

Outsourcing – The Minimum Strategic Client Side Role

How to avoid being badly managed by your provider.

Few business changes combine the promise of big benefits with the risks of big problems as outsourcing. Implemented well outsourcing can increase capacity, lower costs and give you the flexibility you need. Implemented badly, it can cost you more, stop you doing what you want and trap you in a hostile relationship.

Despite some organisations having tried, it is catastrophic to outsource everything in a particular department or function. In this article, Touchpoint Change's James Crawford looks at the minimum set of responsibilities that must remain in-house.

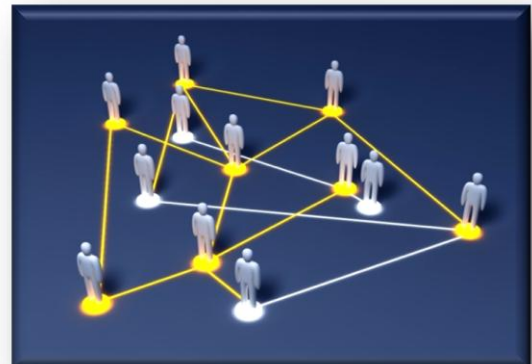
Large organisations may be looking to focus on core expertise or reduce costs and small organisations may need access to specific skills and technology without the overheads. Both can benefit from the increased flexibility outsourcing brings but a successful contract of any type requires effective client side leadership.

Many organisational activities can be successfully outsourced, operational or strategic, but some responsibilities should not be delegated. Whether 5% or 95% of a function is outsourced, the client team must retain the responsibility for certain critical activities.

The following is a minimum list of the responsibilities of the client side team, for any department:

- Setting high level policy and strategy
- Strategic procurement, requirement definition, contract management
- Assurance of service delivery in line with strategy and contract
- Assurance of value for money in line with priorities and budgets
- Governance arrangements and monitoring working relationships at all levels between client departments and service providers
- Sponsorship, prioritisation and funding of change

A true partnership does imply a win-win two-way relationship, but it must be led by the client. It is not uncommon for the client of a first generation outsourced contract to exercise too little leadership. However, this becomes painfully apparent over the first years of the contract and the balance has to be re-addressed. This can be very hard once a contract is in place and the supplier has got used to controlling the relationship, or even writing out their own cheques (which has literally happened in some cases).



These critical client-side activities are defined in a little more detail below:

Setting policy and strategy	Setting the agenda for the outsourced services by setting/agreeing goals, priorities and plans that support the wider business strategy
Strategic procurement	Negotiating terms, managing risk, operating the contract, agreeing variations, undertaking periodic strategic reviews and resolving or escalating issues
Assurance of service delivery	Defining the services, establishing SLAs, monitoring outputs for performance and compliance and pro-actively managing delivery performance
Assurance of value for money	Assessing the efficiency and cost effectiveness of services, ensuring accurate schedule or risk/reward payments whilst avoiding duplication or 'man-marking'
Governance and coordination	Ensuring that stakeholder needs are properly represented, that they engage properly, work together effectively, deliver their responsibilities at every level and achieve the benefits
Sponsorship of change	Considering options for change, prioritising activity, approving business cases, overseeing change delivery (at least at milestone level) and assuring the benefit management regime

When an outsource relationship gets off on to the right foot, it makes all the difference. There is then a much greater chance of delivering the planned benefits and improving performance consistently – as measured by service levels, customer satisfaction, quality and cost. It will also be a far better environment to work in with less stress & more satisfaction for all.

This was written by James Crawford of Touchpoint Change for **Change!** – the newsletter of Touchpoint Change Consulting. James is an organisation transformation expert and Interim Director. He specialises in designing and delivering business change, including outsourcing arrangements and shared services.

Touchpoint Change helps organisations in the private and public sectors to prioritise change, engage their people, develop good outsourcing and partnership arrangements, transform their operations and become self sufficient in continuous improvement.