

# WHITE PAPER

Do More With Bpo

*End-To-End Category Management Delivers Sustainable Value*



– Sue Woodall

Infosys™  
Portland

Capability optimisation means expanding spend under management and procurement capability – to realise this 'Best in Class' Procurement teams are leveraging the category and operational expertise, technology and category centres of excellence from specialist BPO firms.

## Introduction

Procurement teams are more often than not limited to either focusing on Direct spend in an industrial, engineering, manufacturing company or Indirect spend in services based companies. Delivering quality procurement services to both is best delivered by partnering with a specialist BPO firm where capability spans the whole spectrum of Direct and Indirect supplier spend. By capability we mean a combination of the right people and expertise, the most efficient and effective processes, and technology to maximise efficiency and deliver the most effective outcomes.

Procurement outsourcing has become a definitive agenda item for CxOs as companies strive to achieve 'capability optimisation', where procurement service costs are lower and value delivered higher, and more spend is under strategic management. 'Best in Class' (BIC) procurement is no longer simply about achieving a low-cost, low-value delivery model, focusing on process efficiency across a percentage of spend.

Capability optimisation means expanding existing capability across all 3rd party spend through greater use of offshore resources, leveraging category expertise, technology and operations expertise and sourcing COEs from specialist firms, using fit for purpose processes, and an operating model that is scalable, with lower fixed costs.

Procurement teams targeting capability optimisation in End-to-End (E2E) Category Management are seeing significant results including:

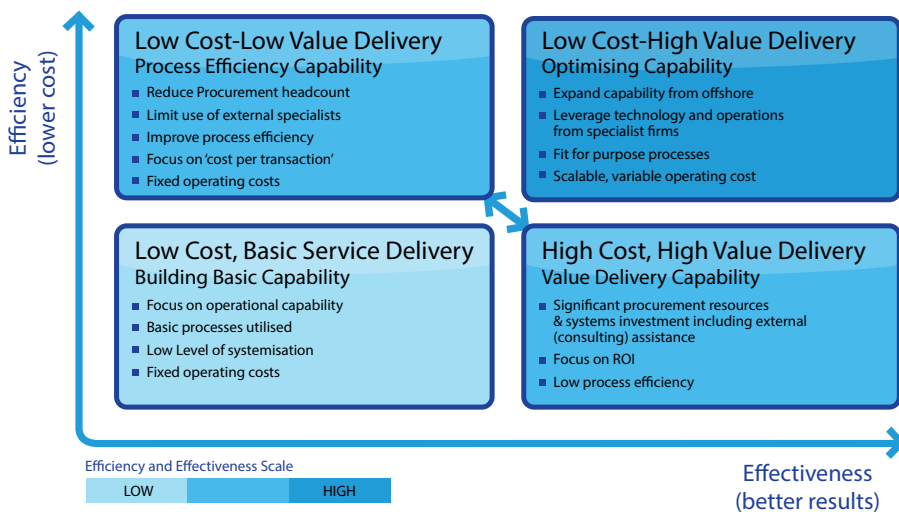
- 20-30% increase in productivity of their category managers
- increased adoption of technology to streamline repetitive processes (for example, teams are realising the 'promised' benefits from their technology investments in eRFx, procure to pay (P2P) tools)
- increase in direct cost savings through improved contract compliance, and much more.

In this White Paper we discuss the value in partnering with a specialist BPO firm to help deliver more value within the complex area of Professional Services through BIC E2E Category Management.

## Capability Optimisation

Procurement is in a constant state of evolution. Ten years ago the function began its transformation from a transactional purchasing function through the adoption of Strategic Sourcing. While Strategic Sourcing generated immediate cost downs from supplier negotiations, the cost of delivering these savings was high (often requiring significant consulting support) and savings could not always be fully implemented and sustained. Category management has attempted to fill this gap by adopting a more holistic approach, including focusing on ongoing supplier management and linking sourcing outcomes to policies, processes and systems.

The Capability Optimisation model aggregates internal specialists with external BPO capability, including category and process sourcing experts, leveraged processes and technology. Firms provide the optimal onshore and offshore support, including analytical and process support resources, using leading procurement technology and processes. The combination of these capabilities allows organisations to lower procurement operating costs per \$ of spend under management and impact a significant part of the cost base (efficiency). It also allows organisations to increase and accelerate benefits delivered/sustained (effectiveness), delivering the best possible outcome to their business. Targeting Capability Optimisation moves businesses away from the competing agendas of 'Low-Cost, Low-Value Delivery' and 'High-Cost, High-Value Delivery'. Delivering procurement services at the lowest total cost, while delivering highest level of value is the new target model for BIC Procurement.



