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## Vendor Transition and the Impact on In-flight Projects

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### Abstract

*This paper explores the vendor transition process after the termination or alteration of existing outsourcing contracts and the impact on in-flight projects. A single case study based on a large Australian telecommunications company, which operates a heavily outsourced IT environment is presented. Qualitative techniques were used for data collection and analysis. Data collection was undertaken using on-site semi-structured open-ended interviews. The following key themes were uncovered in the interviews 1) Communication of the vendor transition, 2) The transition period, 3) Confusion during transition, 4) Extending agreements, and 5) Knowledge management. The paper concludes by presenting a number implications and underlying points of interest derived from the findings.*

### Keywords

Outsourcing, Vendor Transition, In-flight Projects

### INTRODUCTION

Senior management generally perceive information technology (IT) as a cost centre that must be minimised (Hirscheim & Lacity, 2000). Management are prone to only seeing rising IT costs as appears to merely consume resources rather than seeing the cost savings and benefits that IT can bring an organisation.

IT Outsourcing is a “phenomenon in which a user organization (client) transfers property or decision rights over information technology (IT) infrastructure to an external (vendor) organisation” (Levina & Ross, 2003:p332). Since the landmark Kodak outsourcing arrangement was much publicised there has been a proliferation of industry trends towards outsourced agreements in IT and accompanying this trend an abundance of related research on vendor negotiations, relationships and transaction costs (Lacity & Willcocks, 1998). The reliance on technology for business across every industry has required increasingly more complex and expensive investments in IT services in organisations for whom platform and software development are not a core competency. Changes in IT resourcing models are made primarily to reduce costs or export technical tasks to organisations with a superior grasp of IT development and maintenance (Goles & Chin, 2004).

The intention of this research project is to explore the vendor transition process after the termination or alteration of existing outsourcing contracts. Investigations will be completed in the areas of post contract establishment activity, transaction cost and organisations culture of both client and vendor and also to extend the existing literature by focussing on the project based organisation. The findings of this paper will be useful in furthering our knowledge of how the nature of commercial transformations can impact project teams and particularly in-flight projects and highlight effects not seen at the organisational level.

The paper is structured as follows. Firstly an overview of the outsourcing literature is presented. This is followed by the research methodology and the findings from the research. Finally, conclusions are drawn and options for future research are put forward.

### LITERATURE

The ability for an organisation to focus on its core competencies is widely viewed as the primary benefit of outsourcing (Koh et al, 2007; Hirscheim & Lacity, 2000; Levina & Ross, 2003). By outsourcing IT an organisation can focus resources, skills and employee development on the function from which that organisation draws profit. The common sourcing models are; in-sourcing, total outsourcing and selective outsourcing.

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In-sourcing is the traditional corporate model wherein all services required by that organisation are sourced and managed in-house by staff directly employed by that organisation. Often internal skill groups are augmented with independent contractors to meet varying seasonal and project needs (Juntiwarakij, 2008).

Total outsourcing is where management of the entirety of IT assets and services are transferred to an external vendor as a singular unit (Lacity et al, 1996). Total outsourcing requires significant investment in the due diligence and contractual negotiation phase; if oversights and mistakes are made then the customer can find themselves with service gaps and paying significant change request fees for services outside the main vendor agreement (Hirscheim & Lacity, 2000).

Selective outsourcing is where particular elements of the IT environment are supported by external organisations while maintaining portions of the IT environment in-house operations (Dibbern et al, 2004). These distinct processes could be serviced by multiple vendors (multi-sourcing) or a single vendor (Levina & Su, 2008). This allows organisations to maintain full control over critical processes and domain knowledge held by staff.

Transition is the period between the decision to terminate or alter existing vendor agreements and the time that the new agreement will be fully realised. Transition tasks may be related to winding up existing agreements and delivering outstanding pieces of work as per the previous agreement or the process of handing over to a new outsourced vendor.

Aubert, Patry and Rivard (2005) note the high cost of auditing for both the client and its outsourcing partners. Internal resources, sources of knowledge, systems and licences must be studied in depth at the client site to ensure contractual coverage in service agreements. Existing vendors must be audited to ensure correct allocation of intellectual property and that all digital assets are recovered, information security audits must also be completed to ensure that exiting vendors do not have access to production systems and sensitive customer information. Additionally potential vendors should be audited as part of the due diligence effort during a vendor request for proposal to ensure that expected service levels may be met by the future outsource partner.

