THE SOURCING SHIFT

The AI-Sourcing Framework

for CTOs, COOs and Transformation Leads

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Matt Casey
Casey IT Limited
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Executive Summary

For thirty years, a single strategic question has reshaped how organisations build and deploy capability — first outsourcing, then offshoring, then reshoring. Each shift created lasting competitive advantage for the organisations that recognised it early. The next shift is here, and it is fundamentally different from everything that came before: for the first time, the answer is not another geography or another firm. It is AI.

AI-Sourcing is the deliberate, strategic decision to route business functions to AI systems, evaluated with the same rigour organisations once applied to outsourcing decisions. It is not a technology trend. It is a board-level question about how your organisation builds and deploys capability.

This paper provides a practical framework for leadership teams navigating the AI-Sourcing decision. It includes:

- A diagnostic for understanding the gap between AI hype and operational reality
- A four-lens decision framework for evaluating which functions to AI-Source
- Guidance on build, buy, configure, and partner decisions
- A governance model that reflects the UK's evolving regulatory landscape, including the Data (Use and Access) Act 2025
- A 30-day action plan for getting started immediately
- A detailed case study applying the full framework to a realistic scenario

It is written for CTOs, COOs, and transformation leads in mid-market UK organisations, with particular relevance to property, housing, and healthcare sectors where AI adoption is accelerating but strategic clarity remains scarce.

1. The Pattern

Every decade, a single strategic question reshapes how organisations source capability. The terminology changes. The geography shifts. But the underlying question is always the same: where should this work happen, and who (or what) should do it?

Outsourcing dominated the 1990s. The question was simple: *can someone else do this cheaper?* Organisations carved out non-core functions and handed them to specialist providers. Entire industries, from facilities management to IT support, were built on the answer.

Offshoring and nearshoring defined the 2000s. The question evolved: *where in the world should this work happen?* Labour arbitrage drove millions of knowledge-work roles to India, the Philippines, and Eastern Europe.

Reshoring emerged in the 2010s as a corrective. Supply chain disruptions, quality concerns, and political shifts prompted: *should we bring this back closer to home?*

Now, a fourth question is emerging. One that does not ask where work should happen or which humans should do it. It asks whether a human is needed at all, and if so, where human expertise creates the most value.

> *AI-Sourcing is not a technology trend. It is the next chapter in a thirty-year strategic conversation about how organisations build and deploy capability.*

Each previous shift created winners and losers. The organisations that recognised the pattern early built durable advantages that lasted decades. The same dynamic is playing out now, at a pace that compresses the window from years to months.

2. The Problem: Hype vs Reality

There is no shortage of AI enthusiasm. Every consultancy, every vendor, and every conference promises transformation. But in most mid-market UK organisations, the reality looks very different from the headlines.

What the Headlines Say

AI will revolutionise everything. Productivity gains of 40%. Agents that replace entire departments. The future is already here.

What Most Organisations Experience

A handful of pilot projects with unclear ROI. A few individuals using ChatGPT for email drafting. An IT team fielding questions about "AI strategy" without a mandate or a budget. Meanwhile, the board is simultaneously excited and paralysed: excited by the potential, paralysed by the risk of getting it wrong.

The Gap

The gap is not about technology. The AI capability exists today. The gap is strategic: most organisations lack a structured way to evaluate where AI creates real value, how to source it, and how to govern it. They are making tactical decisions ("let's try a chatbot") when they need a strategic framework.

This is particularly acute in property, housing, and healthcare. These are sectors with complex regulatory requirements, significant operational scale, and a workforce that is already stretched. They stand to gain enormously from AI-Sourcing, but they cannot afford to get it wrong.

A housing association processing thousands of repair requests per month has an obvious AI-Sourcing opportunity in triage and scheduling. But without a framework, it becomes a technology experiment rather than a strategic decision.

A property management company handling tenant communications, lease administration, and compliance reporting is sitting on functions that AI can deliver at higher quality and lower cost. But "let's try AI" is not a strategy.

A healthcare trust managing appointment scheduling, patient communications, and administrative workflows could free clinician time dramatically through AI-Sourcing. But governance and data sensitivity require a rigorous framework, not enthusiasm.

This paper provides that framework.

