# TRANSFORMING A BACK-OFFICE FUNCTION: LESSONS FROM BAE SYSTEMS' EXPERIENCE WITH AN ENTERPRISE PARTNERSHIP [1]

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## Executive Summary

*Senior executives continue to seek ways to transform back-office functions, such as information technology, human resource management, finance, and accounting. Can these functions be managed to simultaneously reduce costs and improve service?*

*Historically, senior executives have taken four approaches to transformation: do-it-yourself, management consultants, fee-for-service outsourcing, and even the occasional joint venture. While these approaches remain viable for various contexts, a new one has emerged that warrants attention: the enterprise partnership, where a customer and supplier create a jointly owned enterprise that both services the customer investor as well as seeks external customers. However, this is not a traditional joint venture with equally shared risks and rewards. Rather, the supplier bears more risk and the primary purpose of the enterprise is to service the customer investor. The enterprise partnership addresses the lack of alignment in fee-for-service outsourcing while minimizing the customer risks of a joint venture.*

*This paper discusses pros and cons of all five approaches. It then illustrates the new enterprise partnership model by presenting the human resource management partnership between BAE Systems and Xchanging. It concludes with ten lessons for selecting and managing back-office transformations. Many of these lessons are intriguing because they seem to counter common wisdom, such as selecting a supplier with generic business competencies rather than domain specific knowledge, selecting a culturally "incompatible" supplier, and delaying due diligence until after the deal is underway.*

## A MAJOR TREND: TRANSFORMING BACK-OFFICE FUNCTIONS

Given the global economic recession, senior executives more than ever are seeking ways to radically reduce the costs and improve the service of back-office functions, such as information technology (IT), human resources (HR), finance, and accounting. Brave CXOs are not satisfied with incremental improvements to a few processes. They want organizational reformation and cultural revolution in back-office functions.

Consider, for example, Bank of America. Over the past decade, the bank grew by acquisitions, which resulted in over-staffed, idiosyncratic, duplicate, and incompatible back offices. In HR, executives believed they could achieve significant savings through centralization, standardization, and downsizing. They chose to transform their HR operations by partnering with a start-up company, Exult. The bank took an equity stake in Exult in exchange for guaranteed cost savings and significant improvement in HR services, largely enabled by Exult's proprietary eHR platform. The deal, worth about $1.1 billion over 10 years, also provides Bank of America with shares in Exult's revenues from external customers. Thus far, Exult has won significant contracts beyond Bank of America,

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[1] Jack Rockart was the senior editor accepting this paper.

including a $700 million deal with Prudential Financial and a $600 million deal with International Paper.[2]

Bank of America could have performed the transformation itself. Or it could have pursued other approaches, such as contracting with management consultants or fee-for-service outsourcers. But given the risks of these approaches, Bank of America instead chose an approach that more closely aligned customer and supplier incentives through equity sharing.

We have seen equity sharing before in such IT outsourcing deals as Commonwealth Bank-EDS, Swiss Bank-Perot Systems, and Lend Lease-ISSC. Equity sharing represents one step toward the sort of relationship described in this paper—the enterprise partnership. But an enterprise partnership goes beyond equity sharing by creating a unique partnership business for each major customer, with its own joint board of directors, service review board, technology review board, and shared business plan.

# FIVE APPROACHES TO TRANSFORMING BACK-OFFICE FUNCTIONS

The goal of a back-office transformation is to radically reduce costs and improve service. The practices to achieve these results normally include centralization, standardization, re-orientation of staff, and process redesign. In considering which back-office transformation approach is best suited to an organization, CXOs should consider the skills and resources needed to implement these new practices, such as upfront investment in technology and physical facilities, proven management capability, and effective and strongly motivated staff. Furthermore, they should consider which transformation approach is politically feasible with the stakeholders, including senior management, business unit directors, process directors, process staff, and of course, the large body of users.

We have identified five approaches to transforming back-office functions. Three are fairly typical: do-it-yourself, management consultants, and fee-for-service outsourcing. A fourth is used occasionally: a joint venture. Most CXOs are familiar with these four. The fifth is very new: enterprise partnership.

All five approaches have benefits and risks, as shown in Table 1 (benefits) and Table 2 (risks). These tables present the potential benefits and risks as viewed by BAE Systems and other companies we have studied. The tables are meant to serve as templates to help CXOs structure their debates on the relative merits of the five approaches. We briefly highlight some significant differences among the five below.

**Do-It-Yourself.** This approach scores high on retaining control and keeping the value of the transformation within the company. But to succeed, it requires both funding and appropriate skills, which may be lacking. It is also the option most likely to encounter internal resistance if senior management does not give a clear signal of its importance. When other internal efforts are more important, management may not provide this signal.

**Management Consultants.** This approach shares three major benefits with the other approaches that draw from outside the enterprise. First, it brings in external energy. Second, management gives a clear signal of commitment to the transformation by bringing in outsiders. Third, that commitment reduces political resistance.

But this transformation approach does have several major risks. The two most significant ones are potential cost escalation and lack of sustainability because the supplier has no long-term commitment. The result can be a reduced sense of accountability and a lack of alignment between the parties. Furthermore, expertise and knowledge leave when the consultants leave.

**Fee-For-Service Outsourcing.** This approach also has the benefits of bringing in an outsider just noted. It almost always also guarantees one-time savings and on-going cost and service improvements. However, the long-term relationship can be a difficult one. Once the contract is signed, buyer and seller incentives do not align, and power shifts to the supplier, which can lead to premium prices for additional work, reduced levels of attention from the supplier as time goes on, and an overall deterioration of the relationship into an "us-versus-them" mentality.

**Joint Venture.** As the tables suggest, a joint venture solves some of the relationship problems through a shared board of directors and a sharing of profits. However, power asymmetries still exist and most of the joint ventures we studied do not guarantee sustained improvement. Instead, they rely on nebulous notions of partnership, which can lead to real discomfort between the partners—especially if costs escalate. One cause of higher costs can be the service and sys-

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| Table 1: Major Benefits of Five Back-Office Transformation Approaches | | | | |
|---|---|---|---|---|
| **Do-it-Yourself** | **Management Consultants** | **Fee-for-service Outsourcing** | **Joint Venture** | **Enterprise Partnership** |
| Realization of all cost benefits internally | Infusion of external energy and capabilities | Infusion of external energy and capabilities | Infusion of external energy and capabilities | Infusion of external energy and capabilities |
| Easiest model to sell to internal organization | Ability of outsiders to bypass political resistance | Ability of outsiders to bypass political resistance | Ability of outsiders to bypass political resistance | Ability of outsiders to bypass political resistance |
| Under complete in-house control | Clear indication that management is committed to transformation | Clear indication that management is committed to transformation | Clear indication that management is committed to transformation | Clear indication that management is committed to transformation |
| | Most scalable solution among transformation approaches involving outsiders | Guaranteed cost and service improvements for predefined baseline services | Promotion by Joint Board of Directors of customer participation and oversight | Guaranteed cost and service improvements for 5 years on both identified baseline services and discovered services |
| | | One-time savings achieved upfront | Customer sharing in any additional revenues obtained from external sales | Guaranteed cost-plus pricing on new services |
| | | Potential for upfront investment by supplier | | Upfront investment made by supplier |
| | | | | Promotion by Joint Board of Directors, Service Review Board, and Technology Review Board of customer participation and oversight |
| | | | | Customer sharing in any additional revenues obtained from external sales |

tems the venture seeks to exploit: They may not fit the needs of other customers.

