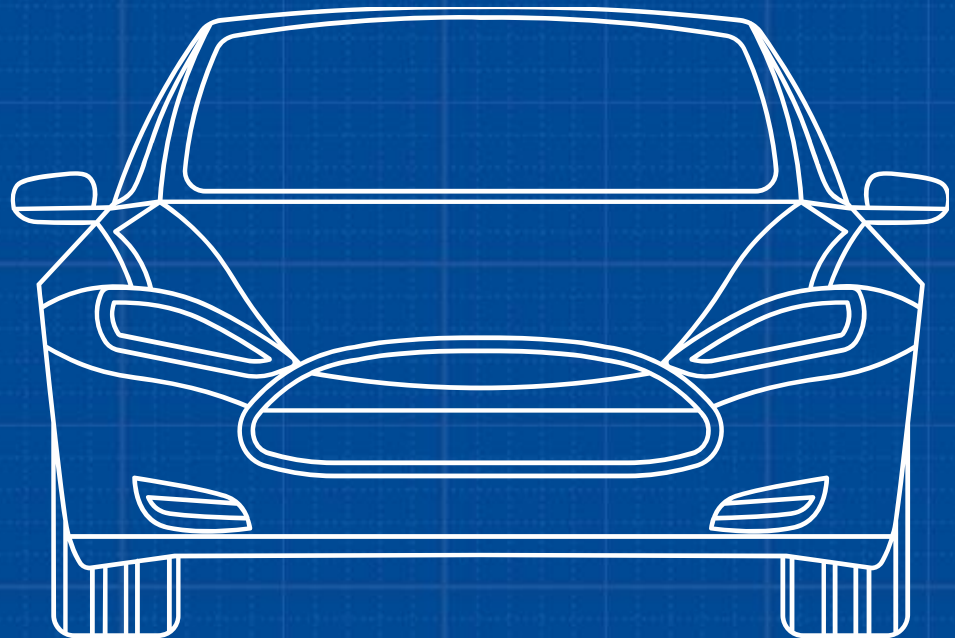




Deloitte's 2016 Global Outsourcing Survey -

May 2016



Background and key findings

Background:

- Survey completed January 2016
- Composed of 70+ questions covering entirety of outsourcing lifecycle and market trends

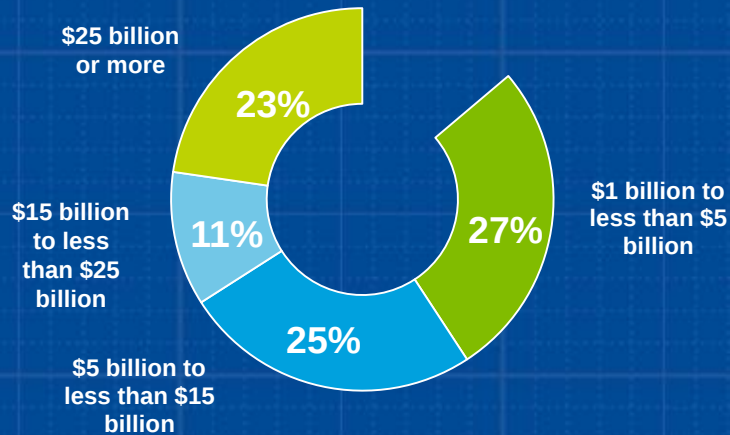
Key findings:

1. Invest additional time during the initial stages of the outsourcing relationship to ensure value is achieved throughout the process
2. Value is being achieved through the impact of innovation, ease of relationship management, and improved strategic flexibility, not just cost savings
3. Invest in transition, governance and vendor management capabilities to ensure realization of benefits within and beyond the terms of contract
4. Outsourcing is expected to see growth across all functions surveyed, particularly IT, Finance, and HR
5. Outsourcing is becoming more important in enabling M&A deals

