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BUSINESS PROCESS TRANSITION

Managing a Successful Business Process Transition in a Multinational Organization

Andrew Tattersall, Director — United Kingdom, ISG

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INTRODUCTION

Selecting a service provider is just the start of the outsourcing journey. For many multinational or global organizations, ensuring a successful transition to the new service provider is a complex and difficult effort. This paper draws from lessons learned across several global transitions covering multiple business processes, such as finance and accounting, order management and logistics distribution. The intent is to describe practices that worked well and helped avoid the pitfalls. Although this paper is focused on business process outsourcing (BPO), many of the lessons can readily be applied to information technology (IT) outsourcing as well.

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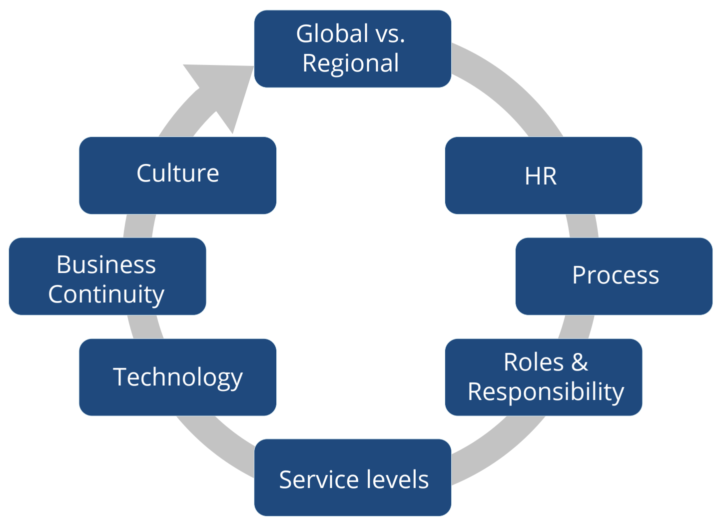
THE CHALLENGE

Implementing any change program within a multinational company is a challenge. Outsourcing a business process to an external service provider adds yet another layer of complexity to such a program. Figure 1 depicts the main areas of change to be addressed.

The Multiple Dimensions of Change (Figure 1)



GLOBAL VS. REGIONAL

Among global companies, the selection of an outsourcing service provider is the often the result of a global project, yet the implementation has to be conducted locally. Depending on the organizational structure and culture, this can create tension between global and regional leadership. Strong local management of the transition is a key success factor in realizing the anticipated benefits, but this endeavor needs to be viewed within an overarching framework.

HUMAN RESOURCES

The transition to an outsourced process model obviously has a major impact on the organization's staff — both permanent and contract. The agreement with the service provider may involve staff transfer, or it may be left to the client organization to redeploy or make redundant their staff.

In early BPO contracts, the service provider usually would move work to its own delivery centers, without any staff transfer. In recent transactions, however, some service providers have been keen to build a regional staff presence, and this has created opportunities for meaningful transfer of staff to the service provider. Whether or not staff members are transferred as part of the agreement, it is vital to understand and comply with the many variations of human resources (HR) law across the globe.

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In some cases, affected staff may choose to leave once communication of impending outsourcing spreads across the organization. This can impede the knowledge transfer process and subsequently impact the transition plan. Additionally, those staff members who remain in the organization may resist imparting their business knowledge to the service provider's staff for fear of losing their jobs, leading to gaps in knowledge capture. Careful change management and communication are essential.

PROCESS

Global or multinational organisations rarely have common, standardized business processes across all geographies. Typically regional and local variations of a so-called standard are in use, often with local variations in IT support. The very fact that the process is being outsourced is often the first indicator that process standardization and quality issues exist.

The contract with the service provider will include a description of the services to be delivered, usually couched in the "what" rather than the "how" style. Therefore, details of how the process is currently performed are normally excluded from the contract. The agreement may also include obligations for the service provider to improve or transform the process to a common, standardized best-practice.

However much due diligence is conducted by the service provider before the contract signing, it is always a surprise for the provider to discover the extent of process variation and the difficulty in creating a new common process. With that in mind, the transition plan must include time for comprehensive knowledge capture and process documentation by the service provider.

ROLES AND RESPONSIBILITIES

The transition will have profound effects on organizational roles and responsibilities. These will primarily affect the function being outsourced (e.g., the finance department), but will also have a ripple effect on roles within other areas of the organization.

