



20 YEARS
1989 - 2009

Strategic Sourcing to Optimize Business Support Functions

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TPI: A Partner for Change

Expertise for evaluating opportunities for improvement and achieving results

- We lead clients in **optimizing** their **business operations** through the best combination of business process improvement, shared services, sourcing and shoring . . .
- . . . in all stages of the of business operations service delivery lifecycle



- . . . across functional areas and across the globe



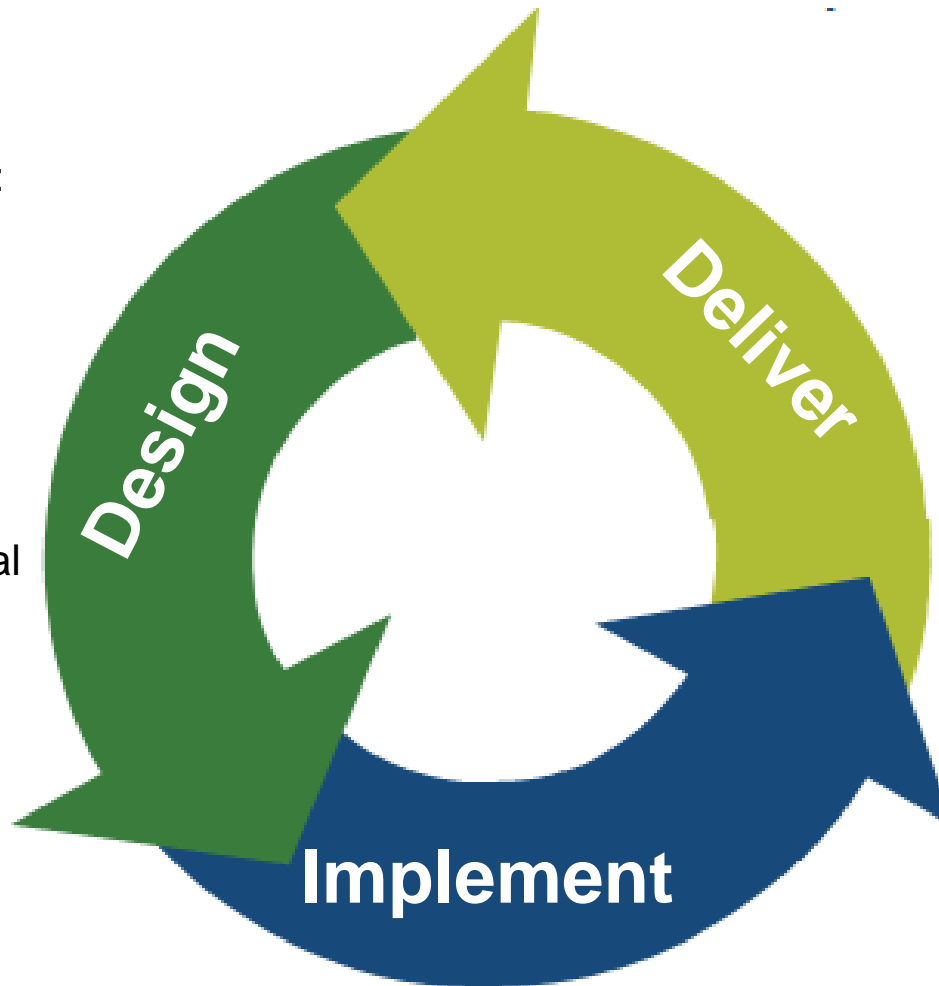


Leveraging the Sourcing Lifecycle

Sourcing Lifecycle Overview

Design strategic roadmap based on:

- Critical business objectives
- Current state baselines
- Future strategic alternatives (internal and external)



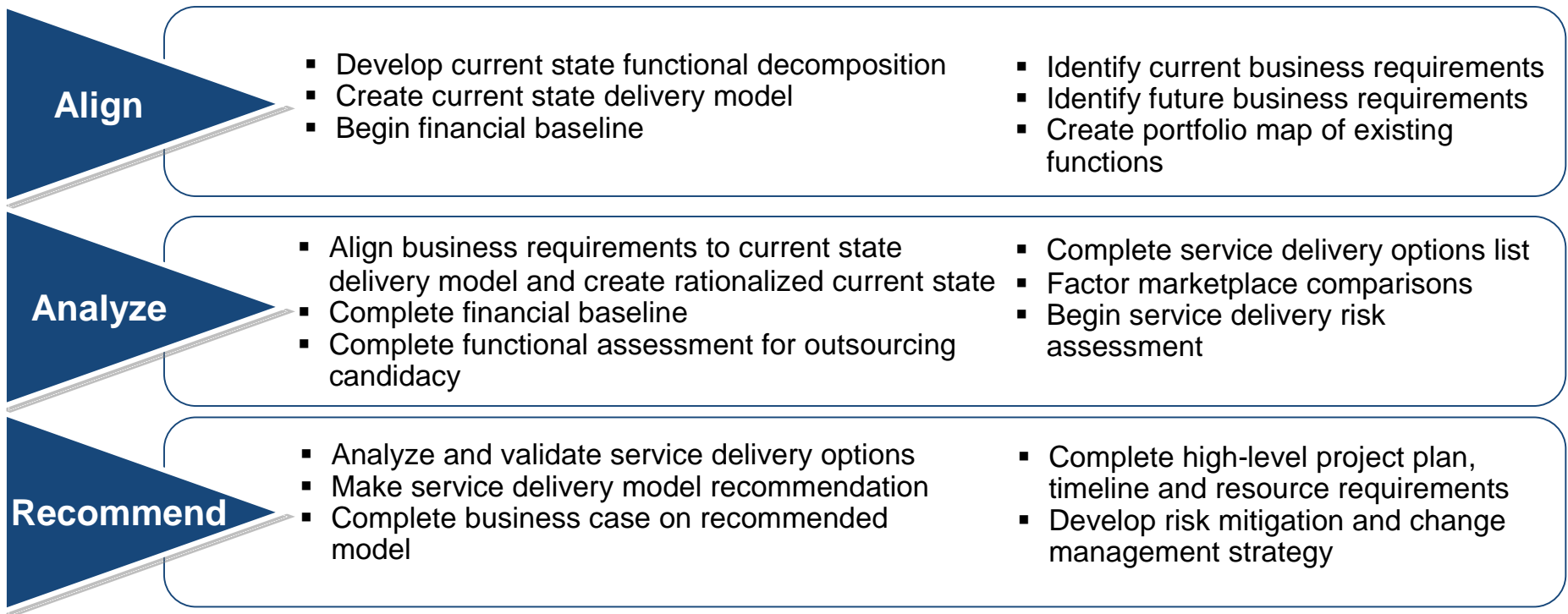
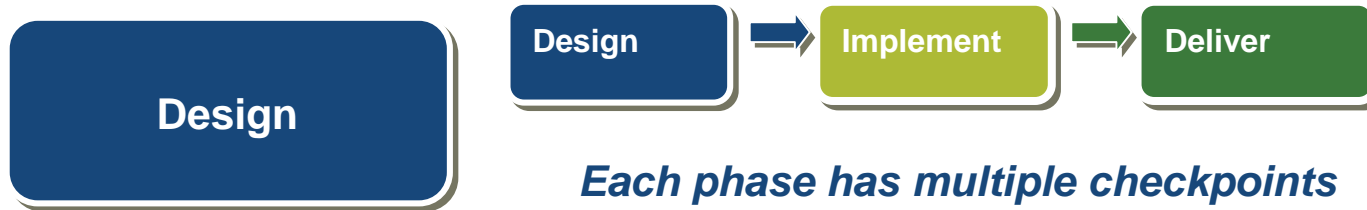
Deliver optimized services:

