

WORLD QUALITY REPORT

COUNTRY ANALYSIS

2014-15

SIXTH EDITION

GERMANY

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Top Trends

- The 2014 research shows that German companies allocate 24% of their IT budgets to the QA and Testing function.
- As part of German organizations' cost-saving strategy, a growing number of testers are located in nearshore locations to perform testing activities.
- Despite the initial cautious approach to the Cloud, cloud adoption rates among German companies are now on a par with worldwide averages.

The German economy maintains its position as Europe's largest economy with its export-led growth, lower unemployment rates and rising tax revenues amid wider geopolitical events that affect it and other European Union (EU) members. However, investment in corporate IT is not expected to return to pre-financial-crisis levels. This year's research shows that senior IT executives interviewed are focused on cost optimization and efficiency, preferring to invest in projects that are more likely to deliver immediate results and quicker returns on investment. Three out of five (61%) technology leaders interviewed from Germany rank cost optimization through process and technology advancements as the priority for their IT departments, followed closely by regulatory compliance (59%) and business intelligence and analytics (56%).

German organizations appear to be focusing on optimizing their existing application landscape in order to reduce maintenance costs. They are also organizing their IT investments to support new digital transformation initiatives to keep pace with growing customer demand for access to information and services anytime, anywhere and on any device. When asked about the level of investment in specific areas, an equal number of research participants – 52% – have given the highest ranking to integrating IT systems across the organization and investing in cloud services, followed by building and enhancing custom-built applications (49%) and developing and integrating business intelligence applications (48%).

The 2014 research data shows that German companies allocate 24% of their IT budgets to the Quality Assurance and Testing function. Despite the marginal increase from last year, organizations are

still spending a slightly smaller proportion of their budget on QA and Testing (global average is 26%), which can be explained by the maturity of German companies and the long tradition of quality being spearheaded by the manufacturing sector. In addition, the rising adoption of agile methods makes it more difficult for organizations to calculate accurately the amount spent on QA and Testing – as quality activities are built into every step of agile application delivery. The high growth rate in the number of companies adopting agile methodology (up from 76% in 2013 to 87% in 2014) perhaps also helps explain the lower-than-average projection for QA and Testing spend: Research participants estimate that by 2017 the share of IT budget allocated to QA and Testing among German companies will grow to 25%, compared to 29% average across the globe.

The 2014 research shows a significant increase in the number of companies that report having a fully operational Testing Center of Excellence (TCOE) – from just 5% in 2013 to 26% in 2014. Last year, nearly half (47%) of CIOs and IT directors interviewed reported that their companies had no plans in place to centralize the testing process. In 2014 less than a quarter (23%) state that they have no immediate interest in industrializing their QA and Testing function. More than half (51%) of participating CIOs and IT directors report that they have plans to develop TCOEs either internally or using third-party partners, or have already begun the process. At the same time, the research shows a substantial rise in the number of companies that have adopted a highly decentralized model for their quality organization – from 9% in 2013 to 31% in 2014. The research findings suggest that German organizations are able to maintain a balance between creating industrialized



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quality processes, standards and metrics, and keeping the QA and Testing function close to the line of business and a part of the agile development team.

As part of the cost-saving strategy, a growing number of testing professionals are located at nearshore facilities, especially in Eastern Europe. The tendency to keep all operations closely co-located is giving way to application delivery strategies that combine onshore, nearshore and offshore locations. The 2014 research shows that the share of onshore testers has reduced from 59% to 49%, while companies are engaging nearshore facilities more widely (25% compared to 18% in 2013), often taking advantage of cultural similarities and the testers' language skills while still benefitting from lower labor and employment costs. The number of professional testers located offshore has remained relatively unchanged (26% compared to 24% a year ago), indicating that most companies are still encountering difficulties with engaging testers in remote locations across different time zones and – most importantly – with data privacy regulations.

Most of the offshore testers appear to be part of their partner-managed engagement – where a third-party provider operates the offshore testing center. Overall, the number of QA and Testing projects that involve partners has risen significantly compared to in previous years. In 2013, half of all QA and Testing projects were performed entirely in-house, whereas in 2014 research participants report that only 30% of testing engagements are internal only. The number of managed services engagements where an external service provider owns the project quality delivery function has grown from 13% in 2013 to 17% in 2014, while the number of projects where QA and Testing is co-managed with the partner has also risen from 12% to 19%. External testing service providers can bring more than cost savings; they can help quickly ramp up qualified resources with the right skillset for any type of project,

deliver specialized tools and processes to make testing more efficient, and help improve organizations' testing practice by introducing continuous innovation of testing methods.

This is especially important in the area of testing new digital transformation projects. German companies are working on building testing strategies around the all-channel customer experience – ensuring consistency across multiple channels and devices including mobile. The number of organizations reporting that they test mobile applications and devices has risen from 40% in 2013 to 84% in 2014 – although testing teams often lack the expertise to conduct effective mobile testing. The research shows that the most pronounced challenges faced by organizations are the lack of appropriate mobile testing methods (37%), time constraints (32%), and unavailability of the right testing tools (31%). Organizations are increasingly looking to third-party providers for assistance in their mobile testing projects.

Despite the initial cautious approach to the Cloud, cloud adoption rates among German companies are now much closer to the worldwide average. In 2013, research participants in Germany reported that only 16% of applications were being hosted in the Cloud, whereas this year, the percentage of cloud-based applications has grown to 27% – only one percentage point behind the global average. The share of applications being tested using cloud-based infrastructure has also risen from 21% to 30%, and is projected to grow further to 45% by 2017. Germany has one of the most stringent data protection policies among EU countries, and organizations are often required to choose cloud service providers who are physically located in the same country or within the EU. Despite the challenges and the slower start, cloud adoption rates are showing strong growth, and cloud-based service models will likely continue to gain popularity among cost-conscious and efficiency-driven German companies.



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