

# A new service provider – what's gone wrong?

**Melita Thomas** looks at how to overcome opposition to outsourcing service provision, which is commonly caused by the fear of change, compromise and loss of control.

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**A**fter senior management has expended much time and effort on agreeing a contract for service provision, the in-house team often remains unenthusiastic and critical. Is this because outsourcing per se does not work, or are there other factors at play?

Experience suggests that there are three main reasons why contracts are not as successful as they ought to be. These problems can be difficult to solve because they are intangible and related to human psychology.

### THREE BARRIERS TO SUCCESS

These intangible barriers to success are “change”, “compromise” and “loss of control”. It is no easy matter to persuade people to change their current business practices and adopt new methods in a positive frame of mind.

The knowledge that change is necessary is widespread, and indeed it is received wisdom that we are all supposed to love and “embrace” change. “Change management” regularly appears as a work stream in elaborate project plans. Very few CVs appear now without the words “experienced change manager” in them. So with this understanding of its importance, why is it that so many business changes are not as successful as anticipated?

The reality is that most of us only like change when someone else is changing to conform to our own requirements. We are uncomfortable with changing our own behaviour.

Scientists have shown that this is actually innate for the vast majority – human beings are programmed to resist change. We avoid change because it takes time and effort to learn new skills and ways of working.

In our current ways of working we are unconsciously competent (in our own view at least – in reality we may be unconsciously incompetent). By adopting new ways of working, we become consciously incompetent again and have to work twice as hard to learn, while still keeping the show on the road. This is an unattractive proposition for anyone already working long hours.

The second barrier is that of “compromise”. Every good contract is a compromise. Overall, there may be a “win-win” for both organisations, but the individuals involved will undoubtedly be called upon to give

up items they consider important, both in the initial negotiations to develop the contract and in what they receive either in services or in payments during the life of the contract.

Again, we all know that compromise is necessary for a contract to have any hope of working – a completely one-sided deal will fail. But, as before, we want other people to compromise, not ourselves. We are certain that we know more about the particular issues that are dear to us than anyone else – we have thought about them long and hard, we have worked on them every day. We expect someone else, who does not realise the importance of our pet issue, to be the one to give way. We have thus added minor personal grievance to the difficulties faced by the in-house team.

The third barrier, “loss of control”, is the single most quoted reason for organisations not to outsource parts of their business. When people are asked to say exactly what they mean by this, the answers are often woolly, but the fear remains. Prior to outsourcing a contract, the managers know exactly what they are responsible for and how they can manage their staff so as to achieve it. Afterwards, they are in the hands of another organisation with different priorities and a whole structure about which the manager knows nothing.

Consider the position of a facilities manager who previously had an in-house team but the company has now outsourced delivery to a specialist. The manager receives a complaint from an end user, concerned by slow response times. The response time is within the contract terms, but that does not really help them deal with the customer.

Imagine that the facilities manager wanted the response times to be faster, but was overruled. Compromising in this area has made their job far more difficult – they have to placate the aggrieved customer but cannot promise that anything will improve. They also have to get used to a new escalation process if there is, in fact, a problem. Previously, the facilities manager could find the offending worker and take appropriate action; now there is a new process to work through which they do not control.

### EASING THE TRANSITION

Having identified these problems (which are not, of course, confined to outsourcing contracts or facilities management) is there anything that can be done to alleviate them?

Looking at the aspect of change and compromise, first, can we make transition easier prior to the contract being completed?

As identified above, change is difficult both because of fear of failure and because, in a work environment, change has to take place while the job is still being carried out. However, there are four processes that senior managers might consider using to make change and compromise less painful, and thus reduce the “bedding-in” time of a new contract.

**Engagement**

First, engage with the end users so that they know there will be changes and the reasons for those changes.

A client I once worked with outsourced its IT provision, with fixed response times for specific types of problem. Obviously serious matters, such as failure of a server, had short response times, but desktop problems, such as applications not opening or printers running out of toner, had no fixed response times.

This made sense in the overall context of the risk to the business, but all the end users saw was an outsourced IT provider which only fixed their immediate problems when it had a spare moment. The users were up in arms (not helped by the fact that senior managers had a fixed response time for *their* desktop problems) and abused the service providers at every turn. At no time had senior management conveyed to the end users that the response times were agreed as part of the contract, and that, if departments wanted a Rolls-Royce service, they would have to pay more than Lada prices.

Where compromises have to be made, it is important to show managers what has been gained in return. Identifying these areas before negotiations commence will allow greater buy-in from the home team and allow a greater feeling of control.

**Planning**

Second, think through how changes are going to affect people throughout the business, alert them early, and involve as many of them as is practicable in working out where changes and compromises have to be made.

This can be very hard to do – in many cases the manager responsible for putting the contract in place has a huge amount of previous experience. As it is hard to define the benefit of involving others in the decision-making process and everyone has different ideas, the manager knows that trying to reach a workable compromise will be difficult and time consuming. It is easier just to make the decisions and tell everybody afterwards.

Of course, it is easier for the manager, but the ultimate effect is a contract which is not willingly supported by the people who have to carry it out.

In the contract mentioned above, the negotiators had never involved the grass-roots users, with consequent long-term problems. No matter how much the procuring manager knows, people working in the business every day will always have new ideas, perspectives and approaches to problem solving that are worth considering.

Clearly, it is not possible to involve everyone, and there are issues of commercial confidentiality to consider, but taking a representative sample of people from different areas of the business and at least discussing their concerns prior to the negotiation can save a contract once it goes live. In particular, if there are individuals with strong personalities who affect morale, try to have them inside the tent, acting as ambassadors for change.

**Sponsorship**

Third, senior management must accept that, when changes are made, initial performance will drop off, and must ensure that team members feel able to take extra time to work through the new processes without being penalised for poor performance. For this to work effectively, it may also be necessary to inform clients that changes are being made and that an initial period of disruption should be followed by improved service.

**Training**

Fourth, thorough training in the new processes and procedures should be a key part of their introduction. It is not enough merely to tell people that their

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working practices must change – they need to know *how* they will change, and what their own roles and responsibilities will be.

It is also important that this is a continuing process. Not many people can remember everything they are told on the first occasion. Although it increases the initial transformation costs, the opportunity for employees to refresh their knowledge and to have continuing support is likely to improve the level of adoption – and hence the business will derive more value from the project.

**RELINQUISHING CONTROL**

Finally, the concern about lack of control. In reality, at the beginning of the new regime, this cannot be eradicated completely. Until the contract has been in place for a while and is familiar, it will be difficult to let go of this fear.

If the contract works well and the service providers are delivering, then, in time, the team members will realise that they do not need to have the same level of day-to-day control. This process can be made faster if attention is paid to defining roles and responsibilities early in the transition so that the team can concentrate on what it can control.

All of these concepts are fluid, but understanding the human response to change and managing it appropriately is the single most valuable tool for creating a lasting and successful outsourcing project. **FM**