triad

What is the DNA of the very best IT suppliers?

Contents

Executive Summary

Fuelled by the dual promise of cost savings and business transformation, IT services contract activity in the UK continues to increase, with spend hitting record levels in the first quarter of 2017, despite an uncertain political and economic outlook.

And yet it's calculated that up to a quarter of IT projects are considered 'unsatisfactory' in their execution. To better understand why this is, Triad conducted interviews with 37 leading UK IT service providers to establish the characteristics (or DNA) of the best suppliers (and the poorest).

This Ebook distills the wisdom of IT decision makers who between them have placed hundreds of IT contracts with third party suppliers. It shows that the best IT vendors display four key characteristics (and the poor suppliers display two more!).

Chapter 1:
Record growth in IT service contracts awarded

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Record growth in IT Service Contracts Awarded

The total annual value of third party IT contracts agreed in the UK in the first three months of 2017 hit record levels, according to Information Services Group (ISG) [i]

In its quarterly index, published in April, ISG reported that IT service contracts worth €1.4 billion in total a year were awarded in the first quarter of 2017. This is the highest annual contract value ever recorded by ISG in one quarter.

ISG reported that the record period follows nine months in which the UK IT contract market had been "weak" with UK businesses slowing their spending "due to uncertainty over political and technological change."

Record contracts of
€1.4billion awarded in Q1

35% of UK respondents plan to increase their IT Services budget

A 2017 PA consulting study[ii] also found sentiment in the UK IT contract market to be more positive than the year before, with 35% of respondents planning to appoint third party suppliers. Cost reduction (69%) and business transformation (64%) continue to be the top reasons driving the increase, according to this study of 800 IT contracts.

As part of their own research into understanding the DNA of the best IT service providers, Triad also asked the question – what are the main drivers for appointing third party IT suppliers?

The most common answers, from interviews with 37 IT decision makers, supports the PA consulting findings:

Cost Reduction
Interviewees consistently mentioned the opportunity contracts offer to a) keep internal overheads down and b) create a more efficient model through technology.

Business transformation
The opportunity to buy in innovative technology and expertise that is lacking in-house, that promises to transform an organisation's business operations in many positive ways, is seen as a key advantage of hiring third party vendors.

Whilst it's clear from this helicopter view why IT service contracts continue to grow in challenging economic conditions, when you talk to IT decision makers, it also becomes clear that finding good IT service suppliers to deliver the promised savings and transformation is not an easy task.

When surveyed by PA Consulting in the UK, as many as 20-25% of companies considered their sourcing strategy, transition and integration capabilities to be unsatisfactory and risked losing the benefits through poor execution.

Triad's interviews with senior professionals who purchase IT services establishes the four qualities of excellent IT vendors (as well as those of poor ones) acting as a useful new reference guide for any IT decision maker looking to hire a supplier. In chapter two we take a deep dive into these characteristics, with extensive quotes from our interviewees.

Chapter 2:
The four characteristics of excellent IT service providers

Chapter 2:
Which four characteristics make for an excellent IT service provider?

Insight

They research the organisation

It's the suppliers who can demonstrate they have spent some time researching the organisation they are pitching to that are most likely to progress beyond an initial conversation with IT decision makers, the research found. Crucially, if a supplier understands how the technology or service they provide could fit into the day-to-day operations of an organisation working in a specific sector, that will impress IT decision makers the most.

> "Conversations dry up very quickly when they are trying to sell a tool that doesn't work or are unable to describe how it would benefit us. Credibility is incredibly important - making the effort to understand our business - not just looking at our website for three items to add to a sales pitch. It's about being able to talk credibly about what they can do for us."

Christopher Tart-Roberts, *Head of Knowledge, Innovation and Legal Technology*
Macfarlanes LLP

They understand the implementation process

When conversations move on from the initial introduction, again it's a level of knowledge about the project implementation process that makes excellent suppliers stand out. An IT Director with a leading provider of professional services to the insurance sector looks for an understanding of workflows within his specific sector:

> **"An understanding of the workflow of a professional services company is really important. It's the ability to understand that process an much as the ability to implement technology that will win an opportunity."**
>
> *IT Director*
> **Insurance Sector**

Allied to implementation expertise, he also said that the best suppliers demonstrate business acumen and qualifications in process design methodology which enables them to visualise milestones:

"When you sit with a good business analyst who is actually able to draw them - write them out and articulate them - that's gold dust"

Understanding the business process and how the technology will fit in is also high on the list of attributes for a Chief Information Officer interviewed.

