

Gartner Outsourcing & Vendor Management Summit 2009

Post Event Brief

The **2009 Gartner Outsourcing & Vendor Management Summit** was held May 4-6 at Mandalay Bay in Las Vegas. This report provides the following highlights from the 3-day event including:

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“Excellent information from leaders in the field. Very good practical information for vendor management and sourcing professionals.”

Overview

What are the right outsourcing actions to take in this economic environment where many organizations are under the gun to outsource more – and to do it more quickly? That urgent question was front and center at this year’s Gartner Outsourcing & Vendor Management Summit. Attendees from across the country and around the world discovered practical approaches to getting their sourcing right without compromising the future. Whether their focus was ITO, BPO or finding the best offshore location, their concern was a shared one: “How can we ensure that the deals we’re creating today will continue to meet expectations when the recovery comes?” Across 6 tracks and more than 50 sessions, ranging from intensive workshops to informal roundtables, attendees gained what they needed to secure sourcing success – actionable solutions and strategies to meet the challenge of cost-optimization while creating sustainable value for the future.

Save the date. Gartner Outsourcing & Vendor Management Summit 2010 will take place **May 3-5, 2010** at the **Renaissance Orlando SeaWorld**. Be sure to bookmark the site – gartner.com/us/outsourcing – and check back in a few months for 2010 conference details.

Gartner
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Summit 2009

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Key Summit Takeaways

- 1 **Be proactive from the very start.** Be sure you properly benchmark or baseline your environment before entering into an outsourcing agreement so you can determine if the vendor has made efficiency, productivity and cost improvements that were contracted for when the deal was first signed. Without this, issues and disputes may arise leading to a breakdown in the client/vendor relationship, creating a negative trend throughout the life of the contract.
- 2 **Negotiate for cost-efficiencies but plan for service enhancements.** Cost-savings may be the name of the game in today's economy, but you also need to plan for scalability, flexibility, responsiveness and innovation. Bottom line: Keep the deal focused on your business objectives.
- 3 **Explore and exploit alternative delivery models.** You may be tempted to play it safe by opting for traditional models. But as comfortable as they feel, they also may limit your opportunity for cost improvements, economies of scale, efficiency and innovation.
- 4 **Don't sign 10-year deals.** A decade is an eternity in business. That's why it's critical to refresh your deals periodically and to apply term limits that make sense for your deal objectives. (Utilities: 1 to 3 years; Managed services: 3 to 5 years.)
- 5 **Take advantage of flexible pricing.** There's a considerable range of pricing models to choose from. Each delivers a different set of benefits, appropriate to the sourcing engagement. Get familiar with what's out there – from Fixed Price models to Incentive-based ones.
- 6 **Establish a governance and demand management discipline.** Success comes down to these essentials: Defining the governance structure and business requirements, aligning supply with demand, and holding the business accountable for consumption. A demand management discipline – which essentially defines how the work will be submitted and prioritized – is crucial because it prevents the very thing that can upend your vendor relationship – ill-defined direction.
- 7 **Develop a formal vendor management program** because your best interest is not necessarily the vendor's priority. Be careful of the kind of wishful thinking that allows the contract terms and SLAs to manage the vendor. It doesn't happen that way. You must decide who will be doing what and how it will get done. Rule of thumb: invest 3 to 7% of your annual deal costs to manage the deal.
- 8 **Operational performance isn't the only thing to monitor and report.** What also counts is business performance – big time. Consider correlating SLAs to KPIs and developing a multilevel performance dashboard – executive, business, management and operations.
- 9 **Assess vendor risk regularly.** Don't assume because your vendor is healthy the day the deal is signed that all will stay well. Start assessing vendor risk on a regular basis by identifying vulnerability factors, collecting and analyzing vendor market financial data and spotting early warning signs that could prove fatal.

“A really good opportunity to catch up with the most important industry analysts that track the IT services market.”



Top-of-Mind Concerns: What people asked about

Everybody is under the gun to outsource more. But can vendors fix the problems I have?

