



Top 11 Outsourcing and Cross-Cultural Management Tips You Can Easily and Immediately Implement

Editor's Note

In this issue, we sit down with Eugene O., one of our top management consulting coaches.

Since outsourcing and cross-cultural management are so prevalent in today's global business, Eugene offers his top tips for managing outsourced services and managing in a cross-cultural environment that you can easily and quickly implement.

Part 1: Top 5 Outsourcing Management Tips

Tip #1: Do You Know Your Contract?

The first one I want to talk about is, do you know your contract? You can be sure your vendor will. Imagine a scenario: you're taking over the management of the service delivery contract in your business area.

The contract has been running for, maybe, two years, and the supply has worked for you for some time. As you are new to the area, both the supply and the contract

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are new to you and your boss has called a meeting involving you and your predecessor, and you can ask for information you need to know about the contract; a kind of checklist.

Do you have one?

Do you know what you need to know, or are you just going to have a brief, little conversation on the phone about what's going to happen in the next two years when you're in charge?

What are the things you might need to know? What are the things you might want to find out about? If you don't know the contract, you can be sure your supplier will.

What do you need to know?

For example, here is a list of questions to consider:

- What am I contracted to deliver to you, as a minimum, in terms of product?
- What engagement models are used?
- Is there an overriding framework contract in place for this supplier?
- What costing basis is used?
- Is it the same costing basis or model that the rest of the company uses?
- What are the agreed KPAs and KPIs and SLAs?
- Who's measuring performance for the contract?
- How do you measure it, and what report format are you going to use?
- Who owns the contract?
- What if it all goes wrong, how do you estimate it?
- What rights do we have in the contract against changes in the KPIs?
- Are there any penalties? Are there any incentives?
- When were they last enforced?
- Who enforced them two years ago?

So as you can see, there's a whole series of different issues when you turn up to take over a contract.

In that environment, if you don't know your contract and the vendor does, you can be sure that when you start expressing concerns that some of your internal customers have, your stakeholders have, they'll come right back at you and say, "Well the contract says ..." so I really stress that you need to know your contract.

Tip #2: The Traffic Light Reporting System

The second thing is, what happens when I see green but I feel red.

What do I mean by that?

That's a reference to the **Traffic Light Reporting system**, where you have supply reporting showing all green, and performance against the KPIs is always on-target, it's the standard;

However, the feedback from the business and the user groups is indicating a lot of dissatisfaction with the service.

The feedback you're getting from the supplier, from your internal guys, is pretty negative.

Why might that be?

Maybe you're working with a set of measures given by the supplier, perhaps they proposed their standard SLA to you and you've fitted in with that. After all, they're now the expert; you've outsourced all those jobs, right?

What are the requirements at the start of the engagement, were they defined correctly? Who knows?

The business requirements evolved but performance criteria haven't been revisited.

The KPIs are vague, so performance against the target becomes subjective and open to interpretation.

Or maybe the KPIs are too technically focused and therefore they're missing the context of the business requirements.

Or, even worse, you take the easy option-- you identify everything that's easy to measure and you measure it regardless of relevance.

These are some of the things that happen when the vendor is saying to you, often in a plaintive voice (sometimes an angry voice), "Look, we're meeting your criteria. Don't bother us." but it's not working for you as a customer.

Tip #3: What To Do With KPI's and SLA's

That brings us on to my third area of interest, which is what do you do about these KPIs and SLAs?

You can be sure when they're not working for you, the vendor will say to you, "That's how they are.

We can't change them; we're stuck with them." Or, "That's what you agreed at the beginning," and it takes me back to my first point, which is that if you don't know your contract, there's a fair chance you'll walk away and they'll insist upon it, particularly because they know the business better than you.

But what you need to know, what you need to understand, is that SLAs are subject to change.

I've rarely ever, in all my years of working in this area, found a contract that somewhere buried in the beginning don't have a little paragraph saying, "We are entitled to change the SLAs if our requirements change."

Don't forget, at all times, you're the customer. You're the client; it's ultimately about your needs.

It's very easy, in the early part of the day, to forget that it's ultimately about what you want rather than the process that's carrying on.

Tip #4: Resolving Disputes

Now let's say we have this conflict; how do you resolve this? Do we go, as I sometimes see, do we go straight from a disagreement to almost calling in the lawyers? Do you have a dispute resolution process in place?

Do you have a project sponsor? Do you have someone you know you can escalate to on your side? At what point do you escalate?

Again, in my experience, I find that one of the best things you can do is what we call the "cup of coffee" solution.

