

## Case Study: Department for the Environment, Food and Rural Affairs (Defra) Relies on EquaTerra for Commercial Experience and Expertise in IT Outsourcing Defra results set a new standard for U.K. department initiatives

### At a Glance

#### Company Profile

**Industry:** The Department for the Environment, Food and Rural Affairs (DEFRA) is a U.K. central government department that interacts with executive agencies as well as other non-departmental groups.

**Size:** Comprised of 8,000 employees with 190 sites across the U.K.

#### Services Featured

- Global Service Provider Selection
- Competitive Tender Process

#### Business Processes Involved

- Information Technology

### Executive Summary

This case study details how Defra (the Department for the Environment, Food and Rural Affairs) capitalised on the experience and expertise of EquaTerra to shape and negotiate a ground-breaking, transformational information technology (IT) outsourcing deal. EquaTerra provided world-class commercial advice and negotiation support, resulting in the signing of a seven-year transformational IT services deal with IBM in July 2004. The IT outsourcing agreement now serves as a model for U.K. central government departments.

### Business Challenge

#### e-nabling Defra

In 2001, MAFF (Ministry of Agriculture, Fisheries and Food) and DETR (Department of the Environment Transport and the Regions) merged, resulting in the creation of Defra as a U.K. central government department. The merger that created Defra left the newly formed organisation with a number of organisational challenges, not least in terms of its IT.

Defra has a broad remit, ranging from encouraging sustainable development and reducing pollution to addressing the needs of those who live in rural areas of the U.K. To fulfil its remit and deliver on its commitment to customer service, Defra needed world-class IT capabilities to be available on a consistent and seamless basis across all its operations. But the inevitable legacy of the merger was a diverse mix of IT systems and significant duplication of functionality.

Defra began by embarking on a programme of widespread rationalisation and change to its business and customer-facing practices. It also needed to consolidate and update its IT systems, and ensure adequate bandwidth for business change projects. To move toward meeting these requirements, Defra launched a specific internal programme of technology change, development rationalisation and growth, entitled, “e-nabling Defra.”

As part of this programme, Defra set about identifying a transformational partner to help it implement its IT strategy and provide innovation and continuous improvement into the future. Defra turned to EquaTerra.

**Note:** This case study was written prior to EquaTerra's acquisition of Morgan Chambers in September 2007. All “Morgan Chambers” references throughout this document have been changed to “EquaTerra” to reflect the new ownership and brand.

## How We Helped

### **EquaTerra Sets the Standard for Future Government IT Outsourcing**

Defra's choice of EquaTerra was driven by the firm's strong track record in advising on large, complex transactions of this type. From its appointment in autumn 2003, EquaTerra was tasked with providing outsourcing contract and commercial expertise to Defra's e-enabling programme team, with a particular brief to inject industry-leading commercial deal-shaping and contract terms into the resulting deal.

To do this, the EquaTerra team worked at two levels. One involved leading the commercial stream of initial procurement negotiations to ensure that all the competitive bids were evaluated fairly, and that Defra had a clear understanding of the true underlying costs and value of each bid. The other work stream was ongoing financial analysis and benchmarking to create the optimal commercial structure. Once the preferred supplier – IBM – had been down-selected, EquaTerra concentrated on providing negotiation and commercial support to the lead negotiation team, overseeing the process through the best and final offer (BAFO) phase and up to the awarding of the contract.

The IT sourcing agreement that EquaTerra helped Defra to reach with IBM is widely regarded as a template for future U.K. central government deals, and has attracted attention from a number of other major departments.

### **EquaTerra Unites Private and Public Sectors**

Rather than following a legalistic PFI-type approach, the agreement EquaTerra engineered – while contractually solid – was highly relationship-orientated, based on the principle that the private sector provider can become a true strategic partner to government. This perspective was reflected in the agreement's focus on outputs rather than inputs, and the inclusion of ongoing innovation, transformation and continual improvement in the contract terms. All these characteristics set the Defra-IBM agreement apart from most previous public sector deals.

### **Defra Family Members “Opt In”**

A further ground-breaking element of the agreement was its flexible commercial structure, based on payment for usage of a “pick-and-mix” menu of services. This approach allowed other Defra “family members” the opportunity to opt into the agreement, and to start receiving the same services on the same terms as Defra. The Environment Agency has now opted into the contract and the Royal Commission for Environmental Pollution is reportedly also considering opting in. The agreement also provided an innovation centre – the first of its type in England – and set targets for ongoing innovation and performance improvement.

At the signing of the transformational sourcing agreement with IBM, Defra Programme Director David Myers summed up the benefits that EquaTerra had helped the department to realise. “This is a superb agreement, which I am confident will deliver excellent value for money,” he said. “Defra aims to develop a true strategic partnership with IBM that will bring immense benefits to our customers and staff.”

## Results

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### **EquaTerra Raises the Bar: Insists on Innovation and Performance Improvement**

Throughout the procurement process, EquaTerra's presence at the table ensured that Defra benefited from world-class commercial advice and negotiation support. EquaTerra brought to bear its unsurpassed outsourcing experience and executive-level relationship with the major service providers, to help Defra select and negotiate the most appropriate commercial approaches and service-related targets and incentives.

In terms of specific benefits, EquaTerra played an active role in helping Defra to:

- Fully understand and evaluate the cost and value of the offers put before it
- Ensure best value for public money from the winning supplier against a fit-for-purpose IT specification
- Receive savings in excess of 30 percent on IT costs against its original operational baseline budget
- Enjoy a sound and balanced set of commercial terms that provide assurance and value both to Defra and its technology partner, IBM, while also creating the context for a healthy ongoing relationship based on trust, openness, ongoing innovation and continuous improvement

## About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, Middle East, Africa and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

## Contact Us

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