



## **Smoothing the path to managed delivery**

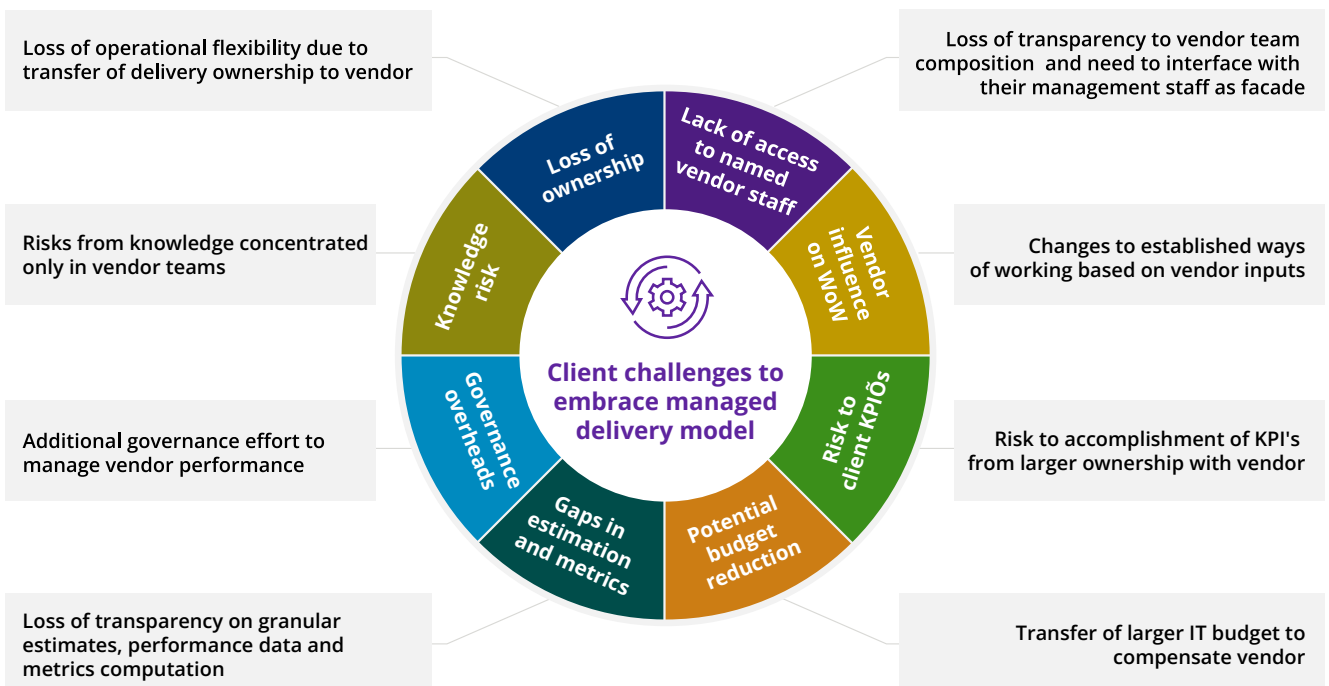


Bespoke engineering engagements between clients and IT vendors may be executed in a variety of engagement models, such as staff augmentation, managed augmentation or managed delivery. The mutual value realized often amplifies as the engagement graduates to managed delivery.

Engaging in managed delivery involves providing autonomy and delivery ownership to the IT vendor, with minimal oversight from the client IT organization.

Commencing such relationships upfront in a managed delivery model may involve multiple challenges for clients, and it usually requires a transformation journey over a period.

