

Best Practices in Transitioning to a New Provider

Introduction

This Whitepaper is targeted to companies who have outsourced to a Service Provider and are now looking for better value, to achieve more cost effectiveness, exceed Service Levels, and gain greater operational efficiencies.

Once you've offloaded your critical environments to a Service Provider, it becomes extremely difficult to bring these workloads back inhouse, especially with the lack of available skills and talent especially supporting mainframe and legacy environments.

Clients often realize after the fact that matching cultures between the client and the Service Provider is most important. This, coupled with unexpected costs and missed Service Levels, makes diligence in selecting a new Service Provider critical.

Gartner and other industry analysts indicate that sourcing and vendor management leaders are opting to rebid service contracts and switch suppliers away from the incumbent. This is resulting in more Service Provider-to-Service Provider transitions and greater urgency to establish best practices for consistent and successful execution for the transition.

This Whitepaper is separated into four areas of concentration, plus **OUR OFFER** to you:

1. Key Take-Away's
2. Success Cases in Healthcare, Insurance, Retail, Manufacturing, City Government
3. Establishing Service Level Guidelines
4. Guaranteeing a Seamless Transition
5. Doing Your Due Diligence

Good communication continues to be the key: in both transitioning and in assuring clients that their requests are being met, and that their concerns matter and are acted upon. When transitioning from an existing provider, there are now 3 entities involved (the client, the incumbent, and the new provider). We've learned that the most successful engagements are where we are included from the beginning, and where good process and communication is encouraged.

This latest newsletter is meant to provide guidance and best practices to ensure a smooth transition, and one that is most cost effective, as we continue to provide meaningful input in helping you formulate the best decisions for running your critical business requirements. Call us today so we can help you achieve ongoing success!



“Our goal is helping you achieve ongoing success. We are proud of our reputation in good standing within the industry, and that we have never lost a client due to poor service or high costs, while we consistently earn 100% client satisfaction.”

John M. Lalli, Chief Operating Officer

1. Key Take-Away's

1. Consider a new Service Provider at least 6 months to 1 year before the end of your agreement. This will provide enough time to make transitioning seamless.
2. Select a new Service Provider with a similar culture, who can be cost effective and provide equal to or better than service levels.
3. If flexibility is important, confirm that the new Service Provider will service each of your needs when required. Rather than the big-bang approach, ensure that services are added as need, to correlate to existing contract terminations and staff retirements.
4. Make sure the new Service Provider has experience in transitioning clients from another service provider, especially a Tier-1 provider.
5. Check references, especially to make sure there was no 'nickel-and-diming' or hidden costs once the contract was executed.
6. Always put Disentanglement clauses into your contract, to ensure there is a smooth transfer arrangement known in advance.

During a recent Gartner analyst briefing, a distinguished Gartner analyst described the Disentanglement clauses in a contract in this way...***“It's like a pre-nuptial agreement. At that moment when you are so in love, prior to the marriage, you may not want to think about the 'what happens if...' scenario. But that is the best time to do it --- when things are positive and both you and your spouse want everything to work. It's the same with the disentanglement considerations, except sooner or later every contract comes to an end; hopefully the marriage will last forever.”***

- Know that the new Service Provider you select has specific experience in transitioning clients from another service provider, especially a Tier- 1 provider.
- Match cultures. Make sure your selection to a new Service Provider matches with your expectations, and your management's objectives.
- Include the new Service Provider in all discussions to establish continuity early in the process.
- Estimate the impact of the change management efforts that will be required.
- To attain the most favorable status when considering Third Party Software affiliations, utilize the advice and experience of the new Service Provider prior to negotiating with Third Party Software

providers.

- Establish a three-party governance model (you, the incumbent, and the new provider), and carefully manage the relationship with the outgoing service provider to prevent feelings of alienation and related performance issues.
- When organizations enter into new outsourcing contracts, they rarely think about how the deals will end. Many contracts with vendors do not address the inevitability of a transition, failing to specify transition requirements and costs. Ensure that there is proper Disentanglement language to ensure a smooth transition.
- Request at least 3 client references that have similar requirements, to ensure you are comparing 'apples-to-apples'.
- Or, better yet, ask us to see the provider's entire client list, so you can choose who you want to speak with!

