GERMANY

WORLD QUALITY REPORT 20 13-14

TOP TRENDS

↗ German businesses continue to be in the forefront of quality maturity.

↗ Most German organizations prefer to keep complete control of their QA operations, performing most testing functions in-house, but are slowly starting to engage managed services providers.

↗ Cloud adoption rates are lower than for other countries, due to strict data privacy regulations and traditionally conservative attitudes toward new technologies.

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Despite a more positive economic outlook for Germany, German businesses remain cautious in how they allocate their IT budgets. Rather than invest in new large-scale technology projects, companies across all sectors prefer to focus on performance optimization, cost-saving and efficiency. More than three-quarters (77%) of the surveyed IT leaders from Germany state that cost optimization through process and technology advancements is among their top current IT priorities. In order to meet these goals, German businesses are placing the highest importance on doing "more with less" and building in process accelerators to reduce time-to-market.

Germany has traditionally been among the most mature and quality-oriented markets. German companies have a deep understanding of the importance of quality, which extends beyond the testing function and into every aspect of the application lifecycle. As organizations begin to implement new approaches to quality, including setting up structured and industrialized QA processes, awareness of quality continues to rise to new levels. The share of the total IT budget allocated to quality has increased from 20% last year to 22% in 2013, and research participants predict that in the next two years, it will increase even further, to as much as 26% of overall IT resources.

The journey toward centralizing quality functions began several years ago, and today three out of

eight (37%) interviewed CIOs and IT directors from Germany say that their testing function is centralized in a single stream across the organization – a significant step up from the 26% worldwide average. Last year, the research showed that 17% of German companies were planning to develop Testing Centers of Excellence (TCOEs) within two years. Furthermore, 25% had started their in-house TCOE within the last two years but had not yet launched them. This year's data suggests that those plans are still ongoing. Nearly one in eight respondents (12%) states that they have in-house TCOEs that have been started but are not yet operational, and a further 23% indicate that they plan to develop an internally managed TCOE within the next two years. However, the percentage of fully functional TCOEs (5%) is much lower than the global average of 19%, and more organizations state that they are not planning a TCOE (47%). The fact that German TCOE numbers are behind the global average indicates that focus is gradually turning away from building TCOEs. This slowdown can be attributed to the fact that companies still feel uncertain about the economic future and are re-prioritizing their short-term investment plans.

In general, outsourcing and offshoring trends are still not as popular in Germany as they are in other European countries, due to strict data privacy laws and language challenges for local businesses. Even today, most German companies prefer to keep complete control of their QA operations,

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performing most testing functions in-house. Only 1% of research participants state that they have a fully operational TCOE that's managed by a third-party provider – a much lower number than the 9% average around the world. Respondents say that most of their testing projects are performed in-house (50%) – in contrast with the 41% average worldwide.

However, the cost-saving potential of outsourcing and the managed testing services model is beginning to gain the attention of German companies, specifically in the sectors that are not so heavily regulated by data privacy laws. German-speaking nearshore centers are seen as interesting alternatives. Although they cannot deliver the cost advantages that offshoring offers, less language and cultural difference is perceived as enabling better control. The Telecom, Media and Entertainment industry, for instance, has seen an increase in managed testing services engagements in the past year. Typically, these engagements are seen to start small, driven predominantly by cost-reduction objectives. However, if the business partner is able to demonstrate in-depth knowledge of their specific regional and industry-related needs, and brings to the table not just labor but also advanced methodologies, practices and accelerators, businesses are more willing to share responsibility for quality outcomes with the service provider. As many as 13% of testing engagements are with an external/managed services model, and, although this figure is currently below the cross-country average, it is expected to increase.

The conservative attitude of German companies to new models and technologies is also evident in the lower adoption rate of cloud computing. The research data indicates that, on average, only 16% of applications in the German market are being hosted or migrated to the Cloud – four percentage points behind the worldwide average of 20%. Data protection concerns, increased by the incidents

within the telecom sector over the past year, play an important role in inhibiting Cloud adoption. However, it is believed that cost-saving benefits of the Cloud will gradually outweigh cautiousness, and as cloud technology matures and security issues are addressed, German organizations will see a move toward the Cloud, not just with their testing and training systems, but with their mission-critical production systems as well. It is predicted that by 2015, nearly a quarter of all applications (24%) in Germany will be migrated or hosted in the Cloud.

Although German organizations can be conservative about adopting some of the new technologies, mobile technology in particular is moving ahead at full speed. But unexpectedly, this year's research participants state that only 40% of companies are currently testing mobile applications and devices – a much lower figure than the worldwide average of 55%. Last year's research showed that Germany had one of the highest proportions of businesses testing mobile applications and devices (43% compared to 31% global average). Yet this year, the level of engagement in this area has grown more in other countries. As German businesses adopt mobile technologies at a fast pace, they need to move ahead quickly in terms of testing and assuring the quality and security of their applications and devices in order to achieve high customer satisfaction levels.

There's great interest among businesses in what new technological possibilities can bring to the testing market – for instance, using agile development methodologies to deliver higher-quality applications faster, or using test automation to boost productivity and accuracy of QA. Organizations are also increasingly looking at vendors to deliver innovative services to help take advantage of new technologies and take testing to the next level.

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