### The following diagram depicts key challenges faced by clients:



From our two decades of experience, we at Luxoft have identified proven solutions to address these challenges and successfully make an accelerated journey to managed delivery adoption. Let us share with you the top nine key challenges and solutions:

## General solutions:

### Common solutions

- The pace of success in adopting a managed delivery model depends on the familiarity and past experience of the client IT organization in executing such engagements with IT vendors
- In cases where there is lesser experience, we recommend starting small by commencing with managed delivery models which have lower complexity, such as:
  - **Autonomous squads** – integrate a small number of independent squads from the vendor into client-managed teams, providing limited ownership over specific roles or functions of an application and enabling the client to experience working in a managed delivery model on a small scale while still retaining delivery ownership
  - **Application ownership** – allocate independent responsibility of delivery for an entire application to the vendor; this is a larger-scale managed delivery implementation compared to autonomous squads, yet it retains the larger delivery ownership with the client, enabling the client to experience the managed delivery model at the next level of maturity and scale compared to autonomous squads
- In cases where the client has sufficient experience, engagement with the vendor can commence upfront in a managed delivery model. However, our experience indicates that there may still be challenges around vendor influence on ways of working, risk to client KPIs, potential budget reduction, gaps in estimation and metrics, and knowledge risk. As these challenges may have unique flavors for each specific engagement within the client organization, there needs to be a focused effort from both clients and IT vendors to mitigate them.
- Irrespective of the approach selected to transform to full-scale managed delivery, both organizations need to take the following steps to enhance the probability of success:
  - **Appoint a transformation lead** on both sides to act as evangelists for the managed delivery model, continually socializing the program objectives to stakeholders, steering organizational change management and acting as escalation points
  - **Establish a continuous feedback process** to constantly seek best practice and improvement suggestions from stakeholders and drive their implementation
  - **Fine-tune and make amendments** to the program goals and execution approach based on feedback and observations

More details on these managed delivery engagement models can be found in our blog post "[Choosing the right managed delivery model.](#)"

# Challenges and specific solutions:

## Loss of ownership

- This challenge is encountered in situations where:
  - There is an overlap in roles between client IT management and vendor staff in the new operating model
  - Management staff from the vendor organization assume ownership for independent delivery while the client IT management still remain accountable for that delivery
- This can be mitigated by:
  - Defining the operating model to clearly segregate accountability and responsibility between client IT management and vendor staff
  - Eliminating any overlapping roles and making vendor staff accountable to the client's IT management
  - Redeploying client IT staff to other strategic programs in cases where there are overlapping roles

## Lack of access to named vendor staff

- This challenge is encountered when:
  - The client IT organization is required to transition from a staff augmentation or managed augmentation model to managed delivery model
  - There is a consequent loss of direct access to named vendor experts, as in the prior models, which then changes to the client IT management needing to interface with vendor management staff instead, and their performance is measured by SLAs and KPIs in the new managed delivery model
- This can be mitigated by:
  - Identifying a seed team of core named experts from the vendor team that the client can have direct access to
  - Ensuring the client is not required to take overheads of interfacing with every vendor team member and managing their performance; the vendor team has the required autonomy to deliver while at the same time also giving transparency to the client by enabling direct access to these core experts
  - Organizing team-building sessions in person or virtually to familiarize the client with the entire vendor team, thus providing them the required level of confidence with the team

## Vendor influence on ways of working

- This challenge is encountered when:
  - There are standardized and established ways of working in the client organization, and changes are proposed by the vendor to gain desired autonomy, ownership and efficiencies in their delivery
  - Client staff are required to either replace current or assume newer responsibilities based on this change

A few examples may include a modified IT change management process, governance and reporting approach, or delivery performance KPIs.

- This can be mitigated by:
  - Implementing an exhaustive process harmonization exercise prior to the engagement kick-off to ensure the inclusion of best practices from both client and vendor organizations, and any existing gaps in client processes are addressed in the target state
  - Objectively articulating the benefits of the harmonized processes and ways of working to client stakeholders
  - Streamlining the modified or new responsibilities for client staff to ensure they drive simplification in ways of working

## Risk to client KPIs

- This challenge is encountered when:
  - Client IT management is accountable to their internal stakeholders while the core delivery ownership rests with the vendor teams
  - There is a lack of transparency to the client on delivery performance by the vendor teams

This results in perceived risks to their internal KPIs by client management and consequent concerns on engaging in the relationship with vendor teams.