- Manage change through transition
- Track results to business case
- Measure and govern towards continuous improvement
- Adjust delivery model as business needs change

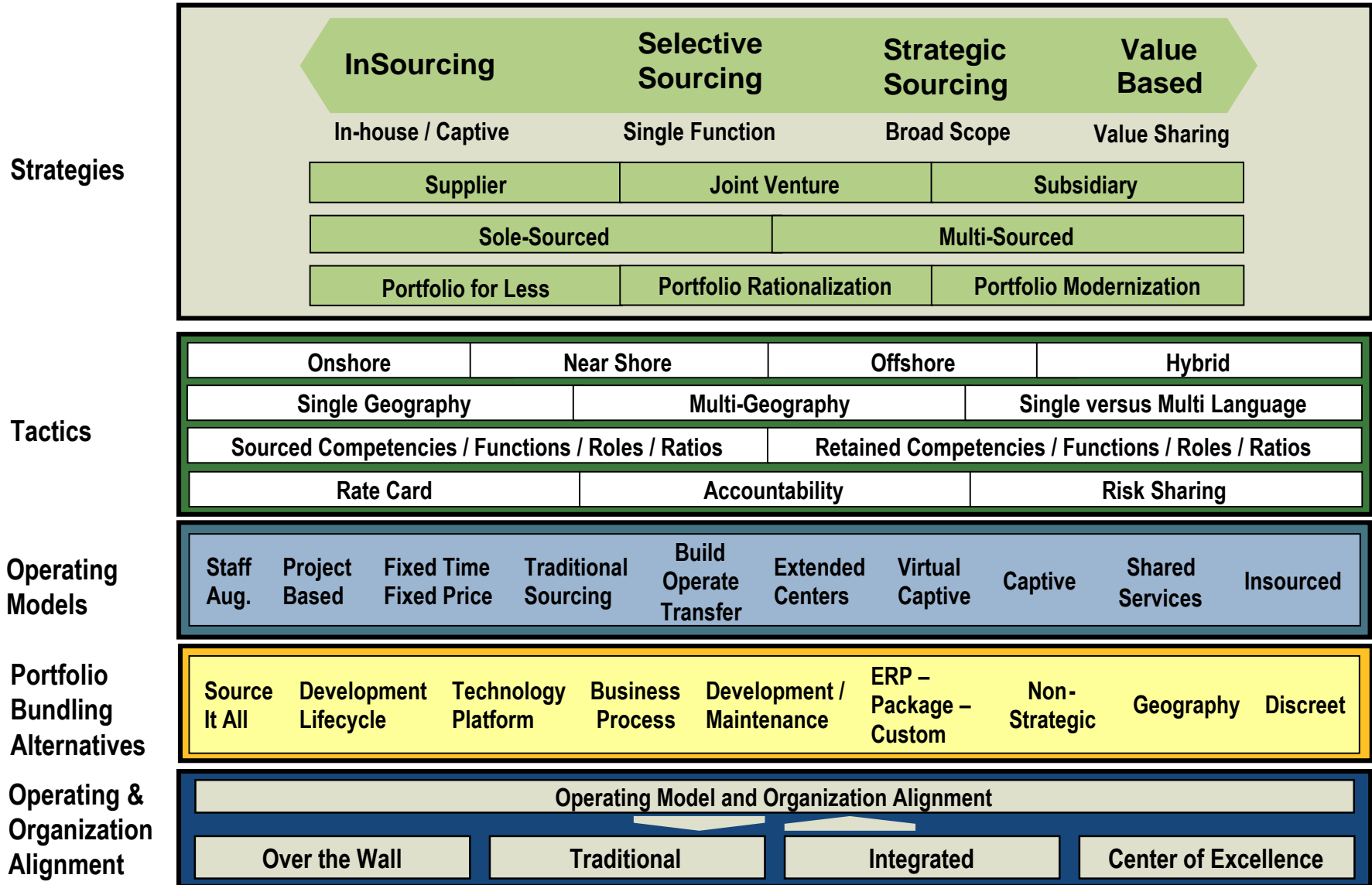
Implement strategic roadmap including solution refinement, selection, funding, contracting and change management

Approach to the Business Services Delivery Lifecycle: Design the Solution

Early alignment of business requirements and delivery framework is key to designing the optimal model to maximize the ROI and ensure a solution can be achieved



