High performance. Delivered.

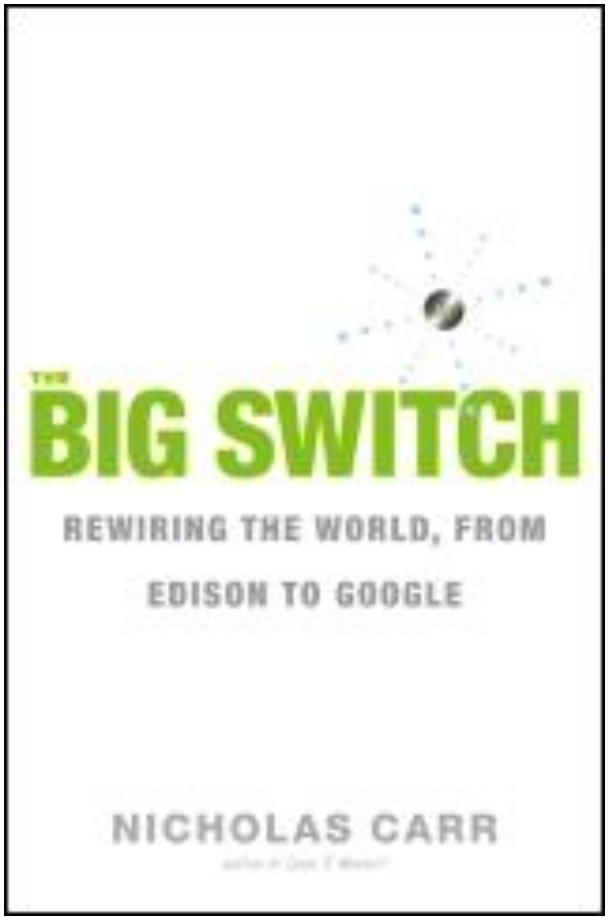
Infrastructure Service Delivery 2.0

Will cloud make outsourcing obsolete?

Will cloud make IT departments obsolete?

"In the long run the IT department is unlikely to survive, at least not in its familiar form. It will have little left to do once the bulk of business computing shifts out of private date-centres and into "the cloud". Business units and even individual employees will be able to control the processing of information directly, without the legions of technical specialists"

(N.Carr 2009 p118)

