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Delivering Operational Innovation

Transition to a new paradigm

By Paul Munday

What is the Transition?

Transition is a standard term which is used by many organisations, but they often have different meanings. An English dictionary describes it as "Passage or change from one place or state or act or set of circumstances to another". So in essence it describes the change from one state to another. Some examples are:

- The change from an old organisation structure to a new one.
- The change from one technology to another.
- The change by which efficiencies are implemented.
- The change involved in moving an internal organisation or part thereof to a 3rd-party company.

For the purposes of this document, and because there is a perfectly good word for the first three of the above examples (Transformation), we will use Transition to describe the process by which an organisation is moved to a 3rd-party as part of an outsourcing case.

Transition is a very complex, multi-facetted process and not one that should be entered into blindly. There are many failed outsourcing cases, and quite a number which had ultimately been successful, having suffered major issues in the Transition phase.

In any case, the Transition phase is a major Business Change Programme like many others, and it has the added complexity of involving at least two commercial organisations. This is the case, even when it is happening at the outset of a joint venture.

As it is the phase of a venture that puts in place the actual mechanics of the business, it is essential that full concentration is given to this phase by all parts of the organisation that are involved. The need for understanding at the highest level cannot be overstated.

How is the Transition structured?

As with other forms of Business Change programme, the Transition phase will take on a very specific form for each case, with emphasis being placed on different things each time. However, there is a structure that Cellulus would recommend for any Transition programme:

- Planning
- Preparation
- Transfer
- Stability
- Post-Implementation

The Planning phase allows for understanding and agreement of the requirement between the parties and the preparation of the Transition project plans. Although this may be lead by the Outsourcing Partner, it is essential that there is a full commitment from the Client as many of the tasks will be solely or jointly their responsibility.

Preparation is the phase during which the arrangements for the transfers are made. This includes a good deal of expenditure on such things as communication events, system preparations and updating, and in some cases the purchase of items such as tools and equipment. In the case of transfers of employees, there may be legal requirements and trade agreements which dictate the timing and length of the preparation phase.

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The Transfer of physical assets, employees, contracts and other parts of the environment are transferred during this phase. While any phase can be defined to take any required amount of time, this is likely to be the shortest of the Transition phases.

Stability is the term given to the phase of Transition when the operation will be left in a steady state, with little major change. There may be movements of employees to work in different locations or other such activities, but no Transformational change to the service environment.

The final phase or activity of the Transition is a post-implementation review. This should include a full review of all of the Transition phases and their tasks, and a final employee survey to check the views of the people who were transferred. This ensures that there are no issues that are left open through the hand-over to the Transformation programme which will follow Transition. In some Transitions, this will be an exercise rather than a full phase, but it is important to ensure that it is completed properly so as to mitigate the risks of any knock-on issues.

When will Transition happen?

The Transition phase must commence at an early stage of any project with the creation of an outline plan. In an ideal world, the Transition Manager joins the commercial or strategy team so as to fully understand the case, and progresses through each phase, taking a greater amount of responsibility. It is often the Transition Manager who will be called on to run the Due Diligence process, so that they have a real grasp of the things that will need to be done in order to effect the Transition.

Although the Transition should start as early as is practicable, there are many parts of the project that can only start once certain milestones have been reached. An example is the informing of 3rd-parties who have contracts within the scope of the case. This can only realistically happen once there is a commercial arrangement in-place, such as a Letter of Intent, or Signed Contract.

Actions within the Transition may commence before there is a commercial agreement, but it is important that all parties understand the risks involved.

What should be done during Transition?

There are many tasks that make up any change project and they will vary based on the environment in which the project is taking place.

The main thing to keep in mind is that every part of the Transition will be heavily influenced by the feelings and attitudes of the people involved. While it is immediately clear that the employees who will be transferred will be experiencing a major change, it is easy to forget that there may be 3rd-party suppliers, Regulatory Bodies, Employees in the Outsourcing Partner, and employees who remain within the parent company who will all experience changes. The way that we handle these changes is a substantial and critical part of the Transition project.

