

ORCHESTRATING A SMOOTH TRANSITION OF SERVICE PROVIDERS

When a transition turns hostile - A "how to" guide for enterprises



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Abstract

Many a time, enterprises consider changing their outsourcing service provider when contracts are up for renewal. The key driver for switching IT service providers is the expectation of more efficient processes while ensuring high service quality levels. However, the process of transition is not necessarily smooth; some of the challenges that enterprises face while making these switchovers include – the outgoing team's lack of co-operation in sharing knowledge, that passing of incomplete and incoherent information to the incoming team, and the time taken to make the transition. More often than not, there is resistance to change and therefore, any transition needs to be managed properly from the start.

This paper provides a “how to” guide on transitions, and presents a three-way framework that enterprises can adopt to ensure a smooth transition of services providers.

New business realities

When enterprises are trying to outsource increasing parts of their business to service providers, they are looking beyond cost reduction, efficient delivery, and process standardization. The emphasis shifts to value-added services such as analytical capabilities, access to better talent and technology, continuous process improvements, re-engineering and innovation. Therefore, service providers are viewed as strategic IT partners who can bring in world-class service standards, automate parts of the business, and enhance current capacity to fuel fast growing business needs.

So when contracts are up for renewal, enterprises look to switch service providers to derive better value for the money spent, an improved lifecycle of IT services, and better customer satisfaction. However, enterprises must be prepared to face resistance to this change, particularly from the existing team.

Why is managing transition important?

With businesses being under constant pressure to maintain profitability, service providers are expected to do more in less time and for less money. The service provider is also expected to align with the company's strategy and processes. This is a significant task considering today's environment where many businesses have multi-sourcing agreements, with different parts of the organization being outsourced to different providers either based on best-of-breed solutions or as a means of diversifying risk. Those that have a global footprint might have sourcing contracts that span geographies and/or functions. This not only adds complexity but also requires good governance mechanisms to mitigate the risk of business disruption.

Therefore transition usually is the most challenging part of any IT outsourcing engagement and assumes mission-critical significance, particularly if there is resistance from within, due to compressed timelines and lack of information. The transition is also the yardstick by which the client-provider relationship is initially measured. Problems early on could risk business disruption and erode confidence in the new provider's abilities, which could further lead to more issues. On the other hand, successful transitions build stable relationships and result in better business outcomes for both the enterprise and provider in the long run.

Preparing for the challenges when transitioning

Some of the challenges that enterprises can expect during transition include:

- **Insufficient information:** It is possible that knowledge of the existing system is limited. So the new service provider may have to make do with only partial information, which will affect the level of service that the new provider can deliver, especially if business operations are complex and span across multiple geographies
- **Absence of knowledge sharing:** The co-operation of the incumbent team is vital for a successful transition as they are likely to be

more knowledgeable about the client's environment than the internal team. Sharing of information on business processes, operations, applications, architecture, configuration and tools has to take place. Transitions that are opposed by the existing team need careful consideration as they involve people-management issues.

- **Lack of planning:** End-of-contract switchover allows for better planning and exit strategies to secure the co-operation of the incumbent team. When a switchover takes place with little time for proper planning, knowledge transfer and training, the new service provider is not well-prepared to take over the operations and this may lead to disruptions in business.
- **Timeline pressures:** When the outgoing team is unwilling to cooperate or even turns hostile to the switchover, it could mean added pressure on timelines for the transition. And if the switchover is mid-contract, it could further push back existing projects. So getting the project back on track might become a key business priority, and tight timelines could prevent proper planning, training and execution.
- **Lack of people management:** During the transition, the outgoing provider, the incoming provider and the company as a whole need to work together, but their end goals are different. Besides technical skill sets, project management, people management and prior transition experience play an important role. The organization structure, reporting levels and stakeholder incentives may not be in sync for a smooth transition. Staffing issues, such as not having the right people with the right skill sets to do the job, can also adversely affect the transition.

