

Public Sector transformation through outsourcing

John Yard

email: johnyard@btinternet.com

Mobile: 07860 820186

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What does UK Government want

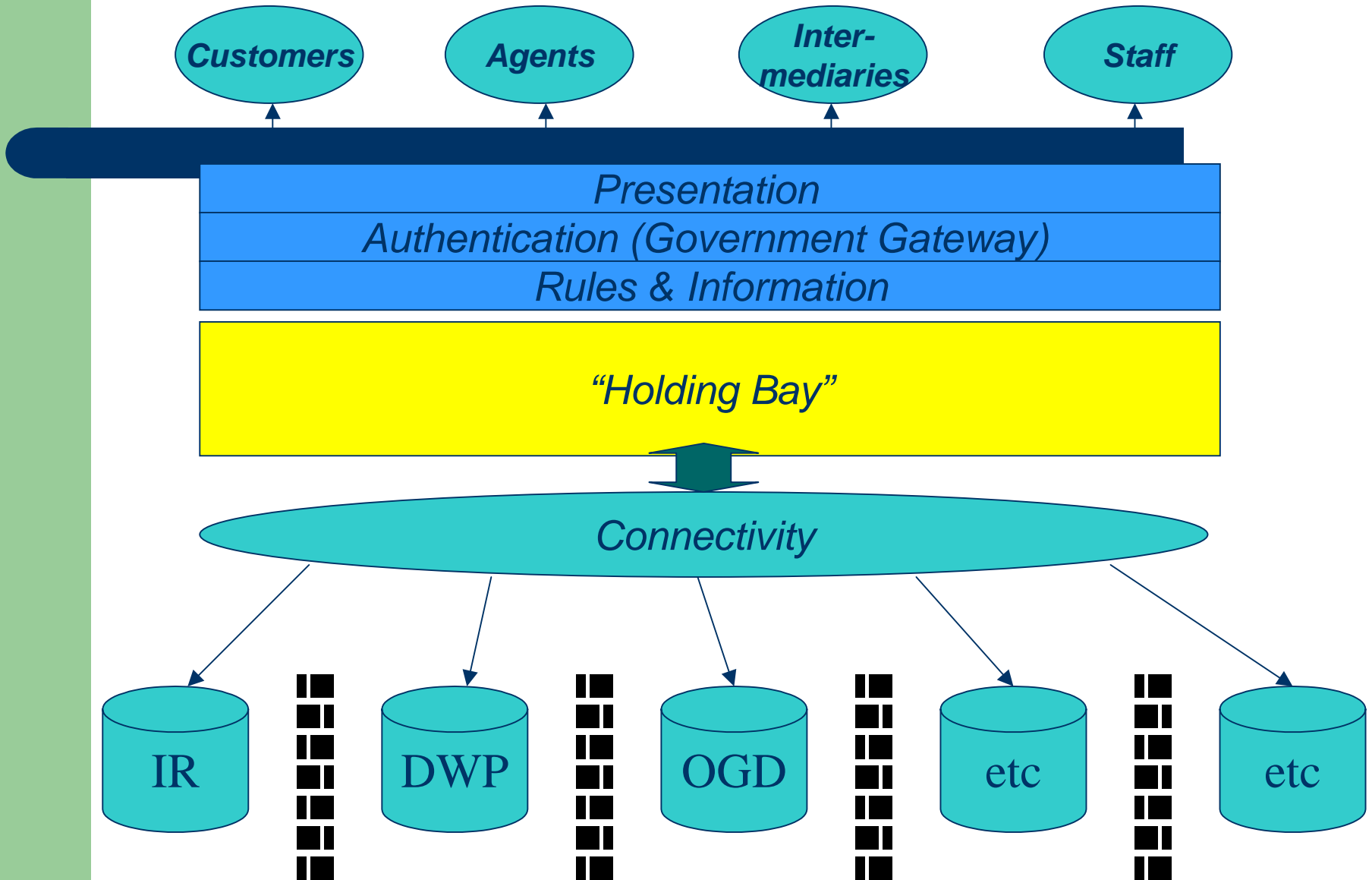
- Public sector reform
 - Gershon
 - Election promises
- Public perception
 - Tax increases not yet delivered in NHS
 - Delivery problems e.g. Tax Credits
- Government IT strategy
 - Citizen centric (Joined up Commonsense)
 - CIO Council (Pan departmental)
 - Using IT to transform Government business

