



**Business
Services**

CxO survey 2007 - Results

Outsourcing Services

Orange Business Services is happy to present the results of a survey held during the first quarter of 2007 that assessed outsourcing trends with multinational companies. We surveyed CxO-level decision makers from 600 mid-size to very large multinationals in ten European countries¹, across various industry sectors from financial services, manufacturing and retail to transportation and health care.

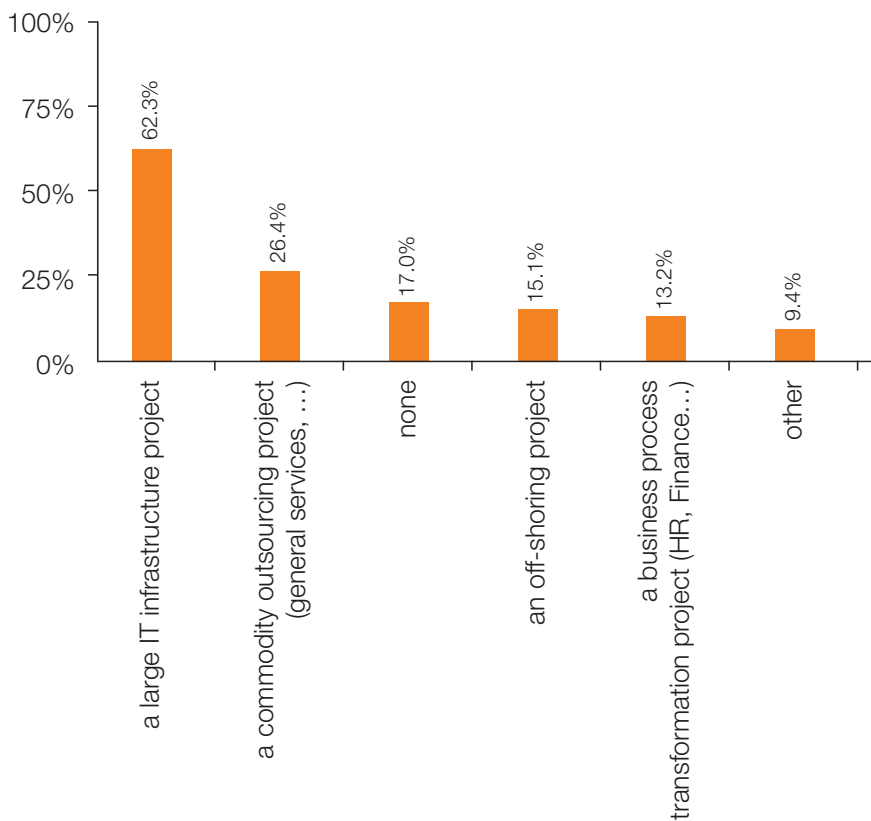
The goal was to obtain first-hand knowledge concerning the state-of-the-art, future outsourcing plans and driving forces behind outsourcing for multinationals. Furthermore, we wanted to evaluate how attitudes and demands are evolving with regard to outsourcing communication and IT infrastructures.

¹ Denmark, Finland, France, Germany, Iceland, Italy, the Netherlands, Norway, Sweden and Switzerland.



