Excellence in Transition Management – the foundation for a successful outsourcing partnership
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This white paper explores the key elements needed for a successful transition process in outsourcing. We use the term transition to describe the phase from a contract being awarded, through transfer of responsibility from the current supplier(s) (in-house or incumbent), to going live with the services and transforming service delivery. Excellence in the management of a transition is important to ensure business continuity – and is crucial to unlocking the value of the outsourcing partnership, delivering cost savings, quality improvements, consistency, transparency and other benefits. This white paper argues that the quality of transition management is crucial to laying the foundation for a successful ongoing partnership between customer and supplier.
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Executive summary

This white paper explores the key elements of a successful outsourcing transition process. Our research suggests that excellence in the management of a transition – where a supplier takes over and transforms agreed elements of a customer’s business – lays the foundation for a successful ongoing partnership between the two.

In the maturing outsourcing market, companies are increasingly looking for a track record in excellence in transition management as a key criteria when awarding contracts. This is in part because many companies now have experience of outsourcing facilities management or other aspect of their business, and have experienced the importance of a successful transition.

Transition management is a priority also because a growing number of companies are seeing outsourcing as a way to unlock value by either simplifying or transforming their supply chains – changes that offer value beyond cost savings but that come with increased risks to business continuity. Increasingly, the journey – how smooth the transition is – is as important a contract criteria as the operational aspects.

As the goals of outsourcing contracts become more complex (e.g. supply chain simplification), so the relationship between customer and supplier becomes more important. Suppliers are expected to deliver transformation and change within the customer’s business, while integrating themselves into that business. It is for these reasons that we emphasise the importance of thinking in terms of partnership between customer and supplier.

Successful transition management lays the foundation for a strong ongoing partnership. In this white paper we look at the key elements of effective transition management: a structured transition programme delivered by a high-quality team; detailed scoping and stakeholder analysis; targeted change management and communication; transparency in governance and reporting; risk identification, planning and mitigation; and the use of high-quality induction and training to ensure the transfer of staff results in high motivation and good service.
Introduction

When outsourcing, companies now expect more from suppliers. This is because the objectives that companies have for outsourcing facilities management and other services are evolving as the outsourcing model matures. Companies’ motives for outsourcing are varied:

- they want to save money;
- they want higher quality service and to improve the workplace for their employees;
- they want to improve their competitiveness;
- they want improved demand management;
- they want the cost for services to be transparent;
- and, increasingly, companies are using outsourcing as a way of transforming services or simplifying their supply chains.

As Deloitte's 2016 Global Outsourcing Survey (Deloitte, 2016) puts it: “Value, rather than cost, is the new watchword, and will likely be measured by how service providers help empower business growth through innovation.” One of three key trends the survey identified was that companies are increasingly looking beyond cost savings and are seeking innovation and transformation as a primary motivation for outsourcing.

“Companies are broadening their approach to outsourcing as they begin to view it as more than a simple cost-cutting play. Service providers are becoming purveyors of innovation and enabling transformation rather than just providing a source of price arbitrage.” Deloitte found that companies now expect more from their vendors. “This ‘more’ they seek comes in the form of the transformational benefits that service partners can offer.”

One consequence of this is that companies are increasingly seeking partners rather than just an arms-length supplier. Companies “need to find a supplier that will become your partner” (Lev-Shamur, 2017). “It must be an organisation that shares your organisation’s ethics, vision and management attitude. The supplier must understand the spirit of the contract and what you are trying to achieve.”

Companies are looking for “authentic partnerships”, according to Deloitte, and are focusing more on governance and supplier management. The foundation for strong partnerships, Deloitte's respondents said, is built early on. “As the emphasis on extended benefits […] increases in magnitude, so too does the importance of starting relationships off on the right foot.” This is a key reason why an effective transition process is so important.
Many companies have been through major outsourcing projects before, sometimes several times, and have learned that the quality of the journey is crucial. They know that outsourcing projects are major change management exercises affecting sometimes thousands of people and hundreds of suppliers – and that they come with significant risks, including:

- business disruption or delay in the new service starting;
- high staff turnover among those transferred to new arrangements;
- IT or systems problems;
- promised cost savings not materialising;
- poor take-up of the outsourcing offer (where local units have the option);
- a drop in quality of the service;
- supply chain issues;
- and legal and compliance issues.

This white paper looks at the crucial role of transition to successful outsourcing, arguing that excellence in transition is crucial to putting in place an enduring partnership between client and supplier. Partnership is important because of the complexity of the transformation that companies increasingly seek – implying a need to work closely together and for flexibility beyond the letter of a contract. Seeing suppliers as partners recognises that outsourcing is an invitation to change or transform a part of the customer’s business – a relationship that enables both to focus on their core business.
A structured transition process, a high-quality team

The implementation of an outsourcing partnership requires a significant change in the customer’s business. Contracts often cover the company’s business units across a wide geographical area, and typically this implies diverse settings with different challenges, often with different regulations and legal requirements. Outsourcing contracts have a scale and complexity that demands an effective change management programme.

