INPUT

STRATEGIC MARKET PERSPECTIVE

Issues, Trends And Opportunities Within The User Community

Market Analysis Programme – Europe

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Issues, Trends And Opportunities Within The User Community

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Abstract

User needs are changing dramatically as information technology (IT) is increasingly seen as a key tool in providing sustainable business advantage.

This perspective will generate new service opportunities for vendors who focus on business objectives and benefits rather than IT metrics.

The attitudes of the user community are critical to any vendor marketing programme. Detailed information on how users perceive their own situation is critical for any marketing, strategy or research programmes.

This report aims to give research findings on these specific issues. It examines:

- **Overall business pressures** within the user community

- Future **external IT spending patterns**

- **Attitudes towards IT**

- **Vendor perceptions** among user organisations.

This report evaluates the specific nature of users' needs and discusses the business pressures facing IT managers in today's competitive environment.

Secondly, it analyses spending trends within IT departments and assesses the drivers to purchase external IT services.

Thirdly, the report examines user perceptions of vendor services and what specific benefits and attributes users are looking for when they hire vendors.

Market Analysis Programme — Europe

*Issues, Trends and Opportunities Within
The User Community*

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Introduction

This report is part of INPUT's European Market Analysis programme for the computer software and services industry. This programme covers:

- Key business trends within the European IT services market, including market forecasts up to the year 2000

- Analysis of specific vertical industry markets

- Competitive strategies of the major IT service suppliers

- Opportunities within the User community

A
Objectives

This report examines the issues, trends and opportunities that exist within the user community. It provides a detailed understanding of the characteristics of this community in terms of specific forces operating within this market.

These forces include:

1. Specific business pressures faced by such organisations

2. How such organisations view IT and its contribution to the business

3. External IT spending plans for the next year

4. The service expected of external suppliers and whether such suppliers are producing significant benefits to the user organisation

The report gives user organisations the opportunity to compare and contrast their own experiences with that of the wider community. It also provides vendors with guidance and feedback as to how they should position their services within the user market place.

B

Methodology

This report was based on a series of 100 in-depth interviews with IT directors from major organisations across France, Germany and the UK during February and March 1996.

The questionnaire is included in Appendix A.

Exhibit I-1 provides a profile of the sector breakdown of user respondents across Europe. In addition to the data gathered through field interviews, information from INPUT's information services research programme was used to formulate the conclusions and observations presented in this report.

Exhibit I-1

Industry Sector Analysis of Questionnaire Respondees

Source: INPUT
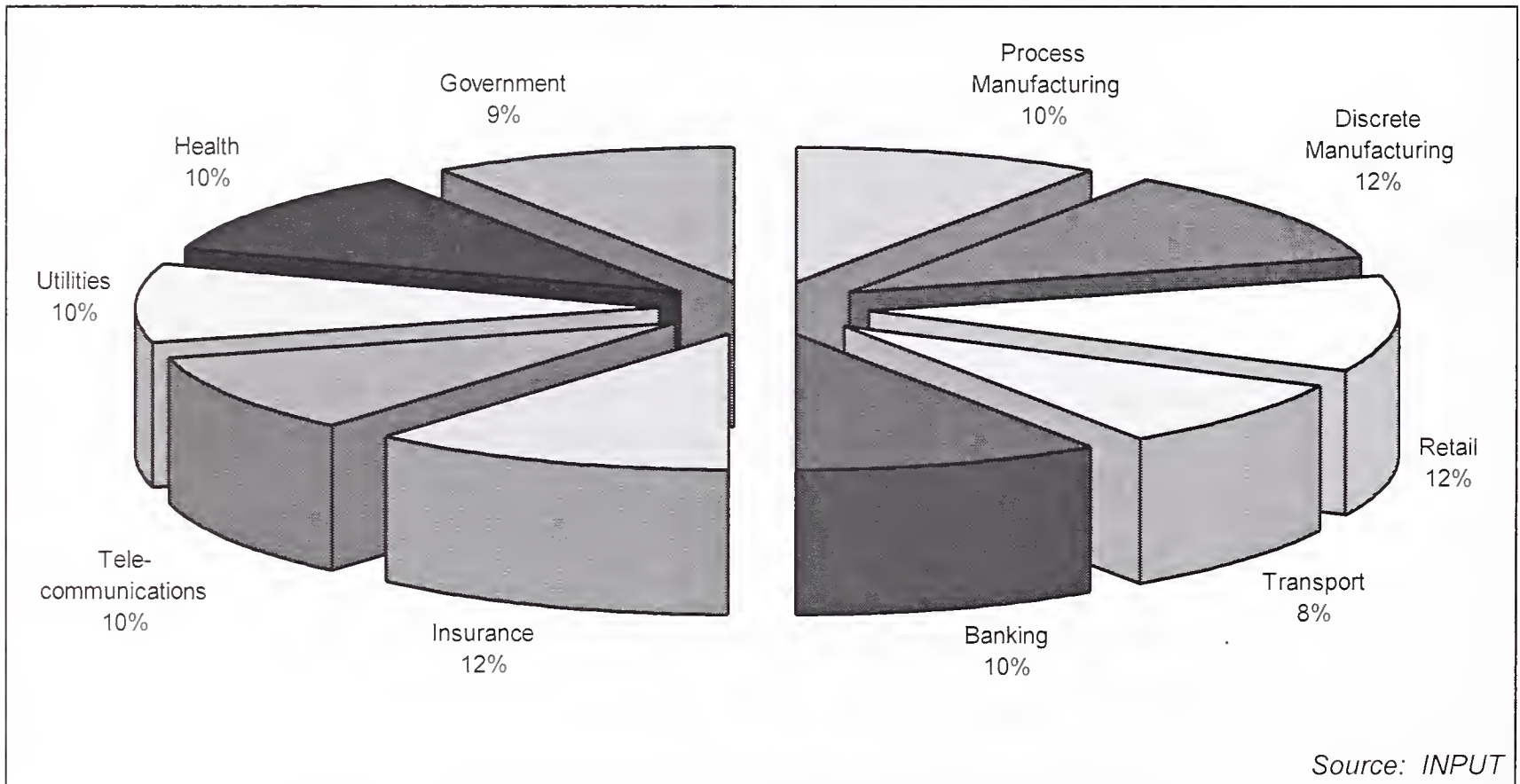
C
Report Structure

The report is structured as follows:

Chapter II consists of an Executive Overview which is a summary of the key findings, analysis, conclusions and recommendations of this study.

Chapter III examines business pressures facing user organisations

Chapter IV outlines external IT spending patterns among the user community

Chapter V analyses user perceptions of vendor services

Appendix A contains the questionnaire used in interviewing organisations for this report.

D
Related INPUT Reports

- European Market for Software and Services 1995-2000

- European Software and Services, Competitive Analysis, 1995

- Systems Integration Market Forecast 1995-2000

- Software Product Support — Market Trends and Forecast 1995-2000

- Outsourcing Market Analysis and Forecasts 1995-2000

- Customer Services Market Forecast 1995-2000

- Vertical Markets Forecast 1995-2000

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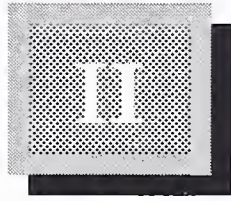
Executive Overview

A
BPR Is Alive And Well

Despite the trend to downplay the role of re-engineering within corporations, the need to improve business processes *and* reduce their costs is still paramount among user organisations. Those sectors with large infrastructures — such as banks and government — or extensive distribution chains — such as retail — are under the most pressure to cut process costs.

Banks are still desperate to reduce their branch networks and focus on telephone banking or some form of electronic commerce. Governments are looking at ways to introduce electronic welfare payment systems in order to reduce departmental headcount. Within retail there is increasing pressure to reduce the costs of supply chain management.

The key sector where there was significant pressure to *improve* the effectiveness of business processes was the telecommunications industry. The pressure of deregulation within Europe (particularly France and Germany) will force telecoms organisations to reduce headcount and, in so doing, improve the productivity of remaining staff.

The issues that are critical now (see Exhibit II-1) will remain so over the next three years. There is hardly any change in order regarding the top five priorities (see Exhibit II-5).

Exhibit II-1

Top Five Pressures Facing User Organisations Now

Source: INPUT
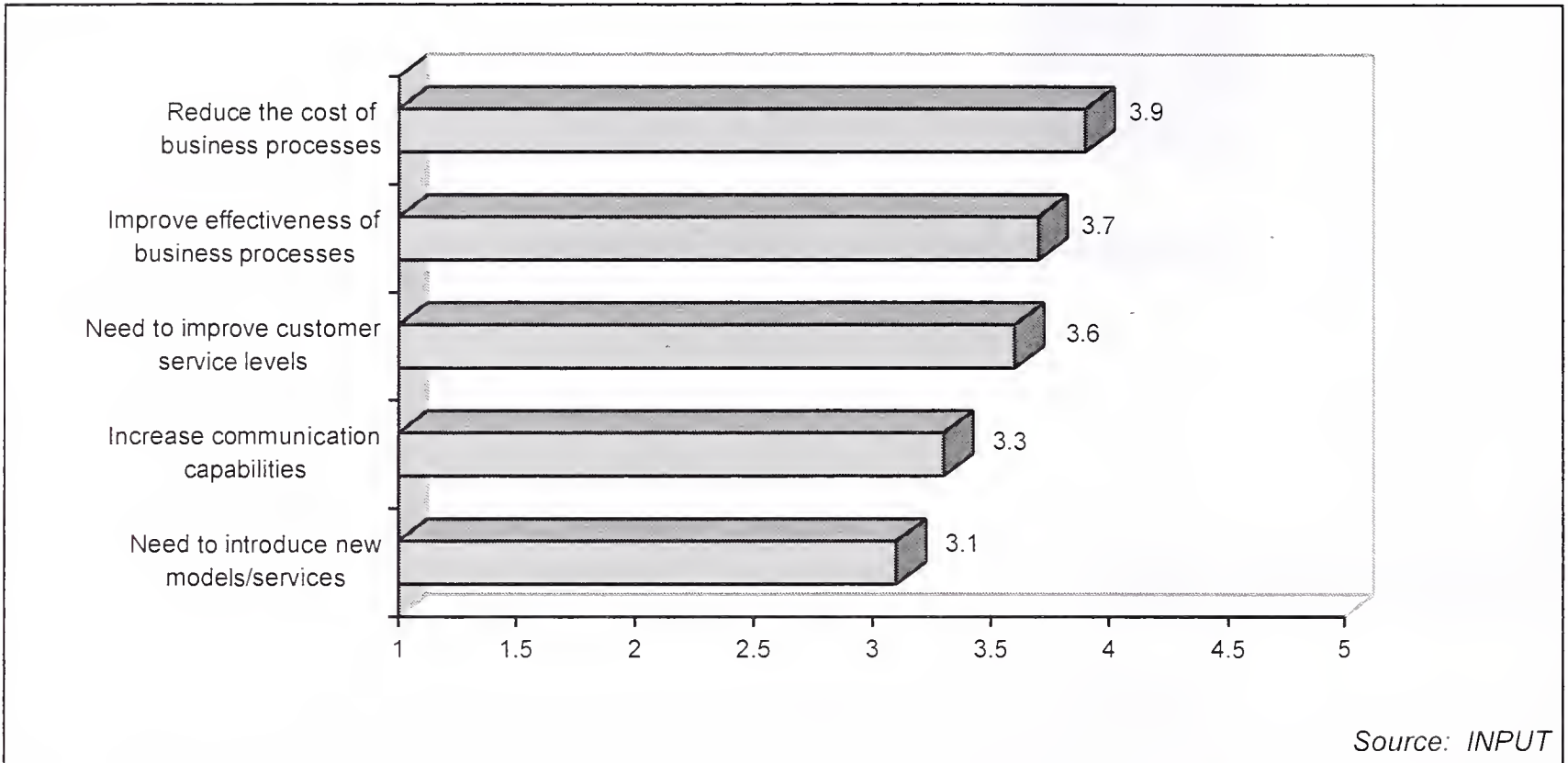
The spread of opinion among respondents for the top three business pressures is given in Exhibits II-2 to II-4.

Exhibit II-2

Reduce The Cost of Business Processes

Source: INPUT
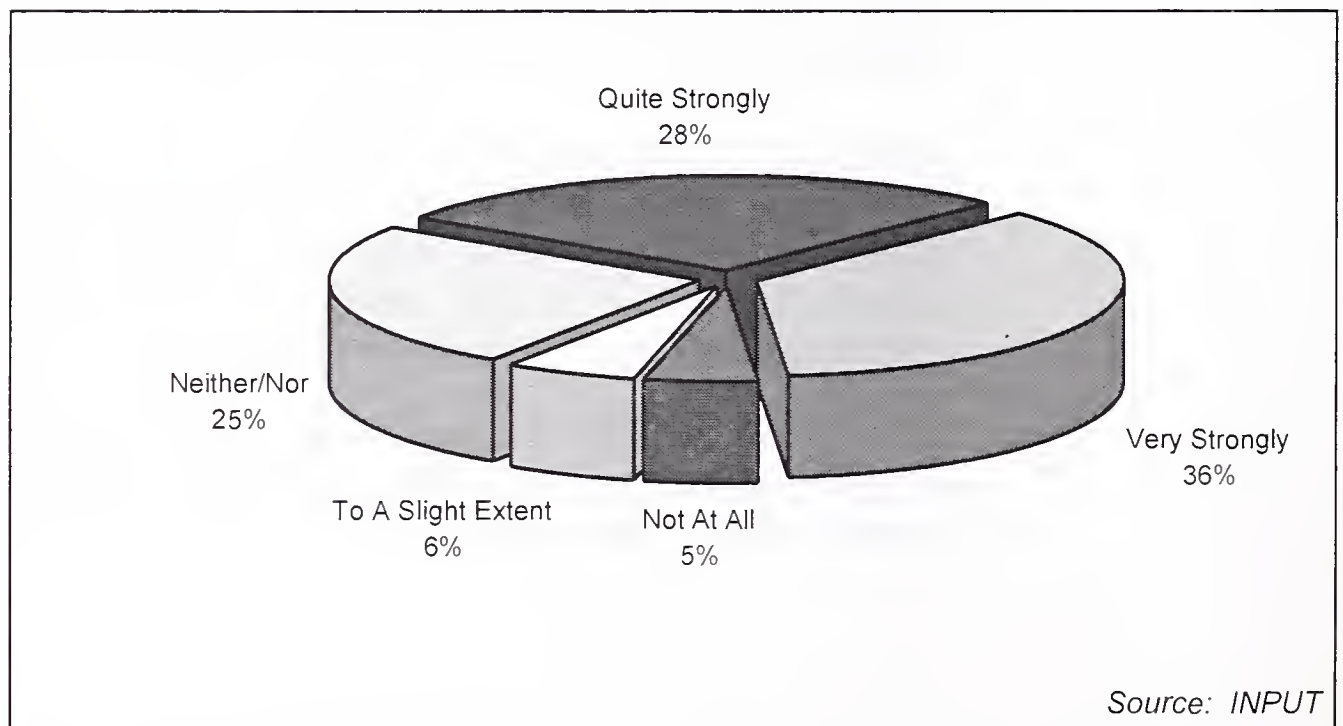
Exhibit II-3

Improve Effectiveness of Business Processes

Quite Strongly
36%

Very Strongly
26%

Neither/Nor
25%

To A Slight Extent
7%

Not At All
6%

Source: INPUT
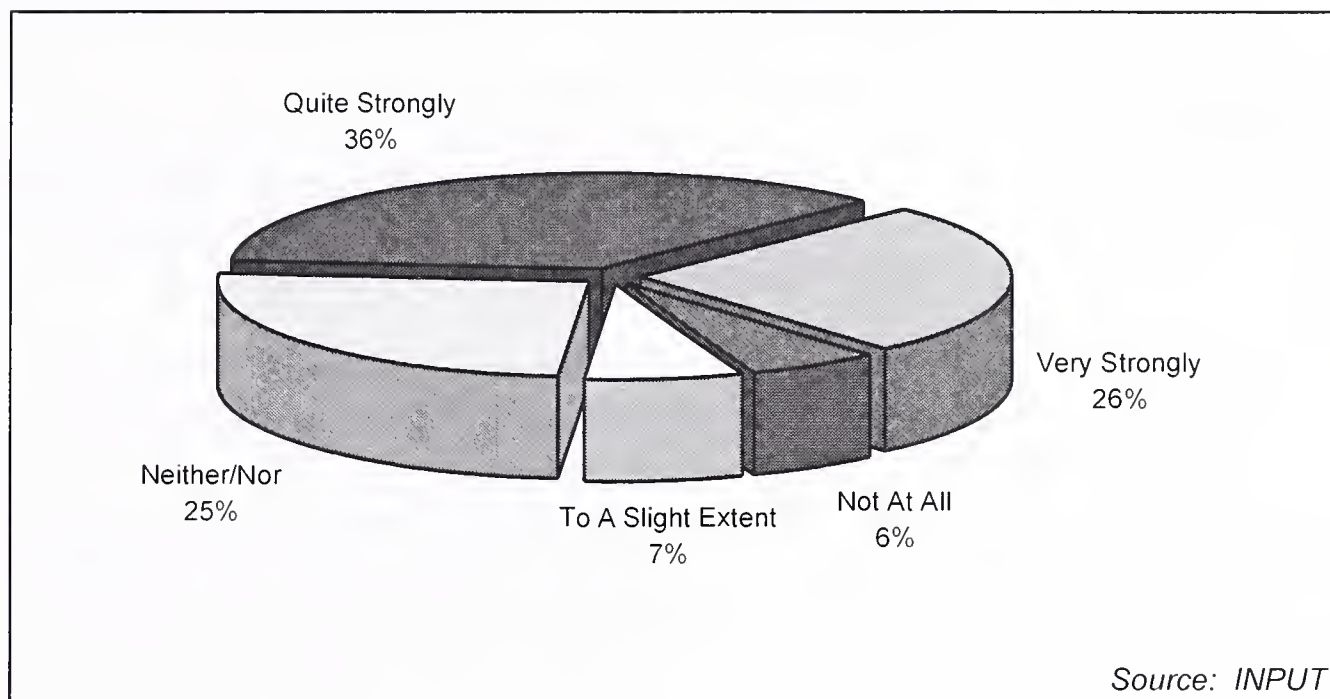
Exhibit II-4

Need to Improve Customer Service Levels

Quite Strongly
35%

Very Strongly
27%

Neither/Nor
19%

To A Slight Extent
7%

Not At All
12%

Source: INPUT
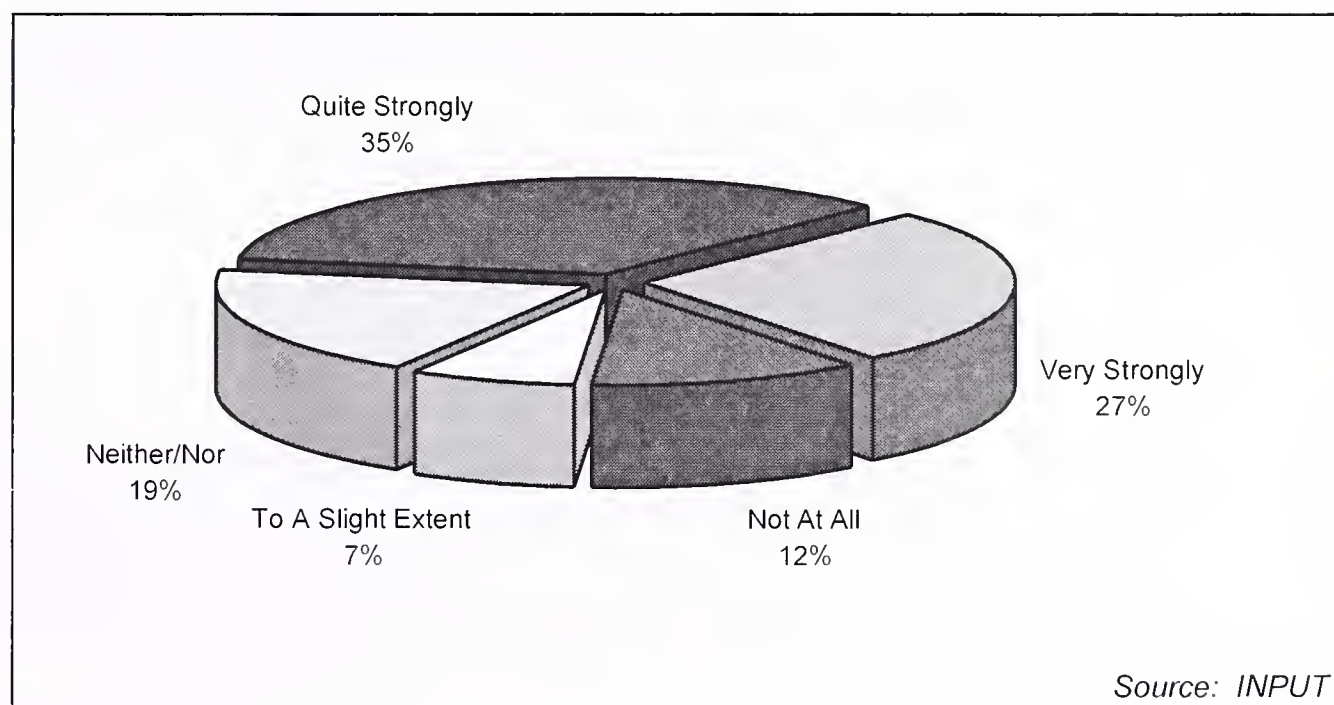
In parallel to cutting process costs, businesses are being forced to improve customer service levels. IT is therefore seen as a means of freeing up staff to take on more customer-facing roles while reducing mundane administrative tasks.

