

Commentary

IT Services Contracts — Transition and Transformation Plan

A transition and transformation to a sourced IT services environment require a thorough plan that addresses all affected assets and processes, and ensures seamless movement throughout all of the phases of the deal.

Contracts for sourcing IT services — whether internally or externally sourced; whether full-service or selective outsourcing — will involve some level of movement from a current service delivery state to a sourced delivery state. A large-scale, full-service outsourcing relationship, for example, will require a complex transition of people, processes, hardware, software, and other fixed and variable assets to the outsourcing service provider.

Entering into a sourcing arrangement also involves a transformation of IT and business environments requiring new interfaces, approaches and attitudes toward the delivery of IT and IT-enabled services. Gartner recommends that enterprises develop a transition and transformation plan for ensuring transition, not only at the point of the initial event, but also during the life cycle of the contract.

Purpose

The transition and transformation plan describes the approach and continuous processes for moving between service delivery states within a deal. It includes all aspects of transfers, such as asset moves, software licenses, personnel transfers, HR benefits, service-level acceptance, implementation processes and the detailed schedule for completion of each item. It provides the timetables, work-breakdown planning structures, resource requirements and implementation assumptions required for ensuring a successful implementation. The plan is the blueprint for identifying all affected areas and resources, documenting the transition processes and forming the road map for an efficient transformation to the newly sourced environment.

Importance

Meeting strategic requirements and achieving the service delivery goals require developing a plan to ensure successful transition. Successful sourcing agreements depend on a good transition plan. It is essential that each party understands what steps are required to move the work quickly and efficiently from the current delivery state to the new delivery state. There are often two projects in transition — one internal (within the service recipient) and one external (with the service provider). Making any sourcing

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arrangement work requires internal buy-in with the primary stakeholders (e.g., work councils and business units).

Many sourcing and outsourcing deals in today's market are affected significantly by HR legislation, value-added and multicountry involvement. Effectively addressing all transition issues can shape the entire nature of the deal. In the absence of a good, thorough plan, the service recipient and service provider face the likelihood that their efforts may become stalled. Often, in long-term sourcing agreements, the people initially involved in developing the relationship, negotiating the contract and developing the transition process do not remain involved for the life of the contract. Having processes in place to handle the transition resulting from ongoing service delivery changes, additional service requirements and the introduction of innovation will reduce the amount of contract and process rework required during the relationship.

Structure

The structure of the plan includes processes, tasks and governance frameworks that will support the initial move to the sourced environment and the needs of specific transition and transformation requirements. Enduring processes remain for the duration of the contract and will be used for all subsequent service transitions. Examples include:

- Implementation process
- Reporting process
- Due diligence process
- HR process
- Knowledge transfer

Transition-specific details provide a list of required actions and documents for moving between delivery states, such as:

- Statement of transition objectives
- Detailed list of all transition and transformation assumptions
- List of known issues, constraints and risk factors
- Statement of the transfer commitments
- Detailed transition tasks
- Detailed transition schedule
- Required resources
- Identified recipient organizations and personnel
- Identified hardware assets
- Identified software licenses

Examples

- *Outsourcing Relationship*

Outsourcing deals are the most commonly seen environments where there can be a significant transfer of assets and resources from the service recipient to the service provider. Typically, these contracts will include specific transition tasks and responsibilities. These efforts, however, may not always be consistent and tend to focus on identifying the assets that will transfer at the inception point. Special consideration must be given when there are transfers of people from the service recipient to the service provider, alleviating potential problems for both parties prior to the transfer. Given the length of these contract terms (typically, five, seven or as much as 10 years), these agreements need to establish the ongoing processes for the transition of assets and processes.

- *Project-Based Consulting and Integration Relationship*

These contracts rarely involve the transition of assets; however, the transition of knowledge between the service provider and the service recipient is critical. They will often require the transformation or development of key processes and technologies during the life cycle of the project. Contracts for these services often fail to specify system implementation support (at least 60 days following implementation), knowledge transfer requirements and process, and training requirements (see “Knowledge Transfer: How to Ensure It Occurs,” SPA-05-6588). A transition and transformation plan can address the changing processes, process requirements and technologies, and form the basis for identifying operational change management requirements within an enterprise. Too often, business change requirements are overlooked or swept aside, and enterprises focus more on the technology change occurring within their environments.

Bottom Line: A sourcing contract often requires a transition or transformation from its current state to its externally or internally sourced state. This can be an ongoing process during the life of a contract and requires a process for ensuring seamless, effective movement from state to state.