



## Flexsourcing™ – The Optimal Service Delivery Model

### A Flexserv™ White Paper

*Flexsourcing™ reflects the ultimate next step in the evolution of service delivery. The Flexsourcing model maximizes value to all stakeholders and is characterized by a profoundly integrated, win-win business relationship between clients and providers of services. This symbiotic relationship is based on shared vision and values and enables clients to focus on driving value in their enterprises. Flexsourcing is geography independent and ensures that optimal skills underpin the client-supplier relationship(s). It builds on the strengths of outsourcing, shared services, partnering and insourcing and remedies the deficiencies inherent in each of those models.*



## Executive Summary

Flexsourcing™ is the next evolution in service delivery models and will become the purchasing and sales method of choice for business services in the future, particularly for small and medium size enterprises.

There are significant disadvantages with all of the existing service delivery models:

- Outsourcing contracts are long (5 to 10 years) to amortize the provider's investment in transition. These contracts can become contentious after a few years with changing market conditions.
- Most providers of outsourcing services require large volumes, minimum quantity commitments, stable demand, long term contracts - to build scale and amortize their investments. These models do not scale to the needs of small or medium sized enterprises
- Shared services are suitable for large conglomerates with multiple divisions and often rely too much on the parent company's volume of business
- Fee for service with external organizations or individuals often lacks in the strategic alignment of customer and provider
- Self-provisioning and insourcing have their own inherent rigidity and high internal costs, which are often under-estimated by companies
- Off shoring is a viable option for volume business but less suitable for smaller quantities of specialized resources or middle management skills
- "Body-shopping" and temp agencies typically do not deliver managed business functions and the focus is usually short-term and not on the ongoing alignment to the customer's business strategy.

Flexsourcing leverages the advantages but avoids the disadvantages of existing service delivery models, and the resulting benefits are dramatic. Flexsourcing will free-up organizations to focus on and enhance the activities that drive value in their enterprises. More than ever before, clients will see staff provided through Flexsourcing as integral members of their own teams, whether staff are on a full-time or part-time basis.

Flexsourcing means:

- 1) Delivering services that are requested
- 2) When they are required
- 3) In the amounts that are required
- 4) Delivered either onsite or via telecommuting
- 5) With a client-service driven approach
- 6) At an affordable price



- 7) With a pricing structure that aligns to consumption of the services and promotes 'business as usual' usage of services
- 8) Flexsourced™ staff must have the appropriate skills, experience and cultural fit to deliver the required services
- 9) There is stability and continuity of Flexsourced staff on a client team (i.e. low turnover)
- 10) The Flexsourced resources behave and operate as an integrated team
- 11) The Flexsourced team are seamlessly integrated with the client
- 12) The Flexsource™ provider (Flexsourcer™) can provide management of the Flexsourced services and staff in addition to functional expertise
- 13) Flexsourcers can deliver both operational, day-to-day services as well as project-based services
- 14) Flexsourcing combines both strategic and tactical approaches to service delivery to facilitate and promote growth in the client enterprise
- 15) Flexsourced services are developed and delivered using industry best practices.

## 1. Introduction: The Need for a New Service Delivery Model

One of the most important roles of a leader is to build value in his/her organization. To accomplish this, the leader must often purchase services from other organizations. Until now, the relationship between customer and provider has been less than optimal as there has not been a service delivery model to consistently enable two organizations to maximize each other's and their own respective value simultaneously. To date, this has represented a massive challenge in the customer-provider relationship, which consistently produces relationship winners and losers over the long term. Flexsourcing is a new service delivery model that optimizes the relationship between customers and providers, enabling them to both thrive and prosper, based on each other's success.

While all of the popular existing service delivery models have become successful and have filled important market niches, each one of them contains flaws that render them sub-optimal for many common workplace needs. Most often, the root of these flaws stems from a misalignment or conflict in stakeholder objectives. The misalignment is often directly a result of how each stakeholder is rewarded. Even with a well negotiated agreement between the stakeholders, over time, a winner and a loser often emerge in the relationship, causing a breakdown and/or need to renegotiate the relationship.

What is needed is a business relationship that naturally sets up only winners. For this to occur, stakeholders must be enriched by enriching their business partners, not at the expense of their partners.

