Whitelane Research

PA

IT OUTSOURCING STUDY 2016 NORDICS

Whitelane Research & PA Consulting Group

Press Presentation

14 April 2016

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

About Whitelane Research and PA Consulting Group

Whitelane Research

IT Outsourcing Studies conducted in 13 European countries

An independent organisation uniquely focused on and dedicated to (out)sourcing research and events.

Best Practices Groups for End-Users

End-User/Service Provider events

PA Consulting Group

PA is a leading independent sourcing advisor.

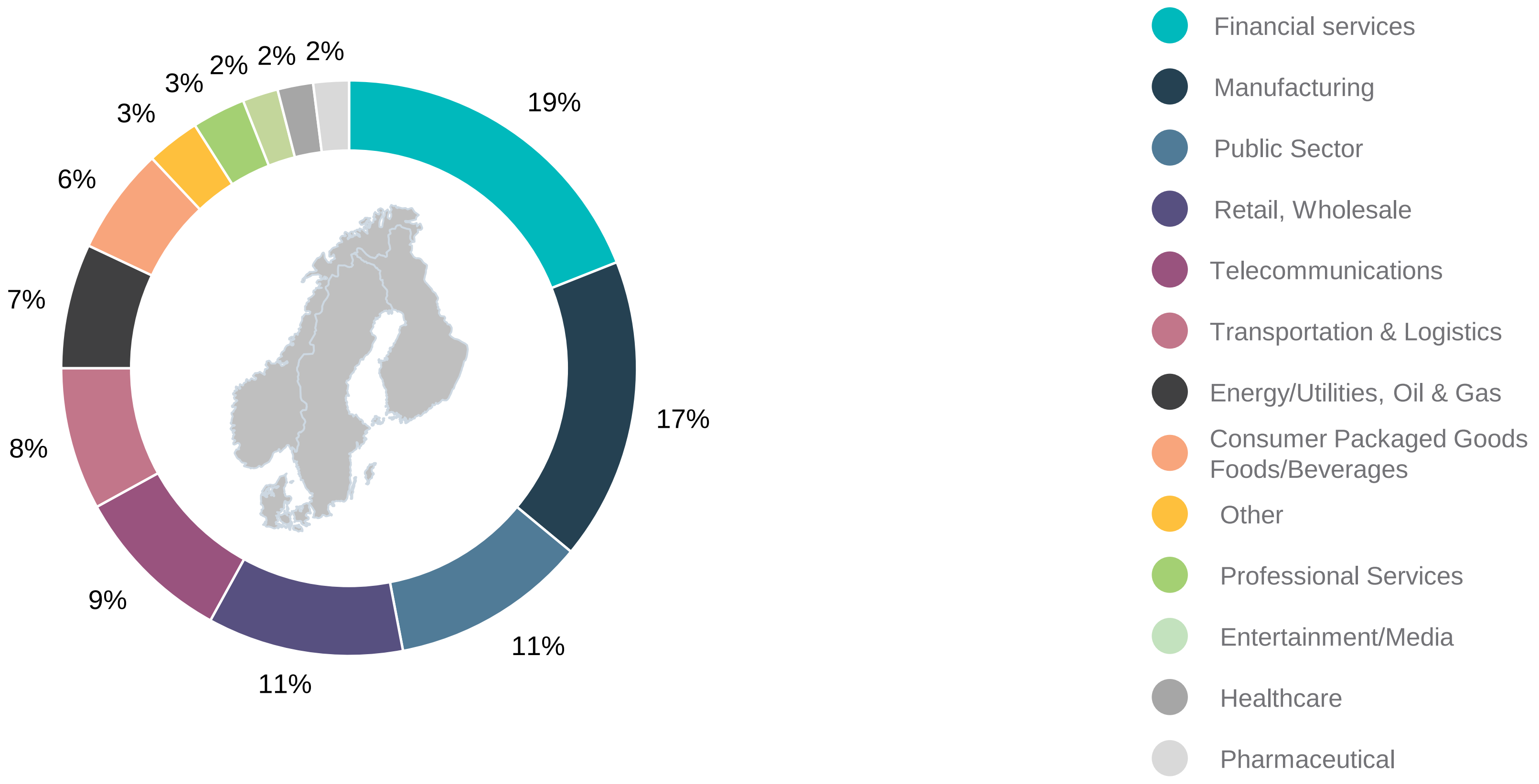
- Management Consulting firm operating worldwide with over 2,500 employees
- Broad set of business consulting, technology and innovation services
- 330 consultants in the Nordics

IT sourcing	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

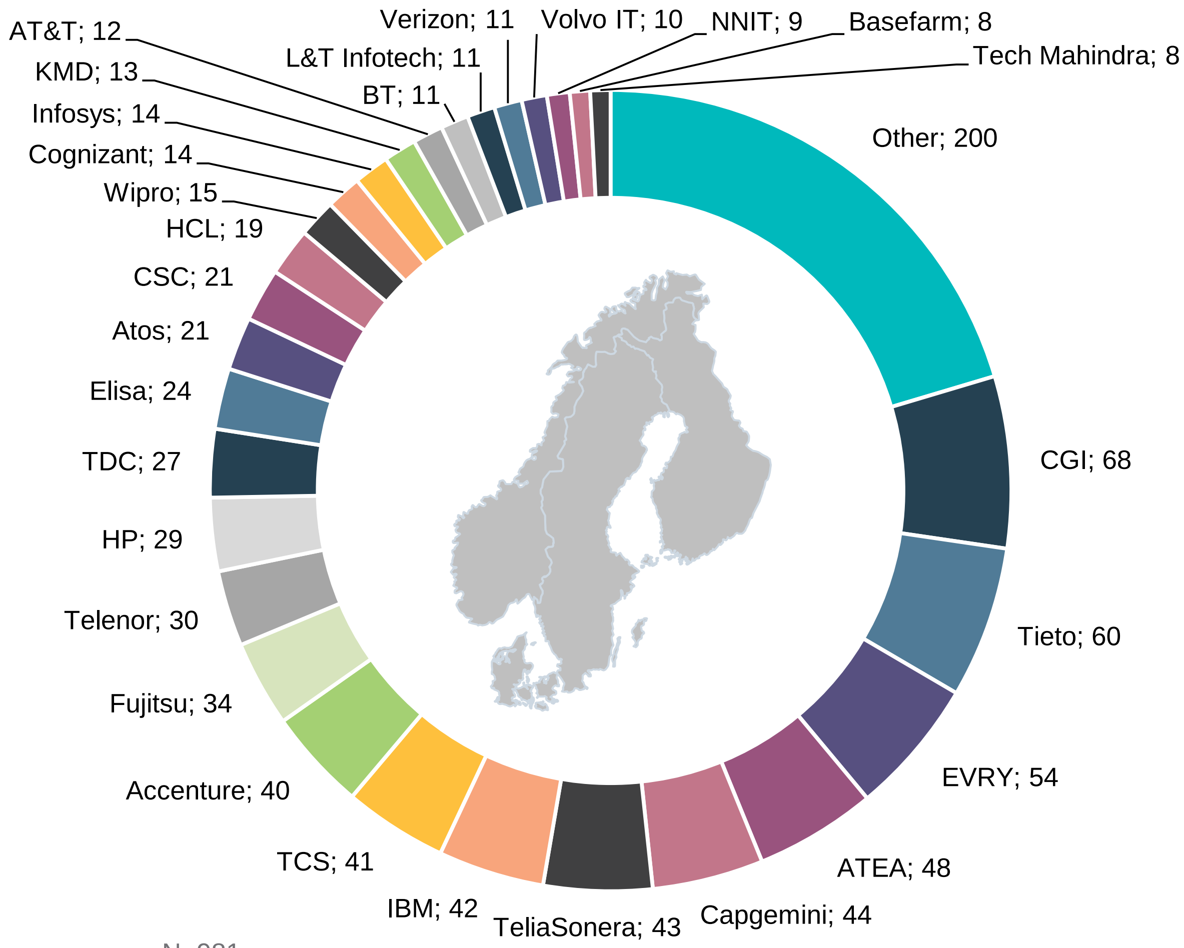
- More than **300 participants of the top IT spending organisations** in Denmark, Finland, Norway and Sweden that have evaluated close to **1,000 unique IT outsourcing contracts**
- **29 IT service providers** have been evaluated and ranked based on the opinion of their clients (not on the opinion of 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