The Triad of Transition

A smooth transition requires careful planning, execution and performance measurement and involves people, processes, technology, infrastructure and tools. To succeed it requires effective project and people management, good governance and adoption of best practices and standards.

Figure 1 shows a suggested approach to a hostile transition:

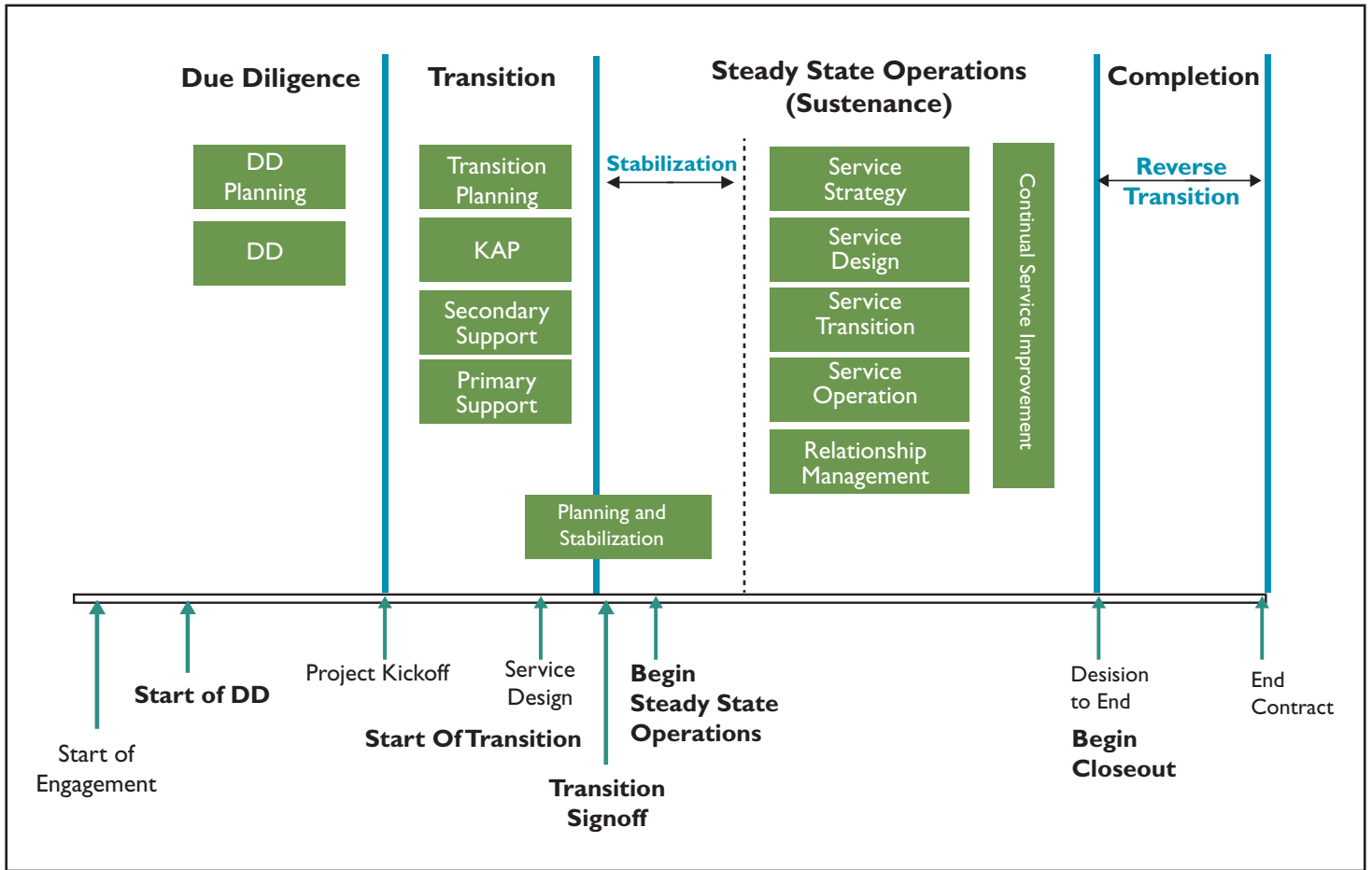


Figure 1 : A transition approach

To succeed, a highly effective transition team with prior experience in managing transitions is required. This transition team can then work closely with the outgoing team and the internal team's key personnel to gather information required undertake operations.

