



What is The International Association of Outsourcing Professionals® (IAOP®)?

- *Membership organization setting Global Standards for the Outsourcing Profession*
- *More than 110,000 members and affiliates worldwide*
- *Leading the effort to transform the world of business through outsourcing*
- *Largest and fastest growing network of outsourcing professionals in the world*

Welcome to today's Chapter Meeting – the presentation, with audio, will begin momentarily.



Become an IAOP Professional Member

Who Can Join as Professional Members?

Open to outsourcing customers, providers and advisors, professional membership is available to individuals, either as part of their company's corporate membership or on an individual basis.

Why Join IAOP?

Joining IAOP provides access to an extensive array of services and distinguishes members as outsourcing leaders.

What are some of the benefits?

- Access the entire IAOP Network immediately upon joining
- Get questions answered by outsourcing experts
- Learn and share best practices
- Connect with peers and thought leaders in outsourcing
- Expand your outsourcing knowledge through IAOP's Knowledge Center Firmbuilder.com®
- Attend member-only events
- Advance your career

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Top 10 reasons to become a Certified Outsourcing Professional® (COP)...

- A common language based on professional standards for individuals in the outsourcing field
- Prestige for the individual and a competitive advantage over non-certified individuals in the same field
- Better, more consistent results for organizations that work with COPs - specifically because these professionals have demonstrated their experience and knowledge
- A more productive and highly trained workforce for employers
- Improved outsourcing outcomes for organizations that employ COPs
- Assisting employers in making more informed hiring decisions
- Assisting customers in making informed decisions about qualified providers
- Prospect of higher wages for employees in the form of bonuses, education assistance or higher salary
- Enhanced employment opportunities for individuals
- Opportunities to network with other COPs and invitations to COP exclusive events

To find out more about the COP Program, contact Pam O'Dell, Director, Corporate & Professional Development at pam.odell@outsourcingprofessional.org.

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The Global Outsourcing 100™

- Ranks the best service providers and advisors in the world
- Sublists highlight the best providers by region, industry and service focus
- Ranks the World's Best Outsourcing Advisors
- Global Outsourcing 100 Plus Report and “Mini” reprints available for purchase now.
- Contact pam.odell@outsourcingprofessional.org for more information
- Applications for 2010 begin September 1 at www.GlobalOutsourcing100.com

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➤ **The 2011 Outsourcing World Summit**

February 21-23, 2011

Indian Wells, California

Please contact Beryl Sorensen for information on attending, speaking and sponsoring.
Tel: +1.845.452.0600 x110 Email: Beryl.Sorensen@iaop.org

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The International Association of Outsourcing Professionals® (IAOP®)

**Global Standard-Setting Organization and Advocate
for the Outsourcing Profession**

Addressing the challenges that come with greater levels of outsourcing is going to take a new breed of outsourcing professional.



www.IAOP.org



- **Global Membership-Based Organization for Customers, Providers and Advisors**
- **Only Professional Quality Standard for the Field of Outsourcing**
- **Proven Track Record of Delivering Value – 85% of Customer Members Credit IAOP for Improved Outsourcing Outcomes**
- **IAOP® is the largest and fastest growing network of outsourcing professionals in the world**



Most of the World's Top Organizations are Leveraging IAOP's Programs and Services

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1000+ Professional Members ● 110,000+ Affiliate Members

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COP Master Class – North America Bundle Special
Limited seats available at this price!

If you are a Professional Member of IAOP and have attended any IAOP Chapter Meeting in the past 12 months, you may purchase any COP Master Class Bundle seat in any North America public class at the special price of \$3,500.

Contact sales@iaop.org for registration details.

New!
Online Governance Workshop
Governance or other IAOP chapter attendees take \$100 off using
Promo Code *POJS100* at www.iaop-cop.com

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Don't delay any longer — join now and receive all membership benefits until 1-1-2012! Sign up by December 15, 2010 and get a jump start on your 2011 planning. Use your membership free throughout November and December and hit the ground running for a year-long membership in 2011. To sign up, simply go to www.iaop.org/PMregistration and register using the offer code **'YREND-PM10'**. Get ahead of the pack and sign up today!

* Offer available with full-price memberships

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2011 Outsourcing World Summit

February 21-23, 2011 – Indian Wells, California

2011 Security and Outsourcing Conference

January 11, 2011 – Denver, Colorado



With more than 110,000 members and affiliates worldwide, IAOP® is leading the effort to transform the world of business through outsourcing.

If you are not already a member, you can begin taking immediate advantage of IAOP's programs and services by going to www.iaop.org.

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Welcome to the Governance Chapter of IAOP!

“Improving Troubled Relationships”

Addressing the challenges that come with greater levels of outsourcing is going to take a new breed of outsourcing professionals.



