



## Disruption due to outsourcing and how to sail through it – A case study on Juniper Networks

Exploring the Unexplored

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## ABSTRACT

Recently Juniper Networks announced a major decision for its IT organization which indicated that most of the IT related work were to be outsourced to IBM. Only a small percentage of employees were to be retained within Juniper and the remaining were to transition to IBM. The Idea was to avoid as much disruption as possible and continue business as usual. Assumption was, since work location and projects that Juniper employees were working on, would remain unchanged, at least in the near future, there would be very minimal disruption to service.

However, the IT organization came across many challenges as an aftermath of this decision - attrition, internal transfer, low employee morale - to name a few. In spite of these challenges, the transition to IBM did in fact complete on time as targeted.

This paper will focus on how Juniper kept the lights on in its Production environment, and in parallel worked with IBM to make sure this huge disruption turned into a smooth transition.

## INTRODUCTION

Over the past couple of decades, the word “outsourcing” has been referenced in both negative as well as positive light. Big corporations on several occasions, have boasted about their huge profits as a result of outsourcing their non-core competency activities. Additionally, many research studies have shown outsourcing is even done to speed up innovation and growth.<sup>1</sup> Whatever may be the reason, outsourcing comes with one *not-so-desirable* baggage, that everyone wishes they could shake off, and that is the disruption it brings along with it to the current employee pool.

Several white papers have been published to this effect.<sup>23</sup> Most of them list out the factors that can make the transition to outsourcing a very successful one. This case study will focus on looking at how Juniper Networks (Juniper), one of the premier network providers, made this transition to outsourcing when a huge chunk of their IT division was announced to be outsourced to IBM Corporation (IBM) earlier this year. This case study will focus

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<sup>1</sup> "More Companies Turn to Outsourcing As a Foundation for Innovation ...." 23 Aug. 2017, <https://gorillalogic.com/blog/more-companies-turn-to-outsourcing-as-a-foundation-for-innovation/>. Accessed 15 Jun. 2019.

<sup>2</sup> "26 Tips for Successful Outsourcing - - Flatworld Solutions Blog." 12 Jul. 2012, <https://blog.flatworldsolutions.com/26-tips-for-successful-outsourcing/>. Accessed 15 Jun. 2019.

<sup>3</sup> "Top Seven Tips in Managing Transitions | The Shared Services ...." <https://www.ssonetwork.com/business-process-outsourcing/articles/top-seven-tips-in-managing-transitions>. Accessed 15 Jun. 2019.

step-by-step on how Juniper followed the best practices in the industry, and on occasions, tailor made their own, to have a very successful transition of its IT activities to IBM.



Figure-1

The news of outsourcing causes a lot of stir in an organization. Employees' initial reaction is shock, then resistance to change. Gradually the idea of transformation sinks in and finally they embrace the change<sup>4</sup>. Hence, it is important to keep the news about outsourcing decision classified, until the final deal is made. Juniper employees had no idea that a decision of this order was on the cards until the announcement was made.

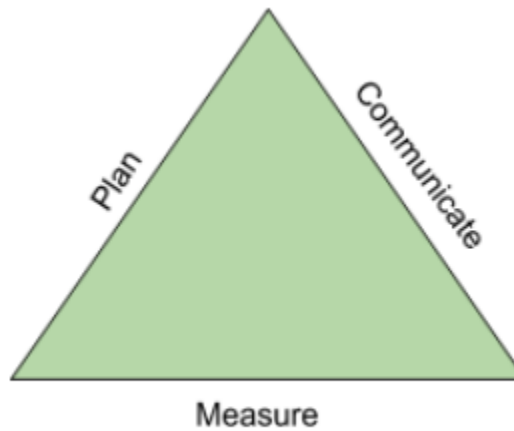
## DETAILS OF THE PAPER

### THE TRIAD (PLAN - COMMUNICATE - MEASURE)

Juniper primarily followed the "**plan - communicate - measure**" triad to complete the transition with IBM. The three aspects of the triad formed the three pillars of the transition process. However, apart from the primary factors, there were many other factors that were in play during the transition process. We will discuss these later in this paper.

