

# Offshore Outsourcing - Vendor Selection (Part 9)

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Now comes the difficult part- how do you select the vendor for your Outsourcing? Is certification important? Is vendor size important? Just as you would not marry a woman because you like her hair (oh well some really do) you cannot select a vendor on a single factor. There are 3 parameters that determine the vendor of choice:

- Operational
- Technical
- Commercial and Legal

OPERATIONAL	TECHNICAL	COMMERCIAL & LEGAL
Vendors Position	Technical Qualifications	Financial Stability
Experience	Certifications	Years in Operation
Ability to Execute	Profile of employees	Public/Private
Cultural fit	Honors and awards	Any pending Litigation/ Liens
Management strengths	Documentation of best practices, current facilities and projects	Any pending Merger or Acquisition
Litigation/ Conflicts of Interest	Conformance to Requirements	Any pending Joint Ventures
Future Vision	Quality of proposal and presentations	Audited Financials for at least 3 years
Relationship Management	Value added services offered	Financial statement for applicable business for 3 years
Problem Management	Service levels and SLAs	Terms and Conditions
Personnel Management	Approach	Pricing mechanisms
Attrition Management	Technology and Configuration	Contracts
Performance Management	Methodologies	Contract terms
Infrastructure Management	Measurements	Buyout
Security and Access Control	Technical and Business Solution	Contract bindings
Business Process Best Practices	Development capabilities	IPR Protection
Customer Base	Development maturity	VALUE ADDITION
Customer References	Staff Ramp up capability	COMMERCIAL PROPOSAL
Ability to support uptime/downtime	Disaster Recovery Plans	
VALUE ADDITION	VALUE ADDITION	

Always look at what value the vendor can add to your business:

- Operational Value Add - Locale sales and support for your product or services
- Technical -
  - Assist you in building robust Software development methodologies
  - Subject Matter Expertise
  - People
- Commercial
  - Financial terms
  - Risk and Reward participation
  - Equipment
  - Training
  - Equity

Look at other issues that are important to you- the ability of the vendor to support you worldwide, Cultural compatibility, Flexibility of the vendor and vendors' past performance. Look at the vendor's past history of partnerships and large customers. In the last 3 to 5 years how many has the vendor secured and how many have they lost.

Use the RFP, Site visits and references to ascertain as much about the vendor as possible.

Train your evaluation team to differentiate between qualitative issues and quantitative issues. All qualitative issues should be weighted to get the average opinion. The evaluation criteria should encompass an operational, technical and financial evaluation. Use automated tools for the purpose of evaluation. Look for cultural fit and ease of doing business. Assess how much your vendor knows about your industry and the subject matter.

Evaluate the RFP response for quality and completeness. Prepare a list of questions for the OSP based on his responses. The questions should be addressed to the OSP during the OSP proposal presentation. A team that includes the Chief Outsourcing Officer, Technical experts, financial experts and Legal should interview the OSP.

Seek and check references. Get references to current customers as well as some large or medium sized customers that the Company has lost. The diligence on lost customers is important as it provides insights and issues that you should not fall prey to when going into the relationship. Get the OSP's view on the loss and the Customer's view on the reasons of terminating the relationship. Assess if the vendor's pre sales promises match up to post sales performance. Get an understanding on skills and ramp up time. Understand strengths and weaknesses as well as issues faced with the OSP. Finally ask the reference what they would like to see changed in their current relationship. Look at the nature of Management involvement to "work" the relationship. Assess how efficiently the OSP meets or exceeds service levels. Understand issues related to attrition, attrition management and vendor productivity as well as its relationship management.

The site visit is the final instrument to assess the vendor. Here, you get to meet the OSP Senior Management, relationship Managers, Offshore Project Managers, the Offshore Technical team and the Offshore Infrastructure. This is the time to assess operations, security infrastructure, availability infrastructure, Disaster Recovery Model (understand how frequently do they "test" the disaster recovery process) Quality of technical staff, Processes in place, health and safety measures, productivity, base lining mechanism and data entry for these, and how they scale the infrastructure.

The site visit is also the time to assess the future vision of the Company, how seriously is senior management involved with the operations and the role they play in the operations. Do they commit and support Quality initiatives, how much do they value training (given that training time may reduce the asset revenue generating efficiency) and encourage investments in methodologies and certification.

Assess how socially involved and responsible is the OSP and what programs do they have in place to support this.

What are their investments in R&D, training and infrastructure?

Look at the employee matrix. What percentage of the employees (technical) have been with the Company 0-2 years, 2-4 years, 5 years -7 years and 10 years plus. What is the mix - percentage of Project managers, Senior Managers, Developers? What are the hiring practices? How is attrition managed? What is the experience of people leaving the company? What are the recognition and rewards systems in place? Do the employees appear motivated? If possible take a sample snapshot of Exit interviews. How frequently does the Company have an employee

satisfaction survey? Are the results disseminated and what actions have been undertaken in the past as a result of such a survey?

How frequently are the employees reviewed and what is the review process.

What software processes are in place? Are these Organization wide or project specific? Is the process documented? Randomly interview a consultant on the process. Have they base-lined their performance? Do they do causal analysis? Do they have a Software Engineering Process Group?

Look at security logs and security breach logs. What are the password policies? What are the server access policies? What are the facility access policies? What are the Internet access policies? What are the remote login policies? What are the network sharing issues? How is the facility physically and logically isolated? How is IPR protected? What types of contracts exist with employees?

The RFP response and reference check allows you to narrow down your selection of the vendor. The site visit gives you an opportunity to further narrow the shortlist.

The final vendor can now be selected based on negotiating:

- Legal Contract
- Financial terms