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### Today's webinar

#### Using Change Management to Maximize ROI in Outsourcing

Laura Stone, CEO of Stone + Company, and Steve Haas, Principal of Everest, will highlight several common, yet detrimental, oversights regarding change management in outsourcing and explain how companies can employ a best-practices approach to overcome these issues and maximize ROI.

### Today's presenters



Stone + Company



Everest Group

### About Outsourcing Center

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- Trusted and objective third-party perspective
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- Relevant media including editorials, research, whitepapers, and the annual Outsourcing Excellence Awards

For more information, contact Peter Bowes at [pbowes@everestgrp.com](mailto:pbowes@everestgrp.com).

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# Using Change Management to Maximize ROI in Outsourcing

Webinar

January 12, 2010

# Today's speakers



## Laura Stone

Founder & CEO  
Stone + Company

[laura.stone@stoneandcompany.com](mailto:laura.stone@stoneandcompany.com)  
781.383.8383

## Stone + Company ([www.stoneandcompany.com](http://www.stoneandcompany.com))

- Stone + Company is a Boston-based strategic change management consulting firm, enabling corporate clients to deliver top results by developing a aligned game plan for achieving superior performance and true team alignment fast
- Thought leaders achieving quantifiable results in key areas including: New Team Strategy Development, Crisis Management/Remediation, Acquisitions/Integrations, Team re-alignment, Turnarounds, Sustaining Success, Executive coaching, Communication and Stakeholder Planning



## Steve Haas

Managing Principal  
Everest Group

[shaas@everestgrp.com](mailto:shaas@everestgrp.com)  
214.451.3045

## Everest Group ([www.everestgrp.com](http://www.everestgrp.com))

- Everest Group is a global consulting firm with offices in Dallas, Delhi, London, Amsterdam, New York, Toronto, and Melbourne
- An industry leader since 1991, Everest Group has earned a worldwide reputation for ongoing innovation as we help clients achieve maximum value from their sourcing strategy and implementation
- Clients value us as the "go-to firm" for operational strategy and delivery advice from concept through implementation

# Today we discuss how change management can improve the outsourcing return on investment (ROI)



## Purpose

Understand how the role of change management and the impact of the buyer and service provider mindsets can not only address relational and organizational project complexities (a.k.a. the non-technical aspects of the outsourcing engagements), but also enable the engagement to go faster and more smoothly, and aid in maximizing the ROI.

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## Outcomes

- Understand the role of change management, our **mindset** in achieving the results and HOW you get them
- Learn **critical questions** that few people talk about and should in order to effectively manage the change within your organization
- Understand the **ripple effects** that poor change management will have on project success (financial and business strategy)
- Identify **key times** for developing and sustaining alignment that will help keep your outsourcing engagement on track
- Gain insights and recommendations to **create successful strategic outsourcing partnerships** no matter what stage you are in