A major task facing internal IT management is the need to show *how IT can positively affect the business.* Either through making regular processes more efficient and/or less costly or improving customer service

levels. However, the reality of the situation is that IT management often has to respond to board level initiatives — often centred on cutting costs for short-term profit.

Exhibit II-5

Top Five Pressures Facing User Organisations
Over The Next 3 Years

- Reduce the cost of business processes
- Improve the effectiveness of business processes
- Need to improve customer service levels
- Need to introduce new models/ services
- Increase communication capabilities

Source: INPUT

The three most significant responses from user organisations to such business pressures are:

- Increase IT investment (14%)

- Initiate cost-cutting regimes (13%)

- Organisational restructuring (13%)

In Germany, the emphasis was on corporate restructuring (17% of respondents) while increasing IT investment was relatively unimportant (7%). UK respondents wanted to focus on cost-cutting methods in addition to investing in IT (both 17%). Only in France did increases in IT investment emerge as the key response (18%).

B

Users Still Have Strong IT Cost Focus

There is still a strong cost focus among IT departments (see Exhibit II-6). Organisations are prepared to invest in IT provided they can see tangible returns from that investment. There needs to be greater transparency in linking IT investment to metrics such as improved sales performance, greater customer service levels or lower overheads, for example.

Using IT to derive a competitive edge for the business is still nowhere near as significant an objective as becoming more cost-effective in the use of IT. Despite many vendors marketing IT as a major force for re-engineering the business, for the majority of IT departments this message has still to be proven. But where such approaches are focused on cost-cutting measures, re-engineering has had little opposition from board executives.

Outsourcing has proved most popular when positioned as a method for cutting staff costs and providing cheaper operational overheads, rather than as a means of focusing on the core competencies of the business.

Ironically, IT funding is not an issue — only 2% of respondents claimed this would be a factor affecting future IT spending patterns. The issue is one of *transparency* — IT managers need to display tangible benefits in order to justify expenditure in the first place.

Exhibit II-6

Top 5 IT Objectives Within Organisations

Source: INPUT
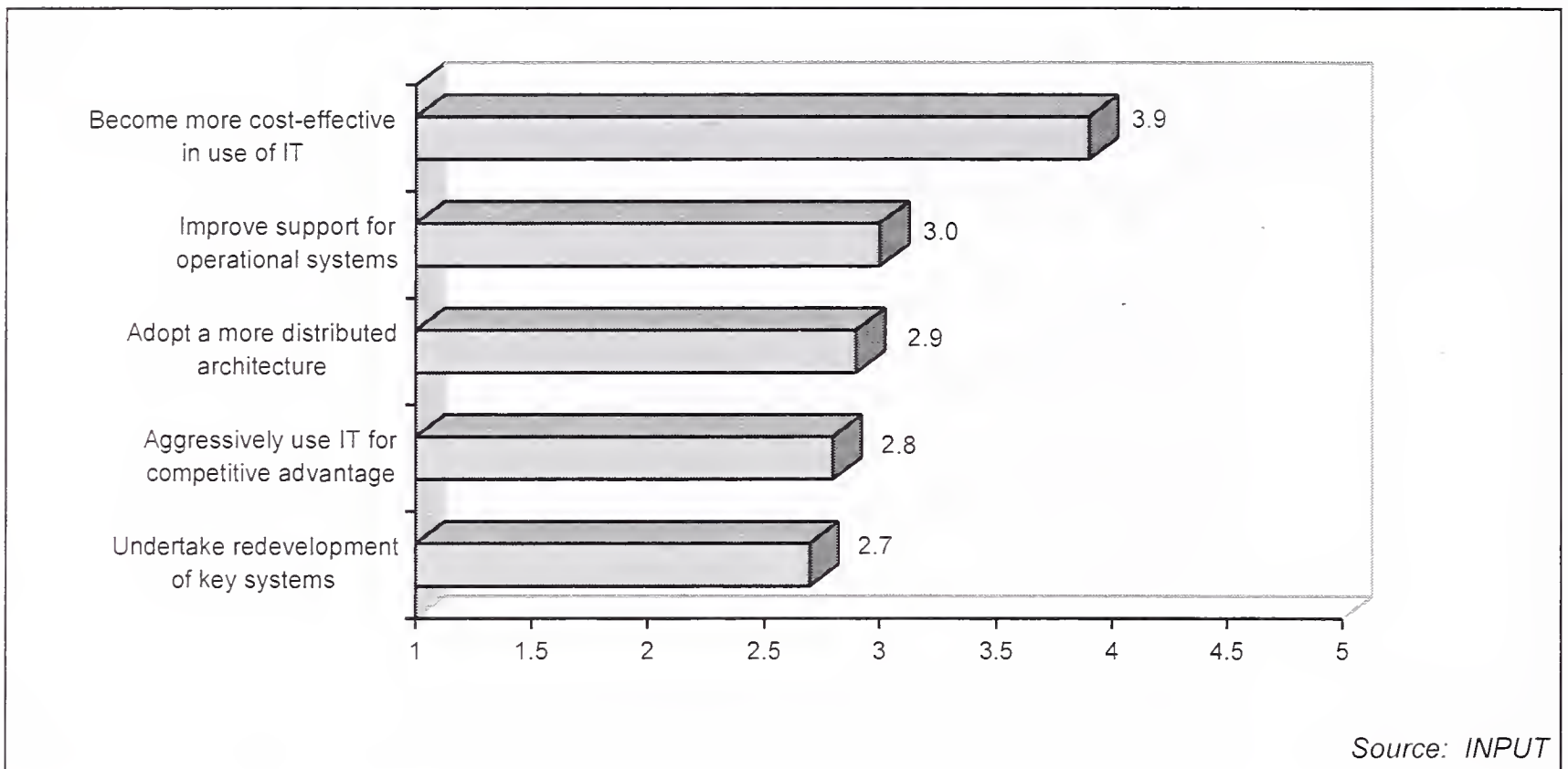
C

Increased Investment in IT Driven By Networks

Overall, the signs are encouraging. Forty two per cent of all respondents will increase external IT spending over the next year. Of this group 29% claim their increases will be significant, as opposed to a slight increase (71%). Roughly the same proportion as those increasing external IT spending (44%) will keep their spending constant over the next year (see Exhibit II-7).

The differences are revealing when examined by individual country. **Within Germany, almost a quarter of respondents (24%) envisage increasing their external IT spending significantly** over the next 12 months. This compares with 6% for France and the UK. In total, 58% of German respondents will increase their spending this year. This compares to 12% for France and 54% for the UK (although the vast majority of UK respondents in this group - 89% - will only increase spending slightly).

In France almost two-thirds (63%) of respondents will maintain spending at its current level. France has the highest percentage of user organisations who will significantly decrease external IT spending over the next 12 months - 16%. This compares with 3% for the UK and zero for Germany.

Those sectors where increases in external IT spending will be expected to be greatest include transport/ logistics (76% of all respondents in that sector), retail (72%) and process manufacturing (56%).

The main reason for not increasing external IT spending over the next year was simply due to the fact that there had been significant investment over the last 12 months.

Exhibit II-7

External IT Spending Patterns

Spending Intention	% Respondents
Increase external IT spending significantly	12
Increase external IT spending slightly	30
Maintain spending at current level	44
Decrease external IT spending slightly	9
Decrease external IT spending significantly	5

Source: INPUT

Network expansion was one of the specific reasons cited as to why external IT spending was increasing. The emphasis on networks and network-related areas included desktop and client-server systems. The development of networks across large organisations is becomingly increasingly complex.

Whether it is in setting up company-wide corporate databases (such as Lotus Notes, for instance), implementing Internet access or maintaining client server architectures, the increasing transmission of *image* as well as voice and data has placed intensive pressure on corporate networks.

However, no one IT area emerged as a strong contender for investment. The main message to vendors would be to avoid over-generalisations about user requirements and target clients via sector-specific applications which will help improve business processes.

Client server is interesting in that it has almost the same proportion of respondents stating that such a system is not business-critical (25%) as those who think that it is (23%). There is quite an even spread of respondents throughout the spectrum. Both views could be valid, depending on how the technology is used within the organisation.

The same extreme patterns are prevalent when analysed by country. In France 31% of respondents thought client server was *highly* critical to the business. By way of contrast, in Germany 50% stated that client-server was not business-critical *at all*. Again, the message appears to be that vendor marketing strategies should be highly targeted - aiming at the national rather than the European level.

Networks are the only area of technology that almost half of all respondents (48%) regard as being business-critical. This view is held in the UK and France. However, in Germany a third (33%) viewed it as not business-critical at all while almost the same proportion (27%) regard it as highly business-critical. Clearly, the German market is investing heavily in future IT systems but it is not clear as to which technologies will become business-critical at this stage.

Just under a third of all respondents (31%) *very strongly* consider IT as a core business activity — almost two-thirds (60%) are positive about IT being fundamental to the operations of the business. Although results by sector show that the area of supply chain management - retail and manufacturing — is one where IT investment is *not* perceived as adding significantly to business performance (see Exhibit II-8).

Exhibit II-8

IT As Core Activity: Sector Analysis

Sector	Mean Score
Utilities	4.3
Banking & Finance	4.0
Logistics/ Transport	4.0
Government	3.8
Insurance	3.6
Telecommunications	3.6
Health	3.5
Discrete Manufacturing	3.4
Retail	3.3
Process Manufacturing	2.9

Source: INPUT

This reflects the shift in thinking from viewing IT strategy simply as one element of business strategy to seeing IT and business strategy as tightly linked in the current information age. Information is no longer just a resource to be managed, it is an *asset* of the business and can be leveraged accordingly.

D

Vendors Regarded As Technology Advisors — Not Change Agents

Being able to guide users as to what is the best and most current technology in the market place is still seen as the most appropriate role for vendors (see Exhibit II-9).

This is particularly the case in the financial services industry (banking and finance, insurance) where instant access to information is essential to the business and provides such organisations with a genuine competitive advantage. Government and manufacturing also regard this as a major role for vendors.

Vendors are still predominantly perceived as providing a support role. This is in distinct contrast to the marketing messages sent out by vendors positioning themselves as business advisors or change agents providing re-engineering capability. Users still remain to be convinced about vendor skills in this area.

The encouraging news is that the traditional role of vendors — simply a supplier of agreed services and nothing else — is not as important as it used to be. Users do acknowledge that vendors can provide a whole range of services. Rather the emphasis has shifted to project cost-effectiveness and, linked to that, the contribution of such projects to the performance of the business.

The sectors which are most satisfied with overall service include banking, insurance and utilities. Vendors need to focus on improving satisfaction in telecommunications, health and transport/logistics. This is significant as INPUT forecasts that the telecom, logistics and utilities markets for IT services will grow at 13% per annum up to the year 2000 — the highest of all sectors.

Exhibit II-9

User Perception Of Vendor's Role

Role	Mean Score
Technology advisor	3.6
Supplier of support services	3.5
Supplier of agreed services only	3.3
Key partner	3.2
Business advisor	2.6
Change agent	2.2

Source: INPUT

E

Vendors Understand Customers Better — But Lack Innovation

The fundamental requirement for vendors is that they understand a client's business needs and the general business pressures they are facing in their particular sector (see Exhibit II-10).

In general, vendors do manage to satisfy client's expectations in this area, but the variance between the importance of this attribute and the ability of vendors to satisfy it is one of the highest. The two sectors that regard it as most important — telecommunications and government — are the most dissatisfied.

The largest difference between importance and satisfaction is in speed of response (0.7). Perhaps this is due to the objective nature of the attribute — that is, it can be measured. It would appear that the more critical the attribute to users the greater the gap between importance and satisfaction.

Exhibit II-10

Vendor Attributes: Importance & Satisfaction

Attribute	Satisfaction	Importance
Understands business needs	3.7	4.3
Speed of response	3.4	4.1
Calibre of staff	3.6	4.0
Willing to compromise when conflicts arise	3.6	
Good communications channels	3.5	3.9
Responsiveness to day-to-day issues	3.3	3.8
Willing to own problems	3.3	3.8
Responds to changing needs	3.4	3.8
Flexible approach	3.3	3.8

Source: INPUT
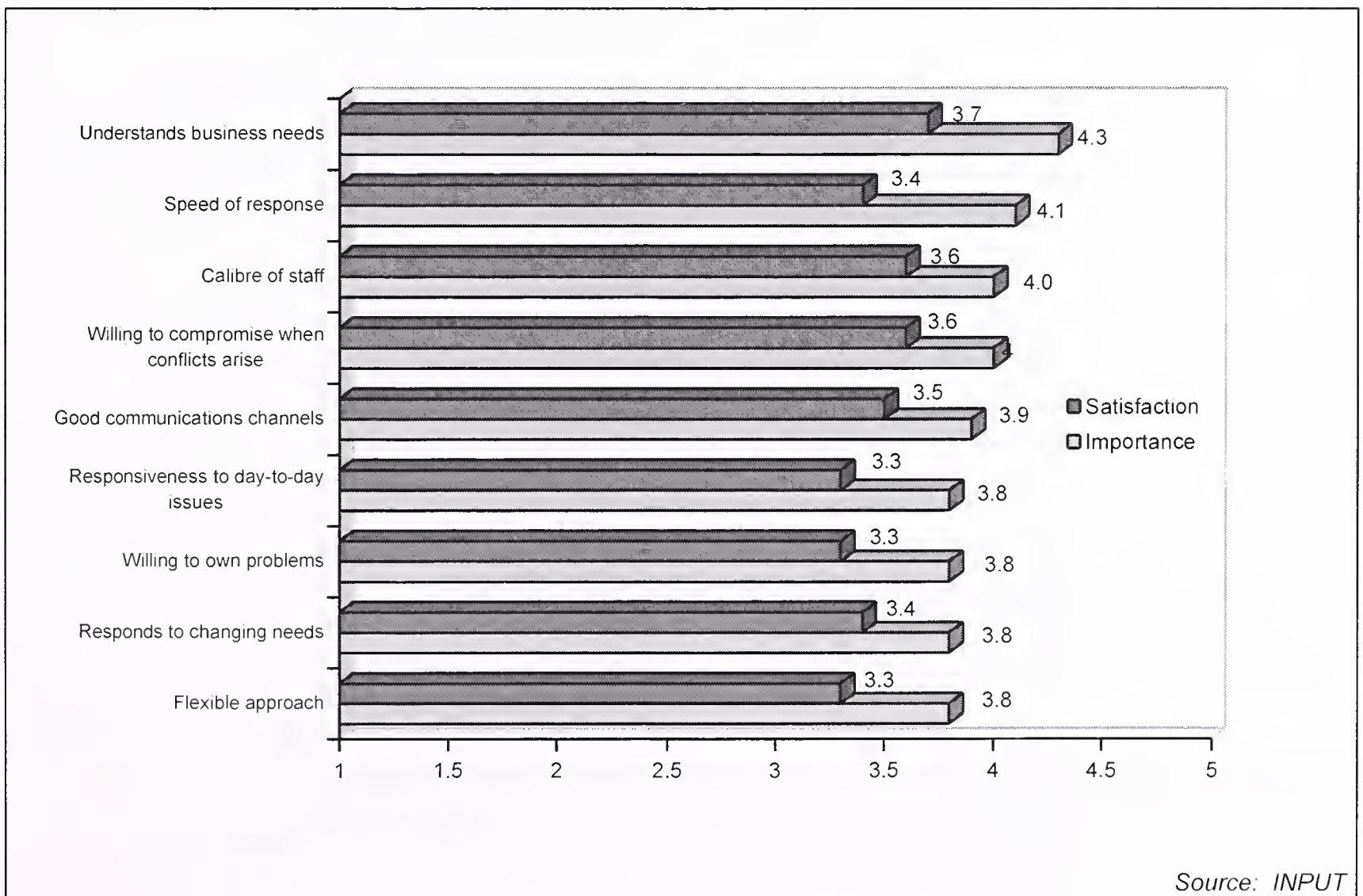
Exhibit II-11

User Satisfaction With Vendor Services

Vendor Service	Mean Score
Overall	3.6
Service provision	3.6
Strength of partnership	3.5
Terms & Conditions	3.4
Flexibility	3.4
Ongoing cost-effectiveness	3.3
Innovation & creativity	3.3
Initial cost-effectiveness	3.2
Business contribution	2.8

Source: INPUT

In general, users are satisfied with the services they receive from the vendor community (see Exhibit II-11). The picture is one of overall satisfaction with service levels but reservations in specific areas such as contribution to the business and innovation/ creativity.

Vendors are still perceived as relatively inflexible and **lacking in innovative approaches** to client problems. This may be partly due to the way projects are agreed — namely, drawing up a legal document that details specific deliverables at certain times. This approach is not conducive to adopting a flexible position.

Innovation and creativity would be a good area for vendor focus. When asked specifically which vendors provided innovative services the majority response was simply that very few vendors fell into this category.

Contract terms and conditions are generally considered good. This is simply a result of intense competition for contracts rather than any proactive pricing policy among vendors. This will continue to be the case. The issue for vendors is how to make such contracts profitable.

Users still demand the usual list of benefits associated with using an external IT supplier — namely, lower cost, higher quality of service, better support levels, greater technical expertise and in-depth industry experience. It appears that there is a second raft of benefits for users — including understanding business requirements and forming partnerships with vendors to share risk.
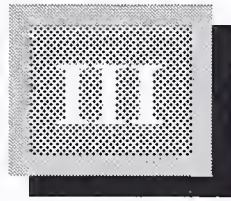
Pressures Facing User Organisations

A

Current Business Pressures

Despite the trend to downplay the role of re-engineering within corporations, the need to improve and reduce the cost of business processes is still paramount (see Exhibit III-1).

In terms of reducing business process costs, the sectors most under pressure are banking, insurance, transport and government (see Exhibit III-2). This reflects the need to reduce burdensome infrastructures — such as branch networks, for example — and the desire to provide alternative mechanisms for servicing the customer — such as telephone banking or some form of electronic commerce.

There are moves within government to reduce staff within large departments, such as welfare, by introducing electronic forms of payment, as opposed to claimants having to regularly turn up at a specific location and be serviced by a member of staff.

The key sector where there was significant pressure to *improve* the effectiveness of business processes was the telecommunications industry (a mean score of 4.3). The pressure of deregulation will force telecoms organisations to reduce headcount and, in so doing, improve productivity of existing staff.

This emphasis on business processes is particularly the case in Germany, which regards both issues (cost reduction and effectiveness) as important (a mean score of 4.1).

