The Atlanta Chapter of IAOP
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presents

The Leading Practices for Transition Planning and Execution

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What is transition and the resulting impacts?

Description

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).
  - 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

Vendors don't 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:

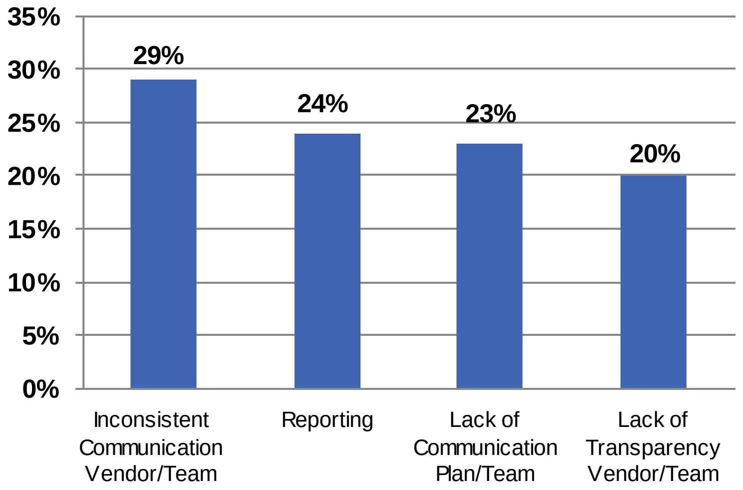
Credibility	▪ Vendor credibility is often based upon meeting initial client expectations and contractual commitments ▪ How the vendor manages the transition can be an indicator of the vendor's capability in steady state operations
Organizational Motivation	▪ Client organizational motivation can be energized during transition, or commitment can be lost if the process does not go well
Executive Support	▪ 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

Common transition pitfalls

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 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]

Problems with Communication and Vendor Management



- 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

Source: [1]*Why Settle for Less? Deloitte Consulting 2008 Outsourcing Report*, Deloitte Consulting Outsourcing Advisory Services

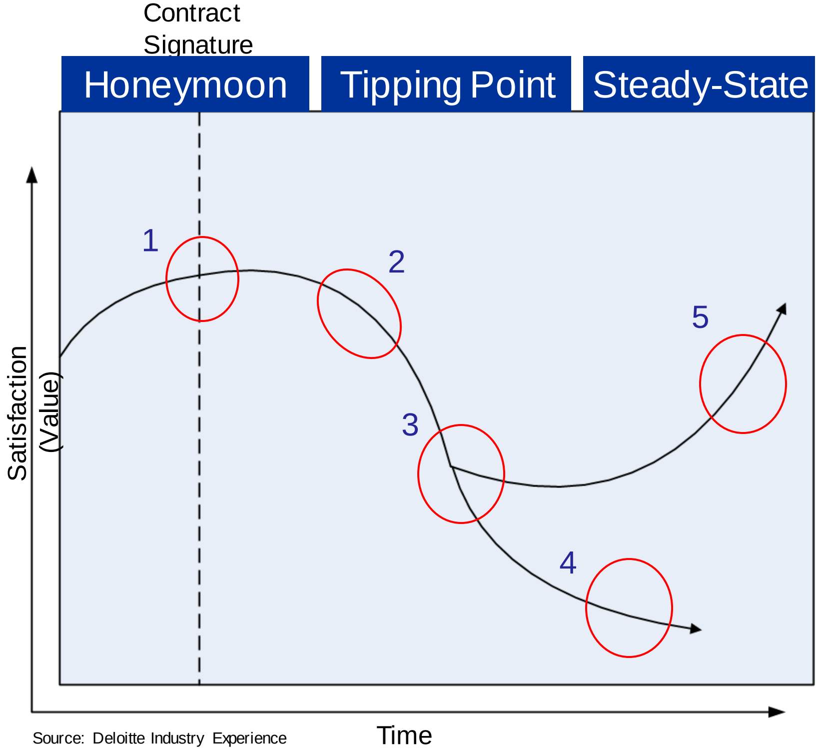
Transition lifecycle and client satisfaction curve

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.



Source: Deloitte Industry Experience

5. The *"recovery":* When the foundation of the transition is properly laid, issue 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.

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Transition program planning pillars

Transition is a complex endeavor and is generally a one-time only event in the evolution of an outsourcing initiative. This knowledge and experience is not usually maintained in a client organization. Resources and activities should be identified to plan and manage activities in the 12 pillars shown below. The TPO, becomes the central “control” point for tracking and monitoring progress.