## What is change management?

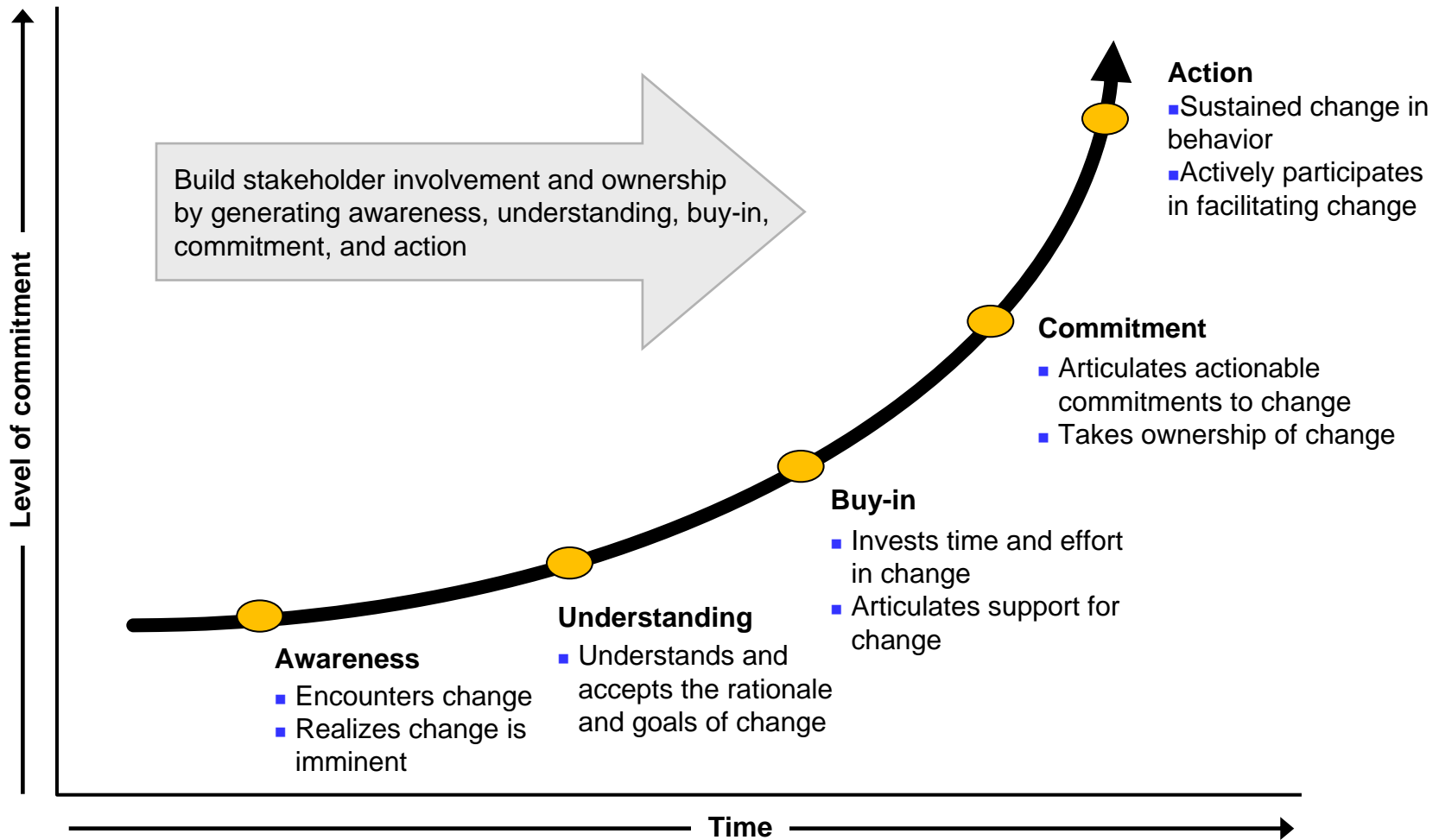


***“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change”***

- Charles Darwin

Change management is a structured and organized approach to proactively manage the human response to organizational change. It is an intentional focus on the human factor to enable an organization to embrace the desired future state.

The focus of the change management effort is to develop and include stakeholders along the commitment curve toward action and sustainable results



# Leaders often underestimate how disruptive change can be to the performance of the organization



## 1. FUD (fear, uncertainty, and doubt)

- Lowers productivity
- Diminishes morale
- Slows decision-making
- Decreases focus on customers/competition
- Prompts employees to reevaluate career options

## 2. Misalignment of interests

- Creates conflicts between personal objectives and professional obligations
- Spawns counter-productive initiatives or hidden coalitions that slow down or prevent progress
- Reveals human bias to “keep things the way they are” versus entering into uncomfortable change



## 3. Power struggles

- Creates context within which some managers will “win” and others will “lose,” resulting in heightened focus on “what’s in it for me”
- Encourages managers to position for future influence because sourcing alters power structures (e.g., reporting relationships, budgets, authorities)

