

## CAN BUSINESS-LED INNOVATION BE OUTSOURCED IN LOCAL GOVERNMENT ?

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OVER THE NEXT FIVE YEARS, COMMUNICATION TECHNOLOGY APPEARS SET TO BE ONE OF THE KEY DRIVERS OF INNOVATION WITHIN LOCAL PUBLIC SERVICE DELIVERY AS LOCAL AUTHORITIES SEEK TO REDUCE COSTS, IMPROVE PRODUCTIVITY AND ENABLE AN INCREASINGLY SPECIALIST AND MOBILE WORKFORCE. BUT WILL WIDER DECISIONS ABOUT HOW IT SERVICES ARE DELIVERED WITHIN LOCAL AUTHORITIES LIMIT THEIR ABILITY TO INNOVATE?

## 1. TWO DIFFERENT APPROACHES

Two approaches to sourcing IT services within local government are becoming prevalent.

The first approach is the **large outsourcing deal**, where councils hand over responsibility for technology-enabled processes and systems to a private sector supplier, to provide as a corporate managed service.

The second is where local authorities seek to establish partnerships with other organisations delivering local public services that share similar strategic objectives (for example, neighbouring councils, emergency services, health or education providers) to jointly commission **shared or managed services**.

A clear understanding of the benefits and challenges of each of these approaches is crucial if local authorities are to respond to the opportunities presented by converged, PSN-compliant networks, Communications-as-a-Service (CaaS) offerings and cloud-based unified communications applications, to deliver more integrated local services.

## 2. THE OUTSOURCING APPROACH

Innovation frequently requires upfront investment and implies a certain failure rate. New initiatives may take time that local authorities, under pressure to deliver services and cut costs, can ill afford. Large private-sector outsource providers are often in a better position to bear these concerns and deliver packaged solutions to their local government partners. They rightly argue that their scale and expertise, integrated technology stacks and trusted third party vendor relationships allow them to create a low risk environment for the implementation of new technologies.

However, by their nature, these initiatives tend to be technology, rather than business-led. Local

authorities can find themselves 'locked in' to the proprietary solutions of their supplier and its subcontractors. Change tends to be delivered gradually and only if it is commercially advantageous for the supplier to do so.

Much of the expertise required to deliver new technology services is often lost or transferred to the supplier, making it difficult to bring these functions back 'in house' in the future. (Indeed, streamlining the technology management and delivery functions within the local authority is frequently one of the key objectives of large outsourcing deals.)

These deals need to be carefully structured to incentivise the supplier to innovate and deliver value over the lifetime of the contract. It is also imperative that the local authority ensures its operating model is adequately resourced to provide an effective interface with their supplier, and ensure that innovation is truly business-led.

## 3. THE SHARED SERVICES APPROACH

Local authorities that favour the shared services approach typically seek to balance cost reduction with the desire to retain discretion over their technology architecture and respond rapidly to emerging trends. Rather than removing (or drastically reducing) their technology management function, they are looking to business-led technology solutions to reduce costs by improving productivity and finding new ways of supporting an increasingly specialist and mobile workforce.

Partnering with other public service providers to jointly commission common infrastructure components creates opportunities to redesign and integrate local services, share expertise and resources as well as distribute costs. Regional initiatives to jointly procure PSN-compliant networks as a shared service are just one example of this.

However, this approach represents a significant challenge for technology professionals within these organisations, who must manage a complex ecosystem of partners and suppliers. They may also find themselves constrained by the tendency of partnership arrangements to deliver 'lowest common denominator' in terms of requirements.

As well as quickly getting to grips with unfamiliar procurement and governance models such as joint ventures, consortiums or trusts, they must maintain flexible, standards-based architectures. This requires specialist expertise and will reduce the scope for removing costs from the technology management and delivery functions.

Identifying partners with similar objectives and agreeing a set of prioritised outcomes is crucial, as is the scoping and design of the associated change programmes. This will not happen unless there is strong ownership and strategic direction from both elected representatives and the executive board.

## CONCLUSION

While the two alternative approaches have their merits, each places its own constraints on local authorities' ability to innovate and respond to new technology trends. Before settling on either approach, local authorities would be well advised to take a long-term, strategic view of the outcomes they wish to achieve on behalf of their communities, and balance the desire to innovate with the need to reduce management overheads.

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