IT is the Business

Some Common themes

- Identification of individuals
 - Security v. privacy
- Access to relevant data
 - From a variety of sources
- Presenting the data
 - Where it is needed
 - In a form which meets the Users needs
- Enabling Architecture/Infrastructure

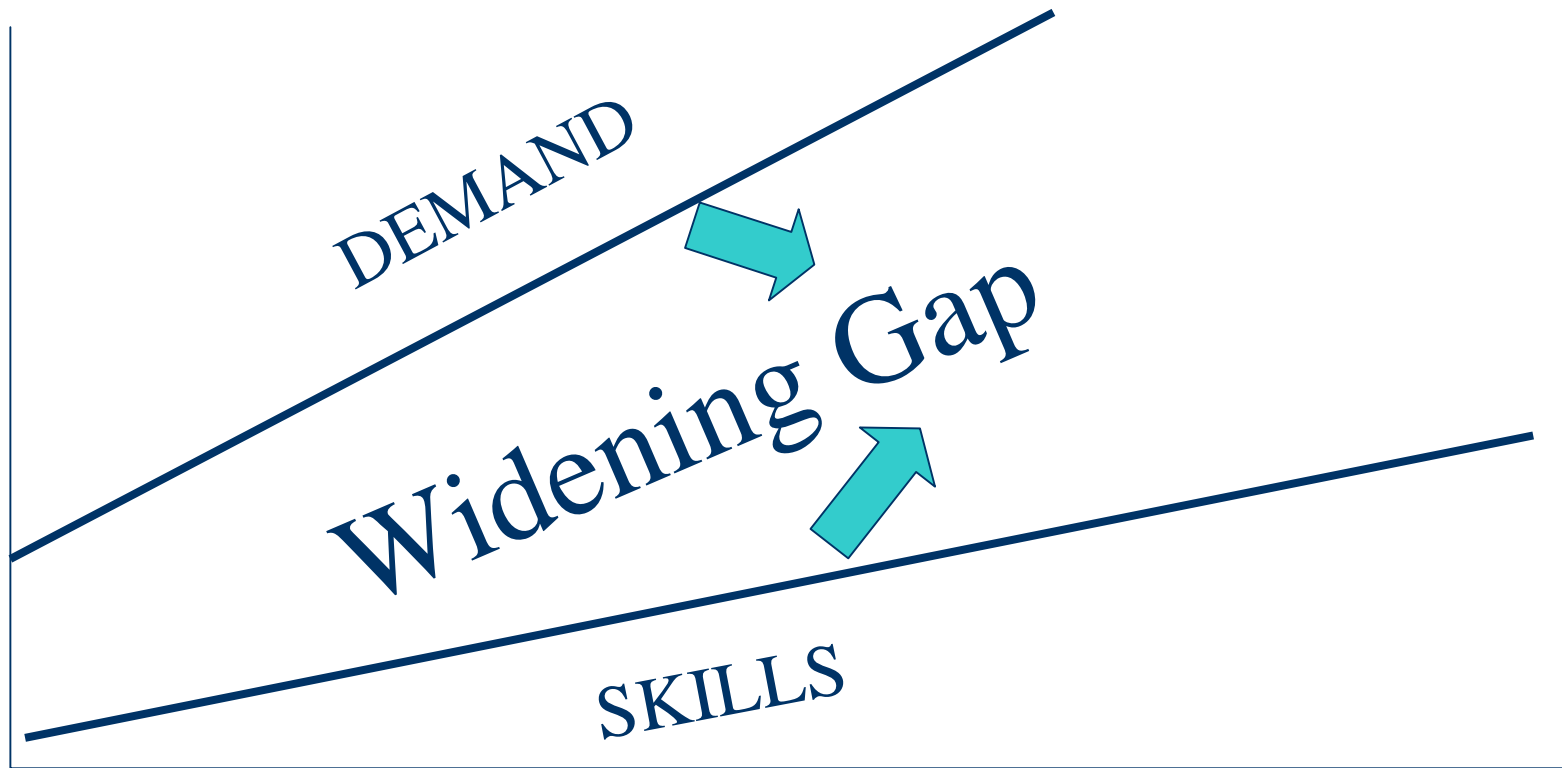
Enabling Architecture



The Delivery issues

- Culture change
 - Doing it without Civil servants
- Encouraging
 - Self service (must be easy to use)
 - Using intermediaries
- Scale & complexity
 - Changing requirements
 - A marathon not a sprint
- Resources & skills
 - Government can't resource IT internally
 - Has to work with the IT industry

