



The BBC's **Dave Wyer** discusses mitigating operational risk in outsourcing contracts

The BBC is a prolific, highly proficient, multi-award-winning outsourcer. It successfully contracts out a range of functions from BPO to technology, facilities management and audience services, all feeding in to a customer-centric vision of driving maximum value for the licence payer in everything it does.

Outsourcing Yearbook 2015 caught up with Strategic Supplier Development Manager **Dave Wyer** to discuss the ethos and strategies that 'Auntie Beeb' employs to get the best of its outsourcing relationships.

## The challenges the modern BBC faces.

DW: “The BBC recognises that whilst we are experienced in managing outsourcing services - in many cases the contracts are 2nd or 3rd generation - we are, like many other organisations, facing significant challenges, mostly around the pace of change. Not just in terms of technology, but in the way the BBC operates, in response to the exponential increase in the way services can be provided: cloud, robotics, multi-channel, single sourced or multi-sourced, managed service or managed solution or outcome based contract, to name but a few.

“At such a pace of change, intelligent, proactive management of ‘bleed across’ and merging of services is vital. We are always looking to collaborate with our existing suppliers to derive greater value, in terms of enabling creativity and innovation, to improve services, while never allowing them to become excessively bespoke: when relationships grow organically, services can be difficult to untangle when you want to go back to market, and tricky to integrate smoothly with other activities.

“Alongside all this, the licence fee is currently frozen. Therefore, we have a flat income stream, in a wider business environment that is becoming more buoyant. Suppliers, and other organisations that bid on BBC contracts, may be awarding their staff pay increases, which is likely to increase their costs. Clearly it would not be in the interests of the licence payer - which is naturally an ever-present consideration regardless of what BBC function you’re working in - to absorb these extra costs. We are looking to get greater value for our money, not less, and we work closely with our suppliers to achieve this.”

## Outsourcing is risky business

The BBC has a meagre appetite for risk, but is hungry for innovation as it seeks to right-package the perfect array of services to support its future vision and change agenda. Dave Wyrer: “When you are outsourcing with multiple suppliers, each bringing varying degrees of transformation and change, you are, in effect, building a portfolio of risk. Managing each contract in isolation exacerbates the situation and inflates the cumulative weight of what is already a significant risk, where the impact of failure can be enormous.

The first step is to identify those things that constitute portfolio risk, then monitor the likelihood and impact of them occurring. We also try to achieve a good level of continuity between negotiation and implementation teams, with regular reviews once the contract / service is in place.

“Another risk is value leakage, which we try to mitigate throughout the whole of contract life cycle. We have established a ‘support and challenge’ community who are themselves supported by a development programme. Sustainable

improvement is not delivered in the acquisition phase alone, as each phase has a clear impact on all the others - to avoid the dreaded value leakage we must pay close attention to all stages, at all times.”

## The STAR Forum

The BBC STAR Forum is an organisation-wide group that brings together all of the contract managers and sponsors of BBC strategic outsourcing deals, giving them a ‘home’ where vendor managers working in distinct divisions can enhance their knowledge of what is going on outsourcing-wise, both inside and outside of the BBC.

The forum meets quarterly to report on the finer points of contract management, and is well attended by senior management and board executives. This collaborative approach exemplifies a vital keystone of the BBC’s strategic direction: the will to “improve value for money through a simpler, more efficient and more open BBC, by building more new creative partnerships, and engaging staff with the strategy.”

DW: What germinated from recognising a need to treat strategic suppliers differently from smaller, tactical providers, has grown into the STAR Forum, a pan-BBC function that monitors the hygiene and welfare of the relationships with our 14 key partners. There are two main benefits to the forum. The first is that robust communication links allow the BBC to take a portfolio perspective on its risk, creating a sharp picture of the cumulative risks at play. This helps us work smart to minimise them, such as constructing performance measures around successful risk mitigation. We go beyond examining dashboards to consider questions such as “are there too many concurrent activities on the go?” and “are the right support and development programmes in place?” In doing so, we create a culture of shared learning, where vendor managers can debate best-in-class practice and enhance their industry awareness round current thinking on supplier management.

“The BBC dashboards and toolkits that inform the debate allow comparison not just of results garnered, but the efforts it took to get there, and efforts scheduled to take us to the next level. We compare and contrast activity timelines, potential disruptions and pain points, pre-procurement preparation efforts, alongside more traditional dashboards like KPIs, SLAs, spend/savings targets and customer satisfaction and change requests.”

