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Want to Improve Business Outcomes in Outsourcing Deals?

**Consider Service Integration Solutions as a Way to
Drive Higher Satisfaction.**

Outsourcing Institute White Paper in association with Cisco.

Enhancing customer satisfaction and generating improved results from outsourcing programs requires good communication, shared responsibilities and clear objectives. But many deals often need even more. Outsourcers and their clients should consider service integration solutions as a way to improve business outcomes in their projects.



Outsourcing has always been a business marked by complex challenges that must be addressed and overcome in order to drive improved business results for the client. But even in outsourcing deals with clear objectives and well-defined metrics for measuring success, many outsourcing relationships can be marred by significant gaps in satisfaction between customers and service providers.

Bridging that perception gap between the two parties isn't easy, because it must come to grips with the inevitable challenges between buyers and sellers of IT and BPO services. On one hand, customers are footing the bill, and they naturally want the highest possible return on their investment in money and time. Sellers, on the flip side, typically feel the customer's money is well spent as long as the project meets agreed-upon and measurable objectives. And here is where disconnects can pop up.

"There has always been a gulf between how outsourcing companies and their customers see the quality of their relationship," points out Frank Casale, president of The Outsourcing Institute and a long-time expert on outsourcing relationships. "There's no one reason why, no silver bullet," he says, adding that many deals fail to meet clients' expectations because of issues such as poor communications, ill-defined key performance indicators or turnover in personnel at suppliers, customers or both.

Some recent research done with buyers and sellers of outsourcing services bears out this hard truth. According to a study conducted by M-Squared Inc. with community members of The Outsourcing Institute, there is a significant gap between how outsourcing providers and their clients view the quality of their business relationship. In fact, suppliers responding to the survey were three times as likely to view their relationship with clients to be positive rather than negative; however, customers were evenly split between positive and negative views of their relationship with suppliers. Additionally, vendors were considerably more likely to have a positive view on their ability to help achieve customer satisfaction than were IT buyers (72% positive vs. 40% positive), as well as in feeling positive about the quality, frequency and timeliness of communications (75% positive perception on the part of vendors, compared with just 40% positive perception by IT buyers).

The Perception Gap	Vendors	IT Buyers
Positive Relationship?	80% POSITIVE	50% POSITIVE
Vendors Help Customer Satisfaction?	72% POSITIVE	40% POSITIVE
Quality, Frequency, Timeliness of Communications	75% POSITIVE	40% POSITIVE

—Based on a survey for the Outsourcing Institute, conducted by M-Squared Inc.

A key contributor to this satisfaction gap is the absence of real-time communication between suppliers and customers, according to Casale. "Although business works in real time, all too often the reporting of things like service requests or incident status lags, causing a critical lack of visibility—and thus a lack of satisfaction—between suppliers and clients," he said.

As a result, outsourcing providers and clients are straining to find new ways to more closely align their organizations in order to improve responsiveness and create a stronger sense of shared responsibility for problem resolution. An important technology that is rapidly gaining interest and acceptance is service integration, which provides a real-time

electronic link between outsourcing providers and their clients, typically between customers' IT organizations and outsourcers' service desks. And in outsourcing projects where service integration solutions have been deployed, satisfaction levels between outsourcing suppliers and clients are much more closely aligned.

How Service Integration Works and Why It's Relevant in Outsourcing

Think of service integration as an electronic link between customers and suppliers, taking place in real time due to digital synchronization between both parties' different systems, applications and business processes.

As an example, consider one of the most important functions in an outsourcing deal—help desk outsourcing and coordinated service response. Let's say a financial institution discovers that its loan processing system has frozen. If a bank or credit union can't process loans, it is losing money. The system must be up and running fast, with assurances that data being created, shared and stored before the service outage is restored immediately and accurately to its latest state before the system went down. Every minute that system is down results in tangible losses to the financial institution, as well as intangible losses such as diminished brand reputation and customer confidence due to the unavailability of a critical system.

