KEYS TO A SUCCESSFUL OUTSOURCING TRANSITION
GETTING IT RIGHT THE FIRST TIME

A large part of success in outsourcing depends on a seamless transition of business processes to an outsourcing provider. The transition phase sets the tone for the entire outsourcing relationship and acts as a foundation for a successful engagement. An ideal transition is smooth, cost effective and transparent and should be carried out without impact to buyer business performance.

An outsourcing transition has an effect on almost every aspect of the buyers business and even the most successful transitions are never simple. Every transition is different and there are multiple variables involved such as; vendor to vendor vs. buyer to vendor, local vs. global and even near-shore vs. off-shore. Therefore it is crucial to have a structured and transparent framework in place in order to ensure that goals are achieved.

Far from being a stand alone activity, a well-managed transition should establish the basis for a long term governance model, service levels and reporting framework for the entire outsourcing relationship.
CHALLENGES

Transition management is not only one of the most critical times in the lifecycle of any outsourcing relationship; it is also one that can be fraught with challenges. Lack of communication, deployment and procurement delays, lack of proper knowledge transfer, lack of senior management support, mismatched expectations and cultural differences are only some of the potential issues faced during a transition.

The further challenge is the fact that not all of the issues and risks can be anticipated at the start of the outsourcing engagement. Thus the nature of outsourcing transition calls for a flexible partnership approach backed up by mature transition methodologies which enable change even in the midst of a complex transition project.
Methodology: The Backbone of Success

A robust transition methodology forms the backbone of any successful outsourcing transition, ensuring consistent and predictable outcomes and including migration standardization and risk mitigation. A robust methodology includes the use of project management, risk management and quality tools. Methodologies must be fit for purpose and easy to implement, covering all elements of the transition lifecycle in detail including planning, success criteria and metrics, knowledge capture, knowledge transfer, governance, risk mitigation and handover.

**Key Success Factors**

**Robust Transition Methodology:** Mature, tried and tested frameworks facilitate planning structures and give confidence to both parties throughout the lifecycle of the transition.

**Vendor Experience:** Although each transition is unique, outsourcing providers with extensive transition experience are better placed to guide buyers through the process as seamlessly as possible and in particular are better placed to anticipate, assess and mitigate risk.

Planning: Preparation is Key

Every transition is unique with multiple factors to be considered: the maturity of the buyer, the process or processes to be outsourced, knowledge transfer procedures, business goals and cultural challenges, to name a few. While each transition can be based on robust methodologies and processes, a customized approach is also required. The planning phase is where this customization takes place and as such it should be a joint process with input from all parties, which can include buyer, vendor and incumbent organization.

**Key Success Factors**

**Joint Planning:** joint planning, including joint stakeholder analysis ensures that co-operation is built in from the beginning and safeguards buy-in from all parties and at all levels.

**People:** Staffing the right people for the right job is key in any transition and should be built into the transition plan from the beginning. A relevant background experience is key and in addition, regional, cultural and environmental sensitivity should be embedded from the initial planning stages as the human element of transition can be the most challenging.
Buyer Preparedness: Are you Ready for Change?

Buyer preparedness needs to be addressed and evaluated within the planning stage. This can be seen as an educational phase in which the key to success is open and honest communication. Expectations need to be discussed and aligned in order to ensure that realistic goals are set. This element is more critical when a buyer is outsourcing for the first time but can also be impactful when dealing with an incumbent vendor.

Key Success Factors

**Buyer Commitment**: The support and buy-in of senior management is crucial to a successful transition. Required involvement must be established early and structured communications channels put in place in order to ensure robust involvement. Buyers also need to be clear about their transition goals - are they open and committed to change?

