The Berkeley Partnership

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It's all about relationships

Taking your vows
Top tips for successful IT outsourcing

You've done the research, defined your sourcing strategy, reviewed the market to identify the right partner, and you've made the decision to outsource.

And why not? Amongst its many other advantages, it also makes good financial sense. When correctly established and managed well, IT outsourcing agreements can save you money, increase operational control, leverage best practice and free up your business to focus on core activities.

Successful outsourcing is all about relationships, and an IT outsource is a long term commitment which must be beneficial to both parties — like a marriage. So before you exchange your outsource vows, here are some considerations based on our experience to make sure you start on the right footing and create an arrangement that is mutually beneficial and built to last.

Retain control of what's important to you

By outsourcing, you are not avoiding risk, you are creating risk. Most people don't get married and then forget about their spouse, so treat this partnership the same way. Outsourcing should not be about handing over a service and then forgetting about it. We've often seen IT outsourcing lead to a loss of internal capability in keys roles such as strategy and design, which can leave you in a precarious position in the future. Yes, your provider is responsible for delivering a smooth operational service, but you can't outsource accountability. You need to make sure knowledge and the ability to manage risk stay within your organisation, because if you don't, who will?

Think you're getting a good deal? If it looks too good to be true, it usually is. Be warned that a very price-focused IT outsourcing arrangement can limit your capacity to nurture and deliver innovation, especially where internal capability has been lost as part of the business case for going ahead.

Don't marry just for money- build in flexibility for a long term relationship

You are buying a capability for your business and the reduced cost at which you are doing so will come at a price. Once the contract is signed and the service is live, the provider will be keen to recover the revenue they sacrificed to secure your business. They will be forced to reduce service quality, or look to recoup losses on other parts of their relationship with you. Philanthropist, John Ruskin, summed this up: 'When you pay too much, you lose a little money — that is all. When you pay too little, you sometimes lose everything, because the thing you bought was incapable of doing the thing it was bought to do.'

Avoid this situation by being up front and making sure their pricing is transparent from the very start - both you and your provider should be clear on the levers that impact profitability, allowing you to work together to improve services and drive down costs.

Protect each other — prices should change appropriately if you change the scale, pace or direction of your business or the services you are outsourcing. To achieve this, pricing must be aligned with your provider's cost of delivery, and flex accordingly.

Also, recognise that, as in any marriage, the practicalities of working together day-to-day will change over time. Make provisions in the contract to manage change, and consider contracting for behaviour as well as outcome on both sides. Promise to "have and hold, love and cherish", rather than to document who will empty the dishwasher. While the scope and detail of the outsourcing arrangement will change, you will still value behaviours such as innovation, honesty, challenge and continuous improvement, regardless of the changes to the day-to-day.

Fully commit to the relationship

This relationship will fail if you don't integrate your partner into your existing business and supplier landscape. Whilst it is easy to get distracted by the structure and complexity of the IT services involved, don't neglect the required internal investment in integration — this is often underestimated.

Many IT outsourcing arrangements are split into horizontal streams (e.g. application and infrastructure) or by vertical business function, and typically you will have agreements with multiple parties. This creates challenges to ensure clear end to end responsibility for the service that IT provides to the business. Ultimately you, as the buyer, need to be the glue between multiple vendors and systems.

Make sure your in-house team has the right skills and governance in place to ensure that it continues to operate effectively throughout the lifecycle of the deal. You're going to need robust operating agreements with your suppliers, and between suppliers, so that everyone is working together to ensure that the overall service levels committed to the business can be met by IT.

Know where you're heading

A mature outsourcing agreement recognises that the relationship will end so jointly agree your exit plan for all services upfront — don't leave this as an activity to be delivered after you have signed your contract. Think of it as your 'pre-nup', and invest time to understand how services will be transitioned back to you, or to a new partner, at the conclusion of the agreement — or earlier if required. Also, recognise that the approach and timing will differ across the different services in the agreement.

Be possessive. Make sure your organisation retains the intellectual property rights to any designs or processes that may be moved to another provider at the end of the contract. And, because you've been thinking ahead, your mid-to-long term plans and budgets need to include costs and timescales for procuring and moving to other providers.

