



UNIVERSITY OF
AUCKLAND
Waipapa Taumata Rau
NEW ZEALAND

BUSINESS SCHOOL
CENTRE OF
DIGITAL ENTERPRISE

The Current and Future State of Digital Sourcing in New Zealand

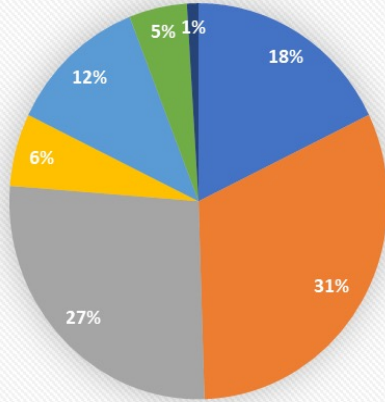
The Shortage of Tech Skills in New Zealand

The tech sector in New Zealand has been struggling to access skills very much needed to fuel the growth of the local economy. ComputerWorld reported in late 2022 that 96% of all employers in the New Zealand tech sector expect the technology skills shortage to impact their operations in 2023. Hays also reported that 98% of IT employers in New Zealand have been experiencing skills shortage in 2022.

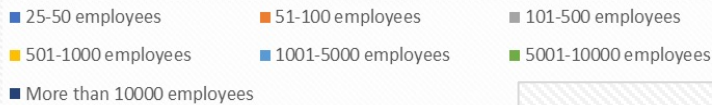
Currently, the rate of producing skills is falling behind demand. Importing skills into New Zealand has its own challenges.

The Centre of Digital Enterprise (CODE) at the University of Auckland Business School has therefore embarked on understanding New Zealand Enterprise's attitudes towards and engagement in digital sourcing as a third option to access skills available globally.

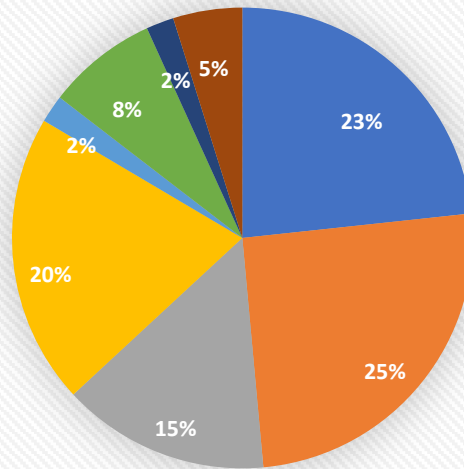
CODE studied attitudes towards and Engagement with Digital Sourcing by 100 New Zealand companies



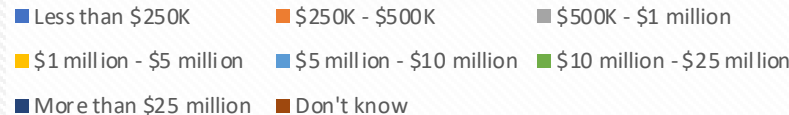
1/3 of companies are between 50-100 employees
 1/4 are between 100-500 employees
 1/5 are large enterprises, over 1000 employees



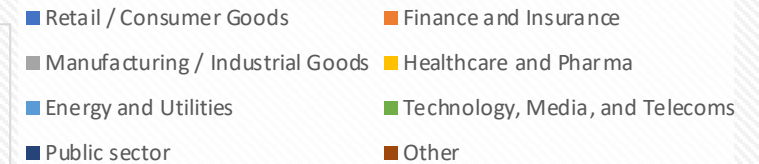
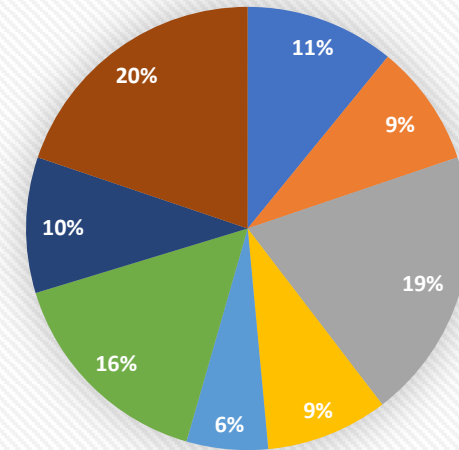
IT Spend



1/4 of companies spend 250-500K
 1/4 – spend less that 250K
 1/5 of companies spend between 1-5 million

