



White Paper

Maturity of SIAM in the Nordics, 2016

Sponsored by: Tieto

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IDC OPINION

In today's economy the digitalization of products and services is the most important transformation, opportunity, and challenge at the same time. For years, Nordic organizations have been good at understanding the need to transform themselves in a global marketplace. For IT departments, digitalization is about utilizing their knowledge and experience to capitalize on their solutions and creating real business change. This is not easy, and it takes a lot of time to realize how it should be done. This is where service integration and management (SIAM) comes in. SIAM is about organizing IT service delivery so that it is aligned with the wants and needs of the business, and when implemented, can help organizations to align their vision and delivery into consistent business services for the future.

In this study IDC has found that:

- Nordic organizations are lacking in SIAM and in vendor and sourcing management (VSM) maturity, and this lack of experience in such models will make their implementation a challenge.
- Larger organizations and the IT & telecoms and BFI sectors, have come the furthest in their SIAM efforts and maturity, while the difference by country is small.
- VSM "thrivers" have the highest SIAM maturity, and are focusing on business outcomes while lowering total cost, rather than just cutting costs.
- Most Nordic organizations believe that a strong partner for the implementation and management of SIAM can help the organization to make the leap into the future a much faster, better, and more customer-focused ride.

IDC believes that this lack of SIAM/VSM strategy and maturity means that Nordic organizations are unable to optimize the business due to inadequate IT service levels and a potential lack of business and IT alignment, especially in their efforts to create integrated business services and a strategic VSM function. They are potentially also wasting money along with the opportunity to create better services for their customers and users. Those organizations that have not yet implemented SIAM and/or VSM will have an opportunity to optimize their businesses and become more successful in the future.

IDC recommends that organizations that have weak vendor and sourcing management must establish a team to manage and guide their sourcing activities across the organization. This will provide consistency and value for money as well as integrate LoBs and IT into a partnership for the future. The same goes with the implementation of SIAM – the integration of IT services into business services has never been so important, as the digitalization of everything is becoming the only way forward. Using a strong partner for the implementation and management of SIAM can help the organization to make the leap into the future a much faster, better, and more customer-focused ride.

IN THIS WHITE PAPER

This study is based on a dedicated survey of 300 C-level decision makers and influencers from Finland, Norway, and Sweden (100 people from each country) who were requested to answer service integration and management (SIAM) questions as well as vendor and sourcing management questions. With these answers IDC has calculated the maturity of these organizations in these areas. The paper also leverages existing research on other industries in the Nordics as well as industry-specific global research.

The aim of the study is to understand usage and maturity of SIAM and to advise organizations on how to move forward with SIAM.

SITUATION OVERVIEW

Why SIAM is Important

In today's digital economy, modern organizations depend on information technology (IT) vendors, commonly referred to as partners, to service their clients and deliver products and services to their customers. To protect and increase major sources of revenue, IT vendors appoint a global relationship executive responsible for managing both the relationship and product delivery to each client. However, no such position exists in corporate IT to manage vendors. Business line managers are also directly engaging with IT and services vendors and suppliers. This implies organizations sourcing both IT and services from the market need a similar single point of contact to interface with vendors and suppliers to manage cost and delivery challenges.

Working with external vendors is certainly not new or novel, but the complexity and interdependency of the products and services has grown dramatically, particularly with respect to outsourcing, a trend termed "multisourcing." A greater number of vendor engagements means a greater number of people involved; these people will need to be better organized and have a high level of understanding of the business for projects to be successful.

There are frameworks/models to manage this complexity and one of the best known and used models is service integration and management (SIAM). SIAM's main purpose is make it easier to organize IT service delivery so that it aligns with the wants and needs of the business.

Business Value for SIAM

The efficiency and business value for organizations that have implemented SIAM or similar models is significant. Especially now with the common need to have multiple cloud vendors and the digitalization of both products and services at most organizations. The need to become more efficient is even higher now, with disrupted business models and the critical requirement for rapid time-to-market of new products and offerings. Having said that, implementing SIAM is a challenge that not every organization is ready to take on as they need to have basic understanding of what SIAM means. Using a supplier that can offer SIAM services is something that should be considered at an early stage.

Business and IT Alignment in the Nordics

Every year IDC performs a CxO Survey of the business and IT challenges for the next one to two years. The 2016 CxO Survey showed that:

- The top-3 business challenges in 2016 were to *Improve productivity (49%), Optimize business processes (31%)* and *Transform the business digitally (27%)*.
- The top-3 IT challenges in 2016 were to *Drive business optimization with new IT solutions (34%), Improve quality of service (29%),* and *Improve and automate IT processes (29%)*.

This correlates very well with the need to align line of business (LoB) and IT and the need to be able to coordinate the two. One of the first things to coordinate is sourcing activities and the methods to measure the effectiveness of implementing and organizing IT service delivery with the needs of the business. The results of the 2016 CxO Survey points out that need and that Nordic organizations are aware of these challenges.

SIAM Awareness in the Nordics

The main purpose of the SIAM model is make it easier to organize IT service delivery so that it aligns with the wants and needs of the business. It's a way of defining common ground rules for all service providers, to establish accountability for business outcomes. SIAM is an approach to managing multiple suppliers of IT services and integrating them to provide a single business-facing IT organization. It aims to seamlessly integrate interdependent services from various internal and external service providers into end-to-end services in order to meet business requirements.

