Chapter 15
Technology Partner Governance

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ABSTRACT
This chapter is intended to serve as a guide for those intending to introduce principles supporting the effective governance of Information Technology and Telecommunications (IT&T) outsourcing. The methods outlined are drawn from industry knowledge and experience in governing and resolving complex technology outsourcing relationships. It is not designed as an academic dissertation; however, it does draw on contemporary thought and current practice to support IT vendor governance concepts and methods.

INTRODUCTION
IT governance is more about process than layers of governance. It ensures as opposed to execute, and is about systems, processes, and frameworks that ensure that the organizations IT sustains and extends organizations strategy and objectives.

Outsourcing of IT responsibilities is becoming more prevalent and the outsourcing costs makes up a large proportion of the IT budget. Executives now require a level of certainty that are supported by much more rigorous reporting regimes that take into account both the measurement of deliverables and the intrinsic value that the outsource relationship provides. These outsourced relationships can present a series of challenges and complexities if they are not managed and effectively governed.

The IT governance of outsourcing interfaces between Operational IT governance and Corporate IT governance. These frameworks are aimed at enabling the delivery of business value and effectiveness by adding value while balancing risk verse return over IT. These frameworks are about processes rather than layers of governance.

The IT governance of outsourcing challenges the current paradigm of utilizing traditional contract management in terms of managing Information Technology and Telecommunications (IT&T) outsourcing arrangements. Instead, it proposes an alternative approach that governs the relationship.
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from the context of a four pillar approach. Contract management is seen as a task in the overall scope of governance responsibilities.

A key to the success of an outsourcing relationship is a clear alignment of the host organisation’s demand for value and the technology vendor’s value assertion. The closer these are aligned and in sync, the more targeted the outsourcing proposition and ability for an organisation to use the outsourcing as a tool to effectively deliver defined organisational goals and objectives. The success of any IT unit that uses specialist outsourcing to complement its limited and/or scarce resources is heavily dependent on how successful the technology vendor is in delivering those outsourced activities and functions and how well they meet and exceed the agreed expectations.

The traditional method of managing contracts primarily through the terms and conditions of that contract begin to be tested where complex outsourcing arrangements need to be put in place with multiple partners. Where multiple vendors are required, each tasked with their own specific outcomes, the dynamics of managing these contracts changes from managing isolated contracts each standing alone, to managing multiple contracts and outcomes to achieve an end to end outcome.

The drive to IT vendor Governance (and indeed Multiple IT vendor Governance) will produce efficiencies through integrated and targeted outcomes as opposed to task or activity orientated outcomes. Do these efficiencies arise through more effective management of a contract per se; or is it through integrating IT vendors into the overall end to end service proposition where all the ‘players’ can see how each relates to the other to produce the desired outcome. IT vendor Governance incorporates a number of key components of which contract management is but one.

IT vendor governance concepts and methods focus on the governance of the vendor relationship as opposed to the management of a vendor contract. It seeks to integrate the relationship into the host organisation’s structure, decision making processes, and culture. This is an important philosophical concept, as outsourcing is an extension of a business and the performance of that IT vendor reflects on the overall performance of the business.

The objective of this chapter therefore is to introduce the concepts of IT vendor Governance as it relates to IT outsourcing. It is structured to:

- Develop the awareness of a business problem that organisations face in trying to successfully manage IT&T outsourcing,
- Introduces IT vendor Governance as a key ingredient into driving that wider value proposition, and
- Introduces a change in philosophy where IT vendors are ‘integrated’ into the Host organisation.

BACKGROUND

Outsourcing: Management and Governance

Quinn’s (1999) definition of outsourcing suggests that IT outsourcing in its simplest context is the provision of IT services or IT activities to a customer that leverages knowledge capabilities, technologies, and investments all of which are captured under a contract. Like many definitions of outsourcing and methods of outsourcing (i.e. Application Service Provider, Utility Computing, Managed Service, Offshore outsourcing, Strategic Outsourcing) it is about a third party performing activities and services on your behalf (White, 1996; Davis, 1996).

Why outsource? The pace of change coupled with the pressures of managing a performance driven environment motivates management to repeatedly review and evaluate the resource mix to determine if they have it right (Barker, 1992; Jenester, 1998). It is causing organisations to question the traditional paradigms of owning the factors of production as the best way to achieve