**Vantage Partners
Chapter Chair**

**Sara Enlow, Principal
& Today's Host**



About Vantage Partners



- Spin-off of the Harvard Negotiation Project
- Leaders in international dispute resolution through non-profit CMG, now part of Mercy Corps
- Experts in building corporate negotiation and relationship management capability
- Our outsourcing work
 - Launch
 - Health checks
 - Remediation
 - Relationship Management Centers of Excellence

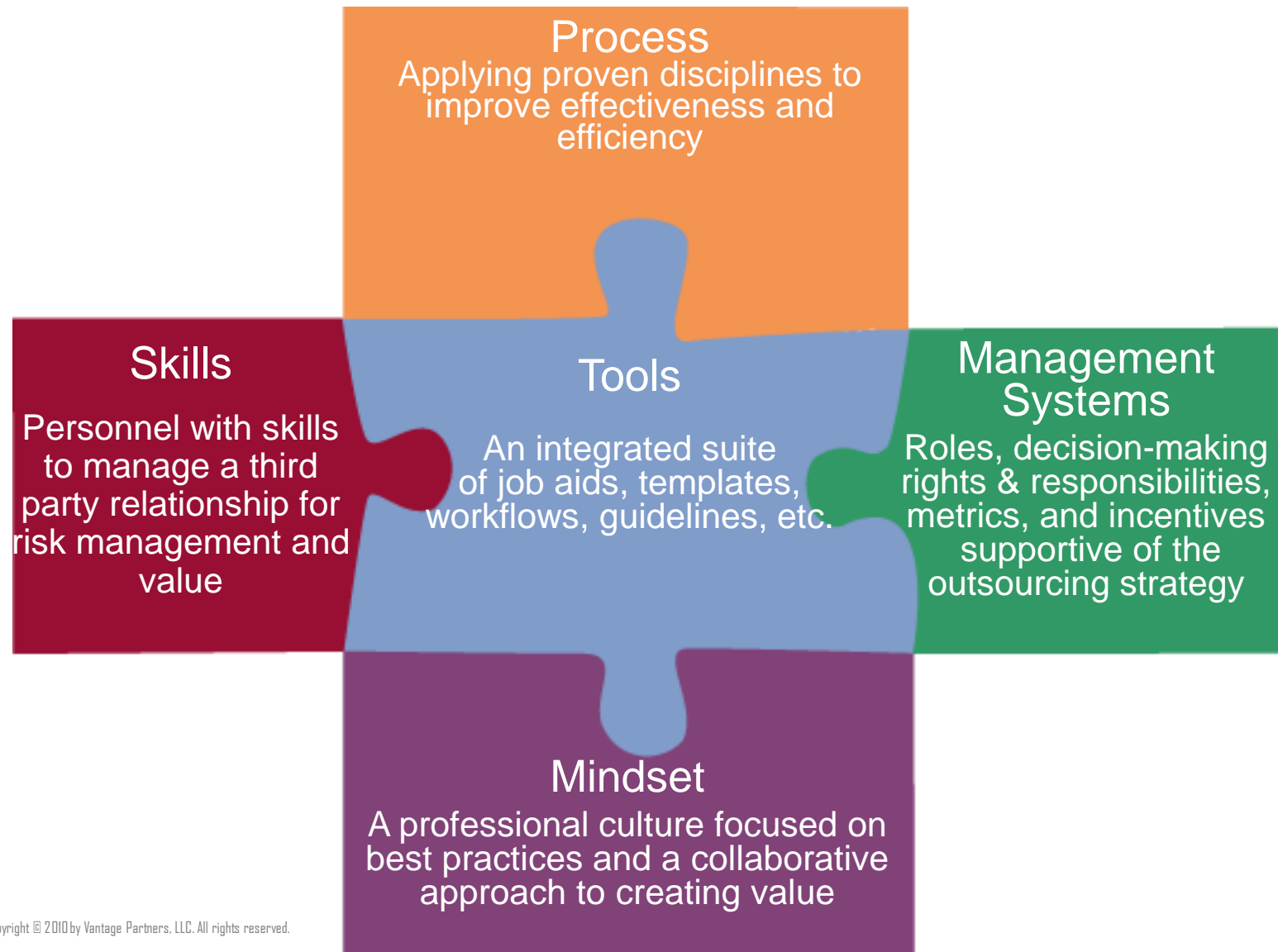


About the Governance Chapter

- Governance continues to be a top challenge facing outsourcing professionals today
- This chapter is intended to be a forum for IAOP members to come together to “demystify” Outsourcing Governance and to begin to identify effective Governance practices
- It also provides a means for more- and less-experienced outsourcing professionals to connect with one another to share stories and lessons about how to best govern their outsourcing relationships



The chapter takes a broad definition of “governance,” encompassing several elements



Our discussion panel



John Brodersen
Senior Counsel,
Kimberly-Clark Corporation



Joe Bubman
Senior Consultant,
Vantage Partners



Chris Long
Chief Operating Officer,
StayWell



John Brodersen

Kimberly-Clark Corporation



- Kimberly-Clark is leading the world in essentials for a better life.
- Headquartered in Dallas, Texas, with nearly 56,000 employees worldwide and operations in 35 countries, Kimberly-Clark posted sales of \$19.1 billion in 2009.
- Kimberly-Clark's global brands are sold in more than 150 countries. Every day, 1.3 billion people trust Kimberly-Clark products and the solutions they provide to make their lives better.
- With well-known family care and personal care brands such as Kleenex, Scott, Andrex, Huggies, Pull-Ups, Kotex, Poise and Depend, we hold the No. 1 or No. 2 share position globally in more than 80 countries.