Without service integration, a bank's lending officer would have to contact the IT department, which in turn would have to contact the service department of outsourcing partner responsible for monitoring and managing that loan processing application.

With service integration, however, the financial institution's systems are digitally linked to the outsourcing provider's service team. Immediately after the loan processing system goes offline, the outsourcing company's monitoring system senses the outage. When a failure is detected, the service management

solution not only ensures that all parties know the system is down, but also provides full visibility to the customer about what is happening to remedy the problem. Automatic ticketing ensures that the outsourcing partner is fully aware of the problem and that the bank manager has confidence in knowing when the issue will be resolved.

The service integration link allows customers and their outsourcing partners to avoid time-consuming, error-prone handoffs involving phone calls, emails, text messages and other forms of communications. Without service integration, responding to the original problem could take valuable minutes until the source of the problem was identified and a solution was implemented. Instead, a real-time response to the outage was facilitated, limiting downtime and keeping any financial or intangible impact to a bare minimum.

"Traditionally, the typical outsourcing engagement has tended to work in batch mode," points out Casale. "While the rest of the business is happening and communicating in real time, the outsourcing team is processing activities and responses like it's 1968. With service integration, everything's connected and there are real-time responses, not just in acknowledging receipt of the problem but also in actually taking corrective action. Service integration makes it easier, faster and less expensive to fix problems, which can result in very positive improvements in customer satisfaction."

Benefits of Service Integration Solutions

- Better, real-time communication
- Lower costs
- Improved ROI
- Greater possibilities for innovation
- Higher quality
- More efficient use of limited in-house resources
- Longer and better relationships

Quantifying a Better Client-Supplier Relationship

What can service integration actually mean in closing the gap between buyer and seller perceptions of outsourcing relationship quality? A lot, according to the survey with members of The Outsourcing Institute. That service integration “connection” is a big differentiator in how IT buyers see their relationship with their outsourcing vendors, according to the survey respondents. For instance, 70% of the IT buyers that had a service integration connection said they would recommend their vendor to other colleagues, compared with just 45% of IT respondents to the survey that did not have that service integration connection.

Net Promoter	IT Buyers
Recommend Vendor <i>with</i> Integration?	70%
Recommend Vendor <i>without</i> Integration?	45%

“By creating a deeper integration between the IT outsource vendor and the IT organization, problem resolution improves and mean time to resolution drops dramatically,” according to the survey report.

Survey respondents using service integration solutions said they were more likely to use the same outsourcing vendor in the future than organizations not using

service integration. In fact, three of four respondents using service integration with their outsourcing partners said they would use that vendor again in the future, compared with just 52% of customers not using service integration services.

Renewals	IT Buyers
Renew Vendor Contract <i>with</i> Integration?	75%
Renew Vendor Contract <i>without</i> Integration?	52%

An even bigger gap between the two client respondent groups emerged when asked about their ability to manage multiple IT support services vendors. This is particularly important given the reality most clients face in juggling different service providers for different applications, business processes or projects.

Respondents employing service integration techniques were far more likely than those not using service integration to feel positively about their ability to manage multiple IT support services vendors. Most respondents using service integration—60%—felt positive about their ability to simultaneously juggle multiple vendors, while only 32% of those not using service integration felt they could handle that challenge.

Finally, it’s worth noting that outsourcing vendors and IT buyers were perfectly aligned when it asked about the increasing complexity for the delivery of outsourced services in the future: 54% of both audiences agreed it was going to become more complex. Interestingly, however, IT buyers with service integration connections said they felt better prepared to deal with that complexity than did IT buyers that did not have service integration connections.

The Outlook: Agreement	Vendors	IT Buyers
More Complex in Future?	54%	54%
Feel Prepared for Complexity <i>with</i> Integration		62%
Feel Prepared for Complexity <i>without</i> Integration		34%

The Bottom Line about Service Integration and Outsourcing

Outsourcing customers who use service integration, compared to those who don't use service integration, are more likely to:

- Recommend and use the same outsourcing vendors they currently utilize
- Successfully manage multiple vendors
- View their outsourcing partners favorably
- Reduce unnecessary and costly transitions

Real-World Service Integration Success Stories: Charter Communications and ShoreGroup

One organization that has experienced positive benefits by service integration with one of their strategic outsourcing service providers is Charter Communications, one of the world's largest and most successful broadband communications companies and the fourth-largest cable operator in the United States.

