Supplier Management Tips from Wisereach

Ten golden rules for managing IT suppliers

The move away from the internal delivery of IT solutions has accelerated over recent years. In some sectors, particularly public sector, large system delivery is now the exclusive preserve of a handful of the larger Systems Integrators.

Managing suppliers to delivery is a very different skill to managing internal projects to delivery. To help, we have compiled these 10 golden rules based on our experience of managing external IT solutions.

Provide leadership from the top

Significant projects and programmes involving external suppliers will only deliver if there is top level sponsorship within the organisation. Overall responsibility for delivery must be allocated to a single senior accountable individual. Public sector projects have the concept of a Senior Responsible Owner (SRO), it is good practice for an equivalent to be appointed within a private sector project/programme. One of the commonest causes of private sector project failure is lack of accountability at senior level.

Invest in strong client-side project management

With an external programme/project of any size it is not recommended to rely fully on the supplier's project management. There needs to be a strong client side function that assures and challenges supplier plans. It is essential that client activities are managed such that the client is not the reason for project non-delivery. Poor client-side project management allows IT suppliers to blame the customer for non-delivery.

Do not allow the supplier to write the cheque and deliver the solution

One of the common causes of outsourcing arrangements not realising their full benefits is that the supplier scopes the problem and provides the solution. This inherent conflict is commonly built into externally supplied IT solutions and is another cause of failure to realise value. The golden rule is to separate out the requirements and scoping element of any IT solution contract (or outsource arrangement). Best practice is to establish a business design authority, managed by the client, that specifies the problem to be solved by the supplier.

Avoid death by 1000 solutions

The uncontrolled external provision of IT solutions can destroy an organisation's IT strategy and can result in the provision of a large number of disparate systems running on different architectures and platforms. It is common for the

resultant Total Cost of Ownership figures to completely negate the benefits cases of the individual projects. The solution is to have a strong design authority that ensures that solutions are architected to fit into the overall IT strategy jigsaw. The design authority has to be an active part of the project structure on the client side – and involved during the procurement and bid stage of the external IT supply chain.

Adopt a formal project management methodology

Invariably there is an overall larger project or programme within which an IT element fits. It is essential that a consistent PM methodology is used across and within the various workstreams. In many ways it doesn't matter which methodology is used - as long as a single formal method is implemented. The most common project management adopted within the UK is a simplified, cut down, version of Prince 2.

Build a single integrated plan

There must be a single integrated plan that includes all the workstreams required to deliver the programme including the IT element. The plan must be at a consistent level of detail and have all major milestones, dependencies between workstreams and deliverables. Crucially, the detail in the plan must be sufficient to allow progress to be monitored and the overall critical path of a programme to be accurately determined. The overall plan should be owned by the client. Assurance of IT supplier plans and progress needs to be consistent, insistent and intrusive. Make this clear at the bid/procurement stage.

Ensure that there are the right metrics to understand progress.

Possibly the worst example of supplier failure is when the supplier comes to the table a week before delivery and predicts a further 3 Month slippage. Adopting the appropriate metrics throughout the programme and insisting on their adoption within the IT supplier mitigates this risk. The following are some examples of metrics and measures that are commonly used to measure IT delivery:

- Rework rate on software modules completed
- Tracking time spent on non-project related work
- Tracking function point counts and requirements satisfied against effort
- Tracking sign-offs by internal clients within the supplier as modules are declared complete.

High quality supplier staff

There is no doubt that the quality of staff in the major systems integrators is mixed. Worse still for the client is that the bid teams are typically of higher quality than the delivery teams. This situation has arisen from the growth profile of the major systems integrators. Many of the systems integrators started out as Management Consultancy firms

with a high quality of staff. Growth has then come from large outsourcing deals where they have had little or no choice in taking on numbers of what were client side staff – diluting the quality of their overall capability. It is common for the bid teams to mainly comprise staff from the original Consultancy side of the business and the delivery teams to be assembled from the general resource pool.

To mitigate this it is essential to insist on a veto for key staff being provided by an IT supplier for their solution work. This veto may have to be fought for – but it is essential and it should be proactively used by the client.

Manage risk and build convincing contingency plans

In project audits across private and Government sectors the most common project management failing is that risk management is paid lip service to. Effective risk management is all about predicting failure – trying to mitigate against it and thinking in advance what to do it failure does occur. This has to be done intrusively when managing a supplier when the natural instinct is not to expose delivery risk to the client.

Best practice emphasises the need for risk analysis to identify all risks, the impact on the project and the probability of the risk becoming reality. The combination of impact and probability should then be compared against the project's 'float'. For all those risks that fall outside the project's float, either mitigating or contingency actions should be identified. In the case of mitigating actions these should be included in the project plan and monitored in the normal way.

Where risk can't be mitigated, the feasibility of testing the contingency action must be included in the project plan and, in addition, the resources to provide the contingency must be reserved. This must be done in conjunction with the supplier.

Keep projects small

IT suppliers love 'big swinging' projects. Our final Golden Rule is to break projects down as small as possible – and if possible keep an element of competition between suppliers through smart packaging of work. For example, rather than awarding a 2 year programme to 1 supplier, break the programme into several smaller projects: retain a strong client side project management capability and get several suppliers to deliver the elements of the programme. All the research shows small projects deliver – big projects don't.

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