

The Five Cs of a Good Outsourcer

Expert Advice from AMC

Summary

Outsourcing is both a tricky and a risky business proposition. Done properly, outsourcing can enable a customer to meet critical business objectives. Done poorly, outsourcing can cause a customer major headaches and excessive expenses. A key to achieving desirable outsourcing results is to choose a good outsourcer.

A customer can establish a strong outsourcing framework by drawing clear boundaries around outsourced services, creating complete service descriptions, selecting and documenting sound service levels, negotiating a fair and protective contract and creating an effective governance structure. With such a framework in place, a customer has an excellent chance of achieving its outsourcing objectives. But to achieve all that is attainable through outsourcing, a customer needs to contract with an outsourcer that is prepared to establish a synergistic outsourcing relationship. Some may call this type of relationship "value-added, win-win, a partnership, or even a strategic relationship." Here are characteristics of good outsourcers.

The Five Cs of a Good Outsourcer

Capable

First, the outsourcer would truly understand how to deliver excellent service, have a track record of doing so and act upon this understanding. The outsourcer would clearly know what its contractual commitments are and ensure that these commitments are met or exceeded. The outsourcer would focus on year-over-year improvement in service provision.

Committed

Second, the outsourcer would understand what the customer expected to achieve by outsourcing. The outsourcer would work closely with the customer to manage service delivery so that meeting customer objectives was the basis for service provision thereby validating the initial decision to outsource.

Comprehends

Third, the outsourcer would, or work to, understand the customer's business. With expertise in the customer's industry, the outsourcer can suggest ways for the customer to improve how it does business. The outsourcer would also recommend new products and services that the customer might offer to enhance its competitive position. The outsourcer would outline approaches for the customer to consider and would be prepared to expand the outlines should the customer demonstrate interest in any of the approaches.

Cultural Fit

Fourth, the outsourcer would establish a strong customer-centric support team. This team would work hand-in-hand with customer counterparts to focus on what is important to the customer. Both sides would know whom to contact in the event that problems or opportunities arose and would have no hesitation at making that contact, whatever the time of day or day of the week. Each side would respect the position of the other and strive to work together to achieve mutual objectives. Both sides would attempt to achieve a strong cultural fit with the other.

Consistency

Fifth, the outsourcer would focus on the long term. The outsourcer would understand that it could obtain short-term financial gain from its customer but would recognize that both sides would obtain the greatest value from

outsourcing if a long-term relationship could be maintained. Consequently, the outsourcer would consistently look for methods to demonstrate to the customer its commitment to the long haul.

Does such an outsourcer actually exist? The answer is that no outsourcer consistently displays all of these characteristics across all of its accounts. However, almost every outsourcer can point to model accounts where it has established a truly synergistic relationship with its customers. How then can any customer hope to achieve this ideal relationship? Well, you can't make an outsourcer better, but here are three practical steps to facilitate an optimal relationship with your potential outsourcer.

Practical Steps for Buyers

1. Know Outsourcer Motivations

The first thing that a customer must understand is that the outsourcer also has objectives when it enters a relationship. The outsourcer operates a business, just like its customer and must make the venture profitable. If the customer expects the outsourcer to give to the relationship and gives the outsourcer nothing in return except payment for the monthly invoice, then the basis for a synergistic relationship will not have been laid. The customer must recognize that it has an obligation to help the outsourcer to be successful so that a desirable relationship can be achieved and maintained. Helping the outsourcer to grow its business with the customer should be a customer focus.

2. Perform Significant Pre-Relationship Due Diligence

The customer must also perform a significant amount of due diligence prior to entering an outsourcing relationship. The customer must check outsourcer references to get an idea as to how the outsourcer typically treats its customers.

References will also discuss whether the outsourcer brings anything extra to the relationship.

3. Confirm the Client Account Executive

The customer must insist that the outsourcer produce its client executive prior to contract signing. The customer should get to know this individual and determine whether this person will fit into the customer environment. It is important to learn about this person's previous outsourcing experience, customer industry experience, significant accomplishments and how the outsourcer will reward this person. After interviewing the proposed client executive and finding this person to be acceptable, the customer must obtain the outsourcer's written commitment to keep this person as the client executive after the contract has been signed. Some outsourcers have been known to use bait and switch tactics. They will propose an outstanding individual as a client executive before the contract has been signed and then will replace this individual after the contract signing.

A Final Note

Even if both the customer and the outsourcer enter the outsourcing relationship with the best of intentions, a lot of hard work will remain to ensure that a synergistic relationship develops. Both sides must constantly foster a team environment and look out for the interests of the other. They must work through issues and problems together and avoid finger pointing. They must each communicate business needs and engage in brainstorming sessions. With the right outsourcing framework, understanding of business requirements and commitment, the most beneficial of outsourcing relationships can be achieved.