IAOP

State of the Industry 2016

Executive Summary

The outsourcing world has experienced ample changes in the recent past. The driving factors behind the changes include macroeconomic factors like labor laws, the political environment, changing customer needs and the digitization of business. Technology is gradually changing from a business enabler to a business driver. The absence or unavailability of technology can have an adverse impact on businesses in many industry verticals.

Emerging technologies are playing a key role in defining business models and the way businesses can approach to end customers. Technology is reducing time to market and lifecycle of products and services. More significantly for the sourcing community, technology has become an even more important consideration for organizations when they decide whether they will outsource, and which service providers they select.

This report examines outsourcing developments and influences from multiple perspectives. It is based on insights from two major surveys of outsourcing clients, service providers and advisors conducted by IAOP and ISG, a leading technology insights, market intelligence and advisory services company. The IAOP and ISG State of the Industry survey was conducted between December 1, 2015 and January 15, 2016. It was designed to produce insight into outsourcing trends, how clients prioritize their goals for outsourcing, identify

About the Report

This report is based on a survey of IAOP members and ISG customers and contacts conducted by IAOP and ISG in December 2015; and polls conducted at of the European Outsourcing Summit in October 2015 and Outsourcing World Summit in February 2016. The survey audience included more than 50,000 outsourcing professionals around the world. Unless noted, data presented in this report is for customer respondents. The survey and complete results for all questions are presented in the Appendix, which also includes results for sourcing service provider and advisor respondents.

the predominant emerging technologies, reasons for using social, mobile, analytics and cloud (SMAC) technology solutions, and attitudes about Service Integration and Management (SIAM) and corporate social responsibility (CSR). The survey produced approximately 1,000 respondents from around the world. The second survey was specific to outsourcing processionals in Europe, which is the largest regional market for outsourcing services. The European State of the Industry survey was conducted between August 24, and September 30, 2015. It covered many of the same topics and produced 100 respondents. Unless noted, all data points and results presented in this report refer to the client responses to the larger, global survey.

If you have any questions about the findings of this report or willing to know more, please feel free to contact us.

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Outsourcing Trends

"Outsourcing is changing rapidly. Disruptive technologies and general acceptance of outsourcing principles are the main drivers. As a result, companies are looking to outsourcing to help them change the shape of their business over the longer term rather than just for short-term cost savings. Customers also are looking to work with their providers to exploit newer technologies of cloud and analytics."

– Jag Dalal, COP-GOV, Chief Advisor Thought Leadership, IAOP

Globally, digitization is affecting all key areas of business conduct. It has also impacted the way IT is consumed, and is changing the relationship between outsourcing clients and service providers. Nearly four out of five (79 percent) outsourcing clients surveyed believe service providers can help them stay on top of technology changes (Figure 1). Clients want service providers to take a more active role as technology advisors, rather than technology providers. The client desire for digitization guidance also means providers need to update their technology offerings to remain coherent to customers' business needs. Doing so can give clients the confidence to focus on their core business rather than worrying about business enablement.

Figure 1:

Can Service Providers Help You Stay on Top of Technology Changes?

Source: IAOP OWS 2016 Survey, ISG Research

One of the drivers for digitization is that organizations want more flexibility in major aspects of their business. Flexibility helps customers to remain agile and responsive to volatile and dynamic market conditions. Surprisingly, improving flexibility declined as a motivation for outsourcing this year, however it is still one of the leading drivers (see Figure 2). The top current motivation for outsourcing is long-term cost savings, which 53 percent of client respondents cited as a reason for outsourcing. This is the first time that long-term savings were the leading reason for outsourcing since the IAOP survey began in 2009.
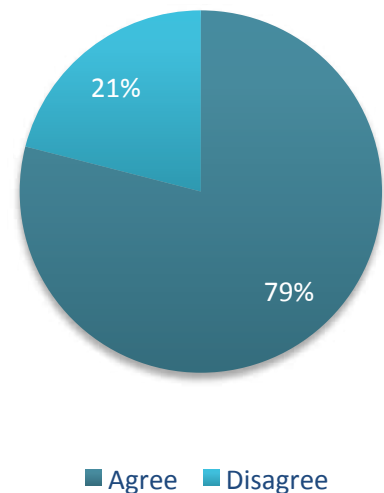

21%

79%

■ Agree   ■ Disagree

Figure 2:

Reasons Clients Cite for Outsourcing

Source: IAOP OWS 2016 Survey, ISG Research

	2009	2010	2011	2012	2013	2014	2015
Long-term cost savings	35%	56%	49%	49%	51%	49%	53%
Increasing our business flexibility	50%	59%	50%	56%	58%	59%	46%
Immediate cost savings	51%	40%	46%	51%	47%	48%	40%
Supporting our company's plans for growth	39%	42%	52%	60%	38%	48%	40%
Adopting new technologies and capabilities – such as (SMAC)*	0%	0%	0%	0%	0%	30%	35%
Accessing skills and talent not otherwise available	33%	40%	33%	39%	39%	37%	33%
Enabling innovation *	0%	0%	0%	0%	0%	28%	30%
Creating new business opportunities thru partnerships with providers	22%	20%	21%	20%	26%	19%	16%
Conserving capital	11%	7%	12%	8%	4%	11%	15%
Monetizing (selling) assets	3%	4%	3%	3%	3%	4%	6%

There is now a notable gap in the amount of clients that cite long-term cost savings (53 percent) and immediate cost savings (40 percent) as a reason to outsource. Thirty-five percent of respondents said they would outsource to gain access to social, mobile, analytics or cloud technologies, a 5 percent increase from last year.

The European survey sought different perspective on what leads organizations to outsource (Figure 3). Service providers' focus on improving back office and middle office processes is a strong attraction for customers in the region.

Outsourcing Trends

Figure 3:

Reasons for Outsourcing – European Respondents

Source: IAOP EOS 2015 Survey, ISG Research

As the motivations for outsourcing are changing, so too are service arrangements between clients and service providers. Contract renegotiations have been at historically high levels for the past few years. Only 18 percent of clients made no changes to their current contracts last year (Figure 4). The most common change was to renegotiate for different prices, services or work volumes; 37 percent of clients renegotiated on those grounds. Clients were much more likely to increase services or volumes than they were to decrease involvement with service providers. That trend reinforces the idea that customers are looking at service providers as a growth partners rather than as traditional IT providers.

Figure 4:

Changes Made to Existing Outsourcing Contracts

Source: *IAOP OWS 2016 Survey, ISG Research*

	2009	2010	2011	2012	2013	2014	2015
Been renegotiated to change prices, volumes, or services	37%	31%	27%	38%	29%	43%	37%
Continued/renewed with increased volumes	17%	24%	24%	18%	22%	22%	19%
Continued/renewed unchanged	19%	16%	20%	17%	28%	15%	18%
Continued/renewed with expanded services	9%	15%	17%	19%	12%	9%	16%
Continued/renewed with reduced volumes	13%	11%	7%	3%	5%	6%	6%
Continued/renewed with decreased services	0%	2%	2%	2%	3%	4%	2%
Been significantly curtailed or cancelled	6%	2%	3%	2%	1%	1%	1%
Been insourced (brought back in-house)	0%	0%	0%	0%	0%	0%	0%

Although contracts were frequently adjusted for volume, price and services, there were not significant year-over-year changes in clients' fundamental approaches to outsourcing. Figure 5 shows the approach clients are taking toward outsourcing and their expectations for service providers. Clients continue to pursue more flexible contracts. The most notable change is that 33 percent of clients said they became more focused on obtaining knowledge-based, higher-skilled activities through outsourcing, a 7 percent decline from the previous year.

For the first time, the survey asked if respondents were more focused on increasing their number of outsourcing contracts, but reducing value. ISG has documented for several years that outsourcing contract volumes are increasing but average values are decreasing. These contract trends highlight the growth of multisourcing and emerging client preference for splitting scope among multiple service providers, which results in lower contract values. Falling prices for many common services are also depressing contract values. The survey found 11 percent of clients are focusing on having more, smaller contracts.

Outsourcing Trends

Figure 5:

Overall Approach Toward Outsourcing

Source: *IAOP OWS 2016 Survey, ISG Research*

	2009	2010	2011	2012	2013	2014	2015
Flexible contracts (volume, staffing etc.)	0%	0%	0%	0%	45%	53%	46%
'Bundled' services with fewer providers	41%	37%	28%	38%	33%	39%	36%
Knowledge-based, higher-skilled activities	39%	46%	41%	47%	41%	40%	33%
Operational, lower-skilled activities	28%	27%	31%	27%	36%	28%	29%
Multisourcing with more suppliers	19%	19%	30%	27%	16%	28%	27%
Offshore providers	30%	32%	23%	28%	26%	23%	26%
Nearshore providers	12%	11%	14%	10%	14%	14%	14%
More focused on multiple contracts with lower total contract value	0%	0%	0%	0%	0%	0%	11%
Onshore providers	11%	7%	14%	11%	11%	9%	10%
Shorter contracts	16%	11%	9%	12%	14%	13%	10%
Longer contracts	12%	18%	17%	17%	13%	11%	10%

New Technology (SMAC/Emerging Technologies)

"SMAC: New technologies like social media, mobility, analytics and the cloud continue to create different challenges for companies on how to take advantage of them."

– Jag Dalal, COP-GOV, Chief Advisor Thought Leadership, IAOP

"There is a lot of confusion in the marketplace – predominantly created by the service providers themselves. I've seen many trying to sell digital as a product, as a service or as a solution. Clients are having a hard time differentiating which is the right choice."

– Harvey Gluckman, Partner, ISG

Approximately two thirds of outsourcing client survey respondents had used social media, mobile, analytics or cloud solutions in the preceding 12 months (Figure 6). Cloud is both the most widely deployed and commonly used of the technologies. The other SMAC technologies have not been used to support as many users or business areas.
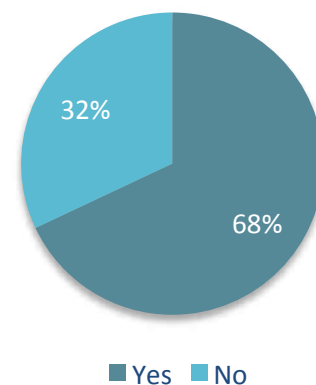
Figure 6:

Have You Used a SMAC-based Solution in the Past 12 Months?

Source: IAOP OWS 2016 Survey, ISG Research

Year after year businesses evaluate customers' tastes and needs and how that relates to demand for their products and services. This effort requires businesses to:

• Understand and predict customer buying behavior

• Align sales teams with marketing and enterprise solutions

• Market offerings to the right customers at the right time

SMAC technologies are playing an increasing role in how customers are evaluated and served. Figure 7 highlights some of the interdependencies among the SMAC technologies. Consumers especially like to use social media and mobile technologies. In response, businesses are creating cloud-based CRM systems that encourage and can process customer input from social and mobile channels. Businesses are then turning to analytics solutions that can process social and other input to provide greater insight into customer behavior and preferences, which in turn helps them offer products and services that satisfy and even delight their customers.

