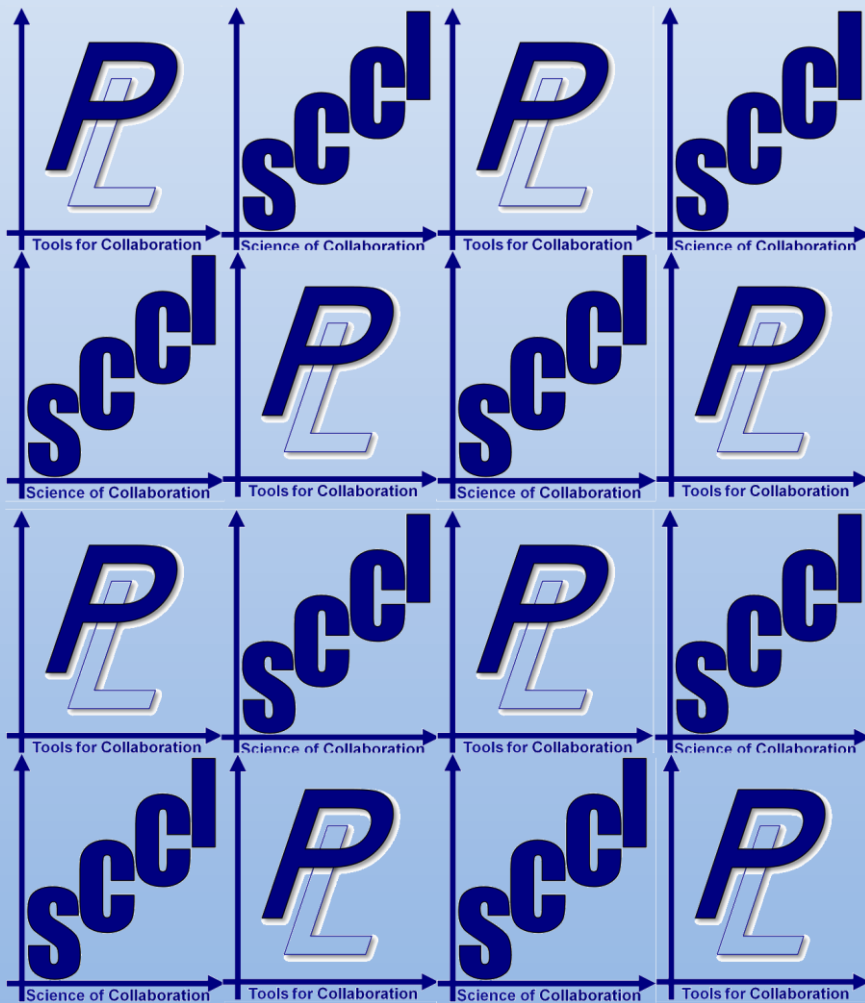


# Case Study: Financial sector IT Outsourcing 'Culture Gap'



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## Case Study – ‘Culture Gap’

*By Andrew Humphries & Linda McComie*

### Established IT Outsourcing Relationship:

- Customer – A top 10 UK credit card company
- Supplier – A global information technology, consulting and outsourcing company

### Objectives:

- To baseline relationship performance
- To define knowledge sharing and innovation processes in order to take advantage of industry and technology opportunities
- To implement collaborative management

### Issues Revealed:

- Indications of team integration issues due to cultural differences
- Customer frustration over the resolution of problems where they had not been alerted early enough in order to manage stakeholder expectations
- Misalignment between the partners in terms of business understanding, objectives and commercial opportunity
- Unhelpful behaviours such as over-analysis, tight control and insufficient information sharing
- Lack of understanding by both parties of how to integrate operations into a collaborative enterprise

**“We have not had an open conversation about personal or account objectives in two years so there is no context for how we can help each other”**