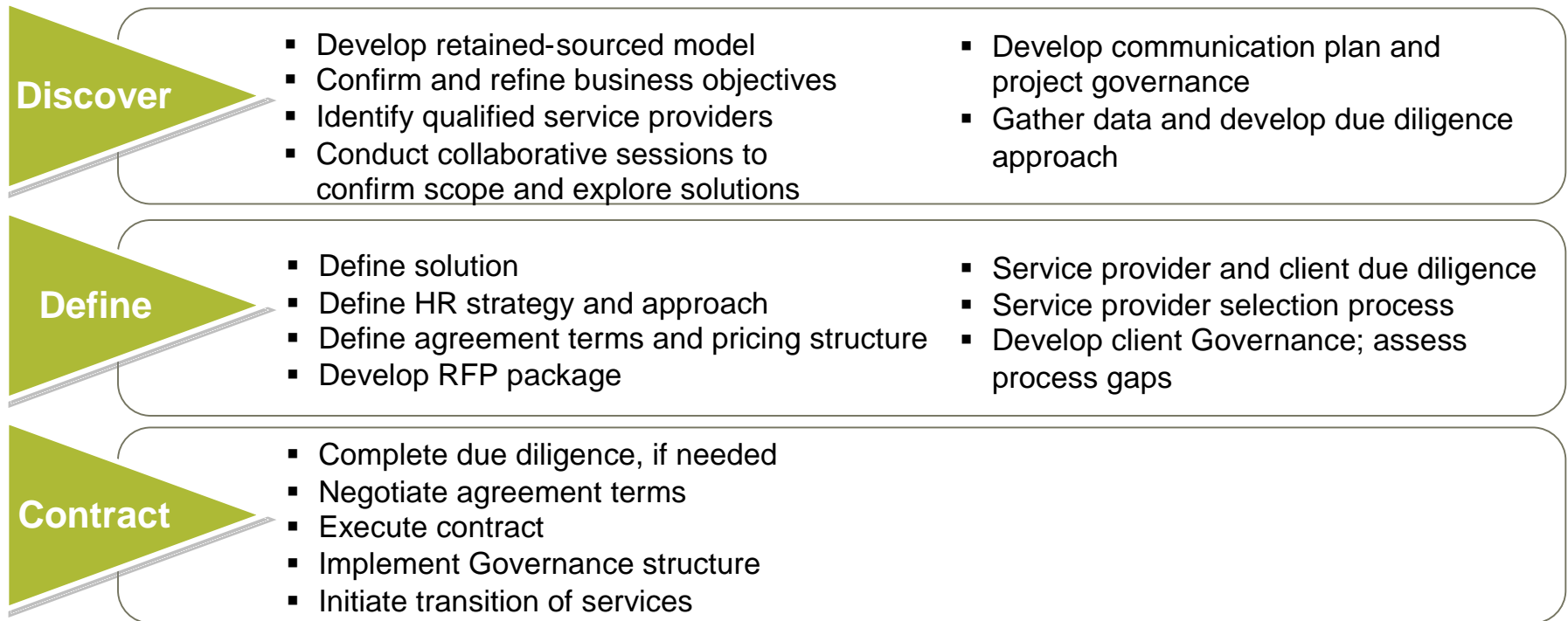
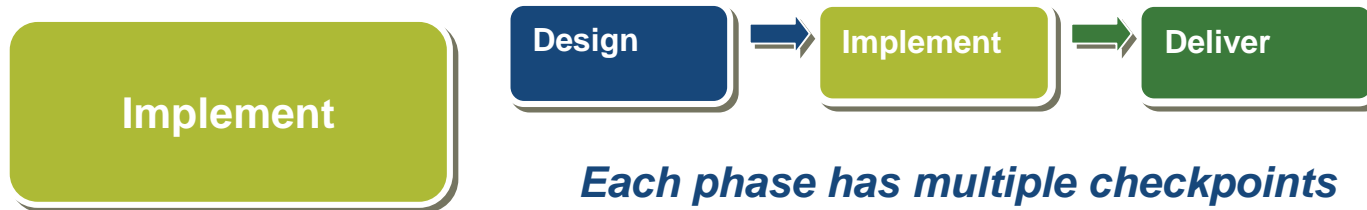
Global Sourcing Framework



Approach to the Business Services Delivery Lifecycle

Implement the Solution: RFP through Contract Signing

Early collaboration with service providers defines the optimum solution, while a disciplined approach to contracting assures the delivery of value



Sourcing Transaction Planning and Execution

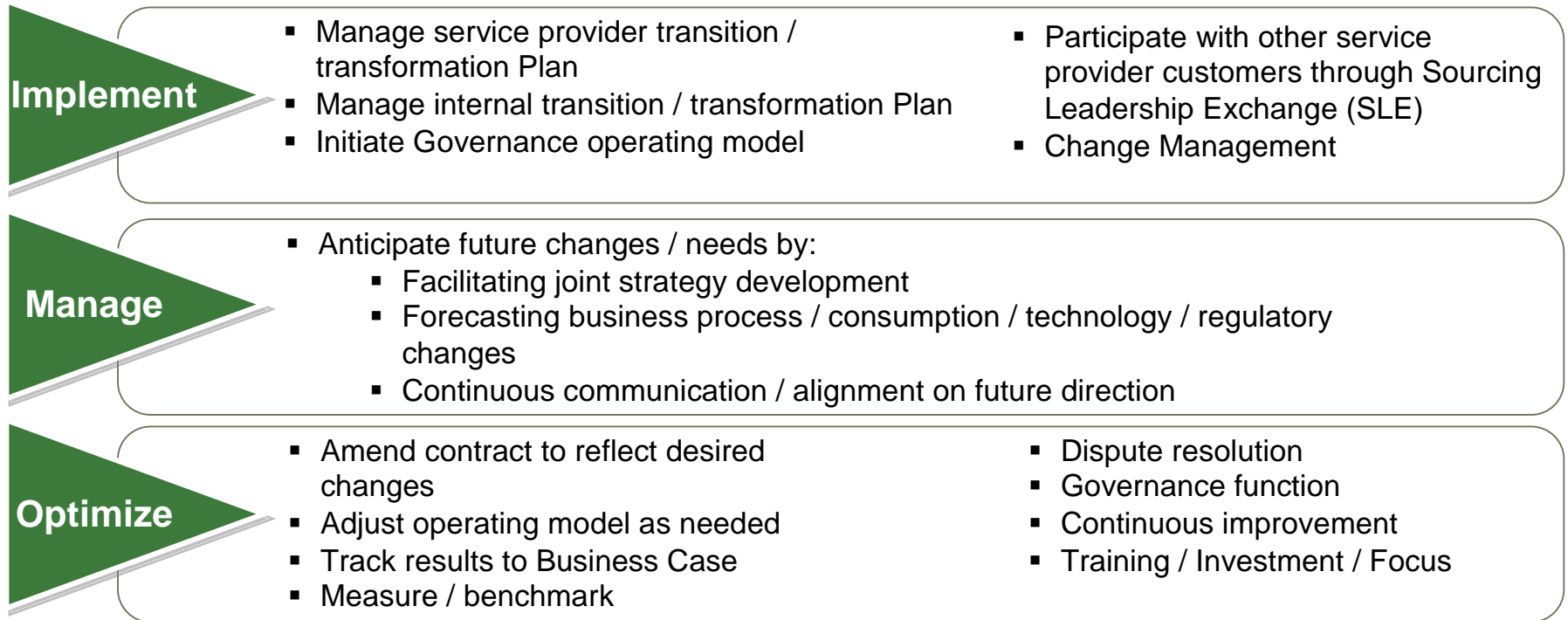
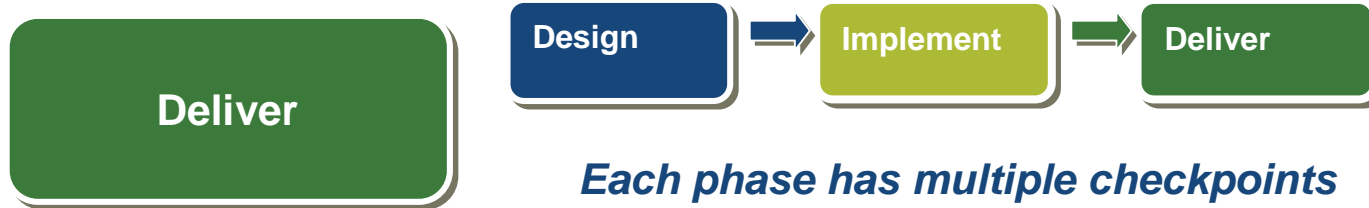
Sourcing Transaction Principles

Below is a set of elements that every successful sourcing agreement should include.