3. What AI-Sourcing Actually Is

AI-Sourcing is the deliberate, strategic decision to route business functions, processes, or entire capability areas to AI systems. It is a board-level question about organisational design, not a technology procurement decision.

The distinction matters because it determines who owns the conversation. If AI-Sourcing is framed as a technology initiative, it stays in IT. If it is framed correctly (as a strategic capability question), it belongs in the boardroom, alongside decisions about outsourcing, M&A, and market entry.

What AI-Sourcing Is Not

- **It is not "using AI tools."** Giving employees access to a large language model is a productivity play. AI-Sourcing is a structural decision about how capability is delivered.
- **It is not robotic process automation.** RPA automates repetitive, rules-based tasks. AI-Sourcing addresses complex, judgment-based work that, until recently, could only be performed by experienced professionals.
- **It is not headcount reduction disguised as strategy.** The real opportunity lies in redesigning how the organisation creates value, not simply doing the same things with fewer people.

Why Now: Three Converging Forces

1. The capability threshold has been crossed. AI systems can now perform complex, judgment-based work autonomously, at a quality level that meets or exceeds the professional baseline. Legal analysis, financial modelling, code generation, strategic research: all crossed from “assisted” to “autonomous-capable” in the last eighteen months. Stanford’s 2024 AI Index reports that frontier models now match or exceed expert human performance across a growing range of professional benchmarks — a threshold that was widely considered a decade away as recently as 2020.

2. The economics have flipped. For many functions, AI delivery costs are an order of magnitude lower than human equivalents, with comparable or superior quality and dramatically faster throughput. McKinsey’s 2024 State of AI report found that organisations with mature AI deployments are achieving 20–40% reductions in the cost of targeted knowledge-work functions. The cost curve moves in one direction.

3. The talent market cannot fill the gap. Skills shortages in technology, professional services, and specialist domains have become structural. The UK’s tech sector alone faces a shortfall of over 1.1 million workers by 2030, according to DCMS analysis. AI-Sourcing offers an alternative path to capability that does not depend on winning a talent war most organisations will lose.

> *These three forces together mean AI-Sourcing is not a choice. It is the rational strategic response to market conditions that have fundamentally changed.*

4. The AI-Sourcing Decision Framework

For any business function under consideration, evaluate across four lenses:

Lens	Core Question
Capability	Can AI perform this function at or above the required quality threshold today?
Economics	Is the total cost of AI delivery (build, run, maintain, govern) lower than the human equivalent over a three-year horizon?
Strategic Value	Does human performance of this function create differentiated value, or is it a commodity capability?
Risk & Governance	What are the regulatory, reputational, and operational risks of AI delivery, and can they be managed?

Applying these four lenses produces one of four outcomes:

Outcome	Characteristics	Action
AI-Source Now	High AI capability, clear economics, low strategic differentiation, manageable risk	Move decisively. Pilot and scale within 6 months.
Hybrid Model	AI-capable but human oversight adds measurable value	Design human-AI workflows. Humans govern; AI executes.
Human-Led, AI-Augmented	Strategic value from human judgment; AI amplifies capacity	Invest in augmentation tools. Protect the human capability.
Human-Only	Regulatory, ethical, or strategic reasons require human delivery	Maintain human delivery. Reassess annually.

Build, Buy, Configure, or Partner?

Once you have determined what to AI-Source, the next question is how. This is where many organisations stall, because AI procurement looks nothing like traditional technology purchasing.

Build means developing custom AI solutions using your own data and infrastructure. This offers maximum control and differentiation, but requires significant technical capability and ongoing investment. Best suited to functions where your data is a genuine competitive advantage.

Buy means procuring a commercial AI platform or service. This is the fastest path to deployment, but creates vendor dependency and limits customisation. Best suited to commodity functions where speed matters more than differentiation.

Configure means taking a commercial AI platform and adapting it to your specific needs through fine-tuning, prompt engineering, or workflow integration. This balances speed with specificity. Increasingly the most practical option for mid-market organisations.

Partner means engaging a specialist to design, build, and operate the AI-sourced function on your behalf. This is the outsourcing model applied to AI: you gain capability without building it internally. Best suited to organisations that need to move quickly but lack AI expertise.

The right answer depends on the function, the organisation's maturity, and the competitive dynamics of the sector. Most organisations will use a combination across different functions.

