



SURVEY RESULTS

Current Methods of IT & Telco Procurement

Turnstone conducted a survey on the current methods of IT and telecommunications procurement actually in use by companies today.

Representatives of IT, HR, Finance, Procurement and Legal departments of UK-based organisations from a range of industries took part in the survey which was carried out on 29 June 2011.

Executive Summary

Most companies expect more value from their technology suppliers. However, many companies are using a mix of formal and informal processes around their IT procurement, which places a limit on what is achievable.

The survey found that only three processes are well used; *market tendering; defining commercial and functional requirements and adding statements of work for new requirements.*

Many companies do not take the next step to ensure they get the highest value possible from their suppliers.

For instance, the involvement of different departments is a factor, with IT departments themselves remaining dominant in the process.

Procurement staff are only involved in around 50% of companies. Legal departments are rarely involved in negotiations, being used to check contractual documentation at the end of the process.

Another factor is the skills footprint of the staff involved in the process: the ideal is a mix of procurement staff with an IT background, plus IT staff with a robust suite of commercial skills.

However in the companies surveyed, less than half of the staff involved have formal training in IT procurement techniques.

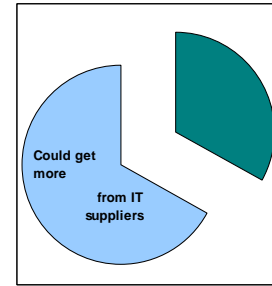
For existing suppliers, regular score-carding is used only by about a third of surveyed companies.

Overall, we find that the process of IT procurement is an emerging one.

Summary of analysis

1. Value from suppliers

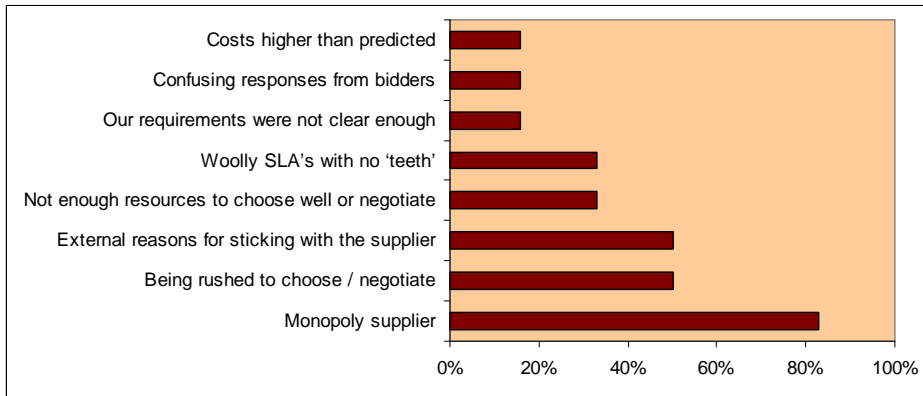
Do suppliers provide maximum value, or are they expected to provide more? Over two-thirds of respondents think their companies could get more from technology suppliers.



2. Negotiation challenges

According to survey results, the top three areas where technology suppliers gain advantage over clients are the following:

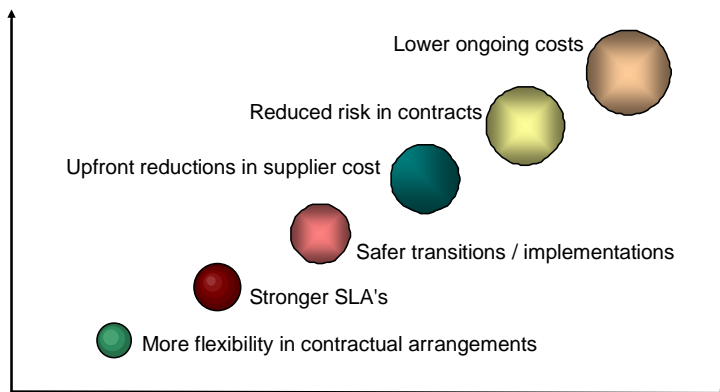
- Monopoly supplier,
- Being rushed, not enough time to choose / negotiate,
- External reasons for sticking with the supplier.



3. Value of commercial skills

Respondents were asked to name those commercial skill levels that they value most. Unsurprisingly, the ability to lower ongoing costs is the most valued skill among respondents.

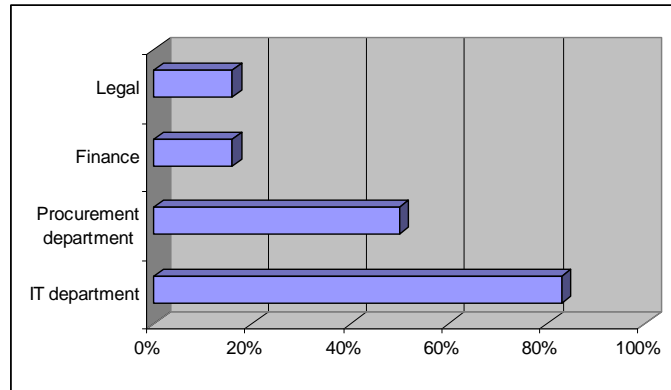
In the chart below, commercial skills are listed according to priority level set by respondents.