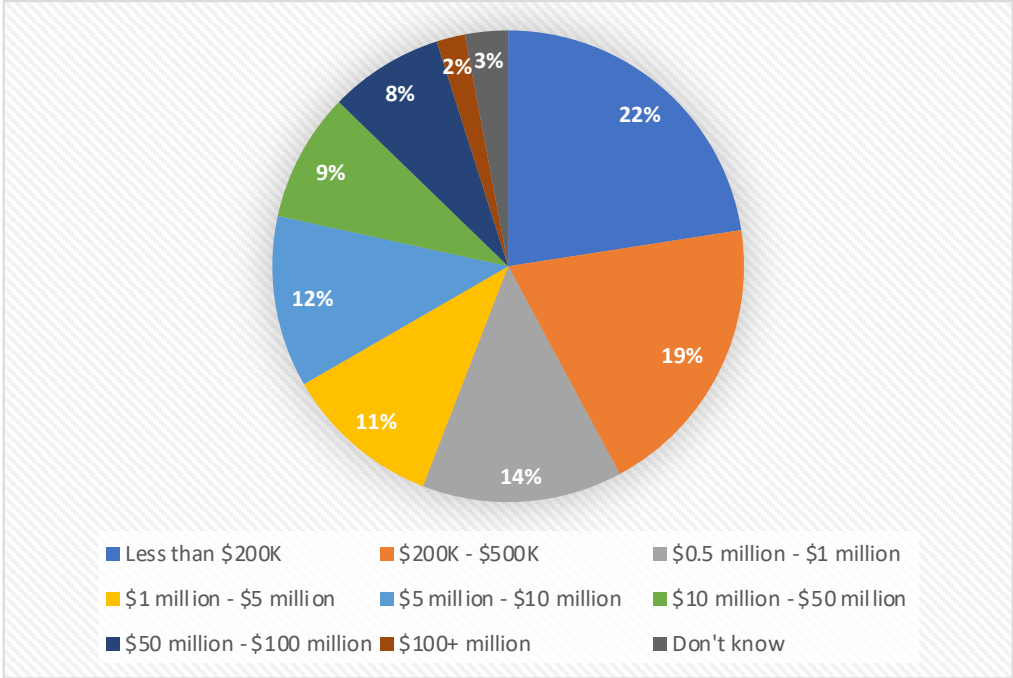


Sector distribution

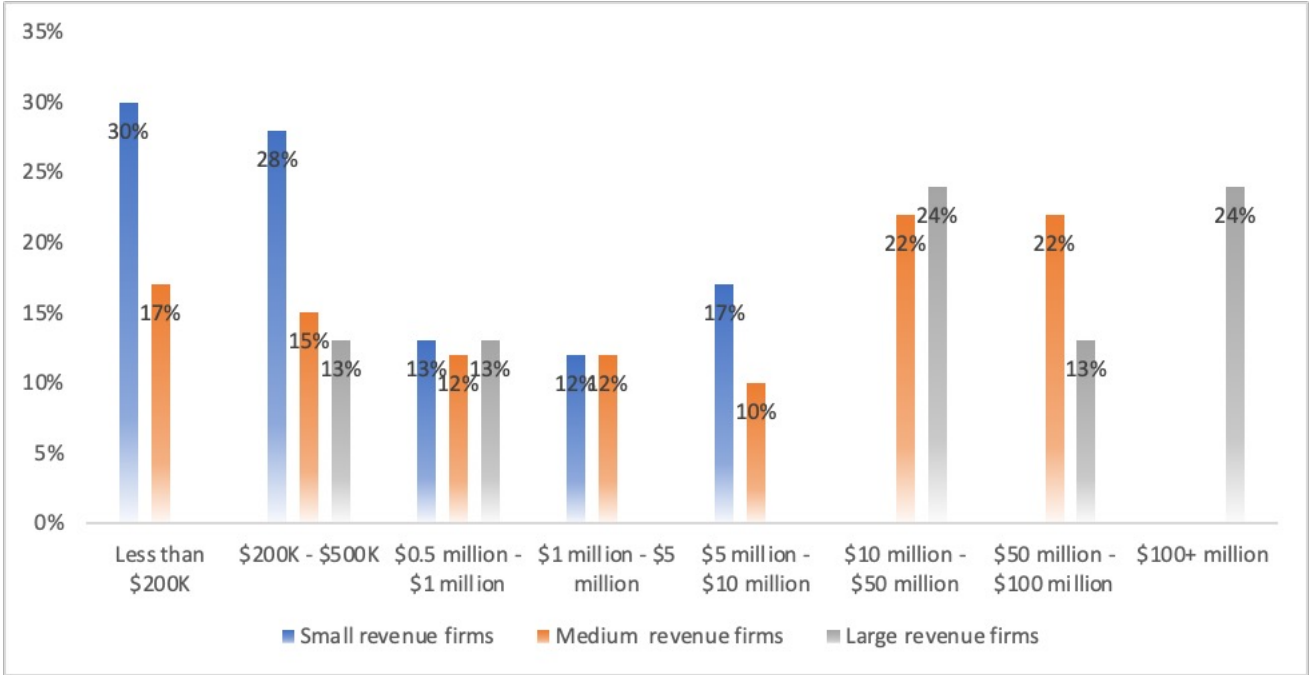


1/4 are manufacturing / industrial goods companies (largest sector)
 1/6 – technology, media & telecom
 Other sectors ~ 1/10 each with energy and utilities being a smallest