This is not just important when you sign your agreement, it should be reviewed and updated on a regular basis. Don't let a friendly relationship be a replacement for a solid commercial arrangement, and be thorough when it comes to the paper work - remove ambiguities by documenting contractual failures on both sides. Any grey areas will only serve to muddy the water further down the track. You and your outsource provider need to know where you stand, so the process for invoking contractual breach is clearly understood by both parties.

Finally, once you've exchanged vows, look for the signs of a healthy relationship

A healthy relationship means you are holding up your end of the bargain and meeting the businesses obligations in the agreement, while the provider is not leveraging 'holes' in the contract to justify failed delivery. You're operating in a world of mutual respect and, consequently, are starting to see real business benefits. Not only should you be getting positive internal feedback on the services delivered by your supplier; your account should have an excellent reputation within the provider's organisation and be attracting their best people.

There should also be a strong relationship between your internal team and the provider's organisation; so much so that they are seen as an extension of your business. Your capabilities should complement each other, and you should be working together to shape the strategic direction of your IT services, which are aligned with and support the business' overall vision.

Once you've reached this level of familiarity, the outsourcing relationship comes into its own. Your provider will be actively improving quality and starting to save you money whilst driving down their costs, with changes to the services becoming increasingly seamless. Key performance indicators (KPIs) should be openly and periodically benchmarked, holding up favourably against the wider industry. If none of these sound familiar to you, it may be that your relationship needs more work…

Find out more about our
IT Outsourcing consultancy work

The Project Management Toolbox

Part three - How can you bring people with you? - Stakeholder management

In the last issue of unspun we talked about project planning and resourcing. Here we highlight some of the key principles behind engaging successfully with your stakeholders from the outset and throughout to maximise your chances of seeing effective and lasting change.

We all know that when delivering change across an organisation, we need to involve the people who have a stake in that change. Many of us are likely to have 'stakeholder management' in our plans. This typically includes activities such as identifying those people affected and their expected reaction; looking at how best to communicate with them and secure endorsement; managing expectations along the journey; and mitigating the risk of opposition.

However, there is a risk that in focusing on 'managing' our stakeholders – where the process may feel like it's being 'done to' them – we miss the benefits of having them truly involved. This can result in poor ownership and poor outcomes.

Perhaps, instead of stakeholder management, we should be thinking about stakeholder engagement? There are a number of key differences between the two approaches.

Firstly, stakeholder engagement involves working closely with relevant individuals from the very outset of the initiative to co-develop ideas and solutions, rather than communicating ideas that have been pre-determined by the project team. The broad set of individuals and interest groups within the organisation should be considered to achieve this.

Secondly, bringing individuals and groups together collectively, rather than picking them off one by one, can create a richer conversation, highlighting issues that may otherwise not be covered or benefits that may not have been identified.

Thirdly, by simply changing the emphasis from 'management' to 'engagement', you are more likely to focus on what different people need to feel truly involved, encouraging a more thoughtful and personalised approach.

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True engagement of stakeholders can lead to the development of more successful, innovative solutions that have broader and stronger ownership, as well as to a better appreciation of why the change is needed. As a result, changes are more likely to be adopted and may well last longer.

This approach is widely used when delivering change in the public sector. For example, the NHS has a complex and assorted set of stakeholders, including local councils, clinicians and professionals from different organisations and sectors, patients, policy makers and the general public. It is critically important (and in some cases legally required) that the diverse groups are engaged from the beginning to highlight challenges and jointly develop solutions. This is a crucial way of ensuring that all parties adopt the changes being delivered.

This equally applies to the private sector. For example, when a major UK bank acquired a well-known building society, the intention was to subsume the brand from day one. However, following a series of focus groups with customers, the bank amended its plans, kept the brand and prevented the large predicted number of customers from switching their business to an alternative bank or building society.

Preparing for the challenges

So what are the challenges that come with this approach? It can feel more demanding or more uncomfortable; the result may not be what you expected; stakeholders may be initially cynical; and it requires more time and effort on your part.