Adapting human assets is recognised as one of the key transactional costs incurred by the client in transitioning vendors. These costs are two fold; organisational process change implied by the change of vendor and process and communication changes for employees of the client organisation (Barthelemy & Quelin, 2006).

Knowledge management and training of new staff is a key component of the transition period (Williams, 2007) and a significant focus of the literature particularly as it relates to project based organisations. The literature unanimously agrees that for IT where change is rapid and continuous the only unchanging source of competitive advantage is knowledge and efficient knowledge management (Stenmark & Lindgren, 2008; Hlupic et al, 2002). Knowledge management is of particular concern to project based teams (Rezania & Lingham, 2009) as individual team members are unlikely to possess the entire information set required to complete the project and must acquire the additional knowledge by way of formal training, system documentation, socialisation with other team members and trial and error activity (Bhardwaj & Saxena, 2005).

One of the major challenges in any knowledge based organisation is the capture of employee knowledge and the transfer of tacit knowledge to explicit documents and transferrable knowledge artefacts (Hlupic et al, 2002). Knowledge transfer is widely noted as critical to the success of any outsourcing change (Williams, 2007). During the vendor transition period and until the relationship is well established inefficiencies with a new vendor are common owing to the lack of domain and company specific process knowledge. Efficient knowledge transfer either from the incumbent vendor to the new or from client employees to the new vendor are strategically important to a change in outsourcing agreements (Klaas, McClendon & Gainey, 1999). It is imperative to the establishment of a strong client/supplier relationship that the transition period allows for adequate knowledge transfer (Levina & Ross, 2003).

Trust and reputation between the client and vendor act as meta contract control to substitute for more explicit and complex contracts (Barthelemy & Quelin, 2006) with vendors their clients entering into psychological contracts throughout the course of the relationship. Major disruptions to the relationship such as renegotiations in contracts or changes to performance management mechanisms can force relationships to become more market driven. Accountability, contractual obligation and fiscal determinants become drivers for vendor/client interaction rather than faith based interaction and a willingness to service. Cooperation previously entered into for mutual relationship benefit is lowered when a change of power has occurred (Parker & Russell, 2004). This is particularly true where the relationship has soured; if the outsourcing contract does not extend to termination obligations then an incumbent vendor is unlikely to provide services above and beyond stated requirements as there is no opportunity for further profit from the terminating client.

Conversely there is often an additional commitment of work from the incoming vendor. The effort undertaken by a service supplier is unlikely to be constant over the course of the client relationship, and it is common for new vendors to undertake additional costs not covered by the outsource agreement in an attempt to establish a positive relationship and earn trust with the client (Jiang, Yao & Feng, 2008).

Taylor (2007) discusses the risks associated with cultural change caused by a need to meet differing business processes, an issue that can be encountered by both vendor and client. Vendors are likely to adapt to the clients business and development processes in order to maintain service levels and positive relationships and these may differ from any other clients of that organisation. The vendor must learn not only the knowledge associated with the new client but also the organisational procedures that they are involved with. For the client one of the largest changes for process relates to methods of engagement; Kern and Willcocks (2002) particularly focus on change interfaces between account management contacts at the client and any vendors they use. Conflict resolution, change requests and requests for services must be channelled through a manager at the vendor, learning the key contacts and including these in project management activities is the key to successful integration of new vendors.

When referring to projects currently in progress industry practitioners commonly use the term “in-flight” to conjure images of a vehicle which must be landed safely and on the correct course. Such is the literature gap related to project organisations in outsourcing research that an academic term for this phenomenon has not been found and so the commercial terminology will be used throughout this paper.

The interest in pursuing in-flight projects is reliant on a perceived literature gap and consequently limited prior research was found on this topic area. Taylor (2007) discusses issues in outsourced project teams relating to sign off control and reluctance to authorise deliverables once they are complete. This phenomenon can occur in two very distinct variances; one is where a lack of trust is shown when new vendor staff produce documents and scrutiny is applied, the other where outstanding work products are left in an unendorsed state in order to maintain the balance of power over an exiting vendor.