N = 317

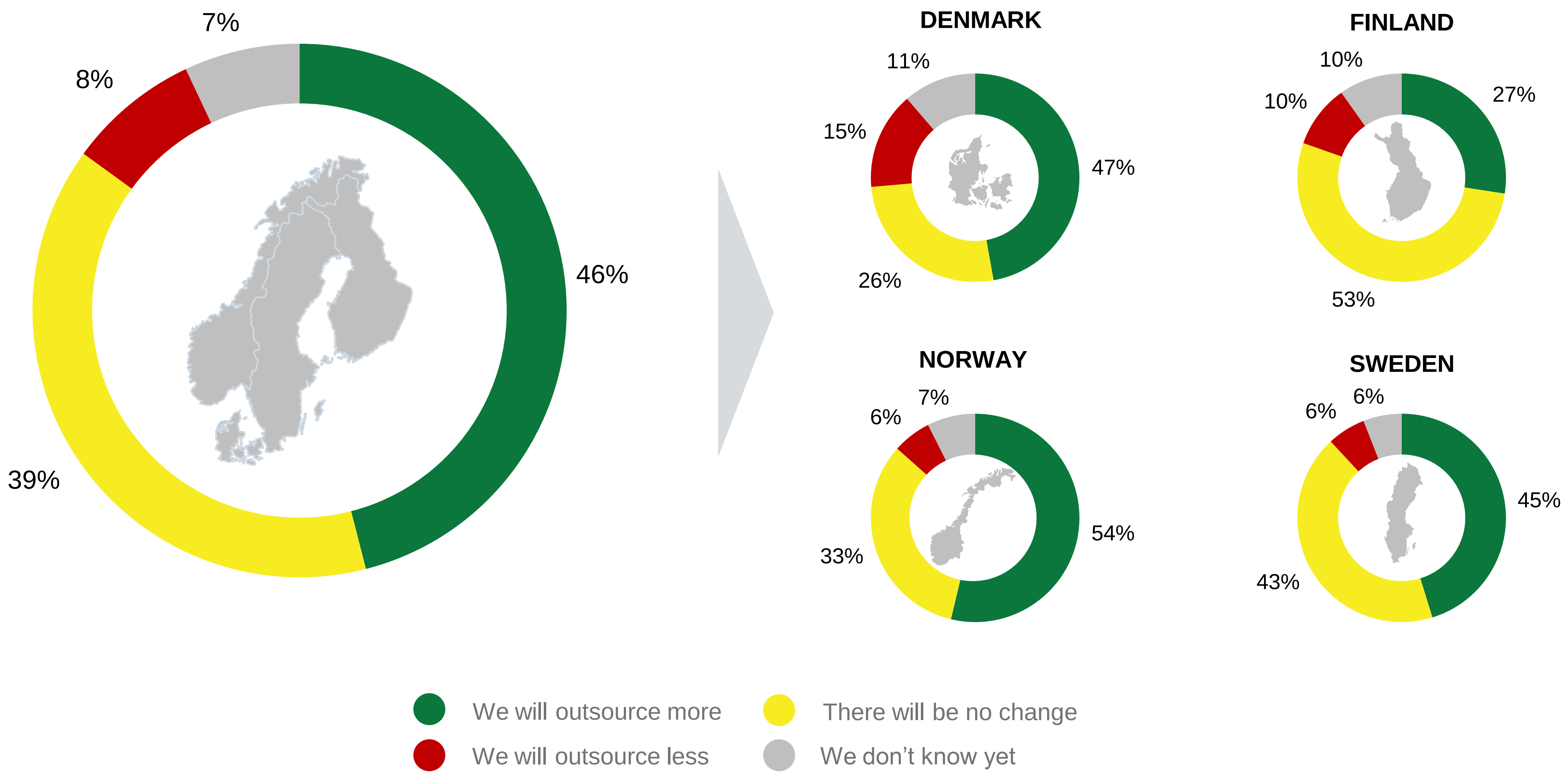
Close to **1,000 outsourcing contracts** have been evaluated, enabling us to rank the **top 29 IT outsourcing providers** in the Nordics



N=981

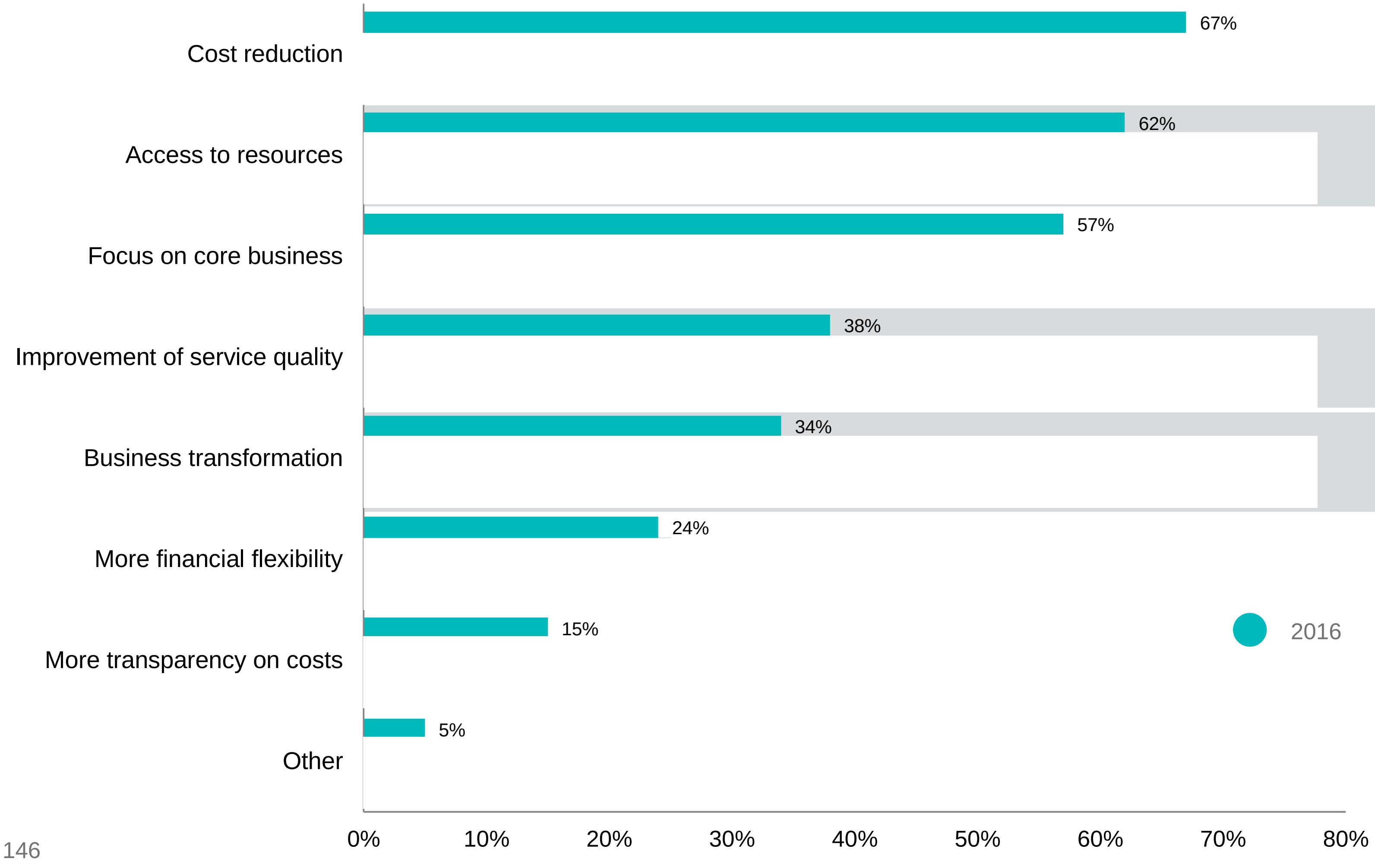
Agenda

Even more sourcing is still on the agenda in the Nordics



N = 317

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



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

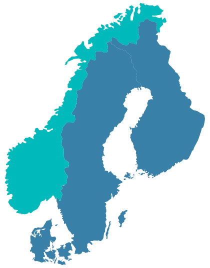
With higher satisfaction levels the focus of improvement of service quality is dropping

Organisations do not have flexible capacity and capabilities to drive major business transformation

N = 146

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

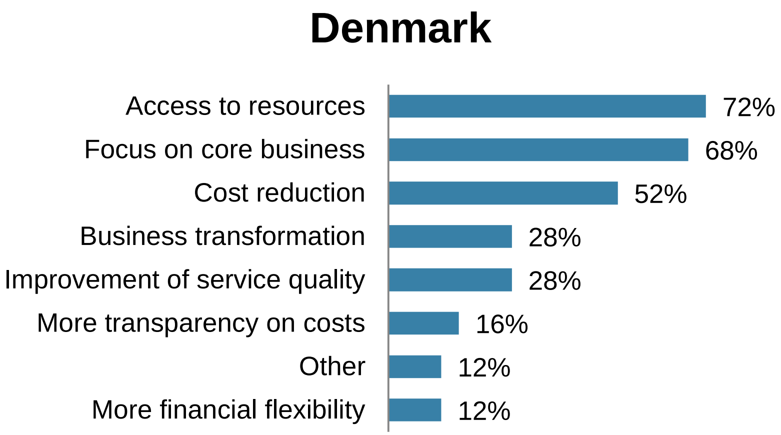
MACRO-ECONOMIC FACTORS AS A FACTOR FOR OUTSOURCING

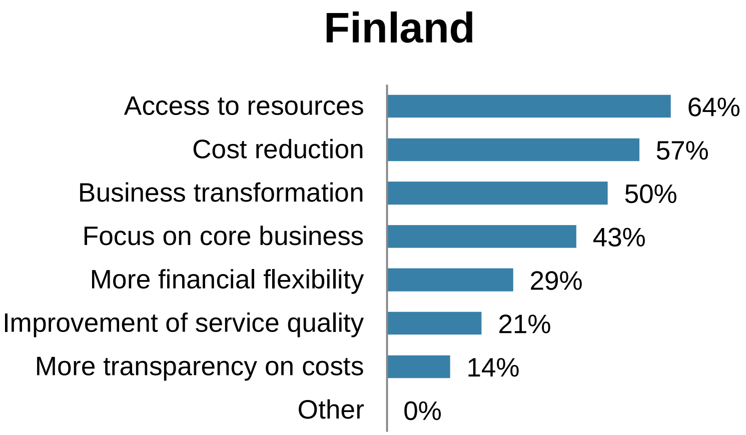


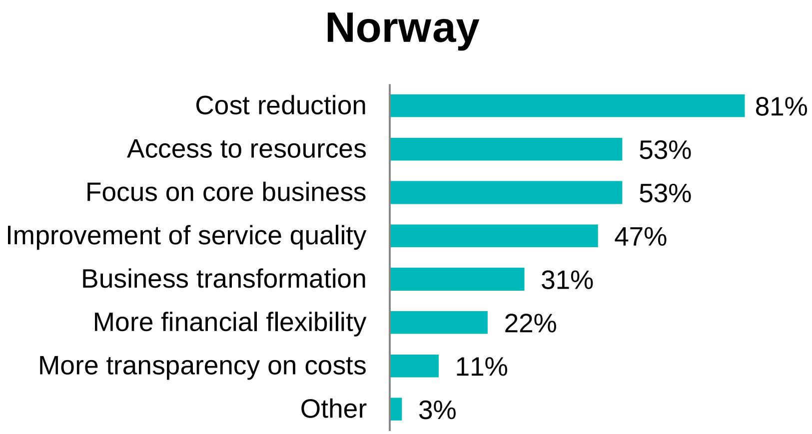
The oil and gas industry is the largest sector in Norway in terms of value. In 2015, due to the sharp and continuous decline in the oil price, there was a **27%** drop in revenue from NOK 312 billion in 2014[1].