> **"Most important is business process. In order to make change cheaper and faster we need to appreciate it all ties back to a business process – making sure the business process is understood and that it's not the tech leading the business. We make sure we stay close to business process and that yields great outcomes."**
>
> Chief Information Officer

Sherif Guindy, UK Head of Technology at Maxus Global makes the point though that to fully understand his needs, the onus is on him to supply sufficient data and information about his needs to enable the vendor to make a high quality pitch:

> "If you don't give them good information on your needs they'll come back with half answers. Once you've found a good potential partner, it's best to sit down with them - give them a chance to explain their technology themselves and allow them to pitch for your needs - if you give them good enough data and information about your requirements, they can come back with proper solutions."
>
> Sherif Guindy, *UK Head of Technology*
> **Maxus Global**

They have specialist expertise

Many IT decision makers in our survey see the expertise of third party suppliers as increasingly important for their business, acknowledging that they can't be experts in everything. For many of our interviewees, the experience third party vendors have gained from working with different organisations, in a variety of sectors adds a considerable amount of value to the service they are supplying. Costain have made third party IT suppliers an integral part of their business model:

> "It's an incredibly important part of keeping our IT current. We will always refer to the experts in the field to deliver to the end-user. Having third party support is important to making the right decision. It's also about cross industry learning and sharing."
>
> Peter Slater, *Technology Implementation Lead*
> **Costain**

> "We're embracing third party consultants more and more. That's the best way of keeping up to speed with the market place in financial services, we can't be experts in everything in-house."
>
> Asif Naidu, *Technology and Integration Director*
> **Mattioli Woods (Wealth Management Firm)**

Collaboration

It's a partnership

The word 'partnership' is one that comes up time and time again in Triad's interviews with senior IT managers. They place a high importance on it and the best suppliers are able to display partnership qualities, which mean they are putting their client's business objectives first. A Director of IT at a leading UK University lists partnership as the first characteristic he looks for in a supplier:

> "In some cases you could be working with four or five different partners. By partner I mean an organisation that appreciates we are all one team. So rather than saying 'my bit is fine' it's their bit that's the problem, you work together to make progress."

In one case this Director of IT went as far as housing everyone working on a particular project in one building, and assigned a 'red team' to resolve any problems without having to seek recourse to the commercial arrangement of contracts.

Partnership works both ways

One CIO points out that a true partnership is a two way street.

> "If the partner is not winning, then it's not a relationship I want to be in. It's just as important to ask the question, 'have we been a good customer?' Not just to expect the outsourced partner to be a magic bullet."

The importance of the supplier winning too is something that Mattioli Woods Technology & Integration Director Asif Naidu formalises by building incentives into the contractual agreement. Naidu lists collaboration and also cultural fit as key characteristics he looks for in third party vendors.

> "We like to work with smaller companies and help them grow, share our success. We align commercials with our growth. If they help us achieve 10% efficiency gains for example, we'll pay them a pre-agreed amount on top."

Supplier Collaboration

Christopher Tart-Roberts at Macfarlanes LLP adds that a desirable characteristic of suppliers is that they are able to collaborate with other technology providers.
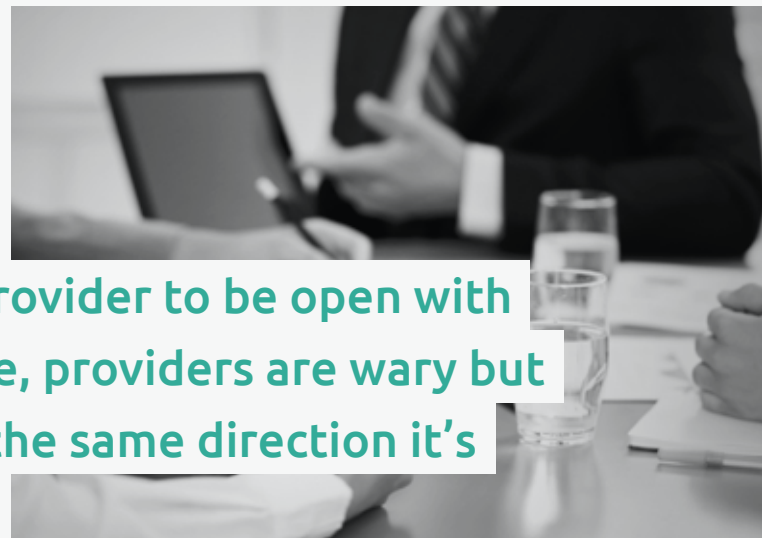
"We need each technology provider to be open with each other. This is a challenge, providers are wary but without everyone pulling in the same direction it's hard to succeed."

Approach is more important than cost

Whilst cost savings and improved efficiency are accepted to be an important part of the reasons for appointing an IT supplier, when it comes to hiring a third party, cost is low down in the pecking order of things some IT decision makers are looking for.