### Capability Optimisation Delivers:

- Lower total cost of procurement
- Better fixed - variable cost ratio
- Larger, specialist teams
- Higher, sustainable value (savings)
- Accelerated outcomes
- Streamlined processes, enabled by technology
- Sustainable, scalable delivery

In order to deliver both efficient and effective Category Management, a CPO's challenge is to build and retain the broad range of capabilities required to do this well. This capability includes deep category expertise, a suite of systems and

tools to capture and analyse data and robust processes to hardwire outcomes across the business. Building these capabilities internally can be even higher cost than Strategic Sourcing programmes and often prohibits the rollout of category

management across large areas of spend. **Capability Optimisation** is a model that can meet these challenges and deliver the most **efficient and effective procurement** outcomes year on year.

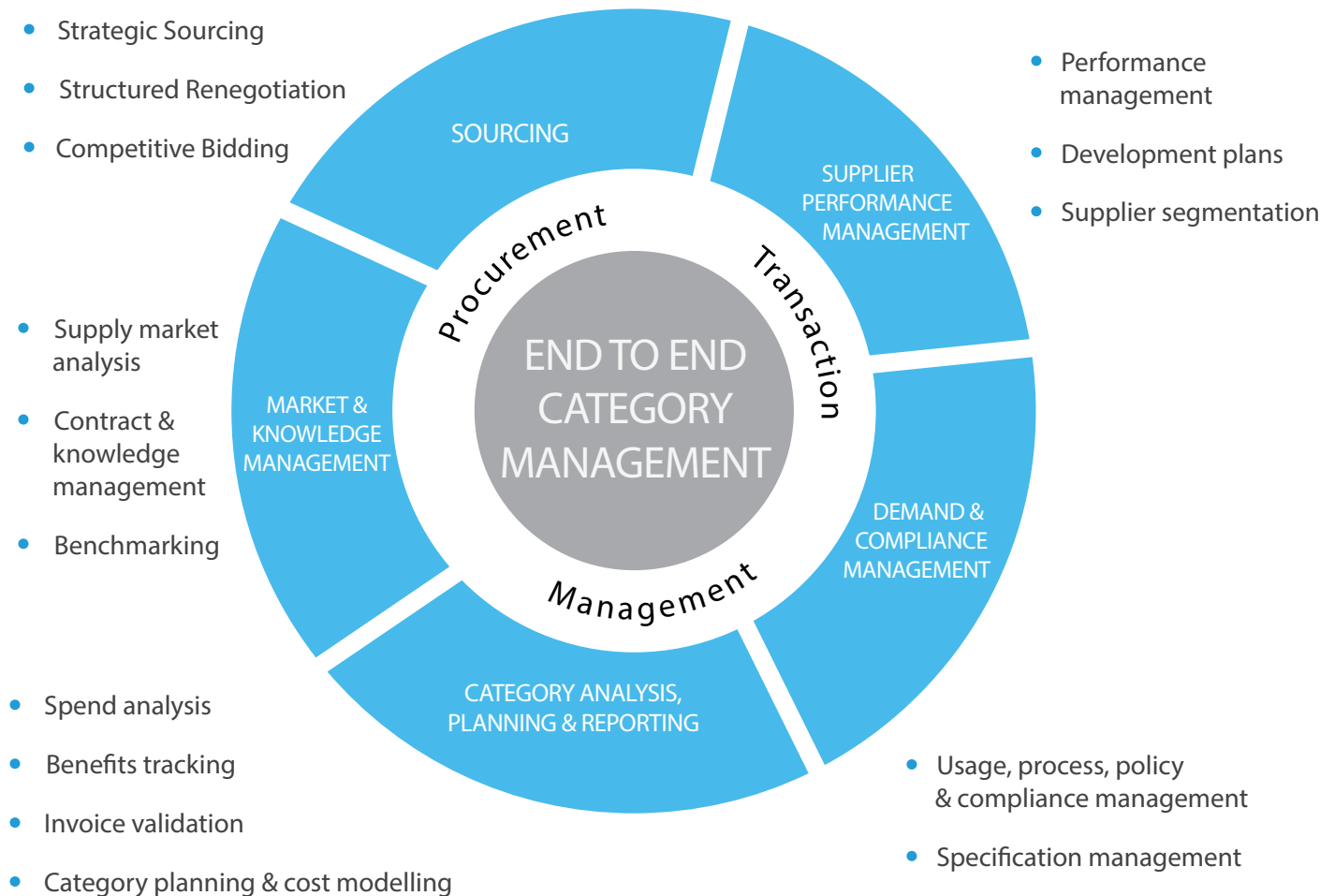
## End-to-End Category Management

BIC E2E Category Management is a continuum - it is not simply running a sourcing process to select suppliers, nor is it focused purely on managing suppliers' performance (relationship). Managing supplier expenditure goes beyond setting up the supply model (single or dual supply or supplier panel) and selecting and contracting with suppliers; rather, BIC E2E Category Management is a continuous improvement program without an end point, targeting value within the suppliers'

supply chain and the buyer's company. E2E Category Management is characterised by its rigorous and efficient processes, routine processes enabled by technology to improve efficiency and compliance, deep supply market experts being the 'trusted advisor' to business leaders, and sustainable results and outcomes delivered year on year (far beyond direct, price-based savings).

BIC E2E Category Management consists of 5 interlocking processes, each identifying and delivering value.

Using a BPO partner, companies have the capability to apply this rigor across more supplier spend, including spend which is typically difficult to influence such as professional services.



## Case Study: End-to-End Category Management for Professional Services

In this section we demonstrate the value of applying E2E Category Management across complex Professional Services.

