

Getting the measure of outsourcing

Recent studies evaluate government outsourcing in Canada

by Mark Boudreau

As Canadian government executives face conflicting priorities – growing fiscal pressures and tight competition for specialized skills – they feel compelled to look outside their usual boundaries for a solution. Undoubtedly, outsourcing can be a viable one – offering the potential to save money, extend capabilities and improve the services offered.

The question then, is not whether governments will continue to outsource, but rather, what can they do to get the most out of it. A

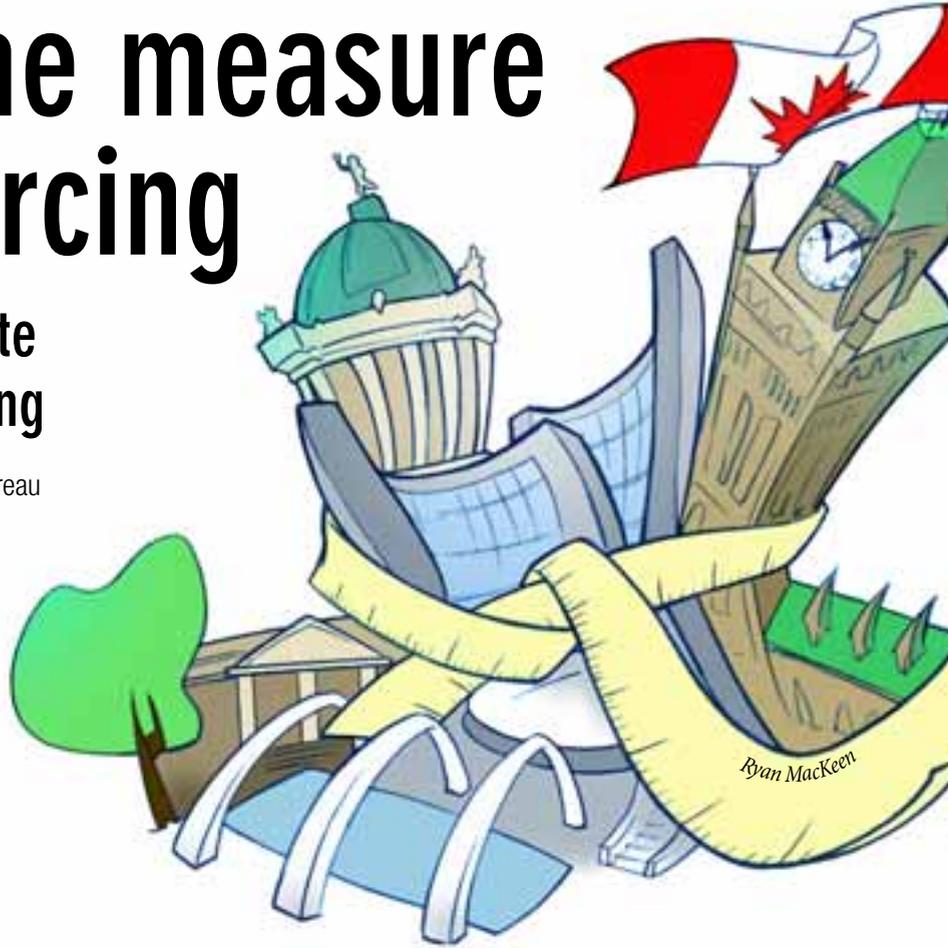
Workers' Compensation Board – Alberta

The Workers' Compensation Board – Alberta (WCB-Alberta) began a relationship with Accenture in 1990 to develop software applications – to build, operate and maintain new custom applications together. At the time, WCB-Alberta had a number of technology initiatives to tackle, but it wasn't sure it had the in-house resources to complete them. Even if it tried to improve internal development capabilities, there was no guarantee it could ensure rapid delivery of solutions.

The working relationship eventually led to a strategic partnership focused on delivering WCB-Alberta's core service – managing injured workers' claims. Leveraging a relationship with the private sector can be a strategic business tool – not just a point solution.

The WCB-Alberta/Accenture team reengineered the entire claims process, from internal processes to touch points with employers and injured workers. Management systems and supervisory controls have changed resulting in case managers delivering the right service at the right time in the claim, improving their ability to return injured workers quickly and safely to their jobs.

WCB-Alberta is a not-for-profit mutual insurance corporation funded entirely by employers. It provides cost-effective workplace liability and disability insurance to more than 1.2 million workers and 96,000 employees.



recent study by Accenture, a leading management and technology services organization, *Outsourcing in Government: The Path to Transformation* revealed that government executives clearly see room for improvement. The study summarizes findings from interviews with 50 senior-level government executives in eight countries with direct experience managing outsourcing initiatives. Government executives, irrespective of country, rated the potential importance of outsourcing for achieving their strategic mission, higher on average than its current effectiveness.

