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MANAGING **PARTNERSHIPS**

An Introductory Guide to developing successful and sustainable managed service partnerships in the digital economy

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1. INTRODUCTION

This guide provides a framework to help service providers build sustaining relationships and partnerships with other providers – an increasingly important aspect of delivering digital services as the digital economy mushrooms into a complex ecosystem.

In the past, service providers (especially communications service providers – CSPs) typically owned and operated their own infrastructure, developed their own services, and managed the customer relationship directly but, increasingly, services comprise different components from many types of providers who have to collaborate to provide an end-to-end service. This is driving the need for ever-closer relationships in the digital ecosystem as the level of dependency on each party is continually rising. Unfortunately, many of these relationships fail to run as smoothly as intended, and many companies are in the process of learning new skills and competencies to manage these relationships. This guide is designed to help share learning and best practices so that problems can be minimized.

Outsourcing and managed services have long been used by companies to address their tactical operational needs including cost reduction, increase execution efficiency, gain access to additional skillsets, or supplementing resources during transition or transformation. The digital world is accelerating this global trend and shifting company strategies to disaggregate into focused and specialized units that provide services to other parts of their own company and to third parties. The types of service being sourced in are no longer just ancillary support services like office cleaning or catering or internal support services like Information Technology, Human Resources administration, or Finance but increasingly differentiating and strategic parts of a company's business.

As digital services mature from 'best effort' types of consumer services to enterprise-class and mission critical capabilities, the focus on reliability and service assurance rises as failures can have catastrophic impacts on the user and/or beneficiary. Yet at the same time, more sophisticated services need the skills and competencies of multiple parties working together to provide the end-to-end solution. The challenges presented by rising service complexity and customer expectations are made even more difficult when service delivery is dependent on multiple parties. As a result, complex ecosystems are being established with relationships between the parties becoming increasingly strategic in nature, leading to the need for close partnerships – far beyond traditional buyer-supplier arrangements.

A core competency for dealing with third parties is the ability to recognize the right type of relationship to use to engage third parties, and, for the digital world, there is a greater emphasis needed on the selection and successful management of partners to whom you can entrust your own brand and customer experience and they yours. In all relationships, but more visibly in partnerships, blaming or being blamed will not save anyone's reputation with customers because you have engaged in the relationship and all remain responsible to ensure that the customer experience at the very least meets expectations.

This guide garners experience and expertise on how to successfully manage outsourcing, managed services, and partnerships, to help move the entire industry forward and to help ensure that the level of competency within the industry worldwide continues to rise. Often this experience and expertise has been borne out of some missteps or disasters – there is no better learning place than actually having done it. As an open organization with nearly 1,000 member companies in almost 200 countries, TM Forum would like to continue to gather experience and expertise from readers and members to share with others to help foster a truly open digital economy.

About the Authors:

Keith Willetts has been leading the change of the communications industry from his many roles within operators and suppliers. As the founder and Chairman of TM Forum, he is in a good position to both observe and influence trends in the industry. His recent book, "Unzipping the Digital World," espoused the changes that service providers need to make to remain relevant and the recognition that they are increasingly dependent on an ever-increasing ecosystem.
The ability to effectively partner is one of the foundations for their future success.
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Mary Whatman has been engaged in the negotiation and implementation of the various forms of managed services and outsourcing for over 25 years both on the side of the CSP (for 3 Tier 1s) and on the vendor side. With the change in roles of the CSP in the new ecosystem-based digital economy, Mary has been championing with CSPs globally a drive towards an enhanced partner-based model to enable the CSP to not only remain relevant but to thrive.
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2. MARKET DRIVERS

As the digital economy evolves, it is increasingly being built on an ever-growing and progressively more complex ecosystem of collaborating service providers. These providers deliver a wide range of functions such as connectivity, processing, storage, applications, and content as well as enabling capabilities that manage those services such as authentication, security, billing, customer care, service aggregation, and so on. This is a service-oriented world where companies focus on what they do best while others provide many of the other capabilities they need to run their business and provide services to their customers.

In this business model, the end user sees the net sum of all of the component services in the ecosystem, which are strung together to deliver the solution that the user needs. This approach is considerably more challenging than a traditional service provider that may own and operate all of the technology required to deliver a service. It requires clear business and technical 'trading relationships' across the 'borders' between these providers so that the overall service can work as a harmonious whole and deliver the desired solution to the end user.

Digital services are already well established in consumer markets, and enterprises are increasingly turning to cloud-based managed services in preference to running their own solutions, applications, and infrastructure. This move into the enterprise sector increases the operational challenges as enterprise customers are critically dependent on these services to run their business, so they demand a well defined relationship model with an emphasis on a solid service level agreement and guarantees from their providers. That provider in turn is dependent on their ecosystem partners – after all, their brand and reputation is at stake if other providers in the chain fail to meet expectations, so the relationship between them becomes increasingly strategic in nature.

The digital world is creating many winners and losers. These include communications service providers that are facing significant competition on their traditional services and consequently seeking new offerings for their customers and new uses for their assets. To do that, they are increasingly building relationships with providers of innovative services in specific domain skills who can help them move into various markets much faster than they could by organic growth alone.

Managing relationships with other providers and delivering quality services end-to-end across a complicated ecosystem is a core competency for success in the digital world. The problem is that culturally, many big companies aren't good at it because they are used to dominating relationships and 'calling the shots'. That's a significant disadvantage in the digital world: successful and sustaining relationships are an essential factor because you rely on others and they rely on you in an ecosystem.

There are three primary types of relationships with third-party service providers – outsourcing, managed services, and partnerships – and we will examine these in more detail in the next section. While these terms are often used interchangeably, each has different aims and needs different ways of managing the relationship. Big companies, which have been in a dominant position over a long period of time, are more capable in outsourcing and managed services type relationships but often struggle with partnerships because they have been in a leadership position and are used to dominating the companies that supply them.

Their culture of using their size and market power to demand the lowest possible price and onerous supply agreements often runs deep and are the main causes of problems when structuring partnerships because these need to be equitable if they are to be sustainable. Another reason is almost everyone in the ecosystem is simultaneously both a buyer and a seller, and most are not used to this peer-to-peer relationship. In a partner-oriented world, the role of the procurement department needs to evolve significantly.

For communications service providers, the approach to providing services in conjunction with others is not new – after all, they have been providing international communications services in a federated business model for decades. However the relationships between correspondent providers are fairly arm-length: the level of interaction across the 'trading borders' is usually regulated and limited to basic interactions such signaling connectivity and financial settlements between the parties with no end-to-end management of the customer experience. CSPs have also implemented outsourced or developed managed services relationships for processes and services like IT, Finance, Payroll, and HR but these, too, do not follow the definition of partnership.

In the digital world, services are much more complex, user expectations are higher, change is more radical/dynamic, and the global nature of the market is infinitely greater – applications, data, and content can be on any server anywhere and the user may appear from anyplace. All parties are new to managing this kind of dynamic, global, and complex world but some learn faster than others. There seems little doubt that being able to manage complex partnerships seamlessly for the benefit of the user, to deal with the constant change, and to keep operational costs within sensible bounds is going to be a key weapon in the armory for aspiring digital services players.

2. MARKET DRIVERS

We are seeing numerous new business models arise – for example infrastructure providers offering 'white label' services to third parties who brand it as their own and add value, such as Amazon's Whispernet brand. An aggregated services provider may open an application store or provide vertical sector services for home security, health, wellness, education, smart communities, and more. A network provider may also decide to provide other types of solution services; infrastructure services, such as cloud computing; differentiated quality of service or storage, often in conjunction with partners, to offer a full suite of capabilities. Further expansion to offer global services would also be a likely course through either acquisitions or further partnerships with other infrastructure providers.

