Outsourcing scorecard for the UN and similar international public sector organisations

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Abstract

Outsourcing has become one of the most powerful, organisation-shaping management tools available today. However, the UN's experience in outsourcing is limited to providing troops for peacekeeping operations. The purpose of the paper is to develop an outsourcing scorecard for the UN and similar organisations. Forty national and international organisations were surveyed through questionnaires, review of relevant literature and records. The research established that by identifying core competencies, goals and objectives, risks, selection of provider as well as measurements and evaluation of providers' performance using an outsourcing scorecard, support functions can be outsourced successfully. Other criteria indicated as important is peace-building, suitable for humanitarian organisations. The scorecard developed by the research could provide the UN with a number of benefits, such as maximisation of efficiency and savings in costs. The paper develops the first outsourcing scorecard to guide the UN and similar organisations in identifying services that can be outsourced successfully.

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1
Introduction

According to the European Commission Regulation 2321 of 2002, an international public-sector organisation is one that "arises from an association of States, is established on the basis of a treaty or similar act, and has an international legal personality distinct from that of its Member States" (European Commission Council, 2002). The classification includes such organisations as the International Committee of the Red Cross (ICRC), the Organisation of American States (OAS), the Economic Community of West African States (ECOWAS), South African Development Community (SADC), the African Union (AU), the European Union (EU) and the United Nations (UN) amongst others. In terms of capacity and resources, the largest of these organisations is the UN, together with its organs, agencies and programmes. Consequently efficiency and cost-effectiveness of its peacekeeping operations

are of paramount importance because of its obvious, important role in the global economy by fostering global peace and stability and hence development and economic growth. However, in terms of efficiency and cost-effectiveness, the UN is probably the lowest rated international public-sector organisation.

Shortage of funds, due to the inability of donor nations to meet their financial obligations coupled with an increased competition among international public-sector organisations for funds, has made it empirical that available resources are fully maximised. Furthermore, concerns over rising costs of operations and contract effectiveness have led to the need to re-evaluate the decision-making process and outsourcing has been identified as an effective strategy in this context.

According to Eger et al. (2002) and Cloete, (2002), outsourcing is an approach by which organisations contract out functions to special-ised and efficient external service providers. Barrett & Baldry (2003) described outsourcing

as a practice where a service is commissioned from a provider, usually under the term of a formal contractual arrangement. Bragg (2006) added that unlike other types of contract, the importance of building a long-term mutual relationship is crucial for the success of an outsourcing engagement. Therefore, successful outsourcing must be treated as a relationship because a well-developed relationship is seen as providing further necessary opportunities for refining the outsourced services in order to achieve the goals and objectives of the contract. The private sector experience has shown that non-essential services that are currently provided in-house, but have the potential for outsourcing, can be evaluated using a scorecard.

Since the UN's experience in outsourcing is limited to peacekeeping, the purpose of the paper is to develop an outsourcing decision-making scorecard for the UN and other similar international organisations for identifying support services and functions that can be outsourced successfully.

In developing the decision-making scorecard, it is necessary to establish the ability for relationship-building that the private sector suggests is essential. Therefore, UN and other international public-sector organisations considering outsourcing must first identify their respective core competencies. Organisations simultaneously consider the functions that may benefit from outsourcing in conjunction with the core competencies of third parties that could potentially provide outsourced services. The reason is, unless a qualified provider can be identified for a specific function, there may be no value added in considering an outsourcing plan for that function. By identifying core competencies, non-essential services such as maintenance, IT and medical services that are currently provided but have the potential for outsourcing can be evaluated using a scorecard. These types of services have the potential to be successfully outsourced because of their long-term focus and less substantial impact on the organisations as a whole due to their non-core nature.

The scorecard will ensure that before entering into an outsourcing arrangement with service providers, the mission and strategic direction of a provider must align with that of the organisation considering outsourcing. The scorecard will first provide an indication of the organisation's institutional setting which includes an identification of whether the service(s) under consideration for outsourcing is/are a core competency and has/have a long term focus. This will assist decision-makers in determining if the potential for relationship-building exists. The reason is that if there is no relationship between the groups, an outsourcing contract entered into would not be conducive to the outsourcing objectives of all parties involved. In other types of contract, a relationship may not exist between the parties apart from a formal agreement. However, in an outsourcing and/or service contract, if there are no relationships, a contract should be restricted to low-level functional areas to prevent it from failing.

The scorecard will enable the UN and similar international organisations translate the private sector's extensive outsourcing experience in into a decision-making tool for identifying function and services that can be successfully outsourced.

In conclusion, the paper develops a suitable decision-making scorecard from criteria identified by the research to guide international public-sector organisations such as the UN in identifying potential services that can be outsourced successfully. The developed scorecard is limited to the outsourcing needs of the UN and similar public-sector organisations.

2
Literature review

Inadequate funding for humanitarian services by international bodies, has led international organisations to react positively and seek alternative solutions to continue to operate efficiently and effectively (Rondeau et al., 2006). By outsourcing as many non-core functions and activities as possible, they are able to reduce costs of operations and create funds for vital, but non-funded activities (Goolsby, 2002a and Petrick, 1996).

