



Sourcing & Vendor Relationships
Symposium Community

Trip Report

Sourcing & Vendor Relationships Gartner Symposium/ITxpo

Key Takeaways

IT leaders in sourcing, procurement and vendor management continue to mature their respective disciplines. 206 attendees signed up for the Sourcing & Vendor Relationships Community at Gartner Symposium/ITxpo in Orlando. The well-attended presentations in this track showed that enterprises are intensifying their focus on these functions, and have given them much higher visibility and responsibility. Sourcing and vendor management is increasingly viewed as a role for business leaders, not simply for IT managers. The presentations at Symposium — and the questions and comments from attendees — showed that these issues were much on everyone's minds. Among the key takeaways from the Symposium sessions:

- Managing vendors — especially the strategic vendors that have the most direct impact on the enterprise's business strategy — requires the development of new disciplines and cannot be viewed simply as contract management.
- Enterprises must consider their vendors not separately and discretely, but rather as a portfolio of product and service providers that can — and must — help them meet their defined business goals.
- One of the most critical steps toward strategic sourcing and vendor management is to develop formalized processes for managing vendors, and decide who within the enterprise should be responsible for those processes.
- Enterprise IT organizations must move away from a tactical IT procurement approach — which benefits vendors more than customers — to a strategic IT sourcing model.

Conference Highlights

This year, Gartner chose to focus Symposium/ITxpo on the theme "Driving IT. Powering Business." Nearly everything at this fall's Symposium — from the keynote addresses to the Mastermind presentations to the analysts' presentations and workshops to the attendees' questions and comments — showed how focused the IT world is on delivering and demonstrating real-world business value.

The Sourcing & Vendor Relationships community attendees raise many of the same enduring high-priority issues that we have seen at past Gartner events: how to negotiate license agreements; how to deal with software audits; how to assess the respective maturity levels of various offshore-outsourcing destinations; and how to get vendors to live up to their contractual commitments. But there was a definite difference this year — the clear, explicit need to align sourcing and vendor management with enterprise business goals.

Technology still matters — several keynote speakers pointed out that it is the single greatest source of growth in business today — but only to the extent that it works as a business enabler. Sourcing and vendor management is certainly no exception to this rule. Many of the Symposium/ITxpo Sourcing & Vendor Relationships community presentations and workshops that received the most attention and the strongest responses dealt with this business imperative, at both the strategic and tactical levels. They included:

"IT Sourcing Goes Strategic: Raising the Bar on Procurement"

A strategic shift from tactical procurement to strategic sourcing will enable IT organizations to align IT sources with business strategy and manage them to desired business outcomes. William Snyder and Chris Ambrose offered highly actionable recommendations to help IT decision-makers approach this critical function strategically:

- Define the boundaries of IT sourcing and IT procurement.
- Organize IT procurement based on the autonomy of your decision styles, the standardization needed for acquisitions, and your level of knowledge and power.
- Categorize your vendors according to their strategic value.

“Managing Your Strategic Vendors”

Enterprises need to develop a discipline to deliver more value from the vendors that have a strategic impact on their business operations. Chris Ambrose offered a set of best practices for managing these mission-critical vendors:

- Make a clear distinction between supplier management and strategic vendor management.
- Begin by choosing one strategic relationship, then empowering a vendor manager to transform that relationship.
- In the long term, engage your strategic vendors to align with your IT and business strategies.

“The Alternative Delivery Models Scenario: IT as a Service”

In this hard-hitting and heavily attended presentation, Research Vice President Mark Margevicius and Vice President and Distinguished Analyst Claudio Da Rold discussed the accelerating and highly disruptive changes in IT delivery models now under way worldwide. Among the urgent action items they recommended, for both enterprise IT buyers and IT providers, were:

- Analyze the potential impact of new delivery models on your industry, business and process/IT architecture.
- Strengthen your IT governance, architecture oversight, service management frameworks and multisourcing management capabilities.
- Ensure that the IT organization leads the shift toward the right mix of services and providers.

