Allies or Adversaries?

How IT & Procurement Can Partner for Successful Digital Transformation

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Few business approaches are more promising – or elusive – than 'cross-functional collaboration.' Every team in an enterprise has a different focus, different performance metrics, attracts different personality types, and speaks in different terminology. These dynamics can cause everything from confusion and misalignment to heated debates – especially when the task presented requires a completely new solution.

The relationship between IT and Procurement is a perfect example, especially since both are going through parallel evolutions. At the heart of their shifts is the (somewhat uncomfortable) realization that not all spending offers the same return on investment (ROI) when brought under management.

Given the digital platforms and networks available today, it's far more appropriate to distribute certain buying or contract responsibilities into the enterprise through self-service platforms. If IT and Procurement are going to let go of the old ways of managing spending, they'll have to band together to work through the upcoming digital transformations.

Here's the Situation

While the prospect of allowing distributed buyers greater leeway with certain IT spend is appealing, there's zero corporate appetite or tolerance for increased risk and inefficiency. So any solution Procurement and IT put in place will have to keep their users happy and protect the enterprise.

In these times of challenge and change, IT and Procurement can help each other while helping their stakeholders and the enterprise as a whole – but only if they can align their objectives, expectations, language, and vendor management strategies. It's not a small ask, but it's an important one.

Identify the Sources of Friction

There are a few common sources of friction that Procurement and IT may encounter while working through digital transformation challenges.

These include:
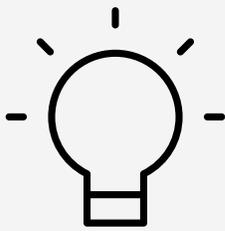
Deciding who's the 'expert' on each project
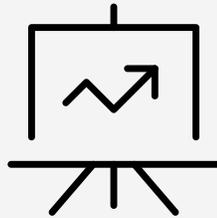
Articulating provider qualifications and selection criteria

Driving supplier negotiation and selection
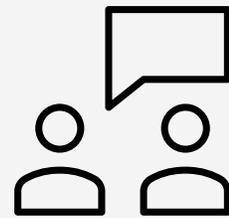
Managing provider relationships and SLAs

Communication is the best way to resolve the resulting differences, especially if everyone gives each other the benefit of the doubt. If it isn't enough to combine communication and confidence in one another, then perhaps raw ambition will help. The potential opportunities associated with Procurement and IT working together are significant and may provide them with the additional 'nudge' needed for cooperation.

Resolve Misalignment

As Tim M. Crawford, CIO and Strategic Advisor at AVOA, recently wrote for CIO.com, "Procurement organizations are often seen by IT as a regular hurdle to getting new solutions in place, contracts negotiated, and pricing identified." Ask Procurement what they think, and you'll probably discover that the frustration flows both ways. Accepting that a sense of misalignment exists on both sides is the first step in solving the problem – a real challenge when a company asks Procurement and IT to collaborate like never before.

This challenge has cropped up from time to time in the struggle to manage Tier 1 IT spend. While most companies' Procurement and IT teams have agreed on who oversees what spend and how, that uneasy peace is being tested again – this time by the proliferation of smaller IT solutions and vendors in enterprise technology.

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Is there such a thing as too much alignment?

