

Leveraging Partnerships to Realise the Optimum Outsource Transformation.

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Recent developments have seen KPMG join HP Enterprise Services Agility Alliance. Together, KPMG's 'advisory' capabilities and HP's technology experience will help clients achieve increased business value and transform their organizations by streamlining processes, accelerating returns on technology investments, improving compliance processes, increasing cost-efficiencies, and managing risk more effectively. HP will combine key KPMG capabilities into its HP Enterprise Services portfolio, including business process optimisation, service model simulation and industry specific offerings to help clients understand and capitalise on the key drivers of business performance, and meet the requirements of a changing regulatory environment.

Analysts have commented that this is potentially an important partnership for HP Enterprise Services in assisting the organisation to add value and differentiate its services in both IT Services and Business Process Outsourcing.

Similar opportunities undoubtedly exist for such collaboration across the outsource industry. Outsourcers are operating in a market where customers are invariably demanding more for less. The cost of failure and risk to reputation is greater than ever as dissatisfied customers face fewer barriers to changing service providers either during or at the end of their contracts.

Outsourcers typically employ a three stage model when working with their clients;

1. Consult
2. Design, and Build
3. Operate, Maintain and Optimise

There is increasing recognition that forming strategic partnerships with specialist consulting capability could deliver improved customer satisfaction, margin delivery and of course revenue growth.

In the 'Consult' phase, failure to truly understand the client's current operating environment and to identify and quantify genuine business transformation opportunities could result in a deal being lost on price or being won on price based on flawed operational assumptions. Most long term contracts include year on year performance improvement targets, so it is critical that the operating environment is clearly understood, the barriers to performance are identified and the potential for improvement is quantified during the 'Consult' phase. This process supports the development of a robust risk management plan and innovative risk sharing approaches and is also more likely to highlight other value add and 'up sell' opportunities.

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The absence of proven end to end business process improvement expertise, the ability to develop an active first and second line management community and the lack of domain knowledge are often major contributors. In these cases rarely does 'Business Process Transformation' occur as a result of an outsourcing contract with little of the potential value realised for the client and provider.

The value of specialist capability (either in-house or outside) at key points during the contract lifecycle should be considered a core component in all outsourcing contracts. Failure on large contracts can cost millions in penalties and irreparable damage to reputations.