Managing Multiple Vendors:
Getting the Most from a Complex Team

November 16, 2012

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About the Presenters

- Matt Kimball
  - Leads St. Louis Region's Management Consulting Practice
  - Led development of Daugherty's PMO organization and related PM/BA capabilities, service offerings and training curriculum

- Brad Butler
  - Leads over 70 consultants across two Fortune 500 clients
  - Experience executing in, and navigating through, highly complex organizations

Basis for Our Point of View

Daugherty has worked with hundreds of clients, each with their own complex vendor environments.

Leveraging Multiple Vendors is the Norm

Almost all large companies use many vendors and system integrators –a practice called *multisourcing*—to deliver on strategic initiatives and operational activities.

In fact, multisourcing is one of Gartner's top trends for 2011 – 2012. Gartner explores the challenges:

> *The multivendor model for IT services is complex and* **requires orchestration between vendors that are often fierce competitors**. *This orchestration requires the enterprise to* **establish a multisourcing delivery model that provides visibility and transparency** *into multiple vendor systems and processes.*

> *This becomes increasingly complex when both internal and external sources deliver services to the enterprise.* **What emerges is the role of a multisourcing services integrator (MSI).** *The client organization, a third party, or one of the vendors delivering services can perform this role.* **The role, however, is not very mature**, *requires investments in industry frameworks (such as ITIL), IT service management and quality, and will increase the administrative costs of outsourcing and delivering services.*

Source: Gartner, "Outsourcing Trends, 2011-2012: Get More From Vendor Management." 23 February 2012, ID:G00226754

Working with Multiple Vendors / SIs is the Norm

Almost all large companies use many vendors and system integrators –a practice called *multisourcing*—to deliver on strategic initiatives and operational activities.
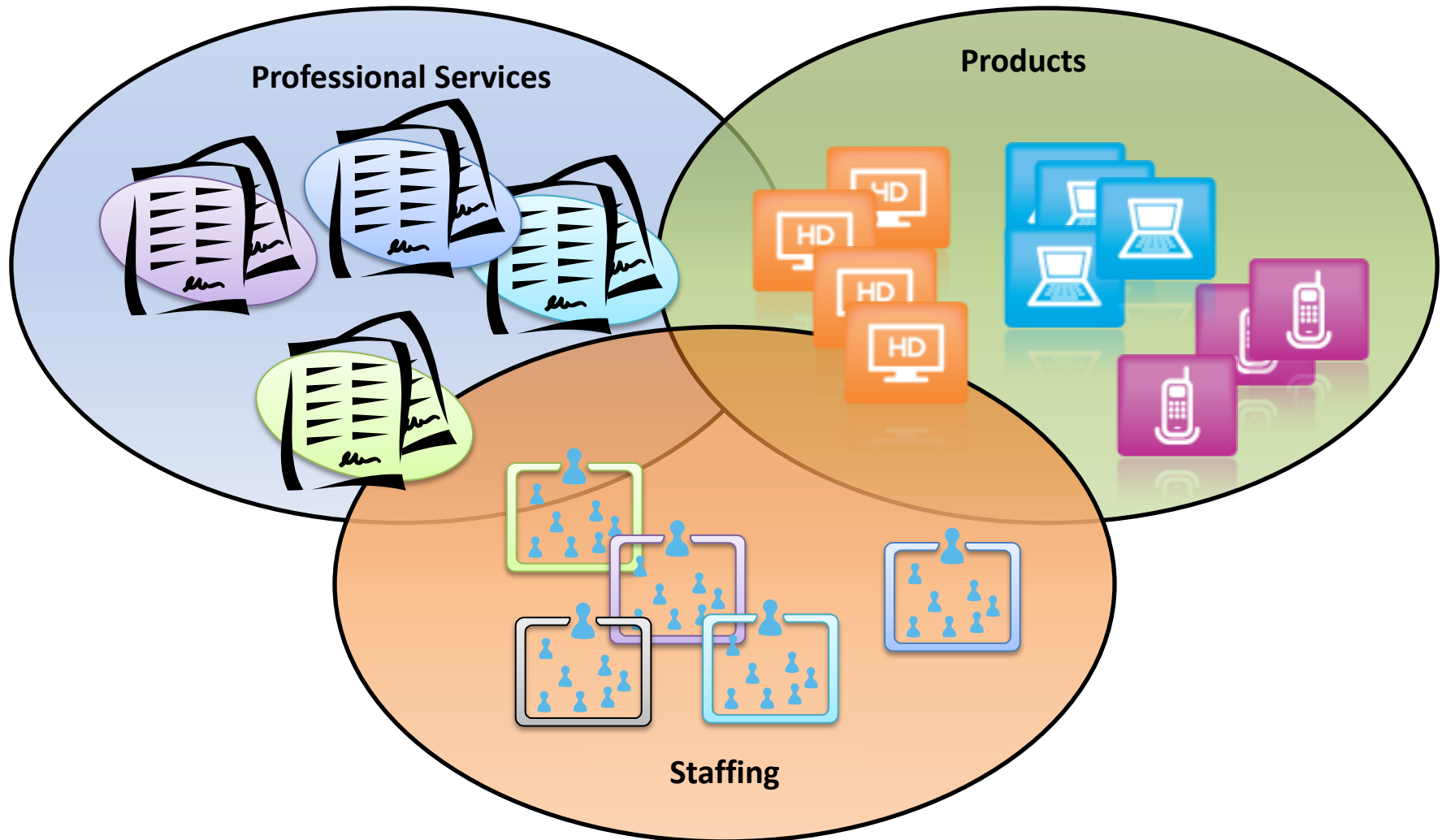
Benefits of Working with Multiple Vendors

