

# BeLux Service Provider Performance and Satisfaction: 2009

## Management Summary



## Introduction

Each year, EquaTerra undertakes an investigation into organisations' satisfaction with their outsourcing service providers. The research results are recognised as the most extensive and representative 'perception study' on the issues of Information and Communication Technology (ICT) sourcing in the marketplace today. This comprehensive research study is conducted in a number of European countries using a common format to enable Europe-wide analysis and conclusions.

This year's BeLux study investigates over 400 outsourcing contracts held by over 140 of the top IT spending organisations in the BeLux. The total annual value of the contracts included in this study is over €1.5 billion, accounting for more than 80% of the total BeLux outsourcing market in terms of annual contract value.

### Defining the Research Model: How you Should Read and Interpret this Research Report and its Findings?

In reading this report you should bear the following factors in mind:

#### 1. This is a Perception Study

This study focuses on the perceived quality of relationships between clients and outsourcing service providers of large business-critical contracts.

This study does not represent the opinion of EquaTerra on the skills, capabilities or performance of any of the outsourcing service providers covered in the research.

EquaTerra conducts the market research, but the findings represent the opinions of the clients of the service providers.

EquaTerra is solely responsible for defining the profile of the outsourcing contracts and selecting the buyer organisations that participate and the service providers that are evaluated in this research.

The study does not seek to establish anything as absolute fact (as perceptions are by definition subjective), but to report upon the feelings and broader perceptions of key decision-makers regarding the services supplied by some of the market's most important outsourcing service providers. At the most basic level, the ranking of these organisations provides them with a valuable warning about any gaps between the market perception of their organisation and its service offerings, and the resultant feeling within their customer base. In the most extreme cases, the results highlight key issues for that provider or the industry to tackle as a matter of urgency. The rankings are solely based on the feedback received in the market study from the clients polled. They are not based on any market metrics such as deals won, revenue, profitability or growth levels. The rankings are not based on the opinion of EquaTerra, its management, or advisors.

This study is conducted with senior management or C-level executives with influence over corporate strategy and third party services decisions. All participants in the study are responsible for the outsourcing strategy within their organisation. They also decide on or greatly influence budgets and are the influencers of decisions related to provider choice. Satisfaction is not only based on actual delivery, but also on how these individuals perceive the value they get from their providers.

## 2. Perception is never balanced or fair, but we always use a representative sample size

Service providers rated in the study vary by size, service portfolio and client portfolio. The different providers all have a (slightly) different focus on application, infrastructure and/or end-user management, making it not only difficult but even impossible to compare “apples with apples”.

Participants in the study are asked to rate their outsourcing service providers on a selection of key criteria. Crucially, they only rate those providers that are currently actively delivering services to their organisation. Participation in the study is on the basis of strict confidentiality. In line with this, the absolute privacy of the respondents is guaranteed, and the research process ensures anonymous use of all aggregate data, information and comments. Performance ratings and rankings in this study are not related to the actual measurement of deliverables and/or services, but rather reflect the perception of the respondents on these achievements.

The minimum number of participants required for each service provider in the study guarantees that the service provider scores reflect the opinion of a representative client group and not the opinions of individuals. The scores for each provider also represent similar seniority across many contracts, so that no contract or relationship can unfairly impact the score.

## 3. This study is for both buyers and service providers

The results of the study are used by all leading global and regional service providers to inform their ‘go to market’ strategies, assess their perceived strengths and weaknesses, educate their staff, communicate to the wider market, and fine-tune their improvement and market positioning programmes. The end-user organisations that participate use the results as a tool to benchmark their own satisfaction compared to that of others using the same service providers, as well as providing them with an opportunity to understand the perceived strengths and weaknesses of their providers in comparison to the market at large.

## 4. This study is focused on Information Technology Outsourcing (ITO), not Business Process Outsourcing (BPO)

The providers in this study are only evaluated on their ITO contracts and not on their BPO contracts. Though there are some questions about the current status of their BPO initiatives and their future plans, the respondents in this study are most likely not directly involved in BPO. In 2009, EquaTerra is launching a BPO Service Provider Performance market study programme to accompany its research into the IT provider market. For more information on the BPO programme, contact EquaTerra Global Research at: [research@equaterra.com](mailto:research@equaterra.com).

