IA⊕P Outsourcing Insights

INTERNATIONAL ASSOCIATION OF OUTSOURCING PROFESSIONALS

A Publication of the International Association of Outsourcing Professionals (IAOP)

September 2007

Change Management: The Key to Successful Transitions

- ## Outsourcing by the Numbers

CUSTOMER DELEGATES BY TITLE

- DIRECTOR OR ABOVE
- MANAGER
- NON-MANAGER/OTHER

CUSTOMER DELEGATES BY TITLE

- CORPORATE WIDE OUTSOURCING
- BPO (FINANCE, HR, CRM, ETC.)
- R&D
- REAL ESTATE/FACILITIES
- IT

Source: The 2007 Outsourcing World Summit

The Outsourcing World Summit is the world's longest running and most highly acclaimed executive program on outsourcing. First produced in 1998, the Summit has been held 20 times on 4 continents.

The 2008 Outsourcing World Summit is expected to draw over 600 senior level executives from across the industry and across the globe.

75 exhibitors are expected, representing the industry's top service providers and advisors, who play a valued part in the Summit educational experience by providing delegates with the latest insights and guidance.

For more information and to register, **click here**.

- ## Global Summit Will Address

By Kurt Kohorst, Assistant Vice President, Business Process Outsourcing, Safeco Insurance

Kurt has been involved in all the Business Process Outsourcing efforts Safeco has undertaken to date. Safeco's outsourcing strategy will bring increased focus, greater efficiency and new capabilities to the company - improving the customer experience and increasing shareholder value. Safeco, in business since 1923, is a Fortune 500 property and casualty insurance company based in Seattle. The company sells insurance to drivers, homeowners, and small- and mid-sized businesses principally through a national network of independent agents and brokers.

How do you ensure that outsourcing brings the benefits you envision? How do you maintain employee morale and focus? A big piece of the answer involves effective change management.

Our organization has defined the change-management steps to be completed at each phase of the outsourcing lifecycle: Opportunity identification, assessment, implementation, transition and service management. In this article, we will focus on change management within the customer organization.

Opportunity identification

Opportunity identification lays the groundwork for any outsourcing initiative. Prior to identifying specific opportunities, you'll spend a lot of effort defining your organization's outsourcing strategy. It must link closely and help drive the overall business strategy. It's important to extract the key strategic messages about the role of BPO from this process, so that they can be distilled for consistent high-level communication to the larger organization.

During this phase, it is vital to do several key change management tasks:

1. Define the main benefit drivers and high-level business case for the specific project - it grounds the change in a rational approach and builds employee confidence that the organization has a plan

Outsourcing, Offshoring and Globalization

Former Secretary of Labor Robert Reich to Keynote IAOP Event in Florida

Themed "Reconceptualizing the Corporation in an Era of Outsourcing, Offshoring, and Globalization," the 11th annual event will be held Feb. 18-20, 2008 at *Disney's Contemporary Resort* in Orlando, FL.

More than 600 customers, advisors and providers of outsourcing services from around the globe are expected to attend this world- renowned executive series to share thought leadership, shape the industry's future and advocate for the outsourcing profession.

"We expect The 2008 Outsourcing World Summit® to be another sold-out event that will enable companies to use outsourcing to change the very core of their organizations to adapt, respond to, anticipate and, most importantly, capture markets in ways never before thought possible," said IAOP Executive Director Christina Powers.

Program Highlights

Based on an unprecedented response to its call for papers from speakers interested in presenting at the Summit, IAOP is expecting the 2008 event to outpace all prior years, particularly from customers of outsourcing services.

"The overwhelming interest shows that customers really want to get more actively and visibly involved in having a voice in shaping our industry and its future," said Debi Hamill, IAOP senior managing director, global membership. "The Summit will give delegates the opportunity to change the game for their companies and the outsourcing profession."

The Summit program will offer 30 individual sessions across six tracks filled with game-changing insights for customers, providers, and advisors alike. It also will feature several first-time events for customers.

