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Leading practices for transition
planning and execution



What is transition and are the resulting impacts?

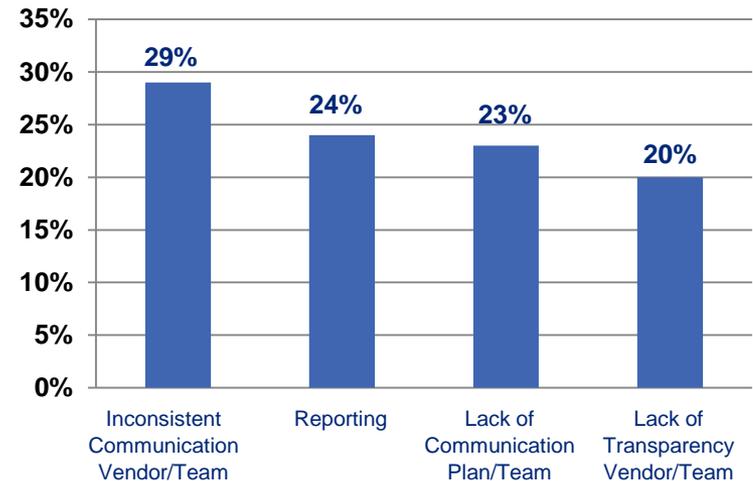
Description
<ul style="list-style-type: none"> • The smooth transfer of services from one service provider organization to another • Involves either transferring resources from the current service delivery organization to a vendor, replacing portions of the legacy organization, or bringing services back in-house • Represents a discovery period where the legacy organization provides detailed descriptions of its operational processes and the new service provider designs and implements the replacement of the legacy service delivery organization • Is defined by a clearly defined beginning and end • Presents competing goals (Vendor vs. Client). <ul style="list-style-type: none"> – The manager of the transition project wants to complete it as soon as possible (to get to ongoing service delivery and revenue generation) – The client wants to complete the transition with the lowest risk (to avoid impact to business operations)

Impacts						
<ul style="list-style-type: none"> • Vendors do not get a second chance to make a good first impression. The efficient execution of a transition and the mitigation of business risk by vendors is an indicator of the effectiveness of the ongoing outsourcing relationship. • Listed below are some of the longer-term impacts of transition: 						
<table border="1"> <tr> <td style="background-color: #0070C0; color: white; text-align: center; vertical-align: middle;">Credibility</td> <td> <ul style="list-style-type: none"> • Vendor credibility is often based upon meeting initial client expectations and contractual commitments • How the vendor manages the transition can be an indicator of the vendor's capability in steady state operations </td> </tr> <tr> <td style="background-color: #0070C0; color: white; text-align: center; vertical-align: middle;">Organizational motivation</td> <td> <ul style="list-style-type: none"> • Client organizational motivation can be energized during transition, or commitment can be lost if the process does not go well </td> </tr> <tr> <td style="background-color: #0070C0; color: white; text-align: center; vertical-align: middle;">Executive support</td> <td> <ul style="list-style-type: none"> • Outsourcing is often controversial, executive engagement is critical to setting tone and direction • Organizational support is established or lost, based to a large extent on how the transition goes </td> </tr> </table>	Credibility	<ul style="list-style-type: none"> • Vendor credibility is often based upon meeting initial client expectations and contractual commitments • How the vendor manages the transition can be an indicator of the vendor's capability in steady state operations 	Organizational motivation	<ul style="list-style-type: none"> • Client organizational motivation can be energized during transition, or commitment can be lost if the process does not go well 	Executive support	<ul style="list-style-type: none"> • Outsourcing is often controversial, executive engagement is critical to setting tone and direction • Organizational support is established or lost, based to a large extent on how the transition goes
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Transition issues

- **Organizational readiness for the transition** of a process to a vendor is important. However, in a survey, 75% of vendors said that clients are not operationally well prepared for an outsourcing initiative
- **Communications and relationship management** are some of the commonly cited challenges that are noted by senior management
- **Managing the vendor relationship** and monitoring performance is often a full-time commitment and is not always a matter of simply reviewing periodic reports. Companies should invest in the vendor management function and factor those costs into their plans. The cost of the relationship management organization can range up to 7% or more of the annual contract cost.¹
- Underlying **drivers of quality and cost** should be understood to smooth the hand-off of operations.
- **Special reporting** during the transition is often needed to allow both the company and vendor to understand the performance and progress towards business objectives
- **A clear plan**, for the retained organization, should be developed to obtain the contracted financial benefits.

