

Six steps to successful relationships: The Golden Rules of Outsourcing



Successful outsourcing relationships are a matter of skill, not luck. Sean Canning, Firstsource's UK Operations Director outlines his Golden Rules for a successful outsourcing partnership.

From banking call centres to first-line technical support for telephony or broadband services, outsourcing non-core activities to specialist service providers makes perfect commercial sense. Greater resources from the service provider, as well as deeper skill sets and focused attention on service levels, mean that outsourcing can relieve many of the pains of variable workload, improve efficiency, bring additional skills and reduce the costs into the bargain.

In order to reap the benefits, it pays to invest some time and effort in structuring the outsourcing relationship – before the contract is signed. There is genuinely no barrier to creating shared goals in which both sides benefit, provided that the business and corporate objectives are understood and aligned.

The Golden Rules that I outline here are very much based on similar kinds of rules that we apply to our own personal relationships, as a successful outsourcing relationship can be very much like a marriage of two compatible companies.

Rule One: Play the field

It is essential to play the outsourcing field a little, and learn about who is in the market. For example, what services are on offer, what are their strengths and weaknesses? Are any of the players 'your type of company', and do they share your corporate culture?

In the process of meeting different outsource service providers, you will learn about what makes each company tick. Some providers focus exclusively on call-centre farms, with low-cost, results-driven staff, while others will be better at high-end service management for more complex customer care programmes that can significantly add value to your business. Additionally, some vendors genuinely enhance the outsourcing package. You can discover this during the pre-sales discussions.

Rule Two: Walk away if it doesn't feel right

Does the service provider's corporate culture feel right, and does it fit with your company? Outsourcing is a particularly close form of business relationship. In effect, outsourcing means that an internal service division (customer service, accounts, technical support, logistics) is being run and managed by another company – and you will work with and speak with this other company's teams on a regular, if not daily, basis.

In many cases, the outsource provider's staff will be representing your company to the outside world, and it is absolutely essential that the two companies' cultures are a close match.

If you spend time learning about the various service provider's attitudes towards their own staff, well before any moves towards an RFP (see box) or contract, you will avoid a great deal of anguish later on in the relationship.

Rule Three: The KISS approach (keep it simple)

In many cases, outsourcing discussions can become bogged down in the 'how,' with endless discussions about service description, staffing, and remuneration deals. For example, while it is clearly of interest to understand how the outsourcing provider handles peak workloads, the details are ultimately not your concern. It is more important to consider the 'why' question: asking whether outsourcing offers a sensible commercial option, and to itemise and quantify the results that you are trying to achieve. In both cases, focus on identifying simple objectives that can easily be measured.

Put another way, Keep It Simple, Stupid (KISS). Write down, on one side of A4, what you want, how it will be measured, and the specific goals to be achieved.

This is where time spent building relationships pre-contract really pays off. If you share your business objectives, written in the KISS format, then service providers can consider possible ways to achieve your goals – remember, they know more about the ‘how’ of outsourcing than you do. In other words, try to avoid being too prescriptive. Your chosen outsourcers are the experts and they have experience of delivering similar services for their other clients. They may suggest approaches that you have not considered.

Rule Four: Take it slowly at the beginning

Start with a pilot programme for a limited number of business processes, and build on success. Before moving complete departments, with complex TUPE (Transfer of Undertakings - Protection of Employment) requirements, long lead-times and detailed service level agreements, find a specific service area that can act as a proof-of-concept.

On the basis that you are trying to develop a new business model – some elements of your non-core activities will be handled by a third party – it makes sense to test the idea step-by-step. Smaller service areas are easier to define, with identifiable objectives, measurements and goals, and much easier to manage. Results are easier to monitor, and – should the worst come to the worst – the agreement can be concluded rapidly. (See box on Contracts.)

In addition, a test project will give you a good idea of how a wide-ranging outsourcing programme will work for your business. You and the service provider will understand if your corporate cultures are a good fit, and if you can develop a working relationship. For example, does the service provider contribute to your business with new ideas and suggestions, or do they sit back and wait for instruction? Are you looking for a strategic advisor who can help to make radical changes to your business processes? Are your expectations being met?

Rule Five: It takes two to tango!

