The Case for Vendor Diversity: The Need for Change in Government Technology and Procurement Practices

Commissioned by

Computer & Communications
Industry Association
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Summary:

In our previous report, "Monoculture and Market Share: The State of Communications and Collaboration Software in the US Government" (see Further Reading), we asserted that Microsoft's 85% market share in office productivity software has caused a technological "monoculture" within the US government. This lack of diversity limits competition and innovation and creates potential security and dependency risk.

In this report, we seek to answer two follow-up questions: First, what led to this overreliance on a single vendor? Second, is the goal of public procurement processes—to obtain the best-value products and services for both employees and taxpayers—being met?

We surveyed 250 managers, administrators, or C-suite level individuals responsible for technology purchasing decisions in US national and state & local governments—and discovered three surprising answers:

- **Officials choose what's easy for them:** The top reason cited by respondents (57%) for selecting a communication and collaboration partner was reducing work for their IT departments, calling into question their responsibility to obtain the best value for employees and taxpayers. Some

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44% chose a "streamlined procurement process" that was "easy to buy from" as the most important criteria. Price ranked dead last (39%).
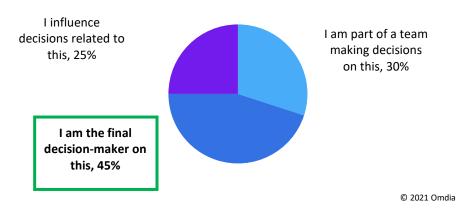
- **"Shadow IT" suggests an ineffective procurement process:** The implications of "shadow IT" suggest two clear trends: a) current tools are not meeting the needs of government employees, and b) current procurement procedures might be circumvented with bring-your-own tools that could introduce additional security and compliance risks.

- **Security breaches, excessive costs, and unreliable technology appear to be normalized**: Security breaches, cost overruns, and poor reliability were the top reasons for re-considering a partner relationship. And 45% of respondents had experienced security breaches, 42% had cost overruns, and 34% experienced "solution failures." Despite this, 41% of respondents continue to buy from a single vendor.

While some technologies show a range of suppliers and an expected market distribution, office productivity is an outlier with Microsoft commanding a majority share. Such institutionalized inertia and compliance complexities create a significant barrier-to-entry and deter competitive forces that help to move the needle for innovation and best-in-breed solutions.

Officials choose what's easy for them

Through our US government survey, we wanted to explore why certain vendors were chosen from a needs perspective and understand IT's requirements, particularly given that in 45% of cases where IT departments make the final buying decision (see Figure 1).

Figure 1: What is your level of responsibility when it comes to communications and collaboration solutions in your organization?

I influence decisions related to this, 25%

I am part of a team making decisions on this, 30%

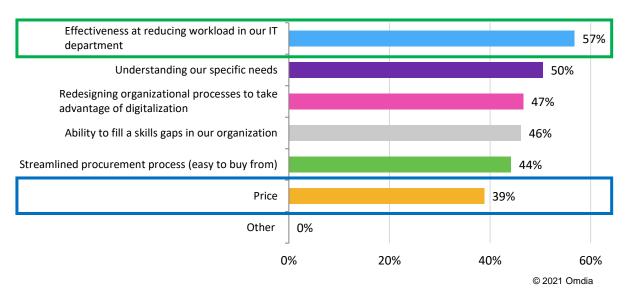I am the final decision-maker on this, 45%

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Source: Omdia US Government Survey, October 2021

In terms of IT's requirements, the top reason cited by respondents was "effectiveness at reducing workload in our IT department" (57%). Understanding the IT department's specific needs (50%), filling a skills gap within the organization (46%), and streamlining the procurement process (44%) are additional major contributing factors for IT departments opting for the path of least resistance. Indeed, the least

important requirement for IT selecting a communications and collaboration partner was the price (see Figure 2.)