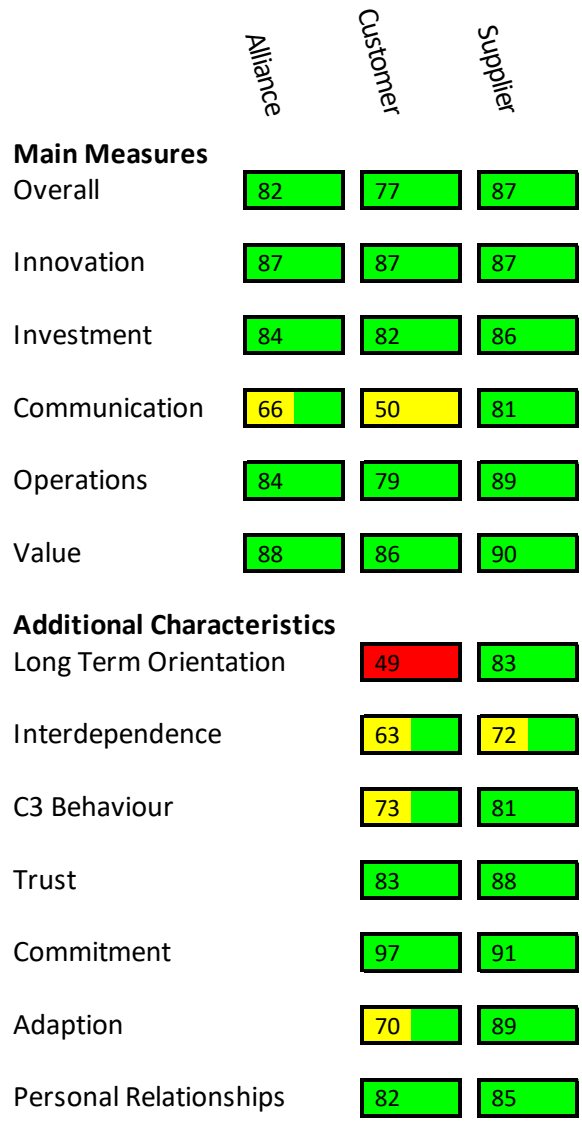
### Notes

The original purpose of the relationship was staff augmentation and provision of additional capacity (transactional). This remained the case for a number of years without significant change and little opportunity for increased scope, due to the economic downturn. This gradually expanded to include Managed Services with the aim of running day-to-day IS operations well. It has achieved basic results without much investment.

The Supplier traditionally worked to detailed instructions unquestioningly and had a reputation for delivering very high quality results.

The Customer decided to boost the Managed Service into a collaborative relationship in order to be more innovative in taking advantage of market opportunities. Without effective Relationship Management there was bound to be cultural friction.

## Performance at a glance



- **Innovation** – the leap of faith, being creative, flexible and resilient
- **Investment** – Alignment of objectives, investment in people, know-how, infrastructure and management effort and, long-term vision
- **Communication** – open and transparent, frequent and extensive, learning, planning and anticipating
- **Operations** – focusing on service and product delivery, lowering joint costs and risks, building trust
- **Value** – perceived and actual benefits, satisfaction
- **Long-term Orientation** – encouraging stability, continuity, predictability and long-term, joint gains
- **Interdependence** – loss in autonomy is compensated through the expected gains
- **C3 Behaviour** – Collaboration, Co-operation, Co-ordination, joint resourcing to achieve effective operations
- **Trust** – richer interaction between parties to create goodwill and the incentive to go the extra mile
- **Commitment** – the relationship is so important that it warrants maximum effort to maintain it
- **Adaption** – willingness to adapt products, procedures, inventory, management, attitudes, values and goals to the needs of the relationship
- **Personal Relationships** – generating trust and openness through personal interaction

Bandings	Colour	Response
0-49%	Red	Urgent Action Required
50-59%	Amber	Corrective Action Required
60-74%	Amber Green	Corrective Action Recommended
75-100%	Green	OK Unless High Priority

These traffic lights show that good quality outputs are achieved. However, the Customer is frustrated by the Supplier’s inability to step outside of his traditional role of following instructions. Unsurprisingly the Supplier makes no criticism of the Customer.

**“We didn't realise that a different approach (offering options) could be up for discussion. If we had been given a bigger picture we could have been aware of this”**

## Recommendations

- Build capability in the leadership teams to engage people with new expectations of this relationship and influence the prevailing culture
- Build awareness of new requirements for customer intimacy, develop business awareness and encourage the behaviours to support this relationship
- Enhance strategic governance, to ensure the businesses stay aligned, and apply relationship/performance KPIs
- Enhance strategic planning and forecasting
- Initiate formal communications to discuss innovation and knowledge sharing about business and technology to identify potential opportunities
- Review the commercial framework to focus on outcomes rather than outputs

## Outcomes

- A series of facilitated workshops round the recommendation topics took place

**“Our customer doesn't like being sold irrelevant offers and we don't want to sound like we're selling so we don't do anything”**

### Notes

This is another relationship where the Customer decided to move the relationship towards collaboration without fully understanding what this meant in practical management terms. As a result they were unable to explain their vision to their partner and this produced disappointment and aggravation.

The situation was further complicated by a cultural dimension where the Supplier's method of working was based upon providing absolute precision within a subservient relationship. Moreover, the Supplier primarily had foreign staff which limited social interaction and team building and this had not been recognised by the Customer.



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