Exhibit III-1

Pressures Facing User Organisations Now

Business Pressure	Mean Score
Reduce the cost of business processes	3.9
Improve effectiveness of business processes	3.7
Need to improve customer service levels	3.6
Increase communications capabilities	3.3
Need to introduce new models/ services	3.1
Increase speed of introduction of new models/ services	3.0
Need for improved partnering with major suppliers	2.8
Undergo major restructuring	2.6
Increase Mobile Working	2.4
Need for improved international coverage	2.4
Outsourcing non-core activities	2.1

Source: INPUT

In parallel to this cost reduction pressure, organisations still need to differentiate themselves in terms of customer service. Benchmarking customer satisfaction is becoming a major issue for senior management. Obviously, there is a tension here: while reducing headcount, companies are expected to *increase* levels of customer responsiveness.

The desire to free up staff to be more customer-focused means reducing their administrative burden through the use of technology and allowing mundane tasks to be performed much more efficiently.

Information technology (IT) investment is seen as a major initiative in responding to these pressures (21% of all respondents), closely followed by cost-cutting and restructuring (both 20%).

Surprisingly, flexible (or mobile) working is not seen as a way forward in terms of reducing office space (and thus costs). It may be that there are still significant cultural and social obstacles to overcome, despite studies showing that people work much more efficiently within a non-office environment. There is also little pressure to outsource non-core activities. Organisations are still reluctant to outsource any processes even if they are not core to the workings of the company.

Exhibit III-2

Reducing The Costs of Business Processes Now – Country and Sector Split

Category	Value
Insurance	4.1
Banking & Finance	4.1
Government	4.0
Transport/Logistics	4.0
Health	3.9
Process Manufacturing	3.9
Discrete Manufacturing	3.8
Retail	4.0
Utilities	3.6
Telecommunications	3.6
France	3.7
UK	3.8
Germany	4.1

Source: INPUT
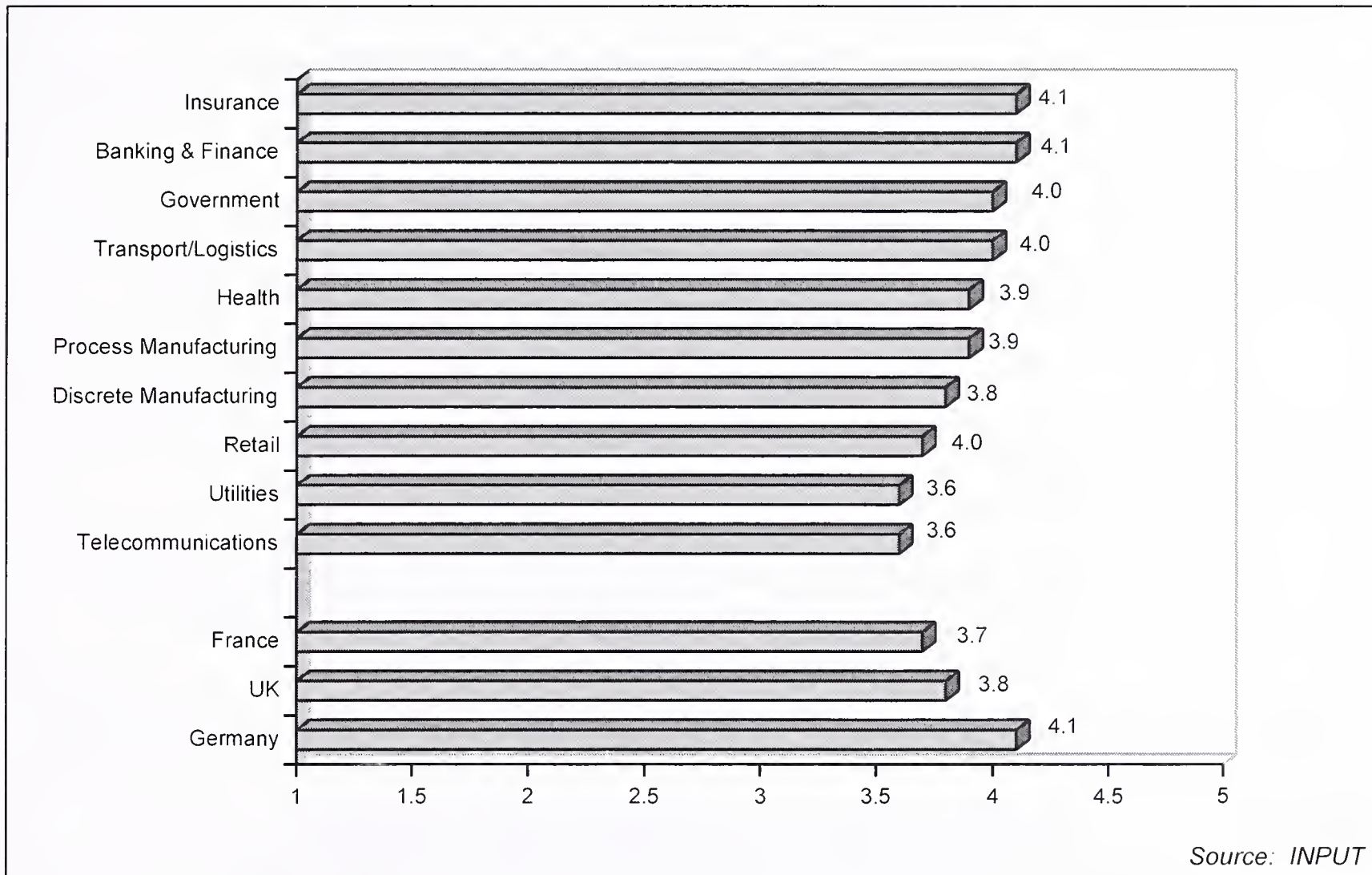
B

Future Business Pressures

General factors, such as competition and financial pressures, were mentioned by respondents when asked unprompted questions regarding future business pressures.

As far as specific pressures are concerned, the issues that are critical now are expected to remain so over the next three years. There is hardly any change in order regarding the top five priorities (see Exhibit III-3).

A major task facing internal IT management is the need to show how IT can positively affect the business — either through making regular processes more efficient and/or less costly or improving customer service levels.

In terms of sector analysis, banking and insurance again appear at the top (see Exhibit III-4). The one significant move occurs within retail. There is increasing pressure to reduce the costs of supply chain management within this sector.

Exhibit III-3

Pressures Facing User Organisations Over The Next 3 Years

Business Pressure	Mean Score
Reduce the cost of business processes	3.7
Improve effectiveness of business processes	3.6
Need to improve customer service levels	3.3
Need to introduce new models/ services	3.3
Increase communications capabilities	3.2
Increase speed of introduction of new models/ services	3.2
Need for improved partnering with major suppliers	2.9
Undergo major restructuring	2.9
Increase Mobile Working	2.8
Need for improved international coverage	2.6
Outsourcing non-core activities	2.3

Source: INPUT

This trend in manufacturer/ retailer relationships is well illustrated with the arrival of a concept named Efficient Consumer Response (ECR). ECR acknowledges that many of the confrontational tactics adopted by both sides simply moves problems and costs up and down the supply chain without adding value to the process.

Its basic techniques include automated store ordering (where POS scanning data is used to trigger new orders), cross docking (where goods are moved from suppliers' lorries to retailers' lorries with no time being spent in the warehouse) and reliable operations (100% correct orders, in full, on time). The concept also applies in the areas of product introductions, and promotions.

ECR implies that both sides will work together in joint planning and demand forecasting, taking on roles traditionally handled by the other if it can be done better and at a lower cost. A pilot study by the ECR Europe Executive Board — composed of 18 blue chip organisations - claimed ECR could take 5.7% worth of cost - $33 billion - out of the European grocery supply chain.

Exhibit III-4
Reducing The Costs of Business Processes in 3 Years - Country and Sector Split
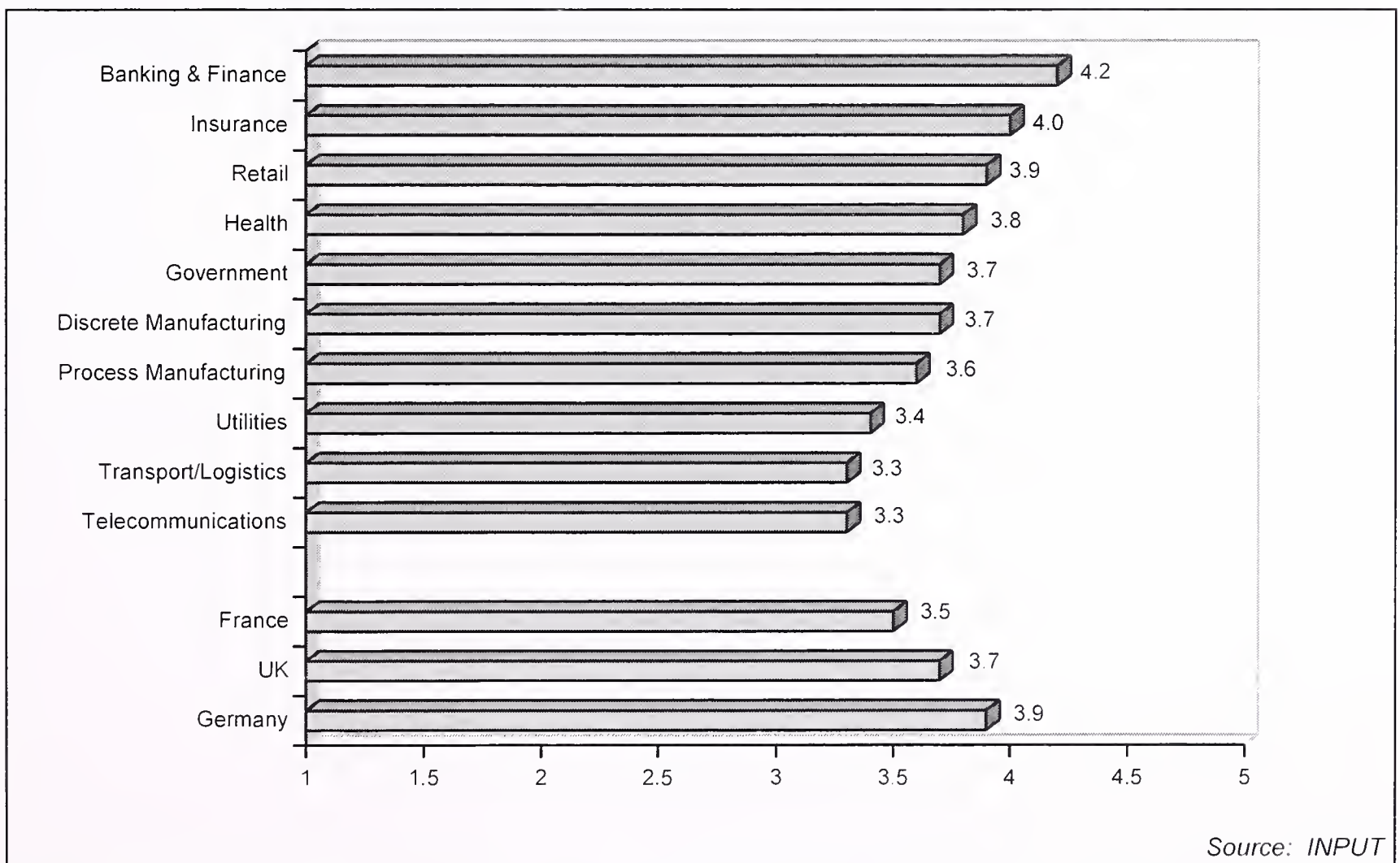
Sector/Country	Value
Banking & Finance	4.2
Insurance	4.0
Retail	3.9
Health	3.8
Government	3.7
Discrete Manufacturing	3.7
Process Manufacturing	3.6
Utilities	3.4
Transport/Logistics	3.3
Telecommunications	3.3
France	3.5
UK	3.7
Germany	3.9

Source: INPUT

The three most significant responses from user organisations to such business pressures are:

- Increase IT investment (14%)

- Initiate cost-cutting regimes (13%)

- Organisational restructuring (13%)

In Germany, the emphasis was on corporate restructuring (17% of respondents) while increasing IT investment was relatively unimportant (7%). UK respondents wanted to focus on cost-cutting methods in addition to investing in IT (both 17%). Only in France did increases in IT investment emerge as the key response (18%).

Obviously, it is important that IT directors align IT as part of the change management process and position such service as integral to the future development of the corporation. One of the key issues for vendors is how they can assist in this role and whether they are perceived as being able to offer any services to aid progress towards such strategic goals (see chapter five).

A major issue is whether IT management is being driven by board level initiatives — to reduce business process costs, for example — or if it sees itself as a pro-active agent of change within the company. How IT departments see their role is examined in the next section.

C
The Role of IT Within User Organisations

There still appears to be a strong cost focus among IT users (see Exhibit III-5). Organisations are prepared to invest in IT provided they can see tangible returns from that investment. There needs to be greater transparency in linking IT investment to metrics such as improved sales performance, greater customer service levels or lower overheads, for example.

Using IT to derive a competitive edge for the business is still nowhere near as significant an objective as becoming more cost-effective in the use of IT.

This would tend to confirm the view that internal IT management are still driven by board mandates to show value for money when investing in IT. Despite many vendors marketing IT as a major force for re-engineering the business for the majority of IT departments this message has still to be proven.

Outsourcing has proved most popular when it has been positioned as a method for cutting staff costs and providing cheaper operational overheads, rather than as a means of focusing on the core competencies of the business.

Exhibit III-5

IT Objectives Within User Organisations

Objective	Value
Become more cost-effective in use of IT	3.9
Improve support for operational systems	3.0
Adopt a more distributed architecture	2.9
Aggressively use IT for competitive advantage	2.8
Undertake redevelopment of key systems	2.7
Improve international coordination of IT	2.2
Replace mainframe-based systems	2.1

Source: INPUT
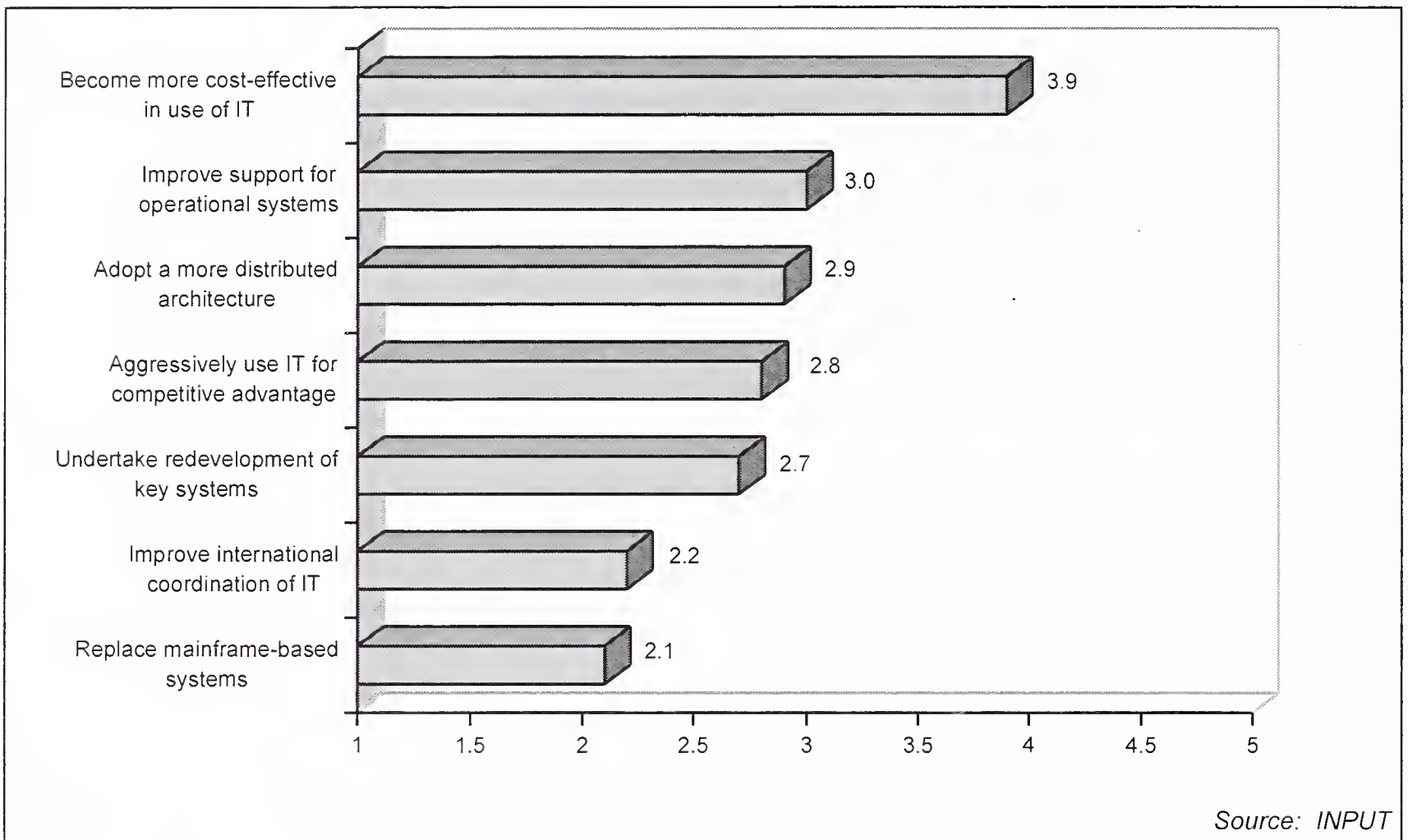
Exhibit III-6

IT Objective: Become More Cost-effective in the Use of IT — Country and Sector Split

Category	Value
Insurance	4.5
Transport/Logistics	4.4
Process Manufacturing	4.4
Retail	4.1
Government	4
Utilities	4.0
Banking & Finance	3.7
Telecommunications	3.7
Health	3.2
Discrete Manufacturing	3.1
France	4.0
UK	3.9
Germany	3.7

Source: INPUT
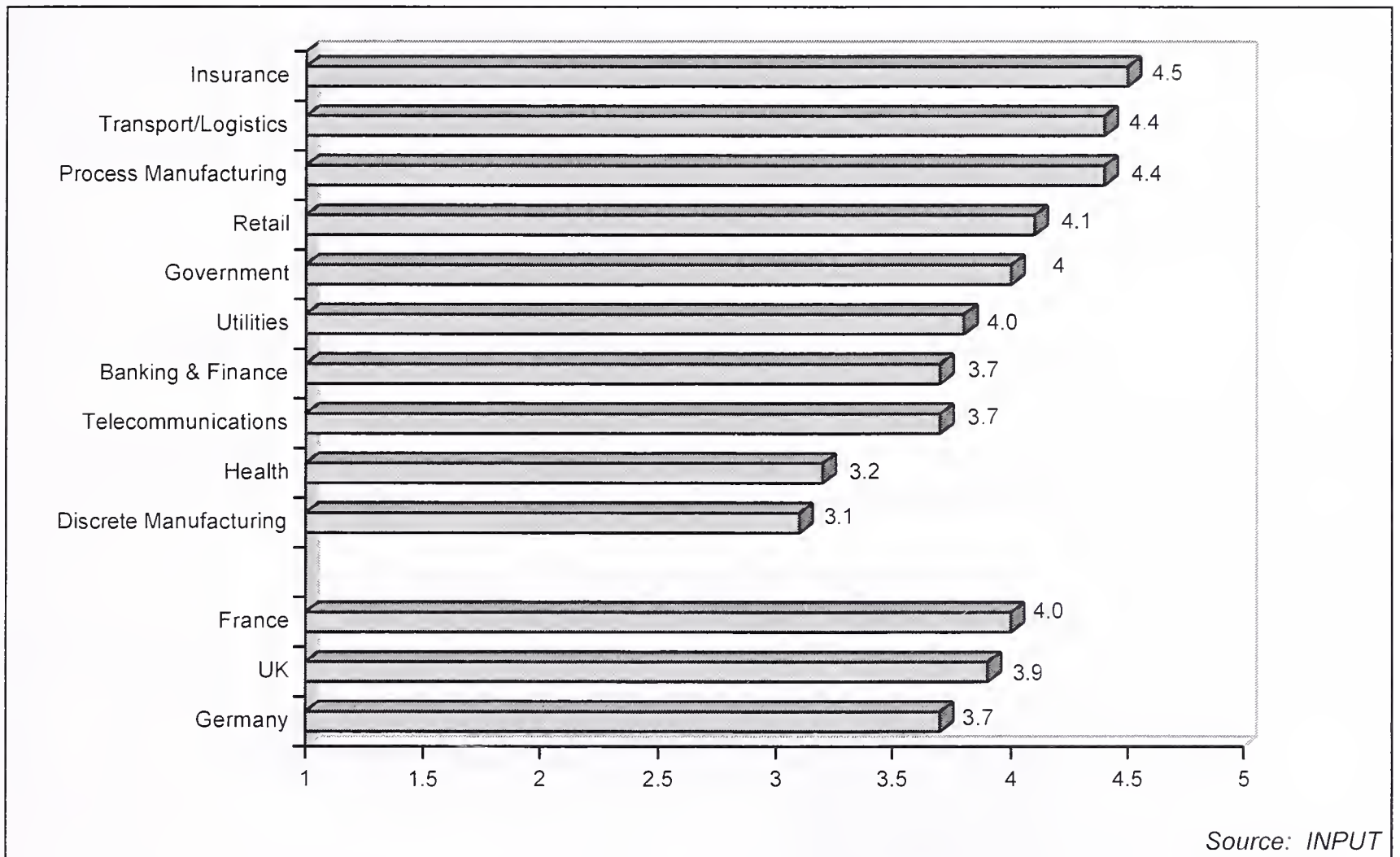
However, there were some comments from respondents which indicated that IT is seen as important in providing competitive edge:

"Increased competition is our main pressure; we intend to fight this with improved IT"

"Competitive advantage will be gained by speeding up operations through the use of IT"

"Information technology is crucial to make the company more efficient; it will drive our company forward".