Figure 2: Which requirements are most important when selecting a communications and collaboration partner?
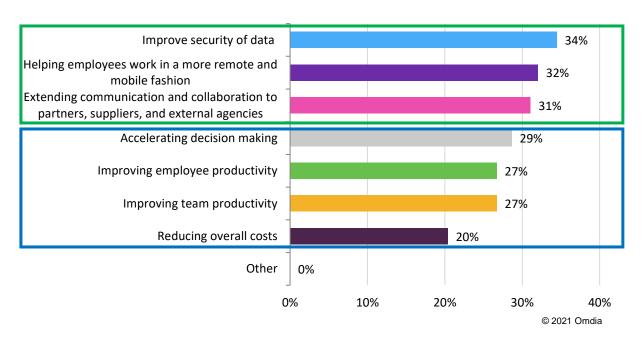

Source: Omdia US Government Survey, October 2021

To understand the broader needs of the organization we asked, "What business drivers are most influencing your investment in communication and collaboration services?" (See Figure 3.)

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Figure 3: What business drivers are most influencing your investment in communication and collaboration services?

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Source: Omdia US Government Survey, October 2021

Improving the security of data, enabling a remote workforce, and collaborating with external agencies, were the top three business drivers above improving productivity (both employee and team) and reducing costs. Omdia believes that while these drivers may reflect the need to react to recent COVID-19 mandates at any cost, the current cultural emphasis on "compliance" vs. "innovation" continues to stymie productivity improvements within the US government's use of communications and collaboration software.
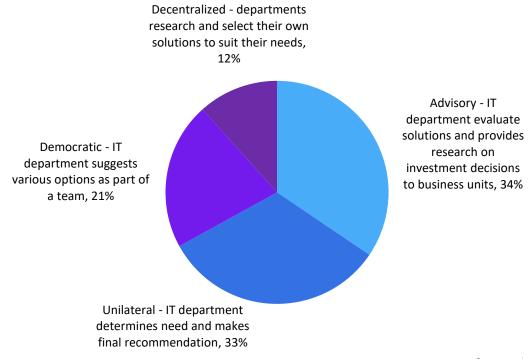
Furthermore, as IT is so influential in making the final buying decision, IT departments likely purchase to meet their needs, rather than the broader business requirements of their organization. As the demands of the organization often outpace IT procurement, this frequently leads to user dissatisfaction and disaffection, especially when the technology does not solve the business need. This inertia usually leads to an increase in "shadow IT," wherein departments and employees procure and provision their own applications to meet their specific requirements.

"Shadow IT" suggests an ineffective procurement process

Shadow IT is a growing phenomenon in the private sector, and Omdia believes that this also applies to the US public sector as well, with employees and departments bypassing IT processes, bureaucracy, and governance, by leveraging their budgets to source their own solutions. As previously noted, (Figure 1) our survey showed 45% of respondents were the final decision-maker on communications and collaboration software with purchasing predominantly a unilateral IT process; however, 12% of respondents select their own solution to suit their needs (see Figure 4).

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Figure 4: Which best describes your organization's unified communication and collaboration purchasing process?

Decentralized - departments research and select their own solutions to suit their needs, 12%

Advisory - IT department evaluate solutions and provides research on investment decisions to business units, 34%

Democratic - IT department suggests various options as part of a team, 21%

Unilateral - IT department determines need and makes final recommendation, 33%
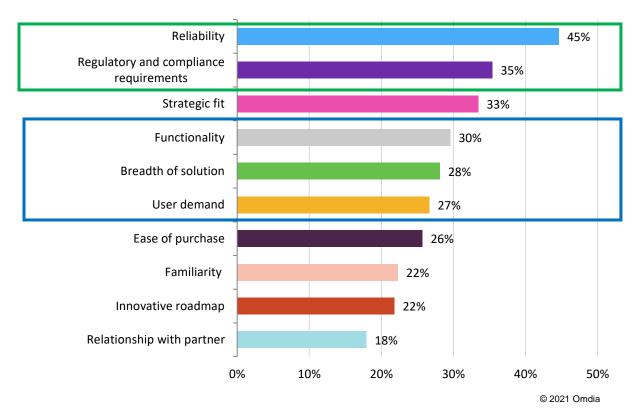
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Source: Omdia US Government Survey, October 2021

In terms of the top factors affecting the IT purchasing decision, reliability and regulatory/compliance requirements were the top two factors; however, "user demand" (27%) was low on the list of priorities, given IT claims to act in an advisory capacity (34%) or that they suggest options as part of a democratic team (21%).

Any solution that is purchased needs to be reliable and meet government regulations and compliance; however, the return on investment on which buying decisions are made is unlikely to be realized unless that solution meets the demand of users.

