



# Nordic Shared Services and Outsourcing Pulse Survey

## **2016**

Key findings, market  
trends and predictions  
for 2016 and beyond.

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# Introduction

**Welcome to the Nordic Pulse Survey for 2016. This deep dive into the Nordic region has become an annual event and we hope that this third edition will be as highly appreciated by the market as the previous editions.**

For the past 12 years, KPMG has surveyed service providers and advisors around the world in the quarterly Global Pulse Survey, and with the Nordic Pulse Survey, we combine global learnings with a deeper understanding of this specific region. We also encourage you to read the Global Pulse Survey, which you can find here:

<http://www.kpmg-institutes.com/institutes/shared-services-outsourcing-institute/articles/campaigns/ssoa-pulse-surveys.html>

The Pulse Survey results focuses on interpreting current and future key market trends and conditions. We will also share reflections around several key topics from a service delivery transformation point of view. Based on the top trends in the survey, we have identified four topics to investigate further in this report and elaborate on Nordic findings combined with KPMG's point of view:

**OPERATING MODEL** as critical success factor for obtaining cost optimization and improvements: Driving down operating cost remains the first priority, and in the Nordics different service delivery models are primarily used to optimize cost base, and not for more strategic purposes. Just moving activities from one place to

another lower cost location without taking a holistic view at the operating model will not deliver more strategic benefits, Governance is also key to success for both achieving potential cost savings as well as delivering more strategic benefits. The top drivers for this change are discussed in the first deep dive section.

**THE WAR FOR TALENT:** Talent shortages and challenges with talent management remain the top challenges facing organisations in 2016. The challenges regarding talent are not cyclical and will not diminish any time soon. They are a "new norm" and any organisation's strategic and operational plans must address them. We will elaborate further on this topic in the section on talent management.

**THE MOVE TO THE CLOUD:** The top positive trend in 2016 is once again the use of innovative technology such as cloud, data and analytics, mobility and process automation. New opportunities present themselves through disruptive technology, and it is increasingly important to invest in new agile cloud solutions rather than to invest heavily in own infrastructure, with lengthy projects and high risk. This section discusses both the opportunities

of innovative technologies and how to turn technology disruption into opportunities as well as the risks involved in doing so, especially related to security.

**PROCUREMENT** is consistently ranked as a top 3 of the functional areas for service delivery improvements and cost reductions. The supplying community has a huge impact on business success, even in public organisations. Many organisations have more suppliers than they have employees, and supplier related costs are the biggest component of the total cost of operation. Both advisors and service providers assess that a still untapped, significant potential remains to be explored and a shared services and outsourcing approach is a relevant solution to be considered.

Throughout the report, we explore these trends in detail through a combination of the latest findings from our Pulse Survey and by sharing our point of view.

We do hope this report proves valuable and inspirational. Would you like to discuss further the overall trends, or your specific situation, do not hesitate to reach out to us, or your local KPMG contact.

# Market Outlook

The findings in this year's Nordic Pulse Survey are supporting the Nordic trend we have seen over the past few years, that the Nordic organisations are gradually adopting the Global Business Services model. Nordic KPMG advisors have seen a growth in all service delivery models over the last two quarters of 2015, and predict that this continues into the first half of 2016. The growth across all service delivery models is supporting the fact that there is not one single solution for all purposes. The experience is that organisations choose the delivery model best fit to purpose for different areas,

combining a mix of in-house and outsourced solutions.

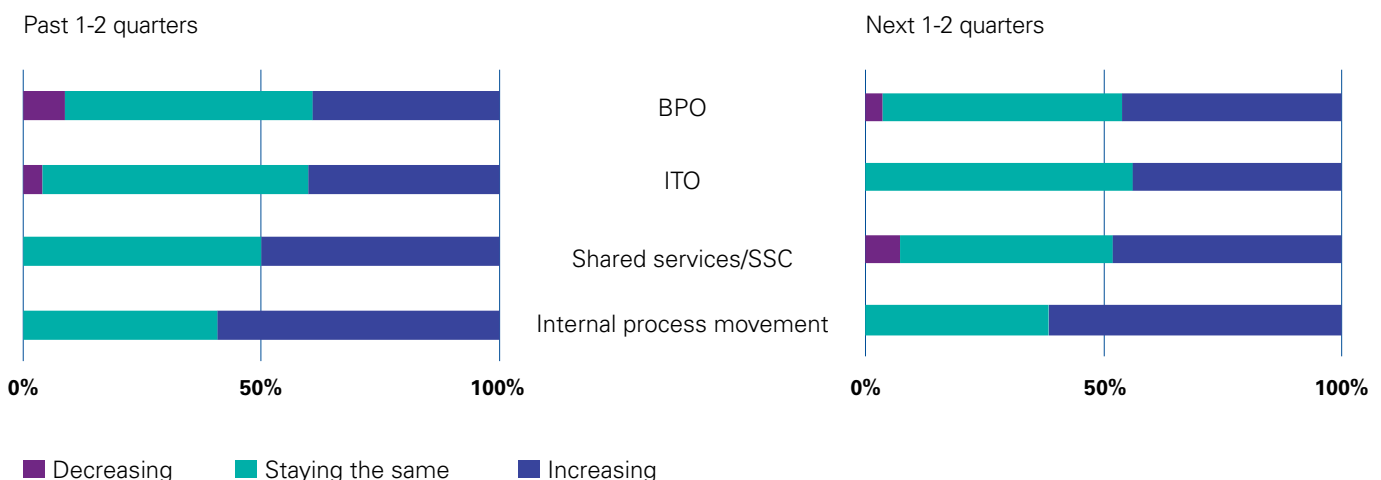
The growth is by far the highest for internal solutions like shared services and internal process improvement, supporting the fact that captive solutions has a strong foothold in the Nordics, and that Nordic organisations are still lagging behind global peers in terms of outsourcing efforts.

However, times are changing in this respect, and we do see significant signs that the Nordics are catching up and expanding the use of outsourcing models when they

