

# Getting the best out of outsourcing

Not all outsourcing partnerships are the same. Getting the best results from a choice of partner demands a number of considerations

**WHEN COMPANIES SEEK** to create efficiencies in times of economic uncertainty, they will often turn to the outsourcing sector for a partner to help them achieve this.

Many rapidly discover that not all outsourcing providers are the same, and that not all outsourcing relationships have equal merit.

Many companies hit the jackpot with their outsourcing partner, achieving the efficiencies they were aiming for and establishing a platform from which they can both grow the business and give added satisfaction to their customers.

But there have been, it is fair to say, a number of headlines involving well known corporate names that have brought their outsourced operations back onshore having failed to realise all the results they wanted from an off-shore partnership.

In the worst case scenario, happily a rare one, a failed outsourcing relationship can impact not only on the image of the company that sought it, but on their standing with their customers.

The most common outsourcing mistake, it seems, is falling for the temptation of prioritising price as the prime selection criterion for choosing an outsourcing provider, even though so much proof exists that outsourcing relationships based on price so often fail to meet the needs of the companies that choose them.

Making the cost of outsourcing the number one factor to be considered when weighing up choices is plainly an instinct that runs deep – particularly in the telecoms sector. According to the CRM Outsourcing Business Trends Survey 2011, produced by consulting firm Ovum, price actually topped the list as the most critical criterion in a typical outsourcing deal, according to the telecoms firms and contact centre operations queried by the survey.

“Focussing on price first when selecting an outsourcing vendor means that you are defining quality by numbers and not by what matters most - the customer experience,” says Jeffrey Puritt, President of TELUS International, an award-winning provider of outsourcing services and the global arm of TELUS, the second largest telecommunications service provider in Canada.

“Outsourcing should be all about a business partnership, and not simply a financial transaction,” he adds. “When it is, then the result is mutual benefit, creating in turn greater opportunity to drive measurable improvements in the experience of the customer.”

It is time, says Puritt, for all those requiring an outsourcing partner, and all those providing outsourcing services, to look

for a better way to evaluate, select, negotiate and govern such a partnership.

Both parties that engage in an outsourcing deal must learn to visualise it as a business partnership, from the outset and during the course of the resulting relationship, argues Puritt.

“What does this mean?” he says. “Most decision-makers, when first considering outsourcing ask, ‘How do I work out if outsourcing is right for my business?’ But the reality is that the people who are best suited to answer that question – the operational leaders of the business – aren’t always consulted.”

He believes that many organisations make the mistake of allowing outsourcing decisions to be driven by people whose prime responsibility is finance – CFOs and other number crunchers. Such people, says, Puritt, may not be well-suited to foresee the long term risks of putting critical areas of the business – including those that impact on