Companies choose to engage multiple vendors for a variety of reasons. These reasons depend largely on the opportunity that needs to be addressed.

Expertise / Specialty

Resource availability

- People
- Physical space
- Hardware
- Hosting capacity / capability

Scalability / Flexibility

Risk mitigation

Reflect on the reasons why each vendor was selected and then **leverage their capabilities** in your project approach.

Cost

Reputation

Speed to market
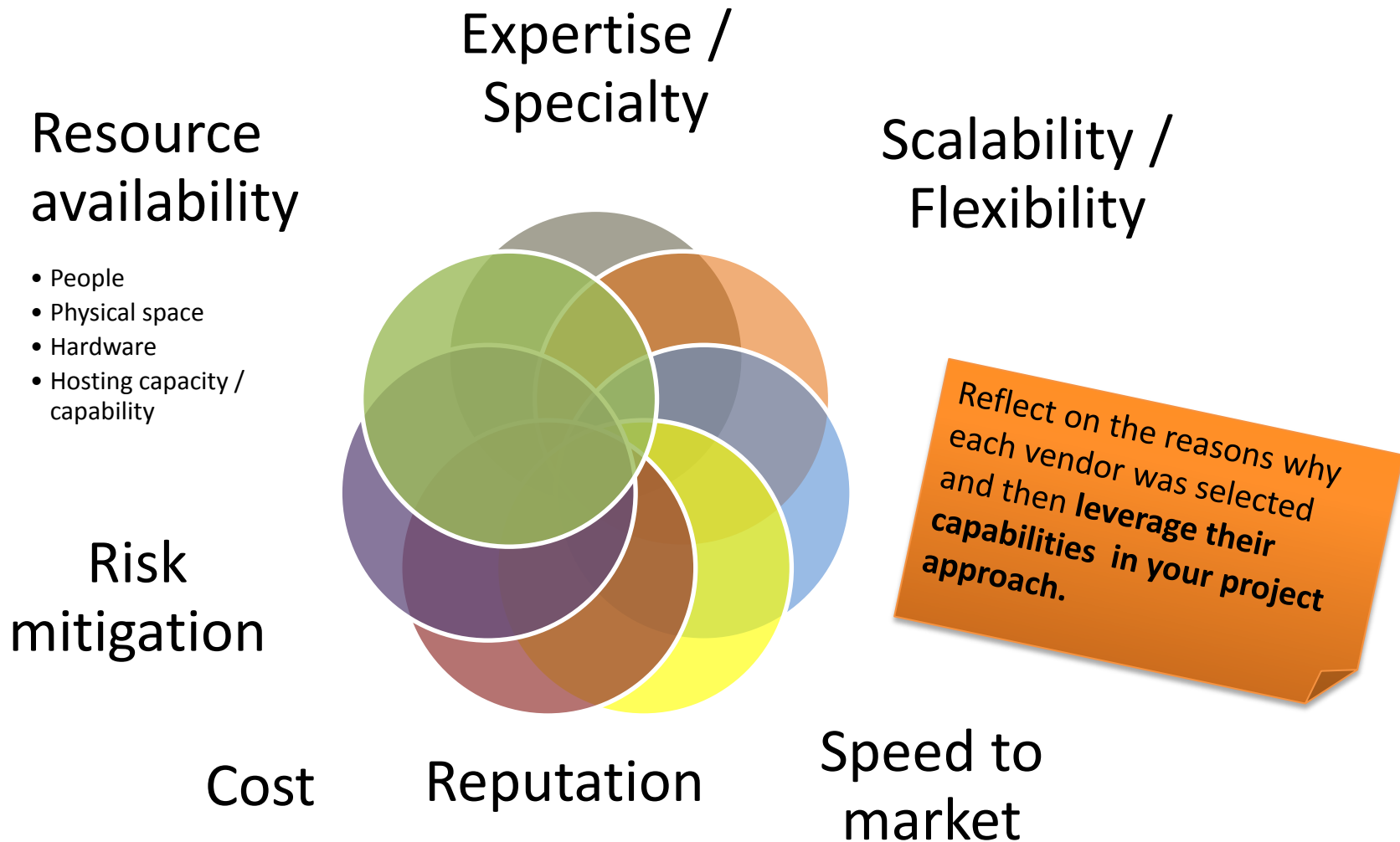
Challenges of Working With Multiple Vendors

…However, using multiple vendors adds management and delivery complexity.

Lack of transparency among vendors

Complex ownership and accountability

Increased effort to integrate systems and manage vendors

Increased risk, effort, and complexity

Unnecessarily constraining vendor capabilities through governance

Differences in

- Delivery models
- Methods and tools
- Communication (tools, method, granularity, frequency)
- Contract terms / SLAs, escalation paths

- Physical locations
- Organizational goals / alignment / expectations
- Project / product metrics
- Individual capability

Corporate Culture

Challenges in Project Execution

At a project level, when multiple vendors are engaged, chaos is likely without intentional planning.

At the project level, teams encounter:

- Poor communication
- Lack of clarity around task level dependencies
- Increased project cost
- Missed project milestones
- Misaligned project approaches with unpredictable hand offs
- Confusion in roles and responsibilities

These issues may lead to:

- Project failures or cancellations
- Missed customer expectations
- Poor quality
- Less-than-seamless operation among various products
- Poor responsiveness to market opportunities and competition
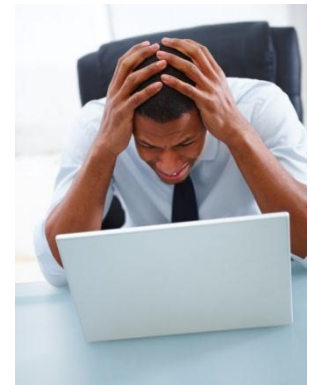
A balancing act…

As professionals, we seek to standardize all aspects of a project, program or portfolio. However, balance is needed to provide the optimal solution.