Many players will simultaneously be users and providers of outsourcing, managed services or partnerships as companies expand their digital service portfolio and rely more and more heavily on third parties, thus we will see an increasingly complex 'value web' of ecosystems emerging. Many companies may become new service providers in the digital world, particularly large enterprises such as banks, insurance companies, or governments who could become managed services providers as well as users. This duality of both user and provider is interesting, and those that succeed will have mastered the art of how to thrive in a world where you never quite know what the value chain will look like tomorrow.

There are numerous reasons why you might choose to use one of these approaches – for example allowing you to focus on your core business or access to new solutions, technology, knowledge, talent, or operational expertise. These approaches can also help by being a catalyst for change, for example by helping drive innovation; restructuring the cost base; improving quality; helping to reduce time to market; and smoothing your path towards standardization. They could also offer better risk management, greater access to venture capital, and tax advantages. Choosing the right approach to address the business challenge or opportunity is critical.

For years, the catalyst to use outsourcing or managed services was to exploit geographic labor arbitrage but this has rapidly become out of date. This is especially so when you place highly customized requirements on your partner – the more they have to customize their approach for you, the more it costs them, so the more it costs you. Getting involved with how the partner performs a function is generally not a good idea – they may do it differently than you but what really matters is the results they deliver and how the managed services partner's processes and culture interact with yours for seamless delivery.

Thinking about using outsourcing or managed services just as a convenient way to cut costs usually ends in failure. If it is possible, then all well and good, but remember lowest cost may mean lowest quality and least flexibility. Your priorities should be focused on what you need within your company to meet your strategic goals like gaining competitive advantage, enhancing the customer experience, gaining agility, flexibility, and sustainable, operational efficiencies, so providers should be treated as you would any other critical part of your service delivery model and ideally become close, long-term partners.

3. PARTNERSHIPS, MANAGED SERVICES, AND OUTSOURCING

In Section 2, we introduced the terms outsourcing, managed services, and partnerships. These are often used interchangeably, but there are important distinctions among them: they vary in the business drivers, the closeness of the relationship, the degree of mutual dependency between the parties, and the ways of managing the relationships. This section reviews some of these differences and discusses different approaches that may be needed to manage them successfully.

Whichever type of relationship you intend on building, the good and bad experiences of others who have gone before you can be a goldmine of information about what works and what does not when defining best practices. This guide draws upon many of those experiences, and the collaborative and knowledge sharing nature of TM Forum means that this guide will be further enriched as people around the world add their expertise. This knowledge is highly transferrable to the digital world in how best to use managed services and to develop partnerships to provide the best customer experience, whether a provider is extending or expanding its capabilities.

Figure 1 shows some of these key differences among the 3 types of relationships:

Outsourcing (as opposed to in-sourcing or 'doing-it-yourself') is an approach best used in non-critical or highly commoditized situations. It is often an arms-length relationship and belongs to a world of business models where one party dominates in the relationship and the balance is stacked in favor of the buyer.

For many years, the value of most outsourcing contracts was based on exploiting arbitrage in labor rates by employing people with lower wage scales in emerging economies to assume functions and positions within a buyer's company. Many manufacturing jobs moved around the world along with service functions such as IT, HR, Finance, and call center management.

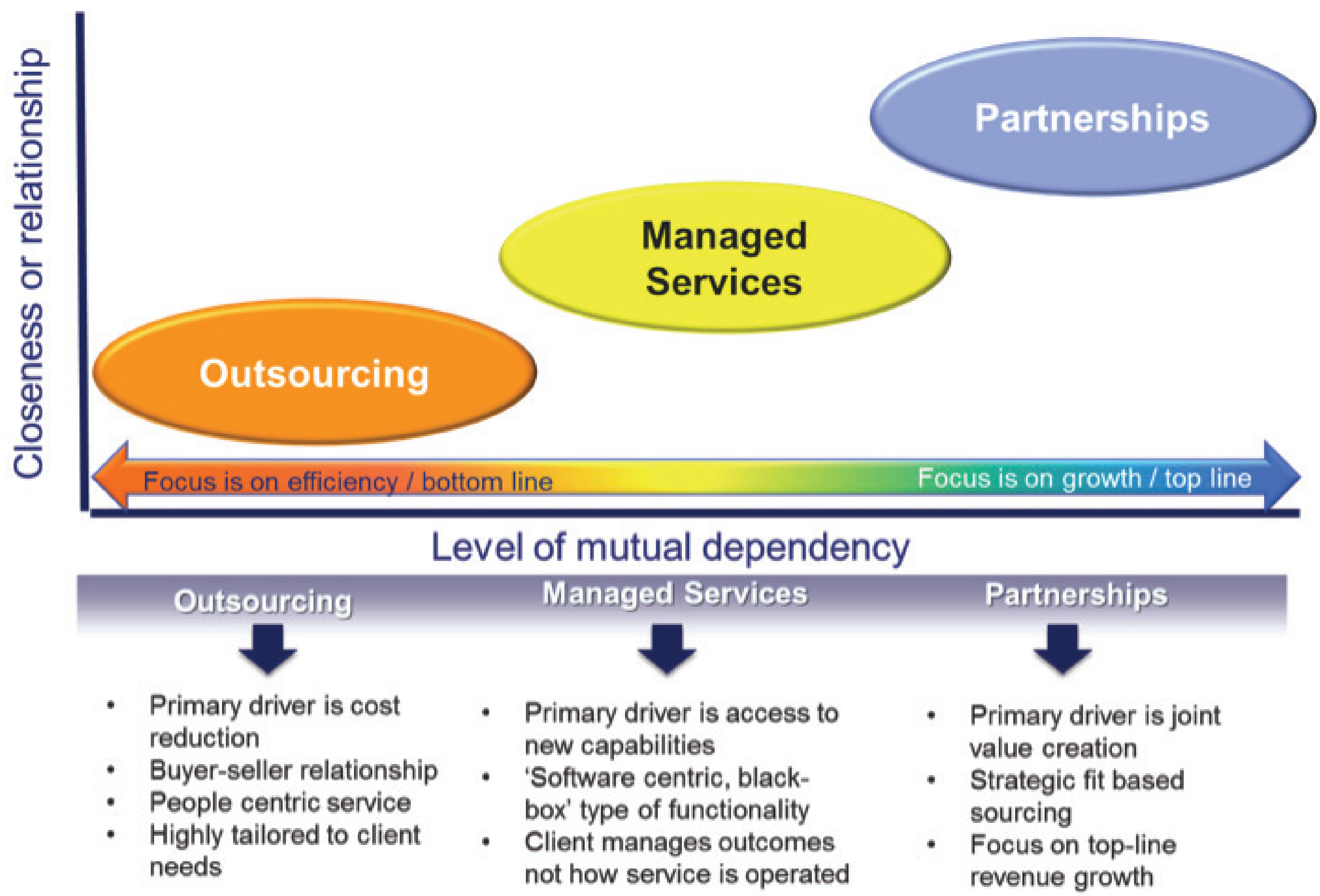

Figure 1: Relationships and dependency

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This practice generated a lot of negative political debate and public opinion and has tainted the term outsourcing.