The Summit will address such topics as outsourcing's impact on designing new corporations, business units and processes; new organizational roles; and emerging and innovative business

2. Size the change, estimating its impact on the organization - we need to be able at a high level, early on to articulate what the change means for the organization

3. Conduct an initial stakeholder analysis. This helps to affirm that the right parties have input to the decision to move a specific initiative forward into the assessment phase. Stakeholders can facilitate or block change. The assessment allows us to anticipate opportunities to build action plans to move key players to a place of support. While identifying stakeholders and gaining support, we often find related processes that should be considered for inclusion in the project scope.

4. And, gauge the organization's overall readiness for change - organizations operate at different levels of readiness related to embracing change. Gauging readiness helps understand change tolerance and not assessing readiness can put an organization at risk.

Assessment

During the assessment phase, you will be looking at an outsourcing opportunity with a deeper level of scrutiny to determine if the benefits warrant moving forward. From a change management perspective, the organization as a whole - but most importantly the impacted groups - must understand that there is a consistent process for assessing outsourcing opportunities.

At this stage of the process the high-level communication is launched, signaling that the assessment work has begun. The best communication policy during change is no surprises. To the extent possible do communication face-to- face - this work typically triggers strong emotions that are best dealt with through a dialogue. It's during this time that a solid business case and effective leadership pay dividends.

If possible, bring people who are closer to the work process in to participate in the assessment. They could include managers, people who carry out the process, others who are touched by the process, etc. Before you bring more people into the assessment effort,

Keynote Speakers

As one of the keynote speakers, Robert Reich, who served in three national administrations, most recently as secretary of labor under President Bill Clinton, will address the delegates Feb. 19 on "The Art and Practice of Change Insurgency." His presentation will address how outsourcing is changing business in today's economy.

Other keynote speakers include Michael F. Corbett, Chairman, IAOP; Oren Harari, Business Visionary, Best-Selling Author, and Professor at the Graduate School of Business at the University of San Francisco; Jag Dalal, Managing Director, Thought Leadership, IAOP; and Atul Vashistha, Chairman, neoIT.

Outsourcing Customer Panels and Networking

The program will include several panels featuring companies who are involved in outsourcing. Topics include "Global Destinations Panel," where customers will share experiences on emerging destinations; "Frontline Experiences in Managing Across The Outsourcing Lifecycle;" which will offer real- world management advice; and a general session with C-level executives revealing their agendas for change.

Customer organizations sharing their experiences at the upcoming Summit include: Aetna, Arrow Electronics, Australian Customs Service, BASF, CA, JPMorgan Chase, McGraw-Hill Companies, Province of British Columbia, Procter & Gamble, Safeco Insurance, Thomson, Vodaphone and Washington Gas.

The new "Customer-Only Speed Networking" will give customers an opportunity to network and share experiences with fellow customers in an informal, fast- moving and fun invitation-only atmosphere.

Strong Provider Participation

Also speaking at the event will be thought-leaders and visionaries from: Accenture, ACS, Archstone Consulting, Booz Allen Hamilton, CB Richard Ellis, Colliers International, EMS, Genpact, HOV Services, LLC, Kirkland & Ellis, neoIT, PA Consulting, Pretium Partners, PricewaterhouseCoopers, Quint Wellington Redwood, Simmons & Simmons, SNC Lavalin-Profac, Towers Perrin, Wipro, WNS North America, Vantage Partners and others.

"In addition to the outstanding early response from customers, we also are projecting a strong turnout from providers and advisors, with more than 75 exhibitors already signed up to participate," Hamill said.

Click here for full program information. Register by September 23rd to take advantage of Special Invitation Pricing!

- **Preparing the New Organization Post-Outsourcing**

you must communicate with the group whose work is being assessed. We have had our best change-management outcomes when we have communicated at this phase of the lifecycle. While there is not always a lot of detail to be shared, impacted employees want to understand the assessment approach and potential outcomes early on. This builds credibility and lays the groundwork for receptivity with challenging messaging that may need to occur during the implementation and transition phases of the project.

