

# CIO and CFO Perspectives on Outsourcing

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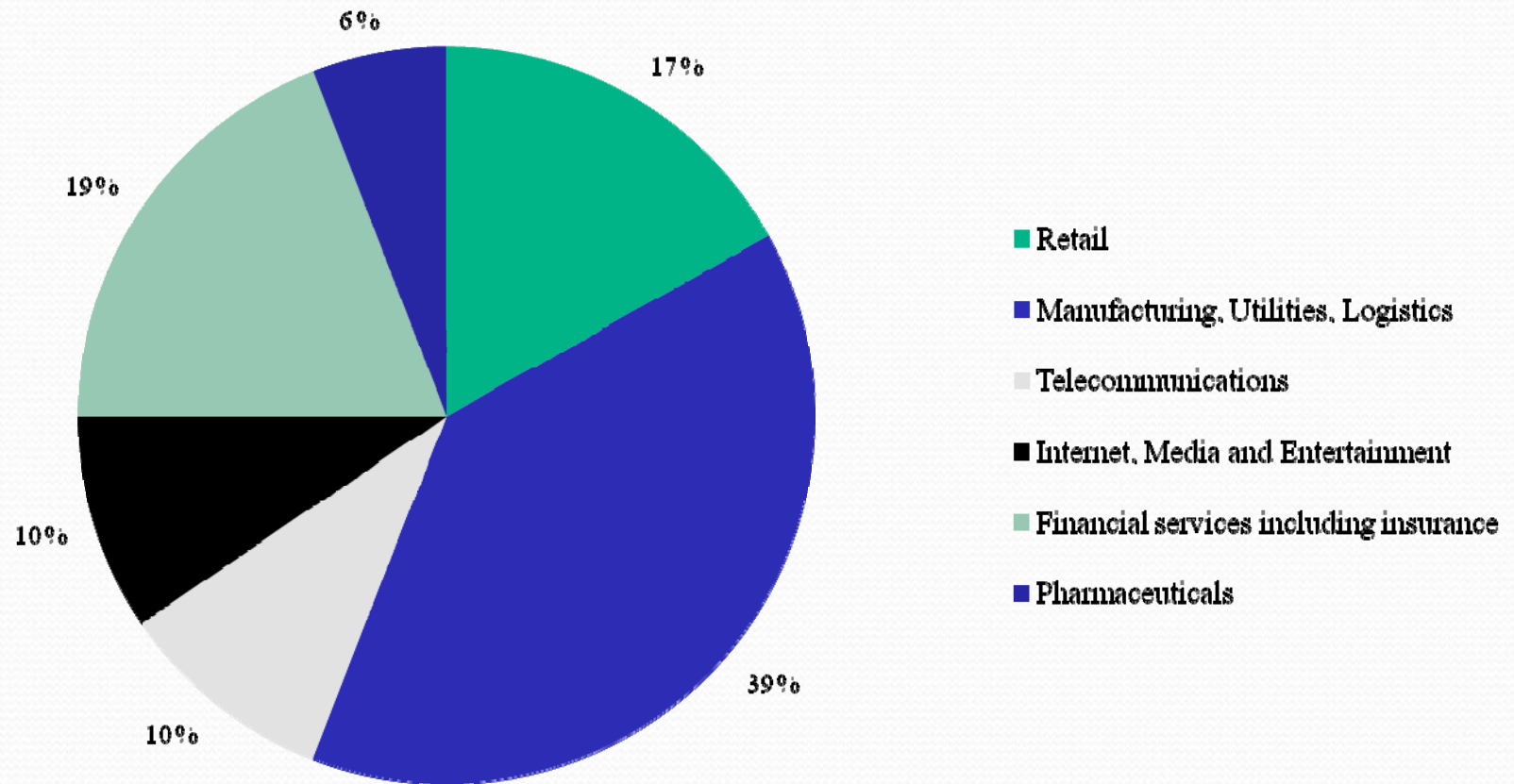
# About this Study (1)

A survey of 263 CIOs and CFOs across the UK (52%) and other European countries such as France, Germany, Denmark, Sweden, Switzerland and Benelux (Belgium, Netherlands and Luxemburg), comprising 48% CFOs and 52% CIOs at companies with revenues from \$500m up to over \$6bn (71% over \$1bn) from financial services, manufacturing, logistics, retail, utilities, telecom and other sectors.

# About this Study (2)

- Qualitative input from 263 CIOs and CFOs
- In-depth interviews on key findings with CIOs and CFOs from leading European multinationals
- Input from research we have conducted with dozen multinationals on their outsourcing decision making processes, practices and impact on their business