Spend on Procuring Digital Services

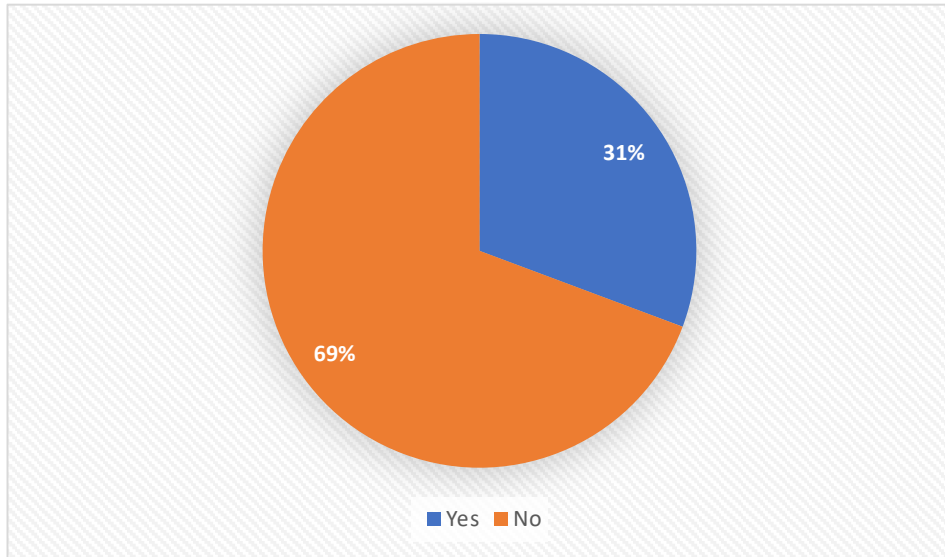


Spend on Digital Services/Revenue

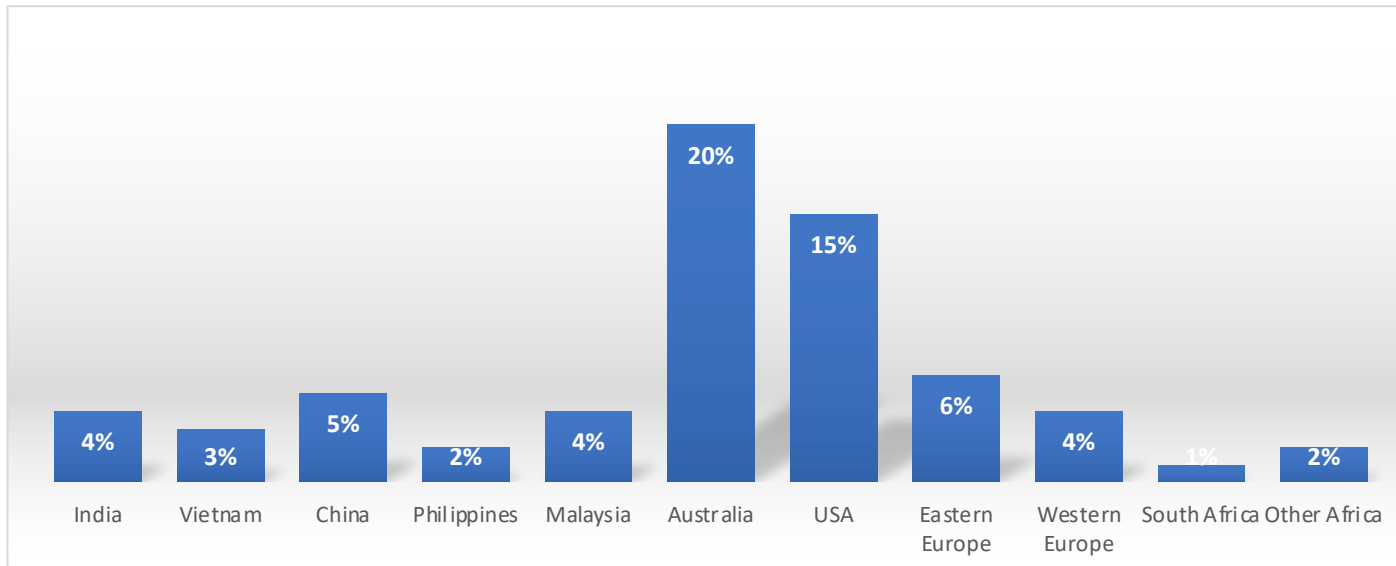
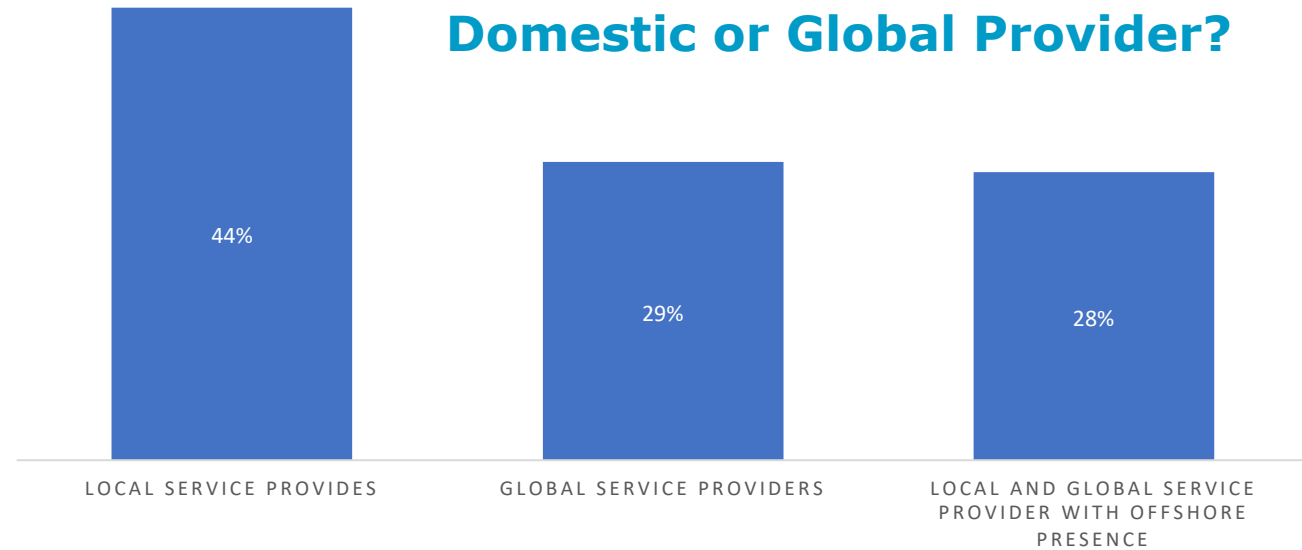


Some small-medium size enterprises are spending up to \$10M on digital services

Tendency to Outsource?



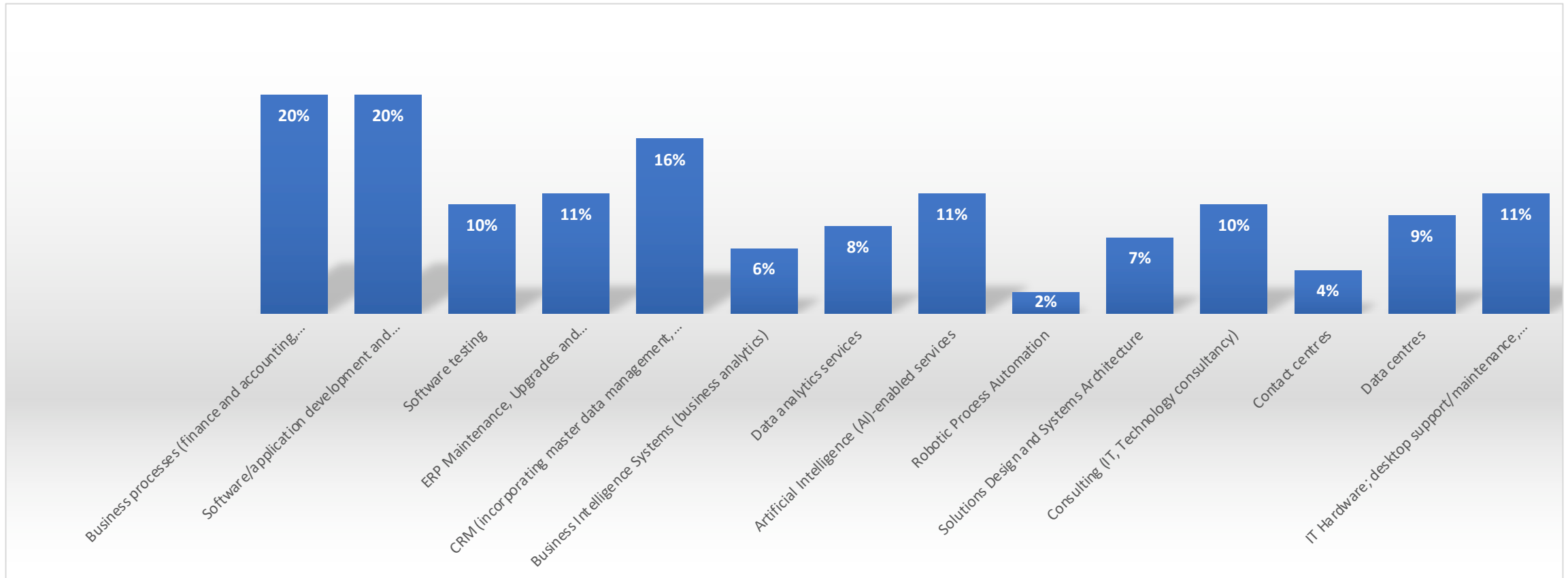
Domestic or Global Provider?



