

Outsourcing Systems Unit Allows ABB to Renew its Business Focus

Capgemini's global approach allows ABB to reduce costs and increase focus on core areas

The Situation

ABB's Business Systems unit provides critical information systems support and staff training to ABB. Services cover the full lifecycle, from the initial project to continued development and applications maintenance. Based in Sweden, Business Systems is organized as a separate ABB unit.

Even if ABB's business was to decline, Business Systems was expected to decrease costs for IT support and improve efficiency by incorporating global best practices. Further, ABB wanted to increase its core focus on power and automation.

Having previously outsourced infrastructure to an external supplier, ABB began to look for a competent outsourcing vendor to partner with. The goal was to achieve an ideal, win-win solution for ABB as well as for the employees of Business Systems.

The Solution

ABB elected to outsource the entire IS/IT unit to Capgemini, including all assets and employees belonging to the unit. A five-year services agreement was signed for all applications development, maintenance and support services underpinned by new SLAs. Capgemini introduced Rightshore™, its center-based delivery approach. This included a front office in an Application Management Service Center (AMSC) in Västerås, Sweden and a back-office in Mumbai, India. In parallel, Capgemini assisted ABB to build its CIO Office providing central governance of the entire IT operations in Sweden.

The Result

Outsourcing Business Systems to Capgemini has allowed ABB to:

- lower applications management costs substantially

“When you're going on a long trip, the best thing is to take an experienced guide along, so you choose the right direction from the beginning. Naturally, they have to be capable of creating business value at a competitive price. In addition, Capgemini fits our company culture.”

Jens Nielsen
CIO,
ABB Northern Europe



- increase flexibility of system development activity as demanded
- access leading industry competence as well as IT expertise
- deploy an IT governance model through the CIO Office for ABB and its strategic partners, IBM and Capgemini.

How ABB and Capgemini Worked Together

With 2003 revenues of €37 million and a team of 300 people, Business Systems was a critical entity for ABB. To cater to changing business demands, group expectations on Business Systems had grown steadily over the years. Different processes and multiple IT systems needed simplification to support the changing business. Developing the right skills and expertise within Business Systems was clearly not ABB's core business and would deviate from the strategy to increase focus on power and automation.

ABB began to look for an experienced partner, one that had proven expertise, capabilities and methods to accelerate rapid solutions and also avoid costly overruns. The group needed someone who was ahead of the curve and could help ABB develop effective strategies and mitigate risks.

After initially outsourcing the infrastructure to an external supplier, ABB sought an outsourcing partner with a business model that would work well in a multi-sourcing environment and that would be a perfect fit to Business Systems.

In October 2003, ABB announced the divestiture of Business Systems. Following an extensive evaluation and selection process, Capgemini was short listed as an ideal partner with a model and corporate culture that was closest to Business Systems. The transaction was concluded in 2004, when Capgemini assumed control of operations for Business Systems. Some 300 professionals transferred to Capgemini, remaining at the same locations, and now providing a service to ABB as their primary client.

As a result, Capgemini now provides information systems (IS) support including staff training, development and applications management support for ABB's applications.

The outsourcing agreement has proved to be an ideal fit for ABB and Capgemini as

well as for employees of Business Systems. The addition of a professional and competent workforce has allowed Capgemini to continue its strong growth of IT-outsourcing in the Nordics. This translates into professional development and growth of people affected in letter as well as spirit of the enterprise.

Business Systems' strong ERP solutions for the industrial sector complement Capgemini's SAP capabilities, together creating the largest SAP provider in the Nordic region with about 250 SAP consultants. This, together with the SAP project team in the back-office in Mumbai,

adds industrialized strength to ABB as well as other clients. The approach yields innovation in solutions as diverse as portals and document management to become business drivers for added benefit.

ABB has now set a firm course. In the future, IT will provide ABB with innovative and increasingly efficient support for its business. Capgemini is also bringing the full benefits of its proven Rightshore™ model into the services. This adopts the center-based distributed delivery of services using skills and capabilities from as far as India to further drive down costs, improve efficiency and increase quality.



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience.

Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and

collaboration-focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration.

Capgemini employs over 75,000 people worldwide and reported 2006 global revenues of 7.7 billion euros.

More information about our services, offices and research is available at www.capgemini.com.

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The ABB group of companies, headquartered in Switzerland, was founded in 1988. A world leader in power and automation technology, ABB solutions improve performance and minimize environmental impact for power companies and industries. ABB is active in more than 100 countries

and employs 109,000 people worldwide.

Technology plays a key role for ABB. The company's Business Systems unit provides critical staff training and information systems support to ABB. With 2003 revenues of €37 million and employing 300 people, Business Systems offers full life cycle services from the project stage to continued development and maintenance. ABB has outsourced its Business Systems unit to Capgemini. Further information is available at : www.abb.com