Kern and Willcocks (2002) state the importance of understanding task ownership when new vendors are introduced to the organisation. Contract complexity as discussed above prevents tasks being detailed to project level when negotiating organisational outsourcing agreements. It is expected that some negotiation and potentially contract resolution processes will be required for the in-flight project management team attempting to consolidate ownership for partially completed deliverables, or future deliverables dependent on work completed by exiting vendors. Taylor (2007) touches on this concept through risk management factors in third party provided deliverables, where rejection of tasks or rework of deliverables may occur where the entering vendor takes issue with the quality of their predecessors’ work products.

## RESEARCH METHODOLOGY

This exploratory single case study on a large Australian telecommunications company (the *Telco*) pursues an interpretive approach as the intent is to understand the vendor transition process from the perspective of both the project based organisation and its vendors. In using an interpretive approach the researcher can gain a much deeper understanding of the area under study and the context in which the study has taken place (Crotty 1998).

By conducting a single in-depth case study the researcher can explore the significant features of the case and to create credible interpretations from the everyday experiences of the participants (Crotty 1998). Hamel et al. (1993:p45) defines a case study and an “in-depth investigation using different methods to collect information and to make observations. These empirical materials help to understand the object of the study”. A single case study has the ability to increase our understanding of a particular situation (Yin 2003) by providing an in depth understanding of the context under study.

A qualitative approach to data collection and analysis was undertaken. One of the authors conducted a series of on-site semi-structured open-ended interviews with a range of interview candidates were engaged across various roles within the project and the vendor transition program. Each interviewee was able to establish a unique point of view in the work practices prior to vendor transition, post vendor transition, on the project and on the wider organisational behaviours. The interview candidates were:

- A program manager from the in-flight IT project.
- An architectural lead from the in-flight IT project.
- Two representatives from the project’s test support team.
- A representative from the vendor transition program.
- A team leader from a vendor taking on new applications.
- An engineer from a vendor whose contract was not renewed.

The interviews lasted approximately one hour and were audio recorded. Each interview was then transcribed in full and a copy of the interview transcript was made available to each interview participant. Each transcript was reviewed by the researcher and an independent research assistant for the purpose of coding.

Coding is a key technique of qualitative analysis used to identify categories and sub-categories of research responses as they related to phenomena within the research area (Strauss and Corbin, 1998). Common themes and elements of the interview responses were coded by identifying key concepts and terms used by the interview respondents, and then cross referenced to common themes in the literature. By identifying a strong mapping of interrelated phenomena and the components of each, the research project attempted to identify key themes where project related impacts of vendor transition differ from those of wider organisational support agreements. The key themes which are discussed in this paper are as follows:

- Communication of the vendor transition
- The transition period
- Confusion during transition
- Extending agreements
- Knowledge management

## **FINDINGS**

### **The Field Site**

The *Telco* maintains a complex architecture of IT applications and network elements to support their business function. A long term strategy of the *Telco* has been to maintain concentration on core competencies related to telecommunication sales and network provision with investment in skilled IT staff limited to particular job functions. The *Telco* directly employs technical staff, however in-sourced IT operations are limited in scope to first and second level support with diagnosis and escalation on production operations raised to external applications support teams at third level response.

Applications development teams are not maintained by the organisation. Product delivery functions constrained to architect and release management roles. All low level design, system build, unit test and integration test are performed by external organisations interfacing with a technical process lead who is a member of each project team. In line with the outsourcing models referenced previously this puts the *Telco* in a multi-sourced selective outsourcing strategy. Selective processes requiring significant internal domain knowledge are retained in house with a number of competing vendors used to service processes with high cost overheads.

Ongoing programs of work ensure long term relationships with outsourcing vendors. For each program vendors sign project based Statement of Work contracts. For operational support vendors enter into annual support contract. Therefore each *Telco* department or project requiring support maintains these separate delineated vendor agreements and therefore the agreements were established and maintained in isolation. Consequently a large number of vendors serviced the organisation.

The vendor transition program was the first major piece of work entered into by the organisation to consolidate vendor support for organisation and fiscal efficiency. A transition team comprised of independent contractors and internal transformation management staff was allocated to manage the vendor transition program. A formal due diligence and request for tender process was entered into with existing service providers and new IT service providers were also invited to bid. Existing vendors could bid for their current applications and new applications while the new IT service providers could bid for any applications.

