Buying As A Service:

A Playbook for Federal Buyers and Acquisition Personnel

Government Business Council

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INTRODUCTION

This playbook is designed to assist federal buyers involved in contracting, procurement, and acquisition of IT services to meet business transformation needs. Specifically, it provides insights based on a survey of federal buyers conducted in 2019 to highlight common pain points and how to overcome them as agencies transition to as-a-Service buying models.

PURPOSE

The purpose of this playbook (and the companion research study it draws from) was borne out of a need to understand the motivations, pain points, and awareness levels common to senior government decision-makers holding influence over their organization's buying journey. By distilling insights obtained from a qualified pool of procurement, acquisition, finance, and IT mission owners, the playbook aims to identify the most commonly faced obstacles to government buying, increase awareness among influencers regarding the XaaS model, and finally equip buyers with a set of 'plays' that point them forward in adopting as-a-Service practices.

WHAT IS AS-A-SERVICE?

In 2019, a broad range of the federal government continues purchasing software and hardware no differently than the way it purchases a jet engine. Under this standardized buying model, a government agency scopes out a detailed list of requirements that a solution must meet, formalizes the requirements in a proposal, asks contractors to bid on said proposal, and eventually -- after much scouting and lengthy deliberation -- selects a winner, expending a significant amount of capital upfront in the process. This can take months or even years to complete. This approach might make sense for a jet engine, whose engineering remains relatively stable year over year; but the thousands of updates and iterations that IT receives on a regular basis renders a vast majority of such acquisitions obsolete by the time they finally arrive.

The **as-a-Service (or XaaS)** model of acquisition and procurement addresses these shortcomings by providing agencies an agile, cost-effective framework that aligns business operations with transformation priorities. Instead of having agencies draft an exhaustive list of requirements or capabilities, XaaS simplifies their contribution to the most immediate task -- asking them 'what is the problem they want to solve?' -- and then relegating solving duties to modern software and service providers. Additionally, it doesn't burden agencies with spending all their money upfront; rather, the services obtained are paid for on the basis of how much it is consumed. As mission demands dictate, they can scale up or down as needed or cease use altogether: in other words, no expense is wasted. Finally, XaaS can inject much desired agility into how agencies pursue their digital transformations. With a focus on self-service tools, the ability to spin up on-demand services in the cloud, and a platform for tapping into the latest innovations in AI and automation, XaaS can remove much of the complexity that has bottlenecked federal innovation from the past.

The last few years have seen more agencies adopt XaaS to serve their buying needs, but overall the federal buying journey remains stuck in its old ways. Agencies continue to devote approximately 80% of their annual IT budgets to operations and maintenance of legacy systems, a significant drain of resources that could otherwise be saved or funneled toward innovative transformation programs. The announcement of Cloud Smart in 2019, an update of the federal government's Cloud First policy, has spotlighted a critical need for aligning IT, finance, and acquisition processes in order to drive intelligent migration to the cloud.

BACKGROUND

The playbook is informed by a survey Government Business Council (GBC) conducted of federal government officials in June 2019 on the subject of Acquisition, Procurement, and Buying as a Service. GBC deployed its poll to a random sample of thousands of federal employees stationed across government.

While over 1100 federal employees participated, the respondent pool was limited to 372 employees who self-identified as carrying decision-making authority in at least one of the 4 job functions below:

- Procurement, acquisition, and contracting
- Technology management
- Financial management
- IT business transformation policy development

Job titles of those we surveyed include (but are not limited to):

- Procurement Technician
- Director of Purchasing
- Financial Management Specialist
- Contract Specialist
- Contract Manager
- Acting Director
- Assistant Chief Risk Officer
- Lead Financial Administrative Specialist
- Division Chief
- Supervisory Auditor
- Supervisory Financial Systems Analyst
- Program Executive Officer
- Director of Project Delivery

WITHIN THIS COHORT OF DECISION MAKERS...

68% have purchasing authority, with 1 out of every 2 respondents commanding budgets upwards of $100,000

64% are GS-13 or above (including Senior Executive Service and military officers of equivalent rank)

62% are managers with one or more direct reports

WHO THIS PLAYBOOK IS FOR

Chief Financial Officers
Chief Acquisition and Procurement Leaders
Federal Buyers
Federal System Integrators
Contracting Specialists

PLAY #1

Conduct an honest inventory of business practices governing program acquisitions

PROBLEM

Many purchasers and decision-makers in acquisition, procurement, and IT departments lack an intuitive grasp for which purchases justified their costs and lengthy acquisitions (and which ones didn't). Did the program meet or exceed expectations? Is the service still in use today, and do users approve of its performance? As is the case for the respondents GBC surveyed, in many instances the answer to these questions was no.

> *"Traditional methods of purchasing hardware/software are sufficient to meet my agency's strategic direction."*
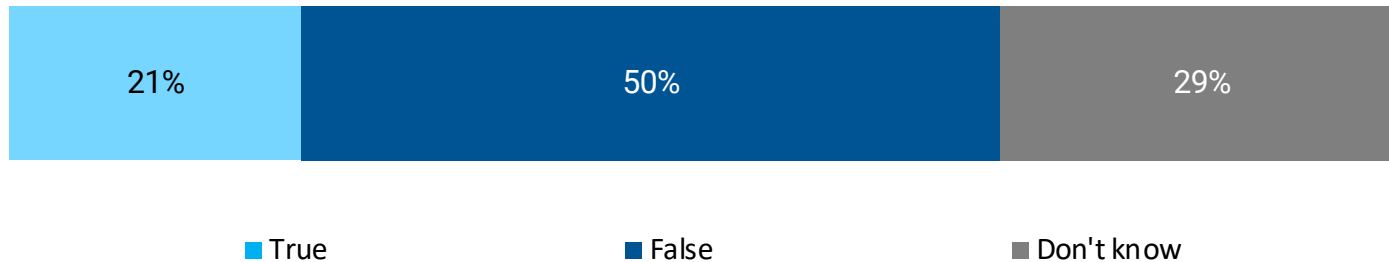
True	False	Don't know
21%	50%	29%

■ True   ■ False   ■ Don't know

Just 21 percent of respondents GBC surveyed find that traditional methods of purchasing hardware and software are sufficient to meet their agency's strategic direction.

