

### STEP THREE – PROVIDER SELECTION

The **Sourcing Decision-Tree** has been developed using UK government guidance, legal expertise, consultants, and the experience of senior HEI managers.

It incorporates critical early stage questions within Life Cycle Steps 1 and 2, which are important to consider before moving on to explore the range of sourcing options available to HEI decision-makers.

Sourcing decisions are divided into two main branches, 'internal' options and 'external' sourcing options. Within the branch of external options, there are three main routes available:

- Co-source with private sector
- Fully outsource to the private sector
- Co or fully outsource within public/not for profit sector

Within all of these routes, there are a variety of commercial vehicles each with their own benefits and disadvantages (e.g. changes to staff T&C's, access to capital, economies of scale, etc). At this stage, HEIs must be clear about their requirements before working with potential service providers to establish an appropriate vehicle for the relationship. Decision-makers must carefully determine the optimal type of relationship and extent of control needed for the activity under consideration.

Ways of maintaining a more direct control and influence, is through full or part ownership of the service provider. Where there are synergies and advantages to working together, shared services with other HEIs may present clear benefits for some HEIs, particularly those seeking achieve economies of scale.

## HEI Sourcing Decision-Tree

### REVIEW QUESTIONS

#### Strategic Sourcing Life Cycle Process Framework

##### Step 1

##### BUSINESS ANALYSIS

- What is our strategic direction?
- What activities are core vs. non-core?
- What are our values and identity?
- How can we make a social/ethical difference?
- Can we generate new sources of income?
- How competitive is our organisation?

##### Step 2

##### OPPORTUNITY EVALUATION

- What are current performance and costs?
- What do end-users/beneficiaries think?
- Are there synergies within our portfolio?
- What do we want to achieve?
- What can the market offer?
- Can we make the change ourselves (if applicable – should we bring it in house?)

### DECISION A

#### EXTERNAL OPTIONS

Co-source with private sector

Co or fully outsource within public/not for profit sector

Fully outsource to private sector

#### INTERNAL OPTIONS

In-house Continuous improvement

Incentivise wholly owned subsidiary

Buy-in performance based external expertise

### DECISION B

#### VEHICLES FOR BENEFITS REALISATION

Joint venture

Joint service contract, or  
Partnering agreement

Shared Service with Higher Education  
and/or other public/not for profit partners

Cost Sharing Group (CSG) – VAT exempt  
service provision to HEIs

Cooperative/Mutual, Trust, Charity, and  
Social Enterprise type entities

Full service contract

Off-shore service contract

Commercialise (equity stake)

### Strategic Sourcing in HEIs:

This work was carried out by researchers at the Bristol Business School at the University of the West of England, and was funded by the Innovation Transformation Fund 2012.

Sources used for the development of this tool included:

Cabinet Office

Office of Government Commerce (OGC) – online legacy materials

Interviews with Higher Education sector managers

Interviews with consulting and legal experts

Advice from representatives of the National Outsourcing Association (NOA) and IAOP (International Association of Outsourcing Professionals)

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