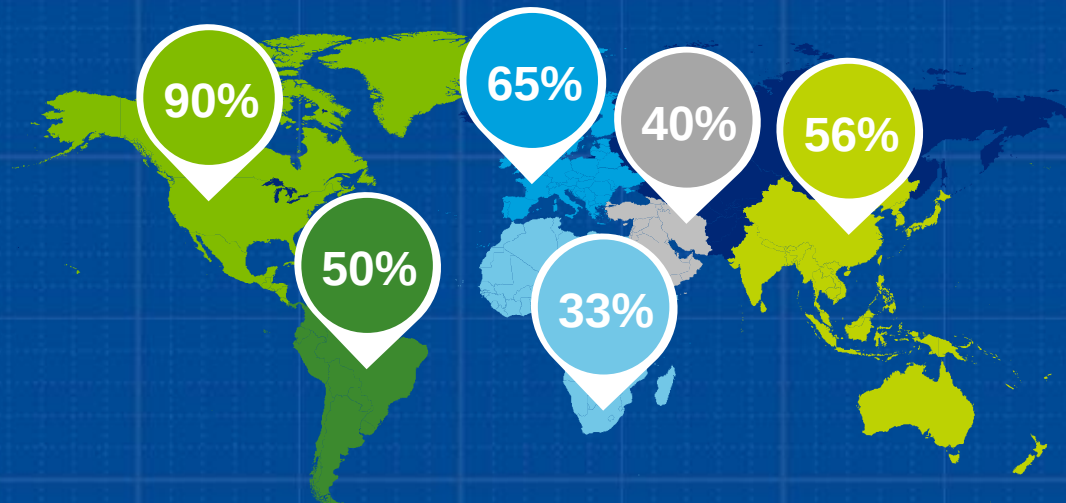
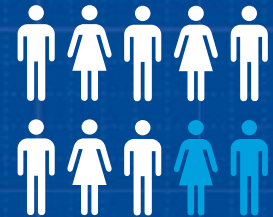


Organizational profile of respondents

More than 85% of respondents are from organizations with over \$1 billion in annual revenues



78% of respondents felt positively about their outsourcing relationship



Respondents have operations in the following regions:

- 90% North America
- 65% Europe
- 56% Asia Pacific
- 50% South America
- 40% Middle East
- 33% Africa

Functions of respondents



Respondents represent more than

25

different sectors



29%

Consumer & Industrial Products



27%

Financial Services



11%

Life Sciences & Health Care



9%

Technology, Media, & Telecomm

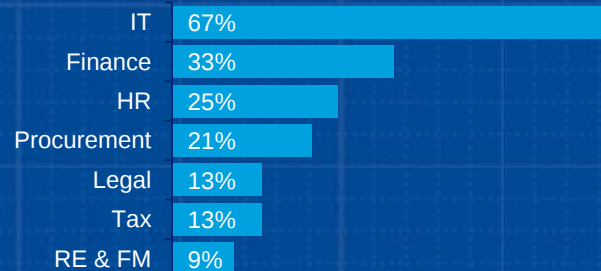


What are your current and future outsourcing strategies for the various business functions?



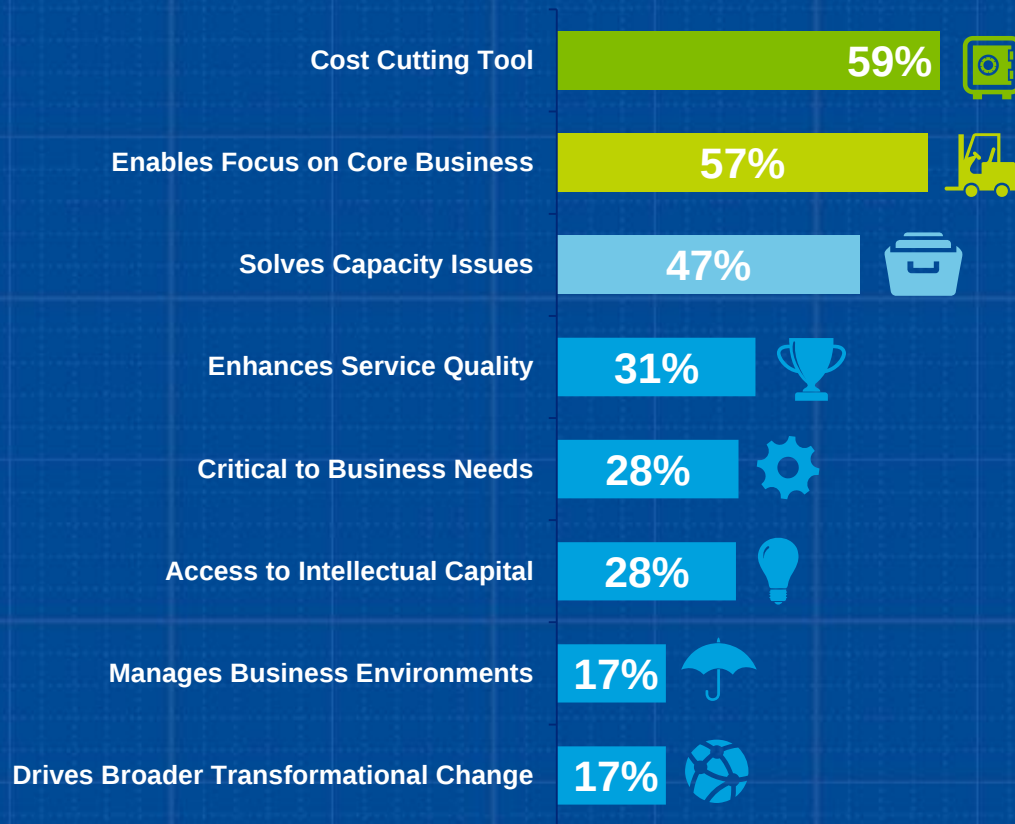
	Currently outsource	Increase use of outsourcing
IT	72%	31%
Legal	63%	14%
RE & FM	60%	30%
Tax	53%	17%
HR	47%	32%
Finance	42%	36%
Procurement	41%	29%