Outsourcing experience: IT infrastructure in first place

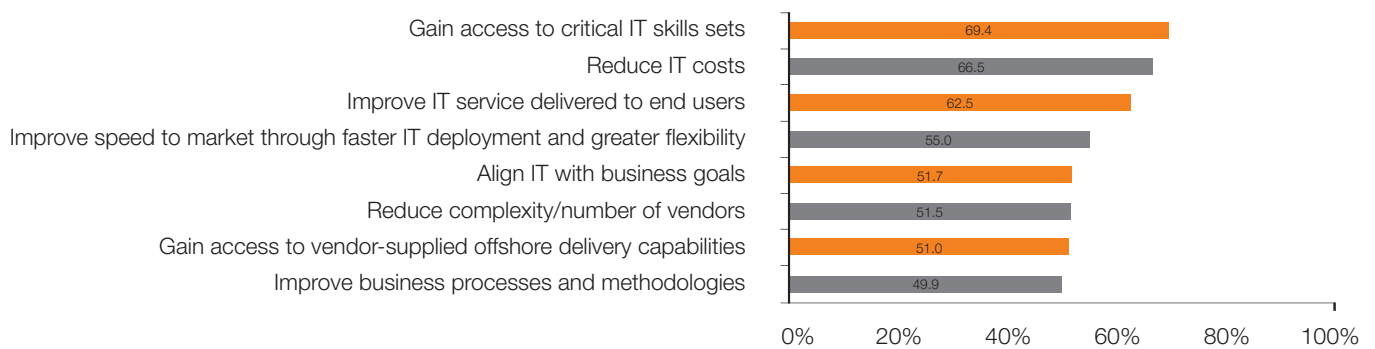
To the question of previous experiences with outsourcing, the IT infrastructure is being put in first place: 62% of those surveyed have already had this experience. Only a quarter of those surveyed (26%) have implemented outsourcing projects for commodity services. The respondents have the least experience with off-shoring projects (15%) and business process transformation outsourcing (13%). 17% said that they had no previous experience with outsourcing agreements.



> Graph 1: Does your company have a previous experience(s) with outsourcing?

Outsourcing drivers

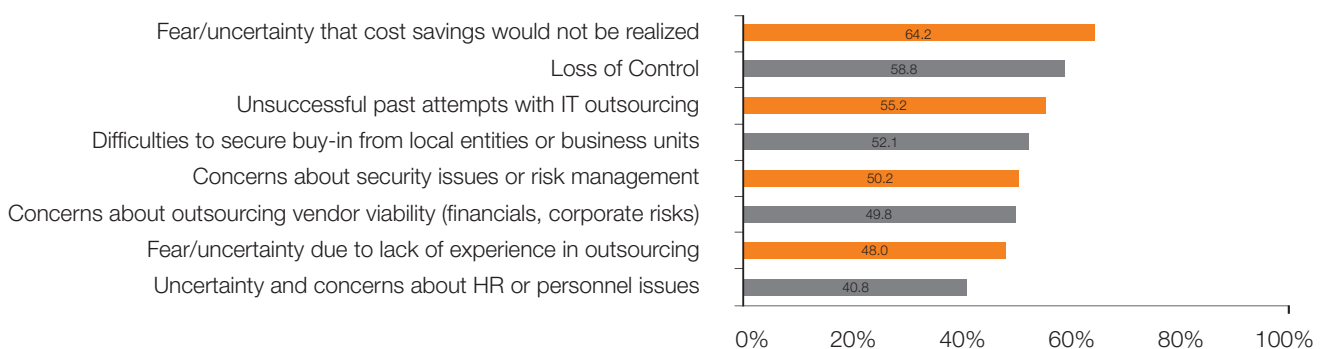
We could have expected that decision makers expect, above all, a reduction in costs from outsourcing, but it turns out that 69% of surveyed firms expect to obtain access to critical IT skills. Cost reduction drivers follow with 67%. Almost equally important, however, is the improvement of IT services delivery to end users, which 63% of those surveyed gave as a decisive reason for outsourcing. The fourth reason mentioned is acceleration of speed to market and greater flexibility (55%), demonstrating that in today's competitive markets where companies are obliged to continuously evolve their business models, communications and IT outsourcing is gradually seen as an important means to stay competitive.



> **Graph 2:** What are, in your opinion, the key drivers for a company to outsource its IT or networking services? Average evaluation from “Strongly agree” (=100%) to “Do not agree” (=0%)