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Figure 5: What are the top factors affecting your purchasing decision?

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As Microsoft typically sells through specific Office 365 Government plans, and bundles additional capabilities, we believe inertia and opting for the "path of least resistance" is leading IT to force employees to use tools that may not be fit for their needs, which in turn leads to an increase in shadow IT.

It is counterproductive to penalize shadow IT users; they are typically trying to help themselves where they believe IT cannot. Easy-to-use and innovative tools are desired by government employees, despite the centralized approach of IT procurement. To maximize the value from IT investments, government IT departments should look to better understand the needs of their users and therefore gain buy-in from their employees.
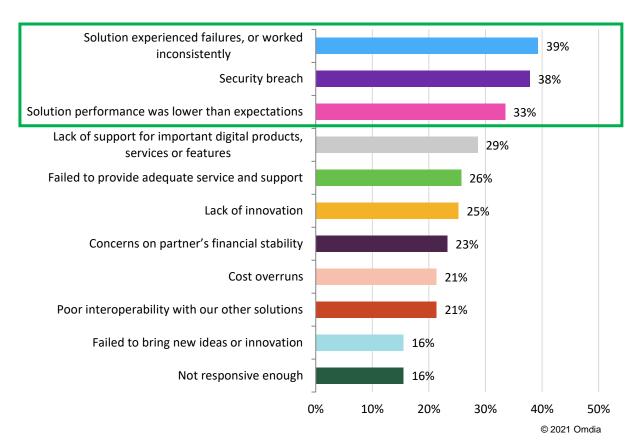
Finally, shadow IT applications and services are not centrally supported and lack integration with an organization's established systems. Consequently, shadow IT constitutes an increased threat to security and compliance as data will reside outside the established IT domain, oftentimes insecure, and unavailable to the rest of the organization.

Security breaches, excessive costs, and unreliable technology appear to be normalized

Government respondents said that solution failures, security breaches, and poor performance were the top reasons they would consider switching vendors (see Figure 6).

Figure 6: What partner behavior would most cause your organization to re-consider its relationship?
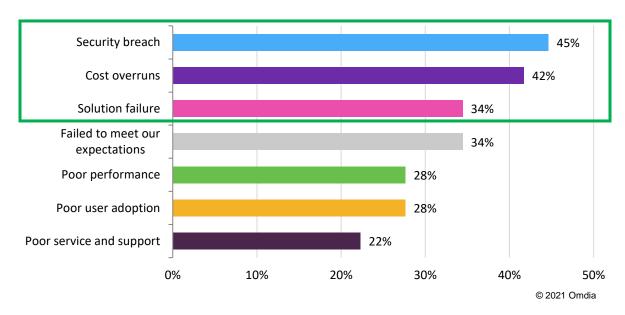

Source: Omdia US Government Survey, October 2021

And, as to be expected in a year tarnished by cyber-attacks and outages within the US government (and private sector), 45% of respondents reported a breach, 42% have had cost overruns, and 34% reported product failures (see Figure 7).
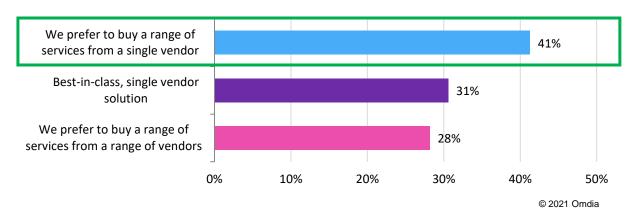
Figure 7: Which have you experienced with your current communication and collaboration solution?

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Source: Omdia US Government Survey, October 2021

However, despite security breaches, cost overruns, solution failures, and failing to meet expectations, agencies still responded that they prefer to buy from a single vendor (41%)— with less than a third going "best of breed," and just 28% buying a range of services from a range of vendors (see Figure 8.) This implies that inertia and monoculture have been normalized.

Figure 8: When it comes to your communication and collaboration needs what is your favored approach?