Added to that, a lot of outsourcing contracts have not lived up to their long-term promise, and many people have their favorite outsourcing horror story. All too often, the problem has been just as much with the buyer of an outsourcing service as with the supplier. In any event, outsourcing does not address the problems that buyers tried to transfer to another in the hopes that they would solve them. The adage is true: You cannot outsource your problems.

But we can learn a great deal about how to manage business relationships from looking at the outsourcing market, especially to take stock of why some outsourcing deals work well and why others fail. The promise of outsourcing makes a lot of sense, ideally allowing companies to concentrate on their core competencies while leveraging someone else's better skills, geographic location and/or economies of scale. After all, why run the staff dining room or your own vehicle fleet when somebody else can do it better and cheaper?

While outsourcing traditionally involves deploying people to deliver the service, managed services are usually technology or process centric and rely on specialization and economies of scale to work. For example, rather than running a billing operation yourself, many providers used managed billing services to do this for them. Networking is the original managed service: stick voice or data in at one end and it comes out the other without the user having to worry about capital investment, operations, maintenance, and so on. With the growth of 'X as a Service' (e.g. Software as a Service – SaaS; Infrastructure as a Service – IaaS; and Platform as a Service – PaaS), the managed service concept is rapidly mushrooming and is typically an online 'black-box' service, provided either within the same company or sourced from a third party.

Partnerships take this several steps further and are a deeper relationship where both parties work closely towards a mutually beneficial end. These are not new – for example the partnerships between Intel and Microsoft or Apple and ARM have been mutually beneficial for a long time – the partners expose their plans and directions to each other and work closely to ensure that both sides of the relationship benefit for such close cooperation. At the heart of a partnership is trust between the parties: something that is earned slowly and easily destroyed. Trust is not something that can be turned on quickly and is the result of productive and fruitful cooperation over a period of time where there is open and honest dialogue backed up by dependable and reliable actions.

Unlike outsourcing and straight managed services, 'digital' partnerships tend to be more about leveraging capabilities, knowledge, and the expertise of each partner to create virtual services. Application stores, cloud computing/storage, applications services, and M2M automation (e.g. health, security, connected car, connected city, education) are becoming the norm, offering the potential for a huge growth in players offering specialized, niche services because they can exploit some advantage of place, scale, or skill and can do it faster, cheaper, and better than can be done conventionally.

Where outsourcing and managed services tend to be a one-to-one relationship between two parties, partnerships can become a multi-party relationship. This obviously increases the complexity of the relationship considerably, and managing successful multiple partnerships demands significant skill and focus. This capability sits at the highest level of the maturity model as described in Section 6.

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Have clear priorities when using a third-party provider

Opinions change frequently on what to do yourself and what to source from someone else. For example, just a few years ago most mobile network operators viewed the suggestion of outsourcing the maintenance of their cellular base stations as heresy – they believed that this function was critical to operating a mobile business and therefore a crucial asset and a corresponding set of competencies were needed to look after them. Yet in just over half a decade, offloading base stations into someone else's care has become the industry orthodoxy. The growing array of digital services will accelerate this trend and change these perceptions much more profoundly, restructuring business as we think of it today in many ways.

Research into the motivations behind using third parties to help deliver services has been undertaken by TM Forum's Insights team and shows that the mix is changing. Not long ago, short-term cost cutting on the current business model was the dominant driver for communications companies, and as you can see in Figure 2, it still features high up on the scale of priorities.

Significant thought and care needs to be taken when using a third party to meet short-term needs because such a move can seriously undermine the strategic capabilities that the company will need in order to succeed as it moves forward. Only if you can be sure that you won't need that capability any more should you consider moving it to someone else. For example, in the communications sector the network has long been the major asset, and IT has often been a supporting cost of doing business. Such costs are always to be minimized, and IT is frequently outsourced in whole or in part. Such a business decision can make sense in an existing market, but the digital world reverses the priorities – it is a software world where the network is the supporting activity. Thus a short-term cost reduction driven measure may seriously hamper the longer-term evolution of the company, so careful balancing of tactical and strategic goals is needed to work out which functions should be given over to partners.

If short-term cost reduction moves prevent you from being able to capitalize on future high-growth markets, you are ultimately going to fail. Of course, minimizing operating costs is also essential, but you need to be very smart about the way you do it. If it destroys your ability to grow into new markets or worse, it hurts your short-term interests too – for instance, damaging other important aspects of your business like customer retention – and then you will

Source: TM Forum, 2012

Figure 2: Drivers for using managed services

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come to bitterly regret the quick fix.

As digital services like M2M, connected society, and eHealth become the norm, your customers' lives might literally depend on how well the service is delivered. A shrug of the shoulders and pointing the finger at your service partner or having it pointed at you when a failure occurs will not get anyone off the hook. Part of the responsibility to customers is to ensure that all partners are up to the job and that they do it well, through proper monitoring and evaluation. Yet on many occasions, the choice of partner is often driven by muddled priorities that result in decisions being made for the wrong reasons.

Using outsourced or managed services must be aligned with your business goals and revisited frequently to make sure they stay that way – if the contracts and service objectives within them are not aligned or are not changeable, then the value of the relationship will almost certainly become detrimental to success. And approaching them solely as a way of cutting costs is unrealistic and likely to end in failure: the aim is to establish the right relationship that yields targeted economic and operational benefits for both parties.

This type of equilibrium is very important to a sustainable relationship, and viewing suppliers as partners in an equal, respectful relationship is not about 21st century political correctness; it is much more pragmatic than that. Very simply, if one of you fails, you both fail. If you try to be clever and leverage the other provider with unrealistic, unprofitable, and unsustainable business terms, it will not be a relationship that can be maintained or grow into a mutually beneficial partnership. Having to change providers because they could not deliver against an unsustainable contract will hurt you perhaps more than them – the costs of change are significant and grow with the sophistication of the service they are providing with you. On the other hand, partnership equilibrium is about knowing when a partnership is no longer valuable to one or more parties: long-term contracts were the norm for both managed services and outsourcing, but in the digital world where change is fast and furious at times, the terms and conditions of the contract must match the nature of the business.

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Building partnerships

As stated earlier, the greater the dependency on a provider, the more important it is to have a relationship with a cooperative provider on whom you can trust and rely. More than that, a partner needs to evolve with you as the market evolves; not having to continually change partners and re-invest in building a relationship that works but initially creating a sustaining and close partnership is paramount to long-term success.

As we move into the digital economy and web-based services move beyond 'best effort' into enterprise quality services that companies rely on, the strategic importance rises and drives the need for such partnerships to new levels.

There are really two types of these partnerships: horizontal and vertical. Horizontal collaborations can be between competitive firms within a specific industry to maximize the use of resources for efficiency and to cooperate for competitive advantage. For example, the airline industry has the Sky Team, Star Alliance, and One World groupings that enable airlines to operate globally in a coordinated manner. The federated communication approach of roaming partners we described earlier is another type of horizontal partnership although, at present, these are not branded or very close in nature.

Vertical partnerships, agreements, and collaborations are those within an ecosystem where partners work together to deliver a service or product seamlessly to an end consumer. They can be upstream, downstream, or horizontal alliances of strategic value to the company. Healthcare has implemented several of these partnerships successfully when providing solutions for patients who can schedule cross-discipline medical appointments on a single interface, have prescriptions automatically sent to their local pharmacy, collate all their medical records into one repository, and provide access to these records to a medical professional through a secure channel. The partnerships include the patient, medical personnel, pharmacies, hospitals, data storage centers, network providers, and insurance companies. Each member of the ecosystem receives value for their part and contributes innovation to expand the services – patient monitoring is becoming a critical element of the services offered in similar models.