The initial task of any project is to identify the scope and expectations of delivery, and a Transition project is no different. The Scope of the project should be identified during the Negotiation phase, and will be confirmed through the iteration of Due Diligence and Negotiation. As it is essential to all parties that the Scope is clear, it is worthwhile to have an open Discovery process where any misunderstandings can be cleared up. This can be done prior to the signature of a Contract or at the start of the Transition project, but the later it is left, the greater the risks that there may be major inconsistencies.

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Having established the Scope of the project it is possible to go forward and plan the details of the Transition project. The areas we would suggest for break down into sub-projects are:

- ★ People Transfer, both Employees and individual Contractors.
- ★ Finance and Corporate Governance.
- ★ Information Technology
- ★ Facilities and Workplace Management
- ★ Service Delivery – the Operational requirements
- ★ Governance – the 'tools' put in place to allow for control of the contract.
- ★ Communications – internal and external.
- ★ Legal and Regulatory
- ★ 3rd-Party Agreements

All of these areas will play a part in an Outsourcing or Merger Transition project and as such should be taken as separate, but inter-related items. Depending on the specific case, there will be a need for greater emphasis on certain areas, and this will be defined during the Transition planning stage.

Who should be involved in Transition?

Due to the nature of the Transition process, being between two commercial organisations, it is essential that there is the full involvement of both. There are two critical parts to the Transition organisation:

- ★ Transition Project team.
- ★ Transition Steering Board

As with any other project, the steering board is a senior group of interested parties who have a specific interest in the Transition and in particular in its successful outcome.

While it is possible to create separate steering groups from each of the companies involved in the commercial arrangement, it is advised that there be a single steering group with equal representation from each company. There must also be a way to deal with conflict, such that there cannot be a stalemate around crucial decisions. This is usually done by ensuring that the Outsourcing supplier provides the chairman of the Board, and that there is an agreed method of arbitration.

The Steering Board will approve all Transition milestones and therefore, the members must be capable of understanding the Transition process and in particular the significance of any of the tasks. In order to gain milestone approval and to escalate issues, the Transition Manager reports to the Steering Board.

The Transition project takes the form of a set of related sub-projects, and thus each sub-project has a Project or Stream leader. These may be project managers in large Transitions, or may be experts in the particular field of their sub-project. In all cases, they will be required to maintain their sub-project in-line with the tasks, timing, and budget required by the overall Transition Project.

The tasks within the Transition Project

As mentioned above, there are a number of areas or sub-projects within the Transition project and each of these has a respective set of tasks. The breakdown of areas recommended in this document allows for the use of specialists in each area, and for a division of the work to be carried out. However, there is a great deal of interaction and relationships between the tasks in the various areas. These relationships must be very well understood not only by the Transition Manager, but by the Stream leaders of the areas so that the appropriate focus can be placed on the projects' critical path.

The tasks of that form the Transition project will be specific to the case and the environment, but there are many which constitute a form of standard plan. However, it is important that there not be a reliance on standards, but rather the standard is used as a template which can be

compared to the local situation and regulations and used to develop a specific plan for the case.

How can Cellulus help?

At Cellulus we have a wealth of experience in Merger and Outsourcing cases from either party. This has provided us with an understanding of many situations as well as the number of lessons that go along with working in this area. This all puts us in a great position to define, plan, and manage the Transition process in all its aspects.

We have developed approaches and plans for the many phases of Transition, thus allowing our clients to not only gain a head start, but also to reduce the risk exposure.

In any Transition projects, Cellulus can be the agents for change, defining and managing the process. This leaves the Client and their employees to concentrate on running the business, and dealing with the changes.

Our aim is to provide the best possible outcome from any project and to deliver value far above our fees to the Client organisation.

For further details please contact Cellulus at:

Email: transition@cellulus.com
http://www.cellulus .com
Telephone: +44 (0) 1252 616729

Cellulus Limited
120a Award Road
Church Crookham
Fleet
Hampshire
GU526Q

Cellulus