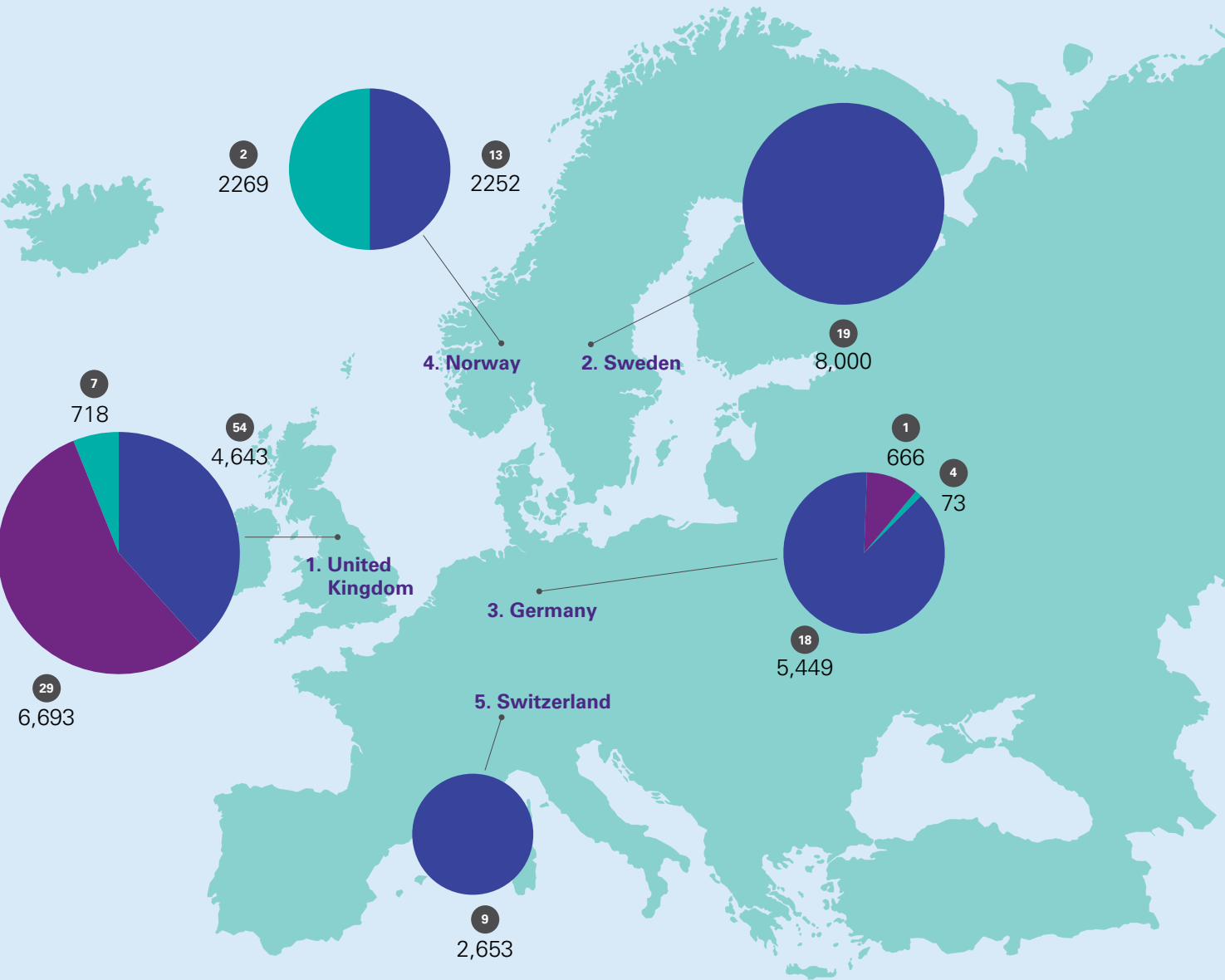
are better fit to purpose. KPMG's Global IT-BPO Outsourcing Deals Analysis published in February 2016, illustrates that there is a reason for the high interest in the Nordics among the leading service providers – a significant part of the deals in the European market are emerging right here! Of the top five countries in Europe, Sweden is no. 2 and Norway no. 4 in 2015, measured by total contract value. (Source: IDC Contract Database, Jan 2016). The survey you can find here:

<http://www.kpmg.com/in/en/issuesandinsights/articlespublications/kpmg-deal-tracker/pages/default.aspx>

## Advisors: Demand levels by service delivery model



KPMG's Global ITO-BPO Outsourcing Deals Analysis  
Top five countries by total contract value (USD million)  
in Europe in 2015



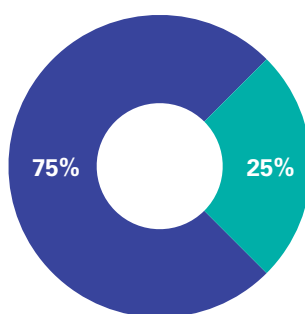
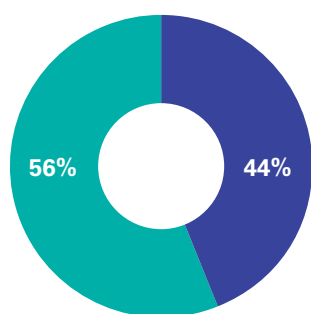
■ BPO  
■ ITO  
■ Bundled  
● No of deals

(Source: IDC Contract Database, Jan 2016).

## Service Providers: Current and projected pipeline

Pipeline change this quarter

Expectations next 1-2 quarters



- Down relative to last quarter
- About the same
- Up relative to last quarter

The conclusion is that outsourcing is gaining momentum and is continuing to grow in the Nordic region.

Service providers are experiencing an increased push in the Nordics to evaluate BPO, and due to high cost pressure they expect the BPO trend to continue. With some of the larger contracts being implemented there are proof points in all Nordic countries. This development is also being reflected in the service providers' pipeline projections with close to 60% confirming an increase into 2016, and 75% are projecting further increased demand in the next coming quarters.

When discussing trends in outsourcing, stories about organisations giving up on outsourcing and moving services back in-house are often brought to the table. However, this is not a trend supported by the findings in the pulse survey. Globally we see that insourcing and moving work onshore is primarily focused on niche or specialized work and not mainstream transactional services.

The Nordic companies are not on the scene in terms of insourcing back to captive solutions. Quite the opposite – we see that they are to some extent prudent, and seek for near shore captive solutions or possible near shore outsourcing arrangements.

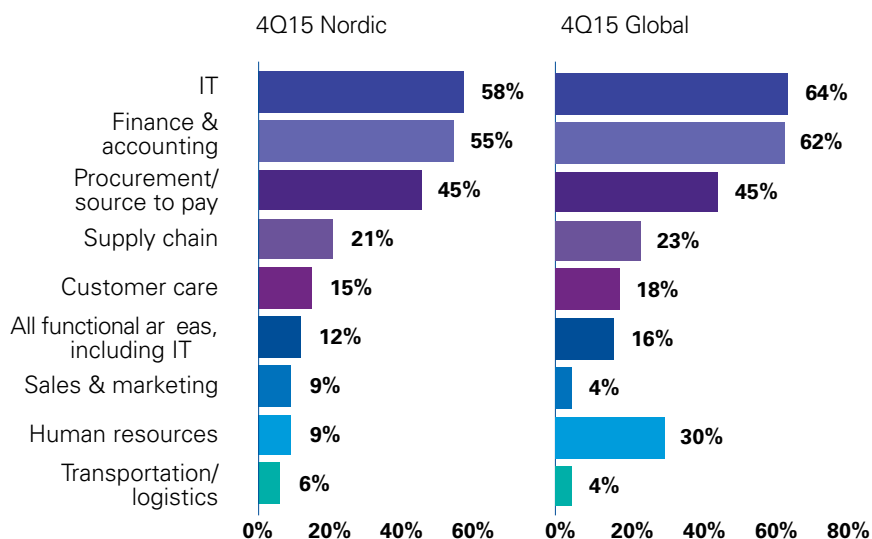
Top functional areas to improve service delivery performance continues to be the traditional functional areas IT and F&A, followed by Procurement with a strong foothold on top three. The Service provider figures are not reflecting the same strong position for Procurement, which indicates that improvement initiatives are mainly taking place in-house. The strategic importance of procurement is often the reason for keeping it close. Among leading companies in the Nordics, we see a growing interest in procurement BPO, but this is indicating that only a few have actually taken the step to go for outsourcing.

Globally, HR is viewed as an important functional area for service delivery improvements, but here we find the biggest gap to the views of the Nordic advisors. This is, however, in line with the Nordic service provider results, reporting a zero pipeline within this area. HR is an area with a big potential, but being more immature and less standardized than other functional areas like IT and F&A, the way to go in order to achieve results is longer. When it comes to business processes, HR is often a little less "business" and a little more "people," which can make it difficult to standardize and centralize processes. However, just because it is hard does not mean it is not worth doing. HR can use the model to deliver everything from benefits administration and payroll processing to compensation management, and the global advisors are seeing more of this trend than we presently do in the Nordics.