Majority of participants represent legacy functions like IT, Finance, and HR



Why do companies outsource?

Cost, enabling core business functions, and solving capacity issues are primary drivers to outsource. Leading practice organizations use outsourcing to drive transformational change and improve business results



Companies seek innovation from outsourcing agreements, but many are unsure how to define, motivate, and track it (65% do not currently measure the value created through innovation)



How do companies outsource?

While sole sourcing is still used by many respondents it is the least popular method cited

6%...

...of respondents **always** use sole sourcing when a decision is made to outsource services



48%...

...of respondents **sometimes** use sole sourcing when a decision is made to outsource services



Relationships with current providers are 'sticky'; 89% leverage their current provider(s) always or sometimes for additional services

Always leverage current providers

19%

70%

Sometimes leverage current providers

RFP is still the most popular method used by respondents (95%)



95%

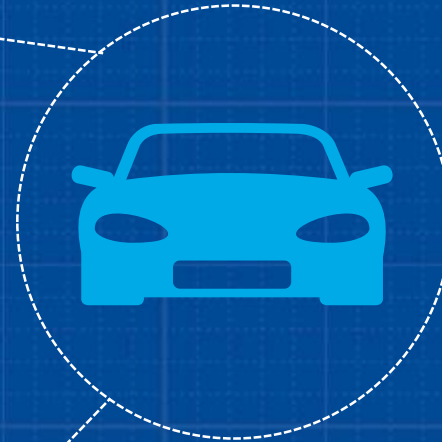
of respondents usually use RFPs when a decision is made to outsource services

How does innovation create value in outsourcing relationships?

Innovation is being used to



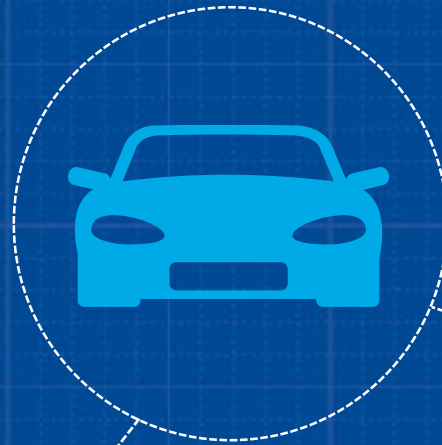
Only **21%**
make innovation a
key part of contracting



Outsourcing is a key enabler to M&A activity and has the ability to deliver tangible benefits for savvy organizations



Key technologies driving innovation in outsourcing



Cloud Computing has the ability to affect outsourcing relationships; respondents say it is:

Lowering cost of delivery

61%

Speeding up the rate of change

45%

Speeding up implementation

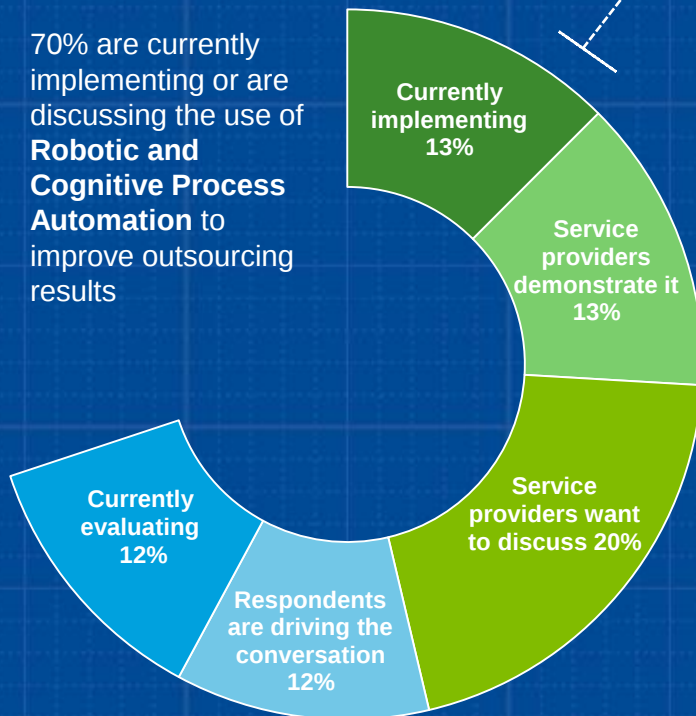
30%

Enhancing innovation

21%

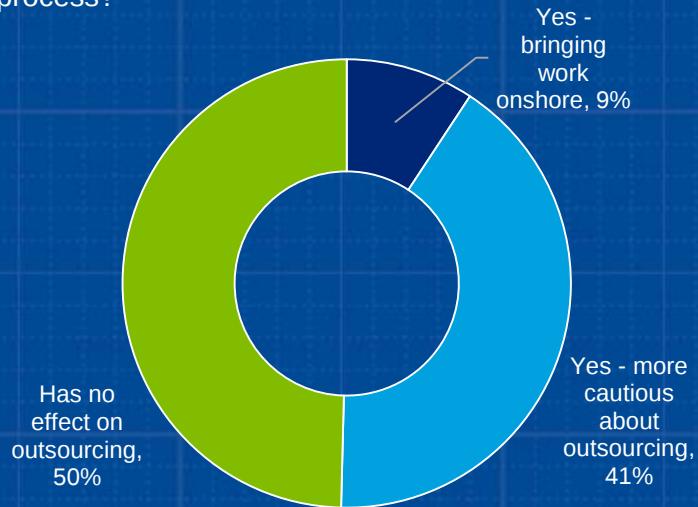


70% are currently implementing or are discussing the use of **Robotic and Cognitive Process Automation** to improve outsourcing results

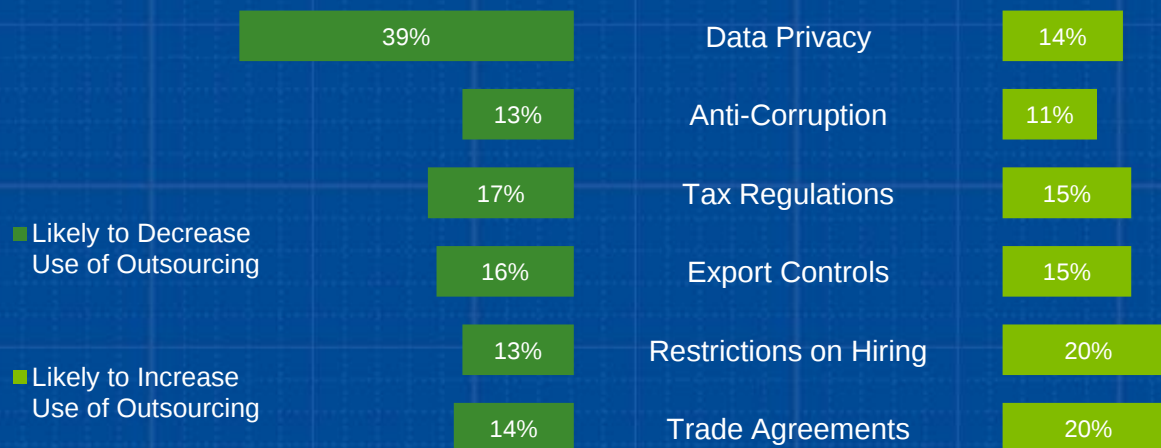
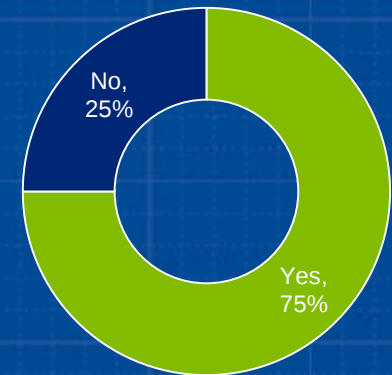


Effect of legislation / regulatory risks on outsourcing decisions

Does legislation effect the outsourcing decision process?



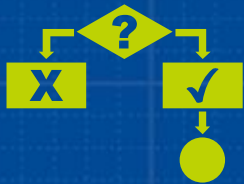
75% feel confident in their outsourcers ability to stay on top of legal / regulatory issues



How are cyber security risks affecting outsourcing decisions?