"My organization's existing business model enables us to provision Cloud in pace with mission demands."

Response	Percentage
Strongly disagree	15%
Somewhat disagree	19%
Neither agree nor disagree	38%
Somewhat agree	20%
Strongly agree	8%
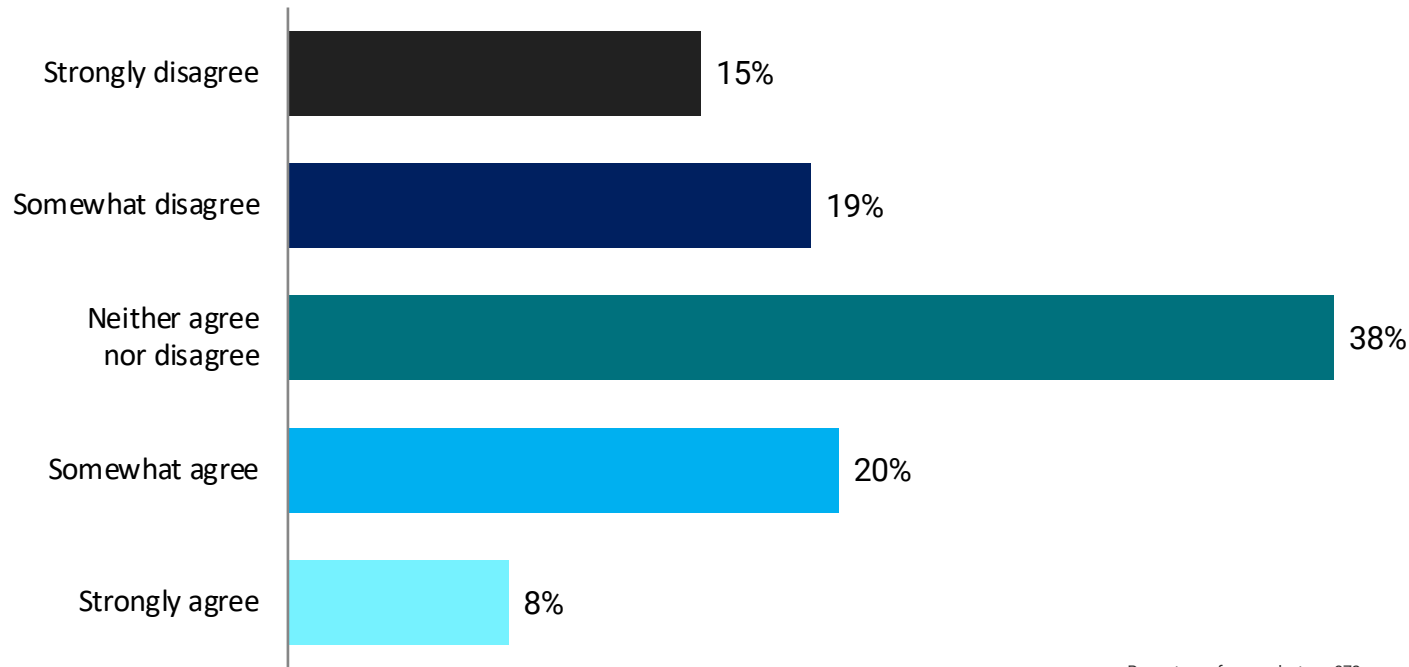
Percentage of respondents, n=372
Note: Percentages may not add up to 100% due to rounding

And when it comes to cloud specifically, at least a third of respondents disagree or strongly disagree that their existing business model enables them to provision the cloud services needed to match changing mission demands.

LESSON LEARNED

Mission needs can change, sometimes on a dime. But traditional buying practices that favor upfront capital expenditures and ownership of resources create an environment where course correction can be very difficult, if not impossible. Instead, agencies should adopt a set of methods that reduces internal costs while maximizing value of services retained. By conducting an audit of service outcomes, agencies can determine gaps in existing business models that may be responsible for delayed or failed acquisitions.

PLAY #2

Reframe IT as a vehicle for strategic transformation

PROBLEM

Those involved in their organization's purchasing journey are beset by a number of challenges; chief among them are limited funding, personnel shortages, and the absence of a strategic framework to align buying decisions with transformation goals. Because of these aggravations, IT departments are overwhelmed by the maintenance and upkeep of aging systems and see limited opportunity to drive strategic innovations and policies that would give them valuable time back.

What resources are you lacking that would improve your ability to achieve the objectives laid out by your CIO?

48%
More expertise/personnel

34%
Strategic framework
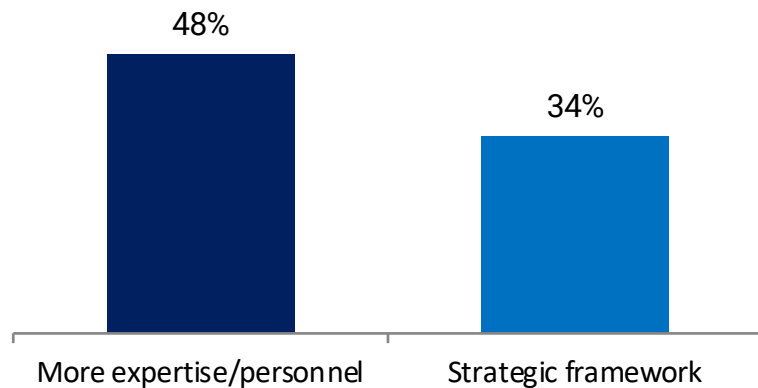
Percentage of respondents, n=259
Respondents were asked to select all that apply

48% say more expertise and personnel are needed to achieve the objectives laid out by their CIO, and 34% cite need for a strategic framework.

