The politics and practicalities of IT procurement
Is cloud becoming a strategic disrupter?

October 2017
Introduction

The politics and practicalities of IT procurement have always presented organisations with a complex set of challenges, and against this background, the emergence of cloud architectures, alternative application deployment models and new service offerings is a two-edged sword. Having more options available can be quite liberating, but for some, the additional choices and decisions can become almost paralysing.

With this in mind, it helps to take a step back from the countless technologies and services now being thrust onto IT teams, and note the underlying trend. Whether enabled via an on-premise cloud architecture, a cloud provider, or a combination of the two, what we’re seeing is a shift towards service-centric delivery of IT services, which puts the focus more on what’s delivered rather than how. Implemented in the right context, with the right blend of technology and services, this can reduce costs, accelerate time to value and boost overall flexibility and responsiveness.

But the shift to a service-centric delivery model is easier said than done. Coming up with the right solution and making sure it works is hard enough, but then you need to look at how IT and business-stakeholders work together and what effect this will have on IT procurement and decision-making.

This report, based on a survey of 250 UK-based IT and business managers and professionals (see Appendix A for more details), examines how attitudes and approaches are evolving in the IT service delivery space, and what needs to be considered to move forward in an effective and harmonious manner.

A good place to start this discussion is with a quick look at how well IT and business people are aligned in terms of today’s requirements and objectives.

Culture and politics can often stand in the way of progress

If you work in IT, then you might think that business politics and overly cautious leadership are holding your organisation back. In truth, every department thinks this way, so you’re not alone – those in finance, legal and HR probably have the same perception. When we look at the factors that hold back progress, most of them will undoubtedly be familiar (Figure 1).

Looking on the bright side, there’s plenty of hope and opportunity beyond the red zone we see in the chart above. Putting political games and internal company conflicts to one side (because this is often ingrained), every other impeding cultural factor is
likely to fluctuate based on a complex mix of prevailing market conditions, competitive landscape and phase within the business cycle (expansion, recession, recovery, etc.).

Sticking with the market and competitive landscape, technology is clearly driving many of the changes and imperatives that are impacting organisations in today’s digital world, and even IT pros can struggle to keep up with technological developments.

With all the hype, it’s also natural for those in IT to be sceptical of many of the claims and promises made by suppliers. Nevertheless, there’s no getting away from the fact that if an organisation falls too far behind the pace of change and the technology that underpins it, then it’s likely to suffer in terms of both operational efficiency and overall market competitiveness. That said, effective technology-related investments depend on everyone involved in the process being properly aligned.

**IT and business care about the same things, but sometimes prioritise them differently**

Priorities change from day-to-day and with the ups and downs of the business cycle, but if you’re an IT or business manager, the chances are you’ll be focused on a similar set of core drivers (Figure 2).

When segmenting our survey sample between IT and non-IT professionals, some of the differences in emphasis between these two groups are quite telling (especially if you consider primary and secondary focus areas together). Cost, risk and agility (the ability to implement change quickly and effectively) figure prominently on both the IT and business agendas. However, innovation and digital transformation come through noticeably more strongly with the business group.

Perhaps some of these differences are an indication that IT teams sometimes underestimate the business appetite for driving change in a more proactive way. This evidence may be circumstantial, but it’s worth considering when thinking about the IT/business dynamic within your organisation. Either way, the obvious next question is to consider how well IT is achieving results in relation to the above drivers.

**While the drivers are understood, IT doesn’t always contribute to its full potential**

IT should be a key business enabler, helping the organisation meet its business goals which derive from its core drivers. But results from our study indicate that most IT teams could contribute more than they are doing at present (Figure 3).
To what extent does the IT function contribute to meeting goals in the following areas?

While we haven’t shown it here, perhaps counterintuitively, IT respondents were more likely to be hard on themselves than their business counterparts. To put this into perspective, every business function feels it’s under resourced and under invested in, so we can appreciate why IT managers might sometimes undervalue their contribution to the business. IT users and business managers are often slow to praise but quick to criticise, so most of the feedback that IT teams hear will tend to be negative.

It’s also easy to forget that sometimes the simplest things can make a big difference to users of business IT – it doesn’t always have to be about implementing the latest and greatest technologies that preoccupy the pundits and market commentators. But none of this is to say that IT teams couldn’t contribute more. We all know that the world of IT is full of distractions, time-sucking black holes, and frustrating dead ends, so the smart thing to do is try and avoid them and focus on what matters.