The Resource challenge



Good people choose where they work

The competition for resources

- Encourages Departments to outsource
 - they think Suppliers have the resources
- Suppliers don't have enough either
- Departments in competition with other Clients for scarce resources
- How do Departments secure sufficient resource?
 - Need to be a “good” customer
 - Firm but fair

The Challenge

- Government needs to transform public services
- It cannot do it without the help of the industry
- Government is prepared to pay **BUT.....**
the industry must deliver
- Departments can help by understanding how to be an Intelligent Customer
- Important to apply the lessons from outsourcing

Why do organisations outsource

- To solve a problem.... **But**
 - Do they understand what they are selling
 - Are the Board involved in the decision
 - Does everyone understand the consequences
- Does the Supplier know what they are buying
 - Delivery is more difficult than winning

Outsourcing only changes the way you manage the problem

Sourcing Models

- In house
 - Skills issue
- Prime supplier
 - Co-partners
- Multiple suppliers
 - Integration & overall responsibility
- Offshore & Nearshore
 - Communication
 - Control
- No right model
 - **Depends on the risks you can best manage**

Choosing a Supplier/Partner

- Deliverability
 - How will Supplier get resources on your account
 - Services; Infrastructure; Projects
- Ability to Transition the service either from
 - In house team or Incumbent supplier
- Mutuality of objectives
 - Win:Win v. Lose:Lose
 - Reconciling potentially conflicting objectives
 - Client driving down costs
 - Supplier maximising profit
 - Both sides dependant on each other

Importance of Partnership

- Importance underestimated because
 - “Partnership” not understood
 - Contract will not cover everything
 - There are **BOUND** to be problems
- Partnership should be based on
 - Understanding each sides perspective
 - Joint ownership of problems with real desire to find solutions
- It requires
 - Controlled risk taking on both sides
 - Constant negotiation