In our experience, factors to consider when engaging stakeholders include:

- **Be bold** — think broadly about who you could engage and how bringing different groups together may be of benefit. Don't be afraid to involve them in identifying the issues and defining the solutions, rather than giving them your view of the answer; and acknowledge that you don't have the solutions, but want their help to develop them

- **Be prepared** — ensure you set up productive discussions by understanding perceptions, interests and expectations in advance. Be clear about the intended outcomes when getting people together, and think about innovative formats and locations in which this can be achieved

- **Have strong facilitation** — manage sessions effectively by resolving conflicts and misunderstandings, adapting the approach as required and encouraging parties to look for solutions that benefit everybody

- **Establish a common vision** — aim to achieve common agreement on the outputs: for example, try to come to a consensus on mutual objectives, goals, priorities and actions

- **Show you have listened** — acting on and responding to what you have heard builds trust and confidence. Keep the stakeholders informed about progress.

So when embarking on significant change, make sure that the emphasis is on active stakeholder engagement rather than just passive management. In doing so, you will maximise the chances of delivering effective, successful and lasting results.

If you missed Part One, you can find it here: Project definition and scoping

If you missed Part Two, you can find it here: Project planning and resourcing

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Six steps to your best business case

Often, there is one obstacle that stands in the way of a new initiative: a well-constructed, comprehensive business case. A good one should take you from the broad idea and objectives of what you want to do through to a clear, robust and measurable case for doing it.

It is there to ensure that the project delivers what is important to the business and to help prioritise and justify the investment needed to get it off the ground. The business case should be built on real facts and detail and forge a practical path of action, so can see exactly what the benefits will be, how much it will cost and how you are going to go about it. In short, it should be the foundation for a confident, informed decision to go ahead.

However, good business cases can be difficult to construct. You need to get all the stakeholders on board, and get their buy in, often in a complex environment where people may have different and even conflicting priorities. It can also be a challenge to get people onside when the true costs and benefits still need to be clarified, and all the relevant decisions have yet to be made. Addressing the quality of thinking and rigour that goes into business case development, along with the tracking of committed benefits, is becoming a higher priority for many organisations, but doing so successfully can be far from straightforward.

Whether you're about to put pen to paper for the first time, or just want to benchmark something you've recently written, here are six factors to help you build robust business cases and put you on the right track for delivering successful and measurable business change:

- Consider the business case part of your project mobilisation
- Create a detailed and accurate picture of what you are trying to achieve
- Build the scope that delivers the best return on your investment
- Take people with you
- Ensure you've captured all the costs
- Define the benefits in detail and ensure they are tracked

IConsider the business case part of your project mobilisation. It's important to bring the same structure and rigour to developing a business case as you would to a project mobilisation. The danger is in seeing the business case as an administrative hoop you need to jump through to get started with the real work. The business case should actually be seen as the start of the project. You're under pressure in these early days because you're establishing the basics and starting key relationships — laying the essential foundations and setting the direction, often from scratch. The trick is to combine the appropriate structure and rigour with the right know-how, passion and political nous to sail through the approval process and set the project up for success.

2 Create a detailed and accurate picture of what you are trying to achieve. A great deal of detail needs to be built into the business case to get a project off to a good start. Every situation is different but most business cases will need to cover a number of core areas. To gain the necessary accurate and detailed view on costs, you'll need to start work on areas such as business requirements, the target operating model and sourcing strategy. To quantify the benefits you might need to undertake financial analysis and modelling. If you don't drive out this level of detail at this early stage, and instead rely on very high-level assumptions, you run the real risk of either having your business case rejected, due to lack of confidence in your numbers, or of suffering significant cost overruns during the course of the delivery. No project sponsor ever wants to have to go back and ask for more money!

3 Build the scope that delivers the best return on your investment. It sounds simple but aligning with the various stakeholders on what will and won't form part of the project delivery is critically important. It is this agreement as much as the objectives themselves that will drive adoption and avoid significant complications and overruns during project delivery. Each component of scope will have an associated cost and an associated benefit. Value engineering - which uses rational logic and the analysis of function (i.e. what something does rather than what it is) to identify relationships that increase value — can be useful to construct the scope that delivers the best return on your investment. Carelessly including scope which is high cost and low value can significantly dilute the overall benefits and ultimately sink an entire business case.