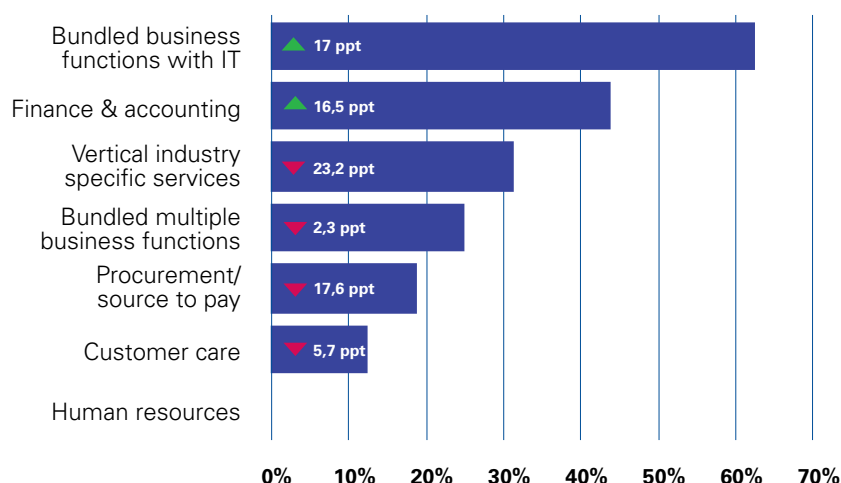
Among the service providers, the strongest growth in demand is found within traditional outsourced services like IT and Finance & Accounting. We have previously seen that the Nordic is lagging behind other regions when it comes to outsourcing, but this result indicates that we actually see a change, and as expected that this will come first within the traditionally strong outsourcing services within IT and F&A.

In terms of demand per industry, we observe that the efforts on service delivery improvements are spreading over a number of industries. However, there is no question that the financial services industry maintains a leading position when it comes to focusing on service delivery improvements. This view is shared by both advisors and service providers alike and is correlating with what we see globally where financial services is by far the leading industry. Energy, oil & gas, manufacturing, government and telecommunications are all industries that are front-runners when it comes to applying shared services and outsourcing delivery models.

#### Advisors: Top functional focus areas for efforts to improve service delivery performance and/or reduce costs

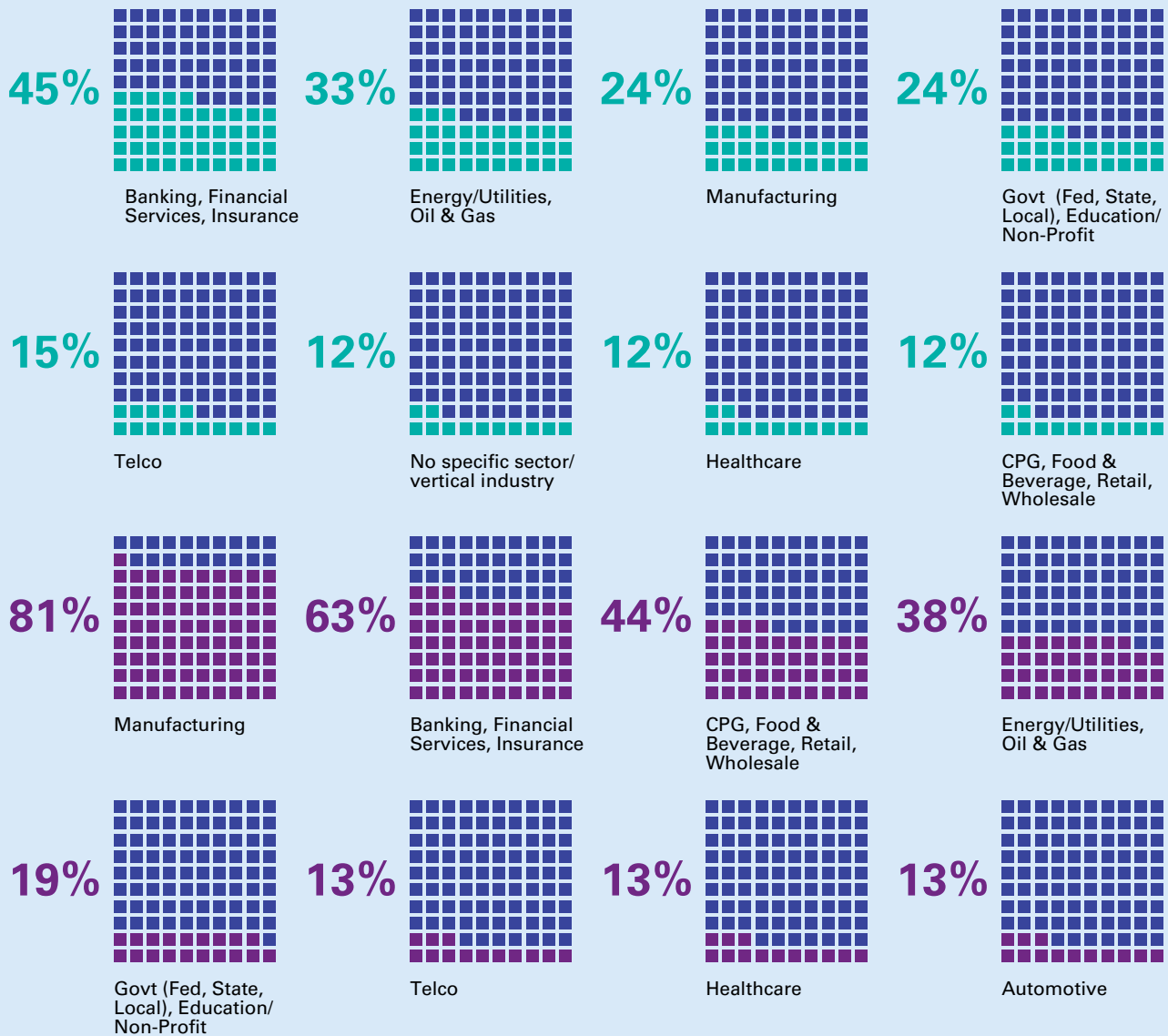


#### Service Providers: Strongest functional areas of demand in pipeline 4Q15 compared to 4Q14





**In which industries are you seeing the biggest demand?**



■ Nordic Advisors  
■ Service Providers

# Operating Model

Shared services and outsourcing efforts have historically been functionally driven, which has led to a number of sourcing set-ups being optimized, but just within a specific function, and not necessarily leading to the most optimal design from an enterprise wide perspective. Also within respective functions, there are many examples where organisations have made sourcing decisions based on a subset of activities, creating a fragmentation of their delivery

it is critical to take a deeper look at the organisations' operating models to ensure they support the future ambitions. Is there an end-to-end process focus? Are organisational structures and roles well defined? Do the technology architecture and data models support the desired state? Is there enough emphasis put on governance?

If not enough time is spent on answering these questions, there is a high risk of opportunistic service

providing measureable business benefits above and beyond cost savings.

## Trends

Continuing to drive down operating cost remains the top initiative for Nordic organisations in 2016. This is a natural trend, given often challenging global economic conditions, and the pressure on many organisations to generate further efficiencies to compensate for a limited top line growth. This being said, over time the potential for additional cost savings decline as organisations become more lean or the cost for using third party services rise, for example due to decreasing wage rate disparities globally. At the same time, there are other needs emerging, such as ambitions to deliver new and innovative products and services into the market, and investment in new information technology such as cloud and data and analytics.