New Technology (SMAC/Emerging Technologies)

Common SMAC Consumption Drivers
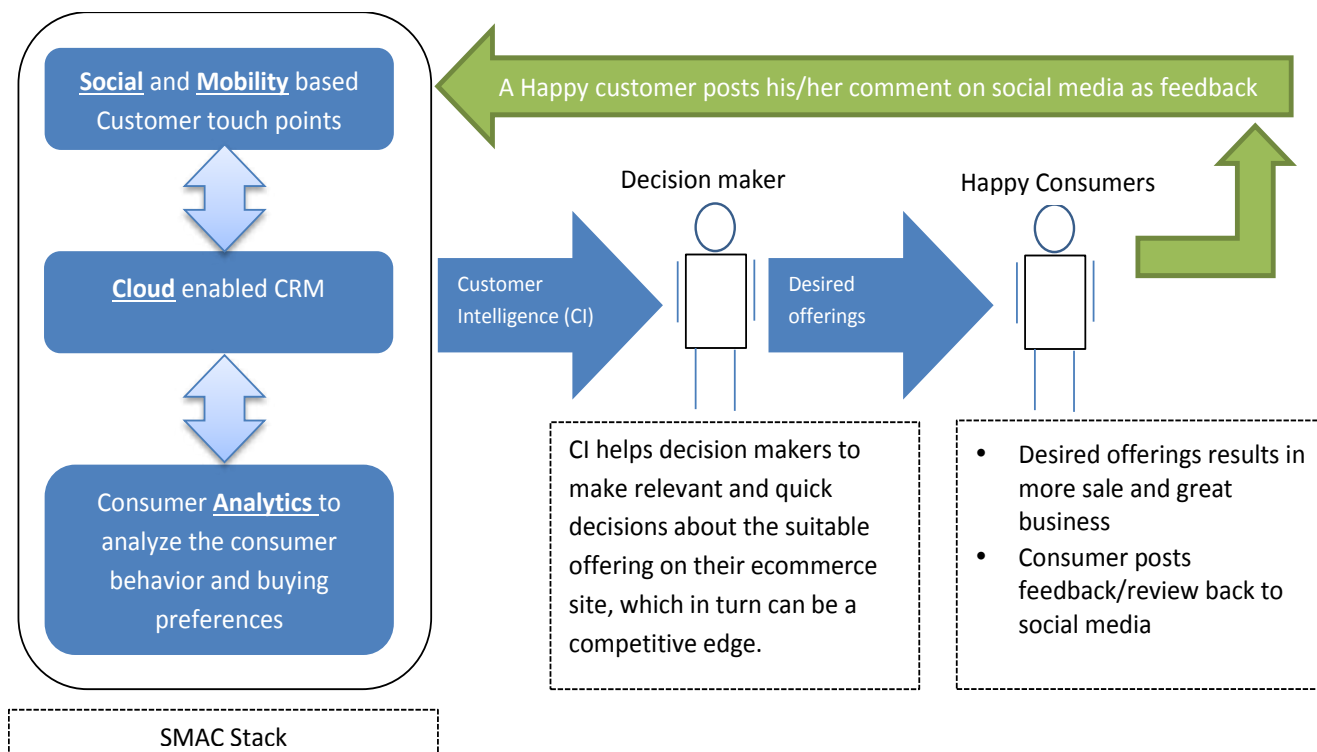
Ecommerce business scenario

Service providers and advisors can help outsourcing clients see use cases for SMAC technologies and can help plan appropriate solutions, but these resources are not always consulted. In an audience poll at OWS16 attendees were asked: "Do you engage your providers to include SMAC as part of their business process service?" More than half consulted with their service providers sometimes (47 percent) or always (11 percent) when considering using SMAC in their business processes, but nearly a third didn't know what SMAC referred to (14 percent) or hadn't considered it (18 percent), which suggests understanding of the technologies and their context in business is still low.

Figure 8:

Are Service Providers Engaged to Include SMAC as Part of Their Business Process Service?

Source: Audience Poll Question, IAOP OWS 2016 Survey, ISG Research
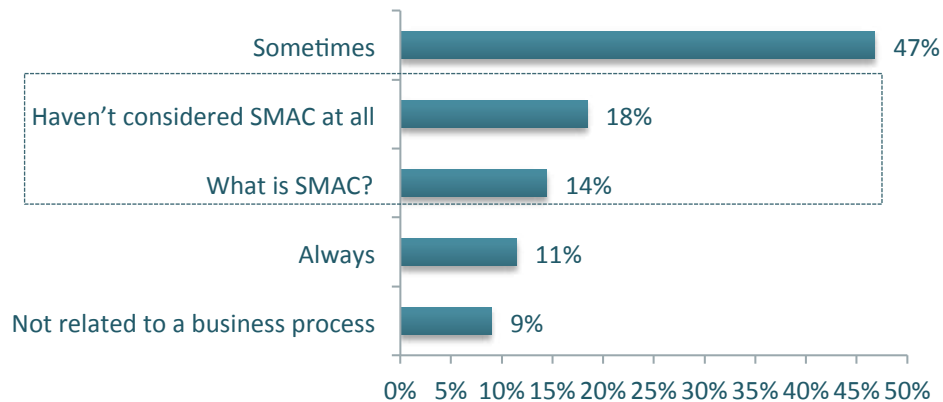
The European survey provided information about the specific business functions SMAC is being used to support. Results are shown in Figure 9 and only apply to European respondents. The top three results for each technology are presented in bold. Sales, marketing and CRM organizations are among the heaviest users of all SMAC technologies. They lead all other functions in social media adoption and CRM also leads in analytics. Social media is not only a customer-facing tool, as human resources has also been a leading adopter.

New Technology (SMAC/Emerging Technologies)

Figure 9:

What Business Functions Are SMAC Technologies Being Used to Support in Europe?

Source: IAOP EOS 2015 Survey, ISG Research

Area of **Implementation**	Social	Mobility	Analytics	Cloud
Administrative Services	12%	21%	17%	**34%**
Corporate Services	25%	21%	21%	**34%**
Customer Relationship Management	**50%**	**49%**	**50%**	48%
Document Management	13%	16%	11%	32%
Facility Services	8%	11%	9%	12%
Financial Management	11%	18%	34%	31%
Human Resources Management	40%	29%	30%	31%
Information/Communications Technology	39%	43%	**40%**	**60%**
Legal	7%	4%	9%	13%
Logistics	11%	30%	24%	29%
Marketing	**51%**	**52%**	**48%**	30%
Real Estate and Capital Asset Management	4%	8%	7%	9%
Research & Development	20%	10%	26%	25%
Product Manufacturing	8%	15%	17%	20%
Sales	**42%**	**47%**	36%	32%
Transaction Processing	18%	22%	20%	26%
None of the business areas plan to implement a social media strategy	10%	8%	6%	7%

While "SMAC" is a commonly used acronym, it is important to remember that it refers to four distinct technologies that have different uses and potentially provide value in different ways. There was little consensus among survey respondents about the benefits they have attained from their social, mobile, analytics and cloud programs. Improved agility and scalability was the most commonly shared benefit across the four technologies, as shown in Figure 10. Respondents were asked what specific benefits they had attained by using each of the four SMAC technologies. While nearly all respondents had received some benefits, few specific benefits had been attained by more than 30 percent of respondents. The top three benefits for each SMAC technology are presented in bold.

Figure 10:

Benefits Attained by Using SMAC Technologies

Source: *IAOP OWS 2016 Survey, ISG Research*

Benefit	Social	Mobile	Analytics	Cloud
Allows context-driven marketing initiatives based on user behaviors	**27%**	24%	**24%**	12%
Cloud-based solutions continuously updated	9%	18%	3%	30%
Cost and time savings	9%	15%	9%	39%
Delivers agility, scalability unmatched by the capabilities of traditional IT offerings	**30%**	**36%**	**36%**	**52%**
Environmentally friendly	3%	9%	3%	18%
Gain significant insights into the customer minds through mobile apps	12%	15%	21%	6%
Hardware and software independence	0%	9%	3%	24%
Highly customizable	0%	6%	0%	3%
Improved access (mobility)	21%	**33%**	6%	15%
Improved security measures	6%	12%	9%	15%
Improves end users' experience	21%	**33%**	18%	15%
Increases employees' productivity	9%	21%	15%	18%
Less maintenance on internal software and hardware	0%	9%	0%	27%
Lower cost of ownership	6%	15%	9%	39%
Lowers total cost of technology ownership	6%	9%	12%	**45%**
Reaches larger customer segments through social media channels	21%	24%	21%	18%
Real-time collaboration	21%	21%	9%	18%
Reduces IT costs	6%	12%	12%	**55%**
Simplifies IT Infrastructure	9%	9%	3%	36%
Storage capabilities and ease-to-scale	6%	6%	6%	27%
Streamlines business operations and drives efficiency	9%	18%	18%	27%
Tracks opinions & preferences through analytics	**27%**	27%	**27%**	15%

Many social and mobile solutions are intended for use by end consumers, so it is interesting to compare results for these technologies (see Figures 11 and 12). Clients reported receiving many of the same benefits from using each technology, and agility/scalability was the most-cited benefit for each. Browsing the other leading benefits suggests that businesses like to use social media and mobile technologies to learn more about their end consumers and to provide a better experience for a larger audience. Analytics are viewed as an important complement to social media and mobile programs, as 27 percent of respondents want to use analytics on the input received to track consumer preferences. By using SMAC technologies in combination, organizations can come up with offers or solutions that are more relevant or aligned to their end customers' expectations, which creates the opportunity to increase market share.

New Technology (SMAC/Emerging Technologies)

Figure 11:

Top 10 Benefits from Using Social Media Solutions

Source: *IAOP OWS 2016 Survey, ISG Research*

Benefit	Respondents
Delivers agility; scalability unmatched by the capabilities of traditional IT offerings	30%
Allows context driven marketing initiatives based on user behaviors	27%
Tracks opinions & preferences through analytics	27%
Reaches larger customer segments through social media channels	21%
Improves end users' experience	21%
Improved access (mobility)	21%
Real-time collaboration	21%
Gain significant insights into the customer minds through mobile apps	12%
Simplifies IT Infrastructure	9%
Increases employees' productivity	9%

Figure 12:

Top 10 Benefits from Using Mobile Solutions

Source: *IAOP OWS 2016 Survey, ISG Research*

Benefit	Respondents
Delivers agility; scalability unmatched by the capabilities of traditional IT offerings	36%
Improves end users' experience	33%
Improved access (mobility)	33%
Tracks opinions & preferences through analytics	27%
Reaches larger customer segments through social media channels	24%
Allows context driven marketing initiatives based on user behaviors	24%
IT Increases employees' productivity	21%
Real-time collaboration	21%
Streamlines business operations and drives efficiency	18%
Cloud based solutions continuously updated	18%

After improving agility and scalability, the most-cited reported benefit from using analytics was improving insight from mobile applications (Figure 13). Analytics are helping businesses (especially those with business models that rely on digital input) study the end consumer's expectations and to customize their offerings accordingly. With many businesses trying to reduce their go-to-market times, analytics are being viewed as a way to gain competitive advantage by providing insight that can shorten development cycles.

Figure 13:

Top 10 Benefits from Using Analytics Solutions

Source: *IAOP OWS 2016 Survey, ISG Research*

Benefit	Respondents
Delivers agility; scalability unmatched by the capabilities of traditional IT offerings	36%
Tracks opinions & preferences through analytics	27%
Allows context driven marketing initiatives based on user behaviors	24%
Reaches larger customer segments through social media channels	21%
Gain significant insights into the customer minds through mobile apps	21%
Improves end users' experience	18%
Streamlines business operations and drives efficiency	18%
Increases employees' productivity	15%
Lowers total cost of technology ownership	12%
Reduces your IT Costs	12%

Figure 14:

Top 10 Benefits from Using Cloud Solutions

Source: *IAOP OWS 2016 Survey, ISG Research*

Benefit	Respondents
Reduces your IT Costs	55%
Delivers agility; scalability unmatched by the capabilities of traditional IT offerings	52%
Lowers total cost of technology ownership	45%
Lower cost of ownership	39%
Cost and time savings	39%
Simplifies IT Infrastructure	36%
Cloud based solutions continuously updated	30%
Streamlines business operations and drives efficiency	27%
Less maintenance on internal software and hardware	27%
Storage capabilities and ease-to-scale	27%

Cloud technology produced the most reported benefits among survey respondents. More than half (55 percent) said it lowered their IT costs, which was the most highly cited specific benefit for any of the SMAC technologies. For many users cloud also reduces the total cost of technology ownership (a benefit reported by 45 percent respondents) and simplifies IT infrastructure (36 percent). Cloud-based solutions are also rated very highly for delivering agility and scalability (cited by 52 percent respondents).

Security concerns have historically been a leading obstacle to cloud adoption. It is worth noting that 15 percent of respondents said improved security is a benefit of using the cloud. That is the highest level of security benefit for any of the SMAC technologies, although improved security is not a widely cited benefit for any of them.

Other Technology Priorities

SMAC technologies are now common in many business processes and automation solutions, which has organizations looking to other technologies to provide innovation. Big Data, Robotic Process Automation (RPA) and content analytics are most preferred technologies among survey respondents (see Figure 15). They are the only options from a long list of emerging technologies that are currently being used by at least 30 percent of respondents. This technology preferences indicate customers want to understand their massive volume of data and make sense of it, which is at the heart of digitization.

Figure 15:

Utilization of non-SMAC Emerging Technologies

Source: *IAOP OWS 2016 Survey, ISG Research*

Technology	Percentage
Big Data	52%
Robotic Process Automation (RPA)	34%
Content Analytics	31%
Speech Recognition	24%
Data Science	24%
Machine To Machine Communication (M2M)	17%
In-Memory Computing	17%
Gamification	14%
IoT	10%
Wearable User Interfaces	10%
In-Memory Analytics	10%
Near Field Communication (NFC)	10%
3D Printing	10%
Consumer Telematics	7%
Smart Cities (Civic Technology)	7%
Connected Homes	7%
Augmented Reality	7%
Natural Language Processing (NLP)	7%
Micro Data Center	7%
Location Intelligence	3%
Smart Cars	3%
Cryptocurrency	3%
Bio Chips	3%
3D Scanning	3%
Mobile Health Monitoring	0%
Gesture Control	0%
Active Streams	0%

Some of the most-utilized technologies have clear drivers, while other technologies have somewhat surprising positions in the rankings. For example, Internet of Things and 3D printing technologies receive considerable attention but they are each being used by only 10 percent of respondents. Machine-to-machine (M2M) interfaces, in-memory computing and gamification are among the less-hyped developments that have attracted more users than IoT and 3D printing.