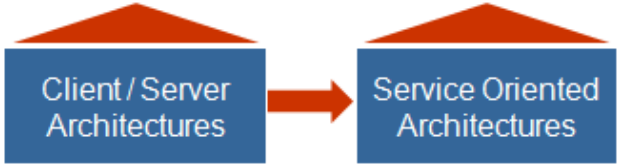


Major Technology Trends 2011 – 2016

1. Data takes its rightful place as a platform

2. Analytics is driving a discontinuous evolution from business intelligence

3. Cloud computing will create more value higher up the stack



4. Architecture will shift from server-centric to service-centric

5. IT security will respond rapidly, progressively—and in proportion

6. Data privacy will adopt a risk-based approach

7. Social platforms will emerge as a new source of business intelligence

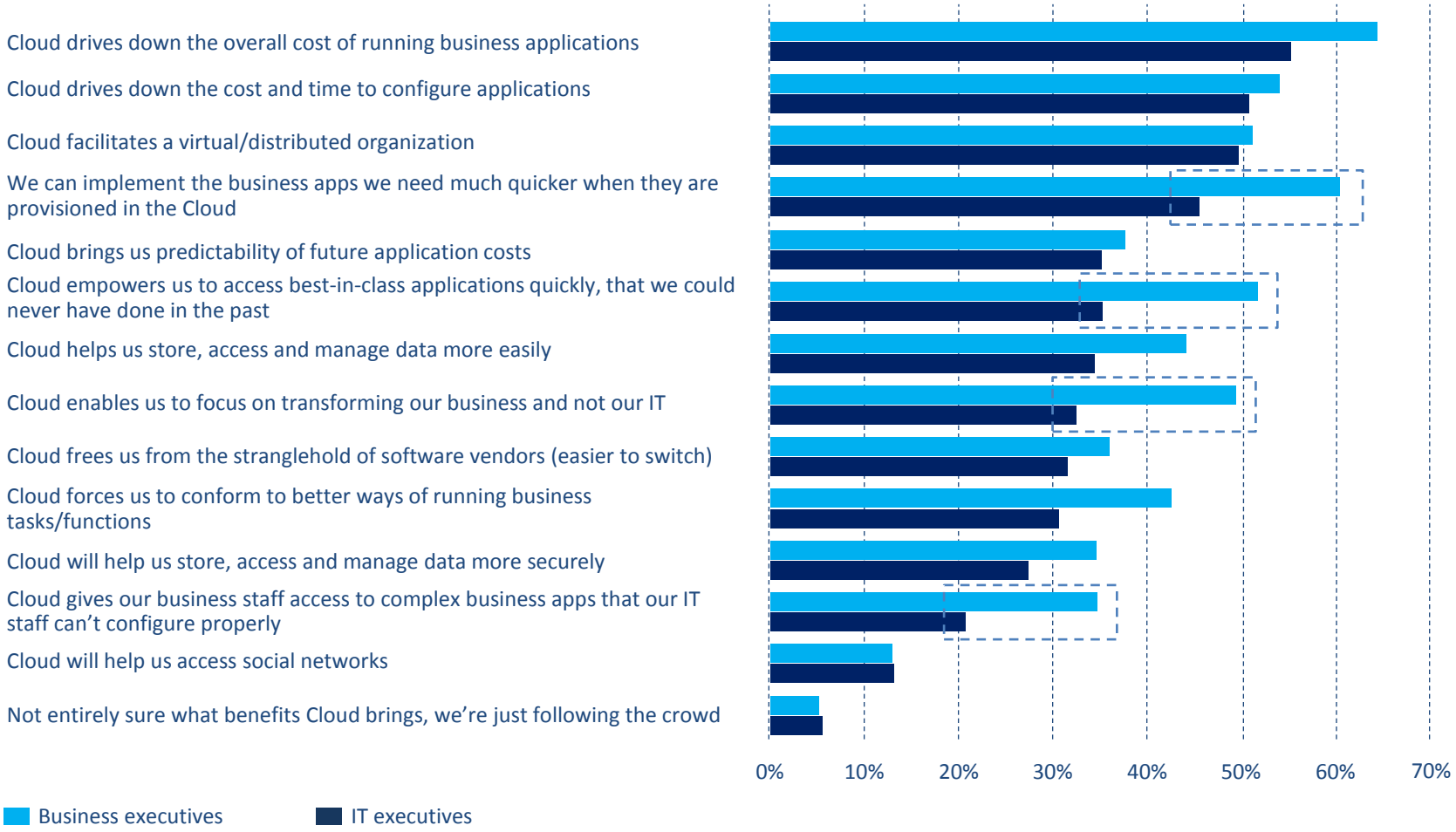
8. User experience is what matters

IASB Ruling May Affect Accounting Treatment Of Outsourcing Deals, Julie Giera

Outsourcing contracts — especially those involving situations where the **vendor owns assets such as servers, desktops, and printers** — may be considered as **leases** under new International Accounting Standards Board (IASB) rules. Outsourcing customers are likely to find that these new rulings have a significant impact on their balance sheets, depreciation schedules, and potentially even their earnings. Rather than treating outsourcing contracts as purely services agreements and therefore expensing the cost, companies may discover that they have to capitalize a portion of these contracts, depending on the asset-related services in their agreements. The effect on the balance sheet could be substantial. This isn't just a problem for international companies: US companies should have the same concerns under Financial Accounting Standards Board (FASB) definitions of leasing.

Business leaders see big impacts of cloud...

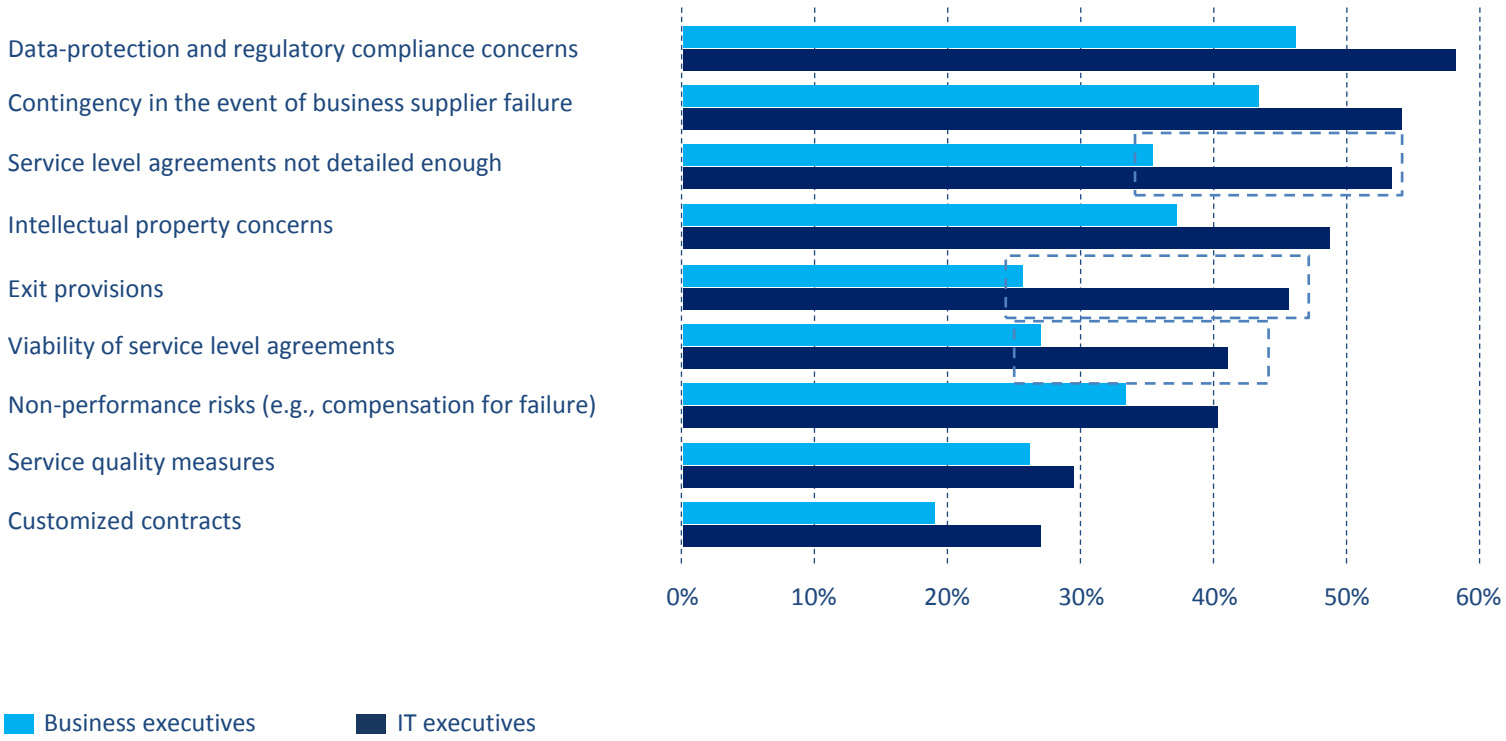
Q. To what extent do the following aspects of Cloud appeal in your role?