In results similar to their private sector counterparts, 88 percent of the Canadian public sector leaders who participated in Accenture's annual Canadian thought leadership study – *Business Transformation Outsourcing: Canadian Perceptions* (November 2001) were favourable about the benefits of outsourcing relationships. Eighty-four percent of their private sector counterparts responded in the same way.

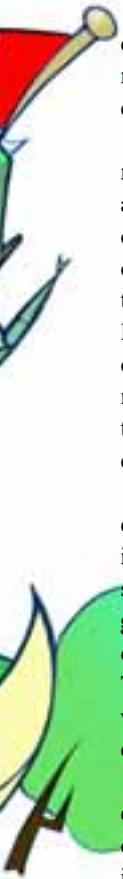
In the same study, when public sector leaders were asked to identify their top priorities for 2002 and 2003, the two most frequent responses were reducing costs (79 percent)

and improving customer (citizen) satisfaction (77 percent). But Canadians are increasing pressure on government to improve services and cut costs.

Realizing that they must use their resources more effectively, many government leaders believe outsourcing can accomplish this goal. Fully 70 percent of those surveyed cite cutting cost as an outsourcing benefit (versus just 60 percent of their private sector peers) and 82 percent say they would consider outsourcing even if cost savings were the only benefit.

But reducing expenditures is no longer the only reason for an outsourcing strategy and certainly not the only benefit. It is also about transforming how an organization delivers services.

The study, *Outsourcing in Government: The Path to Transformation*, also found that a few visionary government executives have strayed from conventional approaches, with dramatic end results. Shaking off traditional notions of outsourcing as a way of wringing costs out of non-core activities, they use outsourcing to drive real value by restructuring operations, align internal and external resources and introduce technology to achieve the desired



outcomes. This represents business transformation outsourcing (BTO) because of the effects these efforts produce.

BTO holds the potential to help government leaders improve efficiency, effectiveness and agility. For example, moving to citizen-centric service models involves major process changes for most governments and a heavier-than-ever reliance on advanced technologies. Implementing these new service models requires resources that most governments cannot afford. The highly competitive market for the technical skills these models demand exacerbates the problem.

BTO offers an attractive solution. Instead of struggling to “home-grow” radical service improvements within existing agency resources that already are fully committed, government can leverage the top skills and capabilities of committed business partners. This approach can help map a strategy for service improvements, and provide a means for executing the changes quickly and effectively.

Outsourcing brings with it a variety of obstacles, which cannot be ignored. They include political acceptance, organizational buy-in and support, maintaining employee satisfaction, and in some cases, union challenges.

In Accenture’s November 2001 study of Canadian public sector executives, *Business Transformation Outsourcing: Canadian Perceptions*, 57 percent of the respondents expressed concern about securing organizational commitments at all levels. They also worried about the potential for disgruntled employees (53 percent) and having to adopt a completely different management style (80 percent).

To overcome the obstacles, there must be an ongoing, proactive leadership commitment. Leaders need to anticipate and address workforce matters and be ready to adopt an innovative approach to a more complex network of relationships. Communication is key to preparing a workforce for change – making change less disconcerting and more readily accepted.

Innovation is also key. Those surveyed in the global study stress the importance of considering potential new business models when negotiating an outsourcing arrangement. Options, such as joint ventures, private finance initiatives and even the extension of public sector activities into whole new revenue-generating arenas, are possibilities.

Recognizing today’s realities and the benefits that can be derived through outsourcing, the number of such public-private business

arrangements will only increase in the future. Government’s need to minimize budget shortfalls, address skill shortages and improve services to citizens is not a passing trend.

Governments that use outsourcing do not simply wring costs out of non-core activities (such as reducing the number of people handling financial activities) – it is part of everyday good management.

The next step for government is to leverage their outsourcing experiences to drive exponential improvements through restructuring operations and aligning internal and external resources. Set aggressive targets. Share risks and gains with their business partners. Increase revenues and reduce costs.

In the words of one savvy government executive, “outsourcing is one way to completely change the boundaries.” *^^*

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Canada Post Corporation

Canada Post Corporation has teamed with Accenture since 1990 to deliver on Canada Post’s commitment to customer service and provide innovative physical and electronic delivery solutions. The team embarked on a program to reengineer Canada Post’s key business processes – improve customer experiences, allow employees to focus on value-generating activities and enable paperless procurement and workflow.

The implementation of the mySAP.com platform allows Canada Post to integrate its business processes, establish an e-business platform, share common data across the company and produce and access information in a real-time environment. A single system with shared and accurate data has formed the foundation of the business transformation program.

The teamwork continues as Canada Post develops new products and services, such as trace-mail and new retail offerings that meet customer needs while helping Canada Post become more competitive. Results across the board have been excellent, including a projected return on investment of 26 percent (according to the *ROI Report, June 2002*) and the recent receipt of the prestigious Gartner Customer Relationship Management Award.

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