**Sourcing** Professional Services should focus on:

- Consolidating spend with fewer specialist suppliers (panel), balanced against the range of skills, experience and broad capability necessary to match your business requirements. Sharing spend with fewer suppliers will improve suppliers' economies of scale (utilisation) and underpin a sustainable commercial model for both supplier and buyer.
- Competitive bidding of individual projects, using a well-tested eRFx tool to manage the process, communication and engagement between internal stakeholders and suppliers. Most importantly, competitive bidding each project enables the buyer to tap into available, qualified capacity within the supplier's resource pool at more competitive fees than from a standard rate card.

- Defining a commercial structure which ensures the resource composition of the team (size and mix of the project team) and the duration of each assignment is reflected in the total cost of the assignment. For example, as the size of the professional team assigned to your project increases and the length of your project expands, the average daily rate should reduce accordingly.

### Why use a BPO provider to support your sourcing activities for Professional Services?

Effective management of Professional Services needs the tools to competitively bid projects across a panel or preferred suppliers. Encouraging business units to participate in the competitive bidding process, means the process must be efficient and timely, and encourage stakeholders to actively participate in the process, including owning the final supplier selection decision. Building and maintaining category specific technology solutions internally is costly, and while initial business support may be present, this often diminishes quickly. With savings from competitive bidding projects as high as 10-30%, leveraging the capability and experience of a BPO firm enables

companies to bank the benefits without the fixed costs and resources associated with doing this in-house.

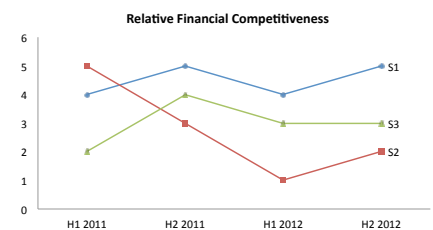
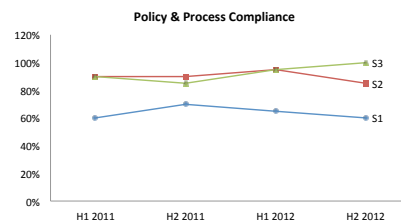
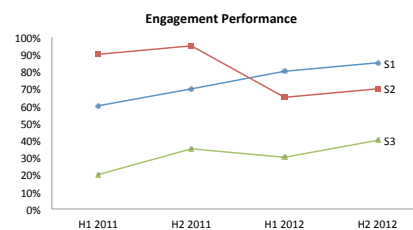
Comparative assessment of supplier's performance for Professional Services covering performance of individual projects, financial competitiveness and compliance assists buyers to select the best firm for a particular assignment.