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Source: Omdia US Government Survey, October 2021

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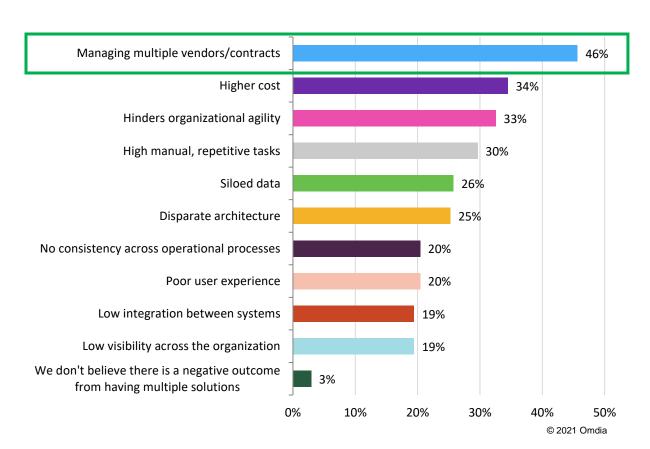in Government Technology and Procurement
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The result of buying from a single vendor is greater vulnerability to large-scale data breaches (such as the SolarWinds breach) and sophisticated nation-state-backed attack campaigns that recur with considerable regularity. Given that "helping employees work in a more remote and mobile fashion" is the second most important business driver influencing investments in communication and collaboration services (Figure 3), IT departments can no longer rely on the physical network perimeter of a secure office building.

By buying from a single vendor, Omdia believes that the attack surface is too broad and that organizations expose themselves to significant risk and business disruption. A multi-sourcing strategy that reduces the monoculture and helps to mitigate risks, be that a malicious attack on the vendor or the organization, degradation in service, or outage.

Irrespective of the security and failures highlighted in Figure 6, and the layered protection (and redundancy) that a more varied choice of solutions could offer, 46% of respondents stated the most negative outcome of providing that diversity is in the management of multiple vendors and/or contracts (see Figure 9). Once again, this suggests a bias within officials to choose what is easy to manage, not what delivers the best results.

Figure 9: What are the most negative outcomes from having multiple communication and collaboration solutions?

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Conclusion:

Based on the findings of our report, Omdia believes that US government IT departments are not obtaining the best-value products and services for both employees and taxpayers. Our survey suggests that IT departments are opting for the path of least resistance and reinforcing inertia (i.e., procurement strategies remain unchanged despite problems and issues), in the US government. Furthermore, this inertia, based on the assumption that bundled functionality inherent in Microsoft Office 365 Government plans is fit for the needs of the organization, leads to a "monoculture" that limits competition, innovation, and productivity. Finally, those organizations that adopt a single vendor strategy are exposed and at risk of various security vulnerabilities and disruption from service outages.

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Methodology

The Technology team at Omdia is the leading source of information, insight and analytics in critical areas that shape today's technology ecosystem—from materials and components, to devices and equipment, to end markets and consumers. Businesses and governments in more than 150 countries around the globe rely on the deep market insight we provide from over 300 industry analysts in technology sectors spanning IT, telecom, media, industrial, automotive, electronics, solar and more. What sets Omdia's Enterprise IT research Practice apart is our team of technical, experienced analysts, and our end-to-end coverage of the industry.

- The lead analysts that are the main contacts for our clients all have been in the industry for over two decades, have a technical background and a strategic mindset. This gives us the confidence to say that we have the experience, training and skills needed to effectively help you connect the dots, see all perspectives, and stay ahead of disruption.
- The lead analysts are supported by a large team of primary and secondary research experts, data scientists and specialists. We're also more global and diverse than ever, located in 4

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countries, across time zones, communicating in 10 languages. Our rapidly growing portfolio of primary research is also helping us provide end-user perspectives and what is impacting their purchasing decisions. In fact, it is hard to list all viewpoints our team can provide.

- The survey was fielded by 250 respondents at the federal, state and local level who were directly involved or had direct knowledge of buying and selection criteria for workspace productivity or communication and collaboration tools.

This report draws from Omdia's interactions with numerous forward-thinking vendors, partners, and clients on the future of work, plus Omdia research into the impacts and effects of the COVID-19 pandemic on businesses and technologies. This report builds on Omdia's research on the digital workplace. It is based on discussions with service providers and technology vendors and leverages existing Omdia research and data. Data derived from Omdia surveys and from vendor press releases, virtual events, and briefings.

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