However, IT doesn’t exist in a vacuum, and sometimes other people in the organisation can get in the way, especially when it comes to investing adequately and appropriately.

Weak business engagement can adversely skew IT procurement decisions

Based on the research, some survey respondents clearly regard senior management and those working in finance and procurement as meddlers and misers (Figure 4).

Sometimes the issues we see here are down to people simply doing what they’re paid to do, e.g. execs ensuring that company resources are properly allocated and finance and procurement staff making sure we get the best deals from suppliers on the best possible terms. With the need to balance short-term and long-term considerations,
this obviously raises the question of whether individuals’ objectives (even what drives their bonuses) are in the best overall interests of the organisation.

But when it comes to IT, the research data highlights another common issue – a lack of engagement, which in turn leads to poor understanding and appreciation of complex decisions and service-delivery practicalities. This then results in IT being perceived, sometimes unfairly, to fall short of what’s required by the business (Figure 5).

The second bar relating to unrealistic expectations is undoubtedly so prominent because business people are often more susceptible to the technology-related hype we mentioned earlier.

And if ever an area has been hyped by the IT industry, it’s cloud.

To the ear of a business executive, it can sound like all their dreams have come true: a technology-enabled business advantage on tap, rapid time to getting what they want, the promise of lower operational costs and a reduced dependency on those awkward IT people that always seem to make things more complicated.

Later, we’ll talk about how misguided and inaccurate this rosy perception of cloud is in practice, and we’ll delve into the realities of exploiting cloud options safely and effectively. But first let’s recap on how cloud, in its various forms, is finding its way into the IT investment and delivery discussion.

Love it or loath it, cloud has arrived and it’s undoubtedly here to stay

Firstly, let’s quickly confirm that most respondents in our study consider service-centric, cloud-style delivery models useful when dealing with more dynamic business requirements, if not important or even critical for keeping up in general (Figure 6).
Beyond this view, however, the level of enthusiasm varies considerably among different constituencies (Figure 7).

**Figure 7**
Picking up on the mention of cloud, and the public cloud delivery model in particular, how would you characterise the default attitude towards it?

Why is this, particularly beyond senior management? Well, it’s because when you consider the use of cloud overall, particularly the need to blend different on-premise and service options (which can create complexity), then you end up with strong benefits in some areas, but challenges in others (Figure 8).

**Figure 8**
Do cloud delivery models (whether public, private or hybrid) make things easier or harder in the following areas?

And this is reflected in mixed outcomes when we circle back to our core business drivers (Figure 9).

**Figure 9**
Coming back to the business objectives we mentioned earlier, to what extent do cloud delivery models contribute towards meeting these goals?

You’ll notice various references to different forms of cloud in the questions presented on those last few charts, and we’ll come back to that a little later.

For now, the big message coming through is that cloud, in whatever form, doesn’t represent the universal answer to all IT requirements and challenges, and this becomes even clearer when you start to look at what’s on offer in the market.

Whether it’s platform technology for use in your own data centre, or services to deal with specific needs, the more you explore options, the more you appreciate the total lack of consistency in scope, richness and maturity of capability and style of engagement.

This brings us right back to the topic of investment and procurement.

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Cloud, in whatever form, doesn’t represent the universal answer to all IT requirements and challenges.
Cloud introduces a new set of procurement considerations that must be worked through

Cloud is proving to be a significant disrupter in terms of investment and purchasing decisions. Most obviously, as the demand for cloud-based services grows, IT, business and procurement teams are having to learn how best to purchase them.

The way in which technology and services are fused together in a cloud service, often in a unique and continuously-evolving fashion, means many of the traditional approaches to procurement don’t work very well. RFPs, bidding mechanisms, like-for-like comparisons, and negotiation processes don’t really fit the world of service-based products and cloud delivery models in quite the same way.

A quick look at the factors involved in selecting a strategic cloud service or platform illustrates that it’s not as straightforward as procuring a pure technology product or traditional type of service (Figure 10).

These responses are based on the opinions of a particularly knowledgeable subset of respondents who completed a set of drill-down questions in the survey on their experiences with cloud.

