

## Commentary

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### IT Services Contracts — Independent Advisor Charter

**Sourcing contracts must be constantly revised and adjusted during the life of a contract. An independent advisor charter can help resolve issues between the service recipient and provider, and help create contract revisions.**

Gartner recommends that enterprises include the use of an independent advisor (i.e., consultant) in their sourcing agreements. Based on problems with some current deals, a new alternative solution is to enlist a third party to participate in the sourcing management process, act as an advisor to help resolve any issues and maintain a successful relationship between the service recipient (SR) and service provider (SP). For enterprises involved in significant sourcing deals, the independent adviser provides an integrated set of offerings and dedicated assistance programs which, taken together, will enable both parties to manage their relationship for success. To assist SRs and SPs, we describe the basic format for including an independent advisor charter in outsourcing contracts.

#### Purpose

An independent advisor charter describes the role of the agreed-upon third party in facilitating dialog and trust between the SR and SP, and introduces best practices for consideration in long-term sourcing deals. It also deals with the continuous improvement expectations, and the operational and financial arrangements associated with the involvement of the independent advisor.

#### Importance

Typically, the SR and SP enter sourcing agreements anticipating that they can work out future problems; however, conflicts often arise in the absence of effective processes for resolution. An independent advisor can deliver preemptive guidance to resolve potential issues well before they become contractually related. Both parties must agree to the independent advisor charter prior to signing the contract, and — as is typical in benchmarking clauses — they should be willing to share the costs of the independent advisor. A 50/50 split in costs helps ensure that the advisor acts without bias and for the best interests of the agreement and both parties.

Once trust has been damaged between the parties of a sourcing relationship, it is often difficult to reestablish. Introducing a credible and trusted independent advisor will tend to ensure that trust is maintained between parties by impartially validating the discussions between them. The independent

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advisor is also responsible for introducing best practices to the contracting parties to stimulate discussion and innovation in their dialogs.

## Structure

Several items should be included within the independent advisor charter of the sourcing contract:

- A statement of the one-to-both advisory responsibilities of the third party
- A statement of the one-to-one advisory responsibilities of the third party
- A statement of the parameters for involving the third party in discussions between the SR and SP
- Payment-sharing arrangements for the fees of the third party between the SR and SP
- A schedule for regular interactions between the parties, and timetables for resolving issues between the SR and SP
- Process descriptions to determine how the parties interact
- A statement of the practices and conduct rules required to preserve the independence of the independent advisor

## Example

For SRs and SPs that are facing significant business and technology changes, the independent advisor can guide and help implement changes to their current agreement. Often, the SRs and SPs are committed to remaining in their relationships and are looking for actions they can take to be more responsive to the changes around them. An example would be an enterprise changing from a mainframe environment to an enterprise resource planning Unix environment. The independent advisor can assist with evaluating the impact of this major change on both parties and determine how the sourcing agreement can be revised to meet their needs. In this situation, an independent advisor can really provide value.

**Bottom Line:** Sourcing is a strategic decision, and enterprises need to anticipate the good and the bad. Thus, enterprises should incorporate an independent advisor charter into their sourcing contracts. This will enable enterprises to hire an independent third party to assist the SR and the SP should the need arise.