Outsourcing inhibitors

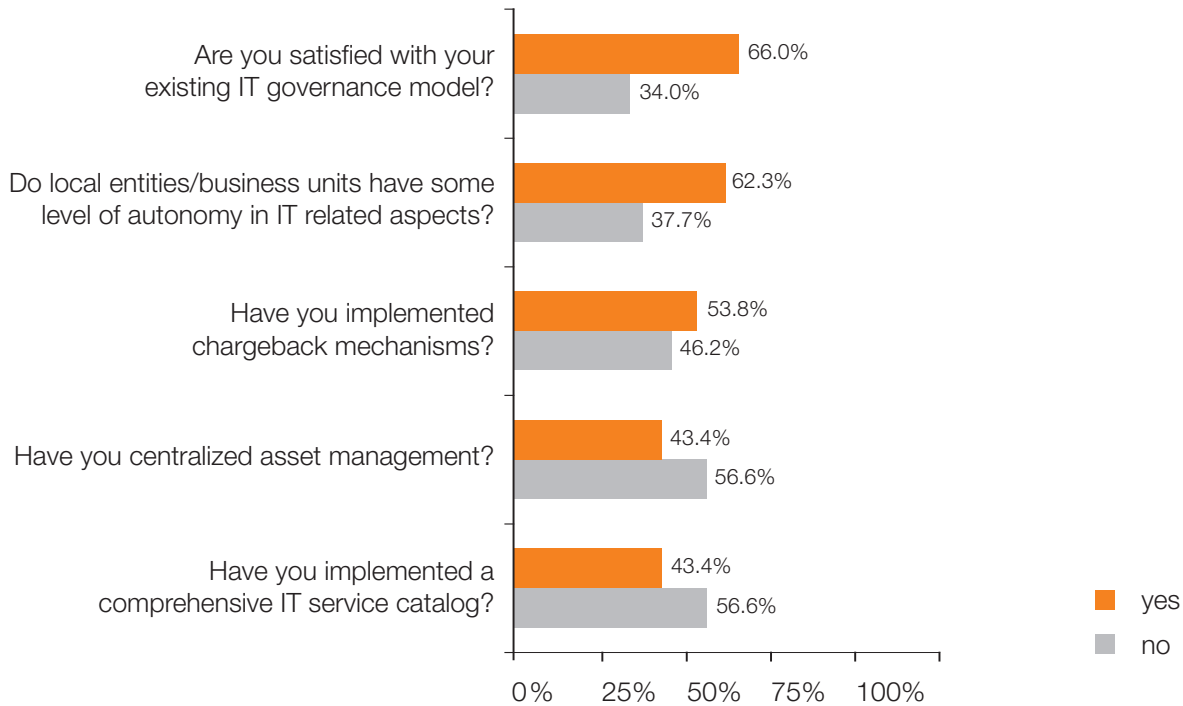
What is keeping IT decision makers reluctant about outsourcing? The decision for the outsourcing of IT or network services involves possible risks. Almost two-thirds of the respondents (64%) think that cost reductions may not materialize. Loss of control, or dependence on services from external providers, is considered by 59% to be a drawback. For more than half (55%), poor outsourcing experiences speak against any new efforts to outsource. On the other hand, only 41% of the IT decision makers believe that insecurity related to HR or personnel issues, such as local labor laws, is an inhibitor for outsourcing.



> **Graph 3:** What are, in your opinion, the key inhibitors for a company to outsource its IT or networking services? Average evaluation from “Strongly agree” (=100%) to “Do not agree” (=0%)

IT governance models: mostly decentralized

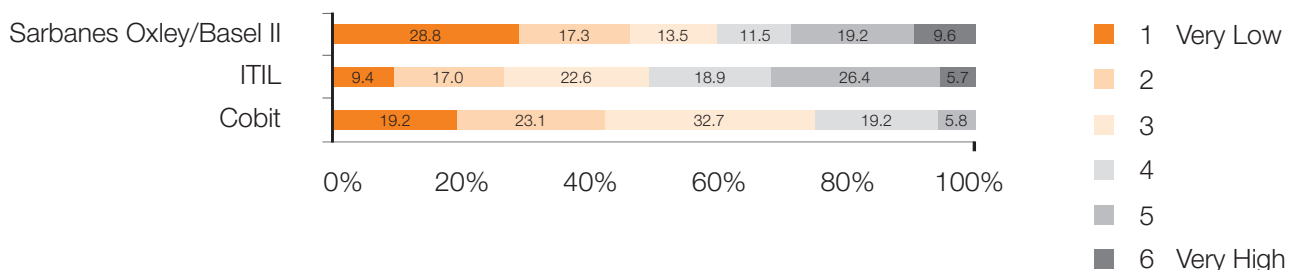
We wanted to learn first hand how companies have implemented their IT governance models. A large majority (66%) is satisfied with their existing IT governance model. In 62% of the companies surveyed, local offices or departments possess their own IT competencies and enjoy some level of autonomy in IT-related decisions. More than half (54%) reported that they have implemented charge-back mechanisms between local and central entities. Only just under half of the firms have an IT catalogue in use (43%) and have centralized the asset management of their IT (43%).