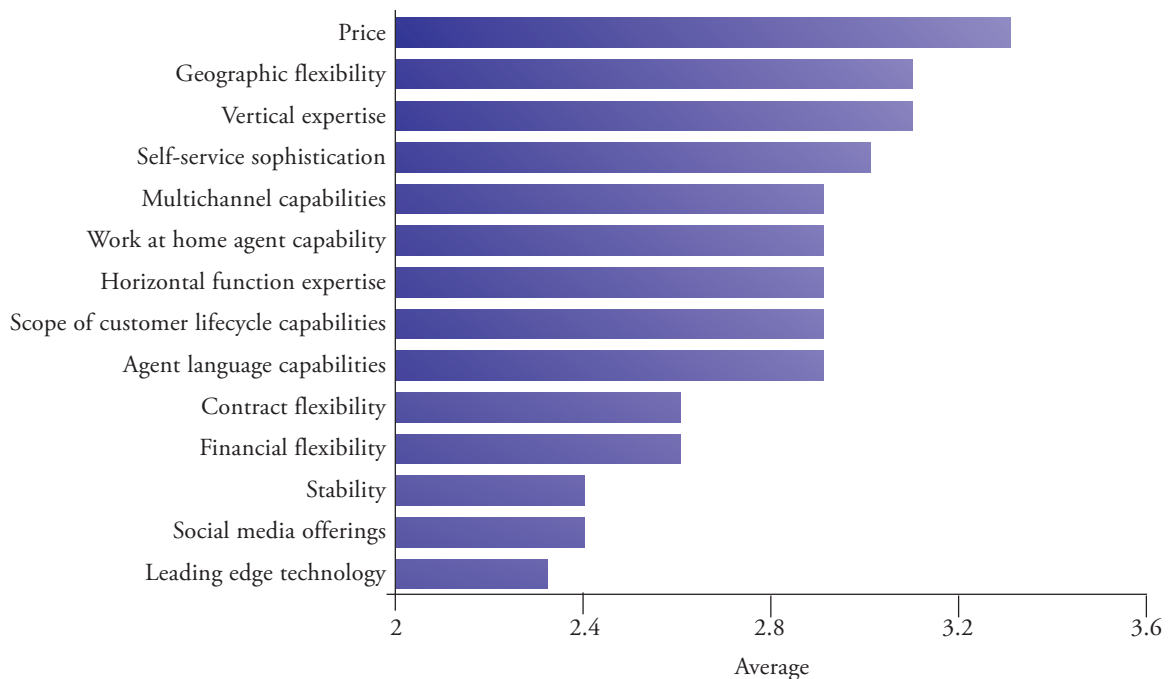


Jeffrey Puritt, President of TELUS International



## Key criteria for telco outsourcer choice (July 2011)

Whether you do or do not outsource, can you please rate the importance of the following criteria in choosing an outsourcer? (please rate 1-4, with 1 being unimportant, 4 being critical)



Source: Ovum

customers – in the hands of an outsourcer.

“Money-driven outsourcing can often be a false economy,” he says. “It can create superficial savings, for sure. At first, any outsourcing deal that comes from a price-based negotiation and selection process should make costs savings. But it can end up actually costing more – measured in unhappy customers, endangered loyalty, frustrated employees and low morale.”

Puritt would like to see a world where service excellence and customer well-being are the primary focus of outsourcing partnerships. The only way, he believes, to achieve this is for the operational and procurement arms of a business to unite and split their differences when it is time to negotiate outsourcing.

“Final negotiation should never lie solely in the domain of procurement,” he says. “Yes, procurement is a useful partner at the negotiating table, because procurement people understand the numbers and have standardised the requirements. But expertise of yet greater importance comes from operational professionals. They understand the actual business. They understand the work it does. They understand the processes it goes through every day. They understand – and this is most important of all – that the customer experience can be impacted when the status quo is changed. They know what can happen to customer confidence when this change goes wrong. Their views, therefore, must be built into the whole outsourcing process – not as an afterthought, but right at the outset.”

Good and successful outsourcing is not easy to put a price tag on, argues Puritt: “It’s all about levels of service, and the human

factor. Operational experts are face to face with this every day.”

His feeling is that the telecoms industry in particular has to work harder at understanding what he calls ‘next-generation outsourcing’ [see boxout].

“They must get better at identifying the link between performance indicators, customer contact opportunities and what customers are actually saying. This is the direction the enterprise world is heading in, and it is time for outsourcing relationships to change to reflect this new paradigm.”

### WHEN QUALITY COUNTS

“This new paradigm must start with your customers,” believes Puritt. “What is meaningful to them? What made them start doing business with you? And what has made them stay? Connect the answers to these questions to the internal key performance indicators that drive your business and you’ve turned the customer experience into a differential advantage. You can then invest time, money and resources into outsourcing initiatives that support those KPIs, and you’re beating your competitors hands down.”

With the expertise of both operational and procurement sides of the business united on the same team, the next step is to distinguish between the perception of what an outsourcing partner appears to be offering, and reality: “Perception is what they tell you, the reality lies in the on-site visits,” he says. “See their operations in action, and meet the people. Get a sense of culture and employee morale. These are all critical



## Outsourcing and the telecoms sector

"Outsourcing initiatives that are founded on price negotiations can get off on the wrong footing right from the outset – for all those involved – because they discount the customer experience," says Jeffrey Puritt, President of TELUS International.

