



Consultants



## Partnering with the right vendor

$$E[e^{-sX_{+,i,u}} | A(X_{-,i,u}) = k] = \sum_{i=1}^k \left[ \frac{1}{2Li!} \frac{d^i}{dz^i} \Big|_{z=0} \left( \frac{G_p^*(z)}{1 - z} \right) + \frac{1}{2L(k-i)!} \frac{d^{k-i}}{dz^{k-i}} \Big|_{z=0} \left( \frac{G_p^*(z)}{1 - z} \right) \right]$$



## Partnering with the right vendor

Many organizations are reaching a boiling point of frustration when it comes to maximizing the value from their outsourcing software development vendors. In many cases, the entire vendor management model needs to be overhauled because the existing procurement-driven, typically adversarial model no longer works. These challenges are not limited to working with offshore vendors – though they may be the worst culprits. Fortunately, there are examples of firms (like QA Consultants in software testing) that are leading the way in working with clients to define new outsourcing best practices that reduce client business & technical risk, improve quality outcomes and germinate new innovations.

A 2013 Forrester report on the IT services market summarized the current state of vendor management quite succinctly: “The combination of business-led innovation, new vendors and delivery models, and the shakeout in the provider ranks means that senior IT management has to fundamentally change how it approaches supplier governance. The endless focus on a cost-based procurement model has left companies with rock-bottom prices, but poor delivery and execution track records.”

Many of the core issues revolve around the nature of the outsourcing relationship and how it is designed & managed. For example, what measurable and realistic expectations are clients setting? What can outsourcers do to consistently improve value? And what do both parties consider success?

Maximizing value involves more than choosing the right firm and designing the right testing strategies. You need to go beyond a reactive, procurement-led process to effectively partner with your testing outsourcing provider. Unfortunately, many IT leaders assume the approach (often for understandable reasons) “out of sight, out of mind” after they decide to outsource their testing. This is a mistake as it could quickly lead to project misalignments, insufficient resourcing and conflict. This will quickly digress into a dysfunctional vendor relationship, significantly driving up costs, lead times and business complexity while potentially compromising the careers of many people.

Many companies we have worked with and studied have raised the bar when it comes to IT outsourcing vendor management including Capital One, Nike, Bank of New York Mellon, and Cisco. They have done this through leveraging a variety of best practices, seven of which are:



## 1. Make vendor management strategic

In many enterprises, delivering robust IT capabilities are a strategic prerequisite. Even the most vertically-integrated firms will have software outsourcing vendors who provide key services. Supporting these arrangements must be a corporate priority. Companies need to institutionalize this importance by having senior leadership ownership, ensuring proper funding and resourcing of the vendor management function, and gaining early alignment from key business leaders.

## 2. First, get your systems, processes right

It may be unrealistic to expect an outsourcer to do a better job at a lower price if you don't have your own act together. Too often, firms outsource "spaghetti" workflows, have insufficient staffing or deliver unfinished code and then wonder why the outsourcer does not deliver to financial or technical expectations.

## 3. Understand each others business goals

Relying just on the SLA to level-set expectation is insufficient. An over-reliance on the SLA no matter how detailed could prevent the provider from seeing the forest through the trees. Clients should take the time to communicate their core business strategies and positioning up front so expectations are clear. As an example, if the client is a luxury brand focused on performance, then quality, time to market and consistency will be vital business and technical prerequisites as opposed to a cost-focused approach.

At the same time, clients need to understand their outsourcer's business model and drivers of profitability. Better awareness of the outsourcer will create a greater chance of a win-win relationship.

## 4. Establish trouble-shooting mechanisms up front

Testing projects will go awry – they always do. Good agreements and relationships have trouble-shooting mechanisms (e.g., escalation paths, early-warning reporting, regular management engagement) outlined up front. As well true partners come together to collaboratively solve the problem, avoid the 'blame-game' and figure out ways to make sure problems never happen again.



## 5. Cultivate the relationship

At its core, software testing is a people and process-driven activity. An outsourcing arrangement will be better supported when people on both sides are very familiar with each other, communicate extensively and trust each other's intentions. In many cases, this will require regular face-to-face management meetings, periodic brainstorming sessions around continuous improvement and relationship-building exercises.

## 6. Get a head start in the outsourcing cycle

Companies who excel at vendor management engage outsourcing providers early in their process and integrate their activities throughout the project life cycle. Furthermore, these firms really understand their testing pipeline, the outsourcer's capabilities, engage key business stakeholders early on and are efficient with the contracting process.

## 7. Make innovation a priority

Solid testing partnerships create the soil by which new testing ideas and innovations can flourish. These innovations – often small but cumulatively significant – create many opportunities to reduce cost, improve testing outcomes and increase agility for all parties in the relationship. Clients and outsourcers should jointly explore ways to continuously streamline processes, reporting and knowledge transfer. We work with clients to foster testing innovation by conducting project debriefs to understand key learnings and running brainstorming sessions to improve workflows and testing practices.

The costs and risks of ineffective outsourcing are too high to be ignored. Clients will be best served by adopting a more comprehensive partnership model with their outsourcer as well as make important structural and process changes within their firm that enable these relationships. They also should insist that the testing outsourcer does their part to integrate better with the client, provide high levels of service transparency and look to continuously improve their value. Organizations we have partnered with who utilize the above practices have enjoyed significantly lower software development and testing costs, faster time to market, and higher organizational alignment.



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