After announcing the successful vendors, the transition between new and existing vendors was negotiated on a case by case basis. No further commercial agreements with exiting vendors were entertained by the *Telco*, although previous statements of work were honoured by the incumbent vendors.

In the year that the vendor transition program was established a major integration and migration program was in progress and the proposed change of vendors was due to occur during the testing phase of that program (the *Project*). In essence this meant that the vendor responsible for designing and building the application code was not guaranteed to undertake the testing and implementation. The integration and migration program was designed to move a number of telecommunications products from a legacy platform into the company's strategic platform; In part this was to allow future decommissioning of the legacy set of systems. Due to the scale of the operation and the complexity of telecommunications architecture this meant that some 30 IT applications were to be impacted either via data migration or functional enhancement to support new products. The systems ranged in function from Billing, Customer Service, Sales and Network Activation.

### **Communication of the vendor transition**

Due to the sensitive nature of the program, the existence and intent of, the vendor transition program was limited to only those involved in the execution of that program. One of the factors in this decision was due to the

delineation of delivery functions and production operations, while a contract may be terminated from a support perspective there still existed the opportunity for exiting vendors to be awarded development work.

*“It’s a commercial discussion and negotiation and certainly they didn’t want one company to know that they had lost the business and let that impact some other work that might be granted” (Program Manager)*

The primary focus of the transition program was to re-evaluate the production operations agreements, these were of a sensitive nature and therefore the delivery staff were not made aware of the program until the transition to new vendors was due to begin.

*“We were advised through an email from the CIO, the official notification was that a new deal had been done and we were transitioning” (Architectural Lead)*

After the new agreements were announced the major concern for *Project* staff was the lack of involvement in vendor contractual requirements and a feeling of isolation caused by this late involvement in the program.

*“We had no say it was just - these were the new vendors, deal with it” (Program Manager)*

### **The transition period**

The actual vendor transition was organised on a case by case basis depending on the termination clauses of each exiting vendor’s agreement. Unsuccessful vendors were given notice two months prior to the end of their contract and in general this remaining period was used for handover and transition to the new vendor.

The transition period was handled by IT operations, so staff from the *Project* had no control over the transition. Exiting vendors delivered knowledge items and documentation to the Telco based on their stated obligations. This meant additional document reviews were conducted and requirements carefully weighed against contractual obligations to ensure all items were delivered to the satisfaction of the *Project* prior to the vendor(s) exiting.

*“The way they transitioned was that the previous vendor worked alone up to a particular point and then for a period of time the previous vendor supervised the new vendor on the operation. So you know more of a mentoring, overseeing type of arrangement” (Test Team Representative)*

The *Project* had an emotional investment in the transition of many incoming vendors. As the production implementation of the enhancements delivered by the project would be the first major piece of work for many incoming vendors it was considered imperative that the *Project* was comfortable with the vendor transition prior to that program going live.

Incoming vendors had access to project staff to ensure that change management and delivery processes were included in the training of new vendors. Additionally a number of non production deployments for the *Project* were brought forward so that these could be conducted during the transition period where both existing and incoming vendors were available. This approach had a two-fold effect:

1. The implementation testing portions of the project gating methodology were completed early by incoming vendors to the satisfaction of the *Project* team
2. The incoming vendors witnessed the interactions between delivery and operations staff through the in-depth technical documentation and deployment processes used for project delivery.

*“At the time of the transition ownership of the [staging] environment transitioned to the new vendor and when we did some of our early implementation testing that potentially meant we had to deal with two vendors and resolve who would do what” (Test Team Representative)*

The *Project* also focussed on providing more detailed documentation than might have been required to ensure that incoming vendor resources would be able to understand the *Project* artefacts delivered by exiting vendors.

### **Confusion during transition**

There was definite confusion for staff in the *Project*, particularly in the test support area. Formal engagements were historically conducted via the negotiation of statements of work at the commencement of a project. With new vendors coming in after these agreements had been finalised it was unclear if the agreements would still be valid with the incoming vendors.