Swindon (1998) raised the question of whether public-sector organisations should outsource some of their non-core functions and while

Osborne & Gaebler (1993) cautioned against overzealous adoption of private-sector practices in public management because solutions that work for the private sector may not necessarily work for public-sector organisations.

An outsourcing process should begin with recognition of a need (Petrick, 1996). Boyson et al., (1999) and Goolsby (2001b), suggested a strategic approach to outsourcing which involved identifying long-term goals and separating non-core activities from core competencies, rather than focusing on outsourcing single functions to correct production deficiencies. Barrett and Baldry (2003) agreed with Tracey et al. (1998) and indicated that the potential for outsourcing relates to the optimum balance between retained services and those outsourced. Bendor-Samuel (2001a, 2001b) recommended that if a service is not expected to generate value, it should not be considered for outsourcing.

To ensure success, Bragg (2006) stressed that outsourcing organisations should create measurements that track a provider's day-to-day performance as well as measurements that can be used to pay a provider more or less money based on how the process improves revenues or reduces costs. In addition, to achieving a win-win relationship, Lynch (2000) and Goolsby, (2001a) recommend that outsourcing organisations must have in place an effective structure and process for an outsourcing relationship, not only to resolve conflicts but also to manage any ongoing activity and complications. To ensure a successful outsourcing outcome and reduce costs, an outsourcing organisation should endeavour to develop a service provider selection or outsourcing team that recognises all business areas impacted by the project. Key staff to include on the team should comprise of the following categories: senior management, legal staff with contract expertise, technical staff and information systems analysts as well as end users and financial staff. In addition, Goolsby (2003) and Eger et al. (2002) recommended the use of a variety of consultant and expert aided decision processes as well as experienced in-house managers because they are not only cost effective replacements of external experts but also of similar value in achieving successful outcomes.

Goldsmith (1989) stated the importance of a qualified provider and unless one can be identified for a specific function, there may be no value added in considering an outsourcing plan for that function. Rondeau et al. (2006) advised that a provider's past experience and depth of experience are important considerations. Tracey et al. (1998) considered price important but not completely relevant since selecting a provider with the lowest bid often created more problems because key elements that support a business may not be included. In selecting a provider, Bragg (2006), Fersht (2006) and Lynch (2000) explained that outsourcing engagements are long term relationships that come with binding agreements, hence, organisations must ensure that the best available outsourcing partners are selected and managed effectively to ensure success.

It should also be recognised at the beginning that the contract may change, or that a contract will end. Therefore, ongoing management of a relationship is required, which should be done through meetings to ensure that problems are resolved and changes are agreed on thereby ensuring continued satisfaction. However, Bragg, (2006) was of the view that a manager must be able to make an informed decision when an outsourcing arrangement is no longer a viable option. Therefore, termination becomes inevitable when providers can no longer meet minimum service level and contractual obligations. Cloete (2002) also agreed that it is essential to include various measures that can be implemented in an escalating fashion when a service provider is not performing its obligations in the outsourcing agreement.

2.1 Outsourcing decision-making scorecard

This relationship with the provider is vital in the decision to provide outsourcing services and is a critical aspect in the development of an outsourcing scorecard. Furthermore, the factors that influence a decision to outsource are important for providing the foundation for developing an outsourcing relationship and scorecard questions (Eger et al., 2002). In developing an outsourcing scorecard for the UN,

the measuring systems should reflect the various constituencies that the organisation has to deal with to execute the outsourcing contract efficiently and cost-effectively. Therefore, the scorecard should consist of questions that determine if a potential for relationship-building exists and that the relationship between the client and provider is conducive to the outsourcing objectives. This decision-making scorecard should be designed and put in place early in the outsourcing decision-making process before a service is provided and should serve as a benchmark for objective measurement of performance for both providers and outsourcing organisations.

3
Data collection and methodology

In order to be able to translate the private sector's extensive outsourcing experience into a decision-making scorecard suitable to the United Nations' outsourcing needs, the research examined the outsourcing practices of private sector firms (manufacturers and service providers) to gain a better understanding of outsourcing and how it can be successfully applied to the UN and similar international organisations.

It was observed that the outsourcing engagement by most firms and organisations interviewed fell into two categories: technological services outsourcing and business process outsourcing. Technological service outsourcing comprises of: web hosting; e-commerce, business to business (B2B); business to commerce (B2C); commerce to business (C2B); web security and solutions; as well as telecommunications and website designing/development/maintenance. On the other hand, business process outsourcing comprises of: call centres and telemarketing; product support; payroll; accounting/billing; human resources; and logistics management.

The firms in the study adopted either a service contract or a multi-activity contract. The multi-activity contract is very similar to a service contract in that it operates on the basis of Service Level Agreements (SLAs) and Key Performance indicators (KPIs). The major difference is that a number of activities are brought together under a single contract allowing the service provider to identify areas of commonality and economies of scale. The UN used mainly service contracts.