These initiatives can very well go hand in hand, and if done correctly, cost optimization can both generate a harmonized platform for improvements, as well as free up capacity to work on those improvements. However, an alarming factor is that the number one challenge in succeeding with these initiatives, seen by both Nordic advisors and service providers, is dysfunctional operating models. This is not a new challenge, it has in fact been among the top ones over the last years, but



Having a combination of different delivery models is not necessarily something bad, but it must not be done in isolation.

models. Having a combination of different delivery models is not necessarily something bad, but it must not be done in isolation.

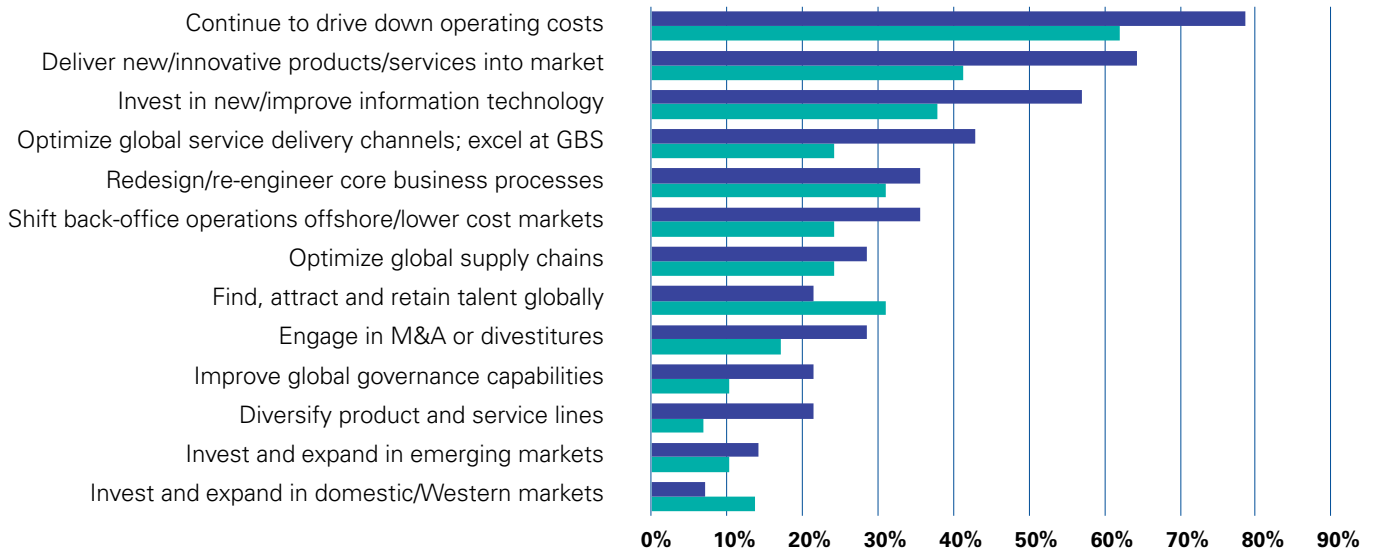
With the increased focus on using shared services and outsourcing, not only as a means to reduce cost through economies of place and scale, but also as a value enabler,

delivery adjustments backfiring when pushed too far. This has been consistently evidenced in client accounts that have captured the early stage benefits of shared services and outsourcing in terms of cost savings, but have struggled in subsequent years to deliver additional cost savings, or even more important,

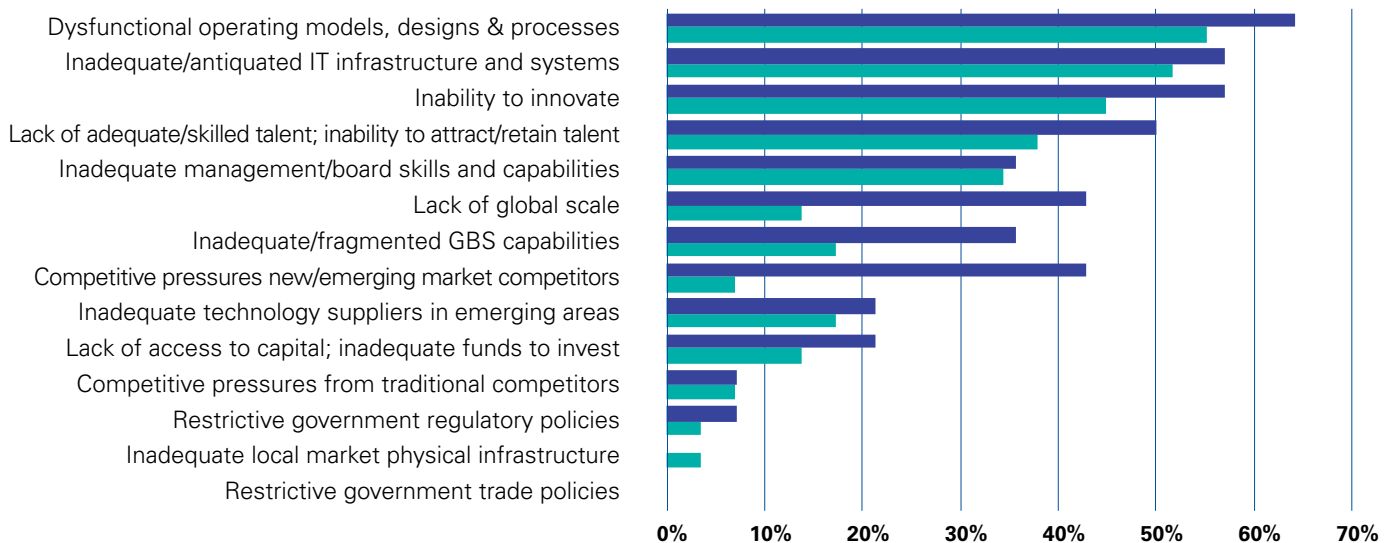


An alarming factor is that the number one challenge in succeeding with planned improvement initiatives is dysfunctional operating models.

### Top initiatives for 2016



### Biggest challenges in undertaking these initiatives



■ Service Providers  
■ Nordic Advisors

it is becoming more critical, the more organisations push for optimization of their cost base while at the same time transforming to generate value.

Another alarming factor is that the focus on governance has been reduced since last year's survey. Even if governance is not the only aspect of a well-functioning operating model, it acts as the critical glue that ties the different components together.

It gets even more important as organisations are moving towards multi-source models, with combinations of in-house and outsourced delivery. What constituted best in class governance last year might very well prove inadequate next year. The importance of governance is further addressed below in the context of its core operating model component.