Chris Long

StayWell Health Management



StayWell offers a population health management solution that improves employee health and reduces health care costs before they happen. Our solutions help clients control health care spending and increase productivity.

StayWell Health Management is part of the [StayWell](#) family of companies and is owned by [MediMedia, USA](#).

■ **Our mission**

- To help people achieve optimal health through solutions that set the standard for quality, effectiveness and value.

■ **Our vision**

- To advance the field of population health management, exceed customer expectations by providing superior service and high-value solutions, and build a respected business that attracts the most talented, passionate people.

■ **Our markets**

- StayWell serves both the public and private sectors. We have decades of experience working with clients of all sizes, industries and workplace cultures. Our clients are located across the United States. Many have international offices, too.

Agenda

- Spotting issues early
- Digging underneath symptoms to find root causes
- Addressing root causes of issues
- Assessing how well the solutions are working
- Q&A



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Spotting issues early

Buyer and provider face many challenges in making their deals work

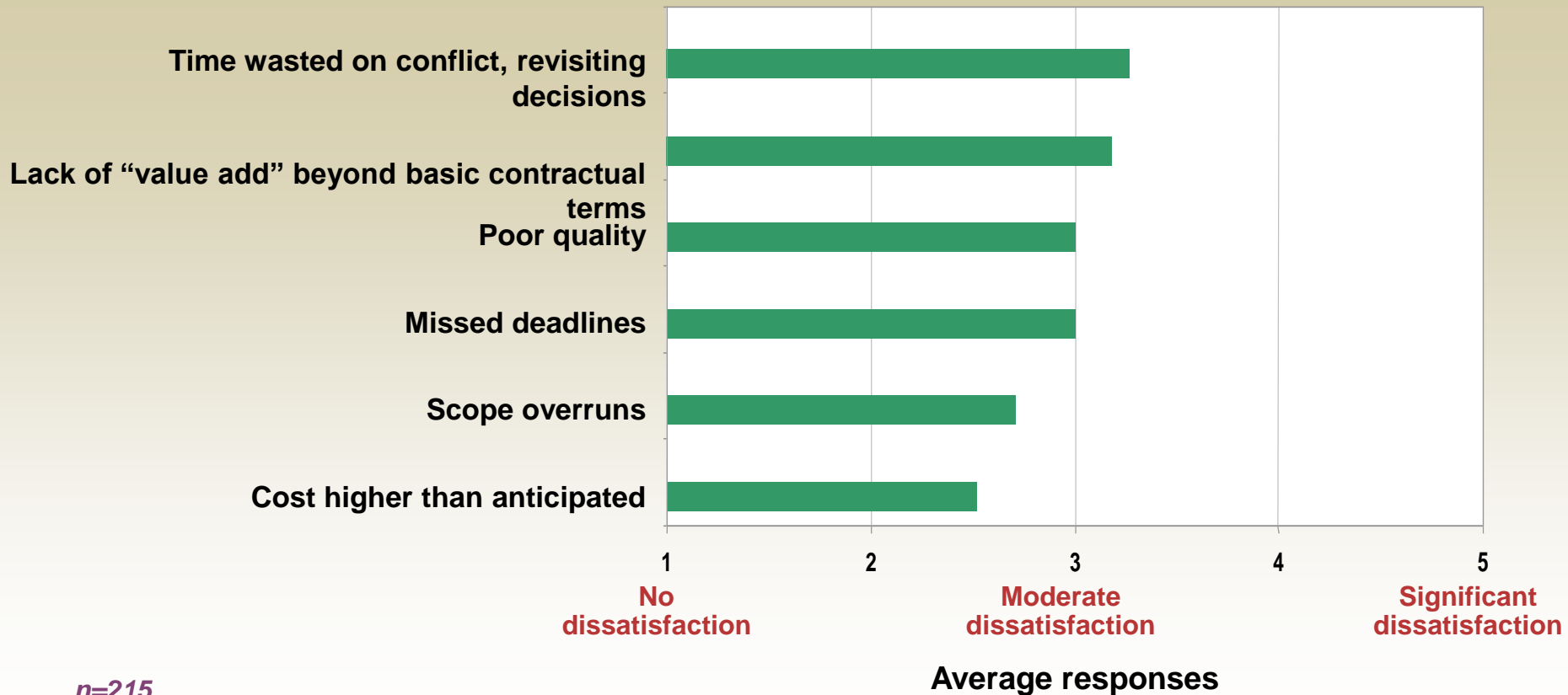
- Understanding and aligning the key business drivers of each organization
- Balancing need for immediate cost savings with need to drive innovation
- Coordinating activities among provider and buyer resources and across numerous geographies
- Dealing with differing perceptions about what is in or out of scope
- Resolving issues effectively and learning from them so they don't become recurring problems
- Making sure “we're getting what we paid for”
- Delivering up against ambiguous expectations
- Preserving institutional knowledge
- Building and maintaining alignment with varied stakeholders
- Helping the organization deal with changes (in how services are delivered, in how managers spend their time, in the roles both retained and transferred employees play)
- Managing cultural differences that can get in the way of collaboration

What challenges have you faced in your outsourcing relationships?