*Research shows that initiatives with excellent change management are six times more likely to meet objectives than those with poor change management<sup>1</sup>*



### Change poorly managed

### Change effectively managed



**Change management effectiveness**

- Productivity and morale often drop – effect will spread beyond directly impacted employees
- Unintended attrition increases as morale drops – implementation effort and ongoing service quality suffer; lost of critical knowledge
- The targeted ROI is not fully realized – lack of buy-in of the future state leads to shadows organizations and duplicated processes

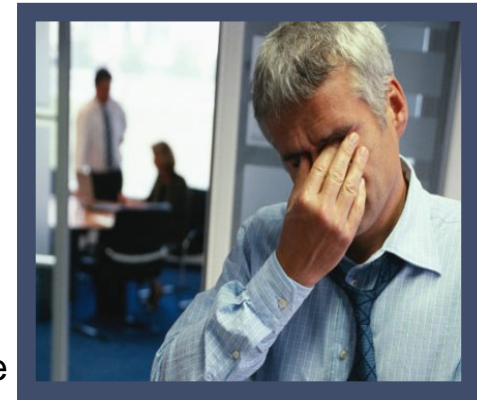
- Maximize value from outsourcing initiative – improved service quality and lowered risks
- Quicker to achieve desired benefits and lowered implementation cost
- Leadership is enable to focus on strategic impact of outsourcing across the enterprise
- When done well, to concentrate on the highest impact work that only the project team should do.

<sup>1</sup> Source: Prosci Change Management Learning Center

## When the approach to change management is minimize:



- The change management team often lacks the skills required to effectively manage transformational change
- Training is only focused on the tangible aspects of the future state; the change management team is left to address the intangible aspects without the appropriate tools and techniques
- The buyer and service provider often lack a partnered change process to identify and bridge gaps between the current and desired future state
- The change management effort typically falls short of impactful activities beyond communications
- No process to guide the project executive sponsors to manage and align on mutual expectations, assumptions, and communications that are necessary to lead the implementation team in a collective direction
- Senior leaders are often given scripted parts to play, but are not coached to really take on a leadership role



Such “minimized” change management efforts usually fail, while approaches that focus on “alignment of purpose” have an impressive rate of success



### ***Effecting behavioral change is difficult***

- Harvard research<sup>1</sup> found that the rate at which people make **behavioral** change in organizations is approximately 10-30% – whether you provide training, give them a book to read, or do nothing at all
- Data also suggest that 70% of major change initiatives in organizations fail, or achieve only moderate results, because people were only brought in to “do” things