Effectively managing multiple vendors requires experienced project leaders capable of balancing control and empowerment within the project teams.
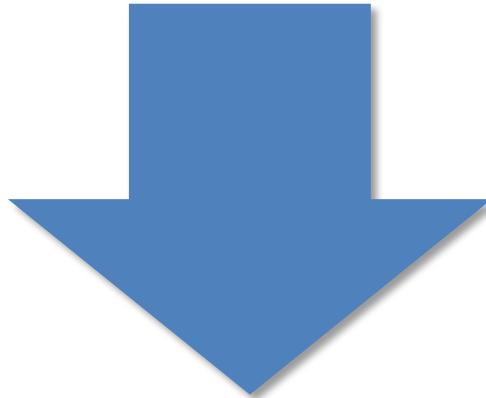
Control

- Basic project controls are essential; for example, reporting predictability, open and accurate communication, proper expectation setting.
- Take caution not to create an environment that prevents the vendor from achieving the result you expect. Let them do what they do best.

Empowerment

- The original decision to select a vendor means they likely have some level of competency; as a result, create a framework that permits the vendor to excel at that particular competency.

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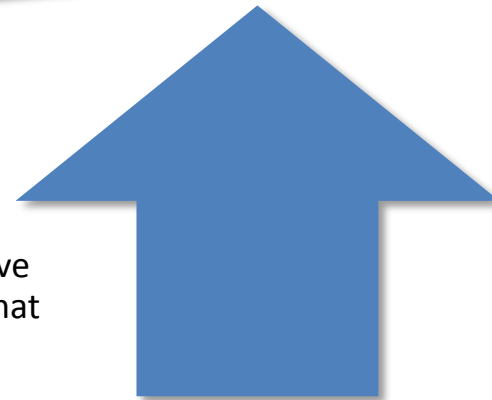
The PMO Framework

Daugherty's PMO Framework is a useful way to categorize the benefits and challenges of working with multiple vendors and systems integrators.