- Organizational Change
 - Service Management & Governance
 - Transition/Transformation Planning
 - Change Management/ Communications Plans
- Clarity of Scope
 - Statements of Work
 - Definition of Services
- Defined and Variable Pricing
 - Consumption Based Pricing
 - In-Scope Project Pricing
 - Asset Treatment
 - Transition and Transformation Fees
- Market-Based Business Terms
 - Exclusivity
 - Control Rights
 - Intellectual Property
 - Limits of Liability
 - Performance Reviews
 - Dispute Resolution
 - Exit Rights
 - Gain Sharing Potential
- Measures of Service ROI & Quality
 - Operational Performance Reporting
 - Transaction Performance Reporting

Approach to the Business Services Delivery Lifecycle Transition through Ongoing Operations

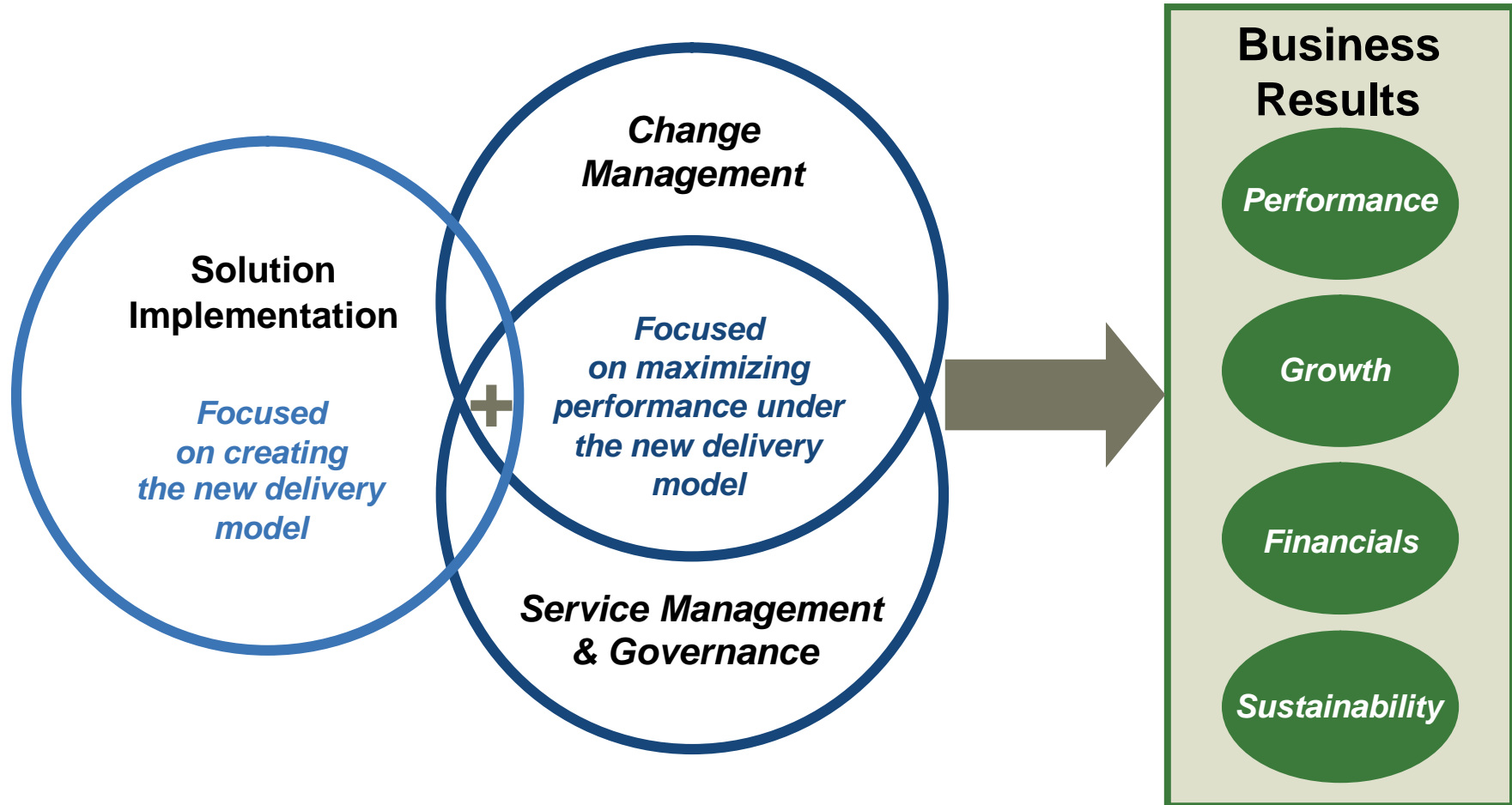
A robust Governance program is core to managing sourcing risk, measuring success and ensuring potential value is achieved and retained



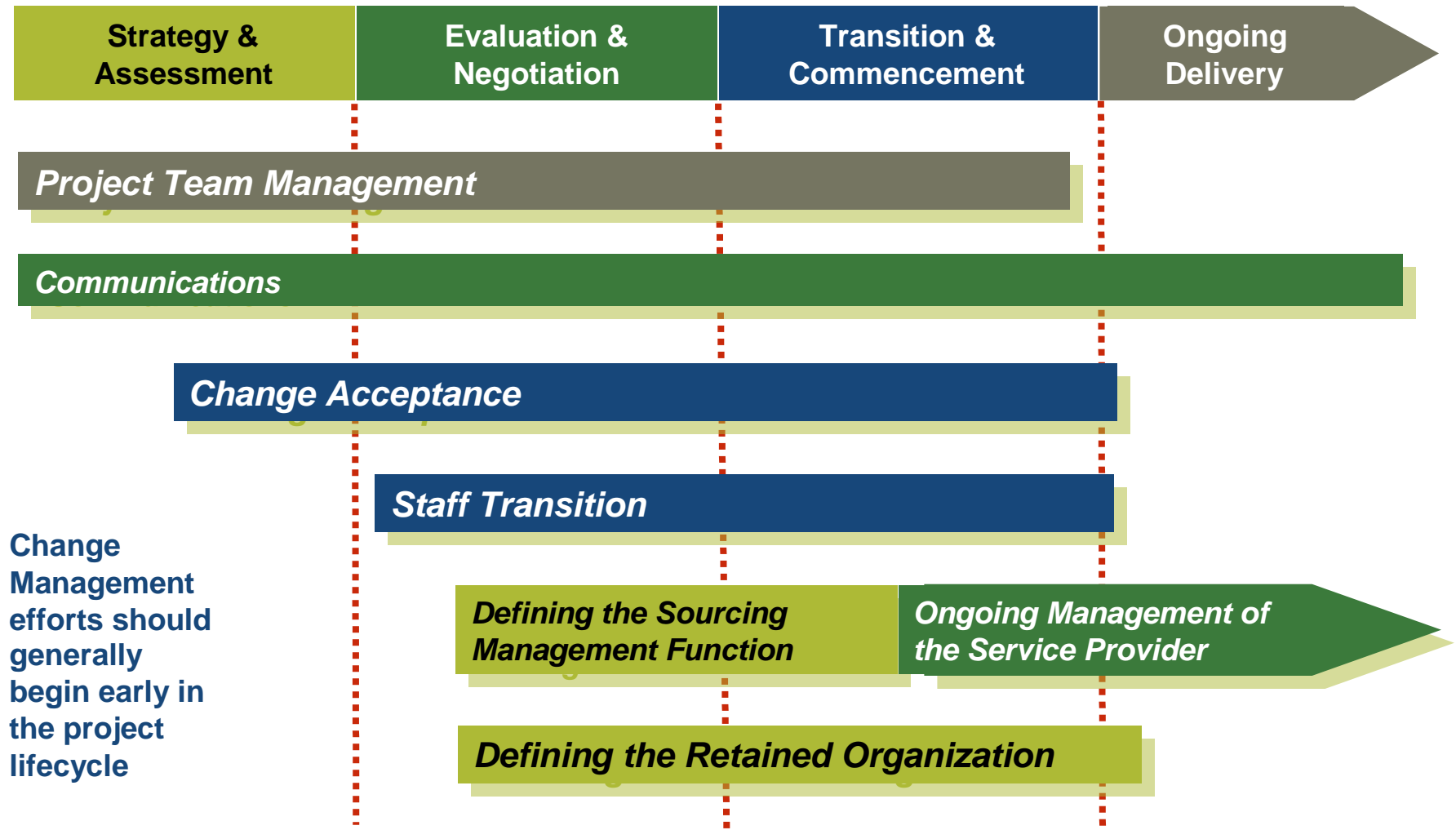
Transition Planning, Change Management & Governance