> Graph 4: We would like to better understand how companies have implemented IT governance models. Can you provide us with some information on your governance model?

Best-practice approaches/certification: ITIL widely spread

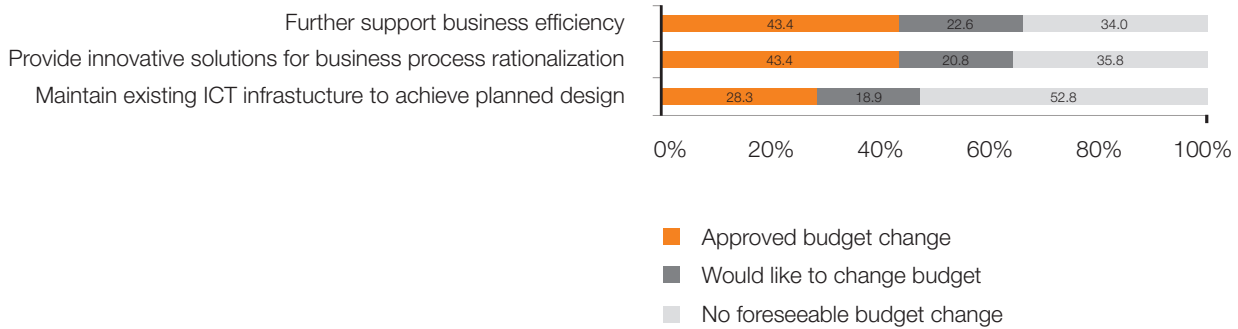
26% of the decision makers answered that ITIL played an important or extremely important (6%) role. Sarbanes Oxley or Basel II is considered by 19% to be important and by 10% to be extremely important. The framework for IT management, Cobit, on the other hand, was considered important by only 6%.



> Graph 5: How would you rate your compliance with the following best practices/certifications?

Changes to IT budget: yes or no?

When asked if they changed their 2007 IT budget compared to 2006 in order to support the productivity of their company's business, 43% of the CxOs replied yes. For 34% of the respondents, on the other hand, there has been no change in their IT budget for that purpose. And 43% said that they had changed their budget to implement innovative solutions to rationalize business processes. Only 28% of the participants declared that they had modified the budget in order to maintain the existing ICT infrastructure to achieve the design that they had planned.

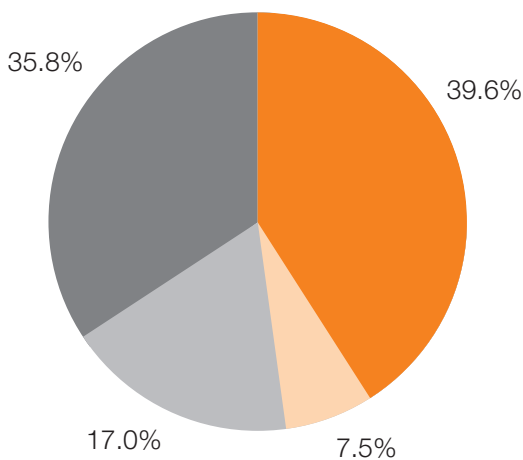


> Graph 6: How do you see your company's IT budget allocation evolve in 2007 to support the following initiatives?

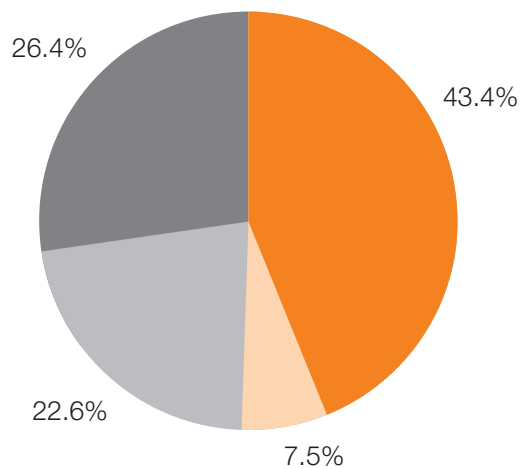
How are expenditures for mobile voice and fixed-network solutions administered?