Research shows that projects with ‘excellent’ change management in place were six times more likely to meet objectives than those with ‘poor’ change management – and even those using ‘good’ change management were five times more likely to meet them (Prosci, 2017).

![Figure 1: The quality of change management correlates with success in meeting project objectives (Source: Prosci survey of 2,700 managers).](image)

A supplier’s ability to implement the changes the customer requires is the most important thing. The path to unlocking the value that the customer wants is achieved through best practice change management, delivered through a structured transition programme. A proven approach to transition will maximise the success rate while ensuring business continuity as well as delivering the needed transformations in people, processes and systems.

One key to excellence in transition is that the change is delivered by a dedicated transition team, made up of highly-specialised (and qualified) transition managers with experience in programme and project management that are available for a defined period to guide the operations teams through the transition to steady-state. It is important to ensure that transition managers have a formal project management...
education like Prince2 (or other certification), as well as a track record in successful
delivery. For every country or region covered by the contract, the team needs to have
transition managers based in that country and access to experts in the labour law and
other regulations for that area.

Both the transition team and the operations team need to be involved early – during
the sales process and contract negotiations. (Figure 2 is an idealised timeline model
showing the involvement of different supplier teams during transition). The transition
team leads the change handing over to the operations team that will run the on-
going contract as the ‘go live’ date approaches. Our experience suggests that early
involvement of the operations teams is essential to ensure ownership of key decisions.

Figure 2: Early involvement of the supplier’s transition and operations teams is essential
to transition success
Successful transition begins with a detailed scoping covering every aspect of the project – ideally, with some of this done during the outsourcing contract negotiation. Detailed and documented scoping of deliverables is needed to align transition planning with the expectations of key stakeholders. Alongside this, the transition team need to identify project risks and make plans made for mitigation to ensure business continuity from day one.

This broad scoping process is essential as it informs transition planning, milestones, project management and planning. Research shows that one of the main reasons for project failure is not understanding objectives, deliverables and scope (PMI, 2017).

A key part of the process involves mapping and analysing the stakeholders that are going to be affected by the changes. Stakeholder analysis is the foundation of a successful transition (Prosci, 2017). Understanding the likely impact of the desired change on the people involved – working out the level of influence of all the different groups of stakeholders, their concerns and needs – is essential to successful transition. It is particularly important to address the concerns of highly influential stakeholders and provide targeted support if there are gaps.

There are a number of ways to conduct a stakeholder analysis. One is to map stakeholders according to their influence on organisational objectives (Berger, 2010). Another way is based on categorisation of stakeholder by roles and placing emphasis on stakeholder identification and the level of support needed (Berger, 2010).
Targeted change management communications

As well as project planning, stakeholder analysis is important in developing a change communications strategy (PMI, 2017). A range of stakeholders will be impacted by the planned changes and all will have an opinion.

The key to driving efficient communication and positively influencing stakeholders is knowing who they are and what their key concerns are. Stakeholder analysis helps to define the key project messages relevant to each stakeholder group, and can help identify the best channels to use to reach those groups.

Communication is one of the key determinants of success in outsourcing (Berger, 2010). Failure to communicate the vision and strategy across stakeholder groups reduces stakeholders’ understanding of – and commitment to – the project, which can often result in problems (Kotter and Cohen, 2002). Targeted change communications are needed to recognise and address each group’s views of the planned changes.

Ultimately, change happens at the individual level; in order for a group or organisation to change, all (or most of) the individuals within that group must change. Project communications are most effective when they recognise this.

One approach is for communications to be informed by a change methodology that recognises the individual’s change journey. One of these is Prosci’s ADKAR (Hiatt, 2006), which stands for Awareness (communicate the need for change, establish a sense of urgency and communicate why there is a need for change), Desire (to engage and participate – address the what’s “in it” for the various stakeholders), Knowledge (about how to change), Ability (to implement the change – through induction and training) and Reinforcement (repeating key messages to ensure change sticks). Another well-known change process template is Kotter’s 8-step model (Andersen and Ankerstjerne, 2011).

Other specific communications actions that can be effective include: using kick-off meetings to bring key stakeholders together to build a shared understanding of the project’s objectives and path; using experienced-based question and answer sessions to address issues related to changes; creating a communications plan that addresses three main project phases; “prior to go-live”, “go-live / stabilisation” and “post go-live”; and frequent communication of short-term ‘wins’ as the transition progresses.
Transparency, governance and reporting

Transparency is one of the key foundations for establishing a successful and enduring partnership between customer and supplier. Governance and reporting structures are the main mechanisms for ensuring transparency during transition.

Our experience is that effective governance structures should be formalised and consist of three parts: a joint governance set up for the project; an internal customer project governance setup; and a supplier project governance set up. The joint set up should include a steering committee, a programme board, as well as geographical review boards and selected workstream boards as needed. It is essential that all key stakeholders are involved in the governance and that appropriate experts have a direct connection, collaborating on delivering the objectives of each workstream in the project.

Establishing the governance structure includes defining reporting and escalation mechanisms, setting meeting frequency for each of the governance bodies, identifying participants and defining roles and agreeing the information and reporting required for each meeting.