Deliver the Solution: Transition through Ongoing Operations

Change Management and Governance are an Integral Part of Successful Selection and Transition. It takes more than implementing the “Change” to get intended results.



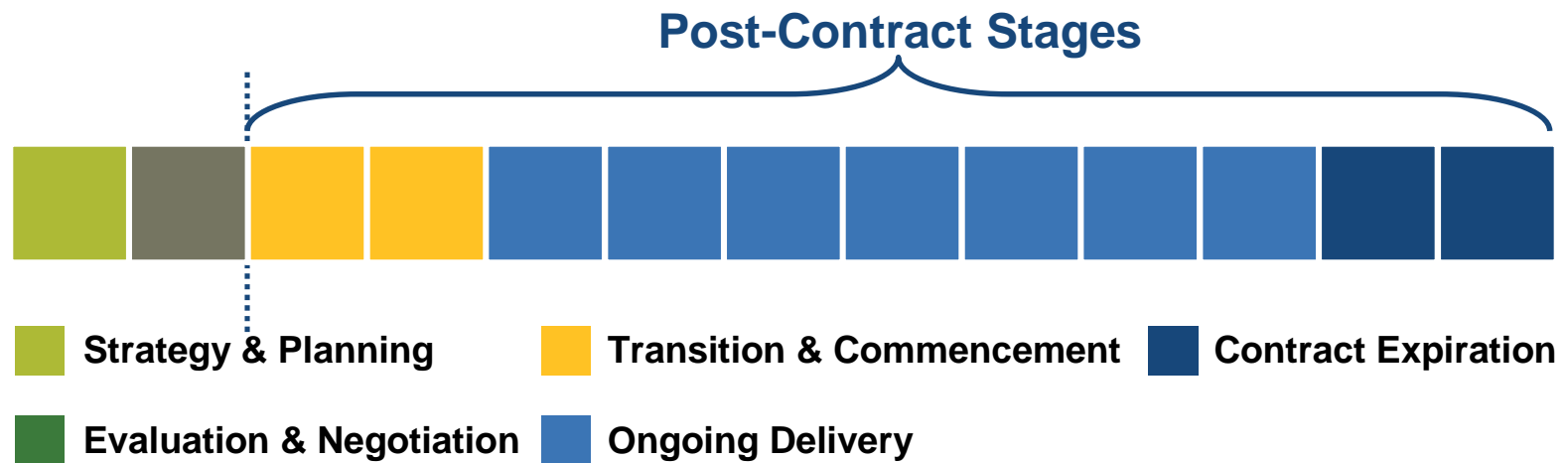
Change Management Through the Project Lifecycle



Change Management efforts should generally begin early in the project lifecycle

Service Management and Governance lifecycle

Greatest time, money, and complexity occur post-contract; that is where true value and success are measured – not at contract signing.



■ Strategy and Evaluation Stages:

- ~10-15% of time spent in overall lifecycle
- About 2-3% of total spend
- Choreographed process
- Small group of “insiders”

■ Post-Contract Stages:

- ~85-90% of time spent in overall lifecycle
- About 97-98% of total spend
- Dynamic business changes
- Multiple internal and external stakeholders