Exhibit III-6 gives the sector and country split for the top IT objective. There is little country bias. By way of comparison, those industries which regard IT as important for obtaining competitive advantage include process manufacturing (mean score of 3.4) and government (3.2) - the latter particularly in the UK. However, these scores are very low compared with those industries focusing on the cost-effectiveness objective, such as insurance.

INPUT asked IT departments what methods they would use to achieve these objectives — such as improving customer service levels and reducing the cost of business processes (see Exhibit III-7).

Obviously, investment in new technology (38%) is critical in order to respond to the business pressures outlined above. What is more significant is the added emphasis on networks, communications and the speed and efficiency of existing information systems (accounting for 45% in total of all respondents). Respondents stated that:

"IT investment will help us support new business processes"

"IT investment will improve support services, particularly disaster recovery"
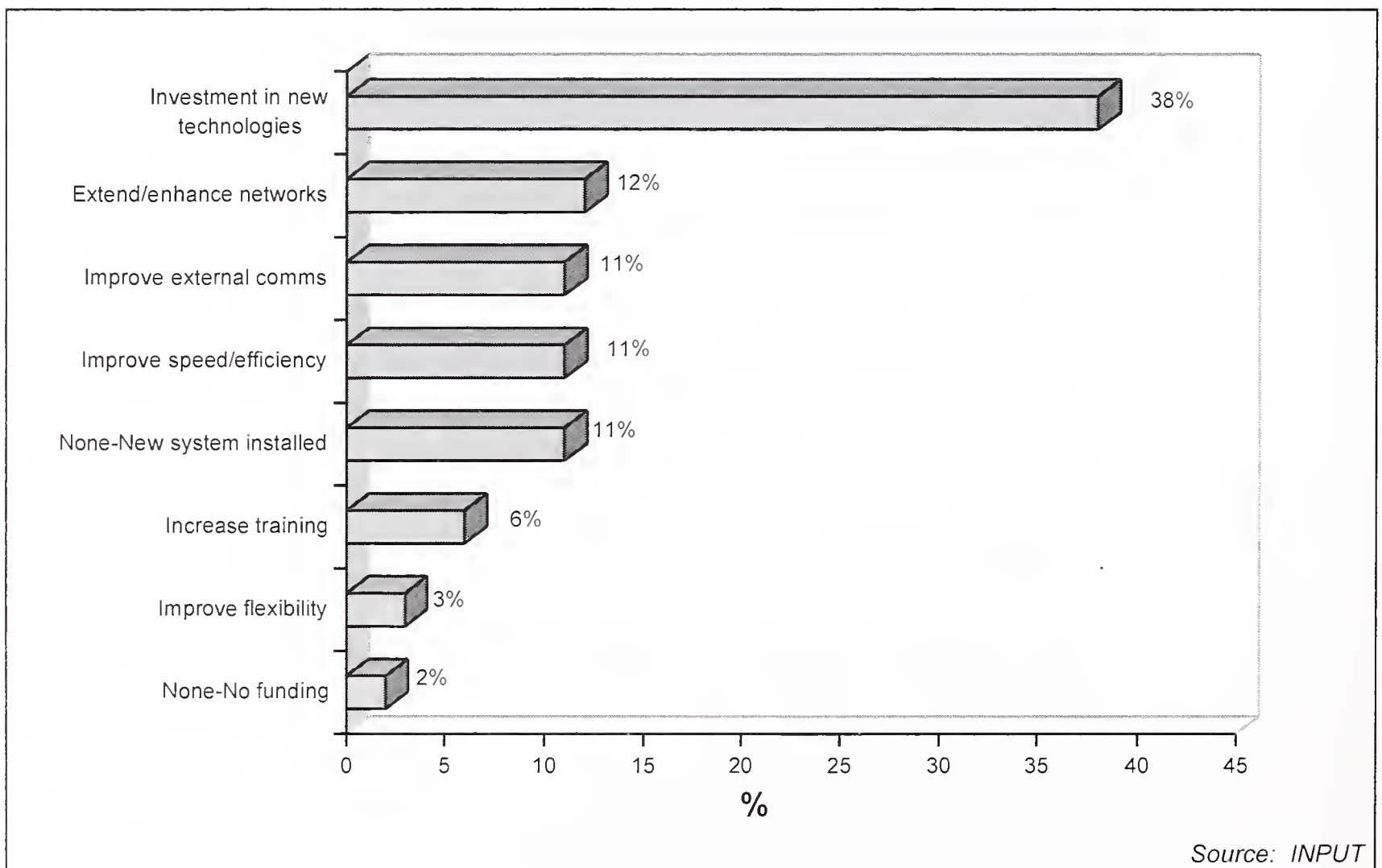
"As part of our investment in IT we are considering external suppliers to help support the business"

Exhibit III-7

Methods To Achieve IT Department Objectives

Source: INPUT

However, one respondent honestly admitted that the IT department's response was academic as "the IT department follows the business". This is not incompatible with the comment that "IT investment will help us support new business processes". The role of the IT department is often simply to support the implementation of new business processes through the use of IT.

Clearly, there needs to be better - and faster - communication processes both within and outside the organisation. Network expansion was one of the specific reasons cited as to why external IT spending was on the increase (see next chapter).

This encompasses a variety of issues:

- How does a company structure its internal corporate knowledge base?

- How do employees have access and contribute to such a database?

- What *internal* communication mechanisms are appropriate - particularly within multinational organisations?

- What *external* communication mechanisms are appropriate - particularly when transferring information to other companies?

- What role does the Internet (and intranets) play in this process?

These are issues which will become increasingly important to users' IT departments, although network-oriented applications (such as groupware or workflow) are at present not regarded as business-critical (see Exhibit IV-3).

Significantly, funding is not an issue - only 2% of respondents claimed this would be a problem — which is important as solutions to the above questions will need substantial investment, either in terms of in-house staff or external suppliers. External IT spending patterns are covered in the next chapter.

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IV
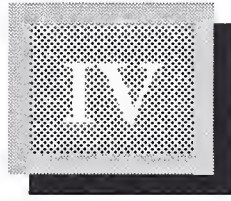
External IT Spending Patterns

A
External IT Spending Patterns

One response by IT departments to current business pressures is to invest in new technology. This includes bringing in external suppliers to provide specific expertise for clients on a variety of issues. Exhibit IV-1 shows how users expect their spending patterns to move over the next 12 months. Exhibit IV-2 gives patterns by individual country.

Exhibit IV-1

Total External IT Spending Patterns Over The Next 12 Months
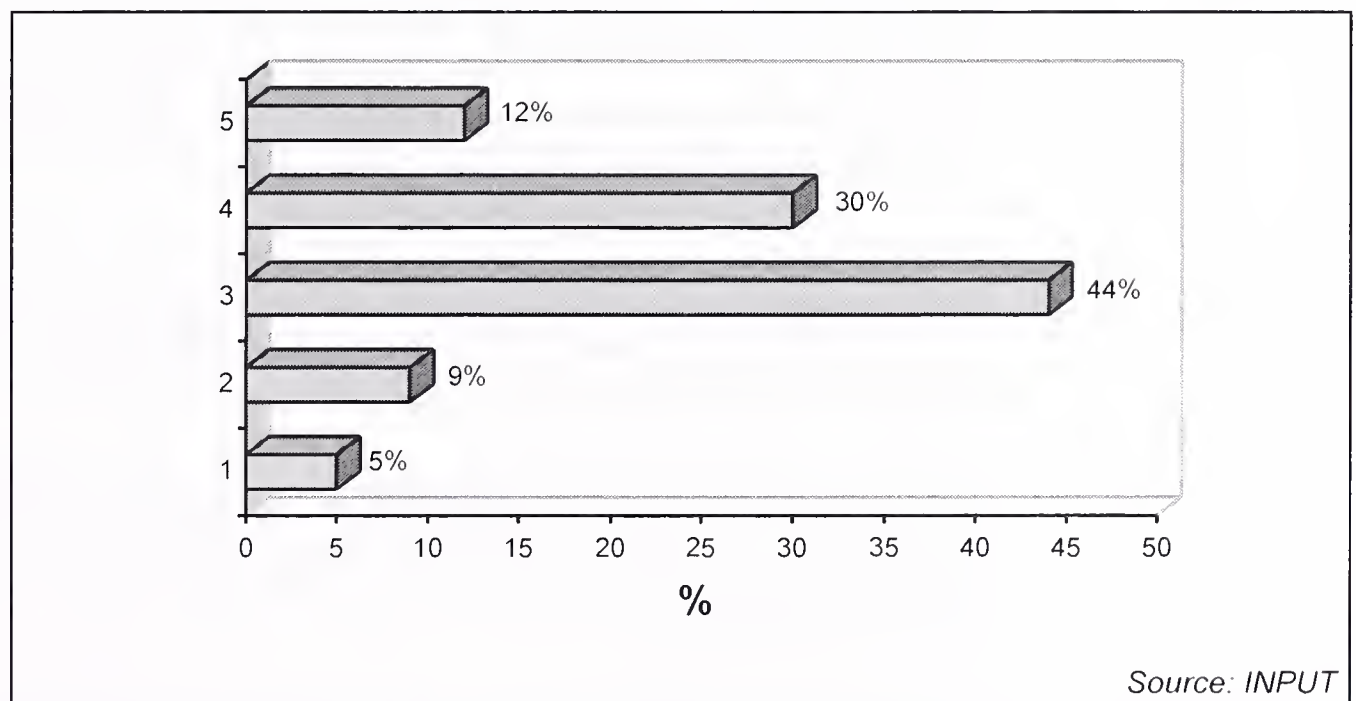
Source: INPUT

(Note: 5 = increase external IT spending *significantly*; 4 = increase external IT spending *slightly*; 3 = *maintain* external IT spending at current level; 2 = decrease external IT spending *slightly;* 1= decrease external IT spending *significantly*).

External IT Spending Patterns Over The Next 12 Months: Split by Country
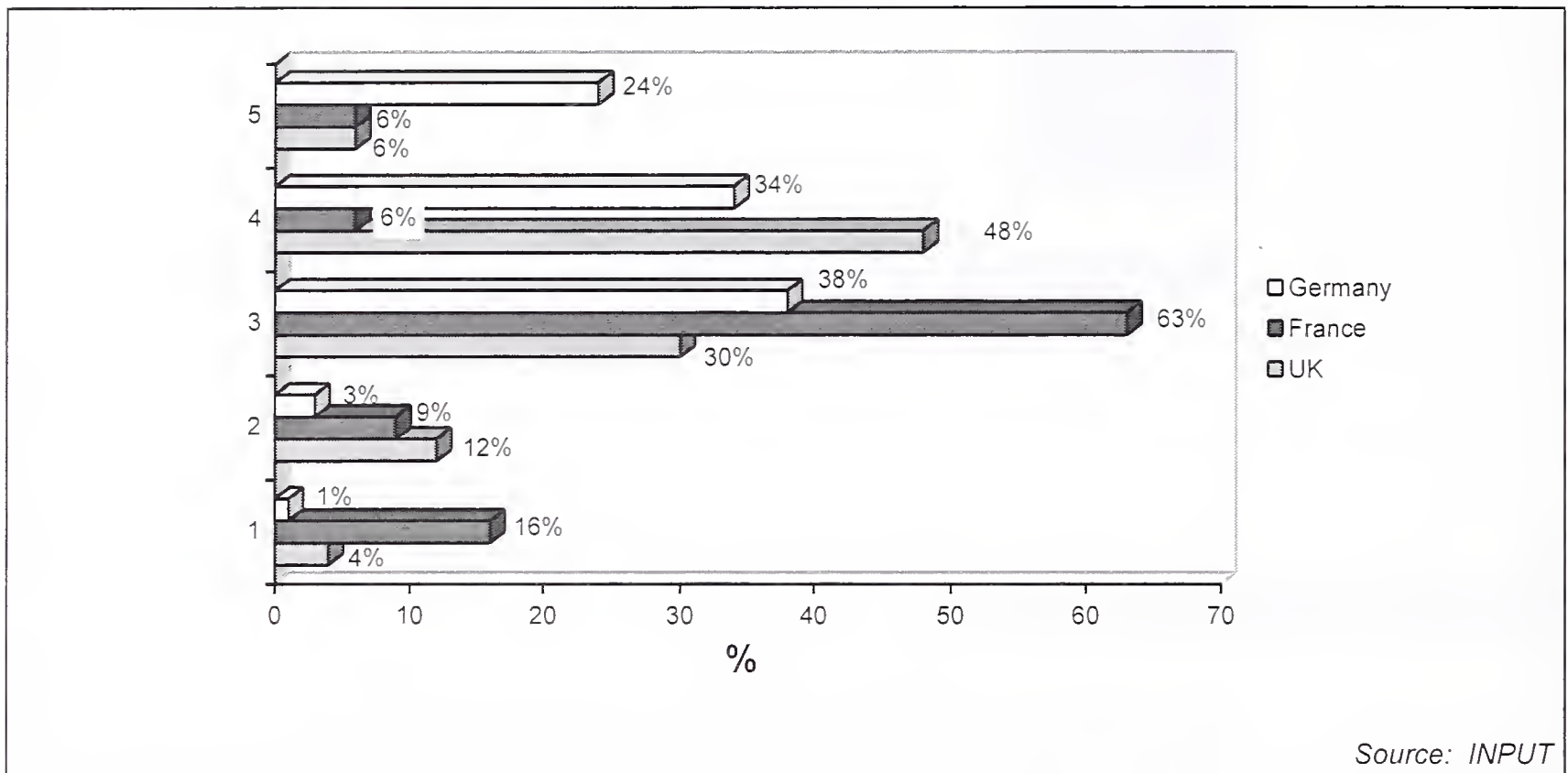
Source: INPUT

(Note: 5 = increase external IT spending *significantly*; 4 = increase external IT spending *slightly*: 3 = *maintain* external IT spending at current level: 2 = decrease external IT spending *slightly;* 1= decrease external IT spending *significantly*).

Overall, the signs are encouraging. Forty two per cent of all respondents will increase external IT spending over the next year. Of this group 29% claim their increases will be significant, as oppose to a slight increase (71%). Roughly the same proportion as those who will increase external IT spending (44%) will keep their spending constant over the next year.

The differences are revealing when examined by individual country. Within Germany, almost a quarter of respondents (24%) envisage increasing their external IT spending **significantly** over the next 12 months. This compares with 6% for France and the UK.

In total, 58% of German respondents will increase their spending this year. This compares to 12% for France and 54% for the UK (although the vast majority of UK respondents in this group - 89% - will only increase spending slightly).

In France almost two-thirds (63%) of respondents will maintain spending at its current level. France has the highest percentage of user organisations who will significantly decrease external IT spending over the next 12 months - 16%. This compares with 3% for the UK and zero for Germany.

For those respondents increasing their external IT spending over the next year the following reasons are the most commonly cited:

"Our (international) network is increasing"

"To support expansion of the business"

"To support new business processes"

"To improve customer service"

"To improve systems reliability"

Interestingly, some respondents acknowledged that they were being given greater budgets as a result of reducing costs in their department during the previous year — this was usually a combination of reduced headcount or first year cost reductions from outsourcing non-core systems.

Those sectors where increases in external IT spending is greatest include transport/ logistics (76% of all respondents in that sector), retail (72%) and process manufacturing (56%).

The main reason for not increasing external IT spending over the next year was simply due to the fact that there had been significant investment over the last 12 months. This was particularly the case in Germany and the UK (27% and 36% of respondents respectively).

B

Specific Areas For IT Investment

For those companies who are planning on increasing external IT spending INPUT asked which specific areas were targeted for investment (see Exhibit IV-3).

The emphasis was on networks and network-related areas such as the desktop and client-server systems. Development of networks across large organisations is becomingly increasingly complex. Whether it is in setting up company-wide corporate databases (such as Lotus Notes, for instance), implementing Internet access or maintaining client-server architectures the increasing transmission of *image* as well as voice and data has placed intensive pressure on corporate networks.

What is surprising are the low scores attributed to the specific areas - even network development (the highest country score for this area was only 3.8 in the UK). In France the highest score was attributed to desktop (4.0). Germany also scored highest on network development (but only 3.3).

What is not surprising is the low score attributed to outsourcing. IT managers do not want to lose their areas of responsibility (or their jobs) to external suppliers.