Time wasted on conflict and lack of “value add” cause dissatisfaction

Question: What are the areas of dissatisfaction or under-performance in your arrangement?

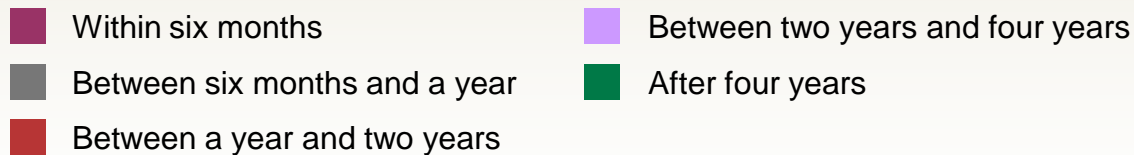
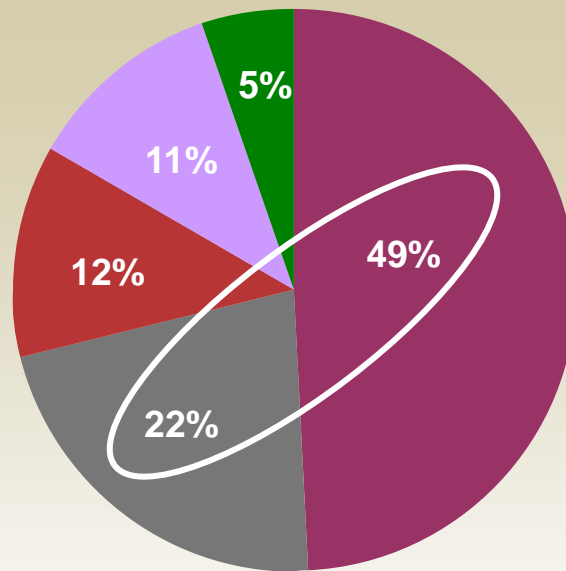


Vantage Partners remediation survey, 2010



Challenges typically arise within a year of contract signing

Question: How long after the contract was signed did significant challenges arise?



n=298

Vantage Partners remediation survey, 2010



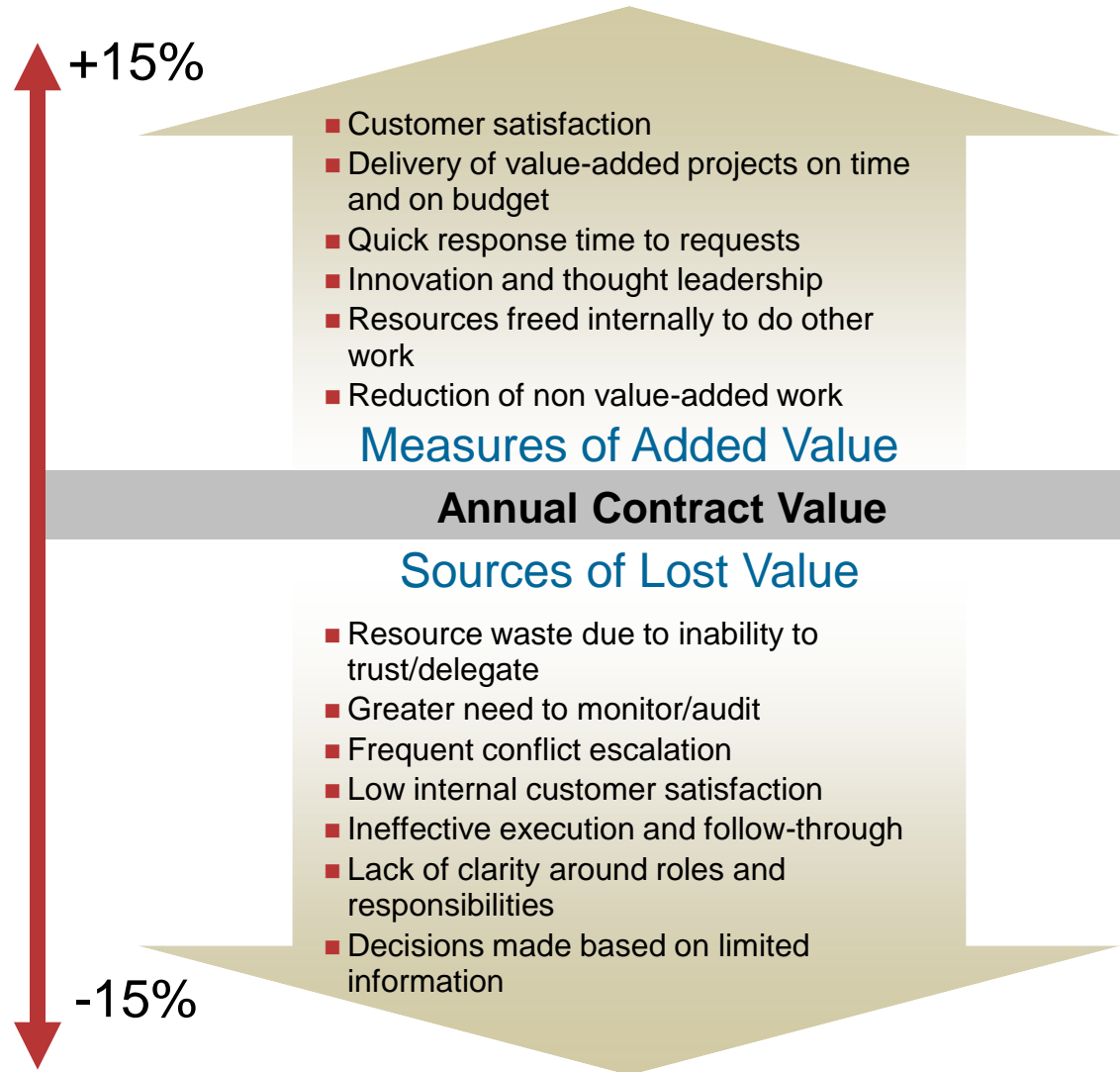
How these challenges are managed matters... a lot!