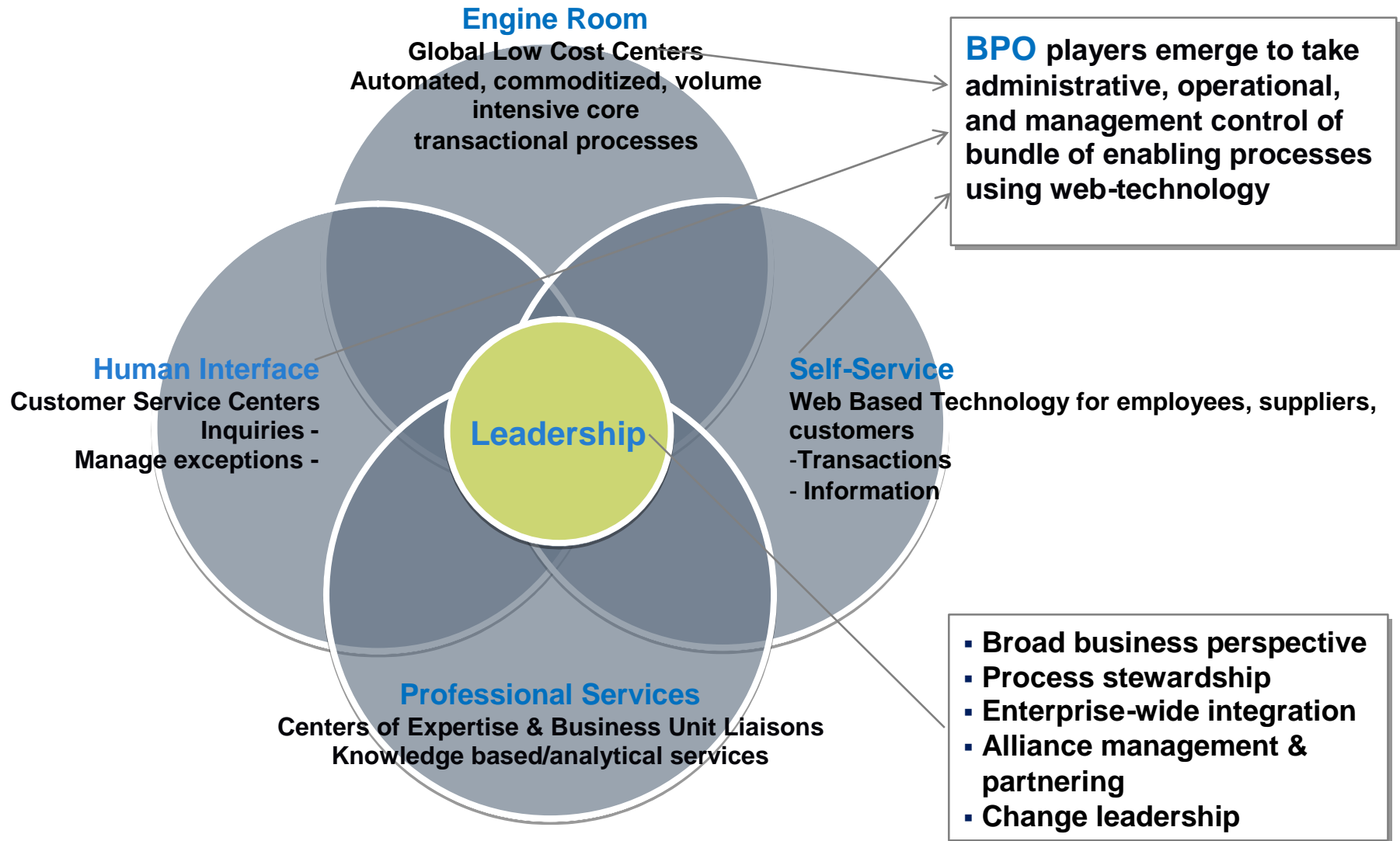
Four disciplines of Service Management & Governance



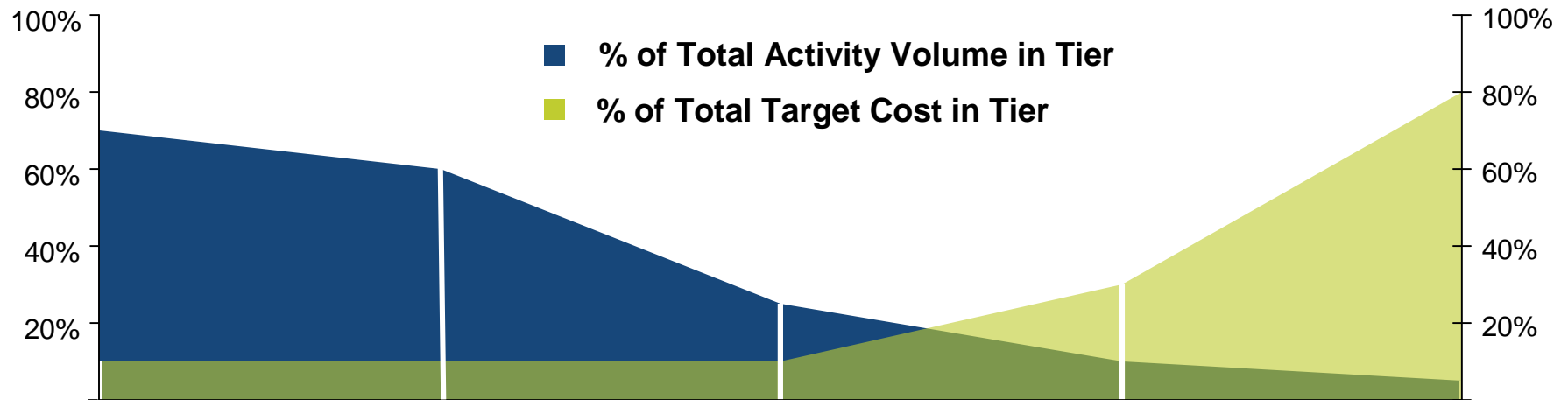


Service Delivery Optimization

An Operating Model to Leverage “Right” Skills and Resources



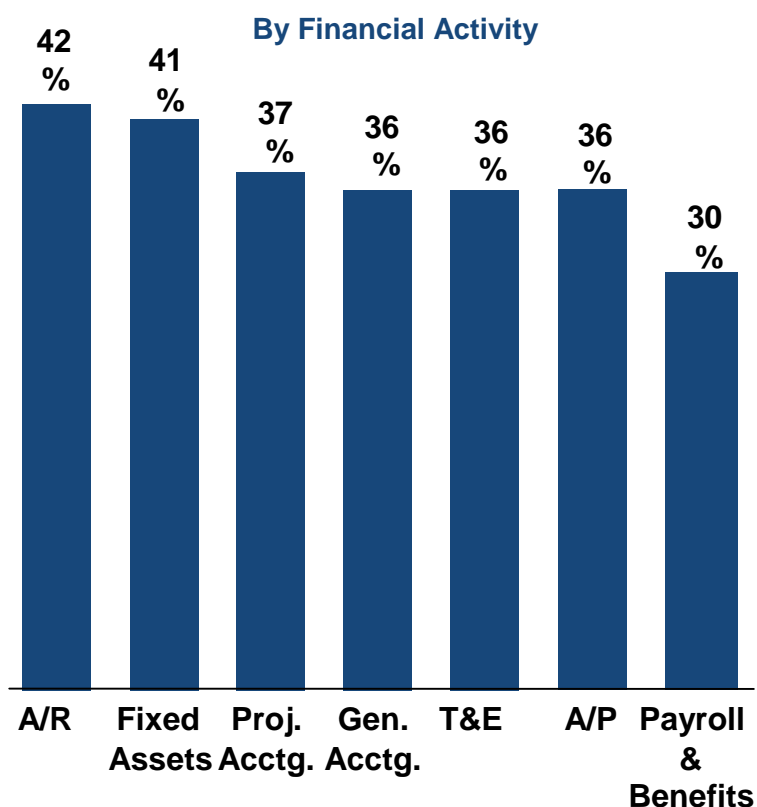
Tiered Service Delivery Model Manages Costs and Efficiency