With more than 5.7 million customers in the U.S., Charter must provide reliable and consistent access to entertainment and communications products; any service interruption not only costs the company revenue and profits, but the highly competitive nature of Charter's business means service problems puts it at risk of losing customers to other providers. That puts extra pressure on Charter's IT department to ensure that its Remedy service-ticketing system can react instantaneously to potential problems and rectify them before they spread and affect large numbers of subscribers. Charter's support organization needed new ways to realize efficiencies in their service ticket-creation process, as well as to improve communications between themselves and their technology vendors.

To help address that challenge, Charter worked with Cisco Systems, its key network infrastructure provider, to implement a service integration system that connects Charter's Remedy system with Cisco's monitoring and service desk. If a problem pops up on Charter's network that needs to be analyzed and remediated by Cisco, the service integration solution speeds the process from service-request ticketing to problem analysis to resolution. This helps Charter avoid what's called the "swivel chair" syndrome, helping their IT team to bypass the often-inconvenient and time-consuming process of manually entering information into their help desk system, and then replicating that process into Cisco's system. A Charter spokesperson said service integration significantly sped up the ticket creation process, and it helped achieve real-time, two-way communication that allows Cisco to see Charter's updates, and vice versa. This has helped to clear out ticket backlogs more quickly.

As a result, within three months of implementing the service integration solution, Charter saw a 20-25% reduction in mean time to resolution, alleviating the service and support burden for the Charter IT staff and allowing them to focus on developing other services that drive Charter's business opportunities.

Another organization that has significantly benefitted from service integration solutions is ShoreGroup, a long-time Cisco business partner. Robert Kennedy, chairman and CEO of ShoreGroup, said Cisco's service integration solution "has been a huge boon to our business.... At any given moment, we know how a problem is being resolved, and how we're coordinating with Cisco to do that.

"We look at over a billion events annually for Day 2 support, so we need to demonstrate immediate responses to our customers. Service integration is allowing us to save up to 5-6% on our Day 2 support costs, which is huge for a company like ourselves. It also allows us to go into a sales call and demonstrate a differentiated approach by electronically bonding to our partner for problem resolution."

Conclusion

Service integration's capabilities are beginning to be widely understood and acknowledged. Customers that are using service integration solutions to create tighter, real-time ties with their outsourcing suppliers report significantly better satisfaction, efficiency and credibility in working with their partners than do organizations not using service integration techniques.

By creating digital linkages between customers and outsourcing service providers, information becomes available to the outsourcing partner immediately, therefore significantly shortening mean time to resolution and increasing the likelihood that systems meet service-level agreements and potential business interruptions are headed off before they become problems.

Research with The Outsourcing Institute members demonstrate that service integration can be an effective and powerful way to close the "perception gap" between how outsourcing customers and their vendors see the quality of their relationship. By improving communications and responsiveness, service integration helps outsourcing services buyers and sellers develop a more harmonious and tightly aligned working relationship. As a result, customers are more likely to experience positive business results and outsourcing vendors are more likely to generate repeat business.

About the Survey

The results from the survey described in this paper are based on work done by M-Squared Inc., on behalf of The Outsourcing Institute and its client, Cisco Systems.

Nearly 280 respondents provided answers to a survey on the topic of their satisfaction and experiences with outsourcing service providers. Although respondents came from different-sized organizations, about 60% of the respondents worked in organizations with annual revenue of more than \$100 million.

The survey questionnaire was developed by M-Squared after extensive phone-based interviews with both customers and vendors of outsourcing services. Contact information for clients and vendors interviewed by M-Square was provided by The Outsourcing Institute.

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