The extent of the change affecting retained staff cannot be underestimated.

Managers of the affected staff members will no longer have line responsibility; instead they will be receiving the service from the new provider. Managers will not be able to "just ask" their staff about operational issues as they did previously, because there now is an "arm's length" relationship with the service provider. Old relationships have been broken and — as a result — managers often feel disenfranchised. New roles are now required to interface with the service provider and create added value to the business.

The extent of the change affecting retained staff cannot be underestimated. Extensive training and coaching may be necessary to impart new skills and competencies.

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SERVICE LEVELS

It is unlikely that formal service levels existed between an internal department and its customers. However, one of the major performance management tools for business process outsourcing is a formal service-level framework. The new contract will describe how service levels should be managed and usually will include an initial set of service-level definitions and targets.

The challenge for both client and service provider is to implement these in a practical and meaningful way. Although the client will have various contractual remedies in the case of no or poor measurement, in reality it is often difficult to implement such measurement from the time service delivery by the provider commences.

Difficulties arise through lack of clarity of service level definition, lack of appropriate process/system triggers that can be used to start/stop measurement, regional process/system variations and simply the fact that service levels have never been measured before.

It must always be the service provider's responsibility to set up measurement tools and produce quality reporting.

It is important to stress that it must always be the service provider's responsibility to set up measurement tools and produce quality reporting. The client may help with access to internal systems, etc., but must not allow itself to be dragged into doing the service provider's work.

TECHNOLOGY

In most cases, the business process under review will be supported by technology of some form. This may range from a single integrated, global enterprise resource planning (ERP) system through various regional ERP versions to stand-alone software applications. Accessing this technology from the provider's delivery centers is necessary for service delivery — this is the easy part of the transition.

It is likely that the service provider will plan to implement workflow technology within its delivery center to support its control of the process. Extending workflow into client functions (upstream and downstream of the provider-run process) can also offer benefits of transparency. However, it is easy to overcomplicate user requirements.

As always, it is important to keep it simple, and avoid "paralysis by analysis."

If process transformation and harmonization is to be conducted, it will have major impacts on the enabling technology. It is all too easy for the transition to get dragged into complex issues with ERP changes and release schedules, resulting in delays to process transformation. It is important to not allow a business change program to become an IT project.

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BUSINESS CONTINUITY

It is easy to assume that a global or multinational company will have full business continuity plans in place and that these are regularly tested. However, this often is not the case, especially for business support functions such as finance or HR.

Although the contract with the service provider will likely include provisions for business continuity plans, this is usually thought of as an IT issue, rather than a business responsibility. This is generally due to confusion between IT disaster recovery and business continuity.

The transition of internal service delivery to external provider-driven delivery has many risks. The client organization must see continuity of service as fundamental to the success of the transition; hence the need for comprehensive business continuity plans to be in place. There are too many examples of disasters occurring during the early stages of transition to ignore this (e.g., floods in Brazil, terrorist attacks in India).

The diversity of culture that typically exists within any multinational organization can delay transition unnecessarily.

CULTURE

Last, but certainly not least, the diversity of culture that typically exists within any multinational organization can delay transition unnecessarily. A transition project places great demands on individuals across geographic regions, which may result in varied responses; that often leads to confusion and exasperation within leadership teams. It is important, therefore, to understand cultural differences and, if necessary, treat regions differently to avoid problems.

TRANSITION OBJECTIVES

Put simply, the objective of transition is to transfer the delivery of business process services from an internal function to an external service provider. However, the client organization is about to embark on a journey of change; it needs to know in which direction to head, how to measure progress and how to know when it has reached its destination.

A clear understanding of the objectives for the change is required if the program is to be planned and executed effectively. These objectives should be aligned to the business needs of the organization. In many cases such objectives are articulated only in financial terms — for example, staff savings.

Although financial objectives are important, they are not the whole story.

Although financial objectives are important, they are not the whole story. Focusing on just the financial dimension can lead to sub-optimization and ultimately failure to provide the expected benefits. Broadening the scope of objectives to provide a holistic view of the required change enables the organization's affected function to align itself to its customers, deliver its services effectively, build its own culture and identity, and also meet the financial targets.