The in-life governance of a partnership shares many of the disciplines of successfully managing an outsourcing or managed service relationship, but it needs to go much further. Instead of just monitoring the services delivered by the partnership, you also need to monitor and review the effectiveness of the partnership itself. To be effective, there needs to be a continuous contribution of value, an open dialogue about each partner's views on the future, how their vision and mission are evolving, and spotting any areas where there may be synergies to exploit or conflicts to resolve.

There are typically 4 main partnership situations to consider:

- **Sell To:** You are the supplier, your partner is a reseller or a customer
- **Sell Through:** Your partner is the channel to market
- **Sell Of:** You are the retailer and your partner is a supplier
- **Sell With:** You and your partner sell a common offering through a subsidiary or together

These situations can significantly alter the shape of the relationship, but whatever the situation it is important to drive for sustainability because you will invest a lot of time and energy in making a partnership work at business, technological, and marketing levels, so it needs to be built on firm foundations. As we will discuss later in this guide, choose your potential partner with great care – this is more akin to a marriage than a one-night stand!

The keys to success center on complementarity and compatibility between the partners, a shared vision and goals, the right technical solution, and a strong cultural fit. The relationship has to build and foster trust, so the need for equilibrium is even greater – if one side of the partnership feels that it is getting a raw deal while the other benefits, it is not going to bear fruit. So a good governance structure where issues can be regularly discussed and resolved is vital. There needs to be a sound escalation process for resolving conflicts that will inevitably arise.

At the working level, a key part of the governance approach is having a dedicated person (or team) who is specifically responsible for partner relationship management. Such a person can coordinate communications, mediation of disputes, spotting in advance potential conflicts, and so on.

Operationally managing a relationship - the 'what,' not the 'how'

When you own and run your own service delivery infrastructure, you can decide in great detail how every aspect of your environment should be operated, which processes to use, and which metrics to measure. An outsourcing contract shares some of these attributes – you may be handing over a previous in-house function to an outsource company and you may be quite interested in how the services will be delivered. However, in a managed services or partnership relationship, it is important to be much less concerned how your partner does something and much more interested in the outcome, i.e. the what, and treat the service as a black box. Perhaps the simplest example is electricity service – it just arrives and all you care about is that the current, voltage, frequency, and price are as agreed in the contract, not how it is generated or transmitted.

Software architects describe a service-oriented world where every capability is seen as a service and can be combined in new and novel ways to form new services – rather like the infinite variety of things that can be built from LegoTM bricks. This is a very close analogy to how the technical element of the digital world of connected managed services will function – a series of 'black boxes' that deliver capabilities in a virtualized way. Where you should be concerned about the 'how' aspects are the business and technical interfacing elements between you and your partner and among your partners – this is critical if you are going to be able to manage a seamless end-to-end service on behalf of the end customer. This is a complex and challenging area, and the trend is to move to 'industrialize' the technical relationship with managed service partners to make it repeatable and to reduce the complexity of adding or changing partners. TM Forum has a wealth of best practices and guidance on how to implement this – in the first instance see here and Figure 3 below give some insight into the aspects of managing such a technical relationship.

Cloud-based solutions, as an example of a fast delivery mechanism for virtualized solutions, are expanding in functionality and scope very rapidly and range from content to applications to platforms and infrastructure – all delivered as services. For example, in the network service provider area, services could be aimed at a retail user who needs fully outsourced network management and providing features such as IP telephony, messaging and call centers, virtual private networks, managed firewalls, and/or monitoring and reporting of network servers. These may also be much more closely tailored to specific market sectors such as specialized business services for the connected home, connected car, eHealth, smart energy, and so on. Put simply, if there is a market that needs a service, somebody will pop up offering an online digital/cloud version of it before too long.

The end-to-end management aspects of a service must be considered in detail. Whatever function or part of a business that you entrust to someone else to run does not mean you no longer have responsibility for ensuring it is delivered and that it meets the criteria set for it. If it is an ancillary service like your office cleaning, then if it does not deliver it's an inconvenience, but if you have built your service on top of those provided by partners, it may be catastrophic. If the partner fails to deliver, it is your customer base and your brand that is damaged. The reverse is also true: if others have built their products on top of your competencies, you may be responsible for their failure.

The nub of the issue is "where do you start when deciding on the what?" The short answer is in the sourcing strategy for critical services that should be part of the corporate strategy. The foundation for defining the measures of success is in the definition of what the company is today; what the direction is for the company for tomorrow, and what will be the approach to achieve it. The sourcing strategy defines who will do the what – internal, external, one party, or many – and what is expected from each. By starting here, the strategic and operational goals of the company and those of the outsourcer, management services provider, or partner are indelibly linked together to the value proposition back to the company's customer and to the objectives set for the departments that are directly or indirectly affected by the business model. But as the corporate strategy is reviewed and renewed every year, the sourcing strategy and business model should also be a living organism. With the introduction of partnerships, and the potential dynamic nature some partnership arrangements

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create, understanding the impact of this relationship on delivering customer value becomes even more paramount to company success.

Now that the macro level of "what" is required by third parties is known, the first step to making the relationship an operational reality is building it with a solid foundation through the selection and negotiation phases of the lifecycle. Defining the governance, terms/conditions, processes, tools, and people is an excellent start, but it is also important to ensure that the company cultures, human dynamics, and ways of interacting (particularly in times of challenge) are also understood early. The best solution can overlooked when the message is delivered in the wrong way. It is critical to not underestimate the amount of change people, the organization, and the ways of working are experiencing and about to experience. The management of change is often overlooked and can result in failure to succeed because of underlying and often invisible resistance.

Now that the stage is set for the relationship, the 'honeymoon' phase of transition and transformation begins. Refining and, in some cases resetting, both parties' expectations, the points of interaction, and how to interact can have a positive or negative impact on the relationship and the people involved. Not to be forgotten are the other internal and external organizations that are part of the operations. This is the time when many retained teams and third-party management teams feel the need to revert back to previous practices and micromanage the others' process and activities. This is the time when that cannot and must not happen. Working through the issues and building the informal elements of the association hasten the maturing of the relationship and enable the next phase to begin. A point to consider – what you thought 'things' would look or be like on day one and what/how they appear one year later will be different.

Now that the relationship is in a steady state, the focus turns to delivering value, managing change, and governing the relationship. It is often said that now the real work begins. Two companies with individual and shared but changing objectives are continuously balancing their needs with the needs of the other. When it works, great results can be achieved; when it does not, corrective action is required urgently. Many of the tools and techniques for developing highly effective teams and organizations can and should be applied. Getting to know and understand the other party as an individual and as a company; where they came from, where they are now, and where they are going; their challenges and successes; and the value they can add while maintaining the