Exhibit IV-3

Specific Areas for IT Investment

Source: INPUT
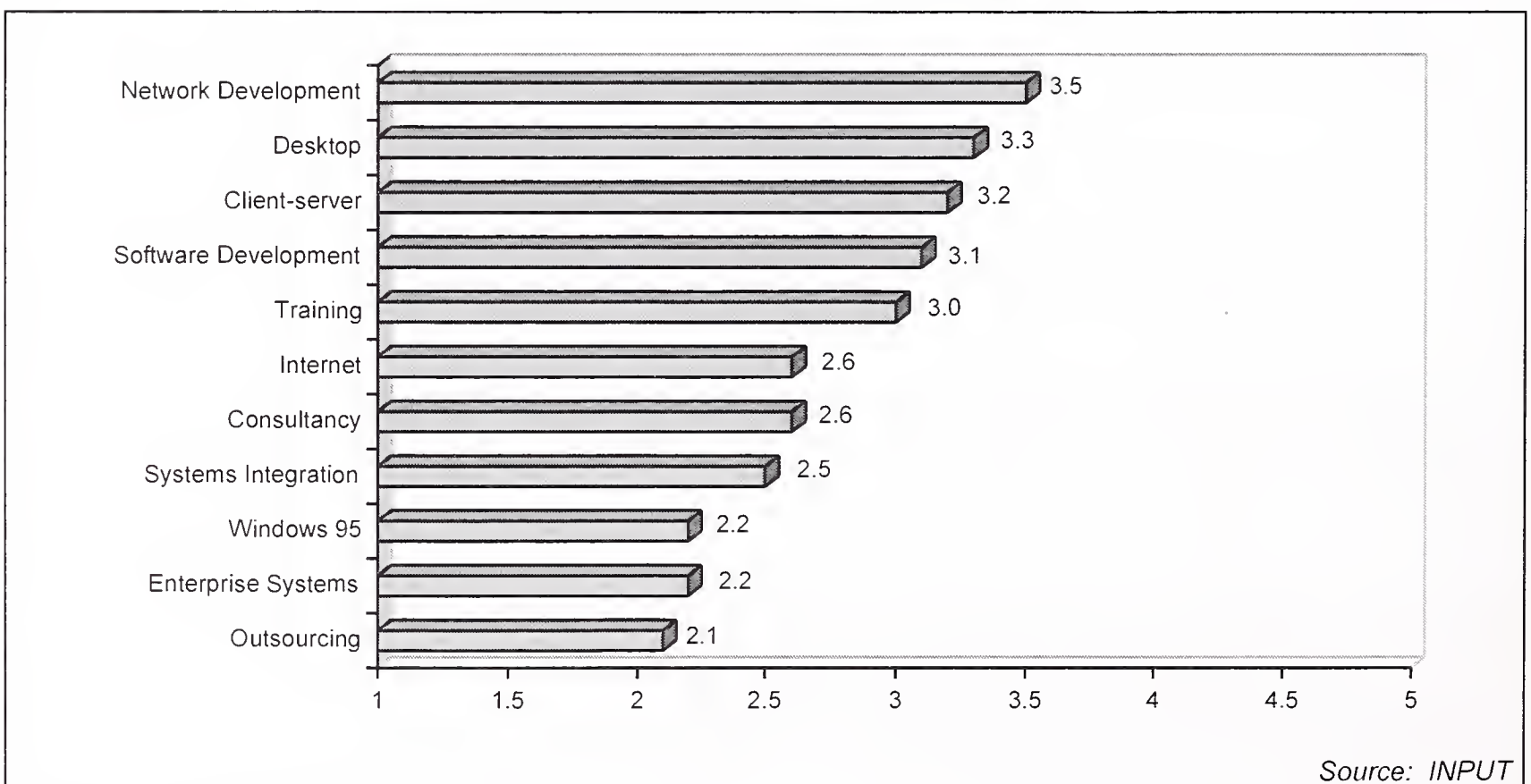
Each sector had differing areas for IT investment (mean score shown in brackets):

- Insurance - Desktop (4.2) and Network development (4.0)

- Transport/ Logistics - Desktop (4.2)

- Process Manufacturing - Software development (4.4)

- Government - Windows 95 upgrades (4.3)

- Health - Systems integration (4.5)

- Telecommunications - Internet (4.3) and Training (4.3)

Perhaps the reason why no one IT area emerged as a strong contender for investment is due to the specific requirements of each sector. Hence, the main message to vendors would be to avoid over-generalisations about user requirements and target clients via sector-specific applications which will help improve business processes.

C

Business-Critical Technologies

Given that there are no over-riding areas of investment for user organisations over the next year it was not surprising to find that, apart from network technology, the majority of up- and coming technologies were not seen as business-critical, that is, necessary to support the operations of the business (see Exhibit IV-4). But it may be the case that such technologies are business-critical to those respondents who are currently using them!

Forty four per cent of respondents in the telecoms sector regard both Internet appliances and multimedia as either slightly or highly business-critical. Within retail, over a quarter of respondents (27%) regard data warehousing as either slightly or highly business-critical. Electronic commerce is perceived as slightly or highly business-critical within insurance (36%), process manufacturing (33%) and banking (22%).

Exhibit IV-4

Potentially Business-Critical Technologies (Over The Next Year)

Source: INPUT
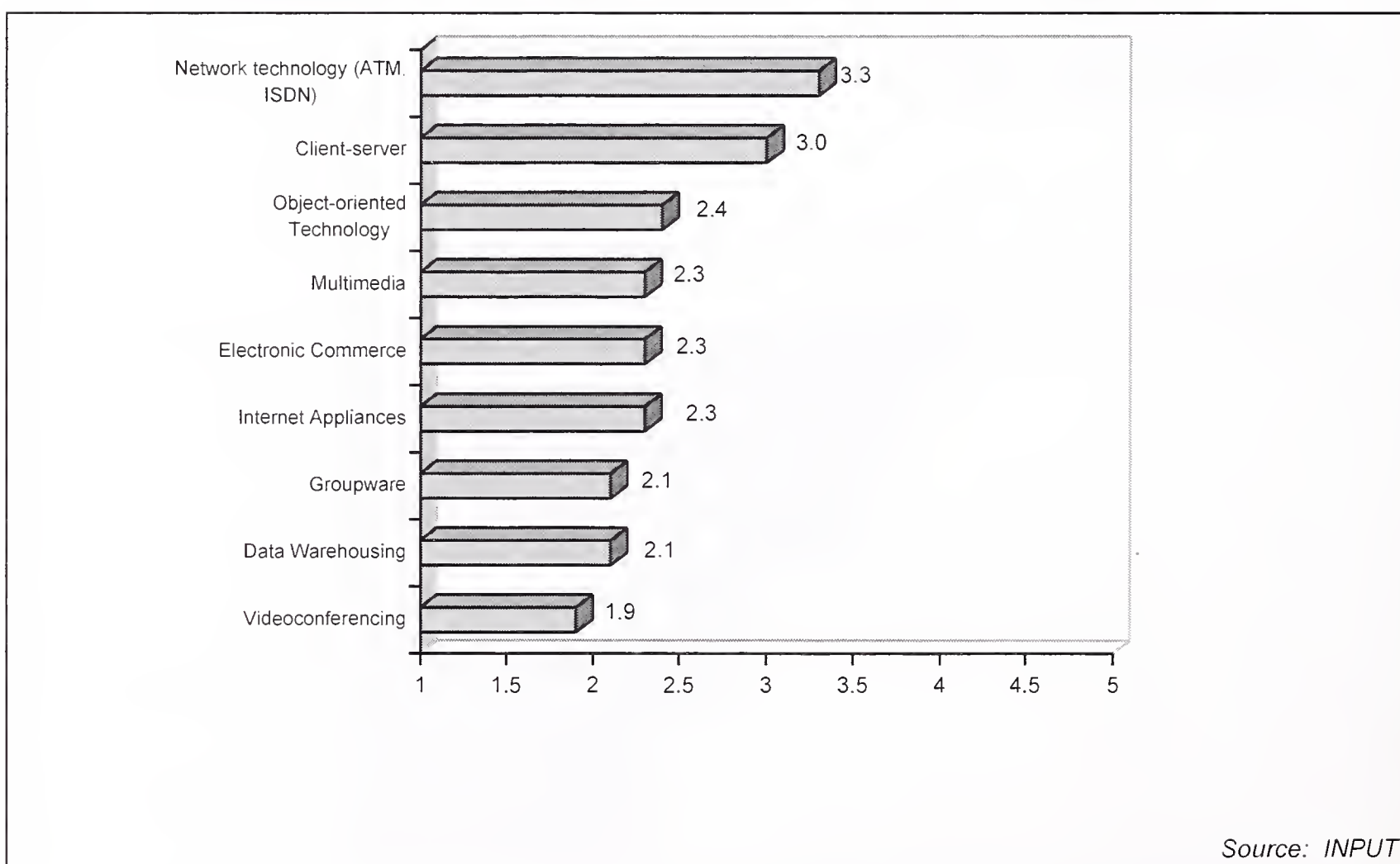
Users are more concerned in getting better value for money out of existing systems rather than investing in state-of-the-art technologies. This is particularly the case with client-server systems.

Users are concerned to see relevant case studies where new technology has added significant and tangible *business* value before they consider investing in it. Although investment plans are showing positive increases overall users are cautious about becoming "early adopters". Vendors need to put together solid business cases to show how their involvement with new technology increased specific business metrics.

The majority of the technologies listed above were not regarded as business-critical at all by the majority of respondents - the exceptions were network technology (such as high speed LANs, ATM (Asynchronous Transfer Mode) and ISDN (Integrated Services Digital Network)) and client-server systems.

However, although communication technologies are perceived as critical to the business, LAN-based applications — such as groupware — are not expected to become so over the next year. This does not mean that the likes of workflow or electronic document management are not areas of growth. Simply that these applications are still not regarded as essential to doing business across all industry sectors.

Respondents were keen to emphasise the development of the network itself rather than the implementation of network-oriented (or distributed) applications. ATM is increasingly being regarded as the medium for supporting high bandwidth traffic across digital networks.

Related to the rise in importance of client-server applications, systems development techniques — such as object-oriented programming and rapid application development — are increasingly being adopted by large user organisations.

Exhibit IV-5 shows the profile of respondents considering whether or not network and client-server technologies are business-critical.

Exhibit IV-5

Client-Server and Network Technology —
Business-Critical Profiles

Source: INPUT
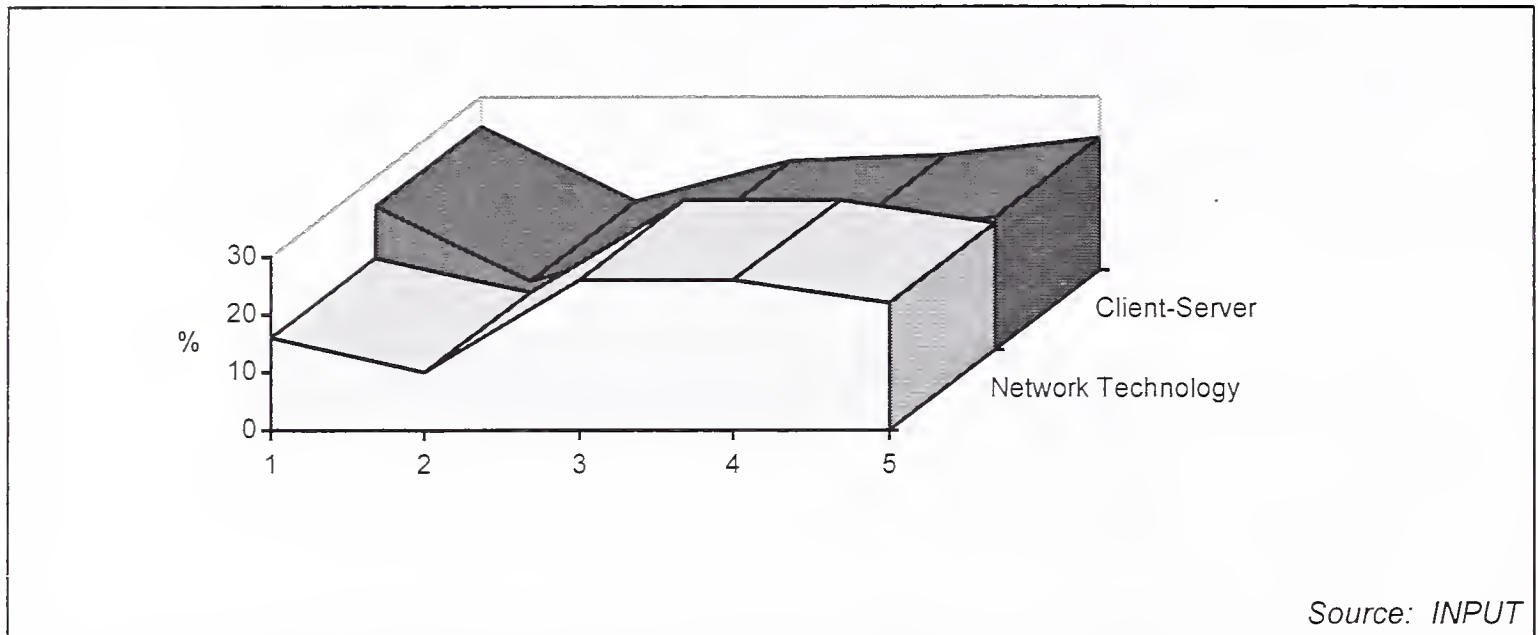
(Note: 5 = highly business-critical; 4 = slightly business-critical; 3 = neither/nor; 2 = not yet business-critical; 1= not business-critical).

Client server is interesting in that it has almost the same proportion of respondents stating that such a system is not business-critical (25%) as those who think that it is (23%). There is quite an even spread of respondents throughout the spectrum. Client server is simply business-critical for some applications and not for others.

In France 31% of respondents thought client-server was *highly* critical to the business — compared to 17% and 18% for Germany and the UK respectively. By way of contrast, in Germany 50% of respondents stated that client server was not business-critical *at all*, as compared to 18% and 13% for the UK and France respectively.

Those sectors which regard client server as slightly or highly business-critical include discrete manufacturing (63% of respondents in that sector), utilities (55%) and transport/ logistics (51%).

Almost half of all respondents (48%) regard networks as being business-critical. This view is held in the UK and France. However, in Germany a third (33%) viewed it as not business-critical at all while almost the same proportion (27%) regard it as highly business-critical. Clearly, the German market is investing heavily in future IT systems but it is not clear as to which technologies will become business-critical at this stage.

D

IT As A Core Business Activity

Although opinion is divided as to what technologies will become critical to the business over the next year, there is a much greater consensus as to how IT as a whole is perceived within the user organisation (see Exhibit IV-6).

As expected from a sample of IT directors and senior management, just under a third of all respondents (31%) very strongly consider IT as a core business activity. Almost two-thirds (60%) are positive about IT being fundamental to the operations of the business.

This reflects the shift in thinking by IT personnel from viewing IT strategy simply as one element of business strategy to seeing IT and business strategy as tightly linked in the current information age. Information is no longer just a resource to be managed, it is an *asset* of the business and can be leveraged accordingly.

The results by sector (see Exhibit IV-7) show that retail and manufacturing are two areas where IT investment is *not* perceived as adding significantly to business performance.

Exhibit IV-6

Perception Of IT As A Core Business Activity

Source: INPUT
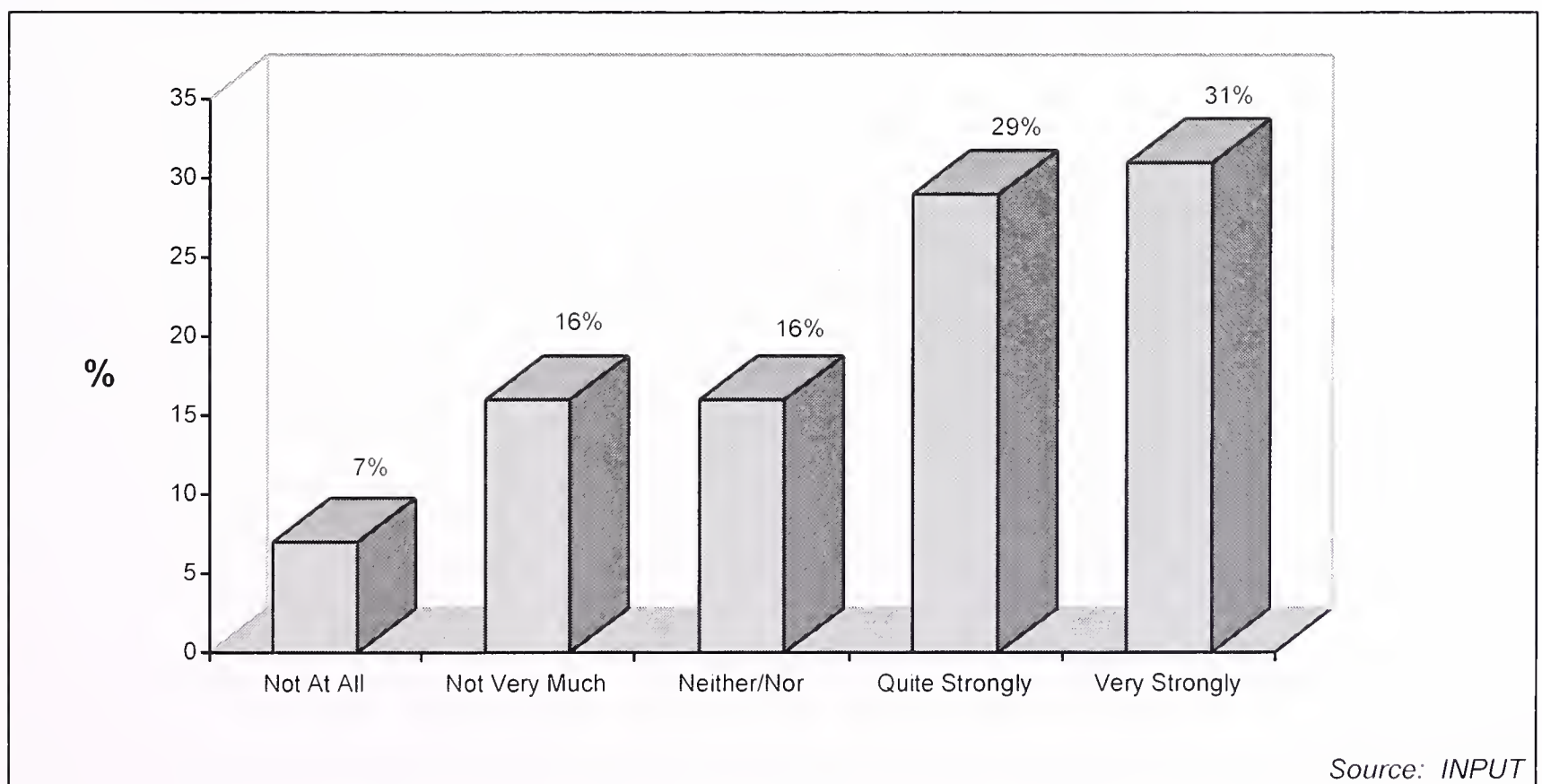
This is surprising given that the benefits of using EPOS (electronic point of sale), for example, to initiate replenishment from the manufacturer via computerised warehousing/stock systems visibly reduces stock levels and assists in providing better forecasting and smoother production runs.

Another recurring theme within manufacturing is that of IT integration. The integration of systems within the manufacturing process in order to produce meaningful data and manage it more effectively has been a priority for the last decade.

Perhaps these sectors, which have relied heavily on IT in the past, are becoming disillusioned as to how real business benefits can be achieved from the strategic use of information systems.

The utilities sector clearly sees IT as way of obtaining competitive advantage. This may be partly due to deregulatory pressures which are forcing many previously state-owned organisations to face up to the stiff wind of competition.

Privatisation of utilities has led to an increasing demand for quality financial information and more flexible and sophisticated reporting tools. Plus there are opportunities to exploit their customer billing and information databases.

In addition, there are opportunities to partner with telecoms companies to provide 'alternative networks' using water pipes, railway tracks or electricity lines.