Big Data was the only technology being used by more than half of respondents. The broad user base is not surprising because Big Data can be applied to many different industries and business processes. For example, Big Data can be used for predictive modeling for analyzing customer behavior and sales results, and for detecting fraud. In industrial settings it is being used to analyze real-time high-scale machine data from sensors, weblogs, etc. It also analyzes social network feeds and web streams.

Approximately a third of respondents were involved with Robotic Process Automation (RPA) in 2015. RPA may have strong appeal to mature outsourcing clients that cannot gain significant productivity or cost improvements through traditional methods. RPA provides improved efficiency over manual process handling. The ability to leverage applications without integration, plus improved agility and cost savings, are the factors driving RPA adoption. The 34 percent adoption rate for RPA is impressive considering there is still considerable misunderstanding about the technology. Figure 14 shows the results of an audience poll about RPA awareness taken at the EOS. The majority of customers stated that they are yet to understand and realize the fullest potential of RPA. At present, most have just considered RPA to automate business processes and have not expanded it to IT processes.

Other Technology Priorities

Figure 16:

RPA Awareness Among European Outsourcing Summit Attendees

Source: Audience poll question, IAOP EOS 2015

Content analytics helps customers gain new insights for improved decision making. It also helps companies better manage information lifecycle management (ILM) chains by creating relevant cost and consumption metrics. Content analytics can be used together with speech recognition, especially in contact center operations. Speech recognition tied with data science to rank just behind content analytics among technologies respondents are using. Speech recognition helps mitigate mobile and contact center fraud and is also being used to facilitate secure transactions. Convenience and its flexibility increase its likeliness for more adoption.

Being able to quickly gain access to and benefit from new technology is an important driver that leads clients to outsource. In 2016 clients plan to outsource to gain access to SMAC more than any other technologies, as shown in Figure 17. While Big Data and RPA are high priority technologies clients want to use (as previously shown in Figure 15), fewer than 10 percent of customer organizations are planning to use outsourcing to acquire those technology capabilities.

Figure 17:

Technology Implementations Clients Plan to Outsource in 2016

Source: *IAOP OWS 2016 Survey, ISG Research*
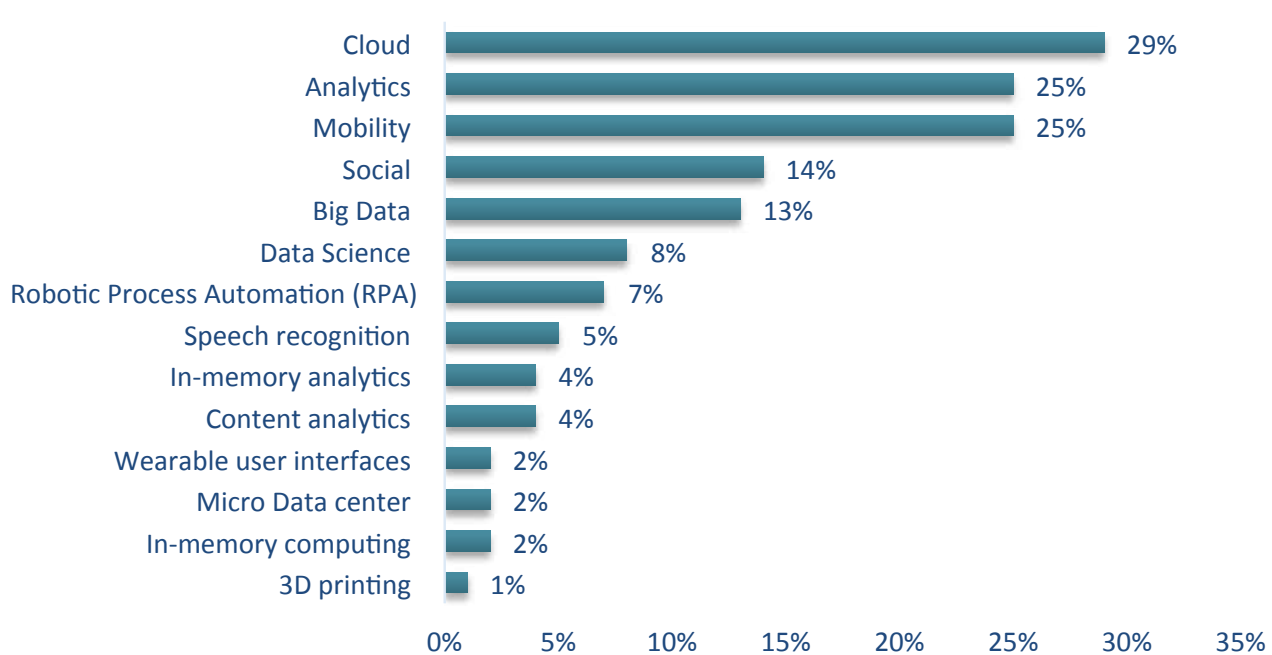
Many factors are driving demand and consumption of other leading technologies. One of the strongest and most common drivers is the widespread change in customer expectations. Customers expect responsive service and immediate access to information, which is driving technology use at the business-to-consumer (B2C) and business-to-business (B2B) levels.

The European survey asked clients what they expected to change in the next few years to accommodate digital technologies. The results show digitalization will lead to significant changes in business processes, technology priorities and staffing levels (Figure 18).

Other Technology Priorities

Anticipated Business Changes to Accommodate Digitalization by European Clients

Source: IAOP EOS 2015 Survey, ISG Research

Business Change	Percentage
Restructure their business process landscape	64%
Develop / adjust their technology roadmap	55%
Develop / improve the transparency of IT´s business value	54%
Change their staff structure	48%
Increase systems integration capabilities	44%
Install/enhance their security management capability	36%
Expand their partner ecosystem	36%
Outsource the control of ICT resources	16%
None of the above	1%

It takes applications to deliver on the promise of new technologies. Managing applications for emerging technologies along with the core portfolio of enterprise applications can be difficult. Respondents to the European survey said establishing an ecosystem for applications would be one of their greatest challenges for 2016 (see Figure 19). Effective ecosystems help to govern the technologies and enable the consumption to address the business challenges. Optimizing costs and transparency across the ecosystem is another top-cited challenge.

Figure 19:

Challenges from Growing Diversification in Application Environments

Source: *IAOP EOS 2015 Survey, ISG Research*

Challenge	Percentage
Setup of an application ecosystem	62%
Optimization of cost transparency, project calculation and accounting	51%
Interlinking disparate application landscapes	42%
Implementation application lifecycle management	40%
Inventory and rating of applications	34%
Outsourcing testing services	33%
We don't see a diversification of our clients' application environments	4%

SIAM

Outsourcing activity is influenced by customers' business models, the changing technology landscape, and above all, the consumerization of services. For most clients it is difficult for a sole service provider to deliver the entire spectrum of required solutions. Customers want the best and specialized providers for any service tower. These providers can be large or small, but need to have the ability to scale up or down according to customer needs. Traditional services providers may face competition from emerging and niche competitors. Customers that want to pursue a best-of-breed approach have many options, which is fueling the rise of multisourcing and the growing need for better service integration and management.

Fifty-five percent of respondents are currently outsourcing to more than one service provider. The growth in multisourcing is changing how outsourcing practices and relationships are being managed. The majority of clients that multisource report that ongoing operations and the contracting process both need to change to support transition from a sole-source to multisource environment (Figure 20).

Figure 20:

Required Changes to Support Multisourcing

Source: IAOP OWS 2016 Survey, ISG Research
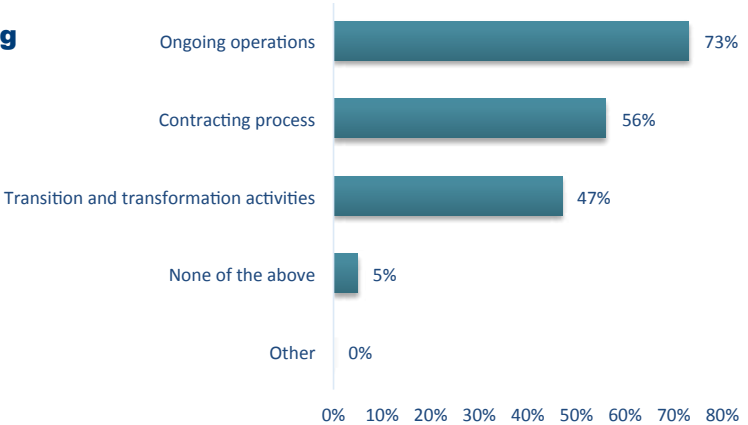
The need for change has been easy to recognize, but change itself has been hard to accomplish effectively. Multisourcing creates many challenges (Figure 21), headed by lack of integration.

Figure 21:

Challenges Reported by Clients in Multisource Environments

Source: IAOP OWS 2016 Survey, ISG Research
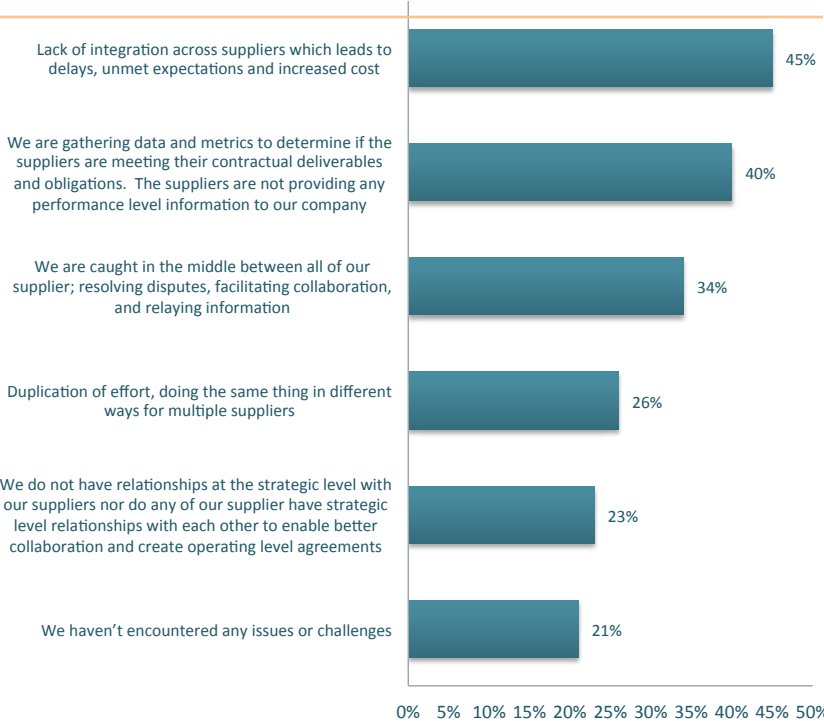
Clients are making many changes to meet the challenges associated with outsourcing. One of the clearest trends is the increase in Service Integration and Management programs. The most common elements included in SIAM programs are new metrics and processes for performance management, contract management, operations management and financial management (Figure 22).

Figure 22:

Processes Implemented to Improve Integration and Management Among Multiple Service Providers

Source: *IAOP OWS 2016 Survey, ISG Research*
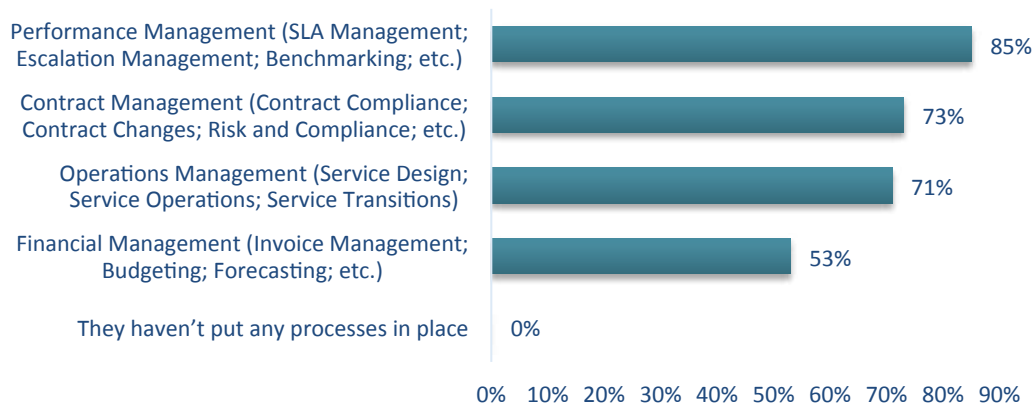
Digitalization is also influencing change in multisourcing environments. One in five respondents said emerging technologies have completely or significantly changed the multisourcing/SIAM model (Figure 23). Only 28 percent of respondents believe emerging technology has not resulted in change.