**Enterprise Partnership.** With an enterprise partnership, customer and supplier create a jointly owned enterprise that both services the customer investor as well as seeks external customers. But this is not a traditional "joint venture" with equally shared risks and rewards.

In our view, there are four main differences between a joint venture and an enterprise partnership. The first difference is the primary purpose for joining together. With an enterprise partnership model, the main focus is delivering cost savings and better services to the customer investor. The customer's back office is not world-class, so it seeks a supplier to help transform the function through better management, better IT systems, and better processes. External sales are merely a bonus. In a joint venture, on the other hand, the primary purpose is revenue generation through sales to third parties. Essentially, the customer views its function as world-class and believes it can gain

### Table 2: Major Risks of Five Back-Office Transformation Approaches

| Major Risks | Do-it-Yourself | Management Consultants | Fee-for-service Outsourcing | Joint Venture | Enterprise Partnership |
|---|---|---|---|---|---|
| **No investment by Senior management in a non-core area to complete the transformation** | **HIGH** must obtain internal funding for entire transformation | **MED** must obtain consultant's fee | **VARIES** by how much investment is negotiated by parties | **VARIES** by how much investment is negotiated by parties | **LOW** supplier makes most of the investment |
| **Lack of empowerment or skills to complete transformation** | **HIGH** lack of empowerment and skills of internal staff to make the quantum changes required | **LOW** supplier experts manage the transformation | **MED** depending on how much expertise supplier devotes to contract (typically customer only has approval of supplier account manager) | **LOW** customer and supplier select management team | **LOW** customer and supplier select management team; supplier experts manage the transformation |
| **Cost escalation due to unbridled demand, power asymmetries allowing the supplier to premium price add-ons, and discovery of previously hidden spending.** | **LOW** demand restricted by amount of internal resources | **HIGH** mostly from premium add-ons | **HIGH** one of biggest risks realized among fee-for-service customers; all sources of cost escalation evident | **MED/HIGH** one of biggest risks realized among JV customers but Joint Board of Directors helps to mediate power asymmetries | **MED** cost savings on undiscovered spend guaranteed; Joint Board of Directors, Service Review Board, and Technology Review Board help bridle demand; add-ons are pre-priced at cost-plus percentage and monitored with open-book accounting |

more revenue by selling to competitors than by keeping the advantage to itself. It seeks a supplier to help with commercialization. In our experience, however, the venture often becomes so preoccupied with providing service to the customer investor that it has no resources for external sales. In instances where customers truly have had a competitive offering, a spin-off has been a more successful vehicle for creating a venture, such as American Airlines' spin-off of SABRE.

The second difference between the two approaches is the division of risk. In a joint venture, the customer

and supplier share risks and rewards in proportion to their initial investments. In an enterprise partnership, the customer bears less risk than the supplier because the customer receives guaranteed rewards, even if the supplier has to deliver the rewards at the expense of its own profitability.

The third difference is that while governance is shared in an enterprise partnership, the supplier becomes responsible for management and operations of the new entity. In a joint venture, this is not normally the case.

## Table 2 (cont): Major Risks of Five Back-Office Transformation Approaches

| Major Risks | Do-it-Yourself | Management Consultants | Fee-for-service Outsourcing | Joint Venture | Enterprise Partnership |
|---|---|---|---|---|---|
| **Internal resistance from business units to centralize back office to achieve cost cuts** | **HIGH** easy to sabotage projects led by back-office managers | **MED** depending on whether momentum is lost once consultants have vacated | **LOW** resources now owned by supplier | **LOW** resources now owned by the venture | **LOW** resources now owned by supplier |
| **Internal resistance from business units to standardize back office to achieve cost cuts** | **HIGH** easy to sabotage projects led by back-office managers | **MED** depending on whether momentum is lost once consultants have vacated | **MED** users can request customization, which supplier will gladly grant for additional price | **MED/LOW** users can request customization for additional charge; but Joint Board of Directors should ensure customer oversight that requests are value-added | **LOW** supplier can only meet P&L targets through standardization; all requests to customize must be approved by Service Review Board |
| **Lack of sustainability of one-time results** | **MED** depending on whether new structures and processes become institutionalized | **HIGH** consultants eventually vacate | **HIGH** most customers complain that momentum wanes after 3 years | **HIGH** most JVs in IT we studied do not guarantee sustained improvements but instead rely on nebulous notions of partnership | **MED** structure of contracts guarantees cost savings and service improvements for at least 5 years |
| **No/little accountability or ownership of outcome by supplier** | **N/A** | **HIGH** time and materials contracts require little accountability | **LOW** if service levels and penalties for non-performance are well-defined and measured | **MED** service levels are frequently defined but penalties often are not | **LOW** if service levels and penalties for non-performance are well-defined and measured |

The fourth difference is in the asset base. In a joint venture, the technology and people transferred to the new unit have previously been delivering a company-specific 'product.' The investment required to transform that product into a competitive one may well be ten times the initial value—a cost the customer is typically not willing to incur for an uncertain outcome.[3] This issue has not been relevant in the enterprise partnerships created by Xchanging, or in the partnering forms adopted by Exult, because both developed technology with the intent of commercializa-

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[3] Lacity, Mary, and Willcocks, Leslie, *Global IT Outsourcing: Search For Business Advantage*, John Wiley and Sons, Chichester, 2001.

| Table 2 (cont):  Major Risks of Five Back-Office Transformation Approaches | | | | | |
|---|---|---|---|---|---|
| **Major Risks** | **Do-it-Yourself** | **Management Consultants** | **Fee-for-service Outsourcing** | **Joint Venture** | **Enterprise Partnership** |
| **Supplier maintains key knowledge that is not transferred to customer** | N/A | **HIGH** suppliers vacate | **MED** top talent may not remain on customer account | **MED** top talent may not remain on customer account | **LOW** transferees are fully trained in new culture, services, and processes |
| **Customer and supplier incentives are not truly aligned** | N/A | **HIGHEST** risk, but consequences are smaller due to project work | **HIGH** every dollar from customer's pocket is a dollar in supplier's pocket | **MED** conflicts can arise between maximizing venture's profits and minimizing customer investor's costs | **MED** conflicts can arise between maximizing enterprise's profits and minimizing customer investor's costs |
| **Inability of customer to manage long-term relationship with supplier** | N/A | N/A | **HIGH** one of the major problems experienced with this approach, relationship often deteriorates into us/them mentality. | **MED** governance structure requires long-term joint customer and supplier participation, decision making, and problem solving. | **MED** governance structure requires long-term joint customer and supplier participation, decision making, and problem solving. |
| **Business model too dependent on revenues from external customers, which may not materialize** | N/A | N/A | N/A | **HIGH** particularly if venture is relying heavily on customer's idiosyncratic resources for competitiveness | **HIGH** although partnership's resources are based on supplier's templated technology, it still does not guarantee competitiveness in the open market. |

tion. Thus, their eHR platforms are modular and use templates for tailoring to specific customers.