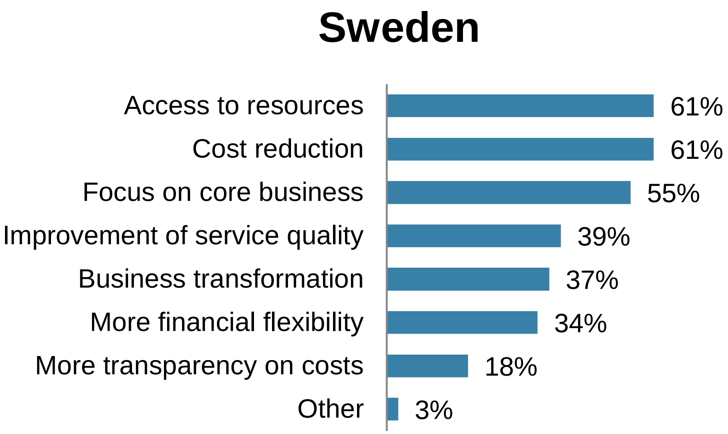
The Norwegian organisations have the most appetite for outsourcing more and **81%** defined cost reduction as a reason for, up from **73%** in 2015 and , indicating a desire to reduce or control overall costs with the means of outsourcing[2].

[1] www.norskpetroleum.no, retrieved 28-02-2016.
[2] 2015 Nordic IT Outsourcing Study, Whitelane and PA Consulting









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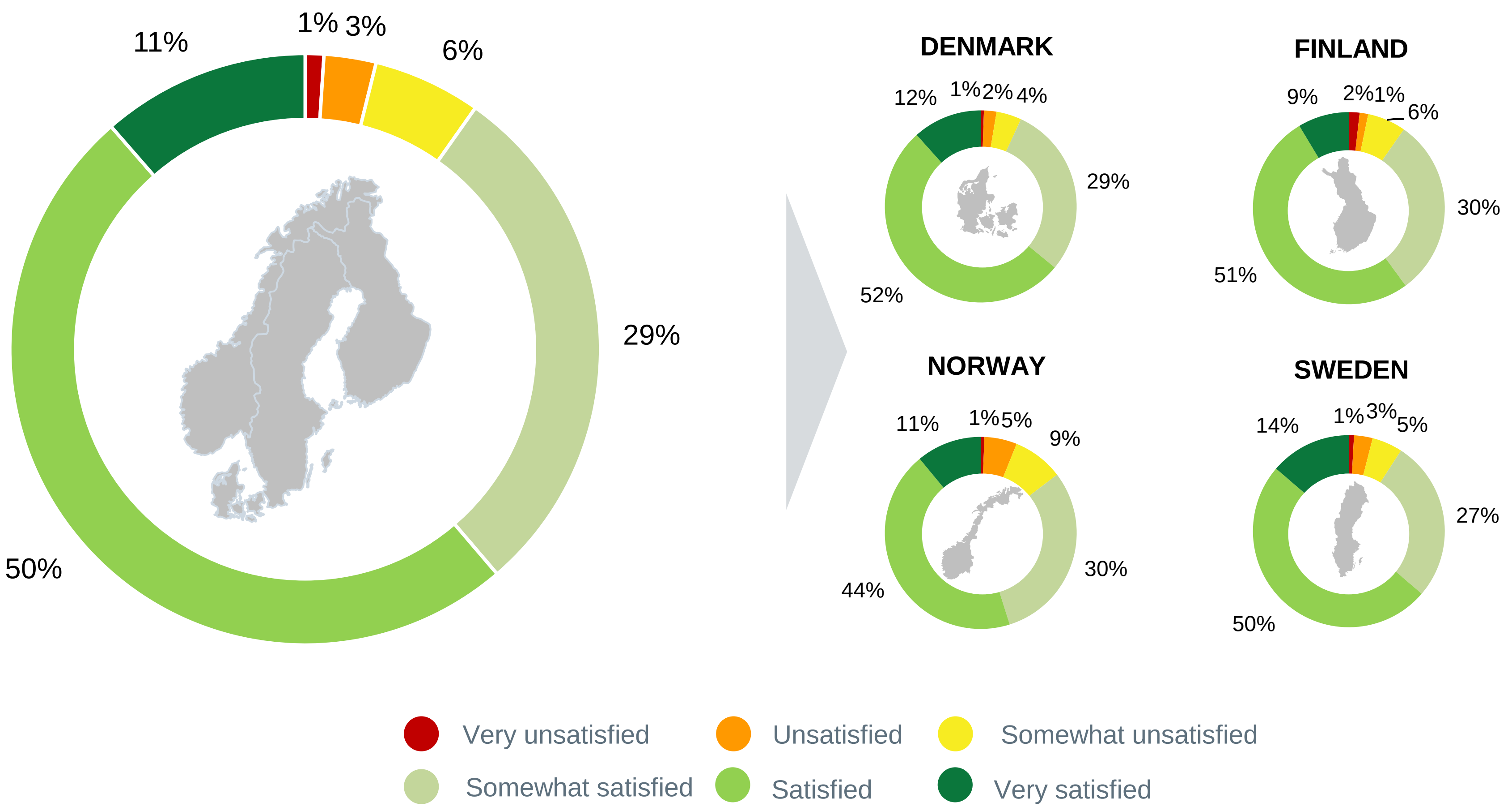
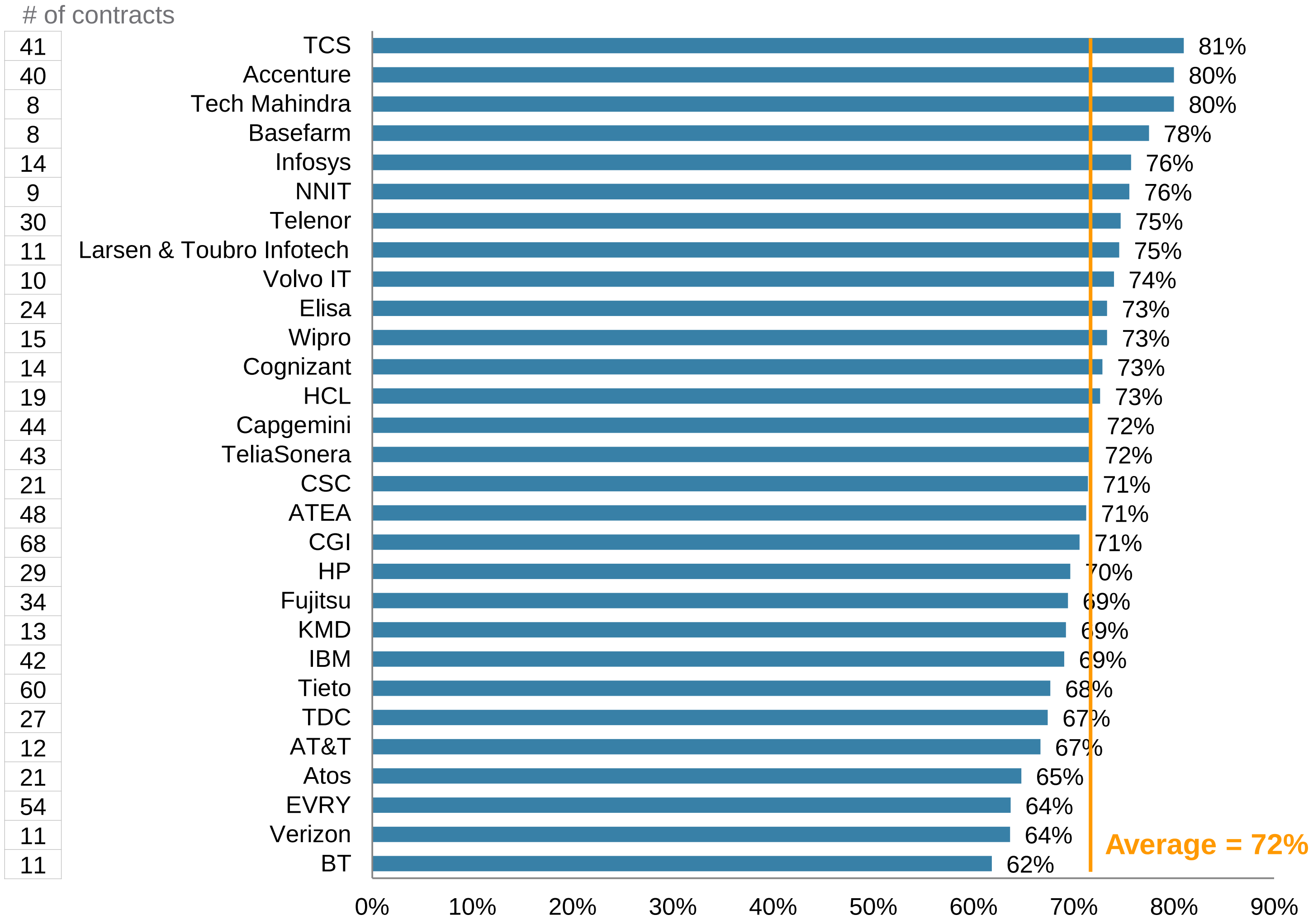
General high satisfaction among clients in the Nordics