"We were looking for a long-term partner who would go beyond what was written in the contract, and a culture fit was very important."



2. Success Cases in Healthcare, Insurance, Retail, Manufacturing, Government

Five separate IT organizations from the healthcare, insurance, retail, and manufacturing industry verticals, along with a City Government, were faced with similar challenges with the Service Providers running their critical mainframe workloads, most of whom were Tier-1 provider. Was there a way to reduce costs, and could they improve service levels and the responsiveness with their current provider?

In reviewing their alternatives, Blue Hill and other Service Providers were considered. The reasons each of these companies chose Blue Hill:

- There was flexibility in the service offerings; services would be provided as needed, to meet various timelines of lease expirations and personnel retiring

- More cost effective solution
- No “nickeling-and-diming” -- costs were predictable
- Automation was implemented and service levels improved
- Better responsiveness to the client’s needs

Healthcare

This renowned health care services company provides executives and clinicians with a broad range of tools to enhance their ability to manage key strategic, financial, personnel, and information functions. Their years of experience working with hospitals, health systems, physician practices and ambulatory surgery and imaging centers has given them information and insight to better serve their clients’ needs.

They selected a mid-size outsourcer fifteen years prior, and that mid-size outsourcer was acquired by a Tier-1 company, so the dynamics changed and they felt that they had become “a small fish in a big pond,” as their costs continued to escalate.

Insurance

For almost 200 years this insurance company provides specialty and standard commercial lines insurance products through our admitted and surplus lines insurance companies. Their vision is to create a culture of community, fairness and dedication to those we serve. They have been recognized for excellence in the insurance industry and business community for client service, community outreach and as a best place to work.

Their contract with their provider was up for renewal, and they were getting tired of being “nickeled-and-dimed”.

“Blue Hill saved us over 30% on our operating costs, the service improved, and so did the responsiveness to our requests. It worked out very well.”

Retail

This company is one of the most innovative in the retail specialty marketplace, known for fresh, on-trend ideas and products. Their consumer- focused approach to product development has made them leaders in their specialty areas. Their USA production comes out of their southeast location, along with offices in New York City, and they are owned by a European company which operates more than 500 specialty stores.

They had been outsourced for many years to a Tier-1 provider, who continually raised their rates until the cost was too burdensome. Additionally, they were very familiar with the technical teams from Blue Hill, who had previously worked at this Tier-1 provider and had migrated and supported their environment in the past.

Manufacturing

“Moving to Blue Hill saved us over 40%, and they provide a much better fit.”

Since the early 1900’s this global leader in automobile manufacturing and distribution has grown significantly and is highly regarded for innovation in the marketplace. They conduct business worldwide and have a major presence in the United States.

Through a divestiture with another manufacturer, they were forced to outsource their mainframe environment a number of years ago. At that time, they had met with Blue Hill and other providers, but decided on a Tier-1 provider. When the contract was up for renewal years later, they reached out to Blue Hill and inked the deal; there was new management in place, they were able to reduce their operating costs substantially, and they trusted the technical expertise and responsiveness of the Blue Hill team.

“We were looking for a long term partnership that goes beyond what’s written within our contracts. We appreciate the length of time the Blue Hill team has been working together, the depth of their knowledge and skills, and their willingness to go the extra mile and act as an extension of our team.”

City Government

This City combines small-town accessibility with big-city services, with a central location among the population centers of the Northeastern United States, innovative foundations, and a host of colleges and universities.

The City liked that Blue Hill would be flexible with the services required, that they could start out with Remote Systems Administration, and then add Mainframe DR Services, and eventually have IBM Mainframe Hosting and Support Services - to meet their objectives:

- A more cost effective and low risk hosted solution.
- A robust solution having sufficient longevity so that mainframe operations are sustained while legacy applications are migrated to new enterprise solutions.
- A seamless transition of day-to-day operations.
- Improved process efficiencies.
- Flexible future costs that offer decremental pricing options.
- Accommodate the reductions in mainframe software, third party software and hardware resources as applications are moved off the mainframe to enterprise solutions.
- Improved Disaster Recover capabilities by moving to a dedicated DR solution with acceptable test results.

3. Establishing Service Level Guidelines

Often, if this is the first time you have engaged outside help for supporting your data center environment, you will need to establish Service Levels to meet the individual needs of each business unit within their company.

