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Gartner for Customer Service and Support

Foster an Outsourcing Partnership That Drives CX Results

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It is critical for organizations to look beyond typical contract requirements with a BPO service provider. Customer service and support leaders responsible for outsourcing must implement thoughtful partnership practices and effective vendor management to maximize both CX and cost savings.



Overview

Key Challenges

- Organizations that lack vendor oversight struggle to maintain control of their business processes, resulting in poor performance and reduced benefits from the partnership.
- Customer service and support leaders fail to maximize benefits from their vendor relationship when there is no governance structure and no partnership mindset, leading to lack of collaboration, goal alignment and co-ownership of results.

Recommendations

To manage business process outsourcing (BPO) service providers and realize better benefits from those partnerships, customer service and support leaders responsible for planning and operations must:

- Align and manage BPO service provider priorities by using the Gartner framework that includes four key competencies: contract management, performance management, relationship management, and risk and compliance management.
- Make their BPO service provider a partner in CX management by encouraging an environment of thought partnership through defining guidelines to promote the flow of continuous improvement ideas, participation in joint initiatives and alignment of visions to achieve maximum benefits.

Introduction

In an outsourcing partnership, organizations give a BPO service provider the responsibility of taking care of their customers and business processes. Many companies go into a relationship with a vendor fearing loss of control of their business or reduced quality. To alleviate that fear, organizations outline service delivery expectations, including processes, KPIs and deliverables, in their contracts with the BPO service provider so that expectations are defined. However, many organizations fail to achieve the full benefits of a vendor relationship due to the following reasons:

- Lack of governance and oversight with the BPO service provider inhibits communication regarding areas of opportunity, alignment of goals, effective collaboration and trust in the partnership
- Lack of defined expectations with the BPO service provider beyond the typical operational deliverables fails to prioritize CX goals and promote expertise sharing

Poor oversight and governance by the organization plays a significant role in canceled BPO contracts because it is often the root cause of service provider failures. Organizations must realize that for a relationship with a BPO service provider to bring the most value possible, looking beyond the typical contract requirements is critical. There must be additional inputs and outputs from both the BPO service provider and the organization. This research will show you that, when a partnership is done correctly through a vendor management governance framework and thought partnership implementation, CX improves through customer-centric alignment and prioritization so that maximum loyalty and cost-reduction benefits are achieved.

Analysis

Manage the Vendor Relationship Through a Structured Framework

Once service delivery has been transitioned to the BPO service provider, most organizations manage the vendor to some degree. Often it is done in an ad hoc manner with vendor management being a loose structure, predominantly focused on SLA performance. Unfortunately, some organizations even have a hands-off approach causing failure from the start of the relationship. This negatively impacts the service organization's ability to protect its CX investment since they aren't actively involved in the vendor's performance. Service organizations must reevaluate their approach to vendor management if they hope to deliver against the increasing demands of customers. A structured governance program should be implemented so that BPO service providers are managed to support the organization's CX vision, strategy and goals. This enables the organization to achieve maximum value from the partnership through structure and oversight that align to its CX priorities. Both the organization and the BPO service provider must commit resources to the vendor management program to help mitigate risk and develop a CX continuous improvement process.

The structured framework needs to be tailored to the organization's key objectives, but these four core competencies that are important in effective vendor management should be included:

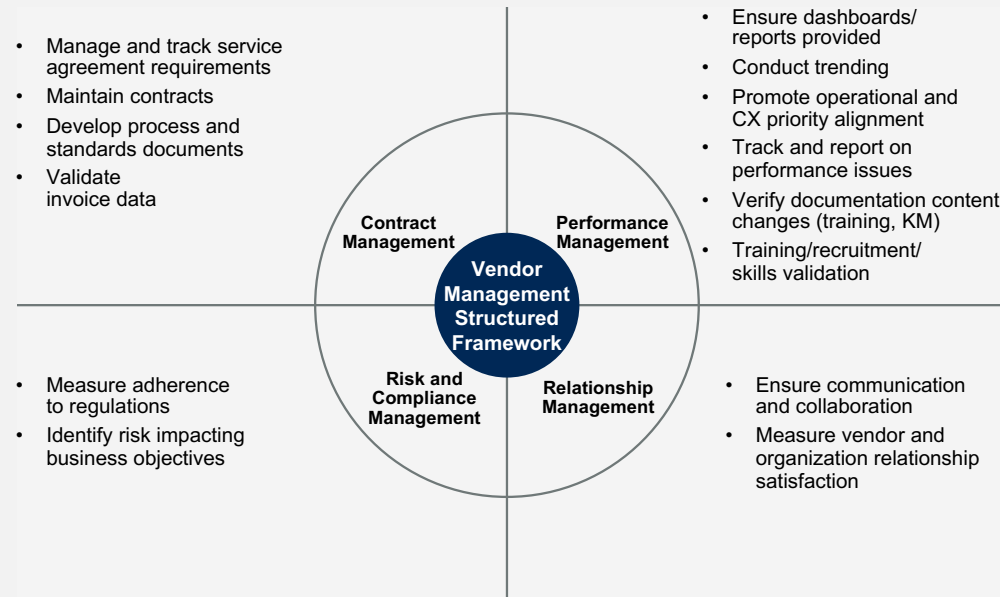
- 1. Contract management** — This includes managing terms and conditions, contract and scope changes, and performance against the contract's commercial and financial terms over the life cycle of the contractual arrangement with the BPO service provider, including developing and maintaining documents and validating invoicing.
- 2. Performance management** — This includes monitoring, analyzing and evaluating how the vendor performs against a set of performance and value metrics on a regular basis, including balancing operational performance against CX priorities. It also involves validating that training and knowledge base documentation reflects any process or standards changes and that vendor resources have the proper training and skills. The outcomes of effective performance management lead to continuous improvement of the vendor's results over time, leading to an improved perception by the customer of their experience with your service and better operational results.