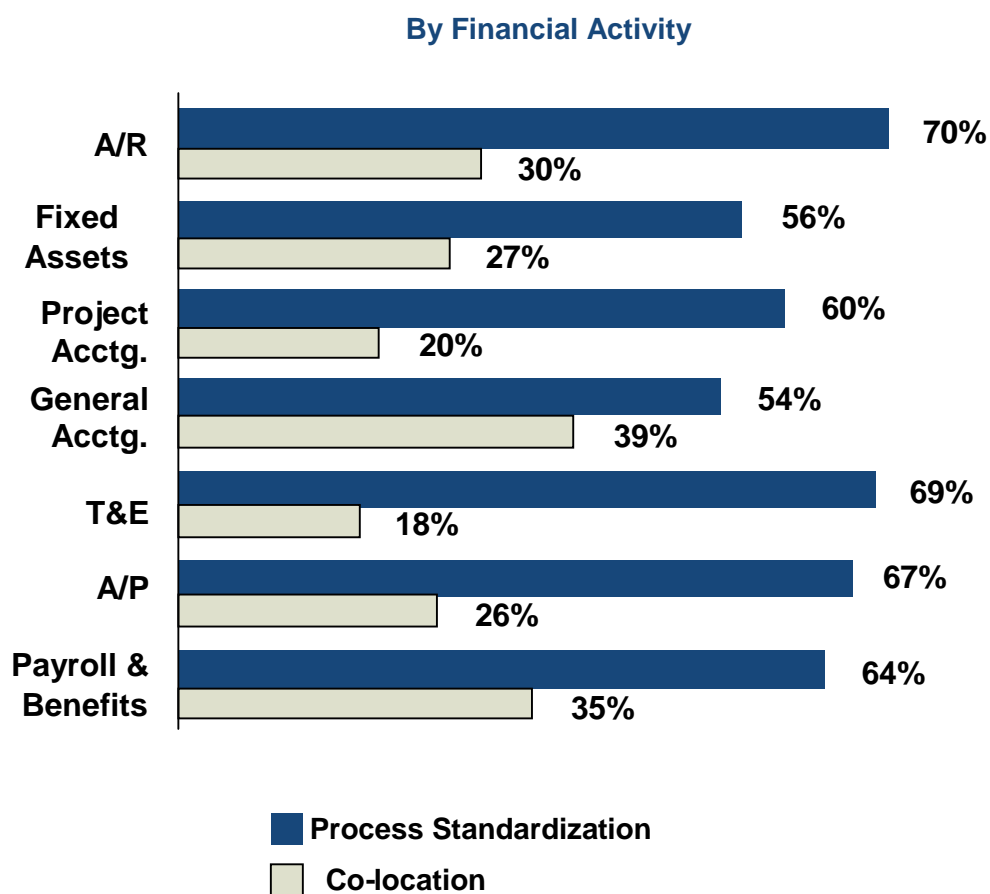
Access Channel	Tier 0 Self Service	Tier 1 Service Center	Tier 2 Policy / Process SME	Tier 3 Executive Decisioning
Point of Contact	<ul style="list-style-type: none"> Employee / Manager Self-Service via Portal IVR 	<ul style="list-style-type: none"> Customer Service Agents Webchat 	<ul style="list-style-type: none"> SME's / Case Managers Vendor Managers 	<ul style="list-style-type: none"> Center of Expertise Leaders / Executives Corp functions / legal
Process	<ul style="list-style-type: none"> Routine transactions Common information requests Initiate requests 	<ul style="list-style-type: none"> Process initial requests Handle routine items Open cases if needed and escalate 	<ul style="list-style-type: none"> Resolve highly complex issues, requests Resolve cases or escalate to COE 	<ul style="list-style-type: none"> Respond to cases involving interpretation of policy or most complex situations Final decision
Cost Level	<ul style="list-style-type: none"> \$.50 to \$2 per contact 	<ul style="list-style-type: none"> \$3 - \$15 per contact 	<ul style="list-style-type: none"> \$25+ per contact 	<ul style="list-style-type: none"> \$50+ cost per contact

Standardization and Co-Location Are Significant Cost Reduction Opportunities with Shared Services

Breakdown of Average Cost Reduction From Shared Services Implementation



Percentage of Total Shared Services Cost Savings from Process Standardization vs. Co-location



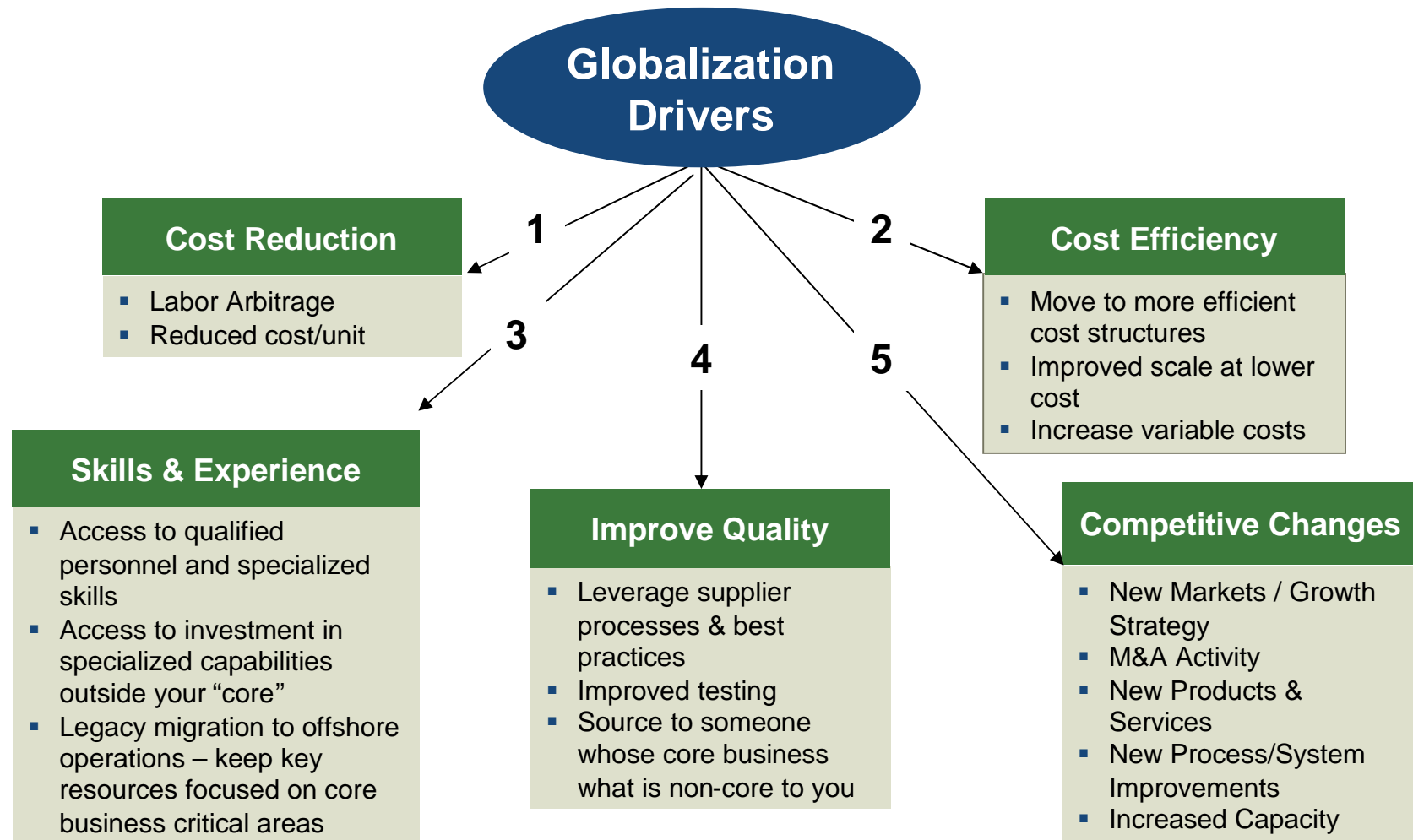
Source: Working Council for Chief Financial Officers



