

Technology Vendor Transition Strategy





Need for Technology Vendor Transition

Owing to rapid digitization, organizations are relying heavily on Information Technology to meet the evolving business needs as well as changing customer expectations. The need of the hour is to ensure a robust and efficient IT system. As the businesses grow most organizations rely on external specialized service partners to help them with their IT requirements, allowing them to focus on driving their core business functions.

While outsourcing the IT requirements, organizations must ensure that the IT partner/ Vendor they choose aligns and understands their domain and demonstrates the competency to help them achieve business goals efficiently.

Reasons for changing vendors could be many, but the following factors contribute to vendor transition decisions most prominently:

- **Technology roadmap changes:**
Enterprises decide to shift from one technology stack to another based on the product or service roadmap and business needs. The existing vendor may not have the required technical expertise to deliver the desired outcome.
- **Cost impact:**
Vendor markets may suffer macro-economic fluctuations such as a sudden spurt in inflation in offshore countries or a demand for a price hike by the vendor. It may not be possible for the organization to meet such demands.
- **Changes requested by the customer:**
Changes in the end customers' needs drive a major shift in the way business processes are implemented. Re-engineering of business processes needs re-thinking of the supply of services or products by the existing vendors due to limitations in capabilities and knowledge.
- **Performance issues:**
Degraded performance in meeting business and technology demands by the vendor may impact profitability and business continuity, thus forcing companies to think of switching vendors.



Risks in technology vendor transition

The success of the transition depends on several parameters such as technical, financial, and even soft aspects such as the emotions of the people.

Knowing these parameters can help you better prepare for making the transition a smooth process for your organization.

- **Knowledge transition:** The existing vendor might not cooperate in the knowledge transition activities causing a failed or delayed transition.
- **Person-to-Person relationship transition:** Employees from the companies get accustomed to the existing vendor employees and may find it difficult to deal with new vendor employees.
- **Business continuity risks:** Failed or delayed transition may impact business continuity. The exiting vendor may not want to provide 'maintenance' services in the event of a service breakdown outside the scope of the contract.
- **Budgetary risks:** Poorly planned transitions may delay the implementation thus causing overshooting of budget, time, and scope of transition.
- **Value alignment risk:** The new vendor may not get aligned with the company's value system easily. This may result in perception threats and HR issues.
- **Contractual risks:** Out-of-scope activities can be easily ignored by the exiting vendor and that may cause huge damage to the company in terms of reputation, customer loyalty, and money.

Technology Vendor transition approaches

There can be two approaches to vendor transition, mostly governed by urgency, budgetary constraints, and overall impact of change on the business:

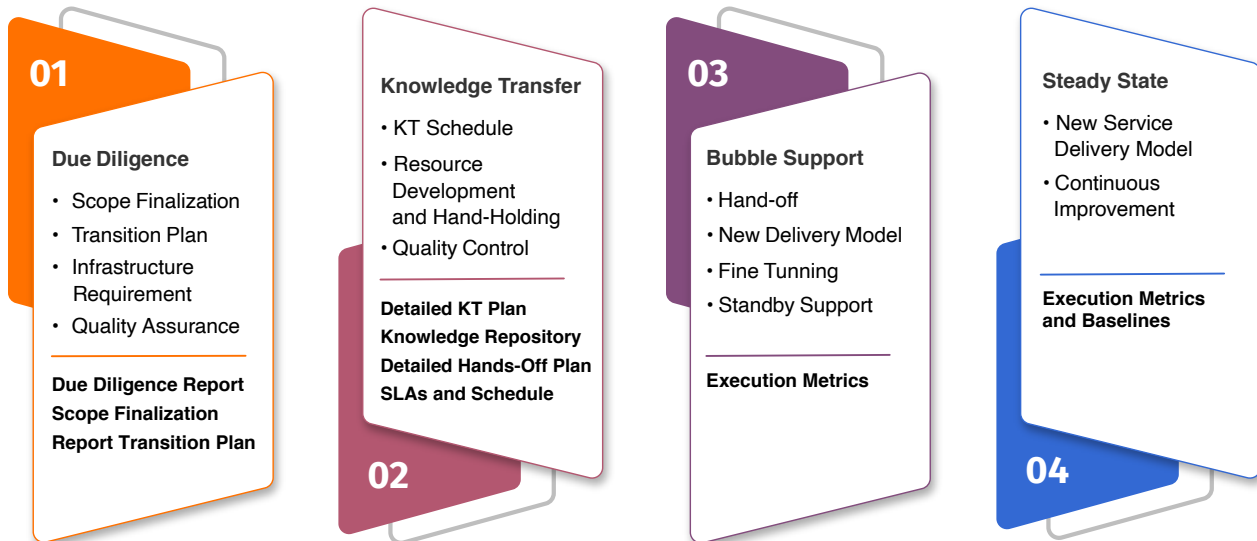
- **Do it once and for all:**
As soon as the decision of vendor transition is taken by the companies, services from the existing vendors are terminated immediately. This happens usually when the business impact of retaining the existing customer beyond a few days is more adverse than terminating the services from that vendor. For example: fraud cases.
- **Phased transition approach:**
This is the most common approach adopted by companies to change vendors. Usually, the transition is planned, friendly, and carried out in a phased manner involving minimum frictions between 3 parties: the two vendors and the company.