Vast majority do not outsource,
But those who outsource tend to
rely on local vendors.

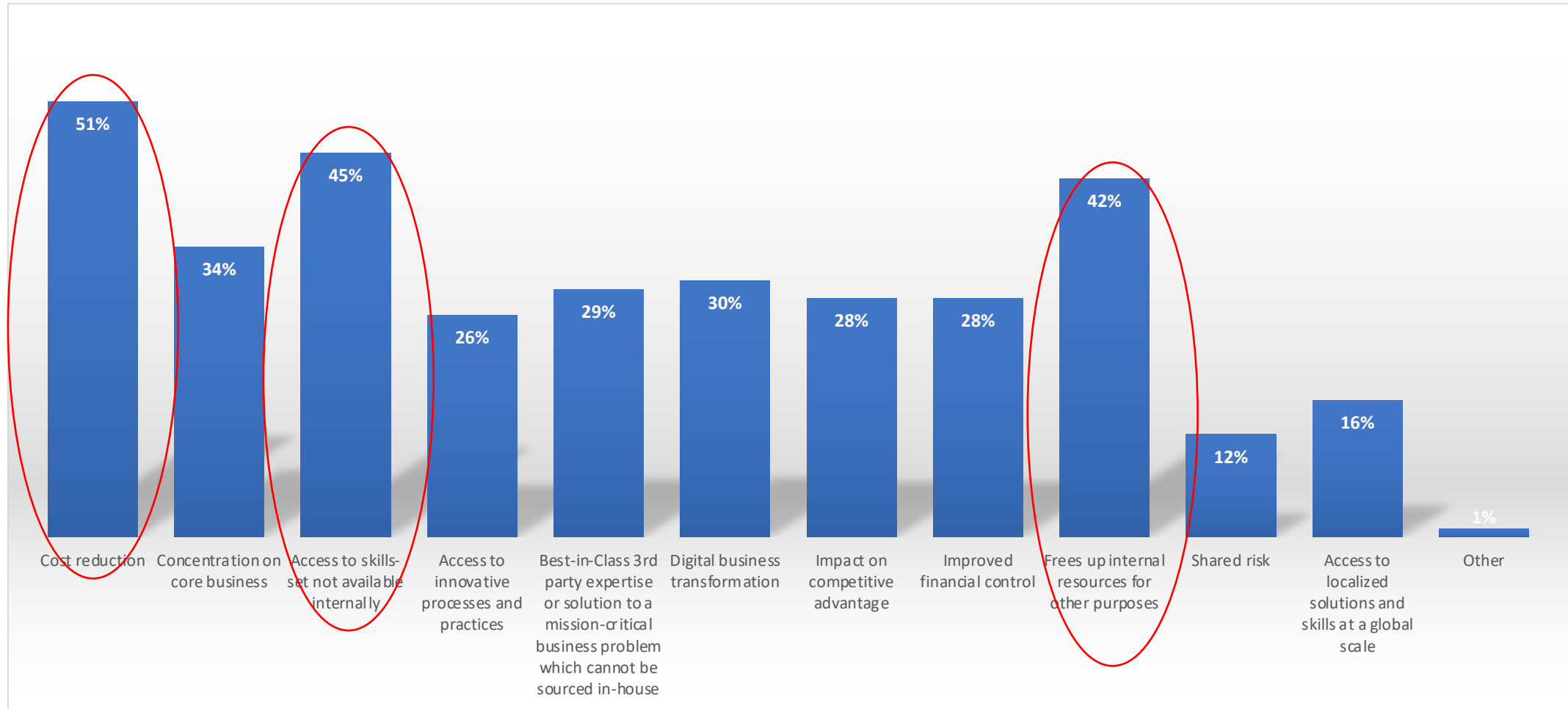
Those who outsource globally, mainly
work with providers in Australia and USA.

Which functions NZ Enterprise outsource?



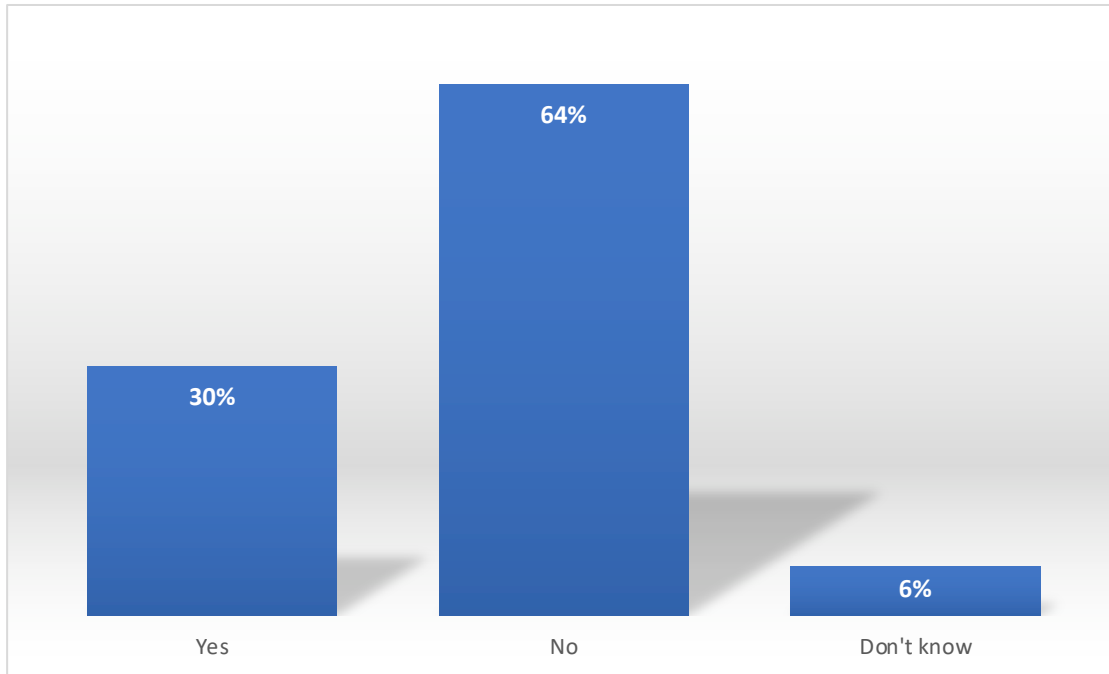
40% of outsourced services are Business Process Outsourcing and Application Development and Maintenance
19% of outsourced services are around data analytics and AI-enabled services