The service consumer ("**client**") requires a much more flexible model than has previously existed. Specifically, this means that **the service consumer must be able to acquire the type of services they require, when they require and in the right amounts, regardless of where they reside.**

The service delivery models of the past 20 – 30 years were, for a long period of time, primarily oriented to large corporations and government, where it was surmised that significant savings could be garnered through the attainment of economies of scale. Only more recently have service delivery models started to move downstream to satisfy the needs of small and medium sized enterprises ("SME's"). Indeed, because of differences in scale, SME's do not always apply all of the same criteria in acquiring services from other organizations, as may be commonly used by large corporations and government.

## 2. Evolving from Popular Service Delivery Models of the Past

This section describes some of the most popular service delivery models and some of the flaws inherent in each one. This list is not intended to be an exhaustive list of all service delivery models nor is it intended to be an in depth analysis of each one, as plenty has already been written on the drawbacks of each. This analysis below sets the stage for a new, innovative service delivery model, called Flexsourcing.

## *2.1 Outsourcing<sup>1</sup>*

The term 'Outsourcing' emerged during the '80's and became popular in the '90's. It was a great evolutionary step forward in service delivery. Instead of an organization needing to perform all of their required functions with their own staff, they could now acquire services from a provider that was able to offer a similar bundle of services to multiple clients. Many of these arrangements were large scale processing environments where capital intensive equipment and both specialized or commoditized skills could be leveraged across multiple customers. These relationships evolved to require complex and sophisticated contracts replete with very detailed service level agreements. In some cases, customers were encouraged to outsource 'non-core' or 'non-strategic' functions to external providers with the rationale that external organizations that specialized in such functions could deliver them more cost effectively with higher quality. The outsourcing market further evolved with technology and the advancement of the internet to enable outsourced processing to be conducted in countries where labour could be purchased at a much lower rate.

With all of the benefits of outsourcing came a number of drawbacks. First and foremost, even with the best of intentions and the use of words like 'partnering', there is continual market pressure downward on prices. Outsourcers get squeezed between the maximum efficiencies that they can gain out of their workforce, their direct and overhead costs, and diminishing profit margins as the competitive environment gets more crowded. The result is tension between the customer and outsourcer that manifests itself through diminishing performance, stricter adherence to the letter of the contracts and SLAs, and frustration at the loss of value and richness of services provided.

There are multiple variations on the Outsourcing theme, including business process outsourcing and offshoring, and they each have their own respective limitations.

## *2.2 Shared Services*

Large corporations and government were among the first to move to institutionalized shared services. In this model, a group internal to the parent organization is typically formed to meet a specific business need common to multiple departments or ministries. Typically, costs are apportioned to the user organization on a per usage or shared cost basis. A prime example of shared services involves the implementation of a financial system accompanied by staffing to provide the financial function of an organization. This can include accounts receivable, accounts payable, bookkeeping, etc. Intuitively, this model should work well because the finance organization understands the needs of the various departments, the culture within the organization and should be best able to deliver according to user department needs. Often, user departments are compelled to use the shared services and don't have the option of sourcing services from the outside to prevent the parent corporation's loss of economy of scale through the internal shared service offering.

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<sup>1</sup> For a full description, see <http://en.wikipedia.org/wiki/Outsourcing>

Because the shared service operation essentially becomes a monopoly, it is not uncommon to hear user departments deride the value they receive from the shared service group, often making the case that more cost effective services could be purchased from external vendors through a competitive process.

Shared Services has recently started to move downstream to small and medium sized enterprises, however, the supply of such services is still somewhat fragmented at these levels.

### *2.3 Fee for Service*

Standard fee for service models exist for the provision of both operational services as well as project based services. While there are many variations in how fees are structured, they are typically either 'time and materials' or 'fixed fee' based. Time and materials billing is based on the number of hours or days worked times an hourly or daily rate. In this scenario, the client organization often bears the risk of cost overruns. In a fixed fee arrangement, the vendor bids a fixed fee, usually for project based work. In this scenario, it is the vendor that often assumes the risk of cost overruns and therefore must incorporate a contingency or cushion in the fixed fee bid to mitigate the risk of falling into a loss situation on a particular project.

In a perfectly efficient market, both the customer and vendor would perceive themselves as benefitting; the customer from deriving good value for the services they purchased and the vendor in making a reasonable profit on the project. In both the 'time and materials' and 'fixed fee' scenarios, however, all too often there is a winner and a loser: The customer could have gotten fabulous value at the expense of the vendor or, alternatively, the vendor could make an 'over-the-top' profit from a single job. Either way, the win-lose relationship means this service delivery method is also less than optimal.

