

# IMPROVE YOUR ODDS OF FINDING THE RIGHT OUTSOURCING PARTNER

Product No. 10049





## Improve Your Odds of Finding the Right Outsourcing Partner

### ***Abstract***

Customer contact outsourcing can be a complex and challenging task. Are you prepared to present to upper management your decision to outsource, write a comprehensive requirements document, and evaluate vendors?

This article is the first in a two-part series that will help you unsnarl the outsourcing web and put structure around the complexities of finding the right customer contact outsourcing partner. You will begin with the process of evaluating if outsourcing is right for your organization. You will learn how to construct a comprehensive requirements, or request for proposal (RFP), document that will take the subjectivity out of evaluating vendor proposals. You will find out how to align your requirements with your bid evaluation and selection process to identify best value options.

In *Snared by the Web of Outsourcing Opportunities? (Part Two)*, Product code: 10050, we'll explain why establishing and managing the ongoing outsourcer relationship is just as important as finding the right partner. And you will learn how to use the RFP process to start that relationship out on the right foot!



## Improve Your Odds of Finding the Right Outsourcing Partner

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Companies are in a quandary about customer contact outsourcing. First they find it difficult to write the request for proposal (RFP). Then they discover the near impossibility of objectively assessing the vendors' proposals. And if that's not enough, there's the small matter of managing the ongoing relationship. It wouldn't be half as bad if we were living in a static environment. But due to the volatile nature of customer contact and outsourcing, the challenge lies in understanding, adapting and managing the constantly changing web of available opportunities.

The intent of this two-part article is to help bring some sanity to this process. Rather than being snared by this outsourcing web, our goal is to use its complexity to our advantage. This two-part article describes how.

Part one of the article deals with finding the right partner. This part explores:

- why companies outsource,
- old and new outsourcing models,
- making the decision to outsource,
- critical success and failure factors in outsourcing,
- description of a RFP, and
- how to build a bid assessment model.

Part two deals with establishing (through the RFP process) and managing the ongoing relationship. Topics include:

- fee options for outsourcing,
- how to set up metrics and standards for performance,
- how to determine incentives and disincentives, and
- how to evaluate monthly performance by building an invoice model.

### Why Go Through All This?

Even considering all the constantly changing complexities of outsourcing, there can be many potential benefits. Companies typically outsource to:

- improve company focus,
- gain access to best practice capabilities,
- accelerate reengineering benefits,
- share risks,
- free resources for other purposes,
- make capital funds available,
- reduce and control operating costs,
- acquire resources that are not available internally,
- delegate a function that is difficult to manage or is out of control,
- delegate a function that is not the company's core competency,
- avoid customer contact technology investment,
- test a project,
- respond to demand fluctuation,
- provide 24-hour access for customers,

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- meet an aggressive project time frame, and/or
- implement disaster recovery / back up operations.

## *Old Outsourcing Model*

Since we don't want to keep making the same mistakes, it is helpful to review how things "were." Believe me, we've learned a lot about outsourcing since its inception. In the old outsourcing model, contracts were usually put together in haste. The outsourcer often took over a distressed situation in which performance levels were not easily agreed upon. Consequently, very few meaningful metrics and standards were defined. The outsourcer provided limited information to the company in terms of its cost for providing services, and any inquiries made by the company were often given less than immediate attention. The result was a poorly understood relationship in which both parties blamed each other for increasing levels of nonperformance. These relationships historically resulted in a win/lose adversarial type of relationship where both parties sought to win at the loss of the other.

## *New Outsourcing Model*

In the new outsourcing model, the company looks at the outsourcer as a long-term asset that is a source of ongoing value to the company. As an asset, time and resources are dedicated to managing the relationship and maximizing its value. The company's resources are held accountable for extracting value from the outsourcing relationship. The intent is to keep the relationship for as long as it brings value – understanding that over time, new parties and new alliances may need to be formed as technology and organizations change. Therefore, companies strive for long-term relationships and align the outsourcer's motivation by developing appropriate incentives and disincentives. They invest in tools that can objectively measure outsourcer performance and contribution as well as foster communication. There is interdependency between the two organizations – change in one affects the other. This way, both parties understand the cost drivers of the two infrastructures and coordinate changes so as not to drive additional costs into the process. Company and outsourcer behave as an integrated chain rather than win/lose adversaries.

## *Making the Decision to Outsource*

To make a good outsourcing decision, companies must first baseline their current performance. Making the decision to outsource is difficult and often companies base their decision on frustration rather than facts.