5. What Changes When You AI-Source

AI-Sourcing is not a procurement decision with contained consequences. It reshapes how the organisation operates.

Organisational Structure

Departments do not disappear, but they change shape. The shift is from execution to orchestration: fewer people doing the work, more people directing, governing, and interpreting it. New roles emerge that have no precedent in current org charts: AI operations managers, capability orchestration leads, human-AI workflow designers.

Talent Strategy

The question shifts from "how do we hire for this skill?" to "how do we access this capability?" The toolkit now includes: build internally, outsource, nearshore, acquire, partner, and AI-Source. HR functions that do not expand their frame will be making incomplete recommendations.

Competitive Dynamics

Organisations that AI-Source effectively can operate at scale without scaling headcount proportionally. Early evidence suggests that well-structured mid-market organisations can begin to compete on capability breadth with significantly larger rivals. The direction is clear: AI-Sourcing changes the economics of competition.

The New Skills Premium

AI-Sourcing does not devalue human capability. It concentrates it. Strategic judgment, relationship management, creative direction, ethical oversight: these become the premium capabilities. The organisations that invest in developing these skills will outperform those that treat AI-Sourcing purely as a replacement strategy.

Sector Examples

Property Management

Tenant communications, lease administration, compliance reporting, and building management workflows are strong AI-Sourcing candidates. The volume and repetition of these functions is high; the decisions required are largely rules-adjacent; and the data involved — tenancy agreements, service charge schedules, maintenance histories — is structured and retrievable. A mid-sized property company AI-Sourcing its tenant query handling can reduce response times from days to minutes while improving consistency and freeing property managers to focus on relationship management and complex cases.

The competitive pressure is real. Build-to-rent operators and large block managers that AI-Source routine administration first will be able to offer faster, more consistent service at lower cost per unit — a structural advantage over competitors still handling the same work manually. For property companies already operating on thin margins, the economics of AI-Sourcing are not optional; they are a survival question over a five-year horizon.

Housing Associations

Repair triage, void management, rent arrears communications, and regulatory reporting all sit in the "AI-Source Now" or "Hybrid" quadrants for most housing associations. The volume of repetitive, rules-adjacent work is enormous, and the talent pressure on housing officers is acute. Many associations are simultaneously managing significant disrepair backlogs, rising damp and mould compliance obligations under Awaab's Law, and a recruitment market that makes replacing experienced officers increasingly difficult.

AI-Sourcing offers housing associations a path to absorb increasing compliance and volume demands without proportional headcount growth. Critically, the DUAA 2025 has cleared the legal pathway for automated handling of repair triage and arrears communications — neither involves special category data, and both involve routine, reviewable decisions. Associations that move now will be building the operational capability to meet Awaab's Law timelines; those that wait will be managing compliance risk manually with a shrinking workforce.

Healthcare

Appointment scheduling, patient communications, administrative workflows, and clinical documentation support offer significant AI-Sourcing potential. NHS trusts and independent healthcare providers are under sustained pressure to reduce administrative overhead and redirect clinical time toward patient care. AI-Sourcing administrative functions — those that do not involve clinical decision-making — directly addresses this without putting patient safety at risk. The governance requirements are higher than in property or housing, but the Data (Use and Access) Act 2025 has created clearer pathways for responsible deployment of AI in non-clinical functions (see Section 6).

The key distinction for healthcare leaders is the separation between administrative AI-Sourcing and clinical AI-Sourcing. The former — scheduling, referral triage, correspondence, documentation support — is ready now, has a clear legal framework, and carries manageable risk. The latter remains a more complex and longer-horizon proposition. Organisations that conflate the two and use clinical governance concerns to block administrative AI-Sourcing are leaving significant efficiency gains on the table.

Change Management: The Human Side

AI-Sourcing affects real people in real roles. The most effective approach treats it as a redeployment opportunity, not a redundancy event. When a function moves to AI, the people who previously delivered it often have deep domain expertise that is invaluable in designing, governing, and improving the AI-sourced capability.

This requires investment in reskilling programmes, clear communication, and leadership that is honest about the change while demonstrating genuine commitment to the people affected. Organisations that get this right build trust and capability simultaneously. Those that treat it as an afterthought will discover that strategic advantage means nothing if your best people have already left.