In terms of the specific criteria, few will be surprised by the fact that security comes top of the list, and of course data sovereignty follows close behind for the UK organisations reflected in this study. When it comes to secondary considerations, we quickly find ourselves looking at specific technical capabilities, however, such as the pros and cons of cloud stacks, hypervisors and containers. This reflects the fact that in what remains a relatively immature market, the devil is still often in the detail.

The main point, however, is to underline the notion that cloud introduces a different set of concerns in relation to what are essentially dynamic services, the attributes of which will change over time in ways you cannot always influence or control.

Furthermore, many offerings are presented in a “take-it-or-leave-it” fashion, and the pricing of competing services cannot be compared directly in a like-for-like manner. And let’s also remember the risk of lock-in that can stem from attractive-looking advanced capabilities that are often proprietary to a single provider.

This is why traditional activities, such as comparing responses to RFPs based on a fixed set of well-defined, immediate requirements need to become subservient to a more strategic service selection process with a longer-term focus. This puts as much emphasis on the nature of the provider as it does on the service itself.
It’s all about the strategic and operational fit with your business and IT delivery processes

Procuring a strategic cloud service is a lot like getting married – you’re committing to a long-term partnership where both parties will mature and change with every year that passes. You therefore need to look for indicators of a compatible culture and set of values that provide confidence of an ongoing fit with the way your business thinks and operates (Figure 11).

This picture (again based on our experienced response group) leaves us in no doubt as to what organisations want from their strategic partners. Clarity, transparency and trust are key when evaluating strategy partners. But as we said earlier, it’s not just about cloud services. If we’re going to make decisions strategically, we also need to think inclusively.

Hybrid cloud is currently hot, but it’s really a waypoint on the road to hybrid IT

At the time of writing, a lot of attention is being paid in the industry to so-called ‘hybrid cloud’, but it’s important to draw a distinction between this and what we might call ‘hybrid IT’.

For the purposes of our discussion here, with hybrid cloud, the infrastructure is made up of two or more distinct cloud infrastructures (private, hosted or public). These remain unique entities, but they’re bound by orchestration and management technologies that enable data and application portability.

Hybrid IT brings together the best of cloud (running a cloud stack within your data centre or someone else’s) with the best of on-premise IT, i.e. the traditional IT stack that supports line-of-business applications, legacy systems, etc.

When we look at the range of delivery options that are increasingly being considered as ‘natural’, the need to think inclusively becomes abundantly clear (Figure 12).
Figure 12
Thinking of core IT infrastructure needs, is it (or would it be) generally considered natural for your organisation to take advantage of any of the following?

This picture reminds us that enterprise IT is pragmatic rather than ideological, so we should think of hybrid IT (and the various platform offerings in this space) as an indicator of the direction of travel rather than a finishing post.

Pushed to their fullest extent, hybrid cloud architectures are likely to lead many organisations towards genuine hybrid IT over time, and again this has an impact from an investment and procurement perspective.

Hybrid IT meets hybrid financing

A frequently alluded to trend in the industry is a major general shift from funding IT via Opex rather than through the traditional Capex approach. Some argue that this shift is driving cloud adoption, others say that cloud is encouraging this shift.

Either way, the data from this survey (and many other Freeform Dynamics studies) suggests that the extent and pace of this shift is somewhat exaggerated. Capex is, for the time being, the preferred option, and while a trend towards Opex is anticipated, the overriding picture is one of keeping your options open on funding (Figure 13).

The truth is that for most organisations, in most situations, the answer to the preferred funding option question is generally “it depends”. Perhaps the key principle at work here is that hybrid IT, which translates to a range of infrastructure investments as well as application and other services, requires a hybrid approach to financing.

Finding the magic formula that aligns priorities and unites business and IT

Despite millions of words being written on the subject, business success still seems to be more of an art than a science, with every industry being able to present examples of successful companies and leaders getting things wrong. Usually, things start heading in the wrong direction when a company’s strategy, products or emphasis loses its market relevance, either through market shifts or due to unforeseen events.
We started this report by saying that culture and politics can often stand in the way of progress, and that although business and IT care about the same things, priorities don’t always match-up. But whichever drivers matter to your business, it’s important that every department gets behind them; everyone should be aligned and pulling in the same direction for maximum impact. If there’s one finding from this research that presents a call to action, it’s the relatively low percentage of respondents who answered “Fully” in Figure 14. Business and IT strategies clearly need to be better defined and better understood, and be updated as markets and technologies change to create new opportunities.