A total of 84 service providers, private-sector manufacturing firms and international organisations were approached and fifteen service providers, fifteen private-sector manufacturing firms and ten UN peacekeeping operations responded (Table 1). The geographical spread of the UN peacekeeping operations is five in Africa, two in the Middle East and three in Europe. The 30 service providers and manufacturing firms have offices in South Africa. However, only 5 and 6 respectively are indigenous while the rest are multi-nationals. The sample size for the manufacturing firms and service providers covers the target groups and all the main areas of service provision that is small, medium, and large and therefore form a good representative sample of the groups. The international organisations, represented by ten United Nations peacekeeping operations, cover the major geographic areas (Middle East, Africa and Europe).

Table 1
Breakdown of respondents

Type	No. Approached	No. Responses	% Responses	Type
Service providers	40	15	37.5%	Logistics, transport, warehousing (2)
				Facilities management (6)
				Transportation, clearing, forwarding freight/ terminal operations (3)
				Global logistics, express mail (1)
				Supplier, automobile, building control systems (1)
				Construction & management consultancy (1)
				Civil/structural engineering consultancy (1)

Manufacturing firms	30	15	50%	Vehicles & trucks (4) Rubber & tyre (2) Lifts & escalators (1) Chemicals & cosmetics (3) Glass (2) Beverages (1) Aggregate & ready-mix (1) Packaging
UN peacekeeping operations	14	10	71%	Africa (5) Middle East (2) Europe (3)
TOTAL	84	40	48%	

Source: Data collected

The survey was carried out through on-site personal interviews, telephone interviews and structured electronic and written questionnaires. Three separate questionnaires were developed and used for the surveys for the groups: 34, 62 and 39 questions respectively for the UN, manufacturing firms and service providers respectively. The annual financial report and statement of account of the affairs of firms were the main source of the financial and management data used for the group for the period 01 July 2005 to 30 June 2006. Purposive sampling, a non-probability sampling method, was used to ensure equal representation.

4
Presentation and interpretation of data

Outsourcing trends, associations and relationships between the groups are analysed and the section concludes with the development of a decision-making scorecard from the evaluation of the survey findings.

Due to the large amount of data and to ensure proper analysis, only variables from 74 responses to 9 questions were considered in determining outsourcing trends and relationships between UN peacekeeping operations, manufacturing firms and service providers. The rest of the responses were used to provide background information about the groups. Therefore 'Yes' and 'No' responses were identified as being the most appropriate to ensure easy identification of association between the groups and were then sorted by 'Yes' frequencies to show the most frequently occurring variables. Being more precise and to ensure uniformity, the Fisher's Exact Tests were run on each of the 74 variables to test for associations between the consolidated response to the questions and the group.

In question 1, for example, "what services do you presently outsource?" The UN peacekeeping operations (UN PKOs) indicated that specialised activities, facilities maintenance, catering as well as IT are services that are currently outsourced by 100 percent of the UN peacekeeping operations. In the manufacturing sector, IT and select manufacturing activities are services that are currently outsourced by 33.3 per cent of the manufacturing firms, while customer service, medical services and freight consolidation/distribution are services that none of them currently outsource. Facilities management, fleet operations, maintenance and freight distribution are services that are currently outsourced by 26.7 per cent of the service providers, while parts packaging, communication and product assembly are services that none of them currently outsource. It is clear from the table that the "popularity" of services in terms of outsourcing is different in the 3 groups. On the use of outside experts in the decision to outsource, all the UN peacekeeping operations "never" involve outside experts. 53.33 per cent of the manufacturing companies "never" involve outside experts as well as only 28.57 per cent of the manufacturing firms. In assessing the

factors influencing provider selection, there is statistically evidence (<0.05) of an association between outsourcing information technology and the group.