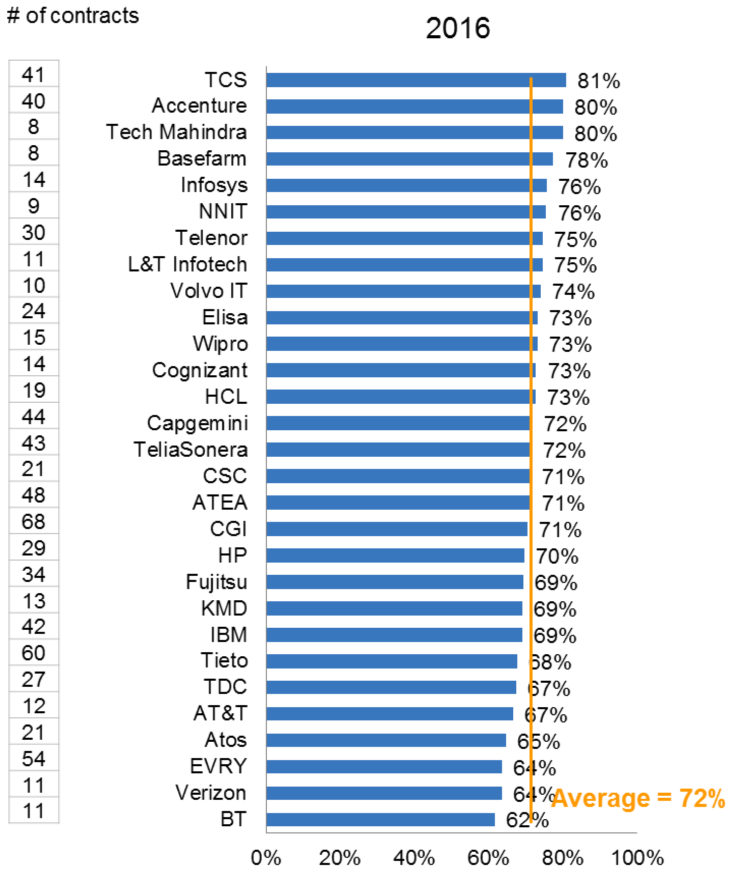


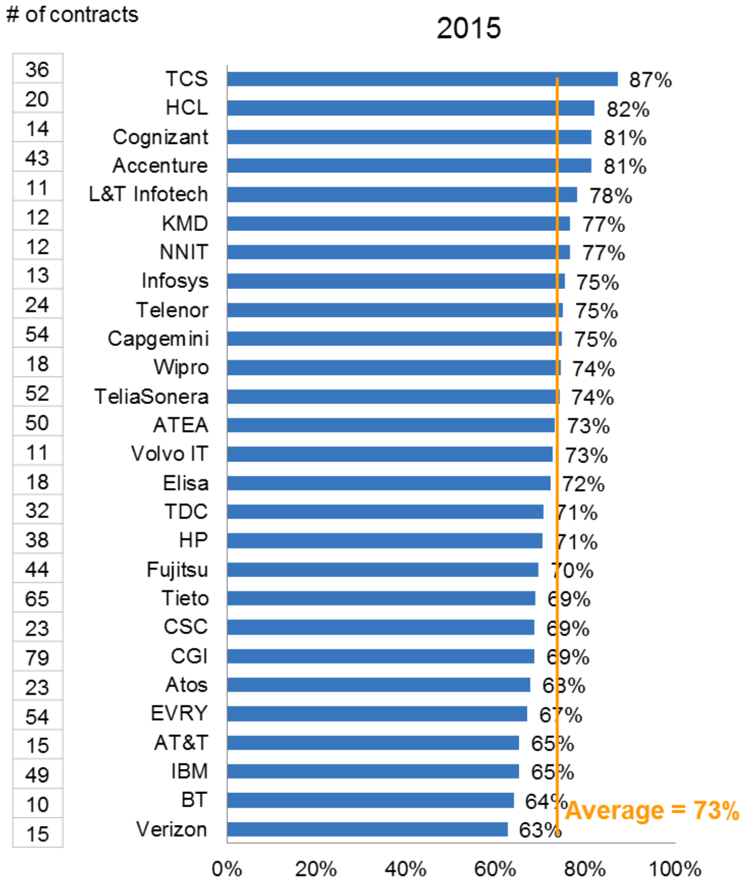
How satisfied are you in general with your service provider(s)?



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)





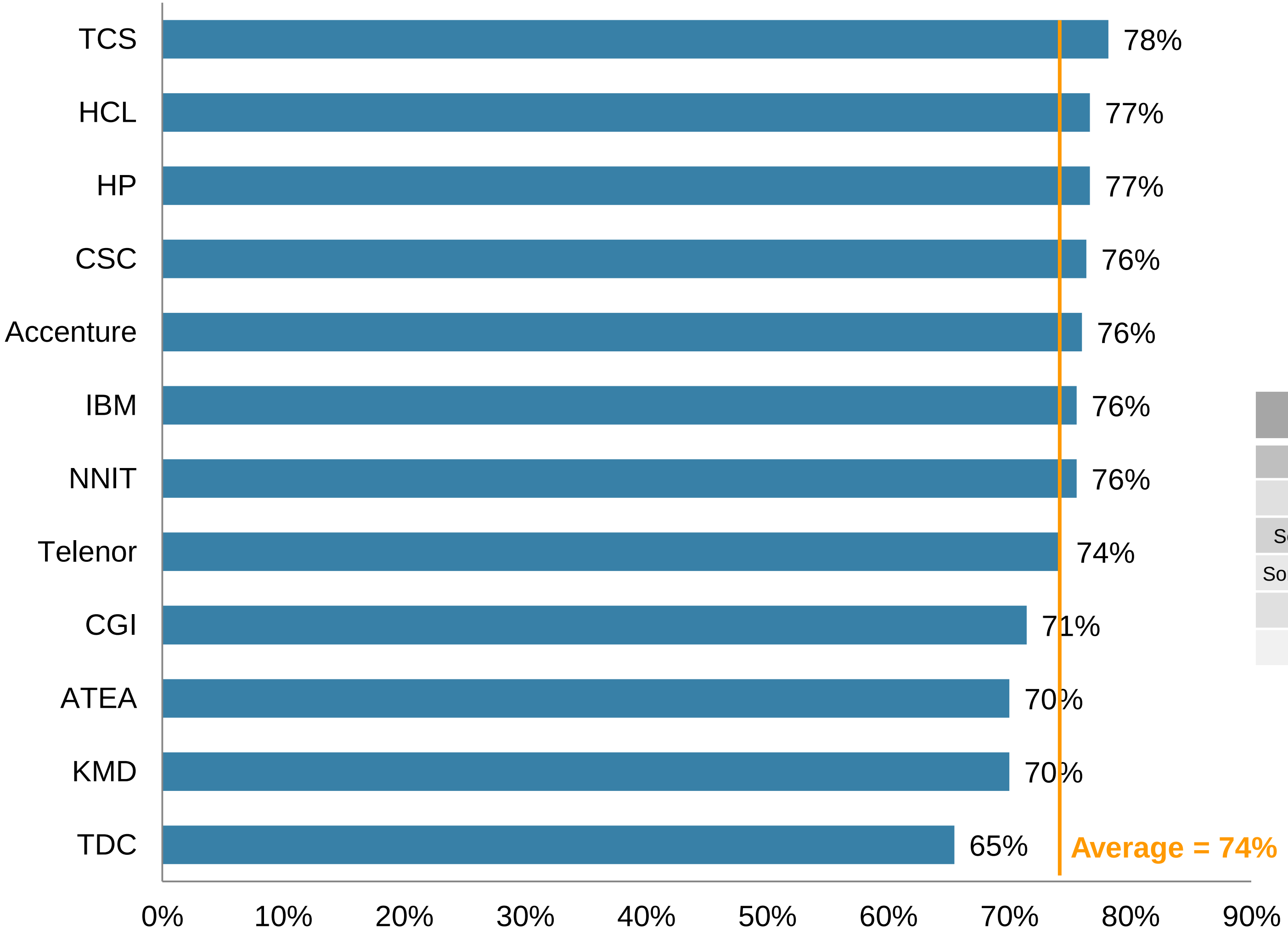
CHANGES FROM 2015 to 2016

- **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

Denmark

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

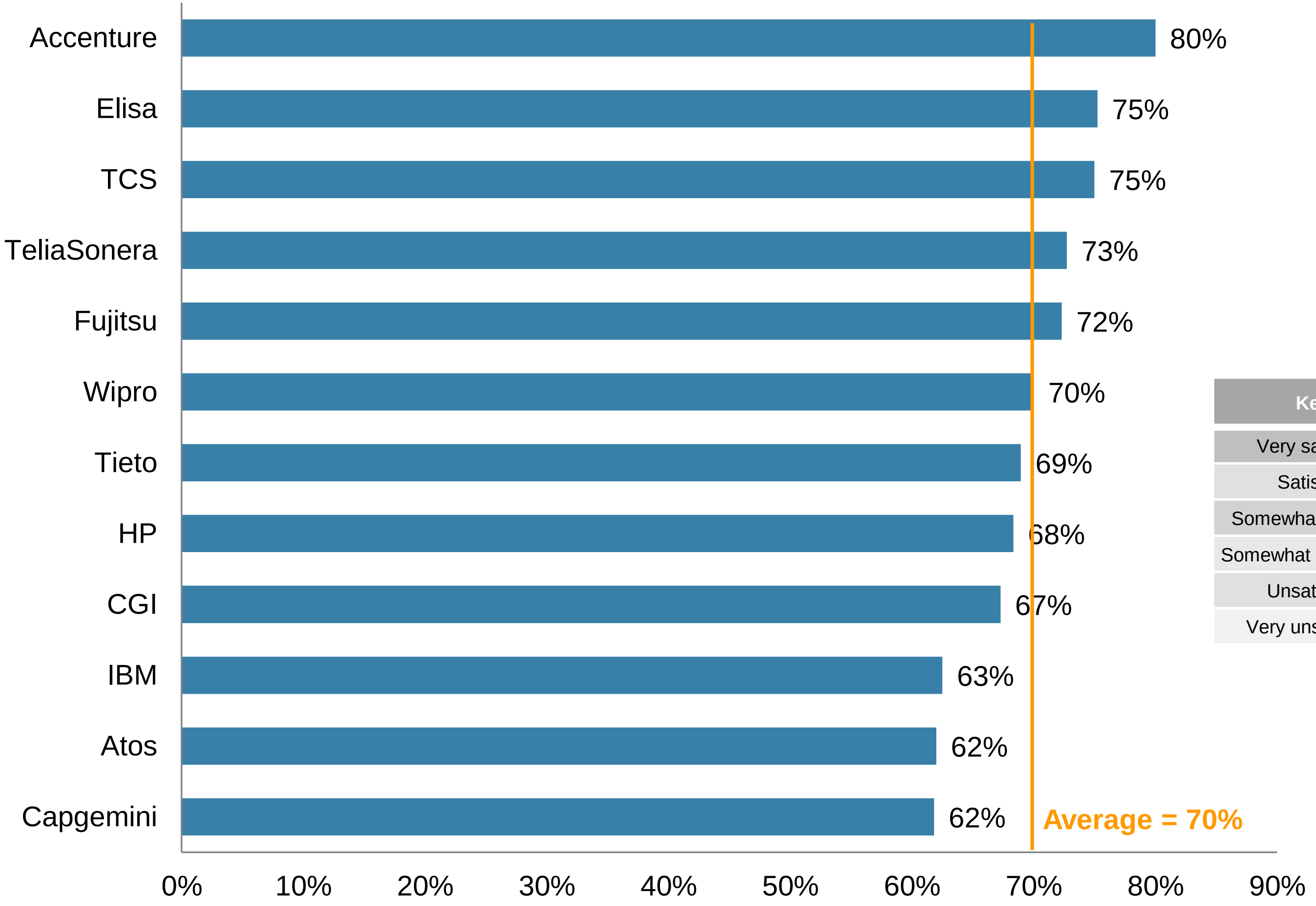


Key to scores	
Very satisfied	100%
Satisfied	80%
Somewhat satisfied	60%
Somewhat unsatisfied	40%
Unsatisfied	20%
Very unsatisfied	0%