### *2.4 Self-Provision*

Self-provision of services is always the natural incumbent service delivery model as, for most services, it was originally the only alternative. The Self-Provision model infers that the client organization hires or contracts all of the staff they require to perform a specific set of functions. On a unit cost basis, Self-Provision is often perceived to be the least expensive alternative. As enterprises hire new staff, they quickly ascertain going market rates for the skills they require and they need only determine which centile they wish to target (i.e. Do they wish to be at 50% of average market salaries for a given position, or at 75%, etc.) If an enterprise requires a bookkeeper, as an example, they need only pay market rates to acquire that bookkeeper, as opposed to acquiring the same services from an accounting firm which would include all of the associated overhead, expenses, markups and profit margins.

There are a few potential flaws, however, with the Self-Provision model. Perhaps the most important drawback of Self-Provision is related to delivery of non-core services such as accounting and HR that do not directly drive value for an organization. These services consume scarce executive resources that

would be better deployed to activities that increase value for the organization (i.e. Sales, strategic relationships, building intellectual property).

It can also be postulated that an external provider with a client-driven philosophy and the right incentives in place can consistently out-perform full-time employees. Even for organizations with a positive work force and good engagement scores, employees who have found their long term groove may not necessarily perform with the same productivity as resources who clearly understand that they are engaged at the client's pleasure and therefore must consistently perform at a high level.

Another drawback of self-provision, particularly for small and medium size enterprises, is that their need for specialized skills will almost always exceed their ability to economically satisfy all of those needs. SMEs have a broad set of business needs, however these needs often only represent fractions of an FTE. As an example, SMEs have a great majority of the same HR functional needs as large corporations. These include recruiting, HR data management, compensation, training, performance management, payroll, pension and benefits, and employee relations. The difference between the SME and the large corporation is the volume of work in each of these areas. In a large corporation, one or more FTEs are often hired to handle each of the aforementioned sub-specialties. In a SME, there is insufficient workload to merit hiring specialists for each of the sub-specialties, however the functional needs remain nonetheless. If any of these related sub-specialties are required but do not represent full-time responsibilities, the organization is faced with choices such as:

- Hiring part-time resources
- Sub-optimally combining multiple roles into one FTE
- Hiring external firms for assistance at higher than employee fee rates, or
- Managing to do without the function.

As previously stated, large organizations can overcome this limitation by hiring all of the subspecialties they require, however, they must still be able to cost justify the acquisition of all relevant positions. SMEs don't have the same luxury of hiring the same breadth and depth of skills and each new staff addition is often approved with more careful scrutiny. The bottom line is that self-provision is by definition sub-optimal because it is necessarily constrained by the organization's resources, and these constraints are more obvious for SMEs.

Self-provision is also limited insofar as the client organization is dependent upon their internal resources keeping abreast of industry advances in each of their respective domains. It can readily be postulated that an external provider focussed on delivery of a specific business function to multiple clients is more likely to become aware of evolving industry practices related to that domain and can therefore provide continuous improvement in the business function on a more consistent basis.

### *2.5 "Body Shopping" and "Temp-ing"*

Body Shopping and temp agencies are methods typically used to fulfil temporary position requirements within the organization. These conventional methods are oriented to finding one or more individuals with the right skills and experience to match the requirements of specified positions. Body shopping

tends to be more project oriented and is often used to supplement an organization's existing resources to meet specific project requirements. This approach is not usually used to meet ongoing operational needs. Temp-ing, on the other hand, is often used to backfill operational roles and is commonly used to cover extended absences of regular staff for reasons such as project assignments, sickness, extended vacations, and maternity leaves. Both body shopping and temp-ing can be viewed as variations of the recruiting function with special case characteristics. Neither approach is strategic for the client organization in terms of building long term value.

All of the above service delivery models have had a place in our economy over the past decades and although not perfect, each of them has established itself as a solution to certain needs. Each one of them however has innate flaws and sometimes these flaws can be somewhat mitigated with solid management practices and good contracting. Ultimately, however, there is a large void to be filled: One which will welcome a service delivery method that is comprised of drivers to promote success amongst all stakeholders.

Existing service delivery models produce winners and losers amongst their various stakeholders, usually one at the expense of the other. The question therefore becomes: "Can we derive a multi-organizational service delivery model that produces only winners?" The short answer is yes, we can.