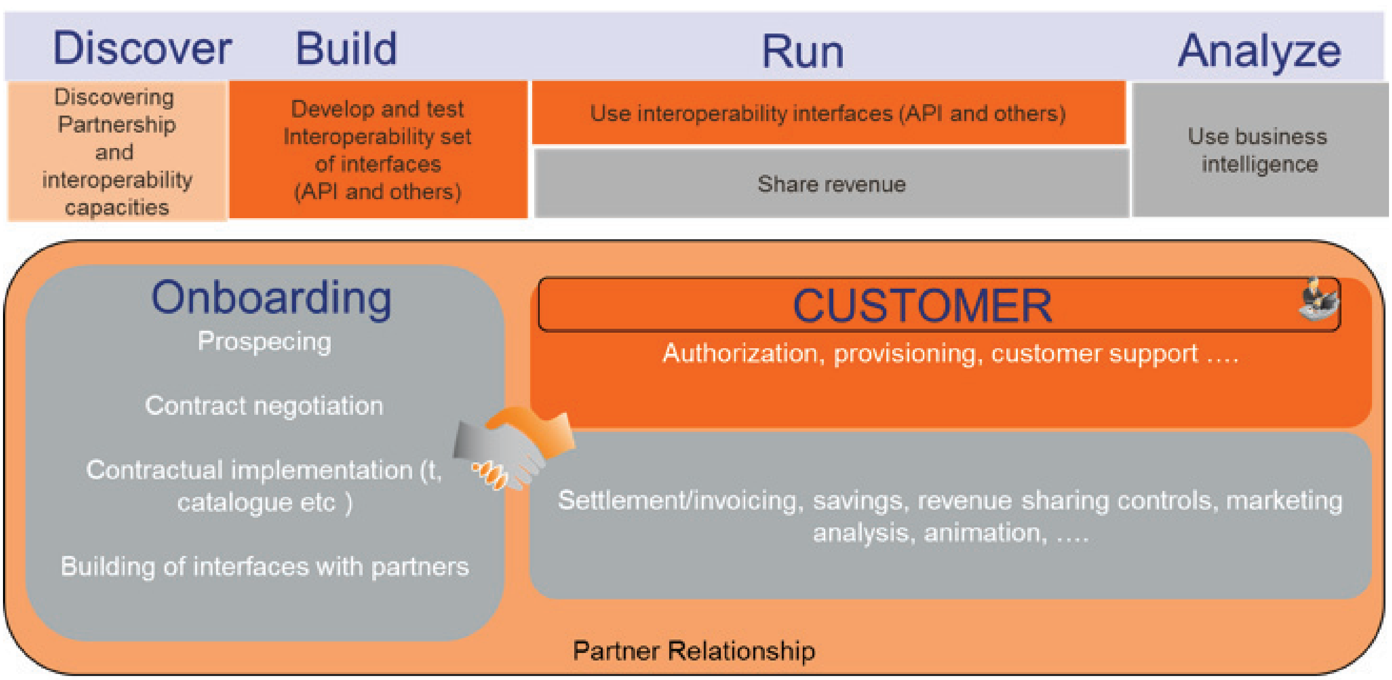

Figure 3: Typical managed service/partner technical relationship functions

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scope and structure that was created at the start for how to work together, measure success/value and grow makes many moving parts that need to work in harmony. The most effective way to achieve this is to integrate the third party into existing processes (e.g. annual planning, quarterly governance, monthly reviews) while providing focused opportunities to address specific needs. But remember, the company was hired to deliver what is defined in the contract – they must be provided what they need to be successful and held accountable for the business outcome.

All contracts come to an end; however the relationship may not. When the current contract has reached a point of termination, several choices are available – renegotiate, seek out third-party options, or transition the scope of work in-house. In the case of renegotiation, be proactive in the process – choosing the time and approach that best suits your company and any new strategies that may have developed about the future direction. Run as a project and with the diligence of the first contract but in the situation of today, it is important that the output is not a representation of the past but what is required for the future. All too often a renegotiation is merely a change in contract timeline with a missed opportunity to change what is not working or to adjust any other term/ condition needed.

When seeking out options for potentially a new third party, a detailed assessment is required to address any potential impacts to the current operations during this period of time. When a complex and competitive approach is undertaken, the knowledge and skills of the retained and third-party teams are often redirected to the process of selection, leaving an opportunity for issues to arise in daily operations. This is even more so when the current third party is not part of the future business model. Third parties will often maximize profits and redirect talent when their battle has been lost. Managing the relationship when a change of partner is possible can be very sensitive and needs to be done with tact and diplomacy.

If the decision is to move the scope in-house, much can be learned from the current third party delivering the scope. The current partner has implemented skills, processes, and tools that operationalize the needs of the business and must be appreciated in order to develop the optimum approach to transitioning the responsibility in-house. It is not imperative to copy or replace the existing model, but it is critical to ensure that the expectations of your business and your customer are met regardless of who is accountable.

Throughout the lifecycle of a relationship – from defining the sourcing strategy to its ending – a relationship must be treated like a living organism and be nurtured to achieve the desired results. As partnerships become more dynamic and change the way providers deliver customer experiences, the expertise in building, managing, and maturing relationships must be a strong core competency, not in a few, but in many in the organization.

4. KEY SUCCESS FACTORS

Whatever level you are playing at – outsourcing, managed services, or full strategic partnerships, there are some underpinning success factors common to all levels. This section lays out what might seem obvious points but, sadly, in too many cases these factors are ignored leading to failure of the relationship and often significant consequences for the individuals involved and their companies.

Success factor #1 – be clear about where partners fit into your strategy

Moving towards using partners is a strategic decision – particularly if it is an integral part of your own service delivery to customers. It fundamentally changes your business model and the way you need to organize and manage your own operations. All too often companies shift to third-party relationships on an ad hoc basis, department by department, frequently in response to short-term pressures on one part of the business, rather than part of a well thought-out strategic shift or transformation program. Managed services and partners should be tightly integrated into your corporate and individual business unit strategies guided by answers to the following five straightforward but often hard to answer questions:

- **WHY** is a partner being considered for the corporation? Define the problem that this approach will solve.
- **WHAT** are the expected business outcomes of the relationship, and what are the targets that will define success?
- **WHO** should perform the services? Which services will be retained in-house, and which will be sourced from which partner? Who will be responsible for the end-to-end delivered service, and how is assurance going to be engineered in this new operating model?
- **HOW** should the service be delivered to ensure maximum value? The degree of customization in a managed service will drive cost, affect partners ability to meet your business goals, and determine the ease of innovative.
- **WHERE** should the services be performed? How should the delivery of services be distributed, and what are the implications?

If serving your customers is going to be partially dependent on a partner or partners, it raises these types of fundamental business questions. It is much better to have framed the answers to these questions before the ink is dry on the contract(s) rather than finding out that different parts of the delivery process have negotiated different modes of operations, set up different service level agreements, contractual terms, and length of contracts. That creates an operational and business nightmare, but it is common when departments act autonomously.

To avoid that fragmentation nightmare, all departments need to be acutely aware of the impact on the end-to-end service delivery chain and ensure that commitments to the end user can be delivered. It is essential that managed service contracts are tied to that end-to-end service delivery view rather than a blizzard of incompatible contracts and operational level agreements that are expensive to maintain and difficult to exit. Framing an Operational Level Agreement for all partners prior to entering into the first outsourcing, managed service, or partnership arrangement will elevate many of the problems that may arise.

Using managed services or partners is likely to have a major effect on an organization achieving its corporate goals, thus decisions regarding deploying them must have very senior-level approval and support to ensure agreements match corporate business objectives – and continue to meet them. Management of these relationships cannot remain solely the responsibility of departmental heads.

The fragmentation problem gets much more complex when trying to provide services across an international group of companies. International provider groups are increasingly common in the communications sector as providers deliver a consistent portfolio of services across large geographic areas. Providers want to package services in their home market to sell overseas, for them and other customers, including in countries where they do not necessarily own infrastructure. If they have a disparate, fragmented policy governing the use of managed service partners as part of the overall service delivery mix, the operational and service quality challenges multiply rapidly.

