhat unsatisfied: 2%
  - Somewhat satisfied: 4%
  - Satisfied: 29%
  - Very satisfied: 29%

- **Finland**
  - Very unsatisfied: 9%
  - Unsatisfied: 2%
  - Somewhat unsatisfied: 1%
  - Somewhat satisfied: 2%
  - Satisfied: 30%
  - Very satisfied: 30%

- **Norway**
  - Very unsatisfied: 11%
  - Unsatisfied: 1%
  - Somewhat unsatisfied: 5%
  - Somewhat satisfied: 9%
  - Satisfied: 44%
  - Very satisfied: 30%

- **Sweden**
  - Very unsatisfied: 14%
  - Unsatisfied: 1%
  - Somewhat unsatisfied: 3%
  - Somewhat satisfied: 5%
  - Satisfied: 27%
  - Very satisfied: 50%
**How satisfied are you in general with your service provider(s)?**

| # of contracts | TCS | Accenture | Tech Mahindra | Basefarm | Infosys | NNIT | Telenor | Larsen & Toubro Infotech | Volvo IT | Elisa | Wipro | Cognizant | HCL | Capgemini | TeliaSonera | CSC | ATEA | CGI | HP | Fujitsu | KMD | IBM | Tieto | TDC | AT&T | Atos | EVRY | Verizon | BT |
|----------------|-----|-----------|---------------|----------|---------|------|--------|--------------------------|-----------|------|-------|------------|-----|-----------|-----------|----|------|-----|----|---------|-----|-----|-------|----|------|-----|-----|---------|----|-----|-------|----|-------|-----|-----|---------|----|-----|-------|
| 41             | 81% | 80%       | 80%           | 78%      | 76%     | 76%  | 75%    | 75%                      | 74%       | 73%  | 73%   | 73%        | 73% | 72%       | 72%       | 72%| 71%   | 71% | 71%| 70%     | 69% | 69% | 68%   | 67%| 67%   | 65% | 64%| 64%     | 64%| 62%   | 62% |
| 40             | 80% | 80%       |               |          |         |      |        |                           |           |      |       |            |     |           |            |    |       |     |    |        |     |     |       |    |       |     |    |        |     |     |       |
| 8              |     |           |               |          |         |      |        |                           |           |      |       |            |     |           |            |    |       |     |    |        |     |     |       |    |       |     |    |        |     |     |       |
| 8              |     |           |               |          |         |      |        |                           |           |      |       |            |     |           |            |    |       |     |    |        |     |     |       |    |       |     |    |        |     |     |       |
| 14             |     |           |               |          |         |      |        |                           |           |      |       |            |     |           |            |    |       |     |    |        |     |     |       |    |       |     |    |        |     |     |       |
| 8              |     |           |               |          |         |      |        |                           |           |      |       |            |     |           |            |    |       |     |    |        |     |     |       |    |       |     |    |        |     |     |       |
| 9              |     |           |               |          |         |      |        |                           |           |      |       |            |     |           |            |    |       |     |    |        |     |     |       |    |       |     |    |        |     |     |       |
| 30             |     |           |               |          |         |      |        |                           |           |      |       |            |     |           |            |    |       |     |    |        |     |     |       |    |       |     |    |        |     |     |       |
| 11             |     |           |               |          |         |      |        |                           |           |      |       |            |     |           |            |    |       |     |    |        |     |     |       |    |       |     |    |        |     |     |       |
| 11             |     |           |               |          |         |      |        |                           |           |      |       |            |     |           |            |    |       |     |    |        |     |     |       |    |       |     |    |        |     |     |       |

Average = 72%

**Key to scores**
- Very satisfied = 100%
- Satisfied = 80%
- Somewhat satisfied = 60%
- Somewhat unsatisfied = 40%
- Unsatisfied = 20%
- Very unsatisfied = 0%
How satisfied are you in general with your service provider(s)? (Comparison with last year)

### CHANGES FROM 2015 to 2016

- **TCS** tops the list as last two years, however their satisfaction has dropped from 87% to 81%.
- **HCL** and **Cognizant** have dropped significantly on their customer satisfaction score (from 82% to 73% and 81% to 73%).
- The **Indian heritage providers** are not as dominate in the ranking as previous years! However in general they score high due to their continuously strong focus on building trust-based relationships.
- **Accenture** has strengthened its performance since last year by continuing to score above average on the majority of the KPIs.
- Regional players like **Evry, Tieto, KMD** and **ATEA** are struggling to satisfy their customers at same levels as other competitors.
General Satisfaction by Country: Denmark

