How Do Organizations Purchase IT-Consultancy Services?

The purchasing of IT-consultancy services is a complex area. It is performed by humans, includes many stakeholders at different levels and departments, and concerns services that are highly intangible in nature. What we know today about how organizations go about purchasing these services, and what they base their supplier selection decisions on, are limited. In this study, a new purchasing framework has been developed. This framework includes several important factors that all play a role in supplier selection. Factors that previously were looked at mostly in isolation.

The consultancy sector has been growing in size, both in terms of revenue and in terms of employment. Despite this, many organizations have trouble finding new customers. Due to the characteristics of services, it is difficult to predict how much value a service will generate before it is purchased. This difficulty in predicting value makes it harder for suppliers to understand how their customers make supplier choices. By gaining a better understanding of how potential clients choose suppliers, a supplier can potentially use that information to increase their sales.

The purpose of this study was to identify how organizations go about purchasing IT-consultancy services. The focus was on determining what makes organizations pick a certain supplier over another. To accomplish this, several in-depth interviews were performed both at buyers and suppliers. Further, a literature study, studying the different aspects of purchasing, was conducted. Based on our findings, a new purchasing framework was developed that unifies several aspects of the purchasing process.

The most interesting conclusions of the study were that there is no one-size-fits-all process for purchasing IT-consultancy services. Different organizations have varying needs due to the industry that they operate in. Other factors, such as size and culture, also play a big role. Further, as purchasing is performed by human beings, interpersonal and personal aspects play a major role in the decision-making process. It is no surprise then that relationship was found to be one of the most important choice criteria.

These services are highly complex, involve large sums of money, and have a large impact on the buyer’s organization. Being able to deliver is hence crucial. Here, subjectivity plays a role. Buyers make choices based on limited information, and as it is impossible for buyers to make perfect predictions of suppliers value offerings. They have to base their judgements on perceived value rather than actual value, which is difficult to do objectively. A buyer’s perceived value of a supplier’s offering was the second of the two most identified choice criterias.

The findings in this study can help companies be more aligned with their customers. It emphasizes the importance of working relationship-based. Suppliers primary focus needs to be on establishing and maintaining relationships with their potential clients, long before ever bringing out the checkbook. Suppliers can not be hesitant to establish new relationships, even if there seem to be no business
opportunities ahead. A new established relationship today, can result in many business opportunities years ahead.

For the academic side, our framework provides an overview of the different aspects affecting the purchasing process. It combines several aspects that were mostly looked at in isolation before. It shows how these aspects affect the process and hence shows a more truthful picture of the purchasing process of these kinds of services.

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