For a good portion of the respondents (40%), the expenditures for mobile voice solutions are centrally administered by the IT department. 36% of the participants say their mobile expenditures are managed through both local and central departments. Local IT groups in branch offices administer the expenditures for mobile voice solutions in 17% of the companies. The remainder, (8%), centrally administer these expenditures, but not, however, through the IT department.

The expenditures for fixed network solutions are also administered centrally by the IT departments in almost half (43%) of the companies. This is followed by a mixture of local and central administration of these expenditures (26%).



> Graph 7.1: How does your company manage the spend for mobile voice?



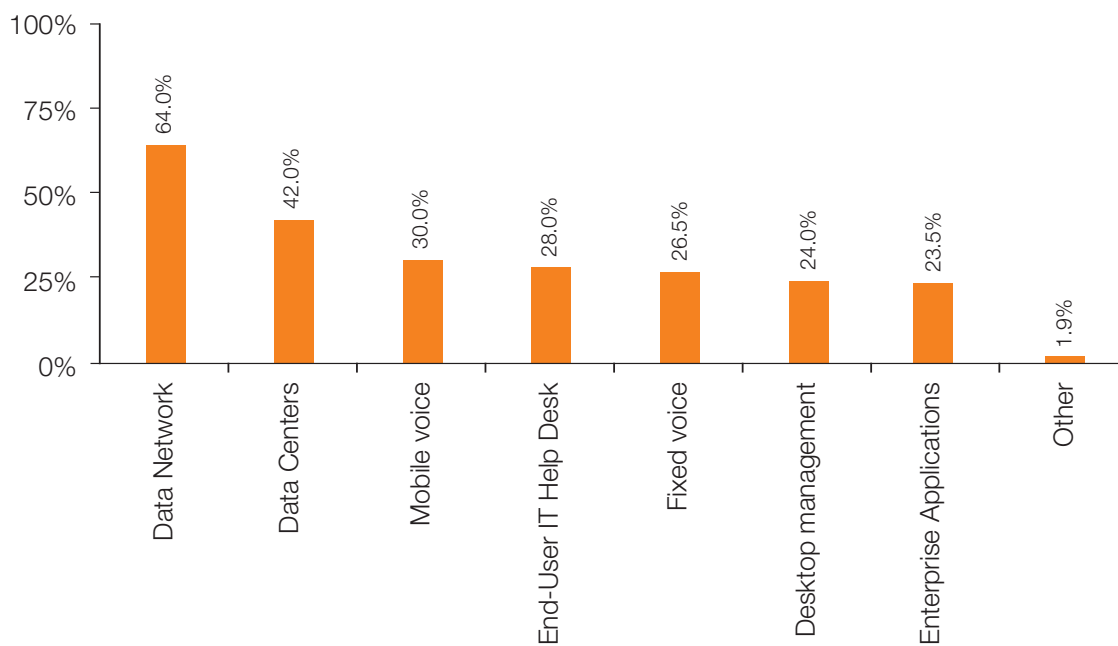
> Graph 7.2: How does your company manage the spend for fixed voice?

- Centrally by IT department
- Centrally but not by IT department
- locally
- Mix of local and central