When asked to compare the value at stake between a good and poor outsourcing relationship:

More than half of buyers and

Nearly two-thirds of providers ...

felt that **at least 30% of the annual contract value was at risk**



Source: Vantage Partners, "Managing Outsourcing Relationships: Essential Practices for Buyers and Providers" (2010)

Periodic assessments of the health of your relationship help prevent many problems

- Collecting data from many different sources improves engagement and buy-in at operational, user, and executive levels: interviews, survey, workshops, analysis of contract and performance reports.
- Considering hypotheses across 10 key dimensions of an outsourcing relationship ensures a comprehensive view
 - Communication
 - Decision-making
 - Governance structure
 - Innovation
 - Metrics
 - Mindset and trust
 - Processes and tools
 - Skills
 - Stakeholder alignment

Dimension	Overall average
Decision-making	2.64
Governance structure	3.30
Metrics	2.43
Mindset and trust	2.95
Processes and tools	2.48
Skills	2.86

Dimension	Problem	Diagnosis
Innovation	Scarce innovation and disagreements about what constituted innovation were causing frustration at the operational level.	Senior management had not established expectations for what innovation meant, what it should look like, and how it was to be achieved.
Metrics	In spite of a "green" dashboard, the customer felt that its key business objectives not being measured as closely were neglected.	The KPIs weren't crafted to measure what was most important to the customer's business objectives and weren't being re-evaluated regularly to keep pace with changing business needs.
	The intense focus on KPIs at the operational level was driving the provider to try to avoid penalties, stifling experimentation and risk-taking.	There was no distinction in the imposition of penalties for problems that occurred for the first time and recurring problems that had not been addressed at root cause.

In practice...

- When does your phone ring?
- When do you *wish* it would ring?
- What needs to be in place to spot issues early?

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Digging underneath symptoms to find root causes

Common solutions for troubled outsourcing relationships

- Change personnel (e.g., account manager, relationship manager, governance team leads)
- Change or introduce new SLAs
- More stringent performance monitoring
- More meetings/communication
- Increase education/training
- Renegotiate the contract
- More root cause analysis
- Termination



Before deciding on a solution, first understand the true cause of the problem – some common causes

- The economics are just wrong: the provider can't make money in this contract
- We're measuring the wrong things and it's driving the wrong behavior
- The provider just doesn't have the capabilities they said they did (e.g., skills, technology, infrastructure)
- The customer is not doing what they need to do to help the provider succeed (e.g., drive and manage change in their organization)
- “People problems”: ineffective communications, sloppy follow-through on commitments, inadequate consultations

Communication difficulties and ineffective governance structures create challenges

Question: What have been the primary causes of dissatisfaction or under-performance in these areas?



n=210

No
challenges

Significant
challenges

In practice...

- How do you go about diagnosing root causes?
- Who should participate in this process?
- What do people need to keep in mind?

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Addressing root causes of issues

The economics are wrong and the provider cannot deliver services and make money.



Provider serves out contract, at a loss.

Buyer pays more.