Metrics should be utilized to establish a baseline of productivity, quality and the costs associated with providing customer contact in-house. When analyzed against "industry norms," the results may show that a company's performance is not that far off. In addition, the baseline may uncover process improvement opportunities to eliminate many frustrations.

On the other hand, the analysis may result in the realization that outsourcing is truly a viable alternative. Having quantifiable baseline data allows a company to enter into an outsourcing venture knowing the objectives they want to achieve, the anticipated benefits, and the metrics required to measure and manage the partnership.

Second, companies need to seek a partner. The right outsourcing contract is a strategic relationship, almost like a merger/acquisition activity. It takes a lot of hard work and communication to maintain a smooth relationship. The relationship starts with not seeing it as a company/supplier relationship, but as a partnership.



Third, companies need to understand the reasons for outsourcing. Is it just a financial transaction or is the company seeking more? Is it for technology transformation? Is it for a business transformation? Once companies understand the objectives, they're in a much better position to choose their partner.

## Critical Success Factors

Even though there are many success factors in outsourcing, the vital few are listed below.

- *Pre-qualify outsourcers based on references, reputation and existing relationships.* Research shows that in many unsuccessful projects companies placed lower importance on references, reputation and existing relationships. This adds support to the growing emphasis on pre-qualifying outsourcers based on their total capabilities prior to RFP distribution.
- *Don't outsource on the basis of subjective or personal preferences or strictly on the basis of the lowest competitive bid.* As for choosing outsourcers on the basis of lowest competitive bid, any advantage is illusory. Price is only one element of total cost. Whatever is gained by low price can be more than offset by excess costs in operation and performance.

In addition, to get the most out of the process:

- Get outside expertise to help.
- Manage the evaluation process.
- Define the roles, functions and organization for the partnership before the contract is signed.
- Manage the people issues (communications, transition, points of contact for users, etc.).
- Decide up front who will be on the core team to manage the ongoing relationship.

## Critical Failure Factors

There are many factors that can contribute to imperfect outsourcing partnerships. Several of the common factors include:

- *Fixing the price and performance levels at the start of the contract and not including any meaningful mechanism for continuous improvement.* Having fixed pricing and performance at the start sets the stage for continued mediocrity and does not allow the partners to benefit from learning opportunities. Further, it sends the erroneous message that the company and outsourcer know everything up front.
- *Not addressing culture in the partnership.* Differences in company and outsourcer cultures can cause misunderstanding and distrust. Even if the cultures are mostly compatible, the two partners still have fundamentally different goals and objectives that are frequently difficult to harmonize. These differences must constantly be addressed.
- *Not allowing any flexibility in contracts.* All outsourcing contracts are based on key assumptions regarding technologies, business conditions, personnel, and other relevant issues. As soon as the contract is signed, these assumptions begin to change.
- *Underestimating the time and attention required to manage an outsourcing relationship, or worse, handing over management responsibility to the outsourcer.* If the outsourcer is given the responsibility to manage the relationship, they soon begin to operate in a priority vacuum. Service levels may deteriorate because the outsourcer's objectives get out of sync with the company's objectives.



- *Assigning a new team of people to the responsibility of managing the ongoing relationship.* These new team members may or may not understand the contract's intentions. The team that negotiated the contract needs to stay engaged in contract management.

## Writing the Request for Proposal

A RFP has two basic sections – the overview and the requirements.

The first section of the RFP is the overview section. This is where a company takes time to describe who they are, their customer contact history and the objectives for outsourcing. This section also describes the basics of the project, timeline, proposal format and submission requirements.

In the second section of the RFP the company lists all their customer contact outsourcing performance requirements. This section defines what must be addressed if the company's needs are to be met, and specifies those elements that each outsourcer should elaborate on in their proposal.

### RFP Section One: The Overview

#### *The company description*

Good customer contact RFPs begin with an understanding of the company's business. Therefore, the first section of the RFP should be a few paragraphs describing the company. Some of the questions to be answered are:

- In what industry is the company?
- What is the unique competitive positioning of the company?
- Who are the company's major competitors?
- What is the profile of the company's customers?
- What has been the company's performance over time (growth rate, stock performance, etc.)?
- How big is the company (revenues and employees)?
- What is the geographic span of the company?
- What is the company's growth strategy?

#### *Customer contact orientation*

The company should discuss its current involvement with customer contact. If no customer contact operation exists, then the company should describe its level of familiarity with customer contact and/or the level of commitment from senior management. If a contact center is operating, then the company should focus on what they find missing from the existing operation. Questions include: Does the company have an existing customer contact operation? If yes, how long has it been operating? Describe the current management team and organizational structure. What is lacking in the existing operation? What currently works with the customer contact operation?

