The Rise of Multisourcing Service Integrators

In the ICT arena, there's been a steady evolution in the management of third-party service providers and the way in which their services are integrated within the client’s environment. Alan Turnley-Jones, Director of Managed Services Development and Operations at Dimension Data, believes this can influence the decision as to the type of principal service provider with which organisations may want to partner for the long term.

The type of principal service provider that organisations choose for long term partnerships is influenced heavily by the way these organisations choose to manage third-party service providers and the integration of their services.
Global ICT service providers are no longer what they used to be. Today, given the way in which long-term services contracts are structured, these businesses are increasingly outsourcing particular services that they’re unable to deliver themselves to qualified third parties. But the responsibility for managing and integrating these services – and reducing on behalf of the client what’s sometimes called ‘supplier sprawl’ – still rests with the principal partner... and the leading players in the services field are getting good at it.

No rush

“Entering into a long-term services partnership is rarely a rash decision for any organisation,” says Turnley-Jones. “Clients are usually thorough in completing all due diligence processes beforehand and, besides that, have usually already developed a long-standing relationship with their principal service provider.”

In this way, the relationship is like a marriage: forged with the eye on a long-term commitment but, unlike marriages today, very rarely nullified. All the important questions about the basis of the partnership should therefore be clarified before a master service agreement (MSA) is signed. Success is about the match of partners, more than about what goes into the contract.

“As far as this partner match is concerned,” adds Turnley-Jones, “size and geographical footprint should be considered, but the biggest service provider is not necessarily the best. It’s more important to establish, during the due diligence phase, whether there are other client organisations of similar size and geographic spread – and within the same vertical industry – already in the service provider’s stable. These references might be invaluable in drawing a clearer picture of the provider’s ability to serve the client’s needs effectively.”

Questions that should be covered by due diligence processes:

- How stable is the service provider’s financial position?
- Are there any relevant parent company guarantees for liabilities arising from the contract?
- How flexible is the service provider’s relationship with key vendors and third-party service providers? In other words, would there be room to mix and match according to the client’s specifications, or would the contract lock the client into specific organisations?
- Which governance structures does the service provider have in place and are they adequate?
- Which sourcing models can the service provider offer and do they fit the client’s needs?
- Is the service provider able to benchmark itself, as well as the market, within this vertical to ensure the appropriate pricing?
- How high on the service provider’s agenda is innovation? Does it have the teams and skills in place to create the best possible outcome for the client, whether through commercial architecting, solution architecting or service architecting?

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“**It’s in these areas,**” agrees Turnley-Jones, “**where large service providers are starting to distinguish themselves, because this is where they’ve built up the most valuable and unique skills and experience: not in the actual service delivery so much as in ensuring that subcontractors deliver at a standard that meets the clients’ needs, and match industry benchmarks and best practices.**”

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“In the IT outsourcing arena, specifically, we’re often seeing organisations completely bypassing their own internal IT departments and going directly to competent multinational service providers to take care of their benchmarking, brokering and sourcing. Service providers have simply become better and faster at doing so.”

As far as the actual contract is concerned, Turnley-Jones notes that “**MSAs themselves are not new. It’s in the way they’re being managed more effectively at the service integration layer where true innovation lies. Therefore, it’s becoming ever-more important to ask which service providers have the best service integration and management skills and resources, along with the ability to deliver certain services themselves.**”

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1Gartner, Inc., ‘Magic Quadrant for Communications Outsourcing and Professional Services’, Eric Goodness, Christine Tenneson, 15 December 2011. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings. Gartner research publications consist of the opinions of Gartner’s research organisation and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.