**Supplier performance management** of Professional Services requires a sound understanding of firms' performance at the project level – this is the DIFOT (delivered in-full, on-time) equivalent for Direct Materials. Assessing professional firms' performance should be carried out during and at the completion of each assignment. Comparative assessments across the panel are then possible (i.e. relative performance

*Comparative assessment of supplier's performance for Professional Services covering performance of individual projects, financial competitiveness and compliance assists buyers to select the best firm for a particular assignment*

## End-to-End Category Management

- **Sourcing: setting up a panel; competitively bidding within the panel**
- **Supplier Performance Management: delivering best outcomes**
- **Demand and Compliance Management: best fit services and application of policy and process**
- **Category Analysis and Reporting: information and insights for continuous improvement**
- **Market and Knowledge Management: understanding market changes and implications**



### Policy & Process Compliance

Supplier	Rank 2012	Rank 2011
S1	1	3
S2	2	1
S3	3	2

against similar suppliers). BPO firms provide the tools and processes to do this efficiently. Tools include survey systems, databases to capture and analyse results and most importantly reporting tools to present findings and actions to stakeholders, including suppliers.

#### [Why use a BPO provider to support your supplier performance management activities for Professional Services?](#)

Category managers need the systems to dynamically rank firms' performance and publish the results to buyers. Increasing visibility of comparative performance allows stakeholders to direct work to higher performing firms, thereby improving the outcomes and value received from the Professional Services company. BPO firms have the survey systems and reporting tools to analyse and publish assessments of relative performance.

[Demand and Compliance Management](#) of Professional Services spend can, with the right level of executive sponsorship and technology enabled processes, be an area of significant value, often delivering more savings than Sourcing. By demand and compliance management we mean:

- Managing the level of expenditure through budget controls and knowledge management systems. Tools which track and collate material provided by Professional Services firms will allow greater re-use of advice provided by firms, which in turn allow companies to reduce the number of repeat assignments
- The 'specification' equivalent for Professional Services is the resource profile of the project team (e.g. ratio of Consultants/Analysts to Managers/VP) and the defined assignment deliverables and outcomes. Transparency of the resource mix and clarity of the deliverables will allow the procurement

team to more accurately compare submissions from panel suppliers and effectively manage the service specification. Savings of more than 8% are achievable through better aligning resources to the suppliers' outcomes

- Compliance to policies and processes also assist procurement teams to deliver value from Professional Services spend. A simple, but structured approval process to engage a Professional Services firm, and additional approvals to use a firm outside of the panel has the effect of improving compliance. The higher the compliance to both the panel and the process the more savings will be realised. In this way, Professional Services is the same as other spend areas
- Buying processes, enabled by technology are another critical demand management lever. Typical P2P systems do not effectively manage the buying process for services. A technology enabled process 'hard-wiring' agreed commercials through 'shopable' service catalogues, links outcomes from sourcing with effective demand management. Systems which efficiently manage the buying process, give the procurement team visibility of the use of Professional Services and the value and ROI anticipated by the requester. The use of good P2P workflow also assists teams by providing a single repository of assignments, and visibility of expenditure and suppliers' performance

#### [Why use a BPO provider to support your demand and compliance management activities for Professional Services?](#)

Workflow for efficient demand management of professional services and optimising compliance needs to be enabled by technology which aligns to the functional areas buying these services. Legal teams expect the workflow

to perform in a different way to the engineering teams who are buying project and engineering services, and strategy teams are unlikely to comply to a process or use a system that looks and feels like an engineering workflow. BPO providers offer a technology enabled workflow that meets the needs of the different types of Professional Services.

Category Analysis and Reporting often means providing the management information to make informed procurement decisions, not based entirely on historical spend, rather combining rich data from multiple sources. Category analysis and reporting is more than reviewing supplier reports and simple, ad-hoc analysis as required by the busy procurement (category) manager. Establishing an efficient way of collating, analysing and reporting suppliers' cost, demand, spend and trends will significantly improve the effectiveness of procurement teams. Data inputs come from many sources including ERP systems, budgets and other internal plans, incumbent and alternative suppliers, P2P systems and the other tools.

Category analysis and reporting of Professional Services spend should cover elements such as: average cost per day

#### **Understanding your professional services spend**

- *Rich data from suppliers*
- *Comparative analysis*
- *Visible to buyers*
- *Total cost of projects, including variations*
- *Insights and implications*
- *Input into your category plans*



worked, min-max cost per day compared to rate cards, projects delivered on time and on budget, price variations as a percentage of project value, comparative spend by firm, type and duration of projects by firm, disbursements by firm and project, and many other aspects of cost and project profiles. Distilling insights, implications, and the 'so what' from analysis is the most important aspect of Category Analysis and Reporting. Carrying out analysis without collating and reporting the implications is an inefficient use of category managers' time and fails to drive better outcomes. Comparing results from your analysis with industry recognised benchmarks will provide valuable input into category strategies.

#### [Why use a BPO provider to support your category analysis and reporting activities for Professional Services?](#)

A BPO partner has the skills, technology and category expertise to provide action-oriented analysis and reporting incorporating data inputs from multiple sources including suppliers.