As clients transform the way they expect value to be delivered by their partners, vendors must also adapt to agile ways of working, which require that they produce multiple iterations rather than a single final deliverable.



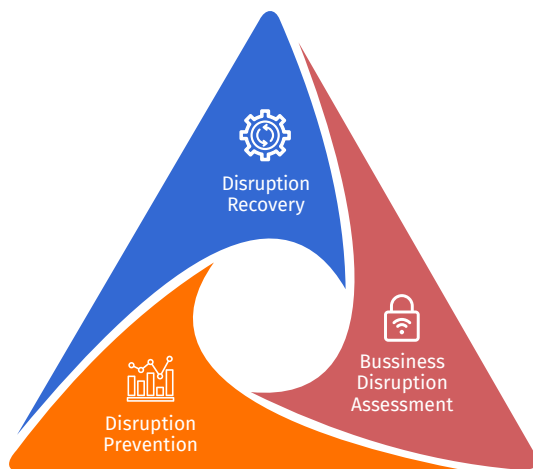
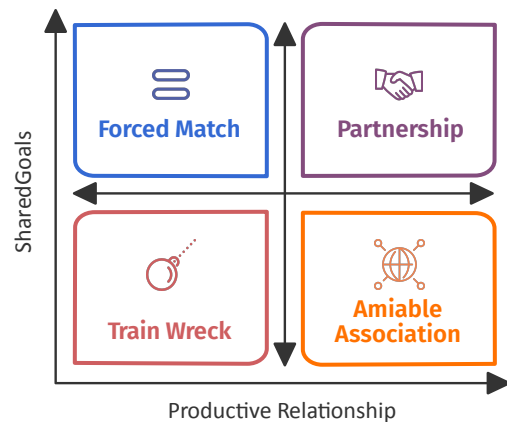
Risk mitigation approach

As part of transition process, you need technology partner that understands the circumstances under which organizations need to transition from different vendors. Following 4 step process is proposed for vendor transition



Effective person-to-person relationship building measures

Person to person relationships are key and partnership is needed wherein emphasis is given to building the highest level of a productive relationship with key stakeholders/employees of the exiting vendor and the company.



