

# The Digital Revolution Demands New Thinking When Transitioning Services

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In the pre-digital world, transitioning application services from an incumbent provider to a new provider primarily was about transferring knowledge and achieving a set of contractual milestones. When complete, both parties claimed success: the client began to see cost reductions and service benefits associated with the sourcing transaction, and the provider began to bill and recognize revenue.

This approach is increasingly obsolete. While milestones are still important, the digital revolution requires a whole new way of transitioning applications. Instead of merely checking the box on a “lift and shift” approach, organizations today are measuring transition success by how quickly and dramatically they can transform processes and team roles and responsibilities to take business outcomes to the next level. The pre-digital model above reflects completion of transition before undertaking transformation. This approach will fail in a world where IT must move at the speed of business. This requires that transition and transformation run in tandem.

This ISG white paper explores ten key tenets enterprises must embrace to shift their thinking from a traditional plan-practice-go-live approach to transformation.

### **Mere operational-knowledge transition isn't good enough anymore.**



In the old paradigm, transformations were something planned to ramp up as transition ramped down toward completion. Transition itself amounted to providers implementing the minimal number of changes needed to assume responsibility for ongoing service delivery. Transformation followed, led by a team in the provider's steady-state account organization. In today's paradigm, transition and transformation increasingly are being managed in parallel. This adds complexity to the transition period as the provider must address transformational components of process, cultural, organizational and technical modernization with a new degree of urgency. The client team will also be challenged on many fronts, stretched as they are across their day jobs, supporting knowledge transfer while moving the transformation forward. This makes it difficult for the provider to garner sufficient client attention and resources to move at the desired speed to achieve near term business outcomes.

### **Transition execution itself requires agility.**



Instead of creating waves of transition work that revolve primarily around managing risk, application portfolios and projects are evolving to a business-centric product view aligning to business processes operating at different speeds. To prioritize early transformation work, organizations need to identify which business processes have the most to gain by being digitized and develop transition schedules accordingly. Instead of following transition work with transformation work, leading providers are embedding transition work with transformational process and technology deployments as an integrated deliverable, executing a series of independent Build-Operate-Transfer (BOT)

sprints. One provider, for example, has created a digital acceleration center staffed with transformation experts who are deployed as integral members of the transition team. These experts help the client and provider account team automate processes and quickly mobilize agile product teams, alleviating delays that often are caused by account teams coming up to speed or creating one-off digital acceleration plans from scratch.

### **Behavioral change is key.**



Organizational change management (OCM) must be more than lip service. In legacy transitions, OCM has a relatively narrow scope focused on internal client communications and new provider engagement. However, **in digital transformations, OCM plays a critical role** addressing the full range of organizational impacts brought on by transformation initiatives. With the widespread adoption of Agile and DevOps development methodologies, organizations must rethink how they operate internally – and cooperate – with service providers and internal business partners, both culturally and organizationally. This dramatically increases the breadth and importance of OCM responsibilities.

### **Business is the key stakeholder, so transition/transformation can no longer be managed behind the IT curtain.**



It is the job of IT and its provider partners to build the confidence of the product owner, typically from the business, who participates in the daily scrums and plays a role in provider governance. Business stakeholders also have a greater voice in defining service levels and are starting to ask for **outcome-focused ways to measure services and satisfaction**. IT leaders that fail to become comfortable with modernization efforts - like experience-level agreements – risk being sidelined for digital initiatives.

### **Service level agreements (SLAs) are evolving.**



Traditional SLAs focus on meeting a minimum level of service with scant attention to how services align with rapidly changing business requirements. Modern SLAs are baselined during transition and transformation and reflect a digital environment with agile metrics, such as lead time from idea to production, number of automated daily test cycles, percent of all testing that is automated, and release frequency and reduction in baseline defects. As noted above, customer experience measures are emerging as a means to ensure services meet the needs of the business. It is early days, but we can see that experience measures will supplant standard customer satisfaction metrics, as they better drive the right behaviors to achieve services conformance to the business' real needs.

The digital revolution has changed client expectations, requiring providers to rethink their approach to transition and conduct transformation in parallel.