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As in previous years, the 2009 study provides deep insights into the changing dynamics of the BeLux outsourcing market, as well as highlighting some powerful warning signs for both clients and providers. The points below focus both on general trends in the market that will be dealt with in Section A of this report as well as on the perceived performance quality of service providers, which is dealt with in depth in Section B of this report.

### Trends in the Marketplace

#### 1. Buyers are achieving the benefits sought from outsourcing

One of the most positive findings is the high degree to which customers believe that outsourcing did meet the predefined primary objectives. Over three-quarters of the study participants say that outsourcing contributed significantly or moderately positively to meeting the primary drivers.

#### 2. Buyers feel that service providers overall are doing a very good job

85 percent of all participating companies are satisfied with their service provider. There are no low scores on general satisfaction and 88 percent of buyers would recommend their service provider(s) to someone else.

#### 3. Outsourcing levels are still increasing in the BeLux region

The importance of satisfaction with outsourcing is underlined by the findings on respondents' future outsourcing plans. Eighty-two percent of all respondents involved in this study confirmed that they will continue to outsource at the same or higher levels, with 56 percent indicating they will 'probably' or 'certainly' outsource more.

Application Management (AM) is the biggest area of growth with 19 percent of the respondents answering that they have plans to outsource AM (compared to 13 percent last year). AM is closely followed by End-User Management (EUM) being considered by 18 percent of the respondents (compared to 10 percent last year). 12 percent of the respondents are planning to outsource Infrastructure Management (IM), compared to nine percent last year.

This year's market study was conducted in January 2009 and therefore during the height of the economic downturn that significantly impacted the global as well as BeLux markets and economies. This study, in addition to other research recently conducted by EquaTerra, has not found any indication that economic conditions will significantly negatively impact outsourcing demand in the BeLux market. Indeed, EquaTerra expects that economic conditions will further drive demand for outsourcing as BeLux organisations more aggressively seek means to reduce costs, defer or limit future investments, and realign operating models to lower revenue levels. While deal flow is being disrupted in certain buyer accounts given turmoil within those organisations, this demand often comes back even stronger as buyers work through their problems and seek more aggressive solutions. Economic conditions will impact the type of deals buyers are seeking, for example by driving more emphasis on quick cost reduction efforts and short term Return on Investments (ROIs). This in turn will benefit individual service providers differently.

#### 4. Cost savings, cost flexibility and access to skills are the main outsourcing drivers

While last year's study highlighted access to skills as the most important driver, the ensuing financial crisis has contributed to causing participants to now choose cost savings as the most important outsourcing driver (up 12 percent from 44 to 56 percent). Access to skills remains a very important driver, highlighting the ongoing affordable IT skills shortages in the BeLux market, though survey levels did decline four percent to 50 percent. The desire to have cost flexibility went up seven percent year over year and was cited by 22 percent of respondents.

#### 5. Global sourcing - still a growing trend

Our research shows that the use of global sourcing strategies is growing at a rapid pace amongst BeLux companies. From 2007 to 2008, we witnessed a 10 percent increase in the use of global sourcing. This year's research finds a similar increase, with the proportion of organisations using near/offshoring capabilities rising again from 42 percent in 2008 to 53 percent in 2009.

India remains the dominant offshore destination for BeLux firms. 72 percent of respondents, up five percent from last year, are using India to fulfill at least some of their global sourcing needs. 32 percent are using processing centres in Eastern Europe. While BeLux is still some way behind the UK in terms of offshoring maturity, it is interesting to note that relatively more BeLux companies are using Eastern Europe as a near/offshore destination than UK companies (where 25 percent are using Eastern Europe).

#### 6. Buyer self-assessment of their ability to manage service providers is decreasing

Where existing contracts are concerned, we asked respondents to assess their own capabilities to manage and govern service providers and outsourcing efforts. Comparing the previous three years' responses to the governance question with this year's, shows a continued decrease of

the quality of service provider management capabilities. Indeed, only 46 percent of organisations now rate their management skills as 'Good' or 'Excellent', compared to 49 percent last year, and compared to 57 percent in 2007.