The short answer is yes. But here's the caveat: as a buyer of outsourcing services you need to make concessions to balance your organization's need for excellence, innovation and cost more effectively. Many attendees found that warning to be an eye-opener. Their collective response: "No wonder why vendors are giving us push back when we ask them to reduce costs, but keep everything the same." However, by the end of the conference their perspective had decidedly changed. Conference participants walked away with specific tactics to help balance outsourcing deals for the long term. In fact, in the very last keynote Helen Huntley, Vice President, Research, enumerated 10 key ways to achieve that:

- Understand what you have and what you need
- Identify sourcing barriers endemic to your organization
- Develop vendor management principles
- Continuously improve your vendor contracts
- Be diligent about asset management
- Optimize your application portfolio
- Govern your architecture, integrate silos, improve processes, and control demand
- Know the risks to chasing cheap rates
- Build the business case for innovation
- Institute multisourcing disciplines

What's up with alternative delivery models?

This year attendees were much more engaged around the conversation of alternative models – cloud computing, software as a service, utilities, etc. Whether or not you're ready to embrace them is another story. But everyone certainly wanted to talk about their potential. This increased interest in alternative delivery is reflected in Gartner's latest research.

Within the next five years ADAMs/cloud services market will see significant growth. However, this growth is highly dependent on meeting enterprise users concerns on issues ranging from pricing, to availability guarantees, to security. Everyone is interested in ADAMs but they want to be sure they can deliver.

Given the state of the economy, just how safe are my vendors?

Because of increased insolvency in IT software, hardware and service markets, it was no surprise that attendees were very receptive to learning more about predictive planning in relation vendor failure. Several sessions in our vendor management track examined different aspects of the problem. Our recommendation: increase vigilance to detect potential problems, even before they are generally recognized or acknowledged by vendors themselves. Here are some early warning signs to be mindful of:

- Increased service-level failures
- Increased support turnaround times
- Greater personnel turnover, especially at the senior management levels in the company
- Missed dates for releases, upgrades or maintenance
- A pattern of profit warnings
- Consistently missed earnings targets
- Failures in the vendor's market segment
- Inability to sign additional business
- A weakness in demand for a particular product or service

Where should I offshore?

Many organizations are looking for the least expensive offshore destination, whether it's Vietnam, China, Argentina or Slovakia. But choosing the cheapest country is not what a good offshore decision is all about. People need to understand the risks and reward of the vendor and of the country they choose. This year they had ample opportunities to explore new country options. Our Global Sourcing track presented the latest Gartner research on 30 countries meeting our criteria for viable offshore destinations.

And we took an in-depth look at the state of the market as well as future trends that will certainly influence decision making in the months ahead. The conference showfloor provided attendees with an informal way to gather additional information straight from the source. Brazil; Hungary; South Africa; China; and the Philippines were represented.



FYI: Outsourcing Veterans

An emerging realization among seasoned attendees was that outsourcing isn't just about the deal anymore. Sourcing veterans talked about the need to get more involved and become better vendor managers – better middle-men between demand and supply. There was a higher level of appreciation for the need to create new process competencies. Work needs to be done and it isn't just about doing a deal. It's about managing the relationship.

Conference Highlights

An opportunity to download the big ideas. Opening keynote with Conference Chair Linda Cohen, VP Distinguished Analyst set the stage for an in-depth exploration on how to fast track your sourcing with the best kind of cost-focused approach. Plus, best-selling author Daniel Pink offered a new, insightful view into outsourcing's future and how organizations can best prepare for it. Attendees followed up the discussion at a special book signing for Pink's latest work, *A Whole New Mind*.

Access to the actionable analysis – asap. More than 50 sessions provided proven best practices from sourcing leaders, fresh research and insights from Gartner's team of sourcing analysts, and a wealth of strategies, tactics and frameworks to implement asap. Attendees pursued the best cost-optimization strategies at special sessions focusing on the how-to's of balancing cost with performance. Which presentations emerged as the favorites? See page 6 for the Summit's highest-rated sessions.

