

Multi-Vendor Outsourcing or Multi-Sourcing as it is commonly called, is an Outsourcing Strategy that is increasingly been adopted by mature global companies that outsource their requirements. It is about segregating IT Services from the overall IT Service Portfolio and obtaining those services from multiple specialized vendors to get the expected business outcomes.

Multi-Vendor Outsourcing involves identifying the expected business goals, selecting right vendors, creating contracts, relationships, metrics and governance that achieve those goals. It results in significant cost savings, improved quality of services, increased flexibility, higher access to new technology and skills and mitigated outsourcing risk for the client.



**Reasons to consider Multi-Vendor Outsourcing**

Organizations are moving towards Multi Vendor Outsourcing as it better leverages competitive pressures among vendors. Often a single vendor fails to meet client expectations or client becomes “locked in” to a broad, long term relationship that makes it difficult to award contract to other vendors.

**Some of the limitations with a single source vendor that force organizations to look at Multi-Sourcing are:**

- Lack of resource availability/skills
- Lack of experience in the desired domain
- Inefficient pricing structure
- Inappropriate delivery structure
- Geographical constraints
- Poor quality of service in certain delivery area

Following a Multi-Vendor approach allows such companies to get “best of breed” service providers by bringing in the most qualified vendor to deliver separate services of the overall service portfolio rather than depending on a single vendor to do all of them.

**Challenges facing Multi-Vendor Outsourcing Arrangements**

A Multi-Vendor Outsourcing model is not just about employing an array of service providers. It is in fact a strategic operational model that requires far more attention, coordination, and efforts in managing the vendors when compared to a single source model. In addition, challenges exist in managing touch points, processes and communications channels between the different vendors and their client.

**Key challenges that a company embarking on a Multi-Vendor Outsourcing model can face are:**

- Selecting vendors
- Defining the services portfolio
- Getting the Operating and Service Level Agreements (OLA/SLA) in place
- Setting up common processes among the various service providers
- Establishing clear communication channels between different vendors
- Vendor governance
- Vendor management

## Advantages of Multi-Vendor Outsourcing Arrangements

### *Cost Savings*

In a large outsourcing project, the primary vendor may not be able to provide all the contracted services, particularly niche or highly specific services. Using a Multi-Vendor approach, client can bid out the project to the most competitive vendor thereby bringing down overall delivery cost. In essence a Multi-Sourcing arrangement establishes a direct one to one relationship between the client and his vendors rather than one to many relationships. A Multi-Vendor approach also eliminates additional dependencies on a third party vendor by enabling the client to contract directly with him as against approaching the primary vendor.

### *Access to More Resources and Expertise*

Some of niche skills might not be available with the primary vendor of choice or the resources on a few skill areas may be substandard. This can be addressed by having options to seek skills outside current single vendor through adoption of Multi-Vendor approach. It enables the client to access the skills, expertise, resources and value propositions of each vendor.

### *Enhanced Services Delivery*

A Multi-Sourcing approach allows organizations to break prime business requirements into multiple specific functions and then align specialized vendors with those functions who can execute them in the most efficient and effective manner possible. A specialized team focusing on a single function does that function far more efficiently and accurately than a team of generalists trying to do multiple functions altogether at the same time.

### *Increased Vendor Specialization/Innovation*

Multi-Sourcing has driven most outsourcing vendors to specialize in niche and innovative service offerings. Specialized vendors are better-trained, more experienced, and more knowledgeable in their functions, and have a purpose-built process and operational infrastructure in place. Thus, the client gets the most appropriate solution for a given service by hiring different vendors to deliver specific service lines within their IT Service portfolio. The client can also access innovation labs and centers of excellence across vendors and leverage expertise from different vendors.

### *Increased Competition produces Enhanced Results*

When the services are divided among different vendors, there is increased competition among the vendors to deliver the best. Vendors are forced and at the same time motivated to deliver the highest level of service owing to inter vendor comparative factors. It also becomes much easier for the client to evaluate a vendor's performance when the vendor's closest competitors are also engaged with the same organization.