To ensure a successful transition we propose a three part framework as shown in Figure 2:

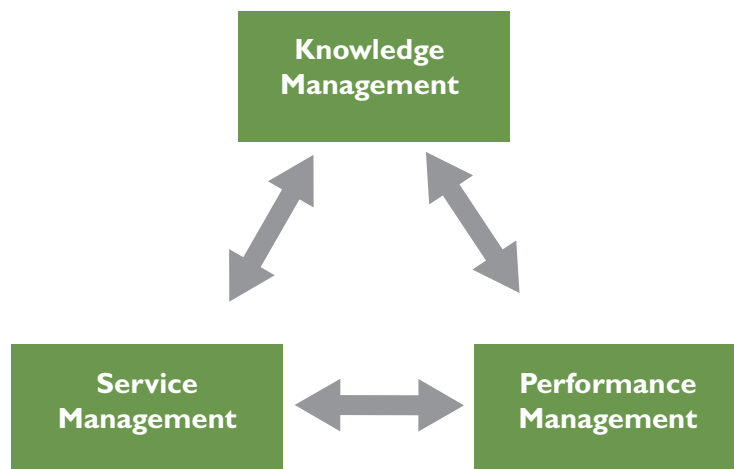


Figure2: The Triad of transition

Knowledge Management

Knowledge Acquisition and Retention

The first step in a transition is for the incoming service provider to obtain a baseline of the enterprise's existing environment (the "as is" state). The outgoing team may or may not be under contractual obligation to co-operate with the internal team/ the incoming provider in the knowledge transfer process. Therefore, the onus is on the organization or the internal team to facilitate this.

Some steps that can be taken to facilitate a proper knowledge transfer are:

1. Retain key incumbent personnel or incentivize them to stay until the transition is complete to ensure knowledge retention in critical areas.
2. Encourage the use of templates, questionnaires, best practices and checklists to ease the demands of this phase.

To accelerate knowledge acquisition and mitigate the risks in knowledge transfer, a good service provider would do the following:

- Use Knowledge Acquisition templates
- Use checklists to reduce human errors, people dependency and ensure consistency
- Establish best practices and standardize processes
- Identify critical risks (Risk Analysis)
- Shadow key personnel to learn and document job function or tacit knowledge
- Prepare Standard Operating Procedures documentation
- Define acceptance criteria to sign off on knowledge transfer

To understand current processes, workflows, infrastructure, business and technical complexity, the following is recommended:

- Infrastructure and application maps
- Business primer training or workshops
- Regular dip stick surveys

The knowledge transfer process should also include some checks and balances, or transition toll gates such as:

- Standard Operating Procedures (SOP) documentation review
- Work Instruction review and sign-off
- Architecture review and sign-off

The internal team needs to ensure that the knowledge captured is retained within the organization by storing it in a knowledge repository or portal for easy access anytime. An expert service provider would use technology and tools to help with the initial data collection to expedite the transition.

Service Management

• **Governance Model:** Good governance and oversight are instrumental to the success of a transition. Service level objectives and goals for each phase of the engagement should be clearly defined in the contractual agreements.

• **Organization structure:** An organization structure with well-defined roles and responsibilities both at the internal team and provider's end is necessary. A RACI matrix can be used to clarify these roles and responsibilities and sign-off on the same is necessary.

• **Communication plan:** An outsourcing engagement is likely to have multiple stakeholders both at the internal team and provider's end. Timely communication across both horizontal and vertical levels is crucial in a hostile transition, to address issues that may arise during the course of the transition early on.

