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Key Moments that Make or Break Outsourcing Relationships –
Buyer Behaviors that Impact a Provider's Delivery of Services

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Introduction

In an outsourcing arrangement, decision makers at the buyer's organization look to maximize the value of their outsourcing investment. They therefore look for a service provider that not only has the requisite process, industry, and technology expertise but one that also can:

- Manage to uncertainties and minimize the buyer's risks
- Enhance the buyer's agility
- Control costs

Most buyers these days recognize that, at a minimum, they need to have a flexible contract, an effective governance structure, and service level agreements that monitor and drive desired performance.

But many buyers do not realize how crucial their own behaviors are in either enabling or impeding the provider's ability to accomplish the buyer's objectives. With this phenomenon in mind, Outsourcing Center surveyed ITO and BPO service providers regarding keys to success in their successful customer relationships.

Drawn from the 2010 Outsourcing Excellence Awards nominated relationships worldwide, this white paper presents insights from executives at 64 provider organizations that responded to survey questions asking them to describe customer behaviors that enabled the providers to deliver services efficiently and cost-effectively.

The surveyed relationships were at different stages of maturity, but the providers' responses were similar across the board and did not differ substantially by length of relationship or whether the outsourced work was ITO or BPO.

Their responses are a collection of best practices in buyer behaviors that drive a higher return on investment (ROI) in outsourcing.

Why are service providers more responsive to some customers' problems or opportunities than to other customers?

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Types of Customer Behaviors

Consider the following questions associated with enabling the desired return on investment (ROI).

- Why are service providers more responsive to some customers' problems or opportunities than to others?
- Why do providers understand some customers' needs more than others?
- Why do some outsourcing relationships thrive in a collaborative, innovative environment while others thirst for collaboration and innovation?

The answer to all three questions is that a customer's behaviors and decisions set the stage for how the parties work together. It is not unusual for a provider to have the expertise and resources to deliver on its promise but then later become constrained in doing do because of the customer's behaviors and decisions.
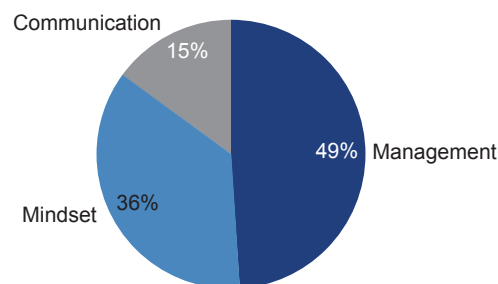
Outsourcing involves one company delivering services to another. But an outsourcing arrangement is also a hub of relationship activities and interdependencies; both parties need each other in order to achieve their business goals.

Outsourcing Center's survey asked 64 suppliers to describe their customers' behaviors that enabled providers to deliver services efficiently and cost-effectively. They cited 39 helpful behaviors as best practices. We can segment those behaviors into three categories: management, mindset, and communication.

As illustrated in **Exhibit 1**, almost 50 percent of the behaviors are tied to the way customers manage their relationships.

> "Our customer's top executives and IT management developed strong relationships and open dialog with our executives and staff at all levels, which encouraged us to do more, which then led to more collaboration. This helps us both ensure our shared vision continues to provide synergy and value."
>
> — *Service provider executive*

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Segments of customer behaviors

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Together, the three categories of behaviors form a framework that impacts the outsourcing ROI. As **Exhibit 2** illustrates, the framework's first layer is the customer's mindset toward outsourcing and toward its relationship with the provider.

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Framework of customer behaviors impacting a service provider's ability to deliver efficient, cost-effective services

"When our customer ensures proactive support from its management in providing resources necessary to execute on the strategic plan, it allows us to keep focusing on the work that needs to be done."

— Service provider executive

"Our customer treating our staff exactly the same as their in-house team makes our staff feel they are part of our customer's broader family rather than being impersonal resources. This has led to high motivation and loyalty among our staff."