Large organizations, especially the transnational operating groups, need a strongly coordinated approach to avoid

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the kind of fragmentation that can be so damaging. Imagine trying to offer consistent service quality in multiple countries if your managed services partners all use different approaches for measuring service quality or escalating problems. Likewise trouble is inevitable if they have different definitions of service level guarantees, different contractual terms, conditions, and applicable laws governing liabilities, penalties, and so on. Looked at individually, these contracts may seem reasonable. Put them together though, and you have anarchy.

Central governance of the relationship is essential to avoid this situation, perhaps through a center of excellence for control of how managed services will be used, how contracts will be set up, and the operational characteristics agreed and measured. This should not be a bureaucratic, old-style procurement department function but a proactive group that both understands how to make partnerships work and can 'normalize' terms and conditions so that end-to-end service flow is manageable.

For many elements of your business functions, establishing long-term partnerships with other providers is a highly desirable aim, rather than chopping and changing on a price-driven basis because any change to a partner that is embedded deeply in your service delivery chain is bound to be disruptive, and the transition/transformation process is time consuming and expensive. On the other hand, do not succumb to the temptation of signing a long-term, inflexible contract just to get a better price – develop the relationship together and extend and renew the contract as you go along. Contracts do need to be flexible from the outset – typically five- or seven-year contracts abound, but nobody can be sure what the market need will be even three years from now, let alone double that time.

For the elements of your business related to the digital economy, right-sizing the term of the contract, the associated conditions, governance approach, and degree of transparency is vital for success to ensure the right degree of flexibility and adaptability in this dynamic space. Not all rules equally apply to all uses of managed services and partnerships in your new business model. Deciding which rules apply for each type of relationship is critical for success. Invariably, the skills for such negotiation do not reside within the organization; hence, engaging an experienced external negotiation partner is prudent.

Success factor #2 – understand shared responsibility and trust

Successful and sustaining partnerships rely on trust, and without it the relationship will not work and will end quickly and badly. If there is not a good level of trust, companies are reluctant to hand over control to the managed service provider and do not give them the necessary information to do their job properly. Thus begins a vicious circle where the managed service provider cannot perform well, which erodes trust more. This is particularly prevalent in situations where the managed service provider or outsourcer is taking over a function previously carried out in-house and where you are likely to encounter the mentality of 'no one can do it as well as we can' with the retained team and members of the original organization. Starving the managed service provider of important information or advice and being critical when problems occur can start the decay in a partnership from the earliest stages of the contract.

You cannot just rely on luck and blindly assume that the managed service provider is going to perform: wise companies establish that the partner is both willing and able to do the job that is needed. Throughout the relationship, a strong governance model is necessary – starting well before any contract is signed – by executing a structured approach to due diligence to ensure that they are capable of the task and have the appropriate skills, training, resources, and information to succeed.

It is a prudent idea to build in incentives to succeed in making the relationship work that are more powerful than harsh punishments in the form of penalty clauses, but the most important aspect is building a fruitful, mutually dependent partnership with an open and honest flow of information in both directions.

There are many good examples of how such mutually dependent, trust-based partnerships work. Twenty years ago, Mercedes Benz thought they were the only people who could make a screw good enough to go into a Mercedes, and the company nearly went bankrupt. Now, like many others in the manufacturing industry it has very well thought-out, long-term partnership arrangements, but it went up a steep learning curve to get it right (as any Mercedes owners out there will know, there was a sticky period where the legendary Mercedes quality definitely suffered through weaknesses in their supply partnerships).

The Mercedes brand and customer loyalty is totally dependent on the performance of those partners so it is vitally important that promises in the form of service level agreements for quality, timely delivery, and so on are kept because everyone in the ecosystem knows that they will only profit in the long term if those partnerships work. The ideal goal is that penalty clauses are never invoked because both sides of the relationship will suffer if they are.

In the digital world, managing service levels can be more complex and dynamic than in a manufacturing supply chain. Both sides of the partnership have to be very clear about what constitutes the right performance and work off a common set of interactive processes, data, terms, and conditions. This becomes even more critical if there are multiple contracts with multiple providers because if you do not manage contracts closely and together, you have no way of knowing if they contradict or overlap each other or if they comply with service level or operational level agreements (SLAs and OLAs).

Building business partnerships is a little like getting married: building a trust-based partnership that is beneficial to both parties over a long period of time is helped greatly if you choose the right partner in the first place. It is always a good idea for both parties to understand as much as possible about the other; this means an in-depth, all-around assessment of the proposed partner including an analysis of the risks involved, their organizational structure, financial position, competency track record, culture, business drivers, and so on. Such an analysis should not be rushed – hurried tactical decisions inevitably result in long-term pain and the old adage of marrying in haste and repenting at your leisure applies as much to business partnerships as personal ones.

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Success factor #3 – choose your partner with great care

Taking time to find a mutually compatible partner is critical. Their needs to be a high degree of commonality between the parties – if all brains are not going in the same direction, problems are bound to arise. While the motives for each partner can and probably will be different, the overall objectives and methods need to be the same.

Take time to discuss your vision and mission with potential partners, and look for what energizes and motivates each of you about a partner-based approach, looking beyond the first steps and really examining if the relationship will sustain itself overtime or if there are incompatibilities of vision that will lead to conflicts. That is easy to say and hard to do in a market that is changing as fast as the digital world – remember Apple and Google had such a close partnership that they shared board members, but the market changed and they ended up competing.

Commonality in the strategic objectives of both parties is very important, but so is the cultural fit between the parties – it is often cited as the single most important success factor. Recognizing each other's strengths and weaknesses can also make a big difference in long-term motivation, commitment, and success. Understanding where there are limitations is also an important factor in success – even small limitations can accumulate in areas where partners have neither expertise nor interest and then, over time, sink your relationship and maybe your business. Wherever they are, it is important to identify them as early as possible and have a plan to manage them so they do not get out of hand.

As part of your due diligence in selecting a partner, it is a good idea to ask for 'bad' as well as 'good' references from customers where things have gone wrong and been fixed. All partnerships will experience difficult times, and understanding how a partner addresses these issues will better prepare both parties in advance.

If you cannot get all the answers you need, or there is the likelihood that you or your potential partner will change strategy or direction, opt for a shorter contract. Extending or renegotiating longer terms with a satisfactory partner is much more cost effective than terminating an agreement that is no longer working. In particular, beware of contracts and pricing based on the prevailing economic climate – in boom times contracts are often erroneously based on the premise that the volumes will always increase and thus pricing will always fall. The recessions of recent years have shown this to be an unwise assumption, catching many service contracts out.

For example, when Nortel found itself in trouble, its problems were made worse because its managed services contracts didn't allow for scaling down, causing great expense to extract itself from its contractual obligations. In financially unpredictable times, it is always a good idea to remember to hope for the best and plan for the worst.

The exploration phase should be both ways. It is not just a matter of checking out the potential partner – the buyer needs to be very open about their needs. You have a duty to be clear about what you want to achieve and when, not only at the contract start but throughout the relationship. Too often from the managed service provider's point of view, it seems that a client may want to change their requirements every second week, which leads to stresses and strains in the relationship often leading to changes to prices in the contract.

During the initial mutual exploration, if there is a need to regularly change critical levers or rapidly alter operational needs, this should be captured in the scope of work and governance model that is embedded into the contract, otherwise when a request comes up, both parties end up aggrieved. Good governance is a crucial success factor, yet in practice is often sketchy at best. This 'scope creep' can be a major source of problems in a partnership – if the buyer pressures the supplier into accepting contract terms or accumulates additional unforeseen demands within the contract price that they cannot deliver economically, the partner is very likely to look for ways of restoring reasonable financial margins.

