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Insider View: Simon Hay, Outsourcing Interim

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Where do you see current opportunities for outsourcing arising?

It depends on whether you are talking about the public or private sector. In the private sector outsourcing is already common across many different industries and organisations, and can take many different forms, though these are usually focused around specific services and / or functions such as logistics, manufacturing, marketing, human resources, and customer services.

Here opportunities will come from first time outsourcers, outsourcing new functions / services or re-outsourcing existing outsourced functions / services. In the public sector, given the significant changes proposed by the Government, in a number of areas such as health or the 'Big Society' where new providers are actively being encouraged, or new skill sets may be required (e.g. GP commissioning), the opportunities may be significant.

What are the main things organisations should consider when thinking about outsourcing?

The main thing is to fully understand what you are outsourcing and why – what are your objectives, 'cost', service, something else? In addition you should also heed the following:

- Don't approach outsourcing purely as a cost cutting exercise
- Don't outsource any activity which is not fully understood
- Design appropriate levels of flexibility into the contract
- Invest quality management time in choosing the provider
- Outsourcing does not mean abdication
- Sustain management commitment in the operational environment
- Maintain appropriate skills and resource to manage the relationship with providers
- Focus on service and cost performance into the contract and partnership
- Fully leverage the expertise the provider brings to the client organisation
- Ensure the information systems fully support the business

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requirement

- Integrate client organisation specific skills with the providers core competencies

Are there any common mistakes / issues that are made?

Yes, common ones include:

- Not being clear about what and why you are outsourcing, i.e. what are your objectives
- Not seen with equal importance as managing today
- Strategy bought in centrally but not locally
- Not communicating with your customers and employees at all stages in the process
- Be explicit in stating your requirements and response format during the tendering process
- Be clear as to your evaluation criteria and process and your role within it
- Need to develop a common agreed dataset - for both now and the future organisation
- Have clear KPIs to measure actual performance - not just financial

Are there any myths about outsourcing?

In my experience the biggest one is in relation to 'cost'. It is usually expected that 'cost' reduction is the main driver, and as such the main evaluation criteria when selecting suppliers, however I have found that this is not the case and other attributes usually attain greater importance in the final evaluation. Indeed it may even be true in some cases that outsourcing does not deliver any 'cost' savings at all if the objective is improved service or access to new markets or specific competences that were otherwise unavailable to the organisation.

Are there any specific issues or differences between outsourcing in the public or private sectors?

In essence, the processes employed are the same, and follow a similar number of steps. However the biggest, and most significant difference is the requirement to follow public procurement regulations – commonly referred to as the Official Journal of the European Union (OJEU) – when working within the public sector. Because of these regulations, and the consequences that can ensue if they are not fully understood and adhered to, it is important from both the perspective of the outsourcing organisation and any prospective suppliers that members of their respective teams are experienced in this area. There may also be other issues with regards to political and / or union sensitivities that can significantly impact the process undertaken and / or timescale.

What are the keys to success of managing an outsourcing relationship?

I believe the following are key:

- Creation of a shared vision for the outsourcing, that is reflected in the contractual arrangements
- Inclusion of effective performance metrics that incentivise the contractor to ensure that its actions are co-incidental with the clients' business objectives
- Establishment of clear communication mechanisms
- Development up front of a clear contingency plan and exit strategy
- Having a clear strategic approach to managing the supply base

Can you think of any good examples of outsourcing?

The issue here is how you define 'good' as it will differ for everybody and depends upon what your original objectives were. Apple outsources the majority, if not all, of its manufacturing processes (as do a lot of high tech companies), Marks & Spencer has outsourced elements of its supply chain to the same company for over 30 years. In the public sector, outsourced cleaning, catering or facilities maintenance is common.

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