Why things go wrong - Pre Contract

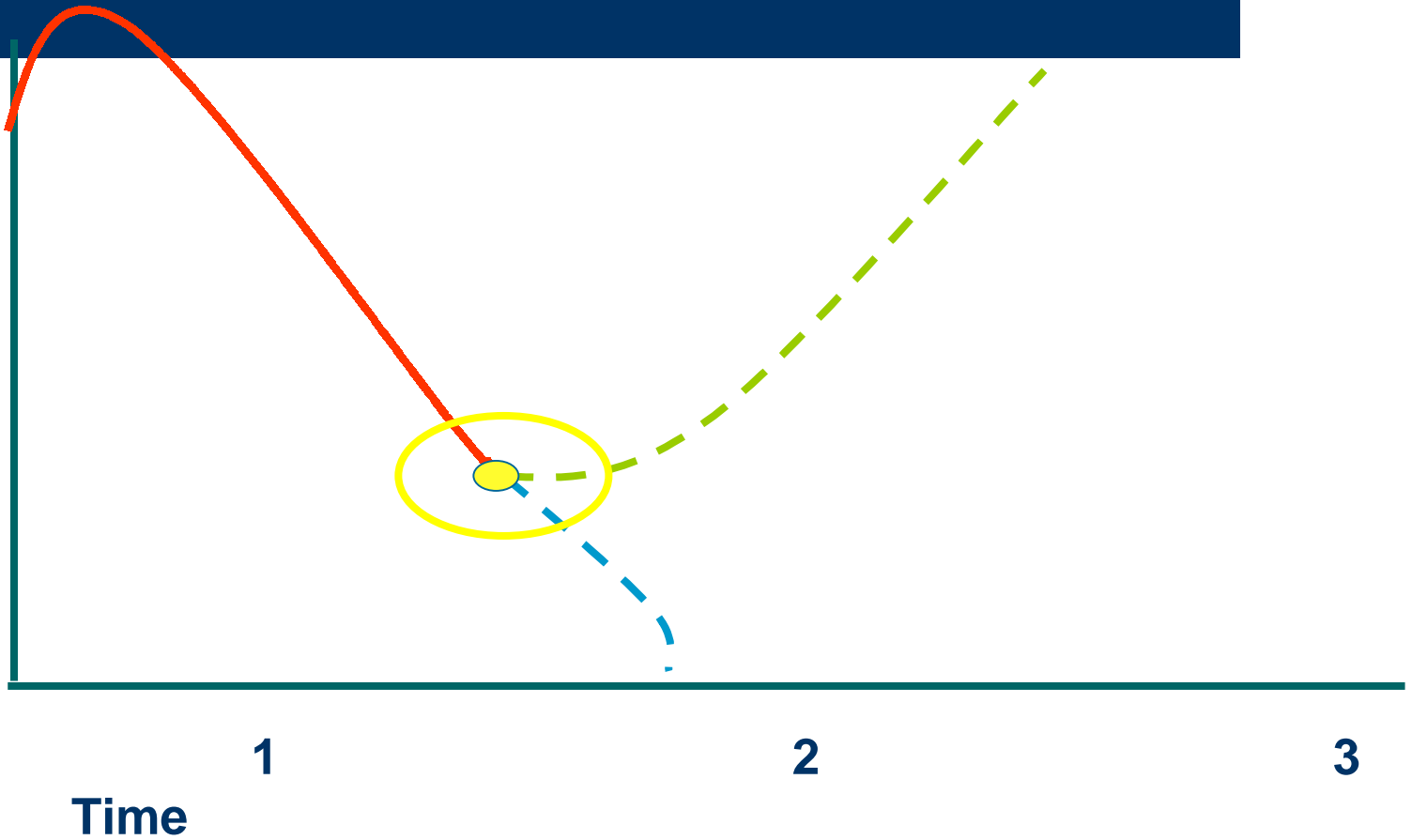
- Assumption “partnership” solves everything
- Rush to complete the deal
- Sales team not delivery team
- Due diligence

Why things go wrong – 1st year

- Wrong expectations set by supplier
- Learning Curve
- Cultures
- Always more difficult than supplier thinks
 - Delivery
 - Commercial return

TYPICAL CONTRACT CYCLE

Customer Satisfaction



Approach to Year 1

Remember: there will be problems

- Contract Management/Processes
 - Loosening the noose
- Relationship Management
- Clear escalation mechanism at the start
- Partnership is not a cosy relationship

DEPENDS ON TRUST WHICH HAS TO BE EARNED

When things go wrong

- Creative or destructive tension
- Can the parties talk to each other
 - AND listen
 - put themselves in the other shoes
- What tone is set by leaders on each side
- Speaking about what you feel
 - perceptions are reality

What does it feel like?

Contract Management

- Contracts never cover everything
 - language is imprecise
 - you can't see the future
- Need for flexibility
- Don't put the contract in the drawer
- CM team to focus on contract management
 - significant issues to be escalated

Managing the Relationship

- There will be disputes
- The Blame culture
 - Importance of managing the Client Board
 - (they thought the problem was solved by outsourcing)
- Relationship management
 - Managing the ups and downs

Contractual issues - Incentives

- Incentives v. Penalties
 - Sets tone
 - Affects behaviour
- Incentives (POSITIVE 😊)
 - Something to aim at
 - Bonus for success
 - Encourages collaboration and focus on delivery

Contractual issues - Penalties

- Penalties (NEGATIVE 😞)
 - Something to avoid
 - Relate to failure
 - Encourages confrontation and diverts from delivery

**RISK IS YOU WIN THE “PENALTY” BATTLE
AND LOSE THE “DELIVERY” WAR**

Keys to making outsourcing work to deliver transformation

- Be clear why you are outsourcing
 - Ensure Supplier knows what they are buying
- Decide the outsourcing model by reference to the risk you can best manage
- Ensure “Partnership” is understood on both sides
- Contracts can’t cover everything
 - Incentives v. penalties
- There will be problems and therefore importance of
 - Relationship management
 - Managing the Board