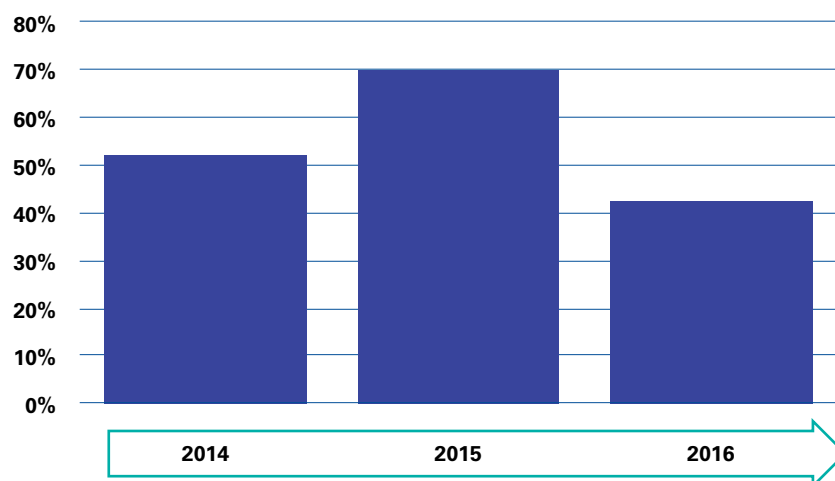
### Our point of view

For most organisations, delivery model adjustments are no longer only about shifting delivery of certain activities from one place to another, or from one party to another. It is the result of attempts to optimize the overall operating model. In order to do so, it is critical to establish a view on the desired future state, and align around the needed alterations of the model. Most operating model transformations require multiple components to play together. Only moving a group of

**Governance acts as the critical glue that ties the different components together**



**Advisors: Seeing improving shared services/outsourcing governance as a preferred approach to improving service delivery performance and/or reducing cost**







## Pressure to quickly realise cost savings has driven organizations to shift delivery options without taking a holistic view at their operating models.

activities from one place to another, or only implementing a new IT system, without considering the impact on other aspects, such as organisation, processes or data models, is normally not a wise thing to do. However, it still happens in a number of situations. Pressure to quickly realise cost savings has driven organisations to shift delivery options, without taking a holistic view of their operating models. This has pushed them into a corner, where daily firefighting is common, and where it is difficult to take the next step towards more value generating improvements.

There are a number of aspects to consider before embarking on the next transformation, and it all depends on the current state and situation of the organisation, as well as its planned future direction. However, there are four key areas worth reflecting upon in each operating model adjustment:

### DRIVERS FOR CHANGE

What is the main reason for changing the operating model? Is it a pure cost play, or is the intention to enable value generation, e.g. facilitating penetration of emerging markets, quicker absorption of acquisitions, enhanced customer focus or better possibilities to gain insights through analysis of enterprise wide data? If the organisation is not fully aligned around why a change is needed, the change will most likely not succeed.

### FUTURE STATE

How do we expect the model to look like in a few years' time? Even if the currently considered adjustment can be done over a few months, and generate benefits already this year, it is critical to understand in which direction the organisation wants to head. Each change should be a step in the right direction. As we all know, directions can change, but no direction at all is never a good start of a journey.

### HOLISTIC VIEW

Think about the operating model as several layers supporting each other. Typical areas that come into play are the geographical footprint, the organisational design and roles operating the model, the process design, the IT architecture and the data requirements. It might not be that all these layers need to change, but it is wise to consider the impact, as they are all interdependent. Shifting one brick could either reinforce the model, or pull the whole structure down.

### GOVERNANCE

Last, but definitely not least, governance is key to any operating model, no matter whether delivered fully in-house, or through various sourcing models. This goes all the way from overall strategic governance, ensuring that the current model is still supporting the organisation's strategic intents and

proposing changes when needed, down to the day-to-day operational governance, with proper reviews, controls and escalation processes. In many organisations, governance is not taken seriously until parts of the processes are outsourced to a third party, but it is wise to apply similar principles in-house. No model operates by itself. It requires supervision and caretaking. Governance does cost money, but no governance at all will cost even more. Coming back to our brick analogy, the structure would definitely fall apart if not investing in mortar.

Overall, there is consensus that dysfunctional service delivery operating models are a hindrance for further improvement initiatives. Adjusting the operating models will take time and effort for some organisations. If continuing the current path with opportunistic improvements is no longer a viable option, it is critical to spend some of this extra time in the short-term, in order to reap even bigger benefits in the medium- to long-term.

# The War for Talent

## Human capital is continuing to be a big challenge and issue for the C-suite agenda

Talent management challenges exist in all five generations in the workforce today *Traditionalists*, born '20s to mid '40s, *Baby boomers* born mid '40s to early '60s, *Generation X* born mid '60s to late '70s, *Millennials* born early '80s to late '90s and *Generation Z* born mid '90s. There are many reasons for this, including different management styles (i.e., hierarchical vs. collaborative), preferred working models (i.e., structured, office-bound vs. informal, virtual) and often a mismatch between available and needed skills. One of the most critical issues is that most employees seek a positive and collaborative relationship with their immediate leadership. However, in many cases current leaders employ the management style they experienced throughout their careers, which is often a more top-down command and control approach that is increasingly out of favour, especially with younger workers.

Organisations today, however, must create a people-focused organisation that engages all five generations if they hope to attract and retain the best talent and talent required to remain competitive. Therefore, changes to talent management strategies and tactics must occur at an organisational level, primarily through integrated strategies and programs and at a manager level through enhanced people leadership skills. Effectively managing diversity – whether gender, age,

skills or working preferences – can give organisations a competitive advantage. For example, companies can more successfully retain the intellectual capital of their Baby boomers and Generation X to transfer it to those in other generations, continuing to build, rather than forced to rebuild, the collective intellectual capital of the organisation.

What strategic talent management requirements and tactics are necessary to capture and enhance the underlying potential?

- Establish a clear definition of what talent management means for you, and how that aligns and correlates to and in the overall business strategy.
- Clearly define the required capabilities and skills, critical roles, and key individuals, by business unit, geography and strategic initiatives, needed to win the talent battle in the future.

What approaches and techniques are preferable and recommended?

- Review the strategic priorities in the context of understanding their talent implications.
- Perform a detailed analysis of your organisations future talent capabilities, roles, people and geographic requirements.

- Establish a clear and solid understanding of your current talent gaps versus future state.
- Prioritize activities to close the gaps via a variety of techniques including training, retraining/ reskilling, changing the mix of staff and talent, seeking new sources of talent both in terms of sources for hires as well as use of third party sources of talent, and better identifying underutilized talent within the organisation.
- Set the overall talent strategy including detailed strategic work force planning as well as your succession planning strategy.
- Invest in technologies such as workforce analytics to support the above efforts.

