

# INNOVATION: THE WAY FORWARD



## FEATURE

### FOREWORD: ALEXANDER MANN

I am delighted that Alexander Mann Solutions is sponsoring the Innovation section of the NOA Yearbook. I believe that it is a company's ability to innovate – to tap into the value creating ideas of its employees, partners, clients and other parties – that drives growth, performance and value.

Innovation has always been at the very heart of our own business, from when Alexander Mann Solutions was founded as the first recruitment processing

outsourcing provider in Europe back in 1996, through to the present day. Since then our innovations in employer branding for clients (for internal and external communications), Talentsource (to support succession planning), the reverse auctioning of IT contractor work (helping to achieve the most competitive price for all) and work packages (helping clients to deal with costs) have helped develop our industry as a whole, while driving AMS to the forefront of it.

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As outsourcing providers we have a responsibility to our clients to help them innovate themselves. In other words, innovation is how we drive growth. Whether it's incremental-adapting something already tried elsewhere- or radical - involving completely new ideas- innovation is about continuously producing fresh ideas and having the courage to put them into practice.

In February 2010, the NOA held its first Innovation Steering Committee event, in a bid to uncover the importance of innovation in the outsourcing space, and to discuss how to promote this important area to the wider sourcing sector...

### WHAT IS INNOVATION?

How do we define innovation in outsourcing? "Innovation is the art of the possible," said one attendee at the NOA's first Innovation Steering Committee meeting. That's clear. What the Committee met to discuss however, was what specifically innovation means in the outsourcing space.

According to the experts, innovation in outsourcing can be defined as the use of new ideas from supplier to client, or of existing ideas that are new to the specific client

involved, so as to provide significant value to the end-user – and the end-user's customers. This means that existing ideas or methods of adding value or providing better service can indeed be used, but they must be entirely new within that particular relationship. Furthermore, we need to bear in mind that one person's innovation can be another's best practice; and that innovation is more than just the production of ideas – it produces real and tangible benefits to the organisation involved.

From an end-user perspective, any innovative ideas put forward must be specific to their particular needs. Often until now, innovation has too often been a re-hash of ineffective, previously-used ideas that had been rejected by the client, rather than fresh ideas created for them. Therefore in order to be more effective, both supplier and end-user must engage in the process of finding innovative methods, and both parties must be willing to take risks and invest in the outcome. Full collaboration and joint responsibility from the start is key, as projects often need equal effort, attention and sometimes funding.

So in order to be effective, innovation in outsourcing must address a relevant need from the client, and take into account the culture of any particular organisation in order to ensure that a client – or indeed a supplier – is fully willing to take the risks needed to truly innovate. Innovation needs to be in a company's DNA – not simply 'revealed' during a sales process.

## **HOW IMPORTANT IS INNOVATION?**

The need for innovation within the outsourcing sector has never been more important. One reason for this, says the committee, is thanks to the economic climate that the UK is finally beginning to emerge from – recession often means that long-term outsourcing deals, and finding a way to innovate that leads to cost-savings, is high on the agenda. Innovation in financial areas then, is clearly of the utmost importance and has forced suppliers and end-users to get on the case.

There are already myriad examples of innovation working successfully in the outsourcing space and adding real value to contracts with end-users and their customers. Sharing these examples to the wider industry could help to ensure its importance is truly realised in the outsourcing space.

To truly make it work though, innovation needs a thorough framework in place within the contract from which ideas can be identified; it then needs a lifecycle to drive it through the length of the agreement. Rather than just coming up with random, stand-alone ideas, suppliers must find ways to innovate at financial and contractual levels, too.

## **THE BARRIERS TO INNOVATION**

For all the encouraging ideas and examples that exist in the outsourcing sector on innovation and how to make it work, there is still a long way to go. Often, agreeing on

a strategy for innovative methods can be difficult in itself at the beginning of a partnership, and it is widely accepted by the industry experts that the definition of innovation and the ways it can be implemented in a specific company is not an area that everyone agrees on at the start of a relationship.

The sector is coming up against challenges in fully driving innovation, and one of the biggest hurdles, from a supplier perspective, is the feeling of risk-aversion that often comes from end-users. Clients often want to know when, where and how an outsourcing innovation has been tested before by the supplier and whether or not it worked – a mindset which only serves to quash innovation.

To overcome this fear, end-users need to be prepared to take the plunge with innovations which may not necessarily be tried and tested; by their very nature, they involve taking a leap of faith and necessitate a level of trust in their relationship with the outsource supplier. To facilitate this process of mutual trust, it may be necessary to set the foundation for future innovations with some basic, manageable objectives for the end-user involved, leaving the riskier strategies until further into the sourcing partnership. They also need to be mindful that some ideas will fail along the way.

## **THE FUTURE FOR INNOVATION**

The first NOA Innovation Steering Committee provided food for thought for future strategies in promoting innovation in outsourcing, and on areas that need attention if the sector is truly to learn to innovate and spread examples of best practice in innovation to the wider outsourcing arena.

Measurement is one of these areas. At this stage, the outsourcing space is lacking a set of defined techniques for measuring the success of innovation strategies. Shared IP could be one of these areas; cost-measurements are another issue to examine in order to ascertain levels of success. Another is the need to focus specifically on the issues of the customer, and to solve problems on an ongoing basis as and when they arise; the possibility of setting up dedicated innovation funds could also be looked at. Establishing a dedicated innovation framework and model for innovation could be key to addressing some of these issues, and is an area the NOA will look to focus on in the coming months.