General Satisfaction by Country: Finland

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

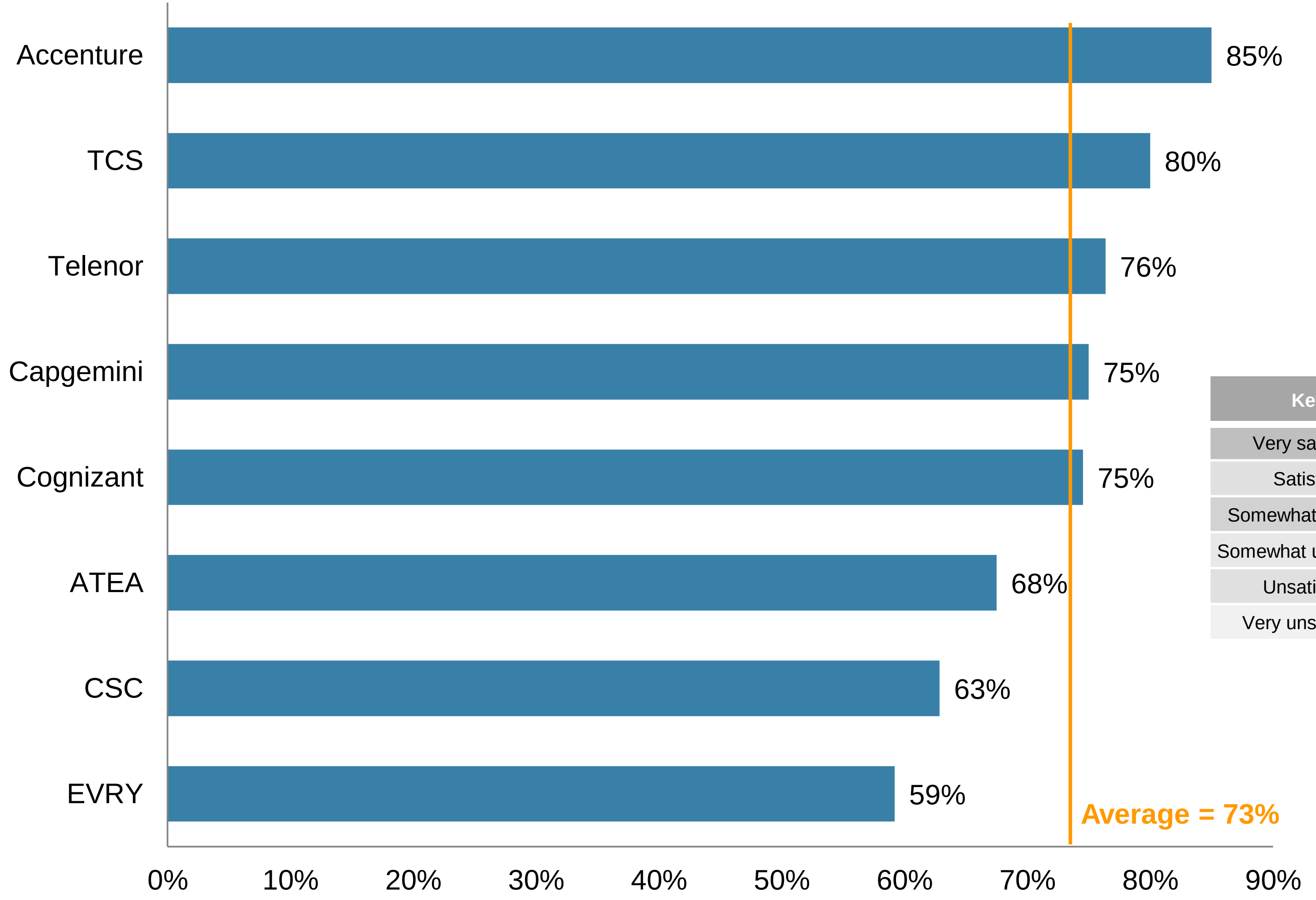


Key to scores	
Very satisfied	100%
Satisfied	80%
Somewhat satisfied	60%
Somewhat unsatisfied	40%
Unsatisfied	20%
Very unsatisfied	0%

General Satisfaction by Country: Norway

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

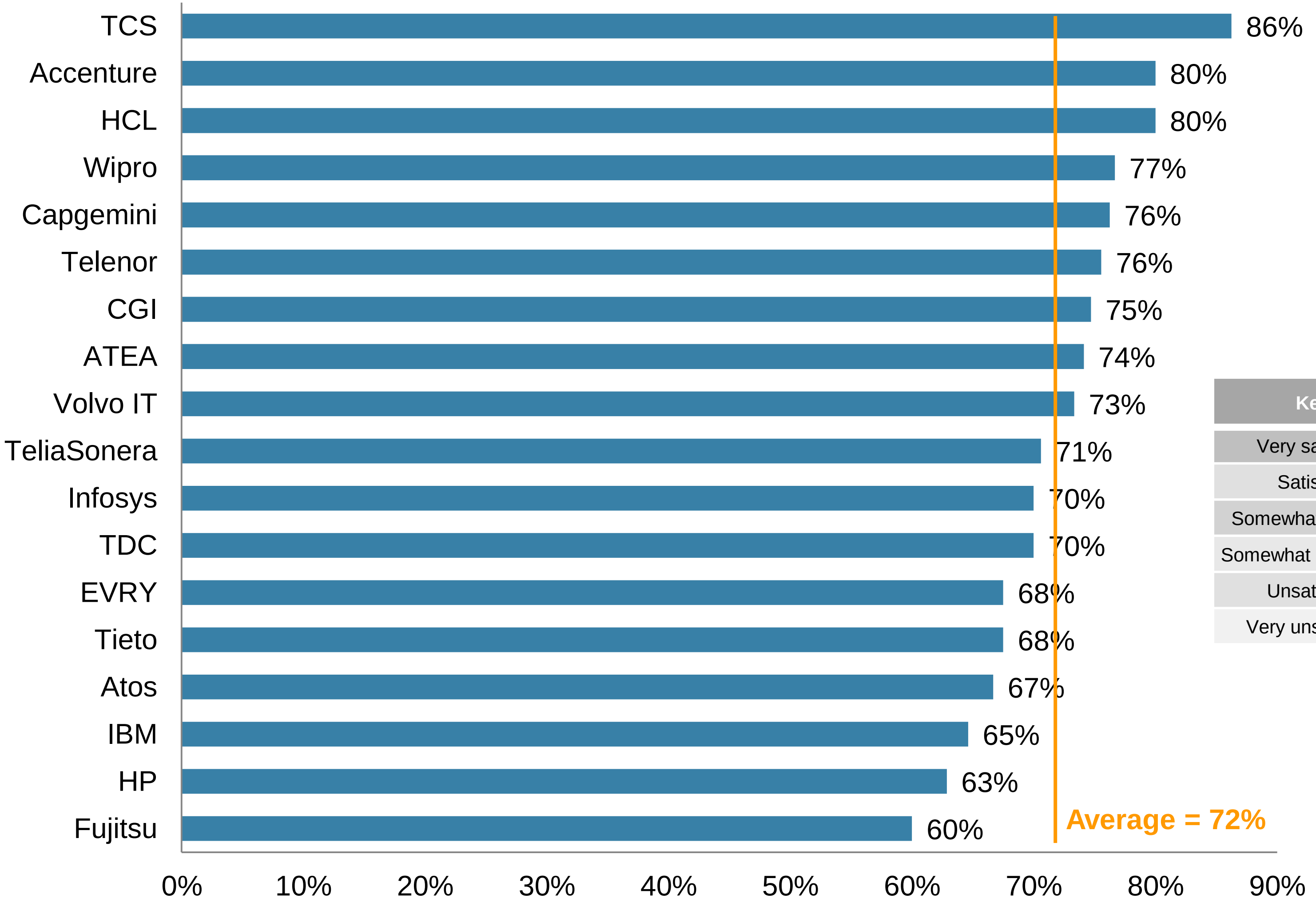


Key to scores	
Very satisfied	100%
Satisfied	80%
Somewhat satisfied	60%
Somewhat unsatisfied	40%
Unsatisfied	20%
Very unsatisfied	0%