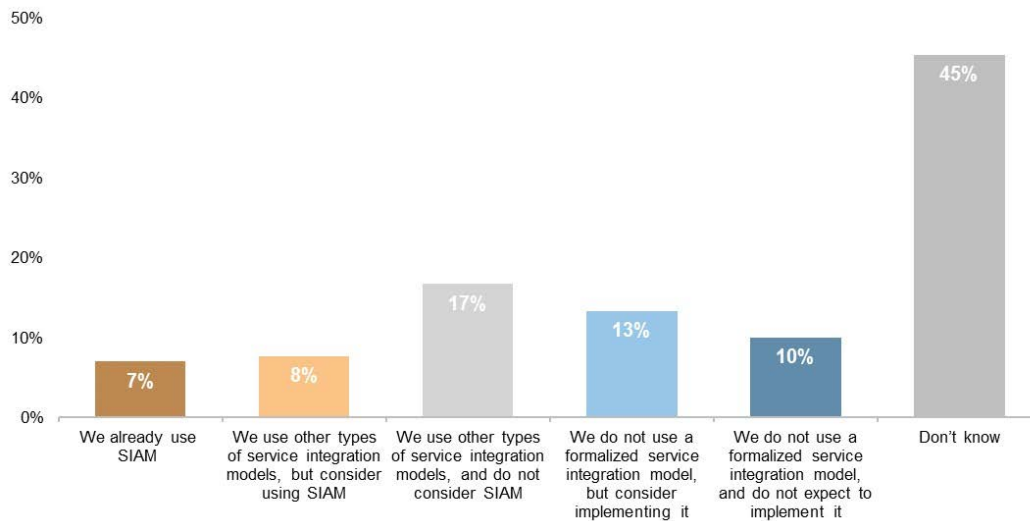
Figure 1 clearly shows that awareness and use of SIAM or similar models is low; the level of "don't know" responses is very high. As the maturity of VSM is low in the Nordics this is in part to be expected, but the level of respondents who did not know was higher than anticipated; 45% of the respondents did not know if they are using any formalized SIAM (or similar) model in IT. While other functions in IT are usually mature in the Nordics, this is an area for improvement.

Just 7% of Nordic organizations are using SIAM today

FIGURE 1

Usage and Awareness of SIAM or Similar Models

Q: Do you use or have you considered using a formalized SIAM model?



Source: IDC, 2016

Drivers and Barriers to the Implementation of SAIM

We also asked about the advantages of implementing such models and the barriers to doing so.

The respondents told us that:

- The top 3 reasons to implement is SIAM or other service integration models are to *Reduce Costs* (36%), *Improve performance or quality of service* (32%), and *Free up internal resources* (30%).
- The top 3 barriers to implementing such models are *Our existing vendor and service management processes are good enough* (22%), *We lack internal competencies to implement it* (18%), and *Lack of awareness/understanding of possibilities/solutions* (18%).

We also asked the respondents if they are using internal resources or considering using external resources for to provide SIAM or other service integration capabilities.

- 28% of the respondents are using external resources, and only 8% are considering insourcing completely.
- 26% are using only internal resources, but are currently considering using external providers for part or all of their service integration capability needs.

Nordic organizations are using external providers for their service integration capabilities, but this is an area of improvement for both organizations procuring SIAM services and suppliers of such services.

SIAM Maturity in the Nordics

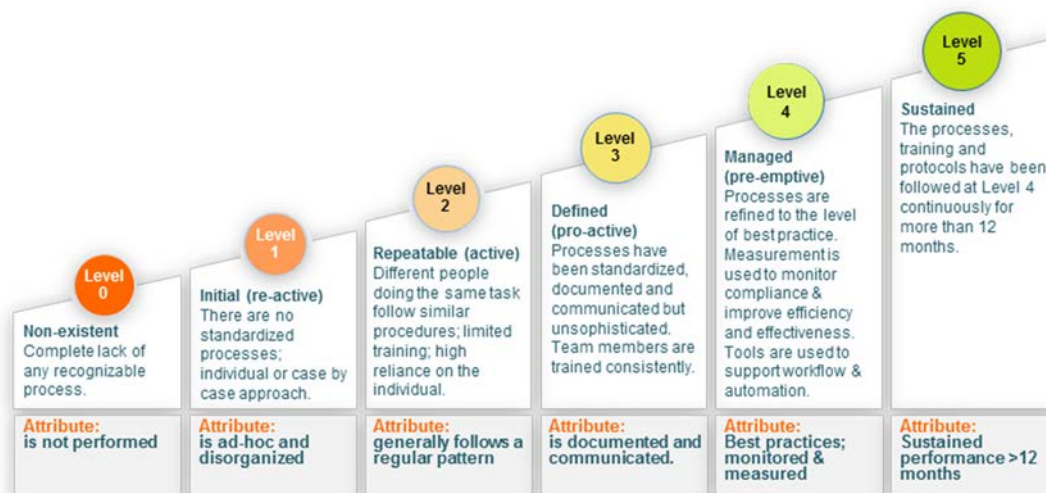
For the purposes of this study, we used a SIAM maturity model that was created by the sponsors of this paper. The maturity of SIAM has five operating model elements that we have matched against maturity criteria of the SIAM model:

- **Service Catalog maturity:** The service catalog creates the relationship between the service components and the business services.
- **Process maturity:** End-to-end service management processes at the right depth and breadth for operational control.
- **Organization maturity:** Organization that meets functional and operational requirements.
- **People/skills maturity:** Clear roles and responsibilities in the context of the overall operating model with needed skills required.
- **Reporting and tools maturity:** Common tooling and reporting for integrated processes and data transparency.