Exhibit IV-7

IT As A Core Activity: Country and Sector Split

Category	Value
Utilities	4.3
Banking & Finance	4.0
Transport/Logistics	4.0
Government	3.8
Insurance	3.6
Telecommunications	3.6
Health	3.5
Discrete Manufacturing	3.4
Retail	3.3
Process Manufacturing	2.9
Germany	3.7
UK	3.7
France	3.4

Source: INPUT
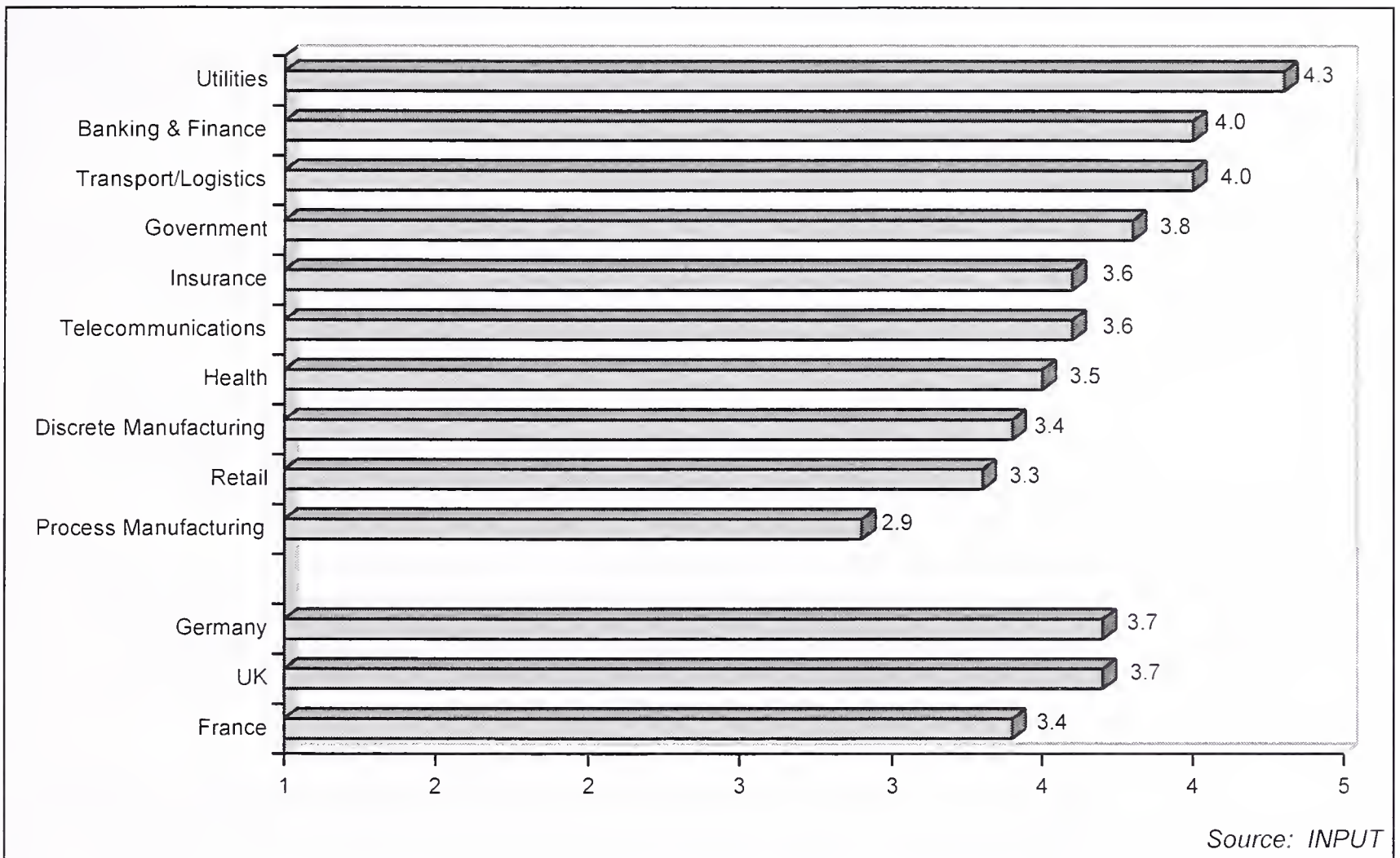
E

Core and Non-Core Businesses

Given that IT is seen as core to the operations of the organisation INPUT asked what other areas of the business were regarded as core activities (see Exhibit IV-8).

The clear trend here is that any customer-facing activities are seen as critical to the life of the business. Improving the level of customer service was seen as one of the key business pressures which needed to be addressed in the short-term (see chapter three).

Accounting is also seen as important. This may reflect the increasing move by accountants to become internal consultants, analysing why certain areas of the business are under-performing and offering suggestions for improvement.

Marketing has traditionally had difficulty in justifying its expenditure within a corporation. By the very nature of the activity it is hard to analyse performance in terms of objective metrics, such as return on investment.

However, it is seen as fundamental to the growth of businesses — even if the link between advertising or promotions and sales cannot easily be explained.

Exhibit IV-8

Extent To Which Business Function Considered Core
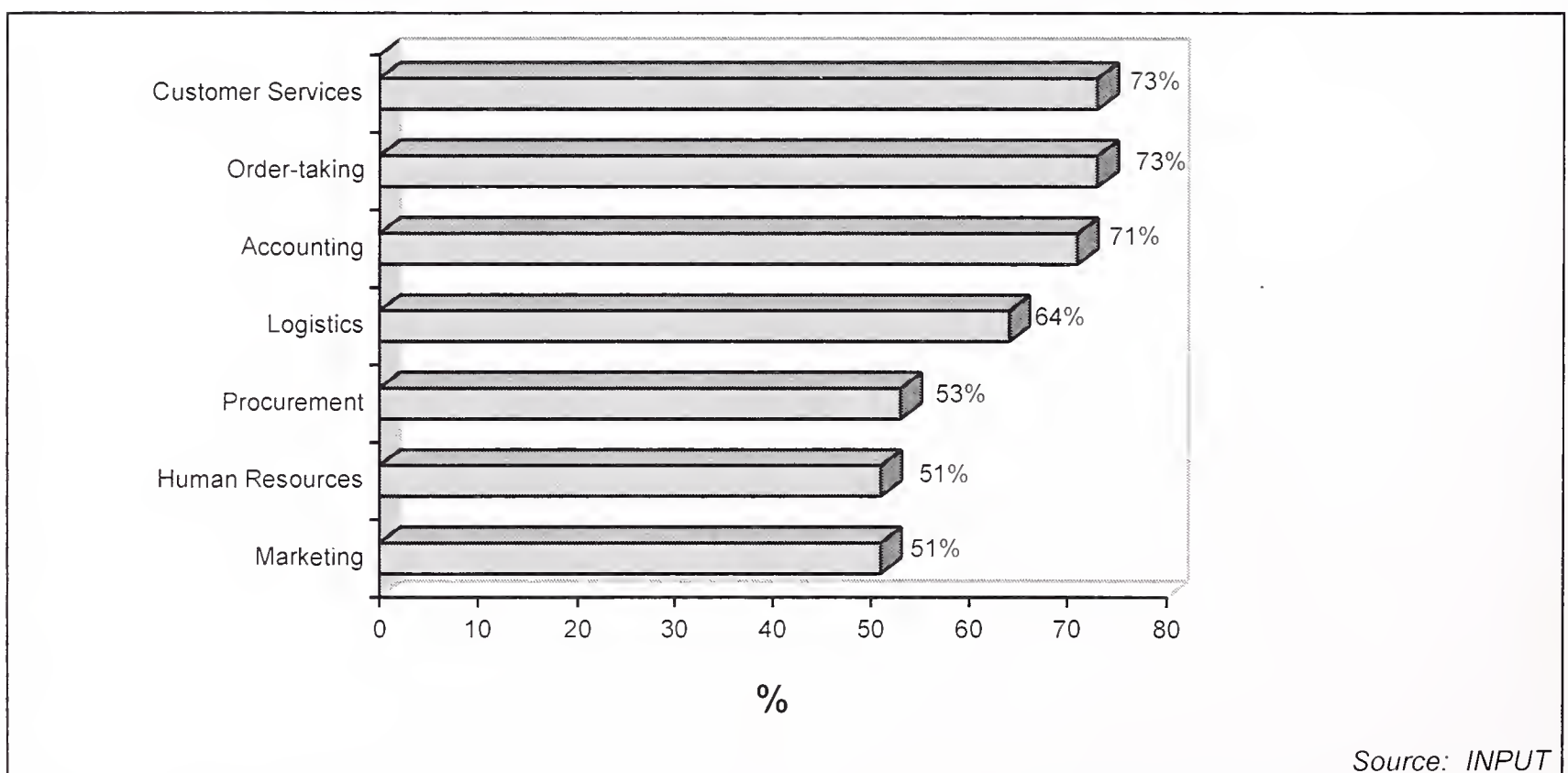
Source: INPUT

The additional issue is how the *whole* marketing function could be outsourced to a third party. Admittedly, elements of the marketing mix have always been handed over to agencies for their creative input. But the issue of managing such a function externally will not be seen as a viable alternative for some time.

The same issues are important when considering the Human Resource (HR) function. Certain elements are already handed over to third parties — such as recruitment agencies — but the process is managed internally. HR functions are increasingly repositioning themselves as organisational design and change experts and leaving the basic tasks to external agencies. Clearly, this process has still to be recognised by other parts of the organisation.

However, even though certain functions are considered core parts of the business — such as accounting and customer service — this does not mean they will not be outsourced. In fact, the top four business functions in exhibit IV-8 are all in the process of being outsourced at present. But such outsourcing usually involves the more mundane, clerical tasks involved in such functions - such as book keeping and order-taking — rather than the more value-added elements, such as management accounting.

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V
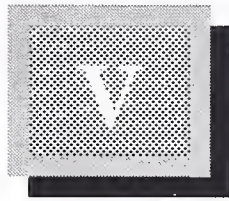
Perceptions of Vendor Services

This chapter examines the way in which IT managers regard suppliers of external IT services. It ranks key vendor attributes - such as flexibility of response and willingness to own problems — and analyses the 'credibility gap' between how important such characteristics are to user organisations and how satisfied users are that such qualities are present when projects are implemented.

It also looks at how vendors contribute to user IT goals and the principal benefits sought from an external IT supplier. The chapter concludes with how users perceive the role of vendors today and their overall level of satisfaction with vendor services.

A
Vendor Qualities

The fundamental requirement for vendors is that they understand the client's business needs - not their IT specifications. It is imperative that vendors display knowledge of the business drivers within the client's industry as well as the general business pressures users are facing (see Exhibit V-1).

In general, vendors do manage to satisfy client's expectations in this area (mean score of 3.7 - highest of all attributes), but the variance between the importance of this attribute and the ability of vendors to satisfy it is one of the highest.

The largest difference between importance and satisfaction is in speed of response (0.7). It would appear that the more critical the attribute the greater the gap between importance and satisfaction.

Exhibit V-1

Vendor Attributes: Importance & Satisfaction

Attribute	Importance	Satisfaction	Variance
Understands business needs	4.3	3.7	0.6
Speed of response	4.1	3.4	0.7
Calibre of staff	4.0	3.6	0.4
Willing to compromise when conflicts arise	4.0	3.6	0.4
Good communication channels	3.9	3.5	0.4
Responsive to day-to-day issues	3.8	3.3	0.5
Willing to own problems	3.8	3.3	0.5
Responds to changing needs	3.8	3.4	0.4
Flexible approach	3.8	3.3	0.5

Source: INPUT

Vendors are still perceived as relatively inflexible and lacking in innovative approaches to client problems. This may be partly due to the way projects are agreed — namely, drawing up a legal document that details specific deliverables at certain times. This approach is not conducive to adopting a flexible position.

Initiatives in the market, such as value-based pricing, where risk and rewards are shared by user and vendor alike, are beginning to make an impact. This is the case particularly when contracts are five or more years in duration and the business environment will undoubtedly change over that period. Contracts involving a value-based approach at the very least allow for an opportunity to change the key metrics of the project, assuming both sides agree.

When analysing the most important attribute, that of understanding business requirements, the two sectors that regard it as most important - telecommunications and government - are the most dissatisfied (see Exhibit V-2).

Given the complex nature of the evolving telecommunications market — its relationship with the Internet, the world of media and entertainment and content/ on-line information services, as well as alliances with utility companies, banks and retailers - it is understandable that the future business needs of this sector are sophisticated, to say the least.

Likewise with the government sector. Events such as the Private Finance Initiative in the UK plus deregulation of state-owned assets across Europe have unleashed powerful competitive forces. The challenge to vendors is to seek to understand the issues for clients inherent in such sectors and, to a large extent, predict their future competitive landscape.

Exhibit V-2

Understanding Business Needs: Country and Sector Split

Source: INPUT
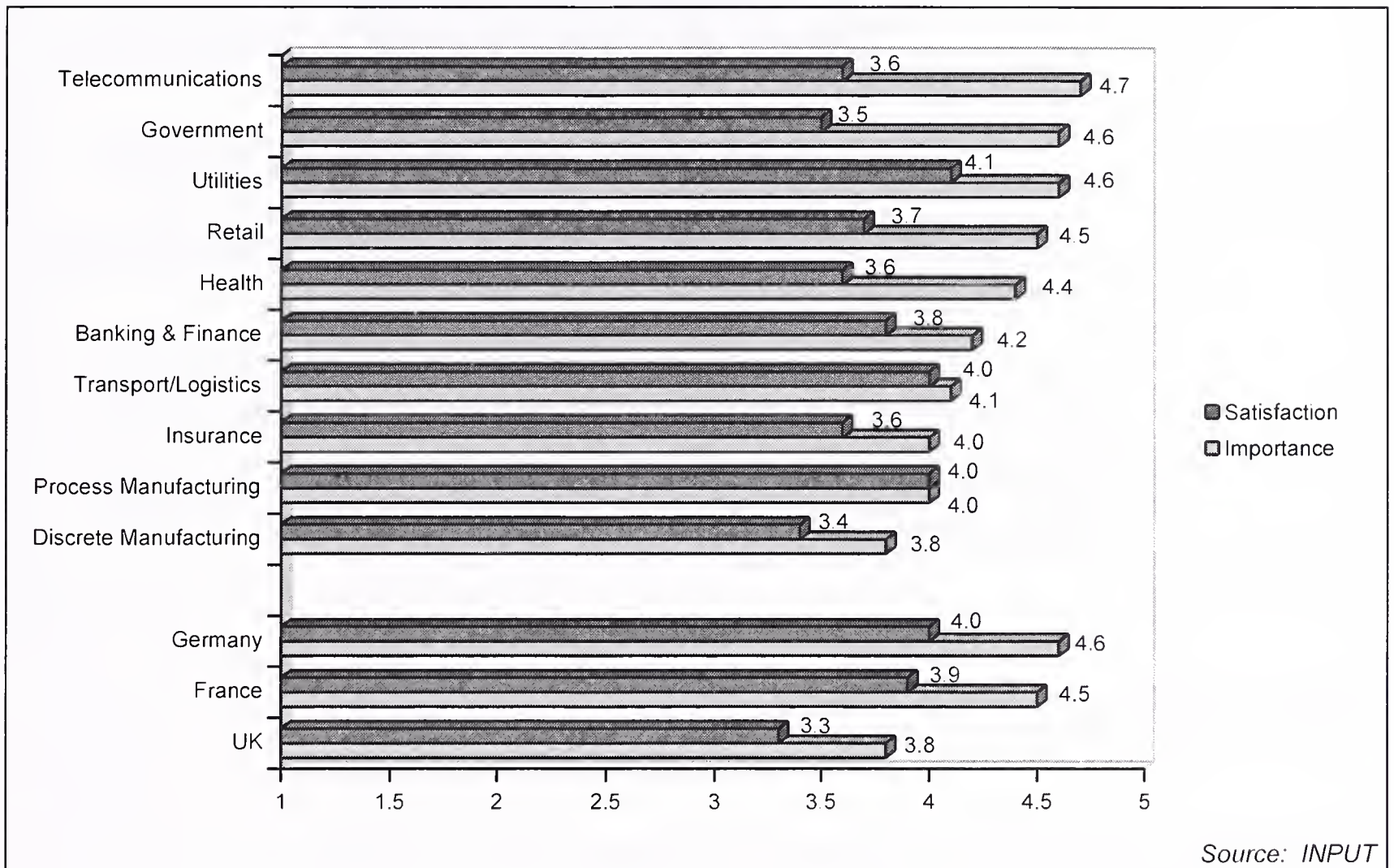
By way of contrast, process manufacturing, banking, utilities and transport/ logistics appear relatively satisfied with vendors' knowledge of their business needs.

These sectors are least satisfied in the following areas:

- Process manufacturing: effective and appropriate communication channels

- Transport/ Logistics: willingness to compromise when conflicts arise

- Banking: flexible/ innovative approach and willingness to compromise when conflicts arise

- Utilities: willingness to take ownership of problems

B
Vendor Contribution to IT Goals

There are two ways in which IT managers see vendors contributing to their IT goals: by effectively applying IT to the business and reducing time to implement new systems (see Exhibit V-3).

The application of IT to business processes cannot be ignored at board level any more. It provides new ways of integrating supply, manufacturing and distribution and is producing large gains in customer value at lower cost.

In fact, technology is redrawing the boundaries between historically separate industries: between computing, telecommunications and entertainment, between banking and other financial services and (in the near future) between food and pharmaceuticals.

It is redefining the management task itself and in many companies is becoming the *critical agenda item* for general management.

Reducing time to implement new systems will always be an area where there is relatively low satisfaction. Implementation times are getting shorter - but so are business cycles.

Exhibit V-3

Extent of Contribution to User IT Goals — Expectation and Achievement

Source: INPUT
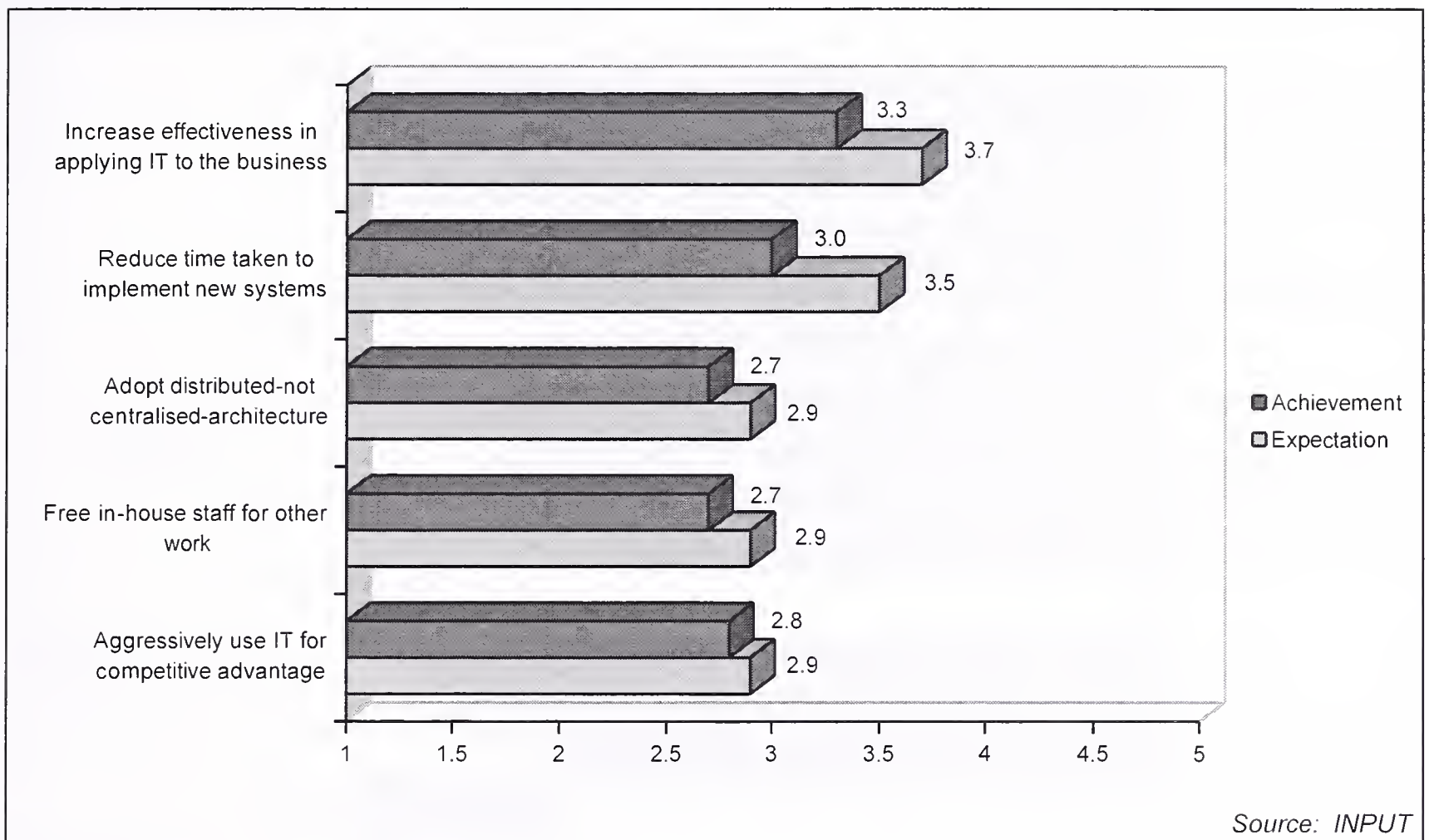
Also, the complexity of the new systems installed requires greater project management skills plus increased awareness as to how this system will *integrate with the rest of the business.*

Often new systems are delivered on time and within budget - but the information flows delivered to that system from other sources within the organisation can be poor quality and thus, at best, temporarily nullify the effect of such IT investment.