“Very relevant to the issues and challenges that I’m facing today. In touch with where the outsourcing market is going.”

Getting up to speed – quickly. Six complimentary pre-conference tutorials on Sunday drew record numbers. Topics ranged from selecting service providers in uncertain times to managing security and privacy challenges when going offshore.

Sound direction for uncertain times. More than 300 one-on-one sessions were held with Gartner analysts, providing attendees with individualized attention and advice on the sourcing topic of their choice. Attendees rated these sessions 4.5 out of scale of 1 to 5.

First-hand knowledge. Twelve analyst/user roundtables provided an informal, relaxed setting that allowed attendees to drill down further, trade insights and hear about the challenges and success of their colleagues across industries.

Who's Getting it Right? End-user panel discussions and case studies revealed how your peers are dealing with utility services, operating-level agreements, new offshore destinations like China and much more.

Uninterrupted focus. Our one-hour, hands-on workshops – provided an immersive, how-to learning experience.

Making the relationship work. Vendor Management track offered tips and techniques on transforming your providers into higher performing partners and examined the strategic management practices you need to have in place to get to the next level.

Where to now? Global sourcing track – reinforced by just-released research on “30 country destinations” – helped attendees determine which location – on-shore, offshore or near shore – offered the best business outcomes for their particular needs.

Around the world in two days. Attendees traveled the globe vis-a-vis the exhibit floor where global sourcing providers were ready to talk. Hundreds of attendees jumped at the chance to discuss specific delivery models and offerings and get up to speed on hot new offshore destinations in today's global marketplace.

Snapshot of Attendees

Who participated in the 2009 conference?

More than 450 IT, finance and business executives from across North America, Europe and Asia. Seventy percent were end-users representing more than 15 industries. The audience included:

- **Decision makers:** over 55% were at the senior management level.
- **Cross-section of industries:** more than 15 verticals, including manufacturing, financial services, health care, transportation, telecommunications, energy and government.
- **Global 1000:** 70% of attendees' companies had annual revenues in excess of \$1 billion.
- **Buying power:** 40% had an annual IT budget of more than \$10 million



Keynotes

Multisourcing Today: Techniques for Optimizing Cost Containment and Performance Management

Conference Chair Linda Cohen, along with **Gartner Research VP Chris Ambrose**, opened the 2009 Summit with a timely examination of how to make the right sourcing decisions in a business environment shaped by the urgency of cost-savings. Cohen and Ambrose presented viable techniques to contain costs in new and existing deals without sacrificing vendor performance or business outcomes. Up for discussion were the how's and why's of tying business strategy to sourcing success, and the critical steps needed in developing and implementing a strategic vendor management discipline.

“A great perspective on what to look for in regards to offshoring, now and in the future.”

Focus on Skills That Can't Be Outsourced

Just as information workers surpassed physical laborers in economic importance, **Daniel Pink** says the workplace is changing yet again, with power shifting to those who possess strong right-brain qualities. Can your organization survive future disruptions by developing capabilities that can't be outsourced? In a compelling keynote, the **bestselling author of *A Whole New Mind*** presented his case for the end of the era of “left-brain dominance” – and the Information Age it engendered – and the emergence of a new period in which harder-to-outsourced right-brain abilities like inventiveness, empathy and big-picture thinking will govern. By keying in on six critical “right-brain” abilities, Pink showed how organizations can develop these attributes from within and prevent jobs from migrating to other shores.

End-User Panel: Making Outsourcing Work

Gartner GVP Mike Lafford and **Gartner VP & Distinguished Analyst Linda Cohen** joined forces with end-users to discuss the competencies, tools and techniques that can effectively control costs and make vendor management more efficient and strategic. Panelists included Julie McElmurry, a Vice President of IT Service Performance at NiSource. As a team leader at this Fortune 500 company, McElmurry is accountable for business-valued performance excellence through the optimal management of service providers.