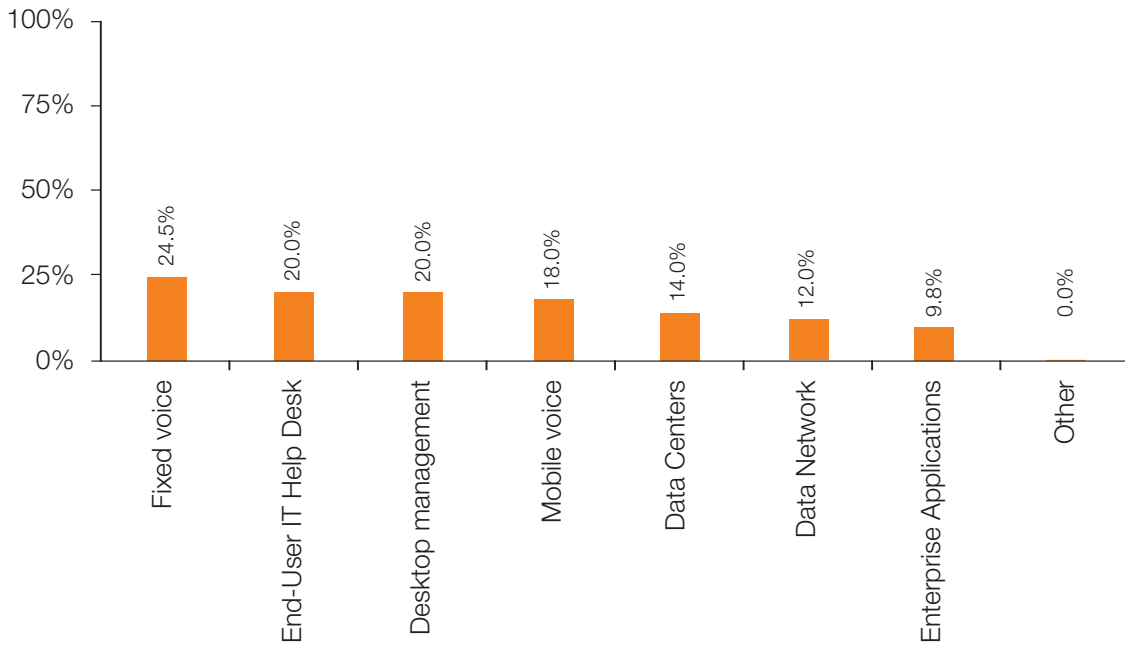
Outsourcing status: complete IT + communications outsourcing is still rare

Only a very small number of CxOs have outsourced the whole range of their communication and IT services, from data centers and desktops to fixed and mobile voice. In the selection of the IT tasks already outsourced, data networks continue to be put in first place; 64% of the companies surveyed have outsourced this area, followed by data centers, which in 42% have been completely outsourced. On the other hand, enterprise applications and desktop management are being operated internally in more than half the companies (67% and 56% respectively).

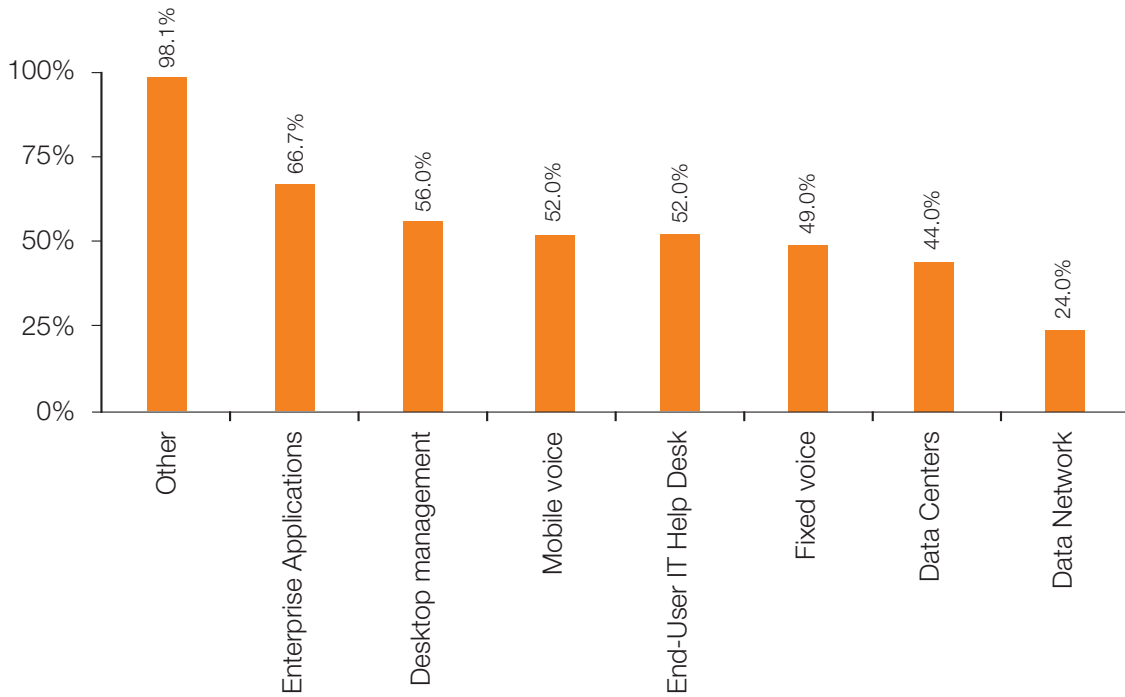
When it comes to services that CxOs plan to outsource within the next 48 months, fixed voice, end-user help desk, desktop management and mobile voice, the trend is clearly moving in the direction of service providers. In the next four years, one-fourth of the respondents are planning the external provision of fixed voice, 20% want to outsource desktop management and the user help desk, and 18% say they plan to outsource their mobile voice services.