3. Relationship management — This refers to the discipline of ensuring that interactions between the BPO service provider and organization result in a positive outcome for both the organization and the vendor. This area is particularly difficult to manage because it requires less objective techniques rather than measurable service-level agreements (SLAs) that can be used in contract and performance management. Relationship management is how a service provider and organization work together, communicate, collaborate and resolve issues.

4. Risk and compliance management — This includes ensuring that any regulatory requirements are identified and adhered to and that contingency plans are made and followed to mitigate any problems impacting business objectives.

To understand staffing needs and to fully manage the work the vendor is required to perform, we recommend undertaking specific responsibilities for each of these competencies (see Figure 1).

Figure 1. Core Competencies for Effective Vendor Management



Source: Gartner

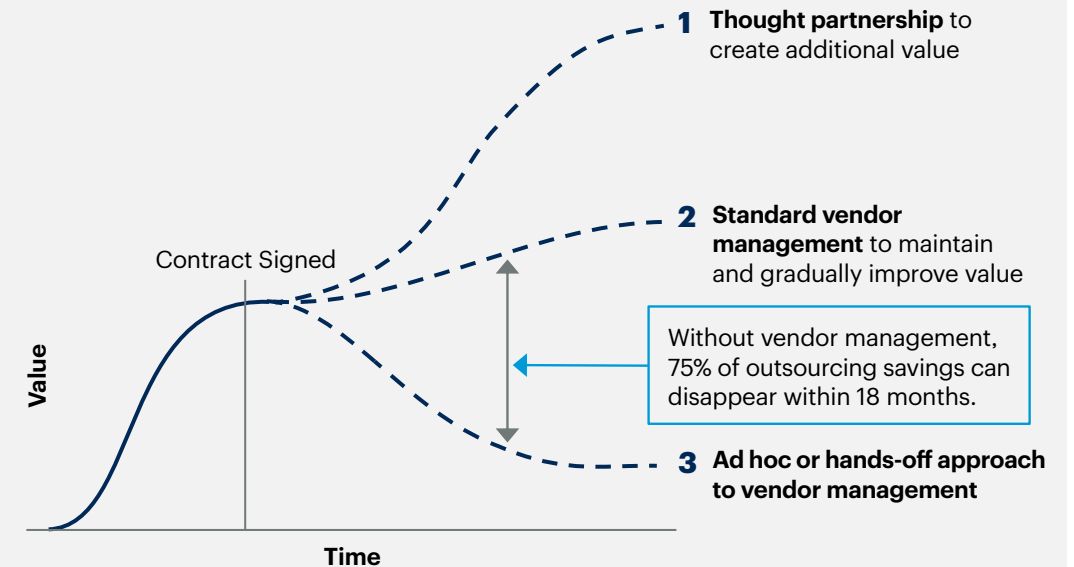
No single person in the services organization will be qualified to competently manage all aspects of vendor management. Thus, a selection of individuals representing each competency is needed to effectively manage vendor relationships. The number of individuals responsible for the above competencies and dedicated to vendor management will vary based on the size of the company and number of vendor partnerships. Typically, these individuals will sit in the service organization, but they might also sit in other groups like legal or procurement. A director, who is responsible for oversight of the vendor management program, assigns and coordinates responsibility across these individuals. This director is also responsible for realizing business results from the vendor partnership.

Gartner advises that organizations set aside 5% to 11% of the total contract value for vendor management for single-process or single-channel BPO contracts. For larger BPO deals, consider 8% to 15% since they require more attention and time.