Figure 23:

How Have Emerging Technologies Changed Multisourcing and SIAM?

Source: *IAOP OWS 2016 Survey, ISG Research*
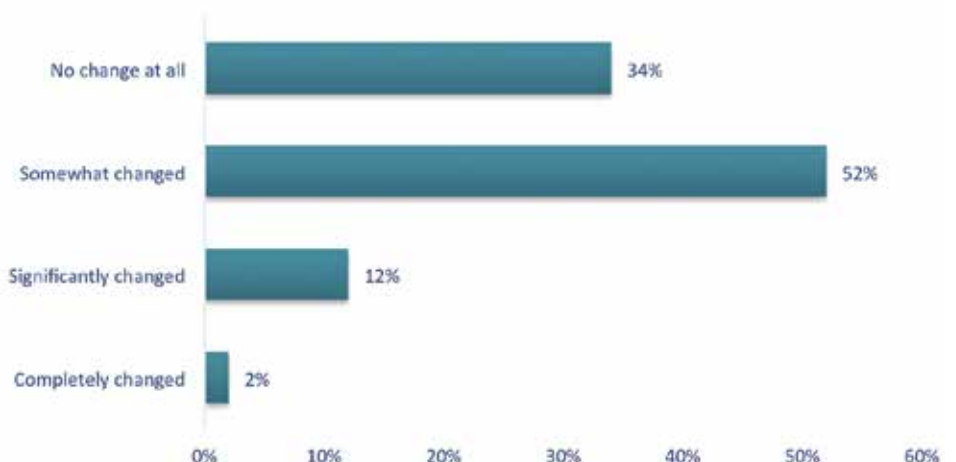
SIAM

SIAM calls for multiple service providers to collaborate and work like a team to achieve common objectives set by the customer.

Conceptually, the SIAM framework is designed to enable cohesiveness among the providers and to provide operational efficiency. However, at ground level the implementation of the framework appears to be challenging. European clients were asked about the specific problems they had in implementing SIAM. Nearly three quarters said they had not adequately defined responsibilities with their service providers (Figure 24). Lack of incentives for successful SIAM, and disputes over which party should pay for integration and management tools, are also common problems.

Figure 24:

Challenges in SIAM Adoption (Europe)

Source: IAOP EOS 2015 Survey, ISG Research

The required operational responsibilities and interfaces have not been clearly defined	72%
There are no incentives in place to promote/reward this type of behavior	43%
The needed tools and technologies exist, but no one wants to pay for them	39%
The client organization is unwilling to give up direct responsibility for managing each provider as a separate contract	38%
Our customer sees this as their problem, not the providers	20%
Their providers are not truly aware of the problem	16%
There is too much turnover of personnel across the organizations	13%
We haven't seen a lack of integration with our clients' providers	8%
The needed tools and technology do not exist	6%

To increase the adoption of SIAM and to realize the perceived benefits, it is necessary to overcome the above-stated challenges. Many organizations have done so successfully. Most organizations that have adopted SIAM report they have benefited because of it. The most widely reported benefit is clear roles and responsibilities – which is significant because lack of integration is the leading problem in multisource environments. Figure 25 lists the most common benefits organizations have achieve by using SIAM.

Figure 25:

Processes Implemented to Improve Integration and Management Among Multiple Service Providers

Source: IAOP OWS 2016 Survey, ISG Research

Category	Percentage
Clear roles & responsibilities and single points of contact	67%
Standard integrated processes and tools across services	45%
Aligned measures and transparent reporting with drill-down capability	35%
One overall Service Catalog with plug-and-play products/services	27%
We have not observed any benefits for our customers	12%
Other	0%
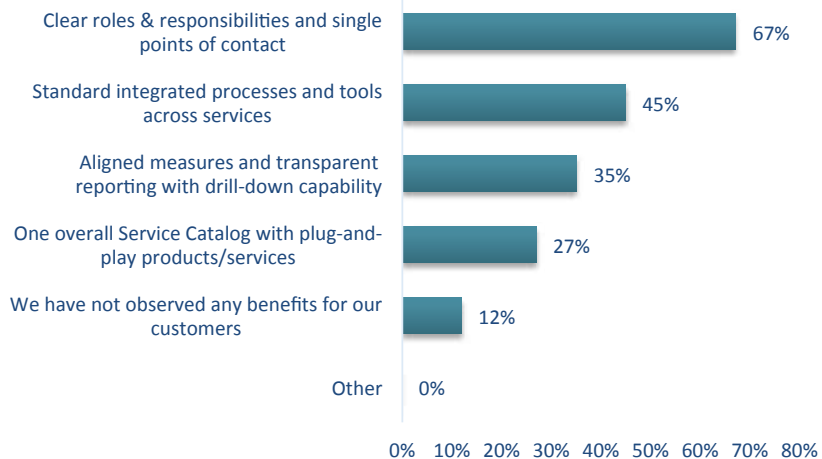
As key components of a successful SIAM model, clients are leveraging trying a variety of best practices to encourage collaboration and other desired behavior by their service providers. Figure 26 shows some of the leading rewards and actions clients are using to incentivize their service providers.

Figure 26:

How Clients are Incentivizing the Right Behavior by Service Providers

Source: IAOP OWS 2016 Survey, ISG Research

Category	Percentage
They conduct joint operations governance forums	54%
They have put in place end-to-end shared Critical Service Levels	46%
They conduct a joint Root Cause Assessment (RCA) process	44%
They have facilitated the establishment of OLAs	36%
They have a process where no one supplier will be liable	10%
They have implemented a shared pool of Service Credits covering overall performance by their suppliers	8%
Other	0%

SIAM

Joint operations governance forums provide a platform for participating vendors to discuss project-related challenges. The challenges could be operational or related to communication. European survey respondents reported a variety of benefits to joint operations forums, although notably, no individual benefit was cited by a majority of respondents, and 30 percent indicate that joint operations meetings aren't being leveraged (see Figure 27).

Figure 27:

Benefits to Joint Operations Governance Forums for Navigating SIAM

Source: *IAOP EOS 2015 Survey,*
ISG Research

Category	Percentage
Problem solving is better facilitated in joint provider sessions	39%
Providers are more collaborative with each other when meeting jointly with their clients	39%
A priority is given to collaboration in finding solutions vs pointing fingers in joint governance forums	37%
Clients play an important leadership role when they meet providers in a joint setting	35%
Clients don't utilize joint operations governance forums	30%
Providers benefit from hearing a consistent message from their client	26%

A strong majority of European respondents rely on ITIL-based standards to manage service providers in their SIAM programs (Figure 28). ITIL processes and capabilities provide a strong foundation for implementing SIAM because they cover the lifecycle of IT services, and the terminology is recognized and understood by most IT providers. ITIL, therefore, provides a strong platform and common language with which a SIAM team can manage and work with a full spectrum of providers.

Figure 28:

Standards Used for Managing SIAM

Source: *IAOP EOS 2015 Survey,*
ISG Research

Standard	Percentage
ITIL	81%
COBIT	24%
ISO 37500	21%
eSCM	14%
We don't use any industry standards in our environments	11%
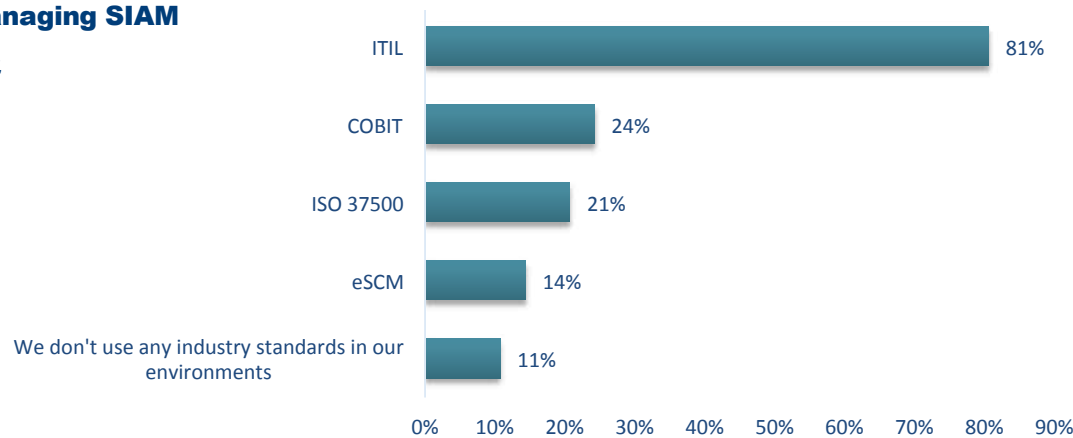
SIAM draws on other sources of best practice in specific domain areas, like COBIT5 and ISO/IEC 38500. Although ITIL provides high-level guidance on many aspects of IT management relevant to SIAM, it does not currently do so in the context of some of the emerging technologies. This is most evident with the introduction of services provided by cloud brokers and the challenges associated with these virtual and non-customer centric relationships.

Half of the client respondents to an IAOP audience poll said ITIL is outdated and must be reinvented to remain relevant (Figure 29). Outsourcing service providers and advisors have much higher opinions of ITIL's relevance.

Figure 29:

Client, Service Provider & Advisor Opinions of ITIL Relevance

Source: Audience Poll Question, IAOP EOS 2015, ISG Research
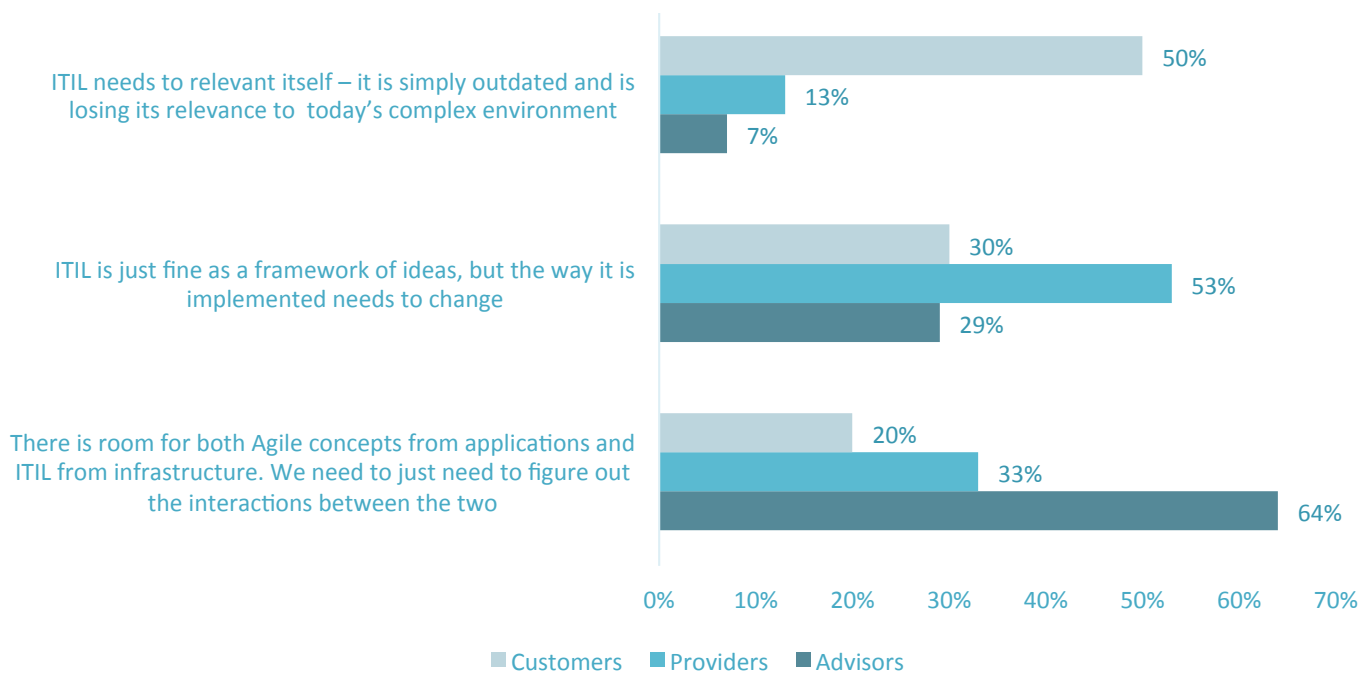
Corporate Social Responsibility

A service provider's record and reputation for corporate social responsibility (CSR) is important to clients. Only 7 percent of clients do not consider CSR in their decision making, and 40 percent consider it extremely important or critical (Figure 30). There are three critical components of corporate social responsibility — people, community and the environment. The "people" component relates to employee issues such as fair pay, good working conditions and diversity, while the "community" area focuses on economic and charitable efforts, both locally and globally. The "environment" aspect relates to green practices that help reduce energy consumption and waste.