To illustrate these and other distinctive features of back-office enterprise partnership, we now describe the transformation of the BAE Systems HR function.

# BAE SYSTEMS ENTERS INTO AN ENTERPRISE PARTNERSHIP TO TRANSFORM ITS HR FUNCTION

British Aerospace was formed as a government-owned enterprise in 1978 from a group of independent companies in the United Kingdom (UK) aerospace industry. It brought together businesses that built military aircraft, commercial aircraft (through its shares in Airbus), Jetstream (commuter aircraft), Dynamics

(missiles), and Royal Ordnance (weapons). Since its inception, BAE fostered the independence of its operating divisions. Business units had historically been in charge of their own profitability and support services, including IT and HR. The decentralized culture was felt to be necessary because each strategic business unit (SBU) operated under drastically different production, marketing, and legal environments.

In the early 1990s, due to the end of the cold war and the economic recession, BAE suffered a major loss of sales. To improve profitability, senior management focused on its aircraft core competencies and divested non-core divisions. It refinanced the company and outsourced some back-office functions, such as IT. And it reduced headcount by 21,000 employees. As a result, profitability increased to £230 million on £11 billion in sales in 1994. But in 1997 and 1998, sales growth stagnated.

To expand its global markets, in January 1999 British Aerospace and GEC's Marconi Electronic Systems proposed a merger, to be called BAE Systems. Investors were promised synergies from the merger and annual cost savings over £275 million within three years' time. While BAE Systems would continue to invest in its core capabilities in military aircraft,

weapon systems, nuclear submarines, and large commercial aircraft, all support functions were mandated to deliver significant cost savings. Today, BAE Systems has some 40,000 employees.

## The Challenge: How to Cut HR Costs While Maintaining Service Levels

BAE Group HR Director Terry Morgan, was charged with delivering a minimum of 15 percent cost savings, along with a stretch target of 40 percent savings on an estimated annual HR internal spend of £25 million. But he was also charged with maintaining the same level of services. At that time, Group HR was a small department that focused on senior pay and benefits, senior-level development, and organizational design. Nearly all the other HR employees, around 700 people in all, were in the SBUs. They performed transactional activities such as payroll, benefits administration, recruiting, and training, as well as professional services, such as training design, industrial relations, and HR procurement (See Figure 1).

Morgan believed the only way he could deliver the mandated cost savings was to centralize much of HR into shared services. He assembled a team to investigate the shared services concept, including people



Figure 1: BAE Systems' Vision for Transforming Human Resources
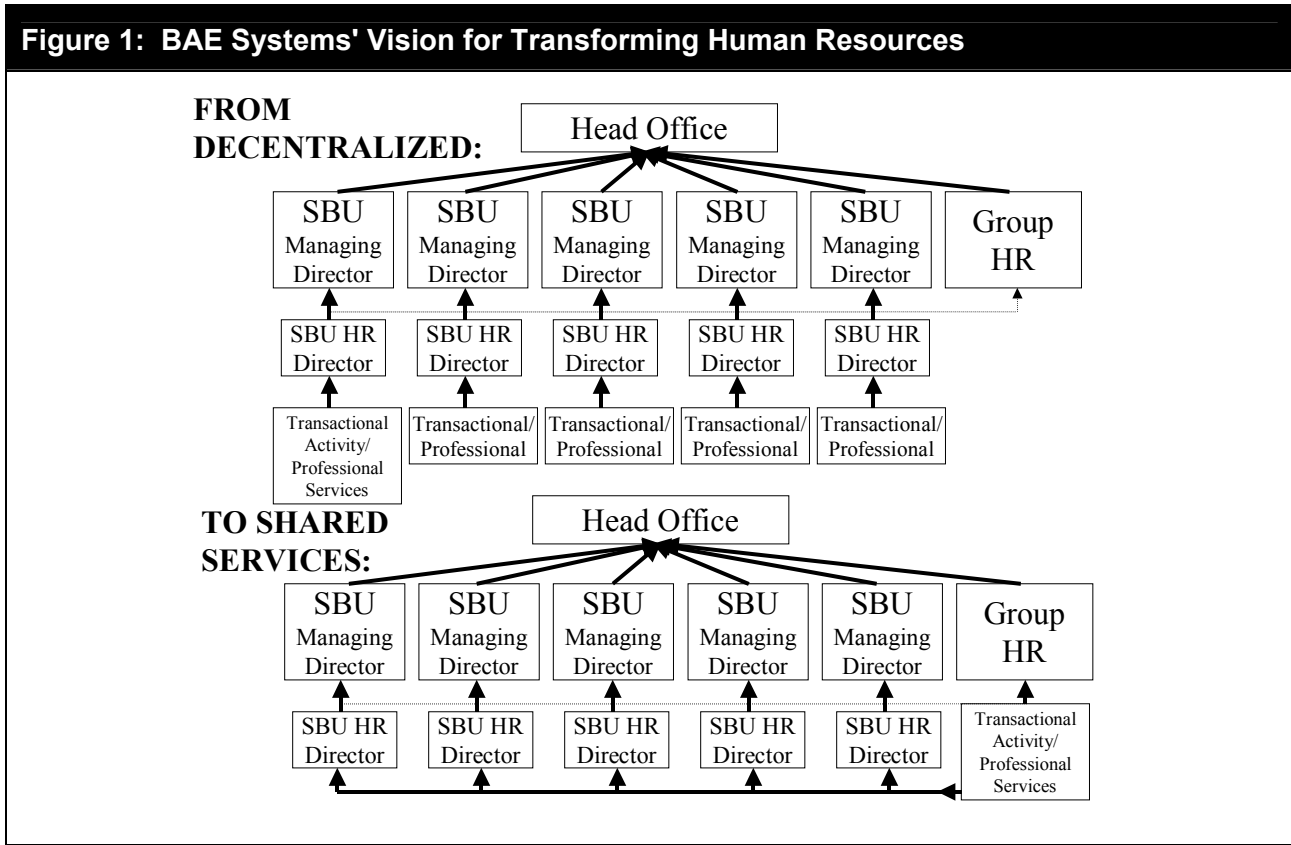
interviewed for this case (See Appendix A for a full list of interviewees.)

