

OPERATIONAL CHANGE MANAGEMENT : HOW TO ENSURE YOUR SUPPLIERS GET IT RIGHT

MANY ORGANISATIONS HAVE OPERATIONAL/TECHNICAL CHANGE MANAGEMENT AT THE TOP OF THEIR LIST OF COMPLAINTS ABOUT THEIR I.T. OUTSOURCE AND MANAGED SERVICES CONTRACTS. SOME OF THE ISSUES FREQUENTLY EXPERIENCED INCLUDE: INADEQUATE OR COMMERCIALY UNACCEPTABLE QUOTES; LONG LEAD TIMES AND SIGNIFICANT DELAYS AND POOR COMMUNICATION BETWEEN ALL THE INVOLVED PARTIES. WHAT STEPS SHOULD YOU TAKE TO ENSURE YOUR SUPPLIERS PROVIDE EFFECTIVE CHANGE MANAGEMENT?

1 UNDERSTAND THE VOLUME OF CHANGE EXPECTED

Ensure you understand the type, volume and frequency of changes your organisation has and will have. Provide your suppliers with a change request forecast and review this on a regular basis. You can't expect your supplier to be adequately prepared unless they understand what will be expected of them in terms of change.

2 EVALUATE CHANGE MANAGEMENT CAPABILITY

Change management is frequently overlooked during the sourcing process - it is assumed that suppliers will be able to effectively manage changes. However, as part of the RFP and contract submissions you should ask suppliers to provide change management statistics from other customers and a detailed change management process. This should form a part of your evaluation.

3 FOCUS YOUR SERVICE LEVEL AGREEMENTS (SLAS) ON EFFECTIVE CHANGE MANAGEMENT

Ensure the SLA includes detailed change management metrics. It's not just about the delivery timescales for changes, but also consider including SLA metrics for:

- time to acknowledge change requests
- time to provide priced proposals
- time taken from approval to order issue
- % of changes achieved as per proposal time and budget
- frequency of communications on changes
- time to update CMDB following implementation

4 NEGOTIATE CERTAINTY AROUND THE COST OF CHANGE

The more certainty around the cost of change you can negotiate in your contracts, the less room the supplier will have to inflate costs

post signature. In your contracts include:

- pre-defined pricing for unit charges and volume adjustment mechanisms;
- built in volumes of IMACs (installs, add, moves and changes) where appropriate;
- a budgetary price book (with regular updates) for changes where fixed prices can't be included in the contract without the supplier adding in a risk premium (e.g. site bandwidth changes, new sites);
- a mechanism for major change e.g. M&A; and
- a day rate price book for resource costs (per country).

5 RETAIN THE RIGHT TO GO OUT TO MARKET

Where possible don't give your supplier exclusive rights to all change requests (it won't be appropriate for all services). Retain the right to test the market in terms of costs and lead times and to select an alternative supplier.

6 AGREE A CHANGE MANAGEMENT PROCESS PRIOR TO CONTRACT SIGNATURE

Changes will occur as soon as you sign the contract. You need to put in place a change management process before the contract becomes effective and agree a change response template that includes a structure for pricing changes. You will also need to agree rules around which changes will be processed through the new supplier and which will be processed through the existing process. Put in place communication channels to ensure all parties are informed of all changes made during transition. If you are running a transformation project you should agree which changes will be processed through the project and which through the business as usual organisation. Ensure you test the change management process and the

supplier is ready to handle change from day one.

7 ENSURE THE CHANGE PROCESS IS ADEQUATELY RESOURCED

Understand how your supplier's change management organisation operates - is there a separate part of the organisation responsible for ordering? Will the business as usual technical resources be required to review changes - will they have capacity? Ensure the supplier assigns a dedicated, experienced and capable change manager to your contract. You should do the same. If you are moving from an in-house model ensure there is no duplication of effort i.e. your organisation doesn't continue processing changes whilst paying the supplier.

8 FOCUS ON CHANGE KPIS AND ROBUST REPORTING

Ensure your suppliers provide you with high quality management information around the progress of change controls. Implement a change dashboard from day one of the contract so all stakeholders can easily see the numbers of changes in the various phases of the change lifecycle, can identify particular changes which are progressing slowly and resolve issues.

ABOUT US

Wavestone is an international consultancy that provides connected thinking, insight and capability to industry leading organisations. We work collaboratively with our clients to plan strategic business transformation and seamlessly turn strategy into action.

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