This rich information source helps Professional Services teams have more informed discussions to drive more value from spend with professional services firms. BPO providers have systems and processes to collate and analyse data from a broad range of data sources, including the professional services firms. Triangulating data from contracts data, firms, accounts payable and buyers.

Additionally BPO firms, in particular those supporting ERP platforms, can integrate the ERP backbone with procurement systems to improve reporting.

[Market and knowledge management](#) A key question for category managers is 'what is changing in the market and can

I calibrate the impact of market changes on current supplier arrangements, category strategies and the needs of our business?' While Market and Knowledge Management is the last element in the E2E Category Management continuum, it is in part, a repeat of the rigorous pre-sourcing work category teams should be doing. That said, keeping abreast of the market, maintaining access to market trends and changes assists buyers of professional services to refine category strategies and plans to deliver maximum value throughout the buying cycle. Discussions with suppliers is one medium of information, however accessing BPO local and global category and market intelligence provides sources of information that is typically not available to individual category managers. Knowledge and relevant market information is essential for category managers to be seen as 'trusted advisors' to business units.

#### [Why use a BPO provider to support your market and knowledge management activities for Professional Services?](#)

Knowledge management remains a challenge for most procurement teams. The knowledge is kept by the 'individual' and often lost as priorities and teams evolve. With an increasing mobile workforce, your BPO provider can provide both the systems to collate and maintain knowledge in a single place, accessible by all, and access to supply market knowledge and benchmark data which is difficult to obtain. BPO providers have current, relevant market experience enabling your procurement teams to assess and refine strategies and plans beyond the information they have access to as individuals.

## Conclusion

So what value does a BPO partner bring to the management of professional services spend?

Value from E2E Category Management means higher savings through category and process experience, accelerated benefits by leveraging existing experience and technology, leveraging scale and the capability of a larger organisation (rather than locking in significant fixed costs to get the expertise) and better outcomes from Professional Services firms through access to benchmarks and market knowledge.

Your professional services spend will be better managed both in terms of efficiency as well as effectiveness, delivering:

- Consistent, competitive professional fees, sustainable to buyers and suppliers
- Better allocation of resources to the deliverables/outcomes
- Lower non-value add disbursement
- Fewer assignments where the value can be challenged
- Project deliverables meet timeframes

and costs (fewer overruns)

- High performing suppliers rewarded with more of the spend
- Knowledge and experience across multiple projects fully leveraged
- Process and commercial risk reduced
- Improved visibility and management of spend
- Single point of accountability for supplier performance

### About the Author



#### Sue Woodall

*Director, Strategy and Product Development for Portland Group (an Infosys BPO Company).*

Sue has been part of the Portland team for more than 7 years, working in both the consulting and managed services practices. She has led major procurement transformation programmes for some of Australia's leading companies, including establishing category management capability for professional services. Most recently, Sue has been instrumental in developing BPO-Procurement Services in conjunction with Infosys, bringing together the deep category and market expertise from Portland Group and the process and technology capability of Infosys. Sue has also held senior procurement operational roles for over 20 years, specialising in Technology, Outsourcing and Services. Prior to joining Portland Group, Sue was Procurement Director at EDS Asia/Pacific for 8 years where she managed ICT spend of more than \$500M; and has held procurement leadership roles at Qantas and Wang Computers.

### About Infosys Portland

Infosys Portland is a subsidiary of Infosys BPO Ltd., a part of Infosys Ltd. Our mission is to make our clients successful by increasing their profitability through procurement and supply chain improvements. We are unique in providing services to improve efficiency and effectiveness across our clients' complete procurement and supply chain functions, ranging from innovative, high-end strategy through to effective, low-cost operations and transactional processing. The resulting transformational benefits for clients include lower costs, reduced risk and improved service from client suppliers.



For more information, contact [info@infosysportland.com](mailto:info@infosysportland.com)

[www.infosysportland.com](http://www.infosysportland.com)

© 2014 Portland Group Pty Ltd. All Rights Reserved. Portland Group, a subsidiary of Infosys BPO, believes the information in this document is accurate as of its publication date; such information is subject to change without notice. Portland Group acknowledges the proprietary rights of other companies to the trademarks, product names and such other intellectual property rights mentioned in this document. Except as expressly permitted, neither this documentation nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, printing, photocopying, recording or otherwise, without the prior permission of Portland Group Pty Ltd. and / or any named intellectual property rights holders under this document.