What are the primary obstacles that complicate your organization's buying journey?

53%
Limited funding
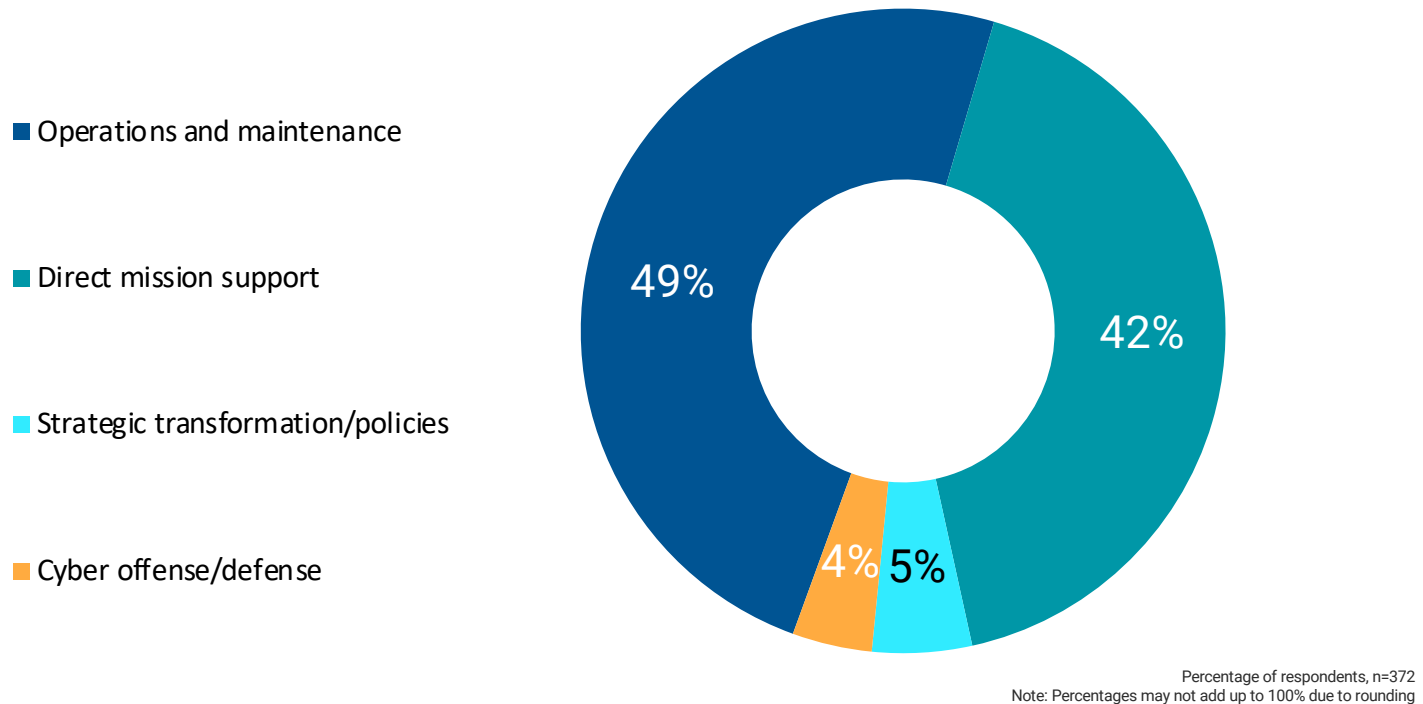
43%
Lengthy acquisition

38%
Legacy IT restraints
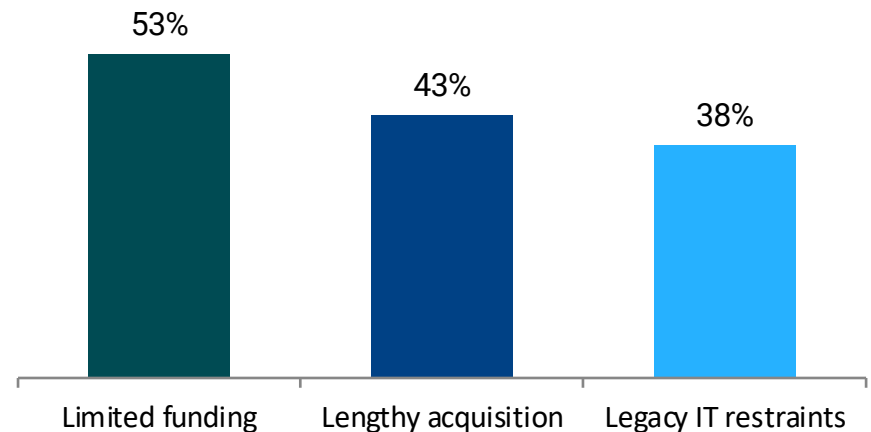
Percentage of respondents, n=341
Respondents were asked to select all that apply

53% rank limited funding highest among perceived obstacles to their buying journey.

> **We are currently hemmed in by legacy concepts that are not flexible enough to face the challenges of today and the future, as our current databases were designed around the notion of a defensive, compliance-enforcement model; not an offensive risk-aware taxonomy.**

- Operations and maintenance

- Direct mission support

- Strategic transformation/policies

- Cyber offense/defense

49%

42%

4% 5%

Percentage of respondents, n=372
Note: Percentages may not add up to 100% due to rounding

49% see operations and maintenance as the primary function of their IT department, versus just 5% who consider strategic transformation to be IT's core function.

