

Is your organisation obtaining the best possible combination of service and value-for-money from its sourcing arrangements?

Right-sourcing: the right solution at the right price at the right time



“*In practice, the “best possible solution” is usually a mix of several of the options available. The different characteristics of the organisation’s many services need different solutions and a one-size-fits-all option is unlikely to be the optimum whether the criteria be value for money, manageability, risk or any other.***”**

Many public sector organisations are re-assessing their sourcing arrangements to drive out further efficiency savings. Right-sourcing recognises that hybrid solutions often provide the best fit, particularly in the public sector where value-for-money must be balanced against manageability, risk and other considerations.

Choosing the right sourcing option

For any service combination, choosing the right sourcing option depends on a number of factors, including: the volume of transactions, the degree of specialisation needed to deliver the service, the degree of risk associated with timely and accurate delivery and the degree of flexibility possible in “fitting” the services to available sourcing options. The generally recognised options are as follows:

- Outsource to a commercial provider.
- Join a shared service.
- Establish collaborative arrangements.
- Retain the in-house provision.

The “best possible option”

In practice, the “best possible option” is a combination of the four options listed above. It matches the sourcing solution to the needs of the organisation and the characteristics of the service. Each component will have its place and the benefits of each one are described below.

No one option will perfectly fit all needs. The aim must be to obtain services from the best possible source in terms of value, service and risk, i.e. to design an optimum hybrid solution of one or more of those options.

Whether the perfect hybrid solution is worth pursuing will depend on cost/benefit and risk analysis of the implementation and ongoing costs. In this analysis it should be recognised that doing nothing really means to retain the existing services – which is itself probably a hybrid solution but not of optimum design.

Outsourcing

In-sourcing and outsourcing were really the

only two sourcing options until 2000. While outsourcing was financially attractive in the right circumstances (for example, for large volume commodity services), it was all too often force-fitted to requirements, leading to bad press when the promised efficiencies were not delivered. Outsourcing is most successful when:

- The economies of scale available to large, specialist service providers offer potential benefits in service costs and resource cover.
- An effective outsourcing contract can provide cost and service certainty to the business.
- The outsourcing supplier can make up for the organisation’s deficit in specialist skills (e.g. IT) and can handle upgrades (e.g. technology refresh) as a part of the contract.

Shared services

Shared services provide a way around the perceived inflexibility of outsourcing, not least the possibility of fitting demand to a number of services that would not be economically viable as a dedicated outsource solution. Bad press resulted from early attempts to fit a problem to a shared service solution. However, shared services provide an attractive solution for those with lower volume work or a large specialisation that is shared with others.

Collaborative working

Collaborative working is a collective form of shared service, where there is no single supplier, but a virtual supplier made up of the pooled offers from the collective. It is increasingly used to pool resources and services within local and central government. Collaborative working can deliver

Exploring ways in which collaborative working can improve performance.

the same benefits and efficiencies as outsourcing and shared services but with simpler contractual arrangements. It addresses several issues not easily solved by outsourcing or shared services:

- It provides greater flexibility in the choice of services, and allows different participants to utilise different services.
- It provides time-flexibility – utilisation of a service may be temporary, occasional, or periodic, although participation in the overall scheme is continuous.
- It allows the smaller participants a degree of influence on services that they usually lose in shared service arrangements.
- Because the collective participants are in the same “business”, it works for core and specialised services as well as commodity.

The in-house solution

This option should not be overlooked. In-sourcing was traditionally represented as the “do-nothing” or baseline option, against which the benefits of an alternatively sourced version were presented. However, maintaining a service in-house can sometimes prove highly cost-effective and has other advantages that can outweigh purely financial considerations, for example:

- In-house provision can provide the best fit to business requirements and removes possible conflicts of interests. Specialist staff can be used on both strategic and operational tasks, maximising their value to the organisation.
- For many organisations, managing an in-house operation is easier than managing an external supplier; senior managers may also perceive that there is less risk of losing control.

In summary

There is no single *right* source for services – but this article has suggested some simple rules for avoiding the *wrong* ones. Understanding these rules is critical to the risk management needed when in practice it proves impossible to follow the rules exactly.

Call our Sourcing Consulting Team on
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Hampshire Planning Officers embrace collaborative working

Working individually and collectively with 14 local planning authorities in Hampshire, AMTEC developed a robust business model to facilitate the sharing of valuable internal resource and the joint procurement of external support.

About HIPOG

The Hampshire and Isle of Wight Planning Officers Group (HIPOG) comprises the Chief Planning Officers from each of the 14 county, unitary and district councils.

HIPOG wanted to explore ways in which the 14 local planning authorities could work more “collaboratively” in town planning, an area in which there are significant recruitment and retention challenges.

The Approach

AMTEC Consulting was appointed to carry out the collaborative working assignment for HIPOG.

The study followed five key steps: scoping, baseline review, options appraisal, development of recommended model and final reporting. The final report and business case detailed the recommended business model and included a costed roadmap. The business case demonstrated that the greater the engagement across organisations, the more benefits

were possible.

The critical success factor implicit throughout the assignment was the need to gain consensus to a new collaborative business model.

AMTEC engaged all participating authorities at every step of the project. An inclusive approach meant that a model was developed that was practical, sensitive to the requirements of each authority and yet robust. Early wins and longer-term goals were set and, crucially, a consensus was achieved.

The Outcome

A clear momentum was established across the region to put in place pilot arrangements that would test the model at the levels recommended and reap the anticipated benefits.

The approach is a potential model, not only for other planning groups, but also for other service areas as authorities continue to explore opportunities for improved customer services and greater efficiencies.