NZ companies' perception what the key benefits from outsourcing are?
NZ business correspond with traditional drivers of sourcing: Cost reduction, access to skills and free-up resources.

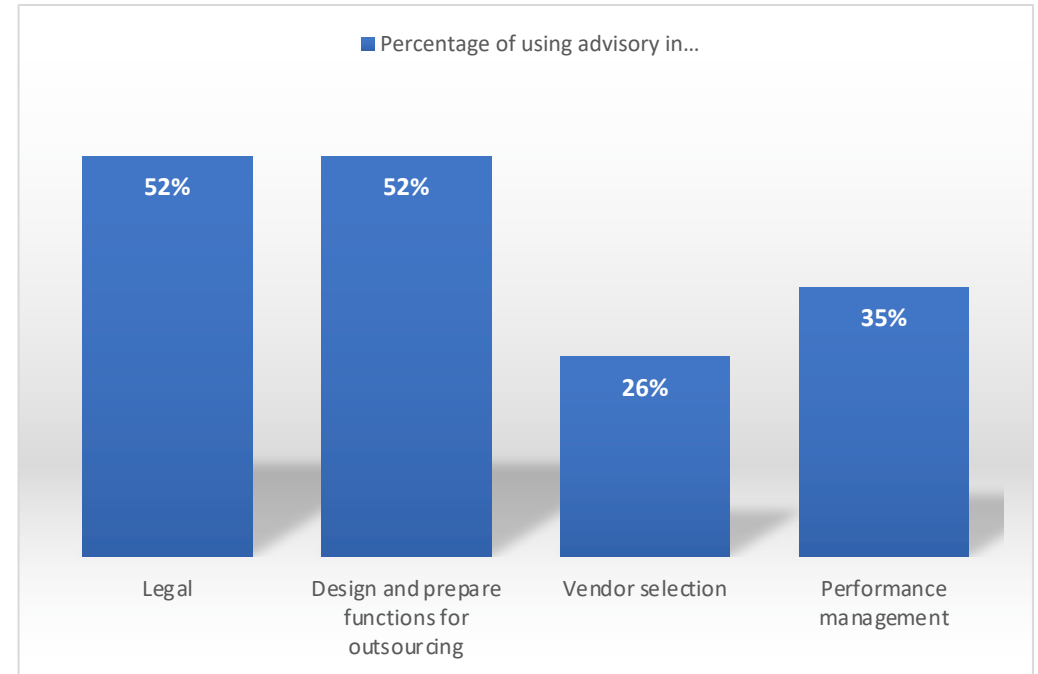


Our research shows that among contemporary drivers are:
access to innovation, shared risk and digital business transformation

Do you use advisory?



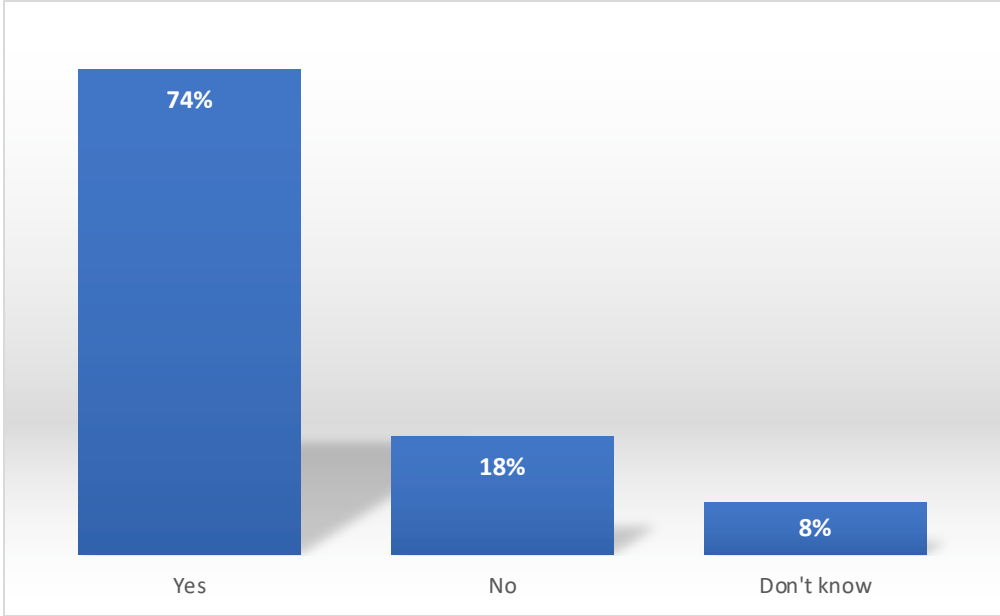
What do you use advisory for?