By the end of this phase, you should be sending clear messages regarding how the specific outsourcing effort fits with corporate strategy, what areas were assessed as part of this initiative, and what work will be considered in scope and why as the project moves forward. As the project team becomes clear about the project scope and the exact nature of what will be changing assess the impacts. The Impact analysis tool allows us to drill deeply into the implications of the change from all angles; it provides the basis for the change plan and helps us develop a holistic approach to managing change effectively. The impacts analysis asks: who will be impacted and for each impacted audience 1) How will they be impacted? 2) If the change goes well what would the outcome be? 3) If the change doesn't go well, what might we expect? (4) Knowing what we now know about specific impacts, what must we do to ensure effective change for this audience?

With directly impacted employees, we recommend one-on-one conversations. - outsourcing work typically triggers strong emotions that are best dealt with through a dialogue, followed by group meetings - supported with talking points and FAQs. For indirectly impacted partner work groups, we usually use meetings followed with FAQs. It is important to design and centrally manage materials for all the communications so messaging is consistent. During assessment, we also pull in experts from HR (to aid with change management), IT, and partner business areas - When communication is delayed or inconsistent, the informal channels (i.e., the grapevine) carries messages about the project to impacted work groups causing significant clean-up or damage control work for

By: Phil Fersht and Derek Sappenfield, Deloitte Consulting LLP, Outsourcing Advisory Services

The outsourcing debate over recent years has been dominated by the operational ability of companies to transition processes to a third-party supplier to manage. Too many companies have presumed their business will carry on as it was pre-outsourcing, but with third-party staff managing some of the business functions. However, in the majority of outsourcing efforts there is a degree of employee transition, and when this happens there are leading practices for both transitioning and restructuring the retained organization. Experience demonstrates that those companies that proactively prepare their management effectively to (1) modify their roles, responsibilities, and management styles, (2) view outsourcing as a strategic tool, (3) learn new skills, and (4) even change their daily routine are those that are able to achieve value from an outsourced environment.

CIOs who do not effectively leverage time-tested technology and other efficiency-creating alternatives will generally not last long. The same is beginning to apply to finance, HR, procurement, and other senior executives in forward-thinking companies. They are now expected to be versed in how to take advantage of third-party service offerings, leverage leading practices from other companies that are already outsourcing business processes, and apply innovative methods in service delivery to improve business processes and keep administrative costs at a minimum. Outsourcing is just one of several alternatives available to achieve business efficiencies, but it is now much more at the forefront of many corporate agendas than it was a few short years ago.

When tackling outsourcing, issues must be managed across both the existing organization and the new organization. Hence, C-suite executives must focus not only on transitioning the old organization, but also on proactively preparing the new organization.

Full Article...

- **Global Outsourcing 100 - 2007 A Look Back**

the project team and HR.

Implementation

The implementation phase is where all the preparation and planning for actual transition of the work is done. This includes supplier selection and contracting. In order to begin this phase, service-level metrics and understanding of the systems environment are a must. To enable this work, deep subject-matter expertise is required, which means the people who do the actual work will become increasingly involved. To enable the participation of these resources, frequent and open communication is required.

Minimally we try to communicate on progress with impacted work groups every two weeks, and monthly with the steering team and parts of the organization that interact with impacted work groups. The communication that occurs during implementation contains as much detail as possible regarding potential scope of impacted employees and basic timelines. Being ready for these discussions involves detailed planning. This includes:

- **Defining** the full range of separation benefits including clearly describing outplacement services for affected employees (if you offer those)
- **Reviewing and ranking** attrition risk at an individual employee level, based on results
- **Identifying** key resources who will enable knowledge transfer, training and transition
- **Planning** for possible retention incentives
- **Developing** adequate contingency plans if staff is leaving before work can be transitioned
- **Doing** the organization design work needed to define new workflows and roles in the retained organization to manage the outsourcing relationship - and identifying whether the needed skills exist internally or can be trained with current employees
- **Establishing** a complete communication timeline showing messaging with all impacted audiences and stakeholders involved.

It's crucial to provide enough lead time for first and second-level managers to understand the change and manage through the predictable cycle of change at a personal level before they lead others through the process. An

By: Jag Dalal, Managing Director, Thought Leadership, IAOP and Chair, Global Outsourcing 100 Judges' Panel

2007 was the second year for IAOP and Fortune® magazine to collaborate and publish The Global Outsourcing 100. As we begin our applicati on process for 2008, let's look at the comparison of the first two year's applicants and put some light on what the numbers indicate. Although, two points don't make a trend, we can put some hypothesis out there for our readers to consider!