“Developing Business-Focused SLAs”

Service-level agreements (SLAs) are one of the key components of any successful sourcing relationship. Research Vice President William Maurer offered attendees an action plan for ensuring that their SLAs align with their most important business goals. His tactical and strategic recommendations included:

- Review all SLAs with business unit leaders.
- When making changes to current contracts, transition from technical/process to business-outcome-based SLAs.
- Begin all future sourcing relationships with business-focused SLAs.

“Best Practices in IT Procurement: Negotiating a Great Contract”

Mistakes in negotiating IT contracts may mean that an enterprise has to live with excessive purchases, poor terms and conditions, or the wrong product. Jane Disbrow, Research Vice President, gave attendees a wealth of practical advice for negotiation success:

- Immediately assess the maturity of the enterprise's contract negotiation and enforcement capabilities.
- Review existing contracts and develop ways to measure vendor performance against contract.
- Monitor vendor performance against strategic business requirements.

What People Asked About

“How can I get vendors to pay attention to my needs?”

Many Gartner clients are frustrated by the complacency and lack of interest shown by their strategic vendors — whether “powerhouse” market players, legacy providers, or just companies whose products have a strong impact on the enterprise's bottom line. One of the keys is writing contracts that clearly lay out the enterprise's expectations — especially concerning business outcomes — and detail very specific consequences for failure to meet those expectations. However, contracts should not focus solely on punitive actions to change vendor behaviors. Positive reinforcement, through vendor scorecarding and awards programs, also can have a strong performance impact. And many of these approaches can deliver strong returns with minimal investment.

“Which systems should we keep in-house, and which should we outsource?”

This is an enduring question, and the answer is not a simple one: Enterprises must begin with a comprehensive assessment of their current state, to determine how effective their current approach is and determine why they would choose a specific course of action (for example, insourcing instead of outsourcing). Then a risk assessment and business-impact assessment will make it possible to determine how advanced and mission-critical are the systems and processes you can safely outsource (how far “up the stack”) you are willing to go. One thing is clear: Potential cost savings must not be the only outsourcing decision criterion.

“Can we use ‘internal SLAs’ to measure and enforce the service levels for systems and processes we maintain in-house?”

Nearly every enterprise has mission-critical systems, applications and business processes that, for security or other reasons, it chooses to keep in-house. Using SLAs for these areas is, of course, somewhat different from the SLAs for an external provider, because an internal organization cannot be assessed financial penalties. However, some enterprises are successfully using similar methodologies and measurement processes, with financial incentives — such as compensation packages and annual bonuses — tied to performance.

Things to Watch For

The overarching message of this Symposium/ITxpo's Sourcing & Vendor Relationships community events is certainly the need to approach sourcing and vendor management as a set of strategic business roles, not simply as tactical IT or procurement functions to support sourcing events or actions. Only enterprises and individuals that are empowered to approach the function in such a strategic manner can adequately address the rapid and disruptive changes in IT delivery models, including: global delivery, software-as-a-service (SaaS), infrastructure utilities and business process utilities — and do so in a way that delivers real business value.

A critical element in the strategic approach that Gartner believes is absolutely essential is to view vendors not separately and discretely, but rather as a portfolio of product and service providers that can help to meet defined and measurable business goals. This means establishing and communicating formalized processes for dealing with these vendors. And it means making hard decisions about where these processes — and the individuals responsible for managing and enforcing them — “fit” within the organization.

Another important issue to watch for is the trend toward all stakeholders — both enterprise IT buyers and vendors — seeking to write contracts with a stronger, clearer business focus. That means, at the most basic level, contracts with SLAs tied to business outcomes, not simply to technical metrics. There is clear value for enterprises in this approach, but proactive, high-performing IT vendors can also benefit from demonstrating their products' and services' business value in measurable, repeatable ways. Gartner believes this is an important and developing trend, and we expect to see more of it, especially in second- and third-generation outsourcing contracts.

Strategic vendor management — the professional discipline necessary to derive business value from vendor relationships — was a key focus of the Sourcing & Vendor Relationships community at this Symposium/ITxpo. We offered a presentation on this critical subject, a workshop on developing an effective vendor management program and an interactive session on perfecting vendor management by discussing top vendor management issues and developing both short-term tactics and long-term strategies. One critical message is that the vendor management role must be performed by a senior executive with the power — and the budget authority — to make the necessary strategic decisions.

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