LESSON LEARNED

With a shortage of IT expertise in government, it's important that agencies find ways to nurture and unlock innovation of the talent they have to retain this critical segment of the workforce. IT departments need to be able to contribute more to long-term business transformation, but this is unlikely in an operating environment that prioritizes status quo maintenance over cutting-edge innovation. The XaaS buying model gives agencies a path to reframing IT as a strategic powerhouse, as responsibility for system upkeep can be delegated to trusted cloud service providers, whether on-premise or off -- thus enabling IT to focus attention on strategic transformation initiatives that can truly benefit their organization in the long term.

PLAY #3

Involve buyers earlier on with IT leaders to help scope transformation needs

PROBLEM

A fundamental disconnect exists between procurement and acquisition officers and the IT department, thus undermining the buying journey.
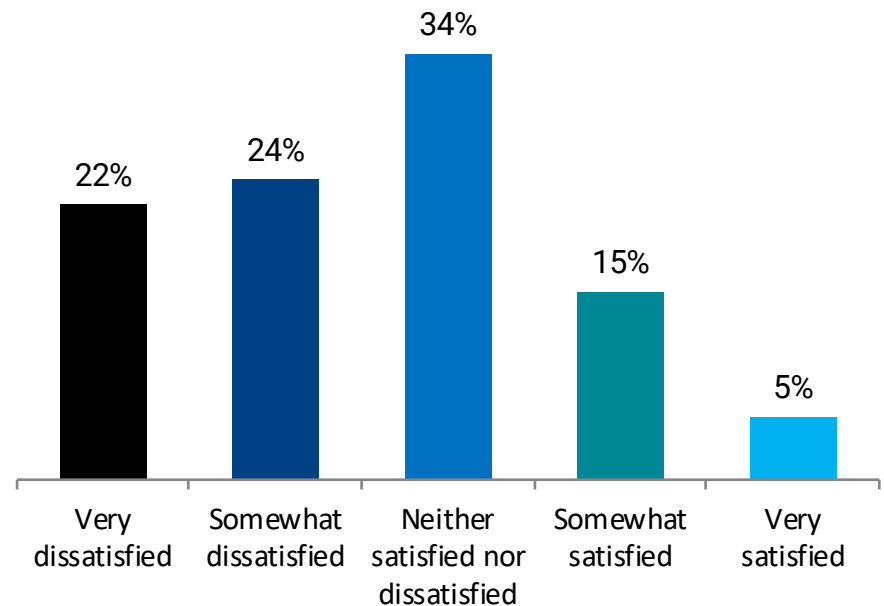
At what point does your organization involve you in the process for transformative IT acquisition?

Pre-solicitation phase — 64%

Solicitation phase — 16%

Source selection phase — 20%
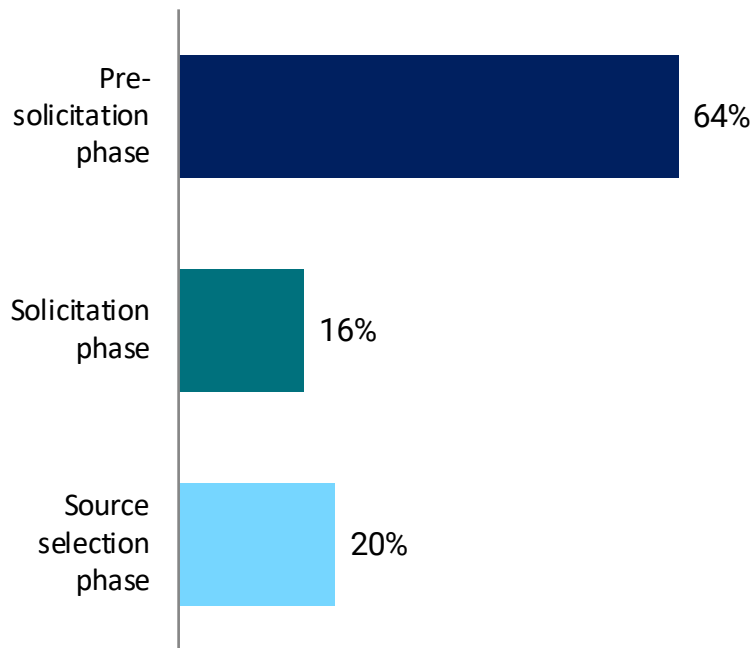
Percentage of respondents, n=283
Note: Percentages may not add up to 100% due to rounding

While 64% of survey respondents said they become involved in IT acquisition discussions during the pre-solicitation phase (i.e. defining requirements, developing acquisition plans), 16% only become involved when developing a request for proposal, and 20% only during the source.

How satisfied are you with the time it takes your organization to involve you in IT transformation discussions?

Very dissatisfied — 22%

Somewhat dissatisfied — 24%

Neither satisfied nor dissatisfied — 34%

Somewhat satisfied — 15%

Very satisfied — 5%

Percentage of respondents, n=298
Note: Percentages may not add up to 100% due to rounding

Not surprisingly, 46% of those surveyed are dissatisfied by the lengthy amount of time it takes their organization to involve them in these discussions.

In a question posed exclusively to procurement/acquisition officers and financial managers, 56% said they were never involved with IT leadership when it came to scoping out programs of interest. Another 29% only become involved after IT leadership has fully scoped out program requirements.

How would you describe the relationship you have with your IT leadership when it comes to scoping out IT transformation programs?

