ABSTRACT: The requirements for the advanced planning and design of a skilled retained organization are paramount to the success of any outsourcing relationship, and should be facilitated early on in the outsourcing process. Additionally, key success factors in the design and implementation of a retained organization include; the ability of the team to operate against new processes and methodologies, having a clear understanding of what transactions are being outsourced, properly selecting retained resources based on skills and requirements, the understanding of all knowledge transfer requirements, and the ability to provide strong leadership to implement communications and change management.


DEFINING SUCCESS AS EARLY AS POSSIBLE

When a company first decides to undergo the process to outsource, it is usually based on a combination of factors such as; the need to correct a gap in internal skills, the elimination of technologies that are outdated or too costly to maintain, and/or a desire to re-focus on their core service delivery areas. During the outsourcing planning process, the focus is characteristically on items such as; the services or processes to be outsourced, the vendor’s qualifications to provide such services, and most significantly, the contract and associated negotiations. Unfortunately, a key requirement which is overlooked is the focus on the strategic design and implementation of the retained organization, which is referred to as the “stay back” team. Thoughts of starting this design typically do not occur until much later during the outsourcing process, and more times than not, it is not started until a contract signing becomes imminent.

The requirement to have a skilled and experienced retained team is paramount to the success of any outsourcing relationship, and the design of this team must be facilitated as early on in the outsourcing process as possible. Starting the design of the retained organization in parallel with the start of the service delivery modeling phase will be extremely beneficial, as key decisions made during the service model design will provide some of the initial high level requirements around the resource levels, skills, and experience needed for the retained team to be successful and may very well impact the contract.

A late start in the design of the retained organization will add serious risks to the success of the outsourcing project, as the retained organization will play important support roles during implementation in critical areas such as; knowledge transfer, transition support, and service stabilization. Not only will the retained organization provide the requisite support preceding any transfer of services, they will also provide long term support after the transfer of services in key areas such as; governance, communications, service level monitoring, and vendor relationship management. With this in mind, it is imperative that an organization execute a plan for success up front, and have a detailed understanding of what objectives need to be attained when designing and implementing a retained organization.

There are several perspectives or areas that should be considered when you start to design a successful retained organization.

- The retained team must be able to change the way they have always operated, and be able to deliver against new methods and processes.
- There must be a clear understanding of which processes will be retained and which processes will be outsourced.
- In order to eliminate emotional choices when deciding which employees are to be retained, an impartial selection process must be enforced.
- Understanding the timing of when to design and implement the retained organization is critical to the success of getting it right.
• It is crucial that the knowledge transfer requirements are understood and communicated up front.
• Leadership must be able to create one cohesive team out of two separate teams, the newly defined stay back team and the new vendor team.

“THE WAY WE’VE ALWAYS DONE IT” MENTALITY WILL NOT WORK
There will be a significant operational difference between a company’s existing internal service delivery model and the vendor’s new outsourcing delivery model. A few examples of this difference:

• Prior to outsourcing, the internal service delivery team would typically manage people and teams; after outsourcing they may be required to manage processes and deliverables.
• Prior to outsourcing, the internal service delivery team would typically evaluate team activities against department objectives; after outsourcing they may manage key metrics and the attainment of the vendor’s Service Level Agreements (SLA’s).

As previously stated, a highly skilled retained organization is a prime factor in the success of any outsourcing deal. Furthermore, if success is to be attained, the blueprint of the company’s new service delivery model or business case must be used to define and categorize the requirements of the retained organization. There should be a clear understanding of the existing “as-is” model and the future “to-be” design along with a focus on the new services, processes, and methodologies from which the new service provider will operate. Failures are caused when the retained organization attempts to continue to operate with “the way we’ve always done it” mentality. This newly designed team, which was likely formed from members of the previous team, must be able to properly function as the strategic interface between the company and the new provider. The team must also be able to understand and deliver the specific requirements of the business case, and be able to understand and mitigate the risks associated with achieving the goals of the business case. Missing the mark on the design of the retained organization may have a serious negative impact on achieving the stated goals of the business case. The impact of having unplanned or unprepared resources to support the implementation of new services will add additional costs to the original business case model, which in turn could quickly negate any planned operational savings of the outsourcing relationship.

GETTING A CLEAR UNDERSTANDING WHO IS RESPONSIBLE FOR DELIVERING WHAT
Companies and vendors must meet early on in the project to clearly identify, review, and validate all of the internal and external transactions, process, and operations that will continue as part of the arrangement. This exercise is a crucial step in ensuring that a retained organization is properly staffed with the resources and skills needed to support all ongoing day to day operations. The importance of this line by line review process cannot be over emphasized. The positive gains of the new business model can quickly be eliminated when unplanned resources have to be retained and/or hired to perform the activities for a process that was thought to have been outsourced.
CHOOSING LOGIC OVER EMOTION

One of the most complicated issues to overcome when designing and implementing a talented retained organization is the issue of being able to separate logical requirements from emotional feelings. While human nature tends to make us want to protect long term company friends and/or workmates, these individuals may not always provide the skills or required value to support an outsourcing deal. When designing the retained organization, the functions and skills required to support the success of the outsourcing arrangement should remain the primary focus. Using the service delivery model as the baseline, the focus should be on the skills and roles which are critical to delivering the highest levels of service to both the business and outsourcing arrangement. The retention of key Subject Matter Experts (SME’s) will be critical during the implementation period, as these are existing team members who understand the current, or “as-is”, way in which a company has operated, and will be able to provide vital information and support during the transition of service to the new vendor.

An additional issue that often surfaces is around the subject of how to deal with poor performers and whether they should be retained or transferred to the new vendor. The retention of poor performers into the new model will not help to facilitate any plans for success, nor does the transferring of poor performance problems to the vendor eliminate performance risks. A poor performing resource on either side creates risks to service delivery, as well as the jeopardizing the business case, and may potentially increase costs due to items such as rework or missed service levels.