Our previously mentioned CIO suggests that the qualities of partnership and collaboration are far more important considerations:

> "Organisations often think about suppliers from a cost perspective and completely forget how it will work with them. Geography, time zones, how they will engage are more important. Cost is a result or an outcome but shouldn't be the driving factor. Cost comes last."

Flexibility

A third characteristic of excellent suppliers that comes up consistently in the interviews is their ability to be flexible in their approach to developing the technology.

Tailored technology
With a business operating in 70 offices worldwide, Maxus Global's Sherif prizes the ability of suppliers to be flexible in both the product development and in on-going support.

> "Having a customisable product is always at the top of the list. The worst thing is when a vendor doesn't invest in or upgrade a product over time, as it can quickly fall down the pecking order in comparison with its competitors"

Sharif also needs his suppliers to be able to support technology learning in 55 country markets:

> "Flexible support is important for training new staff in particular. Given we have 70 offices and people do leave, we need technology vendors who can support new people coming into the business, so that we don't lose the knowledge of how to use the system."

A Director of IT also prizes the ability of a vendor to customise a product to his organisation's needs and even suggest better, even more efficient ways of completing a project once it's underway.

> "What you really want to hear from suppliers is 'yes we've agreed a plan, but now we've got into the detail of it, here's something better'. I don't see many suppliers doing that."

Being flexible enough to look beyond the brief and recommend a different approach is also a trait that our interviewed CIO admires:

"The difference between a good supplier and an extraordinary supplier is going beyond what is expected. Showing you care about my business."

Looking outside the industry

Tart-Roberts observed that often new tech suppliers from outside his industry are more willing to be flexible in their development of technology:

> "The interesting thing is that outside the industry the suppliers are willing to be more creative – less the provider pointing out what the tech can do, but how the provider can tailor the system for our needs"
>
> Christopher Tart-Roberts, *Head of Knowledge, Innovation and Legal Technology*
> **Macfarlanes LLP**

Tart-Roberts sees an added advantage for these vendors in that by tailoring their products to his sector requirements, they develop a product that is more saleable to others in his industry.

Innovation

Innovation is something IT decision makers are looking for from better suppliers though this is often hard to find, according to the University Director of IT interviewed..

> **"The problem is that there's no risk involved for partners within their supply agreement. "If an organisation said I believe in this so much I'm going to develop it anyway and only charge you when you start using it that would be great, but few are willing to do it."**

One CIO mentioned that he expects a great partner to bring innovation to the table and holds innovation days every quarter to surface ideas with their suppliers. They believe a supplier will have been exposed to more situations than their client, and can bring that knowledge to bear.

At Costain, Peter Slater lists innovation as one of the key characteristics of suppliers that they shortlist for managed services.

Chapter 3:
The two characteristics of poor IT service providers

Chapter 3:
The two characteristics of poor IT suppliers

1. Lack of Transparency

One of the characteristics of poor suppliers that came up in our research is related to resourcing – both in terms of the people working on the project and the management team overseeing it.

Body Shopping

The worst possible thing for an IT Director is when he finds out that the project team that's been appointed to work on his account have just been hired for that purpose.

> "They've been bought off the street by the supplier because the supplier doesn't have that resource capability. They can't do it so they have to body shop it, or go through a third party contract. Then I get the worst of both worlds and I'm paying margin on margin. And I won't pay margin on margin - it's a really bad business model."

Poor senior management

A lack of transparency linked to the quality of top management is one of the worst characteristics of some IT suppliers, according to Mattioli Wood's Asif Naidu:

> "A lack of transparency leads to a lack of trust that they can deliver against agreed outcomes. Poor senior management doesn't help. If there's a lack of focus, maybe by trying to juggle too many clients or because of the financial pressure on them."

The CIO echoes this sentiment when he says the worst characteristic for him is when changes are made to personnel after the initial pitch:

> "You get the A team during due diligence and then the C team for implementation. We now write named resources into the contract to avoid this."

He also calls for transparency in project delivery:

> **"If you see something is not going to work – be open and honest and say its not working. But don't wait 12 months"**

2. Over-promising

One IT Director says alarm bells begin to ring the minute a supplier says 'yes we can do that' right at the start of the relationship.

