

DEVELOPING SUCCESSFUL OUTSOURCING RELATIONSHIPS

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The premise to developing a successful outsourcing relationship with an vendor is understanding how to get the necessary behaviors from the vendor. The book *Influencer: The Power to Change Anything*^[1] states that research has proven "People won't attempt a behavior unless: (1) they think it's worth it, and (2) they think they can do what's required. If not, why try?" In other words, the relationship must motivate the vendor to (1) show commitment and (2) display capability in order for the relationship to be successful. Therefore, the efforts to develop and improve a relationship with a vendor should start with increasing their commitment and capability.

After many years of working in product development models utilizing outsourcing, we have found that a successful relationship with a vendor:

- (1) provides respect for all individuals,
- (2) is a partnership,
- (3) guarantees career growth and development for the employees of all groups,
- (4) is filled with managed risk taking,
- (5) and has teams with complementary and balanced capabilities.

These are the vital behaviors in an outsourcing relationships. By influencing each of these five vital behaviors, you can increase the commitment and capability of

5 VITAL BEHAVIORS IN A SUCCESSFUL OUTSOURCING RELATIONSHIP

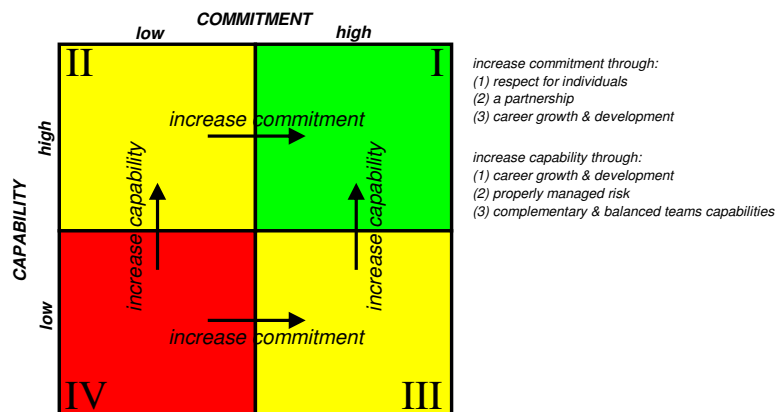
Respect for Individuals <i>(they think its worth it - commitment)</i>	Upmost respect for everybody and their opinions.
	Provide open and honest communications regarding performance of individuals (both good and bad).
	Give partners the ability to save face.
	Team members have genuine trust in each other. ^[2]
Partnership <i>(they think its worth it - commitment)</i>	Treat relationship as a partnership where all depend on each person's performance.
	Open and honest communications about the state of the business.
	Consistent, stable work that allows the vendor to invest and grow.
	Teams engage in respectful debates about critical issues. ^[2]
Career Growth & Development <i>(they think its worth it - commitment)</i> <i>(they think they can do what's required - capability)</i>	Continual development of the team and individuals through an active development plan.
	Staff locally until the vendor is sufficiently competent and then reduce local head count.
	Minimize attrition rate by showing commitment to partner's career growth and personal development.
	Develop a capable resource pool at the vendor.
Properly Managed Risk <i>(they think they can do what's required - capability)</i>	The team decides which risks to take and holds each individual accountable for mistakes. ^[2]
	Development of committed individuals minimizes mistakes and eliminates repeat mistakes.
	Allowing individuals to take risks allows them to understand risk management.
	Provide rewards and recognitions that motivates employees to innovate.
Complementary and Balanced Team Capabilities <i>(they think they can do what's required - capability)</i>	Work closely with vendor to understand capabilities of their employees.
	Balance capabilities of both teams when staffing programs (capability matching).
	Evaluate employees each year and push the vendor to deal with underperforming employees.
	The individuals are focused on using their capabilities to achieve team results. ^[2]

Influencing the vital behaviors of the vendor improves their commitment and capability which results in an increase of the relationship productivity. This concept is similar to a manufacturing production line productivity in which the utilization of the line and the efficiency of the operators affect the productivity of the team. $Manufacturing\ Productivity = (Line\ Utilization) * (Operator\ Efficiency)$ In the case of the relationship productivity, the commitment of the vendor and the capability of the vendor determines the productivity of the relationship. $Relationship\ Productivity = (Commitment) * (Capability)$

The Relationship Productivity Quadrant ModelTM visually describes this methodology of improving a outsourcing relationship after determining the commitment and capability of the vendor. In the end, the objective is to implement the 5 Vital Behavior of a Successful Outsourcing Relationship: respect for individuals, partnership, career growth and development, properly managed risk, and complement and balanced team capabilities. Implementation of these behaviors will ensure an extremely productive relationship which will result in successful programs and projects.

The maximum relationship productivity exists in quadrant I. This should be the goal for any company trying to achieve a long-term relationship. You cannot be successful over time if you operate in any of the other quadrants but it is possible to exist in quadrant II and III with a short-term relationship.

RELATIONSHIP PRODUCTIVITY QUADRANT MODELTM



^[1] *Influencer: The Power to Change Anything*, page 132, Kerry Patterson, David Maxfield, Joseph Grenny, Al Switzler, and Ron McMillan, October 2007.

^[2] *The Five Dysfunctions of a Team, A Leadership Fable*, Patrick Lencioni, Wiley, 2002.

^[3] *The Color Model, A Situational Approach to Managing People*, Ken Blanchard, Blanchard Training and Development Inc.