

## SOURCING STRATEGIES: WHEN A RISK SHARED IS A RISK HALVED

By Jyoti Lalchandani

In recent years, end-user organizations have been paying increasing attention to their vendor and sourcing management strategies as they look to streamline their costs and maximize their flexibility.



This new focus on establishing deeper buyer-vendor relationships holds true right across the board, but is perhaps most prominent when it comes to the procurement of information and communications technology (ICT) services.

Indeed, buyer-vendor relationships in the ICT space are increasingly evolving from short-term transactions into long-term relationships that

resemble more of a partnership than a conventional supplier-consumer transactional affiliation. This is because the rise of transformational 3rd Platform technologies such as big data and analytics, mobility, cloud, and social media is introducing a new level of complexity when it comes to organizations managing their existing portfolios of vendors and suppliers.

The need to balance multiple service providers, maximize the financial benefits, and manage performance, supplier productivity, and risk is driving organizations to develop a deeper understanding of the different vendor engagement models that are most often used in IT sourcing. These models typically range from basic time and materials (T&M) and fixed-capacity agreements at one end of the maturity scale to more complex managed services and fixed-price contracts at the other.

IDC's global research suggests that by 2017, 35% of vendor sourcing relationships around 3rd Platform

technologies will fail, causing CIOs to revisit existing sourcing governance processes and consider implementing new sourcing processes and engagement models. But adopting new technologies, engaging with emerging vendors, and attempting to manage an ever-changing list of outsource vendors will inevitably put buyers in an increasingly complex business environment.

Despite this, organizations are continuing to turn toward external vendors to achieve their business goals. The external sourcing of IT and business functions has always been associated with inherent risks, but the types of risk organizations face in today's environment have grown along with sourcing practices. The popularity of 3rd Platform technologies has complicated this situation, forcing organizations to find ways to confront the risks associated with relying on outsource vendors.

To determine the most suitable model of engagement with vendors, IT initiative owners should consider the maturity and risk of the different vendor engagement models. At IDC, we have developed a model that shows how higher levels of vendor engagement maturity typically drive lower buyer risk. So for the T&M and fixed-capacity models, the buyer needs to assume all the risk, while in the case of managed services and fixed-price models, the buyer shares the inherent financial and performance risks with the vendor.

By comprehensively assessing the level of maturity and mitigating the risk of a vendor engagement, organizations can put themselves into a desired position where cost and business impacts are reduced in the case of a risk event occurring. In this regard, the use of developed and mature vendor engagement models will help drive a competitive advantage, optimize costs, and deliver predictable quality for their organizations. However, IDC also stresses the need to understand that there is no way to avoid all risks

because buyer risks will always exist.

It is clear then that selecting and implementing the right model for any given situation is an essential step in managing complex, high-value vendor and sourcing engagements. Indeed, the increasing scope and complexity of outsourcing engagements make it imperative for organizations to leverage different vendor engagement models to hold suppliers responsible for on-time, on-budget delivery and quality of the final product.

Organizations that are looking to go beyond gaining short-term benefits from their vendor engagements will need to develop trusted relationships with vendors, enabling them to use more mature vendor engagement models. The use of these more complex models will allow them to gain transformational and innovative insights and go beyond just traditional cost savings to create long-term competitive advantage and enterprise value.

It is no surprise then that IDC is witnessing a shift in vendor and supplier relationship models from a short-term transactional model that focuses on simply buying, building, and running a particular solution to a longer-term relational model in which ongoing delivery, integration, and performance management take precedence over pricing. By utilizing a combination of vendor engagement models that go beyond cost-focused procurement and short-term benefits, vendors are transformed into valuable partners that can help organizations achieve their strategic goals.

In such a scenario, buyer-supplier relationships should be based on trust and information sharing and designed for competitive advantage, and it is this state that all progressive end-user organizations should be looking to achieve from their sourcing engagements because, ultimately, a risk shared is a risk halved.