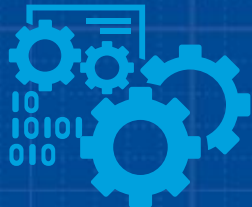


of respondents indicate cyber risks are affecting outsourcing decisions



50%

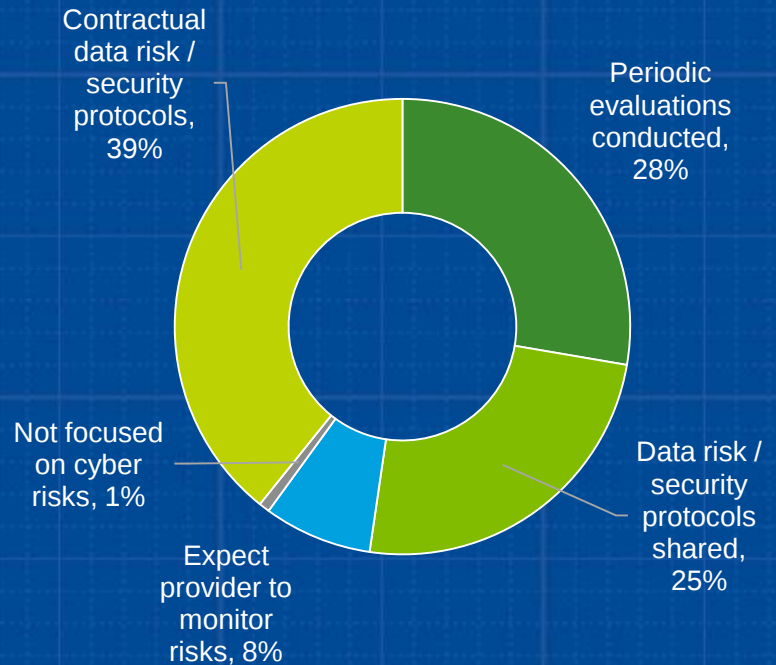
of respondents are modifying their processes



A majority of those adjusting their approach continue to view outsourcing as part of the solution, not the problem



Of respondents who are modifying processes, 64% indicated that they were focusing more attention on defining security protocols or sharing security risks with vendors



Already have processes in place

14%

We do not consider cyber security risks

13%

What are companies doing to manage their outsourcing agreements?

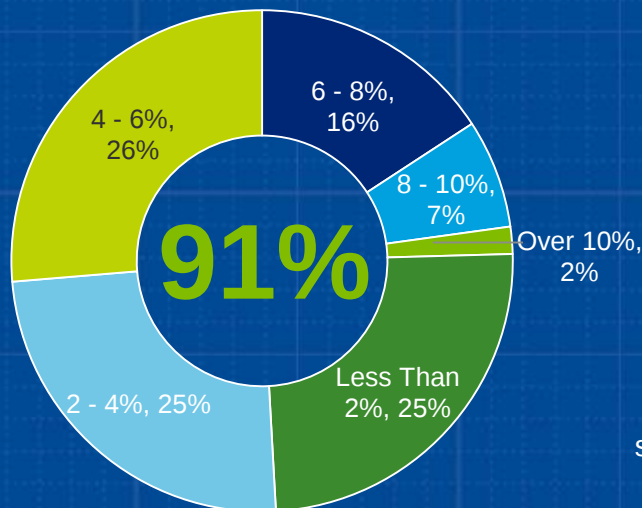
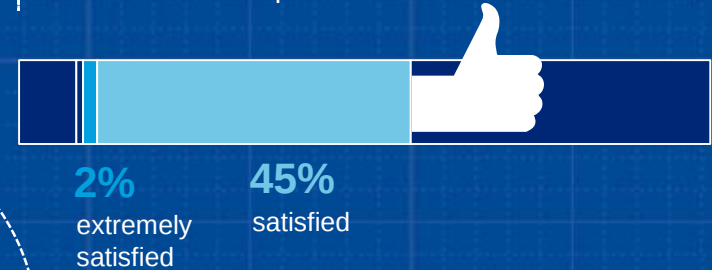
64% are working to improve their Vendor Management Organization (VMO) capabilities



34%...

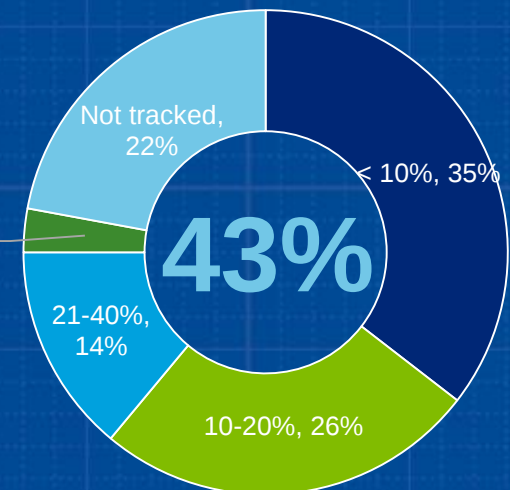
...of organizations rate themselves above average for managing multi-supplier environments