Within each operating model element, we surveyed two or three questions within each of these five operating model elements (see the Methodology section for the actual questions). The answers from these questions have been aggregated and the result presented as a maturity number that correlates to the SIAM Maturity Scale with 5 steps as in Figure 5 (step 0 is non-existent and not an actual maturity step).

FIGURE 2

SIAM Maturity Scale

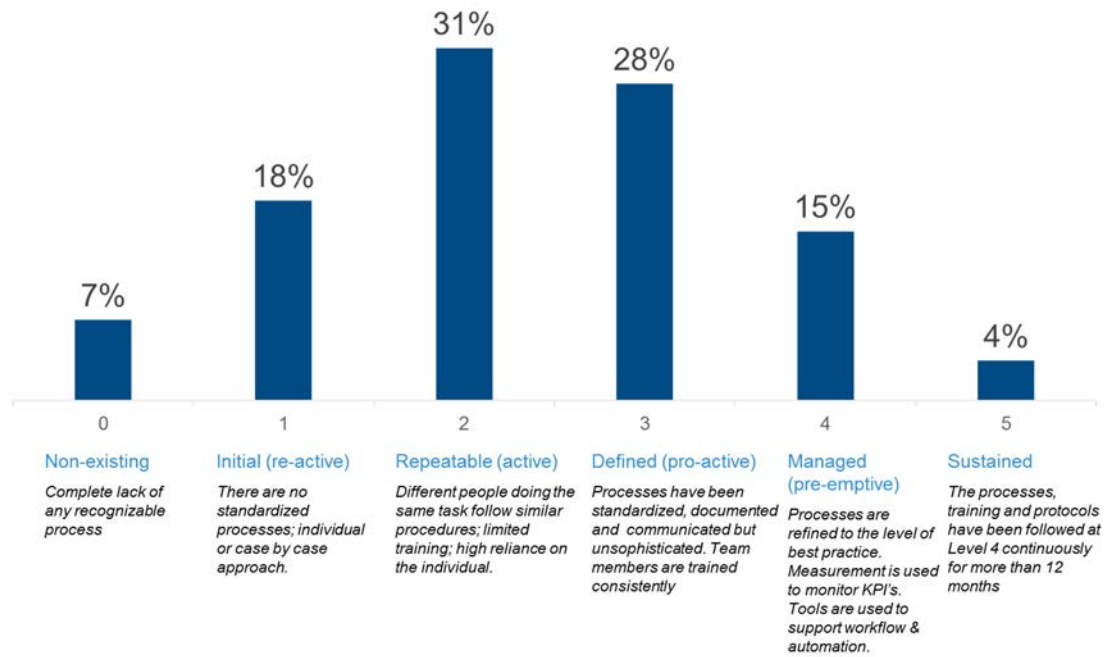


Source: Tieto, 2016

The maturity result from the survey in Figure 3 shows that Nordic organizations in general have low SIAM maturity. This is something we have seen before, and with the low results in VSM, it is to be expected that we also see a low score in SIAM maturity. When organizations are focusing on lowering cost instead of on maximizing value, implementing new models is not usually the first thing that comes to mind. We will see maturity based on organizational size, industry, and country later in the study.