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<sup>4</sup> "Successful transition in outsourcing." [https://community.ifma.org/cfs-file/\\_key/telligent-evolution-components-attachments/13-465-00-00-01-05-77-29/2010\\_5F00\\_Successful-Transition-in-Outsourcing\\_5F00\\_White-Paper.pdf](https://community.ifma.org/cfs-file/_key/telligent-evolution-components-attachments/13-465-00-00-01-05-77-29/2010_5F00_Successful-Transition-in-Outsourcing_5F00_White-Paper.pdf). Accessed 11 Jun. 2019.



**Plan - Communicate - Measure Triad**

Figure-2

## 1 PLANNING

A well thought out plan is very important for the successful execution of an outsourcing decision. For Juniper, the mantra was - "*Plan early, plan in detail and time the planning well*". Transition planning started quite early for Juniper - at least one quarter prior to the actual signing of the contract with IBM. Once the outsourcing decision was made, a classified team was formed to work on the details of the statement of work (SOW). The project name was codified and kept highly confidential until the time the SOW was signed with IBM for a 7-year \$325 million agreement<sup>5</sup> to support Juniper's infrastructure, applications and end-user services. Juniper filed an 8K with the Securities and Exchange Commission (SEC) after the deal and around the same time informed all the IT employees about the decision to outsource its IT division to IBM. The meeting was addressed by Juniper's CIO. Timing was also critical as the discussions started in Q4 which became a driver for IBM to close the deal and forecast FY2019 revenue.

The services that were to be outsourced to IBM were split into three broad areas -

- A. Application Services
- B. Infrastructure Services

<sup>5</sup> "IBM signs agreement to help Juniper in journey to cloud." 18 Jan. 2019, <https://www.ibm.com/blogs/cloud-computing/2019/01/18/ibm-juniper-cloud-agreement/>. Accessed 11 Jun. 2019.

### C. End User Services

The transition planning involved various areas which are discussed below:

#### 1.1 CREATION OF SOW

A detailed SOW was created for all the three services separately. The SOWs contained the details of every application, every infrastructure element and each and every activity performed by end user service associates. The terms of termination of the contract was also stated in black and white. Apart from this there was a **joint verification** period planned post the signing of the contract, which would allow both parties to review the data provided during the contract phase and renegotiate if there are discrepancies found. This allowed for correction of errors that might have happened during the planning phase.

#### 1.2 IDENTIFICATION OF CRITICAL FUNCTIONS

During the planning phase, Juniper identified the critical functions that they would retain with Juniper-specific expertise. The people associated with those functions were shortlisted. The critical functions identified were:

- A. Compliance and Sarbanes-Oxley testing
- B. Forensics and e-discovery
- C. Technology architecture
- D. Standards
- E. Business systems architecture
- F. Solution design
- G. Program management
- H. Vendor management

While resources for some of these critical functions were retained entirely within Juniper, resources for the remaining functions were partially retained.

#### 1.3 ORGANIZATIONAL STRUCTURE AFTER TRANSITION

The organizational structure after the transition was planned way ahead of time. Juniper key resources were planned to partner with IBM resources to deliver the services. The architecture and design aspects were retained within Juniper. IBM would be responsible for development, testing and support delivery. Many research studies

show the popularity of this hybrid model in the recent times. <sup>6</sup> This model ensures that Juniper could focus on what is important from a strategic perspective but save cost on development and maintenance.

#### 1.4 TRANSITION METHODOLOGY

Transition methodology was worked on as part of the SOW. Transition methodology for each of applications, infrastructure and end user services was defined in their separate SOWs.