You have to have a go-to guy on the other side where even if you don't physically see them--ideally you should've met them at least once--you can sit down and discuss the issue and find out a way to resolve the issue in an amicable fashion.

That might be you giving them some customer service or some credits against them giving you some extra manpower to overcome a blip in your business activity.

So there are various ways around this.

Remember, particularly Asian companies are less likely to want to be legalistic about things.

Asian contracts, whether it be Chinese, or Japanese, for example, will tend to be about 4 or 5 pages long, as opposed to a standard European contract of 30 to 50 pages.

There's a much greater emphasis on the side of the vendors to solve things as amicably as possible.

Tip #5: It's All About Relationships

The last point I was going to talk about today is this is all really about relationships.

You see, what happens is outsourcing doesn't just mean handing off, it doesn't just mean, "Right, we no longer do that. Wipe our hands of it. Get rid of 4,000 people and have a couple of contact managers and that's it."

Maybe after you've been running a successful corporation for two or three years, you can bring it down to maybe once a week.

But I would say, certainly at the very beginning, at least once a day, probably twice a day, with a whole series of scheduled meetings in between to make sure the relationships work.

Because the contracts are not as good as human relationships. You need to know the names of all people on your team. You need, if possible, to actually meet them.

If that's not possible, because they're far away, at least have a period of time where once a month ... Clients are better at this do this, is actually bring people across, get them sitting in your office for a week, two weeks, get them to know people, take people out for a walk and just drinks, for lunch, for dinner, get to know people.

You must understand, at the other end, your client team is just a desk.

Sitting beside them is a desk for one of your competitors; and beside them is another desk for another one of your competitors.

So if you want them to feel any sense of ownership, if you're going to be able to influence people with that authority, then you need to work on the relationship.

These are some of the things that, actually, are quite old-fashioned but get lost in the drive for savings.

Bonus Tip: The biggest mistake people make that costs them the most when it comes to outsourcing?

Expecting the out-sourcing company to understand your business drivers without telling them.

On many occasions, I see a list of jobs being sent by e-mail or occasionally a harried phone call to a team of people 2,000 miles away, and expecting PowerPoints to be written in a certain style; presentations to be in a certain way; workflows, sorting out quite complex internal problems, to be understood very quickly by the outsourced team.

Without enough information given to them to understand the context of that particular bank or that particular engineering company.

Part 2: Cross-Cultural Management Tips

Today I want to talk about some of the themes that I see with my clients, working directly on cross-cultural issues, or that crop up as a result of it.

In the previous section, I was talking about off-shoring and outsourcing.

One of the biggest issues for off-shoring companies is how do you manage a team who lives 2,000 miles away from you, who has a completely different working culture, and whose working hours are 7 or 8 hours different from yours.

How do you manage that?

Do you ring people up? Do you just communicate by e-mail? What's the best way to do it? How do you manage your meetings?

Communicating Clearly

The changing nature of communications sometimes makes things easy but other times makes them more difficult.

You see, working with people from teams a continent away, you should always meet with them when possible and you should use the simplest language possible.

We assume if someone sounds as though they speak English particularly well, they understand everything you say.

It may not be the case.

If you have a meeting via Skype or by phone, be sure to send an e-mail afterwards saying what the agreed points are.

Detail and confirm what your agreed plan or next steps are going to be.

Very often I'll think I said, "A-B-C," and it turns out they think I said "A-B-D."

Example: India

Different cultures have different amounts of time-scale for which they think will be done. For example, with India, it's very common for a European firm to request A, B and C be done by Friday, and their out-sourcing people will say, "Yes. I understand. Yes, we will do that," while never, ever intending to get the work done by Friday.

Thinking that was just an indication of when they would like the work to be done, rather than it needed to be done.

These things take time to work out.

Now, to get to a situation where what you want done is done in the amount of time required takes a considerable amount of effort on both sides.

Working with the Local Conditions

Firstly, you have to work with the local conditions. For example, in India, there is no healthcare system for employees or very little of it. There's no national health service.

As a result, it's quite common for team members to just get up and go because their Auntie is suddenly taken sick and they have to go and care for her.

Now, there have been numerous occasions when Western people I've worked with have said how unacceptable that was, without understanding the level of context for what the idea of family is.

Where in Asia, family comes first.

Also within India, there are many, many different religions and very many different religious festivals, where people sometimes disappear for one to two weeks at a time.

It is accepted within this context that this will happen. Again, you have to work around this and work with this - rather than see it as a source of frustration.