Figure 30:

Importance of CSR to Customers

Source: IAOP OWS 2016 Survey, ISG Research

Category	Value
Critical	17%
Extremely important	23%
Very important	23%
Important	19%
Somewhat important	11%
Not applicable	7%
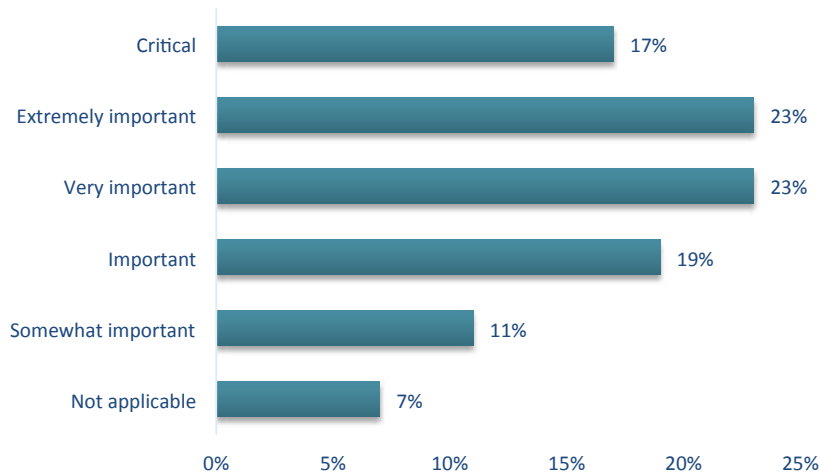
Outsourcing clients focus most heavily on the "people" component of service providers' practices. The top three criteria that respondents use to assess CSR are the service provider's labor practices, fair operating practices and human rights standards (Figure 31). An examination of service provider and client responses found services providers tend to value environmental stewardship and community involvement more highly than clients as indicators of CSR performance.

Figure 31:

Top Considerations for Assessing CSR in Outsourcing

Source: IAOP OWS 2016 Survey, ISG Research

Category	Value
Labor practices	68%
Fair operating practices	62%
Human rights	58%
Environmental issues	51%
Consumer issues	39%
Community involvement	37%
Other	0%
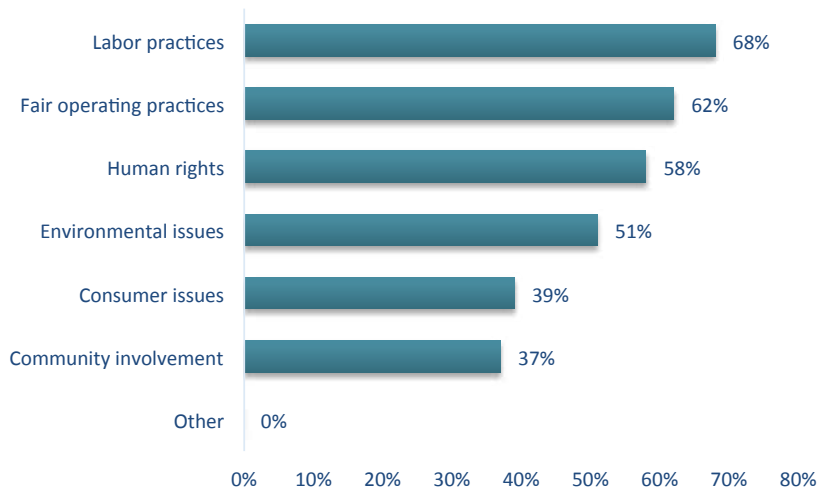
The European survey asked more specifically why corporate social responsibility is important to outsourcing clients (Figure 32). Respondents could select multiple responses, however none of the options presented was cited by at least half of the respondents. Regulatory compliance was the most common CSR consideration among European survey respondents.

Figure 32:

Why CSR is Important to Outsourcing Decision Making (Europe)

Source: IAOP EOS 2015 Survey, ISG Research

To meet legislative/regulatory requirements	46%
To be consistent with generally accepted business standards and norms	42%
It's important to our customers and they judge us not only by what we do but by what our providers do	42%
It's an important factor in evaluating a provider's sustainability	33%
It's important to our employees and managers and they judge us not only by what we do but by what our providers do	26%
Our providers' CSR programs can have a direct, positive impact on the clients' revenue, profitability and /or overall business growth	24%
CSR is not a factor in our outsourcing decision making	24%

0% 5% 10% 15% 20% 25% 30% 35% 40% 45% 50%

Conclusion

The research and surveys covered many topics related to outsourcing drivers, challenges, preferences and intentions, but found there was not strong consensus for most of them. The wide range of responses shows the current outsourcing climate is complex. Clients exhibited demand for a wide range of services, technologies and intended results from their outsourcing engagements. That diverse demand is supporting a broad set of service providers, which continues to grow despite the competition.
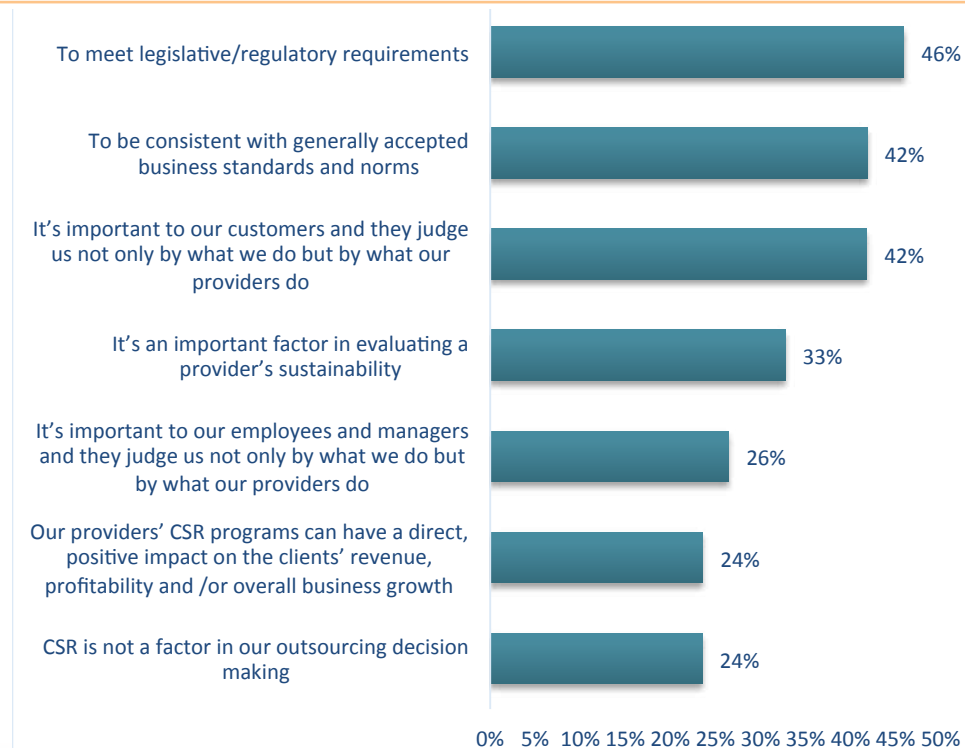
The results also show that while outsourcing practices and preferences are not consistent among customers, organizations that outsource are consistently successful. Nearly all respondents reporting achieving benefits from their outsourcing efforts, and many are planning to expand their use of outsourcing to support their business goals. Working with multiple service providers and outsourcing different functions has been a challenge, but the growing use and maturity of SIAM and other governance methods is producing results and leading to more collaborative, productive sourcing relationships between clients and service providers.
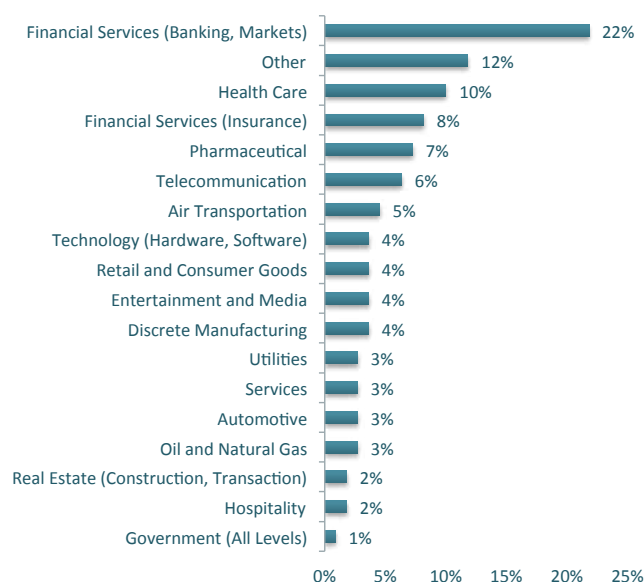
IAOP remains committed to helping you get the most out of your outsourcing initiatives. Please contact us if you would like more information about this research or any of the other resources we offer. More information about the research, including complete surveys and response data, are presented in the following appendices.

Appendix A

The majority of global survey respondents are from the Banking, Financial Services and Insurance (BFSI) industry sector (Figure 1), which is also one of the major buyers of IT services.

Figure 1: OWS 16 – Industry Representation
Source: IAOP OWS 2016 Survey, ISG Research

Industry	%
Financial Services (Banking, Markets)	22%
Other	12%
Health Care	10%
Financial Services (Insurance)	8%
Pharmaceutical	7%
Telecommunication	6%
Air Transportation	5%
Technology (Hardware, Software)	4%
Retail and Consumer Goods	4%
Entertainment and Media	4%
Discrete Manufacturing	4%
Utilities	3%
Services	3%
Automotive	3%
Oil and Natural Gas	3%
Real Estate (Construction, Transaction)	2%
Hospitality	2%
Government (All Levels)	1%

Financial industry professionals were also well represented in the European survey (Figure 2), as were the technology and services segments.

Figure 2: EOS15 – Industry Representation
Source: IAOP EOS 2015 Survey, ISG Research

Industry	%
Technology (Hardware, Software)	17%
Services	17%
Financial Services (Banking, Markets)	14%
Other	13%
Financial Services (Insurance)	7%
Telecommunication	6%
Pharmaceutical	5%
Utilities	3%
Government (All Levels)	3%
Retail and Consumer Goods	3%
Health Care	2%
Entertainment and Media	2%
Automotive	2%
Discrete Manufacturing	2%
Hospitality	1%
Air Transportation	1%
Oil and Natural Gas	1%
Real Estate (Construction, Transaction)	0%
Education	0%

The majority of global survey respondents were from the U.S. and Western Europe. The U.S. alone accounted for 63 percent of respondents.

Figure 3: OWS 16 – Regional Representation
Source: IAOP OWS 2016 Survey, ISG Research

Region	%
U.S.	63%
Western Europe	21%
Australia/New Zealand	5%
Canada	4%
United Kingdom	2%
South America	2%
Japan	1%
Russia	1%
Eastern Europe	1%
Mexico	1%
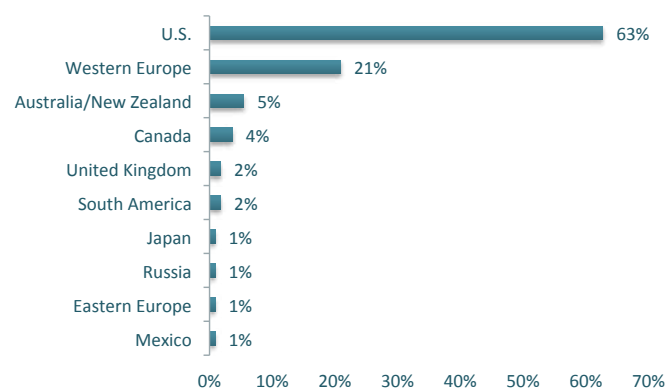
Nearly half the respondents to the European survey were drawn from the U.K., Ireland and the DACH (Germany, Austria and Switzerland) regions.

Majority of the representation is from the large European firms with revenue more than €4 billion annually.