“A huge benefit of having this data-driven portfolio approach is that we can quantifiably articulate risk to a group of senior execs with the decision-making powers to do something about it. Clarifying and scoring the risk means, if it’s at unacceptable levels, resources can be allocated, and solutions sought. Sometimes risk sits across divisions, everyone knows about it, but no-one ‘owns’ it. If the risk doesn’t sit with anyone, no-one

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has the power to do anything about it, and problems can build in the cracks between responsibilities. The STAR forum has attenuated this risk significantly.”

## Making Career Paths

Optimised supplier management and therefore, minimal operational risk, is not simply about tools, M.I. and good processes - it's powered by having high-calibre outsourcing management professionals. To those in the know, this is a fact of life, but one problem the STAR forum has highlighted is the widespread lack of external recognition of the specific skills and attributes that it takes to get the very best value out of strategic partners. In the BBC, there is no concrete career path for those people who manage strategic suppliers - something that the STAR forum members are working hard to change.

DW: The STAR forum and associated reporting is bringing a growing recognition from senior management that what we do is hugely significant, and takes skill, tenacity and adroit leadership capabilities.

“Board room visibility of what we do - and how mission critical it is - is absolutely vital, if we are to make strategic supplier management an attractive function to the cream of talent, and equally, be recognised as a platform for those people to kick on.

“To this effect, we are working with the BBC College of Leadership to strengthen the linkage between those competences needed for outsourcing management and senior management level competences.

“Running relationships that are principled, rather than positional, is no mean feat, and there is a growing feeling that managing strategic suppliers is a strong proving ground for the leaders of the future, as situation analysis, negotiation and decision-making are always to the fore... creating career paths for quality talent is of huge benefit to all concerned. As we continue to develop our people, they in turn help to continually improve the tools and processes by which we manage our suppliers. We've developed a layered view that follows tradition to a certain extent, in terms of a progression from foundation, to practitioner, to expert, to commercial leader - the leadership programmes' syllabus and competences will soon reflect how supplier managers' own capabilities and workloads compare favourably with more 'traditional' competences that evoke good leadership, and thus feature on course syllabuses. After all, relationship managers provide leadership to internal stakeholders as well as suppliers, so those who are good at it deserve the recognition.”

## Results /Benefits of STAR Forum

The BBC has an unrelenting flow of re-procurements underway,

powered by a strong desire for continuous improvement - the STAR forum ethos has gone a long way to making sure they have the robust processes and skilled people to achieve this. “The 'support and challenge' nature of the STAR community means we are best equipped, skills-wise, to add value pre-and-post contract award. Another benefit is that by spreading knowledge on the mechanics of contract management, we now always follow up on contractual obligations, in terms of open book audits, benchmarking and gain-share etc, we have the skills and confidence to make sure we get the most value out of such provisions.”

## The Future

Despite having achieved enviable cost savings and added value already, the BBC is forever looking to improve.

DW: We're looking into expanding the wider STAR community, building career paths and continuously looking for ways to work smarter with suppliers. There is still a significant amount of spend sitting with non-strategic suppliers, so expanding the STAR group to include those who manage such arrangements, via STAR-sponsored workshops and suchlike, spreading the message of contributing positively to adding value throughout the contract life cycle through the entirety of the BBC. We aim to reach the point, and I think we're getting there, where people in the most senior procurement positions are asking 'why haven't we got contract management as a discipline in its own right?'

## Dave Wyer's Top 10 Governance Tips

- 1 Don't put the contract away in the draw – know it, work within it and change it if necessary
- 2 Do risk management – don't focus on fire fighting, have a longer term view
- 3 Have clear escalation routes and ensure issues don't fester
- 4 Know that you're getting what you pay for – combine financial and performance management
- 5 Have clear and understood roles and responsibilities – work hard to ensure stakeholders understand too
- 6 Don't hold meetings for meetings sake – avoid 'orphaned' meetings with no input or output
- 7 Build a 'lessons learned' culture – and don't rely on traditional document methods for capturing learning
- 8 Understand the supplier perspective
- 9 Understand the customer perspective
- 10 Create the right 'retained' team – strike a balance between size and capability