> **"It's when they say 'we're an end-to-end supplier, we can do anything you want' – this is when you should run for the hills. I don't believe there is a supplier who can do that. Even if you look at global organisations it's very hard to say we can do anything. It's making a promise you can't keep"**

An IT Business Partner agrees that unrealistic pitching is one of the first things that he looks out for:

> **"The most frequent issue I've seen, is that sometimes people will come in and over promise. I'd rather people under promise and over deliver. Sometimes it's your own fault as a sponsor that that's happened because you've been too attracted by the promise of low cost or speed of delivery and you've not spent enough time looking at the history and their market reputation and their experience."**

The onus, as he sees it, is on the customer to conduct proper due diligence and not compromise due to urgency or shortage of budget:

> **"You can be quite beholden to that tech partner because they really do know and you have to make sure you trust them 100%. If you get that wrong from the outset you're in trouble. This is someone you're properly trusting to interpret your requirements and sometimes even when those are played back to you it's possible to get those slightly wrong. You can start off on a slightly wrong trajectory and by the time you finish you're miles away from where you expected."**

Conclusion

Perhaps surprisingly, the ability to 'deliver projects' is not a characteristic that comes up frequently in the course of Triad's interviews with IT buyers. This is largely because they see the outcome as a shared responsibility and are all too aware that new technology is not a silver bullet.

Where projects are most successful is when there is a high level of understanding and trust between the partnering companies. This trust takes time to build up and It's not a surprise then that many of the IT decision makers we talked to will source suppliers by word of mouth, recommendation and also allocate new projects to long standing suppliers.

Whilst IT decision makers are cautious, they also highly prize innovation and realise the potential of new technology, often from outside their own industry circles, can transform their business practices whilst saving considerable costs. The 'can do' attitude and flexibility of new technology suppliers is welcome, though they come with a higher risk in terms of deliverability.

However, it's clear that with robust due diligence, a detailed project brief and agile methods of working, the risks can be managed by the organisation doing the hiring.

Ultimately what we think IT decision makers are saying to us is that if a supplier is sufficiently transparent, flexible, innovative and can bring new expertise and ideas to the table, they see delivery as a shared responsibility.

Thank You from Triad

"The survey has been incredibly useful for us at Triad. We pride ourselves on being the critical friend our clients can rely upon, that trusted technology partner who will help secure the return on our clients' digital investments. We like to think we know what our clients expect of us, and that their habit of retaining our services tells us we are doing a great job. However, the survey is giving us solid examples of the behaviours and attitudes that are valued by our clients and which will transform a service offering from good to great. Indeed, the findings present a real opportunity to our industry as a whole to take note and to collectively raise the bar. We have a blueprint in the making that could generate a much stronger performance from the sector and which will hopefully encourage more investment in digital transformation."

Adrian Leer, *Managing Director*
Triad

Special thanks to all who took part in this survey

Biographies

Peter Slater

Technology Implementation Lead
Costain

A civil and structural engineer by trade Peter Slater formed the UAV service provision branch of Costain known as Aerial Solutions in 2015. Aerial Solutions has gone on to win the industry's largest innovation award at Construction News 2016 for "significant contribution to Surveying". Since then Peter has gone on to lead technology implementation across three sectors of Costain.

Christopher Tart-Roberts

Head of Knowledge, Innovation and Legal Technology
MacFarlanes LLP

Chris is a member of the Macfarlanes Executive Committee with responsibility for its Knowledge, Information Services, Innovation & Legal & Technology functions. Chris started his career as a trainee solicitor at Linklaters LLP in 1999, spending time in both the London and Hong Kong offices and qualifying into the London-based Banking practice in 2001. He moved to Pinsent Masons LLP in 2008 to become a Partner in the firm's Banking team in London. Chris joined Macfarlanes LLP in 2013.

Asif Naidu

Technology and Integration Director
Mattioli Woods

Asif is responsible for the Group's IT strategy and overseeing the integration of acquired companies. In his time as the Group's Technology and Integration Director he has redefined the Group's IT strategy to enable agile and location-agnostic working environments. Along with this, Asif manages the implementation of new applications across the Group as the first step of digital transformation. This allows for rapid but stable future growth, linking into the Group's objective of growing substantially overthe coming years through organic growth and acquisition.

Sherif Guindy

UK Head of technology
Maxus Global

Sherif joined GroupM's Maxus Headquarters in London as the UK Tech Director. Together with the wider tech team, Sherif is responsible for all marketing tech strategy, operations and integration for all UK clients such as BT, Barclays Group, Fiat, and L'Oreal. He is also a leading member of the Maxus Global Tech Consultancy, which is a collaborative effort between the Maxus tech and data minds globally. The initiative allows Sherif to work across EMEA in different capacities and help local markets with their tech strategies. In 2017, Sherif was promoted to UK Head of Technology, and was tasked to lead a team of 10 and have a wider remit across the agency. In addition to the technology consulting and operations, he is leading Maxus' creative and data strategy disciplines.

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