Figure 4: EOS15 – Regional Representation
Source: IAOP EOS 2015 Survey, ISG Research

Region	Percent
UK & Ireland	29%
DACH	19%
Northern Europe	18%
France and Southern Europe	13%
Other	7%
Eastern Europe	5%
Russia	4%
Africa	1%
Middle East	1%
Central Asia	1%
Nordics	1%

Figure 6: EOS 15 – Company Size by Revenue
Source: IAOP EOS 2015 Survey, ISG Research

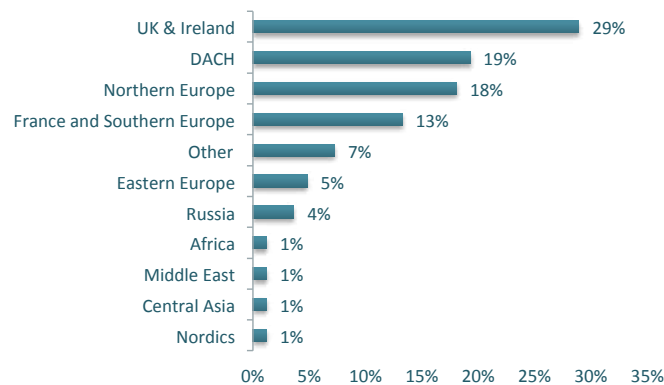| Revenue	Percent
4 billion EUR or greater	42%
800 million EUR but less than 4 billion EUR	15%
400 million EUR but less than 800 million EUR	10%
80 million EUR but less than 400 million EUR	7%
8 million EUR but less than 80 million EUR	9%
less than 8 million EUR	16%
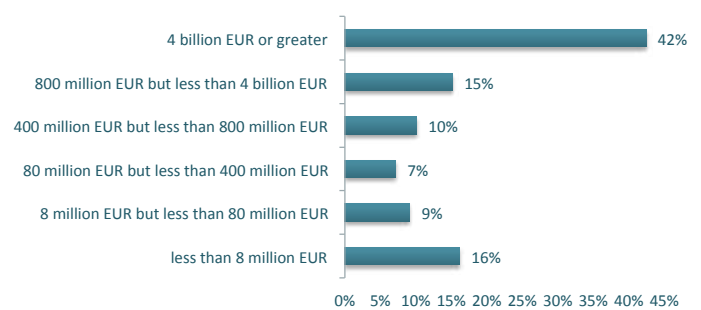
In the global survey, the majority of the respondents work for enterprises with annual revenue of $5 billion or more. Eighty-two percent work at companies with at least $1 billion in annual revenue.

Figure 5: OWS16 – Company Size by Revenue
Source: IAOP OWS 2016 Survey, ISG Research

Revenue	Percent
$5 billion or greater	51%
$1 billion but less than $5 billion	31%
$500 million but less than $1 billion	7%
$10 million but less than $100 million	6%
$100 million but less than $500 million	4%
less than $10 million	1%
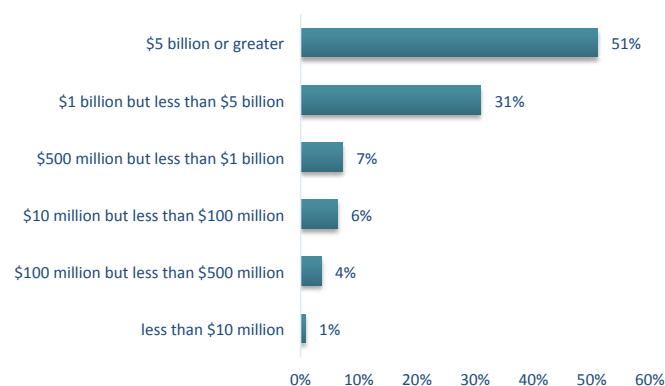
Appendix B – Complete Survey Questions & Results of the 2016 IAOP State of the Industry (SOTI) Survey

1. In which industry does your company primarily operate?

Industry	Advisor	Service Provider	Customer
Financial Services (Banking, Markets)	15%	8%	22%
Financial Services (Insurance)	3%	1%	8%
Discrete Manufacturing	3%	2%	4%
Oil and Natural Gas	0%	0%	3%
Automotive	2%	0%	3%
Pharmaceutical	3%	1%	7%
Telecommunication	3%	5%	6%
Entertainment and Media	0%	1%	4%
Air Transportation	2%	0%	5%
Hospitality	0%	0%	2%
Health Care	2%	6%	10%
Services	28%	26%	3%
Education	0%	2%	0%
Real Estate (Construction, Transaction)	0%	3%	2%
Government (All Levels)	3%	2%	1%
Utilities	2%	0%	3%
Retail and Consumer Goods	3%	3%	4%
Technology (Hardware, Software)	8%	36%	4%
Other	22%	5%	12%

2. In which region does your company primarily operate?

Region	Advisor	Service Provider	Customer
U.S.	40%	45%	63%
Canada	7%	4%	4%
Mexico	0%	0%	1%
Central America	0%	4%	0%
South America	2%	5%	2%
United Kingdom	5%	2%	2%
Western Europe	32%	22%	21%
Eastern Europe	2%	5%	1%
Russia	0%	1%	1%
Africa	2%	4%	0%
Japan	0%	0%	1%
India	2%	4%	0%
South East Asia	2%	2%	0%
Australia/New Zealand	8%	4%	5%

3. What is your company's approximate annual revenue (US$)?

Annual revenue	Advisor	Service Provider	Customer
$5 billion or greater	22%	28%	51%
$1 billion but less than $5 billion	8%	12%	31%
$500 million but less than $1 billion	3%	5%	7%
$100 million but less than $500 million	13%	13%	4%
$10 million but less than $100 million	13%	26%	6%
less than $10 million	40%	16%	1%

4. How long has your company utilized outsourcing?

Years	Advisor	Service Provider	Customer
<1 year	0%	2%	2%
1-3 years	10%	5%	8%
3-5 years	17%	8%	9%
5-7 years	5%	2%	8%
7-10 years	20%	9%	18%
>10 years	48%	74%	55%

5. Over the past twelve months have most of your organization's EXISTING outsourcing contracts:

EXISTING outsourcing contracts	Advisor	Service Provider	Customer
Continued/renewed unchanged	15%	15%	18%
Continued/renewed with reduced volumes	8%	4%	6%
Continued/renewed with increased volumes	13%	31%	19%
Continued/renewed with decreased services	0%	0%	2%
Continued/renewed with expanded services	20%	25%	16%
Been renegotiated to change prices, volumes, or services	38%	23%	37%
Been significantly curtailed or cancelled	2%	2%	1%
Been insourced (brought back in-house)	3%	2%	0%

6. Over the past twelve months have most of your organization's plans for NEW outsourcing opportunities:

Plans for NEW outsourcing opportunities	Advisor	Service Provider	Customer
Continued unchanged	25%	25%	30%
Been expanded to pursue more new outsourcing opportunities than previously planned	47%	50%	49%
Been reduced to pursue fewer new outsourcing opportunities than previously planned	12%	15%	4%
Been shifted away from outsourcing to more in-house/ shared services operations	13%	7%	13%
Been shifted away from shared services to more outsourcing	3%	4%	5%

7. Over the past twelve months has your organization's reason for outsourcing become (check all that apply):

Reasons for Outsourcing	Advisor	Service Provider	Customer
More focused on immediate cost savings	42%	51%	40%
More focused on long-term cost savings	17%	44%	53%
More focused on conserving capital	10%	12%	15%
More focused on monetizing (selling) assets	3%	6%	6%
More focused on supporting company's plans for growth	37%	45%	40%
More focused on increasing business flexibility	40%	56%	46%
More focused on creating new business opportunities through partnerships with providers	18%	21%	16%
More focused on accessing skills and talent not otherwise available to you	17%	28%	33%
More focused on enabling innovation	37%	43%	30%
More focused on adopting new technologies and capabilities - such as Social; Mobile; Analytics and Cloud (SMAC)	22%	39%	35%

8. Over the past twelve months has your organization's overall approach to outsourcing become (check all that apply):

Overall approach to outsourcing	Advisor	Service Provider	Customer
More focused on operational; lower-skilled activities	20%	22%	29%
More focused on knowledge-based; higher-skilled activities	38%	46%	33%
More focused on 'bundled' services with fewer providers	35%	47%	36%
More focused on multisourcing with more suppliers	38%	25%	27%
More focused on onshore providers	15%	18%	10%
More focused on nearshore providers	30%	15%	14%
More focused on offshore providers	15%	10%	26%
More focused on shorter contracts	37%	16%	10%
More focused on longer contracts	17%	18%	10%
More focused on flexible contracts (volume; staffing etc.)	67%	64%	46%
More focused on multiple contracts with lower total contract value	15%	7%	11%

9. Have you consumed any SMAC based application in the past 12 months:

Response	Advisor	Service Provider	Customer
Yes	52%	45%	68%
No	48%	55%	32%

10. Which are benefits you have realized after consuming the SMAC based application in past 12 months (check all that apply):

Social	Advisor	Service Provider	Customer
Streamlines business operations and drives efficiency	0%	12%	9%
Hardware and software independence	0%	7%	0%
Less maintenance on internal software and hardware	0%	8%	0%
Storage capabilities and ease-to-scale	0%	5%	6%
Lowers total cost of technology ownership	3%	10%	6%
Simplifies IT Infrastructure	3%	13%	9%
Increases employees' productivity	3%	13%	9%
Improved security measures	3%	7%	6%
Environmentally friendly	3%	8%	3%
Lower cost of ownership	6%	8%	6%
Cloud based solutions continuously updated	6%	7%	9%
Highly customizable	9%	12%	0%
Gain significant insights into the customer minds through mobile apps	12%	18%	12%
Reduces your IT Costs	12%	10%	6%
Real-time collaboration	12%	25%	21%
Tracks opinions & preferences through analytics	15%	18%	27%
Cost and time savings	15%	15%	9%
Delivers agility; scalability unmatched by the capabilities of traditional IT offerings	18%	22%	30%
Allows context driven marketing initiatives based on user behaviors	18%	22%	27%
Improved access (mobility)	18%	15%	21%
Improves end users' experience	21%	27%	21%
Reaches larger customer segments through social media channels	27%	28%	21%

Mobility	Advisors	Providers	Customers
Improved security measures	3%	17%	12%
Storage capabilities and ease-to-scale	3%	12%	6%
Simplifies IT Infrastructure	6%	22%	9%
Reduces your IT Costs	6%	20%	12%
Hardware and software independence	6%	13%	9%
Less maintenance on internal software and hardware	6%	13%	9%
Cloud based solutions continuously updated	6%	17%	18%
Environmentally friendly	6%	12%	9%
Highly customizable	9%	13%	6%
Reaches larger customer segments through social media channels	12%	30%	24%
Lower cost of ownership	12%	15%	15%
Lowers total cost of technology ownership	15%	27%	9%
Cost and time savings	15%	22%	15%
Allows context driven marketing initiatives based on user behaviors	18%	17%	24%
Streamlines business operations and drives efficiency	18%	28%	18%
Increases employees' productivity	21%	30%	21%
Real-time collaboration	21%	23%	21%
Tracks opinions & preferences through analytics	24%	17%	27%
Delivers agility; scalability unmatched by the capabilities of traditional IT offerings	27%	48%	36%
Gain significant insights into the customer minds through mobile apps	27%	22%	15%
Improves end users' experience	30%	38%	33%
Improved access (mobility)	33%	35%	33%

Analytics	Advisor	Service Provider	Customer
Hardware and software independence	3%	5%	3%
Improved security measures	6%	8%	9%
Storage capabilities and ease-to-scale	6%	7%	6%
Environmentally friendly	6%	7%	3%
Reaches larger customer segments through social media channels	9%	15%	21%
Simplifies IT Infrastructure	9%	20%	3%
Real-time collaboration	9%	15%	9%
Less maintenance on internal software and hardware	9%	8%	0%
Improved access (mobility)	12%	10%	6%
Lower cost of ownership	12%	15%	9%
Cost and time savings	12%	22%	9%
Highly customizable	12%	12%	0%
Lowers total cost of technology ownership	15%	15%	12%
Reduces your IT Costs	15%	18%	12%
Improves end users' experience	18%	15%	18%
Increases employees' productivity	21%	22%	15%
Streamlines business operations and drives efficiency	21%	20%	18%
Cloud based solutions continuously updated	27%	13%	3%
Allows context driven marketing initiatives based on user behaviors	33%	23%	24%
Gain significant insights into the customer minds through mobile apps	33%	27%	21%
Delivers agility; scalability unmatched by the capabilities of traditional IT offerings	39%	43%	36%
Tracks opinions & preferences through analytics	42%	25%	27%

