CAPCO

MAINTAINING BUSINESS AGILITY IN VENDOR-HEAVY ENVIRONMENTS

INTRODUCTION

The use of third-party vendors in Agile systems was greatly accelerated by the COVID-19 pandemic, and these effects continue to shape how work gets done today. Now more than ever businesses need an effectively implemented Agile delivery model that more dynamically and efficiently creates value for the business and its customers.

Barriers to achieving these results in traditional financial and insurance firms – and many other industries – often stem from a misunderstanding of what Agile means. Many firms will adopt an iterative approach, but potentially skip other core Agile ideals such as focus and adaptability.

As financial services firms continue broadening the scope of their Agility efforts, involving third parties provides many opportunities for efficient delivery but also regularly exposes many challenges for which many organizations have yet to employ comprehensive solutions and guardrails.

With tailored screening, better contracting, up-front expectation-setting, and continuous monitoring from start to finish, product and value delivery can be accomplished much more efficiently. Here are three questions to ask that are essential to a successful Agile implementation with a third-party vendor.

- How does our vendor engagement model need to evolve to support integrated Agile delivery?
- How do we assess vendors for their ability to work with us within this construct?
- How do we continue to deliver small, high-quality increments while responding to customer feedback and new priorities?

Teams and partnerships typically achieve the greatest success when working commonly where possible, differently only where necessary. The following are six criteria to evaluate vendor alignment by exploring what High and Low Agile maturity look like in each context. With new mindsets and collective focus on a common model, success is just a scorecard away.

1. ALIGNMENT WITH CLIENT GOALS AND OBJECTIVES

The "Alignment with Client Goals and Objectives" category assesses whether the client and vendor are sharing the same Agile model and behaviors.

Client contribution + Vendor contribution	**=**	**Business objectives & Customer satisfaction**

High Agile

To start (or after some alignment), the client and vendor have a common understanding of their ways of working in Agile. Maturity is less important here than consistency. Arriving at this agreement regarding the delivery methodology allows teams to work in a defined manner with clear expectations, minimizing the chance that key points of collaboration will be missed.

Vendor services are tailored to the unique environment in which they are performed. Consider client maturity, including growth stage and corresponding needs, when selecting the vendor. There should be a strong infrastructure and engagement model driving open, honest, and consistent collaboration across the organizations. Reviewing the vendor's organizational fit with the client enhances goal alignment while maximizing shared values and behaviors.

Low Agile

The client and vendor have fundamentally different delivery models or clashing principles. They may have conflicting Agile processes that do not translate to the project or the collaboration required to deliver the product. This could lead to miscommunication and a breakdown of work. If the vendor has vastly different values or behaviors, cooperation and reaching desired outcomes will be more challenging.

2. STRATEGIC PARTNERSHIP

The "Strategic Partnership" category measures the ability to come together, define objectives, and map out how to reach goals collaboratively.

High Agile

The vendor and client act as one team with shared accountability, with contracts authored in line with shared goals. Everyone shares collective responsibility for missteps and celebrates their roles in victories together. Vendors are invested in the project and motivated to produce quality output, which is fostered through a positive and collaborative work environment. The client and the vendor commit to take small, iterative steps together, not immediately expecting a finished product and expecting that missteps will happen along the way in the service of learning and improving. The team sets boundaries from the start as to how involved the client wants to be in the process and makes all parties aware if these parameters change.

As the adage goes for most relationships, communication is key, and the relationship between vendor and client is no exception. This starts with Business Owners, Product Managers, Product Owners, Scrum Masters, and Project Managers who must make expectations clear from the start, including individual and group targets. Proper leadership and support when needed will assure that when impediments arise they are made known and addressed rapidly and efficiently. Team member roles are clearly defined, and all are aware which roles each party (client vs. vendor) is providing. If there are changes within the team, it is clear who holds responsibility to seamlessly train and integrate new members.

Within a strategic partnership in a High Agile environment, the client takes necessary steps to prepare for the vendor engagement so every party is ready to move forward without delay. All internal systems, tools and processes are tested, fully functional, and readily available to be shared with vendor staff to minimize delays or inefficiencies at the outset.

