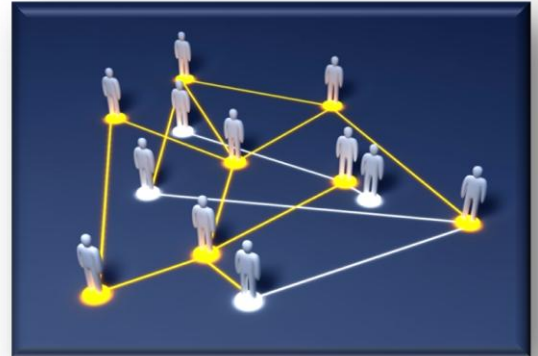


## A Successful Outsourcing Process

Few business changes combine the promise of big benefits with the risks of big problems as outsourcing.

Implemented well outsourcing can increase capacity, lower costs and give you the flexibility you need. Implemented badly, it can cost you more, stop you doing what you want and trap you in a hostile relationship.

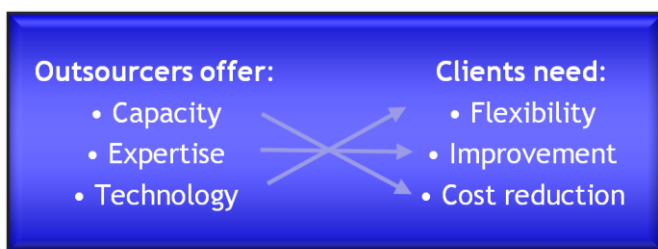
There are challenges for client organisations but there are also pressures on the supplier. Relationships can be set up well as a true partnership or doomed to acrimonious failure via an adversarial contract. In this article, Touchpoint Change's James Crawford looks at what it takes to get it right.



### The Outsourcing Process

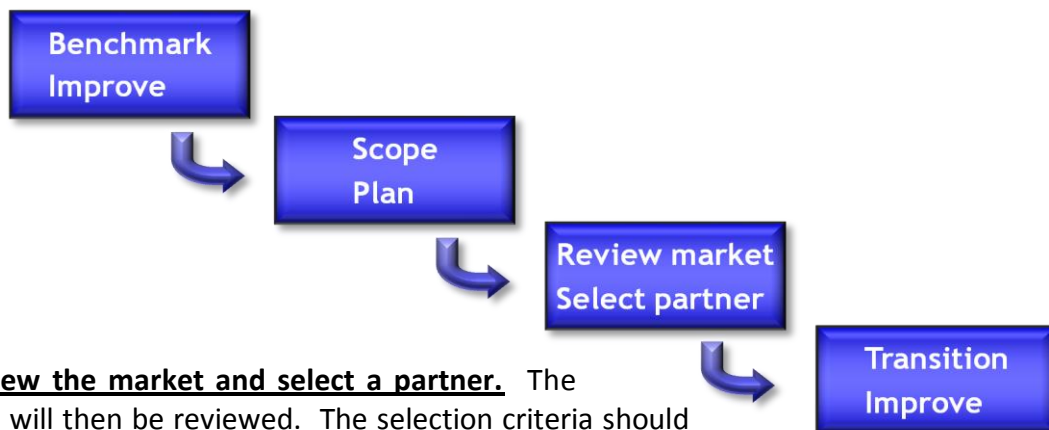
The starting point is to gain a clear view of the objectives and rationale for outsourcing. Only then should the outsourcing process start, and it should start with a period of improvement and streamlining so that the customer clarifies how the business currently works and gains some of the easier benefits prior to the contract. The outsourcing process also ends with improvement; customer and supplier working together to improve quality, reduce cost and look for new opportunities.

**1. Benchmark and start to improve.** A good place to start is to benchmark your performance against your peers or competitors or against your customers' ideal requirements. Then set objectives for improvement and drive as much as possible in-house. This will include



performance improvements, simplified processes and usually some early cost reductions. It will start to deliver some of the benefits more quickly and will give you a clearer picture of what to look for in a partner.

**2. Scope and plan the project.** The scope for a potential out-source should then be established once you have a clear picture of your own strengths and weaknesses and have developed a scope for what could be jointly delivered with a partner. A plan to achieve the target benefits and a timetable can then be set. It needs to consider the people change implications, HR regulation and include some flexibility.



**3. Review the market and select a partner.** The market will then be reviewed. The selection criteria should take note of the lessons learned from previous good and bad deals and best practice. A procurement process will then be undertaken. The process should be managed to select an effective partner, not just a cheap supplier. Experience shows that many providers are not good at working in a real partnership, despite what their sales people may say. It is important to learn the experience of their other clients and to ensure some chemistry exists between the teams that will be working together.

**4. Manage the transition and deliver the next improvements.** Managing the transition is nearly always more complex than envisaged, so be over prepared. Get some good advice and focus on the people issues as much as the contractual, process, technical and regulatory ones. Ongoing improvement to the business is vital – you should not settle for conformance to the contract. Customer needs change, business conditions change and new ideas occur all the time. Both parties must actively work together to make the contract work better and better for everyone.

**5. Develop the partnership and continuously improve.** True partnership is not always easy to establish but it can pay huge dividends. There needs to be give-and-take with both parties looking out for each other's interests. There is a cost in terms of time and effort and this should be included in the business plan.

There are many other aspects to consider and we will look at the client side responsibilities and governance in the next article.

#### Some Lessons Learned From Outsourcing Projects

- The objective is to improve the overall business – not just to reduce visible costs
- Either specify the scope very clearly, or contract for outcomes. Either way, be prepared for some unexpected 'change controls'
- Focus on the people issues before, during and after the transition
- Explore the hidden costs and delays when deciding off-shore, near-shore or on-shore
- Effective Continuous Improvement needs a partnership relationship – not one focused mainly on cost and contract

This was written by James Crawford of Touchpoint Change for **Change!** – the newsletter of Touchpoint Change Consulting. Touchpoint Change helps organisations in the private and public sectors to prioritise change, engage their people, develop good outsourcing and partnership arrangements, transform their operations and become self sufficient in continuous improvement.