The transition programme governance structure should be anchored in a joint steering committee that ensures active top management support. The governance structure is also a key tool for facilitating transparency throughout the transition team and continuously guiding the change ambassadors, members of senior management who are actively committed to implementing the changes in the business. The governance structure should ensure continuous focus on the agreed scope, on delivery and the management of risk to ensure business continuity.
Transfer of staff, training and induction

People transfer is a critical element of a transition programme – where handling the emotional aspects of the process are as important as meeting all legislative requirements. For this reason, the supplier needs to demonstrate that they have dedicated HR expertise with experience of large-scale people transfer.

It is essential that transferees feel individually taken care of, such as through personal meetings during transition (Andersen & Ankerstjerne, 2010). It is important to highlight the career opportunities that come with joining a professional service company, and to be honest and clear about all the coming changes, as this often minimises frustrations. For most successful transfers it will be important to retain key members of staff – who have certain skills or knowledge – and training and development opportunities can help do that.

Induction and training are the keys to successfully motivating people and improving the service experience for the customer. Induction and training for all staff are the foundation of a high-quality outsourced service – this is true whether the outsourced service team is built by transferring staff to the supplier, or by recruitment or reallocation.

Training has a key role in successful change management and embedding new ways of working – as well as motivation and a sense of belonging. The starting point for designing an induction and training plan is understanding the change, mapping the competence requirements for the new service against the current competencies available, and identifying any potential gaps. Training is an essential vehicle to change in a people business – as the service experience for the end users is mostly executed by people on site.

The transfer of staff typically follows two stages. The first is preparatory and its success relies on targeted communication before the actual transfer: starting with consultation with unions about the outsourcing decision and the process; then the employees being transferred are informed about the decision, the changes, the process, the supplier and new terms and conditions; then a round of individual meetings should be held so the transferring staff know the specifics about their new job. The second stage is the execution of the transfer – team meetings with unions are important here, focusing on new ways of working; and high-quality training and support for the transferees is essential to embed the changes. Targeted communication again play a key role during this process, to share progress, reinforce messages and ensure the changes unlock the synergies the client expects.
Unlocking value through transformation

Companies are increasingly looking beyond cost savings and seeking ‘more’ from their outsourced service supplier (Deloitte, 2016) – in particular they want the supplier to deliver value by transforming selected parts of the customer’s business. Supply Chain transformation is a key area of value creation that outsourcing can offer. Doing it effectively requires “authentic partnerships” (Deloitte, 2016) between the customer and supplier.

International companies may have hundreds of business units and thousands of suppliers spread across a number of countries. Replacing these with a single customer interface and a simplified supply chain, comprising a small number of strategic or preferred suppliers, is attractive because this offer significantly reduced run rate costs and fewer risks.

The first step is to ensure that there is full transparency of the current supply chain, as the supplier will need to carry out a detailed mapping and analysis to understand the termination terms and service scope for each supplier. Companies need to ensure the outsourcing supplier has a dedicated team of supply chain and procurement professionals to carry out the mapping, as well as for planning, vetting and establishing the agreed future optimised supply chain. Governance structures need be able to facilitate decision-making transparency; and project timelines need to allow for timely decommissioning, novation and replacements.

Supply chain transformation can unlock value in the following ways:

- **Compliance** – ensuring compliance to legislation, policies and best practice throughout all business touchpoints with facility-related services.
- **Transparency** – providing transparency on spend, service levels, volumes, consumer satisfaction and improvement potential.
- **Harmonisation** – harmonising service delivery, supply chain, interface points and best practices across buildings and sites.
- **Quality** – minimise service variations and ensure consistency of service quality via a quality management system and continuous improvement processes.
- **Simplification** – simplifying supply chain and contact points to minimise daily management efforts.
- **Savings** – realising financial benefits and synergies as documented spend savings.
An emerging trend in outsourcing is that companies are looking for value beyond cost savings. They are increasingly using outsourcing to unlock value through business transformation. This is changing the relationship between company and supplier to one of partnership, as the supplier effectively merges into part of the customer's business. An interdependent, symbiotic relationship means both can specialise in what they do best.

Companies today also typically have previous experience in outsourcing. Maturing of the market puts more focus on transition excellence as a key criteria in choosing a supplier: can this supplier deliver the value we are looking for while ensuring business continuity?

In this white paper we explored the crucial role that transition plays in successful outsourcing, arguing that excellence in transition is crucial to putting in place the kind of enduring partnership that outsourcing projects of growing complexity demand.

Our research has identified some key factors in transition excellence:

- The supplier needs to deliver a structured transition process and use proven change management and project management methodologies.

- The transition process needs to be led by a dedicated team of qualified and experienced transition managers, setup in alignment with the customer's organisational structure to appropriately connect with the stakeholders of the project.

- Project planning needs to be based on detailed scoping and stakeholder analysis, so that the full complexity of the change and related risks are understood.

- The scoping and stakeholder analysis should be used to inform targeted change management and communications to reach all stakeholder groups with the right messages.

- Care needs to be taken to ensure governance and reporting structures provide transparency.

- High-quality induction and training are needed to motivate and retain staff, and ensure their competencies match the customer requirements.

Conclusion
References


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