### ***Increased Operational Efficiency***

Multi-Sourcing also reduces operational risk as a business is no longer dependant on the performance of a single vendor. The process of removing and replacing an underperforming vendor is also far easier in a Multi-Sourcing model than having to completely renew a single vendor outsourcing arrangement.

### ***Reduced Vendor-lock-in (dependence on a single vendor)***

Handing over the entire IT project to a single vendor leads to that vendor becoming 'indispensable' and makes it difficult for the client to award new projects to other vendors. This occurs when the incumbent vendor withholds critical operational information and denies access to relevant personnel for knowledge and expertise transfer. Multi-Sourcing prevents this "single vendor lock in" scenario by enabling clients avoid over-dependence on a single vendor and allowing sourcing of service components from 'best of breed' vendors.

### **Once decided how to go towards it?**

Maximum returns from a Multi-Vendor engagement can only be realized by following a right 'Multi-Vendor Outsourcing' implementation approach. A hastily made decision to embark on a Multi-Vendor strategy without proper planning, structuring, and management can lead to lost accountability and increased overheads while dealing with multiple vendors.

### **Framework for implementing a Multi-Vendor Strategy**

1. Develop a structure, schedule, and identify key personnel for taking the Multi-Vendor engagement forward
2. Segregate the service portfolio to make group of processes with little or no interdependency with other groups of processes within the same service portfolio wherever possible. This helps in establishing distinct areas of service delivery for each vendor without any overlap
3. Where services offered by one vendor are dependent on another vendor, implement a proper project management and governance structure to monitor and eliminate deviations from scope, schedule, and delivery
4. Include all goals, policies and procedures in the outsourcing strategy. All changes, disputes, escalation, and exit management rules should be well laid and understood between all the parties involved in the outsourcing contract
5. Conduct Vendor SWOT (Strength, Weakness, Opportunity, Threat) Analysis to see whether they complement each other or conflict with each other
6. Implement a VMO (Vendor Management Office) that manages, organizes, and coordinates the output of the multiple outsourcing providers



7. Clearly demarcate vendor roles and responsibilities; ownership; accountability; and measures of success
8. Implement a Vendor Performance Management System that provides consolidated views of vendor performance – this involves creating measures of objects that really matter and communicating results
9. Implement a Vendor Governance Framework that conducts regular health checks, status reporting, and performance benchmarking of the outsourcing relationship with various vendors

## Outsourcing Advice

Using too many providers would increase governance challenges for managing vendors. Hence the typical Multi-Sourcing recipe has clients opting for vendors of different sizes - one large firm and remaining Tier 2 or 3 vendors. The smaller vendor will keep pricing competitive, offer specialization in certain verticals, and more individual focus and attention for supplement operations. The larger vendor will provide governance and enhanced service and support for mission critical areas.

## About Sourcing Gurus

We are an India-based, boutique Advisory firm offering end to end consulting for IT, BPO and Infrastructure Outsourcing initiatives. We bring insight, objectivity and local knowledge to enhance results for successful outsourcing initiatives. Sourcing Gurus supports Organizations through the complex layers of decisions and engagements with Vendors, helping to put their plans into action and deliver results.

Sourcing Gurus also provides companies with the processes, tools and technology necessary to build world-class vendor management capabilities through our [Relationship Management Scorecard Tool](#).

### INDIA HEAD OFFICE :

Systems Plus Solutions  
Hiranandani House,  
Saraswat Lane,  
Santacruz (W),  
Mumbai - 400 054, India  
Tel : +91 22 6159 1100

### US OFFICE :

Systems Plus Solutions USA LLC  
Suite 1-A,  
9 Glenmere Pl.  
Old Bridge,  
NJ 08857, USA  
Tel : +1 732 414 8943

### UK OFFICE :

Systems Plus Solutions (UK) Ltd.  
Soane Point,  
6-8 Market Place,  
Reading RG1 2EG,  
Berkshire, UK.  
Tel : +44 118 925 5465