Figure 1
Goals and objectives of outsourcing
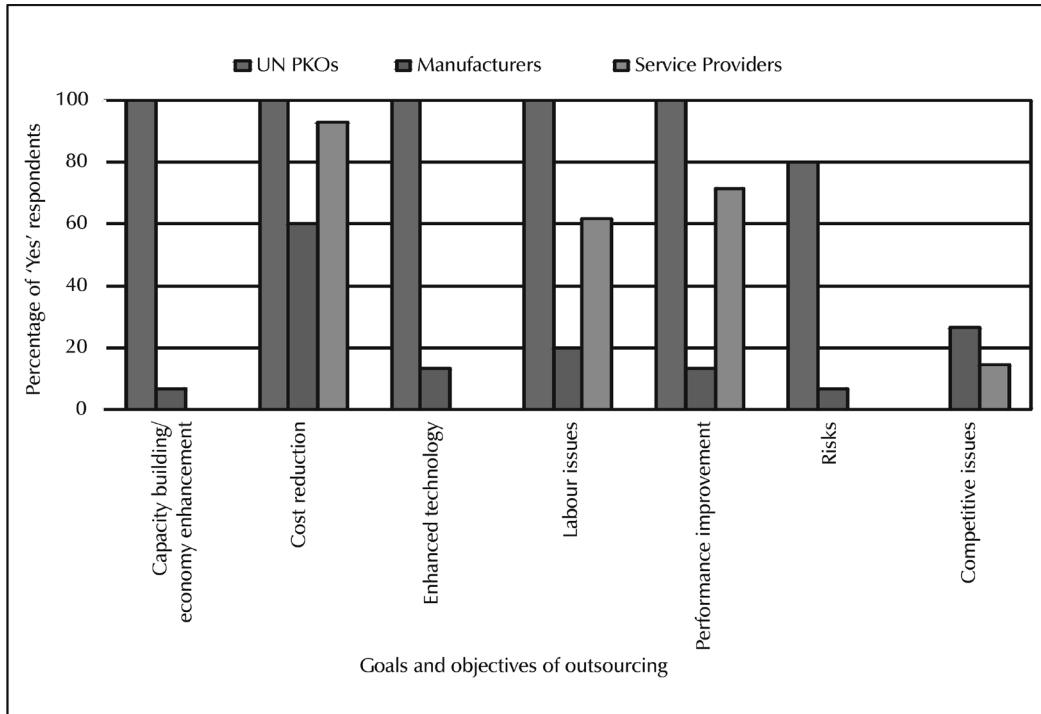
Source: Data collected

It was also observed that the UN peacekeeping operations (UN PKOs) outsource more services than manufacturing and service providers. However, this was marginal and limited in comparison to the rest of the groups and applies only to specialised maintenance (aircraft). On the one hand, manufacturing firms wholly outsource transportation and would not have a need for fleet maintenance. UN Peacekeeping operations could learn from the manufacturing firms and lease instead of buy vehicles thereby achieving cost savings. Generally, low participation in outsourcing by manufacturing firms in South Africa was noted, which could be attributed to little understanding of the practice.

Most of the group indicated that the establishment of goals and objectives, which is the process of deciding what is to be outsourced, is a vital aspect of an outsourcing arrangement and an essential aspect in the development of an outsourcing scorecard (Figure 1). It was also observed that to establish the goals and objectives of outsourcing satisfactorily, it is necessary to consider barriers to outsourcing, risks of outsourcing, involvement of outsiders in decisions to outsource as well as setting proper outsourcing benchmarks. Having an in-depth knowledge of these factors enables organisations to make knowledgeable decisions and identify services that have the potential for successful outsourcing. The result of the survey indicated a strong correlation between the groups regarding cost reduction which is considered as being a vital criterion for outsourcing decision-making (Figure 1). Though the UN is non-profit making, cost reduction is necessary because of the need to maximise limited resources.

Figure 2
Outsourcing barriers
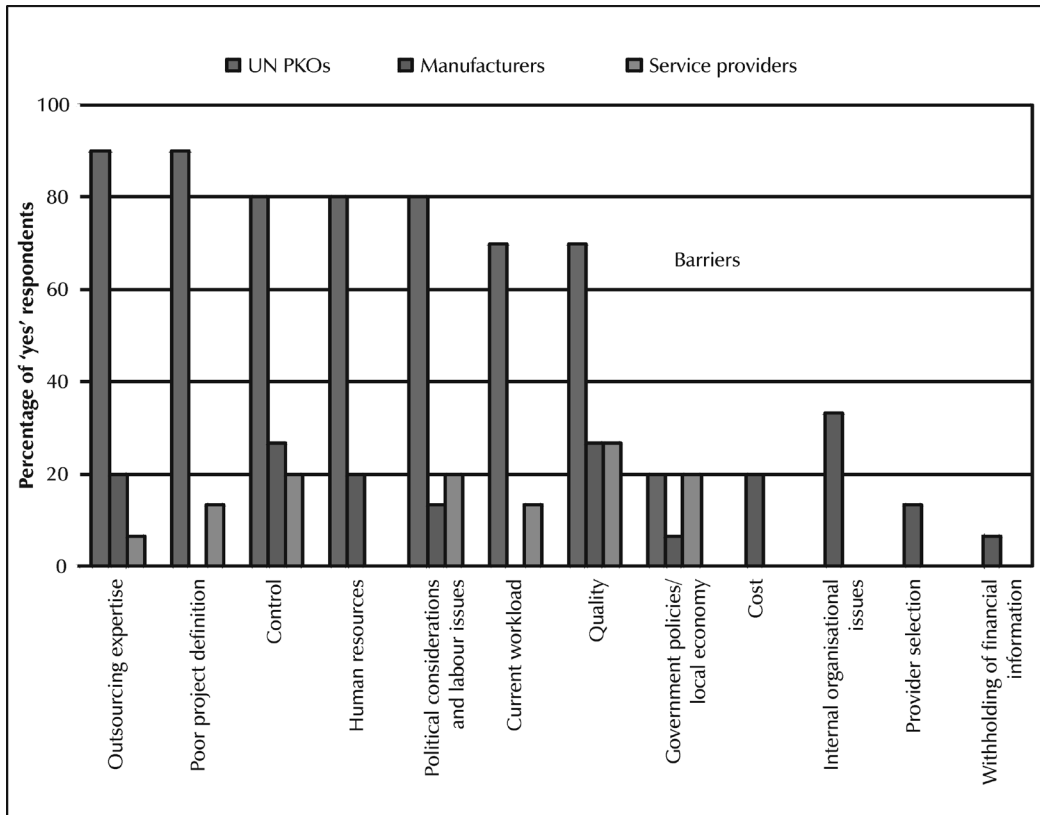
Source: Data collected

