Why Sourcing Speed is Critical

How to keep pace with changing technology and increase speed-to-value
Introduction

In today’s world of rapid technological development and fast-paced transformation, the year-long RFP cycle is outdated. Companies need the flexibility to move in and out of sourcing agreements rapidly to keep up with changing demands and new capabilities. In order to keep pace in a constantly evolving marketplace, organizations need a new model for sourcing IT services, one that moves quickly and delivers real business value.

Today’s companies need the flexibility to be able to move in and out of sourcing agreements rapidly.

What is rapid sourcing?

The traditional sourcing process can take well over a year when accounting for strategy and analysis work, the RFP lifecycle, transition, and unforeseen delays. When implementing new technologies, this amount of time simply doesn’t make sense.

By the time a sourcing partner has been chosen and systems are running, the competition has already raced ahead and a new solution might be needed. Rapid sourcing seeks to overcome this challenge by reducing the time it takes to find a viable partner and implement a new solution. This is accomplished by adopting an agile-like approach to streamlining the traditional strategic sourcing model and emphasizing speed-to-savings and flexibility. After immediate goals have been achieved, the organization can focus on further optimizing the solution.

This paper will explore some of the benefits of rapid sourcing and help your company employ new ways to source vendors faster.
The benefits of rapid sourcing

In a recent survey of over 2,300 CIOs, 51% said they cannot respond in a timely manner to digital opportunities.\(^1\) Sourcing third-party IT infrastructure and services already helps companies move more quickly in the digital world, but the process could be improved and streamlined. By focusing on the flexibility of sourcing agreements, optimizing speed-to-value, and moving more quickly through the strategic sourcing model, companies can build a more nimble, faster moving IT infrastructure that’s better prepared for the future.

1. **Increased speed-to-value**

71% of respondents to a recent survey said the cloud increased their business agility, and most agreed that its greatest value was not cost savings, but speed.\(^2\) Speed-to-value is simply how fast a company realizes the benefits of a new solution. Lost cost savings is cost that can’t be recovered, and the faster a company can capitalize on a new benefit, the more it will save. By rapidly moving through the vendor-sourcing process, companies can drastically increase the speed with which they realize benefits and get solutions out faster.

2. **Greater flexibility**

One goal of rapid IT sourcing should be to avoid getting locked into the same vendor. The flexibility to move out of an unfavorable or outdated sourcing agreement and find more favorable terms can be extremely beneficial when trying to maximize efficiency, benefits, and cost savings. Too often, companies simply renew contracts because they have not properly prepared to source another solution or because it is the easier thing to do. Being constrained ultimately stifles innovation and keeps companies from achieving their business goals.

3. **Competition**

Anytime an organization is implementing a new technology or solution, it is racing against its competitors. Whether you are trying to be the first to capture new market share or simply playing catch up, it is always important to get things done faster. Today, companies live and die by technology. Just as Netflix disrupted the video rental industry, another technology is coming to disrupt yours. Organizations that don’t move fast enough won’t be able to compete. This makes having a rapid IT sourcing model not just a matter of optimization, but of survival.

---

\(^1\) [https://www.gartner.com/newsroom/id/2740317](https://www.gartner.com/newsroom/id/2740317)

How to increase speed in sourcing

In order to increase speed when sourcing, companies must fundamentally change the way they approach IT. This involves a restructuring of the IT organization, an increased focus on the role of sourcing in the organization, and an increased emphasis on speed. IT leaders must work closely with other members of the organization and develop more effective strategies for making the sourcing process faster, more flexible, and more efficient.

Build off current sourcing models

Increasing the speed of IT sourcing doesn’t mean abandoning traditional strategic sourcing techniques. Instead, companies should build off old models and look for areas to make the process faster and more flexible. Rapid sourcing begins with the same four steps as traditional sourcing, but they are streamlined, continually reinforced, and refocused on delivering better speed-to-value and flexibility.

MOBILIZATION

The first step to any successful project is building support and developing initial goals. This will include meetings with business stakeholders, creation of a project charter, and initiation of sourcing teams. In a rapid-sourcing model, this process will look largely the same with a greater emphasis on action.

STRATEGY DEVELOPMENT

During this stage, the sourcing team will define goals, create measurable metrics for success, and determine budgets and other definite constraints. To increase speed, it is important to make time-to-value a key issue and define phases for delivering value. It may be beneficial to break the contract into smaller segments, so that benefits can be rolled out continually and the business can start taking advantage almost immediately. To speed the process, it may also be beneficial to reuse existing sourcing tools, plans, and checklists.

