



Digital Sourcing Trend Radar

**KPMG's Shared Services and
Outsourcing Advisory view on the
rapidly evolving digital sourcing
marketplace.**

March 2021

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Foreword



The 2021 Digital Sourcing Trend Radar shows KPMG's Shared Services and Outsourcing Advisory view on the rapidly evolving IT sourcing domain, also referred to as the digital sourcing marketplace.

Clients witness increased complexity in setting up the right IT sourcing delivery models to best fit their strategic goals, driven by mature technological solutions and new models of cooperation between clients and service providers. COVID-19 has accelerated digital transformation and modern-day sourcing. It is changing how the market is organized, including how clients collaborate with service providers.

KPMG has created the 2021 Digital Sourcing Trend Radar from first-hand field experience, working with clients and service providers around the globe. It provides a holistic overview of the most important and impactful IT sourcing trends for the upcoming years.

Depending on your current position some trends may have already been knocking on your door, while others require your organization to keep vigilant watch. We hope our overview provides IT leaders with valuable insights to help them move into digital sourcing challenges with confidence.

To discuss trends in more detail, or to explore how KPMG Shared Service and Outsourcing Advisory can support your organization, we encourage you to contact any of our local sourcing experts listed in this publication.

2021 Digital Sourcing Trend Radar

The 2021 Digital Sourcing Trend Radar includes those trends observed during first-hand field experience working with clients and service providers around the globe. The included trends are structured according to three domains: sourcing process, solutions and ways of working. For each trend we also predicted the impact, ranging from major, moderate to minimal.



2021 Digital Sourcing Trend Radar

The most important short-term Digital Sourcing trends:



Best of Breed Sourcing Strategies

In general we see clients moving away from 'One Size Fits All' delivery models. The need to adopt, integrate and/or migrate new IT solutions and digital services is faster than ever before. The Best of Breed Sourcing strategy offers a more granular approach to choose the right balance in sourcing new, upcoming and proven IT solutions, services and delivery models.



Relational Outsourcing Agreements

Transaction-based outsourcing has dominated the sector for decades. Common feedback we encounter is that transaction-based relationships fail to achieve client objectives and cater to the business needs. Differentiating your contracting style based on Relational Outsourcing Agreements is gaining favor, although the road is bumpy.



Insourcing of integration functions

The shift towards Best of Breed Sourcing strategies has significantly increased the strategic value of client service integration and service orchestration capabilities. In the field we witness client organizations insourcing (part of) their service integration and orchestration capabilities and developing these capabilities inhouse, often supported by service providers.



Agile based tendering approach

A growing trend we witness worldwide where the selection process follows a planning of sprints with predefined requested deliverables and selection criteria with more touch points allowing to select promising vendor(s) earlier in the process.



Hybrid Sourcing Models

Managed IT services are increasingly combined with cloud-based services creating Hybrid Sourcing Models. While public and private based As-a-Service delivery models clearly provide tangible benefits, the majority of organizations do require a mix of dedicated IT solutions and cloud-based services for the foreseeable future.



Ecosystem based partner models

Overall, we recognize that the increasing digitalization of the client value chains results in an increasing amount of (inter)dependencies between client, digital solutions and respective service providers. Managing these (inter)dependencies in a fast-paced market is difficult to organize internally. As such, we witness client organizations setting up 'partner ecosystems' to facilitate a more effective management of these (inter)dependent and complementary capabilities.

Digital Sourcing Trends

Best of Breed Sourcing Strategies

Organizations are moving towards Best of Breed sourcing strategies, aiming at enabling their business and IT departments to better accommodate the 'new normal'. They need to adopt, integrate and/or migrate new IT solutions and digital services faster than ever before. The Best of Breed sourcing strategy offers a more granular approach to choose the right balance in sourcing new, upcoming and proven IT solutions, services and delivery models.

Relational Outsourcing

Organizations are moving away from transaction-based outsourcing towards relational agreements focusing on the relationship among stakeholders. A common feedback is that transaction-based relationships fail to achieve client/business objectives and needs. Clients are 'differentiating' their type of relationship based on the nature of the service delivery, moving away from Statements of Work (SOWs) towards Statements of Outcome (SOOs).

Insourcing Service Integration

The shift towards Best of Breed sourcing strategies, fast-paced changes in technology, the use of different cloud solutions etc. has significantly increased the strategic value of service integration and service orchestration capabilities for an IT department. As such, client organizations are reconsidering outsourcing these capabilities and have initiated developing these capabilities inhouse.

Agile-based Tendering

An Agile-based Tendering approach is a growing trend where the selection process follows a planning of sprints with predefined requested deliverables and selection criteria with more touch points allowing to select promising vendor(s) earlier in the process. Traditional tendering can be a lengthy and costly process of 'requirements definition' and 'solutions development'. The increased level of interaction in an Agile approach also provides relevant insights into the cultural fit between parties.

Digital Sourcing Trends

Containers and Microservices Adoption

Containers have emerged as a solution to deploy and use software in a more reliable and flexible manner from one environment to another. Containers as a Service (CaaS) is a cloud services model that allows clients to manage and deploy containers, applications and clusters. This enables clients to adopt a multi-vendor strategy on their application development and maintenance domain, with more access to technology skills and uniform processes.

