

OUTSOURCING

SPECIAL ADVERTISING SECTION

LESSONS FROM THE FRONT LINES

LEADING OUTSOURCING PROVIDERS AND CLIENTS COME TOGETHER IN A VIRTUAL ROUND TABLE TO DISCUSS SOME OF THE LESSONS LEARNED IN THE LAST YEAR

DAVID SMITH: We outsource about 95% of our operations. Our basic approach is that we do what we can do best or we contract the best. Our engagement with Perot Systems is not a contract-driven relationship. It truly is a partnership.

MIKE KERREY: With Old Mutual, we really focused on the knowledge and process transfer. There's no magic: it takes a lot of good processes, knowledgeable people, and a partnership where you can continually set the end goal. As you achieve each goal, you shift to the next.

GEORGE MURPHY: Like most HR departments, we began outsourcing through the benefits area. Then we progressively looked at additional areas where we could standardize an offering and remove some of the administrative detail from the work.

MARK TOON: How should companies transition from internally provided services to outsourcing?

MURPHY: The transition should begin even before you start outsourcing. You must carefully map all your processes and identify key time lines and events in advance so that you hit your date. That also will give you a flavor of how you're going to work together once you hit implementation.

TOON: How do you create alignment between the outsourcing service provider and the client?

SMITH: We set the expectation that the outsourcer is going to manage all the processes and we will govern them. I have day-to-day managers who manage the service levels and the dashboards that we receive on a daily, weekly, and monthly basis. We review the metrics in a monthly teleconference.

KERREY: It can be as simple as pricing structure. In some cases, for example, our clients pay a per-unit fee based on the work we do. If we make them successful, we end up "worth" more units. And the better our service, the faster their business grows.

TOON: How do you measure success?

SMITH: Success is based on service delivery, particularly factors like quality, timeliness, and flexibility. It was also key for us to have better pricing. All those things have been a tremendous success. Yet I've never been in a position where you can rest comfortably. There's always something new to focus on.

TOON: Governance, the process of managing the relationship on both sides, is not always handled well by clients. What kind of governance issues do you wish clients would improve?

KERREY: Becoming more involved from a strategic standpoint moves us from a reactionary mode to a true partnership. For example, with Old Mutual, we sit on a number of its internal committees. Since we're part of the planning process, we can shape the future together, instead of hearing about something after the fact.

MURPHY: If the only time you're showing up at your outsourcer is when you've got a problem, you create the wrong environment all the way around. It's best to have a process in which you discuss what's going right, proactively work through that, and get the governance model set up right at the front end.

SMITH: The bottom line is that, in order for us to be successful, the outsourcer has to be successful. We do everything in our power to make sure that happens.

PARTICIPANTS

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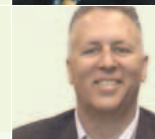
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