### **The new transition paradigm requires new skills and engagement models.**



A transformation to Agile and DevOps methodology means providers must leverage frameworks and repeatable, modularized training assets that equip the newly established client-provider product teams with new ways of working. Clients count on providers to bring the requisite capability and capacity for digital toolsets, automation, microservices, and process design – as well as their experience and expertise from working with other clients. This expertise is what is needed to quickly transform an organization’s existing operating model into a multi-modal, pod-oriented organization. Providers that promise results in a few months must be able to put proven experts on the ground quickly. At all times, providers must maintain tight coordination between their “little t” transition team and “big T” transformation teams.

### **Provider OCM capabilities and track record should be in the spotlight.**



Providers must be highly skilled in how they organize and operate to take clients through the transformation journey. For highly federated clients, the provider must help drive consistent process adoption to take advantage of Agile and DevOps accelerators. To achieve the speed and alignment needed for digital transformation, some providers are modernizing their OCM methodology to reflect Agile principles; for example, OCM execution in sprints emphasizing iterative planning through regular grooming and re-prioritization of the backlog of planned OCM activities. This approach supports the best practices of agile pods themselves. ISG has seen an increasing demand for this type of modernized OCM support from clients.

### **Onboarding and establishing access to client assets requires a faster turnaround.**



Providers can no longer pull off a series of “big bang” transition wave-based onboarding actions. Instead, they must staff each transformational sprint. The ability to staff up an account team has long been a key transition risk. One leading provider has launched an Agile Academy with repeatable knowledge artifacts that accelerate onboarding of their resources, and they invite clients to join the Academy. This facilitates early collaboration so client business leaders can drive their priorities from the outset. Providers must also quickly identify and establish access to client assets, often a major challenge in transitions. Providers need to proactively engage client information security/access rights leaders for these requirements.

## Governance needs new ways to assess transition success.



Traditional wave approaches for transitions are the equivalent of batch processing, using a series of formal gates to provide assurance that the provider completed its obligations. In a combined transition and digital transformation, each body of work requires the appropriate governance approach and measurements, which may require implementing steady state agile and experience level measures to monitor progress. Or, measurement may be a hybrid model: operational components that are primarily transition-only in scope may retain traditional gating while transformation sprints may need to manage, and measure, intended versus delivered business outcomes.

## Governance for digital transformation is different, period.



The digital world of Agile development and DevOps requires a heightened commitment from providers to engage in more flexible ways with both business and IT stakeholders. Rigid managed services contract structures, while appropriate for stable operational services, constrict progress in today's accelerated pace of business and hinder the kind of integration required by digital software development. We are seeing increasing interest **in the concept of Coactive Governance** in situations in which trust and integration are key components of the operating and governance model. As noted in ISG's white paper [How to Coactively Manage the New Sourcing Relationship](#) "the 'us versus them' mentality pervasive in managed services before 2017 will fail in a model where the success of both the client and provider depends on an environment of true collaboration and trust." These behaviors must be instilled and institutionalized during the transition/transformation period.

The "us versus them" mentality simply cannot work in a model where the success of both the client and provider depends on an environment of true collaboration and trust.

The digital revolution creates the opportunity to establish a collaborative partnership that many traditional sourcing arrangements have not been able to sustain. To successfully start the transformation in parallel with familiar, legacy transition work demands strong collaboration between the client and provider.

It is critical for providers – and clients – to get this right. Managing the duality of transition and transformation – and thereby delivering both service stability and true business benefits – will solidify the provider's reputation with a client far more fully than the "table stakes" of transitioning commodity operational services governed by traditional SLAs disconnected from the speed of business.

## ABOUT THE AUTHOR

### **The Digital Revolution Demands New Thinking When Transitioning Services**



#### **BETH ANDERSON**

Beth Anderson is a sourcing transition and change management leader who is passionate about ensuring that clients are equipped to realize the full value of their sourcing relationships. Her decades of experience span IT and shared services sourcing and insourcing, managed services transition, supplier management and governance optimization, operating process alignment, retained organization design and employee readiness, and sourcing communications across multiple industries.



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