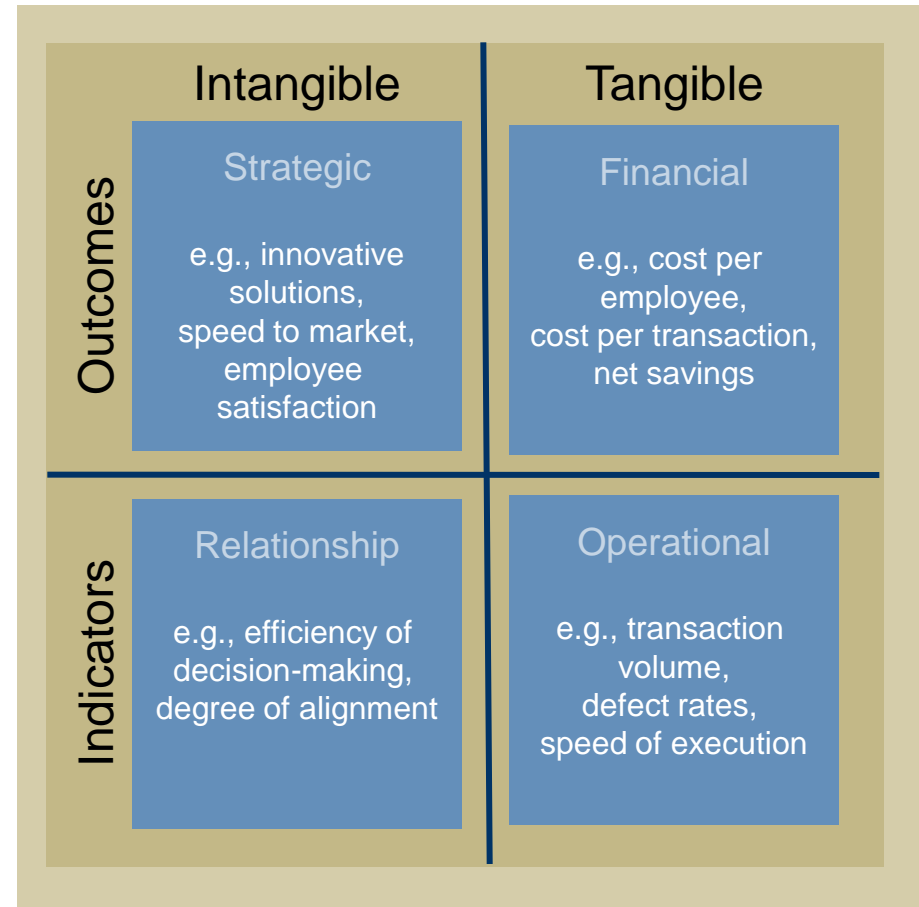
Change scope or delivery model so provider can make money, without injuring buyer's business case

- What's driving costs?
- Which cost drivers are necessary?
 - ▶ Contract provisions that require provider to deliver in a certain way
 - ▶ Performance metrics that may increase cost without increasing value
- Move to different solution (less costly, more standardized)



We're measuring the wrong things and it's driving the wrong behavior

- Determine how metrics are affecting behavior
- Be clear about the purpose(s) behind your metrics
- Apply what you have learned about working together
- Think about which kinds of metrics are most relevant, given your purposes
 - Leading vs. trailing indicators
 - Tangible/objective vs. intangible/subjective measures
 - Ends/value vs. means/activities
 - Provider only?