There are clear advantages and benefits to Procurement and IT teams who collaborate, but can the pendulum swing too far? Gerald Hirshberg, founding director of Nissan Design International (now Nissan Design America), used the phrase "creative abrasion" to describe the upside of allowing each perspective in a relationship to flourish. When discussing the concept for Harvard Business Review, John Hagel III and John Seely Brown point out the importance of making "creative sparks fly" to the acceleration of the innovative process. While Procurement and IT would benefit from a better understanding of each other's strengths, they should not reach so much alignment that their unique capabilities are lost.
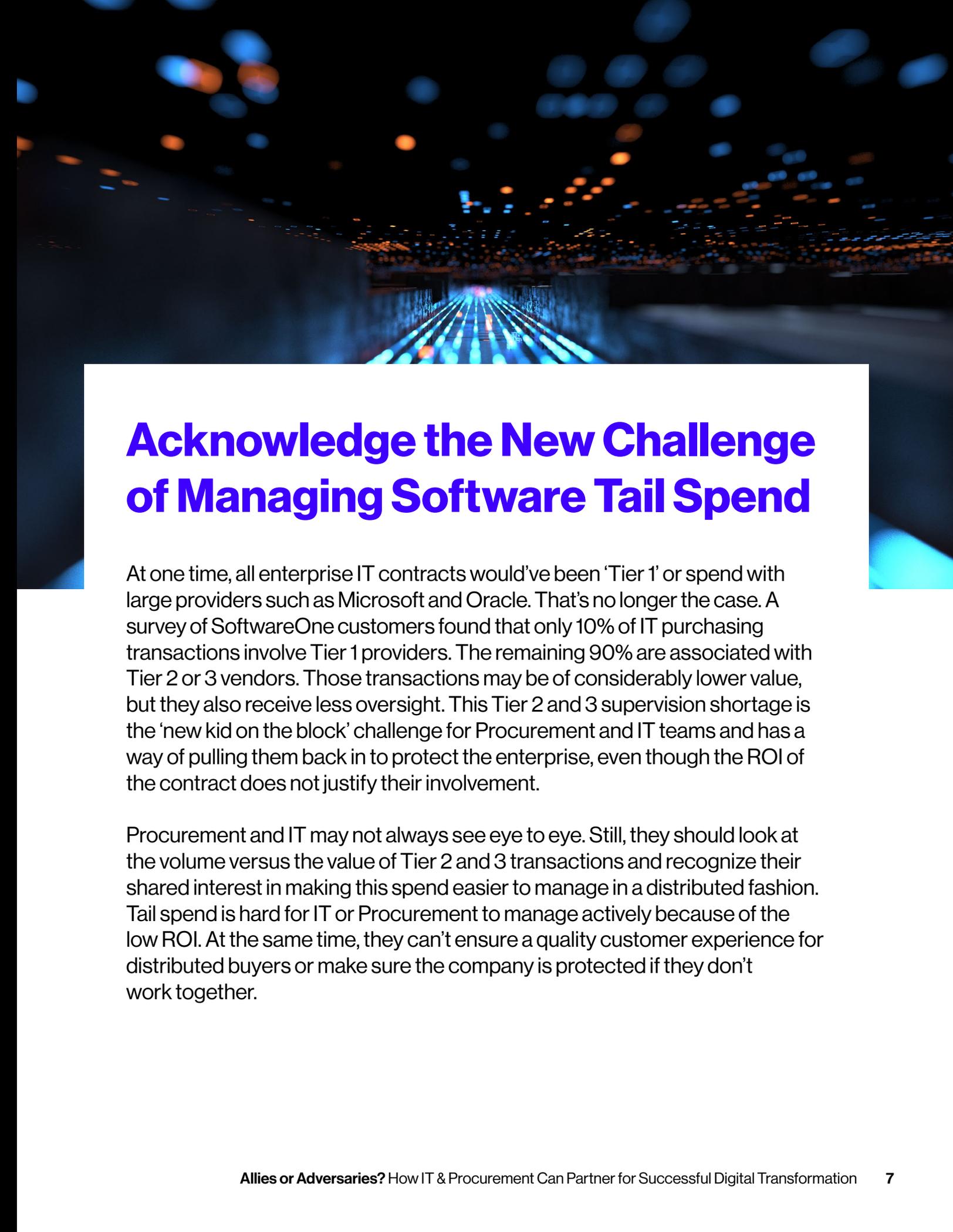
Acknowledge the New Challenge of Managing Software Tail Spend

At one time, all enterprise IT contracts would've been 'Tier 1' or spend with large providers such as Microsoft and Oracle. That's no longer the case. A survey of SoftwareOne customers found that only 10% of IT purchasing transactions involve Tier 1 providers. The remaining 90% are associated with Tier 2 or 3 vendors. Those transactions may be of considerably lower value, but they also receive less oversight. This Tier 2 and 3 supervision shortage is the 'new kid on the block' challenge for Procurement and IT teams and has a way of pulling them back in to protect the enterprise, even though the ROI of the contract does not justify their involvement.

Procurement and IT may not always see eye to eye. Still, they should look at the volume versus the value of Tier 2 and 3 transactions and recognize their shared interest in making this spend easier to manage in a distributed fashion. Tail spend is hard for IT or Procurement to manage actively because of the low ROI. At the same time, they can't ensure a quality customer experience for distributed buyers or make sure the company is protected if they don't work together.

Pursue the Best-Case Scenario

The best-case scenario – a 'nirvana' of self-guided IT buying – allows distributed buyers to work independently with enough digital guidance to meet their needs and protect the company simultaneously. When there's low to no ROI, and the selection doesn't affect the Tier 1 technology portfolio, the goal is to provide users with the information they need and ensure renewal management.

5 Advantages
of IT-Procurement Collaboration

Once Procurement and IT get past any friction between them, they'll see that their interests are aligned. There are five important advantages to Procurement and IT working together that they can't manage apart:

1 Achieve More With Less

No one has a surplus headcount, and if IT and Procurement can work together, they can accomplish more and scale their impact quickly. Moreover, since the results of their combined labors are measurable, it should be very clear to both groups that the effort is worthwhile. It may even be possible to build a business case for additional investment in software if IT and Procurement combine their understanding of enterprise value drivers and available or emerging technological capabilities.

