

How to get the best outsourcing deal in a suppliers market

There is significant speculation that there will be a sudden surge of outsourcing across local and central government over the next 3 years. Recently, LGC reported that a survey of London Councils identified that 75% of councils were considering some form of outsourcing to the private sector. 'Considering' of course is a broad term, but there is no doubt that my regular conversations with key market players are taking a more optimistic turn of late. As a client side advisor, my job is to get the best deal for my clients. I want to find the best companies, the most innovative solutions, the healthiest balance sheets and the top personnel the market can offer, in order to eliminate risk and 'guarantee outcomes'.

So talk of a surge bothers me. The services market takes a little time to adapt to new market conditions, and whilst capacity will probably grow to match, key factors such as price, choice and quality may suffer for the clients whose interests I protect. In other words I believe we could – probably about a year from now – see a sellers' market.

Buyers, that is councils, should be very concerned about this. Prices will be less competitive, quality will be compromised, innovation and added value benefits will reduce. Simply put, the most attractive buyers will get the best deal.

But a year is a long time, and for councils that see partnership and outsourcing as key tools to meet financial pressures, there are a number of things you should be doing to give you an edge over your competition:

First of all, reputation matters. To get the best you need to be perceived as the best, and to be perceived as the best you must focus on how you present yourself to the market. Council's will need to prepare a prospectus that outlines a compelling proposition to the market that is self aware, that defines a focussed and appropriate timetable, and that outlines a set of realistic outcomes that the council wants to achieve. Too often I see a nonchalance or even arrogance about presenting the council well – often borne of a 'them and us' mentality vis-à-vis the market.

Building on this reputational theme, the council's team must be competent, experienced, and sufficiently so to take decisions. It must be properly resourced, and it must listen as well as being heard. Above all it must demonstrate partnership behaviour rather than "procurement" behaviour, i.e. a mature business-like approach to engagement.

I am continually amazed by the lack of meaningful preparation that local authorities undertake before approaching the market. It's generally the simple things that get ignored like clearly defining the scope (including what aspects of services are held in other departments), and being able to show how well or badly the council performs compared to others. Council's need to take a closer look in the mirror and be more self aware in order to understand the realistic scale/quantum of efficiencies and improvement that are possible.

They must be able to demonstrate the key strategic alignment to what a council really wants to achieve. Getting officers and members to agree in broad terms the outcomes they want, what the relative priorities are, and what potential options this rules in and out is a conversation that is often never had, or never finished. I always use the key phrase 'what does good look like?' – this enables clients to get beyond the worthy words and properly picture how they see the services in the future.

Finally, you need to design an efficient and economic procurement process. Naming no names, there have been far too many procurements that have dragged on for far too long, have been unnecessarily complex, and in the end have resulted in failure. The procurement path is now well trodden. The market wants effective and speedy processes to reduce bid costs – the councils want quick processes to reduce the time commitment of officers and the spend on advisors. The procurement process can be truncated if designed and managed well – they key is to find advisors that will commit to this.

The choice of advisors is critical. Whilst there is a defined process for conducting major procurement activity, councils generally do not recognise that negotiations are conducted by people. Councils should look for advisors that they can work with, that build rapport internally and externally, that build skills, competency and confidence, and most of all have experience of and understand the psyche of the supply market. Creating an outsourcing relationship or partnership is **not** an academic process – it's an art form , it's about working with people to agree a mutually beneficial agreement to deliver a certain set of outcomes. So councils should look for people – not just brands – that can represent them in this way. Consulting diagrams and slide packs are good for some purposes, but not this one. The trust between people backed by high-end technical and commercial skills will make the deal, not painting by numbers.

We may or may not see a rebalancing of power towards the market. But if we do, there will still be councils that get a great deal. In every sellers' market there are buyers who get great deals. It is time to get smart.

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