6. Risk, Governance, and the Regulatory Landscape

A credible framework must account for failure modes. AI-Sourcing carries real risks, and organisations that move without acknowledging them will learn expensive lessons.

The Four Failure Modes

Moving too fast. AI-Sourcing without adequate governance creates operational fragility. AI systems can fail confidently, at scale, and without the self-awareness to flag that something has gone wrong.

Moving too slow. Competitors that AI-Source effectively will operate at fundamentally different economics. The gap compounds. Eighteen months of delay does not put you eighteen months behind; it puts you in a structurally different competitive position.

Hollowing out. Over-indexing on AI-Sourcing without maintaining human capability creates organisations that are efficient but brittle. They can execute known playbooks but cannot innovate or adapt.

The governance gap. Most organisations lack frameworks to evaluate, monitor, and govern AI-sourced functions. Who is accountable when an AI system causes harm? How do you audit a process that no human fully understands?

> *The governance gap is the single biggest implementation risk in AI-Sourcing. Organisations that close it first will move fastest with the least exposure.*

The UK Regulatory Landscape: A Clearer Path Than You Think

Many UK boards are hesitant about AI-Sourcing because they assume the regulatory environment prohibits automated decision-making. This assumption is now out of date.

The Data (Use and Access) Act 2025 (DUAA), which came into force on 5 February 2026, has fundamentally changed the UK's approach to automated decision-making. Under the previous GDPR framework, solely automated decisions with significant effects on individuals were generally prohibited except in narrow circumstances. The DUAA inverts this default.

For decisions that do not involve special category data (such as health information, racial or ethnic origin, or political opinions), automated decision-making is now generally permitted, provided appropriate safeguards are in place. Those safeguards require organisations to:

- Inform individuals that an automated decision has been made
- Enable individuals to make representations about the decision
- Provide access to human intervention when requested

- Offer mechanisms to challenge decisions

For organisations in property and housing, this is directly relevant: tenant communications, repair triage, arrears management, and lease administration typically involve non-special category data and now have a clearer legal pathway to AI-Sourcing.

For healthcare organisations, the position is more nuanced. Decisions involving patient health data (special category) remain subject to stricter controls. However, administrative and operational functions (scheduling, resource allocation, non-clinical communications) benefit from the same relaxation.

The practical implication is significant: the regulatory barrier that many boards cite as a reason to delay AI-Sourcing has been substantially lowered. The question is no longer "are we allowed to?" but "do we have the governance frameworks to do it responsibly?"

7. Case Study: Greenfield Housing Association

Greenfield Housing Association is a fictional but realistic composite, based on patterns observed across the UK social housing sector. It manages 8,000 homes across three London boroughs, employs 320 staff, and handles approximately 4,500 repair requests per month.

The Starting Position

Greenfield's leadership team recognised that AI could help, but had no structured way to evaluate where or how. The IT team had run a chatbot pilot on tenant enquiries that produced mixed results. Several housing officers were using AI tools informally. The board had asked for an "AI strategy" but was unclear what that meant in practice.

Applying the Framework

Step 1: Capability Audit

Greenfield mapped its major business functions and applied the four-lens framework to each. Three functions scored highly across all four lenses:

- **Repair triage and scheduling:** High volume (4,500/month), largely rules-based categorisation, clear quality metrics, no special category data.
- **Tenant communications (routine):** Standard responses to common queries (rent statements, maintenance updates, policy questions). High volume, low complexity, high consistency benefit.
- **Void management administration:** Property turnaround coordination involves significant administrative overhead that follows predictable workflows.

Step 2: Sourcing Decision

For repair triage, Greenfield chose "Configure": they selected a commercial AI platform and adapted it to their specific repair categories, contractor network, and priority rules. For tenant communications, they chose "Buy": an off-the-shelf AI communication platform with housing-sector templates. For void management, they chose "Hybrid Model": AI handles scheduling and coordination while housing officers retain oversight of quality inspections and tenant-sensitive decisions.

Step 3: Governance

Before any pilot launched, Greenfield established: an AI governance board (chaired by the COO, not the IT director), clear escalation paths for AI decisions that tenants challenge, DUAA-compliant notification processes, and a quarterly review cycle.