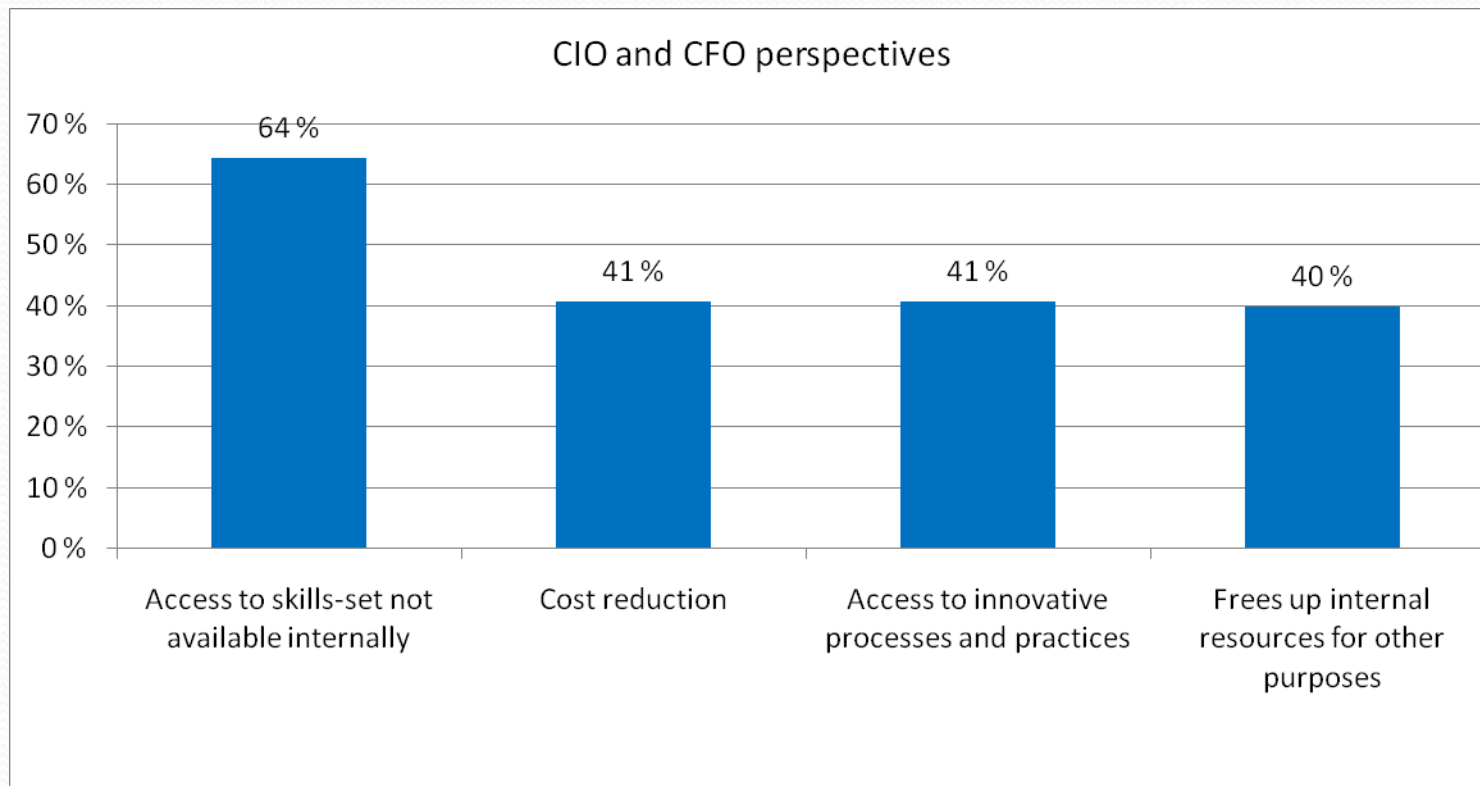
# Response Distribution by Sectors



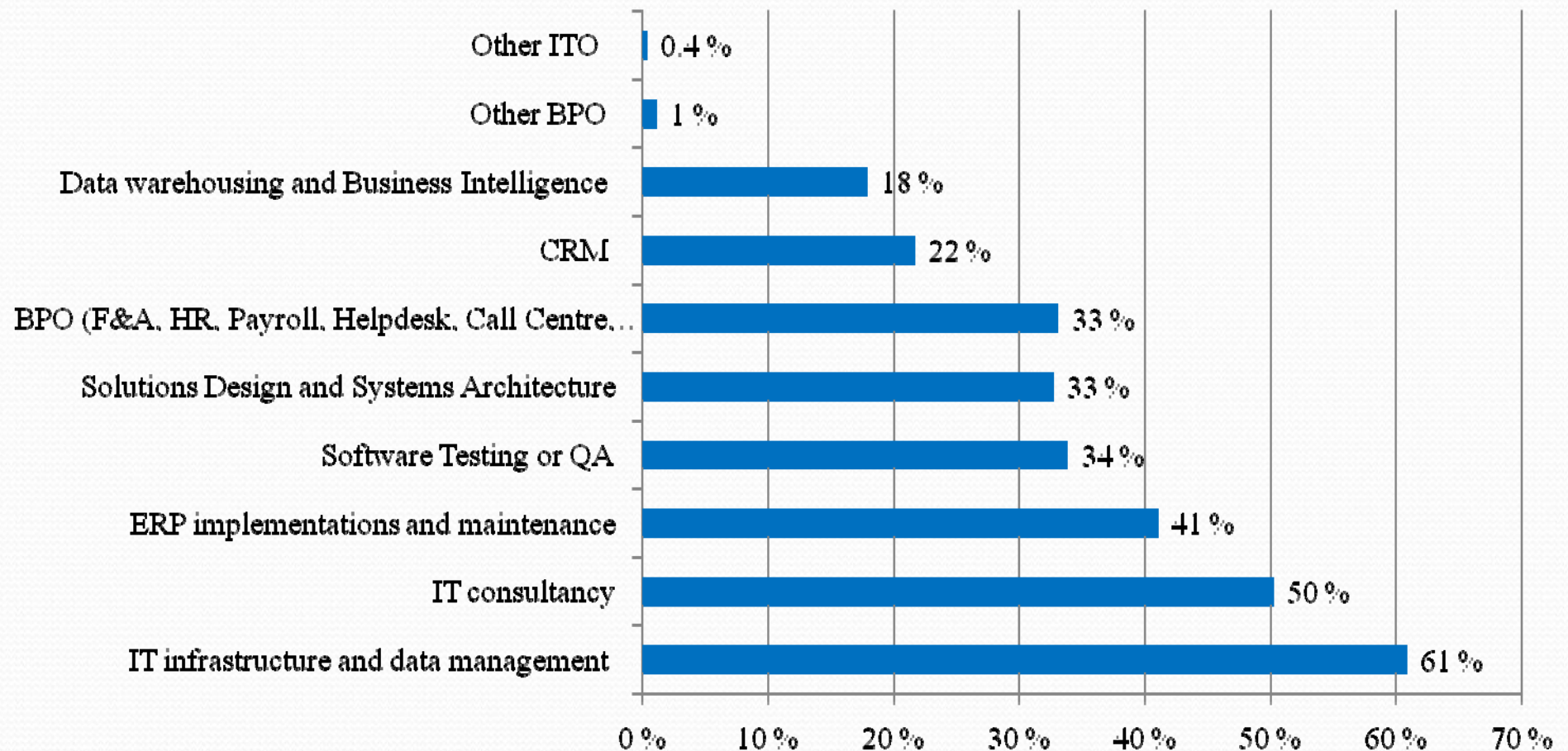
# Distribution of Roles by sectors

	Total	Retail	Manuf. Utilities, Logistics	Telecom	Internet, Media and Entertainmt	Fin. Serv.	Pharma.
CIO	52 %	59 %	55 %	59 %	42 %	45 %	50 %
CFO	48 %	41 %	45 %	41 %	58 %	55 %	50 %

# Key drivers of outsourcing



# What did you outsource in the last 3-5 years



# Tendency to Multi-source

	Total
<b>ITO</b>	<b>29 %</b>
<b>Consulting (IT, Technology consultancy)</b>	<b>18 %</b>