Source: HfS Research and The Outsourcing Unit at the London School of Economics, November, 2010

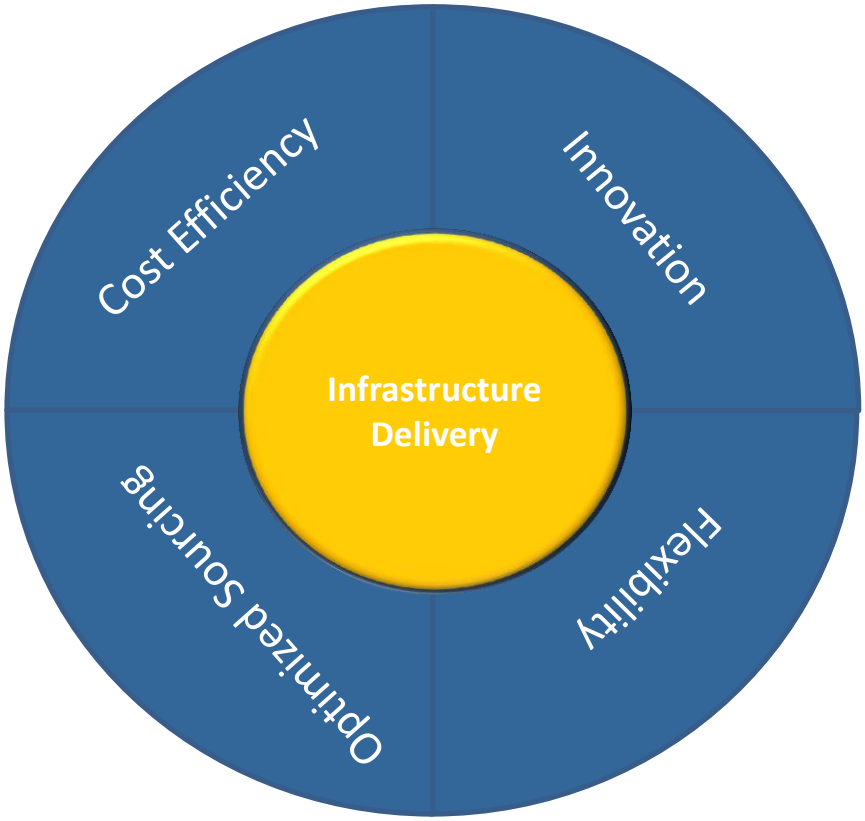
…. But IT executives have more concerns.

Q. Please evaluate the following contractual risks to your organization?



Source: HfS Research and The Outsourcing Unit at the London School of Economics, November, 2010
Sample: 628 Enterprises

Impact of changes on Infrastructure
Combining the contradicting demand of cost and flexibility



Cost Efficiency

- Continuous pressure on costs, do more with less
- Variable cost model and charge-out mechanisms provide flexible cost models

Flexibility

- Create flexible framework for services development and delivery
- Technology savvy end-users
- Support of high business agility