The author is the Group Vice President and Regional Managing Director at IDC, Middle East, Africa and Turkey.

## 'FACEBOOK AT WORK' SET TO BE LAUNCHED IN COMING MONTHS

### PROFESSIONAL VERSION TO DEBUT AFTER LONG TRIALS



## YAHOO CEO MAYER GIVES BIRTH TO IDENTICAL TWIN GIRLS

**SAN FRANCISCO:** Yahoo Inc Chief Executive Marissa Mayer gave birth to identical twin girls early on Thursday, a day after the company reversed course on a planned spinoff of Alibaba Group Holding Ltd. "Our whole family is doing great! Thanks to everyone for all of the support and well wishes throughout my pregnancy," Mayer said in a post on Tumblr, which is owned by Yahoo.

The company had no immediate statement on the news beyond Mayer's post. Mayer has previously said she would take limited time away as she works toward turning around the company's struggling online ad business.

Yahoo shelved plans on Wednesday to spin off its stake in Chinese e-commerce giant Alibaba amid pressure from activist investors worried about billions of dollars in taxes. Instead, it said it is looking at creating a separate company to hold the rest of its assets. "Since this is a unique time in Yahoo's transformation, I plan to approach the pregnancy and delivery as I did with my son three years ago, taking limited time away and working throughout," Mayer wrote in a blog post when she announced she was pregnant. —Reuters

**SAN FRANCISCO:** Facebook at Work, Facebook Inc's professional version of its social network, is expected to launch in the coming months, after spending a year in tests, a company executive said.

The new service, geared towards workplace collaboration, is nearly identical to its ubiquitous social network, with a scrolling news "feed", "likes" and a chat service.

"I would say 95 percent of what we developed for Facebook is also adopted for Facebook at Work," Julien Codorniou, director of global platform partnerships at Facebook, told Reuters.

However, Facebook at Work users will maintain special profiles that are distinct from their existing Facebook profiles. The company is also developing exclusive products for Facebook at Work, including security tools, Codorniou said.

Facebook started beta-testing the service in January and has kept it as a free, "invite-only" service for companies so far. The service will be open to all companies once launched and Facebook plans to charge "a few dollars per month per user" for premium services such as analytics and customer support, a company spokeswoman said.

The online career market, which

includes LinkedIn Corp and Monster Worldwide Inc, is worth about \$6 billion a year, market research firm IDC had said in August. More than 300 companies, including Heineken, Royal Bank of Scotland and jewelry company Stella and Dot, are using Facebook at Work and Club Mediterranee SA is set to be the latest adopter.

The French resort company will offer

the service to all its 13,000 employees through summer 2016, Anne Browaeys-Level, Club Mediterranee's chief marketing & digital officer, told Reuters.

Facebook's Codorniou said almost everything on Facebook at Work is the same as the regular Facebook social network, with some minor exceptions. "You cannot play Candy Crush on Facebook at Work." —Reuters

## SATELLITES COULD TEST THE WORLD'S CLIMATE VOWS

**PARIS:** Scientists from the United States, Japan, and China are racing to perfect satellite technology that could one day measure greenhouse gas emissions from space, potentially transforming the winner into the world's first climate cop. Monitoring a single country's net emissions from above could not only become an important tool to establish whether it had met its promises to slow global warming, a point of contention at climate talks in Paris, but also help emitters to pinpoint the sources of greenhouse gases more quickly and cheaply.

"The real success of a deal here fundamentally revolves around whether we can see emissions and their removals," said John-O Niles, director of the US-based Carbon Institute, which studies methods of carbon dioxide (CO2) measurement. "We know satellite technology is evolving so that there is an increasing ability to actually tell whether countries are telling the truth."

Most estimates of greenhouse gas emissions are now based on calculations of energy use and other proxy data, rather than on-the-ground measurements, leaving a huge margin of error when nations submit their figures to the United Nations. —Reuters