

All good things come to an end (maybe)

Do you choose to renew, re-negotiate or re-tender your BPO contract at the end of the term?



At some point the BPO contract you have with your service partner will come to an end and a decision will need to be made as to whether to renew, re-negotiate or re-tender. Ideally, you need to be thinking about this at least 12 months, if not 18 months, before the contract end date.

Taking time to evaluate your options is worth doing even if you have a good relationship with your existing partner. Over the course of the contract – typically 5 years or more – many things will have changed, not least your own business priorities as well as the capabilities of the service provider and broader BPO industry.

Business Objectives - It is best to start by getting clarity on your business priorities and what are you looking for from your service provider. While the need to drive down operational cost through outsourcing was the primary driver in the past (and for

many CFO it remains so given the challenging economic times), clients today are demanding more.

- A greater focus on improving experience across both external and internal stakeholders.
- Innovation and the latest technologies to improve service performance and increase automation.
- Access to expert and hard to get resources to accelerate transformation.
- Driving business outcomes through leveraging data and insights.

Whatever your focus is, the key is to get alignment on priorities from your stakeholders.

Canvas Opinion - Assess what is working well and not working well in the partnership. You will probably have reams of operational data to assess which will tell its own story, but now is a good time to canvas opinions from a broad range of stakeholders that are touched by the service - customers, suppliers, internal users and senior stakeholders. Equally, it is worth asking the service provider for their view of the relationship and what is working or not working well. Don't be surprised if there's a disconnect.

Benchmarking - You may also want to consider benchmarking the service. This can be done in an informal way by comparing operational metrics from industry research companies like APQC or Hackett with your service. Alternatively, you can employ an external organisation to conduct a formal, more in-depth, benchmark. As a rule there's usually a clause in the contract that covers benchmarking and how the costs are shared between client and service provider.

Regardless of the approach you take, care needs to be taken to ensure that you are comparing yourself against comparable industry peers. E.g. a best-in-class AP process in a highly centralised retailer is going to look quite different from their counterpart in a federated media company.

Presenting your findings - Once you have collected your findings it is time to present them and your business objectives to the service provider. Assuming they are switched on they will probably have been preparing for a discussion on renewal already and will welcome the opportunity to discuss this with you. That said, they will need time to properly reflect on our business priorities and address the findings, especially if there is a disconnect between the results and their understanding of performance.

At this stage you are looking for them to come back with their vision of the future service, the potential additional value that can be unlocked, and the roadmap to achieve this. Depending on your business objectives you may want them to consider what more they could be doing for you, rather than limiting the discussion to the current scope.

Seek an external point of view - In parallel you should seek alternative views from other service providers in the market to understand the art of the possible. As outsiders they may not have the nuanced understanding of your operations as the incumbent, but potentially they can bring fresh thinking and new ideas to the table. You may do this through an RFI or alternatively through a more informal approach to potential service providers. Most will be happy to participate. Who to approach and how many will vary depending on your specific needs but getting input from at least three is probably a good starting point.

Renegotiate - You now should be in a position to decide if you want to renew or re-negotiate with your existing partner or go down the route of re-tendering the services. Most likely even if you are satisfied with the existing partner, it is unlikely that a straightforward renewal of the contract will be the right answer. A change in business objectives, market conditions and industry norms over the previous term, will more than likely necessitate a change in operational setup and contractual arrangements, and so a more comprehensive renegotiation of the contract will be required.

Give yourself time to undertake the re-negotiation with the existing partner but be clear on when it needs to be completed by. While achieving an outcome that works for both parties is what you are looking for, having the option to go down the formal RFP route, if this cannot be achieved, will hopefully focus the mind of the service provider.

Running an RFP - If you do find yourself in the position of running an RFP it is important to recognise this will involve a big commitment in time and money from all parties with the real prospect of change in partner at the end of it.

To make it as effective as possible, and to ensure the buy-in of the participants, it's key that you create a level playing field. All participants during the process should have access to the same data, SMEs and business stakeholders that your existing partner has. They should also have an opportunity to meet with the executive decision makers during the process to ensure alignment on business objectives – it

will also help to keep the service provider execs on side as this is usually a key qualifier in the bid process.

I would avoid using an RFP solely to squeeze further pricing advantages from your existing supplier. While you may get the outcome you want this is not likely to foster a great partnership going forward.

Regardless of the outcome you come to, either sticking with your existing partner or transitioning to a new one, taking your time to evaluate your options is important. The BPO industry is constantly changing with greater value expected now from service providers so what was considered industry best practice when you first signed the contract may no longer meet your needs.

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