### Trends

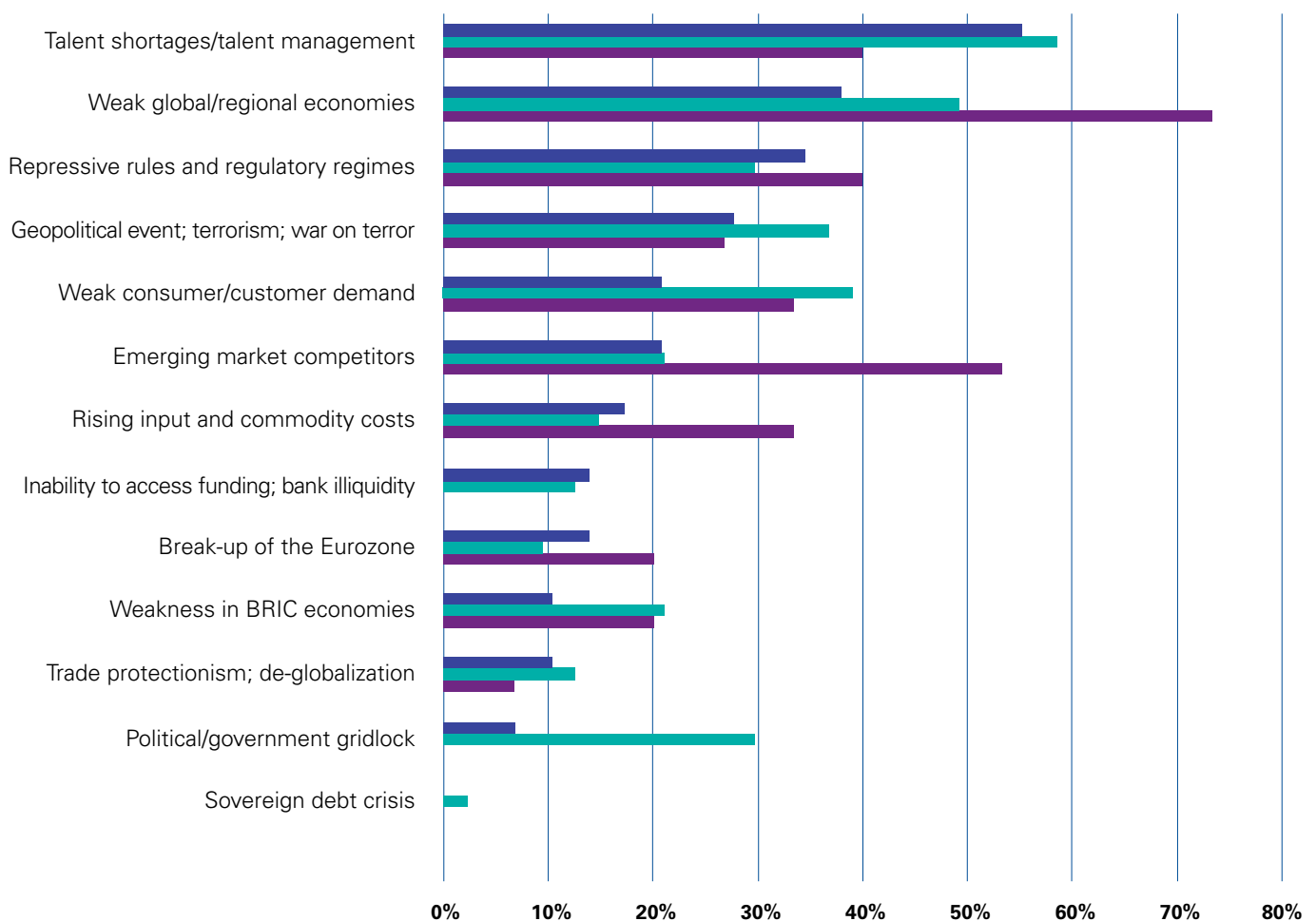
59% of the Nordic respondents ranks "Talent shortages/talent management challenges" as a top negative challenge in the coming year. This is in line with global findings. The highlighting of these shortages and challenges are a near global phenomenon, and more or less continues the findings from our HR CoE Survey "The War for Talent" presented in late 2014.

One of the biggest positive impacts seen by Nordic advisors in 2016 would be the ability to tap into global talent pools. Service delivery models needs to be re-visited and



## Talent strategy must be linked to the business strategy.

### Top negative 2016 trends



- Advisors Nordics
- Advisors Global
- Service Providers Nordics

potentially re-designed to make the most out of global talent. Another topic of interest is the possibility to access emerging market talent and skills at a low cost, however this scores very low in terms of being an important factor, this goes both for a Nordic and Global perspective. Could this imply that cost is no longer an important factor in this perspective? Perhaps the problem is not the cost of talent, but rather the availability, and that companies are willing to pay a premium, as long as they get the right people.

Even though talent seems to be high up on the agenda, only 24% of Nordic advisors and 25% of Nordic service providers feel that clients will invest more within talent management in 2016. This could be a big issue, as attracting and retaining talents from a global perspective will require focus and investments.

We clearly see a significant push from some of the major clients, i.e. one major player in the financial services sector and one dominant

- Deploy more enhanced and powerful data & analytics capabilities to gauge success in fine-tuning your people practice over the generations. Not one size fits all.

Another major concern is the increasing pace of disruptive technologies, which many clients see as an obstacle in the attempt to secure the right talent and competence. The war for hiring specific Subject Matter Experts (SMEs) is definitely escalating, making it more difficult to find the right recruits.

52% of the Nordic respondents ranks "Lack of adequate and skilled talent; inability to attract and retain talent" as a challenge area. This challenge will only worsen as organisations race to adopt and deploy technologies such as data and analytics and process and cognitive automation, areas where the requirement of greater and more complex skills make shortage of talent even more acute.

solutions designs to mention a few, there is an absolute need to create a workforce environment which is more open, distributed, diverse, entrepreneurial, flexible, and hopefully different.

#### CREATE BETTER TACTICS:

- Recruiting must establish an even stronger presence on social networking sites as the brand is becoming more interesting for potential candidates than salary and benefits.
- Total rewards, one size does not fit all. Companies that are flexible offering choices are likely to be the frontrunner in this reward category. We know that for the generational mix, employees say they would like their company to recommend benefits appropriate for their life stage.
- Retention strategies, we know that companies that find new ways to innovate around retention are likely to be more successful in winning talents. To attract, develop and retain, some companies are offering customer career path options that moves laterally and horizontally enabling staff experience outside their functional area, which in turn expose them to the organisation at large.



## Build your talent strategy around what the organisation needs to win in the future.

corporate group within the industry sector are taking a prioritized steps and approaches to re-vitalize further their current talent management framework. Reasons are two folded:

- Adopt a more holistic view of their talents and engage in a broadly planned approach clearly linked to their business strategy.

Talent management is not solely the HR agenda's responsibility; it should be high up on the executive team's agenda. Strategic workforce planning and the succession planning strategy should clearly link to the overall business strategy. As SSC and/or GBS organisations evolves over time with more advanced service delivery models, automated processes,

#### Our point of view

An increasingly complex environment creates new "hot spots" – both in terms of challenges and opportunities- in managing talent. Emerging technologies and the pace of change, disruption of business models, information privacy, protection of IP and cyber security, globalization and systemic risk, extended organisations, e.g. vendors, suppliers, partners, supply chain and outsourcing, business transformations, M&As and innovations to name a few and vital areas of concern.





New and disruptive technology requires the right talent. The war for talent is not an HR agenda issue; it should be high up on the executive team's agenda.

We therefore truly believe that is vital to engage and put some efforts in reviewing the current delivery model for talent. How are the service providers really working in terms of changing their approach to handling talent? Would a viable approach for our clients be to build captives and attract the right talent in hot outsourcing locations, or would that increase the risk for the service providers to attract and “steal” our captive talent pool? Moreover, are solid career paths, strategic workforce planning and succession strategies aligned in a global delivery model? Have our clients and service providers defined the standard for rotating people across the world, virtual communities of practitioners, global approach to learnings?

How do these “hot spots” effect your organisation and talent risks? The organisation needs to address capacity, capability and connection risks.

- Capacity risks: Have you identified your requirements for qualified and highly qualified employees within the next 3, 5, 7 or 10 years?

- Capability risks: Have you assessed the impact that your workforce demographics, (e.g. looming retirements, changing skill demands, changing work preferences) has on your company's productivity?
- Connection risks: Are you prepared for upcoming attrition due to economy improvements, competition and employee movements? Have you analysed the potential groups that are at greatest risk in your organisation and developed strategies to mitigate attrition?

#### **BUILD A HOLISTIC APPROACH:**

Build a talent strategy based on an understanding of what the organisations need to win in the short, medium and long-term future.