- This can be mitigated by:
  - The vendor teams developing a clear understanding of key client KPIs
  - Establishing objective vendor delivery performance SLAs and KPIs well aligned to these client KPIs
  - Mutual agreement on the provision of clear transparency to the data sources, collection and measurement approach as well as status reporting of vendor performance KPIs
  - Providing direct access to core vendor experts for the client to validate vendor performance on a continuous basis



## Potential budget reduction

- This challenge is encountered when:
  - There is a perceived loss of valuable IT budget by the client IT organization to compensate the vendor
  - There are compounded concerns on sub-optimal performance by the vendor
- This can be mitigated by:
  - Providing clarity to the client IT organization on the planned cost optimization, delivery performance transformation and efficiency improvements from this engagement
  - Client internal strategic initiatives that can be enabled by leveraging these benefits
  - Establishing objective vendor delivery performance SLAs and KPIs to provide continuous visibility on the quality of deliverables as well as enabling timely and appropriate actions on any performance gaps

## Gaps in estimation and metrics

- This challenge is encountered when:
  - The client foresees a loss of transparency on the work estimation approach and output delivered from the vendor
  - There is a lack of granular visibility into objective performance data and metrics computation by the vendor
  - There is a potential concern about performance metrics not aligned to reality in execution
- This can be mitigated by:
  - Upfront agreements on:
    1. The estimation methodology based on type of work, technologies and domains involved
    2. Efficiency measurement approach
  - Executing a period of baselining the estimation model and efficiency to ensure mutual confidence
  - Establishing objective vendor performance SLAs and KPIs, transparent data sources and measurement approaches, and facilitating desired validations by client

## Governance overheads

- This challenge is encountered when:
  - The client experiences increased governance effort in interfacing with vendor management staff, tracking their delivery performance and validating the SLAs and KPIs
  - The client needs to facilitate interactions between vendor teams and client internal teams they depend on, such as platform and infrastructure support, business teams, and others
- This can be mitigated by:
  - Establishing a harmonized delivery governance and reporting process, incorporating best practices from both client and vendor organizations
  - Ensuring the governance effort is aligned to the complexity of the delivery portfolio
  - Implementing a continuous feedback loop to identify best practices and improvement areas and driving their implementation
  - Establishing a clear escalation hierarchy in both client and vendor organizations to address any challenges in interfacing with dependent client teams

In summary, establishing a managed delivery model for bespoke engineering engagements requires meticulous focus, proactive planning and focused effort from both client and vendor organizations, as well as continuous tracking and feedback for mid-course corrections and specific solutions to mitigate challenges based on the nature of such engagements. A carefully planned management strategy can go a long way in ensuring success on this journey.

## Knowledge risk

- This challenge is encountered when:
  - Client internal subject matter experts either get redeployed to other strategic engagements or move out of the client organization with the engagement kick-off with the vendor
  - There is significant knowledge concentration within vendor teams built over the engagement duration and there are no corresponding experts with similar knowledge in the client teams
- This can be mitigated by:
  - Implementing a robust knowledge management process at desired levels of maturity to ensure reduced dependencies on specific individuals or teams
  - Further details on the knowledge management process can be found in our blog post [“Five pillars of knowledge management for software engineering”](#)



## About **the author**



### **Balaji Venkatramani**

Solution Lead,  
Engineering Processes  
[b.venkatramani@dxc.com](mailto:b.venkatramani@dxc.com)

Balaji is a senior director with Luxoft India. He leads engineering process solutions, globally, across lines of business and is responsible for delivery strategy for the APAC region. During his 22 years in the IT industry, Balaji has driven large-scale technology solutions and transformation initiatives in Silicon Valley technology companies, as well as service partnerships with global financial clients. He has extensive experience in knowledge transitions, transformations, Agile, DevOps, big data and analytics, cloud and program management.

### **About Luxoft**

Luxoft is the design, data and development arm of DXC Technology, providing bespoke, end-to-end technology solutions for mission-critical systems, products and services. We help create data-fueled organizations, solving complex operational, technological and strategic challenges. Our passion is building resilient businesses, while generating new business channels and revenue streams, exceptional user experiences and modernized operations at scale.

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