• **Operational stability:** Operational stability is an important requirement of service delivery. To ensure a smooth transition, mock drills of critical support elements and training of incoming personnel is necessary. Once the switch-over to the new provider takes place and a steady state is reached, the sustenance team takes over from the transition team. Stabilizing operations to meet performance and cost targets become the key focus of the sustenance team. Over time, a Service Improvement Plan (SIP) should be devised for Continuous Service Improvement (CSI) to continually improve the effectiveness and efficiency of processes and service delivery.

Performance Management

IT organizations need performance measurement metrics to evaluate service provider performance. For long-term outsourcing engagements, Service Level Agreements (SLAs) with Key Performance Indicators (KPIs) are used to evaluate and measure provider performance. The Balanced`

Score Card, a strategic management performance metric, can be extended to measure the health of the engagement by determining goals and mutually agreed upon success criteria.

Avenues of automation in transition and benefits

Automation can help accelerate the transition process by providing self-help tools to users for faster resolution of issues in areas such as desktop support to reduce dependence on support staff. It is also useful in monitoring the critical health parameters of servers and the network. Automated tools can help reduce the risk of failure at a later stage.

Some of the templates and best practices that can accelerate the transition are given below:

- **Knowledge Acquisition Process template** is a data repository of customer's setup data. It captures the technical and operational details of each domain.
- **Handover Checklist/Domain Readiness Template** evaluates whether all the criteria for technical readiness are met to deliver the Service Level Agreement (SLA). It ensures availability of required technical and operational data, assigns responsibility for each activity and tracks the handover process and operational readiness.
- **Service Assurance Kit** is used to deliver services consistently across programs and projects. It houses complete inventory details of the customer setup, required data availability at site, site awareness of the delivery team and responsibility of each member of the support team.

Case in point:

A premier financial services company in India decided to switch service providers for its end user support requirements across its locations in the country. The new provider was engaged to improve performance of at all levels. However, the transition proved to be a challenging due to factors such as lack of sufficient knowledge of the site context and company's infrastructure landscape; insufficient cooperation from the incumbent service provider, and lack of planning for critical activities.

Despite these challenges, the new service provider was expected to

ensure minimal service disruption from day one. The strategies that were adopted to handle the hostile transition included:

- Deploying a transition team to ensure minimum business disruption
 - Separate teams for ownership of transition activities and for service delivery
 - Active support from senior personnel on the client and provider side
- Using these strategies resulted in a smooth transition with negligible impact on end-user operations -
- Established Information Technology Infrastructure Library ITIL based processes, procedures, standard operating procedures and instituted checklists with version control
 - Drew up a cost-effective service improvement plan for the sustenance team to implement
 - Implemented a new process to track end-user complaints and escalation
 - Established a process to manage major incidents

Conclusion

When an enterprise switches service providers to derive better value, the transition from incumbent to incoming provider can become very challenging or even hostile. The first step is in selecting the best-fit service provider starting with evaluating if the service provider has the right approach, right set of tools and framework to enable a smooth transition. Further, sufficient checks and balances combined with a well-defined transition plan involving the capture and retention of existing knowledge, good governance mechanisms, and a continuous improvement mind-set, can turn a hostile transition into a smooth one.

About the author

Yarrappa R Krishna is the Head - Transitions, with Managed Services, Global Infrastructure Division in Wipro Infotech at Bangalore. As part of his roles he is responsible for end-to-end Project Delivery in India and Middle East, Delivery assurance frame work development and implementation, setting up PMO for large projects. Adapting modern tools and technology, methodologies in transition and take transition to next level. He has vast experience in setting up Remote Delivery center, Large Projects handling, Service Delivery, and Quality Management. Yarrappa has overall 18 years of experience in industry and has been with Wipro for last 10 years. Prior to his tenure at Wipro, Yarrappa has worked with First American Corporation, CMC Ltd, Zenith computers Ltd, and Bharath Earth Movers Ltd.

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