Pause to consider whether all major talent risks have been identified and prioritized.

- Does the business agree?
- Do HR and the business have a unified plan?
- Work with leadership to connect and engage with talent across the organisation.

- Embed strategic and holistic talent planning into business planning. Business plans should account for capabilities of existing talent and account for where more and/or different is talent is required to ensure success.
- Remember it is not a standalone exercise.
- Hardwire talent risk into wider enterprise risk management frameworks.

Organisations must also seek to understand and track the total cost of their workforce. This involves not just compensation but costs to hire, train and replace and accounting for the real economic costs and disruption that high turnover, lost key talent, and lost intellectual property creates. Organisations should evaluate talent related decisions for ROI.

All this concluded are well in line with our 2015 global survey “Evidence-based HR: The bridge between your people and delivering business strategy”.

# Cloud and Disruptive Technologies

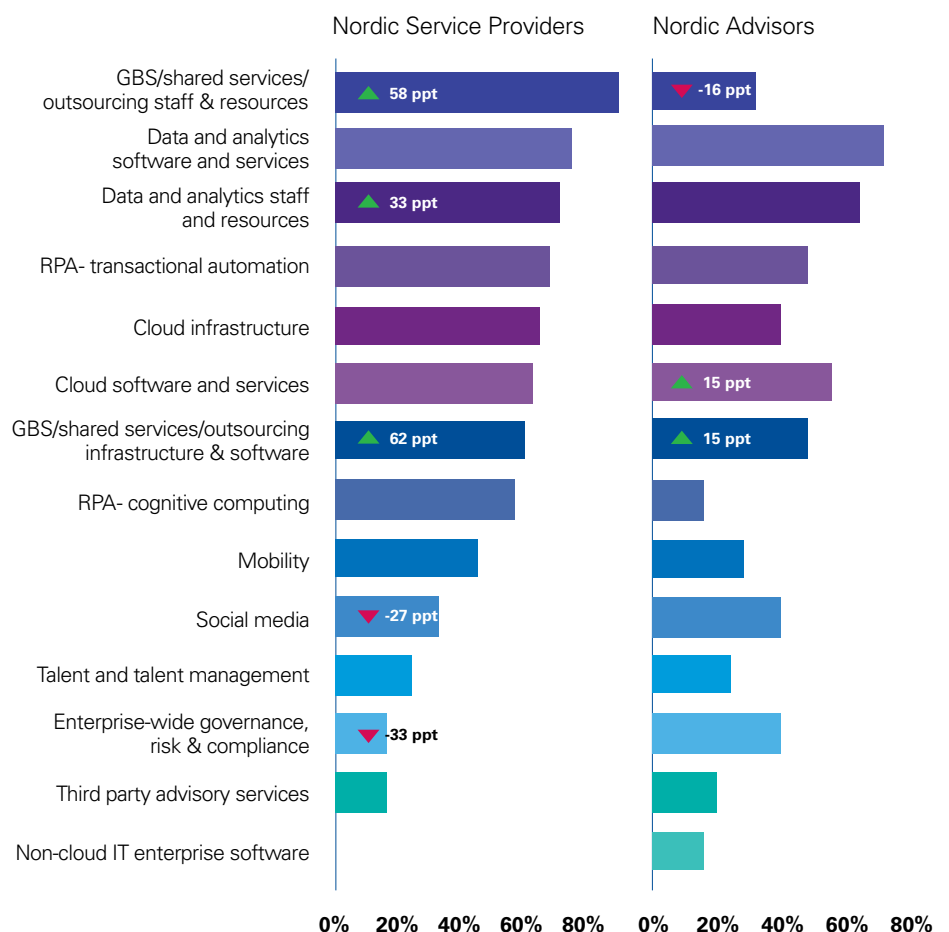
Ongoing efforts to continue to drive down operating cost is one key reason why Nordic service providers highlight their clients increased investments in outsourcing staff and resources. Also, the results show increased investments in new and improved information technology such as business intelligence, cloud and robotics process automation (RPA).

## Trends

Data and analytics related software and services remain on the agenda even stronger as demand for both data and analytics related services and skilled own staff grows significantly in 2016. Not surprisingly, we are still seeing growth for cloud infrastructure services as well as services for cloud software and it is easy to predict that this trend will not go away any time soon.

The strategic importance of business intelligence and harnessing the benefits of big data by the clients is clearly seen in the responses by both Nordic service providers and advisors. Growth in the robotic process automation (RPA) for transactional automation has been highly expected both globally and in the Nordics – yet this is an area that is not progressing as quickly as was expected some years back.

## Invest more 2016 vs 2015



Arrows indicate areas with biggest increase or decrease in investments from last years survey



## Cloud services for Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS) have matured and play a significant role in the service provider's portfolio.

When we compare the survey results of the year 2015 to the year 2016 we can see a remarkable change in the belief of the importance of social media among the Nordic service providers. If we look at the responses relating to the question of which areas would receive more investments in 2015, social media was positioned as the third most important area after cloud and data & analytics. In 2016, social media dropped to number 10 in the list of investing more. It seems that the hype on social media is decreasing and many companies have realised just how difficult it actually is to make a difference that adds to the bottom line by utilising social media applications

### Our point of view

Cloud services for Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS) have matured and play a significant role in the service providers' portfolio. This trend has been going on for several years and the speed of deployment of these services has accelerated considerably in the past two years. This is probably due to the fact the infrastructure related services were the ones that were outsourced first before other IT services and hence

they are mature enough to utilize innovative services and reduce costs. According to our study, the Nordic service providers are investing more in cloud-based services than service providers globally. We believe that the reason for this is that the clients in the Nordic market are more willing to invest in the new cloud technology as the Nordics have been in the forefront in outsourcing infrastructure.

There are also other trends supporting the usage of cloud services such as agile application development, DevOps model and micro services model. New application development environments are often based on cloud services as they are quick to ramp up as well as cost efficient. Logically then the production environments end up being built on cloud based services.

The maturity of the cloud services is reflected in the pricing of the services and clients can make noticeable cost savings by transferring services into cloud. Cloud infrastructure services have become very competitive meaning that the big global players like Amazon and Google set the rules in the game. Typically conservative finance sector has been quite reluctant to start using cloud based



Especially in the public sector, locally stored data and security of data are very critical issues.

services – very understandably – but now that is also changing and we are seeing large transformational projects being started also in the finance sector towards using cloud based services.

There are many arguments that speak for the benefit of cloud services; however, there are some facts that should not be overlooked when it comes to moving from the traditional legacy systems into cloud-based services. One area that may prove tricky is the integration between legacy and cloud based services. This kind of hybrid environments requires an entirely new set of skills in integration and service management, hence providing a hybrid services has become one new hot topic. IT security and ownership of data certainly are areas that need more attention when operating in the cloud.

Especially in the public sector, locally stored data and security of data are very critical issues. There is still room for improvement by the service providers in convincing the clients of the security of the data that is located in the cloud services.

Regardless of the existing challenges cloud based services will definitely grow; the question is only how quickly and in which volumes. Cloud based services are increasingly business as usual, however, clients still need support in finding the most suitable solutions for them and in particular in the public sector savings are there for the taking if only data storage and security related issues can be solved for the benefit of the clients.





The maturity of the cloud services is reflected in the pricing of the services and clients can make noticeable cost savings by transferring services into cloud.