### 3. The Flexsourcing Approach

Flexsourcing begins with a completely different approach and starting premise than its service delivery model predecessors.

Firstly, Flexsourcing looks at how organizations produce value.

- In a for-profit environment, most companies sell products and/or services<sup>2</sup> (which they may or may not produce themselves). The types of activities that generate value for the organization include sales and marketing, product development and product management, manufacturing and/or purchasing and/or service delivery. These core activities are typically what enable an organization to prosper. Indeed, in a small or medium size enterprise (SME), the President typically drives value in his/her organization by focussing on sales, strategic alignment of the business with partners, the development of intellectual property, and driving efficiencies in the enterprise's core processes.
- In a not-for-profit environment, organizations typically raise funds through a variety of channels, including donations and government funding, and deliver services.
- In public sector environments, funds raised primarily through taxation are used to deliver services.

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<sup>2</sup> While there are exceptions to this, such as organizations engaged in pure research, the logic leading to Flexsourcing still applies.

Flexsourcing then poses the following fundamental questions: What is the optimal service delivery model for organizations? What motivates a client President or leader in his/her buying decisions and what kind of relationship with a partner organization will he/she perceive to be optimal? What motivates a service supplier President and what kind of relationship with a client organization will he/she perceive to be optimal?

The answers to these questions form the basis of Flexsourcing, an evolutionary and revolutionary new service delivery model.

#### 4. The Key Features of Flexsourcing

- 1) The *services must be required by the client enterprise*. This would also reduce the bundling of unneeded services by the supplier, maintaining a focus on delivering value to the client.
- 2) The services should be *delivered to the client enterprise when they are required*. If the enterprise requires the services every Tuesday, they should be delivered on Tuesday. If the enterprise requires the services 'on demand' (i.e. at the moment they are requested), they should be delivered within the shortest delay possible.
- 3) The services should be delivered *in the amounts that are required*. As an example, if the client requires a bookkeeper for one day per week, they should be able to purchase the service in units of days. Tracking and reporting on actual usage will enable the client and Flexsourcer over time to further refine the actual number of days/week that are required of the bookkeeper.
- 4) The services should be *delivered either onsite or remotely*, as requested by the client enterprise. Certain services must be delivered onsite. As an example, faulty computer hardware must be physically swapped. Some enterprises still want to see their staff working onsite. Increasingly, however, enterprises are willing to accept telecommuting.<sup>3</sup>

Not all telecommuting is the same. While it will remain for a long time to come, voice only communication is passé. Not only is phone sound quality often lousy, but there is a huge dimension in inter-personal communication that is lost by not being able to see someone in a conversation. The advent of virtually free video teleconferencing is an excellent alternative to in-person meetings for most needs and overcomes the deficiencies of voice-only communication. Video teleconferencing comes very close to providing all of what we, as human beings, need to communicate, and is more than sufficient for most business communications. While the quality of video teleconferencing is sometimes less than perfect, it will only improve in the future.

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<sup>3</sup> Kate Lister & Tom Harnish, "The State of Telework in the U.S., How Individuals, Business, and Government Benefit", Telework Research Network, June, 2011

Successful telecommuting also requires the individual providing services to have access to the electronic applications and data required to complete the business function being supplied. With the ubiquitous availability of web-based applications, VPN tunneling and a variety of other online access methods, staff can efficiently complete work offsite.

Both video teleconferencing and remote access to applications and data require security to ensure that the enterprise is not compromised by intruders and such security is readily available today.