*“For [the Project], we were fortunate that [the incoming vendor said] “we’ll assist you for now but next project we need to be engaged” so they were happy to provide a free service” (Test Team Representative)*

Even where the *Project* felt that they should be engaging new vendor resources the engagement model and the contacts required were unclear to all involved. This had a managerial overhead for the *Project* not only in the quest to find the appropriate resource to complete pieces of work, but where both incoming and outgoing vendors were sought to contribute to work due to the confusion over lines of responsibility. This could have been readily

resolved had an engagement model, skills matrix and service catalogue been provided by the transition team to members of the *Project* team.

*"I've got no idea who the right person is. So before if I had a problem with [incumbent vendors] I could ring the head sales person and they would help now I have no idea"* (Program Manager)

*"A service catalogue would have been nice, that would have been ideal. Maybe they have one... but I haven't seen it"* (Architectural Lead)

Project and incoming vendor staff were shocked to discover that the edited source code for project related enhancements was not required to be delivered in the same timeline as the vendor transition.

*"Generally a project was broken up into a set of deliverables and when milestones were reached payments were made"* (Exiting Vendor Engineer)

*"The Statement of Work [for The Project] was ending then we still needed payment for our final deliverables and the only leverage for us would have been the source code"* (Exiting Vendor Engineer)

This presented a significant challenge for the *Project* as a lag existed between when the application vendor's agreement was ending and when the project was due to go live. If the enhanced source code was not to be delivered until after the close of the program this prevented the incoming vendor from familiarising themselves with this code and performing any code fixes.

*"I couldn't really say what other people were thinking but our thoughts were that we couldn't do anything without the source code. We were then basically given a deadline in taking over ownership of the code and when that deadline had expired we still hadn't received the source code. So in the interim before that deadline we'd actually taken an initiative to decompile the code and recompile from that version"* (Incoming Vendor Team Leader)

Ultimately the compilation methods of the application did not allow for successful de-compilation of a code set and legal action was taken to recover project code for the incoming vendor to continue work.

While the incoming vendor was still held to the existing contracts and timeline there was internal support and some mitigations made due to the lack of support material available to the group and resources were made available outside their job obligations in order to train the new team where possible. Additionally a number of change requests that would have otherwise been completed by the completion of the *Project* were delayed until such a time as the vendor felt comfortable with their completion.

*"It was put on the back burner until they had the people...They have their team in place now so they're doing the impact analysis but in November when we asked them to do it... they were just focussing on getting their hands on the operational system"* (Test Team Representative)

### **Extending agreements**

There were cases where exiting vendor agreements were extended, for example, an extension to test execution was required due its time criticality to the *Project*. In this case the incumbent and exiting vendor had performed a final code retrofit into the existing functional base delivered by another program prior to the release of the *Project* into production systems. Regression testing of this code merge was not covered by their original statement of work, when an extension was requested to cover this piece of work it was discovered that the key resources with required knowledge had been reallocated as a direct result of the termination of their support agreement. The *Project* then looked to the incoming vendor to perform this piece of work. Ultimately this piece of work was accepted and a new statement of work was created for this test execution piece only. Despite the *Project* delivering existing test plans to the new vendor they found the efficiency of the new vendor to be in question as the new vendor took significantly longer to perform the testing and while this became a time critical issue it did not affect project costs. It was found that the daily rate for execution for the new vendor was almost one third that of the incumbent vendor, mostly by using off shore resources with lower per head cost.

*"[The New Vendor] did not have that skill level and kept coming back to us to answer questions that were really an application issue and not a development issue. So that's where it became more difficult and consequently more time and effort was expended getting the validations and testing"* (Test Team Representative)

### **Knowledge management**

In general the development methodology used by the organisation appeared robust and designed to capture project related knowledge and store it for future use. Some project team members appeared frustrated by the process and questioned its effectiveness but nonetheless material was readily available to allow vendor transition without requiring significant additional effort.

Analytical documentation was in abundance in the form of requirements and scope documentation, in depth design documentation, heavily analysed test plans, test results and technical implementation plans all recording the development, status and execution of changes developed by the *Project*. Training materials were developed at multiple levels of the organisations including user training, test environment impacts and application support training given by development vendors to the application support teams. Vendor agreements and interview respondents also mentioned information captured for ongoing application maintenance and support in the form of knowledge bases, operational support manuals, training manuals and interface contracts. Regular quality gate inspections and audits ensured that deliverables created by the project team were archived and approved in the company's document management system.

