

TO OUTSOURCE OR NOT TO OUTSOURCE?

Can you achieve efficiency savings through business process outsourcing?
Dave Morton, head of public sector at Ventura investigates

THE EVER INCREASING PRESSURE

to deliver significant savings throughout the public sector was crystallised by the former prime minister Gordon Brown's commitment to deliver £4bn of new savings across Whitehall by 2013. Meanwhile the Centre for Economics and Business Research believe that fiscal tightening of over £35bn is required to get the country back on track.

Given that efficiency savings will take absolute pre-eminence and that initiatives will become more radical, can the UK public sector afford to ignore outsourcing with potential savings of £10bn and significant productivity gains?

Local government leaders include enhancing service delivery, increasing efficiency and improving citizen contact as main pain points on their agendas, so the option to outsource not only makes economical sense, but also delivers against these core objectives.

Making use of a mature and experienced business process outsourcing market will help to deliver the reform and efficiencies needed throughout the growing public sector. This highly effective strategy offers a lower cost model, increased flexibility and a commercially attractive mechanism.

BPO organisations deliver the "third sector" to government and will prove to play an increasingly significant role as a trusted partner. Public Sector and Private Partnerships (PPP) are now common place and evidence of this significant shift change from a previous in-house mentality.

We must however be cognisant that benefits of any new outsourcing partnership must deliver against the strategic plan and creating efficiency savings against a challenging backdrop of improving citizen centric services.

IS OUTSOURCING REALLY TRANSFORMATIONAL?

Government has long been an advocate of BPO, from humble beginnings to significant partnerships.

For over a decade government has driven service transformation and efficiency savings by outsourcing non-core activities, from customer management, debt collection, document management and print & fulfillment to name but a few of the low hanging fruit through which local government has achieved efficiencies.

Ventura partnered the Department for Work and Pensions in 2003 to launch the new Pension Credit Application Line. A national shared management team delivered inbound and outbound call handling, application processing, arranging home visits and a knowledge transfer programme. Since its

launch, the Pension Credit Application Line has seen a 24 per cent increase in answered calls, a 15 per cent uplift in successful applications, a four per cent improvement in applications processed and average handling time reduced from 42 to eight minutes.

Using an outsourcer means you can turn over important but non-core functions, such as customer care or back office operations which may not be running efficiently to an expert. This allows you to concentrate on transforming government services, meeting customers' needs and dealing with rising cost pressures. An often used and simple mantra is to "stick to your core competencies and seek lower cost alternatives to non-core activities".

CHOOSING THE RIGHT STRATEGY

So if we have established that outsourcing is a viable alternative then what is the right engagement process for government; co-source, in-source, out-source or right-source? And once we agree the engagement then where should we deliver the service; on-shore, off-shore or multishore? Balancing the risk, reward and ultimately the outcome is a necessity for a successful outsourcing strategy.

The vision and appetite to test the market is now in place for the government sector. Go no further until you have formulated an outsourcing strategy, paying particular attention to the desired outcomes, governance and the transition plan. Importantly measure your existing service to an outsourced service delivery to realise the associated cost benefits that can be delivered back in to the business. Critically ensure that the project is aligned with your overall strategic plan. And finally choose your outsource partner carefully in relation to your end goal and subsequently your outsourcing model must follow.

Technology no longer constrains service delivery and effective solutions can be delivered with increased flexibility and reduced costs. So challenge the outsourcer to deliver against the constantly growing communications market; they should be the expert when it comes to integrating IT systems and delivering class leading management information.

Traditional communications methods are being overtaken by social media which is re-defining the way in which people transact. Given that we must respond to constantly deliver citizen centric services, "multi-channel" access to the authority could so very easily become another siloed approach. Stick to the plan and ensure that you work closely with your outsourcer to make sure they evolve as communication challenges present themselves

to ultimately deliver one unified solution, one touch point with integrated processes.

Well-planned outsourcing projects go largely unnoticed, whilst poorly executed projects gain national interest and local unrest. Careful outsourcer selection however, means you can reduce the risk by working with a partner with proven transition expertise. Dedicated project teams, due diligence, joint risk assessment and a clearly defined approach will deliver a successful transition.

There should be no reason to disrupt service delivery during the transition period. A calculated approach should be taken, gradually transferring simple to complex business processes.

An outsourcer often has years of experience, a readily available resource pool and existing infrastructure and technology which means quick set-up. Making the transition is business as usual for your chosen outsourcer so buy into their expertise to deliver a smooth transition process.

Management control can be maintained through regular interaction with your outsourcing partner. Onsite presence of your management team should be fully encouraged to integrate your practices and culture and build relationships.

Considerations need to be made regarding employment, and TUPE should not be seen as a barrier. This can represent an opportunity to modernise the workforce creating an advantageous position to create a flexible, cost effective relationship which is managed in a commercial model.

WORKING IN PARTNERSHIP

Finally and definitely not to be underestimated, you need to find the right partner. A partner is defined as someone who shares a common interest or works towards achieving a common goal. To find that partner begin the engagement early, define the process, share your strategic objectives and ensure that the outcomes are clearly defined. Ultimately the benefits realised when you settle on the right outsourcing strategy and the right partner can be dramatic. Outsourcers routinely improve efficiency and the output of customer processes, realise significant cost savings in the process as well as adding value to the relationship with the customer. Such significant savings and process improvements really can't be ignored in the current climate.

FOR MORE INFORMATION

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