External IT suppliers are certainly not perceived as freeing up in-house staff to do other jobs, despite what vendor marketing brochures may say. Ironically, most in-house staff time is spent monitoring external suppliers to ensure they deliver on time and within specification.

It is also interesting that vendors are not perceived as helping users to gain competitive advantage through the use of IT. The message here is that users would like guidance in this area but are not yet convinced that vendors are the people to give it.

Exhibit V-4

Increasing Effectiveness in Applying IT to the Business: Country and Sector Split

Banking & Finance — 3.9 / 4.2
Insurance — 4.2 / 4.2
Transport/Logistics — 3.6 / 4.1
Retail — 3.2 / 3.8
Process Manufacturing — 3.3 / 3.8
Health — 3 / 3.5
Government — 4.0 / 3.5
Discrete Manufacturing — 2.9 / 3.5
Telecommunications — 3.0 / 3.3
Utilities — 3.1 / 3.1

Germany — 3.4 / 3.9
France — 3.5 / 3.8
UK — 3.1 / 3.4

Legend: ■ Achievement □ Expectation

X-axis: 1   1.5   2   2.5   3   3.5   4   4.5

Source: INPUT
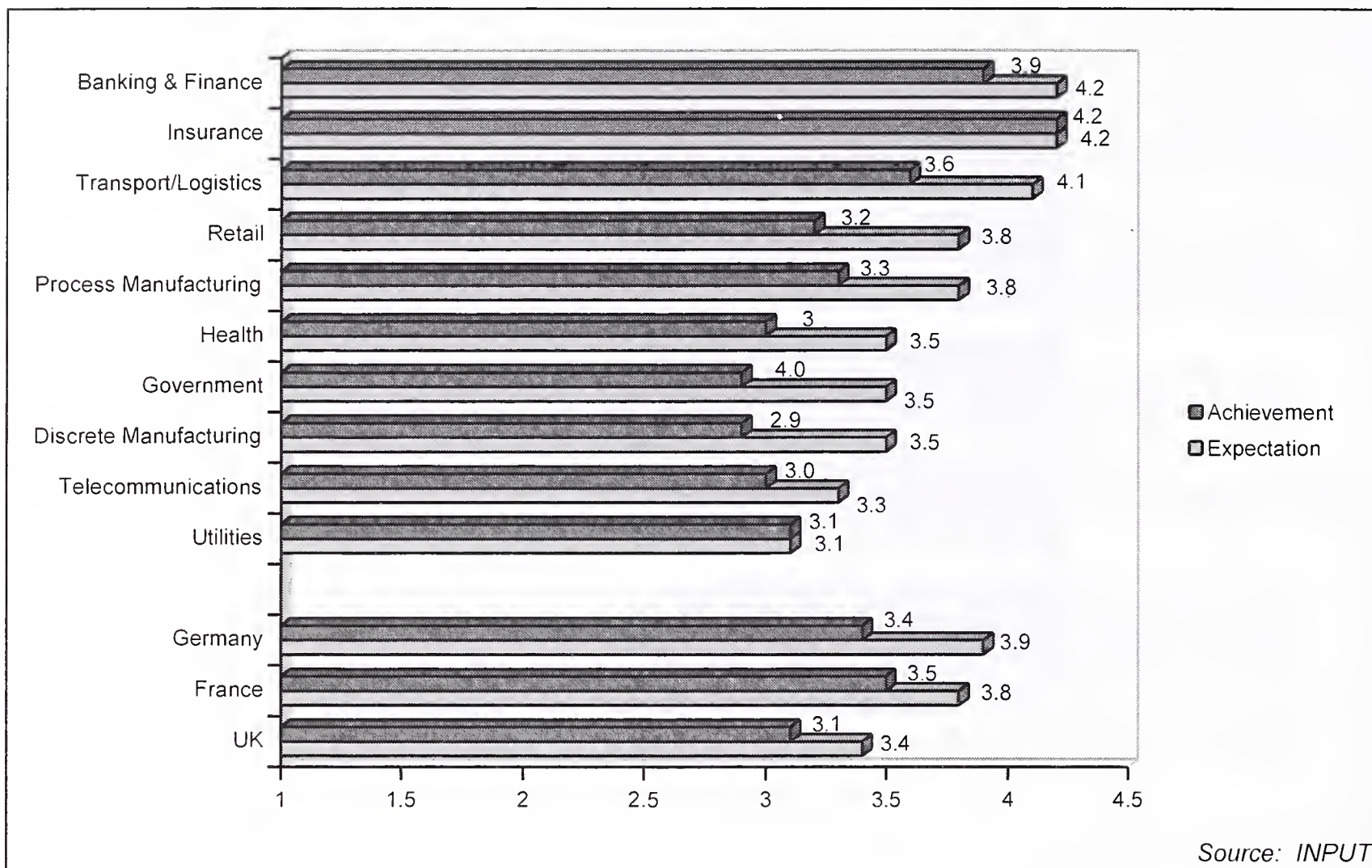
Given that users expect vendors' *major* contribution to their IT goals to be the effective application of IT to the business, Exhibit V-4 shows the split by country and sector. Ironically, at both ends of the scale users feel their expectations are being satisfied — whether it is insurance (mean score of 4.2 for **both** expectation and achievement) or utilities (both 3.1). Retail, government, manufacturing and logistics feel the most dissatisfied when it comes to vendor performance in this area.

Likewise, both France and Germany have high expectations but have yet to experience solid delivery of these benefits. The UK does not consider this goal as important as France and Germany, although it is the highest ranking of all UK IT goals.

C

Vendor Benefits

Users still want the usual list of benefits associated with using an external IT supplier — namely, lower cost, higher quality of service, better support levels, greater technical expertise and in-depth industry experience (see Exhibit V-5).

It appears that there is a second raft of benefits for users - including understanding business requirements and forming partnerships with vendors to share risk.

When analysing the top three vendor benefits by country, responses are varied according to nationality (see Exhibit V-6). In Germany the cost/quality factor is most important whereas efficient service and support is critical in the UK. These two elements are equally significant in France.

Exhibit V-5

Principal Benefits Sought From Vendors

Source: INPUT
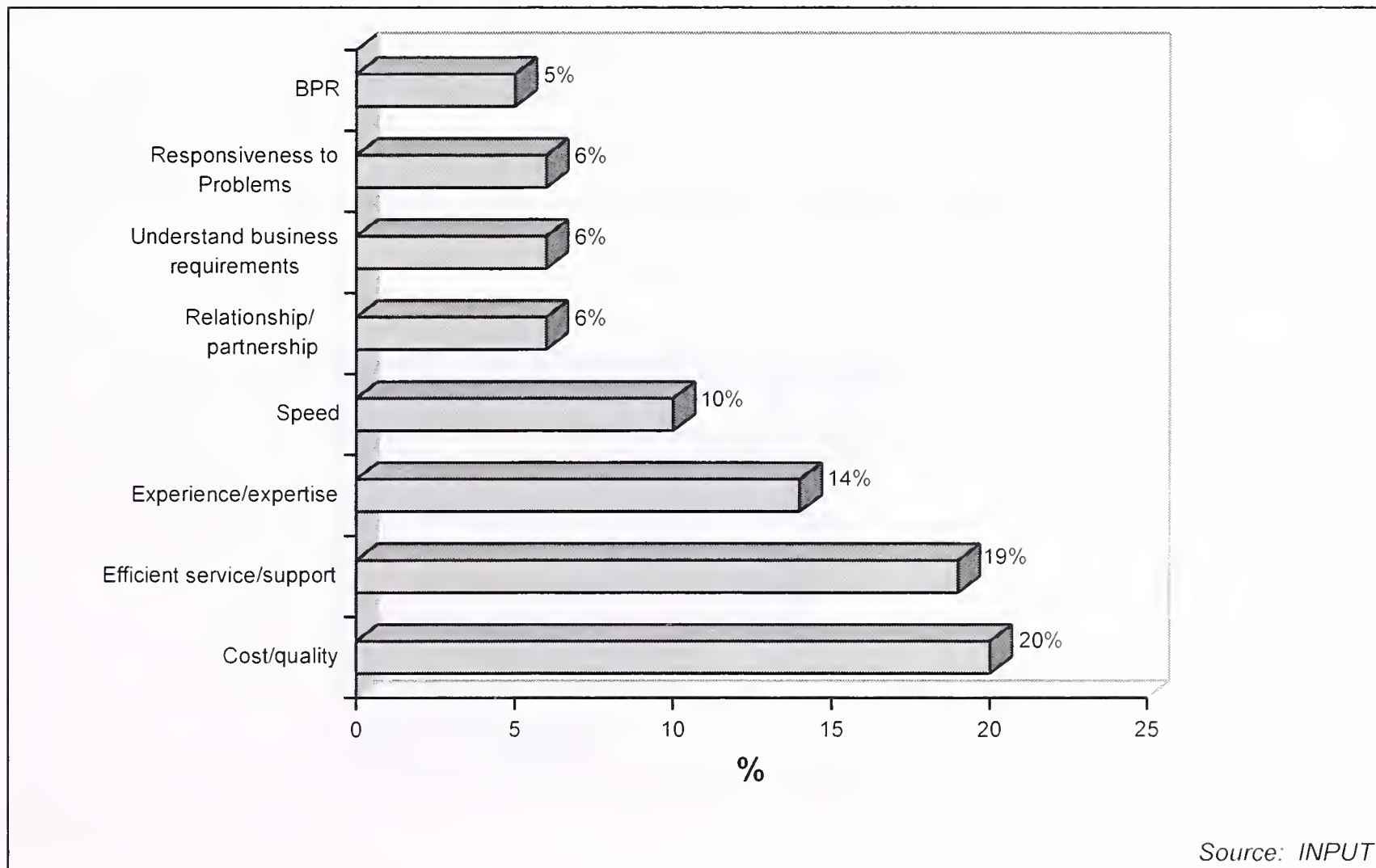
Exhibit V-6

Top 3 Vendor Benefits — By Country

Source: INPUT
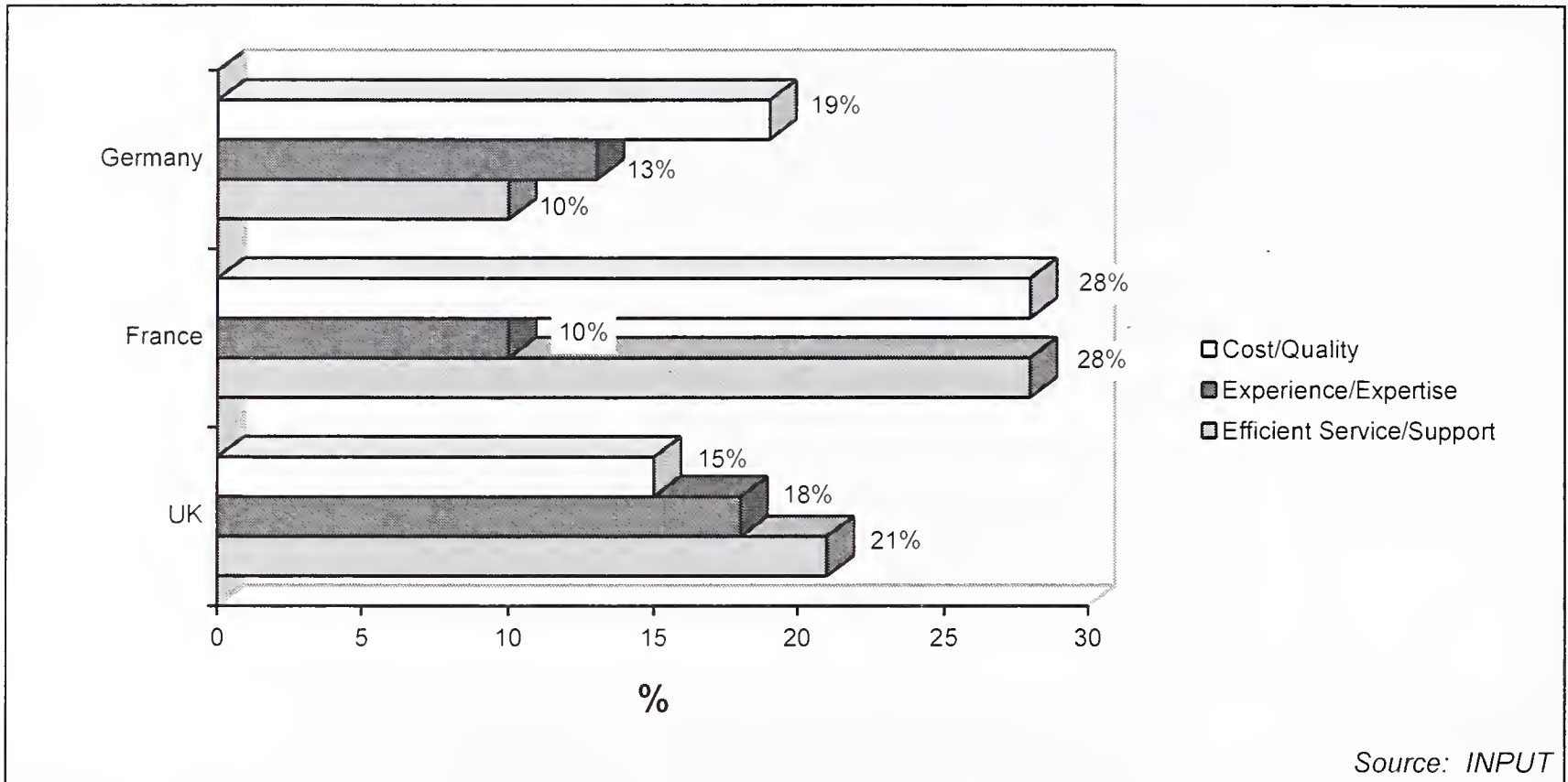
Clearly, vendors need to display elements of all *three* benefits in depth when tendering for business along with:

- An ability to form partnerships where necessary (to share risk)

- Access to best practices in IT

- Experience in applying IT to specific business processes

- Access to leading edge technology (see next section)

D

The Role of Vendors

Being able to guide users as to what is the best and most current technology in the market place is still seen as the most appropriate role for vendors (see Exhibit V-7).

This is particularly the case in the financial services industry (banking and finance, insurance) where instant access to information is essential to the business and provides such organisations with a genuine competitive advantage. Government and manufacturing also regard this as a major role for vendors (see Exhibit V-8).

Vendors are still predominantly perceived as providing a support role. This is in distinct contrast to the marketing messages sent out by vendors positioning themselves as business advisors or change agents providing re-engineering capability. Users still remain to be convinced about vendor skills in this area.

The encouraging news is that the traditional role of vendors - simply a supplier of agreed services and nothing else — is not as important as it used to be. Users do acknowledge that vendors can provide a whole range of services.

Exhibit V-7

IT Manager's Perception of Vendor's Role

Source: INPUT
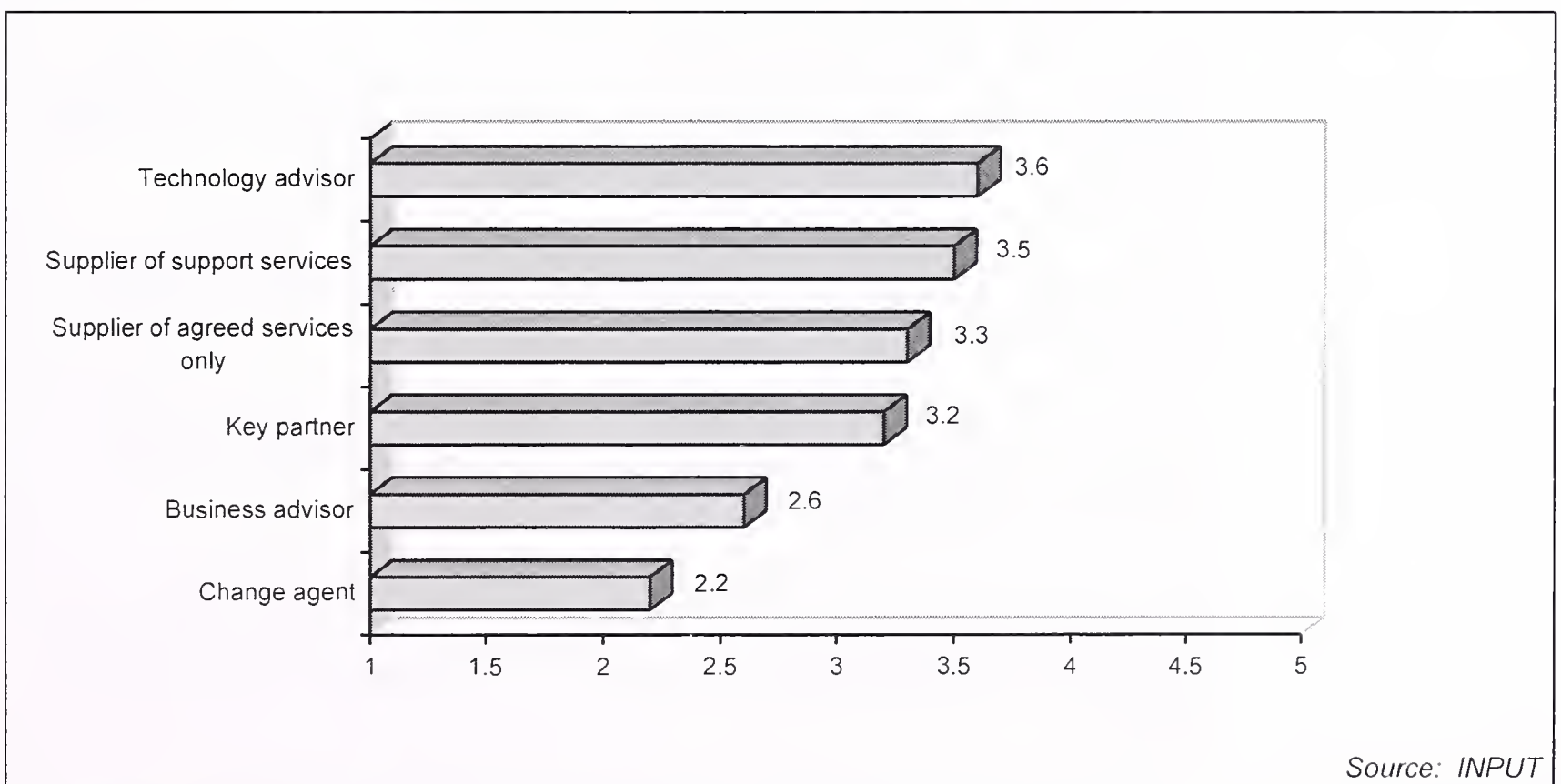
Exhibit V-8

Technology Advisor: Country and Sector Split

52

Sector	Value
Banking & Finance	4.1
Insurance	4.1
Government	3.9
Process Manufacturing	3.9
Health	3.6
Utilities	3.6
Telecommunications	3.4
Discrete Manufacturing	3.3
Transport/Logistics	3.1
Retail	2.8
France	3.9
Germany	3.5
UK	3.4

(x-axis: 1, 1.5, 2, 2.5, 3, 3.5, 4, 4.5, 5)

