

Customer Happiness: The True Measure of Outsourcing Success

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Of all the SLA metrics used to measure an outsourcer's performance and value delivered to the business, customer satisfaction is the ultimate arbiter of outsourcing success.

- SLA metrics are important tools to assess performance and guide improvement efforts, but customer satisfaction is the determinant of a successful working relationship.
- Customer satisfaction surveys provide quick insight into performance in early stage engagements, help measure “intangibles” such as culture or personality clashes, and double check the effectiveness of other quantifiable SLA metrics.
- Periodically surveying customers about their level of satisfaction is a recommended method of maintaining alignment between outsourcer and client throughout an engagement.

An outsourcing client has many methods and metrics at its disposal for gauging how well its service providers are performing, but none is as telling as the end users' level of satisfaction. If end users are dissatisfied with the arrangement or the outsourcer's performance for any reason, then something is wrong and needs to be fixed. By measuring customer satisfaction periodically throughout an engagement, a company can spot potential problems early on, allowing it to take prompt corrective action, even if it means terminating the relationship in a worst case scenario.

The Importance of Customer Satisfaction

Surveying customer satisfaction throughout the life of an outsourcing engagement provides several benefits. In the early stages, when the parties have not yet collected a history of objective SLA metrics to enable meaningful analysis, customer satisfaction ratings are a good proxy for the outsourcer's performance. They are also ideal for capturing more intangible issues unrelated to performance that might affect the relationship such as clashes in personalities or styles between the outsourcing and client staff. And, in the operations phase of the engagement, they are useful to double check the quality and effectiveness of the SLA metrics. A mismatch between SLA performance and customer satisfaction ratings indicates a problem requiring attention. A match reinforces the validity of the SLA metrics, but may still be bad news. The table below summarizes the four different states that could exist.

SLA Performance	Customer Sat Rating	Analysis
Satisfactory	Satisfactory	No changes needed.
Unsatisfactory	Satisfactory	SLA targets may be unrealistic, or customer may be pleased with outsourcer's efforts to meet commitments under difficult circumstances.
Satisfactory	Unsatisfactory	SLA metrics are not measuring attributes important to end users, or end users are unhappy with "intangibles" such as outsourcer's style, culture or personnel.
Unsatisfactory	Unsatisfactory	Corrective action required ASAP.

Measuring Customer Satisfaction

Most SLA metrics focus on tangible, quantifiable aspects of performance. In contrast, customer satisfaction is a subjective metric that defies mathematical measurement. Consequently, it is best captured in a survey that polls end users about various factors, which are then weighted and tabulated to arrive at an overall level of satisfaction.

Given the inherently conflicting positions of the parties to an outsourcing arrangement, customer satisfaction surveys are ideally conducted by an objective third party. With a neutral party, end users are usually more open and honest, and the results less tainted by bias. Telephone surveys are the preferred medium because they allow the interviewer to dig deeper into potential problem areas, however, Web surveys may suffice if well-designed. Avoid paper surveys which are apt to be misplaced or ignored.

At the conclusion of each survey instance, the interviewer tabulates the results and creates a management report for client and outsourcer to review. If the survey raises issues, then the parties must engage in root cause analysis to determine the real reasons for the problem(s). Most service providers will be quite willing to adjust their performance to address problems, once they know why a customer is dissatisfied.

Action Items

- Don't rely solely on quantifiable SLA metrics to assess performance; take the pulse of the relationship by asking customers about their satisfaction levels.
- In the initial stages of an engagement when historical data is lacking, use customer satisfaction surveys to quickly assess performance.
- Periodically measure customer satisfaction throughout the life of the engagement to detect and promptly rectify potential misalignment between SLA metrics and end user happiness.
- Use a third party when conducting surveys to encourage openness and obtain untainted results.

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