

IRM Charities Special Interest Group – 6 April 2011

**Workshop 2 entitled ‘Outsourcing and Sharing Resources’
Facilitated by David Forster, Zurich Municipal**

Question:	Outsourcing and sharing resources – what do we mean?
Response:	<p>Flip chart session:</p> <ul style="list-style-type: none">• Prime contractors opportunities – e.g. European Social Funding.• Facilities management, print, funeral planning (selling services under license).• IT – partner outsourcing. <p>Conclusions: Supply chain model shows that you can be involved with both sides of outsource arrangements. This makes some supply chains for service provisions complex. You should work out where you are in the chain and assess your risks accordingly. Assessing where you are can be complex but it’s important.</p>
Question:	Why do it? Bigger picture benefits to you, benefits to customers/partners?
Response:	<p>Flip chart session:</p> <ul style="list-style-type: none">• Perceived savings – doesn’t always work out because of performance and contract management requirements. If you want to withdraw from the contract – you need to be ready to be up and running and that’s expensive. Also local needs against national suppliers of services i.e. cost of someone travelling a long way for a small maintenance task.• TUPE and regulation adds costs in these arrangements.• Economies of scale can achieve savings.• Possibility of making a profit – an income stream.• Sharing skill sets and expertise might be more appropriate than a formal outsource.
Question:	Do customers see a benefit?
Response:	<ul style="list-style-type: none">• They don’t care unless the service isn’t seamless. They might see an improvement in services i.e. waste management.• Quite often the other brand might not be visible.

Question:	Core and non core?
Response:	<ul style="list-style-type: none"> • Legal services where mistakes are costly and it's intellectual capital. • Accountability. • An increasing concern for public services. • Best practice sharing might be more appropriate than outsourcing or setting up as a shared service. • Shared ownership might also be a better arrangement (contractual none the less).
Question:	Why do they go wrong? Risks and threats
Response:	<ul style="list-style-type: none"> • Cannot outsource the reputational risk. • Breakdown with relationship. • Lack of workforce skills around contract management so tail wags the dog. • Inappropriate transfer of risk from, for example, local authority contracts. • Two sides to the story – boss / contractor relationships (you could be both!) • Loss of control – ensuring consistency and accuracy. • Knowledge and information sharing – ownership of it – especially when the relationship ends. • Loss of data.
Explanation:	'Contract management' the three levels of management Relationship Contract Service
	<ul style="list-style-type: none"> • A quick run through of Alsbridge plc slides and a recommendation to look at the website for further information. • These slides were written with very large contracts in mind however, the principles and thinking apply in smaller cases. • Relationship management is about the bigger picture. The vision – what the Chief Exec is interested in. • Contract management – the bigger picture around the Service Level Agreement and the customer / user proposition. • Service – the nuts and bolts of daily operation. This is the traditional area of focus. • Are relationships driven around these three areas? Or does one manager talk to all of them? In smaller organisations this could be a challenge – but the thinking is still valid whatever your size. • How do we get people to buy into this? – the suggestion is to ask challenging questions around these areas.

Question:	Exit strategies - Plan B's?
Response:	<ul style="list-style-type: none"> • Ideally before you enter the agreement / contract but sometimes this is felt to be suggesting that there could be failure so isn't well received! • Most orgs here today aren't using this form of contingency planning yet. • Some contracts in place are as long as ten years e.g. licensing of services such as specialist insurance schemes that are part of the charity proposition.
Question:	What do you need to think about if you need to return to ownership?
Response:	<ul style="list-style-type: none"> • Workforce challenge is that your best staff were TUPE'd under the original contract and then you need to employ them back as consultants (at great cost and there is a risk that they won't be available or want to come back). • Housing association maintenance failure (Rok and Connaught) is a good example of this being a distinct possibility.
Question:	Where is this going? Is this a threat or an opportunity?
Response:	<ul style="list-style-type: none"> • Run through of supply chain questions – these are the things you need to think about asking. • The questions should lead you to some helpful debate. But don't forget to try to answer the questions – not just ask and debate them. • Decisions are made without looking at cultural shift and working behaviours that are also required. This should also be considered to enable the initiative to succeed.