FIGURE 3

Nordic SIAM Maturity



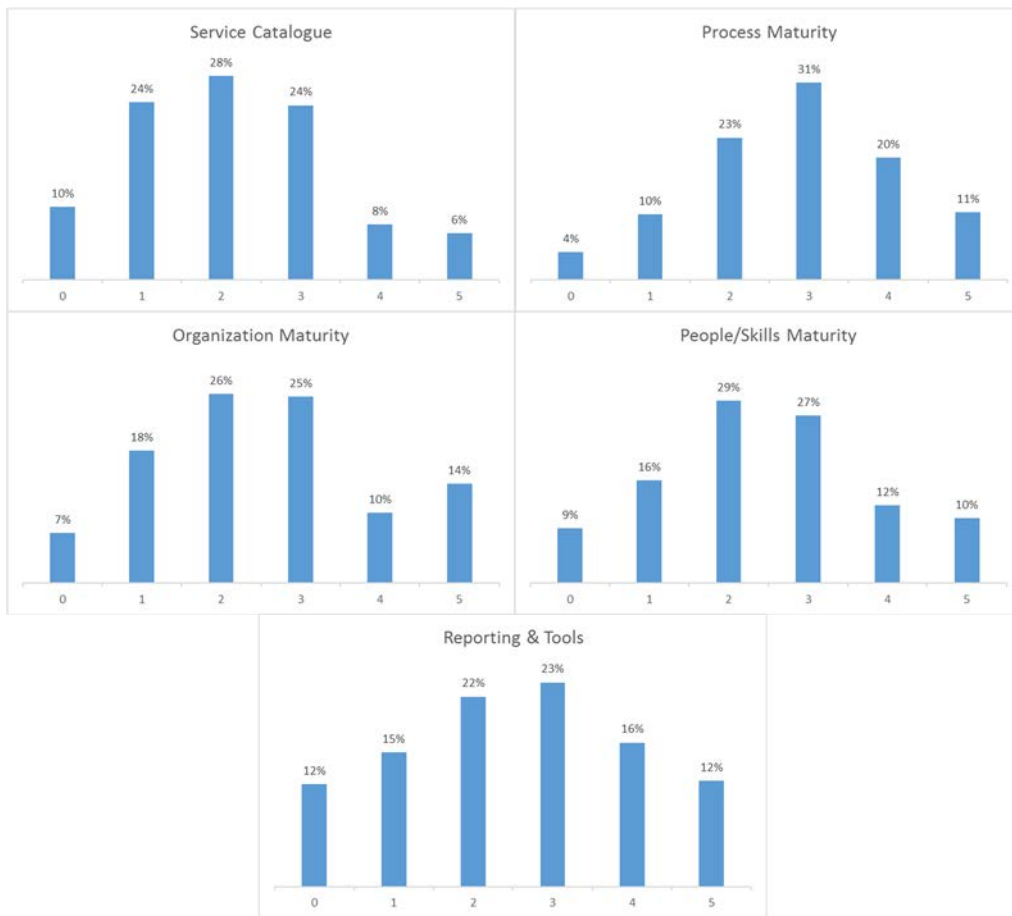
Source: IDC, 2016

Figures 4 and 5 show the maturity of five operating model elements of SIAM. Of these, process maturity is the highest, followed by reporting & tools. The service catalog has the lowest maturity. This shows that Nordic organizations most likely have started with implementing the processes and then measuring them, but the actual implementation is not as mature and/or measured.

It is essential to increase the maturity of the service catalog, as it is here where the real "magic" will happen, creating the relationship between the service components and the business services. As the service catalog becomes mature, LoBs and IT start to understand each other better and both parties start to use a common language and innovate internal and external services. This survey has shown that there is an opportunity for Nordic organizations to become better aligned between IT and the LoBs by implementing models such as SIAM.

FIGURE 4

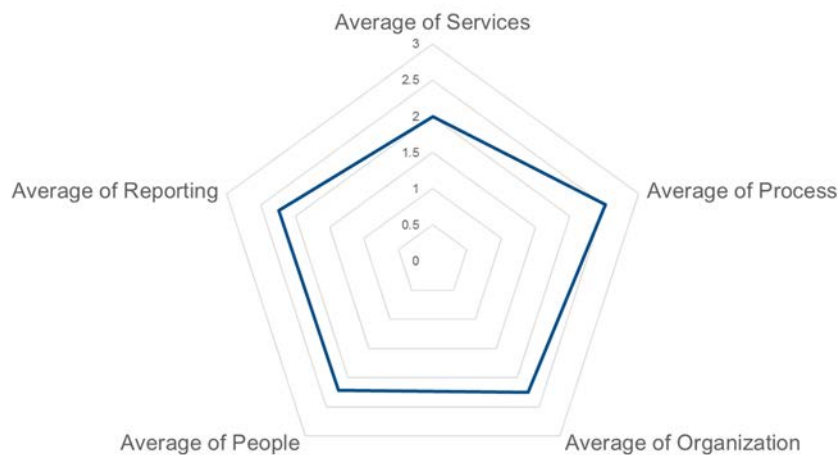
Nordic SIAM Maturity – Operating Model Elements



Source: IDC, 2016

FIGURE 5

SIAM Maturity Assessment – Nordic Average



Source: IDC, 2016

When correlating the maturity of vendor and sourcing management with the maturity of SIAM, we found out that there is a clear distinction between organizations that have invested in VSM and have mature governance processes supported by VSM staff and the maturity of SIAM. In this study we have used a combination of VSM and SIAM maturity to segment respondents in two broad categories: *survivors* and *thrivers*.

Survivors and Thrivers

Survivors are organizations applying minimum or limited efforts to optimize processes and provide VSM-specific training to their people; they generally lack automation. *Survivors* are more likely to focus on lowering total cost, and supplier and buyer relationships are transactional.

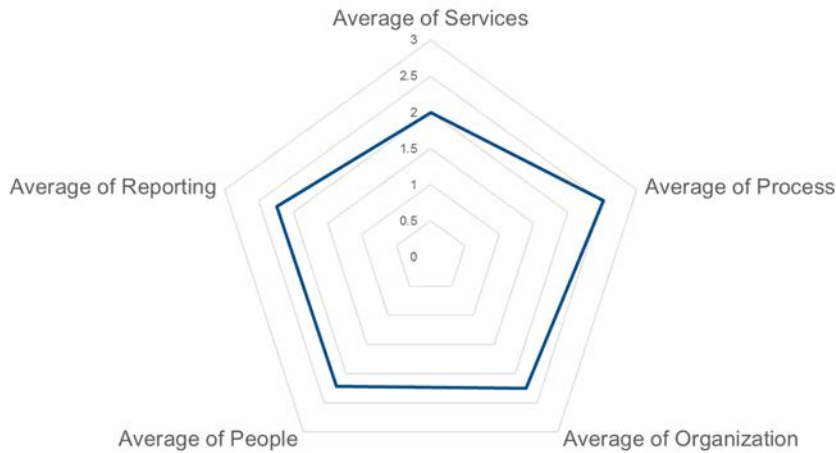
Thrivers are organizations applying coordinated to highly coordinated governance models and efforts to automate and develop detailed analytics in VSM. These organizations train their people to manage the process with minimal overhead on buyers and suppliers. *Thrivers* are more likely to focus on improving total value while lowering total cost.