Low Agile

When the vendor is not adaptable enough to fit into the client's Agile system, workstreams deteriorate and production is suboptimal. This is the result if we write contracts that focus only on output rather than responsibilities toward the client's business outcomes. When we don't communicate partnership roles, blame persists when mistakes occur and causes divisiveness and relationship breakdowns. If responsibilities are unclear, we can't effectively allocate tasks, which can result in duplicate work and overlooked or forgotten tasks. If we don't properly prepare, we'll experience impatience on both sides, and worse cost overages for the client.

3. INNOVATION PARTNERSHIP

The “Innovation Partnership” category measures the degree to which the vendor has the necessary technological solutions to support the engagement.

High Agile

Vendors running High Agile are proficient in the infrastructure they need to perform daily functions and collaborate effectively with the client. This could include functional tools such as Jira or Azure DevOps to manage Agile work, as well as tools for real time virtual collaboration. Of utmost importance is performing work in the client’s standard toolset (often encrypted, cloud-hosted services for security and ease of shared use) to maintain consistency and transparency in management, execution, and archival.

In addition to instant message and video communication, High Agile vendors should facilitate document collaboration through secure platforms such as Confluence, SharePoint, or Box, and innovation collaboration through tools such as Mural or Miro. These solutions serve as widely used examples, but each engagement demands its own fully defined technology stack.

To this end, clients running High Agile are aware of their innovation requirements and vet their own as well as their partner’s technology to confirm that all needs are met. Furthermore, the vendor has the resources to expand and utilize new products and services as needed. It is the vendor’s job to conform to the client’s tools and processes, not the other way around.

Low Agile

The vendor in the Low Agile environment does not have the necessary tools to perform the project, nor the resources to invest in new technology systems, or the flexibility to adapt to the client’s toolset. The vendor may not be far enough along their own transformation journey to meet the client’s expectations. For example, a startup vendor may not have the capital to invest in an expensive set of licenses or the infrastructure (including validated security) to integrate.

4. CAPABILITIES AND SCALABILITY

The "Capabilities and Scalability" category assesses the vendors qualifications to perform the scope of work and ability to pivot offerings and services.

High Agile

The vendor can provide case studies with similar clients and past experiences to illustrate they have performed similar work and are well-versed in what is needed for delivery. The client or the vendor gathers additional intelligence through reference checks and networks. The vendor should have a proven knowledge base and sufficient resources to handle the scale of the project. Because this scale can – and should, based on new demands – invariably change throughout the engagement, the vendor should have the capability to scale up or down as necessary. Employees are adequately skilled to complete the engagement from the outset, and any required certifications have been pre-screened. Highly capable vendors will bring an array of best practices and recommendations with them, adaptable to the unique client's needs but helping them grow along the way.

Firm-level and staff-level vendor evaluations continue throughout the engagement to ensure continuity within the team, acknowledging that there may be staffing changes over the duration of the project. Vendors retain adequate staff and capital to complete the project efficiently, and more established vendors can scale back their approach to align to the maturity of the client and scope of the engagement, rather than attempting to incorporate onerous additional processes and tools.

Low Agile

The vendor is not qualified to perform the engagement due to lack of prior experience or an inadequate number of resources with the necessary skillsets. Alternatively, the vendor is offering services and resources outside the requirements of the client or scope of the project, e.g., extra project hierarchies, systemic checks, or unrelated technical expertise. In this situation, the vendor is unable to trim and tailor project offerings preventing extra work and cost overages.

5. PERFORMANCE EVALUATION

The “Performance Evaluation” category measures the outputs of the vendor against initial expectations. Constant evaluation is important to track progress and trends.

High Agile

An integral part of measuring vendor performance is regular evaluation against the agreed upon scope of work, which clients will often perform after every sprint to incrementally monitor progress in achieving larger objectives. This typically accounts for not only objective measurements but subjective ratings such as participation and effectiveness in meetings and retrospectives. Clients should have these interactions to discuss progress and potential impediments as well as lessons learned, and also rate objective aspects such as team velocity and burn-down. If the vendor is not producing the desired contractual outcomes and outputs, clients should adjust processes or restructure targets to align with shifting conditions.

Ultimately, contracting for performance is dependent on focusing on what the vendor can and cannot control; their owned contributions toward the client’s objectives should be explicit.