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The "balanced scorecard" is a technique that has been used successfully by leading organizations to manage change in their support functions. It provides a practical framework for a transition project to:

1. Agree on its objectives and align them with those of the business.
2. Initiate and manage change to achieve the objectives.
3. Monitor and communicate progress during the project.
4. Build performance measures related to the objectives.
5. Implement an ongoing performance management process, as part of business-as-usual following transition.

The balanced scorecard approach can be used to build four views of the transition's objectives: Financial, customer, operational excellence, and learning and growth, by answering the sample questions posed in Figure 2.

Transition Balanced Scorecard (Figure 2)

Customer View

1. Who are our internal and external customers, and how do they see us?
2. How can we ensure continuity of service during and after transition?
3. How can we build successful relationships and interfaces with them in partnership with our service provider?
4. How can we build successful relationships and interfaces with them in partnership with our service provider?

Financial View

1. What budgets do we have to operate within?
2. How do we monitor and control transition costs?
3. How do we ensure planned benefits of the transition are achieved?
4. What performance measures do we need, and how will we manage performance?

Operational Excellence View

1. What processes do we need to deliver our services in partnership with our service provider?
2. What processes do we need to manage the service provider relationship?
3. How do we achieve operational excellence by leveraging the competences of our service provider?

Financial View

1. How should we be organized?
2. What roles, skills and competencies do we need?
3. How do we build a partnership with our service provider?
4. How do we grow as an organization and continue to improve and add value?

Successful organizations have used this approach to drive change during transition projects by ensuring continuing focus on the key objectives. A well-structured scorecard enables diverse cultures to be traversed and ensures that both client and service provider drive for the same set of objectives. It is an important tool for transition governance and helps put in context the more standard transition management tools, such as weekly progress reports, etc.

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TRANSITION ORGANIZATION

The contract should state that the service provider is responsible for transition and is obligated to put in place an appropriate transition organisation. Typically, the organization and service provider agree to this prior to signing the contract. Transition, however, is not a one-way process and it requires a complementary organization from the client side.

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It is a must to have a transition team with experience in understanding processes, contracts and people, as well as strong project management skills to avoid slippages and the ability to prioritize deliverables.

A successful client organization for a multinational transition project needs to include representation from global, regional and functional stakeholders as appropriate. Strong global direction is required, which is complemented by equally strong regional management. Transition strategy and approach needs to be set and managed globally; however the implementation of this strategy requires hands-on local management at regional level. Functional team members for IT, HR, Change Management, etc. should have both global and regional representatives as necessary.

Figure 3 shows an organization recently put into place for a global order management and distribution transition.

Typical Client Transition Organization (Figure 3)

Region	Regional Transition mgr.	Support Functions					
		HR	Process Owners	IT	Finance	Legal/ Procurement	Change Management & Communications
Global		NN	NN	NN	NN	NN	NN
Europe	NN	NN		NN	NN		NN
MEA	NN	NN		NN	NN		NN
India	NN	NN		NN	NN		NN
China	NN	NN		NN	NN		NN
APAC	NN	NN		NN	NN		NN
North America	NN	NN		NN	NN		NN
South America	NN	NN		NN	NN		NN

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The quality and experience of the assigned provider transition manager tends to have the greatest impact on how the project will be approached and managed.

TRANSITION APPROACH

Service providers offer their standard approaches to transition as part of contract proposal and negotiation. These approaches often appear very similar, using the same words and phrases. However, the quality of supporting documentation, methodology and content may vary significantly. Independent of the provider's methodology, the quality and experience of the assigned provider transition manager tends to have the greatest impact on how the project will be approached and managed.

Although the provider has overall responsibility for the transition project, the approach taken by the client to its part of the project has a major impact on success. The transition organization above needs to have a mechanism for working on a day-to-day basis.

One multinational global company recently had up to six regional finance and accounting transition projects running in parallel. They required a common, repeatable transition approach that provided global leadership, yet allowed for local variations in detail; this became known as "Transition Out of the Box." The content of such a "Transition Out of the Box" includes, at a minimum:

1. Partially completed project definition/charter document for a regional transition project; this includes pre-agreed objectives, deliverables, organization structure, etc.
2. Project plan template, complete with primary activities required to be completed.
3. Project status reporting pack.
4. Project briefing pack.
5. Contract training material.