1. Applicants have an equal chance of making the list either as a Global Leader or as a Rising Star. I am sure that as numbers of applications go up the selected population will be a smaller percentage. As expected, the Rising Stars represent greater numbers of "new winners" since a few of them rose to the Leadership position in the analysis.

Complete Analysis...

• Find Your Niche in IAOP: Select from More than 30 Specialty Chapters

Finding peers with similar interests to network with in a large association can sometimes be challenging. But with more than 30 IAOP chapters operating or forming every day, it's easy to get involved with one that fits your interests as an outsourcing professional and reap the many benefits of participating in a chapter.

IAOP chapters are meeting and holding events in cities large and small around the globe. Many chapters are meeting virtually via webinar so that members everywhere can share common interests on topics ranging from data security and dispute resolution to healthcare, sales & marketing, governance and outsourcing tools.

Among the newest chapters in the works are groups focusing on engineering outsourcing, process excellence, and legal outsourcing; as well as geographic chapters in places from Southern California, Pacific Northwest, Miami and Cincinnati to Central America, Malaysia, Ireland and Delhi.

"Participating in a chapter brings you together with peers that share similar interests in a specialized focused subgroup of IAOP where you can freely exchange experiences and best practices, get questions answered, and connect with the right people who are experts in your area," said Debi Hamil, IAOP senior managing director, global membership.

As a chapter chair, you'll be recognized for your thought leadership, help set the agenda for the future of outsourcing, and be presented with opportunities to speak at the Outsourcing World Summit, and other events. Plus, sharing your expertise and knowledge makes IAOP a stronger organization.

Look to Outsourcing Insights regularly to get updates on the latest chapter happenings. For information in joining or starting a

employee's most trusted relationship is typically with his or her direct manager, so it is essential that the managers have the information and capability to support the change even if they are going to be impacted by the outsourcing initiative. HR works closely with managers throughout the process and supports them as they think through personal implications.

Transition

Transition is where the change becomes real for impacted managers and employees. As knowledge transfer (KT) begins, it usually involves representatives from the provider company sitting side by side with current staff for process mapping, documentation and development of training materials. During KT, some teambuilding activities can be helpful to initiate positive interactions between the customer and provider teams. Often this can be as simple as a meal or shared activity of some sort. In our experience, we have been happy to see the teams planning activities on their own (taking in a Seattle Mariners game, kayaking, shopping and more).

This interaction has significant impact on some individuals, so regular communication is required. It is important to check in individually with team members to understand how they are doing with the changes (and, if they are part of the KT process, how they feel the provider is performing).

Depending on the size and makeup of your office, KT can have effects beyond the impacted work groups. We typically communicate to all managers at the site level before a provider's employees arrive, so they can share details of the effort with their staff.

As pilot or shadow periods begin, you will need to reinforce the communication channels between partner workgroups so you can manage expectations and solicit feedback about the work. Most pilots allow for a ramp-up of volumes coupled with initial 100% quality control by the customer. Even with these controls, it can be challenging to eliminate all impact to partner work groups. With this in mind, it is helpful to proactively gather feedback, put mechanisms in place to quickly

evaluate input, and act as needed. Equally important is to make sure a balanced story of how the transition is progressing is socialized throughout the organization. It is easy for any service challenge to quickly permeate the organization through hallway conversation, but good news related to transition circulates at a slower pace - if at all. Service to external customers must be preserved or problems can quickly snowball, impacting top line results negatively and potentially outweighing the planned benefits.

Teams whose work and jobs are going away need time and space to plan how they will close out their work relationships. Authors like William Brides and Elizabeth Kubler Ross talk about how important this is for people not only at a personal level, but also in terms of shaping their parting impression of the organization they are leaving. Resident change management resources and HR help work groups through all phases of change - and this is one of the most important. Leaving the organization should be branded as a "signature" experience.