Trends Impacting Sourcing Strategy

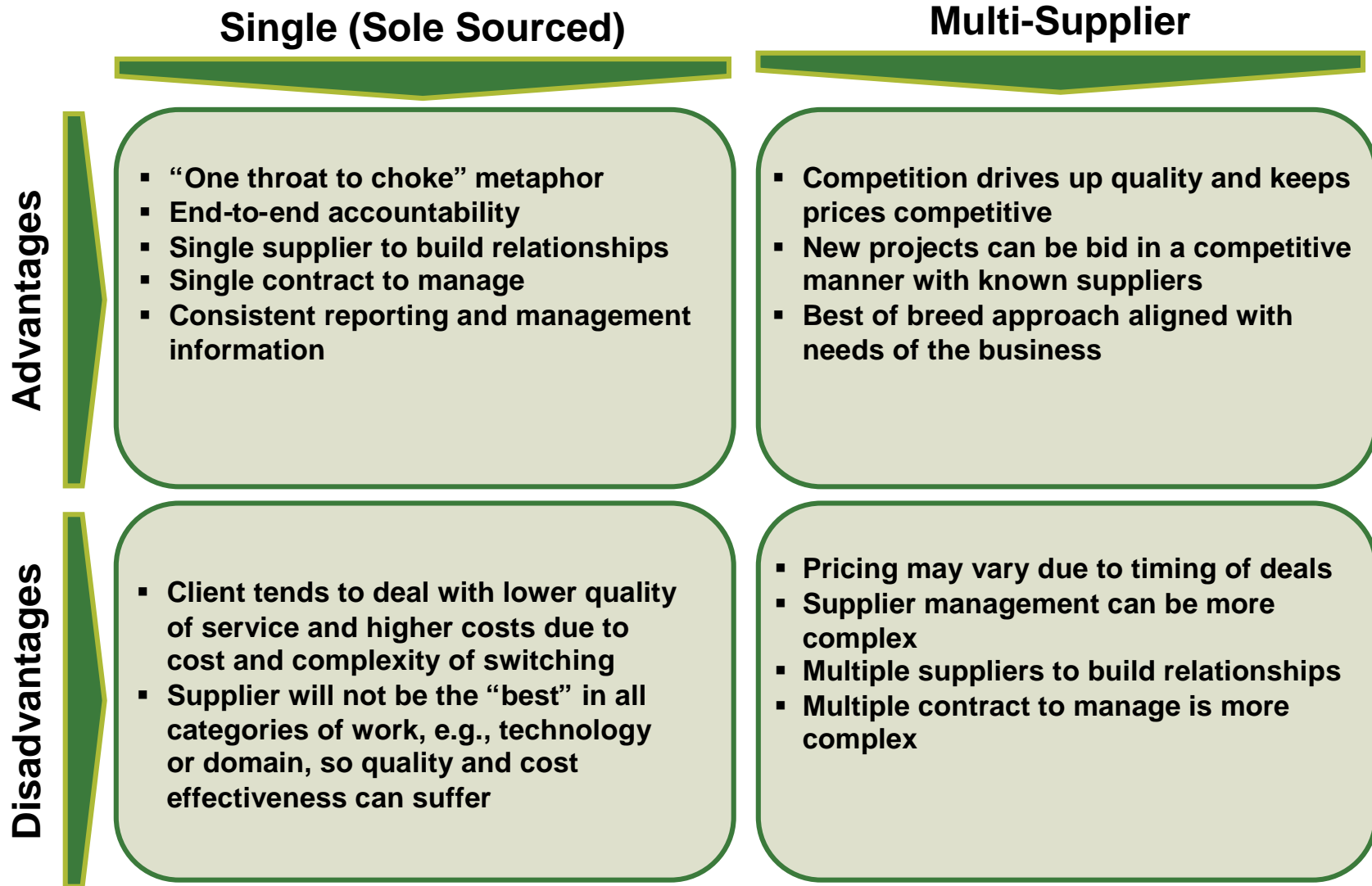
Diverse Drivers Exist

Global sourcing does more than merely lower costs. As capital markets and global competition raise the bar on performance, it offers a centerpiece for other strategies.



Single vs Multi-Supplier Solutions

Advantages and Disadvantages



ERP Overview

- **Historically, ERP's relied on a transactional basis for value:**
 - Executing specific transactions and updating data
 - Silo approach despite integration capabilities
 - Most companies only leveraged 30-50% of ERP potential
- **Newer Trends in ERP's that provide significant value:**
 - Multi-function process based approach vs silo / transactional
 - Role based electronic workflows to route transactions / reports / changes
 - Expanded business rules and edits that enable less human interaction
 - Crossing silos to electronically link functional areas and business rules
 - Improved analytical capabilities including predictive modeling, trend analysis, etc
 - ERPs are exploring Software as a Service (SaaS) options

ERP Trends – Software as a Service (SaaS) Update

Software as a service (SaaS) is:

a model of software deployment where an application is hosted as a service provided to customers across the Internet. By eliminating the need to install and run the application on the customer's own computer, SaaS alleviates the customer's burden of software maintenance, ongoing operation, and support. Conversely, customers relinquish control over software versions or changing requirements; moreover, costs to use the service become a continuous expense, rather than a single expense at time of purchase. Using SaaS also can reduce the up-front expense of software purchases, through less costly, on-demand pricing.

1. The application is owned, delivered, and managed remotely by one or more providers
2. The application is based on single set of common code and data definitions which are consumed in a one-to-many model by all contracted customers at any time.
3. The application is licensed on pay-per-use or subscription basis

The SaaS Model has really taken off in today's economy

- **Why SaaS is so attractive:**
- **Subscription pricing reduces capital expenditures (capex).** Minimal upfront cost.
- **SaaS enables more-rapid deployment.** Easy configuration and intuitive interfaces save time.
- **Enterprises expect frequent updates with new functionality.** Multitenant SaaS users experience frequent upgrades with minimal downtime.
- **Business leaders drive more and more software decisions.** Cuts in IT budgets leave funding and selection with the business.
- **Vendor success generates buzz and increased interest.** SaaS vendors continue to grow quarterly revenue
- **Warning!!!**
- **You cannot later choose to customize**
- **Multiple SaaS solutions means more integration work for the customer**
- **Financial stability poses risk**
- **Pricing models may not accommodate shrinkage**



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