Optimized Sourcing

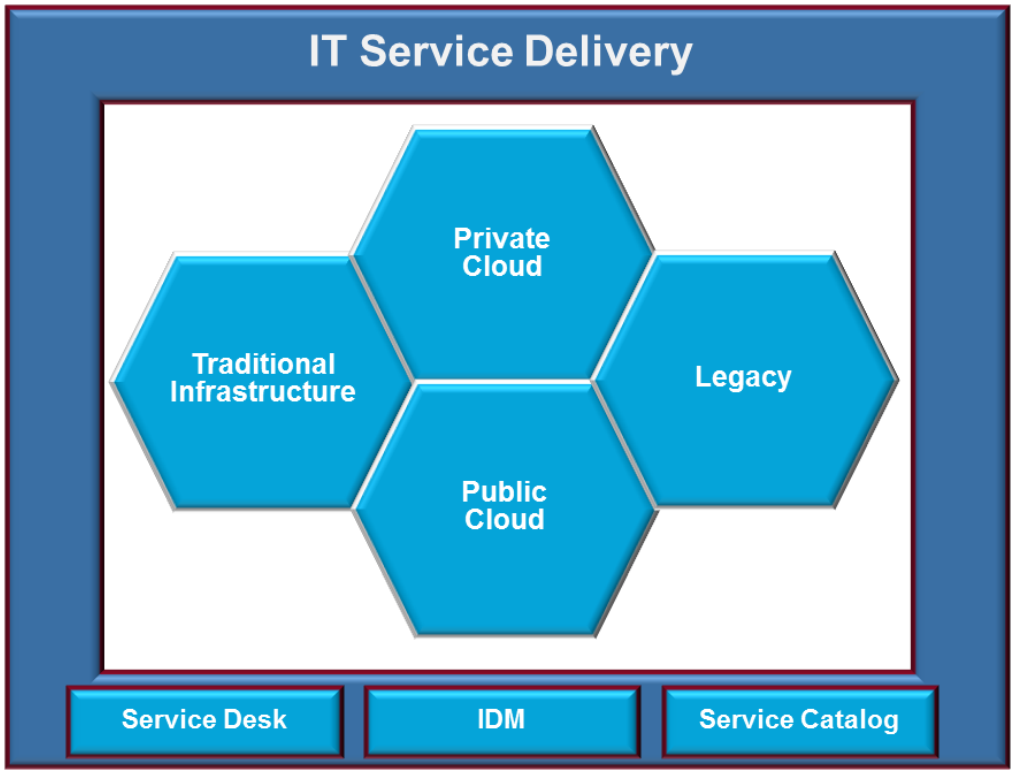
- Cloud is driving multi-sourcing
- Move from direct service delivery to a broker of Information Services
- Prevention of uncontrolled cloud solutions

Strong focus on innovation

- Effectively capitalize on accelerating technological advancement
- Utilize knowledge and progress of market leaders and specialists

The traditional model (insourced or “Black Box” outsourcing model) no longer applies and the industry is moving towards ‘Flexible & Transparent’ optimized sourcing models

The vendor ecosystem
Leveraging the strengths of multiple parties



The delivery model 2.0 consists of a perimeter of shared services which are used as an enabler of the internal service components, creating a flexible, cloud-ready service model

Flexibility

- Embrace change in their governance structure
- Centralize IT environment across multiple platforms and dynamically provision infrastructure services
- Demand is managed using a user-driven process, making tradeoffs and setting priorities

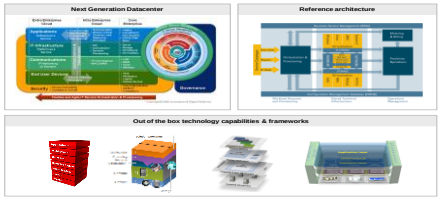
Innovation

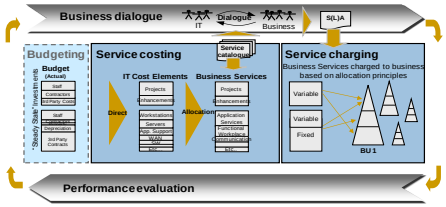
- Proactively drive innovative IT investments forward and invest in new technologies
- IT environment measured, monitored and replaced to drive returns
- Formalized continuous improvement initiatives
- Focus IT innovation externally (customer service, sales & marketing, etc.)