We are involved early on in scoping out programs alongside our IT leadership **15%**

We are involved only after our IT leadership has scoped out program requirements **29%**

We are never involved with IT leadership when it comes to scoping out program requirements **56%**
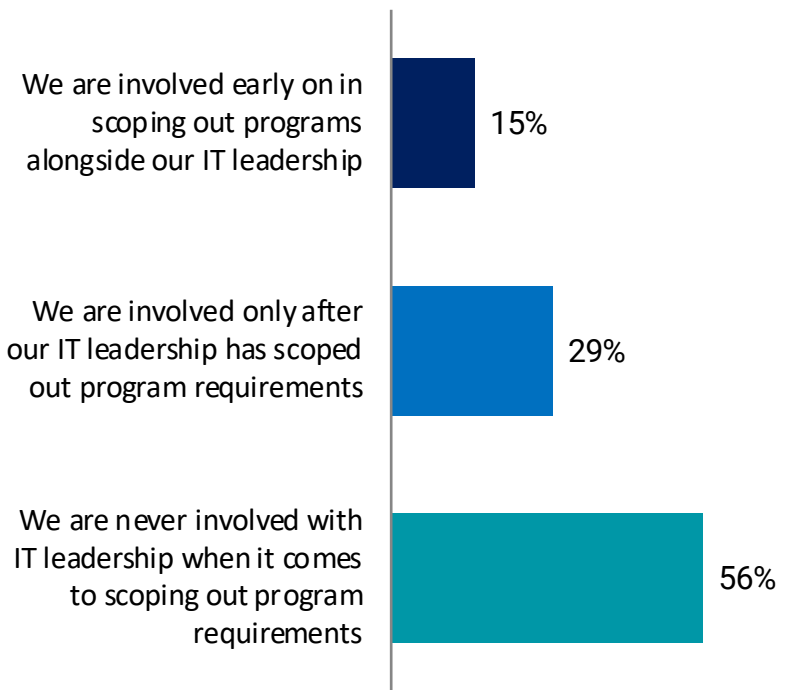
Percentage of respondents, n=144
Note: Percentages may not add up to 100% due to rounding

LESSON LEARNED

Buyers and IT mission owners should be on the same page when it comes to procuring the tech that will meet their organization's business needs. The current rift between these critical stakeholders may contribute to competing priorities that inhibit important steps along the transformation journey.

INDUSTRY INSIGHTS
from ViON, Dell EMC, & Virtual Instruments

Until now, federal agencies didn't have the essential insight they needed to answer critical questions related to cost and performance before embarking on their cloud migration journey. As a result, organizations not only couldn't devise a sound strategy for their cloud migration projects, but they also had no way of knowing whether those apps and workloads would perform adequately once in the cloud.

As GBC's survey of federal buyers and acquisition personnel reveals, leading authorities in the contracting landscape are making critical IT purchases while lacking the strategic foresight and collaborative mindset that will ensure successful transformation in the cloud via XaaS deployments.

As experienced leaders in this industry, we provide agencies much-needed peace of mind in their transition to XaaS by being able to:

✓ De-risk their upcoming cloud migrations

✓ Validate the suitability of the targeted applications based on their on-premises performance SLAs

✓ Understand application dependencies

✓ Preserve performance in the cloud

✓ Compare and contrast estimated costs of various cloud platforms

✓ Improve the ROI of cloud migration initiatives

It's important for federal agencies to keep in mind that XaaS grants much greater performance and availability than existing acquisition models. In multi and hybrid cloud environments with OpEx arrangements, your financial owners and procurement leads can centrally manage and exercise full visibility over the entire stack.

XaaS deployment is the future of federal acquisition propelling agencies forward in their digital transformation journeys. Together, we are committed to giving our partners the control, access, and insights they need to make buying decisions that translate into greater mission success.
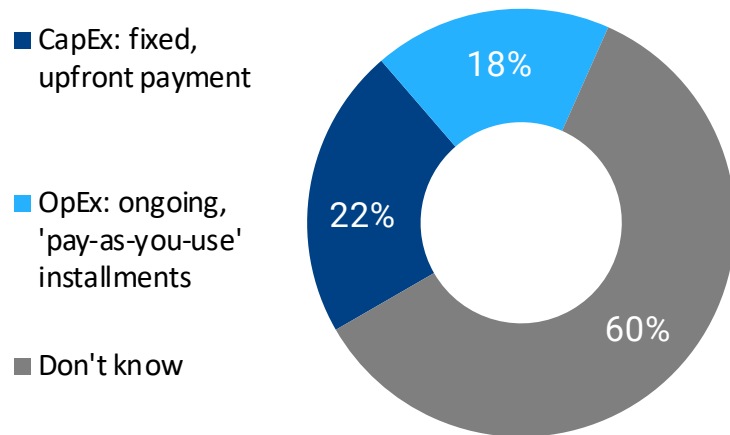
PLAY #4

Create advocates who can spread awareness and demonstrate the benefits of XaaS and OpEx to drive adoption

PROBLEM

The rift in communications between IT leaders and financial officers has prevented both parties from adopting proven models of acquisition.
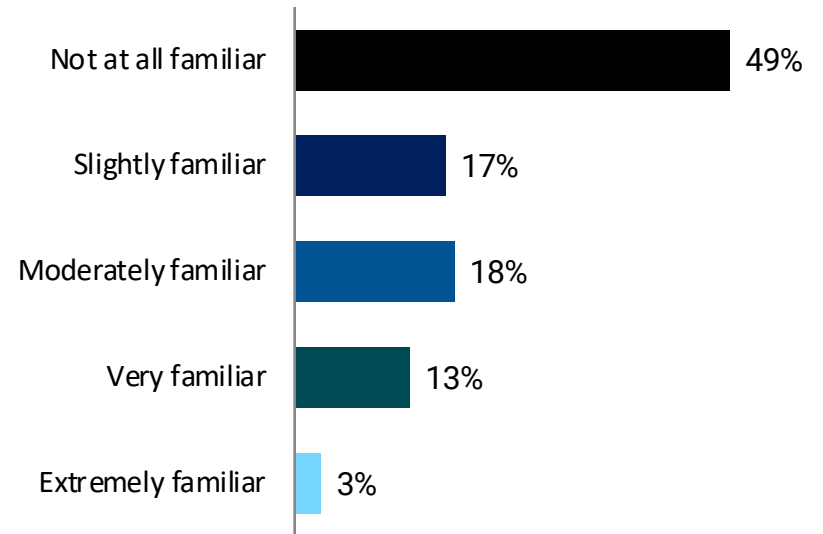
What financial model tends to guide purchasing decisions when your organization is considering new IT capabilities?