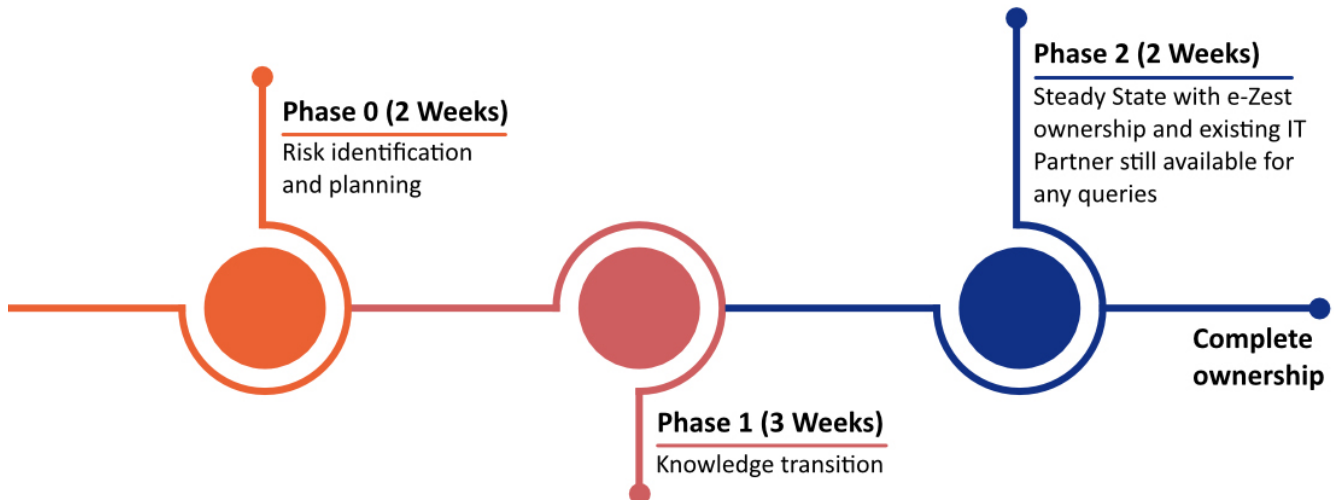
Business disruption risk

We recommend business disruption minimization model to prevent and minimize the impact of business disruption if any.

Partner risk management experts evaluate the possibility of business disruption and outline ways to prevent discontinuity, minimize the impact in case of unavoidable circumstances, and how fast it can be restored.



Approach in technology partner transition



Phase 0: Risk Identification, Evaluation, and Planning

- Daily meetings with different application owners on the client-side to understand the application and identify the risks involved in taking ownership of the application
- Getting familiarized with client processes for different applications
- The team also reviews existing documentation and Cloud infrastructure to get an understanding of the knowledge transfer that would be required from existing IT partner
- Identify risks and prepare a plan for mitigation
- Transition plan is prepared to ensure knowledge transfer happens for each application
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Phase 1: Application deployment knowledge transition and ownership

- 3 – 5 applications per week are scheduled for knowledge transfer from existing IT partner for 1 week
 - After the knowledge transfer is done, the new partner team starts handling day-to-day operations for the application
- A regular status call is scheduled daily for one week with the existing IT partner for any queries and clarity required
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Phase 2: Steady-State with new vendor/partner ownership

- Even after taking ownership of applications, limited support is available from existing IT partner for 2 weeks duration to address any clarification required
- Planned improvements for required architectural changes are done after doing the necessary impact analysis



A strong vendor transition strategy must be clear on the need to use outsourced/offshore IT partner and the ways in which new partner will best serve engagement goals. And the company must conduct a competitive selection process, develop a working relationship with the new vendor it selects that is rooted in an understanding of their past successes and failures, commit work output to a contractual agreement, and closely manage vendor to ensure that the projects and engagement stays on budget, meets deadlines and achieve business goals. Most companies can improve the results of their digital change project with the help of vendors—as long as an intentional sourcing strategy is set from the start.

Critical factors that lead to a successful transition

- Leadership involvement and Commitment
- Onsite presence with the client
- Partnership approach
- Well-designed transition plan
- Speed of response
- Selection of right resources
- Experienced team readily available

Key learning for a smooth Transition -

- **Timeline for knowledge transfer:**
Application involving a higher level of judgment and local context needs to have higher training and stabilization duration
- **Close interaction required for better understanding:**
Onsite presence helps in getting a better understanding of client processes and usage
- **Technology dependencies:**
Technology that has significant third-party dependency needs to be managed closely and tightly
- **Clear definition of scope:**
A rigorous approach needs to be adopted to clearly define the in-scope and out of scope activities. This needs to be supported by detailed documentation
- **Ownership:**
100% ownership of client environment
- **Timelines:**
95% on-time completion of knowledge transfer and training
- **Zero escalations**



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