Industrialized Delivery

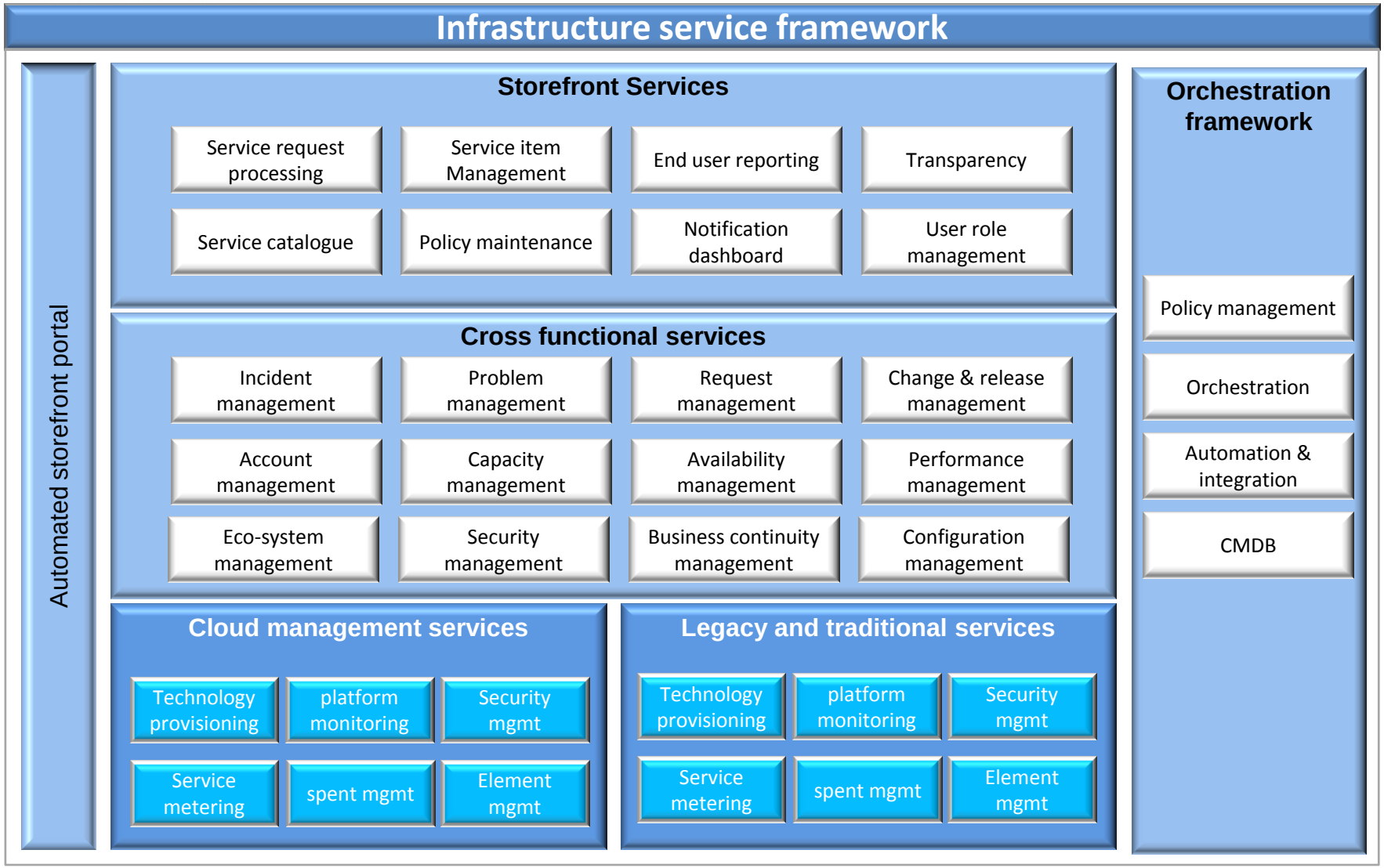
- Active IT governing body responsible for the oversight of IT initiatives performance
- Application portfolio meets business and technical needs at the highest levels
- Access to key IT project metrics
- Increased standardization and centralization

IT department 2.0
A service oriented operating model

	Rationale	How?
Standard Operating Model and industrialized delivery 	• A uniform way of working brings flexibility to the workforce If everyone works by the book, fewer incidents will occur • Pro-active and predictable operations allow for more efficiency and increased customer satisfaction	• One uniform way of working across IT Operations • Commoditized repetitive tasks • Provide one global Service Desk as first line support • Automated processes aligned with standardized technology • Governance with an end-to-end chain perspective and stricter toll gates • Right people with the right skills in the right place
Standardized technology 	• A standardized technology platform is key for a fast migration to the “new world” • Cost effectiveness in the legacy domain • Reduction of complexity and sensitivity for errors	• “New world” running on flexible and scalable Infrastructure • Leverage 'new world' standards as foundation to land the business transformation • Stabilized legacy domain with high degree of virtualization • Decommissioning of legacy applications and platforms

Service orientation 	• Providing real value through IT-Business alignment
	• Transparency in costs and benefits of infrastructure operations
	• Improved perception of service quality
		• Running the infrastructure as a business:
		  • Globalized and standardized services
		  • Predictable service delivery
		  • Transactional pricing model *(Price x Quality x Quantity)*
		  • Business Service Management
		  • Focus on end user satisfaction not on internal IT KPI's