He points to analyst firm Forrester's The Customer Experience Index 2011 which he says shows that the telecoms industry is behind a number of other vertical sectors in hitting customer satisfaction targets.

"The index takes account of

wireless, internet and TV service providers in the US, concluding that customer experience rating average 64%, 56% and 54% respectively," he says. "Contrasting with these scores, retail, the top performing industry, scored 82% in overall customer satisfaction."

The problem, believes Puritt, may be partially attributed to too many telecommunications-related outsourcing deals that are price-fixated and not customer-centric.

factors in the selection criteria."

It is important also to question your potential outsourcing partner's customer satisfaction process. How are they going to measure performance?

And what are you asking them to manage? Are you simply pushing a broken or problem process out of the door for someone else to have a go at? A process that isn't working internally is probably not going to start working externally any time soon.

"Are you asking somebody to take on a process that is specialised within your industry, or your company?" says Puritt. "It's difficult for the outsourcing industry when clients expect outsourced resources – in a different time zone, on a different continent or speaking a different language – to fix a broken process or to manage a specialised or challenging process better than your own people can."

If someone is going to prove an effective outsourcing partner, how well aligned are they culturally with you organisation? This is not something a CFO is going to judge well.

"The importance of cultural connections cannot be discounted," believes Puritt. "Culture is such a critical component of successful outsourcing, especially when you've stopped thinking of it as a price-based relationship, but as a customer experience-based relationship. Consider how you would describe your own corporate culture. Culture compatibility doesn't lie in spreadsheets or presentation decks. It's emotional, intuitive and instinctual. It's knowledge gained through interaction, conversation and observation."

From an early stage, says Puritt, it will be necessary to determine whether you and your potential partner share similar core values and common approaches: "How is work done, how is risk managed and how important is innovation? What is their business philosophy and how does it come alive in action, execution and integrity? It's not important that an offshore team mirrors your own in every detail, but where the commonalities can be critical. Your outsourcing partner should reflect and emulate the priorities that your company holds to be important for an effective and productive cultural fit to result.

Both parties are running a business. You are outsourcing as a way of growing your business, expanding your revenue and competing effectively. Your outsourcing partner has the same aims."

In the same way, he believes, risks and rewards ought to be shared: "If a process improves exponentially, as does performance and profit, you should consider sharing those productivity gains as recognition of the joint effort of two parties in achieving those results. As you gain from the efforts of the outsourcer, you should honour and respect the relationship and its significance to your business success by extending the partnership and rewarding the growth that comes from it. A partner should not be recruited merely as an efficiency tool, but as a true force for positive change."

In this article, we have put cost in its proper context as a component of an outsourcing arrangement. But that does not make cost an unimportant part of an outsourcing deal.

"To secure internal buy in for an outsourcing decision, you must be able to present potential cost savings to justify the investment," says Puritt. "Price should be one of a number of strategic goals that underlie the selection process. But the end goal of the relationship should still be mutual benefit and

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shared risk and reward. Making the investment to really know and understand each other at the outset, before the contract gets signed, goes a long way toward symbiotic growth and a satisfying working relationship."

But if your sole message around outsourcing is to cut costs and reduce headcount, then you will be setting a negative tone for your project, says Puritt: "Ultimately, you will make a price-based vendor selection, and you will probably get what you pay for. If your goal is to give customers a better experience by taking a highly functioning process and moving it to a more efficient environment, you've set the tone differently. You can then focus on collaboration opportunities, mutual benefit, open communication and culture compatibility. By having this type of dialogue, you will be pioneering the next generation of outsourcing, where clients, outsourcing providers, and most importantly, customers, benefit from a renewed focus on their experience as the core value proposition of any outsourcing initiative."

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