Cloud	Advisor	Service Provider	Customer
Tracks opinions & preferences through analytics	3%	13%	15%
Allows context driven marketing initiatives based on user behaviors	6%	22%	12%
Gain significant insights into the customer minds through mobile apps	6%	12%	6%
Environmentally friendly	6%	13%	18%
Real-time collaboration	9%	22%	18%
Improved security measures	12%	27%	15%
Reaches larger customer segments through social media channels	15%	17%	18%
Highly customizable	15%	23%	3%
Increases employees' productivity	18%	18%	18%
Improves end users' experience	21%	25%	15%
Improved access (mobility)	21%	30%	15%
Streamlines business operations and drives efficiency	21%	30%	27%
Hardware and software independence	27%	27%	24%
Lower cost of ownership	27%	38%	39%
Simplifies IT Infrastructure	33%	62%	36%
Cost and time savings	33%	38%	39%
Cloud based solutions continuously updated	33%	38%	30%
Storage capabilities and ease-to-scale	33%	33%	27%
Less maintenance on internal software and hardware	39%	32%	27%
Lowers total cost of technology ownership	45%	58%	45%
Reduces your IT Costs	55%	53%	55%
Delivers agility; scalability unmatched by the capabilities of traditional IT offerings	70%	67%	52%

11. Apart from SMAC, which of the following technology you are consuming from past 12 months: (check all that apply)

Technology consumed in past 12 months	Advisor	Service Provider	Customer
Active streams	0%	3%	0%
Micro Data center	0%	3%	7%
Gesture control	4%	2%	0%
Natural Language Processing (NLP)	4%	6%	7%
3D printing	8%	8%	10%
3D scanning	8%	5%	3%
Augmented reality	8%	8%	7%
Gamification	8%	25%	14%
Near Field Communication (NFC)	8%	8%	10%
Bio Chips	12%	2%	3%
Cryptocurrency	12%	3%	3%
In-memory computing	12%	11%	17%
Mobile health monitoring	12%	11%	0%
Smart cars	12%	11%	3%
Connected homes	15%	13%	7%
In-memory analytics	15%	8%	10%
Smart cities (Civic technology)	15%	13%	7%
Wearable user interfaces	15%	14%	10%
Consumer telematics	19%	13%	7%
Data Science	19%	22%	24%
Machine to Machine communication (M2M)	19%	25%	17%
Location Intelligence	23%	17%	3%
Speech recognition	23%	13%	24%
Robotic Process Automation (RPA)	38%	17%	34%
Content Analytics	42%	46%	31%
IoT	46%	43%	10%
Big Data	69%	63%	52%

12. Has your company adopted a multi-sourcing strategy, sometimes referred to as Service Integration and Management or SIAM, to better integrate internal activities with multiple, interdependent outsourced activities?

Response	Advisor	Service Provider	Customer
Yes	47%	42%	45%
No	53%	58%	55%

13. How SIAM outsourcing model is changed to accommodate the implementation of emerging technologies like SMAC:

Changes in SIAM to accommodate SMAC	Advisor	Service Provider	Customer
No change at all	27%	21%	34%
Somewhat changed	45%	55%	52%
Significantly changed	21%	23%	12%
Completely changed	6%	0%	2%

14. In your company's experience with multi-sourcing, what issues and challenges have you encountered (check all that apply):

SIAM Challenges	Advisor	Service Provider	Customer
We are caught in the middle between all of our supplier; resolving disputes, facilitating collaboration, and relaying information	53%	56%	34%
We are gathering data and metrics to determine if the suppliers are meeting their contractual deliverables and obligations. The suppliers are not providing any performance level information to our company	34%	34%	40%
We do not have relationships at the strategic level with our suppliers nor do any of our supplier have strategic level relationships with each other to enable better collaboration and create operating level agreements (OLAs)	34%	42%	23%
Duplication of effort, doing the same thing in different ways for multiple suppliers	25%	36%	26%
Lack of integration across suppliers which leads to delays, unmet expectations and increased cost	56%	78%	45%
We haven't encountered any issues nor challenges	9%	12%	21%

15. What formal processes have you put in place to better enable the integration and management of the various services (SIAM) that you've outsourced to your multiple suppliers [check all that apply]

Process for SIAM better utilization	Advisor	Service Provider	Customer
Performance Management (SLA Management; Escalation Management; Benchmarking; etc.)	81%	71%	85%
Contract Management (Contract Compliance; Contract Changes; Risk and Compliance; etc.)	72%	63%	73%
Financial Management (Invoice Management; Budgeting; Forecasting; etc.)	56%	45%	53%
Operations Management (Service Design; Service Operations; Service Transitions)	50%	55%	71%
They haven't put any processes in place	9%	10%	0%

16. In your company's adoption of a Service Integration and Management (SIAM) approach, which of the following benefits have you realized [check all that apply]

Benefits of SIAM adoption	Advisor	Service Provider	Customer
One overall Service Catalog with plug-and-play products/services	34%	35%	27%
Standard integrated processes and tools across services	41%	50%	45%
Clear roles & responsibilities and single points of contact	66%	60%	67%
Aligned measures and transparent reporting with drill-down capability	31%	38%	35%
We have not observed any benefits for our customers	17%	19%	12%
We haven't encountered any issues nor challenges	9%	12%	21%

17. As your company has moved to a multi-sourcing approach, which processes have required changes in the way you've operating in the past [check all that apply]

Change in processes	Advisor	Service Provider	Customer
Contracting process	52%	51%	56%
Transition and transformation activities	76%	55%	47%
Ongoing operations	73%	73%	73%
None of the above	6%	6%	5%
They haven't put any processes in place	9%	10%	0%

18. How is your company incentivizing the right behavior from your multiple suppliers? [Check all that apply].

Incentives for providers	Advisor	Service Provider	Customer
They have put in place end-to-end shared Critical Service Levels	48%	46%	46%
They have facilitated the establishment of OLAs	59%	44%	36%
They conduct joint operations governance forums	76%	49%	54%
They have implemented a shared pool of Service Credits covering overall performance by their suppliers	24%	17%	8%
They conduct a joint Root Cause Assessment (RCA) process	45%	34%	44%
They have a process where no one supplier will be liable for more than its service credit cap	21%	29%	10%

Appendix B – Continued

19. How important is Corporate Social Responsibility (CSR) as a component of your outsourcing business strategy?

Importance of CSR in sourcing policy	Advisor	Service Provider	Customer
Critical	3%	10%	17%
Extremely important	15%	21%	23%
Very important	22%	17%	23%
Important	32%	16%	19%
Somewhat important	18%	25%	11%
Not applicable	10%	10%	7%

20. What are your top priorities when considering Corporate Social Responsibility (CSR) in outsourcing (check all that apply):

Top priorities about CSR	Advisor	Service Provider	Customer
Labor practices	60%	51%	68%
Fair operating practices	52%	55%	62%
Human rights	36%	42%	58%
Consumer issues	26%	25%	39%
Environmental issues	48%	54%	51%
Community involvement	28%	42%	37%

21. Do you think that SIAM participating vendors can help you to remain on top of the technology changes: (Please select one)

Response	Advisor	Service Provider	Customer
No	17%	22%	21%
Yes	83%	78%	79%

22. Which of the following technology implementation you would like to outsource in the next 12 months (check all that apply):

May advice or implement	Advisor	Service Provider	Customer
Cloud	17%	14%	22%
Mobility	23%	13%	13%
Social	27%	12%	12%
Analytics	28%	16%	21%
3D printing	13%	9%	3%
3D scanning	7%	5%	3%
Active streams	10%	5%	3%
Augmented reality	10%	5%	3%
Big Data	12%	14%	31%
Bio Chips	7%	5%	0%
Connected homes	15%	5%	2%
Consumer telematics	5%	6%	3%
Content analytics	13%	7%	8%
Cryptocurrency	7%	5%	3%
Data Science	7%	10%	9%
Gamification	10%	8%	4%
Gesture control	2%	5%	1%
In-memory analytics	20%	5%	6%
In-memory computing	10%	5%	5%
IoT	12%	9%	7%
Location Intelligence	10%	6%	4%
Machine to Machine communication (M2M)	12%	8%	8%
Micro Data center	5%	7%	3%
Mobile health monitoring	12%	8%	3%
Natural Language Processing (NLP)	7%	7%	2%
Near Field Communication (NFC)	7%	7%	2%
Robotic Process Automation (RPA)	12%	10%	15%
Smart cars	12%	3%	1%
Smart cities (Civic technology)	8%	6%	0%
Speech recognition	5%	8%	6%
Wearable user interfaces	8%	8%	5%

Will advise or implement	Advisor	Service Provider	Customer
Cloud	65%	50%	29%
Mobility	38%	41%	25%
Social	20%	30%	14%
Analytics	43%	40%	25%
3D printing	5%	5%	1%
3D scanning	3%	3%	1%
Active streams	8%	3%	0%
Augmented reality	2%	4%	0%
Big Data	42%	31%	13%
Bio Chips	2%	1%	0%
Connected homes	7%	5%	0%
Consumer telematics	7%	9%	0%
Content analytics	15%	19%	4%
Cryptocurrency	3%	3%	0%
Data Science	10%	12%	8%
Gamification	3%	5%	0%
Gesture control	3%	3%	0%
In-memory analytics	5%	10%	4%
In-memory computing	2%	8%	2%
IoT	28%	22%	1%
Location Intelligence	17%	12%	0%
Machine to Machine communication (M2M)	13%	8%	1%
Micro Data center	7%	4%	2%
Mobile health monitoring	10%	8%	1%
Natural Language Processing (NLP)	3%	5%	1%
Near Field Communication (NFC)	2%	5%	1%
Robotic Process Automation (RPA)	27%	15%	7%
Smart cars	3%	6%	0%
Smart cities (Civic technology)	8%	6%	0%
Speech recognition	7%	6%	5%
Wearable user interfaces	8%	9%	2%

Appendix C – Complete Survey Questions & Results of IAOP's European State of the Industry (E-SOTI) Survey 2015

1. In which industry does your company primarily operate? (check one)

	Advisor	Service Provider	Customer	Overall
Financial Services (Banking, Markets)	11%	11%	24%	14%
Financial Services (Insurance)	6%	0%	24%	7%
Discrete Manufacturing	0%	2%	4%	2%
Oil and Natural Gas	0%	0%	4%	1%
Automotive	6%	2%	0%	2%
Pharmaceutical	0%	2%	16%	5%
Telecommunication	6%	9%	0%	6%
Entertainment and Media	0%	2%	4%	2%
Air Transportation	0%	0%	4%	1%
Hospitality	0%	0%	4%	1%
Health Care	0%	2%	4%	2%
Services	17%	25%	0%	17%
Education	0%	0%	0%	0%
Real Estate (Construction, Transaction)	0%	0%	0%	0%
Government (All Levels)	17%	0%	0%	3%
Utilities	0%	4%	4%	3%
Retail and Consumer Goods	0%	5%	0%	3%
Technology (Hardware, Software)	17%	25%	0%	17%
Other	22%	13%	8%	13%

2. In which region does your company primarily operate? (check one)

Regions	Advisor	Service Provider	Customer	Overall
DACH	24%	18%	19%	19%
Nordics	6%	0%	0%	1%
Northern Europe	12%	24%	10%	18%
France and Southern Europe	12%	13%	14%	13%
Eastern Europe	6%	4%	5%	5%
Russia	0%	7%	0%	4%
Central Asia	0%	2%	0%	1%
Middle East	6%	0%	0%	1%
Africa	6%	0%	0%	1%
UK & Ireland	18%	24%	48%	29%
Other	12%	7%	5%	7%

3. What is your company's approximate annual revenue (in Euros)? (check one)

	Advisor	Service Provider	Customer	Overall
4 billion EUR or greater	22%	39%	64%	42%
800 million EUR but less than 4 billion EUR	11%	13%	24%	15%
400 million EUR but less than 800 million EUR	6%	11%	12%	10%
80 million EUR but less than 400 million EUR	0%	13%	0%	7%
8 million EUR but less than 80 million EUR	22%	9%	0%	9%
less than 8 million EUR	39%	16%	0%	16%

4. What type of Outsourcing model(s) are used by your organization? (check all that apply)

	Advisor	Service Provider	Customer	Overall
Onshore	56%	61%	72%	63%
Offshore	67%	64%	64%	65%
Nearshore	61%	57%	44%	55%
Hybrid	61%	59%	32%	53%
Captive/ Shared Services	44%	46%	44%	45%
Global Business Services	28%	39%	28%	34%

5. In reference to the model(s) selected above, which of the following factors influence your decision criteria in choosing your sourcing model? (check all that apply)

