

Top Priorities for IT: Leadership Vision for 2021

Sourcing, Procurement and
Vendor Management Leaders



Introduction

2020 has been a year full of terms like “unprecedented” and “unanticipated.” Every industry has been affected in some way by the COVID-19 pandemic, economic fallout and social unrest around the globe. Strategic and business model change has translated, and continues to translate, into new challenges and priorities for function leaders. For the CIO and the whole IT organization, 2021 brings with it the imperative to generate more business value using innovative technologies and approaches to information.

Each IT role faces specific challenges — from planning and supporting digital acceleration to integrating more strategically with the rest of the business. As business partners grow more comfortable with identifying and using technologies, IT leaders will need to become more sophisticated in their partnership and collaboration.

And, despite the challenges, a significant great opportunity exists to transform business operations and models from the ground up, enabling the organization to respond to future disruption quickly and strategically.

This e-book highlights the trends and challenges sourcing, procurement and vendor management (SPVM) leaders will have to reconcile in the coming year and provides specific actions that they can take in response — and to better align their piece of the organization with the business.

IT leaders have learned many valuable lessons in the past year, from how to quickly move entire organizations to remote workforces, how to create a secure work environment and how to prioritize digital initiatives like never before.

But there is more work to be done.

Leading in 2021 will look different from leadership in 2020, but understanding and planning for unknowns and continued disruption across the IT organization is critical to moving forward.



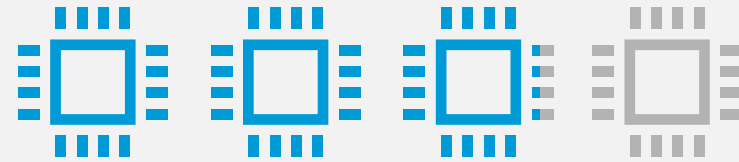
Chris Howard
Chief of Research, Gartner

SPVM leaders must communicate their value proposition across four SPVM operating models — execute, consult, advise and enable self-service.

Business stakeholders across all industries and geographies in 2020 felt the impact of the COVID-19 pandemic. While 2020 was a year for many SPVM leaders to hunker down and find ways to cut vendor spending, the view into 2021 looks to be somewhat uncertain. What is known is that cost optimization will be at the forefront of many SPVM leaders' objectives, alongside enabling the shift to digital business and driving much-needed growth.

By 2024, 40% of large enterprises will leverage AI capabilities in their sourcing process.

Source: Gartner



72% of CIOs plan to maintain or increase the proportion of IT sourced to third parties.

Source: Gartner

3 trends that will impact SPVM leaders in 2021

Cost optimization replaces pure cost cutting

It is more critical than ever to renegotiate contracts, streamline application redundancies and eliminate shelfware in the name of reducing costs. However, the current environment demonstrates that cost cutting cannot be approached as a stand-alone objective or a one-time exercise. Rather, it must be seen as an ongoing discipline that provides fuel for innovation and growth.

COVID-19 accelerates the digital shift

Digital initiatives are heavily reliant on solutions and services developed, provided and managed by IT and business vendors. To support a dramatic shift in priorities and budgets, enterprises will become more reliant on sourcing to provide guidance on the market, intelligence and strategies that align to the achievement of digital goals.

Increases in IT sourcing executed directly by the business

Cloud has enabled users to use self-service, and now the business demands this in every area. Gartner research shows that the business feels it knows its needs best and the SPVM function is often considered a blocker to be moved out of the way. SPVM must reinvent itself to add new kinds of value in this environment.

2 challenges facing SPVM leaders in 2021

Although SPVM leaders will face many challenges in 2021, here are two to begin strategizing for:



Respond to evolving conditions

The environment will continue to be highly uncertain, and SPVM leaders must be prepared to shift priorities quickly as economic conditions change — while still continuing to invest in the business.



Enabling greater business self-service

The business needs to progress to digital rapidly, and increasingly business leaders are sourcing solutions themselves, challenging SPVM to deliver self-service. At the same time, the COVID-19 crisis has driven the organization's need for better cost control. Executives are seeking strong cost optimization from SPVM, which can only be delivered through visibility into purchases. This contradiction can only be resolved by SPVM developing controlled self-service.

2 actions for SPVM leaders to take in 2021

Given the challenges that SPVM leaders will encounter, consider these two actions to help move the organization in the right direction:



Make cost optimization a continuous discipline

What's needed from — and can be supported by — SPVM is not a reactive focus on cost cutting or even cost optimization, but rather a continuous and relentless focus on cost management. In 2021, Gartner expects many enterprises will still be addressing the economic impacts of the COVID-19 pandemic. However, Gartner believes success will come to those enterprises that establish a more enduring roadmap to cost management.



Adopt agile IT procurement to support digital acceleration

Procurement teams are rebuilding their procurement approaches from a ground-up perspective, as speed is becoming of paramount importance. However, speed is only one factor. SPVM leaders are also responsible for risk and cost. An agile procurement framework is required to address all three — at speed, and taking into account how the business wants to procure technology products, services and solutions.

Our ability to respond to demand depends on collaboration with business partners and stakeholders who are willing to be flexible and embrace a “fail fast” mindset

Great	Good	Bad
Stakeholders feel incentivized to initiate collaboration with SPVM	SPVM proactively reaches out to stakeholders regularly	Stakeholders lack trust in SPVM
Risks are identified and assessed prior to initiating a sourcing event	Risks are identified and assessed during the sourcing event	Risks aren't identified and assessed until the end of the sourcing event
Vendor performance is linked to business impact	Vendor performance is linked primarily to operational service levels	Performance is linked only to direct costs
SPVM tools that enable self-service are readily available and used by the business	SPVM uses agile techniques to engage the business and vendors	SPVM responds to business requests as efficiently and effectively as their processes allow

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