The regional transition manager is responsible for completing the definition document and plan, by adding regional specific information and scheduling activities as necessary.

Client plans need to be aligned and integrated with service provider plans, to allow for common reporting and status management. Consider these typical regional responsibilities from the client side:

1. Develop detailed project plan, aligned to master transition plan.
2. Manage transfer of personnel, and monitor induction by provider.
3. Execute third-party contract actions as required.
4. Agree how provider will interact with client — points of contact.
5. Understand approach to knowledge transfer and process stabilization; monitor to ensure effectiveness.
6. Ensure provider implements local business continuity plans.
7. Execute technology activities as required, including asset transfer.
8. Execute facilities activities as required.
9. Monitor service-level measurement and management by provider.
10. Implement retained client organization.
11. "Operationalize" local service management and governance.
12. Manage and resolve issues, including escalation.

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In addition to this project management approach, client transition team members should to be fully conversant about the contract with the service provider. Typically the contract is negotiated and agreed with a small client team (often under nondisclosure agreements). The transition team will consist of many people who were not involved with the negotiation and, therefore, come "new" to the contract. To enable meaningful contract awareness among team members, the following activities are recommended:

1. Modular contract training sessions, focused on the needs of the team (e.g., pricing details for finance team members, service-level details for regional transition managers).
2. Contract handbooks that describe key parts of the contract in business language.
3. Contract wall charts that can be used as reference material in offices and project rooms.
4. Contract deliverables and obligations analysis highlighting what each party has committed to deliver and when. This is used in transition governance to track and monitor key provider deliverables (including critical deliverables listed in the contract). An extract from such as analysis is shown in Figure 4.

Extract from Contract Deliverables and Obligations Analysis (Figure 4)

Transitional Deliverables and Obligations										**2010**	
										Jan-10	
Id	**Entity Responsible**	**Document Name**	**Page No**	**Section Name**	**Section No**	**Description D&O**	**DO Type**	**Due Period**	**Frequency**	**Due Date (DD-MMM-YY)**	**Date Received (DD-MMM-YY)**
37	Provider	MSA Attachment 3-A Service Level Matrix Execution Copy v1.0.XLS		Tab: Critical Deliverables		Business Continuity Plan and Procedures: The Provider shall deliver an initial documented Business Continuity Plan for Client' approval on or before the required date indicated. For services delivered from Client's sites the existing Client' BCP for the site shall be used with appropriate updates made by provider to address unique Provider operating conditions. For Services delivered from Provider's sites the Provider's BCP shall be used.	Deliverable	30 days before planned Relevant Commencement Date, as per Transition Plan, for each Transition Wave			
38	Provider	MSA Attachment 3-A Service Level Matrix Execution Copy v1.0.XLS		Tab: Critical Deliverables		Detailed Transition Plan (Attachments 22-B Transition and Transformation Detailed Plan (MS Project)): The Provider shall deliver an initial documented Business Continuity Plan for Client' approval on or before the required date indicated. For Services delivered from Client' sites the existing Client' BCP for the site shall be used with appropriate updates made by Provider to address unique Provider operating conditions. For Services delivered from Provider's sites The Provider's BCP shall be used.	Deliverable	Effective Date			

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39	Provider	MSA Attachment 3-A Service Level Matrix Execution Copy v1.0.XLS	Tab: Critical Deliverables	Detailed Transformation Plan (expansion of that provided as (Attachment 22-B Transition and Transformation Detailed Plan (MS Project)): The Provider shall provide Client a detailed Transformation Plan complete with project Plans, staffing levels and all other information that would provide Client a complete picture of the transformation activities.	Deliverable	3 Months after Effective Date
40	Provider	MSA Attachment 3-A Service Level Matrix Execution Copy v1.0.XLS	Tab: Critical Deliverables	**Initial Monthly Service Level Performance Report** The Provider shall deliver the first Service Level report in Accordance with due date. This Service Level Report shall indicate Service Levels (Critical Service Level, Critical Deliverables, and Key Measurements) attained for each service for which the provider is responsible	Deliverable	45 Days after Relevant Commencement Date, for each Transition Wave

CLIENT/PROVIDER RELATIONSHIP

Ultimately transition success depends on people relationships, especially between the client and provider organizations. During the bidding process, most BPO service providers will emphasize that they are looking for a partnership-style relationship with their clients. Because that entity is likely to be the client's service provider for several years (typically 5 – 7 years), this is a laudable goal. However, experience shows that behaving as a partner (especially in the initial months of transition) often means that the provider is keen to develop an informal relationship without the rigor of managing to the contract detail. This is not the way to success. A service provider should earn its partnership status, rather than assume it.