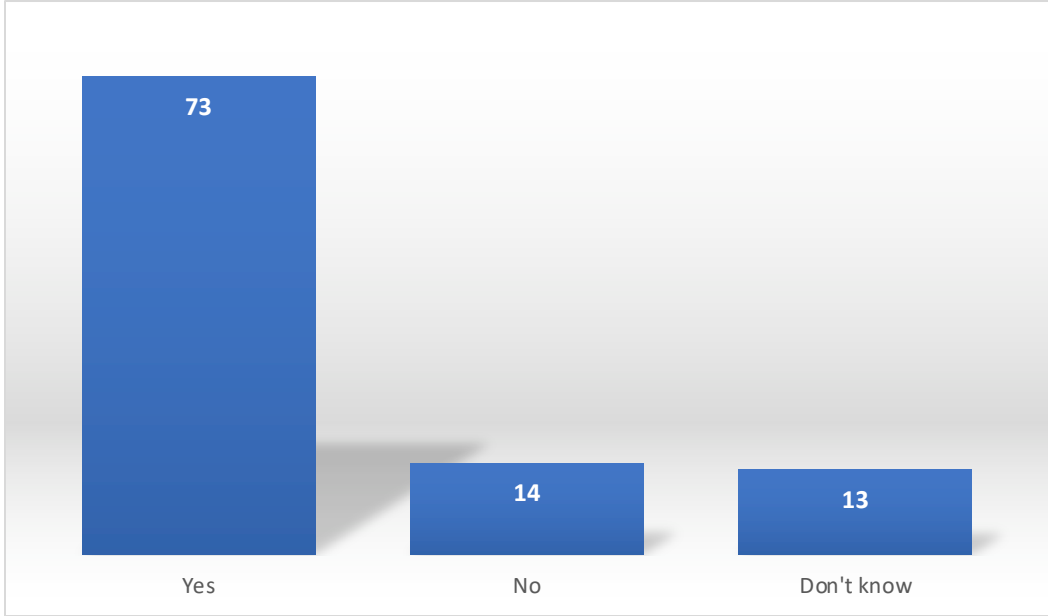
Majority of NZ companies do not use advisory.
Our research shows that the use of advisory improves sourcing performance.

While NZ companies have same level of confidence in local and international providers, they still prefer to mainly contract local providers.