**Change Management**: Effective change management is vital to providing high-quality services on a continuing basis, but is especially critical during a transition. The initiative must provide awareness of every planned change through clearly set expectations and effective communication supported by clearly documented responsibility, client facing metrics and analytics on the impact to the business change in order to

Governance: Communication at Every Stage

A robust governance model provides the buyer with the appropriate level of control during the transition period, while also providing enough flexibility to allow the outsourcing provider to take the lead on transition implementation, allowing for a certain level of autonomy. In order to achieve this, governance should consist of clearly defined roles, objectives, outcomes and escalation paths. Managing a transition successfully requires a full time commitment in which all parties are fully aligned with clear roles, responsibilities and communication channels.

Key Success Factors

**Communications**: A well-structured communications plan with clear and consistent messaging designed to achieve business goals is critical to a successful transition. Clear roles and responsibilities add to success by driving changes effectively and ensuring that both parties remain on the same page.

**Empowerment**: Vendor empowerment based on trust is vital to the implementation of a successful governance model as it gives the provider flexibility to make decisions that are in the best interest of all parties. It is critical that designated vendor representatives are empowered with appropriate decision rights where required to allow for decisions to be made within agreed timelines. Continual movement towards an optimal state of change.
Measurement: Definition of Success

It is imperative that specific goals and metrics for the transition are put in place prior to project kick-off. It is also crucial that these goals and metrics are constantly and consistently reported on and communicated vertically and horizontally. Putting a robust measurement strategy with specific milestones in place not only ensures that progress can be accurately and fairly analysed but also helps to keep both parties aligned throughout the transition. Pre-defined metrics also allow for the evaluation of the impact of change during transition.

Key Success Factors

**Identify Success Benchmarks:** A key component in any transition is identifying the right benchmarks for success by ensuring that metrics are aligned to overall transition and business goals and, most importantly are measurable.

**Continuous Monitoring:** Continuous monitoring and control of project activities are imperative to ensure a streamlined, successful transition with minimized risk. Project control tools should be defined during the planning stages to enable transition status evaluation at any point in time, assess and mitigate risk.

Partnership Approach: Collaborate to Succeed

The complexity of every transition means that nothing is ever as straightforward as it seems and thus one of the most important elements of any transition is trust based on a partnership approach. Transition projects are often subject to the pitfalls associated with all change projects such as fear, uncertainty and lack of trust, in order to assuage these concerns, true collaboration can be achieved through open communication and transparency from both parties initiated from the top down.

Key Success Factors

**Trust:** Lack of trust on either side of the relationship can lead to an inability or unwillingness to react to or accept responsibility for issues arising during the process. Transparency in every element of the transition will give both parties confidence that they are striving towards the same goal which leads to mutual trust.

**Flexibility:** When mutual trust is established through a partnership approach both sides are generally more comfortable with reacting flexibly to challenges or changes. Due to the unique requirements and potential challenges inherent in any transition the importance of flexibility cannot be overemphasized.
THE ARVATO APPROACH TO TRANSITION

Arvato has 40 years’ experience in providing Finance and Accounting Outsourcing solutions. We have undertaken a large number of global outsourcing transitions both on a client-to-vendor and vendor-to-vendor basis. As a result, Arvato has the competencies and experience to develop and drive your transition project, facilitated by a robust governance process.

Our approach to transition is one of full partnership: We act as an extension of our clients’ organization, understanding that transparency and insights are crucial during the transition period and beyond. We work jointly with our clients during a transition to ensure a seamless and cost-effective result with minimized risk.

Ensuring sustainable service delivery, services are transitioned in a controlled and fully managed approach that will not allow any negative impact on any service, and will result in a seamless transfer of all services, meeting all statutory and other legal requirements.

Arvato has comprehensive transition methodologies and processes in place to structure and execute any transition. We operate based on a standard set of repeatable steps that produce predictable results and provide a consistent experience for clients, customers, including end-users, internal clients and vendors, from which those activities are chosen that are deemed to be applicable for the specific project and available timeframe. Continuous monitoring and control of project activities are imperative to ensure a streamlined, low risk and successful transition. The project control tools developed during the initiate, scope and plan stages will enable the Transition Teams to evaluate the status of the project at any stage.

In addition to this we provide a flexible, collaborative approach that allows us to react quickly to challenges and change ensuring a smooth transition.
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