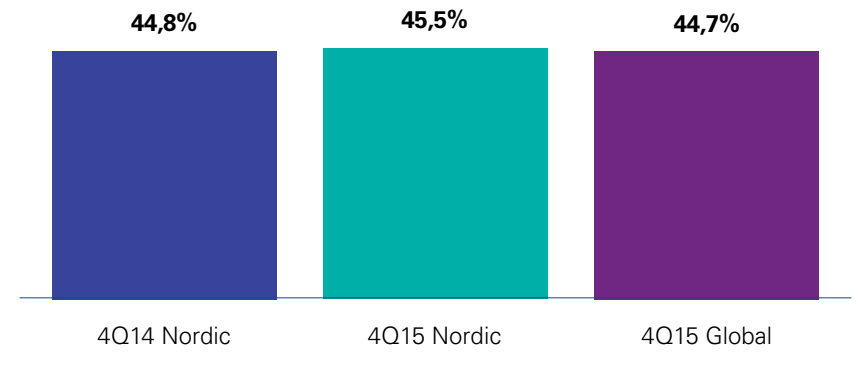
# Procurement

Procurement executives are regularly focusing on two prominent objectives – delivering cost reductions to support their organisation's bottom line and increasing the service delivery performance of the Procure to Pay (P2P) process, which in particular includes driving increased compliance with the end-to-end process as well as usage of preferred suppliers and contracts. There are huge benefits at stake, as most organisations will typically see 60%- 80% of their entire cost base going through the P2P process, and though this varies significantly with industries, it is obvious that organisations can create a relevant competitive advantage, both at strategic and operational levels.

## Trends

In KPMG's Nordic Pulse Survey, service providers and our advisors have consistently ranked procurement processes (Source to Contract, Procure to Pay) as a top 3 functional focus area to improve service delivery performance and to reduce costs. It is remarkable that this ranking is not only very high, but also very stable, both over time and when comparing the assessment in the Nordics with results from our global surveys.

**Share of advisors who has ranked procurement as a top 3 functional area to improve service delivery performance and/or reduce cost**



A still untapped, significant potential remains to be explored, and the shared services and outsourcing approach is a relevant approach to be considered.



## Collaborating with a service provider has the potential to act as a platform for change.

The high ranking as a focus area to reduce costs is in line with the generic role of the procurement function and the ability to positively impact on the majority of an organisation's cost base. Together with the stable assessment as a top functional area to improve service delivery performance this reflects the shared assessment of KPMG advisors and service providers that a still untapped, significant potential remains to be explored and that a shared services and outsourcing approach is a relevant solution to be considered.

The described assessment is most likely also based on the shortcomings of existing procure to pay implementations that lack user centricity and adoption and where transactions often require manual back office intervention to facilitate execution and to ensure data quality. Without a well-implemented end-to-end process it is not possible to automate execution, and manual back office interventions result in slower and more costly operations. It is important for organisations to consider carefully how to best address this potential as low user adoption does not only mean operations that are more expensive. The parallel negative impact on compliance levels means that the use of available contracts are

not consistent and controls over suppliers selected are limited.

### Our point of view

Procurement has become an established corporate function with organisations seeing the strong potential of highly capable sourcing organisations and automated and compliant procurement operations. The delivery of an optimal performance is not only depending on integrating the results of a capable category management and sourcing process in the procurement operations, but also establishing a user centric procurement operations that supports high adoption and transactional process compliance. Transferring the experience from private online procurement platforms into the corporate world is the challenge, particularly for indirect materials, but with enhanced functionality in leading, often cloud-based system platforms, there are now good solutions available in the market to deliver.

In our experience, shared services and outsourcing can play a significant role in the transformational journey towards the described capabilities. Collaborating with a service provider has the potential to act as a platform for the change and can deliver the additional operational

capacity to improve quality and compliance. For indirect materials, service providers can often facilitate bundling opportunities and dedicated competence, as sourcing volumes from a larger client base require specialized capabilities and higher competence. We also see that the transition to an operating model that involves a shared service or outsourced component helps driving standardization and process improvements.

There are also learnings towards the right approach to execution. Procurement functions have been relatively slow to embrace the opportunities coming with a delivery model that includes a shared service or outsourced component and in our experience it is worthwhile to look at transactional processes for indirect categories first. Not only are the transactional processes and indirect materials areas where service providers have now achieved a remarkable maturity, the cooperation in this area can also be the platform for both organisations to develop a comprehensive understanding of each other's capabilities, ways of working and culture. In any case, a well-considered procurement model will be a driver for value creation and should be on every CFO and CPO agenda.



# Key takeaways



Continuing to **drive down operating cost** remains the top initiative for Nordic organisations in 2016.



It is critical to take a **deeper look at the organisation's operating** models to ensure they support future ambitions. **Governance is key to success** for achieving desired cost savings, as well as delivering more strategic benefits.



The current **war for talent** is not part of a business cycle, but rather the **"new norm"** and any organisations' strategic and operational plans must address them.



**Talent and technology are intertwined.** New and disruptive technology requires the right talent. The war for talent is not an HR agenda issue, but should be on the executive team's agenda.



We still see a **growth for cloud infrastructure services as well as services for cloud services.** This is a trend that will not go away any time soon.



In **Procurement**, there is a **still untapped significant potential that remains to be looked at**, and the shared services and outsourcing approach is a relevant solution to be considered.



# Authors



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Tone is Director and Head of Shared Services and Outsourcing Advisory in KPMG Norway. With a background as CFO, she has long operational experience from the finance function and various shared service journeys over the last twenty years. She has deep insight in multifunctional GBS set-ups in leading companies, and is frequently used as lecturer within GBS and shared services.



## Minna Metsälä

Minna is a Senior Manager in KPMG Finland and heading the IT Sourcing Advisory. She has an extensive experience on IT outsourcing and large transformational programs and has been working with clients on various development initiatives such as IT cost saving projects, IT system deployments and process improvement projects.



## Joakim Abeleen

Joakim is a Director in KPMG Denmark. He works with shared services and outsourcing for both Danish and international clients, and focuses on designing and optimising delivery models across functions. Joakim has published a number of reports around the Danish and Nordic sourcing market, and regularly speaks to GBS leaders about their plans, ambitions and challenges.



## Hans-Jörg Robert

Hans-Jörg is Partner in KPMG Norway and Nordic Procurement Lead. He has more than twenty years of experience in procurement strategy, transformation and sourcing, both from working as an advisor and as a line manager with companies such as Deutsche Bank AG and COLT Telecom Group.



## Lars Åkne

Lars is a Director in KPMG Sweden. He is a trusted advisor for CFOs with solid experience in managing complex finance transformation projects. He has deep insight and experience in GBS and SSOA leading practices, and has overseen several international SSC implementation projects. Prior to joining KPMG, Lars has more than 13 years experience from senior positions in the TMT industry.

Nordic organisations are gradually adopting the Global Business Services model, and we hope you have found this deep dive into key trends and findings interesting.

To learn more about shared services and outsourcing trends in the Nordics, please do not hesitate to contact your local KPMG contact. You'll find the contact information on the last page of this report.

# Service Providers

The Nordic Pulse Survey is based on input from KPMG's senior sourcing advisors in the five Nordic countries, combined with Nordic executives from selected outsourcing providers. Below is a list of participants service providers.

- Accenture
- Capgemini
- Cognizant
- Fujitsu
- Genpact
- Hewlett Packard Enterprise
- Infosys Limited
- Tata Consultancy Services (TCS)
- T-Systems Nordic
- Wipro Technologies



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