*"Things like the document management system and Wikis and all the standard deliverables and documentation that as part of a project and the lifecycle was retained"* (Architectural Lead)

Where requested, all items were made available to incoming vendors and some vendors incorporated these into their knowledge transition processes. Some vendors did not have access to the document management system due to a licensing constraints the contents of that system were managed by the project team and where documents were required they were passed on to vendors. Nonetheless there were some issues with availability of documentation and mostly where vendors were unaware that such documents were available to them.

*"The documents here are not necessarily industry standard so things like requirements I found to be difficult to find and understand where the requirements were and how they were traced through the entire project"* (Incoming Vendor Team Leader)

Later, this vendor team leader was surprised to discover that both a requirements document and traceability matrix were available for the project as they were required to pass the IT quality gating process.

Investment in the knowledge capital of incoming vendors was felt to be a strong investment in time saving for later projects. Accordingly internal employees took the time to complete training and transition tasks despite these not being accounted for in the schedule or work allocation.

*"We've gone ...the environments team have gone above and beyond to assist them. Any knowledge we had we provided them"* (Program Manager)

*"I think it's on an interest basis for us as well because the more we can share with the application teams the more pressure it takes off us ... We don't have to sit there and trouble shoot issues with the new vendor when it's a new vendor working on a system they're unfamiliar with"* (Test Team Representative)

A gap in understanding of required deliverables was evident. Some vendor agreements included a sunset clause outlining termination responsibilities such as training, handover and support materials, but not all did and in the case of one exiting vendor this became a topic of intense concern.

*"Scripts to maintain databases, ad hoc updates, the little tools and techniques that would make everyday life for a support person easier I don't believe any of those were given"* (Test Team Representative)

*"[The Telco] has not directly paid for that work product but the vendor has used that work to support the application. It's not [The Telco's] IP it's our own IP"* (Exiting Vendor Engineer)

With some organisations terminating contacts with the client the impact of supporting tools used by maintenance organisations became a hindrance to execution of project deliverables and operations support.

*"With [the New Vendor] we were being asked questions and asked to explain functionality about the application and the system that was completely unknown to us from the previous vendor's perspective"* (Program Manager)

One exiting vendor expressed frustration that the contractual obligations of his organisation were not well known by the vendor transition program, as their contract precluded any obligation for transition.

*"We were asked to do it outright as part of that contract I believe they were asked for a quote on how much it would cost and that was given"* (Exiting Vendor Engineer)

Consequently that exiting vendor only provided what was required within their contract, even though various requests were made for additional material (with appropriate remuneration from the *Telco*). In the end legal advice was sought to resolve disagreements on all intellectual assets owned by this exiting vendor.

Of the major concerns for knowledge management was that Project staff expected that exiting vendor resources would be available after the termination of the agreements to complete individual project deliverables on request. This was not the case as for many vendors it was no longer financially viable to keep staff with significant intellectual property and knowledge of the *Telco* for individual requests.



*“There was an expectation from the Operational side that the incumbent vendors would still be available to bid for work but because they can’t leverage the Operational contract to deliver a pool of skilled resources those people have effectively disappeared and there’s a big loss of Intellectual Property for [The Telco]” (Program Manager)*

## DISCUSSION

Due to the sensitive commercial nature of the vendor transition program many Telco employees were not made aware of the vendor negotiations until several months into the process. Of particular interest to *Project* staff was the lack of communication and the fact that the transition program included minimal education on engagement models for incoming vendors. With the lack of product catalogue for new vendors and skill matrices missing then project staff mentioned that they were unsure of how to engage new vendor resources for future pieces of work. The lag caused by finding, allocating and contracting statements of work with new vendors is likely to impact both in flight and future projects and cause potential schedule delays or allocation of inappropriate resources.

Contract management and the known scope of work were noted to be an issue throughout the vendor transition process and particularly to the *Project* as an in-flight piece of work at the time of vendor termination. Financial factors were the primary driver for the new outsourcing arrangements and as such ongoing delivery quality and support were not the focus of the requirements for tender. To ensure robust contracts are established with all requirements noted future vendor transition programs need to consider skills, quality, delivery and cultural requirements in request for tender requirements as much as cost and coverage.