Nearly half of all respondents are satisfied with their performance tracking / measurement capabilities

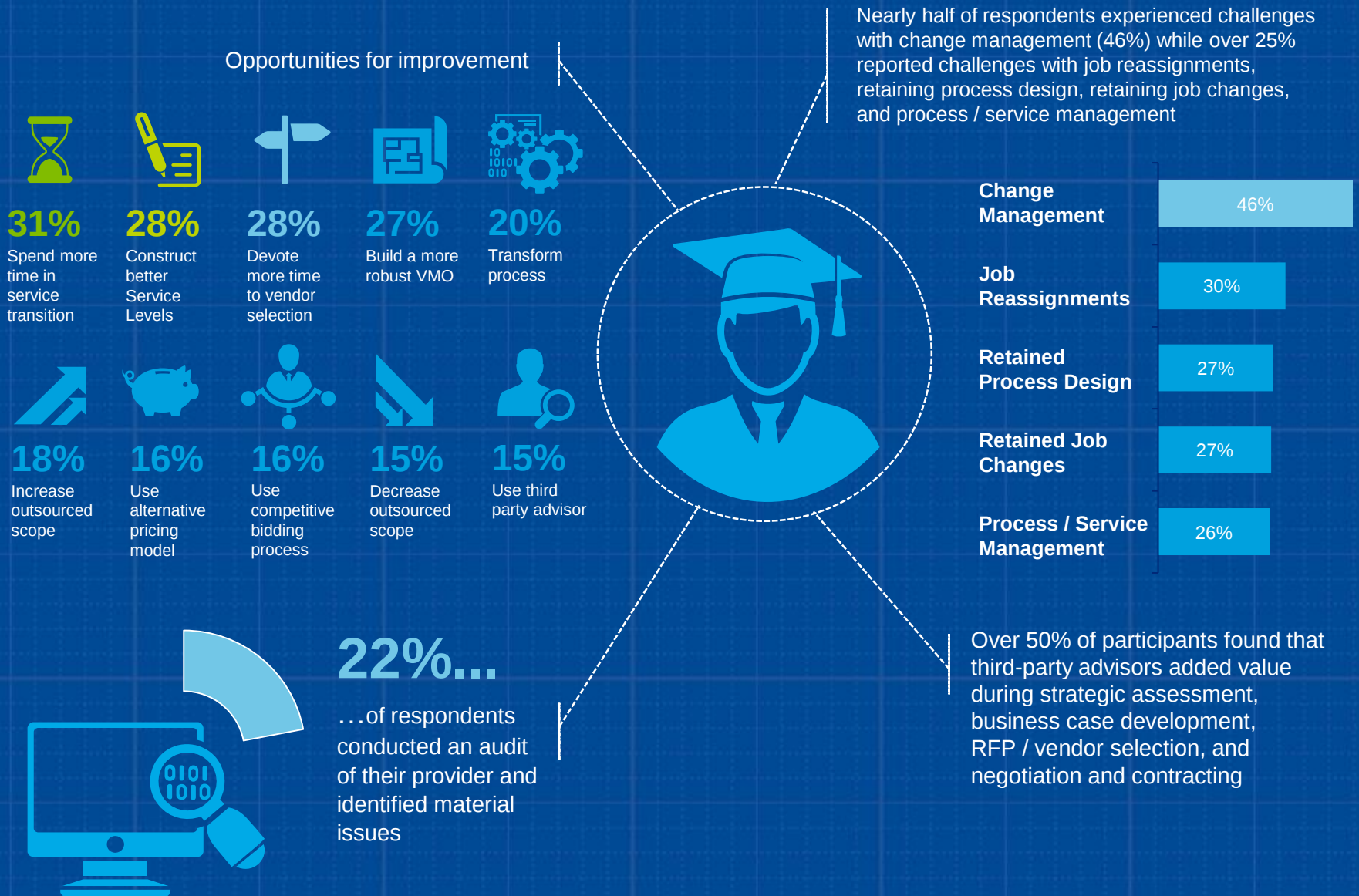


91% spend less than 8% on VMO

43% of respondents reported significant savings attributable to the vendor management function



What are companies learning from their outsourcing experiences?