- CapEx: fixed, upfront payment
- OpEx: ongoing, 'pay-as-you-use' installments
- Don't know

18%

22%

60%

Percentage of respondents, n=372
Note: Percentages may not add up to 100% due to rounding

When asked what financial model tends to guide purchasing decisions their organization makes toward new IT, 60% of respondents were uncertain whether payments were made according to a CapEx or OpEx model.

How familiar are you with the as-a-Service operating model?

|	
Not at all familiar	49%
Slightly familiar	17%
Moderately familiar	18%
Very familiar	13%
Extremely familiar	3%

Percentage of respondents, n=278
Note: Percentages may not add up to 100% due to rounding

49% of respondents were not at all familiar with the as-a-Service operating model.

> **[What we see are] confusing and conflicting purchase rules; things like BPAs that require competition, and small-purchase authority that has more paperwork than a PO. When it's efficiency versus competition, the balance swings to generic competition instead of best-value.**

To what extent has your organization incorporated an XaaS model to guide financial decision-making around new IT?

Category	Percentage
Not at all	23%
Slightly	12%
Moderately	12%
Very	4%
Completely	0%
Don't know	49%
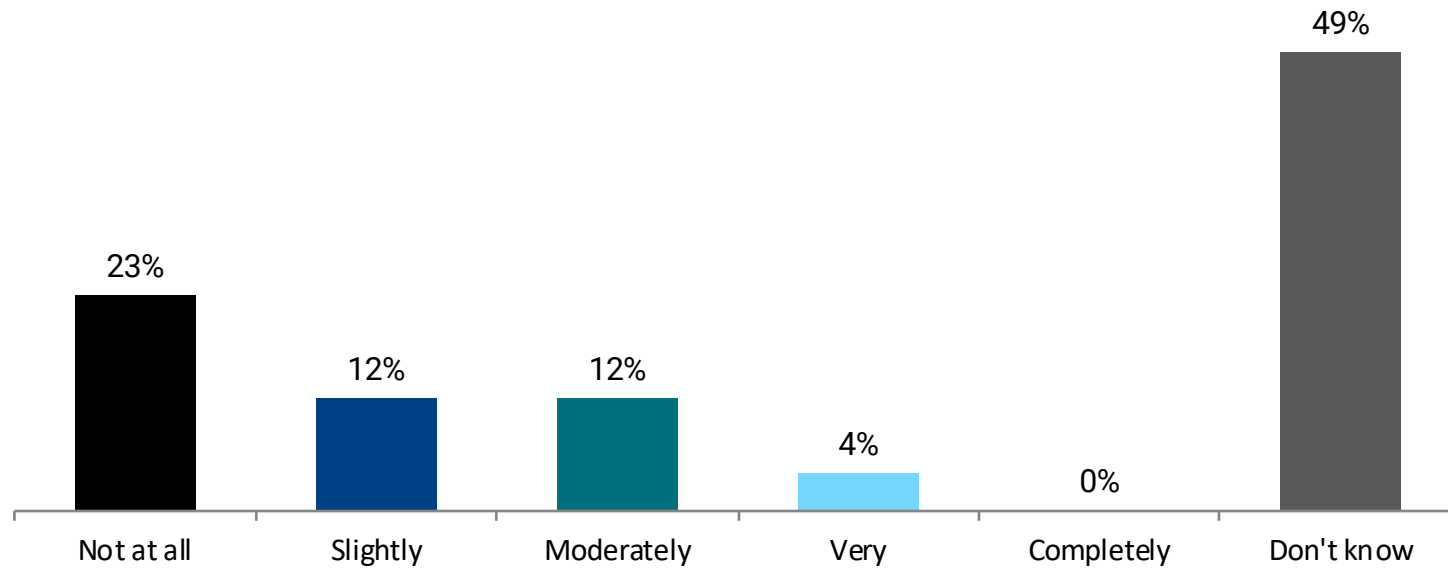
Percentage of respondents, n=271
Note: Percentages may not add up to 100% due to rounding

Half were unable to say to what extent their agency had already incorporated an XaaS model to guide financial decision-making around new IT. 23 percent, meanwhile, said no such model had been implemented as of yet.

LESSON LEARNED

As indicated by GBC's survey, many key decision-makers with greatest influence over their organization's spending decisions are removed from buying models that have assumed top status within the financial and tech sectors of commercial industry. Because of this disparity, it's critically important that the limited number of government personnel who are familiar with these practices actively and vocally advocate on their behalf. The next play provides some methods that these advocates can deploy to win over their peers.

PLAY #5

Leverage available data, demonstrations, and partnerships to make your XaaS case

PROBLEM

Buyers have limited funds to work with, they have to justify purchasing of new technology against lengthy acquisition lifecycles, and the funds that do exist often get sunk into propping up outdated legacy IT. It's a vicious cycle, perpetuated by a business model that's predicated on maintaining what is rather than preparing the organization for what's *next*.

**Winning over the skeptics won't be easy, but it is possible. First, use data to tell your story.**

"In order to move more quickly to the Cloud, my organization requires a better strategy for saving money from our existing data centers."