Create an Environment of Thought Partnership

BPO service providers have a breadth of experience, knowledge and skill sets resulting from all the outsourcing/offshoring work they support. CX leading organizations recognize the necessity of closer relationships with their partners, which provides mutual benefits to both sides of the vendor-client relationship. While a one-way, transactional relationship between service providers and the organization may have sufficed in the past when outsourcing goals were focused primarily on operational efficiency and simple customer interactions, the growing importance of quality and CX has necessitated a more mutual and collaborative relationship. When entering into an outsourcing/offshoring relationship, organizations should tap into the BPO service provider's experience and look to that vendor for customer insight and improvement ideas based on its expertise. To supplement normal vendor management practices, establish a two-way thought partnership with the vendor to create increased value to the service organization over time, especially compared to using standard or ad hoc vendor management (see Figure 2).

Figure 2. Thought Partnership Creates Additional Value Over Time When Used With Vendor Management



Source: Gartner

By doing so, these additional mutual benefits can be realized:

- Perspective that others may not have considered or had insight into
- Ideas that drive investment in continuous improvement and growth opportunities
- Credibility that helps to build trust
- Lessons learned that may prevent mistakes or delays
- Alignment to ensure progress toward same goals
- Co-ownership of outcomes based on vested interest in performance outcomes
- Communication that is constructive and goal-focused
- Empowerment to actively participate in go-forward strategy discussions and initiatives

Organizations can't assume service providers know that this type of exchange is welcomed or expected. To create an environment of thought partnership and collaboration, be upfront and define expectations in the contract with the BPO service provider. Table 1 provides examples of requirements organizations should include in their contract with the BPO service partner to define thought partnership expectations and improve CX.

Table 1: Examples of Contract Requirements for Defining Thought Partnership Expectations With the BPO Service Partner

CX Activity ↓	Requirement Example ↓	Frequency ↓	CX Activity ↓
Customer Personas and Journey Maps	Conduct customer journey mapping exercise with BPO service provider	Biannual	<ul style="list-style-type: none"> • With the vendor, conduct a journey map that documents processes that support the customer along the transactional journey using voice of the customer data. • Identify whether a process is successful or fails to deliver the desired CX. • Ask for feedback from the vendor regarding how to improve or correct performance. • Assign ownership for areas of opportunity based on who has responsibility for that process and categorize by priority determined by impact to CX/cost.
CX Strategy	Align BPO service provider with CX strategy during business reviews with vendor	Quarterly or Monthly	<ul style="list-style-type: none"> • Discuss defined metrics, targets, process and behavior expectations, for CX requirements. • Prioritize CX during discussions with the vendor regarding improvement opportunities to optimize resources and processes. • Don't let operational performance rule the conversation.
Customer Insight	Participate in on-site visits and focus groups at BPO service provider	Quarterly	<ul style="list-style-type: none"> • During focus groups, ask vendor frontline leaders, trainers, QA and agents of varying tenure for feedback regarding: What is going right with service delivery, what is going wrong, and what are the areas of opportunity to improve CX? What are they hearing and observing from the customer? • Shadow customer interactions to watch frontline customer engagement. • Talk to the new hires to welcome them and share the CX vision and strategy, including how they impact IT and expectations.
Customer- Centric Culture	Reward and recognize service provider employees	Monthly	<ul style="list-style-type: none"> • Create CX targets and specifics regarding expectations for how employees should deliver the desired customer- centric behavior and take ownership to solve customer issues. • Encourage the organization to provide recognition for those vendor employees demonstrating those behaviors.
CX Vision and Purpose	Implement structured feedback and collaboration	Ongoing	<ul style="list-style-type: none"> • Require vendor feedback, recommendations and concerns regarding performance that impacts ability to achieve CX vision and business results. • Capture dialogue and assign owners when follow-up is required. • Ensure a structured closed-loop process is in place so that action is taken.

Source: Gartner

It is important to note that organizations must remove needless complexity from outsourced activities so that a BPO's thought partnership expertise can be fully realized. Processes that are not running smoothly in-house will not work any better with an outsourcer. When management is unable to fix complexity prior to outsourcing, significant outsourcing savings are rarely achieved due to increased integration and knowledge transfer costs and additional oversight requirements. This impacts the ability to realize the full benefits of a BPO's expertise and thought partnership.

If your BPO service provider is unable to provide or charges a premium for the deeper partnership approach, you may need to find additional budget or switch outsourcing/offshoring vendors to one that is more aligned to your CX goals. Organizations must understand that the reward of elevated CX leading to increased loyalty will outweigh that burden.



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