It's just a condition of working in that economy.

Example: Europe

I also have an example of labour conditions in Northern Europe. Denmark, for example, is very different from Germany.

Although they share a border, in Denmark, the local work conditions are such that at about 4:30pm, most people stop work, because most men and women who are

working go home to their families or pick up children from school. Perhaps some start work a bit later in the morning.

Now, one of my clients was a Japanese corporation that bought a company with an office in Denmark and discovered that this is the way things worked.

However, in Japan, working hours are very different – they're much longer. There was quite a degree of conflict and upset feelings from the Japanese side, about the very short working hours that the Danes had been giving them.

So we had the conversation where I asked, "Well how much work are the Danes not doing?"

Of course, the Japanese didn't really have an answer, because all the work was being done. But the expectation was that you had to give us so many hours. The Japanese found it quite hard to adapt to the local conditions that the Danes had.

You see this comes back to thinking about, "My way is the only way." At this level, people are aware of other ways of doing things, but their way is the only way.

In the way that McDonald's is always the same, wherever you go in the world; there's the McDonald's way of doing things. That's fine for McDonald's because it's a brand.

So, going to McDonald's, whether it be in Kazakhstan, Columbia or Hong Kong, it's going to be a McDonald's. At this set stage, the impact of cultural differences is largely ignored, apart from a few different items on the menu.

From there we can move into, "I know their way, but my way is better." At this level people are more aware of other ways of doing things, but still consider their way is the best way.

In this stage cultural differences are often seen as a source of problems; people attempt to ignore them or reduce their significance.

I work with a company that had English management and Columbian and Polish staff; South American and Eastern European staff working together.

There was a recipe for a massive amount of misunderstanding, which we overcame over time, but it took some time. Because in that company, they're actually moving to a level of, "My way and their way."

Now at this level, people became aware of their own way of doing things, and other people's way of doing things, and they choose the best way according to the situation. Now at this stage, people realize that cultural differences can be both problems but also benefits.

Know when to use cultural diversity to create new solutions or alternatives.

The best way of all we think is our way, which is the fourth and final stage which brings people from different cultural backgrounds together to create a culture of shared meanings whereby people work peaceably with others.

Create new meanings and new rules to meet the needs of the situation. Cisco is a very good example of this, as a firm that takes in the best of every culture that comes to them, because they know they're going to be working in a multi-national situation.

Now, blending doesn't always mean giving way. For example, India has a caste system. A couple of years ago I had to go and work and give some assistance and consulting advice to an Indian CEO.

Now here's a high-caste Indian: high-caste Indians have a tendency to talk in quite a peremptory and aggressive, instructive way to those of lower castes.

For example, "Do this. Do that," rather than "Please can you do this" or "Would you mind?"

As a senior consultant, after a couple of days of being ordered around, I found personally quite a difficult thing to deal with. On the one hand, I thought to myself, "Well, perhaps I should just take it because that's how he is to everybody. That's his way."

But it was affecting me, so I acknowledged my emotion and I said to the gentleman, "Please, I need you to understand how you are towards me and how it affects me because the way in which I see the world is slightly different to you."

I showed him the impact of his behaviour on us. I'm not asking him to necessarily behave differently, but I need him to understand. He actually didn't realize the way he behaved to me and said, "Actually, I'm very sorry," and after that was nice to me.

But we can't assume that the message we give to our people will be received in the same positive spirit in which it was sent.

We Brits, for example, often sound quite standoffish, cold and non-enthusiastic. We say things like, "This is quite good. It's quite good." What we actually really mean is we really like it; we think it's really, really good!

So I cannot assume automatically the way in which I say things is really how you're going to hear it.

I can assume positive intentions, but really I have to check my assumptions.

I have to slow down, I'm not going to think about unconscious assumptions. That others are like us.

How do I know my assumption is accurate? Do you clearly understand the situation? Do I really know (when I'm there) what's really happening?

Of course, this leads on to another point, which is the need for empathy. How would we like people to be treated by us?

For example, in the U.S. the role of a manager is largely to disperse knowledge, to disperse tasks; to direct.

Whereas my experience with Japanese managers is almost the exact opposite. A Japanese manager is there to facilitate, to get the best out of people, to get the best out of their skills, to enable people who work for him or her to do their very best and use their skills; that's their goal as a chief facilitator.

What to do if you are posted overseas

Whatever assumptions for how things are, you have to examine them and I recommend, when people turn up at a new job, if they are posted overseas, is to stop for a moment and observe how people are around them. Rather than just flying in and thinking, "Well, this is what I've done to now. This is how it is."