<b>BPO; Finance &amp; Admin, HR, Payroll, Internal / External Helpdesk, Call Centre</b>	<b>17 %</b>
<b>ERP Maintenance, Upgrades and Implementations (Oracle, Peoplesoft or SAP)</b>	<b>11 %</b>
<b>Software Testing (or Software Quality Assurance)</b>	<b>7 %</b>
<b>Solutions Design and Systems Architecture</b>	<b>7 %</b>
<b>Data warehousing and Business Intelligence Systems (business analytics)</b>	<b>3 %</b>
<b>CRM (incorporating master data management, customer experience management)</b>	<b>1 %</b>
<b>Others</b>	<b>7%</b>

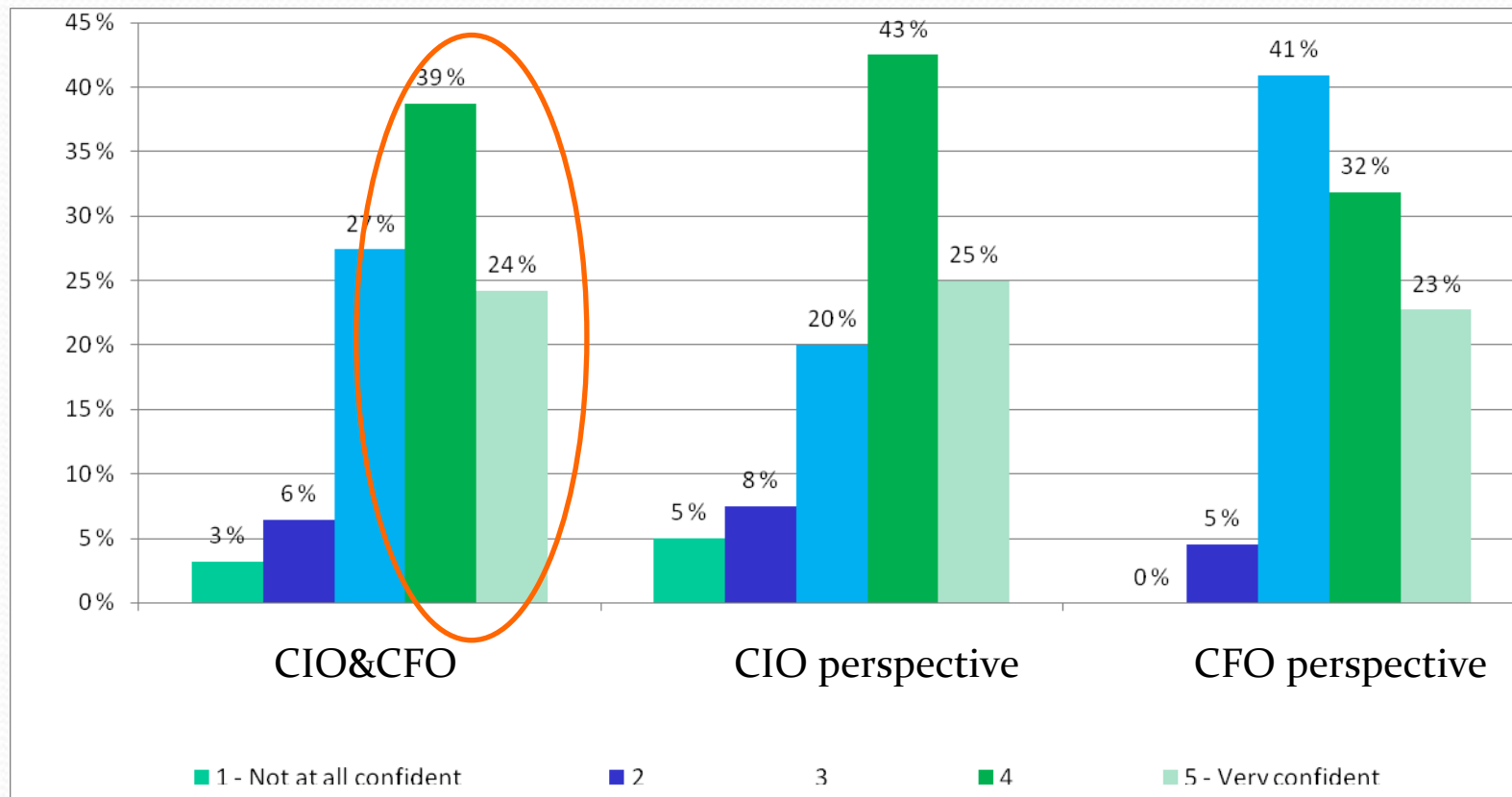
# How critical Outsourcing is to the success of your business