- 5) *A client-service driven approach* is critical. In a traditional organization, some employees remain consistently good performers with a positive attitude no matter how long they have been in their jobs. Over the long term, however, many employees will get into a groove of an accepted level of value delivery. On the other hand, a service delivery organization that has exceptional client service as one of its core values will be more driven to continually increase the level of value they deliver to their clients. They will attract and retain staff who recognize that they work 'at the client's pleasure' and therefore must consistently rise above expectations. Fundamentally, the Flexsourced model therefore only supports client-driven attitudes over the long term.
- 6) The service must be provided at an *affordable price*. It is safe to assume that most enterprises will compare the initial purchase price of Flexsourced services to the amount they are currently paying for the same or similar services. In comparing existing costs to Flexsourced prices, it is imperative to include the 'all-in' current costs. These costs include base salary, incentive pay, benefits, fixed overhead (such as facilities), management costs as well as all costs for externally provided services.
- 7) The *pricing structure should promote 'business as usual' usage* of the Flexsourced services and should be aligned to the patterns of consumption of those services. Every organization that has ever had an invoice from a lawyer or accountant is familiar with 'per usage' charges. This type of pricing structure can serve as an inhibitor to making use of available services.<sup>4</sup> A good contract with the right pricing structure, management reporting and communication between the client and Flexsourcer will promote the appropriate usage of Flexsourced resources. An example of such a structure might entail contracting an HR Specialist for a certain number of days/week.
- 8) *Flexsourced staff must have the appropriate skills, experience and cultural fit to deliver the required services*. Clients are sensitive to the amount of training required before staff become proficient in their roles. When acquiring services from an external organization, they want to know, on average, that they do not need to train staff any more than if they were to hire their own new staff. Certainly, the client preference will be that the new Flexsourced staff need only

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<sup>4</sup> Robert Cialdini, Influence: The Psychology of Persuasion, William Morrow and Company, Inc., 1993

learn elements of the job function that are specific to the client environment. Similarly, a client wants the comfort that an individual will fit culturally within their environment. As an example, someone who has had many years of SME experience may integrate much more quickly into a small company than someone who only has had a long career in large corporations.

- 9) It is important that there be *stability and continuity of Flexsourced staff* on a client team. In the same way that a client generally seeks to have low turnover amongst their own staff, they should not have to expect anything different from their Flexsourced staff. Unless Flexsourced staff require no communication with the client and the Flexsourced service can be provided by any team member with a similar set of training and skills, the client should be able to expect Flexsourced staff remain stable over the mid-long term. The client will have little tolerance to repeatedly train new staff. Ultimately, the client wants people who will come to learn the client's corporate culture, the required business functions and who will contribute to the organization's attainment of its strategic objectives. This can best be achieved with low staff turnover.
- 10) The Flexsourced resources must present themselves, behave and operate as an *integrated team*. Each Flexsourced client team will be staffed with specified individuals from the supplier. In a matrixed fashion, those team members may also be part of other teams for other clients comprised of different Flexsourced staff. The other teams to which a given team member belongs is transparent from the client's perspective. From the client's perspective, they want to know that the members of their own team provide them the right skills and work well together.
- 11) The Flexsourced team should be *seamlessly integrated with the client*. Flexsourcing transcends the traditional 'us and them' of clients and their vendors. As an example, if a client operations manager has a question to ask his/her Flexsourced HR Specialist, he/she should have the same level of comfort and facility in contacting Flexsourced resources as he/she would have had if the HR person had been internal. From a relationship perspective among client and Flexsourced staff, there should be no demarcation between client and supplier.
- 12) The Flexsourcer can provide *management of the Flexsourced services and staff* in addition to functional expertise. The level of Flexsourced management can go right up to the President/CEO's direct reports. As an example, a Flexsourced CFO can be brought in to manage either client staff, Flexsourced staff or a combination thereof. The ratio of management time to direct reports is directly tied to span of control, which varies across different job functions. As a result, there is not a single 'right number' of direct reports, however, for management of professional services (i.e. HR, IT, Accounting), direct reports to manager ratios could be in the range of 5 – 10. As specific client needs dictate, the management ratio should be adjusted accordingly. For the management of smaller teams, this might justify engaging a part-time Flexsourced manager.

- 13) Many work environments require *both operational, day-to-day services as well as project-based services*. Flexsourcing accommodates both modalities. Examples of operational, day-to-day services could include routine corporate services, operational support, or sales and marketing. Project based services are characterized by a defined start date, end date, deliverables, resources, tasks, and timing. Examples could include the implementation of a new accounting package or the development and rollout of an HR Policy manual. From the client President's perspective, the important point is that there will be fluctuations in overall staff required, depending on the number of projects ongoing at any given time, seasonality of the business and positive or negative growth in the business.
- 14) Flexsourcing combines both *strategic and tactical* approaches to service delivery. This significantly increases the value of the services by also supporting client executive when they do their periodic strategic planning. Thus a Flexsourced HR professional will not only deal with ongoing recruiting, onboarding, performance management, and other standard, tactical operational HR functions, they will also assist with strategic enablement. This could include planning the future organizational structure of the client organization, future competency and staffing requirements, and the trajectory to implement such strategic initiatives. This proactive approach facilitates the growth of the business, which is a step ahead of being in a continual reactionary, 'catch-up' mode that one often witnesses particularly in many small businesses.
- 15) The services should be developed and *delivered using industry best practices*. Because Flexsourcing providers can have the benefit of specializing in their core service offerings, they can leverage their economies of scale to better incorporate best practices. This can dramatically increase the value of the services to client organizations compared to what could otherwise be purchased on the market today.