Chris Dickson, who was responsible for senior management pay and benefits in the HR head office, led the team evaluating the shared services concept. According to Dickson, the team believed that 80 percent of HR was probably transactional activity, while only 20 percent was strategic or core. Thus the team proposed a design of HR shared services that entailed a significant centralization of HR headcount and resources, leaving only HR directors and small HR teams in the SBUs.

# REJECTING THREE TRADITIONAL TRANSFORMATION CHOICES

Initially, the HR team rejected three common possibilities for implementing shared services: doing it themselves, hiring management consultants, or outsourcing the transactional activity, for the following reasons:

**Do-It-Themselves.** The major benefit of doing it themselves would be to benefit directly from the savings without sharing them with a third party. For this reason, many business unit managers preferred this option over hiring outsiders:

> *"My initial feeling was, why can't we do this ourselves? If we can do it ourselves, it might be a better proposition because we are not giving half of the savings away."* – David Bauernfeind, now CFO of the enterprise partnership 'XHRS' and previously Divisional Finance Controller at BAE Systems and on the team evaluating the shared services concept

However, there were three major impediments to doing it themselves. First, creation of shared services would require a significant investment in facilities and Web-based technology, known as eHR. Given senior management's penchant for costing cuts, as well as their preference for investing only in core businesses, the HR team knew a request for HR capital funding would probably be rejected. Second, because the business unit managers would resist giving up resource control, the team anticipated significant political resistance. A project led by in-house back-office managers might be sabotaged. Third, senior management viewed the internal HR staff as lacking the power, enthusiasm, skills, and mentality to drive such a drastic change forward. This view was not a reflection on the HR individuals themselves, just a recognition that most HR personnel historically had been treated, and thus subsequently behaved, as "nine-to-five" back-office staff. Clearly, the team saw the need for an infusion of external energy, experience, and skills.

**Management Consultants.** The HR team considered whether to hire outside management consultants to manage a one-time, big-bang implementation project. The benefits would be the necessary infusion of energy and skills, and the ability of external managers to bypass internal politics by having a direct conduit to senior management. Furthermore, by bringing in prestigious consultants, senior management would signal to the organization that they were committed to the project. But the HR team foresaw major risks that they had previously experienced with other consultants: high costs, lack of accountability for and sustainability of results, and lack of skills transfer.

**Fee-for-Service Outsourcing.** The HR team did not seriously consider a traditional fee-for-service outsourcing option because of the problems BAE Systems had encountered in prior supplier relationships. Fee-for-service outsourcing could provide many benefits. It could infuse energy and skills from the outside and provide the means to bypass internal politics. It could send the clear message that services would be centralized. It could yield upfront savings. And it could make the supplier accountability for results. But BAE Systems foresaw at least three negative consequences: costs could escalate due to unbridled demand, cost savings and service levels might not be sustainable, and power could shift in favor of the supplier.

With some prior outsourcing deals, BAE Systems found that once central control of the budget was gone, demand for services—and thus costs—ran amuck. For example, since outsourcing IT in 1994, some business managers have complained that their information technology (IT) costs have become too high. But much of those higher cost is attributed to BAE Systems' greater reliance on IT in the design and manufacture of aircraft—a rationale that is often neglected when discussing IT cost escalation.

BAE Systems management also has seen lack of sustainability in fee-for-service outsourcing. While the company had enjoyed initial one-time, upfront savings with many of its outsourcing deals, some suppliers over time lacked incentives to sustain innovation, to improve service, or to share additional cost savings with BAE Systems. The upfront lengthy contract negotiations had been designed to prevent such deterioration of service, but the fact remained that customer and supplier incentives were never adequately aligned with fee-for-service outsourcing. Supplier margins were based on squeezing as much profit as possible

from baseline service definitions while encouraging significant contract additions from decentralized users.

The final negative consequence BAE Systems had experienced in fee-for-service outsourcing was that negotiating power shifted to the outsourcing supplier. BAE Systems found it very difficult to award contract add-ons to alternative suppliers because the technologies and services had become so highly integrated. Thus, the outsourcer could charge premium prices for add-ons.

The fourth of our transformation approaches—a joint venture—was not seen by BAE Systems as a sensible option for HR transformation. But, in the midst of debating the first three options in early 2000, a serendipitous alternative emerged: an enterprise partnership.

### Choosing the Enterprise Partnership Approach

David Andrews, CEO and founder of a newly formed company, Xchanging, proposed that BAE Systems and Xchanging form a fifty-fifty jointly owned enterprise. The enterprise would operate as a strategic business unit within Xchanging, giving Xchanging the responsibility and accountability for implementation and subsequent operations. But both BAE Systems and Xchanging would sit on the board of directors to ensure continued customer involvement and oversight. The enterprise would initially behave as a traditional outsourcer by transferring BAE Systems' HR assets and personnel to the enterprise governed by a ten-year contract. The enterprise, in turn, would implement the shared services concept and deliver HR services to BAE Systems. In the long run, the enterprise would further leverage its HR assets and personnel by attracting external HR customers. Profits would be shared 50/50 with BAE Systems. Andrews also promised the following:

- To transfer top talent to the enterprise to ensure the necessary infusion of experience, energy, and competency

- To deliver guaranteed minimum cost savings for five years to BAE Systems in the form of a rebate

- To invest $25 million in technology, primarily to implement eHR

- To provide warrants in Xchanging, which could be very valuable if and when Xchanging went public

In concept, this option offered significantly more benefits over the other options, while mitigating their negative consequences. Chris Dickson and his colleagues were immediately attracted to the Xchanging partnering approach. But there was an obvious risk: As a start-up company, with no existing revenue stream, there was high potential that Xchanging would experience financial difficulties in its first few years.

On the other hand, the HR team was impressed by Xchanging's finances. General Atlantic Partners had provided £60 million in venture capital, so Xchanging had cash to develop its business. The HR team was also impressed with Xchanging's world-class executives. As one team member noted:

> *"Are these people winners or losers? You just couldn't form any view other than these people are going to be winners." – David Bauernfeind, CFO, XHRS*

Thus, BAE Systems deemed an enterprise partnership to be its best approach. But BAE Systems decided to invite a counter bid from another supplier to compete with Xchanging. The main difference between the two suppliers was their proposed handling of transferred employees. Xchanging proposed to accept all the existing HR personnel BAE Systems identified for transfer. In contrast, the alternative bidder proposed to use its existing service center staff, with very few BAE Systems transfers. Xchanging's proposal was an easier political sell to the unionized HR staff because the chances for continued employment were greater with Xchanging.

In June 2000, a Letter of Intent was signed with Xchanging. BAE Systems would retain HR strategy, executive recruiting and development, organizational design, and other strategic HR activities. Originally, the HR team planned to transfer all transactional and professional HR activities to the partnership. But negotiations with division managers proved long and difficult. These managers wanted to retain nearly 40 percent of the targeted 20 percent of HR staff. The final agreement with this smaller scope was finally signed on February 22, 2001, to be effective May 1, 2001. The enterprise partnership is called XHRS.