	Total	Fr.	Grmny.	UK	Ben.	Nordics	Ch.
<b>1 - Not very critical</b>	<b>13 %</b>	8 %	33 %	9 %	25 %	9 %	7 %
<b>2</b>	<b>21 %</b>	25 %	25 %	23 %	8 %	9 %	29 %
<b>3</b>	<b>27 %</b>	42 %	17 %	28 %	33 %	18 %	21 %
<b>4</b>	<b>21 %</b>	17 %	8 %	21 %	25 %	36 %	21 %
<b>5 - very critical</b>	<b>18 %</b>	8 %	17 %	19 %	8 %	27 %	21 %
<b>AVG</b>	<b>3.10</b>	2.92	2.50	3.17	2.83	3.64	3.21

# How critical Outsourcing is to the success of your business

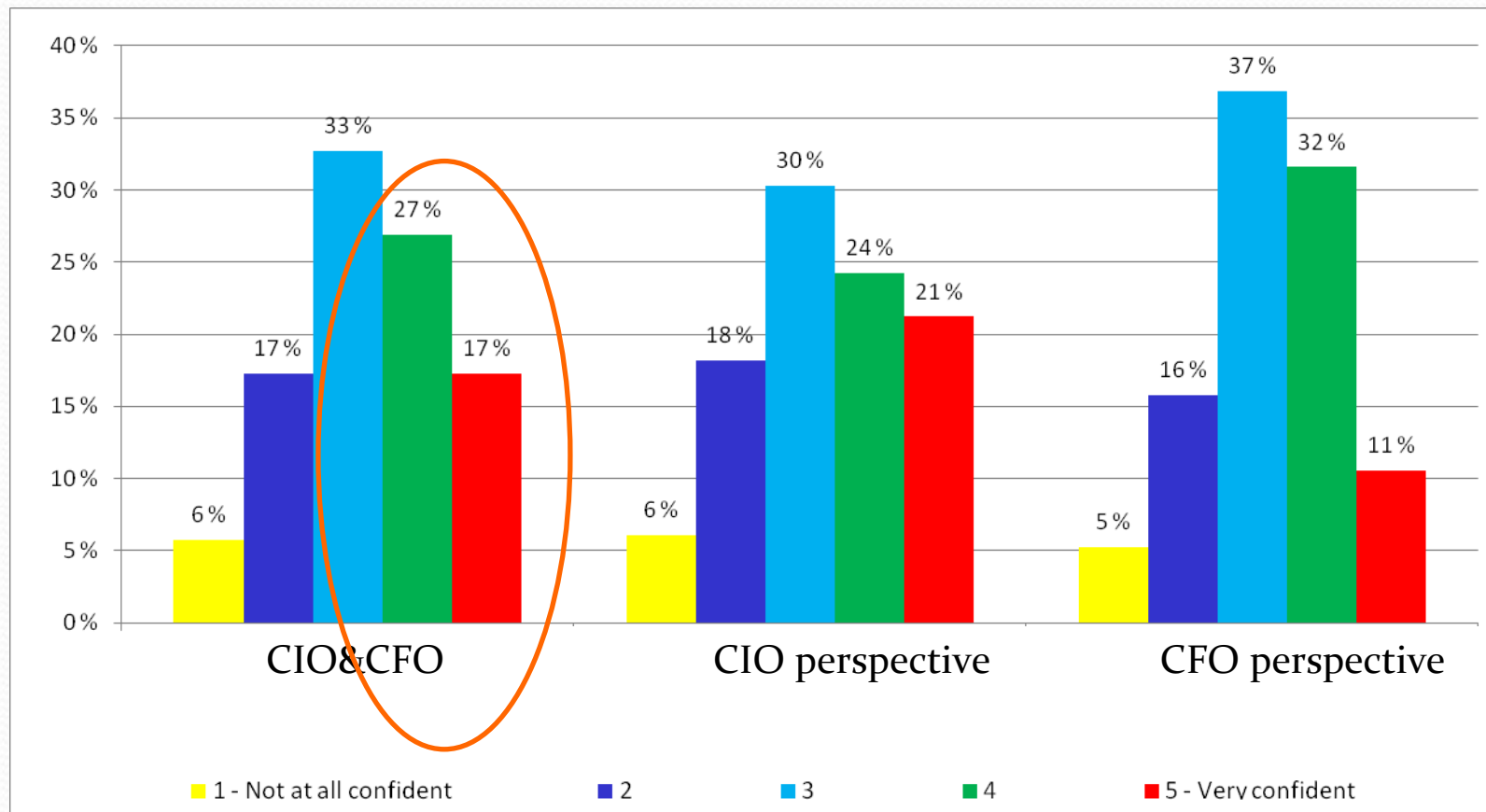
	<b>CIO</b>	<b>CFO</b>
<b>1 - Not very critical</b>	13 %	20 %
<b>2</b>	21 %	30 %
<b>3</b>	27 %	24 %
<b>4</b>	21 %	15 %
<b>5 - very critical</b>	18 %	12 %
<b>AVG</b>	3.10	2.69

# Confidence in offshore IT development provider



63% of CIOs and CFOs have confidence in...