True	42%
False	14%
Don't know	44%
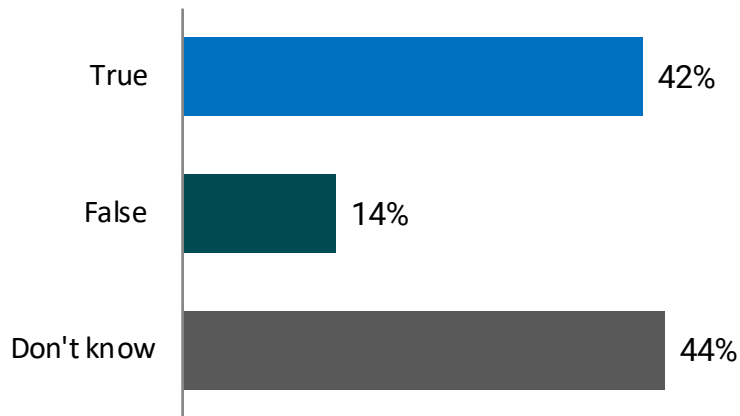
Percentage of respondents, n=243
Note: Percentages may not add up to 100% due to rounding

In GBC's survey, 42% said their organization requires a better strategy for saving money from existing data centers, versus 14% who indicated that their current strategy is sufficient.

What is needed to accelerate procurement?

Streamline ordering process	38%
Faster acquisition timelines	37%
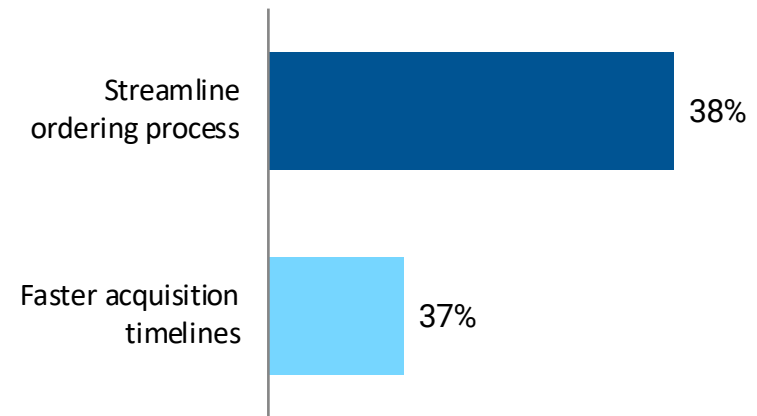
Percentage of respondents, n=258
Respondents were asked to select all that apply

In order to accelerate procurement, 38% said the ordering process needed to be streamlined and acquisition timelines needed to be faster.

> **The procurement process needs to be clearly managed by program as well as the acquisition office. The organization needs to ensure we are speaking the same language and understanding what is being asked of all.**

Second, bring demonstrations and proofs of concepts (PoCs) to the forefront.

To what extent do proofs of concept (PoCs), IT assessments, and/or demos inform how you make decisions in the buying journey?

- ■ They play an essential role in the decision process

- ■ They are helpful, but not essential to the decision process

- ■ They are rarely useful to the decision process

- ■ They never factor into the decision process

36%

19%

20%

26%
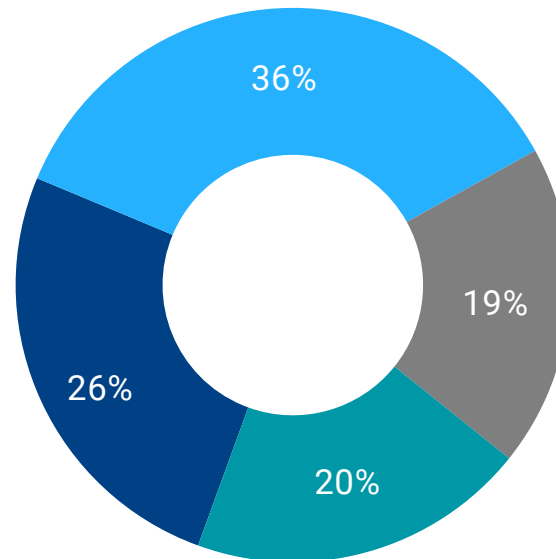
Percentage of respondents, n=275
Note: Percentages may not add up to 100% due to rounding

62% of those surveyed considered PoCs, IT assessments, and demos to be either essential — or at the very least helpful — to informing their buying decisions.

Third, remember: you're not the only one making the case. The White House is on your side, as are a number of other agencies that have seen success in adopting the XaaS approach. These include GSA's Federal Systems Integration and Management Center (FEDSIM) and Commercial Solutions Opening process, as well as the Air Force's AFWERX program and SOCOM's SOFWERX, which have produced valuable gains in small business acquisition.

LESSON LEARNED

Despite adherence to traditional purchasing models, those advocating for XaaS adoption have plenty of resources to support their case. Backed by recent trends, IT demonstrations, and a wealth of resources in both government and the private sector, there's no excuse for not getting started.

RECAP OF XaaS BENEFITS

- ✓ Reduction in procurement lead time

- ✓ Increased accuracy in budgeting, forecasting, and capacity planning

- ✓ Improved ability to order compute, network, and storage solutions

- ✓ Elimination of planning and justification for IT capital expenditures

- ✓ Improved enterprise governance for ordering , delivering, and sustaining IT

- ✓ Better ability to manage risk in engineering and delivering solutions

- ✓ Solutions that are 'ready-for-use' in meeting mission objectives

- ✓ Greater ability to achieve standardization across the organization

CONCLUSION

The plays outlined above are intended to give financial decision-makers an idea of their current landscape and the steps they can take to foster an XaaS culture from within. As agencies transition from Cloud First to Cloud Smart mindsets, it will be crucial to align procurement, acquisition, and IT leaders under one purpose. Moreover, it's critical they have a model that serves all their needs by soliciting input from all parties in the buying journey.

What does the future look like? **52%** of respondents surveyed by GBC believe the next 5 years will see at least half or more of existing workloads and applications migrate to a cloud environment. That's great news from a technical perspective, but unless agency leaders provide a strong business foundation that makes sense of this transformation, those with authority over the buying journey will be forced to settle for suboptimal outcomes that have so far plagued CapEx models of acquisition and stymied IT innovation.