## 5. The Supply Side of Flexsourcing

Section 4 articulated the characteristics of Flexsourcing largely driven by the client organization, specifically from the perspective of the enterprise's leader. Some may argue that the above characteristics represent 'an order that is too tall to fill'. The natural response from some outsourcers who have had their relationships squeezed by customers is 'Good luck to you in making money at Flexsourcing'. So are they right? Should we 'pack up and go home?' The answer, of course, is that Flexsourcing is very viable because it more closely supplies the service delivery model that customers value. By definition, Flexsourcing is what customers demand!

Flexsourced services, in part, can be delivered because the nature of the workforce has changed and technology has evolved.

### 5.1 Workforce factors that favor Flexsourcing

How have factors in the workforce changed and how does this now facilitate Flexsourcing over other service delivery methods?

- There is much greater churn in the workforce. “The notion of a "job for life" is in rapid decline. Today's worker will have on average approximately three careers and eight jobs over a lifetime.”<sup>5,6</sup>
- “Most of the working population does not work in a traditional employment relationship. Only about 33% of the work force now works standard hours (Monday to Friday, 9 to 5) in a standard job at the employer's workplace. Moreover, a recent Statistics Canada report noted that only 63% of all working Canadians held a permanent and full-time job, down from 67% of workers in 1989.”<sup>7</sup>
- Canadian tax laws promote , in the right contexts, contract work, and many workers have recognized the opportunity and benefits of setting up their own companies
- Many families can no longer survive off of the revenue from a single ‘bread-winner’<sup>8</sup>. As a result, both spouses often need to work. However, during child rearing years, couples often favour at least one of the spouses having flexible or part-time job responsibilities
- In Canada, maternity and paternity leaves result in some people switching jobs when they otherwise might not have done so in the past
- For people who are unemployed longer, some become more flexible in the types of jobs and the terms of employment they will consider
- With the advent of a very high number of online job sites, and continual downward pressure on recruiting fees, recruiting is not always as efficient as it could otherwise be. Flexsourcing may result in better and more efficient matching of client requirements to staff experience, skills and preferences
- Flexsourcers require sales and delivery staff. Delivery staff, in general, tend not to want to sell, or may be not good at selling. Often, their sales efforts are concentrated on finding their next contract or full time employment. Flexsourcers offer the benefit of a potential steady stream of work, creating a natural affinity of delivery staff to Flexsourcers
- Higher levels of staff engagement are found in entrepreneurial organizations based on meritocracies<sup>9</sup>, where individual advancement is tied more directly to contribution, as opposed to more traditional entitlement type cultures supported by tenure related inducements. A meritocracy fits the Flexsourcing model very well as it enables the attraction and advancement of staff based on merit. Interestingly, this also opens tremendous opportunities for individuals who prefer to work in small to medium size enterprises. In a traditional small enterprise, there is often not much room for upward

<sup>5</sup> “The Changing Face of Canadian Workplaces”, HRSDC, Labour Canada, December, 2004

<sup>6</sup> Carl Bialik, “Seven Careers in a Lifetime? Think Twice, Researchers Say”, The Wall Street Journal, September 4, 2010

<sup>7</sup> “The Changing Face of Canadian Workplaces”, HRSDC, Labour Canada, December, 2004

<sup>8</sup> Katherine Marshall, “The Family Work Week”, Statistics Canada, April, 2009

<sup>9</sup> “Workplace Cultures Come in Four Kinds”, The Wall Street Journal, February 12, 2012

career mobility. By contrast, a Flexsourced opportunity provides the individual with many of the positive aspects of working in a SME environment (senior management knows who you are, you may know everyone in the company). In addition to the benefits of working in individual SMEs, Flexsourced staff also have the ability to enjoy working with multiple SME clients simultaneously, thus liberating themselves from some of the limitations inherent in working with one employer. Furthermore, Flexsource staff can realize much greater upward mobility working for a Flexsourcer than they can for a SME. Over time, Flexsource staff have the ability to take on more responsibility and get promoted as they develop new skills and gain experience.