## CONTRACT OVERVIEW

The BAE Systems-Xchanging HR contract is worth at least £250 million over ten years. From a BAE Systems' perspective, all cost savings will be shared 50/50 in line with the ownership structure. However, a proportion of these savings will be guaranteed with only Xchanging at risk. In the first year, Xchanging guaranteed an agreed percentage savings, with the guaranteed level then increasing for the next four years. After five years, BAE Systems and Xchanging

will re-base the price using a cost-plus model for the remainder of the ten-year contract.

Much of the contract specifies how the parties will govern the enterprise, including the identification of three boards: a Board of Directors, a Service Review Board, and a Technology Review Board.

The *Board of Directors*, which meets quarterly, is composed of both Xchanging executives and BAE System HR executives and non-HR managing directors. Xchanging has the majority of board members to ensure operational control.

The *Service Review Board*, which has equal membership, is charged with ensuring excellent HR service by monitoring service delivery and quickly remedying service problems. A service problem escalated to this board requires an action plan to remedy the situation within three months. This board has enforcement powers through its ability to reduce prices. Its ultimate sanction is its ability to oust XHRS's CEO for permitting continual poor performance.

The *Technology Review Board*, also jointly populated by Xchanging and BAE Systems employees, ensures that Xchanging makes the promised $25-million investment in technology and eHR.

The contract also states that Xchanging will provide the "as is" service, which is measured during the first phase of implementation and establishes the baseline for future comparisons. Xchanging is to upgrade the quality of this baseline service to be in the top 25 percent of a specified external benchmark by the end of year five.

The contract identified 462 BAE Systems people to transfer to Xchanging, along with another 53 positions to be filled.

## Implementing the Enterprise Partnership: May 2001 – December 2002

Between May 2001 and December 2002, Xchanging successfully:

- Transferred and reoriented BAE Systems' employees

- Created and gained approval for around 400 detailed service definitions

- Created a second enterprise partnership to manage £80 million in indirect HR spending

- Delivered web-based eHR

- Built and occupied a new XHRS shared service facility

- Reorganized HR into shared service streams, and

- Began redesigning business processes.

Each of these activities is explained in more detail.

**Transferred and Reoriented Employees.** In May 2001, 462 BAE Systems employees were formally transferred to XHRS. Their arrival was celebrated with a major launch event. Richard Houghton, CEO of XHRS, described the exciting opportunities the employees would experience because they now worked in a profit center. The transferred employees then attended a three-day induction training, which included presentations by all XHRS' management and described their new roles in developing XRHS. The training not only served to invigorate the transfers but also to explain the realities of working in a commercial enterprise:

> *"We started by saying, 'These are the cost reduction commitments. We'll have to double productivity in five years. In so far as we can off-set that through third-party revenues by effectively using spare capacity to deliver services to third parties, we will. But that's what we are going to do.' " – Richard Houghton, CEO, XHRS*

**Created around 400 detailed service definitions.** As promised in the contract, Xchanging created 400 service definitions within the first six months of operation, spanning 8 service classes:

1) Reward and recognition

2) Learning and development

3) Resource management

4) Employee documentation

5) HR information services

6) International resources

7) Pension management

8) Advisory and support services

The completed service definitions, which were ratified by the Service Review Board in October 2001, became the basis for both parties to measure performance. From BAE Systems' perspective, HR service has already improved:

> *"I do think that the service from a process control point of view has improved extraordinarily. I think Xchanging really does have the right processes in place. They really know what they are doing on that. I have seen transformation in some of the people in XHRS, especially the customer relationship managers who never interacted with the busi-*

*ness as they are doing now. They have become a lot more professional. They are a lot more understanding of what drives a business. They understand the cost base and how you actually get value out of a business. It's been quite a nice surprise to see that happen and to see that happen so quickly."* – Kim Reid, HR Director, BAE Systems (formerly  HR Director for the Customer Solutions and Support business unit; she is also a BAE member of the joint Service Review Board)

**Created a second enterprise partnership to manage £80 million a year in indirect HR spending.** During the six-month measurement exercise, BAE Systems and Xchanging discovered that HR spent much more than £25 million a year in direct costs; HR was also the agent for some £80 million a year in indirect procurement. This indirect spend, which went for items such as cars, health care, and non-technical contract labor, was highly decentralized and fragmented among some 200 suppliers.

BAE Systems had begun to better manage this spend, but both parties saw big opportunities for consolidating this buying power across both BAE Systems' SBUs and across other third party customers.

Given the scale and scope of this indirect spend, BAE Systems and Xchanging decided to create a second enterprise partnership. In November 2001, Xchanging Procurement Services was established. This 10-year deal is valued at £800 million.[4]

**Delivered eHR.** Xchanging had committed to launch the first version of eHR, called  peopleportal, within six months of signing the contract. Xchanging's CEO believed this date was realistic because Xchanging's practice director for technology, Steve Bowen, already had a detailed technology blueprint based on reusable components.

Xchanging initially planned to hire suppliers to build the design, but that approach quickly proved too expensive and too risky because the suppliers would retain all the knowledge of the source code. Hence, Xchanging quickly hired 19 full-time technology managers, architects, and specialists to build the system in-house. Six contract workers were also hired through mid-2002. As promised, Xchanging delivered the first version of peopleportal on October 4, 2001. Its effects have been profound:

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[4] Readers interested in the indirect procurement spend story can refer to the Oxford Institute of Information Management working paper entitled, "Transforming Indirect Procurement Spend: The Story of BAE SYSTEMS and Xchanging's Enterprise Partnership," by Mary Lacity, David Feeny, and Leslie Willcocks, Templeton College, Oxford University, 2003.)

*"Peopleportal has been the first sign from within the business that something has changed, something has actually happened. . . . We had a lot of very good feedback. The technology was great, it was Web-based. But we've also had people who just can't get the hang of using the technology."* – Kim Reid, HR Director, BAE Systems

**Built and occupied a new XHRS facility.** On January 1, 2002, XHRS was reorganized into service streams, and the centralized employees moved into a state-of-the-art shared service facility. The new building boosted employee moral and clearly signaled to BAE Systems and the world that XHRS is truly a front-office HR business.

**Reorganized HR into shared service streams.** XHRS now has seven service streams, with each operating as a mini-business. (See Appendix B for the organizational chart.) The service heads are responsible for further cost reductions and further streamlining. For example, when the recruitment group was consolidated, it comprised 106 HR people. But Xchanging estimates that only 40 central staff will be required and only another 10 are needed for local interviewing.