EVALUATION

One of the key metrics for evaluation in a rapid-sourcing strategy should be time to market. If a vendor cannot deliver the solution rapidly, it might be ruled out. It is also important to make sure that all evaluations are made in terms of business results. Resist the tendency to evaluate only price data. Use the service’s effect on the business to determine whether the vendor is aligned correctly.

This will help eliminate the so called “watermelon effect,” when vendor performance looks good on SLA charts but doesn’t deliver real results. In order to ensure this doesn’t happen, it is important for IT leaders to communicate with the business group and create metrics that capture the reality of day-to-day use. Look at cost savings, efficiency improvements, and other similar data points to determine the real performance of the solution.
NEGOTIATION

Vendors are often open to working with their clients to create a solution that works best for them. Be upfront about what time frames the company needs and find a partner that can meet them. Work out the details of how the project will progress, milestones, and at what points deliverables can be expected.

Decide between old and new vendors

Using incumbent vendors can be an easy way to source infrastructure, services, and solutions faster. However, it may come at a cost and doesn’t always lead to rapid IT in the long run. It is important for companies to consider both the risks and rewards of using known providers when compared to competitors.

CONSIDER A LIMITED RFP PROCESS

The RFP cycle is one of the most time-intensive components of a standard sourcing strategy. Creating a set of requirements, waiting for a range of companies to submit proposals, negotiating with several vendors, and making a decision can take many months. By performing a less intensive review on current providers and taking a rough evaluation of their costs and performance, companies can avoid this process and create usable solutions faster.

OUTSOURCING PARTNERS SPEED THINGS UP

When comparing providers, you might expect to find a service overlap of up to 70%. Outsourcing partners can vet what is really different among potential vendors, allowing you to speed up the RFP process and go straight to due diligence. Your outsourcing partner will make sure the provider can deliver upon their value proposition, especially as it relates to your organization’s specific requirements.
Modernize and maintain

Today’s fast paced world demands high reliability, low cost, and innovation. Balancing these three needs requires a modernized approach that is maintained in parallel with the traditional goals of day-to-day business support and differentiation. To achieve this, an organization must establish a culture of innovation across the board. This includes encouraging a constant flux of new ideas and rolling out new functionality within the IT group – and simultaneously increasing efficiencies without sacrificing speed.

Establish Effective Relationships with Vendors

One of the most important keys to improving speed in IT sourcing is to maintain healthy working relationships with vendors. By building a diverse network of vendors that have worked with the company in the past, understand its needs and value your business, the IT organization can significantly reduce the time it takes to source a new solution.

Create a Wide Network

The new IT organization should have stronger interpersonal skills with the ability to build strong relationships with a wide range of individuals in vendor organizations. Modern IT cannot operate as an island anymore; it needs to be connected at many points to other organizations. The IT group must have business relationships across organizations to be able to ask questions quickly, get ideas about the feasibility of new ideas, and roll out solutions faster. They need to be able to maintain relationships with sales reps and ideally, vendor executives, to ensure that they can quickly solve problems and source solutions.

Make Vendor Management a Priority

The new IT organization should be focused on two roles: advising the business and vendor management. The IT group should use their resources to find effective vendor partners, build relationships, and ensure the business is getting the best possible service for cost.
BUILD A LIST OF TRUSTED VENDORS

There is no reason to work from scratch every time the organization needs to source something. By building a list of trusted vendors that have a track record of delivering projects up to expectations and offering competitive pricing, companies can immediately narrow down their options when attempting to source rapidly.

DON’T BE AFRAID TO GO OUTSIDE OF EXISTING CONTACTS

Although having a group of trusted vendors is beneficial, it is important not to always rely on the same ones. Companies should always be working to build their understanding of the market, make new relationships, and give other companies a chance to offer better service or lower cost. This allows the IT organization to always be improving and helps prevent cost creep.

Many companies continue to make the same mistakes – and get caught with slower, less innovative IT.
Conclusions

Sourcing has become one of the most critical functions of the IT organization. When sourcing was a secondary function, a single, slow strategic approach may have made sense. However, now IT leaders must work to ensure the company can both move quickly to capitalize on new innovations and move strategically to reduce sourcing costs and improve service.

Rapid implementation of new ideas and technologies can mean the difference between great success and obsolescence. IT leaders must strive to ensure their organization is ready to act quickly when opportunity presents itself.

For more information on how WGroup can help your IT team work faster, better and smarter, visit us online at thinkwgroup.com.
Founded in 2004, WGroup is a technology management consulting firm that provides Strategy, Management and Execution Services to optimize business performance, minimize cost and create value. Our consultants have years of experience both as industry executives and trusted advisors to help clients think through complicated and pressing challenges to drive their business forward.

thinkwgroup.com