#### *Objectives and rationale*

The company's customer contact objectives should drive the design, functionality and technology for the outsourcer. It is critical that everyone understands what the company is trying to accomplish through the customer contact operation. In considering customer contact objectives, both the company and the outsourcer need to keep in mind the intended customers and benefits to those customers.



The company should describe the purpose of the RFP. Why are proposals being solicited? What initial criteria must an outsourcer meet in order to respond? What outcome or effect does the company intend or desire from outsourcing the selected activities and resources?

In addition, the overview section might contain the following:

*Introduction*

Provide a succinct synopsis of the project, its schedules and intended results.

*Evaluation process*

What criteria will be used to evaluate outsourcers and their response? The more specific, the better, since it will help potential outsourcers focus their proposals on the items of greatest importance to the company.

*Timetable*

Provide a timetable for the overall project including receipt of proposals, outsourcer selection and implementation dates.

*Definition of terms*

It is very important that the RFP clearly define each and every term used. List the terms and provide definitions. For performance criteria or other measurements, show how the value is calculated.

*Proposal format*

This section specifies how the outsourcer proposals are to be formatted for submission.

*Proposal submission requirements*

When is the proposal due? To whom should it be submitted?

## RFP Section Two: Requirements

In this section the company defines which services and resources are requested, requirements for how they might be delivered and specific performance objectives to be met (part two of this article will describe these performance objectives in greater detail). These requirements may include:

*General approach to...*

It is important for a company to understand the outsourcer's approach to fulfilling a need. You don't want the outsourcer to simply say, "We can do it" (whatever "it" is). More important is the outsourcer's explanation of how they will do "it." The RFP should not give detailed process flows or suggest approaches since the company is relying on the expertise of the outsourcer to bring innovative, best practice suggestions to the partnership. An outsourcer's approach may be different from any approach the company had previously considered – that can be either good or bad. It is up to the company's assessment team to determine if the outsourcer's approach is an improved and viable approach.

A company may ask for an outsourcer to describe their approach to staffing, voice, and data requirements, facilities, training, quality assurance, agent-system performance, call monitoring, queue requirements, monitoring technology, measurement, reporting, standardization / partnering, and security.

*Staffing levels*

Manager, supervisor/team leader, quality assurance, trainer, support personnel, and agent.



*Staffing ratios*

Manager to supervisor, supervisor to agent, quality assurance to agent, trainer to agent, and support to agent.

*Current contracts*

Like experience in scope, like experience in complexity, like experience in duration, and number and quality of references.

*Facility*

Location, condition, layout, size, available parking, security plans, and disaster plans.

*Demographics*

Data sources identified, source reputation, skill appropriate workforce available, unemployment rate, anticipated population growth, employment competition, wage competition, market turnover / attrition rates, public transportation, and government assistance availability.

*Telecommunications*

**Site serviced by multiple central offices, diverse routing scheme, ease and cost of hookup, and providers.**

*Payment terms*

**Prompt payment discount and late payment penalty.**

*Technical*

Technical support and procedural requirements for facilities, hardware, software, support services, and support services, such as database management, information systems security, business continuity services, and quality assurance.

*Financial*

What financial issues must the proposal address? Are there specific price targets, and if so, what are they? How will the amount of services used be measured and what will the charges be? What will the charges be if the services consumed are higher or lower than what is contracted for? What options do both parties have for terminating the agreement? How will performance levels be measured? Which services will be billed on a usage basis and which will be passed through directly? How will the bill be structured?

*Personnel*

Is the outsourcer's proposal to address any personnel issues? For example, is the outsourcer expected to hire the company's current staff and or assist with outplacement?

## ***Developing a Bid Assessment Model***

Once the RFP is written, a company can then develop a bid assessment model. The purpose of a bid assessment model is to enable the company to objectively assess each outsourcer's response to the RFP. The bid assessment model mirrors all the criteria outlined in the RFP and evaluates each outsourcer's ability to meet or exceed each requirement.

In the bid assessment model, individual items from the RFP are weighted to indicate their relative value to the company. For example, let's say a company has a section in their RFP describing bid conformance





requirements. Each item under the bid conformance section (e.g., length, content, format, and timeliness of response, etc.) is given a weight. The higher the weight, the more important the factor is to the company.

To better understand, let's look at the bid conformance example below.