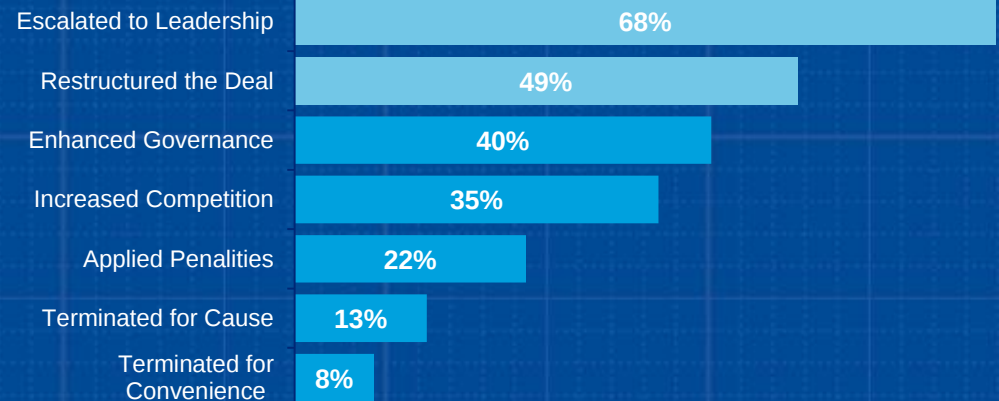
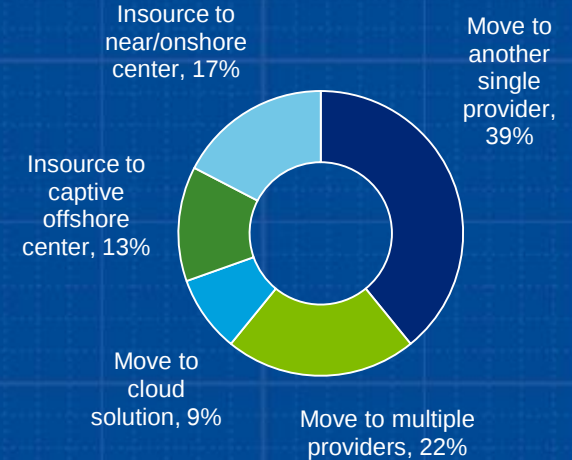
How do companies respond to service provider issues?

The top issues with service providers:



When issues arise, a majority of respondents indicated they first seek to "manage to the relationship"

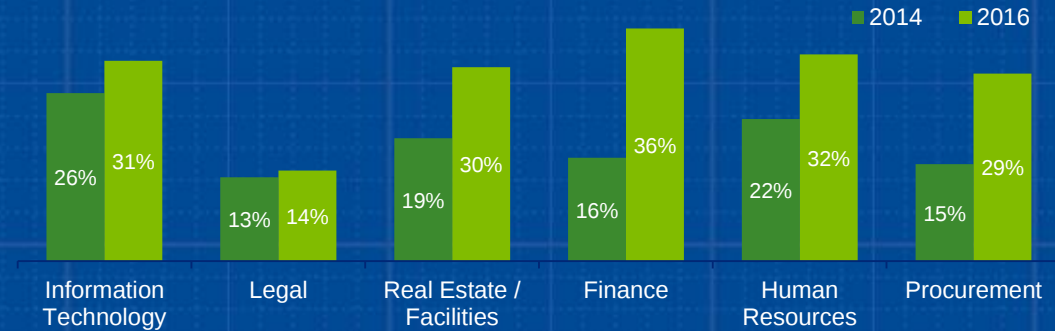
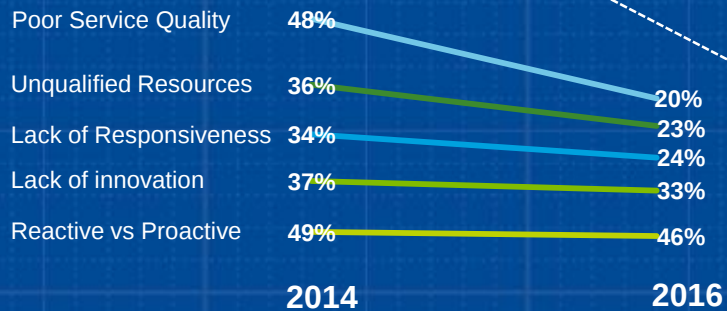
Of the 21% using termination as a method to remediate issues with providers:



Where is the outsourcing market headed?