4 Take people with you. It's vital to gather the facts and figures for a business case but that's only part of the story. There's also a huge amount of work to be done around the people. Even a perfectly constructed and articulated business case will fail without sufficient buy-in and sponsorship. You need to ensure that all stakeholders, not just the project sponsor, believe in it. If they don't, this could undermine the initiative and you risk not achieving the desired benefits. Each set of eyes that look at your business case will ask themselves 'What's in it for me' and it's this prejudiced view of the business case that provides a strengthened understanding of the benefits, costs, and risks of the project — and ultimately ownership of the results. The key outcome from a successful business case exercise is therefore not just the creation of a detailed and thorough business case, it is also a set of stakeholders who feel they have contributed to the development and fully believe in its content.

5 Ensure you've captured all the costs. It goes without saying that you need to have confidence in the costs presented. And to do this you need to go to the right level of detail

across all areas of scope, without investing too much before you've even got the go-ahead to proceed. This can be a tricky balance and will clearly require judgement depending on your particular situation. However the most important point is to ensure you've thought about all the potential costs. For example, if you are implementing a new IT system then have you considered the costs of decommissioning the old one? Have you thought about the application support model? Have you considered the impacts on service management? Have you included any potential redundancy costs related to headcount savings? Any of these could be substantial elements of the total cost over five to ten years and put a big hole in your numbers further down the line if you leave them out. Additionally, you need to think carefully about your risks, budgeting specifically for mitigations planned up-front and calling out very clearly the levels of contingency you're including for those that you don't yet know about.

6 Define the benefits in detail and ensure they are tracked. We often see clients struggle to commit to hard benefits on the basis that it's difficult to do this so far in advance. However a good business case will be underpinned by a compelling, rock solid benefits model built from the ground up which has been shared and refined across the stakeholders so that you have the necessary commitment and ownership. The latter is essential so that individuals feel accountable for realising the benefits for the business and don't feel that their job is done when the project delivery is complete — the reality is that's only half of it. You should be continually tracking the project against the identified costs and benefits as well as reviewing these as time progresses and the surrounding world inevitably evolves – once approved a business case should be a living guide that is constantly reviewed and refined.

When constructing your business case it is vital to consider the factors outlined above. Otherwise the project will be under pressure from the outset. Building a business case is about building confidence in the project — turning a good idea into a great solution with real numbers and a clear implementation path. That way the stakeholders see not only how much they will gain but also how much it will cost and how they can achieve the results. And that will significantly enhance your prospects of delivering on your overall objectives.

Find out more about our
business case consultancy work

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THE BERKELEY PARTNERSHIP

Providing its people with an outstanding place to work

best companies®

We're delighted that Berkeley has secured eighth position in the top 100 'Best Small Companies to Work For 2014' list.

This is the third consecutive year that we have been recognised for this prestigious award and retained our 3* accreditation which acknowledges excellence in the workplace. The list, which gauges workplace engagement and satisfaction through a comprehensive employee survey, examines views on company leadership, team dynamics, the strength of an employee's affiliation to their firm, personal growth prospects, reward and recognition, overall wellbeing and pressure levels at work, and approach to CSR.

More than 400 small and medium enterprises took part so the competition was fierce. We were really pleased to be the only management consultancy featured in the top 10 this year, which we feel highlights just why Berkeley is so different to work both for and with.

We scored highly across all areas, improving on last year's rankings in nearly all categories. Our core business premise of 'doing the right thing for our clients' again featured as a key message and remains an aspect of Berkeley that we feel strongly about. We stand by one of our principles that 'business decisions should be transparent, free of personal bias and hidden agendas'. This fosters a relaxed yet focused environment that we believe stimulates our people, and encourages them to go the extra mile for our clients. It also means that our attrition rates are low — in fact we have the lowest attrition rates in the top 20 companies surveyed.

"Being ranked in the Top 100 'Best Small Companies to Work For 2014' for the third time is something we're really proud of. And we're even more pleased to be considered one of the Top Ten. This year's feedback has once again shown us that our core ethos of doing the right thing for our people, our clients and our wider community remains a strong guiding principle for all our people who are themselves the heart of Berkeley. It's great to be a part of an organisation that celebrates diversity and collaboration, and that has so much fun doing it."

Jonathan Kennedy, People Partner.