Costs were also an important factor for manufacturing firms and service providers because they are profit making bodies, however, their importance was diminished by operational excellence and reputations, strategic direction and compatibility as the most important influencing factors. The UN indicated that performance improvement and quality of output rather than profit was their objective to ensure product quality (Figure 1). Another probable reason is the remote location of most UN peacekeeping operations which makes it virtually impossible to get the required expertise for outsourcing locally, thereby making the quality of output their major concern. The UN also indicated that the lower the cost of the provider, the better. However, this depends on the satisfaction of other criteria mentioned earlier.

It was also important to identify the barriers to outsourcing because they usually provide an insight into the institutional setting in which outsourcing is or would be occurring and are therefore an important aspect for the development of an outsourcing decision-making scorecard (Figure 2).

Table 2
Services that can be outsourced

Services	
• Human resources;	• Transport and fleet management
• Engineering services and engineering maintenance;	• Engineering and related services including project development and construction
• Communication and communication maintenance;	• Medical services;
• Transportation and fleet; maintenance;	• Geographic information systems;
• IT Development/ IT maintenance/call centre;	• Heavy and specialised maintenance activities;
• Information reporting (Including archiving and reproduction);	• Security services;
• Assets and property management;	• Specialised investigations;
• Warehousing;	• Specialised services;
• Facilities/camp management;	• Fire safety; and
• Catering services	• Humanitarian & relief operation

Source: Data collected

Furthermore, in identifying services that can be outsourced successfully (Table 2), it was observed that, it would be practically impossible to completely outsource certain services to a local service provider though it may be cheaper because of the remote locations of most field peacekeeping operations where there is a lack of basic infrastructure. Therefore, lack of outsourcing expertise is a major barrier to outsourcing by peacekeeping operations which impacts on their ability to execute services on a large scale (Figure 2). Therefore, most services are partially outsourced by UN peacekeeping operations, save for aviation maintenance and other specialised services. The non-core services that are partially outsourced include maintenance (engineering, communication, building services, mechanical), medical services, transportation and fleet operations as well as security and fire safety. It is therefore essential that barriers to outsourcing are completely eliminated. Quality constraints and control of output are the primary barriers to outsourcing among the groups, while political considerations and labour issues were specific to the UN, especially during the peace-building phase (Figure 2). Though these are barriers to outsourcing, they encourage capacity building and empower the local economy, which may in turn lead to a lowering of quality standards. Therefore, despite being non-profit in nature, the UN has to properly manage

what they outsource. To reduce outsourcing risks (Figure 3), qualified staff and/or outside experts should be hired. Experienced in-house managers' knowledge is highly valued and can be blended with that of outside experts and consultants to ensure that the UN gets the best of both worlds.

The use of experts to assist in the analysis of an outsourcing decision should be encouraged because it provides external validity to a decision and decreases risks associated with outsourcing. While these services involve additional outsourcing costs, they can enable the UN to reduce outsourcing risks (Figure 3) and better accomplish their goals.

Similarities were also found between the benchmark used by manufacturing firms and service providers. The UN tended to use benchmarks and models that are non-profit driven, unlike the rest of the group and should consider those conducive to profit making. Without these benchmarks, it will be impossible to evaluate not only the provider's efficiency, but also the outsourcing organisation's own customer-service performance.

Furthermore, similarity in outsourced services existed between the UN, manufacturing firms and service providers, however, the extent of outsourced services by the UN is marginal and is limited to specialised maintenance and bodyworks such as panel-beating/spray-painting. Major cost

saving would be realised by outsourcing all maintenance (buildings, mechanical equipment, communication equipment, fire equipment, grounds and fleet operations), heavy and specialised activities including humanitarian and relief operations and aircraft maintenance. However, participation of local providers and host governments is essential in humanitarian and relief operations because it encourages sustainability, builds capacity and empowers the local population and is vital for peace-building. A further criterion that is crucial to the success of an outsourcing project is measurement. The right measurements are essential for evaluating outsourcing options available to an organisation. Performance incentives are also not included in outsourcing agreements involving the international organisations like the UN and, because they are not motivated by profit, they place more importance on quality. Therefore, they must carry out more measurements than either manufacturing firms or service providers. Associations were identified between the measurement styles of manufacturing firms and service providers because of the project dependent nature of their measurements. Expectations should be well defined in contracts, while standards should establish what is expected and what happens if expectations are not met and only those standards that support business goals should be used. The UN may need to use incentives to encourage service providers to exceed performance requirements.