If you recognise any of these shortcomings in your organisation, then it might be time to instigate a strategic level review before cloud options start to work their way into your business and disrupt your IT plans and activities in an uncontrolled manner, as they surely will if you don’t do anything to prevent it.

It’s here that third party advice, guidance and services have a potential role to play. If you operate in a technology-driven or digitally transforming market, there’s a serious chance of becoming submerged under a wave of change if most of your time and energy is focused on ‘business-as-usual’. Business and IT transformation often go together, so it can make good sense to seek assistance from partners that can help your organisation develop and progress, while simultaneously de-risking IT projects and better managing costs (Figure 15).

It’s notable that many who haven’t historically used the kind of services we see listed here acknowledge their future relevance and suspect that they’ll become more important over time.
Final observations and thoughts

We’ll finish off by leaving you with a final few observations from the research data. During our analysis, we grouped respondents based on how well they were delivering against the core drivers previously highlighted in Figure 3. Having translated their responses into numerical scores, we were able to pull out the top 25% of respondents based on the level of contribution to the business by IT.

While slicing and dicing a finite sample (such as the one we’re working with here) in a robust statistical fashion is hard, we were able to identify some general traits that appeared to be strong enough to merit calling out.

Indications are, for example, that top performers have following tendencies:

- More likely to use ITTs with selected suppliers (rather than open tenders)
  In a complex and fast-moving market, they do their homework and focus their efforts, rather than taking a scatter-gun approach.

- Much more demanding of strategic fit from cloud service providers
  They realise that even cloud services acquired tactically have a habit of becoming business critical and strategic over time.

- More likely to have a well-communicated strategy in place
  The importance of not only formulating plans, but making sure everyone is behind them, is better appreciated.

- More likely to take external advice and guidance while working on strategy
  On the basis that you often don’t know what you don’t know, top performers aren’t afraid to take advantage of the broader experience suppliers often have.

- Less likely to be forced to buy from an incumbent supplier
  They have a culture and management style that allows them to disrupt the status quo and cast the net wider when looking for competitive advantage.

- More likely to favour Capex over Opex
  They maintain a hybrid-financing approach to Opex, but prefer to spend capital and acquire assets in areas that are deemed to be strategic differentiators.

- More likely to be already using private cloud/on-premise architectures
  They appreciate that cloud services and other hosted options are key, but it makes sense to keep the pivot-point for IT delivery and management on-premise.

When you look at these traits (and we could have picked out more), it’s clear that nothing we’ve listed is rocket-science; these are the kind of things that anyone working in and around IT could probably have guessed would be aligned with better performance.

As you continue your journey to a more service-centric approach to IT delivery, however, we hope these insights, and indeed all the results we’ve presented in this report, will help you prioritise what’s important.
Appendix A: Research sample

This report is based on research which was designed and executed on an independent basis by Freeform Dynamics. Data was collected from UK organisations via an online survey. The study, which was completed in August 2017, was sponsored by Proact.

### OVERVIEW OF SAMPLE

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<th>JOB FUNCTION</th>
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<td>IT manager director</td>
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<td>IT practitioner</td>
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<td>Business professional</td>
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<td>Other</td>
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<th>ORGANISATION SIZE</th>
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<td>10 to 50 employees</td>
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<tr>
<td>Less than 10 employees</td>
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<th>INDUSTRY SECTOR</th>
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<td>Education</td>
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<td>Energy, Resources and Utilities</td>
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<tr>
<td>Financial Services</td>
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<td>Healthcare and Life Sciences</td>
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<td>Hi Tech</td>
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<td>Manufacturing, Engineering, Construction</td>
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<td>Media and Entertainment</td>
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<td>3%</td>
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<tr>
<td>Travel, Transport and Hospitality</td>
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</tr>
<tr>
<td>Other</td>
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### Note on methodology

The survey was conducted via a questionnaire hosted on the web and respondents ‘self-selected’ into the study. We must therefore be aware of possible sample bias towards more advanced respondents who are generally more enthusiastic and more likely to respond to a research call to action. This does not affect the commentary or conclusions contained in this report, but should be borne in mind when considering the data in another context.
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