2 Create an Improved Internal Customer Experience

Customer experience for internal users and implementation teams is everything now. For example, suppose an enterprise user has a frustrating experience with a piece of technology or runs into a problem managing one of their accounts. They won't be impressed by finger-pointing between Procurement and IT. Instead, the two teams need to prevent a situation where enough users are dissatisfied with the enterprise technology portfolio to speak out or affect the operation. The only thing worse than friction between Procurement and IT is friction between the two and corporate leadership.

3 Manage Software as Spend and Licenses

Companies usually manage software licenses as either technology assets or corporate spend. Both approaches have advantages and disadvantages, but neither fully captures the full expected value to the business. Adopting a digital, self-guided IT buying strategy for managing software investments is a far more holistic approach because it:

Recognizes the role that software plays in the operation.

Respects the time of distributed buyers who want to get back to work.

Protects the company investment in licenses and the need to do as much as possible with available resources.

Provides data that guards against the risk of non-compliance while also addressing uncertainty around corporate spend commitments.

A self-guided buying strategy also addresses the full lifecycle of software licenses, from evaluation to selection, implementation to use, and even into contract renewals.

At the same time, an organization cannot achieve any of these benefits without full agreement and alignment between IT and Procurement. Just as Tier 1 solutions can't fix the underlying problems in business processes, a digital strategy can't resolve IT-Procurement collaboration issues. The two teams should address those concerns first and then work with Finance and Legal to resolve cloud and software financial management issues.

Objection! Empowering distributed buyers without running afoul of Legal

Procurement and IT may not see an ROI worthy of their active involvement in Tier 2 and 3 IT spend, but what about Legal? The Legal team is most likely to be concerned with end-user license management (or EULA if you've been through this before). Their interests will center around the agreement's jurisdiction, whether or not there is a publicity clause, warranties, and indemnification. Fortunately, they can also oversee these distributed purchases through a centralized view of the publishers, products, and associated EULAs of the software their organization is purchasing – giving them the confidence to sign off without slowing down the contracting process.

4 Reduce Shadow IT and Maverick Spend

Both IT and Procurement are engaged in a battle to control independent software buying decisions, although they use different terminology to describe it. Shadow IT and maverick spend both involve purchases made by individual users within the enterprise on behalf of the company without prior approval, contracting, or risk assessment. The ease of signing up for new technology makes this a pervasive problem, one that Procurement and IT have to work together to solve. Whether it's called shadow IT or maverick spend, it represents a risk to the company that the two teams can address together.

5 Re-Optimize Contracts and Licenses as the Business Grows and Changes

Many events can throw the decision to purchase a new solution out of balance in a moment. Mergers and acquisitions, divestitures, restructurings, and other common corporate changes affect demand and requirements for technology – even below Tier 1. Unfortunately, Procurement or IT often don't realize the change has occurred until the company has already spent the money. Having two teams on the lookout for such events – armed with transparency into spend and entitlement data and the ability to work jointly to keep agreements aligned with what the business needs – is a critical advantage.

The more, the merrier? How Finance fits into Procurement-IT alignment with FinOps

What Procurement considers spend and IT thinks of as license agreements is an investment to Finance. When the timing is right – or possibly even sooner – Finance needs to be brought into the conversations between IT and Procurement. The newly defined practice of FinOps (or Cloud Financial Management) facilitates cross-ownership between all enterprise functions, optimizing cloud investments and empowering teams to make better, more informed business decisions. With Finance as part of the team, the value created by IT and Procurement working together will be more visible enterprise-wide.

Looking to the Future

Friction between IT and Procurement is as common as companies that overspend on software, but it doesn't have to be that way. These differences have deep roots and require an active effort to resolve. As Andrew Bartolini and Matthew York wrote on Ardent Partners' CPO Rising blog:

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CIOs and CPOs...evaluate enterprise technology differently and in ways that reflect their unique perspectives and individual departmental goals and objectives. This has to change – these leaders must take the opportunity to become more collaborative with each other and with the business process owners who fund these projects.

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In other words, the differences between IT and Procurement should be used as a strength, not allowed to become a roadblock.

Systemic problems rarely clear up on their own. The many benefits to Procurement and IT teams putting aside their differences to manage software spend better and accelerate digital transformation will hopefully incentivize the two teams. Whether they decide to make the necessary changes of their own accord or are driven to it by feedback from the C-suite is entirely up to them. The leadership advantage goes to those individuals that see the opportunities and seek out collaboration proactively.

Democratizing Your Software Procurement

In many areas of business, enterprise habits and consumer expectations have been moving closer and closer. Nowhere is this more evident than in software procurement. Procurement and IT must work together to stay on top of software spending and integration – without creating friction or delays for distributed users. SoftwareOne can help you implement a self-guided, digital software procurement process that's reliable, fast, reduces risk, optimizes spend, and sets the foundation for a successful software asset management program.

Contact us to learn more about creating a democratized IT buying practice.

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