This can be through exploiting loopholes in the contract such as punitive costs for undocumented changes or possibly worse, reducing service levels, skill levels, and staffing volumes. One-sided contracts may make the 'winning' negotiator look good with their boss but are generally bad business and very often quickly fall apart.

Getting it right can have a positive effect on both parties: the buyer gets what they want at a fair price, and the supplier gets long-term business and good reference accounts.

Success factor #4 – spend the time to get the details right

As with the partner selection stage, do not be tempted to rush the negotiation process – the time and resources spent up front will pay big dividends later – you cannot build a stable structure on a shaky foundation.

Input from all management levels and affected departments are needed when a managed service partner is introduced during the negotiation and transition phase. Take time to absorb their input and insist on a tailored transition that matches the size and complexity of the scope to be integrated with your partner. Run it as a properly planned and managed project, and ensure active management participation and that the transition budget is not spent elsewhere.

For outsourcing and managed services arrangements, build flexibility into the contract and anticipate change. Structure the contract so that you can move the initial emphasis on cost control and cost removal towards innovation and market expansion to allow for shifts in the economy and the markets you serve. Build in appropriate contractual levers to facilitate changes and anticipate that a point in time will come where you need to re-open negotiations to accommodate more fundamental changes.

The most difficult part of a contract to get right is defining the service requirements and measures of quality that the supplier needs to provide. This is true for all types of arrangements. Too many contracts focus on SLAs that use the metrics the buyer managed internally rather than business impacting goals or business outcomes. For example, a contractual requirement on a partner to guarantee service availability 99.99 percent of the time is much less useful than a service level goal of specifying the buyer must be able to process transactions such as an order. After all, if server availability is 99 percent, and there are 100 servers, the one unavailable server might in the critical path to complete the order, but its lack of availability will not invoke the service level failure. The buyer should focus on the what and leave it up to the supplier to figure out the how of achieving it.

Applying an analysis of critical business needs when defining service level goals allows a clear focus on the right things: for example Telstra has a good example of shifting a managed network services contract with airline operator Qantas from a preoccupation with network operational metrics, such as phase errors and jitter levels, to measuring how many people could not board their planes if the network was not performing.

Contracts should be very clear about the process and roles/responsibilities for recovery from any shortfall or failure in meeting the service level goal and should specify measures such as mean time between failure and mean time to restore services as well as how to properly manage issues such as scheduled downtime. The problem reporting process, problem ownership, time stamping, escalation processes, and so on should all be clear because if they are not there will be endless arguments and finger-pointing when something does (as it surely will) go wrong.

The carrot and stick elements of the contract are very important as well, but remember that overuse of the stick can de-incentivize partners, whereas incentives, when used properly, can encourage the right behavior from the supplier. Penalties, often enforced through reductions in fee levels, must be painful enough to ensure that the cost to assume the risk is greater than the cost of the failure. Contracts rarely have penalties on this scale so success is that you never have to invoke the penalty clauses in the contract. Incentives in a contract often reverse the penalty model in that the base amount awarded is augmented with bonuses for meeting business outcomes as defined by metrics. Regardless of how the carrot or stick is implemented, the goal should not be to punish but to prevent problems from occurring in the first place and, failing that, should produce changes that fix the problems and increase the probability of repeatable successes in the future.

For outsourcing and managed services, the carrot and the stick are often a successful strategy and are designed to enable partners to receive penalty/credit earn-backs. In this approach, penalties for underperformance can be offset by credits for overachievement, but it is just as important to set goals against critical issues that affect the business. Beware of agreeing to incentives or credits in areas that sound good but do not positively impact your business.

Contract negotiations from the outset should embrace the process

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for managing what will happen when the deal comes to an end. Incorporate a comprehensive exit clause in the contract, including termination for convenience and termination for cause. If you omit such things, you are bound for chaos but proper negotiation of this will minimize the risk of costly disputes and pave the way for a smoother exit. In first-generation deals, clients often opt for the limited-risk, fixed-fee contracts but renegotiate pricing models and move toward more flexible usage-based pricing for second-generation managed service deals.

Unique to the digital economy and maturing as this business model matures is the allocation and management of the value of each party in the ecosystem over time. For example, if the end customer service is valued at 10 units and 15 members comprise the ecosystem, the allocation of the 10 units to the members throughout the lifetime of the service will change as the service goes through its lifecycle. How value is determined, how it is distributed, and who manages it must be defined clearly

A golden rule is: "No matter how difficult, if something isn't working, change it." The longer a problem is allowed to continue, the greater the ramifications, which could be falling customer satisfaction rates leading to churn, and/or lost revenue, failing to leverage maximum value from assets and resources, or not being able to respond to changes in the market.

Success factor #5 – pay great attention to the transition process and beyond

A very common failing in the setting up of managed services partnerships is that the buyer does not immediately build a close working relationship with the provider. Close cooperation, such as initially embedding people properly with each partner, makes it much more likely to achieve success in sharing what is required, defining how interim processes will work throughout the transition, and ensuring the service level goals are met.

A properly thought-out transition period and clear governance are essential for long term success. Where staff transfers are part of the arrangement, ensure that all of the key skills do not reside on one side of the partnership. If there is nobody left at the buyer's or seller's end who really understands the issues, then contract management will become a sterile process of reading the contract. This can get even worse if the supplier decides to redeploy these knowledgeable resources onto other projects too early in the contract cycle (perhaps to cut operating costs), because then there is a complete absence of any real knowledge and skill regarding the service being provided. One option to consider is making it a contractual obligation to retain certain people to work on your contract alone for a defined period of time.

Another good reason not to deplete in-house skills completely is as an insurance policy if the contract just does not work out: even after taking all of this good advice into account sometimes managed services contracts fail. If the approach is unsuccessful for whatever reason and you have nobody in-house who can take it back, then you are in big trouble.

Be careful to contractually tie down any extra things that the partner might promise during the sales and negotiation phase – often these do not materialize in the transition phase. For example, the partner may make a commitment to scale up new skilled resources, which in practice often means moving the existing staff around to where they are needed most. As the perceived promises are translated into contractual terms and conditions, more often than not the relationship between the parties becomes adversarial.

To counter perceived broken promises, it is good practice to have a different team for the negotiation of terms than the one that will work with the outsourced services provider once it is in place. Staff who were not involved in the negotiations and who have not worked closely with the supplier's team in the set-up phase will be less forgiving and more objective. It is paramount, however, that the knowledge gained during the sales and negotiation phases be transferred to both partners by their respective teams to ensure proper continuity.

No matter how good the diligence has been in selecting and negotiating with a partner, inevitably disagreements will happen from time to time and handling them effectively is the key to keeping the relationship on an even keel and the partnership in good order. Do not let bad feelings build and fester over time; make it a rule that each can approach the other when something needs to be addressed, and have a clear escalation route if things cannot be easily resolved. If people on both sides of the partnership know each other and meet regularly, handling these issues is much more likely to be straightforward, so regularly scheduled meetings are definitely a good idea and very senior executives should keep in touch with what is happening on the ground.

