Outcome Contracts

Outcome management is a process for the achievement of strategic goals that focuses on the benefits of achieving the goal rather than the resource required to deliver it or the contributory factors necessary for success. This makes it useful when facilities initiatives are being developed to contribute towards bigger corporate strategic goals.

When used as part of an outsourcing exercise, a focus on Outcomes can be used as a catalyst for innovative thinking especially when the achievement of the desired outcomes is linked to a performance payment mechanism. This incentivises the service provider to identify the most efficient way to deliver the desired result.

This approach differs greatly from outsourcing based on Inputs. With an Input contract, the service provider commits to the provision of an agreed level of resource for a set period of time to carry out a series of pre-determined activities. For example: *"The restaurant will be manned by 5 staff between the hours of 1200 and 1400 to sell food from the specified menu at the approved tariff."*

Outcome contracts are frequently confused with Output contracts. With an Output contract, the service provider is free to determine the resource, timing and methodology to be applied as long as a specific objective is achieved. There are usually some constraints around certain activities making most Output contracts something of an input /output hybrid. For example: *"The service provider will supply a range of food in the restaurant at prices and quality such that the client does not need to subsidise the service."*

With an Outcome contract the focus is not on the How or the What but the Why. This requires a clear understanding of the strategic purpose of the activity. This is not always easy and usually involves measures where the direct cause is difficult to measure: For example: *"The service provider will provide a restaurant service that delivers a net profit for the business through increased productivity of the workforce as a result of improved employee health and reduced sick absence."*

The loss of control required to facilitate Outcome contracts and the unpredictability of results can be difficult for many clients to stomach and some service providers apply a significant premium to their fee proposals in recognition of the increased risk they must embrace. However, where a step change in performance is required in order to deliver a different level of return the Outcome contract can be very effective.

The Chartered Institute of Purchasing and Supply (CIPS) publish a range of documents and research on all forms of outsourcing including outcome based purchasing www.cips.org

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