Figure 3
Outsourcing risks
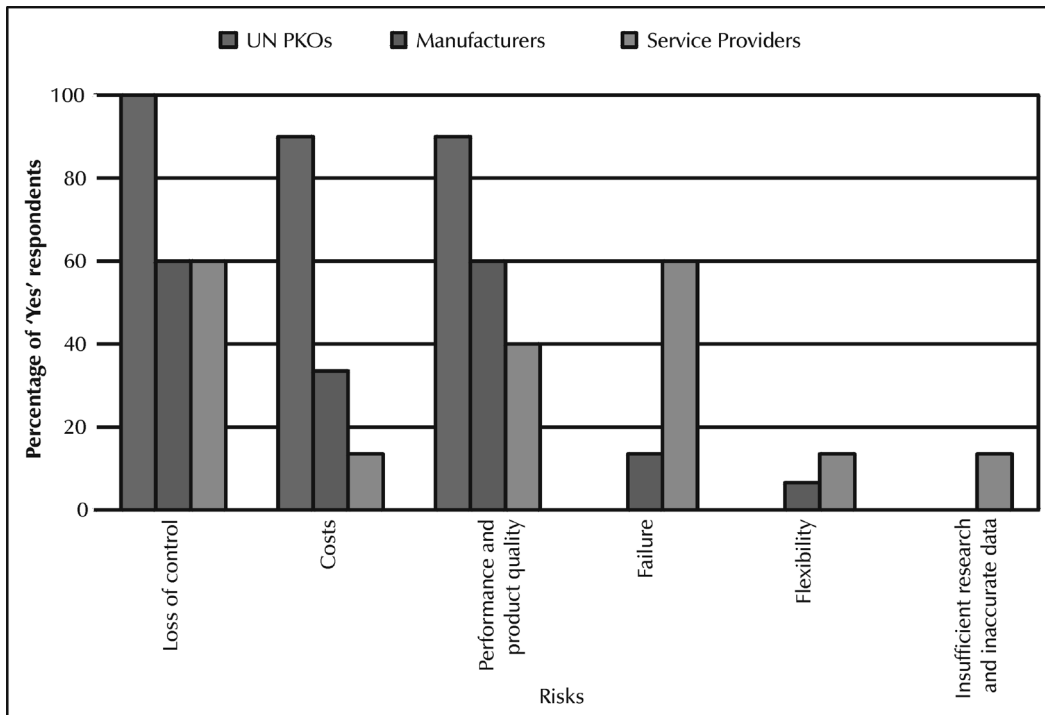
Source: Data collected

Therefore, to ensure a successful outsourcing outcome, the UN should develop a service provider selection or outsourcing team that recognises all business areas impacted by the project. The savings in outsourcing engagements can be used to fund other projects that would otherwise be cancelled due to lack of funds. The establishment of proper policies and procedures early in the outsourcing decision-making process will ensure that the right decisions are made, on time. Therefore, policies and procedures unique to each outsourced task should be developed by

the UN and the outsourcing partner to reflect their interests.

Additionally, the business goals and objectives of the UN and outsourcing partners should be closely aligned to ensure success because the existence of a good outsourcing relationship determines the success of an outsourcing arrangement. Therefore, successful outsourcing must be treated as a relationship. In addition, a well-developed relationship is seen as providing further necessary opportunities for refining the outsourced services in order to achieve goals and objectives of the contract. The reason is that if there is no relationship between the groups, an outsourcing contract entered into would not be conducive to the outsourcing objectives of all parties involved and a contract will simply fail.

The establishment of goals and objectives, risks, barriers to outsourcing, the use of experts, benchmarks and the evaluation of a service provider's performance are indicated as important criteria for developing an outsourcing relationship, as is the establishment of appropriate policies and procedures. The research further indicates that service provider selection is influenced by criteria such as operational excellence and reputation, strategic direction and compatibility, financial stability, costs and political considerations.

The outsourcing decision-making criteria outlined above are essential elements that have to be considered before a decision to outsource can be made. The criteria identified are the institutional background of an organisation, outsourcing barriers, risks, goals and objectives as well as criteria relevant to provider selection, evaluation, and peace-building. Efficiency and effectiveness are also very important criteria identified. The criteria identified by the research form the basis for development of a decision-making scorecard. The scorecard serves as a benchmark for objective measurement of performance for both providers and outsourcing organisations and determines if a potential for relationship-building exists.

In developing a scorecard for the UN, each scorecard theme was expanded to encompass additional requirements for non-profit making and peace-building organisations. Additionally, each question or criterion is assigned equal weight for ease of measurement. The scorecard will first provide an indication of the organisation's institutional setting. The institutional setting includes an identification of whether the service under consideration for outsourcing is a core competency and has a long term focus. Core competency assessment is necessary because the initial task for any management in assessing outsourcing needs is to identify areas where organisations can match their needs with the essential competencies of potential service providers. It helps managers assess the impact outsourcing may have on operations at the strategic, structural, functional, and implementation levels. Therefore it is important to identify and connect core competencies when making a decision to outsource.

