



# Gartner Outlines the Top 10 Forces to Impact Outsourcing and IT Services Industry

Gartner, Inc. has identified 10 major forces that are actively reshaping the future of IT services and the outsourcing market.

Buyers, providers and investors in the IT services market confront the same confluence of market and technological forces, even though their approaches and core concerns may differ, said Benjamin Pring, research vice president at Gartner. These forces are radically reshaping the fundamentals of how providers deliver and sell IT services and how buyers consume them.

The 10 key forces that will have a material impact on organisations' outsourcing-related strategies and tactics include (in no particular order):

## Hyperdigitisation

Hyperdigitisation is the accelerating manifestation of the impact of IT. Digitisation describes the parts of the economy in which the "product" or "service" is content that is entirely, or almost entirely, digital. This proportion of the economy is growing significantly faster than the "physical" aspects of the economy and as such, this force describes an essential part of the global economy. The impact is pervasive, influencing personal and social lives but increasingly accelerates economic, commercial and political activity. It is estimated that by 2020, roughly one-quarter of the global gross domestic product (GDP) will be generated by the force of digital activity.

## Globalisation

Globalisation is the fundamental force changing IT service delivery and business's competitive activities in almost every vertical market and thus economies in some way, shape or form. Globalisation alters the perspective of all aspects of businesses, from partners, to suppliers, to clients, to supply chains, to technology and labor. Every business must embrace the notion of being global. Similarly, an IT strategy must be global, which means taking advantage of IT to break down physical limitations, and, at the same time, tapping into a global labor pool that brings new energy and innovation at scale.

## Consumerisation

Consumerisation refers not only to the acceleration of consumer-oriented technology and behaviors into people's lives, but also to the introduction and expansion of these consumer-oriented technologies into enterprise IT strategies. Consumer behaviors will have the power to reshape how enterprise IT works; they will bring new and varied expectations for IT, which, at an enterprise IT level, must be recognised and developed. Growing consumer-buying power and the use of IT (and information access to the buyer) will force vertical sectors to adopt new technologies and create new products that better match consumer needs. Enterprises must answer the question: Do "old-school models" of IT and IT outsourcing jeopardise future requirements to be synchronised with internal clients and consumers? Consumerisation will dictate IT access/usability standards.

## The Cloud

Gartner defines cloud computing as "a style of computing where scalable and elastic IT-enabled capabilities are provided 'as a service' to external customers using Internet technologies." Because of the interaction of the commoditisation and standardisation of technologies, virtualisation and the rise of service-oriented software architectures, and (most importantly) the dramatic growth in popularity/use of the Internet and the Web, a discontinuity has arisen that amounts to a new opportunity to shape the relationship between those who use IT services and those who sell them. The discontinuity implies that the ability to deliver specialised services in IT can now be paired with the ability to deliver those services in an industrialised and pervasive way. The reality of this implication is that users of IT-related services can focus on what the services provide them, rather than how the services are implemented or hosted.

## Intelligence Technology

After decades of investments in IT, many organisations still feel that its ability to generate true business insight that can elevate that organisation's capability to compete in its chosen market(s) is not as effective as it could and should be. Business intelligence, analytics, pattern recognition, and "smart" solutions are the new vocabulary of IT's value; new IT-related initiatives that don't fit within this framework will be increasingly less attractive to enterprises that are not interested in more "IT for IT's sake," but are laser-focused on "IT for the business' sake."

## Security and Privacy

As activity migrates to the Internet and the cloud, and the hyperdigitisation trend accelerates, the need to upgrade the security of the experience and the clarification of rights to privacy of the individual/corporate user increases in tandem. The breaches of security and privacy that occur have enormous ramifications financially and in terms of buyer confidence. Although some people argue that high profile incidents of identity theft and credit card hacks haven't stopped the growth of the Internet over the last 15 years, it is also hard to argue against the notion that more investment and more regulation is needed to ensure that the next wave of migration to the cloud has net/net positive outcomes.

## Componentisation

More elements of IT can be regarded as a component (definition: a constituent part; element; ingredient) of a larger, or broader IT application or system. The notion of reusable "objects" is becoming more of a reality as the Internet creates a "platform" on which users can configure prebuilt IT components rather than constantly starting from scratch for each new IT project.

## Hypercompetition

Hypercompetition essentially refers to a buyer's market in IT services, where a combination of factors coexist that drive widespread, cost-based decision making. Hypercompetition drives lowest-cost deals but the real threat is the sustainability of those deals. The economic realities create a short-term buyers' market, but a long-term problem for buyers and providers.

## Value Chain

Service value chains will redefine competition and how IT services are consumed and paid for. A new maxim for the future regarding service provisioning is that "the whole is greater than the sum of the parts." Organisations must become more proficient their ability to examine their providers' partners and their value chains. In the cloud, the value chain is not one-dimensional; a network of providers will be evaluated for their specialisation. Service value chains will emulate visionary practices from other industries.

## Hyperverticalisation

Deep specialisation into subvertical processes will be an imperative for commercial success in the new arena of alternative services delivery. Deep process knowledge and industry IP will be applied to subverticals. The formula for future success microverticalised solutions will indeed lead to market fragmentation. However, that fragmentation will spawn vendor-led innovation, increased choice to the buyer and differentiated value in prebuilt solutions.

"In the future of IT services and outsourcing, the role of IT management and sourcing leaders as well as the role of service executives will be more important than ever before to help their respective organisations navigate the current market forces and apply these new norms of outsourcing in a successful way," said Allie Young, vice president and distinguished analyst at Gartner. "Embrace the opportunities that these forces introduce to reinvent IT support of business goals."

Additional information is

available in the report "Outsourcing's Wild Ride: Where Will It Take You?" which is available on the Gartner website at <http://www.gartner.com/resId=1425923>.

More detailed analysis on outsourcing is available in Gartner's Future of Outsourcing and IT Services Special Report at <http://www.gartner.com/technology/research/future-of-outsourcing-it-services/report/index.jsp>. The Special Report provides links to research notes that cover various aspects of outsourcing and IT services. This report provides insight and actionable advice for IT services buyers, providers and investors to achieve more successful future outcomes.

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