In Figure 6, the thrivers have reached levels 4 and 5 in VSM maturity, while survivors have only reached levels 1 or 2 (or non-existing VSM function).

Half (51%) of the survey respondents are survivors while 26% of the respondents have been classified as thrivers. Thrivers tend to have higher scores across all areas and IDC's experience is that they have a transparent relationship with their suppliers to drive innovation. Survivors, on the other hand, do not usually have that transparent relationship with their suppliers, which will lead to slower innovation and less possibility of having lasting relationships with their suppliers. In the 3rd Platform era, it is essential to build lasting partnerships and to focus on maximizing value rather than on cutting costs.

FIGURE 6

Nordic SIAM Maturity – Thrivers and Survivors



Source: IDC, 2016

Difference in Organizational Size, Industry and Country

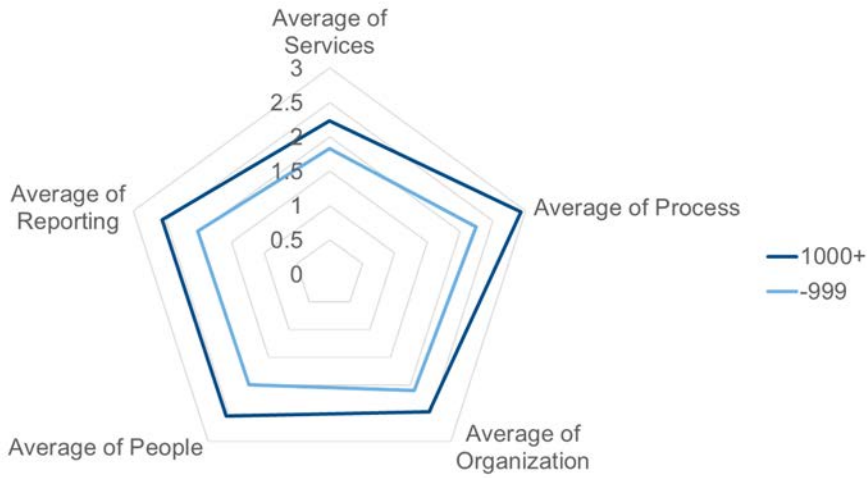
Maturity varies depending on the size of the organization, as well as by country and industry.

Organization Size Differences

Large organizations (1,000 or more employees) have much more to gain from centralizing their processes and have often had more time to mature, especially within IT. Respondents with fewer than 1,000 employees have significantly lower average SIAM maturity, as well as average VSM maturity (2.5 vs 3.0). Smaller organizations do benefit from SIAM in a similar way to large organizations, but fewer have seen it as a requirement. For the small organizations (fewer than 50-100 employees) this might be true, but IDC recommends that any larger organization that needs to have a more integrated IT and LoB with true business services should look into implementing a framework such as SIAM, preferably with an implementation partner.

FIGURE 7

SIAM Maturity Assessment by Organization Size



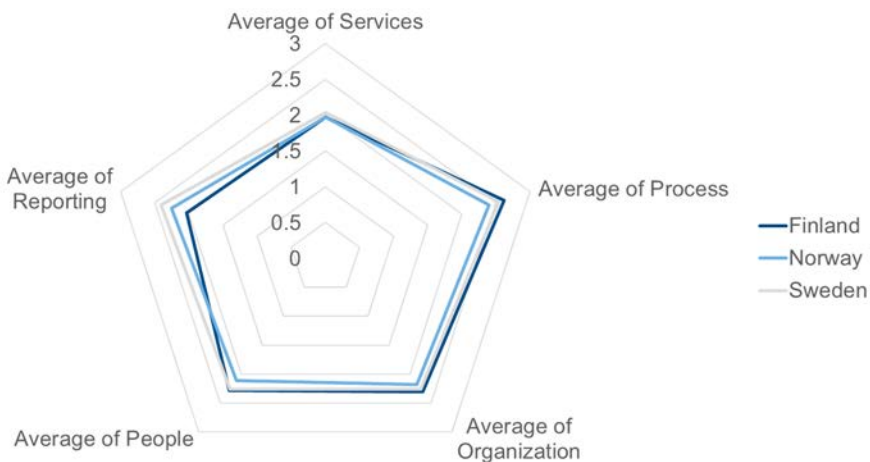
Source: IDC, 2016

Country Differences

There is only a small difference in maturity between countries, and the only one worth noting is that organizations in Norway have somewhat lower maturity in people and processes. Organizations in Finland are the most mature, which is natural as Finland is perceived as having the most mature outsourcing; Finnish organizations are the least mature only in the reporting category. Swedish organizations are better in the IT & telecom sector, but outside of that Swedish organizations need to review their maturity even closer.