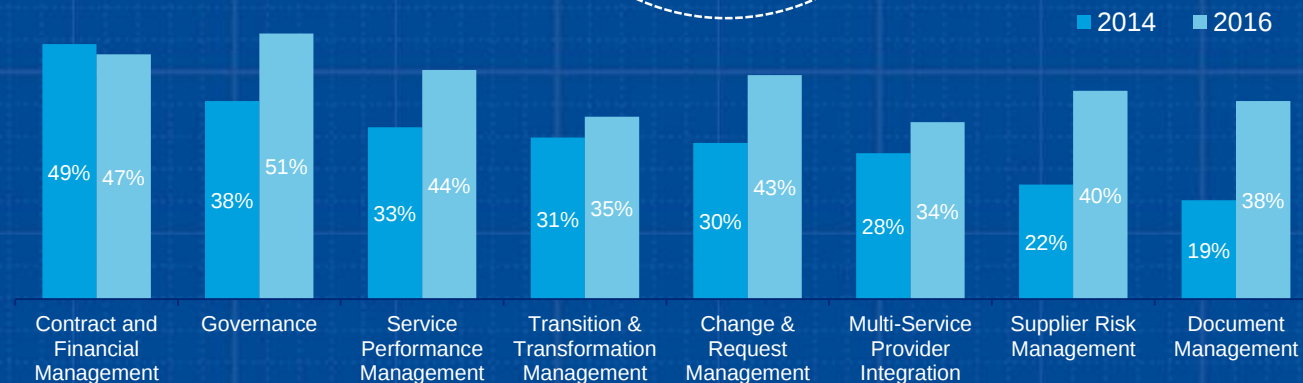
Respondents plan to increase outsourcing across all functions

Companies are reporting fewer concerns with provider proactivity, innovation, responsiveness, resource quality, and service quality



Finance (36%), HR (32%) and IT (31%) present highest future opportunities for outsourcing growth

Overall, respondents are rating more of their vendor management capabilities as above average



To discuss the survey results and trends, contact:

Americas

Doug Plotkin

Deloitte Consulting LLP
Boston
+1 617 437 3788
dplotkin@deloitte.com

Marc Mancher

Deloitte Consulting LLP
Chicago
+1 312 486 0244
jmancher@deloitte.com

John Tweardy

Deloitte Consulting LLP
Pittsburgh
+1 412 402 5418
jtweardy@deloitte.com

Simon Tarsh

Deloitte Consulting LLP
New York
+1 212 313 1983
starsh@deloitte.com

Dave Smith

Deloitte Consulting LLP
Boston
+1 617 437 3647
davesmith5@deloitte.com

Peter Lowes

Deloitte Consulting LLP
New York
+1 212 618 4380
plowes@deloitte.com

Ian Chan

Deloitte Inc., Canada
Toronto
+1 416 775 7245
iachan@deloitte.ca

Michael Montonen

Deloitte Consulting Group
Mexico
+52 55 5080 6416
mimontonen@deloittemx.com

Luiz Fernandes Costa

Deloitte Touche Outsourcing
Serv. Cont. Adm. Ltda.
Sao Paulo
+55 11 5186 6911
lfcosta@deloitte.com

EMEA

Punit Bhatia

Deloitte MCS Limited
London
+44 20 7007 9466
punbhatia@deloitte.co.uk

Fabrizio Napolitano

Deloitte Consulting AG
Zurich
+41 5 82796766
fnapolitano@deloitte.ch

Bianca Den Elsen

Deloitte Consulting BV
Amsterdam
+31 8 8288 8791
bdenelsen@deloitte.nl

Thomas Andersen

Deloitte Consulting
Copenhagen
+45 3093 6038
+45 2220 2752
thoandersen@deloitte.dk

Frank Trebes

Deloitte Consulting GmbH
Munich
+49 89 29036 7356
ftrebes@deloitte.de

Philippe Rassek

Deloitte Consulting France
Paris
+33 6 7945 4923
prassek@deloitte.fr

APAC

Gaurav Gupta

DC Overseas Services LLC
Mumbai
+1 (678) 299-7001
gugaurav@deloitte.com

Colleen Gordon

Deloitte Touche Tohmatsu
Sydney
+61 2 9322 7661
collgordon@deloitte.com.au

Yasushi Nobukuni

Deloitte Tohmatsu Consulting
Co., Ltd.
Tokyo
+81 80 3367 2790
ynobukuni@tohmatu.co.jp

Norman Hunter

Deloitte Consulting Pte Ltd
South East Asia
+65 9023 7075
normanhunter@deloitte.com

Stanley Dai

Deloitte Consulting (Shanghai)
Company Limited
Shanghai
+86 21 61412222
sdai@deloitte.com.cn

This presentation contains general information only and is based on the experiences and research of Deloitte practitioners. Deloitte is not, by means of this presentation, rendering business, financial, investment, or other professional advice or services. This presentation is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this presentation.



Official Professional Services Sponsor

Professional Services means audit, tax, consulting and financial advisory services.

As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2016 Deloitte Development LLC. All rights reserved.
36 USC 220506