The scorecard questions are intended to assist decision-makers in determining if a potential for relationship-building exists. If this potential does not exist, the service under consideration should probably not be outsourced. However, if a potential for relationship-building does exist, the remainder of the scorecard guides a decision-maker in identifying specific issues that might need to be addressed before outsourcing begins or that may prove to be barriers affecting the success of outsourcing a service. The scorecard is divided into six sections dealing with background information, goals and objectives, risks, provider selection and evaluation and peace-building criteria of the organisation. However, there are two scorecards options. The first scorecard consists of 6 options and is suitable for the UN and similar organisations with peace-building as one of their goals and objectives, while the second option is divided into five sections without the peace-building option and is ideal for other non-profit making organisations. Each criterion must be assigned equal weight for ease of measurement. In scoring, the maximum count of positive answers is 50 or 60 (peace-building only). Positive answers should either be greater than 25 or 30 (peace-building only). Negative answers are less than 25 or 30 (peace-building only).

The broad based scorecard should encompass the following six sections:
- The institutional setting under which outsourcing will occur,
- The goals & objectives of the client organisation (UN),

- The goals and objectives of outsourcing,
- Risks inherent in the outsourcing arrangement,
- Selection of appropriate provider,
- Measurement and evaluation of the providers' performance, and

- The optional peace-building criteria for humanitarian organisations.

The scorecard is derived from a general set of decision-making criteria and supports the research hypothesis. A sample scorecard is presented in the next section.

	□ First review meeting
A B C INTERNATIONAL ORGANISATION	□ Progress meeting
	□ Final meeting

DECISION-MAKING SCORECARD

STRICTLY FOR INTERNAL USE ONLY

This outsourcing scorecard is designed to serve as decision-making tool for managers considering outsourcing for specific services. It would assist in determining whether the service under consideration for outsourcing is a core competency and has a long term focus.

These questions are intended to assist organisations' decision-makers in determining if the potential for relationship-building exists. If this potential does not exist, the service under consideration should probably not be outsourced. If the potential for relationship-building does exist, then the purpose of the scorecard would be to assist decision-makers identify specific issues that might need to be addressed before outsourcing begins or that may prove to be barriers to outsourcing.

The scorecard is intended as a decision-making tool. It should in no way be construed as providing the ideal solution to outsourcing.

DATE: (dd/mm/yyyy) _____

SERVICE CONSIDERED FOR OUTSOURCING: _____

BRIEF DESCRIPTION OF THE SERVICE: _____

A. BACKGROUND	True	False
1. The function/service is a functional part of the organisation's core competencies.		
2. The function/service needs to be provided on a daily/weekly/monthly basis.		
3. The organisation has sufficient demand for the function/service.		
4. The organisation has sufficient in-house expertise to provide the function/service.		
5. The organisation has simultaneously considered the functions/services and the benefits from outsourcing in conjunction with the core competencies of the potential provider.		
6. It would not be more cost-effective to carry out the function/service in-house.		
7. Outsourcing of this function/service would <u>not</u> have a negative impact on employees.		
8. It is legal, permissible and in accordance with the organisation's policies to outsource this function/service.		
9. The organisation would require a local or an international provider for the service. (*Refers only to the selection of local or international provider*)		
10. The selected service provider/sub-contractors would provide sufficient work force to undertake the function/service till completion.		

B. GOALS AND OBJECTIVES	True	False
1. Outsourcing would result in a reduction in overall costs.		
2. The goals for the function/service can be clearly defined.		
3. The goals for the function/service are long-term.		
4. The achievement of the goals can be objectively measured.		
5. There are objective measures currently in place for the function/service.		
6. Failure to achieve intended goals and objectives would have a negative impact on the organisation.		
7. Capacity building, enhancement of the local economy and empowerment of the local populace is an outsourcing objective. (*if true, please complete section E*)		
8. Outsourcing the function/service would resolve labour related issues.		
9. Outsourcing would <u>not</u> have a negative effect on the international character and diverse nature of the organisation.		
10. Outsourcing the service would contribute positively to the local labour market.		

C. RISKS	True	False
1. The outsourcing process complies with all political/ labour-related issues and relevant local laws.		
2. Outsourced employees' complaints and concern for their job security would not reverse the decision to outsource and/or result in workload pressure on the limited staff.		
3. Outsourcing of the function/service would <u>not</u> be impacted by unavailability of local skilled labour.		
4. Loss of expertise would <u>not</u> have a negative impact on the organisation. (*e.g. would it lead to a degradation of skills and loss of expertise that might be required in future*).		
5. Outsourcing would <u>not</u> result in loss of control of the function/service and harm the organisation.		
6. Outsourcing would <u>not</u> increase cost of control.		
7. Response to situational problems would be reduced.		
8. Procurement time would <u>not</u> have a negative impact on the scheduled completion date.		
9. Quality of service delivery would <u>not</u> be a major concern.		
10. Current performance would <u>not</u> be negatively impacted.		