FIGURE 8

SIAM Maturity Assessments by Country



Source: IDC, 2016

Industry Sector Differences

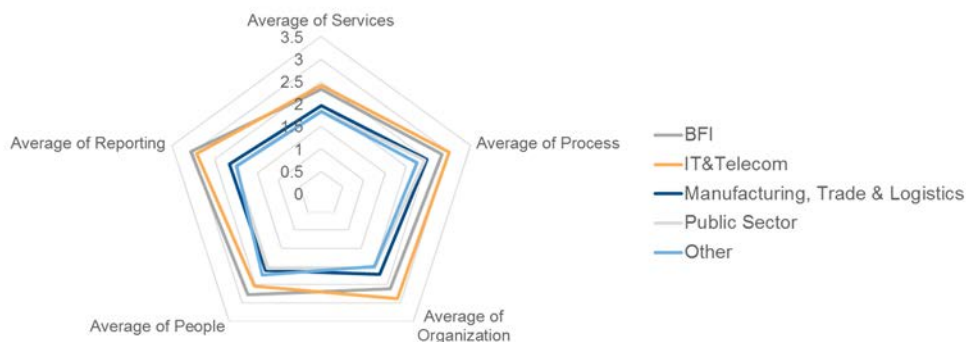
The survey took 12 specific industries into account. For the purposes of this report we have taken that down to the following five industry sectors

- BFI – Banking, Finance and Insurance
- IT & Telecom – IT, Services, and Telecoms
- Manufacturing, Trading & Logistics
- Public Sector
- Other

IT & Telecom is the most mature industry sector in the Nordics, closely followed by the BFI sector. Manufacturing is an industry that would benefit greatly from using SIAM, and an industry in Nordics that is strong in both Finland and Sweden, while trade is where Denmark is strong. However, the results in Figure 9 show that manufacturing & trade has quite some improvements to do, as does the public sector. This is becoming even more important as organizations are moving into or enhancing their digital transformation efforts, as the integration of business and IT services is where SIAM as a framework will help organizations, regardless of industry.

FIGURE 9

SIAM Maturity Assessment by Industry Sector



Source: IDC, 2016

Vendor and Sourcing Management in the Nordics

Vendor and sourcing management (VSM) is a key area for organizations' efforts for an effective and strategic management of their vendors, partners, and the area of sourcing. Using external suppliers to deliver IT services is a standard practice for today's businesses. Organizations are hard-pressed to provide technology support to staff and employers while also working on technological innovations. Then handling lots of vendors/partners within the IT space takes time and effort, and could become costly. A governance model and framework for handling suppliers is often needed and is a great help. The vendor and supplier relationship models are today transforming from a short-term transactional model ("buy, build, and run systems") to a longer-term relational model ("acquire capability, integrate, and manage supplier") in which ongoing delivery, integration, and performance management take precedence over pricing.

IDC has a vendor and sourcing management MaturityScape framework that helps organizations align LoB, IT, and sourcing strategies. This framework enables organizations to achieve data-driven decision making and to derive the desired innovative outcomes from buyer-seller relationships based on business-oriented organizational goals. IDC's VSM MaturityScape consists of five stages: ad hoc, opportunistic, repeatable, managed, and optimized. The five maturity stages are described in greater detail in IDC MaturityScape: Vendor and Sourcing Management – A Framework to Maximize Value and Drive Innovation (IDC #247458, March 2014).

Our survey shows that in general 61% of Nordic organizations have an overall VSM function, a purchasing and/or procurement function. Large organizations (1,000+ employees) are more likely to have such a function (73%) while about half (52%) of medium organizations (100-999 employees) have such a function. It was expected that large organizations would have such a VSM/purchasing/procurement function more often than medium organizations, but the numbers are somewhat smaller than expected. There are no major differences by country, but about half (53%) of Finnish organizations have a VSM/purchasing/procurement function and in Sweden and Norway 65% have that function.

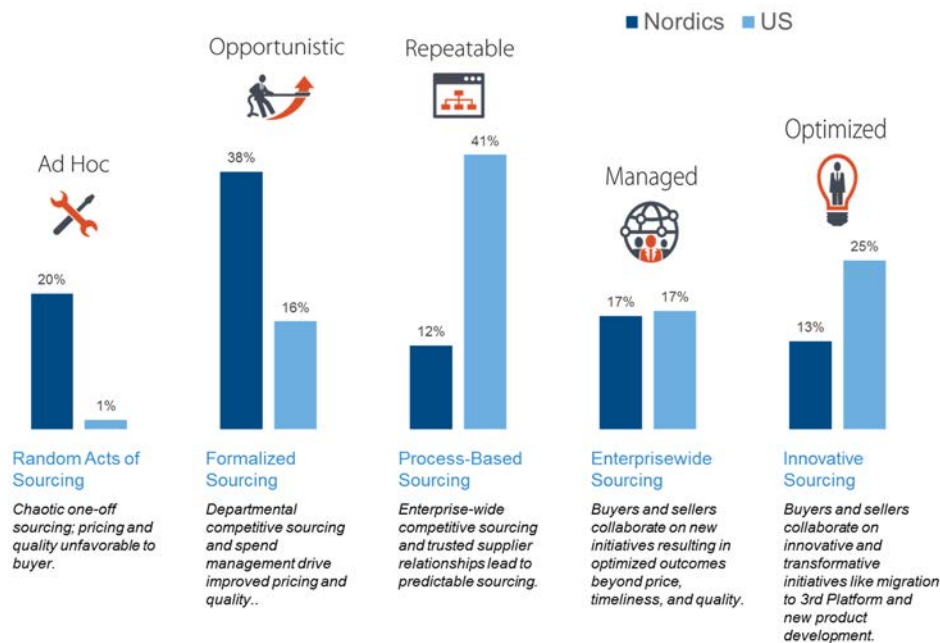
Mature VSM organizations are sponsored by executives and represent cross-functional interests. They also create competitive advantage for the enterprise by driving innovative delivery models and delivering value beyond cost savings. Organizations lacking a mature VSM function tend to have a fragmented vendor management process in which vendors and suppliers are managed by individual departments, workgroups, project teams, or personnel who lack understanding of overall vendor management strategy and business needs at the enterprise level.