> Graph 8.1: Already outsourced



> Graph 8.2: Plan to outsource within 48 months

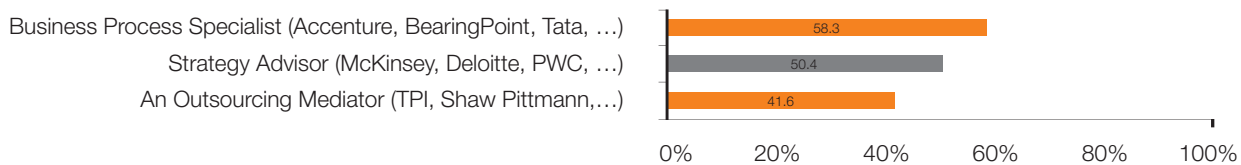


> Graph 8.3: Insource (keep inhouse)

Advisory services on sourcing policy

The decision makers had to answer the question: if you were to seek advice regarding your sourcing policy, what type of advisory firm would you consider? It emerged quite clearly that almost two-thirds of the respondents (58%)² would definitely put their trust in business-process experts for advice in outsourcing questions. Still, half of the decision makers would put their confidence in strategic consultants. 40% would consult with outsourcing brokers.

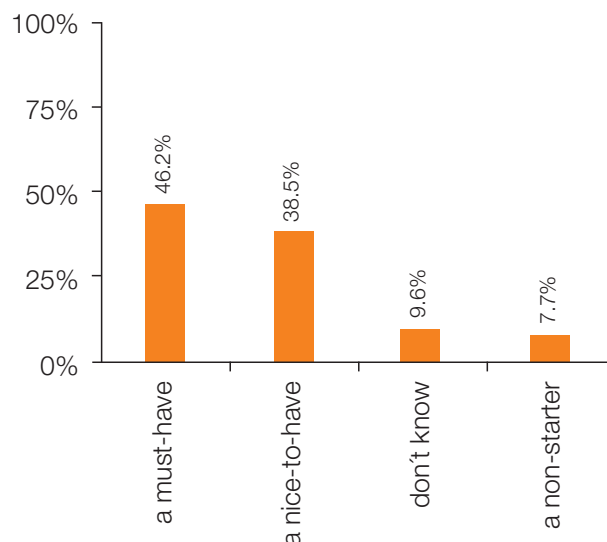
² using an average rating of “yes” (= 100 %) to “under no circumstances” (= 0 %)



> **Graph 9:** If you were to seek advice on your sourcing policy, what type of advisory firms would you consider? Average evaluation from “Extremely likely” (=100%) to “Not at all likely”(=0%)

Innovation programs – a “must”

Innovation programs strive to continuously improve contracted services or enable the client to enhance his business model based on disruptive innovations. We asked: in your opinion, how important is a joint innovation program with the provider? A “must” was the opinion of 46% of the respondents. 39% consider an innovation program with the provider to be “a good thing.” Only 8% consider innovation programs not important. Prior to the survey, 10% of the respondents had not given the matter any thought.

