



This article was written by Ian Puddy, Managing Partner for Gartner EMEA Sourcing Practice, and Robin Wilson, Vice President Gartner Sourcing UK. Gartner delivers the technology-related insight necessary for our clients to make the right decisions, every day.

During difficult times, many organisations would prefer not to invest the capital needed to build and run their own next-generation data centres. They would rather look to external providers to deliver their IT services in a more cost-effective manner than traditional outsourcing and hosting.

This article provides further insight into some of the challenges and choices that organisations need to consider as we enter the next decade.

IT services are evolving from the one-to-one contracts associated with outsourcing and hosting to increasingly industrialized one-to-many service definitions, cost structures and pricing. It is time for organisations that are looking to simplify and reduce the cost of their infrastructures to evaluate all approaches to industrialized services as part of their IT sourcing strategy.

Changes in technology continue to open new opportunities to source IT capability. As a result, Gartner believes that the IT services landscape is now at an inflection point where a new bar (standards for delivery, pricing and thought leadership) has been set, and new lines are being drawn for categories within the IT services provider landscape. The playing field is being redefined, the players are changing, and buyers' expectations are shifting.

The emerging technologies such as cloud computing and unified communications also present new challenges and risks for both implementation and ongoing service delivery, particularly where traditional delivery models are no longer appropriate. There are a number of areas that organisations need to consider first:

Taking a pure product procurement approach is unlikely to achieve the desired outcome.

Simply focusing on the evaluation and selection process is not enough to make a deal effective without a sound sourcing strategy and deal management activities. Using buying services such as those now being offered through the cloud purely to make cost savings is unlikely to succeed.

Before evaluating service providers, an agreement should be established to define what outcomes are required.

While using new delivery models such as cloud services should speed up evaluation and selection and avoid complex contract negotiations, but how can you ensure you

achieve this? Always start with a simple business case that addresses the question: "Why are we opting for these new services, and what do we want to achieve from the deal?"

Managing the deal: In early outsourcing deals, some enterprises incorrectly assumed that minimal internal staff were needed to manage the deal and relationship with providers, and did not build these resource costs into their business case, while others micromanaged the deal.

Use service reviews: Use regular deal reviews to achieve cost and service improvements. The good news is that, in contrast to outsourcing where contractual benchmarking provisions were essential and complex to execute, most cloud services deals will have short-term contracts that will encourage providers to introduce innovation.

Benchmark to review value for money: Whilst it is possible to use the pricing of external competition as an easy way to benchmark and review the value for money you are achieving, it is important to understand that there are switching costs involved; so, cost savings may be less than you expect if you do switch. Client organisations sidetracked with other operational issues may well miss this quick and inexpensive benchmarking approach and therefore not realise the savings.

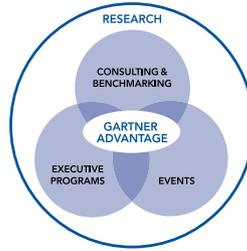
During the course of this year, Gartner will be holding a number of briefings on these topic areas. If you would like further details of these briefings or wish to receive further information from Gartner, please e-mail consultingclinics@gartner.com.



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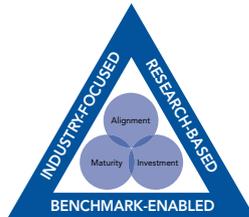
IAN PUDDY



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2.

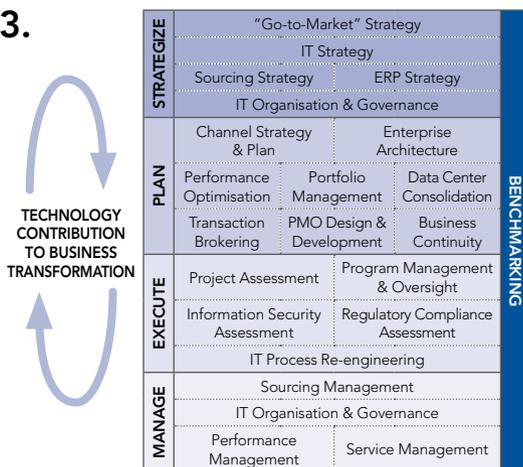
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4.

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