Factors for evaluating the Service Provider's capabilities to deliver service include:

- Confirming where services are being delivered from, by whom, and for what cost: clients embarking on an outsourcing engagement often have no prior experience with outsourcing, and need to build up trust to ensure that the Service Provider will act on
- their behalf at all times as if they were an extension of the company's data center team.
- Is it necessary to have all services delivered from On-Shore USA? Will language barriers result in poor follow through, resulting in slower turnaround?
- Is 24/7/365 fully staffed and on-premise a requirement?
- Are services provided by the Service Provider's employees, or by consultants, using NEC and H-1B's?
- Does the Service Provider have the appropriate technical and security credentials required to run your mission-critical systems?
- What security measures are taken to ensure you will be running in a secure environment?
- What security audits are completed (SOC2 TYPE2 {SSAE 18}, PCI-DSS Data Center Security), and how often?
- Are background checks completed on a regular basis to ensure the people supporting your environment can be trusted?
- Will there be Change Orders once the contract is executed? Or, will you be "nickel- and-dimed" for every request, whether it is minor or major?
- How flexible is the working arrangement? Does everything have to be in writing, or can requests be taken over the phone?
- What is the process for understanding the operational output of requests and problem solving?

To guarantee success in meeting the expectations of the business units, SLAs (Service Level Agreements) become a big factor within the engagement.

- The Service Provider must possess the right skills, resources, and experience to help reduce the uncertainty, worry, and fear of losing control that you may initially have.
- Look for a designation of responsibilities for each service level.
- Confirm clear reporting structures for incident management and escalation procedures.
- Determine if there is a communication methodology to ensure metrics are being met and reported on a daily, weekly, monthly, and quarterly basis, dependent on the management level reviewing this reporting.



4. Guaranteeing a Seamless Transition

How do you ensure the Service Provider you select will deliver a seamless transition, one that you begin reaping the benefits on Day 1 after the migration?

We've all heard the horror stories from clients who selected a Service Provider with the expectation of migrating over in an acceptable timeframe, only to learn that months after the migration there remained details with end users needing to be worked out.

One of the key areas to look for is whether the Service Provider requires that your environment to be upgraded to the latest hardware and software levels –as well as switching software products that will change the way your end users are used to working.

Larger Service Providers often require that the client change to a prescribed way of operating, which means your end user community will be forced to do things very differently from the way they were used to running.

We have found that there is much less risk and a smoother transition if you are not forced to change how you are used to running your business systems, because people don't have to learn new ways of doing things. The transition and migration process is most successful when no changes are introduced. Run as is, and then improve over time. This results in a smoother transition because processes are remaining the same through the migration period.

"It was one-stop shopping for us. The Blue Hill team were able to meet all of our requirements, and also save us money. It was a win-win."

Doing Your Due Diligence

Ask to see a full copy of the Service Providers' client list, by size of environment, and then select those clients as references. As part of the reference checking process, ask about planning process and execution during the transition, and how effective the communications were.

Additionally, talk to industry analysts to ensure that the Service Provider will deliver on time and on budget, and that their experience and technical expertise is solid.

In a nutshell, the most important factor in selecting a Service Provider to maintain your business critical mainframe systems is to understand the relationship the Service Provider has with all of their clients.

Our Offer to You

Schedule an appointment today to speak directly with our Chief Technology Officer, who will take the time to understand your environment, for both infrastructure and applications support, to include:

- Hardware and software commitments
- Network and security requirements
- Staffing and support
- Disaster Recovery and Business Continuity
- Risks associated with current operating practices
- Contractual obligations
- Business goals
- Timing

Our Commitment to You

For commercial and government clients invested in business-critical Mainframe systems who need to reduce and find more predictability in operating costs needed to maintain their environments, while also de-risking the realities of retiring workforce, Blue Hill Data Services offers proven mainframe stewardship and modernization via personalized solutions and action plans designed to impact short-term needs and build more transparency into long-term planning.

For our clients, this means greater flexibility in both contracts and solutions, service levels that are equal-to-or-better-than what they currently have, and significantly increased confidence that their mainframe environments are cost-optimized and operationally healthy for as long as they need them to be.

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