

8 Strategies for Getting More from Your IT Supplier

Outsourcing is becoming a major requirement for most IT organizations. They cannot keep up with the changes required by the business, and suppliers are able to provide additional resources, new skills, and often better performance than internal staff. With these issues, many businesses are turning to suppliers to provide part or all of their IT service. However, many businesses are disappointed with the results. Most of this disappointment relates to the approach that is taken in the contract and relationship with the supplier. The following 8 strategies can help to improve the level of service provided.

1. Define expectations

In many situations, the customer defines the product or service that they need, but supplier defines how the service is to be provided. They adjust their generic service to meet the new customer's requirement, but still operate their business in a standard manner. This often fails to deliver the level of service that the customer needs.

There are two aspects of any IT application or service. There are the functional requirements and the service requirements. The key requirement is to define the service requirements in the early stages of negotiation. This will ensure that the business receives the full value of the service. It may also identify missing cost elements. The end result will be a service that meets the needs of the business for quality, cost and productivity.

2. Measure service in business terms

Traditional service contracts measure volumes and service in technology terms. For example, outsourced help desks are measured by number of calls and service time. While these measurements are important, they do not reflect the business need. The real need of the business is quality IT service. If the number of calls increases, the service is not meeting business needs. The contract should provide for the supplier to help the customer improve the quality of service and reduce the number of calls over time, through prevention and training.

3. Assign a relationship manager

In most situations, the supplier provides products and services across the organization. Each department may have a day-to-day relationship with the supplier to get the services they require. This means many points of contact



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and the potential for many service issues to be unresolved. In addition, most staff are not experienced in dealing with IT suppliers. The end result is dissatisfaction with the service.

By establishing a relationship manager who is responsible for the contract and ongoing service, the customer achieves two things: They get an experienced negotiator (even a neophyte will gain experience over time); They get a focal point who can see what is happening across the organization and ensure that service is delivered according to the contract. This does not have to be a full time person, unless the job is big enough.

4. Establish a WIN-WIN Relationship

In many outsourcing situations, the primary focus is on reduced costs. The customer squeezes the supplier, and the deliverables get defined at a very detailed level. Because the supplier's margins are very low, they are unwilling to add functions that will increase their costs. Also, since most in house IT organizations perform many more activities than are known to the people negotiating the contract, these items are left out. The result is that the business either does not achieve its cost reduction objectives, or the quality of service does not meet business needs.

The solution is to develop a contract where both parties can win. Identify where the supplier can help you reduce costs and work with them to achieve it. Ensure that your supplier can make reasonable returns on the relationship. This will mean that they will be more interested in maintaining the relationship and be prepared to invest where required to make it happen.

5. Contract for variable costs based on business volumes

With today's economic climate, business volumes can change quickly. If you are a growing company, ensure that your contract provides a sliding scale as your volume increases. Also provide for reductions in case your business slows down. Ensure that your contract does not extract penalties for this normal variance in business volumes. Of course, the supplier will want to put limits on this. However, planning your contracts to meet your business plans will still provide for a better financial agreement.



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6. Contract for improved performance over time

One of the key reasons for outsourcing is to gain an advantage from the skills of the supplier. Since the supplier is a specialist in providing IT service, and makes money based on this skill, they will be more adept at finding ways to reduce costs. In particular, to be effective, they will manage their business with a process approach. This means that they will measure their performance and become more efficient over time. Your contract should provide for some of that benefit to be returned to you.

7. Ensure that you maintain ownership and access to service data

As part of any outsourcing contract, a business will ensure that they maintain ownership of data on their business operations. However, they think of their data as sales or inventory data, not data on their IT service. This is just as much their data as sales, and just as important. As IT becomes a greater part of their business, this data can mean the difference between profit and loss. This is how you measure how well your business is operating. If you lose access to it when you transfer this service to another supplier or in house, you will not know how well the service is operating.

In addition, the supplier should be providing you with data as an ongoing measure of performance. This must be in business form and reconciled on a regular basis. If there is an inventory of equipment, is there a reconciliation happening regularly? The same applies to transaction volumes if charges are based on that. Some businesses operate on contingency to find discrepancies in billings due to the lack of regular reconciliation.

8. Provide an escape clause for all contracts

Some suppliers have been known to guarantee service levels when they know that they can't meet them. The contract calls for penalties, but these are limited. The supplier knows that they can still make a profit if they deliver a lower quality service.

In order to prevent this from occurring, provide for an escape clause. If service does not meet targets for an extended period of time, the contract has been breached and the customer can go elsewhere. The penalty can also include payment of part of the transfer costs. If the contract is win-win, and the supplier is confident in meeting their service targets, they will be more willing to agree.



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Changing suppliers is a major undertaking. But the ability to escape a poor supplier is much more palatable than having to remain when the service does not meet your business needs.

If you are already in a situation where the quality of service is not meeting your business needs, many of the abovementioned strategies can still be used. Most suppliers want to maintain a good relationship with their customers. Using these strategies will mean an improved level of service over time.

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