While the criteria of being a subject matter expert or a good performer are important in designing a retained organization, there are other key factors that should be considered when selecting personnel. These are factors such as:

- **Ability to perform as a team leader** - Even the best planned outsourcing processes may be tedious and stressful. Leaders, who can properly facilitate the transition of services, deliver strategic communications, keep teams focused on the work effort, and assist in building the relationship between a company and the new vendor, are vital to the success of the deal.

- **Ability to facilitate change management** - Change management is another key area in which the success of the outsourcing arrangement is dependent. Companywide change management must happen at all levels of an organization during an outsourcing implementation. Having team members that can not only accept, but to also communicate and facilitate the required changes, is paramount to meeting the goals of the new model.

- **Ability to understand governance and vendor relationship management** - The ability to create, and implement a fair and efficient governance model is required to maintain a strategic focus, minimize risks, and resolve issues at the appropriate level. The governance model provides a clear
understanding of the roles, responsibilities, authority, and meeting requirements for each functional level. The governance model provides procedures for dispute escalation and resolution, and also provides a structure in which both parties maintain the controls necessary to execute to their obligations and responsibilities.

- **Ability to monitor and understand Service Level Agreement performance management** - The ability to understand and closely monitor vendor operations and performance against service levels is extremely important. Retained team members that will be monitoring the vendor’s Service Level Performance should understand the impact of missed SLA’s. (e.g. In a payroll processing outsourcing arrangement for 10,000 employees, a miss in vendor performance of only .05 percent, would equate to 50 people within a company or department not getting paid on a single payday, which in turn could cause a significant interference with the internal service delivery of the client organization, as employees spend time researching their missing pay).

- **Ability to work with multi-national teams** - A number of outsourcing providers use offshore delivery centers to perform part of, if not all of the services provided to their clients. Retained teams must be able to work efficiently with multi-national teams, and have an understanding their individual cultures, work styles, and operating hours.

- **Ability to work with multiple vendors simultaneously** - As outsourcing engagements continue to evolve, the use of multiple vendors to provide individual services on a single outsourcing engagement becomes increasingly common. Retained teams must be able to understand and integrate the individual requirements and/or deliverables from each vendor, while providing a successful process to work with and properly manage all of the vendors under one program/project management office (PMO).

WHEN TO DESIGN AND WHEN TO IMPLEMENT

- **When to Design** - The design phase of the retained organization should begin as early as possible, typically around the same time frame as when a company is initiating the review and redesign of the service delivery model. The design will most likely undergo several modifications as the business case and service delivery models are refined, and it is not uncommon for changes within the design of the retained organization to be made up to and during the implementation phase.

- **When to Implement** - The implementation phase of the retained organization should be started around the same time as the service provider selection. While the final design of the new service delivery model may not be complete at this point in time, having key subject matter experts around to explain the current processes is crucial in assisting the vendor in developing the outsourcing business case. Furthermore, having members of the retained team identified and on the ground
prior to the start of the implementation of services will help to facilitate a more cohesive transition team.

![Diagram showing Novus Origo’s approach to designing and implementing a retained organization]

Figure 1 - Novus Origo’s approach to designing and implementing a retained organization

**KNOWLEDGE TRANSFER REQUIREMENTS**

Regardless of whether a portion of a company’s process is being outsourced, or whether all of the processes are being outsourced, the availability of existing Subject Matter Experts (SME’s) is extremely important to the success of any outsourcing engagement. These resources possess the “corporate knowledge” as to how things are being done, how processes work, and how systems operate. As such, these SME’s have the ability to provide the keen insight needed to understand the amount of process changes, change management, communications, and transition effort that must be undertaken. In order reduce any impact on the company’s operations, as well as for the company to properly support the vendor during the Knowledge Transfer process, the vendor should provide to the company a detailed list of the specific requirements by skill area, subject matter expertise, and the estimated effort required for each resource.

**ELIMINATING THE “US vs. THEM” WAY OF THINKING**

What was originally one company team will now become two, a new company team and a new vendor team, which unfortunately may give way to the “us vs. them” way of thinking. Additionally, there may be former company team members who did not become part of the company’s retained organization, who may now be working for the vendor and who will be providing services on the account. In order to facilitate a productive, cohesive, and favorable working relationship, a list of clearly defined responsibilities, tasks, and deliverables for all parties should be set forth and agreed upon prior to the start of implementation and also reflected in contractual documents to include; Service Level Agreements, Implementation Schedules, and any Statements of Work (SOW).
SUMMARY
The requirements for the advanced planning and design of a skilled retained organization are paramount to the success of any outsourcing relationship, and should be facilitated early on in the outsourcing process. Additionally, key success factors in the design and implementation of a retained organization include; the ability of the retained team to operate against new processes and methodologies, having a clear understanding of what transactions are being outsourced, properly selecting retained resources based on skills and requirements, the understanding of all knowledge transfer requirements, and the ability to provide strong leadership to implement communications and change management. The implementation of these factors, as well as the others covered in this paper will help to facilitate a successful outsourcing engagement.

ABOUT NOVUS ORIGO
Novus Origo provides dynamic world class Management Consulting, Outsourcing Consulting, and Vendor Relationship Management services. Novus Origo leverages a wealth of proven industry experience to help clients define and achieve their overall strategic business goals by reducing costs, improving operational efficiencies, and ultimately positioning them to focus on what they do best, their core business. We know what it takes to be successful and our experience proves it!

For further information about Novus Origo please call (760) 438-4354, visit www.NovusOrigo.com or email: info@NovusOrigo.com.