General Satisfaction by Country: Sweden

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



Key to scores	
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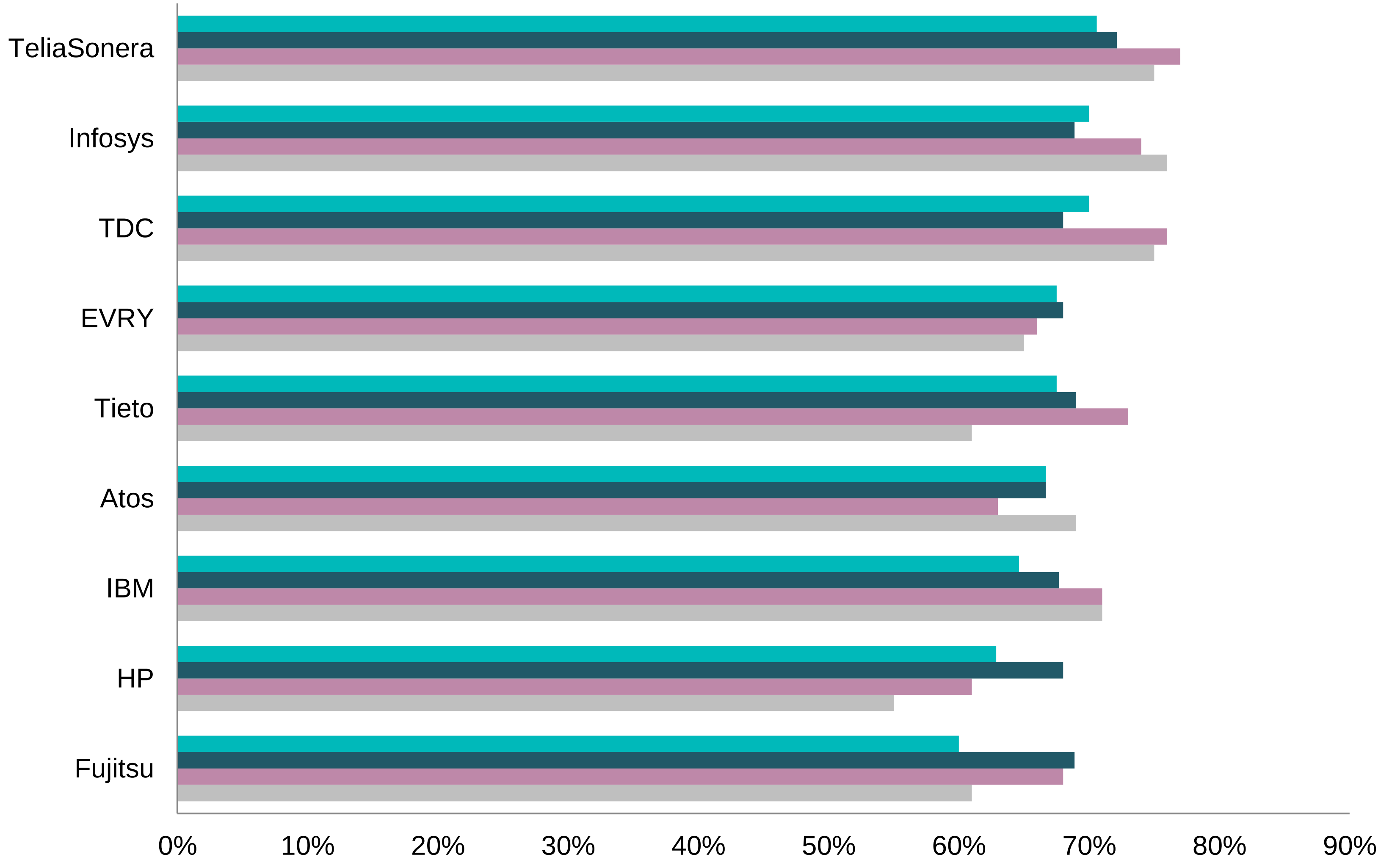
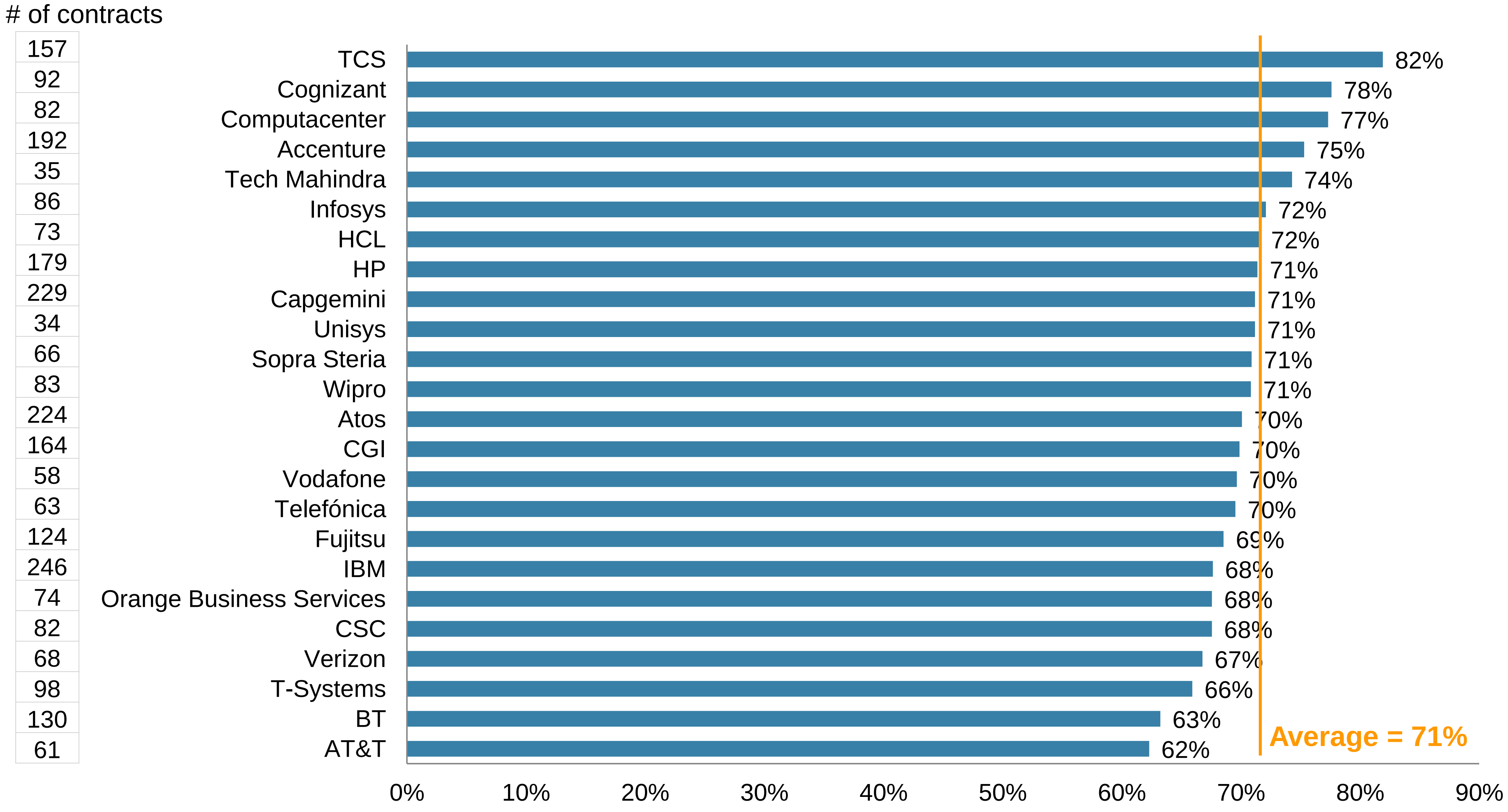
Unsatisfied	20%
Very unsatisfied	0%

General satisfaction in Sweden – 4 year comparison (2/2)



Sweden

General Satisfaction by Country: Europe (2015/2016)



Europe

Key to scores	
Very satisfied	100%
Satisfied	80%
Somewhat satisfied	60%
Somewhat unsatisfied	40%
Unsatisfied	20%
Very unsatisfied	0%

Key Performance Indicators (KPI) model

The service provider has a good and effective escalation process?

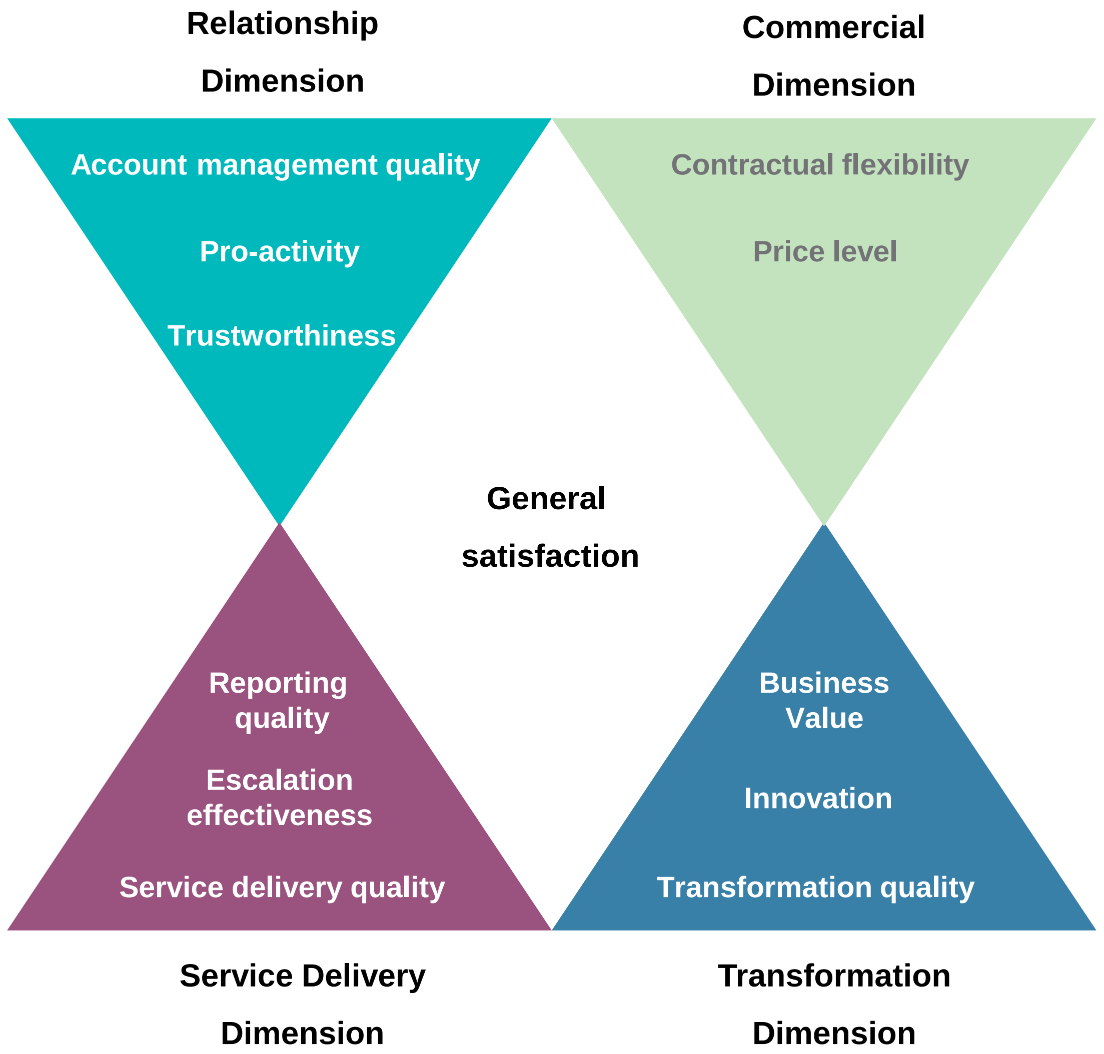
The account management is of good satisfactory quality?