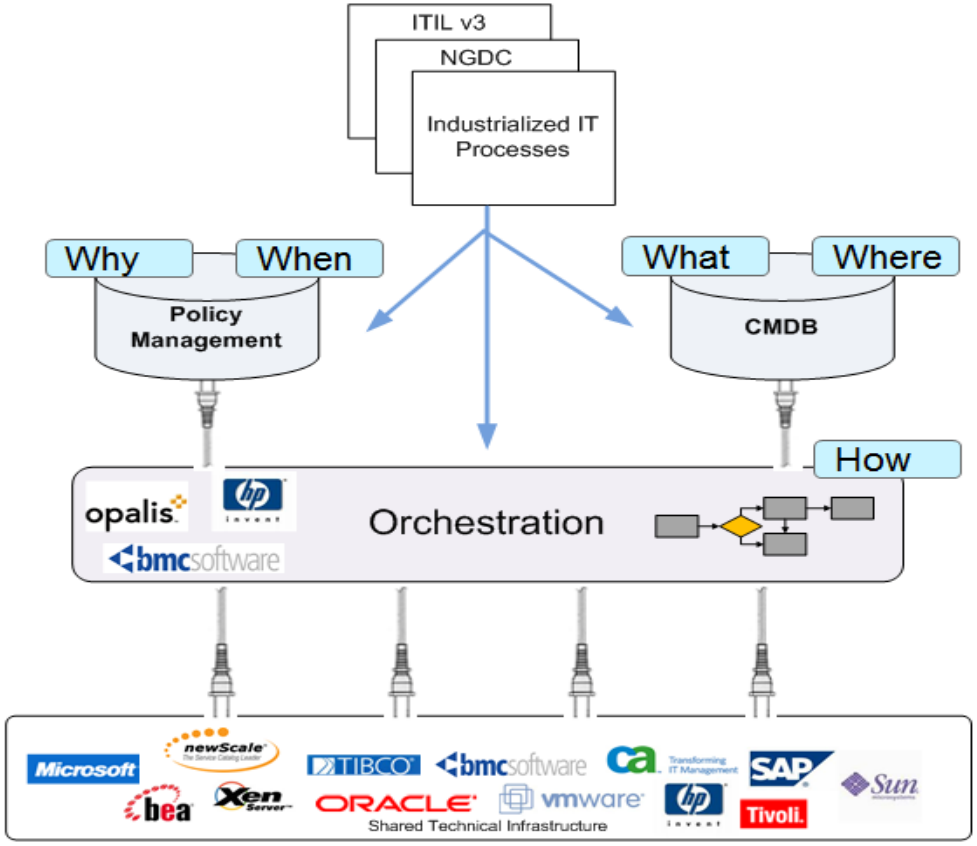
The processes should be adapted to support this new Operating Model….



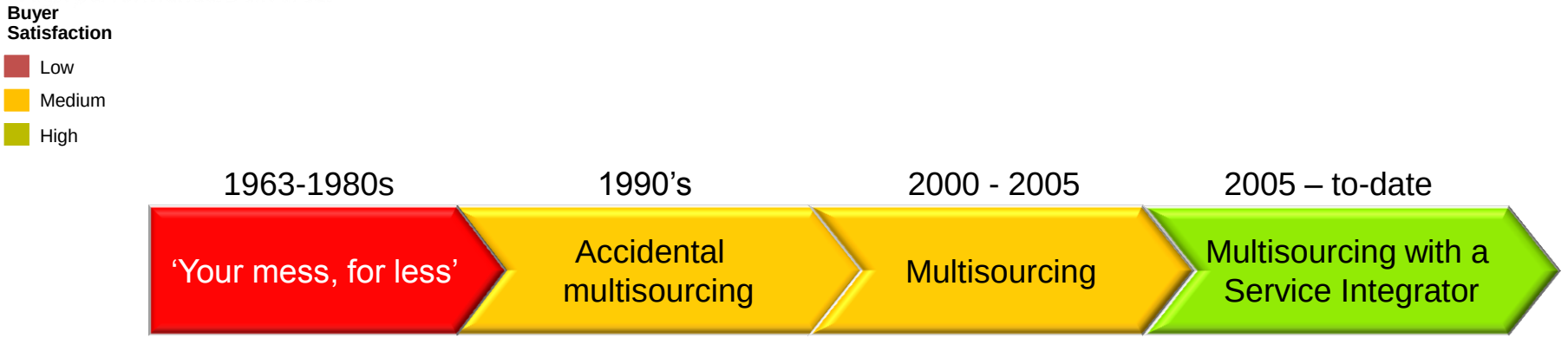
… and the tools

Federated automated tools to facilitate efficient and consistent execution and provide end-to-end visibility across a diverse landscape

- **Service Management and reporting**
- **Self Help - Portal Services**
- **CMDB**
- **Integrated Monitoring**
- **Identity Management**
- **Service Provisioning**



Optimized Sourcing



- Limited price transparency
- Limited flexibility leading to lower Service Levels
- Limited access to new capability
- Limited agility
- Heavy retained organization, duplicating Service Provider
- Cost savings are there, but less than expected

- Improved price transparency
- Benchmarked unit pricing
- Innovation level improved
- Still heavy retained organization

- Access to best of breed capabilities
- Service integrator ensures service levels through industrialized/ standardized process automated tools
- Agility improved through rotation of vendors
- Stream-lined retained organizations running standardized/industrialized process