The application transition was divided into phases -

- phase 1: 30 days overall transition planning
- phase 2a: 1-2 weeks per sprint of transition sprint planning
- phase 2b: 3-4 weeks per sprint of transition sprint execution
- phase 3: steady state (to start four months after contract is signed)

The infrastructure transition plan listed each service and spelled out the responsible party for all the services. Even every service location was listed in the SOW so that there are no confusions at a later point.

The end user services SOW also was detailed out to the minutest details. Guidelines on how the service level agreements established and changed were also part of the SOW. Clauses were also set for continuous improvement of service levels.

This planned detailed transition methodology aided Juniper to avoid any ambiguity during the actual transition phase.

#### 1.5 LISTING OF ARTIFACTS

The planning process involved detailing out all the artifacts that would be part of the SOW. This was a painstaking process but ultimately helped in managing the transition by avoiding ambiguity. A detailed SOW is a very crucial instrument that helps in successful transition of outsourced activities as research studies have shown. <sup>7</sup> If overlooked, the transition process can cause a lot of ambiguities, ultimately crumbling the transition process.

#### 1.6 TRANSITION ACCEPTANCE CRITERIA

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<sup>6</sup> "Getting Offshoring Right - Harvard Business Review." <https://hbr.org/2005/12/getting-offshoring-right>. Accessed 14 Jun. 2019.

<sup>7</sup> "Outsourcing: Statement of Work – Indispensable But Sometimes ...." 18 Oct. 2012, <http://www.blog.infinite-o.com/outsourcing-statement-work-indispensable-overlooked/>. Accessed 14 Jun. 2019.

As discussed in the previous sections, a detailed SOW is very important for a successful transition of outsourced activities. The detailed SOW should also be equipped with a black and white acceptance criteria.<sup>8</sup> In the case of Juniper, the acceptance criteria was stated very clearly and there was also provision for a joint verification after the contract signing, which would enable both parties to rectify items missed during the initial assessment. The Transition Acceptance Criteria was included within the Detailed Transition Plan. Any changes to the criteria would be addressed via the Transition Change Management Plan.

## 2 COMMUNICATION

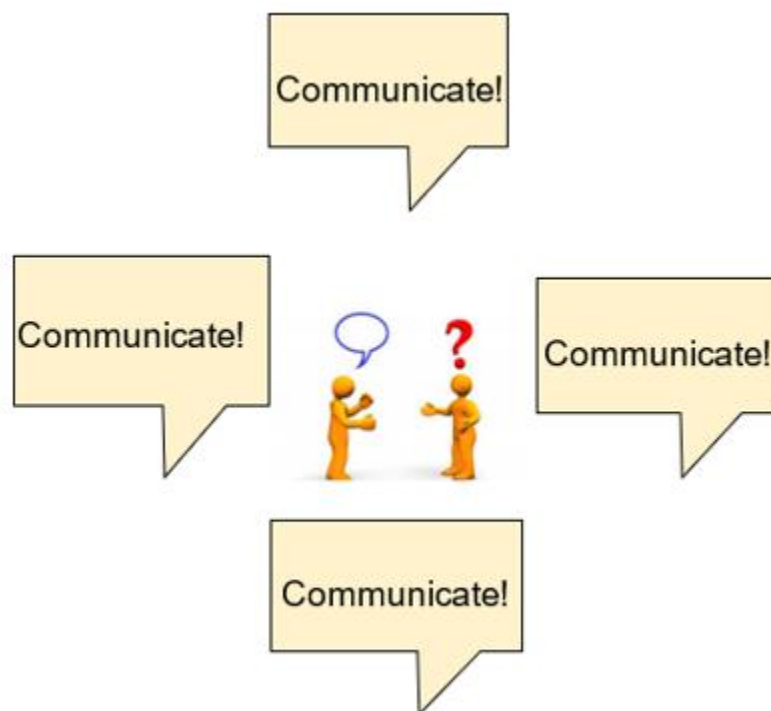


Figure-3<sup>9</sup>

<sup>8</sup> "Transition Management for Outsourcing - e-Zest." <https://www.e-zest.com/outsourcing-transition>. Accessed 14 Jun. 2019.