- While it is natural for people to want to make more money as they progress in their careers, their wage requirements do not necessarily increase significantly over their current or past employment situations. There is a small premium added to contract work to compensate for loss of benefits, and increased volatility in work load. The net of all of this is that staff can expect fair market rates and Flexsourcers can generate reasonable profits below pricing rates that have traditionally been charged by fee-for-service organizations.

The result of the above is that Flexsourcing offers a great career alternative that may have been difficult to find in the past.

## 5.2 Technology factors that favour Flexsourcing

Technology enables the supply side of Flexsourcing in many ways. Some examples are:

- Online recruiting: - A Flexsourcing provider learns about the most effective online recruiting sites for their specific niches very quickly. As a result, a Flexsourcer can become much more effective than their customers at recruiting for specific job functions. Flexsourcers can also obtain greater economies of scale in recruiting for job functions that can be leveraged across multiple clients.<sup>10</sup>
- Telecommuting: - Staff can communicate with clients and Flexsource management via video teleconferencing
- Flexsourcers, clients and staff can efficiently and securely arrange online connectivity into client business applications
  - There is no geographic limitation pertaining to where Flexsourced resources can reside in terms of telecommuting. Other factors, however, such as communication skills and the occasional need to physically be on the client site remain as factors to be considered

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<sup>10</sup> Outsourcers can claim the same opportunity.

- Anyone a Flexsourcer would likely want to hire already has a computer and high speed internet connectivity. Sales of portables are now outpacing sales of desktops and therefore, staff are, by definition becoming more mobile and are able to provide their own computers
- Cloud-based Applications:
- Clients, Flexsourcers and Flexsourcer staff all have access to the same applications and data. Furthermore, the Flexsourcer can be the party offering the Flexsourced applications
  - New software applications can be introduced quickly and efficiently
  - Cloud-based applications further enable a Flexsourcer to leverage technical staff skills across multiple clients

## 6. Flexsourcing Market Niches

Is Flexsourcing more optimal for some market niches than others?

In answering this question, one must consider the client President's demands, as articulated in Section 4 as well as the supply side, as contemplated in Section 5. To adequately consider the question, one must consider a number of points of view including:

- Size of client organization
- Industry of client organization
- Geographic dispersion of client organization
- Competitive service delivery models
- Specific service offering

### 6.1 Size of Client Organization

In determining the most apt market niches for Flexsourcing, one may examine the characteristics of Flexsourcing in light of overall client size. For large organizations, all of the client demands articulated in Section 4 apply. The challenge for a large client organization may be in finding a Flexsourcer large enough to meet their needs, however, most of the fundamental tenets of Flexsourcing can be defended for a large client enterprise.

How about small enterprises? Do their Presidents demand all of the tenets of Flexsourcing? The answer to this question is: "Theoretically, yes." All of the Flexsourcing tenets can apply to small organizations. In reality, the supply side would need to find a way to profitably serve the smallest enterprises and therefore, there may be a lower practical limit of the size of organization to which Flexsourcing would apply, however, this will also vary depending on the specific service offering, as articulated in Section 6.5. Ultimately, global market economics will likely establish these limits.

## 6.2 Industry of Client Organization

Flexsourcing can apply to every segment of both public and private sector industries. As an example, just about every organization requires an accounting function. As a result, it can be argued that any industry can avail itself of Flexsourced accounting services. Of course, certain Flexsourcers may evolve to deliver niche applications specific to one industry or another. This does not negate the ability of broader based service offerings to be delivered across industries by other Flexsourcers.

## 6.3 Geographic Dispersion of Client Organization

Does it matter if a client organization is concentrated in one geographic centre or dispersed among many locations, in terms of the applicability of Flexsourced services? The case can actually be made well that Flexsourcing is the most ideal service delivery model for both geographically dispersed and geographically concentrated clients. For geographically dispersed clients, Flexsourcers can accommodate variations in culture and cost bases, while offering best practices and consistency across locations. Geographically concentrated clients are simply a special case of geographically dispersed clients and therefore all of the Flexsource tenets still apply.