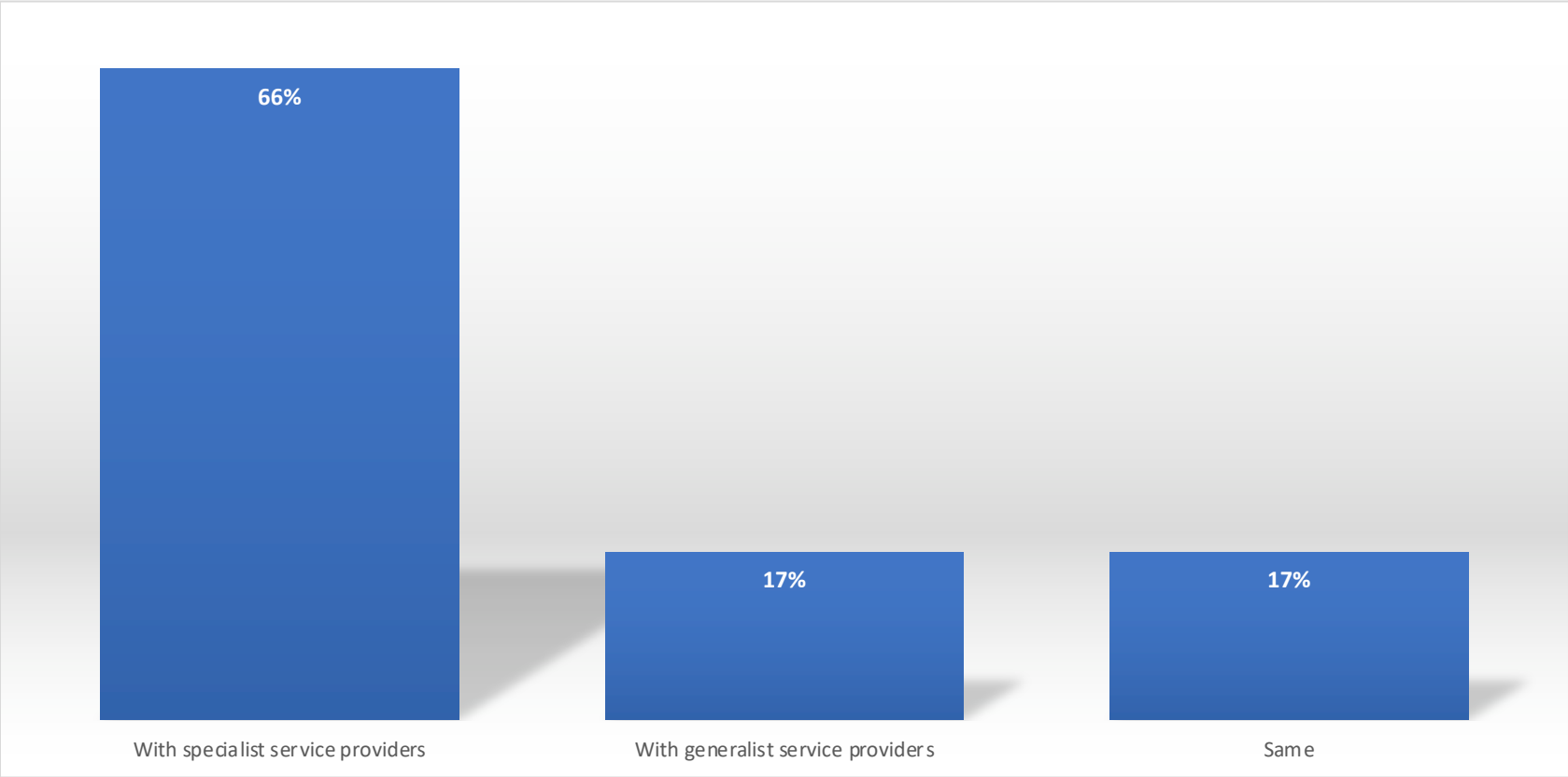
Confidence in local providers



Confidence in international providers

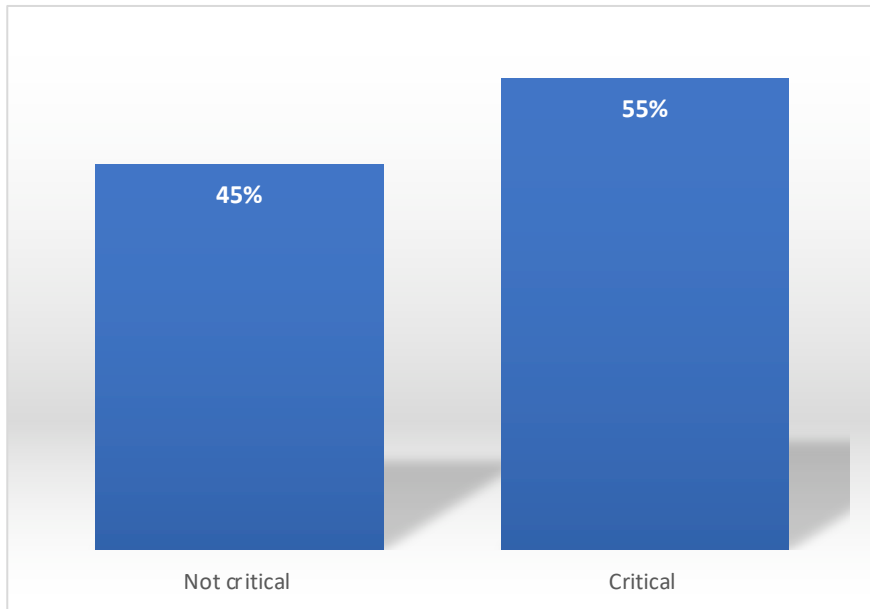


NZ companies perceive greater value from specialist/niche service providers over generalist providers

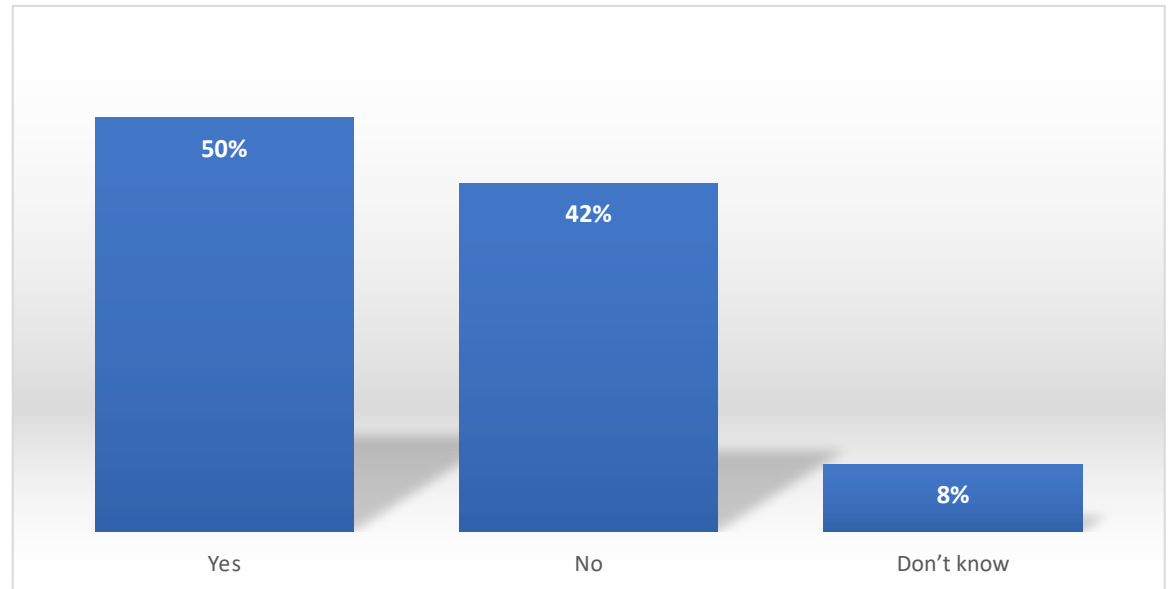


Our research shows that client firms achieve higher performance when they engage both specialist and generalist providers in their digital sourcing eco-systems

How critical sourcing is for your business?

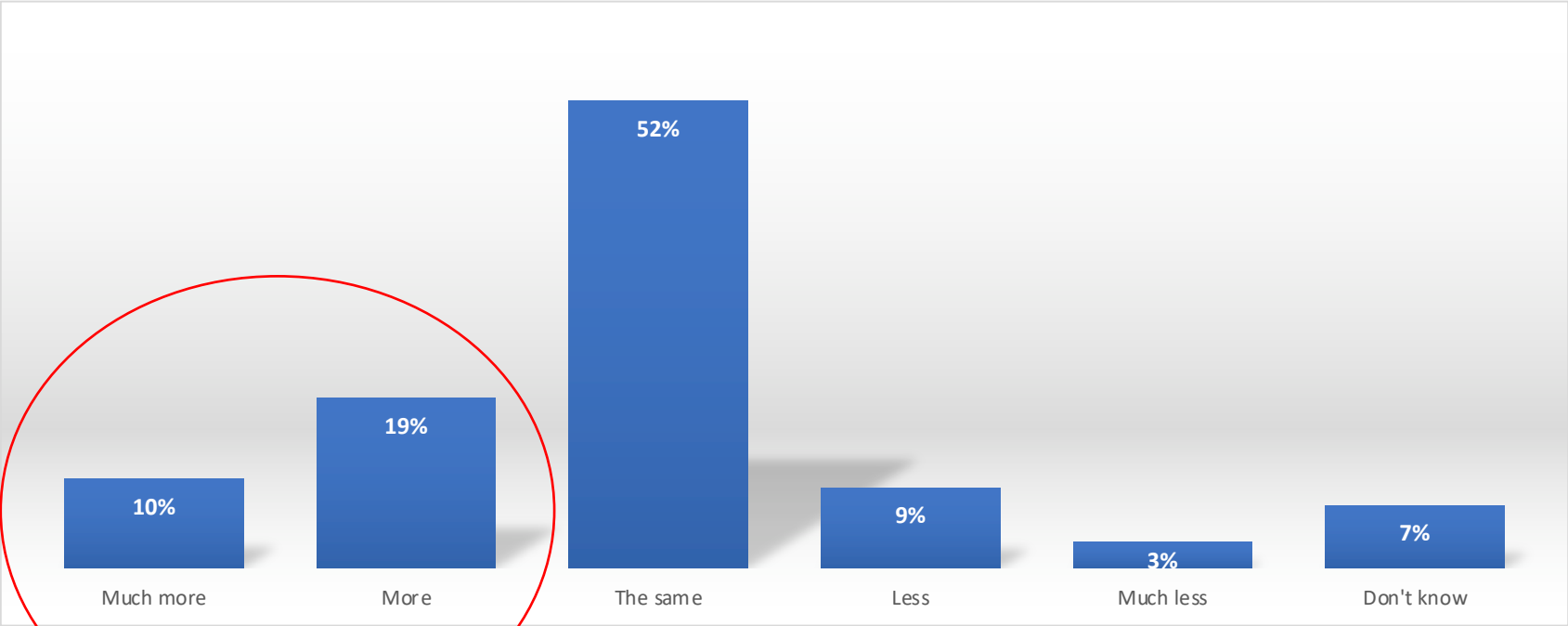


Have you tried to quantify the financial contribution of your outsourcing arrangements?