Org. Alignment / Commitment

Governance

People and Training

PMO, Project Management / Business Analysis

Tools and Templates

Methods and Processes
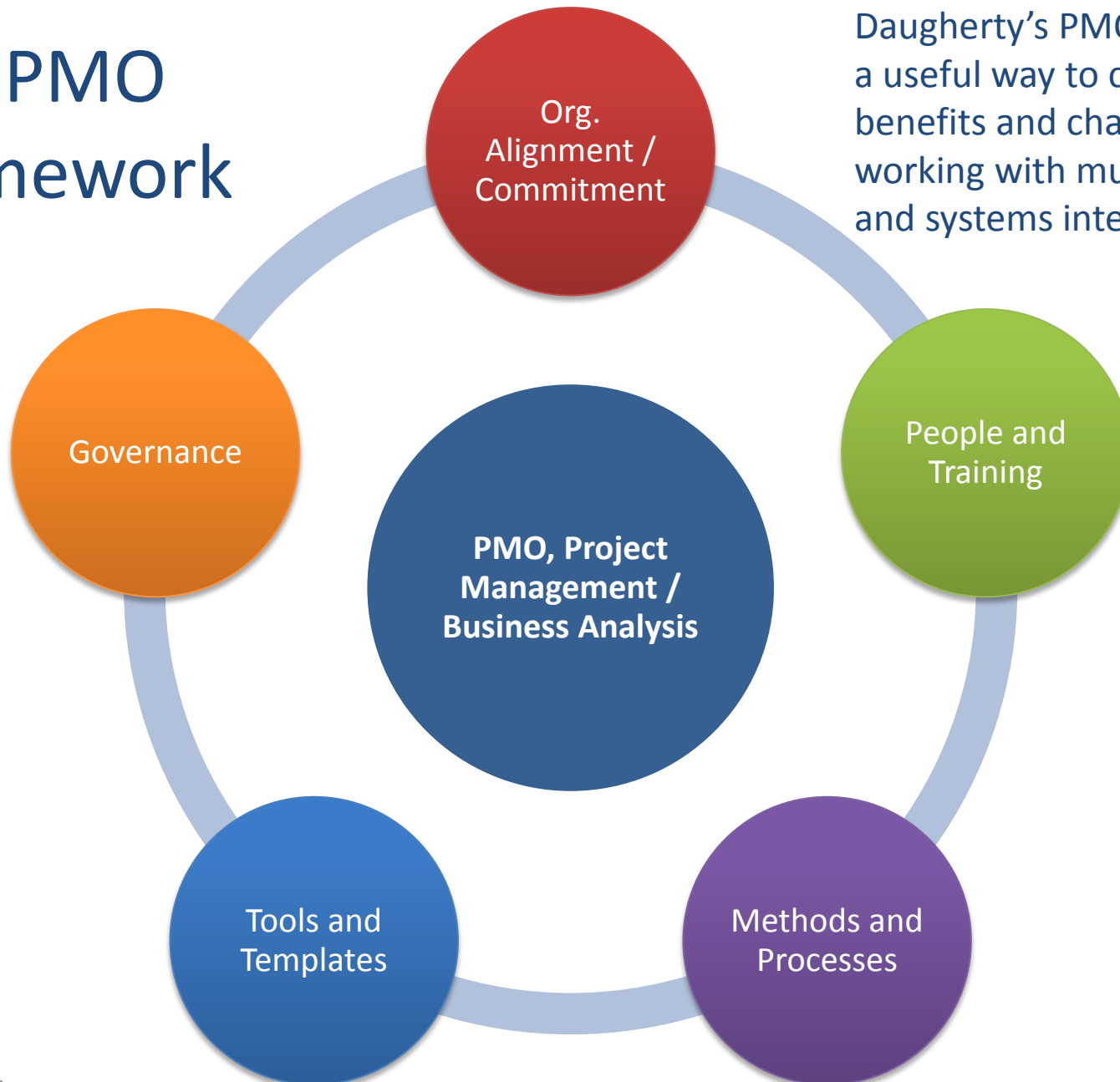
Governance

Managing multiple SIs starts with a strong, effective and well-understood governance model—to which all parties are committed.

Leading Practices

- ☆ The governance processes must provide an effective means to review vendor performance, manage the operational touch points and interdependencies of outsourced and retained functions, escalate issues and disagreements, and resolve the inevitable disputes in the operational context. [1]

- ◆ ☆ Effective sponsorship is key to project success. [2]

- ☆ In contract negotiations with vendors, focusing on costs instead of contract terms and conditions may cost more in the long term if integration problems arise. The terms should specify what deliverables are expected of each vendor. [3]

- ☆ Reduce finger-pointing among vendors by addressing service level agreements and issue resolution as each vendor, hardware, software, service or consulting contract is being negotiated. This is when the purchaser has the most leverage to contractually obligate vendors to resolve problems, regardless of the source of the future issue. [3]

☆ **Industry**   ◆ **Daugherty**

Governance Starts in the PMO

The PMO is responsible for setting the standards by which all projects and programs will operate. Likewise, the PMO must establish standards for how vendors will engage with your specific organization and projects.