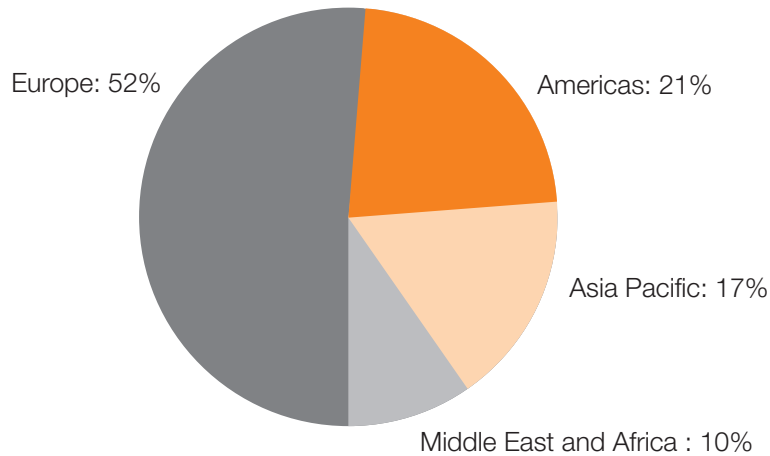


> **Graph 10:** Innovation programs are aimed at bringing improvement and evolutions to services delivered through outsourcing contracts. If you were to outsource, how relevant would you consider the creation of a joint innovation program in partnership with your vendor?

In which regions is your company represented?

As expected, the majority of the companies surveyed in our study are strongly present in Europe: 33% reported that more than 80% of their business activity takes place in Europe. Less than one fourth of the interviewees said that their company has more than 40% of their activity in the Americas.

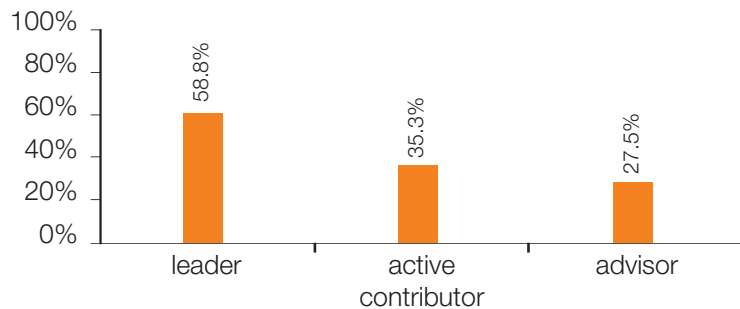
For more than half of the multinational companies surveyed (55%), the share of Asian branch offices remains under 20%. Few companies have business activity in the Middle East and Africa (84% report that less than 20% of their business is in this geography).



> Graph 11: What is the geographical distribution of your company's activity?

What would be your role in such a project?

We asked the survey participants what role they would have if their company was to shape an outsourcing deal. A large majority (59%) said that they would have a leading position in such a project. 35% see themselves as contributors and 28% as advisors to their company for shaping an outsourcing agreement.



> Graph 12: If your company was to outsource its IT and networking services infrastructure, what would be your role in such a project?

Summary

This survey confirmed that access to critical skills is very important in outsourcing deals – even more important than the expected cost reductions. On the contrary, if CxOs are asked what makes them hesitant about entering an outsourcing agreement, the fear that cost savings may not be realized still primes, probably because the reduction of Total Cost of Ownership is still very important for securing internal approval for outsourcing agreements.

On the best practices/certifications, it clearly shows that the ITIL framework is the most implemented, ahead of Sarbanes Oxley/Basel II and Cobit.

On the services to be outsourced, it appears that most companies have already largely started to outsource data networks, but outsourcing of fixed voice will lead the way over the coming years, closely followed by desktop management, end-user help desk and mobile voice services.

Last but not least, innovation within outsourcing contracts is clearly seen as one of the CxOs' priorities and they expect service providers to provide state-of-the-art services throughout the life cycle of the contracts and to help them innovate to stay ahead of competitors.

Orange Business Services: Outsourcing Services for global companies

At Orange Business Services, we have placed IP transformation at the heart of our Outsourcing Services portfolio, enabling our customers to take full advantage of communications/IT convergence. Through IP transformation, customers can consolidate their infrastructures, evolve their business models through continuous innovation and bring communications costs under control. We see a very strong demand for fixed voice outsourcing accompanied by data outsourcing, pushing the need for converged solutions – a trend that we expect to quickly expand to mobile voice and data services.



We would like to thank all of the survey participants for their support. Please feel free to contact us with any questions that you might have about this survey or our Outsourcing Services:

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