- 15% planning to in-source
- Access to resources the key driver and focus on business
- General satisfaction is highest in the Nordic region

**Denmark**

<table>
<thead>
<tr>
<th>Company</th>
<th>Satisfaction Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCS</td>
<td>78%</td>
</tr>
<tr>
<td>HCL</td>
<td>77%</td>
</tr>
<tr>
<td>HP</td>
<td>77%</td>
</tr>
<tr>
<td>CSC</td>
<td>76%</td>
</tr>
<tr>
<td>Accenture</td>
<td>76%</td>
</tr>
<tr>
<td>IBM</td>
<td>76%</td>
</tr>
<tr>
<td>NNIT</td>
<td>76%</td>
</tr>
<tr>
<td>Telenor</td>
<td>74%</td>
</tr>
<tr>
<td>CGI</td>
<td>71%</td>
</tr>
<tr>
<td>ATEA</td>
<td>70%</td>
</tr>
<tr>
<td>KMD</td>
<td>70%</td>
</tr>
<tr>
<td>TDC</td>
<td>65%</td>
</tr>
</tbody>
</table>

Average = 74%

Key to scores:
- Very satisfied: 100%
- Satisfied: 80%
- Somewhat satisfied: 60%
- Somewhat unsatisfied: 40%
- Unsatisfied: 20%
- Very unsatisfied: 0%
General Satisfaction by Country: Finland

- 10% planning to in-source
- Access to resources the key driver and Cost reduction
- General satisfaction is lower than the rest of the Nordic region

Service provider performance average = 70%

Key to scores:
- Very satisfied: 100%
- Satisfied: 80%
- Somewhat satisfied: 60%
- Somewhat unsatisfied: 40%
- Unsatisfied: 20%
- Very unsatisfied: 0%
General Satisfaction by Country: Norway

- 54% are looking to outsource more
- Only 6% plan to outsource less
- Cost reduction is by far the key driver and Access to resources
- General satisfaction is high

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Satisfaction</th>
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</thead>
<tbody>
<tr>
<td>Accenture</td>
<td>85%</td>
</tr>
<tr>
<td>TCS</td>
<td>80%</td>
</tr>
<tr>
<td>Telenor</td>
<td>76%</td>
</tr>
<tr>
<td>Capgemini</td>
<td>75%</td>
</tr>
<tr>
<td>Cognizant</td>
<td>75%</td>
</tr>
<tr>
<td>ATEA</td>
<td>68%</td>
</tr>
<tr>
<td>CSC</td>
<td>63%</td>
</tr>
<tr>
<td>EVRY</td>
<td>59%</td>
</tr>
</tbody>
</table>

Average = 73%

Key to scores:
- Very satisfied: 100%
- Satisfied: 80%
- Somewhat satisfied: 60%
- Somewhat unsatisfied: 40%
- Unsatisfied: 20%
- Very unsatisfied: 0%
General Satisfaction by Country: Sweden

- Only 6% plan to outsource less
- Access to resources the key driver and cost reduction
- General satisfaction is high, however lower than Denmark and Norway

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCS</td>
<td>86%</td>
</tr>
<tr>
<td>Accenture</td>
<td>80%</td>
</tr>
<tr>
<td>HCL</td>
<td>80%</td>
</tr>
<tr>
<td>Wipro</td>
<td>77%</td>
</tr>
<tr>
<td>Capgemini</td>
<td>76%</td>
</tr>
<tr>
<td>Telenor</td>
<td>76%</td>
</tr>
<tr>
<td>CGI</td>
<td>75%</td>
</tr>
<tr>
<td>ATEA</td>
<td>74%</td>
</tr>
<tr>
<td>Volvo IT</td>
<td>73%</td>
</tr>
<tr>
<td>TeliaSonera</td>
<td>71%</td>
</tr>
<tr>
<td>Infosys</td>
<td>70%</td>
</tr>
<tr>
<td>TDC</td>
<td>70%</td>
</tr>
<tr>
<td>EVRY</td>
<td>68%</td>
</tr>
<tr>
<td>Tieto</td>
<td>68%</td>
</tr>
<tr>
<td>Atos</td>
<td>67%</td>
</tr>
<tr>
<td>IBM</td>
<td>65%</td>
</tr>
<tr>
<td>HP</td>
<td>63%</td>
</tr>
<tr>
<td>Fujitsu</td>
<td>60%</td>
</tr>
</tbody>
</table>

