

Focus. Connect. Lead.

Conference Summary Report: Sourcing & Vendor Relationships

The theme of this year's Gartner Symposium/ITxpo was **Focus. Connect. Lead.** A nexus of four disruptive technologies — social, mobile, cloud and information — is revolutionizing business, changing the enterprise ecosystem and placing greater demands on decision-makers to drive value and deliver positive business outcomes. More than ever, IT leaders must acquire a new ability to **focus** on the issues that matter, **connect** people and ideas and **lead** with creativity and confidence.



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This summary report takes a high-level view of the strategies and tactics that can help attendees of the Sourcing & Vendor Relationships track achieve business success through sourcing excellence. In its sights: leveraging industry-leading practices, seizing new opportunities presented by alternative delivery models and forging strategic relationships with key providers. We have highlighted critical take-aways and hot-topic areas that should be on your radar in the coming months, and have provided a brief summary of the key concerns related to sourcing and vendor management that attendees raised on-site.



Sourcing & Vendor Relationships track introduction

Intense interest in cloud and industrialized services is unabated as IT leaders struggle to address dual priorities: how to reduce the cost of IT while increasing the value it adds to the business. But these are uncertain times, and the IT services market is crowded with a bewildering array of offerings, delivery models and value propositions. Buyers of these services must realize that the business case to adopt and advance their use of cloud and other alternative models is complex. What's more, as they shift from traditional, highly customized outsourcing to a new, highly standardized approach, they will have to adapt to a different set of vendor management concerns — in an environment where service providers define the terms. Meanwhile, the millennial workforce is gaining ground and introducing consumer attitudes and products to the enterprise, mandating that IT actively drives innovation and business value to avoid being bypassed.

These are just some of the pivotal issues addressed in this year's Sourcing & Vendor Relationships track. Our team of analysts delivered timely research on a range of hot topics: cloud computing, low-cost industrialized services, why the globalization of supply and demand will cause continued turbulence, how and when to use crowdsourcing, and tactical advice on managing rising software management fees, audits and vendor contracts. Our objective: to deliver the actionable guidance IT leaders need to achieve successful outsourcing that supports the business.



Audience highlights

1,600+ CIOs **350+ sessions**
4,100+ total attendees 370 Sym Club members
140 solution providers (attended three or more consecutive years)
1,200+ organizations
120 Gartner analysts

“The [nexus] forces challenge us to think about shadow IT and how to engage those stakeholders, as well as embrace these technologies within the enterprise in a safe and scalable fashion.”

C. Steinberg,
CIO,
Nassau BOCES

Key take-aways

Short-term software licensing trends

Increasing maintenance fees. Software vendors' maintenance fees are growing and becoming difficult to reduce, even if the software is not in use. Be prepared to improve demand management competency, try to avoid purchasing licenses that are not required and negotiate protection of maintenance payments.

Cloud computing. The growing interest in cloud solutions and acquisition of major SaaS players by the megavendors is increasing the need to understand the inherent risk of subscription-based models.

Ubiquitous computing. Enabled by processors, sensors, IP addresses and batteries, previously “dumb” services are being connected to enterprise systems, with a profound impact on software licensing costs.

Software audits. Audits are becoming more intense and more difficult to defend against. Virtualization. IT procurement is still struggling to reduce software costs in virtualized environments, and IT asset managers are struggling to manage compliance with complex and changing virtualization contract clauses.

Consumerization. The growing number of consumer-oriented devices and technologies entering the enterprise will have a major impact on IT procurement and costs. Megavendors are evolving licensing programs to charge for these new devices.

Things to consider when adopting cloud services

- Cloud services are designed for mass leverage. This often contradicts an organization's need for strong commitments from providers. Be prepared to alter your expectations.
- While cloud solutions may cost less initially and have lower switching costs and faster implementation cycles, they often include hidden costs and risks and require contracting protections different from traditional arrangements.

Missed a session or want to see those “aha” moments again?

All full-conference attendees receive free online streaming of available sessions from the event for one year! High-quality recordings feature synchronized video, audio and slides.