XHRS also initially had 40 service stream team leaders to handle cross-business services. That number will be reduced to 22 as processes and roles are centralized and standardized.  The HR staff, already reduced to 411 by April 2002, was to be reduced to 311 people by the end of 2002.  The cost reductions have been accompanied by a round of town meetings to explain to the staff that *"this is what we said we were going to do at the induction, and this is what we have done."*

**Began redesigning business processes.** Xchanging uses its own version of the Six Sigma methodology to redesign its and XHRS' business processes. One example of a business process redesign is the senior leader peer review process, which covers BAE's 640 most senior executives. Traditionally, each peer review was an extremely inefficient process with an HR person sitting down with a senior leader to fill out paperwork. Xchanging has redesigned the process to be more self-service, enabled by peopleportal:

> *"What would have happened before, thirty HR people expanded the task to fill three months. Now, eight people are only busy for a month. Bang! Done."* – Mike Margetts, Head of Implementation, XHRS

**Transformation completed.** Xchanging completed the HR transformation by the end of 2002, some 20

months after start-up. Thus far, the enterprise partnership has delivered on its other promises:

- The cost savings in the baseline HR services, as specified in the contract, have been delivered to BAE Systems

- Many of the HR services have seen service quality improvements

- The new Web-based eHR system has been rolled out to over 40,000 BAE Systems employees

- The HR managers retained at BAE Systems now focus on strategic HR activities, leaving the tactical work to XHRS

- The HR staff transferred to XHRS have been trained and now take a 'front office' service view of their work

This coming year, XHRS's major challenge is growing revenue by attracting more external customers and sustaining cost cutting and service improvements. On this last point, Xchanging is confident that sustainability will occur:

> *"My view is that it's all about people. In the first eighteen months, it has been about a small group of people, many of whom have done this before on something similar, picking the right team and then giving those people the confidence and skills to be able to deliver. . . . After that, this group of people, with those skills and confidence, will do it for themselves; they won't need to be told, they will do it for themselves because they want the challenge. I'm absolutely convinced that is what will happen."* – David Bauernfeind, CFO, XHRS

## LESSONS ON BACK-OFFICE TRANSFORMATION APPROACHES

In the 1990s, we carried out research on fee-for-service outsourcing. The recommendations from that research suggested that prospective outsourcing customers: write complete, detailed contracts; carry out due diligence ahead of signing the contract; do not trust the supplier, retain core IT capabilities; ensure that you and the supplier have a cultural fit; be sure the supplier has sector and domain knowledge and experience; do not outsource a 'mess' (see below); and write short-term (3-5 year) contracts because the technology will change fast.[5]

In our study of BAE Systems, we found all these prescriptions being contradicted to a stronger or lesser degree. This comparison suggests that enterprise partnerships create both new possibilities and genuine challenges for customers and suppliers.

Following are 10 preliminary lessons on effectively using an enterprise partnership to transform a back-office function. These lessons are based on only a year and a half of evidence in the BAE Systems-Xchanging ten-year relationship, so they do need to be considered preliminary. Furthermore, the effectiveness of the enterprise partnership approach is not an absolute assessment, but rather a comparative assessment – as compared to the four alternative transformation approaches. Clearly, no approach is perfect, and executives must weigh the benefits, costs, and risks of these various options.

**Lesson 1: An enterprise partnership may be best suited for a particular size and type of back-office function.** We are cautious about prescribing ideal circumstances for any of the approaches. Rather, CXOs are in the best position to judge the benefits and risks of each approach to discern which one best suits their own rich organizational context. We believe, though, that enterprise partnerships are likely to work best for customers with the following profile:

- The customer seeks substantial improvements in back-office service quality and lower costs

- The customer has a substantial back-office spend to make the deal large enough to attract a competent partnering supplier

- The customer's back-office operations are highly decentralized, providing the opportunity for significant cost reductions through centralization and standardization

- The customer's back-office operations have historically not received high management attention, providing the opportunity for significant cost savings and service improvement through better management

- The customer would most likely not succeed in centralizing and standardizing the operations on their own because they would face significant internal political resistance, senior executives unwilling to make the required upfront investment, or a lack of back-office skills and experience to succeed with the transformation.

- The customer sees the potential for sustainable, long-term development of a new business.

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[5] Op Cit. Lacity and Willcocks (2001).

**Lesson 2: Consider letting the supplier clean up your mess.** To the extent that your back office has not kept pace with leading practices, such as standardization, shared services, e-services, it can be considered a "mess." Letting the supplier implement these practices for you is an extremely controversial finding from our study, and it is indeed counter to our own prior findings! In our studies of fee-for-service outsourcing, we recommended that companies contemplating outsourcing first grab the low-lying fruit to accrue most of the savings themselves.[6] As noted, BAE Systems will receive only 50 cents on every dollar savings that XHRS delivers.

In actuality, BAE Systems had reduced some cost areas before 1999. They had cut indirect procurement, for example. But they needed significant investments in facilities, technology, training, and process redesign to cut headcount further and to implement a top-notch HR service. Those requirements were considered just too large for BAE to undertake the transformation without outside help.

CXOs must weigh the pros and cons of allowing the supplier to clean up the mess (thereby forfeiting a percentage of savings), against the upfront investment and political challenges of doing it themselves (thereby accruing all the savings).

**Lesson 3: The enterprise partnership approach creates a clash of cultures, but cultural incompatibility may be just what you need.** In the over-100 outsourcing cases we studied previously, customers nearly always sought a supplier with a similar culture to their own. For example, global hierarchical customers like DuPont, CIGNA, and General Motors typically sought global hierarchical suppliers like CSC, IBM, and EDS.

Is this goal flawed? Certainly the BAE Systems-Xchanging partnership challenges the conventional wisdom of cultural homogeneity. Nearly every person interviewed for this case – from both customer and supplier sides – noted the cultural differences between the two firms. BAE Systems was described as "risk averse," "detail-oriented," and "cautious." This is precisely the culture BAE Systems needs to ensure safety and quality in their core products, such as aircraft, submarines, and weapons. But such a culture is not helpful in radically transforming a back-office function.

In contrast, Xchanging has been consistently described as "aggressive," "winners," and "impressive." This culture is needed for a start-up company seeking to establish its reputation:

*"It was obvious to me that the Xchanging people were part of a small company desperate to succeed, and that desire to succeed just didn't exist in the BAE Systems HR culture."* – David Bauernfeind, CFO, XHRS

Xchanging's results-oriented culture was taught to the transferees through launch events, training sessions, videos, and town meetings. It paid off:

*"If you left work at half past six, you were having a late night at BAE. That is the BAE culture. I was in at ten to seven this morning and I'll be here at nine o'clock tonight. That is the Xchanging culture. I could associate with the Xchanging guys very, very, very easily. From day one, I felt much, much more comfortable. But it was a lot harder work, a much more disciplined environment, and a much more focused environment. It took me a little while to make that leap – probably two or three months."*

Overall, BAE Systems embraces the culture shock its transferees have undergone:

*"Yes, as a business, Xchanging has placed a lot more pressure on the people in terms of responsiveness and acting in a service environment. We could never have gotten our people to do that because we couldn't have gotten the culture that would have taken. I don't think it would have happened."* – Kim Reid, HR Director, BAE Systems