Contract Terms / SLAs

Communication Protocols

Standard Tools and Templates

Escalation Processes

Metrics and Reporting

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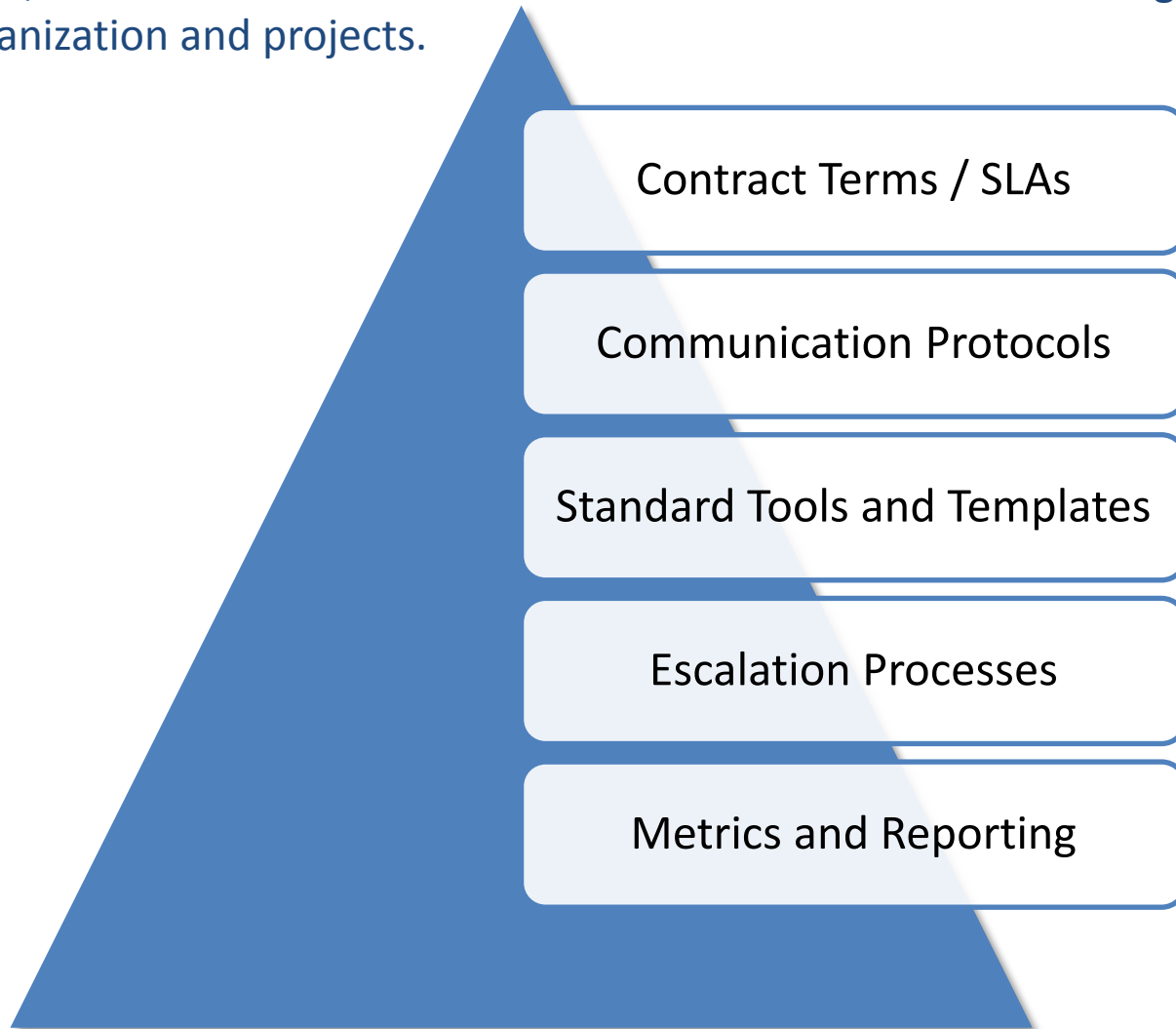
Governance at the Project Level

Open communication is essential among vendors at the program/project level. Governance is needed to encourage proactive communication planning.

Vendors must:

- be held accountable for commitments and be willing to provide accurate information about deliverables and tasks.

