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Key Take-Aways from Gartner's IT Sourcing, Procurement, Vendor & Asset Management Summit

Gartner's "IT Sourcing, Procurement, Vendor & Management Summit" was held in Dallas, Texas, September 4-6, 2019. In attendance were 1700 attendees representing all industries, including 20% from banking, finance, and insurance; 14% from government; and 14% from the manufacturing industry.

The Summit Keynote began with the recognition that there will be more change in IT in the next five years than there has been in the last 20 years. Given the pace of change, and to keep up with this changing landscape, businesses have bypassed long-established IT sourcing and related functions. In recent surveys, 86% of CEO's will be changing their business models to enable growth. Digital is changing spend patterns, moving towards a reduction in legacy spend (infrastructure, hosting, software licensing, IT modernization), and an increase in digital spend (analytics, digitalization, cloud, mobility, AI).

Emphasis therefore needs to be placed on reinventing your value proposition as an IT professional, clearly defining the value you bring to your organization and your business. In order to increase your digital dexterity, it is useful to build meaningful relationships with Service Providers who can support your efforts cost efficiently and enable business growth.

Focusing on quick wins is an effective way to create acceptance of new technologies and procedures within each customer's organization. For example, projects that have so far only been optimized manually or sourced through traditional e-sourcing applications can often generate a high ROI and convince skeptics of the advantages of sourcing optimization solutions.

"When internal stakeholders realize the potential time and cost savings created by the sourcing optimization solution, resistance will melt. It is important that application leaders achieve significant savings on the first few projects to increase the C-suite buy-in and further support a case for using advanced sourcing solutions."

Survey results showed that the Top 3 objectives of the Vendor management function for the next 12-18 months were Improving Productivity, Cost Optimization, and Improving Process Efficiency.

Factors that drove these IT leaders' decision making to select one vendor over other vendors included:

1. Pricing (Total Cost of Ownership)
2. Functional Capabilities
3. Being Viewed as a Strategic Partner
4. Understanding of the Customer's Business Requirements
5. Transition/Improvement Capabilities
6. Positive Feedback from References

Particularly interesting was the highly attended session Managing IT Vendor Relationships Effectively. From a strategic standpoint, do your current vendors understand your business drivers and challenges? Understand and respect your requirements? Deliver an excellent product and service at a competitive price? Talk and work with you to become more effective and efficient?

In order to establish a strategic vendor management program, one begins with determining what is most important to supporting your organization: Innovation, Performance, Risk Controls, and Efficiencies (improving/reducing costs, processes, cycle times).

Supporting principles include:

- Culture: Beliefs and Values –
 - Understanding how the vendor culture influences its organization and actions, what hierarchies exist, and what values vendor employees hold.
- Alignment: Goals and Objectives –
 - Specific, measurable, attainable, relevant, and time-bound (SMART) goals and objectives will create an effective relationship;
 - Share your SMART organizational goals and objectives with the vendor and review theirs to create a foundation for an open and honest relationship;
 - Monitor performance of the relationship against these well-communicated and well-understood objectives;
 - Regularly assess alignment and hold routine relationship review sessions that address whether goals are being met on both sides of the relationship.
- Trust: Avoid Withholding Information –
 - Build trust with honesty and commitment: honesty, reliability, commitment, consistency, and cooperation.
- Communication: Listen and Provide Feedback –
 - Communicate regularly and frequently, establishing cadence and agendas for meetings.
 - Share information and priorities;
 - Keep messaging clear and consistent.

How to Begin:

Start with a strong foundation: a suggested IT Vendor Management Framework includes:

- Managing the function (establishing IT Vendor governance, and measuring and reporting on each Vendor's functional performance),
- Partnering with stakeholders in your organization, and understanding the Vendor's business partner ecosystem and dependencies, driving stakeholder adoption of the IT Vendor and the process that will be used to manage that relationship,
- Managing the operation: segmenting each IT vendor by criticality of product and service to your organization, manage the contracts, manage the performance, manage potential change to current Vendor,
- Managing the talent: assess and review Vendor talent, understand Vendor talent turnover and how that will affect attaining Service Levels.

Once processes and procedures are developed and put in place, the next steps include deriving consistent implementation and enforcement of these established processes, including conducting reviews:

- Monthly operational performance and contract reviews to report on performance against SLAs and metrics;
- Quarterly relationship reviews to focus on evaluating the long-term strategic value of the relationship;
- Biannual risk reviews to update and report on risks pertaining to the relationship;
- Annual executive review to ensure alignment between the vendor and the client's goals, as well as a time for senior executives on both sides to build trust and share ideas.

The overall goal is to develop true partnerships and cultivate trust with your selected strategic vendors, to attain cost optimization (reduction/avoidance/savings) and process efficiencies (improve responsiveness, streamline processes).

Of most importance is to align the Vendor Management's role with your organizations Stakeholders and Management's expectations. Review current metrics and evaluate to ascertain if they are quantifiable, aligned to key initiatives, set expectations for what's reasonable and possible to measure, create a plan for how you will measure tangible and intangible metrics, develop a marketing mindset to sell your value, and then review, validate, and redefine.

"Happy customers develop strong and meaningful vendor relationships, who are easy to do business with, provide the best value for your money, and who provide the reliability, security, and flexibility to transition your critical workloads seamlessly and provide continued value throughout the relationship."

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