D. PROVIDER SELECTION	True	False
1. There are known external providers for the function/service at the required location.		
2. The service provider is reputable with the right attitude that is compatible with of that of the organisation.		
3. The quality of expected output and operational excellence of the provider is in line with that of the organisation.		
4. The service provider has adequate technical expertise to carry out this service.		
5. The service provider has the required business qualification to carry out this function/service.		
6. The service provider has prior experience in the execution of similar contracts.		
7. The service provider's safety record conforms to industry standards.		
8. The service provider's costs are competitive and within the organisation's budget.		
9. The service provider has adequately qualified sub-contractors, carriers to execute the function/service and ensure quality of work.		
10. The financial stability of the provider would not have any impact on the ability to carry out this function/service.		

E. PROVIDER EVALUATION	True	False
1. The service provider has proven track record.		
2. The service provider is known to deliver high quality services.		
3. There has been previous relationship between the organisation and the provider.		
4. The service provider has suitable physical equipment to carry out this function/service.		
5. The service provider's mission and strategic goals align with those of the organisation.		
6. A clear definition of acceptable service (*i.e. service level agreement*) has been entrenched in the contract for the evaluation of this service.		
7. The provider is capable of submitting a feasible work programme in conformance with the contract schedule/programme, detailing the amount of effort required and timed delivery of the function/service.		
8. As a means of ensuring compliance with the terms and conditions of the contract, the service provider will be properly monitored.		
9. Necessary criteria have been established to ensure that the service provider's performance will be well evaluated.		
10. A dispute resolution clause is in place to resolve performance and contract related disputes.		

E. PEACE-BUILDING MEASURES (optional)	True	False
1. Since the aim of peace-building is to enhance the local economy and not profit-making, prevailing standards on an international scale should not always be applied. Regardless to say, it is important that the output quality does <u>not</u> impact negatively on the organisation's performance and reputation.		
2. Capacity building at local level would encourage transfer of knowledge and skills.		
3. Outsourcing of the function/service would enhance the local economy.		
4. The use of an international service provider would result in transfer of knowledge.		
5. International service providers would be required to recruit most staff locally.		
6. Sourcing of materials locally may empower local businesses.		
7. The required expertise is available locally.		
8. The required equipment is available locally.		
9. Materials that would meet work requirements are available locally.		
10. The organisation possesses an updated database of local providers.		

SCORING METHOD:

The maximum count of positive answers is 50 or 60 (peace-building only). Positive answers should either be greater than 25 or 30 (peace-building only). Negative answers are less than 25 or 30 (peace-building only).

 a. Less than or equal to 25 or 30. b. Greater than 25 or 30

COMMENTS, IF ANY:	
Project Manager:	
Name and Signature	Date
Comments of evaluating officials or board member, if different from those of the Project Manager:	
Name and signature of evaluating officials	Date
MANAGEMENT ACTION	

Reviewed by:			
	Name	Signature	Date
Noted by Head of Department of service:			
	Name	Signature	Date
Final Decision	**≤25 or 30 (peace-building only)**	**>25 or 30 (peace-building only)**	
Check appropriate box	a. ☐ INSOURCE	b. ☐ OUTSOURCE	
Final action taken:	Example: It would be more cost-effective to outsource		
Chief, Project/Facilities Manager:			Date

5
Summary, conclusions and recommendations

5.1 Summary

The paper surveyed examples of outsourcing best practices in private sector companies and developed an outsourcing decision-making scorecard for international public-sector organisations from criteria identified by the research. The results of the survey could assist managers to identify what criteria to consider when evaluating outsourcing opportunities for international organisations, the concerns to be evaluated and other factors that might influence outsourcing decisions as their private-sector counterparts.

The analysis of data established that, by identifying core competencies using an outsourcing decision-making scorecard, non-essential services that are currently carried out in-house can be outsourced successfully.

5.2 Conclusion

The paper ascertained that regardless of the nature of business (profit or non-profit making), the objectives and goals of organisations are becoming more closely aligned and that rela-tionship-building is critical in an outsourcing contract. Therefore, to ensure a successful outsourcing engagement, the mission and strategic direction of service providers should align with that of the organisation. Therefore a successful outsourcing engagement must be treated as a relationship. The derived scorecard is tailored to the outsourcing needs of non-profit making organisations.

5.3 Recommendations

- Synthesise various decision criteria and assess the relative value of each alter-native;
- Integrate diverse criteria to arrive at the best decision;
- Use a hierarchical framework to collectively assess a variety of criteria that constrains technical decisions;

- Use proper decision tools or criteria to aid in prioritising and developing successful programmes and projects;
- Ensure that decision-making criteria are flexible, realistic and applicable on a case by case basis;
- Use quantitative (costs, quality and schedule) as well as qualitative (risks, business value, scope and change management) criteria to ensure successful project delivery;
- Build a long-term mutual outsourcing relationship with providers;
- The scorecard must determine if the potential for relationship-building exists; and
- Scorecard questions must serve only as guidelines to assist decision-making

Acknowledgement

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