	Advisor	Service Provider	Customer	Overall
Cost	83%	93%	96%	92%
Language	61%	48%	63%	54%
Culture Fit	67%	52%	46%	53%
Network Connection	0%	5%	8%	5%
Security/ Data Protection	50%	50%	58%	52%
Legal Regulations	44%	38%	50%	42%
Brand Image	11%	14%	8%	12%
Social Responsibility	0%	9%	8%	7%
Close proximity to customer market	39%	30%	13%	28%
Outsourcing in my markets	11%	20%	8%	15%

6. With the prospect of business and IT converging through the digitalization of business models, what actions do you anticipate taking within the next 2 years? (check all that apply)

	Advisor	Service Provider	Customer	Overall
Restructure their business process landscape	56%	61%	76%	64%
Develop / improve the transparency of IT´s business value	61%	48%	60%	54%
Change their staff structure	61%	41%	56%	48%
Expand their partner ecosystem	39%	38%	32%	36%
Develop / adjust their technology roadmap	56%	52%	60%	55%
Increase systems integration capabilities	44%	46%	40%	44%
Install/enhance their security management capability	17%	39%	44%	36%
Outsource the control of ICT resources	6%	20%	16%	16%
None of the above	0%	2%	0%	1%

7. How have the economic challenges in the EU impacted your sourcing strategy? (check one)

	Advisor	Service Provider	Customer	Overall
There has been no impact to our strategy	28%	25%	56%	33%
We believe it should impact our strategy but we have made no changes	17%	13%	4%	11%
We have changed their strategy in some ways to account for these challenges	44%	50%	32%	44%
We have completely changed our sourcing strategy	6%	5%	0%	4%
None of the above	6%	5%	4%	5%
Others (Specify)	0%	2%	4%	2%

8. Driven by SMAC which challenges of a growing diversification of application environments do you expect within the next two years? (check all that apply)

	Advisor	Service Provider	Customer	Overall
Setup of an application ecosystem	56%	61%	68%	62%
Inventory and rating of applications	50%	29%	36%	34%
Interlinking disparate application landscapes	28%	48%	40%	42%
Optimization of cost transparency, project calculation and accounting	56%	45%	60%	51%
Implementation application lifecycle management	33%	46%	32%	40%
Outsourcing testing services	39%	27%	44%	33%
We don't see a diversification of our clients' application environments	6%	5%	0%	4%

9. In which of the following business areas do you consider outsourcing to be essential to your company's implementation of a Social Media strategy? (Check all that apply)

Business area + Social Media Strategy	Advisor	Service Provider	Customer	Overall
Administrative Services	0%	16%	12%	12%
Corporate Services	12%	35%	12%	25%
Customer Relationship Management	35%	65%	24%	50%
Document Management	0%	13%	24%	13%
Facility Services	0%	11%	8%	8%
Financial Management	0%	16%	8%	11%
Human Resources Management	41%	49%	20%	40%
Information/ Communications Technology	18%	44%	44%	39%
Legal	0%	13%	0%	7%
Logistics	0%	16%	8%	11%
Marketing	65%	53%	36%	51%
Real Estate and Capital Asset Management	6%	5%	0%	4%
Research & Development	18%	22%	16%	20%
Product Manufacturing	6%	9%	8%	8%
Sales	47%	45%	32%	42%
Transaction Processing	18%	16%	20%	18%
None of the business areas plan to implement a Social Media strategy	12%	9%	12%	10%

Appendix C –   Continued

10. In which of the following business areas do you consider outsourcing to be essential to your company's implementation of a Mobile strategy? (Check all that apply)

Business area + Mobile Strategy	Advisor	Service Provider	Customer	Overall
Administrative Services	6%	34%	4%	21%
Corporate Services	0%	34%	8%	21%
Customer Relationship Management	47%	59%	28%	49%
Document Management	6%	21%	12%	16%
Facility Services	0%	18%	4%	11%
Financial Management	0%	27%	12%	18%
Human Resources Management	29%	36%	12%	29%
Information/ Communications Technology	41%	48%	32%	43%
Legal	0%	7%	0%	4%
Logistics	29%	36%	16%	30%
Marketing	59%	55%	40%	52%
Real Estate and Capital Asset Management	0%	14%	0%	8%
Research & Development	6%	14%	4%	10%
Product Manufacturing	12%	18%	12%	15%
Sales	47%	48%	44%	47%
Transaction Processing	29%	27%	8%	22%
None of the business areas plan to implement a Mobility strategy	6%	4%	20%	8%

11. In which of the following business areas do you consider outsourcing to be essential to your company's implementation of an Analytics driven strategy? (Check all that apply)

Business areas + Analytics	Advisor	Service Provider	Customer	Overall
Administrative Services	24%	18%	12%	17%
Corporate Services	12%	29%	12%	21%
Customer Relationship Management	47%	59%	32%	50%
Document Management	0%	14%	12%	11%
Facility Services	6%	13%	4%	9%
Financial Management	29%	39%	24%	34%
Human Resources Management	29%	38%	12%	30%
Information/ Communications Technology	29%	48%	28%	40%
Legal	12%	13%	0%	9%
Logistics	24%	27%	20%	24%
Marketing	53%	48%	44%	48%
Real Estate and Capital Asset Management	6%	7%	8%	7%
Research & Development	35%	23%	24%	26%
Product Manufacturing	18%	18%	16%	17%
Sales	41%	34%	36%	36%
Transaction Processing	35%	21%	8%	20%
None of the business areas plan to implement a Social strategy	0%	9%	4%	6%

12. In which of the following business areas do you consider outsourcing to be essential to your company's implementation of a cloud computing strategy? (Check all that apply)

Business Area + Cloud Computing	Advisor	Service Provider	Customer	Overall
Administrative Services	39%	31%	36%	34%
Corporate Services	28%	35%	36%	34%
Customer Relationship Management	44%	47%	52%	48%
Document Management	33%	35%	24%	32%
Facility Services	22%	13%	4%	12%
Financial Management	33%	31%	28%	31%
Human Resources Management	44%	24%	40%	31%
Information/ Communications Technology	56%	65%	52%	60%
Legal	17%	15%	8%	13%
Logistics	28%	35%	16%	29%
Marketing	44%	33%	16%	30%
Real Estate and Capital Asset Management	17%	5%	12%	9%
Research & Development	28%	25%	24%	25%
Product Manufacturing	28%	22%	12%	20%
Sales	33%	31%	32%	32%
Transaction Processing	33%	29%	16%	26%
None of the business areas plan to implement a Cloud computing strategy	0%	7%	12%	7%

13. For all the areas identified above, why is outsourcing central to your organization's implementation of these technologies? (Check all that apply)

Importance of outsourcing	Advisor	Service Provider	Customer	Overall
Ability to leverage provider's expertise	44%	71%	40%	58%
Ability to leverage provider's technology	67%	51%	56%	55%
Ability to leverage providers scale and scope	39%	73%	56%	62%
Can rollout technology faster	61%	58%	76%	63%
Can implement with greater flexibility	67%	62%	68%	64%
Can implement with less capital investment	56%	60%	40%	54%
Provider's ability to automate the work – often referred to as Robotic Process Automation (RPA)	28%	42%	24%	35%
We don't believe outsourcing is central to our implementation of Social, Mobile, Analytics and Cloud (SMAC)	0%	2%	12%	4%

14. What characteristics do you find in providers who are able to deliver ongoing innovations in the areas you have outsourced to them? (check all that apply)

Provider characteristic's to deliver innovation	Advisor	Service Provider	Customer	Overall
They focus on growth	24%	60%	24%	44%
They focus their efforts on front-and middle-office transformation	29%	36%	16%	30%
They know our business vertical better than we do	29%	36%	20%	31%
They hire rock stars	0%	13%	0%	7%
They look like software companies	18%	11%	12%	12%
They weave innovation into the DNA of their company	47%	71%	48%	61%
None of their providers deliver innovation	0%	2%	28%	8%

Appendix C – Continued

15. Many European customers have told us that the lack of integration across and between providers leads to delays, increased costs, and additional work for their organizations. In your experience, what are the primary causes of this? (Check all that apply.)

Challenges in managing SIAM providers	Advisor	Service Provider	Customer	Overall
Our providers are not truly aware of the problem	6%	13%	29%	16%
As the customer, this is seen as our problem, not providers	24%	11%	38%	20%
The required operational responsibilities and interfaces have not been clearly defined	65%	81%	54%	72%
The needed tools and technology do not exist	6%	9%	0%	6%
The needed tools and technologies exist, but no one wants to pay for them	29%	39%	46%	39%
There is too much turnover of personnel across the organizations	18%	11%	13%	13%
There are no incentives in place to promote/ reward this type of behavior	53%	33%	58%	43%
Our organization is unwilling to give up direct responsibility for managing each provider as a separate contract	41%	44%	21%	38%
We haven't seen a lack of integration with our providers	6%	9%	8%	8%

17. Previous surveys have shown that in multiple provider environments, European companies incentivize their providers through joint operations governance forums. Why is this an incentive for your providers? (Check all that apply)

Benefits of incentives	Advisor	Service Provider	Customer	Overall
Providers are more collaborative with each other when meeting jointly with their clients	50%	43%	24%	39%
Clients play an important leadership role when they meet providers in a joint setting	44%	36%	28%	35%
Providers benefit from hearing a consistent message from their client	22%	34%	12%	26%
Problem solving is better facilitated in joint provider sessions	39%	48%	20%	39%
A priority is given to collaboration in finding solutions vs pointing fingers in joint governance forums	56%	41%	16%	37%
We don't utilize joint operations governance forums	11%	25%	56%	30%

16. Do you rely on any of the following industry standards to help create an integrated, multi-vendor environment? (Check all that apply)

Industry Standards	Advisor	Service Provider	Customer	Overall
ITIL	67%	80%	91%	80%
ISO 37500	22%	29%	0%	21%
COBIT	22%	25%	23%	24%
eSCM	11%	14%	18%	14%
We don't use any industry standards in our environments	22%	10%	5%	11%

18. Why is Corporate Social Responsibility (CSR) important as a component of your outsourcing decision making? (Check all that apply)

Importance of CSR in outsourcing decision making	Advisor	Service Provider	Customer	Overall
To meet legislative/regulatory requirements	50%	44%	48%	46%
To be consistent with generally accepted business standards and norms	44%	40%	44%	42%
It's an important factor in evaluating a provider's sustainability	11%	40%	32%	33%
It's important to our customers and they judge us not only by what we do but by what our providers do	44%	36%	52%	42%
It's important to our employees and managers and they judge us not only by what we do but by what our providers do	22%	18%	48%	27%
Our providers' CSR programs can have a direct, positive impact on our revenue, profitability and/or overall business growth	11%	33%	12%	23%
CSR is not a factor in our outsourcing decision making	17%	27%	20%	23%

19. Why is information security and privacy important in your overall outsourcing decision making? (Check all that apply)

Importance of information security in sourcing decision	Advisor	Service Provider	Customer	Overall
It often determines what can and cannot be outsourced	56%	52%	60%	55%
It's a critical factor in our provider selection	72%	52%	68%	60%
It's an important factor in determining overall costs/benefits of their outsourcing business case	17%	38%	40%	34%
Security and Privacy related legislative/regulatory requirements that apply to us must also be met by our providers	67%	71%	92%	76%
Our business and our reputation can be severely impacted by any security problems within our ecosystem	56%	77%	76%	73%
Our customers demand the security of all information entrusted to us, regardless of where it resides	50%	54%	60%	55%
This isn't a factor in our outsourcing decision making	0%	2%	0%	1%

20. Which of the following macro-economic considerations directly impact your organization's outsourcing decisions? (check all that apply)

Macro-economic factors	Advisor	Service Provider	Customer	Overall
Local political climate	61%	68%	58%	64%
Global political climate	39%	43%	50%	44%
Monetary policies	33%	36%	38%	36%
Tax policies	33%	63%	42%	52%
Consumer sentiments	33%	21%	29%	26%
Labor policies	50%	61%	63%	59%
None of the above	6%	4%	8%	5%

21. Previous surveys have shown that European companies are now approaching outsourcing with more of a focus on flexible contracts. What are the reasons flexible contracts are important? (check all the apply)

Importance of flexible contract	Advisor	Service Provider	Customer	Overall
We anticipate changing providers prior to contract completion	12%	20%	25%	20%
We are no longer signing multi-year contracts	29%	15%	8%	15%
The needs of their business are changing very rapidly which requires changing provider frequently	53%	53%	38%	48%
We want to avoid changing providers and prefer changing the contract as our priorities change	41%	40%	46%	41%
We are uncertain of our near-term needs and require contracts that are easily changed	47%	42%	21%	37%
We believe economic changes will require changes in contractual terms and conditions	29%	40%	50%	40%
None of the above	6%	9%	17%	10%

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