Project Managers must:

- facilitate discussions between vendors to fully understand the dependencies among vendors, tasks planned and project approaches.
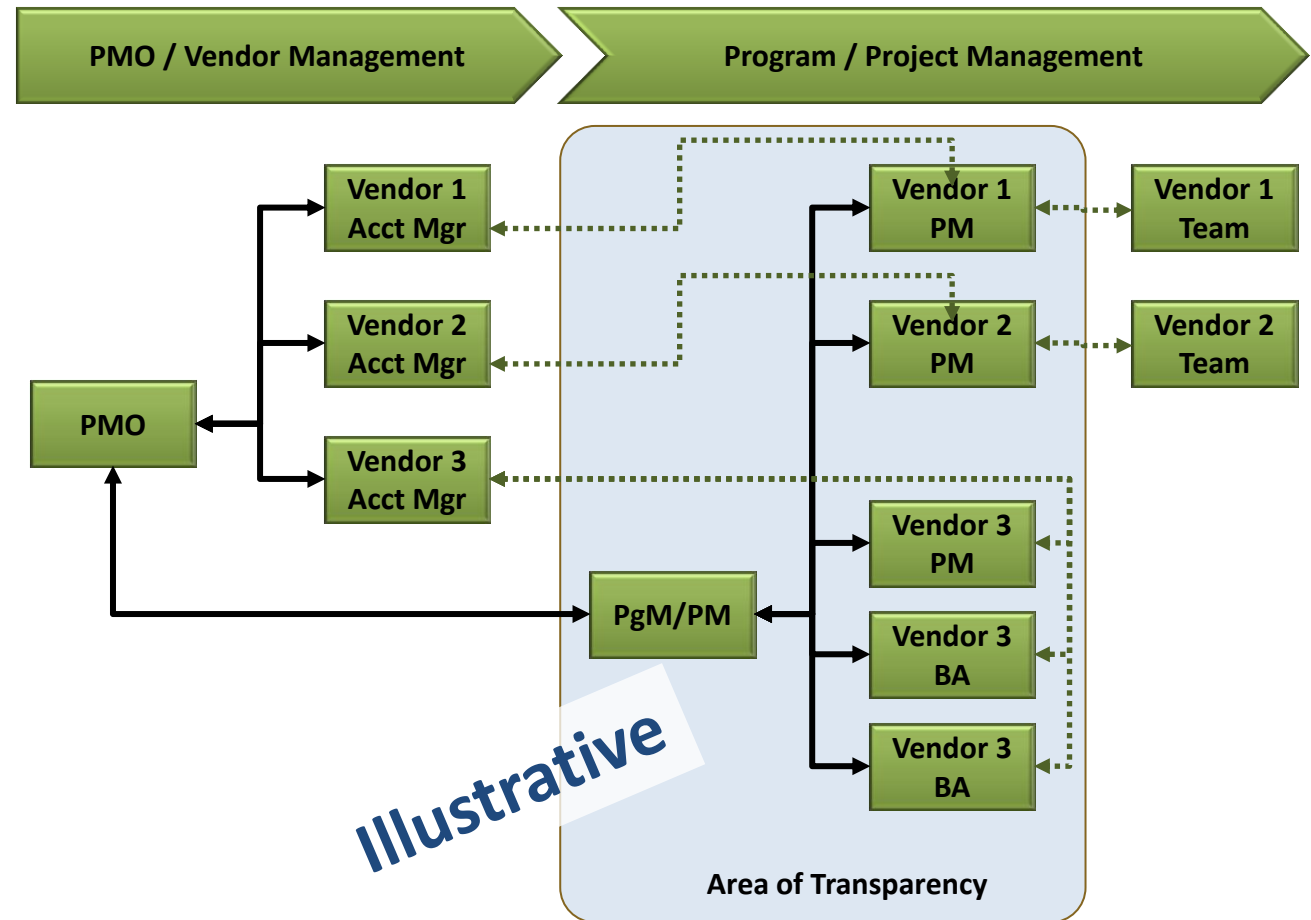
Org Alignment / Commitment

PMOs are the central point of contact between system integrators and need to provide leadership that creates alignment to organizational goals.

Leading Practices

⭐ PMs and BAs will need to understand the different types of delivery models and work to provide a new level of work approach leadership. [1, 2, 3]

⭐ Give your vendors a clear idea of your business objectives. It allows them to align their professional goals with your success, and enforces the idea that a successful business is a reflection of the quality of their work. [4]

◆ Having a shared culture of success improves business partnerships between vendors and stakeholders.