# Confidence in offshore BPO provider

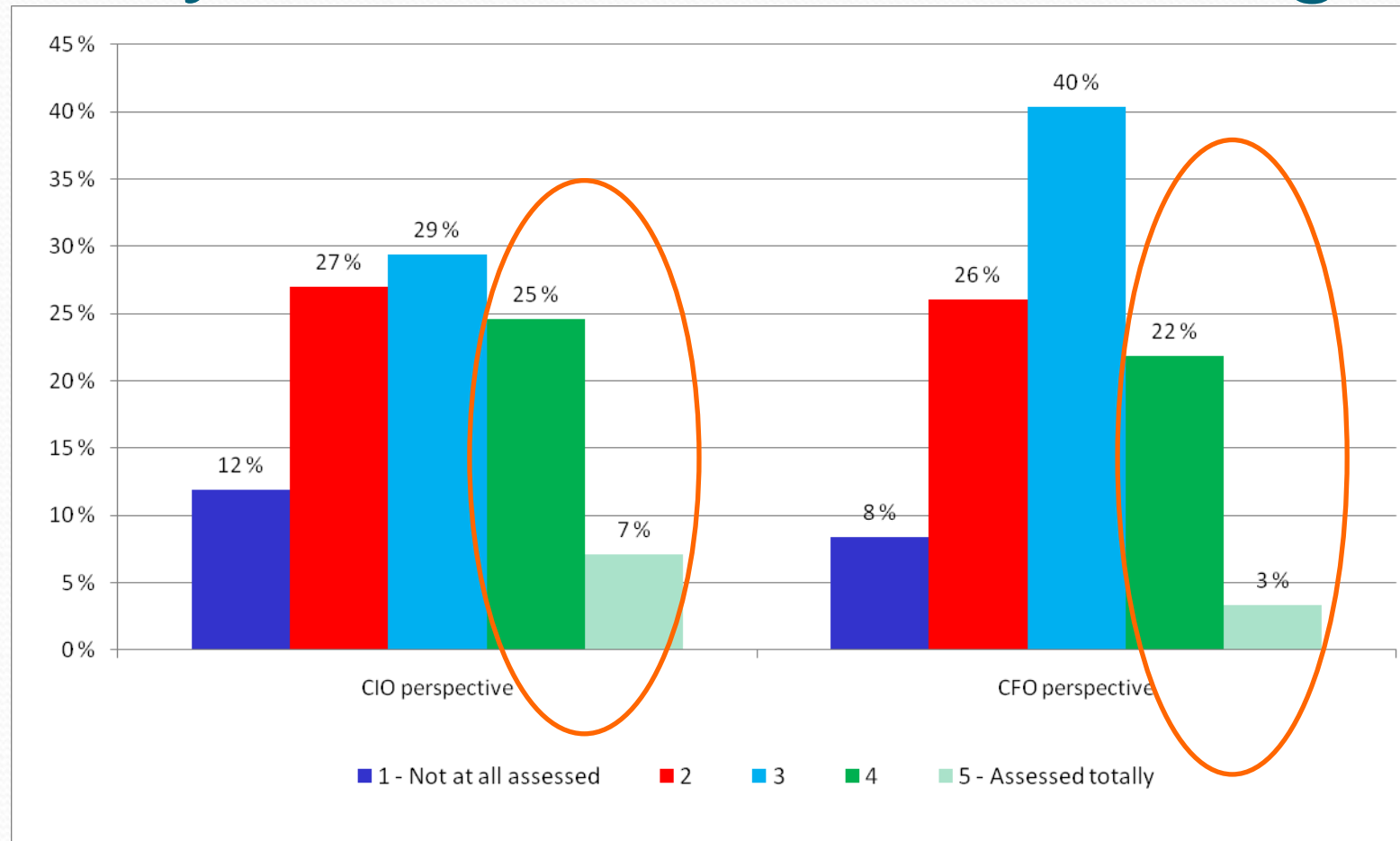


44% of CIOs and CFOs have confidence in...

# Time to achieve ROI (or ROO)

	<b>Total</b>	<b>CIO</b>	<b>CFO</b>
<b>6 months or less</b>	<b>13 %</b>	<b>13 %</b>	<b>14 %</b>
<b>12 months (1 year)</b>	<b>38 %</b>	<b>47 %</b>	<b>28 %</b>
<b>18 months</b>	<b>29 %</b>	<b>25 %</b>	<b>33 %</b>
<b>2 years</b>	<b>17 %</b>	<b>13 %</b>	<b>22 %</b>
<b>More than 2 years</b>	<b>3 %</b>	<b>2 %</b>	<b>4 %</b>

# Can business value from outsourcing be assessed beyond one off cost saving?



Only 32% CIOs and 25% of CFOs think this can be done....



# Investments: What CIOs say:

*‘That is the problem.  
You know what it costs but you don't really know  
what the value is.’ (CIO)*

Have you tried to quantify the financial contribution of your outsourcing arrangements to the bottom line of the business?

	<b>Total</b>	<b>CIO</b>	<b>CFO</b>
<b>Yes</b>	<b>43 %</b>	41 %	45 %
<b>No</b>	<b>37 %</b>	<b>37 %</b>	<b>37 %</b>
<b>Don't know</b>	<b>20 %</b>	22 %	18 %