Figure 10 shows clearly that VSM maturity in the Nordics is very low compared with the U.S. Some highlights about the Nordic scores include:

- The largest proportion (48%) of respondents indicate that their organizations were at the opportunistic stage, at which their organizations had started centralizing sourcing at the departmental level instead of enterprisewide sourcing. IDC believes that these organizations are just getting started on their maturity journey to reach the repeatable stage.
- A large number of Nordic organizations (20%) that are at the ad hoc stage. These organizations do not recognize sourcing as a function, which results in unfavorable pricing and quality of sourcing.
- The methods used for surveying in the Nordics and the U.S. are different, as the number of questions in the Nordic survey was only a subset of the full set of benchmark questions. However, IDC's experience is that a lower number of questions usually brings the assessment somewhat higher than when asking the full set of questions. IDC believes that this VSM maturity result is quite representative of the actual maturity based on interviews with organizations all over the Nordics.

FIGURE 10

Vendor and Sourcing Management Maturity Comparing U.S. with Nordics



Source: IDC Vendor and Sourcing Management MaturityScope Benchmark Survey, 2014 and IDC Nordic SIAM Survey, 2016

The results of the overall VSM function in the Nordics shows that there is an opportunity for Nordic organizations to become more efficient in a "multisourcing" environment. This will also cut costs and add value to the business as it will foster innovation and transformative initiatives such as like migration to the 3rd platform.

In the survey we also asked about the number of suppliers that organizations have in their IT environment, and almost one-third (29%) of large organizations have more than 15 suppliers, while only 9% of medium organizations have that many suppliers. About 40% of both large and medium organizations expect that they will have the same number of suppliers moving forward, and while larger organizations are focusing more on lowering the number than medium sized, we didn't expect that 20% of the large organizations would still believe that they will gain more suppliers and 19% that they will reduce the numbers.

An important note is that the sponsor of this White Paper (Tieto) has a VSM function for IT integrated to its SIAM offering and delivery model. This makes it easier for the organization that is implementing SIAM and is a vital part of the success of such an implementation. The importance of involving the corporate VSM and/or purchasing function cannot be stressed enough and is strongly recommended by IDC.

FUTURE OUTLOOK

The practice of outsourcing IT and business services will continue to grow and change for all large organizations. The complexities of managing multiple vendors across many lines of business can lead to poor performance or outright outsourcing failure. Those organizations that implement a governance office to oversee and coordinate enterprise outsourcing projects will gain the benefits of more reliable delivery of services and fewer failed or disappointing outsourcing projects.

For the foreseeable future, most Nordic VSM operations will continue to seek savings within legacy technologies and vendor relationships, without incorporating broader 3rd Platform technology portfolio considerations in their savings strategies. The enterprises supported by such VSM operations will continue to innovate in isolation and will be hobbled by the lack of pertinent information regarding their existing legacy vendors and technologies. As a result of such siloed and bifurcated approaches, enterprises will incur avoidable financial expenditures. Enterprises with VSM operations, which embrace digital transformation and integrate their practices within teams supporting digital transformation, will optimize their overall technology portfolios and avoid making costly and unnecessary expenditures.

The thrivers of VSM operations will implement models such as SIAM to handle services and relationships internally and externally. This will create business value and foster innovations as both the business and the IT department will work more closely when creating the new business services that the customers are getting used to and will demand in the future.

CHALLENGES/OPPORTUNITIES

This report shows that SIAM maturity is rather low and it has challenges in Nordic organizations regardless of organization size or industry. SIAM is quite new for most organizations in the Nordics. This is not just a challenge; it is also a huge opportunity. SIAM is about aligning LoBs and IT, and the opportunity for Nordic organizations to further increase their business value when implementing a SIAM office function.

CONCLUSION

IDC recommends that organizations that have weak vendor and sourcing management must establish a team to manage and guide their sourcing activities across the organization to provide consistency and value for money as well as integrate LoBs and IT into a partnership for the future.

Organizations should:

- In the next six months:
 - Assess how well VSM and SIAM operate today.
 - Organizations that lack VSM or in which the VSM is considered weak or inadequate must establish a plan to create or reinvigorate the VSM.
 - Incorporate VSM leadership into management teams.
 - Conduct formal RFIs or informal meetings/demos with leading service integration partners to speed up the implementation of SIAM.
- In the short term (6-18 months):
 - Enhance VSM skill sets by creating cross-functional teams from traditionally siloed organizations. Implement SIAM within these teams.
 - A VSM/SIAM office should be created or revised. Frequently, senior executive sponsorship will be required for the enterprise consistency that the VSM office can deliver. The sponsor's SIAM model includes VSM for the purpose of handling VSM issues in IT, which is a good way to make sure that VSM is handled in a consistent and adequate manner.
 - Business unit managers should be encouraged, or required, to adopt VSM and SIAM frameworks.
 - Communicate with internal and external stakeholders on the impact of changes.

- In the long term (18+ months):
 - The enterprise should begin to accumulate consistent metrics around its IT portfolio using some form of performance management framework. This allows the enterprise to focus on problem areas where value for money is not being achieved and to create healthy competition between vendors and the management of them.
 - Continue working with all key stakeholders to make sure the organization's sourcing strategy is aligned with the overall business strategy.