> *"In the next 5 years, I estimate that _____ of my organization's current workload (applications, data, etc.) will reside in the Cloud."*

0 percent	25 percent	50 percent	75 percent	100 percent
10%	38%	28%	15%	9%
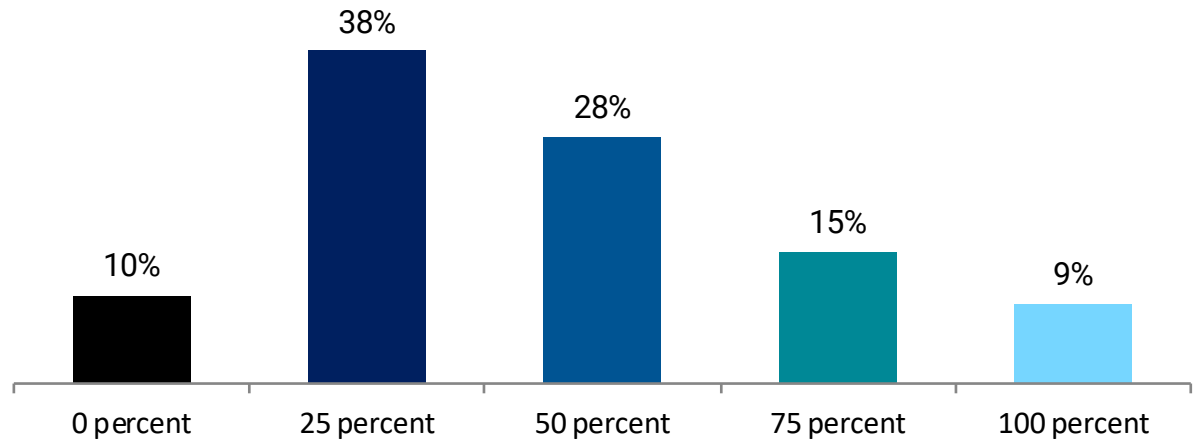
Percentage of respondents, n=231
Note: Percentages may not add up to 100% due to rounding

We hope this playbook provides sufficient and compelling data to enable change agents to make the case to their organization that transformation is achievable by engaging finance and acquisition stakeholders alongside technical teams in the move to XaaS and OpEx adoption.

Respondent Testimonials

Can you elaborate on any challenges you face as a decision-maker entrusted with overseeing steps along the federal buying journey?

- We need to influence higher level decision makers. At the moment, we're not provided much autonomy to make good business decisions.

- Government leaders are almost wholly inadequate to discern long term strategic IT objectives because they refuse to consider how the IT environment will change or how their mission will change either.

- The procurement process needs to be clearly managed by program as well as the acquisition office. The organization needs to ensure we are speaking the same language and understanding what is being asked of all.

- Our agency thinks that it can maintain "superiority" in every domain even while it has created the IT "tools" that undermine its own IT architectures.

- Rollouts of XaaS have invariably encountered unanticipated results; correcting the flaws is always costly and frustrating.

- There have been so many resources invested and wasted in on-premise database silos that government leaders are reluctant to consider XaaS models due to being burned by weak systems engineering and requirements development (if it occurred at all) and sole source contracts that contractors - for good or bad - have created IT "solutions" that only they can maintain and upgrade at significant cost.

- We have poorly trained acquisition professionals who also have little connection to delivering mission. Resultant decisions do not support mission in many ways.

- Translating as-a-Service operating model implementation as a strategic planning option continues to fight against traditional financial control mechanisms.

- Security concerns will continue to dominate the adoption of as-a-Service options.

- Confusing and conflicting purchase rules; things like BPAs that require competition, and small-purchase authority that has more paperwork than a PO. Efficiency versus competition; the balance swings to generic competition instead of best-value.

- I consider XaaS a service model (for cloud services), not a pricing model.

- We need a serious overhaul in IT. Many of the people there do not even know how ignorant they are. The new A-CIO is attempting to fix this but at an organic pace. We are currently hemmed in by legacy concepts that are not flexible enough to face the challenges of today and the future, as our current databases were designed around the notion of a defensive, compliance-enforcement model; not an offensive risk-aware taxonomy.

- Restrictions limit what vendors can be used, [and so there's a] lack of updated vendors. No capabilities [exist] to add more cost effective and advanced services. Purchases can only be made with vendors that have contract approval; if not in place, no purchase can be made.

- We need to advertise and educate better. Showcase success stories with financial savings to Executive Leadership.

- The biggest critique I have of managing applications is the maintenance, lifecycle, and the lack of more stringent requirements that would make the systems easier to navigate for end users. In my opinion, we lose days of work while end users attempt to navigate complex systems.

ABOUT GBC

As Government Executive Media Group's research division, Government Business Council (GBC) is dedicated to advancing the business of government through analysis, insight, and analytical independence. An extension of Government Executive's 40 years of exemplary editorial standards and commitment to the highest ethical values, GBC studies influential decision makers from across government to produce intelligence- based research and analysis.

ABOUT DELL TECHNOLOGIES

Dell Technologies' integrated solutions bring the power of our portfolio together in workload specific solutions such as ready solutions for machine learning and other forms of AI. Sold as an on-premise as-a-Service capability in an open model or an easy to deploy and support capital investment for research and development, these solutions accelerate adoption of AI. Learn more at www.dellemc.com.

ABOUT ViON

ViON Corporation is a cloud service provider with over 37 years' experience designing and delivering enterprise data center solutions to government agencies and commercial businesses. The company provides IT as-a-Service solutions including on-premise public cloud capabilities to simplify the challenges facing business leaders and agency executives. A veteran-owned company based in Herndon, Virginia, the company has field offices throughout the U.S. (www.vion.com).

ABOUT VIRTUAL INSTRUMENTS

Virtual Instruments is the leader in Infrastructure Performance Management, delivering solutions that help customers ensure their applications and infrastructure perform better together. With Virtual Instruments' solutions customers can stop reactive troubleshooting, start managing performance and achieve cost optimization. Virtual Instruments can be found online at http://www.virtualinstruments.com.