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?

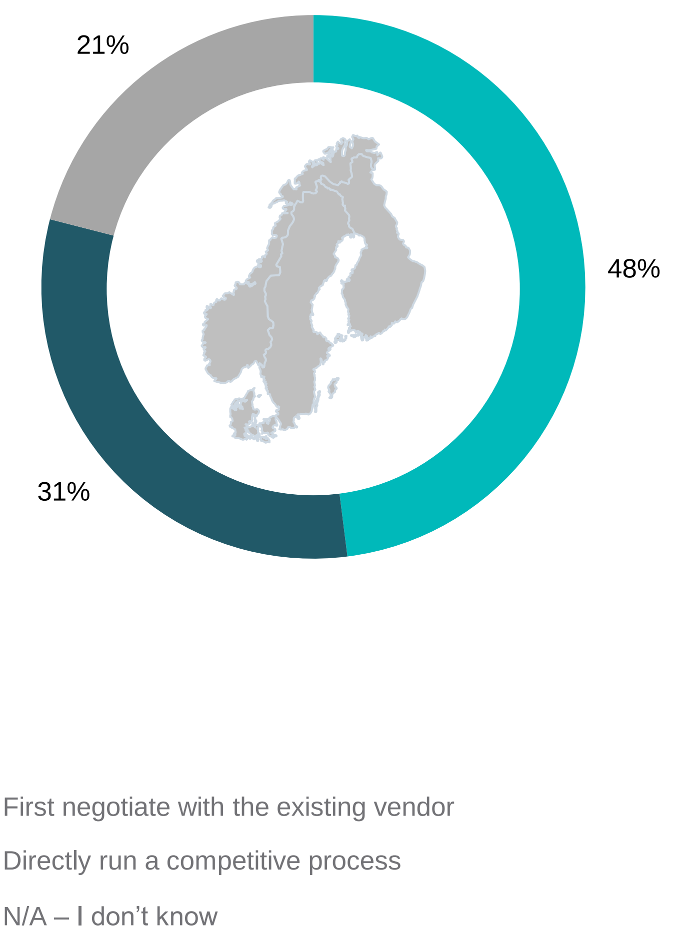
The service provider provides deliver us with all required information in a timely and accurate way?

The service provider drives innovation e.g. new innovative technologies and services?

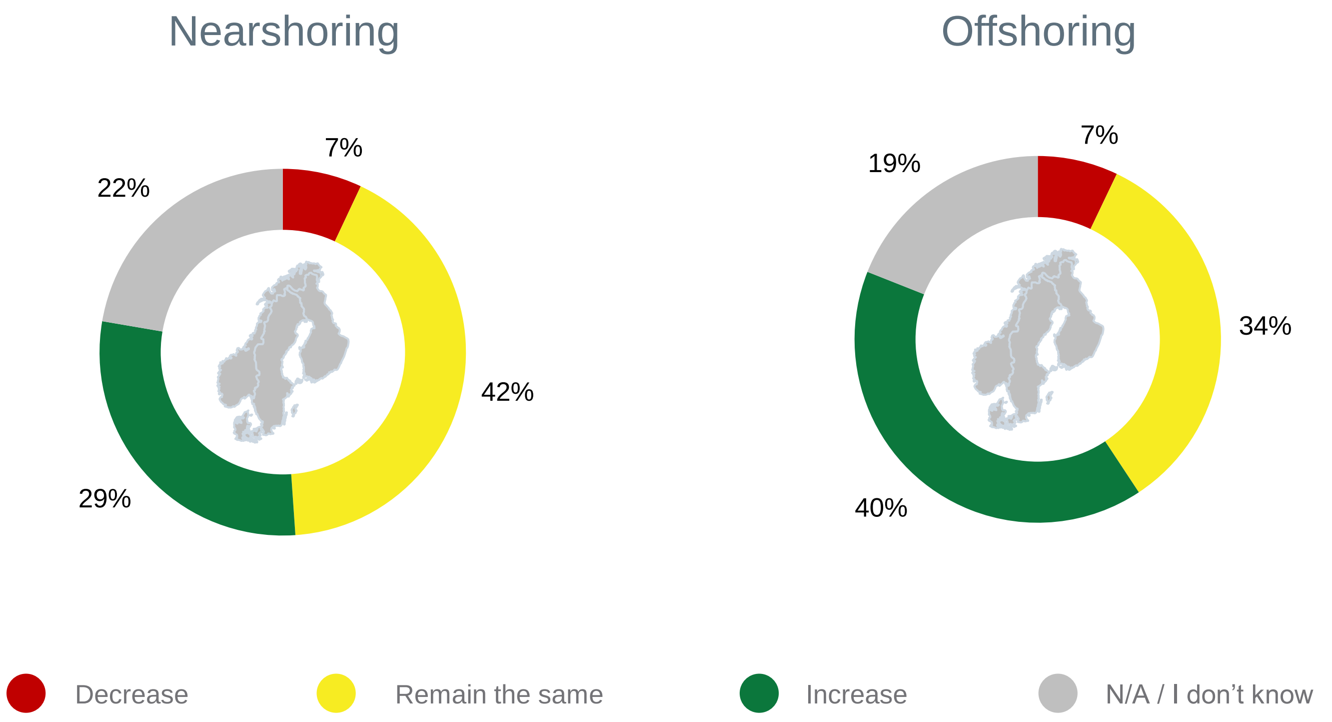


Majority of private sector negotiate with the existing vendor first, but 1 in 3 will go directly for a competitive process.

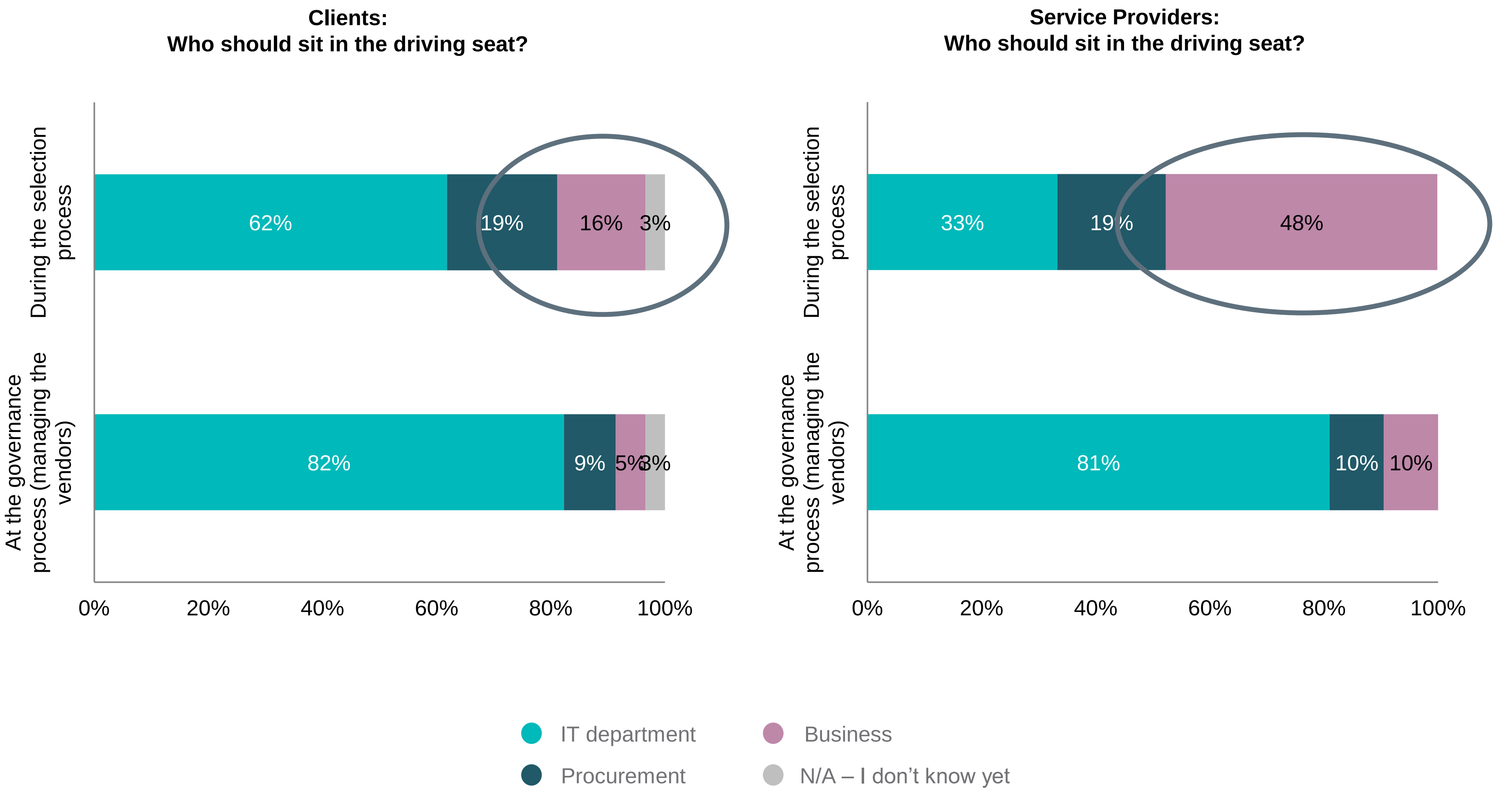
If you are working in the private sector, will you first try to negotiate the renewal process with the existing vendor or directly run a competitive process?