**Lesson 4: Third-party transformation approaches run the risk of cost escalation.** CXOs naturally worry about the risk of cost escalation. As previously noted, unbridled demand is a major source of cost escalation. At BAE Systems, prior to the partnership, demand was constrained by the number of HR staff in the SBUs. If a managing director in an SBU wanted to hire only 25 HR people, his unit could only demand enough HR services to occupy these 25 people. Without that local control, the 40,000 can demand more HR resources:

*"We are seeing some evidence of increased demand with XHRS. It's the early days yet, but demand for service before XHRS was always restricted because as an HR Director, you only had the number of people that you could get your MD to agree to, so that effectively capped it. Of course, we have taken that away now and people can demand ever more and more."* – Steve Hodg-

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[6] Lacity, M., Willcocks, L., and Feeny, D., "The Value of Selective IT Sourcing," *Sloan Management Review*, Spring 1996, Vol. 37, 3, pp. 13-25.

son, Head of Resources, XHRS (former HR Direc-
tor for BAE's Royal Ordnance business, who rep-
resented his business unit's interests in the plans
for the shared HR services concept)

The solution to surges in demand in both fee-for-
service outsourcing and enterprise partnerships is to
create a customer liaison role to collect, prioritize, and
approve service demands. The goal is to ensure that
additional demands add more value than the additional
costs they trigger. Although a liaison/oversight role
adds to the bureaucracy, and thus slows down cus-
tomer service, it is vital to prevent unreasonable cost
escalation.

BAE Systems achieved this oversight role through
their Service Review Board. It also prevented the sup-
plier from charging premium prices for add-ons by
pre-pricing these add-ons in the contract. Additions
are priced on a cost-plus-percentage basis and are
monitored through open-book accounting.

**Lesson 5: Third-party transformation approaches
uncover spending previously hidden in decentral-
ized budgets.** Another major source of so-called "cost
escalation" is the uncomfortable surprises that come
from aggregating formerly disaggregated spend. In
our study of over 100 fee-for-service outsourcing
cases, we found that although customers typically did
receive unit-cost reductions on their baseline services
after outsourcing, their overall costs rose because their
hidden spend became illuminated. Customers should
welcome this illumination because it gives them the
transparency they need to finally know and manage
their true spend.

BAE Systems is expecting substantial benefits from
consolidating its dispersed £80 million annual HR
spend because the miscellaneous spending on such
items as healthcare and clerical staff is now managed
by the new enterprise partnership XPS. Within a year
of operation, indirect procurement costs dropped 12
percent, with more savings anticipated when existing
procurement contacts expire and are renegotiated.

Even so, HR costs at BAE Systems appear to be ris-
ing, as more hidden HR costs are found and trans-
ferred to XHRS—including IT spent on HR systems
and temporary HR staffing spending:

> *"The cost has increased quite substantially... in
> reality it probably isn't going up because of
> Xchanging. It just means that we probably need to
> transfer budget over that hasn't traditionally been
> in the HR team."* – Kim Reid, HR Director, BAE
> Systems

How enterprise partnerships deal with the phenome-
non of hidden costs leads us to our next finding:

**Lesson 6: Delaying due diligence until after the
contract is in effect can speed negotiations and
more fairly distribute the burden of newly discov-
ered costs.** With most third-party relationships, the
supplier typically verifies the customer's claims on
baseline costs, services, and resources prior to signing
the contract. This due diligence ensures that the sup-
plier understands its commitments and can generate a
profit on those commitments. But due diligence slows
down negotiations and almost never uncovers all the
costs to which the supplier inadvertently commits:

> *"One thing in this business you cannot underesti-
> mate is: no matter how long you try to do due dili-
> gence from the outside, you will always get it
> wrong. It's only when you actually go in there and
> start running it that you find out what's going on.
> The sooner you do that, the better for everyone."* –
> Richard Houghton, CEO, XHRS.

When all costs are not uncovered before a contract is
signed, customer and supplier take adversarial posi-
tions when additional costs are uncovered later. The
customer claims, "You are responsible for this, you
contracted for this. It's not our fault you didn't do
your homework." The supplier counters, "I am get-
ting ripped off, I have to earn a reasonable profit. You
hid these costs from us."

In contrast, the enterprise partnership approach delays
detailed due diligence until after the contract is signed.
Customer and supplier do not need to verify all the
costs beforehand because they do not contract a flat
fee. Instead, they agree to provide a percentage of sav-
ings on the total costs transferred, including hidden
costs as they become illuminated. Delaying due dili-
gence under this model protects both parties.

After the contract was signed, Xchanging discovered
an additional 15 percent of costs, including 35 tempo-
rary HR staff, incorrectly reported salaries, and incor-
rectly reported pensions. These "new" costs were
added to the baseline, and BAE Systems received the
agreed-on percentage of savings.

**Lesson 7: The enterprise partnership approach
aligns incentives better than the other transforma-
tion approaches.** In terms of alignment, the enterprise
partnership approach is clearly superior to traditional
outsourcing. The fifty-fifty shared profits and the Joint
Board of Directors ensures that the parties both par-
ticipate and make mutually beneficial decisions:

> *"It's brilliant because you have rules like, 'The
> Board of Directors has to turn up for meetings.'*

*Could I get the sponsors to turn up for meetings on my previous outsourcing deals? Well, maybe, but it was hard work. When you have a board meeting, you have to be there. You have certain duties as board members: You have to act in the best interests of the enterprise, not your individual company. That is a big mindset change."* – David Andrews, CEO, Xchanging

Although joint ventures also have a Board of Directors to align incentives, the enterprise partnership also includes joint boards for service and technology investment. Together, these governance mechanisms foster a strong sense of mutual responsibility and accountability. BAE Systems agrees that the enterprise partnership more closely aligns the parties:

*"So if it was a traditional customer/supplier relationship, you would get the instance that the customer would blame the supplier for not delivering a service. For me, the partnership means that the accountability for delivering the service into the business is mine. I have to make sure that it delivers a seamless service so that my HR directors and I will not say, 'The reason this went wrong was because Xchanging did this.' If something goes wrong it's because we did it. It's very much a partner-type relationship."* – Kim Reid, HR Director, BAE Systems

However, one caveat is warranted here:

**Lesson 8: Be aware that the enterprise partnership approach does not perfectly align incentives.** In the past, the joint governance between customers and suppliers we studied led to managerial schizophrenia. When an enterprise's primary customer is also an owner, the customer has two competing goals: to maximize cost-efficient service delivery from the enterprise and to maximize the revenue of the enterprise. How can the customer do both? Furthermore, if the same executives sit on the Board of Directors of the customer company and the enterprise company, which hat should they wear? Should they be pushing for more services at a reduced cost, thereby squeezing as much as they can from the enterprise? Or should they push for generating more revenues, which distracts the enterprise from its customer's needs? This schizophrenia has not been a major issue at BAE Systems, so far, even though the potential exists:

*"...I guess one of the concerns from people in the business, if Xchanging goes out and wins more third party business, is 'Is that going to affect the service?'"* – Kim Reid, HR Director, BAE Systems

**Lesson 9: Selecting a supplier with generic business competencies rather than domain-specific knowledge may yield better results.** What fascinated us most about BAE Systems' selection of Xchanging was that it ignored a number of 'conventional wisdoms':

- Xchanging had no track record—BAE Systems would be the first customer

- Xchanging had no industry-specific knowledge—i.e., no aerospace knowledge

- Xchanging had little domain-specific knowledge—i.e., little HR management expertise!