There are several contributing factors to this decline. One is that companies are still very immature relative to their use of software tools to support outsourcing management and governance with 57 percent of respondents citing this capability as very weak, weak or below average. Buyers not using software tools to support outsourcing governance efforts often struggle to keep up with manual administrative burdens and also to maintain a clear picture of the current state of the outsourcing effort. The lack of investment overall in outsourcing governance capabilities, uncertainty over how to improve capabilities, and increased outsourcing governance complexities as buyers outsource more with multiple providers are all important factors buyers must address to improve/maintain outsourcing satisfaction levels. Emphasis on investing in more outsourcing governance staff, while desirable, is difficult in the current market environment increasing the importance of other options like software tools that can provide a viable and effective alternative.

#### 7. Organisations' satisfaction with service provider pricing levels declines

For every service provider mentioned, seven questions were asked to review service provider performance using seven Key Performance Indicators (KPIs). This was carried out by presenting them with a number of statements whereby the respondent could indicate if he or she (totally) agreed, through to (totally) disagreed within a six-point scale. The scores were then converted to percentages, where 100 percent represented the maximum score, meaning that all the respondents involved totally agreed with the statement.

Organisations overall are becoming less satisfied with the pricing levels offered by outsourcing service providers. Although there are some exceptions, the majority of the service providers saw declines in this assessment element year over year. Service provider price was the one performance indicator that fell from last year. This is due

to the more critical view that buyers have in this economic climate when looking at costs and price/performance levels of service providers. BeLux results are, in contrast, however, with the UK results, where buyers were more satisfied with the price they pay to service providers. Undoubtedly, with economies worldwide struggling, price will remain a critical factor in buyer satisfaction for some time to come.

EquaTerra is seeing that buyers are increasingly putting pressure on IT service providers with regard to pricing, but buyers are also aware that often the lowest priced deal may not prove to be the best value deal if the service provider cannot deliver on its commitments and make at least a nominal profit. Some buyers are also seeking to reduce the volume of services procured as a way to reduce total spend, but still be able to afford to pay an equitable price for the remaining outsourced services. Clearly pricing will remain a highly scrutinised aspect of any outsourcing effort in 2009.

#### **8. Outsourcing buyers are disappointed in service providers' ability to deliver "innovation"**

Service provider's ability to delivery innovation received the lowest score of all seven key performance indicators coming in at just 59 percent. However, it's also the KPI that relatively did increase the most compared to last year, from 57 to 59 percent. Six service providers showed improved scores of more than five percent year over year for this performance indicator.

#### **9. Local and specialised service providers receive the highest satisfaction scores**

Overall, BeLux organisations are most satisfied with local and niche players, with Econocom, Computacenter, Fujitsu Services, RealDolmen, TCS and Siemens(SIS) being on top of the general satisfaction charts. There are several reasons for this including past experiences, local proximity, and industry specialisation.

#### **10. Different service providers lead in different process areas**

It is noteworthy to mention that the top three service providers for Application Management, Infrastructure Management, and End-User Management, are almost completely different, which shows that service providers are specialised, and all have their own strengths and weaknesses. Siemens is the only service provider that is listed in the top three for both IM and EUM.

## Profile of Service Providers and Respondents Group

### Service Provider profile

#### Providers included in this study

- Accenture
- Atos Origin
- Belgacom
- BT
- Capgemini
- Cegeka
- Computacenter
- Econocom
- Fujitsu-Services
- Getronics
- HP/EDS
- IBM
- Infosys
- Logica
- RealDolmen
- Siemens(SIS)
- TCS
- T-Systems
- Unisys