Source: INPUT
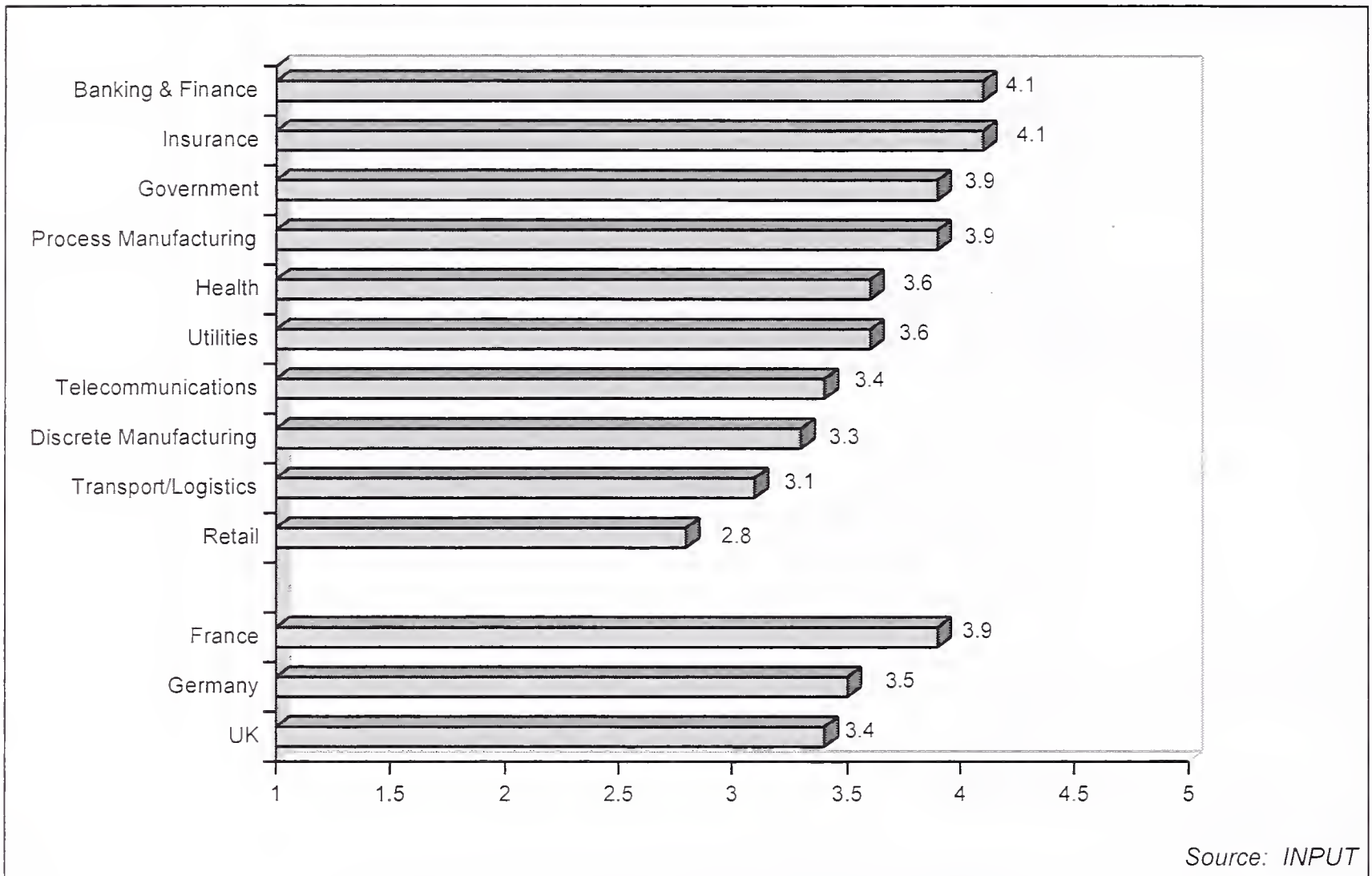
There are signs that users are setting up "strategic partnerships" with vendors. But this term can include anything from an informal, unwritten understanding to a detailed, legally binding arrangement.

However, users are becoming increasingly aware of the benefits of a medium-term relationship — particularly in the financial services and government sectors.

Overall, although the roles of change agent and business advisor appear relatively unimportant one sector in particular scores highly in each compared to all the others — government.

While budgets have been cut many times the French government considers IT investment to lead to greater productivity. Where there are cuts there is still considerable investment in such areas as management systems.

In Italy government attention continues to be focused on the re-engineering of processes and services, supported by new procedural

directives. The main priorities are: transparency in administrative procedures, service quality and inter-departmental integration.

In the UK, the Private Finance Initiative for central government and compulsory competitive tendering at local government level has, by the very nature of the task, led to long-term vendor relationships which will bring about substantial change.

E

Overall Satisfaction

In general, users are moderately satisfied with the services they receive from the vendor community (see Exhibit V-9). The picture is one of moderate overall satisfaction with service levels and reservations in specific areas such as cost-effectiveness and innovation.

One message is that the stronger a client relationship — whether it is in the form of a strategic alliance or an informal partnership — the better the atmosphere of trust and co-operation between user and vendor.

Contract terms and conditions are generally considered good. This is simply a result of intense competition for contracts rather than any pro-active pricing policy among vendors. This will continue to be the case. The issue for vendors is how to make such contracts profitable.

Rather the emphasis has shifted to project cost-effectiveness and, linked to that, the contribution of such projects to the performance of the business.

Exhibit V-9

User Satisfaction With Vendor Services

Source: INPUT
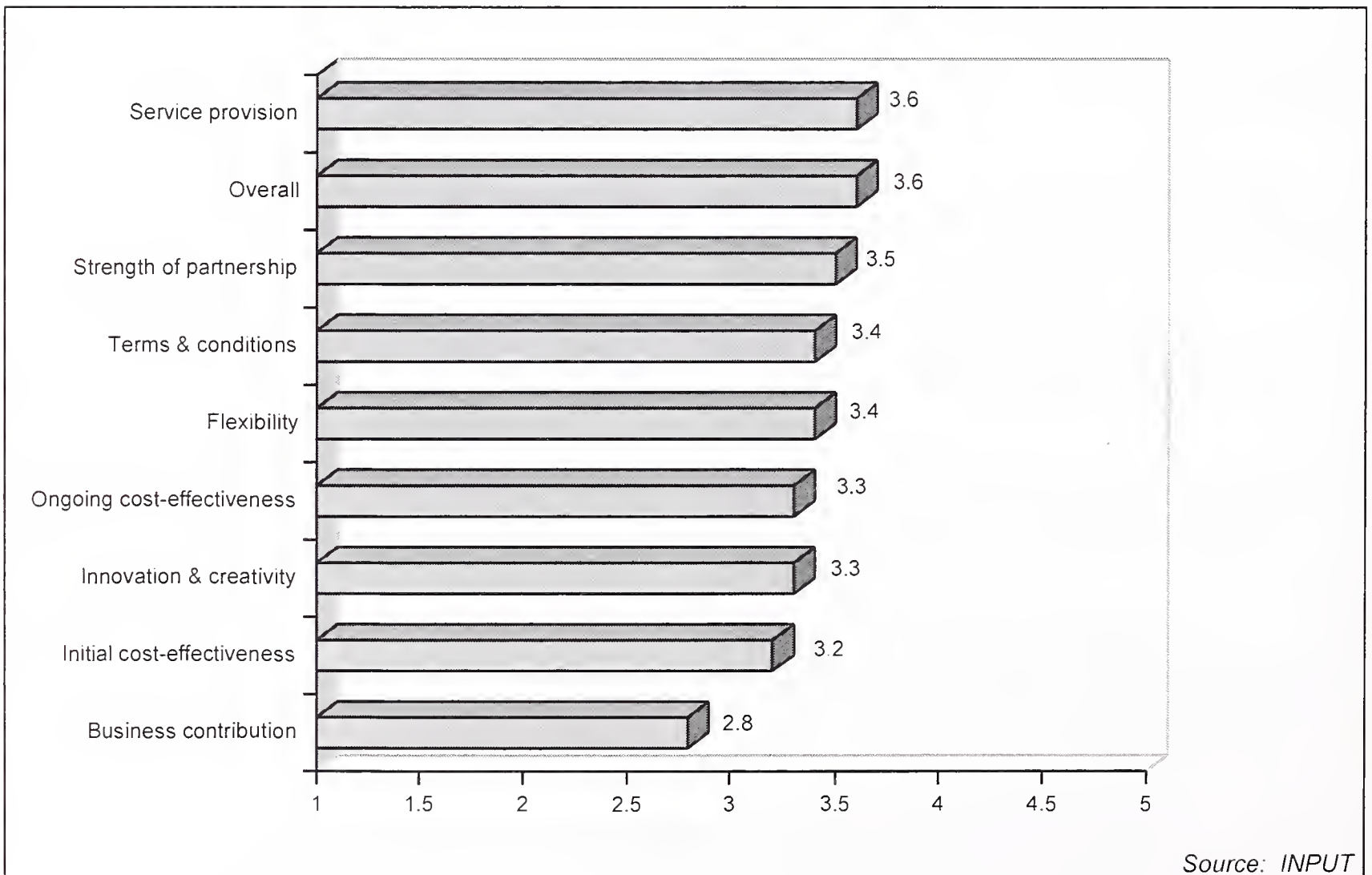
Exhibit V-10

Overall Satisfaction: Country and Sector Split

Sector/Country	Value
Insurance	4.3
Banking & Finance	4.1
Utilities	3.9
Retail	3.6
Government	3.6
Process Manufacturing	3.6
Discrete Manufacturing	3.5
Transport/Logistics	3.3
Health	3.2
Telecommunications	3.1
France	3.7
Germany	3.7
UK	3.5

Source: INPUT
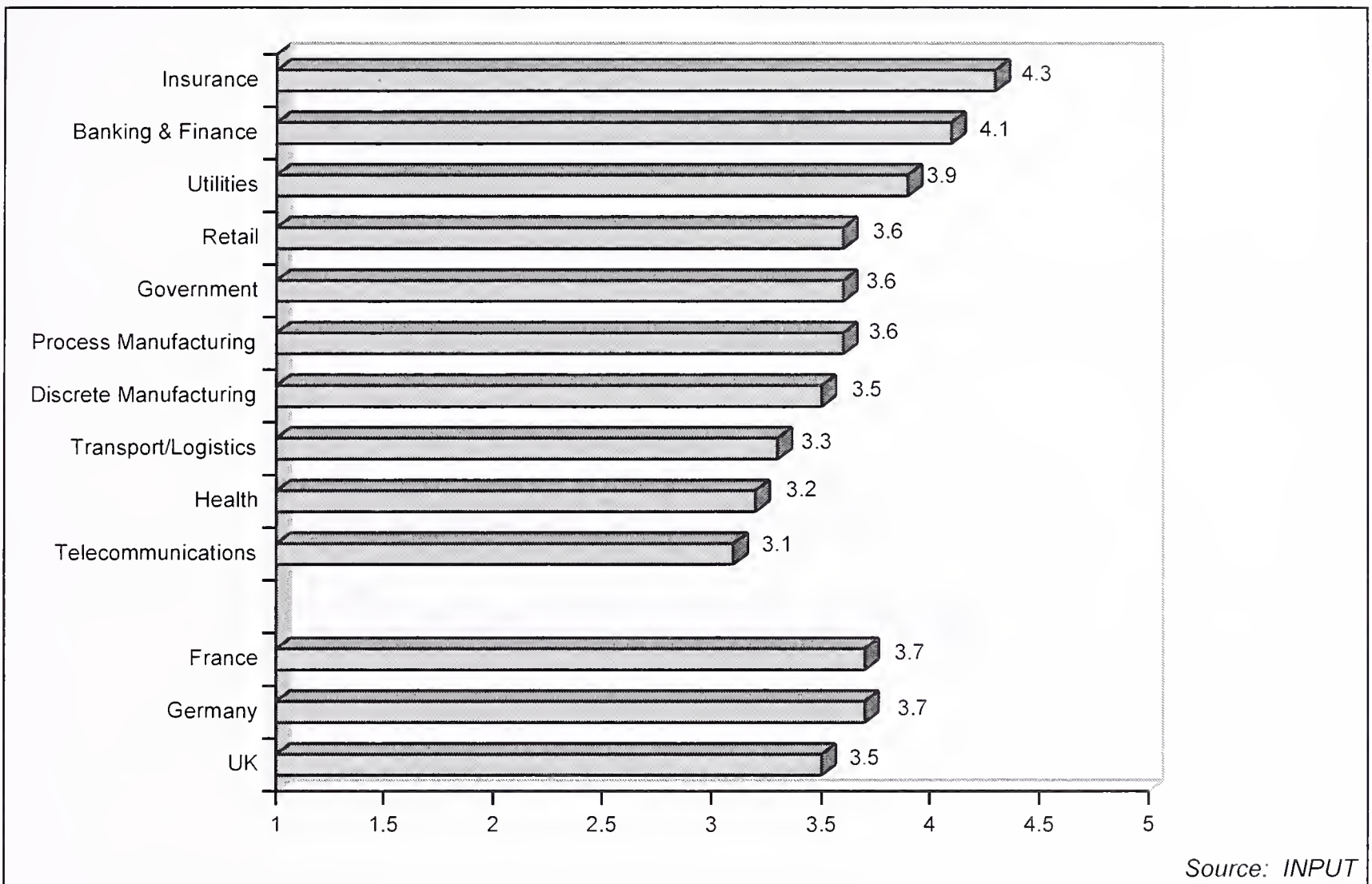
Innovation and creativity would also be a good area for vendor focus. When asked specifically which vendors provided innovative services the majority response was simply that very few vendors fell into this category.

One respondent - in the minority - stated: "We get excellent service, but you have to pay loads for it." Another said: "We are extremely happy with our vendors but they are becoming expensive." Other comments included:

 "No vendor offers innovative services"

"I have no experience of this kind of service".

"Vendors have to be more innovative"

The sectors which are most satisfied with overall service include banking, insurance and utilities (see Exhibit V-10). The areas where vendors need to concentrate include telecommunications, health and logistics. This is

significant as INPUT forecasts that the telecom, logistics and utilities markets for IT services will grow at 13% per annum up to the year 2000 - the highest of all sectors.

Appendix A: Questionnaire

USER QUESTIONNAIRE

A. Overall Organisational Pressures

1.   What are the main business pressures that your organisation will face over the next three years?

Comments_____

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2.   To what extent is your organisation facing each of the following business pressures? (Please rate on a scale of 1-5 where 1 = not at all and 5 = very strongly)

ROTATE BUSINESS PRESSURE

Business Pressure	Rating (1-5)
Improve the effectiveness of business processes	
Reduce the cost of all business processes	
Need to introduce new models/services	
Increase the speed of introduction of new models/services	
Need to improve customer service levels	
Need for improved international coverage	
Increase communication capabilities (via networks, groupware, Internet)	
Increase mobile working	
Outsource non-core activities	
Need for improved partnering with major suppliers	
Undergo major restructuring or downsizing	

Comments_____

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3. To what extent do you expect each of these business pressures to increase or decrease over the next three years? (Please rate on a scale of 1-5 where 1 = strongly decreasing and 5 = strongly increasing)

ROTATE BUSINESS PRESSURE

Business Pressure	Rating (1-5)
Improve the effectiveness of business processes	
Reduce the cost of all business processes	
Need to introduce new models/services	
Increase the speed of introduction of new models/services	
Need to improve customer service levels	
Need for improved international coverage	
Increase communication capabilities (via networks, groupware, Internet)	
Increase mobile working	
Outsource non-core activities	
Need for improved partnerships with major suppliers	
Undergo major restructuring or downsizing	

Comments_____

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4.   What are the main initiatives in your organisation's response to business pressures such as these?

Comments_____

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B. Attitudes towards IT

5.   What are the main priorities for your IT department in response to
     business pressures such as these over the next three years?

Comments_____

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6.   In the next 12 months, do you plan to:

Spending Pattern	Choose ONE
Increase **external** IT spending significantly	
Increase **external** IT spending slightly	
Maintain **external** IT spending at the same level	
Decrease **external** IT spending slightly	
Decrease **external** IT spending significantly	

Comments_____

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7. What are the reasons behind this?:

Comments_____

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8. If spending is increasing, what areas are targeted for investment (Please rate on a scale of 1-5 where 1 = not investing and 5 = major investment)?:

ROTATE AREA OF INVESTMENT

Areas of Investment	Rating (1-5)
Desktop (PCs)	
Client/server	
Enterprise systems (mainframe)	
Software development	
Windows 95 upgrades	
Consultancy	
Outsourcing: legacy systems, application management. network management, facilities management	
Systems Integration projects	
Internet	
Network development	
Training	
Other	

Comments_____

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9. What technologies do you consider will be business-critical over the
    next 12 months (Please rate on a scale of 1-5 where 1 = not business-
    critical and 5 = highly business-critical)?:

ROTATE TECHNOLOGIES

Technologies	Rating (1-5)
Client/server	
Internet appliances/servers	
Data Warehousing	
Electronic Commerce	
Network technology (ATM, ISDN)	
Multimedia	
Object-oriented technology	
Videoconferencing	
Groupware	
Other	

Comments_____

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10. How important is it for your organisation (Please rate on a scale of 1-5 where 1 = not at all important and 5 = very important):

ROTATE OBJECTIVE

Objective	Rating (1-5)
To aggressively use IT for competitive advantage	
To adopt a more distributed infrastructure	
To undertake redevelopment of a number of key systems	
To improve the co-ordination of IT internationally	
To improve support for operational systems	
To replace mainframe-based systems	
To become more cost-effective in its use of IT	

Comments_____

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11. To what extent do you consider IT to be a core business activity?
(Please rate on a scale of 1-5 where 1 = not at all and 5 = very strongly):

Rating	

12. What aspects of your business do you consider to be core and which non-core?

Function	Core/Non-Core
Day-to-day accounting activities	
Marketing	
Customer order taking and fulfillment	
Logistics	
Human Resources	
Customer Services	
Procurement	

Comments_____

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C. Vendor Style

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13. When using vendors, how important, and how satisfactory, are the following aspects of their approach? (Please rate on a scale of 1-5 where 1 = unimportant/dissatisfied and 5 = very important/very satisfied)

ROTATE ATTRIBUTE

Attribute	Importance (1-5)	Satisfaction (1-5)
Understanding of your business requirements		
Flexible and innovative approach to your business requirements		
Responsiveness to changing business needs		
Willingness to compromise when conflicts arise		
Willingness to take ownership of problems		
Responsiveness to day-to-day issues		
Effective and appropriate communications channels		
Speed of reaction to requests		
Calibre of personnel		

Comments_____

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14. To what extent do you expect your vendor to contribute towards each of these potential IT goals? To what extent have they contributed towards these goals? Please rate on a scale of 1-5 where 1 = low expectation/achievement and 5 = high expectation/achievement.

ROTATE GOAL

Goal	Expectation (1-5)	Achievement (1-5)
To aggressively use IT for competitive advantage		
To reduce the time taken to implement new systems		
To free in-house managers/staff for other work		
To adopt a distributed, rather than centralised, architecture		
To increase effectiveness in applying IT to the business		

Comments_____

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15. What were the principal benefits you originally sought from using vendors and, to what extent have each of these anticipated benefits been delivered? (Please rate on a scale of 1-5 where 1 = low achievement and 5 = high achievement.)

Benefit Sought	Level of achievement (1-5)

Comments_____

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16. To what extent do you currently expect vendors to contribute towards each of the following potential benefits? To what extent have they contributed towards each of these? Please rate on a scale of 1-5 where 1 = low expectation/achievement and 5 = high expectation/achievement.

ROTATE POTENTIAL BENEFIT

Potential Benefit	Expectation (1-5)	Achievement (1-5)
Cost reduction		
Improved operational service levels		
Less/No in-house involvement with legacy systems		
Introduction of new technologies		
More effective introduction of new systems		
Access to best practices in using IT		

Comments_____

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17. To what extent do you perceive your current vendor to be: (Please rate on a scale of 1-5 where 1 = not their role and 5 = a key role).

ROTATE VENDOR SERVICES

Vendor Services	Rating (1-5)
A supplier of agreed services and nothing else	
A business advisor	
A technology advisor	
An agent of change	
A supplier of support services	
A key partner	

Comments_____

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_____

18.   Please rate your overall level of satisfaction with your vendor on the following criteria on a scale of 1-5 where 1 = dissatisfied and 5 = very satisfied:

ROTATE VENDOR SERVICES

Vendor Services	Rating
Overall	
Service provision	
Flexibility of approach	
Commercial terms and conditions	
Innovation and creativity	
Strength of partnership	
Business contribution	
Initial cost-effectiveness	
Ongoing cost-effectiveness	

Comments_____

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Thank you very much for your assistance.

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