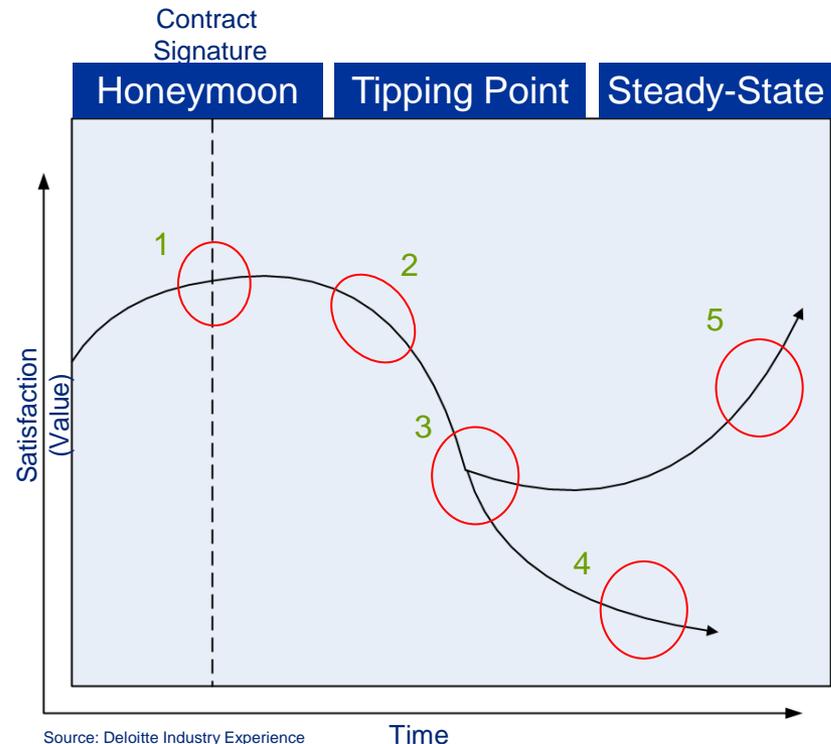
Problems with communication and vendor management



(1) Source: Why Settle for Less? Deloitte Consulting 2008 Outsourcing Report, Deloitte Consulting Outsourcing Advisory Services

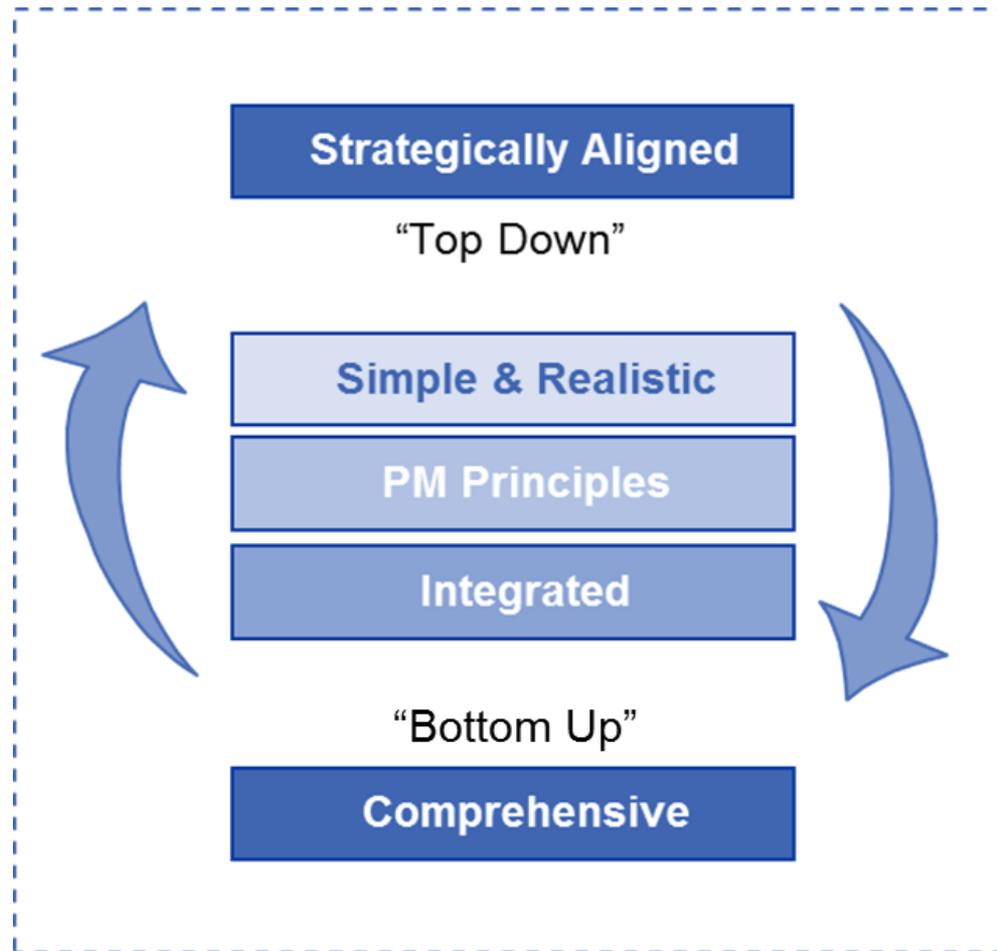
Transition lifecycle and client satisfaction curve