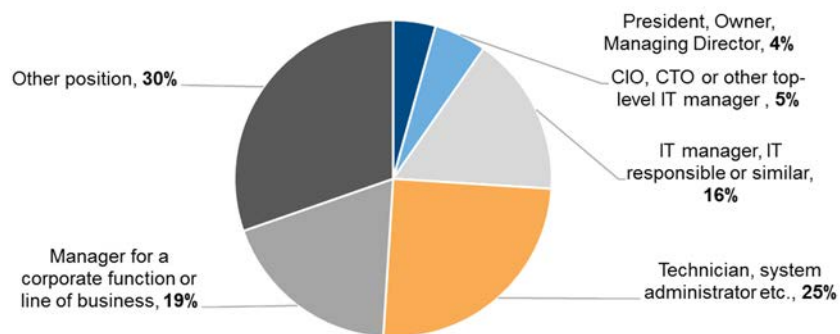
METHODOLOGY

This study is based on IDC's survey regarding Nordic Vendor and Sourcing Management and SIAM Maturity Assessment. The survey was answered by 300 C-level decision makers and influencers from Finland, Norway, and Sweden (100 people from each country) who were requested to answer vendor and sourcing questions as well as service integration and management (SIAM) questions and rate their maturity in these areas.

FIGURE 11

Respondents' Position in the Organization

Q: Which of the following titles or corporate functions best describes your position in the organization?

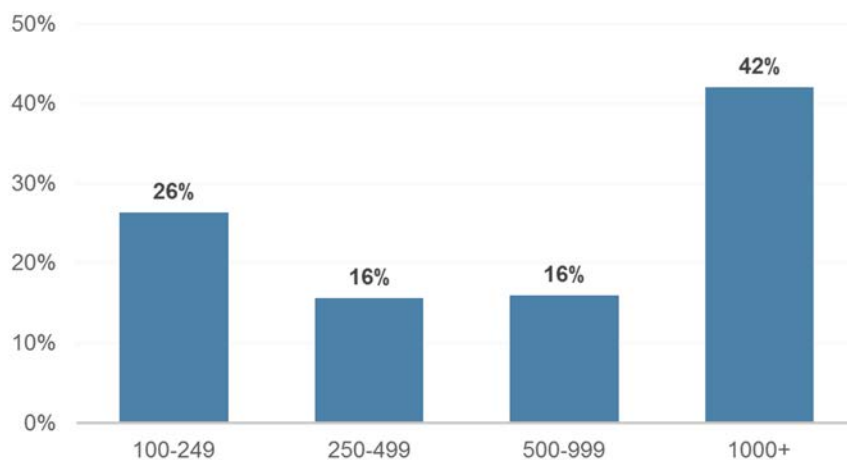


Source: IDC, 2016

FIGURE 12

Number of Employees in Organizations

Q: How many employees are there in your organization (incl. all sites in the country)?



Source: IDC, 2016

The maturity of SIAM has five operating model elements that we have matched against maturity criteria of the SIAM model (see also figure 2):

- **Service Catalog maturity:** The service catalog creates the relationship between the service components and the business services.
- **Process maturity:** End-to-end service management processes at the right depth and breadth for operational control.
- **Organization maturity:** Organization that meets functional and operational requirements.
- **People/skills maturity:** Clear roles and responsibilities in the context of the overall operating model with needed skills required.
- **Reporting and tools maturity:** Common tooling and reporting for integrated processes and data transparency

Within each operating model element, we asked two or three questions. The questions for the SIAM maturity were as follows:

- **Service Catalog maturity:** The service catalog creates the relationship between the service components and the business services.
 1. How do you structure the services you offer to your internal customers/end users?
 2. How are service levels defined to monitor service performance?
 3. How do you ensure that services align to business needs?
- **Process maturity:** End-to-end service management processes at the right depth and breadth for operational control
 1. Which service management processes are documented and either already in use or currently being rolled out?
 2. What is the level of integration between processes across services & suppliers?
- **Organization maturity:** Organization that meets functional and operational requirements
 1. How well defined are roles and responsibilities between internal functions and with external functions?
 2. Are service integration requirements embedded into the organization design?

- **People/skills maturity:** Clear roles and responsibilities in the context of the overall operating model with needed skills required
 1. How are skills requirements needed for service integration in your organization assessed and access to skills ensured?
 2. How is skills development and training addressed within your organization?
- **Reporting and tools maturity:** Common tooling and reporting for integrated processes and data transparency
 1. How is performance tracked and measured?
 2. Do you have tools in place to support reporting and tracking?

DEFINITIONS

LoB

Line of business. The business units of the organization.

SIAM

Service integration and management. The coordination and management of IT services from both internal and external suppliers, consolidating them into end-to-end services that meet business needs and requirements for performance, quality and cost.

3rd Platform

The 3rd Platform is built on a foundation of Big Data/analytics, cloud, mobility, and social media technologies. It will enable the all-important digital transformation, evolution, and expansion of every industry over the next several years and beyond.

VSM

Vendor and Sourcing Management. The management of external vendors and sourcing.

RELATED RESEARCH

- IDC Maturity Model: Vendor and Sourcing Management – A Framework to Maximize Value and Drive Innovation (IDC # 247458, March 2014)
- Vendor and Sourcing Management: Operational Excellence – Prerequisite for Maximizing Value from Suppliers (IDC # 246640, February 2014)
- Creating business value with service integration and management (Tieto)

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