

Effectively renegotiating with New & Incumbent BPOs to meet changing business needs

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BAE Systems



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Introduction

BAE Systems

- A big Aerospace & Defence company
- >100,000 people globally; 35,000 in the UK (10 business units)
- Federated management structure & style

Shared Services

- Created in 2001 as a Business Unit – P&L and Balance Sheet
- Mainly UK focussed, some Global mandates
- Support and Specialist services
- Major outsourcing contracts; IT, HR, Recruitment, Indirect Procurement, Facilities Management

Mark Reason

- Commercial Director, also cover Business Development, Business Improvement, Strategy and Project Management
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Plan for change

- Recognise that something will change during the course of the BPO contract
 - Company shape/organisation
 - Business requirements
 - State of the art
 - Shared view of the starting point – manage expectations
 - What is driving you NOW
 - What future changes/trends are FORESEEN
 - Understand the BPO dynamic
 - Provide for change
 - Flexible contract
 - Identify known solutions where possible
 - Agree process to address other issues
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Know yourself, know the market

- Link between “service strategy” and “contract management”
 - Spot changing business needs early
 - Keep on target
- Requirements capture – sufficient & appropriate detail
 - Map back to business needs
- What is on offer, what does good look like?
 - Don't rely on a BPO for innovation!
 - Get help

Ultimately you have to be an intelligent customer.

ITO Case Study – 2004/6

Starting Point

- Long standing, embedded relationship (1994, renewed 2000)
- All services bundled under same terms

Case for change

- Contract due to expire
- Contract structure out of date and inflexible to business needs

Process

- Scenario modelling
- Tested market appetite
- Engaged expert
- Set hurdle test – only one chance for incumbent
- Incumbent met hurdle

Outcomes

- Acted as wake up call
 - Not all contract flexibility used so far
 - Mid term contract review confirmed that business needs largely met
 - Caused internal Governance processes to be addressed
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HRO Case Study – 2005/7

Starting Point

- Early example of broad service HRO – JV model
- Transferred “as is” service
- Single fee structure – subject to internal allocation

Case for change

- Need for properly defined, discrete services
- Cost transparency and control for business units
- Cost transparency for HRO to help 3rd party offering

Process

- Identified mutual benefit of change
- Total price to remain same
- Engaged expert
- Became linked to exit from JV structure

Outcomes

- Transition to transactional pricing challenged our forecasting and governance processes
 - Transformed suppliers behaviour – more commercial
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RPO Case Study – 2007/8

Starting Point

- Part of renegotiated HRO contract – why change?
- Longstanding concerns over the service
- Metrics largely being met!

Case for change

- Service not meeting business needs
- Service model not state of art

Process

- Negotiated exit with compensation
- Engaged expert – what does good look like
- Deep dive review of process
- Cross-BU working group
- Competitive RFP process

Outcomes

- Forced to address internal processes
 - Adopted best fit service
 - Compensation hurt!!
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Conclusions

- Change is inevitable
 - Do your homework
 - Create the right relationship with the BPO
 - Create realistic competitive tension
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