Hybrid Sourcing Models

Managed IT services are increasingly combined with cloud-based services creating Hybrid Sourcing Models. While public and private based As-a-Service delivery models clearly provide tangible benefits, the majority of organizations do require a mix of dedicated IT solutions and cloud-based services for the foreseeable future. Clients are rethinking their own position in this Hybrid Sourcing Models including the level of E2E responsibility.

Workplace Analytics

The COVID-19 pandemic has changed how End User Computing (EUC) solutions are leveraged. Through Workplace Analytics traditional End User Computing solutions become more 'intelligent', providing data tools and metrics to allow organizations to combine various sources of End User Computing data and identify and implement improvements to productivity and workforce effectiveness.

Managed Agile capacity/teams

As client organizations are more and more adopting agile ways of working, traditionally managed service types of delivery models are perceived as 'outdated'. A growing trend is to contract Managed Agile capacity or teams, where an IT service provider is made responsible not solely for the deliverables of the team itself, but for the quality of the team, its members, their wellbeing and team effectiveness and growth, to offer utmost value for the client.



Digital Sourcing Trends

API Driven Integration

API Driven Integration enables clients to democratize access to their existing assets and capabilities through a set of APIs. This trend results in an 'API ecosystem' which demands mature service integration, services orchestration, multivendor/-contract management and sourcing management capabilities to effectively select, implement, manage and exit/re-transition services and tools part of the ecosystem.

Experience Level Agreements

Experience Level Agreements (XLA) are used to monitor the service delivery on "user experience" next to traditional IT delivery metrics. The result is a stronger focus on the outcome of the services being provided, including the added value of the service provider itself. As relational outsourcing arrangements are becoming increasingly popular, thus are Experience Level Agreements being implemented more frequently.

Software Defined Networking Adoption

Software-defined Networking (SDN) is a centralized approach to network management and can be used to provision and manage networks faster than ever before. As the SDN-based services are becoming more mature in terms of management and self-service, sourcing SDN will be the next step in upgrading the traditionally managed network services.

Intelligent Watch Towers

An Intelligent Watch Tower is a business capability that supports timely decision making by monitoring relevant changes in the IT market, technology, legislation, etc. It provides tailor-made insights in a proactive manner enabling an organization to anticipate faster to upcoming trends, changes and opportunities. Organizations source this Watch Towers capability in-house and through external advisors.



Digital Sourcing Trends

Ecosystem-based Partner Models & Digital Ecosystems

Overall, we recognize that the increasing digitalization of the client value chains results in an increasing amount of (inter)dependencies between client, digital solutions and respective service providers. Managing these (inter)dependencies in a fast-paced market is difficult to organize internally. As such, we witness client organizations setting up 'partner ecosystems' to facilitate a more effective management of these (inter)dependent and complementary capabilities.

Open Source-based Sourcing

Emerging scalable and more flexible point solutions being managed through automated integration and orchestration tools, offer increased autonomy and flexibility for clients. Lock-in effects and dependencies of closed source solution/vendors can become a dissatisfier and can lead to business (continuity) risks. The growing open source market provides more and more viable alternatives to source solutions to increase technical flexibility.

Mature 5G-based connectivity

Next generation of mobile internet connectivity offers faster speeds and more reliable connections. The technology's low latency enables a never-before-seen connected and autonomous environment. Sourcing departments are to monitor the development of this enabling infrastructure closely, as to timely anticipate new sourcing requirements resulting from new IT/digital solutions.

Blockchain-based Contracting

A smarter way of contracting. We see developments that can result in traditional 'paper' agreements being replaced by digital artifacts shared via a blockchain database to securely view contracts, revise and accept changes, all captured on a blockchain ledger (an incorruptible digital form). These contracts are stored electronically in one location accessible by only the parties with access with clearly recorded versions and activities.



Digital Sourcing Trends

Self-service Digital Provisioning

Provisioning infrastructure and platform services through self-service portals is becoming a mature capability. A foreseeable next step is the self-service provisioning of end-to-end digital solutions. Enterprise service management systems, offering strong integration capabilities (through standardized API's orchestration and low/no-coding capabilities, etc.). This would allow the business to source, implement and manage digital solutions far more autonomously, reducing time to market and improve innovation capabilities.

AI driven Contract Management

Artificial Intelligence (AI) in Contract Management is a new development in the sourcing domain and is rapidly maturing. Aimed at supporting the IT Service Management organization to track and control contractual commitments in an automated fashion (through Smart Contract Code and Digital Contract Management). This trend shows potential, but large scale availability currently limited to point solutions.

Cloud Robotics

Cloud Robotics facilitates a higher level of human-robot interaction. Through Cloud technology basic bot capabilities are leveraged through vast amounts of processing power and storage resources, offloading intensive computing tasks like image recognition and download new skills and software updates. Cloud Robotics will become part of the IT service portfolio of service providers and can thereby enable digital transformations.

SecOps Automation

With a growing number of corporate mobile apps, embedded devices and IoT solutions the impact of security breaches has greatly increased. Clients are evaluating the best fitting sourcing delivery option for (Dev)SecOps solutions that help organizations combine security and operations data for more accurate and actionable analysis, enabling them to identify blind spots and prioritize and fix the most critical flaws first in any environment.





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