◆ Using a master enterprise architect / system integrator will lead to continuity between teams while reducing risk to the organization.

◆ The project leader should identify and articulate the decision authority of each SI.

⭐ **Industry**   ◆ **Daugherty**

People & Training

Human resources are the major variable in determining the probability of success.

Leading Practices

⭐ PM leadership across multiple system integrators will be a major factor in the success of projects.[1]

⭐ Competency models will be core to assessing the capability of team members.[2]

◆ Clearly defined roles and responsibilities will ensure that each system integrator will understand requirements and expectations.

◆ Complex projects will benefit from the creation of an integration partner (IP) team to act as a liaison between integration, enterprise, and release teams.

◆ Utilizing a common onboarding process for all system integrators streamlines that addition of new resources to teams while sharing corporate culture and terminology.

◆ Professional certifications are not enough; supplemental methods, techniques & tools will required for success.

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Methods and Processes

Providing a baseline structure for methods and process across SIs will increase the efficiency of project teams.

Leading Practices

⭐ Structured processes and methods will be critical to effective and efficient execution. [1]

⭐ Informal learning, including post-project reviews and lessons learned events, for PMs and BAs can be used leverage prior experiences with SIs. [2]

◆ The communication plan should provide structure for communication between system integrators to reduce lag time between identification and resolution of issues.

◆ A joint project kickoff process with SIs to determine the shared delivery approach, communication plan, interdependencies between deliverables, and creating a joint project plan, will establish a strong foundation for a successful project.

◆ Providing sufficient testing environments for integration testing between SIs will establish a baseline environment to compare production to new development.

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Tools and Templates

Tools and Templates are not a substitute for an effective process! However, they are essential to standardize information sharing.

Leading Practices

☆ Integrated methods, techniques and tools will be the key to effective execution.[1]

☆ A greater emphasis on initiation and planning techniques and tools is required.[2]

◆ The use of standardized status reporting formats across SIs allow information to be distributed to stakeholders in a consistent and reliable format.

◆ Utilizing standard milestones for project phases will simplify reporting at the SPMO level, and support the use of common delivery lifecycles.

◆ Shared architecture standards

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Practical Advice

Select and treat your vendors as you would a long term business partner.

- Eliminate the "us versus them" mentality

Openly discuss the goals of your partnership.

- Define, together, what success looks like. Create a shared vision.

Partner with your vendors to select the best delivery approach that includes frequent assessment as to the performance of the approach.

- Beware of vendors who insist there is a "one size fits all" approach to project and program delivery!

Provide the framework for delivery through governance; however, encourage the blended team to assess delivery and introduce enhanced practices as necessary.

Source: Adapted from Gartner, "Programs and Approaches: Are you on the right track?" May 2011

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Appendix

For More Information

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- Reference material in appendix

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1. Gartner - *Gartner Reveals Five Business Process Management Predictions for 2010 and Beyond*
2. ESI – *Top 10 PM Trends*

Practical Advice

1. Gartner - *Programs and Approaches: Are You on the Right Track?*

Additional References

Subject	Link
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Managing Offshore Development on an IT Project	http://pmtips.net/managing-offshore-development-project/
Technology Management Resource for Business Leaders	http://www.executivebrief.com/outsourcing/motivating-outsourced-offshore-team/
Top Ten Risks When Leading an Offshore Test Team	http://www.logigear.com/resources/articles-presentations-templates/620-top-ten-risks-when-leading-an-offshore-test-team-part-1.html http://www.logigear.com/resources/articles-presentations-templates/622-top-ten-risks-when-leading-an-offshore-test-team-part-2.html
Across the Great Divide: Effectively Managing your Distributed Agile Team	http://www.softwareconsortium.com/resources/agile_distributed.html
Onshoring vs. Offshoring	http://www.bhmi.com/onshoring_vs_offshoring.html
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