## Respondents profile

Sector

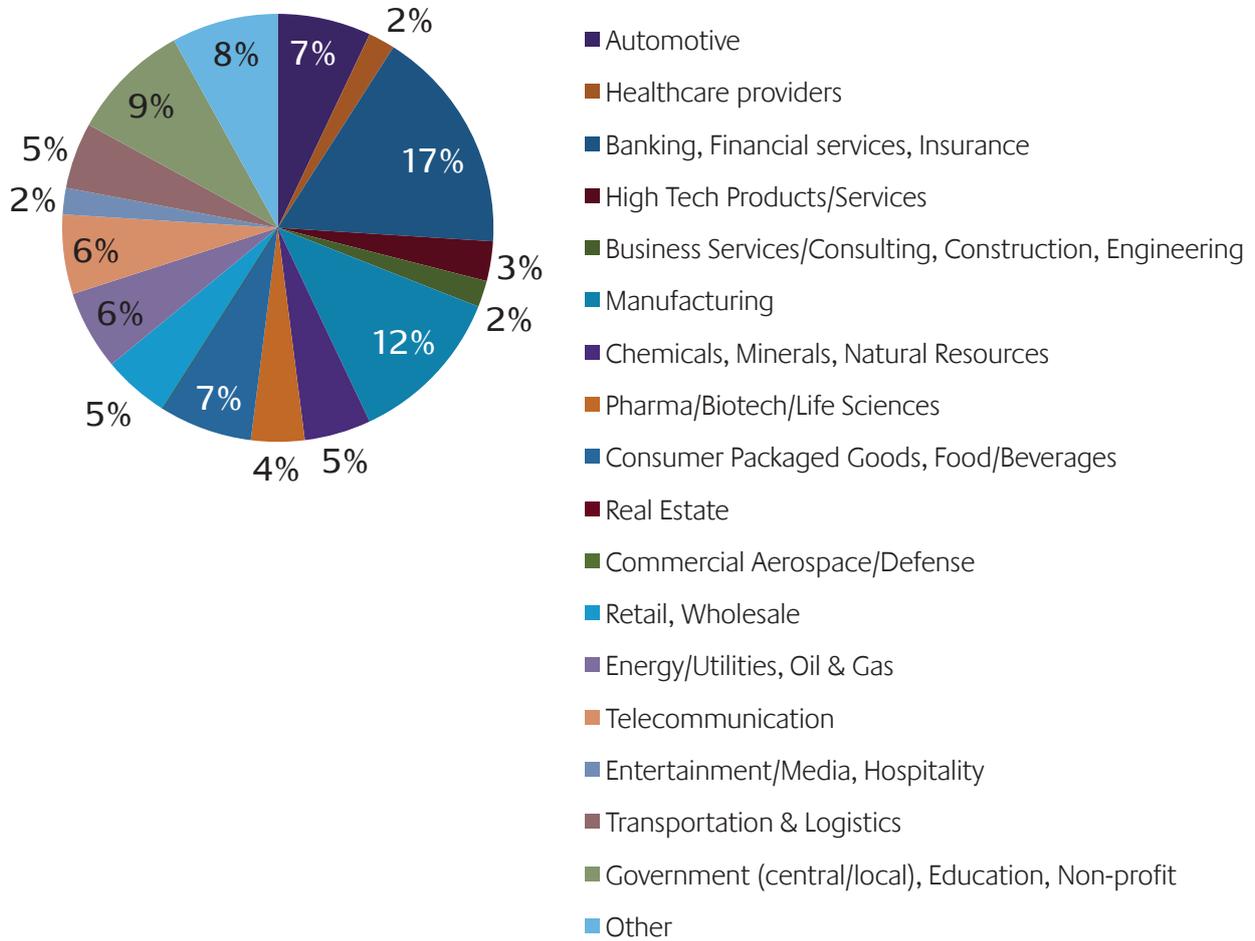


Figure 45

IT Spend

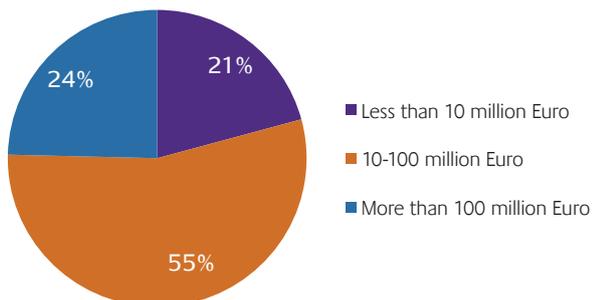


Figure 46

Annual value outsourcing contract

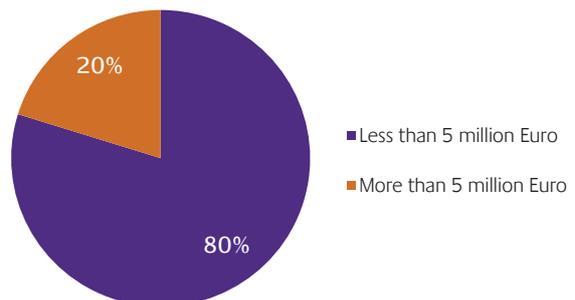


Figure 47

## About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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