Retained Organization Design

- Design organization functions and roles
- Complete job design for changed retained roles

Service Level Framework

- Define levels of service in new environment
- Create framework to collect, review , and manage
- Implement baseline management

Contractual Compliance

- Monitor vendor delivery against contracted services
- Manage changes to contract

Transition Planning

- Facilitate joint planning
- Plan resource onboarding
- Plan for process documentation improvements

Transition Project Office

- Implement project, issue, and risk management process and control
- Provide technical and process integration
- Manage adherence to vision

Vendor Management & Governance

- Design and implement governance model and processes
- Provide multi-vendor integration

Change and Communication Management

- Plan job readiness for retained organization
- Manage Communication Plan

Human Resources

- Complete organizational impact assessment
- Manage workforce transition

Security and Compliance

- Implement security and regulatory compliance
- Implement joint verification

Service Management

- Design and implement operational reporting
- Implement customer satisfaction reporting

Financial Management

- Design and implement invoicing and tracking
- Implement internal cost management

Technical Integration

- Manage process integration
- Manage transformation and innovation

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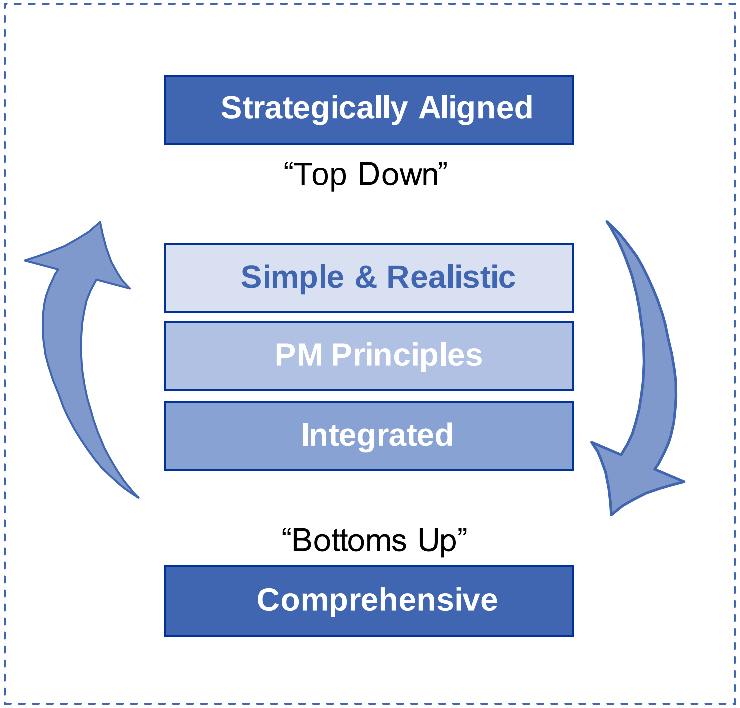
Transition planning

Planning Objectives

- Strategically Aligned: must clearly show how the client is moving from the ‘As-Is’ state to the ‘To-Be’ state
- Comprehensive: the plan should to represent the complete journey to the contractually defined ‘steady state
- Include the Cross Functional and Cross Company integration points: the plan should include the clients, vendors tasks and responsibilities as well as cross tower dependencies
- Transition planning presents the first opportunity to execute the governance model. The transition governance can evolve to a portfolio management function or vendor management function post transition
- Manage the relationship to provide accountability and ownership across the project while facilitating a structured communication with internal stakeholders
- Based in Project Fundamentals: the plan should be rooted in a mutually agreed project methodology that accounts for both the vendor(s) and client scope, schedule and resources

Transition Planning



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 a effective transition and the foundation for a long-lasting relationship.

Steady state

Readiness | Planning | Management | Steady State | Transformation

Mobilize Planning → Due Diligence & Joint Planning → Knowledge Transfer / Infrastructure / Process → Service Demonstration → Assumption of Responsibility → Continuous Improvement

Contract Award **Service Cutover**

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

Service quality

- SLA's are meeting targets
- All quality metrics are met
- Customer satisfaction is met

Project and change communications

- Regular project communications are in progress
- Change management is functioning

Gaps and improvement opportunities

- Transformation activities have started
- Service / Continuous / Innovation improvements are identified

Staff retention tracking

- Flight statistics are tracked and reported
- Impacts on the retained organization are monitored

Assess financial goals

- Business case targets are monitored
- Transition and operations budget are reported

Governance

- Governance, change, and escalation processes are functioning
- Relationship management activities

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Deloitte Outsourcing Advisory Thoughtware

The Risk Intelligent Approach to Outsourcing and Offshoring

Outsourcing and offshoring (O/O) arrangements present both risks and rewards to the organizations using them, but O/O need not be a roll of the dice. This recent report in 2008 describes the steps you can take to minimize the risks and maximize the rewards at every stage of the O/O lifecycle. These steps will carry you down the path toward Risk Intelligent O/O, and will help reduce the chances that you will experience an undesired outcome.

Calling a Change

This research report provides a fresh point of view on outsourcing at global organizations.

Scaling the Heights

This report is the Third Annual Global Offshore Survey, involving from 62 financial institutions based in twelve countries and included 8 of the top 10 in the world by market capitalization.

Why Settle for Less?

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

Inside Outsourcing

This research report examines the current most important issues to manage when an organisation is considering outsourcing.

The Titans Take Hold

This report is the Second Annual Global Offshore Survey, included responses from 43 financial institutions based in seven countries and included 13 of the top 25 in the world by market capitalization.

Thank you for joining

For more information, read

Avoiding the "Ditch"

Making an effective transition to outsourcing

Posted on the IAOP website

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