	Supplier #1	Supplier #2	Supplier #3	Supplier #4	Supplier #5
<b>Solicitation Response Evaluation</b>					
Length (10%)	Meets	Meets	Deficient	Meets	Meets
Content (30%)	Exceeds	Deficient	Deficient	Meets	Deficient
Format (10%)	Exceeds	Meets	Meets	Meets	Deficient
Timeliness (10%)	Meets	Meets	Meets	Meets	Deficient
Number of Copies (10%)	Meets	Meets	Meets	Meets	Meets
Supporting Documentation (10%)	Meets	Meets	Meets	Meets	Meets
Required Attachments (10%)	Meets	Meets	Meets	Deficient	Deficient
Appropriate Signatures (10%)	Meets	Meets	Meets	Meets	Meets
Other (0%)	N/A	N/A	N/A	N/A	N/A

In this example, the fictitious company is assessing eight factors for bid conformance. The eight factors are length, content, format, timeliness, number of copies, supporting documentation, required attachments and appropriate signatures. The company has assigned each factor a weight indicating the relative importance of each item to the company. Content is the most important bid conformance criterion since it is the most highly weighted factor (30 percent). All other items were equally important, since each factor was weighted equally at 10 percent.

Once the weighting is complete, the company must define and document the criteria for scoring a meets, exceeds, deficient and NA. Then the team must calibrate to this definition so that all proposals are scored the same way. This calibration ensures consistent scoring for all submitted proposals.

Along with defining the scoring criteria, the team must also assign a point value to meets, exceeds, deficient and NA. This point value is used in the model to calculate the final proposal ranking.



## Using the Model

Once all individual items have been scored for each outsourcer's proposal, the assessment model rolls the scores into a summary and returns a ranking of all proposals. Once you have built your bid assessment model the summary may look like the following.

Category	Section	Supplier	Supplier	Supplier	Supplier	Supplier
Weight	Weight	#1	#2	#3	#4	#5
<b>Capabilities Assessment</b>						
	50%					
Solicitation Response	5%	1	3	4	2	5
Understanding Requirements	35%	4	2	2	1	5
Management Team / Staffing	20%	1	3	2	5	4
Past Performance	15%	1	3	5	1	3
Operations Quality Review	15%	2	4	3	5	1
Supplier Capability	10%	2	3	FAIL	1	4
Other Factors	0%	N/A	N/A	N/A	N/A	N/A
Weighted Score	100%	2.3	2.8	FAIL	2.45	3.8
Proposal Rank		1	3	N/A	2	4
<b>Infrastructure Assessment</b>						
	25%					
Technology	5%	1	3	4	2	5
Facility / Location	35%	4	1	FAIL	1	3
Demographics	30%	1	2	4	3	FAIL
Telecommunications	30%	1	3	4	1	FAIL
Weighted Score	100%	2.05	2	FAIL	1.65	FAIL
Proposal Rank		3	2	N/A	1	N/A
<b>Financial Assessment</b>						
	25%					
Base Contract Pricing	25%	3	4	5	2	1
Option 1 Pricing	25%	3	4	5	2	1
Option 2 Pricing	25%	2	4	5	3	1
Option 3 Pricing	10%	2	4	5	3	1
Option 4 Pricing	10%	2	4	5	3	1
Option 5 Pricing	5%	2	4	5	3	1
Weighted Score	100%	2.5	4	5	2.5	1
Proposal Rank		3	4	5	2	1
<b>Total Weighted Score:</b>						
	100%	2	3	N/A	1.75	N/A
<b>Overall Bid Assessment Rank:</b>						
		2	3	N/A	1	N/A

As you can see from this summary, outsourcer number four is the company's first place winner with outsourcer number one coming in second. Based on their detailed RFP and objective bid assessment, this team can now confidently make their final recommendation for their outsourcing partner.



## Conclusion

If you feel that the web of outsourcing opportunities has snared you, don't despair. Take the steps outlined in the first part of this article by investing in a comprehensive RFP and bid assessment model. Response Design's model (Make Your Case - Selecting the Best Fit Outsourcing Partner™) will help you forge new partnerships with confidence!

And don't miss part two, where we'll untangle even more of the complexities of how to better manage the ongoing relationship. Remember, finding the right partner is a good start but there is much more required to ultimately enjoy your outsourcing decision.

Kathryn Jackson, co-founder of Response Design Corporation (RDC) and call center expert helps professionals get more from their call center. Response Design is the how-to source for integrating the call center into the customer relationship. Its independent consultants use call center web seminars, contact center consulting, call center tutorials, call center benchmarking, world class customer service articles, and best-in-class customer service practices to ensure you get the most from your call center investment.

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