4. Departments involved

Participants were asked which departments in their companies get involved with the majority of their IT procurement. Based on the responses, IT departments lead in the majority of companies.

Procurement departments are involved in almost 50% of cases, while participation of legal and finance departments makes the smallest percentage: less than a quarter of the companies surveyed involve these departments in software procurement.

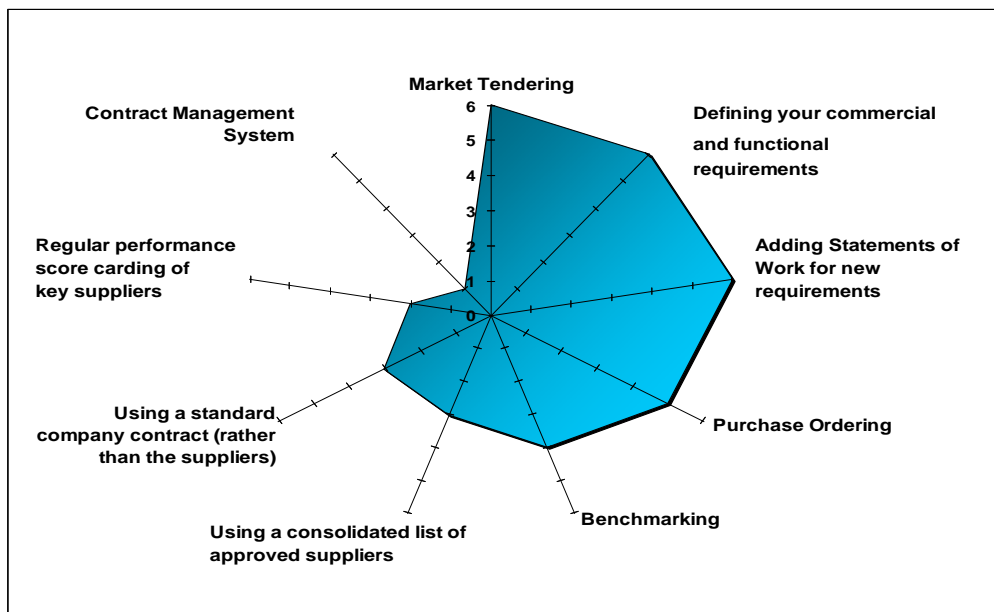


Level of participation of departments in IT procurement in the companies surveyed

5. Processes applied

Only a small percentage of companies have purely proactive approach to choosing IT suppliers and negotiating with them.

Out of a range of process options that may be used in IT procurement, the respondents were asked to choose those most applied in their companies.



All the companies surveyed:

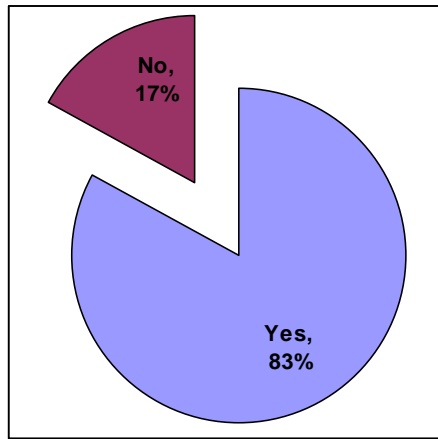
- a) use market tendering
- b) define commercial and functional requirements
- c) add statements of work for new requirements

Around half of the respondents stated they use a consolidated list and a standard content, while only about a third of them use score-carding.

Applying all the processes mentioned in the chart above would imply using a comprehensive procurement approach to ensure maximum value from suppliers. However, less than 20 percent of the surveyed companies apply all of the suggested processes.

6. Cloud services

The majority of respondents, 83%, mentioned they will use Cloud services in 2011.



Will you use Cloud services in 2011?

7. Staff and qualifications

- Among the companies surveyed less than half of the staff involved in commercial aspects of IT outsourcing, have formal training in IT procurement techniques.

At the same time, over half of respondents have CIPS (Chartered Institute of Purchasing & Supply) qualified staff in their departments.

- The perspectives of respondents on staff involvement in the procurement of software may be summarized to the following:
 - “Team effort gets the best results” is a relatively popular opinion among respondents,
 - Legal expertise is not considered important/necessary for IT procurement (although the latter involves contract development and signature),
 - IT procurement should not be limited to technologists only, at the same time 33% consider it the business of procurement specialists.