— Service provider executive

Mindset Characteristics

Service providers participating in the Outsourcing Center study cited two helpful mindset characteristics of their customers:
- Treats the provider as a partner
- Takes a long-term approach

The customer's mindset forms the second layer in the framework – the management approach (see **Exhibit 2**).

Management Characteristics

The 64 providers participating in Outsourcing Center's study described the following best-practice behaviors in their customers' management behaviors, which enabled the providers to deliver better services.

Customers' management behaviors cited by more than 10 providers:
- Ensures continual strong support and resources from management
- Recognizes individual contributions of the provider's staff and establishes reward programs for motivating the provider's staff
- Builds a collaborative environment

Customers' management behaviors cited by four to eight providers:
- Takes a teamwork approach rather than working in a vacuum
- Demonstrates trust in the provider
- Demonstrates respect for the provider
- Accepts the provider's guidance on best practices in the process outsourced
- Demonstrates flexibility
- Creates an environment where working together is key to success

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Customers' management behaviors cited by two or three providers:

- Demonstrates openness to the provider's new ideas and innovation
- Does not impose unrealistic expectations or time lines on the provider
- Demonstrates support for the provider in challenging times
- Ensures a quality transition team
- Ensures the right level of decision makers for quick decision making
- Establishes meaningful SLAs that drive the desired business outcomes
- Risk-reward sharing
- Takes a continuous-improvement approach
- Engages with the provider in periodic discussions around increasing the scope of services
- Makes sure there is face-to-face time among top executives to develop the relationship
- Listens to the provider's thought-leadership ideas
- Takes a consensus-driven approach
- Demonstrates integrity and trustworthiness as a partner

Customers' management behaviors cited by one provider:

- Encourages the provider to attend the customer's strategic planning meetings in order to help ensure continual alignment between the parties
- Addresses issues on a timely basis
- Attempts to solve all issues amicably
- Focuses on problem solving rather than contractual terms
- Looks for win-win solutions to issues that arise
- Does not engage in finger-pointing
- Treats the provider's staff the same as the buyer's in-house team
- Demonstrates an organized way of doing business

Communication Characteristics

The management approach and mindset both shape the third layer of the framework – the way the customer communicates with the service provider.

The Outsourcing Center study found five communication characteristics that describe customers' behavior enabling providers to deliver more effective services, as follows:

- Provides clear statements regarding expectations
- Gives and receives feedback
- Communicates frequently and proactively
- Communicates openly and proactively to avoid the provider having to deal with surprises because of lack of communication
- Listens to understand the provider's business needs

"When our customer doesn't place unreasonable expectations or time lines on us, it gives us enough time for planning and for change management."
— *Service provider executive*

"Clarity on next steps and on the long-term roadmap as well as business strategies show us that our customer not only accepts our capabilities but also trusts us as a partner instead of a supplier."
— *Service provider executive*

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The ROI

The Outsourcing Center survey allowed the 64 participating service providers to cite more than one customer behavior. The top 10 behaviors most frequently cited were:
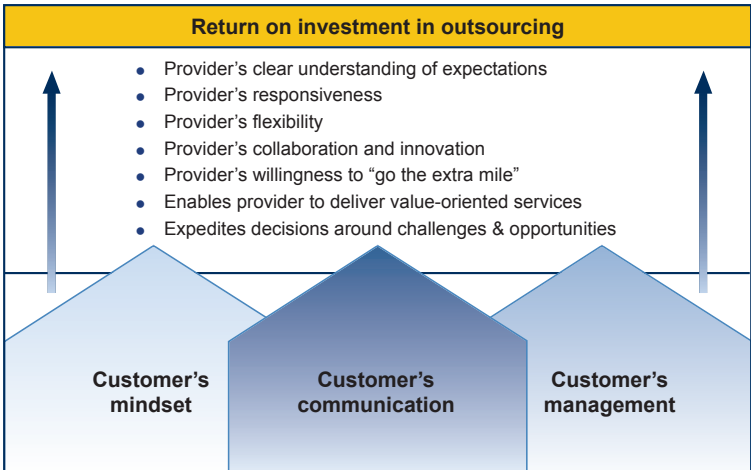
Respondents	Behavior cited
28%	Provides clear statements regarding the customer's expectations
13%	Ensures strong support and resources from management
11%	Encourages a collaborative approach
11%	Recognizes individual contributions of the provider's staff and establishes reward programs for motivating the provider's staff
9%	Takes a teamwork approach rather than working in a vacuum
7%	Demonstrates trust in the provider
7%	Demonstrates respect for the provider
5%	Accepts the provider's guidance on best practices in the process outsourced
5%	Communicates frequently and proactively
4%	Demonstrates flexibility