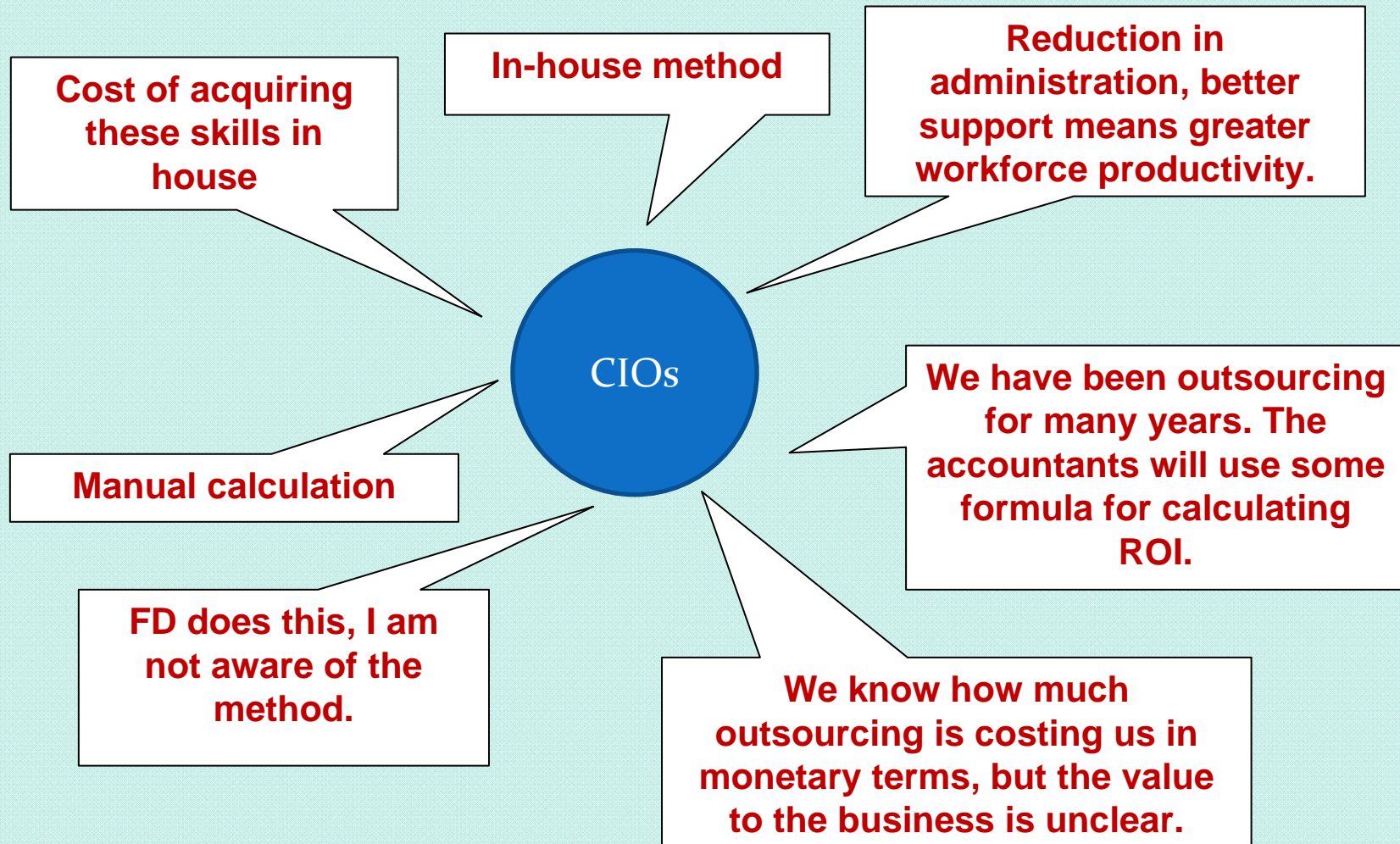
# Have you tried to quantify the financial contribution of your outsourcing arrangements to the bottom line of the business?

	Retail	Manuf. Utilities, Logistics	Telecom.	Internet, Media and Entertain ment	Fin. ser & insur.	Pharma.
Yes	33 %	39 %	50 %	48 %	48 %	56 %
No	59 %	36 %	36 %	26 %	29 %	31 %
Don't know	8 %	25 %	14 %	26 %	22 %	13 %

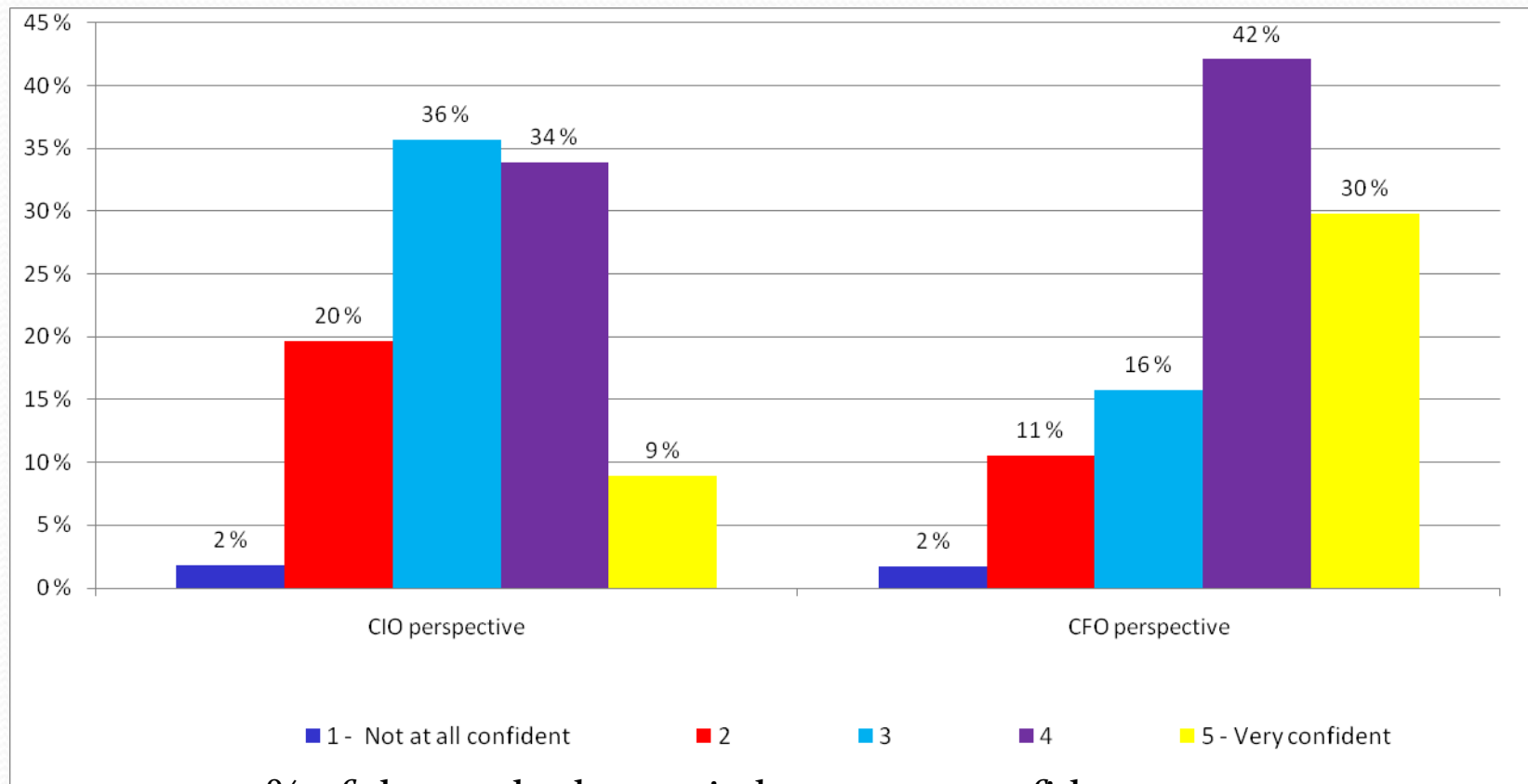
# Have you tried to quantify the financial contribution of your outsourcing arrangements to the bottom line of the business?