Step 4: Results (Month 6)

- Repair triage: 73% of requests now categorised and scheduled without human intervention. Average time from report to contractor assignment reduced from 2.3 days to 4 hours.
- Tenant communications: 68% of routine queries resolved by AI. Tenant satisfaction scores unchanged (the key metric: not worse, while dramatically faster).
- Void turnaround: Administrative time reduced by 40%. Average void period reduced by 6 days.
- Staff impact: Zero redundancies. Three housing officers redeployed to complex case management. Two staff trained as AI operations coordinators.

What Did Not Go to Plan

The repair triage pilot did not deliver clean results from day one. In the first six weeks, the AI mis-categorised a recurring category of damp-related repairs as routine maintenance, delaying escalation to the specialist contractor. The error was caught during the weekly governance review — not by the system itself. Greenfield updated the categorisation rules and reran the affected cases, but the incident clarified something important: AI systems do not self-correct, and the governance board was not an optional overhead. It was the mechanism that made the difference between a contained problem and a regulatory complaint. The month-six results reflect what was achieved after that correction, not before.

The Lesson

Greenfield did not start with technology. It started with a strategic question: which of our functions can be AI-Sourced, and how do we do it responsibly? The framework provided the structure. The governance provided the confidence — and, when things went wrong, the mechanism to catch it. The results provided the evidence to scale.

8. Getting Started: Your First 30 Days

Strategy without action is just a document. If you have read this far, the question is not whether AI-Sourcing is relevant to your organisation. It is what you do next. Here are three actions that any leadership team can take in the next 30 days.

Action 1: Map Your Top 10 Functions (Week 1-2)

Identify the ten business functions that consume the most resource, generate the most complaints, or create the biggest bottlenecks. For each, apply the four-lens framework at a high level. You do not need detailed analysis at this stage. You need a shortlist of three to five functions that score well across Capability, Economics, Strategic Value, and Risk.

Action 2: Establish Governance Before Technology (Week 2-3)

Before any pilot begins, answer three questions: Who owns AI-Sourcing decisions? (It should be a board-level sponsor, not the IT team.) What are the red lines? (Functions or data categories where AI-Sourcing is not appropriate today.) How will you monitor and reverse decisions that go wrong?

This does not require a formal governance framework on day one. It requires three clear answers and a named individual with accountability.

Action 3: Run One Focused Pilot (Week 3-4)

Select one function from your shortlist. Choose the one with the clearest economics, the lowest risk, and the highest internal support. Define success metrics before you start. Run a controlled pilot alongside existing human delivery for direct comparison. Measure quality, cost, speed, and (critically) employee and customer experience.

The goal is not to prove that AI works. It is to build the evidence base, operating model, and organisational confidence needed to make bigger decisions.

> *The question is not whether your organisation will AI-Source. It is whether you will do it deliberately, or have it done to you.*

The organisations that act now, with strategic intent, proper governance, and investment in both AI capability and human talent, will build advantages that compound over the next decade. The window for first-mover advantage is narrow. The AI-Sourcing question is here. The only remaining question is whether your organisation will answer it on its own terms.

About the Author

Matt Casey is the founder of Casey IT Limited, a consultancy specialising in cloud architecture, infrastructure, and AI enablement. With over a decade of experience delivering technology transformation across property, housing, healthcare, and the arts, Matt works with leadership teams to bridge the gap between strategic ambition and technical execution.

Matt developed the AI-Sourcing framework to describe the macro shift he observed across the organisations he works with: the transition from treating AI as a productivity tool to treating it as a strategic capability source — evaluated with the same rigour once applied to outsourcing decisions. This paper is the result of that observation and the framework he built to help leadership teams navigate it.

Casey IT Limited

Casey IT helps organisations understand and act on the AI-Sourcing opportunity. From strategic assessment to implementation, we work with leadership teams to evaluate their capability landscape, design AI-Sourcing strategies, and build the governance frameworks needed to execute with confidence.

Download our companion resources:

- AI-Sourcing 12-Month Implementation Roadmap: the detailed phase-by-phase guide for organisations ready to move beyond the first 30 days.
- AI Readiness Assessment: a structured diagnostic to benchmark your organisation's AI maturity across data, governance, talent, infrastructure, and culture.

Get in touch: matt@casey-it.co.uk
LinkedIn: linkedin.com/in/matthew-casey00
Web: casey-it.co.uk
thesourcingshift.com