

Outsourcing report: managing the relationship

Like a locomotive

Whether you work for a user or provider of services, you must know how to resolve the conflicts that can result in crashes



By Michael Marmur

Is your organization thinking about outsourcing? If you are like most people, you may worry about what this means to you. Moving to outsourcing involves significant change and while

change can be good — change is hard.

Once the decision to outsource has been made by senior management, it is like a locomotive moving down the track — it is difficult to stop. Wishing it away won't help, nor will keeping your head in the sand. So how can you make it work to your advantage and to the advantage of your organization? As a facility manager, what can you do to survive in an outsourced world?

Generally embarked upon to reduce costs (although

there are many other reasons to outsource), outsourcing is sold to senior management as the solution to many problems. While this may be true, outsourcing also creates new problems. Common are arguments about service levels and quality, working conditions, the contract, compliance to policies and procedures, the intent of the contract, the cost of items not in the contract, disappointment with the working relationship, and the list goes on.

Regardless of whether you find yourself managing the outsourcer or working for the outsourcer and managing the staff delivering service, it is inevitable that you will be confronted with conflict. The only question is whether the working relationship will become poisoned beyond repair.

Transferable skills

In many respects, as a facility manager you have dealt with outsourcing-type issues your entire career. You are likely using an outside supplier to deliver some part of the service you provide. You know how to source subcontractors and suppliers, negotiate contracts, manage relationships and ensure that you are receiving the best possible service. Many of these skills are transferable to an outsourced environment. Begin preparing yourself for the change by realizing that the outsourcer is in business to deliver a service, make a profit

and get new customers.

But what about resolving disputes? Why not just walk tall and carry a big stick? Well, you can — but in an outsourced world you will be the loser, regardless of which side of the fence you sit on.

It is in your interest to ensure that your organization is provided with the highest level of service. In order to make that happen, it is essential that you minimize the escalation of disputes.

Conflict resolution

A widely accepted best practice is to build a conflict resolution mechanism into an outsourcing agreement so that disputes do not escalate into litigation. This practice has evolved because conflict is inevitable between an outsourcer and its client. In the United States, it is very common to build a full dispute mechanism into outsourcing agreements (probably because they are more litigious) although it is not always done in Canada.

These clauses can be written in many ways but the purpose is the same — the parties know that there will be conflicts once they begin working together so they agree, in advance, as to how they will work through the issues. This can include a formal escalation procedure, descriptions of who will participate from each side, under what circumstances the process will be invoked, whether the parties will enter into mediation and how soon they will move to arbitration. In mediation, a third party works to facilitate resolution to the dispute while in

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arbitration, the arbitrator makes the final judgement, hence the term binding arbitration. Also defined is how the mediator(s) or the arbitrator will be selected.

Open communication

If your outsourcing agreement does not have a dispute resolution mechanism, work hard to build a relationship with the outsourcer that promotes open communication. Ideally this should go beyond the key contact points on each side. Problems occur when one or both of these people leave the organization; all the goodwill, trust and ability to work through issues walks out the door.

It is essential to create a culture that promotes an open and honest communication style. The outsourcer is entitled to make a profit and their client is entitled to good service.

What to do if you find the relationship in a downward spiral? Frequently in these situations, the personalities of the participants takes over and all rational thinking goes out the window. It is a slippery slope that can end in court. In these situations that move to litigation, the only winners are the lawyers (don't think that it can't happen to you). The costs are so high to the organization, due to distraction, non-delivery of service, blame and finger pointing.

Don't panic. You probably have the skills to get through this.

If you are working for an outsourcer, do your very best to resolve the issue by yourself. However, if are unable to resolve it, DO NOT

"Unlike fine wines, disputes do not improve with age": Willard Z. Estey, Supreme Court of Canada Justice

wait until the problem grows. No one likes surprises. Escalate the issue to senior management within your company (or seek outside help) before your client does it for you. The outsourcer is in business to deliver quality service, profitably. It is critical that the outsourcer has satisfied customers as references to gain more business.

The same holds true *if you are managing the relationship with the outsourcer*. Your company is counting on you to manage the outsourcer to ensure consistent, reliable service. Do whatever you can to stop the downward spiral — even if you are "right". At the end of the day, your company is counting on you to make sure that they re-

ceive high quality, uninterrupted service. Do not allow pride or self-righteousness to get in the way to resolving the dispute.

Michael Marmur, CMC, MBA, specialist in business dispute resolution and workplace conflict, spoke at the recent CFM Conference. mm@mmbusinessadvisor.com. www.mmbusinessadvisor.com.

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