	France	Germany	UK	Ben.	The Nordics	Switz.
Yes	8 %	58 %	41 %	42 %	73 %	29 %
No	67 %	42 %	35 %	50 %	18 %	21 %
Don't know	25 %	0 %	24 %	8 %	9 %	50 %

# Quantifying the Returns on Outsourcing Investments: How CIOs do that....



# Of those who have tried: How confident are you in this quantification?



43% of those who have tried were not confident  
CIOs – 58% not confident

# Why have you not tried to quantify?

Base: Those who do not quantify the financial contribution of outsourcing arrangements

	Total (CIO & CFO)	CIO perspective	CFO perspective
<b>Difficult to quantify</b>	51 %	53 %	49 %
<b>Metrics not available</b>	20 %	21 %	19 %
<b>Benefits assumed to be positive</b>	41 %	34 %	48 %
<b>It is a relatively low priority</b>	40 %	32 %	49 %
<b>*Other (please specify)</b>	11 %	15 %	6 %

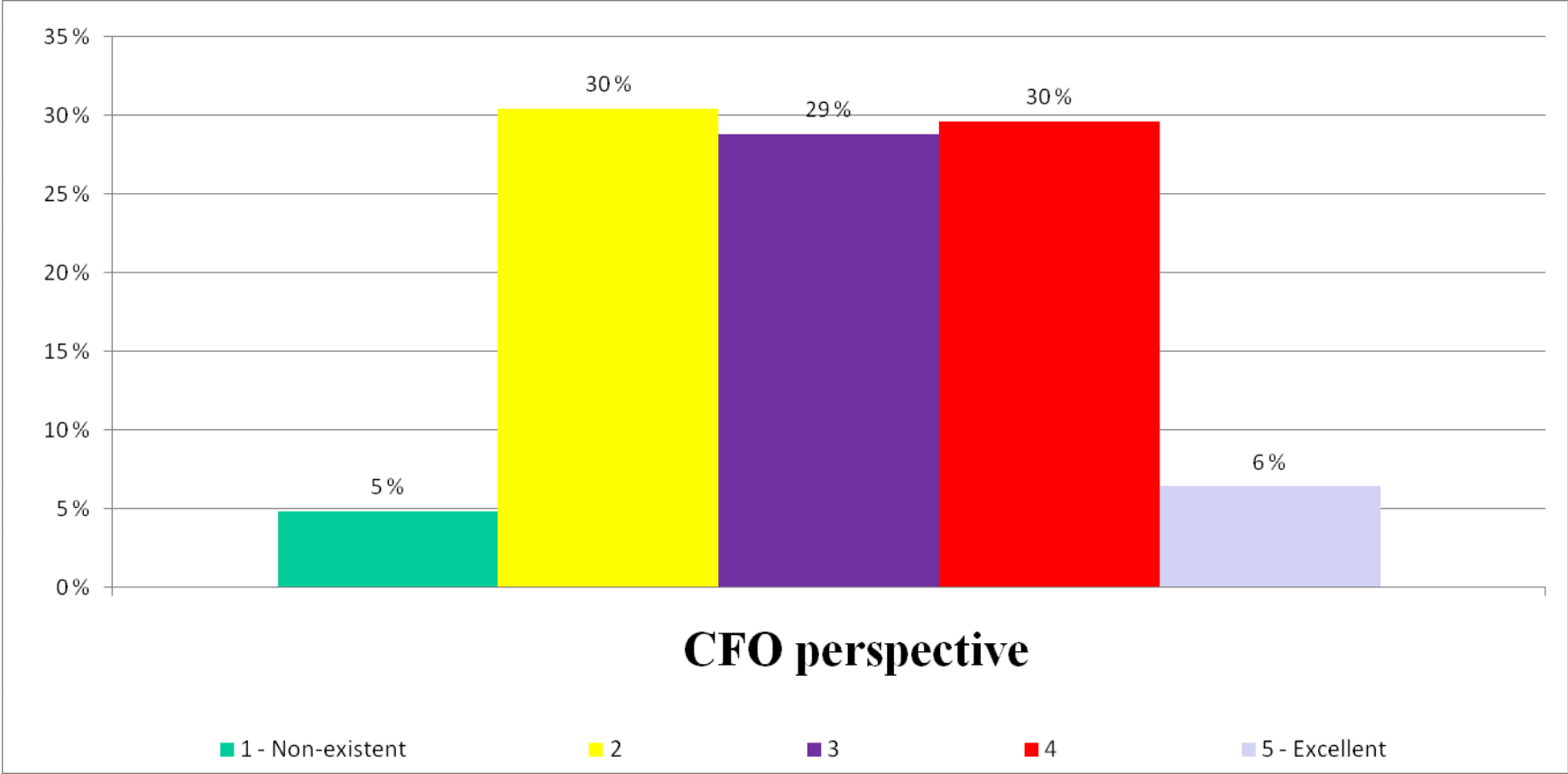
**Base**

**149**

**80**

**69**

# How would you rate the work of the CIO and his team to communicate the financial value of ALL the benefits from outsourcing arrangements?