Outsourcing is not a magic potion that cures business ills. Transferring service delivery to an outsourcing provider will bring in expertise and

resources, and also solve pressing challenges of workload and cost. The responsibility for success is now shared, and it is important to understand that, like our marriage analogy, this is a partnership.

There can be a tendency to assume that once the contract is signed, management is now a question of checking performance against the service level agreement. Life is rarely so simple. It pays dividends to understand where the service provider is excelling, and where performance can be improved. If the outsourcing relationship is not working, it reflects poorly on both companies, and exactly as you would pro-actively assist an internal department to address weaknesses and improve performance, once you have invested in the outsourcing relationship, it makes sense to work with the service provider to solve problems on a shared basis.

RFPs: Everyone needs a pre-nup

For many organisations, preparing the RFP documentation is a major sign that outsourcing in some shape or form will go ahead.

RFPs can run to several hundred questions, covering everything from financial stability to carbon footprint, and discovering and documenting every aspect of a service provider’s business is an essential part of good corporate governance. In some cases, the RFP process is part of a legal requirement (for example, for government procurement) or stated audit policy.

Long before the RFP and signing the marriage contract, consider writing a ‘pre-nup’ that summarises the aims and objectives of the outsourcing project. Limit yourself to one side of an A4 sheet of paper. Describe, in simple terms, what you want. Be bold, plain and daring. Ask the providers to respond in similar terms.

You can save a great deal of time if before you issue the RFP, you have narrowed the potential field of outsource partners to firms that you actually feel you could work with. Therefore the ‘pre-nup’ stage will help you with this process. If you have spent enough time building the relationship beforehand, you will have naturally narrowed the field to your top three or four – so why waste your procurement department’s time wading through irrelevant responses?

Rule Six: Plan for the future

Future growth of your business should be part of the outsourcing programme. Even before you sign up with a provider, it pays to consider and discuss your long-term objectives. For example, if you plan international expansion, does your potential outsource partner have global reach? Does the outsourcer have a choice of low cost international locations? Can the outsourcer also offer on-shore or near shore facilities? And what are the outsourcer's own plans for growth?

Alternatively, if you expect to acquire your nearest competitor and double your revenues in the space of three months, does your outsource partner have the capacity to absorb the additional work? And are they capable of helping you through the acquisition period and can they help you to integrate the businesses?

Planning for the future will mean sharing what at the outset might be confidential. Once you're married, remember: there are no secrets.

The essence of a successful relationship

Once you have established a working relationship with one or more outsource providers, the outsourcing approach rapidly becomes part of your operational model and you will probably find that you can identify more and more non-core activities that could be outsourced. At the centre, your company will be able to focus on its core excellence, while support services are handled by one or more specialists: it soon develops in to a collaborative and partnership approach to business operations.

About Firstsource

Firstsource is a global leader in business process outsourcing (BPO), providing outsourced business services to global leaders in the Banking, Financial Services & Insurance, Telecom & Media and Healthcare sectors. Services include contact centre and back office processing, spanning the entire customer life-cycle from customer acquisition and customer service, back office administration, retention and churn management, through to billing and collections. Typical operations include inbound customer service, email responses, webchat and online forum management, mortgage processing, insurance claim processing, credit card processing, cheque processing, telecoms provisioning, broadband technical support, and early to late stage collections.

Firstsource has a global delivery model with 44 operational centres in India, US, UK, Argentina and Philippines and over 27,000 employees worldwide. Firstsource has won numerous awards for outsourcing and process excellence from IQPC, Everest Group and NOA

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Contracts: no marriage should be without one

As well as all the touchy-feely relationship talk, it is essential to agree the contract in clear, unambiguous terms. The contract is the basis of sound management, covering service level agreements, fees, remuneration, governance, exit clauses, scale-up and scale-back and much more. Everything that can be defined, counted and measured should be included in the contract.

Service providers are very willing to share contract templates at the pre-sales stage, and these will help you understand how they expect to manage the relationship. Although the contract will tell you nothing about the personalities and corporate cultures, and by itself is no evidence of likely success, it provides the firm foundation on which to build.

Creating the final contract will take some time, especially for larger outsourcing operations. Investing time here, collaboratively, and only committing when you are totally satisfied, will help you answer a basic question: "Can they do what I want, and is the price right?" If the contract is specific and both you and the vendor say "Yes," then all the signs for a happy marriage are good. The rest is up to personalities!