## 6.4 Competitive Service Delivery Models

Here the primary question is: “Is Flexsourcing better than all other service delivery models, including outsourcing, shared services, fee for service and self-provision?” In a perfect market, where client enterprises would naturally be aware of all Flexsourced services, the answer to this question would favour Flexsourcing. Naturally, in each market, and in each organization, enterprises may be limited both by their own resourcefulness as well as the ready availability of appropriate Flexsourced services. Case in point: Until a sufficient number of vendors fill Flexsourcing niches, clients will remain aware of other, more traditional service delivery models, such as outsourcing. Over time, however, there is no reason why other service delivery models should outperform Flexsourcing, given their respective inherent flaws, as articulated in Section 2.

## 6.5 Specific Service Offering

There may be a huge opportunity from both a supply and demand perspective for Flexsourced services such as HR, IT and Accounting. On the other hand, highly specialized functions (i.e. Diamond cutting, nuclear plant construction) may not be leverageable across multiple industries or clients. As a result, there are definitely certain business functions that lend themselves better to Flexsourcing than others. Good Flexsourcing candidates are likely to be services that are both demanded across industries, as well as those for which there is an abundant workforce supply.

Overall, therefore, in totality, the response to the question of whether Flexsourcing is more optimal for some market niches than others is likely: Yes. As acknowledged above, there will always be certain requirements that lend themselves better to other service delivery models, however, many current services using service delivery models other than Flexsourcing could be candidates to evolve to Flexsourcing.

### 7. The Win-Win for Clients and Flexsourcers

Flexsourcing will become one of the most cost effective service delivery models for specific classes of service. The following is one example of how both Client and Flexsourcer can benefit:

- The client only pays for the services they consume
- Market forces drive efficient pricing for Flexsourced services
- As the client grows, so does their consumption of Flexsourced services. As their consumption grows, so too does their consumption of higher value, more profitable resources for the Flexsourcer
- Because of the client-service driven approach and the fact that Flexsourced staff are incentivized to act in the client's best interests, the client is getting the best of all service delivery model attributes: They are gaining advocates, staff who they know will protect their interests, and who are continually motivated to outperform traditional outsourced or self-provided resources.

Contracts can be very transparent in Flexsourcing arrangements and can also become much more standardized, greatly facilitating the process of acquiring Flexsource providers. It is very common for outsourcing contracts to trigger large additional charges to the client should the client require services that are beyond the scope of their outsourcing contract. Outsourcers stand to profit significantly from such requests at the expense of their clients. Flexsourcing, by definition, builds in accommodation of increasing client requirements into the contracted arrangement. The Flexsourcer and client can choose to manage to a specific budget or simply consume resources as required. The important point here is that with Flexsourcing, neither party wins at the expense of the other; they win together.

### 8. The Difference Between Flexsourcing and Outsourcing

In addition to the previous statement, the natural tendency of outsourcing's defenders will contend that Flexsourcing is Outsourcing under a different name or that Flexsourcing is just a nuanced form of Outsourcing. While Flexsourcing has many traits in common with outsourcing, it truly is a natural evolution from outsourcing and a distinct service delivery model unto itself.

So how does Flexsourcing differ from outsourcing?

Firstly, as outlined above, it is a model predicated on win-win relationships. These win-win relationships are not an afterthought or happy coincidence as they might be with outsourcing; they are a fundamental underlying principle of Flexsourcing.

Flexsourcing represents a far more integrated, tightly coupled link between client organization and Flexsourcer, wherein organizational boundaries are transparent and virtually indistinguishable from an operational relationship perspective. This tight coupling drives the client and Flexsourcer to finding business solutions to business challenges that are by definition, simultaneously in the best interests of both the client and the Flexsourcer. While the Flexsourcer is also benefitting, the Flexsourcer staff clearly understand that they are intended to always represent the client's best interests and to act, as authorized, on behalf of the client. As an example, this might lead to occasions where a Flexsourcer, through an open tendering process, selects an organization that competes with the Flexsourcer, to provide services to the client. As long as the Flexsourcer retains the utmost of integrity, market forces should continue to drive Flexsourcing as the best value available to clients for the specific services offered by the Flexsourcer. Generally, only other Flexsourcers offering superior value should win out over an incumbent Flexsourcer.

## 9. Conclusion

For many services Flexsourcing will be the way of the future. It is a novel yet common sense approach to the way clients want to be able to acquire services. It will tend to breed much greater trust between client and Flexsourcer than other service delivery models and really does result in an all-around win for all stakeholders.

As Flexsourcing becomes popular, it is likely that there will be a large shift in the way services are demanded and supplied. This evolution should be both fascinating and exciting!