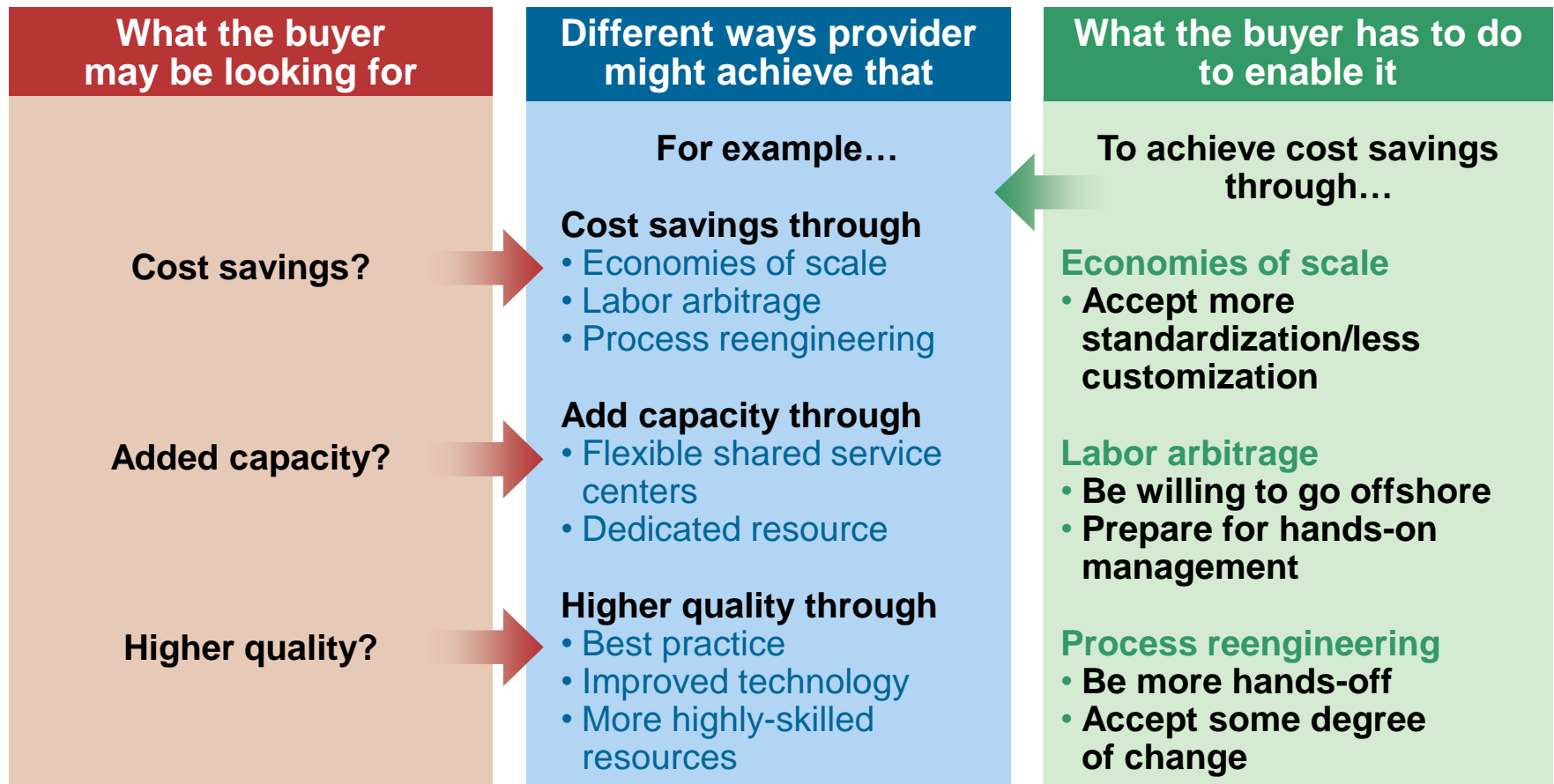
The provider just doesn't have the capabilities they said they did (e.g., skills, technology, infrastructure)

- Provider may have intended to build out platform with this engagement ...
- You may consider:
 - Just ending it
 - Trying to train them
 - Shooting procurement for hiring them
- Termination for cause can be sticky; training them may be expensive and endless.
- Try to diagnose why they lack capability – how much of it is us and what we're requiring of them? Can they backfill by hiring or acquisitions?
- Redefine contract to limit them to what they can do; take back or re-source other pieces.



The customer is not doing what they need to do to help the provider succeed

Buyers need to provide the right feedback, and set and reset expectations as things change. But buyers themselves need to adjust, too.