Outsourcing Initiatives: Balancing Excellence, Innovation and Cost

Will your outsourcing initiatives live up to expectations? **Gartner Research VP Helen Huntley** showed how it can be done in an in-depth discussion that focused on specific actions to take to ensure your outsourcing deals can achieve higher levels of quality, savings, and speed of delivery.

Market Players: Magic Quadrant Power Session

In this popular unscripted session, Gartner analysts shared their unbiased, unfiltered opinions on technology providers in BI, ETL, DBMS and CPM, and engaged in a give-and-take with the audience, answering a variety of questions about vendors and tools.

“Good venue to learn about trends and forecasts. A great mix of participants for networking.”



“Great information on IU models, what to look for from vendors. Good contract and SLA negotiation tactics.”



“Excellent best practice discussions with access to experts.”



Top 10 Best-Rated Sessions

- K3. Keynote: Focus on Skills That Can't Be Outsourced, Daniel Pink
- F4. Critical Success Factors in Managing BPO: Lessons Learned From the Front Lines
- K4. Keynote: Outsourcing Initiatives – Balancing Excellence, Innovation and Cost, Helen Huntley, Research VP, Gartner
- T3. Renegotiation Strategies for Success
- F2. BPO's Moment of Truth: The Evolution of the Market During Economic Downturn
- E2. Contracting in a Globally Sourced World -Understand the Pitfalls and How to Avoid Them!
- EU2. Case Study: The Rewarding Journey toward Effective Multisourcing Maturity
- D5. Workshop: Developing a New Generation of Outsourcing Performance Metrics and Dashboards
- E1. Global Sourcing: State of the Market and Future Trends
- E5. Evolution of Methodologies in Global Sourcing – Does Agile Work?

96% of attendees would recommend Gartner Outsourcing & Vendor Management to a colleague.



“A great way to get the current pulse of the market today but more importantly the market tomorrow.”



“Very helpful particularly in the area of improving an monitoring vendor performance.”



“Excellent information from leaders in the field. Very good practical information for vendor management and sourcing professionals.”

Great Suggestions for Next Year

Attendees at this year's Summit have offered up a number of good ideas to make next year's conference even better. We'd like to thank you for all your input. It's essential to creating an event that consistently meets the needs of the Outsourcing community. We're already looking into implementing some of your suggestions for 2010, which include:

- High interest in BPO sessions. We'll look to add more.
- You liked the masters session designations. We'll make sure to highlight advanced content next year.
- Attending is getting harder to justify. We'll continue to provide justification tools.
- Workshop format was very popular. We'll bring these back again.
- We will look to help you better assess your level in the maturity framework.
- We understand the value of networking and will continue to think of ways to foster it.
- We will add "hot topics sessions" to next year's agenda.
- We'll provide a list of relational research to each presentation.

Thank you for your feedback. We will continue to review it closely. Stay tuned for our 2010 pre-event survey where we look for your feedback on our 2010 agenda so we can better address your evolving needs and issues.



Special Note: All conference attendees have access to presentation slides which can be uploaded using their specially assigned documentation key on Agenda Builder (See conference website: gartner.com/us/outsourcing.) Those who have purchased the "Events on Demand" multimedia offering can review presentation slides and audio for the conference sessions. (For more information regarding "Events on Demand," e-mail the following – eventsondemand@gartner.com.)



"Food for thought, coupled with actionable takeaways.
Hands-on = Heads-up."



"Great information for seasoned pros or for the novice."



"Broad and deep. Excellent integration of vendors and analysts."



Thanks to our 2009 Outsourcing & Vendor Management Sponsors

Throughout the Summit, the show floor was buzzing with activity as attendees met with solution providers to discuss the latest innovations, services and product offerings. Many thanks to our sponsors for helping make Gartner Outsourcing & Vendor Management Summit 2009 an outstanding educational event for everyone involved.

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Completing this post event trip report will provide you with a valuable source to reference and share with colleagues back at the office.

Go to: gartner.com/us/outsourcing to access the trip report worksheet.