Clients expect to utilize Nearshoring and Offshoring more in the future



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



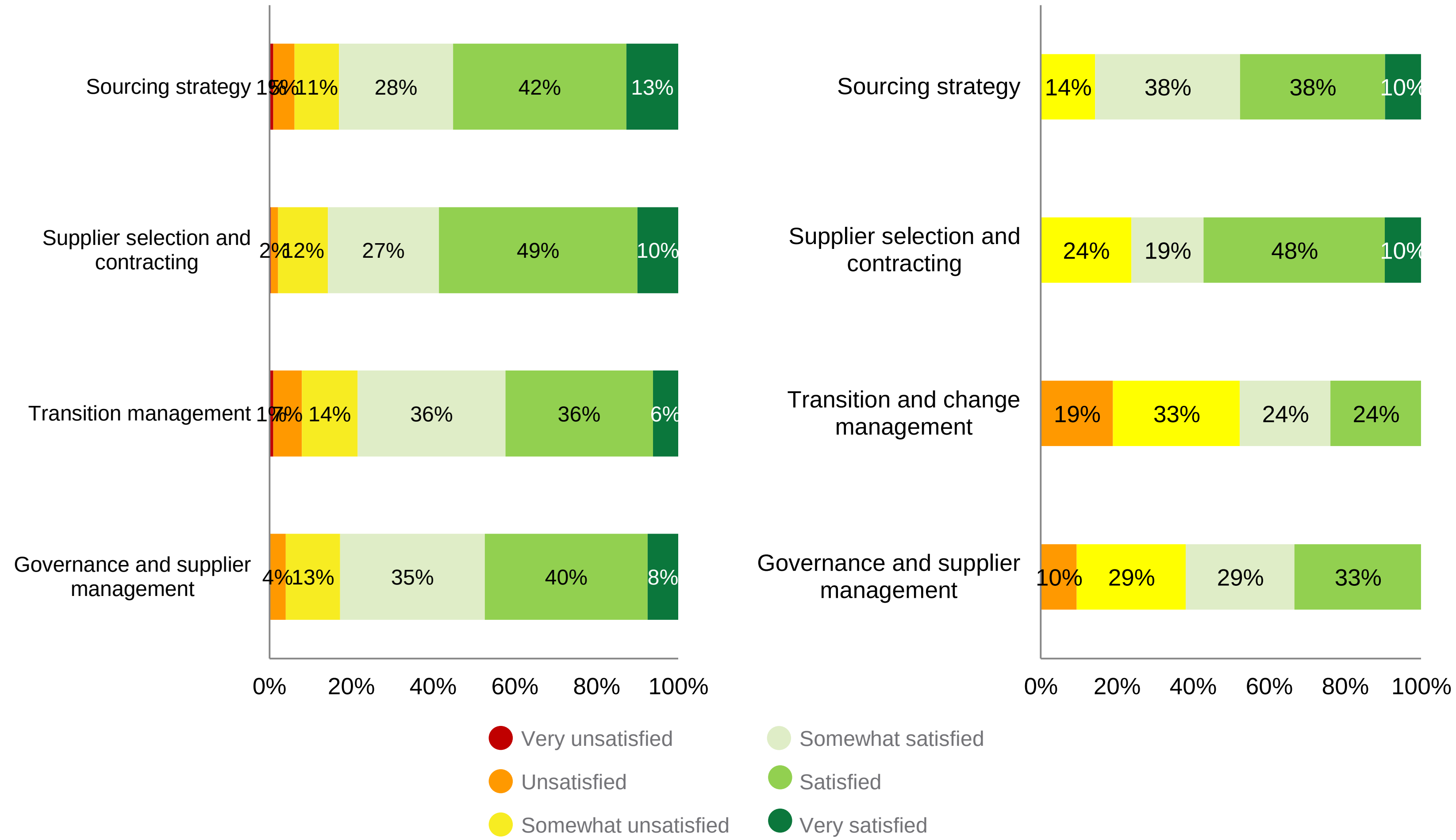
Conflicting realities of clients sourcing capabilities – own perception is far from Service Providers

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?

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

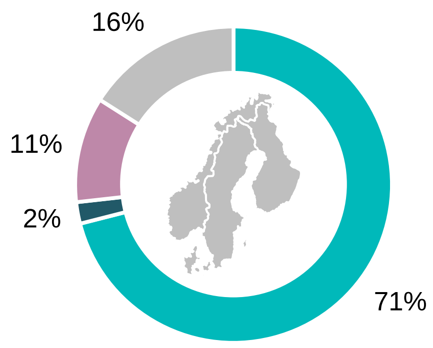


Conflicting realities of service integration – clients maintain it in-house, whereas service providers prefer an external provider

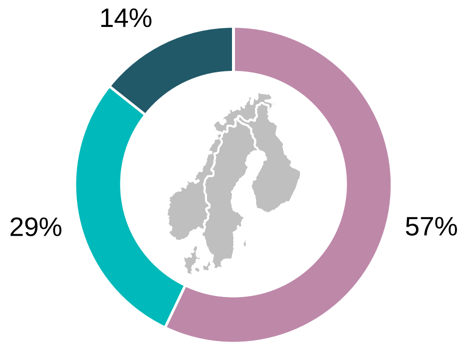
Viewpoints on service integration

- 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?

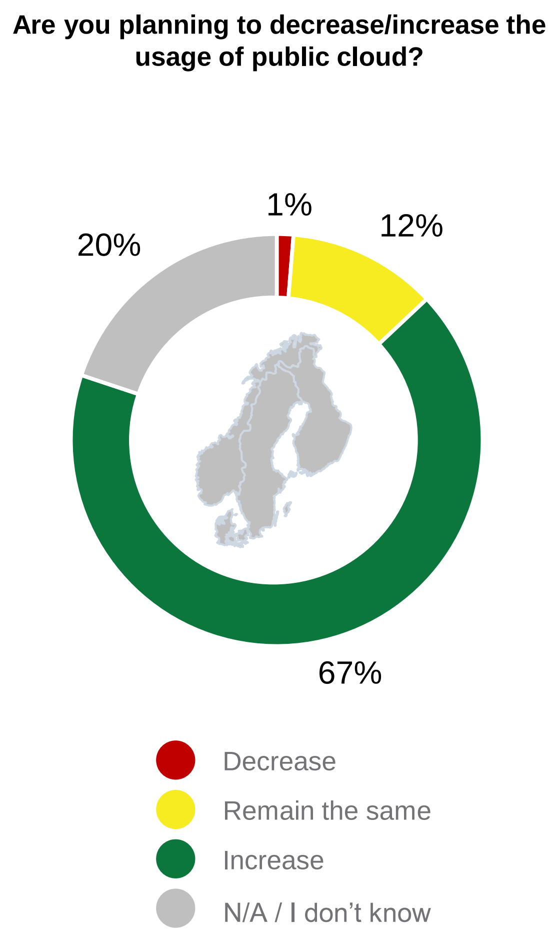


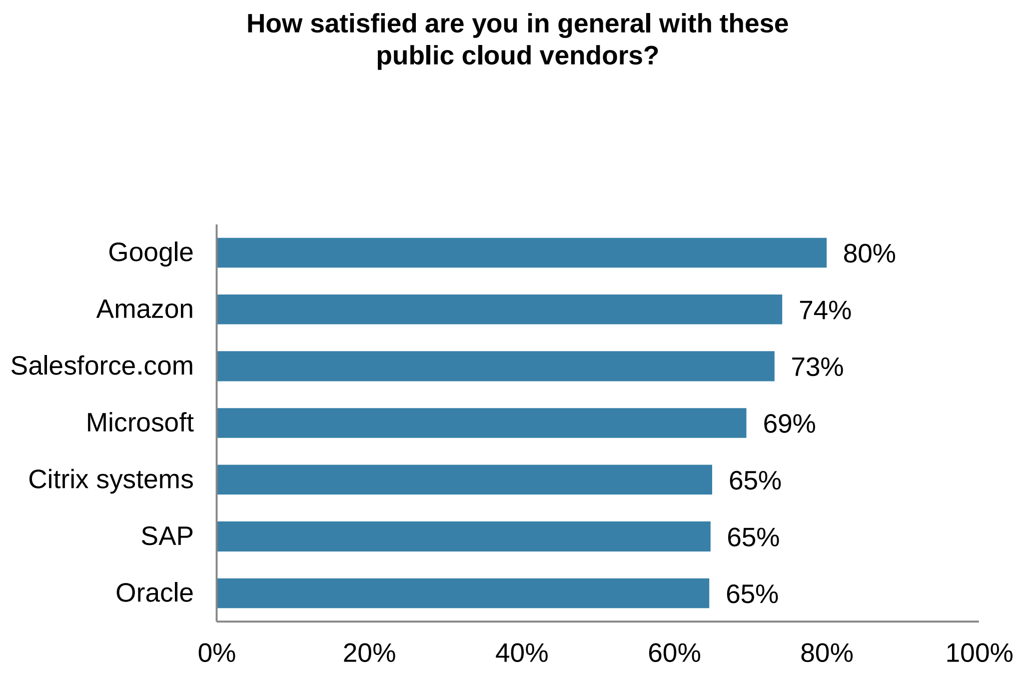
Service providers:
How would you recommend clients to integrate multiple service provider contracts into one seamless service?



- Internally
- Via an external independent provider (not a tower provider)
- Via an external service provider that also delivers another tower
- I'm not sure – N/A

The majority of organisations plans to increase their usage of public clouds





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APPENDIX

IT OUTSOURCING STUDY 2016 NORDICS

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March 2016

Agile methods are widely adopted in Service Providers service delivery models

Do you or your IT suppliers use agile methods?