Average = 72%

Key to scores:
- Very satisfied: 100%
- Satisfied: 80%
- Somewhat satisfied: 60%
- Somewhat unsatisfied: 40%
- Unsatisfied: 20%
- Very unsatisfied: 0%
General satisfaction in Sweden – 4 year comparison (2/2)

Service provider performance in Sweden:
- TeliaSonera
- Infosys
- TDC
- EVRY
- Tieto
- Atos
- IBM
- HP
- Fujitsu

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<table>
<thead>
<tr>
<th>Service Provider</th>
<th># of Contracts</th>
<th>Average Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCS</td>
<td>157</td>
<td>82%</td>
</tr>
<tr>
<td>Cognizant</td>
<td>92</td>
<td>78%</td>
</tr>
<tr>
<td>Computacenter</td>
<td>82</td>
<td>77%</td>
</tr>
<tr>
<td>Accenture</td>
<td>192</td>
<td>75%</td>
</tr>
<tr>
<td>Tech Mahindra</td>
<td>35</td>
<td>74%</td>
</tr>
<tr>
<td>Infosys</td>
<td>86</td>
<td>74%</td>
</tr>
<tr>
<td>HCL</td>
<td>73</td>
<td>72%</td>
</tr>
<tr>
<td>HP</td>
<td>179</td>
<td>71%</td>
</tr>
<tr>
<td>Capgemini</td>
<td>229</td>
<td>71%</td>
</tr>
<tr>
<td>Unisys</td>
<td>34</td>
<td>71%</td>
</tr>
<tr>
<td>Sopra Steria</td>
<td>66</td>
<td>71%</td>
</tr>
<tr>
<td>Wipro</td>
<td>83</td>
<td>71%</td>
</tr>
<tr>
<td>Atos</td>
<td>224</td>
<td>71%</td>
</tr>
<tr>
<td>CGI</td>
<td>164</td>
<td>70%</td>
</tr>
<tr>
<td>Vodafone</td>
<td>58</td>
<td>70%</td>
</tr>
<tr>
<td>Telefónica</td>
<td>63</td>
<td>70%</td>
</tr>
<tr>
<td>Fujitsu</td>
<td>124</td>
<td>70%</td>
</tr>
<tr>
<td>IBM</td>
<td>246</td>
<td>68%</td>
</tr>
<tr>
<td>Orange Business Services</td>
<td>74</td>
<td>68%</td>
</tr>
<tr>
<td>CSC</td>
<td>82</td>
<td>68%</td>
</tr>
<tr>
<td>Verizon</td>
<td>68</td>
<td>67%</td>
</tr>
<tr>
<td>T-Systems</td>
<td>98</td>
<td>66%</td>
</tr>
<tr>
<td>BT</td>
<td>130</td>
<td>66%</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>61</td>
<td>62%</td>
</tr>
</tbody>
</table>

Average = 71%

Key to scores
- Very satisfied 100%
- Satisfied 80%
- Somewhat satisfied 60%
- Somewhat unsatisfied 40%
- Unsatisfied 20%
- Very unsatisfied 0%
Key Performance Indicators (KPI) model

Service provider performance

- The service provider has a good and effective escalation process?
- The account management is of good satisfactory quality?
- The service provider is proactive in coming up with new ideas to make the relationship more successful?
- The service provider has the ability to drive change and successful transformation?
- The service provider provides deliver us with all required information in a timely and accurate way?
- The service provider drives innovation e.g. new innovative technologies and services?
Majority of private sector negotiate with the existing vendor first, but 1 in 3 will go directly for a competitive process.

If you are working in the private sector, will you first try to negotiate the renewal process with the existing vendor or directly run a competitive process?