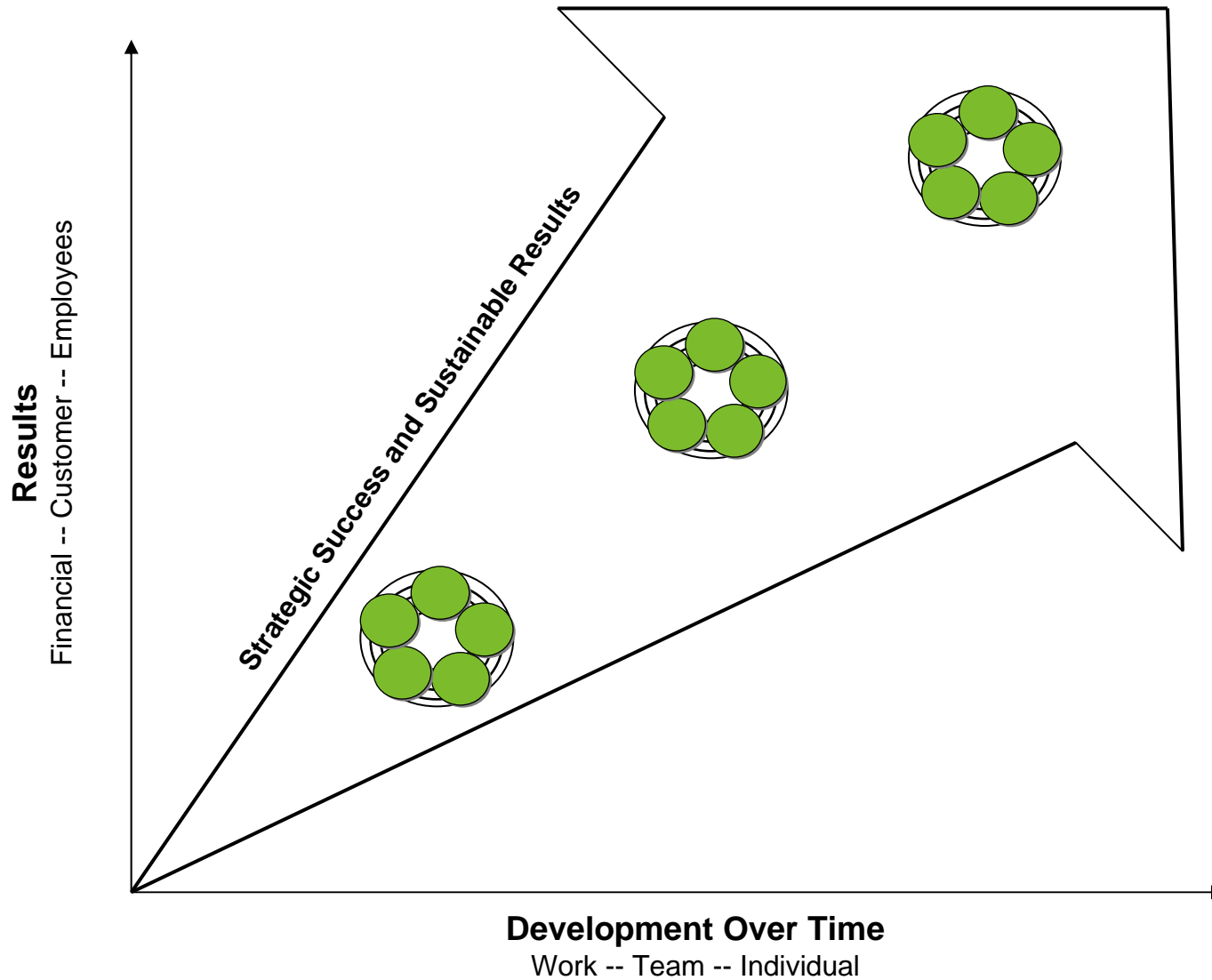
### ***However, the chances of success can be improved with the right approach***

- Good news: the rate of change increases to 66% (at least) if you start the change process with surfacing how people **think** about the change, rather than what they need to execute<sup>2</sup>
- At Stone + Company we start all work with aligning on a **purpose**
- Align people’s thinking up front; surface their hopes and concerns; and have them define what is at stake and why they need to change – in order to create the critical foundation for major strategic initiatives and change

1 Based on empirical research from Harvard, Daniel Goleman, author of *Emotional Intelligence*

2 See article: *Inside the Mind of a World Class Leader* by David Burnham.

# The Stone + Company Sustaining Change Model™



# The Planned Advantage Process



1 Please note that shareholders have been intentionally omitted because we measure this in stage 5 when we are evaluating results.

## Successful change management efforts ask questions about the team's perception, roles and feelings



- What is your mindset for this outsourcing engagement?
- Who will be impacted by the outsourcing engagement and HOW? (How will they feel and how will these feelings potentially impact the work?)
- Are team members well-aligned on the team's purpose over the next 1 to 3 years? (i.e., we have a clear purpose that will make us proud when we fulfill it)
- Are the team(s) focusing on the level of work they are most qualified and best positioned to perform?
- Are our outsourcing project team(s) meeting or exceeding our customers' expectations as planned. How do you know?
- In achieving the targeted results, do we handle conflicts constructively and are we able to resolve issues efficiently?
- Ask your service provider, "what is your approach to change management?" If the answer is limited to a tool or check list, be careful: dialogue is key to success