Service delivery

To prepare a smooth transition into the service delivery phase, our best practice is to define the governance teams during the implementation phase of the project. That allows the process owners, quality assurance, and any analyst resources on our team to begin interacting with the delivery team directly during transition. This is important because the project team is still present during transition and can help resolve issues, answer questions, and ensure that productive working relationships are forming.

During the service management phase, much of the change-management work should already be done - assuming proper groundwork was laid and those efforts were successful. We strongly recommend that a lessons learned session be scheduled for all projects. Lessons learned can be leveraged on future initiatives and contribute to ever greater organizational capability to manage change effectively.

Continued focus will ensure that governance

offices of Quint Wellington Redwood. A full agenda will be available shortly.

For more information, click the links above. **IAOP members** wishing to attend any chapter meeting, please email amanda.corbett@outsourcingprofessional.org to register. **Non-members** may attend as a guest of IAOP by requesting a guest pass.

Career Mapping for Outsourcing Professionals: Phase 1 Findings

Although the number of individuals working as outsourcing professionals globally now easily numbers in the tens of thousands, little industry-wide information has been collected and disseminated as to the skills, job profiles, career paths, organizational models, and compensation structures for these individuals.

To fill this void, IAOP has launched a program, under the direction of its Advocacy & Outreach Committee and with the support of two of the field's leading advisory organizations (neoIT of San Ramon, CA and DNL Global of Dallas, TX) to develop a comprehensive outsourcing professional career map. When all phases are complete, the program will:

- Enable individuals and organizations to assess the key skills required for success as an outsourcing professional
- Provide a career map for outsourcing professionals that defines entry points, standard career progressions, and requisite levels of responsibility
- Enable organizations to define and optimize how these professionals are organized and deployed across the operations
- Enable individuals and organizations to evaluate and set compensation plans based on industry-wide benchmark data

The Phase I Report - Career Mapping for Outsourcing Professionals available on Firmbuilder.com profiles the skills, knowledge and experiences, and capabilities required for success as an outsourcing professional, including how this profile changes as one progresses through career levels from non-management to senior executive positions. It's a great reference for mapping professionals to skills to jobs.

Skills, Knowledge/Experience, Capabilities

The work has found that the profile of an outsourcing professional can best be defined in terms of his or her skills, knowledge & experience, and capabilities, where:

Read more...

and issue-resolution processes are functioning as planned, individuals are developing and performing in newly assigned roles, and internal perceptions of the success of the project are accurate. Service management is a broad topic in itself - so I won't expand on it here.

Often anxiety around employees' responses to communication about outsourcing prevents project teams from acting on this vital portion of the initiative. My hope is that this article has helped you appreciate how a measured approach to change management throughout the lifecycle of an outsourcing initiative can make your outcomes more predictable in delivering intended benefits.

IAOP Bulletin Board: News, Notes, and Special Offers

SPECIAL INVITATION TO ATTEND EXPIRES SEPTEMBER 23RD

The 2008 Outsourcing World Summit, is taking place February 18-20, 2008 at *Disney's Contemporary* Resort in Orlando, Florida. Register by September 23rd Save $400 off the regular price plus RECEIVE a $100 gift card*!

Special Invitation price: $1,350 + $100 gift card* (IAOP Members) or $1,650 + $100 gift card* (Non-Members). The gift card can be used to offset the cost of accommodations, meals, entertainment, or gifts. **Click here** to register.

This 3-day event offers delegates a comprehensive learning environment from educational sessions, to pre and post-conference workshops and networking events.

Every year, IAOP's Outsourcing World Summit is the gathering place for outsourcing customers, providers, and advisors from around the world. Game-changing ideas are shared. The latest trends and opportunities are identified. And, hundreds of millions of dollars

- ## What's New in IAOP's Knowledge Center, Firmbuilder.com

Firmbuilder.com
IAOP's Knowledge Center

Service Providers Adapt to Client's Culture to Establish Consistent Brand Identity
By: SITEL
Services rendered by outsourcing service providers have evolved beyond executing the mere transaction and day to day operations of a client's needs to include a more consultative role. Companies rely on providers for their experiences, expertise and resources to address far-reaching issues, map strategy and implement programs. In this role, it is vital that the service provider adopt the culture of the company so that the two may form a synergistic partnership, attain a shared vision and achieve their goals.