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It is very easy for a client to feel swamped by service provider staff during transition, particularly in multinational organizations with several transition projects running in parallel. These staff may not know the contract in detail and may attempt to "re-open" doors that were firmly closed during negotiations. To enable the client organization to maintain control during the transition and build the type of relationship it desires, there a several techniques that help drive success.

1. Implement a governance meeting structure, with frequent (at least weekly) joint client/provider progress meetings. These need to be multidimensional to complement the transition project organization — at regional, global and functional levels.

2. Maintain senior management contact between client and provider. This enables issues to be escalated and resolved without the emotion that may occur at operational levels.

3. Monitor and manage service provider delivery performance against the contract deliverables and obligations analysis described above. This is a very powerful tool that helps ensure that commitments (from both parties) are not lost and forgotten.

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4. Manage changes to the transition project, transition plans, contract, etc., in a formal manner.

5. Document client approvals and joint agreements formally using documents (that are filed and accessible) rather than e-mails.

The aim is to avoid generic statements of intent by service providers and to manage the transition based on fact and contractual commitments. There is always room to change such commitments, but any change must be based on a mutual and formal process pre-agreed during negotiations.

Implementing such formality, without becoming bureaucratic, helps build a strong partnership between the parties based on professionalism. This allows the service provider to conduct the transition within a client managed framework, which enables the provider to deliver successfully and earn the client's trust.

Achieving a balance between flexibility and contract compliance can be difficult. The contract will have taken time to agree and will include important provisions for the client to mitigate outsourcing risk. Hence, it is important for the service provider to comply with the agreement and be seen as wanting to comply. Within this framework, clients will normally welcome the knowledge and flexibility a world-class service provider brings to the table. Collaborative practical work can quickly bring real benefits. It can be difficult to get this balance, but doing so shows professionalism from both parties.

BUSINESS AS USUAL

The transition organization will remain in place until the transition is complete. At that time, new organizations need to take over. Required functions for the new organization will include:

1. Regional retained functions, to manage day-to-day operational interface with the provider.

2. Global and regional governance function, to manage the client/provider relationship and govern the service provider's performance against the contract.

There should be a robust process of selecting key personnel from the client.

The regional retained functions will require careful design and assignment of individuals to roles.

There should be a robust process of selecting key personnel from the client. This requires not only individuals with the required knowledge but also people with positive attitude and commitment. The retained function performs local activities that were not outsourced, in addition to acting as the day-to-day receiver of the services from the provider. The retained function does not govern the relationship.

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Separate, but closely related to the retained function, is the governance function that needs to be put in place. At a regional level this focuses on performance management, especially service-level monitoring and management. At a global level the focus widens to include financial, contract and relationship management as well as performance management.

Figure 5 highlights the typical scope of governance, although this may vary depending on the client's sourcing maturity and the scope of work involved. These activities need to be put in place during transition, so that they are fully operational as part of "business as usual."

A governance organization does not need to be heavy in numbers; in fact, leaner is often better. But it does need to have an optimum balance between regional and global staffing, especially in the area of performance management. Depending on the organization, regional dimensions of financial management may be necessary.

The Typical Scope of Governance (Figure 5)

