

Executive Summary:

This document explains the fundamental aspects of outsourcing relationship management which plays a crucial role for all enterprises which enters an outsourcing arrangement – be it on-shore or off-shore. It also covers details for each aspect of relationship management.

Why Outsourcing Relationship Management?

Once the outsourcing contract is in place and before an enterprise adopts the vendor management concept in an outsourced arrangement, some fundamental effort needs to be put in during the “settling time” to ensure that it is a win-win situation for both, the customer and the vendor. This could be accomplished by effective Relationship Management. Generally a neutral third party service which could manage the outsourcing arrangement and could make contribution to the offshore program management needs to play a crucial role for this job.

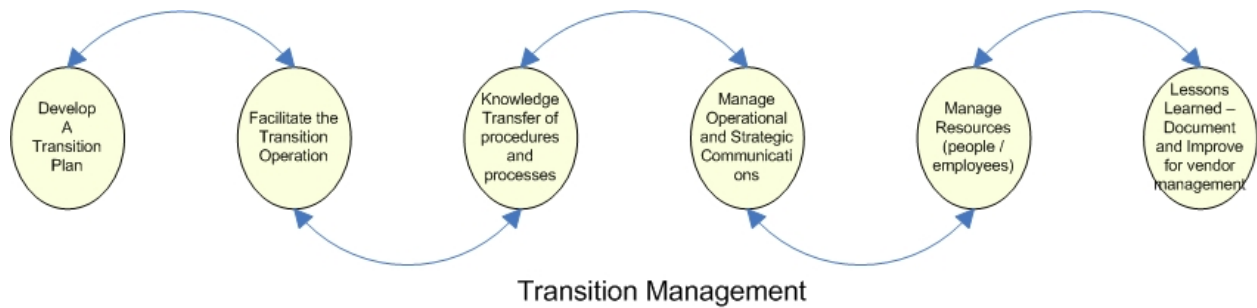
Relationship management includes four major areas:

- a) Transition Management
- b) Governance
- c) Performance Management
- d) Quality Management

Transition Management:

Despite of intensive due diligence, vendor reviews, process reviews and discussions, transition is the most complicated and difficult task once the outsourcing contract is signed. Depending on the size of outsourcing arrangement, transition may continue for a few months to a year. It includes transfer of the lowest level of knowledge and documentation for all operational tasks, functions and at times management roles. If the outsourced arrangement is an offshore team, it adds to some extra level of complexity of distant geographies, different culture and time zones. Transition management is always a cross team and cross organization function. It involves not only the vendors but also the customer and the team. The more information or knowledge the customer could document and convey, the better the vendor would be able to serve them back.

Transition management could be explained further by the following simple schematic:



Governance:

Once the transition is on track or rather streamlined, it would be the time to focus on the governance. It is more related to governing the offshore arrangement on the whole. Not just having the contractual obligations met, it includes service management, developing ongoing communication process, performance review standards and overall project management. It requires crucial feedback from the customers (on how they operate currently) and vendors (on how they interpret the operation) and involves a collaborative effort in setting up the governance model. This model eventually becomes too crucial for relationship management and the vendor office management.

The governance could be further elaborated by the following four major tasks:

Project Management	Collaboration, communication and monitoring of the vendor
Relationship Management	Managing the expectations due to loss of direct communication between stakeholders , managers, team members
Change Management	Ensuring that the processes defined during transition phase are implemented appropriately for effective handling all changes
Risk Management	Formalizing the processes related to identifying, analyzing and responding to the outsourcing arrangement risks.

Performance Management:

As the transition enters the final phase and that the governance model is almost construed, performance management is the next task which needs to be in place. As time progresses with the outsourced arrangement, the type and complexity of the contract and the sourcing alliances may rise especially in an offshore model where the business users, governance teams and the vendor teams are

in separate locations and that due to the different time zones, it almost becomes a 24x7 operation. It is indeed a challenge to coordinate changes and its communication, manage performance, track the financial metrics like ROI, ensuring the alignment of the company’s goals, contract terms and a drive to improve upon the existing processes for a long-term success. This is where performance management plays a very important role.

It includes:

Performance Reporting	Evaluating the ROI, business case of outsourcing, monitoring SLAs and overall effectiveness of the outsourcing arrangement.
Improvement	Quickly implementing improvements and adjustments based on the performance measurements to achieve some immediate near-term goals (low hanging fruits) as well as long-term goals.
Re-evaluate	Based on the lessons learned, industry trends, business requirement changes and performance reports, re-evaluate the outsourced arrangement v/s in-house activities to improve on the relationship.
Exploring Opportunities	Explore the possibility and feasibility of additional outsourcing based on the outcome of continuous performance reports.

Quality Management:

Many times, quality is the key concern on the customer’s end in an outsourced arrangement. The issues will be there irrespective of the outsourced or in-house arrangement, onshore or offshore. It may be seen that lack of quality could result into major defects which may prove costlier (in terms of dollar value and timeline) than the original problem or requirement itself. To ensure that these are avoided, a stringent quality assurance and control process needs to be in place in all offshore delivery models. For the matter of fact, it needs to be integrated in the delivery model with various quality gates before the work is actually implemented or accepted.

Based on the type of work outsourced, various methodologies like SEI-CMM, P-CMM, ISO 9001-2000 certification, Six Sigma and various SME certifications could be adopted for quality management.

It involves review, monitoring and improvement on processes from software development, coding standards, defect management, business processes, IT operational processes, communication verification of products and even including internal or external audit including a regular visit to the vendor’s site.



Appendix:

About the author:

The author, Merveille Nagarsheth is Partner and President of Systems Plus Solutions USA LLC, which is a part of Systems Plus Solutions group. Merveille has almost two decades of technology and business experience in various industries including telecommunication, consulting, and finance. He has offered his services in the areas of eCommerce, web hosting, infrastructure architecture, IT operations, Performance Engineering, handling outsourced and in-sourced accounts and relationship management. To get in touch with Merveille, please contact Systems Plus Solutions at info@spluspl.com or at +1 732-414-8943.

About Systems Plus:

Systems Plus Solutions is an ISO 9001:2000 Certified Business Solution provider with experience in developing, implementing and supporting solutions for clients in over 20 countries across Europe, Asia and North America.

We are a business solutions partner with a passion for what we do, driving business improvement through innovative, affordable solutions. We are proud of our committed team, who has a track record of delivering high quality and effective business solutions.

By offering a wide range of customized solutions through Business Consulting Services, Technology Solutions Group and Oracle Application Services (Demand Plus), we not only satisfy your needs, but also add tremendous value to your business.