

Top trends and predictions for 2015 and beyond

1Q 2015 Global Sourcing Advisory Pulse Survey – Key findings

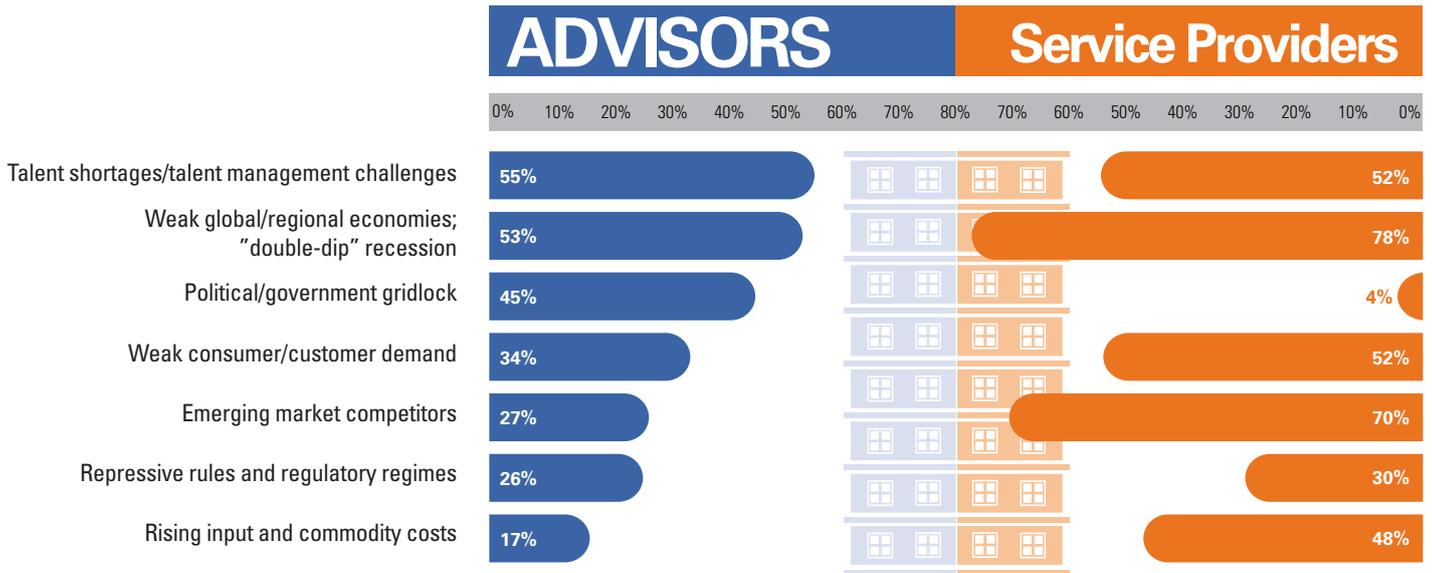
Attracting, retaining and managing skilled talent will be the number one concern facing most global companies for the foreseeable future. Even as these organizations are being forced to wage an ongoing and fierce 'War for Talent', many will also be preoccupied with concerns over precarious economic and market conditions. These are just a few of the key findings from KPMG International's 1Q15 2015 SSOA Pulse Survey of leading business and IT service providers and sourcing advisory professionals with KPMG member firms worldwide.

Worries about talent and the economy prevail

Fifty-five percent of KPMG member firm advisors and 52 percent of service providers identified challenges around talent shortages and talent management as having the most significant negative impact on organizations over the next two years. And while the majority of organizations continue to place significant emphasis on attracting external talent, many are failing to adequately analyze their current capabilities/ challenges and develop corresponding talent management strategies. Without proper analysis, organizations are unable to determine if untapped talent exists internally, resulting in efforts being focused on the more costly acquisition of talent.

Similarly, 53 percent of advisors and 78 percent of service providers expressed concerns about the potential for weakening global economies and the specter of a double-dip recession. While economic concerns vary greatly by region and industry, organizations are well-advised to maximize investments in talent, technology and business processes. Data and analytics software, cloud services, top-tier talent and transforming to a global business services model are just a few of the areas where investment can lead to improved effectiveness.

2015 Trends with Biggest Negative Impact on User Organizations



Source: Trends and Predictions for 2015 and beyond, KPMG International

An increased focus on innovative technologies

When it comes to sources for optimism through the remainder of the year, 'greater access to innovative technologies' was far and away the top response among