That's not necessarily appropriate. What got you here won't necessarily get you there. You have to become aware of your own biases.

Research shows that being reminded of them makes us much more able to make bias-free judgments.

Be comfortable with ambiguity. You see, the East and the West often have quite different ways of looking at business. In the West, say a U.S. or a German manager, likes to have a simple positive answer to a question; likes to have a set of instructions, a set of processes to go through, with an absolutely defined outcome, on a certain date.

In my experience, there may be the same process in the Eastern style, but it's slightly different. There is more of an acceptance of ambiguity, that things won't necessarily turn out at the speed and the time you think might happen.

In this environment, it behooves the Western manager to be aware of this. Beware of the fact that his counterparts in the East may be less comfortable with giving positive certainty, right there and then without a considerable degree of discussion because things aren't that simple.

Of course, if he doesn't deliver at the time he says he's going to do, then there's a chance of loss of face which has to be avoided in many cultures, at all costs. These are some of the things you need to think about.

Be Yourself

Be yourself, is another thing I would recommend.

Westerners bowing is never a good thing. I lived in Japan for a year and I never once bowed but I occasionally might have inclined my head a tiny amount, but I never tried to bow.

It took me a long time to work out the fact that one person bowed lower than another person; why he did that. It didn't work.

Don't try and wear traditional local dress

For example, if you're in Nigeria, please don't try wearing colourful robes - it just won't work with white skin.

Don't ostentatiously adopt local customs

Be sensitive.

Don't offer opinions on local politics or ethnic issues

If you're asked to give your opinion - you may answer but don't offer your opinion. Be discrete.

Try to blend into the background. You know very little about how the local society works. Most people don't like foreigners coming in and pronouncing how things should be in other countries.

Be even-handed. Beware of local differences.

For example, in Malaysia there are 3 different cultures: there's Indian culture, the local, Malay culture, and Chinese culture.

Most of the time the three cultures rub along; there are conflicts between them. Be aware of that. Be aware there are some sensitivities around these issues.

Once again I say, the most important tip I would say for the first month or two of a foreign assignment is to listen more than you speak. I think you'll find by doing that you'll be impressed by what you learn and it will certainly make you a better manager in the situation.

Top 3 Tips for Expat Managers Managing In China

I have had an interesting experience quite recently with a luxury automobile manufacturer.

I was talking to some managers with the company who have a plant opening up near Shanghai, and I asked the Brits and the Americans who'd been posted out there how it was going.

I said, "How different was it," and they said, "It's great. We find our Chinese colleagues have the same attitude towards profit as us, the same attitude towards working hours and to getting the job done to high quality," so that was fantastic.

I said, "What about the culture issues?" And they said, "You know what? Cultural problems are only a problem where there's a problem." As in, they're not of themselves, an issue. We can overcome them; if there's a will, and we're both

focused on the same task, it's not so much an issue. There are issues, perhaps, around the general way in which things are done in China.

Tip #1: It's About Relationships

Perhaps the fact that Chinese business tends to be about relationships more than anything else.

Without relationships, it's very much just a business relationship. It's just purely about how much you can get from the other party. Whether you win or lose.

Whereas, for a long-term relationship, and this automobile manufacturer is doing this very well, it's about sharing; giving and sharing and building over time. Taking the longer view.

American/European businesses tend to be much more short-term. For the Chinese to work with Westerners is a relatively modern phenomenon. Only in the last 20 years, which is a very short period of time. So understanding that is my first one.

Tip #2: Contracts Aren't Worth Much

The second point, and it relates to the first, is that contracts aren't worth much. A typical Chinese contract might be 4 pages whereas a typical American contract is 35 pages.

Now a Chinese contract is much shorter because people believe the will has to be there. Understanding you should be going forward with the intentions as much as working from contract.

Tip #3: Saving Face

Finally, understanding the meaning and importance of face. How very important face is in many cultures.



Whereas in most Western societies face is not really an issue at all.

Some Germans or Dutch might be quite happy to shout at each other at work and think nothing of it.

Raising your voice in a Chinese firm is frowned upon.

So understanding the need, even if you're right and you know they're wrong, you give your local colleague room to maneuver out of the situation. You don't put him/her in a position where he/she loses face.

And it's always about the thing rather than the person. So it's about the issue, rather than the person.

Always give someone a backdoor to leave quietly and sensibly away from the problem without putting someone in a corner. If you do that, then your working time in China or with a Chinese company will be more productive.