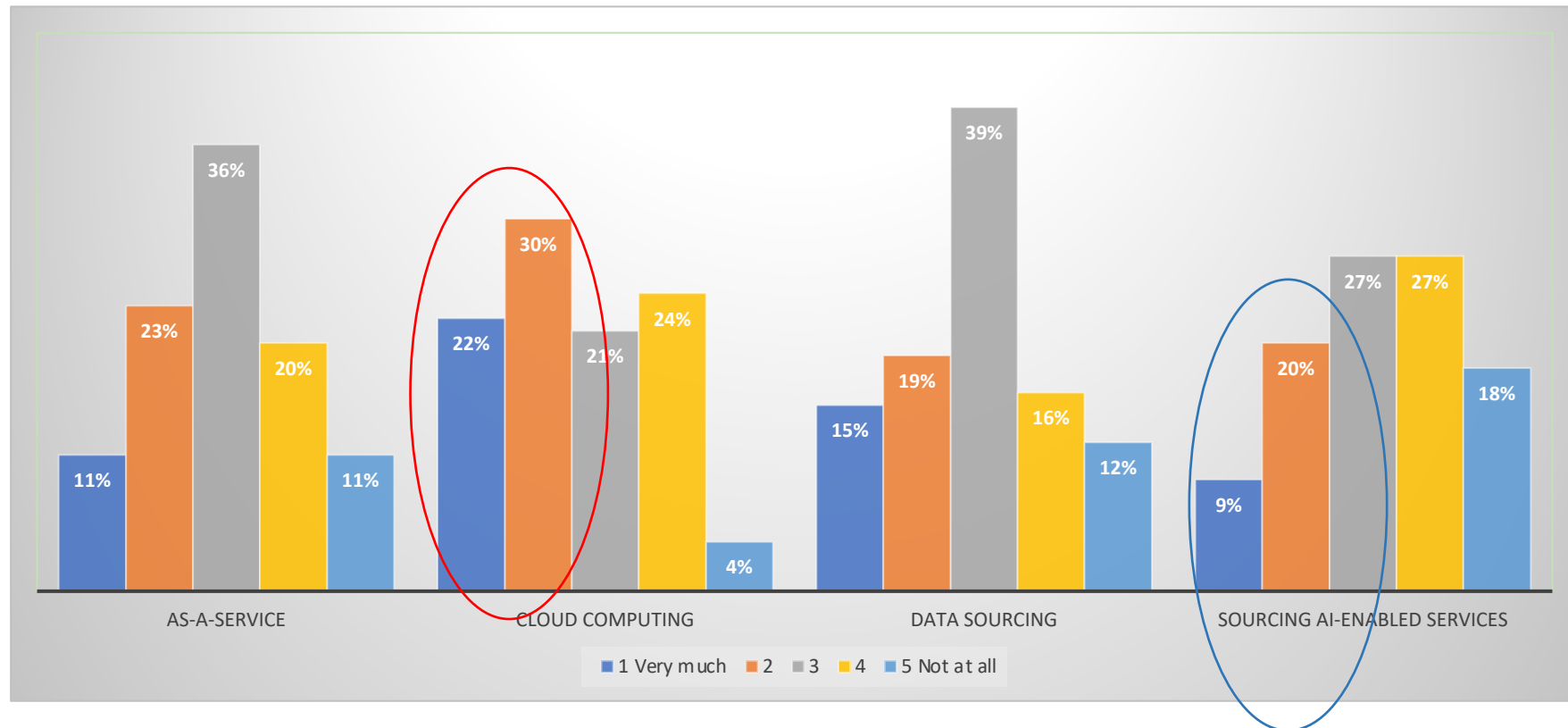
Sourcing is reasonably critical for the business
but 50% of client firms don't measure the financial contribution

**In current economic situation:
will you outsource more, same, less?**



NZ companies expecting to increase sourcing out in the coming years.

Future Investment in sourcing: NZ companies are mainly committed to invest in Cloud Computing in the future



The relatively lower commitment to invest in sourcing AI-enabled services may signal interest in developing these capabilities in-house

The Future of Digital Sourcing in New Zealand

- NZ companies should consider the local/international sourcing ratio in favor of accessing global skills
- NZ companies can benefit from digitally sourcing matured and automated services such as software testing and contact centres.
- NZ companies should experiment with emerging sourcing services such AI-enabled solutions and data analytics
- NZ companies can benefit from advisory playing a greater role in their sourcing strategy and performance management
- NZ companies can benefit from an optimal ratio between generalist and specialist service providers

About the researchers

- **Ilan Oshri** is Professor at University of Auckland Business School and Director of the Centre of Digital Enterprise.
- **Julia Kotlarsky** is Professor at University of Auckland Business School and member of the Centre of Digital Enterprise.
- **Angela Liew** is Senior Lecturer at University of Auckland Business School and member of the Centre of Digital Enterprise.

Sources

Oshri I., Kotlarsky J. and Willcocks L.P. (2023) "The Handbook of Global Outsourcing and Offshoring", 4th Edition, *Macmillan*, London.

<https://www.intelligentsourcing.net/accelerating-net-zero-progress-with-innovative-technology/>

<https://www.intelligentsourcing.net/your-digital-transformation-needs-a-smart-vendor-strategy/>

<https://cdn.auckland.ac.nz/assets/business/about/our-research/research-institutes-and-centres/CODE/documents/When%20IT%20Providers%20Become%20Your%20Innovation%20Partners.pdf>

<https://www.computerweekly.com/opinion/The-path-towards-sustainable-sustainability>