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END OF CONTRACT – NOW WHAT?

14 Steps to Assessing Governance and Defining a Renegotiation Strategy

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Renegotiation is also a perfect time to focus on governance and the relationship, and how to revise both the governance exhibit and operational processes in the next phase.

At the end of an outsourced services contract clients benefit from hindsight when determining whether to continue with the incumbent provider or make a change. Renegotiation presents an ideal opportunity to address sources of dissatisfaction. However, rather than assume the service provider is at fault, clients would be well-advised to consider that they might share responsibility for some of the relationship's problems.

Renegotiation is also a perfect time to focus on governance and the relationship, and how to revise both the governance exhibit and operational processes in the next phase. A "back to basics" conversation will provide appropriate thoughtful introspection to help the whole service delivery and governance team.

In the cut-and-thrust of daily services management, identifying the underlying problems in services relationships can be difficult. Root causes are often related to lack of process, attitudes (on both sides), a need for different measures (service levels often don't really tell the story), and frequently, the need for different kind of executive engagement.

This ISG white paper identifies fourteen keys to governance success and sets a framework for an internal discussion aimed at identifying strengths as well as opportunities for improvement in the relationship. Presented as an open-ended survey, the questions posed aim to identify key issues honestly that must be addressed from all levels, starting at service delivery and up to executive leadership.

1. READ AND KNOW THE AGREEMENT

- Did you place emphasis on your team knowing the contract deeply?

- Was your team comfortable when the contract had to come out to clarify things between you and your provider?

- Did you create a Deliverable Tracker to manage deliverables, or something similar?

- How well did your team respond when the providers said, "That's not in the contract"?

- Does the contract fit your business needs today?

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2. KNOW THE CONTROLS FOR PERFORMANCE

- Are you looking at more than service levels?

- Do you know how to change the delivery without having to renegotiate the contract?

- Do you understand what the provider's reaction will be if you ask for specific changes?

- Are you living with watermelon service levels? (Green on the outside, red on the inside).

3. PLAN TO CHANGE – IN EVERY WAY

- Is your service delivery team treating the provider's people like employees, and giving them detailed directions?

- Has your stakeholder community understood that expectations from a service provider's services have documented parameters?

- Do your executives know to ask for a true balanced scorecard with regard to the services, or are they just focused on service levels?

4. ENSURE GOVERNANCE PROCESS CONFORMANCE

- How many formal processes did you create in the beginning?
  - Governance meetings, issue management, contract change management, invoice validation, service delivery management, customer satisfaction, etc.?

- Are they still in place? Do they generate meaningful data that contributes to your Balanced Scorecard?

- Can you tell if you are growing in service management and governance capability from your metrics?

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5. FORGET "HOW" – FOCUS ON "WHAT"

- Is your service delivery team still telling the provider exactly what to do?
- Do your metrics inform you as to whether the contract is being fulfilled by your provider?
- Has your provider given you a Service Operations Manual that tells exactly how they are delivering?
- If they have, do they update it annually?
- If you had to go to a new provider, do you have the information you need about the services to do that?

6. Does your relationship with your provider allow for complete objectivity in the evaluation of the services?

- Does your team treat the provider as a colleague, and forgive failures as they would an internal service organization?
- Is your team fair to the provider when things go wrong?

7. SEEK AND MEASURE FOR CONTINUOUS IMPROVEMENT

- Do you measure for continuous improvement? Does your team know how that might be done?
- Do you evaluate your own capability in governance? Do you know what metrics you need to tell you if you are improving over time?

8. KEEP WORK STANDARD – AVOID CUSTOMIZATION

- Has your team been able to keep to standard process?
- Do you have discussions with your provider on price when you introduce customization?
- Have you been able to manage stakeholder demand for customization with price and charge back discussions?

9. RATIONALITY & REPEATABILITY – ON BOTH SIDES

- Is the relationship between your team and the provider calm and rational?
- Do you interact in the same way with your provider team each time, or do you have various different ways that your team behaves – for example, one time based on process, another time by back door or emotion?
- Are your provider's responses rational?

If you had to go to a new provider, do you have the information you need about the services to do that?

Is the relationship between your team and the provider calm and rational?

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- Are you satisfied that both your leadership team and the provider's have the right mix of skills and personality traits to effectively manage the services and relationship after observing the first contract period?

10. DOCUMENT AND COMMUNICATE

- Do you have a robust governance library?

- Would your legal team agree that you have adequate documentation to take legal action if you encounter a difficulty with the provider?

- Do you have a means to communicate the state of the services to your internal teams and stakeholders?

- Do you have a method to communicate with your service provider's team (positively) about the relationship and services?

11. CELEBRATE GENUINE SUCCESS

- When the joint teams have a success, do you celebrate it in some way?
  - Party, commendation, reward (non-monetary).

- Do you set up projects with the expectation of a celebration of success at the end?

- Does your provider management team understand the importance of team building in the relationship?

12. TAKE RESPONSIBILITY

- Do your team members "own" problems they discover and work them through to resolution?

- Do your provider's team members "own" problems they discover and work them through to resolution?

- Does each and every person in the engagement understand the critical importance of their role to the success of the overall service delivery and relationship?

13. ENSURE BUSINESS STAKEHOLDERS ARE ON BOARD

- Do your stakeholders routinely:
  - Talk about "your crappy service provider"?
  - Talk about the great service they get from the provider?
  - Don't talk about the provider at all?
  - Blame you personally when things go wrong?
  - Go over your head to higher executives to complain?

- Do your stakeholders follow processes you have put in place to work with the provider, or do they disregard them and do what they like?

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14. BE A TEAM; MANAGE THE RELATIONSHIP

- Do you make time to manage the relationship at the various levels?

  - Service Delivery.

  - Governance and Invoicing.

  - Executive-to-Executive.

- Do you ensure that the Service Delivery level knows what is going on at the Executive Level?

- Have you created a culture of engagement and good relationship with the provider teams?

POTENTIAL OUTCOMES

Addressing these key questions can benefit all stakeholders and yield a more positive outsourcing relationship, which opens the possibility for improved services and even potentially innovation. Potential initiatives that a self-examination can lead to include a revamped approach to internal governance and to Balanced Scorecarding to track improvement over time (in both your own governance capability and maturity, as well as the provider's services); a re-engagement with the executive management team on enhancing their role to ensure that the provider is prioritizing appropriately; an updated organizational change management strategy; and a focus on updating and/or documenting business processes so that they are better understood across the organization.

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Cynthia brings 25 years of experience helping clients develop their sourcing governance and service management design. Having worked with more than 50 organizations to improve business management and service management processes in both single-provider and multi-provider environments, Cynthia has become a recognized expert in sourcing governance, vendor and contract management. She currently serves as the architect for ISG's service methodology and global integrator of its products and services. Cynthia works to leverage ISG's accumulated intellectual property resources to help enterprises create effective transformation and governance capability, and maintains a continuing role in the Strategy and Organizational Change Enablement practice.

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