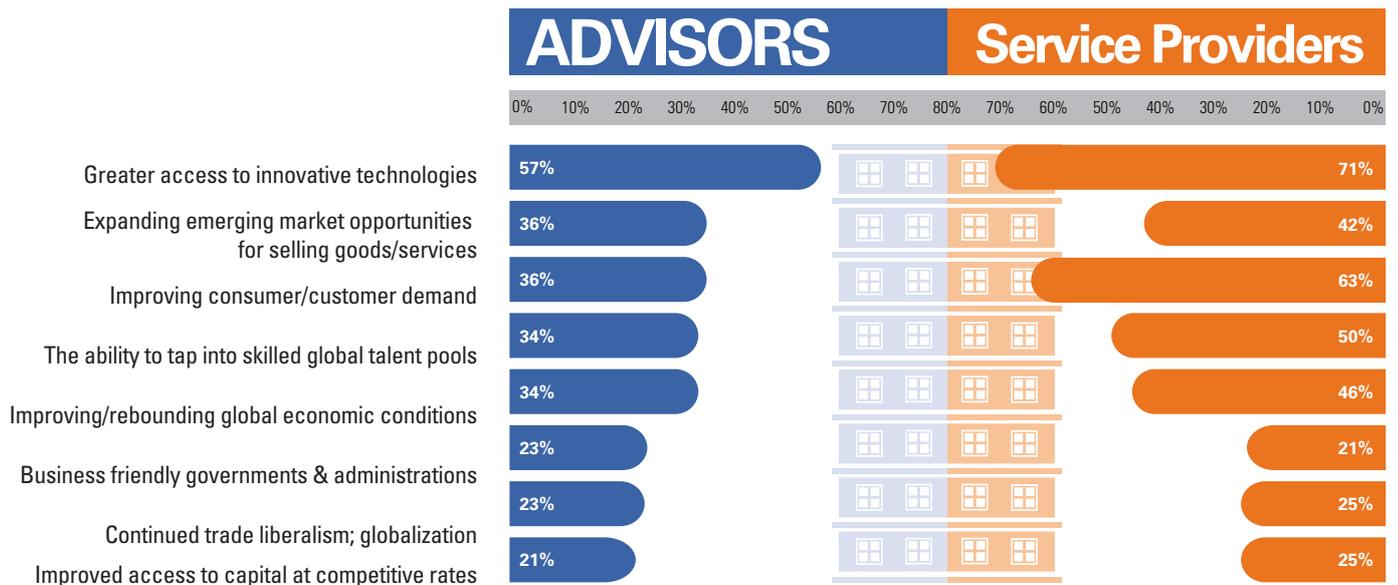
both groups, with 57 percent of advisors and 71 of service providers predicting this trend would have the largest positive impact on user organizations.



The primary concern here is that while many global companies are doubling down on cutting operating costs, many of them may be ignoring opportunities to move their organizations up the Global Business Services (GBS) maturity curve, which can lead to much greater opportunities for value creation. At the same time, we were surprised, particularly because of the acute talent shortages being faced by many of these companies, that 'finding, attracting and retaining talent globally' was not cited by advisors as one of the top initiatives being undertaken by global clients. Companies that find themselves fixated solely on cutting costs may ultimately find themselves falling further behind their competitors who are migrating to GBS operating models and positioning themselves to create significantly greater value across their organizations. Or those who are not only investing in the GBS operating model, but also enabling technologies that can accelerate their position, such as cloud adoption, automation, and analytics."

David Brown, Global Lead Shared Services & Outsourcing Advisory

2015 Trends with Biggest Positive Impact on User Organizations



Source: Trends and Predictions for 2015 and beyond, KPMG International

A growing emphasis on cost-cutting. But at what cost?

When surveyed about the top organizational initiatives being undertaken by global companies over the next two years, ‘continuing to drive down operating costs’ was the number

one response among 71 percent of advisors, representing an increase of 8 percent from the previous year.

Dysfunctional operating models/processes top list of challenges

When queried about the hurdles that could prevent global companies from successfully executing on their top initiatives, 61 percent of advisors (and 58 percent of service providers) listed ‘dysfunctional/fragmented organizational/operating models, designs and processes’ as their number one response.

That was followed closely by ‘inadequate/antiquated Information Technology (IT) infrastructure and systems’ (56 percent of advisors and 63 percent of service providers) and lack of adequate and skilled talent (53 percent of advisors and 50 percent of service providers).

Innovation, IT and big data highlighted as the keys to success

So what will it take for global companies to successfully execute on their plans through the remainder of the year? According to our survey respondents, the number one key will be ‘smart/innovative management and management practices’, which was cited by 54 percent of advisors (and 42 percent of service providers). ‘IT systems and capabilities beyond cloud’ came in at a close second, cited by 47 percent of advisors (and 54 percent of service providers). ‘The

ability to harness big data’ rounded out the top three keys to success according to 45 percent of advisors (and 54 percent of service providers). “Harnessing big data was particularly important to advisors supporting global clients,” said Brown. “Indeed, successful implementation and execution of these practices can help to protect an organization from each of these major concerns and can help position the organization to respond more efficiently and effectively.

Based on the findings of the 1Q15 Global Sourcing Advisory Pulse Survey, organizations would be well-served to consider focusing on the following four trends throughout the remainder of 2015 and beyond:

1. **The War for Talent** – This is a battle that will be long in duration and with its winners and losers. It will be important for companies to understand their current capabilities and develop aggressive and strategic plans to both train and attract key talent. Organizations should also explore emerging technology areas such as robotics process automation (RPA). RPA can further reduce the need for human talent to perform certain activities, partially alleviating talent shortages and reducing costs. This will enable organizations to reposition talent for the more value-driven activities.
2. **The Adoption of Innovative Technologies** – While this will require substantial investment, the ability to truly bring your organization's technology platforms into the 21st century can play a vital role in helping attract talent and can pay significant dividends over the long term.
3. **Big Data and IT** – Successful execution around big data and IT will represent perhaps one of the most important strategic advantages in the coming years. This is about more than simply understanding internal benchmarks and identifying customers. With proper implementation, big data and IT can provide an organization with strategies to respond to both internal and external challenges.
4. **First-Mover Advantage** – As with many other business endeavors, the early bird is often the one that gets the proverbial worm. Many organizations are still waiting on the sidelines to see what changes their competitors will make. Now is the time to assess and overhaul operating models. With the current pace of technology and volatile market conditions, adopting a 'wait and see' approach could be disastrous to an organization's ability to compete over the long term.

For more information please visit www.kpmg.com/2015SourcingTrends

To find out more about the impact of these trends on your organization and potential strategies for response, please contact:

David Brown
Global Head
Shared Services & Outsourcing
Advisory (SSOA)
T: +1 314 803 5369
E: djbrown@kpmg.com

kpmg.com/socialmedia



kpmg.com/app



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2015 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

Designed by Evalueserve. Publication name: Top trends and predictions for 2015 and beyond

Publication number: 132298-G, Publication date: April 2015