64% don't think CIOs are doing a great job

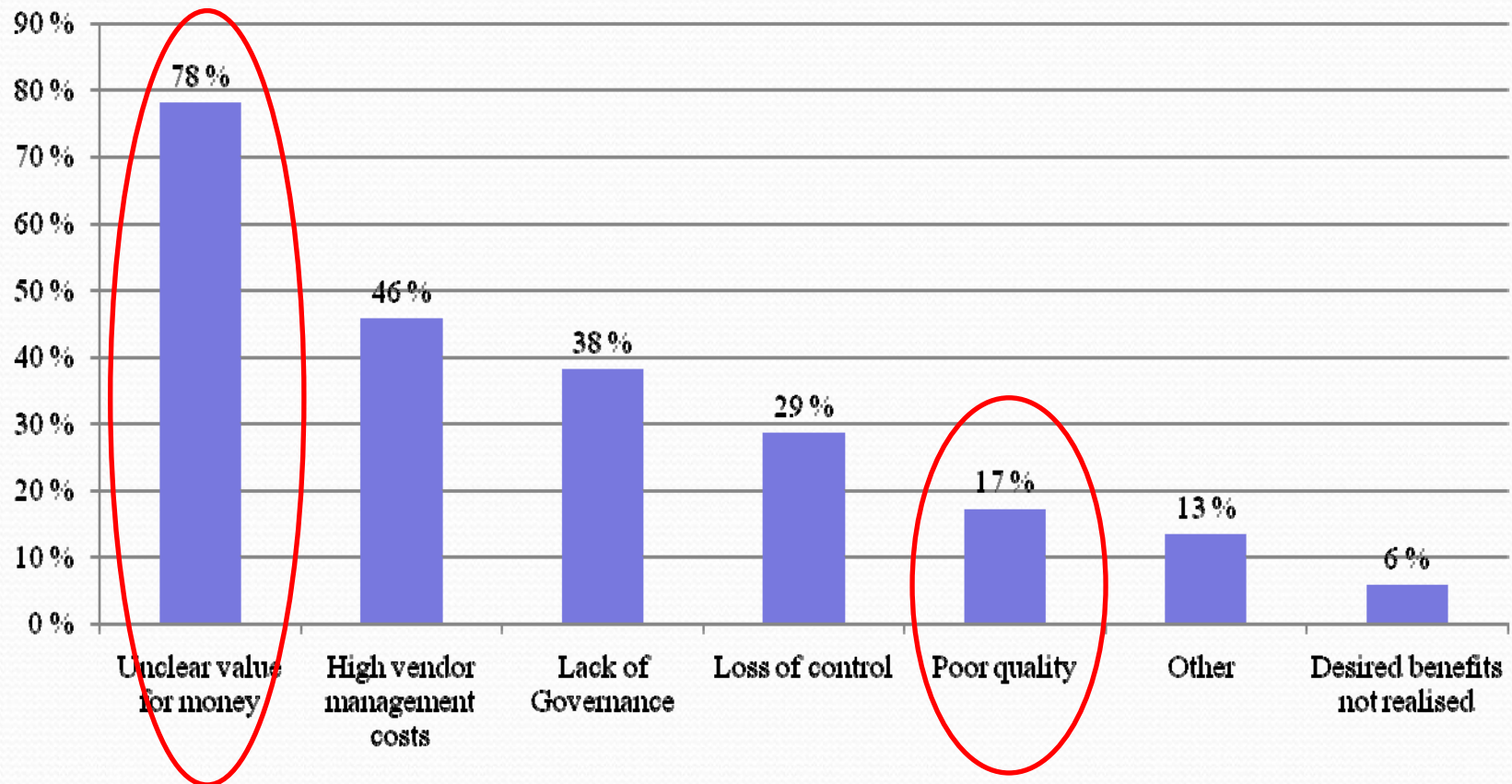
Have you pulled work back from outsourcing providers or slowed the growth of outsourcing initiatives?

	<b>Total</b>	<b>CIO</b>	<b>CFO</b>
<b>Yes</b>	<b>40 %</b>	<b>40 %</b>	<b>40 %</b>
<b>No</b>	<b>46 %</b>	<b>51 %</b>	<b>40 %</b>
<b>Don't know</b>	<b>14 %</b>	<b>8 %</b>	<b>21 %</b>

# Have you pulled work back from outsourcing providers or slowed the growth of outsourcing initiatives?

	Retail	Manuf., Utilities, Logistics	Telecom.	Internet, Media and Entertain ment	Fin. service s &Insur ance	Pharma.
<b>Yes</b>	38 %	40 %	27 %	45 %	45 %	38 %
<b>No</b>	41 %	50 %	59 %	45 %	34 %	56 %
<b>Don't know</b>	21 %	10 %	14 %	10 %	21 %	6 %

# What is the primary cause of pulling back work?





**The Road to Realising  
Real Benefits from  
Outsourcing:  
Seven Lessons**

Source: Oshri and Kotlarsky  
(2009)



# Seven Lessons

Source: Oshri and Kotlarsky (2009)

- Figure out the context of the outsourcing activity
- Figure out the sourcing strategy
- Figure out the benchmark
- Realize what is the value over time
- Make your CIO a strategist
- Build the retained organization
- Invest in outsourcing learning capabilities



**Thank you**