

Outsourcing Relationship Launch

Problem

Despite the promise of significant savings and top-line value for buyers and a predictable cash flow for service providers, many outsourcing arrangements fail to achieve their anticipated results, often due to ineffective relationship management and governance. In fact, recent research — from the Corporate Executive Board, to the Cutter Consortium, to Cullen & Wilcox of the Warwick Business School — all agrees: at least 30% of annual contract value is at stake when it comes to how outsourcing relationships are managed.

In particular, experience has shown that significant value is frequently lost during the transition from contract negotiation to transition and implementation. Buyers and providers often defer detailed planning for governance and relationship management until the details of the contract are worked out, but during the hectic transition period teams are generally so busy “fighting fires” that they struggle to define clear objectives, put in place new performance metrics, and sort out changing roles and responsibilities. Unfortunately, several problems generally result:

- Key stakeholders lack a common picture of the terms and of scope of the deal, resulting in conflict and dissatisfaction
- Confusion and distrust abounds as individuals are misaligned around decision-making processes
- Lack of clarity around roles and responsibilities leads to ineffective execution and wasted resource
- Unclear metrics for measuring and tracking the value of the relationship lead to management of the arrangement to SLAs and not to true business value
- Lack of shared vocabulary, tools, and skills for problem-solving and conflict resolution, result in wasted time, dissention and suboptimal answers to problems
- Poor collaboration around an approach to change management, results in blaming and escalation, and higher costs for both buyer and provider

Solution

An ounce of prevention is worth a pound of cure. An Outsourcing Relationship Launch helps buyers and providers expeditiously align around objectives, develop key components of their governance model, and develop the kind of working relationship that is required to achieve their goals. A structured launch also equips both sides with key skills and tools for working effectively together.

An Outsourcing Relationship Launch is a scalable process that can range from a one-day working session to a series of events for different groups of people, depending on the scope and complexity of a given relationship. By the end of an Outsourcing Relationship Launch, both sides are equipped with:

- A common understanding of the key terms and conditions of the contract, and the resulting obligations of both parties
- A shared picture of both parties' business goals for the arrangement
- A set of procedural agreements that define the operating assumptions for working together
- A joint governance model to ensure that the relationship is meeting objectives and delivering value
- A set of working relationship metrics and a process for (1) assessing performance against those metrics over time, and (2) using the data to inform whether and how to make adjustments
- Methods and protocols for joint decision making, problem-solving, conflict resolution, and change management
- New skills and tools for collaboration

Outsourcing Relationship Launch

An **Outsourcing Relationship Launch** consists of four distinct components, supported and enabled by skill-building training and e-tools:

Team Briefing and Kickoff

- Briefing teams on key deal terms and scope boundaries
- Educating those responsible for implementation according to SLAs and pricing
- Developing high-level understanding of each other's goals and exploring questions of alignment
- Defining metrics to track progress towards goals

Joint Relationship Planning

- Defining a "good working relationship" for each party
- Exploring assumptions and expectations
- Clarifying relationship goals and metrics; distinguishing end-state goals and means for achieving them
- Determining measures of success to track; agreeing on means and frequency of health check

Joint Risk Management

- Evaluating what might possibly go wrong (possible pitfalls) and the implications for each party
- Developing risk management plan (prevention and mitigation strategies)
- Drafting principles to guide day-to-day interactions and handling of exceptional issues
- Drafting list of anticipated decisions and initial thoughts on decision rights and responsibilities to be reviewed and revised by core team

Applied Governance and Protocols

- Reviewing joint decision-making rights to build common understanding of decision-related roles and responsibilities
- Sharing internal decision-making rights with counterparts; briefing on timeframes for key decisions and discuss implications
- Determining corollary party-to-party communication requirements and access levels
- Defining a conflict management process

Benefits

Conducting an Outsourcing Relationship Launch results in:

- Smoother transition and implementation of newly-outsourced arrangements
- A greater ability among participants to address issues as they arise without disrupting the progress of the relationship
- Greater opportunities to uncover additional sources of value (product innovation, process improvement, cost savings, etc.)
- Increased efficiency and focus on getting the work done
- Reduced conflict, less duplication of effort and minimal loss of time

Additionally, for providers, a launch offers a way to improve the effectiveness and efficiency of the transition and to reduce the predictable costs of conflict and delay that erode margins and customer satisfaction. A launch also demonstrates a commitment to implementing governance best practices and achieving excellence in relationship management.

For buyers, a launch provides a much-needed opportunity to align expectations among internal stakeholders, clarify decision-making roles and conflict management mechanisms, and enlist providers in addressing the shared change management challenge. A launch also accelerates the path to effective governance and demonstrates a commitment to genuine collaboration.