5. SOME RULES OF THUMB FOR SUCCESSFUL PARTNERSHIPS

Here are some rules of thumb as a general guide to outsourcing, managed services, and partnership success

DO: YOUR HOMEWORK. Time spent in researching the right partner and negotiating a mutually beneficial arrangement can save large amounts of pain and grief downstream. Compatibility and commitment are fundamental to success, and if the parties are pursing different strategies with obvious cultural differences and values, the relationship is unlikely to work, whatever the price of the deal.

DO: BUILD TRUST. Trust is at the heart of any relationship, personal or in business. Trust is a quality that is built up over time by consistent behavior from all of the people involved in making the business relationship work and is easily destroyed by thoughtless actions or breaking of promises.

DO: FOCUS ON THE WHAT, NOT THE HOW. Performance partnerships let each player do what it does best, so do not try to tell your partner how to deliver your service – it is their core competency after all, so give them the flexibility to bring their skills to the job. Focus on the desired outcomes instead. These should be quantifiable such as targets for business outcomes, revenue generation, and customer satisfaction. Ensure that outcome targets are well defined and measurable, and ideally there should not be more than about five high-level metrics. All parties need to spend enough time collaboratively during the contract negotiations to establish explicit definitions for how success will be measured.

DO: HAVE A PROPER GOVERNANCE STRUCTURE IN PLACE. A governance structure should provide insight, not merely oversight, and solve problems in the spirit of a partnership because all parties will benefit if you get it right. This includes regular dialogue at all levels of management between the parties and mechanisms for identifying synergies and opportunities as well as resolving issues before they turn into crises.

DO: MAKE SURE YOU HAVE COMMITMENT and involvement of senior executives on both sides of the relationship, because it is imperative that your strategy is aligned with your organization's business goals and contributes towards them. It helps a great deal if these goals are explained to the troops, in particular, what you are trying to achieve and why.

DO: EXPECT RESISTANCE: Someone will always think they can manage a function better in-house than using a partner – and after all, it might be their job at stake.

DO: REVISIT THE TERMS OF THE CONTRACT REGULARLY to ensure ongoing value and assess if it is still meeting your business needs. No matter how difficult, if something is not working – fix it.

DO: ENSURE KEY PEOPLE ARE EMBEDDED WITH YOUR PARTNER and vice versa making sure that those people will continue to work for you as part of the contract. Beware of letting go of skills sets in-house. Who will know enough internally to manage those working externally, and what happens if the contract is brought back in-house? This dilemma is an all-too-familiar scenario.

DO: USE STANDARDIZED BUSINESS PROCESSES AND INTERFACES between you and your partner because it will save you time, money, effort, and resources concerning integration and subsequent testing and, if the worst occurs and you have to change partners, changing will be much easier.

DO: ENSURE YOU NEGOTIATE FLEXIBILITY INTO THE CONTRACT without giving away the family silver. If you do not, you may discover that the anticipated savings disappear in the process of renegotiating terms and conditions. It is imperative that your managed services can quickly track changing market conditions.

5. SOME RULES OF THUMB FOR SUCCESSFUL PARTNERSHIPS

DO: CONSIDER YOUR CUSTOMER'S EXPERIENCE AT ALL TIMES. Do not sacrifice it at any price, as it will cost you dearly in the long run. Never establish a partnership which, while it may be cheaper, damages your brand and customer loyalty. Remember John Ruskin's words: "The bitterness of poor quality lingers long after the sweetness of low price is forgotten".

DON'T: USE MANAGED SERVICES AS A QUICK FIX. Remember that the model of managed services is a way to deliver customer and business value, not a quick fix for business problems. Do not build your contract around meeting short-term objectives but to address your overall strategy. Ensure your partner or customer has strategic goals that align with your own. If not, it will not work.

DON'T: BE 'PENNY WISE, POUND FOOLISH'. When a company selects a partner purely on cost it can lead to trade-offs in quality and service, 'beating up' the supplier, plus a vicious cycle of re-bidding and transitioning to a new 'cheaper' partner. Either managed service providers will refuse to work with that firm, or they may bid so low they go out of business.

DON'T: MEASURE MINUTIAE designed to capture every single aspect of the partner's performance requiring significant overhead on both sides to manage data gathering and analysis. Most of these will be of little practical assistance, if indeed they are ever reviewed at all. In particular, avoid the 'outsourcing paradox' where the buyer's 'experts' attempt to define a 'perfect' Statement of Work on how the process is to be performed, down to the last touch. Obviously, there is then no scope for the service provider to bring its own skills, knowledge, and abilities to the table.

DON'T: PLAY THE ZERO-SUM GAME. In other words, do not assume that something that is good for one partner is automatically bad for the other. Look at how both parties can gain from any improvement.

DON'T: ALLOW THE 'HONEYMOON EFFECT'. The honeymoon is often described as where initially all is positive and expectations are met, but after a time there is little incentive for the supplier to try harder for the more difficult goals or to renew investment, and the relationship deteriorates. To get over this, a buyer might offer bonuses payable on set performance improvements. It may in fact be possible to outperform this, especially in the early years, but be aware the partner may be tempted to 'bank' this potential gain against harder times.

6. PARTNERSHIP MATURITY MODELS

The TM Forum Partnership Maturity Model shown in Table 1 below is intended as a simple managerial guide to assessing the level of sophistication and maturity of the partnership management within a provider. As with any model, it is not exhaustive, and many variants of the model are possible. Few companies today are at the highest level, but those that are often enjoy significant and long-lasting business advantage over competitors.

It is not intended that the Forum's model replaces comprehensive industry maturity models such as the framework developed by ITSqc at Carnegie Mellon University: the eSourcing Capability Model for Service Providers (eSCM-SP) . The eSCM-SP capability model is composed of 84 Practices that address the critical capabilities needed by IT-enabled service providers with each Practice distributed along three dimensions.

Other industry models and advice can be obtained from the International Association of Outsourcing Professionals (IAOP) a global, standard-setting organization and advocate for the outsourcing profession.

	Ad-hoc	Cost optimized	Managed relationships	Sustaining partnerships	Strategic partnerships
Drivers	Survival	Cost management, downsizing or rationalization drivers	Rationalised organization, allowing more focus on core capabilities	Access to new skills and capabilities	Mutually supporting growth plans built on joint strategic intent
People & processes	Departmentally focussed, no end-end service approach defined	Little or no knowledge of managing outsource relationships –	Growing experience of successfully managing relationships with providers	Experienced teams and processes for managing partnerships	Highly sophisticated relationship management, joint strategic planning and execution
Governance	Decentralized and duplicative functions, little central control	Traditional outsourcing or offshoring of non core functions	Some central and strategic direction to using managed service providers	Strong central governance of partnership strategy and execution	Joint governance approach with high degree of knowledge sharing between partners
Contract management	Traditional procurement approach to lowest bidder. Adversarial relationships	Traditional buyer-seller model with frequent changes of outsource contractor.	Mutual respect but often complex contracts with numerous operational metrics	Trust based and mature relationship, with contracts focussed on outcomes.	High levels of trust with frequent top management interaction. Mature and flexible approach
Technology	No overall systems architecture, numerous point systems, often manual processes across contractual boundaries	Ad-hoc approach to technology integration across supplier boundaries	Some joint planning and co-operation to provide a good level on automated process flows between partners.	Sophisticated integration between partners providing highly automated process flow-through	Sophisticated integration between partners driving industry standards

Table 1: The TM Forum Partnership Maturity Model

7. FURTHER STUDY

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1.1	1/11/12	Keith Willets	Editorial review
1.2	26/11/12	Alicja Kawecki	Updated Notice, header & footer, minor style/cosmetic corrections prior to posting and Member Evaluation