## Recommendations for change management



- Rooting **trust** in mutual understanding and transparency at all levels of the project work is central to developing effective **mindsets** that impact project adoption, implementation, and execution
- Employ an **alignment-** and **partnership-focused** methodology to leverage project team members' thoughts and feelings and how these impact the work, results, and buyer experience
- Beginning with the sales process through the go-live phase, developing alignment and **maturing the relationships** is pivotal to the success of the project and managing changes affecting the buyer organization
- Enhance the service provider's relationship management with **senior executive sponsors** through a deliberate engagement process that supports helping them understand the "**down stream impact of this work**" including ongoing communication, guidance, adoption and execution along with the service provider's short- and long-term value proposition
- Provide the **Executive Sponsorship Team with a process for leading and monitoring** the needs of the buyer's Retained Team and Implementation Team in order to measure and demonstrate progress more closely, e.g., one month, after production, and six months later
- Standardized process that quickly enable project teams, at varying skill levels, to focus on **final outcomes AND plan for how to execute** the work so that each member understands the change, their role in it and help make it as effective as possible.

# Key insertion points for change management solutions



## Sales Process

- Value-added differentiator among competitors
- Position early in the process that change management is integral to the success of the adoption of the service provider's services. Align strategic objectives and establish mutual understanding between buyer and the service provider

## Post Contract Signature

- Ensure understanding of the mindset and skills necessary for successful integration of the service provider
- Define the role of the Executive Sponsorship Team during the project (need their sponsorship to help ensure adoption) and how this team will have the difficult conversations that identify the right skills, mindsets and people to successfully lead, implement and execute

## Implementation Process

- Prepare project teams performing the work and create a game plan of how the work will be accomplished, specifically the first 90 days, including communication, leadership needed, stakeholder management. Create a clear understanding of the mindset needed to implement the work

## Key Transition Points

- Proactively evaluate project successes, challenges and needs before critical transition points like going live or on and off boarding team members. Ensure smooth transitions and manage change through focus on aligned mindsets and behaviors

## Contract Renewal

- Several months before contract renewal, provide an objective evaluation of results, relationships and processes, and what is working, gaps and ways to address these gaps by interviewing both buyer and the service provider then decide together how to best proceed

In summary, effective change management enables organizations to bridge the gap between current and future state, and to maximize value from the initiative



- **Executive alignment** to ensure clarity of thinking and success measures are in sync at all points of an engagement, e.g., sales process and implementation
- **Cultural readiness** by interviewing, surveying and assessing key stakeholder groups in the outsourcing process. Prepare for and manage change impacts by establishing mutual understanding of both the buyer and the service provider cultures that *will* affect the project
- **Communication and stakeholder engagement** planning and implementation for the various levels of the organization in order to manage on-going changes and relationships impacted during the project
- **Training teams to develop capabilities** that support thinking about the highest impact work, identifying the issues the teams must address to be successful and developing a game plan based on specific success measures to achieve business objectives
- **Enhancing customer experience** through a third party assessment of gaps and areas of opportunities for the service provider to increase buyer satisfaction

## Q&A

- Attendees will receive an email with a link to download today's webinar presentation. To access a recorded audio version of this webinar, please contact Ben Kuhn ([bkuhn@everestgrp.com](mailto:bkuhn@everestgrp.com))
- For advice and assistance with your outsourcing and change management needs, please contact:
  - [shaas@everestgrp.com](mailto:shaas@everestgrp.com), (Tel) 214.451.3045
  - [laura.stone@stoneandcompany.com](mailto:laura.stone@stoneandcompany.com), (Tel) 781.383.8383
- For background information on the organizations represented, please visit:
  - [www.everestgrp.com](http://www.everestgrp.com)
  - [www.stoneandcompany.com](http://www.stoneandcompany.com)
- Thank you for attending today

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