

Case Study: EquaTerra Helps Utility Company Mend Outsourcing Relationship

Eye-Opening Assessment Reveals Room for Improved Service Levels and Need for Stronger Governance

At A Glance

Company Profile

The company is a leading U.S.-based utility company.

Services Featured

- Assessments
- Sourcing Governance
- Governance HealthCheck
- Contract Review
- Performance & Satisfaction Measurement

Business Processes Involved

- IT

Executive Summary

A U.S.-based utility company was dissatisfied with its IT outsourcing service provider. The company hired EquaTerra to help it assess the relationship and provide recommendations for improvement. EquaTerra found that while the contract had guidelines for a governance program, neither party followed or knew what those guidelines were. EquaTerra helped reconstitute its governance program, which involved two key action items:

1. Defining roles and responsibilities.
2. Helping the utility company understand the contract it inherited from previous leadership.

To date, the two companies are moving forward with a better understanding of their contact and with clearer expectations of one another.

Business Challenge

In 1995, the utility company entered into an IT outsourcing contract with a leading service provider. The relationship was built on good old-fashioned trust, as the CIO of the utility used to work at the provider organization and was working with people he knew and trusted.

However, over time, significant players at both organizations changed. The relationship that was once built on personal trust was now plagued with tension, misunderstandings and lack of trust.

Jo-Anne Bellemer, one of the EquaTerra advisors working on this project, says that because the initial relationship was built on trust, when the players changed, so did the player's trust of one another. She says, "***When trust goes, performance gaps become abundant, customers become dissatisfied, and once positive relationships become to unravel.***"

The utility company hired third-party outsourcing advisory firm, EquaTerra, to provide an objective assessment of the client-provider relationship and then offer recommendations for how the two parties could better work together going forward.

How We Helped

EquaTerra conducted a thorough assessment to diagnose the ailing relationship. While the original contract outlined a governance approach at both the strategic and operational levels, EquaTerra found that no one in the organization knew about nor followed the recommended governance guidelines.

Therefore, EquaTerra recommended that the utility company take a “relationship management approach” to governing its provider relationship. This approach involved two key action items: defining roles and responsibilities and understanding the contract.

To help the company define roles and responsibilities, EquaTerra created a statement of work and responsibilities matrix that clearly outlined what each party was responsible for as well as included guidelines for decision rights (i.e., who is the ultimate decision maker for each process). EquaTerra set up a governance structure by reconstituting the executive steering committee to oversee governance of the relationship. The advisory firm also created an issue tracking matrix that provided guidelines for tracking, recording and escalating issues.

“In a sense, we were able to breath new life into the governance structure and bring the two companies a sense of discipline and structure,” says Jeff Cartwright, one of the EquaTerra advisors involved with this project.

EquaTerra advisors also believed it was important that the two parties take the time to fully understand the contract. Cartwright says that, unfortunately, key players at both organizations didn’t take the time “know” the contract they inherited even though they should have known it inside out.

Cartwright says, “We went over every ounce of the contract with them, from helping them understand the provisions, what service levels they were responsible for and what the provider was responsible for, their rights to change service levels as desired, etc. These eye-opening realizations helped the company understand how the relationship was supposed to work and taught them there was room for change.”

Results

While the two companies are beginning to move forward with their new mended relationship, they are doing so with a better understanding of their contract and with clearer expectations of one another. Prior to EquaTerra coming on board, the provider had been reluctant in admitting that there was room for improvement. However, at the end of the process, the provider has come forward saying that it understands the company’s expectations and that it’s ready to resolve those issues.

Bellemer says, ***“The two companies have come to realize that developing a trusting relationship is a process. But by understanding their contract and instituting a governance structure, the two companies are now able to move forward on more amicable terms.”***

“Overall, the two companies are taking steps toward creating a better relationship. We [EquaTerra] feel confident that we left them with the knowledge they need to make their contract work,” adds Cartwright.

Advisor Insights

Bellemer and Cartwright have offered the following insights as a result of their work on this project.

Know Thy Contract: EquaTerra recommends every company takes the time to know its outsourcing contract(s) inside-out. “Every time a new key person comes on board, they should be made responsible for reading the contract,” says Bellemer. “Many of the issues between the utility company and its provider could have been prevented had the companies knew and understood their contract in the first place.”

Accept Blame: All too often a company blames its provider when things go awry. But when a company-provider relationship is ailing, it’s often the company that should be blamed. Cartwright explains, “The utility company should have been governing its service provider all along. At the end of the day, it’s important for a company to provide adequate guidance to its provider and not pass all blame on to them when things go south.”

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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