Talent & HR Services

Change management and the transition to IT and business process services

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Question: When companies establish a relationship with an external provider for IT or business process services, at what point do they often face the biggest risks?

Answer: At the very beginning, during transition. During that period, people are moving from one way of working to another, and sometimes from one company to another. Processes and tools are being redesigned, retooled or standardized, and services are being delivered in new ways. Such changes have the potential to undermine or delay realization of the business case for the service externalization program.

To prevent such a negative impact, both the company and its service provider need to work diligently to understand and manage the range of impacts on their people—both those working for the new services organization and for the retained workforce.

A rocky transition phase can slow implementation of the delivery model, preventing a company from getting the anticipated value from the new services arrangement quickly enough. People can lose confidence, which could result in lower morale and higher turnover; customers may not be served at the levels they were previously. According to one report, a poor transition period can be identified as the root cause of a failed buyer-provider relationship two-thirds of the time.

To ensure value is realized from the new services model, leaders need to plan and execute an effective change management program, which includes: identifying the ideal end state of the transition period from an organizational perspective; managing stakeholders; measuring the progress of the change with analytics and metrics, deploying communications and training; and aligning individual behaviors as well as organizational and reporting structures to the new model for operations.

The transition period is critical to the overall success of the program, and thus change management strategies and activities should be a part of the transition phase of any IT or business process services externalization program.

Benefits

The benefits of aligning the organization to the new service model from the start can be substantial (indeed, measured in the millions of dollars) in terms of reduced transition costs, faster adoption of the new operations model, and minimized disruption to business performance and customer service.
The positive financial impact of conducting change management activities during the transition period is clear. The cost of transition can be significant; according to one study, it can range from 2 percent to 15 percent of the total cost of the first year of the deal.² Failing to anticipate and manage the effects of change can greatly increase the overall cost of transition.

Successful buyer-provider relationships emphasize the management of change. The Accenture High Performance BPO research study found, for example, that almost 90 percent of companies involved in a high-performance business process services relationship regard the management of change as an important capability; only 62 percent of typical performers share that attitude. And 77 percent of high performers characterize themselves as successful at executing change management plans, something claimed by just 34 percent of typical performers.

**Keys to success**

Based on our research and experience, the following are keys to executing a successful transition to an outsourced service model:

1. Use best people and best practices. If you staff your transition program with just “whoever’s available,” you will get what you don’t pay for. The ability to plan and execute comprehensive change programs and transitions is an area of specialist expertise, no less than that offered by your finance or analytics professionals.

Similarly, it is important to avail yourself of practices and methodologies that have proven their worth in similar transitions. At one specialty-chemicals consumer goods company, the manager working with the provider on a procurement services arrangement expressed this latter point as follows: “During implementation, the first element we really benefited from was our service provider’s methodology for doing the transfer. We had people from our provider with experience in this type of work before. They came with a solid methodology for planning and managing the project.”

2. Identify your most critical stakeholders and involve them as advisors and sponsors to the transition. A groundbreaking finance services engagement at a US-based software giant demonstrated this point well. A combined team from the client and the service provider created global, functional and subsidiary-specific communication and transition plans to engage with the various affected stakeholders. Each transition event had no fewer than five major milestones that were tracked, starting with a country-level launch event and ending with a formal handoff to operations.

Effective change management was critical. The client held two-day, face-to-face meetings with subsidiary controllers to educate key stakeholders. According to the provider executive, "We collectively made sure the financial controllers bought into the change. That made a big difference."

3. Focus as much attention on the retained workforce as on creating and supporting the new services model. In addition to putting in place world-class processes for the externally sourced IT or business function, companies need to transform the retained organization that is responsible for managing the service. Part of this work involves clarifying roles, responsibilities and needed skills. Our High Performance BPO survey found that half of high-performance businesses have engaged in modification of their retained organization to optimize the new services operating model, compared with only 29 percent of typical performers.

4. Support behavior change, not just new attitudes. During transition, people at all levels in the new organization and among the retained workforce need to act differently, not just think differently. But that requires methods and approaches shown to be successful at driving behavior change.

For example, one of the world’s largest integrated energy companies underwent a comprehensive IT transformation project. The project team was charged with prioritizing the enterprise portfolio of IT projects, simplifying the IT environment and integrating IT planning, controls and operations. Although not a traditional IT services program, the project included data center rationalization, which involved the transition of resources.

Using leadership summits to engage executives, the company and its provider identified the change behaviors the organization needed its leadership to model as a means to drive superior business results. Accountability for demonstrating those behaviors was achieved by incorporating specific targets into senior leadership’s performance goals and reviews.

5. Measure progress and results delivered. Using advanced tools and methods, companies can measure progress during the transition—and throughout the ongoing externalization program—as well as gauge how effectively change is being accepted and adopted.

One global pharmaceutical company, for example, decided to move away from a staff augmentation support model; instead it would consolidate its application support and maintenance activities under a managed services model with two strategic providers. To measure progress and improve its ability to navigate the best course to success, the company utilized Change Tracking (now owned by Accenture), an advanced, analytics-based system with predictive modeling capabilities. By analyzing large data sets and presenting information in readily understandable “maps” that showed optimal paths and interventions, Change Tracking enabled company executives to see trends, make better decisions and address remaining barriers to change acceptance within their areas of the organization.

**Conclusion: Aligning to a new mode of service delivery**

In addition to avoiding transition cost overruns that can result from not managing change carefully, service externalization programs that invest in change management activities during transition and beyond can more quickly and effectively align their people, organizations and leadership to the new mode of service delivery. Critical functions and processes can be more readily adapted to the new operating model and companies can begin realizing the business case faster, with less disruption.

Ultimately, those benefits can translate into realizing more value from the new services program during the initial months and in the years to come.

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