Nearly every fee-for-service outsourcer positions its core capabilities in the functions it is taking over. For example, EDS, IBM, and CSC claim core capabilities in managing IT. The large accounting firms claim their competencies in accounting and auditing. But Xchanging claims no pre-existing competency in HR. Instead, it believes the talent needed to transform back offices into front offices lies in seven cross-functional, cross-industry competencies, which it groups together in the Xcellence platform:

1) Service excellence

2) Process improvement

3) People development

4) Technology enablement

5) Slick physical facilities

6) Efficient third-party sourcing, and

7) Implementation (knowing when and how to deploy the other six).

Xchanging's enterprise partnership approach gains the domain specific knowledge—in this case, HR knowledge—through employee transfers. Some executives from BAE Systems actually saw this lack of HR knowledge as a plus:

*"I always say the best HR people are people who haven't been in the HR function all their lives. You need a different view. It probably works better that the Xchanging people are not HR professionals because if they go in understanding all the pitfalls that may exist, they'll never make any changes."* – Kim Reid, HR Director, BAE Systems

**Lesson 10: The economics of the enterprise partnership approach need to work for both parties without over-relying on third-party revenues.** BAE Systems understood this lesson and will receive the guaranteed cost savings over a five-year period regardless of whether or not Xchanging can attract ex-

ternal customers to the venture. This contract item proved to be a savvy move:

> *"The business development in year one was almost zero because the focus was, 'Let's get our act together in delivering this to BAE Systems first, before we all turn into sales people and go out and start selling ourselves.'"* – Alan Bailey, Head of New Business Development, XHRS (a twenty-year BAE veteran who moved from engineering to project management to HR and became the team project manager for exploring the shared services concept)

That said, if the supplier cannot earn a profit on the deal, the customer's service will invariably deteriorate. Thus, this lesson also extends to suppliers: Make sure you can earn a profit on the deal even if you cannot attract external customers.

In the case of Xchanging and BAE Systems, XHRS's CEO reports that Xchanging did make a modest profit during the first year of operation and is on target to make a decent profit margin for 2002:

> *"We thought we could take at least half the costs out over a five-year period. The cost savings come from restructuring, centralized delivery, deployment of peopleportal, and so forth."* – Richard Houghton, CEO, XHRS

Indeed, Xchanging executives note that centralization, standardization, and downsizing do reap significant savings. So generating a profit is do-able:

> *"If I only look at XHRS, we have to really work hard not to make this business work. It is pretty easy to make this business make money; the hard bit is the time scale and the growth. So you concentrate resources and put the management in place, you remove the weak people over time and you put in good technology. You really have to work to not make that add up to a significantly better position than you were in before."* – David Bauernfeind, CFO, XHRS

Thus, Xchanging can earn a profit even if XRHS does not attract another customer. (But that is clearly not the goal!)

## CONCLUSION

During the past 13 years, we have studied the benefits and risks of major transformation approaches, including do-it-yourself, management consultants, fee-for-service outsourcing, and joint ventures. As CXOs' learning and experiences accumulate, approaches evolve and new ones emerge. We believe that the en-

terprise partnership is a sufficiently different transformation approach to warrant CXOs' attention.

While we have focused on this approach's obvious strengths, there are clear risks involved, such as the inability to sustain improvements over the long haul and the inability to profitably attract external customers. Certainly, many customer/IT supplier joint ventures have disappointed in the past, including joint ventures between Delta Airlines and AT&T, Xerox and EDS, and Swiss Bank and Perot Systems. What is new with enterprise partnerships as implemented by Xchanging and the long-term partnering adopted by Exult is the technology model. Both suppliers designed and developed Web-enabled software for one-to-many delivery.

There is a clear demand in the market for business process outsourcing (BPO).[7] BPO was a $119.4 billion industry in 2001 and is projected to be a $234.0 billion industry by 2005.[8] But because some of the forms of contracting are new and as yet unproven in the long-term, it is vital that we continue to trace the progress of the early adopters, such as BAE Systems, Lloyd's of London, BP, and Bank of America. As more effort and resources come to be focused on obtaining external customers, these customers could face significant challenges ahead, such as keeping their service fresh and sustaining cost reductions.

Over this decade, researchers need to study how the enterprise partnership and other new approaches play out alongside the other approaches to back-office transformation.

## APPENDIX A: RESEARCH METHODOLOGY

This case study is based on 14 interviews with employees of BAE Systems and Xchanging and with secondary data that includes internal practice manuals, organizational charts, budgets, presentations, and performance assessments (see Table 3). The interviews were conducted in person and were tape recorded and transcribed.

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[7] Business Process Outsourcing (BPO) is the practice of outsourcing resources (infrastructure, applications, and people) associated with a business process to a third-party supplier. The supplier owns and manages the resources and delivers the business process as a *service* to customers.
[8] Scholl, Rebecca, "BPO at the Cross Roads: Gartner Report," presentation at the 2002 Outsourcing World Summit, Lake Buena Vista, Florida, February 20, 2002.

| Name | Role in Xchanging | Role in Enterprise Partnership (XHRS) | Previous Role at BAE Systems |
|---|---|---|---|
| **Table 3: Research Methodology** | | | |
| Chris Dickson | | BAE Systems Enterprise Relationship Director, customer | |
| Kim Reid | | BAE Systems HR Director; customer | |
| David Bauernfeind | | CFO | Division Financial Controller |
| Alan Bailey | People Practice Director | New Business Development | Head of HR Shared Services Implementation |
| Richard Houghton | Managing Director, HR Services | CEO | |
| Steve Hodgson | | Head of Resources | SBU HR Director |
| Byrony Moore | Service Practice Director | Head of Service | |
| Mike Margetts | Implementation Practice Director | Head of Implementation | |
| David Andrews | Founder & CEO | | |
| John Bramley | Board of Directors | | |
| Paul Ruggier | Process Practice Director | | |
| Andrew Chadwick | Environment Practice Director | | |
| Steve Bowen | Technology Practice Director | | |
| John Attenborough | People Practice Director | | |

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He worked for twelve years in accounting and management consultancy, for Touche Ross and several smaller firms, before heading a Research Center at City University Business School, London. He moved to Oxford University in 1992 where he was for nine years Fellow and University Reader at Templeton College. He is co-author of 23 books and over 140 refereed papers in journals such as *Harvard Business*

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