Outsourcing and Change Impact -A View from Applied Materials
By: Applied Materials
The term post outsourced environment, will mean different things to different audiences. In its most basic form, outsourcing may represent little more than a staff augmentation methodology while at the opposite end of the spectrum it may encompass an enterprise-wide strategy spanning large segments of IT, business and engineering/manufacturing processes. No matter where an organization falls along this continuum, their adoption of outsourcing represents an attempt to address specific business problems and each variation carries with it the requirement for ensuring that the organization is prepared for and accepting of the changes outsourcing will bring.

Outsourcing - Changing The World Through Collaboration
By: PricewaterhouseCoopers
In January of 2007 PricewaterhouseCoopers released its 10th Annual Global CEO Survey which identified the "top-of-mind" issues for global business executives across all business industries in over 120 countries worldwide. For the first time, the CEO Survey revealed that top global business executives believe they are achieving major competitive advantage from global outsourcing. The significance of global outsourcing on the CEO agenda and its impact to organizations growth and prosperity prompted PwC to undertake additional focused research in March/April of 2007. This article highlights key findings and observations as it relates to global outsourcing and how "collaboration" through outsourcing is shaping the global competitive landscape.

- ## Get Involved in the New IAOP Speakers Bureau

IAOP is calling all speakers. As an expert in the outsourcing industry, our members, other organizations and even the media would be interested in hearing what you have to say. Plus,

of business deals are initiated and made.

Please click here to view the latest program information and register online.

Gift card only valid for registered guests at Disney's Contemporary Resort for The 2008 Outsourcing World Summit dates.

Companies interested in exhibiting or sponsoring are encouraged to reserve space early. Last year's exhibit hall sold-out.

Contact Renee Preston at:
renee.preston@outsourcingprofessional.org
for more information on The 2008 OWS.

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<u>Are you an IAOP member yet?</u>

IAOP's global membership encompasses hundreds of organizations from around the world representing a cross-section of industries and functional activities.

Find out which membership option is best for you and your firm by clicking here.

Corporate Members receive two free passes to attend The Outsourcing World Summit. Provider/Advisor Corporate Members also receive free exhibit space!

Contact Renee Preston at:
renee.preston@outsourcingprofessional.org
for more information on membership.

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Become a <u>Professional Member</u> in September and we'll send you a complimentary $25 gift card from Starbucks! Click here for more information.

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<u>COP Program</u>

"Collectively, IAOP has a wealth of knowledge that we want to help share among our members and spread to the outside world," said Debi Hamill, senior managing director, global membership. "Participating as a speaker in our new IAOP Speakers Bureau is a great way to promote your credentials and your company, and it also helps us advance the outsourcing industry as a whole."

Getting involved in the Speakers Bureau is as easy as filling out an online form so that we can match your areas of expertise and knowledge with opportunities and requests we get from IAOP chapter chairs, other associations and event organizers, and the media. You can, of course, select the opportunities that are best suited to you and your schedule.

We are always looking for great speakers for chapter meetings, COP Master Classes held around the world, future Outsourcing World Summits and other IAOP and outside events.

"This service is another way to share best practices among our members," Debi said. Chapter chairs will be able to search presentation abstracts for meeting topic ideas and speaker expertise."

To get started, login in to the IAOP Web site at www.outsourcingprofessional.org with your e- mail address and password and click on "My IAOP." Then click "Edit" next to Speakers Bureau. You may submit up to three proposals and edit them at any time. Or email debi.hamill@outsourcingprofessional.org and let her know what topics you'd like to present on or are interested in hearing more about.

REGISTER BY NOVEMBER 30TH TO GET INVOLVED IN PROGRAMS FOR THE COMING YEAR.

Complimentary Webinar: Sign up for the September 26th COP Prep Class webinar and find out what it takes to become a COP! Taking the class will also get you $250 off the COP application processing fee.

COP Master Classes

SEATS STILL AVAILABLE for the September 24-27 Brussels **COP Master Class**

The October 22-25 **COP Master Class** in North Carolina is already filling up - reserve your seat before it's too late!

REGISTER TODAY!

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communications@outsourcingprofessional.org