One of the key benefits of all the customer behaviors cited in the survey is that they enable a service provider to deliver value-oriented services. **Exhibit 3** highlights how a customer's behaviors impact the provider's ability to deliver outcomes that provide the customer with greater ROI. As the exhibit displays, a customer's behaviors are foundational to success in outsourcing and are as crucial as selecting the provider with the right expertise.

EXHIBIT 3

Impact of customer behaviors in creating greater ROI

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Return on investment in outsourcing

- Provider's clear understanding of expectations
- Provider's responsiveness
- Provider's flexibility
- Provider's collaboration and innovation
- Provider's willingness to "go the extra mile"
- Enables provider to deliver value-oriented services
- Expedites decisions around challenges & opportunities

Customer's mindset   **Customer's communication**   **Customer's management**

Summary

Enterprises have always been challenged to achieve their anticipated ROI in outsourcing. Decision makers looking to maximize the value of their outsourcing investment must be prepared to demonstrate the best-practice behavioral impacts described in this paper.

They first need to exhibit such behaviors during the contract negotiation and solution-design phase. This is where both parties need to demonstrate their willingness to take a long-term, partnering approach and where they develop the relationship governance structure for management and communication. They must also demonstrate the behaviors on an ongoing basis to sustain and enhance the relationship.

In multiple industry studies, people are universally cited as the key enablers of success in outsourcing. Ultimately, efficient, cost-effective service delivery starts with the customer's people's behavior in establishing and managing the relationship.

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About Outsourcing Center

Outsourcing Center (www.outsourcing-center.com) is the world's most prominent Internet portal for authoritative information on methods for creating and sustaining a competitive advantage; improving organizational performance; focusing resources on core competencies while obtaining resources to improve important, non-core business processes; ensuring companies get the best return on their IT investments; and capturing value in business solutions that make an enterprise-wide strategic impact.

The Center provides a wealth of free research, case studies, database directories, market intelligence, and ever-expanding content targeted to the information organizational decision-makers seek on emerging trends and best practices in outsourcing as a strategic business solution. The Center also publishes the monthly Outsourcing Journal with more than 48,000 subscribers and presents the annual Outsourcing Excellence Awards (www.outsourcing-awards.com).

About SLK Global BPO

SLK Global BPO Services (www.slkglobalbpo.com) is a customer focused, technology-driven market leader in providing Business Process Outsourcing services. SLK's deep domain and process knowledge, skilled workforce and experience in working with a Top 20 U.S. Bank, enables it to offer high-quality, cost-effective services in the areas of Retail and Commercial Banking, Cards, Mortgage, Title, Flood, and Tax services. SLK's clients in the financial services and manufacturing industries enjoy increased revenue, higher quality levels, and substantial cost savings.

SLK Global is an ISO 9001:2008 and ISO 27001certified company with world-class infrastructure and processes. A stable company with proven expertise, SLK Global is a large company with the agility of a small company. Clients also benefit from its flexible pricing model, seven delivery centers, continuous-improvement approach and customized solutions. SLK's seasoned methodologies enable partnering with customers to scale up and rapidly roll out optimized processes and provide enhanced value throughout the relationship.

Among SLK Glolbal's clients are regional banks, three of the top four title insurers, and leading logistics, engineering, and manufacturing companies.

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