

The Seven Habits of Highly Effective Outsourcing



Introduction

Steven Covey's book, "The 7 Habits of Highly Effective People" has been a touchstone for business executives for more than 20 years. Covey's principles can apply to virtually any setting, and provide a framework for establishing and running a successful business operation. The timeless principles espoused in the book can be applied to the outsourcing industry, effectively serving both sides of the equation, the service provider and the customer.

Businesses outsource many operational functions (i.e., Accounts Payable, Order Processing, Customer Service, Information Technology, etc.), allowing other firms, typically in offshore locations ranging from Asia to Latin America, to do these activities in place of their own employees. The objective is to gain high productivity at a lower cost. However, establishing a successful outsourcing operation is not a simple process. It requires a commitment of both parties, as well as strong communication between them.

So, with a nod to Mr. Covey, here are the Seven Habits of Highly Effective Outsourcing:

1. Be Proactive: Take Initiative And Be Responsible For Your Actions

A business needs to decide, "Is outsourcing for us?" If the answer is "Yes," then it must realize that outsourcing is a process and commit to it. This requires both parties, the business and its service provider, to be actively engaged with each other from the beginning, when the processes and operating model are being defined; during transition, when both parties need to agree on the timing and "rules of engagement"; and during production, when there needs to be ongoing communication and support. Strong executive sponsorship is a key to a successful outsourcing relationship.

The Service Provider needs to be accountable to its service levels and performance requirements. If a client's processes are inefficient, the outsourcer must take the time and effort to make them better. Taking over bad processes without a vision to improve them is just continuing a cycle of ineffectiveness. Or, as my 6th grade teacher used to say, "Good enough isn't."

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2. Begin With The End In Mind: Understand What You Are Trying To Accomplish

Is this about cost savings, efficiency, performance improvement, compliance? All of the above? Both parties need to go into the engagement with pre-defined goals that are realistic and measurable.

3. Put First Things First: Prioritize, Plan And Execute

The transition to outsourcing requires careful planning and communication. Businesses need to communicate to the organization exactly what is going on, so that its

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employees understand how it will work and who will be affected. It's not just about the employees who are losing their jobs, but the departments and functions that will interact with the areas being outsourced. How will the new functions work, where are the "hand offs", and how will issues be communicated and resolved?

4. Think Win-Win: Strive For A Mutually Beneficial Engagement

This is the cornerstone of an effective outsourcing relationship. Both parties need to get what they need from the engagement. The customer needs high performance at a lower cost. The service provider needs a reasonable margin to deliver the expected results. Doing this "on the cheap" does not benefit either party. In the end, you get what you pay for.

5. First Seek To Understand, Then To Be Understood: Create A Positive Atmosphere Of Trust And Respect

It's all about expectations and communication. Setting proper expectations is critical to a successful outsourcing relationship. Both parties are partners in this relationship, and open, frank communication is integral to its success.

6. Synergize: Work Together To Ensure Success

There will be issues that you can count on.

Understanding their root causes and addressing them collaboratively will help to ensure that problems are resolved quickly and effectively.

7. Sharpen The Saw: Balance And Renew Your Resources

In Covey's view a work/life balance is important to create a sustainable and effective solution. The same applies to outsourcing. Attrition is a common issue facing many outsourcing firms. This disrupts both the service provider and the customer, through lost production, lost revenue and diminished customer service. Valuing and investing in your team, not overworking them, and having them be part of the solution will create a positive, sustainable team environment.

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In the end, a successful outsourcing relationship is a true partnership that epitomizes the axioms that Covey promoted, with common sense, communication, respect and trust at its center.

Done correctly, the operating environment that results will be an extension of the businesses that created it. If both parties go into the enterprise with the goal of creating a positive working environment, a strong and effective partnership will emerge. And that, more than anything, will bring the value that both parties are seeking.



About the Author

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Auxis is a management consulting and outsourcing firm with a proven track record of delivering high-value results. The firm specializes in helping organizations develop the strategies and business infrastructure to support long-term, profitable growth. Auxis practices a multi-disciplined approach, delivering practical, robust and scalable solutions that generate superior business performance for our clients.

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