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Managing Outsourcing Relationships

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At a recent customer/supplier meeting I attended in the big-bucks world of aerospace technology, one party's communications were so guarded and coded that the conversation seemed more complicated than Morris dancers waving handkerchiefs and stomping their feet to the rhythm of jingling bells and pounding staffs. From a briefing, I knew one partner was in the process of changing suppliers for a specific component they needed. What kind of impact do you think this unspoken information had on the dynamics of the meeting?

How much information are you comfortable sharing with your outsourcing partners? The acid test for trust boils down to this simple equation: {> trust = > disclosure = > results}. Translated, this means the more you trust your partner, the more information you will share, and the greater the probability of innovative solutions to issues you're facing. Conversely, the less people trust each other, the less information they share, and the poorer the potential outcome.

In this continuing series of articles, I've been discussing the Partnership Continuum's Six Partnering Attributes™. The foundation attribute is Self-Disclosure and Feedback. Two-way information-sharing not only builds trust, it increases the probability that partners can gain insights into issues that neither may have been able to achieve without the increased information flow from diverse perspectives.

Sharing information, however, goes against many of today's business cultures, where confidentiality and information-withholding reign. While there is no doubt that confidentiality is critical under certain conditions, for most routine situations, secrecy is not only unnecessary, it's a fruitless strategy. Secrets don't remain secrets for long and, once exposed, often diminish trust between partners.

The partner relationship manager (PMR) for a major international aerospace company in the meeting I attended, knew it would be a difficult meeting. An engine component's redesign to meet the requirements of a new platform configuration had not yet been announced, but he knew his current partner's firm would not be getting the work. Rather, it would be going to its competitor, who had expertise in producing a specific alloy. However, he needed to maintain the relationship with his existing partner for ongoing work.

What would your communication strategy and tactics be in this situation? As with most business strategies, communication excellence is crucial in the execution of good outsourcing results. To be sure you and your partners are comfortable communicating, during the forming stage of the relationship agree on and document communication strategies and then put specific tactics around them. Your strategies should include both task and relational components on both the quality and competency of the product or service and on the nature and health of your relationship. You may find it helpful to bring in an outside neutral third party to help you develop your communication strategies.

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Let's look at a sample communication strategy. This is an example of only one strategy; you may have four or five communication strategies built into the outsourcing relationship. Let's say that both parties agree up front that one communication strategy would be "open and honest communications." Seems like a reasonable strategy, doesn't it? However, since we are working with different people with different definitions of "open and honest," it is important to define what it means and how it will be played out in the relationship.

Communication Strategy #1: We will have open and honest communications between partners.

Tactics for Strategy #1:

1. We will share information when it becomes available if it impacts our working relationship.
2. We will use fact-based information whenever possible.
3. If we cannot share the information, we will use the conceal-and-reveal strategy - we will advise when something is up and when we can share the information.
4. We will share only direct observations, not innuendoes, accusations or believed intent.
5. We will tell it like it is - not embellish or diminish the message.
6. We will be ourselves - others can detect authenticity and genuineness in us.
7. When providing critical feedback, we will be kind - other people have feelings too.
8. We will, whenever possible, give feedback directly to the individual in a timely manner.

The PMR for the aerospace company helped develop the communication strategies with his outsourcing partner and, up to now, they had worked out very well. However, he was unsure of how to approach the topic of his business awarding a new contract to his partner's competitor. He was also concerned that by telling his partner the news, it would negatively impact their current working relationship.

Disclosing information is only part of a communications formula that outsourcing partners must discuss and agree upon in advance. This other half of the equation is around giving and receiving feedback. Open and honest communication implies two-way dialogue. This means that I not only must disclose as much as possible, but that I must also give you feedback on how your information is going to impact me.

This two-way interaction leads to a complexity and richness that belies simple one-way communication. How partners respond to information is as important as how the information is delivered. Knowing how to properly give feedback can eliminate misunderstandings and turn heated, emotional topics into win/win-based problem-solving opportunities that, in turn, build and reinforce trust.

During the meeting lunch break, the PMR took his partner to the side. He wanted to break the news to his partner in a professional manner, using the techniques they had developed together. He asked his partner if he could share some information with him that was not yet announced. This demonstrated his belief that they had built a relationship on trust, that they had good communications in the past and that he wanted to build on that foundation. He then told his partner the news that they would not be awarded the contract for the new platform and explained the rationale behind the decision. He then asked his partner to provide him with feedback. Momentarily taken aback, his partner took a deep breath, smiled and said, *"So* that's what all those gyrations going on this morning were about. We knew something was up."

After a few moments of discussion, the PMR and his partner both agreed that, while his partner was disappointed they didn't have the new business, their relationship was still strong and that, in fact, a new opportunity would be coming up in the next few months that the PMR said would be a perfect fit for their relationship. With trust restored and information flowing again, the balance of the meeting went off without problems and the customer and supplier are still working together as a team.

Managing Outsourcing Relationships (continued)

In today's information- and knowledge-based enterprises, the level of sharing information is more intimate, requiring people to have higher levels of interpersonal skills. Those skills don't come naturally to everyone, as most managers know. Nor is there only one skill that people need to learn for outsourcing partnerships to work.

Ensuring a free flow of information between organizations requires a systems approach. You can't work on only one problem area - improving partner feedback, for example - without also working on others such as building trust and developing comfort with change. Information will stop flowing unless all areas of the system are addressed.

That's where Partnership Continuum's Six Partnering Attributes™ can be of tremendous help. Developing these interconnected attributes - Self-Disclosure and Feedback, a Win-Win Orientation, Ability to Trust, Comfort with Change, Comfort with Interdependence and Past/Future Orientation - can enable your organization to improve its communication processes in a healthy, positive way.

The results can be stunning: A free, open flow of information and ideas between you and your partner's organization brings the opportunity for a new and exciting competitive edge.

Learnings from the Aerospace Case Study

1. Communication and trust are intrinsically linked to each other.
2. When trust is damaged, communications suffer.
3. Develop a communication strategy early in your partner relationship.
4. Cover both how you will disclose information as well as how you will provide feedback.
5. Periodically review your communication strategies with your partners to determine if updates are needed.

Five Steps for Self-Disclosure

1. Think ahead about what you want to tell your partner.

2. Pick an appropriate time and place to talk.

3. State your request simply and unapologetically.

4. Ask your partner for feedback on what you've told them.

5. Build a plan together using your win/win orientation.

Five Steps for Feedback

1. Examine your motives for giving feedback.

2. What is the risk of providing the feedback?

3. Is your partner ready to hear it? How timely is the feedback?

4. Is it something she/he can change, if a change is desired?

5. What do I expect by providing this feedback?

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