
Managing Outsourcing: Best Practice

Many organisations are being affected by outsourcing or facilities management (FM), instigated as a consequence of corporate policy, Compulsory Competitive Tendering (CCT) or Market Testing. Considerable analysis is available on the rationale and contractual aspects of establishing an outsourcing agreement, but much less on how to manage a partially or totally outsourced situation once the contract has been let.

A poorly managed outsourced situation can have severe financial and service consequences. An IMPACT* Working Group has therefore identified the best and worst consequences of outsourcing and produce best practice guidelines based on the experiences of over 100 organisations. Though the emphasis of the analysis has been on Information Systems (IS) and Information Technology (IT) services the guideline are also applicable to the outsourcing of other services.

Outsourcing Best Practice Guidelines, published by The Stationery Office is aimed primarily at the business and IS executive who have decided to outsource all or part of their services and are seeking to maximise the benefits of the outsourced situation. The emphasis throughout is on practical, easily referenced guidance, to help managers learn from a wide range of experiences

It is apparent from those experiences that many organisations have both underestimated the necessary cultural changes and given inadequate consideration to establishing a challenging and well informed business relationship - a partnership - with their service providers.

The main body of the book and the part which is likely to be most frequently referenced, is a checklist of 44 brief, practice guidelines. Each is expanded to provide an explanation, the benefits of compliance the risks of non-compliance and suggestions for how to comply. For example:

Checklist item:

Guideline: Define clear escalation procedures

Expansion of the guideline:

Guideline Define clear escalation procedures

Explanation However good the relationship between customer and supplier, problems may arise so procedures should be agreed for handling problems.

Benefits Responsibilities and levels of authority are clear. Customer and supplier co-operate to ensure that problems are recognised and then resolved quickly and efficiently. Clear problem reporting and escalation procedures help keep the heat out of the situation.

Risks Without clear escalation procedures, end-users may not know how to raise problems which means that they will take longer to resolve, cost more and cause more inconvenience. This, in turn, worsens end-user perception of the service.

Suggestions Define escalation procedures in the contract; use them when necessary. Allow for successive levels of response depending on the nature of the problem and the outcome of the action taken at lower levels. Try to resolve problems at the lowest practicable level. Ensure people have appropriate levels of authority to resolve problems. Define timescales for escalating problems - this provides a discipline for the process.

The Guidelines also include:

- General Characteristics of Customer and Supplier Contract Managers,
- Important Elements of Service Level Agreements (SLAs),
- Review Meeting Agenda,

- Lessons Learnt - Supplier Selection and Tender,
- Lessons Learnt - Best and Worst Consequences of Outsourcing,
- An Outsourcing Bibliography,

The Outsourcing Best Practice Guidelines are published by The Stationery Office Price £50.

**IMPACT*

The KPMG IMPACT Programme is a partnership of major user organisations which have been collaborating since 1989. Each is committed to making the most effective use of IS through learning from each others' experience. The basic principle behind the work of the programme is that the managerial implications of IS are ill understood and the way forward is not through theory but the study and application of best practice. New members are always welcome - contact KPMG IMPACT Programme, 8 Salisbury Square, London EC4Y 8BB (Tel 0171 311 1000. Fax 0171 311 3993)

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