

Case Study: EquaTerra's Value Assessment Helps Whitbread establish Firm Footing for the Future

EquaTerra recommends changes to organisational, governance and commercial structures, helps Whitbread and CSC re-build their relationship

At a Glance

Company Profile

U.K.'s leading hospitality company, which manages the number-one brands in hotels, restaurants and health and fitness clubs, including Premier Travel Inn, Brewers Fayre, Beefeater, Costa, T.G.I. Friday's, David Lloyd Leisure, and Strategic investment in Pizza Hut (U.K.)

Services Featured

- Strategy & Assessment

Business Processes Involved

- Information Technology
 - Data Centre Services
 - Enterprise Resource Planning

Executive Summary

This case study examines how Whitbread PLC, the U.K.'s leading hospitality company, relied upon EquaTerra to help it evaluate its relationship with its IT provider – a relationship that was becoming more and more stressed. EquaTerra brought to bear its experience in addressing difficult – and sometimes sensitive – issues to help the company recognise the value it had in its partner. In the end, both companies benefited from EquaTerra's independent perspective. Establishing a central point of contact and embracing a balanced scorecard have resulted in a more open relationship and more value.

Business Challenge

Whitbread outsourced infrastructure and applications support to CSC in 2000. Following the outsource, Whitbread went through a major change, divesting its previously owned brewing business and refocusing on branded hotels, restaurants and leisure.

The outsourcing agreement itself involved the deployment of a standard operating environment, consolidation of data centre services and implementation of CSC's standard model. In 2003-2004, CSC implemented the Oracle ERP system to replace legacy mainframe applications.

When a new CIO was appointed in 2004, he found that the relationship had deteriorated to the extent that minor issues were simply not getting resolved and assuming disproportionate significance.

Whitbread believed its costs were increasing year on year, but that the base service was, if anything, getting worse. Moreover, Whitbread found CSC frustrating and difficult to deal with.

However, switching to another supplier was viewed as high risk and expensive, with no guarantee of materially better service. Whitbread had to identify what was preventing this relationship from being a success. EquaTerra came on board.

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 Produces Key Findings

Supported by EquaTerra's Value Assessment Methodology and knowledge base, which looks at the Commercial, Service and Relationship performance of both parties, a single consultant was deployed to investigate and analyse the current situation. EquaTerra offered an independent, informed perspective, and produced the following findings:

- Gaps existed in Whitbread's retained IT organisation
- CSC's prices generally represented fair value
- "One-size-fits-all" prices were insufficiently flexible
- Governance structure was overweight on operational management, and light on strategic direction

EquaTerra's practical experience also helped address difficult issues such as contract re-structuring and management of infrastructure projects.

EquaTerra Approach Breeds Value-Added Confidence for Client

EquaTerra's approach was positive and non-confrontational. It focused initially on identifying and achieving the best value throughout the life of the contract; subsequently, it focused on generating confidence for Whitbread that CSC was meeting the service objectives at performance and cost levels consistent with market best practice.

In addition, CSC could feel confident that not only would the contract continue without interruption and confrontation, but so would the relationship – a relationship that, if nurtured, would produce opportunities beyond the initial term of the contract.

Results

Ultimately, both Whitbread and CSC benefited from the perspective brought by an independent analysis.

Recommended Changes Deliver Added Value and Strengthen Relationship

As a result of this assignment, Whitbread was able to understand what it needed to change to get best value from the CSC relationship; in particular, that it (Whitbread) needed to take greater responsibility for technology planning and architecture. In addition, a stronger, centralised organisation was needed to provide CSC with a central point of engagement, which in turn makes it easier for CSC to understand Whitbread's requirements, thereby enabling CSC to add more value.

Financially, Whitbread was able to see that service was generally in line with the contract and that unit prices were fair; however, lack of demand management had meant Whitbread was buying more services than it should.

Balanced Scorecard Means Progress Stays On Track

CSC benefited from the confidence that its service and prices were fair, and that many of the service complaints emanated from specific, addressable failures, and mostly because of perception, rather than reality. CSC will continue to benefit from the centralised Whitbread organisation and the implementation of a balanced scorecard approach that sets out the overall expectations for each party from the relationship and gives them a tool to keep it on track.

"I see this as a partnership activity at the most significant level – we can only be successful together if we give each other the space and help each organisation needs to make the changes to our own ways of working."

Ben Wishart, CIO, Whitbread

"At first, I was somewhat sceptical about the Commercial, Service and Performance review proposed by EquaTerra at Whitbread, thinking that it would simply be a 'beating up of CSC on price' exercise. However, the complete opposite is true. It has given us the opportunity to renew our relationship with Whitbread; to place it on a firmer footing for the future; and it will expose CSC to increasing its revenue. Most importantly, it gives us the opportunity to add greater value to one of our most strategic accounts."

Ivor Canavan, VP CSC EMEA

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.

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