<sup>9</sup> "PM Article: 15 Tips for Communicating with Impact | icma.org." <https://icma.org/articles/pm-magazine/pm-article-15-tips-communicating-impact>. Accessed 11 Jun. 2019.



Communication is very important in these types of transformational decisions<sup>10</sup>. For Juniper, the channel of communication did not stop after the CIO address. Below was how the communications plan was carried out.

## 2.1 FOLLOW-UP MEETINGS

There were multiple follow up meetings the same day addressing various sets of people to answer their questions and address their concerns. HR help lines were set up for impacted people to call and clarify their doubts. In the next week of the announcement, Juniper CIO travelled to the regional offices to meet and address the employees in person. A list of FAQs was prepared and published so that common questions from employees could be addressed. Not only did the Juniper leaders communicate to the employees, but the line managers also talked to their team members to address the questions they had.

## 2.2 IBM TOWNHALL MEETINGS

The very next day of the announcement, Juniper invited IBM officials to conduct a Town Hall meeting at the Juniper campus so that impacted employees could ask questions to IBM directly. Following the initial Town Hall meeting, there were several follow up meetings where IBM HR clarified questions from Juniper employees. A major chunk of Juniper employees was going to transition to IBM as a result of this contract and hence there were lots of questions asked by employees at various levels on how this transition will actually happen. IBM were to make an offer of employment to the Juniper transitioned employees. Top leaders were instructed by lawyers on how to articulate this information to the employees at different levels.

## 2.3 FAQ SITE

An FAQ site with pertinent answers was set up based on the most common questions that Juniper management faced with. Below are some of the top questions that made into the FAQ chart:

- How does my compensation and benefits get impacted?
- Will there be a change in the nature of my work once I transition to IBM?
- Will I get the same grade level once I transition to IBM?
- Will there be a change in my work location once I transition to IBM?
- What will happen to my balance paid time off (PTO) days once I transition to IBM?

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<sup>10</sup> "Communication: The Holy Grail of Outsourcing | CIO." 14 Sep. 2007, <https://www.cio.com/article/2438045/communication--the-holy-grail-of-outsourcing.html>. Accessed 11 Jun. 2019.

The list was not limited to the above questions but were the most frequently asked ones. Juniper management commented that Juniper employees would get a comparable offer from IBM and ensured all the queries the employees had were addressed by IBM before they had to sign the offer letters rolled out by IBM. The impacted employees were also deferred to IBM officials to get answers about their role in IBM after the transition.

#### 2.4 HR EMPLOYEE HELPLINE

Apart from the FAQ site, Juniper also set up an HR employee helpline to help address questions from both retained and transitioning employees. Any new questions or feedback from the employees were then fed into the FAQ site. It was a constant feedback loop which helped keep everyone updated and informed. This helped boost employee morale to know that there was someone they could reach out to if they had any questions.

#### 2.5 COMMUNICATION TO RETAINED EMPLOYEES

Not only did the impacted employees have questions; the retained employees had an equally vast and diverse number of questions as well. Juniper management made sure that the questions from the retained employees were also answered via direct employee-manager conversations, skip level meetings, project level updates, and so on. Many employees had concerns if this sudden decision would impact their review cycle, which was due during the transition phase. Juniper management made it absolutely clear that this transition would have no bearing on the current employee review cycle which helped assure the retained employees.

#### 2.6 PERIODIC MEETINGS BETWEEN JUNIPER AND IBM TRANSITION TEAMS

During the transition phase, Juniper and IBM transition teams met periodically to ensure that the transition activities were on track. Most of the deliverables were date driven which again made the measurement of success at a later stage very easy. These periodic meetings between the two parties ensured that the communication channel was always open during the transition.