Outsourcing literature focuses heavily on the requirement for contracts to be established at the beginning of new vendor relationships with assumptions and requirements clearly defined. In the case study the impact of a failure to define robust contracts was heavily referenced by interview participants. An exiting vendor contract was found to be missing termination requirements for both knowledge transfer and delivery of work products and it was left to the *Telco* and an incoming vendor to undertake these duties with limited success.

Successful vendor transition requires successful vendor establishment and the implication of this study is that contracts need to cover not only the fine detail of operational activity but also the required intellectual capital to be delivered at the termination of an agreement. Deliverables, training and expectation of co-operation in the event of a contract closure need to be captured in the vendor contract and agreed to by all parties if successful transition is to occur. Including these requirements in the request for proposal and contractual establishment processes will allow for smooth contractual termination.

A strong requirement for knowledge transfer existed At the *Telco* for project deliverables. Requirements, design and technical documentation was recorded, inspected and stored for all new products and product enhancements. Additional transition training to operations maintenance staff and documentation such as knowledge bases and operations manuals were noted deliverables for all vendors being used by the project management department. Knowledge transfer targets were clearly defined in statements of work and the fulfilment of these requirements used as gating criteria for vendor payment. This is an enviable position that should be emulated throughout other organisations; it allows clear guidelines for delivery, tied to a fiscal reward and allows smooth delivery of new IT function into live production systems and the skill groups that support them.

Consideration must be given to two facets in regards to the impact of the outsourcing change on partially completed work. The first covers the vendor request and establishment process and how existing projects effect the requirements for a tender process. The second is the deviations that must be made to the project methodology to account for budget, schedule and efficiency impacts caused by new and inexperienced vendors.

The major point of discussion in regards to the vendor transition and in-flight programs is that the delivery arm of the organisation did not appear to be considered in the vendor transition program. Accordingly requirements of the project management office were not added to those of the operations groups when seeking requests for tender. In order to provide a holistic view of vendor requirements in the organisation both delivery and operations needs should be taken into account and particularly a catalogue of the open projects included in the requirements for vendor transition.

This would allow vendors to close out items by phase of the existing projects, bringing build, test or implementation for the project to a close. In the case study the end of vendor contracts was aligned with calendar months and commercial agreements, in order to meet transition by the end of the financial year. If the open phases of the *Project* had been taken into consideration some in-flight deliverables could have been moved to earlier or later delivery dates to ensure cohesive use of resources.

While not part of this case study the vendor transition program also gives rise to risks in future project delivery at the *Telco*. The *Telco* uses fixed release dates so it is important to ensure that the inexperience of the new vendors is taken into account when scoping new releases. Existing estimation techniques and historical data rely on the

inputs from vendors with greater levels of experience and using this data as a baseline may provide inaccurate results. If estimations are based on vendors with greater levels of efficiency then projects may assume higher output than is realistic, taking on inappropriate levels of complexity and over committing resources.

## CONCLUSIONS

This paper investigated the vendor transition process after the termination or alteration of existing outsourcing contracts at a large Australian *Telco* which operates a heavily outsourced IT environment. The prime focus of the paper was to explore the impact of this transition process on in-flight projects.

Several key lessons emerged from this exploratory research. Firstly, the transition of vendor must be communicated widely through-out the organisation to ensure that both the operational and project sides of the business are fully aware of the impending changes. Secondly, ensure that client company knowledge transfer expectations are clearly documented and defined from a change management and maintenance perspective and also from a project and operational staff perspective. Thirdly, all vendors (incoming and existing) must provide a catalogue of the skills, services, applications and technologies for which they are contractually responsible. Finally, the request for proposal should thoroughly document the client / vendor exit requirements and the soft skills required by vendor staff to enable a workable contract for the life of the outsourcing agreement.

There are several areas available for further research should the research community find this of interest.

- A review of the case study organisation would allow analysis of the evolution of processes and relationships and would allow for a comparative study of the knowledge growth and relationship impact seen in different stages of a vendor's establishment.
- The discussion points used in regards to delivery versus operations requirements and in flight programs could be used to define a best practice model of vendor establishment projects. The vendor establishment model could be pilot tested in one organisation to allow refinement of the model.
- The model could then be tested used in a variety of organisations to assess both the results of using the model and also the variation in organisational environments.

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