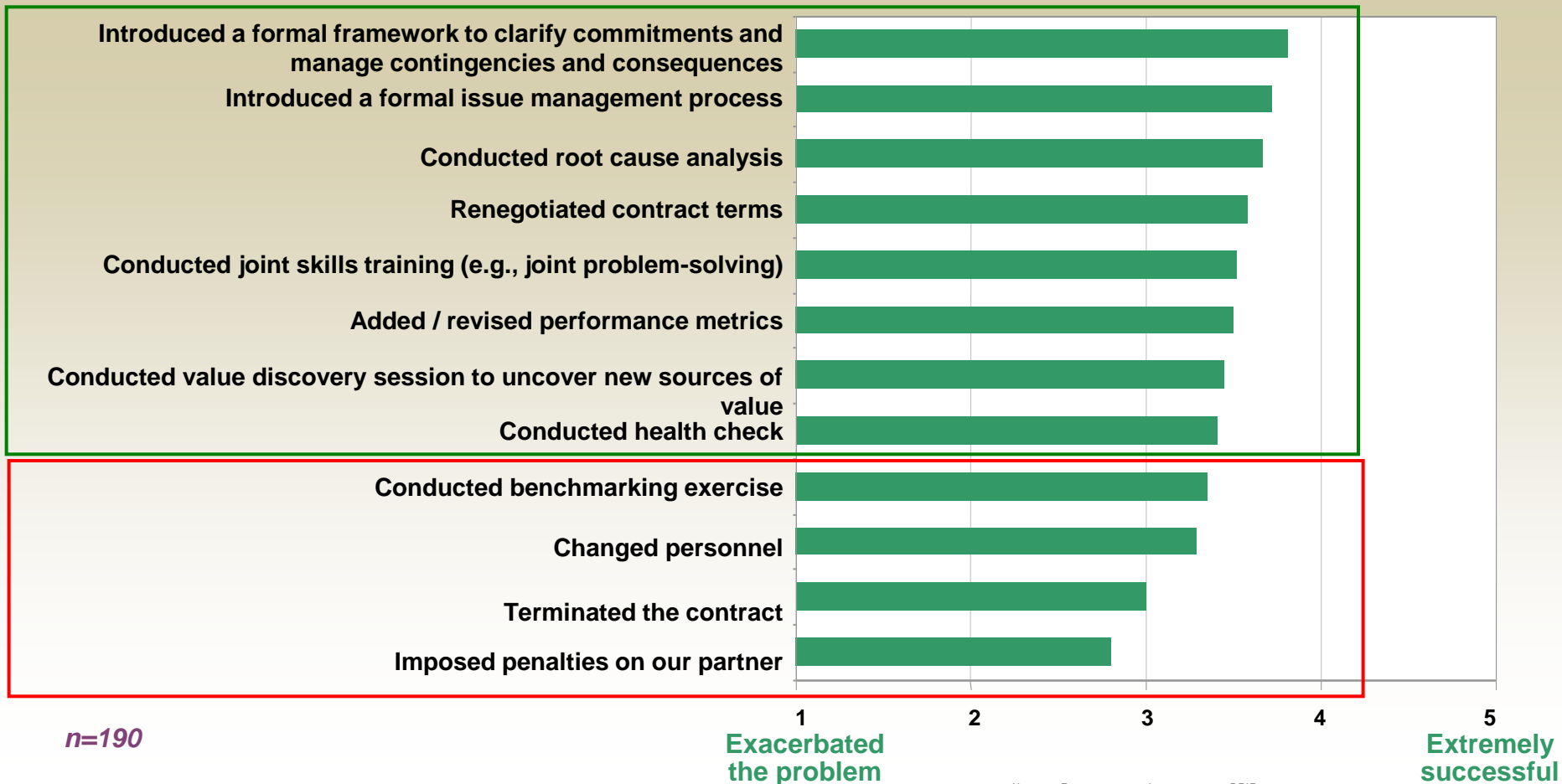


“People problems”: ineffective communications, sloppy follow-through on commitments, inadequate consultations

- Addressing “people problems” requires:
 - Right people with right skill set
 - Process simple enough to be implemented (e.g., articulation of decision-making roles and responsibility, joint issue escalation process)
 - Ensuring each party follows the process
 - Right tools to follow the process

Collaborative approaches to remediating issues generate more effective results

Question: What steps have you taken to deal with the significant challenges in your outsourcing arrangement and to what extent have they addressed the areas of dissatisfaction or under-performance?



n=190

In practice...

- What other “solutions” seem common to you?
- Is there anything that tends to go wrong with these solutions?
- When is it time to renegotiate?

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Assessing how well the solutions are working

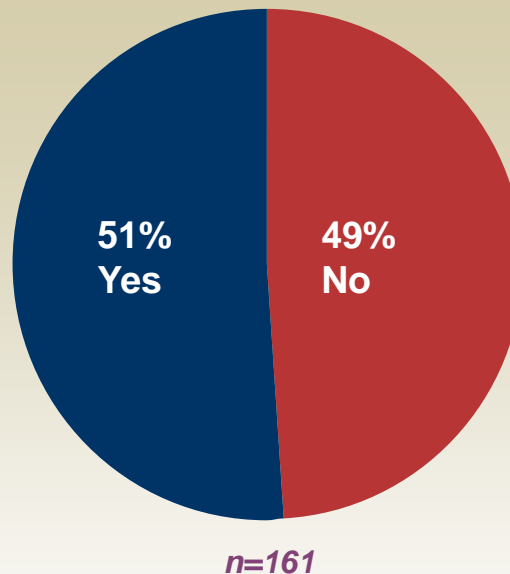
Successful remediation is not easy — but it has a significant impact

Question: Have the issues in your arrangement been fully addressed?

Positive impact of successful remediation

- Increased customer satisfaction
- Continuous quality improvements
- Increased prospects for deal renewal
- Higher savings
- More timely completion of projects
- Greater likelihood of being referenceable (for provider)
- Break-through innovation

“The termination from the provider was withdrawn and customer agreed to pay for the extra work done.”



Vantage Partners remediation survey, 2010

Negative impact of unsuccessful remediation

- Cost higher than anticipated
- Squandered profit
- Contract termination
- Lack of “value add” beyond basic contractual terms
- Missed deadlines
- Poor quality
- Scope overruns
- Time wasted on conflict, revisiting decisions

“At this point probably terminating the contract, as the client is being completely unreasonable in their expectations... Unfortunately this could cost us 10s of millions of dollars and has already cost us all the profit in this deal.”

In practice...

- Are any of your best relationships ones that were once “problems”?
- How do you get from “problem” to “big success”?

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Q&A

Our discussion panel



John Brodersen
Senior Counsel,
Kimberly-Clark Corporation



Joe Bubman
Senior Consultant,
Vantage Partners



Chris Long
Chief Operating Officer,
StayWell



Stay tuned for details about 2011 Governance Chapter webinars

Topic suggestions are welcome!



Thank you!

Thank you for your participation!

Vantage will soon be publishing a new
Playbook for Improving Troubled Outsourcing Relationships
to help empower you to take action in your own outsourcing relationship.

For a complimentary copy, please email outsourcing@vantagepartners.com.