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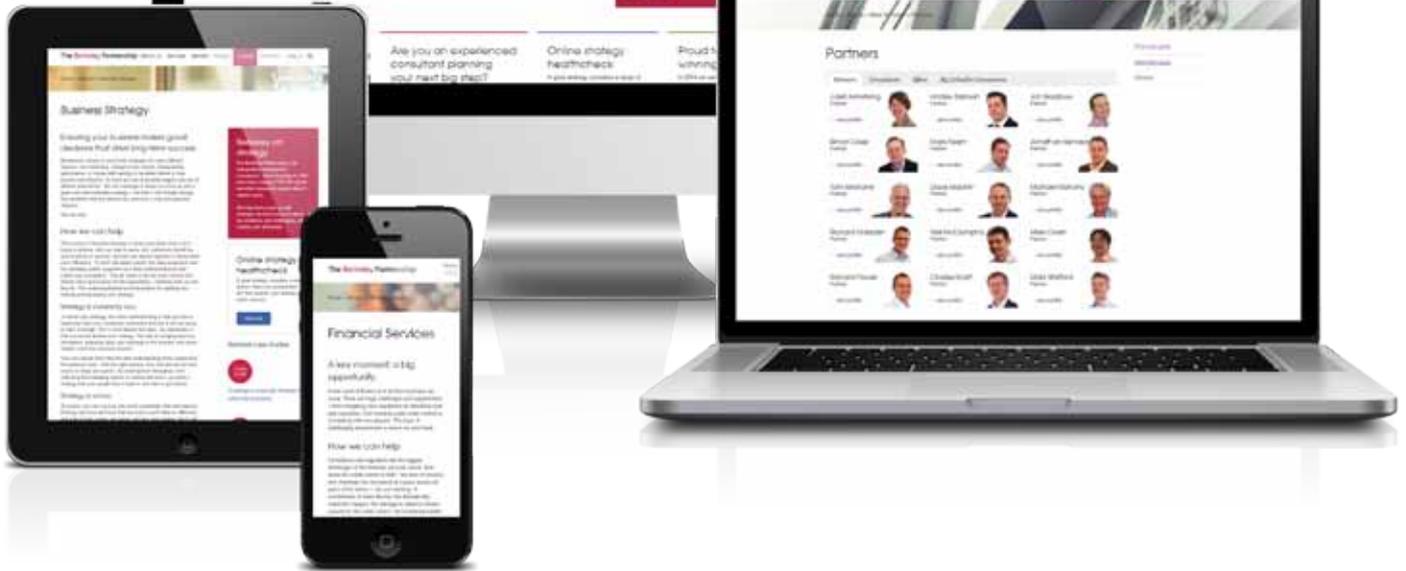
I f you've been on our website recently, you might have noticed a few changes. Some of them are pretty easy to spot – for example the design of the homepage is quite different. But the main changes have come in the addition of new areas of the site, aimed at helping our visitors get a much clearer picture of the work we do, in terms of the services we offer and the sectors we've worked in. We've also added new case studies. We think it's a real step forward for the site, and hope you'll like it.

So, what's changed?

- **Want to know the key information?** the Home Page has been developed to allow visitors to get straight to some of our most popular pages and content.

- **Know what you're looking for?** additional navigation has been added into the main menus, so if you know what information you're after, you can get to it faster.

- **Need to find out or remind yourself about what we do?** a new "Services" area has been created so you can easily see the type of work we do for our clients. Each service has a snapshot and a fuller write up, depending on the level of information you need, and there are relevant case studies and topical insights too.

- **Interested in where we work?** a new "Sectors" area has also been created. This showcases some of the industries we commonly support, as well as our thoughts on some of the issues affecting our clients in these industries, and details on how we support them. We've carried through the snapshot approach, and there are more case studies and insights here as well.

- **Not sure where to find something?** We've added lots of new content, and there's more to come. So to help you find what you need, we've added a search box in the main navigation.

- **Who should I talk to?** Most people who know us well know who to call at Berkeley. But for those who are less familiar with us, we've embedded clearer ways to contact the right person into pages throughout the site.

While the revamp has been a substantial project for us, it's really just the start. We plan to keep refining and developing the site, adding fresh case studies, insights and tools that we hope visitors will find both interesting and useful.

We're really proud of the new site, but we'd love to know what you think. After all, you are the audience, not us. So do have a look around, and let us know if you have any feedback, or if you experience any problems using the new website. And please, do come back and visit us again soon.

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