…leading to different strategies and techniques…

Commodity Procurement— Leverage Buying Power

Volume Concentration

- Reduce number of suppliers
- Pool volume across business units
- Redistribute volume among suppliers
- Combine volume from different sourcing groups
- Develop alliances among purchasers

Specification Optimization

- Rationalize and standardize specifications for equipment and services
- Substitute equipment and services
- Apply product value analysis
- Use functional and “black box” buying
- Analyze total cost of ownership

Aggressive Price Negotiation

- Benchmark internal prices
- Renegotiate and roll back prices
- Unbundle prices
- Use competitive bidding
- Index and cap prices
- Develop long-term contracts

Globalize Supply Base

- Expand geographic supply base
- Examine new suppliers
- Capitalize on currency fluctuation
- Take advantage of trade incentives
- Leverage second-tier suppliers and subsidiaries in low-cost geographies

Partner Procurement— Create Mutual Advantage

Joint Process Improvement

- Re-engineer boundary processes
- Share productivity gains
- Develop shared technology or explore potential innovations
- Engage in simultaneous engineering
- Develop long-term contracts

Supplier and Consortia Development

- Adjust degree of vertical integration
- Implement second-tier sourcing
- Establish joint ventures
- Request consortia bids
- Use strategic alliance partnering
- Develop new suppliers

Many existing single-vendor outsourcing contracts are transitioning to multisourcing. Customers with existing single-sourced ITO engagements are evaluating their next steps, which in many cases will entail rebidding these transactions with the participation of several suppliers as opposed to just one. They will do so as a result of the issues [with single vendor contracts], but also because they perceive that multisourcing is the market’s principal direction – Forrester Research

… which is independent of outsourcing…

Option A –Transform

Organizational split of the Retained Organization into Business Relationship Management and Service Integration

Re-definition of processes and re-skilling of staff

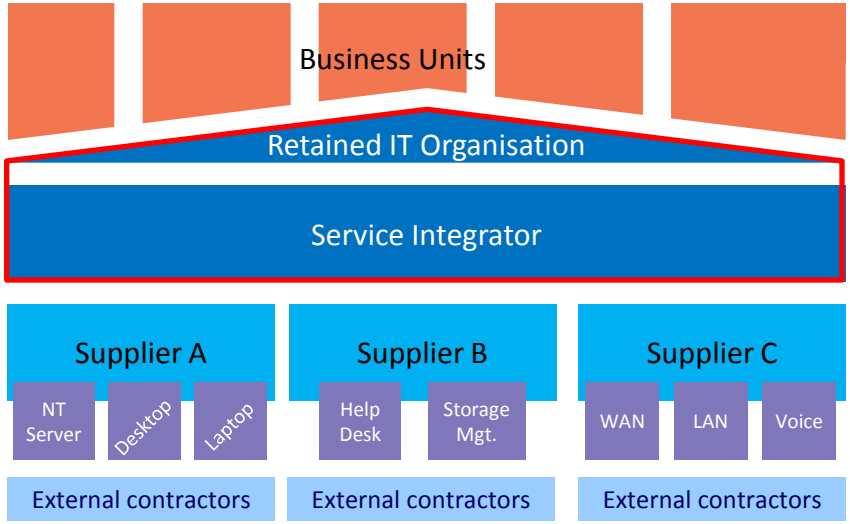
Implementation of Service Integration tool

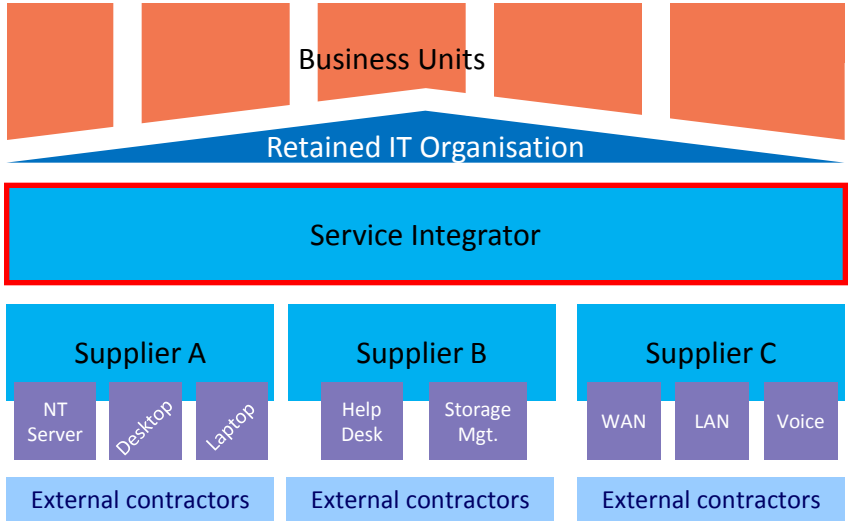
Option B – Outsource

Service Provider takes over service integration parts of the retained organization

3rd party contracts are held with retained organization but OLS and UPC coordinated by Service Integrator

Retained Organization focuses on Business Relationship Management and SLAs





…and requiring new IT capabilities and skills.