Low Agile

One pitfall that can occur in performance evaluation is solely measuring at the end of an engagement, around the time of delivery. And, as noted earlier, it should not be based strictly on outputs. If there is a problem that arises prior to this final stage, failure to adjust in a timely manner could be catastrophic for both parties. Being Agile is predicated on regular inspections and adaptations, preventing small issues from compounding and causing large downstream implications.

6. VENDOR RELATIONSHIP & SPEND

The "Vendor Relationship & Spend" category assesses the connection between the vendor and the cost of services provided. The tendency for a vendor to meet or exceed time and financial budgets is a key area of management focus and can set the stage for difficult conversations and tough decisions when they are missed.

High Agile

Negotiated contractual language sets a clear framework for the working relationship, broken down (at least) by quarters with clearly defined expectations. The arrangement is predicated on all parties operating seamlessly as one unit with access to comparable tools and subject to the same robust practices and policies. This keeps the project on track at a sustainable pace. When structuring relationships, clients should complete sufficient analysis to minimize extra tools beyond what is necessary. Make all attempts to insource key activities (such as Epic or Feature writing) to minimize the costs and maximize value achieved from external vendors. It is important to correlate the financial aspects of the vendor contract (especially when fixed-bid or deliverable-based) to the measurable outputs of planning efforts, sprints, and demonstrations.

Low Agile

Unclear contractual responsibilities may cause roadblocks and communication breakdowns, disjointed teams, and weak policies and procedures. The vendor consistently adds sprints due to inefficiencies and cost overages are incurred above a reasonable amount dictated by the size and complexity of the project, while remaining technically compliant with the terms of the contract. Disagreements between contract deliverables and sprint deliverables lead to a contentious relationship and sub-optimal outcomes.

WHAT YOU CAN DO: USING A VENDOR SCORECARD

Optimizing the Agile experience can be as simple as using an Agile-focused vendor scorecard to pre-screen and continuously evaluate third-party vendor performance. To preserve the delivery model, employing an evaluation framework (see first table) that scores vendors across multiple factors is a valuable exercise in consistently selecting and retaining the right partners.

Key Criteria	Scoring Scale			
	1	2	3	4
Alignment with Goals and Objectives	Low	Medium	High	Very High
Strategic Partnership	Low	Medium	High	Very High
Innovation Partnership	Low	Medium	High	Very High
Capabilities and Scalability	Low	Medium	High	Very High
Performance Evaluation	Poor	Average	Good	Excellent
Vendor Relationship & Spend	Low	Medium	High	Very High

This scorecard is not a one-time exercise and assessments should persist throughout the engagement to measure actual results against expectations. See further criteria breakdown in second table.

Strategic	Description	Key Considerations
Alignment with Goals and Objectives	Assessing whether vendor can provide work that aligns with firm value statement	**1.** How do vendor activities and value delivered contribute to organizational goals? **2.** Is the vendor capable of understanding the client's variable priorities using business agility?
Strategic Partnership	Ability to come together, define objectives, and map out how to reach project goals	**1.** How well defined are responsibilities between organization and vendor? Are there any gaps / overlaps when considering clients desired delivery model? **2.** Are there gated hand-offs between client and vendor or is the environment one of constant communication / collaboration?
Innovation partnership	The degree to which the vendor as the necessary technology stack	**1.** Does the vendor have the appropriate tech infrastructure and the ability to pivot and support modern delivery methods? **2.** Does the vendor recommend more efficient ways of working together or alternative solutions with lower effort / higher business value?
Capabilities and Scalability	Vendor's qualifications to perform scope of work using tailored delivery model	**1.** Does the vendor have a proven track record of success with initiatives of similar scope? **2.** Can the vendor effectively align (add/remove) resources to meet changing client needs and priorities?
Performance Evaluation	Consistent evaluation of per sprint vendor output as compared to initial expectations	**1.** Are the right metrics and measurements in place to assess vendor performance? **2.** Is there and appropriate cadence of reviewing vendor output and performance? **3.** Does the vendor readily make adjustments based on inspect and adapt activities?
Vendor Relationship & Spend	Level of integration with vendor and cost of services provided	**1.** How clear is the contractual language to set framework / goals and keep parties on track? **2.** Is the contractual relationship supportive of long term enterprise operational stability (with or without vendors)?

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ABOUT CAPCO

Capco, a Wipro company, is a global technology and management consultancy focused in the financial services industry. Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its award-winning Be Yourself At Work culture and diverse talent.

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