Visit gartnereventsondemand.com for more information.



“I always leave Gartner Symposium/ITxpo smarter than I was when I arrived. I feel like I get a window into the future here.”

T. Davis-Muffett,
Director, Public Sector,
NetApp



Key take-aways

Vendor management discipline

The benefits of vendor management discipline implemented across the organization include lower costs, improved cycle times and a more-efficient outsourcing services portfolio. Additionally, when it is clearly articulated and executed, vendor management discipline can encourage your vendors to be more proactive and better aligned with your strategic sourcing goals of delivering end-to-end service and business outcomes.

Recommendations to improve your global delivery maturity:

- Initiate a formal process of ongoing risk assessment and benefit analysis when moving work to emerging markets
- Develop a strong understanding of the optimal location for your globally sourced activities (including lower cost of onshore, rural and nearshore)
- Reassess your current global delivery choices: The benefits and risks of locations, providers, delivery models, and offerings are evolving
- Review your provider's GDM capabilities at each inflection point in your sourcing decision process

Industrialized low-cost IT services

Industrialized low-cost IT services (ILCS) offer a new delivery approach that can lower costs for enterprise buyers via multitenancy and shared services. Be sure to take them into account when refreshing your sourcing strategy or renegotiating and renewing your outsourcing or cloud services deals. ILCS are designed to be a basic entry-level service with no frills, delivered as a preconfigured, standardized service. Providers offer them at a significantly low price compared to traditional approaches.

Crowdsourcing

Is crowdsourcing an opportunity or a threat? The practice, which has been around for several years, is picking up steam. It involves recruiting temporary workers through online communities to handle specialized task-based projects or to contribute ideas for new products or services. Like outsourcing, crowdsourcing can generate significant cost savings. Key benefits include:

- Access to world-class talent
- Economies of very small scale
- Faster delivery, lower costs and higher quality
- Ability to leverage ultra-specialist knowledge/experience
- Helps mitigate bleeding-edge technology risks



Things to watch out for

Your sourcing strategies should start taking advantage of new alternative offerings like cloud-delivered services and industrialized service delivery. But keep in mind that there are inherent risks that you must be mindful of. Be prepared to really understand the ins and outs of these offerings. Things to consider: the health of these new service providers and whether they'll be the subject of future acquisitions or consolidations.

What attendees asked about

Vendor management: How does one acquire the right skills to manage vendors?

Many attendees recognized that they won't be returning to a situation in which all of IT is delivered internally. With that realization comes the increased need to better understand how to manage providers. The focus is on strategic vendor relationships, not just contracts.

When should you switch from traditional sourcing models?

For instance, when should one move from software licensing to software as a service, or from traditional infrastructure outsourcing to infrastructure as a service? How do you make the decision? What factors indicate that the time is right to transition? How do you build the business case for one versus the other?

What's the real use case for cloud service delivery, and what are the real risks?

Additionally, what's the best way to assess this new category of vendors, especially since many are not brand-name providers and have little-known track records?

"I found this conference to be an incredible wealth of nonbiased information that will help me deliver to my customers what they expect — before they expect it."

K. Hoffman, XaaS Product Manager, SAIC

Mark your calendar

Help shape Gartner Symposium/ITxpo 2013

Planning for Symposium/ITxpo 2013 is already under way, and your input is critical. If there is something you'd like to share with us regarding any aspect of the event — an idea or suggestion that may have occurred to you since you completed your evaluation form — please email daniel.winterbottom@gartner.com.

Thank you for your feedback, and we look forward to seeing you again next year at a global Gartner Symposium/ITxpo 2013 event:



Dubai, UAE
5 – 7 March
New location!



Cape Town, South Africa
16 – 18 September



Orlando, Florida
6 – 10 October
Takes place two weeks earlier next year!



Tokyo, Japan
16 – 18 October



Goa, India
21 – 23 October



Gold Coast, Australia
28 – 31 October



São Paulo, Brazil
4 – 6 November



Barcelona, Spain
11 – 14 November

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