Typical IT Management skill gaps in managing multi-vendor sourcing

Supplier Management

- Face off against experienced suppliers
- Incentivize suppliers to continuously improve services and costs
- Incentivise suppliers to bring innovate ideas proactively

Service Development

- Requirement to Implement SD process consistent with CMMi and ITIL
- Requires clear interface between buyer and supplier, and also between suppliers

Programme Management

- Requirement to manage delivery across a number of entities
- Cross-geographies and contracts

Contract Management

- Requirement to negotiate win-win changes, aligning the objectives of the buyer and supplier
- Focus on making a partnership work, rather than contract enforcement

Change Management

- Significant changes in the business environment require changes to the commercial arrangement
- Requirement to work with vendors to ensure benefits achieved

Strategic Sourcing

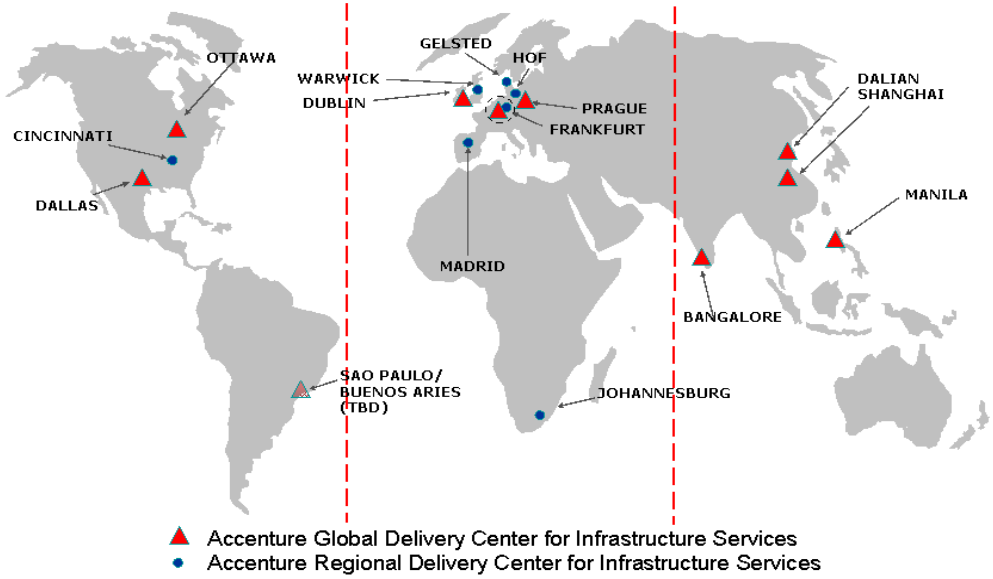
Requirement to have understanding of the :

- IT service market
- Financial analysis
- Other strategic sourcing techniques
- Exposure to Strategic Sourcing

Q&A

Accenture Offering infrastructure functions with ready built supporting technology

Clients benefit from a complete and integrated set of Infrastructure Management Services, encompassing all infrastructure functions, leveraging a global delivery network and ready built supporting technology



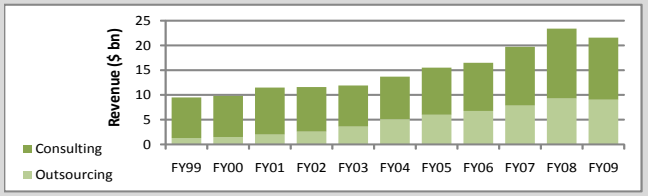
Key IO facts & figures:

- 19,000 professionals performing Infrastructure Consulting and IO services
- 18 Years experience in IO, servicing 240 clients in 49 countries
- Handling 500.000+ incidents every day
- Handling 1.000.000 CRs every month
- Managing 70.000+ business critical servers across 27 countries
- Managing 5.000+ business critical database instances
- > 19 PB managed storage
- Transitioned 35+ customers over past 2 years
- Supporting 1.200.000+ users and 270.000 workplaces
- Managing over 1.000.000 devices
- Manage ~435.000 mailboxes
- Service levels up to 99.999%

Accenture

- Accenture is a global management consulting, technology services and outsourcing company
- Accenture services 96 of the Fortune Global 100 and >75% of the Fortune Global 500; with 99 of 100 top clients > 5 years, and 91 of 100 >10 years
- With 177,000 people serving clients in 120+ countries, the company generated net revenues of US$21.58 billion for FY09
- Outsourcing (BPO/AO/IO combined) accumulates to 42% of Accenture revenue, totaling US$9 billion in FY09.

Revenue Growth 1999-2010



Fiscal Year	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Consulting	8.20	8.30	9.50	9.00	8.30	8.60	9.50	9.75	11.86	14.12	12.56
Outsourcing	1.30	1.50	2.00	2.60	3.60	5.10	6.00	6.75	7.84	9.27	9.02

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