- First negotiate with the existing vendor: 48%
- Directly run a competitive process: 31%
- N/A – I don’t know: 21%
Clients expect to utilize Nearshoring and Offshoring more in the future

Nearshoring

- Decrease: 22%
- Remain the same: 7%
- Increase: 42%
- N/A / I don't know: 29%

Offshoring

- Decrease: 19%
- Remain the same: 7%
- Increase: 34%
- N/A / I don't know: 40%
Clients and Service Providers agree that IT should be responsible for managing the governance, but Service Providers believe that the Business should be much more involved or even sit in the driving seat during the selection process.

**Clients:**
- **Who should sit in the driving seat?**
  - During the selection process:
    - IT department: 62%
    - Business: 19%
    - Procurement: 16%
    - N/A – I don’t know yet: 3%
  - At the governance process (managing the vendors):
    - IT department: 82%
    - Business: 9%
    - Procurement: 3%
    - N/A – I don’t know yet: 0%

**Service Providers:**
- **Who should sit in the driving seat?**
  - During the selection process:
    - IT department: 33%
    - Business: 19%
    - Procurement: 48%
    - N/A – I don’t know yet: 0%
  - At the governance process (managing the vendors):
    - IT department: 81%
    - Business: 10%
    - Procurement: 10%
    - N/A – I don’t know yet: 0%
Conflicting realities of clients sourcing capabilities – own perception is far from Service Providers

Viewpoints on Sourcing capabilities

- Transition is still an area where both clients and suppliers see a need to improve client capabilities.
- In Governance and supplier management, suppliers have a more negative view on client capabilities than the clients.

Clients: With regard to your own organisation, how satisfied are you with the following governance capability areas?

- **Sourcing strategy**: 14% Very unsatisfied, 38% Unsatisfied, 38% Satisfied, 10% Very satisfied
- **Supplier selection and contracting**: 24% Very unsatisfied, 19% Unsatisfied, 48% Satisfied, 10% Very satisfied
- **Transition management**: 19% Very unsatisfied, 33% Unsatisfied, 24% Satisfied, 24% Very satisfied
- **Governance and supplier management**: 10% Very unsatisfied, 29% Unsatisfied, 29% Satisfied, 33% Very satisfied

Service providers: How mature do you consider your clients in general with their capabilities in the following areas?

- **Sourcing strategy**: 14% Very unsatisfied, 38% Unsatisfied, 38% Satisfied, 10% Very satisfied
- **Supplier selection and contracting**: 24% Very unsatisfied, 19% Unsatisfied, 48% Satisfied, 10% Very satisfied
- **Transition and change management**: 19% Very unsatisfied, 33% Unsatisfied, 24% Satisfied, 24% Very satisfied
- **Governance and supplier management**: 10% Very unsatisfied, 29% Unsatisfied, 29% Satisfied, 33% Very satisfied

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Conflicting realities of service integration – clients maintain it in-house, whereas service providers prefer an external provider

Viewpoints on service integration
- Currently, clients keep service integration in-house whereas service providers prefer that an external, primarily a service tower provider, is responsible for SIAM

Clients: How do you integrate multiple service provider contracts into one seamless service?
- Internally: 71%
- Via an external independent provider (not a tower provider): 16%
- Via an external service provider that also delivers another tower: 2%
- I'm not sure – N/A: 2%

Service providers: How would you recommend clients to integrate multiple service provider contracts into one seamless service?
- Internally: 14%
- Via an external independent provider (not a tower provider): 16%
- Via an external service provider that also delivers another tower: 29%
- I'm not sure – N/A: 57%
The majority of organisations plans to increase their usage of public clouds.

**Are you planning to decrease/increase the usage of public cloud?**

- Decrease: 1%
- Remain the same: 20%
- Increase: 67%
- N/A / I don’t know: 12%

**How satisfied are you in general with these public cloud vendors?**

- Google: 80%
- Amazon: 74%
- Salesforce.com: 73%
- Microsoft: 69%
- Citrix systems: 65%
- SAP: 65%
- Oracle: 65%
CONTACTS

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APPENDIX

IT OUTSOURCING STUDY 2016 NORDICS

Whitelane Research & PA Consulting Group

March 2016
Agile methods are widely adopted in Service Providers service delivery models

Do you or your IT suppliers use agile methods?

- Yes: 77%
- No: 13%
- I’m not sure – N/A: 10%