1. The **“honeymoon”**: Clients have just negotiated the contract, expectations are high and the relationship is solid. Tendency is to let the vendor “run the show” and lead the transition.
2. The **“natural decline”**: The transition is a massive change event and there is a natural decline in satisfaction as work load increases and the lasting effects of the change become apparent. The vendor becomes internally focused as delivery pressures mount.
3. The **“tipping point”**: At 90-120 days into the transition, the weight of the effort becomes fully apparent and the core vision and objectives are tested. The downward momentum needs to be reversed via proactive issue, risk and schedule management, regular communication, and a mature transition methodology.
4. The **“ditch”**: When poorly executed, the transition can spiral downward and erode the confidence in the vendor and their ability to deliver. The overall decision can be “second-guessed” and a massive shock to the program is needed to recover. Costs increase rapidly and transition grinds to a halt as teams evaluate and attempt to resolve the issues.



5. The **“recovery”**: When the foundation of the transition is properly laid, issues and risks are proactively managed the program remains healthy. As the program begins to capture the planned value, the performance, stability, and momentum swings positive.

Transition planning objectives



Transition management and monitoring

Transition execution is based on project management leading practices. Like any project, the amount of project management process applied should be proportional to the project size and complexity. Transition management should very quickly get into a weekly cycle or cadence of monitoring and management of both the client and vendor that can include but is not limited to:

- Performance dashboards
- Status and governance processes
- Risk and issue mitigation and management
- Training and knowledge transfer
- Validation of process and technology transition
- Deliverable quality reviews and acceptance

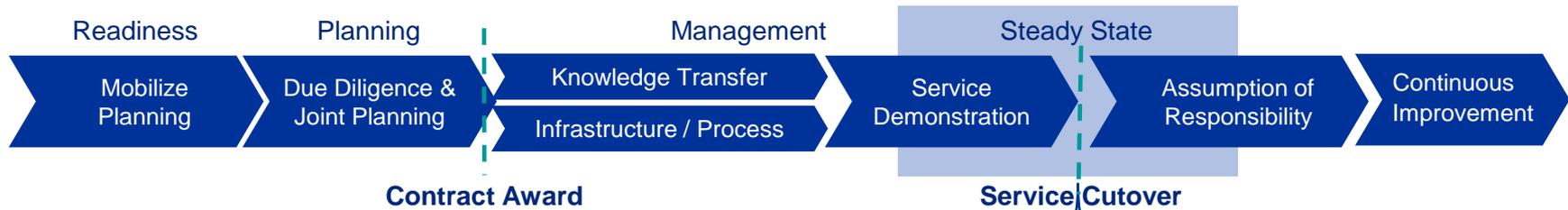
Additionally the transition should be monitored for:

- Service level implementation
- Compliance with security policy and regulations
- Attaining planned milestones
- Completion of all deliverables



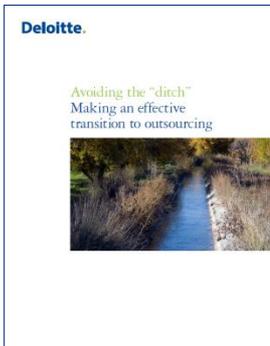
Another activity that is not based on project management fundamentals is the management of the vendor(s) during transition. Creating and maintaining a solid communications and rapport with the vendor(s) teams increases the likelihood of an effective transition and the foundation for a long-lasting relationship.

Moving into steady state



Once the services have been transitioned to the new delivery teams, the project team should review:

Service quality	<ul style="list-style-type: none"> • SLAs are meeting targets • All quality metrics are met • Customer satisfaction is met 	Staff retention tracking	<ul style="list-style-type: none"> • Flight statistics are tracked and reported • Impacts on the retained organization are monitored
Project and change communications	<ul style="list-style-type: none"> • Regular project communications are in progress • Change management is functioning 	Assess financial goals	<ul style="list-style-type: none"> • Business case targets are monitored • Transition and operations budget are reported
Gaps and improvement opportunities	<ul style="list-style-type: none"> • Transformation activities have started • Service / Continuous / Innovation improvements are identified 	Governance	<ul style="list-style-type: none"> • Governance, change, and escalation processes are functioning • Relationship management activities



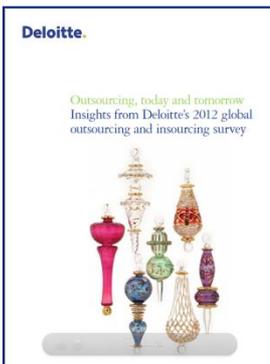
Avoiding the "ditch" Making an effective transition to outsourcing

Once a rare endeavor, outsourcing is now a common tool found in most CIOs' toolkits. Unfortunately, common is not synonymous with simple. Based on Deloitte's research and our experience as outsourcing advisors, we believe that realizing the true value of an outsourcing engagement depends greatly on the client's and the vendor's ability to plan and execute effective outsourcing transitions. This publication provides our Point of View on managing outsourcing transitions.



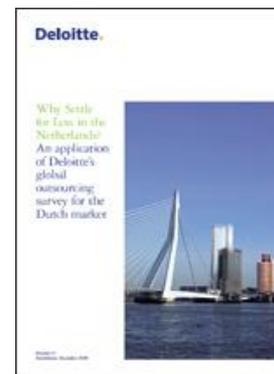
Why Settle for Less? Deloitte Consulting 2008 Outsourcing Report

This 2008 global survey report explores the strategic goals, methodologies, and outcomes of IT and Business Process Outsourcing. The study polled over 300 business and IT executives representing outsourcing buyers, outsourcing vendors and legal firms to uncover insights and address challenges that are common across all industries when investigating and undertaking an outsourcing program.



Global outsourcing and insourcing survey 2012

The 2012 global outsourcing and insourcing survey results reveal that outsourcing and insourcing leaders are finding that outsourcing is continuing to become mainstream, as another standard business practice that should be evaluated as business needs mandate. Information Technology, Finance, and Human Resources continue to lead the business processes in outsourcing, although all business processes are expecting to see increases in the use of outsourcing and offshoring in the near future.



Why settle for less in the Netherlands? An application of Deloitte's global outsourcing survey for the Dutch market

In 2008, Deloitte performed a comprehensive study to determine trends and developments in the global outsourcing market. After interviewing a group of 300 executives involved in outsourcing services, it appeared that overall satisfaction with regards to the Return on Investment generated by the companies' outsourcing initiatives was high. To gain more insight into the recent development in Dutch outsourcing activities, Deloitte conducted a study among C-level executives in the Dutch market.

Thank you

For more information, read

Avoiding the “Ditch”

Making an effective transition to outsourcing

http://www.deloitte.com/view/en_US/us/Services/additional-services/Service-Delivery-Transformation/e6500f1ac28ee210VgnVCM3000001c56f00aRCRD.htm

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