Juniper did a fabulous job from a communications perspective. Communication within the company was always clear and honest, aptly pointing out the facts and clearly directing the employees of what is to be expected.

## 3 MEASURING



Figure-4<sup>11</sup>

Measuring the success of transition in outsourcing is as critical as planning the transition itself.

According to a study by Arvato, a leading Germany based services company, the transition phase sets the tone for the entire outsourcing relationship and acts as a foundation for a successful engagement.

An ideal transition is smooth, cost effective and transparent and should be carried out without impact to buyer business performance.<sup>12</sup>

Juniper ensured that critical key performance indicators (KPI) were set up in the SOW during the planning phase itself and they were measured at periodic intervals during the transition phase. The key areas that were measured included the following:

1. Incident Management process
2. Problem Management process
3. Change Management process
4. Work Request (Enhancements) Management
5. Deliver Work (Project Management Work Product Checklist)
6. Demand Management
7. Resource Capacity Management
8. Release Management

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<sup>11</sup> "Measuring success - ciprinside.co.uk." 22 Nov. 2012, <http://www.ciprinside.co.uk/measuring-success/>. Accessed 15 Jun. 2019.

<sup>12</sup> "Keys to a successful outsourcing transition - Arvato." [https://www.arvato.com/content/dam/arvato/images/references/us/aFS\\_transition\\_landscape.pdf](https://www.arvato.com/content/dam/arvato/images/references/us/aFS_transition_landscape.pdf). Accessed 15 Jun. 2019.

## 9. Application Development to Application Maintenance and Checklist (ADAM).

In order to establish the service level metrics, a Measurements Model was used. IBM used a standard service level metrics reporting template which is a Microsoft Excel based solution that takes data extracts as input, calculates the service level metrics and compares them to targets. IBM also used a scorecard which displays results at a glance, with the capability to link to detailed service level metric graphs for month-over-month trends and analysis.

Another key measurement area was the knowledge capture process. Juniper measured the knowledge capture in terms of whether all the domains were covered in terms of knowledge transfer. Knowledge transfer was measured in terms of completeness. It was a purely date driven process with specific milestones, which made measurement easier. Both the parties were incentivized for completing the transition on time.

## CONCLUSION

Outsourcing most of the Information Technology (IT) function to IBM has been one of the largest outsourcing decisions that Juniper IT has made in the recent past. Although Juniper IT does outsource support activities to outside vendors, it has never been at this scale before. This outsourcing decision clearly caused a great amount of disruption within the stable Juniper IT environment. However, with able project management, the impact due to this disruption was kept to a minimum level. Nonetheless, there are also a few hiccups that engulfed Juniper during this transition process.

### 1 ATTRITION

During the measurement phase it was found that attrition between outsourcing announcement date and the date when the Juniper employee badges were flipped to IBM, was higher than expected. This was due to an anomaly in the group. There was one group within Corp IT which had recently moved from another business IT function. The uptick in attrition percentage seemed to be driven by that particular group. However, since negative scenarios were expected in the transition plan, IBM was able to backfill most of the positions which were left blank due to attrition. IBM has now moved into the steady state for its application support and end user support services, with infrastructure support services to follow soon. With a robust plan and a solid SOW Juniper has proved that although an outsourcing decision can cause a disruption in the work environment, however, with proper planning and good project management, the impact of disruption can be kept at a minimum level.

### 2 IMMIGRATION STATUS OF EMPLOYEES

Another challenge that Juniper, US faced was the visa status of its immigrant employees. Those who possessed a work visa (H1B), had to go through additional processes to get their work visa sponsor changed from Juniper to IBM. This caused some disruption in the work environment. However, with proper planning, this disruption too was kept at bay. Few resources were transferred internally to other business or non-impacting functions.

Hence, we see that overall Juniper's decision to outsource most of its IT division to IBM has been successful and has been designed in a way to embrace the disruption caused due to the transition.

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