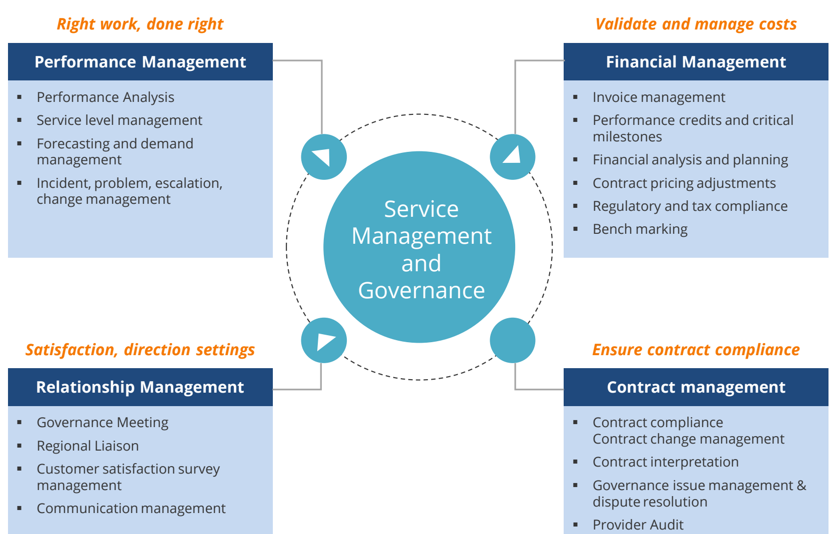
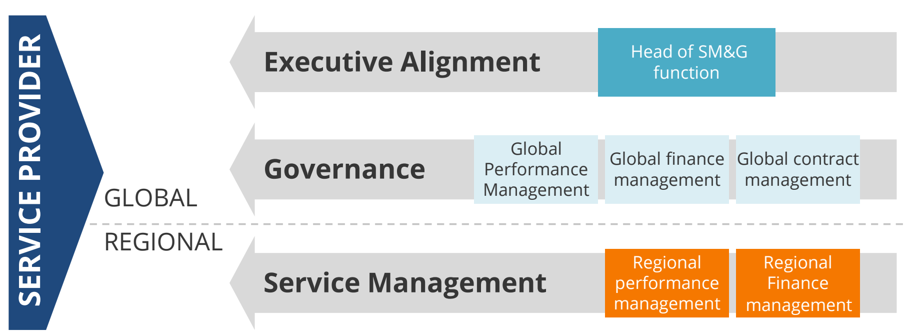


Figure 6 depicts the main elements of a client-based organisation to manage the business-as-usual activities that are necessary for the life of the contract.

Elements of a Global and Regional Service Management and Governance Organization (Figure 6)



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CRITICAL SUCCESS FACTORS

In summary, there are many things that need to be managed correctly in order to achieve overall success in a multinational business process transition to an outsource service provider. Figure 7, however, identifies a few key items that are critical to this success.

(Figure 7)

Objectives	1. Holistic set of objectives to give balance — customer, finance, operational and organizational 2. Use to drive and measure progress
Management commitment	1. Top management commitment provides ongoing sponsorship and ensures effective transition steering 2. Strong global project leadership, complemented by respected regional transition leaders
Service-provider-driven transition	1. Service provider contractually responsible for transition to their control 2. Service provider driven to time and quality – makes it happen for the client
Change management	1. Understand stakeholder landscape and manage internal relationships carefully 2. Continuous communication to staff and employee bodies
Manage to contract; build partnership	1. Contract knowledge embedded in team; know it better than provider 2. Ensure contractual commitments are delivered; build professional partnership with provider
Service management & governance - ready in waiting	1. Strong, but lean organisation, put in place to manage on-going provider relationship 2. Ensures performance delivery, service level achievement, savings and contract assurance

A well-managed and successful transition program puts into place a joint client/provider environment that will deliver results for both parties during the term of the agreement. It is a win-win situation, where:

The client gets:

1. Business processes delivered with low risk of interruption by the change
2. Harmonization and improvement of business process delivery
3. Service levels that are measured and achieved consistently
4. Reskilled retained staff
5. Reduced costs

The provider gets:

1. Clearly defined scope of engagement
2. Well managed interface with the client
3. Clarity of responsibility and accountability
4. Newly skilled delivery centre staff
5. Defined cost base

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Following completion of the transition, a lessons-learned exercise and review of achievement of the transition objectives shown in Figure 2 will highlight opportunities for improvement should there be a next time — which there usually will be if the transition is successful.

We conclude with a quote by Paramahansa Yogananda from the book “How to Be Happy All the Time.”

"People of success are those who have nerve enough to make an indelible blueprint in their minds of whatever they wish to build or produce upon this earth. They then employ as the financiers their creative ability, as the builders their will power, as the carpenters their detailed attention, and as the labourers their mental patience – and thus materialize their dream."

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ABOUT THE AUTHOR

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ANDREW TATTERSALL
Director — United Kingdom, ISG

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