

MANAGED SOURCING EXECUTION IN AN AS-A-SERVICE ECONOMY

*Employing a Programmatic Approach that Achieves
Lasting Transformation and Value*



A WNS COMPANY

Introduction

Nearly everything a modern enterprise requires to conduct business can now be purchased ‘–as-a-Service.’ The most common use of the term is Software-as-a-Service (SaaS), but there are seemingly no limits to the extent of this model. Companies can also buy a Platform-as-a-Service, as well as Supply Chain Management-as-a-Service. In fact, someone even coined the term XaaS: Everything as a Service.

As procurement professionals, achieving value from a procurement services contract requires more than just selecting the right provider. Both sides need to be prepared to interface in the right way, with the right people, and on the right timeline. There must be a cultural fit between the two organizations—their behaviors, beliefs, and values must align in a way that makes collaboration seem natural and overcomes barriers that might arise from third-party involvement. The resulting alignment allows the execution team to adopt the goals and objectives of the buy-side, while enabling the buy-side to share openly and support the success of the execution team.

While procurement organizations traditionally handle the execution of all sourcing activities in house (analytics, Rfx management, negotiation, supplier management, etc.), aggressive growth goals require the consideration of alternate approaches. In response to such an opportunity, procurement should be prepared to leverage managed services—also known as Procurement-as-a-Service (PaaS)—as part of their overall spend management strategy. PaaS is not a replacement for in-house procurement talent, but rather an augmentation of its existing potential and capacity.

Right from the outset, the most important success factor is that a PaaS program should not be regarded as traditional business process outsourcing (BPO). Working with a third party to maximize sourcing execution is hardly the ‘lift and shift’ traditionally characterized by an outsourcing model. Instead, PaaS is about achieving nearly instant scale without procurement ceding control of the direction of spend management efforts to an outside services firm.

Managed Services vs. BPO

Often the two are confused: Managed Services in a procurement capacity delivers value in an integrated fashion, and **one size does not fit all.**

Procurement Managed Services is NOT:

- Consulting services or staff augmentation
- Lifting and shifting your procurement function

Procurement Managed Services IS:

“Capable support” to help procurement organizations create bench and flex capacity to drive additional volume of value-added work delivered to organizations in a flexible, scalable way

MANAGED SERVICES		BPO
Ownership remains with client	← Ownership →	Ownership transferred to provider
Selective Tasks	← Scope →	End to End
Results	← Focus →	\$\$\$
Combined	← Capabilities →	Replaced

This whitepaper will discuss key success factors for a managed sourcing services program:

- Constructing a program management structure able to keep a PaaS model on track;
- Deciding which parts of procurement’s execution tasks or activities should be the target of a PaaS model;
- Identifying lessons learned by the trailblazers already applying PaaS in their procurement organizations.

Establishing a PaaS Program Structure

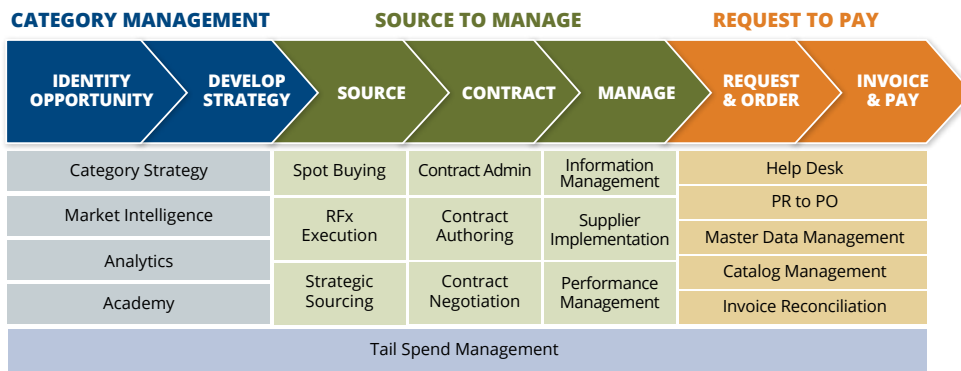
The structure of a PaaS program must ensure that procurement’s goals are achieved and that the chosen service provider is assigned a scope that aligns with their strengths and capabilities.

Just as procurement organizations often set up their own Centers of Excellence, each PaaS program requires a small, centralized leadership team supported by flexible, project-based resources able to deploy across multiple geographies and categories. In order for the central team to have maximum impact, the company and provider have to work together closely and as near equals.

For this reason, there must be a good cultural fit between the two organizations and a constructive dynamic between the procurement lead and the provider lead. Once the execution begins, the procurement lead must evangelize on behalf of the program, and the provider lead must ensure that the service team delivers as a seamless extension of procurement.

Programmatic Approach to Client Engagements

Tailored Combination of Denali Services



Program Management to Drive Transformation & Sustainable Value



People First

When we say culture fit, certainly it starts with people. Like in every initiative, people should come first. Procurement should put a bigger emphasis on the program and delivery teams that will engage once the initiative kicks off.

Evaluations should not only be on paper, but should also meet and greet to test cultural fit, prior experience, and attitude. Key personnel should instill confidence.

Flexibility

Unlike traditional BPO engagements, PaaS should not be a risky proposition. With built in flexibility in the type and level of services to be consumed, ability to course adjust almost on a monthly basis, scale scope up and down as the demand calls for it makes it a prime choice over a big, bulky, risky BPO engagements. If the analogy is

right, shipping Software on a CD with a big one time hefty license investment vs. a month to month demand based consumption of software as a service, gives way to adopt this similar model for the services. The required structure and capabilities of the chosen service provider will be driven by the needs of the procurement organization. The primary emphasis of the provider should be on building flexibility in response to new or revised project scope. The PaaS team must function as on-demand shared services, available to inform and influence (but not make) spend management decisions. Their project assignments and status will all roll up and be managed by the provider lead who, in turn, works closely with the procurement lead to ensure continued alignment between the two groups and enterprise-level objectives.

Assigning Spend Responsibility

As previously mentioned, each company that implements a PaaS program does so to achieve their own unique goals. The first step towards connecting those goals with addressable spend is to segment the sourcing pipeline into tiers. By determining the target spend for the PaaS program, procurement also confirms what their own spend management priorities will be going forward. Below is a multi-tiered breakdown of spend to determine where the sourcing

MAKING IT HAPPEN: A PaaS Case Study

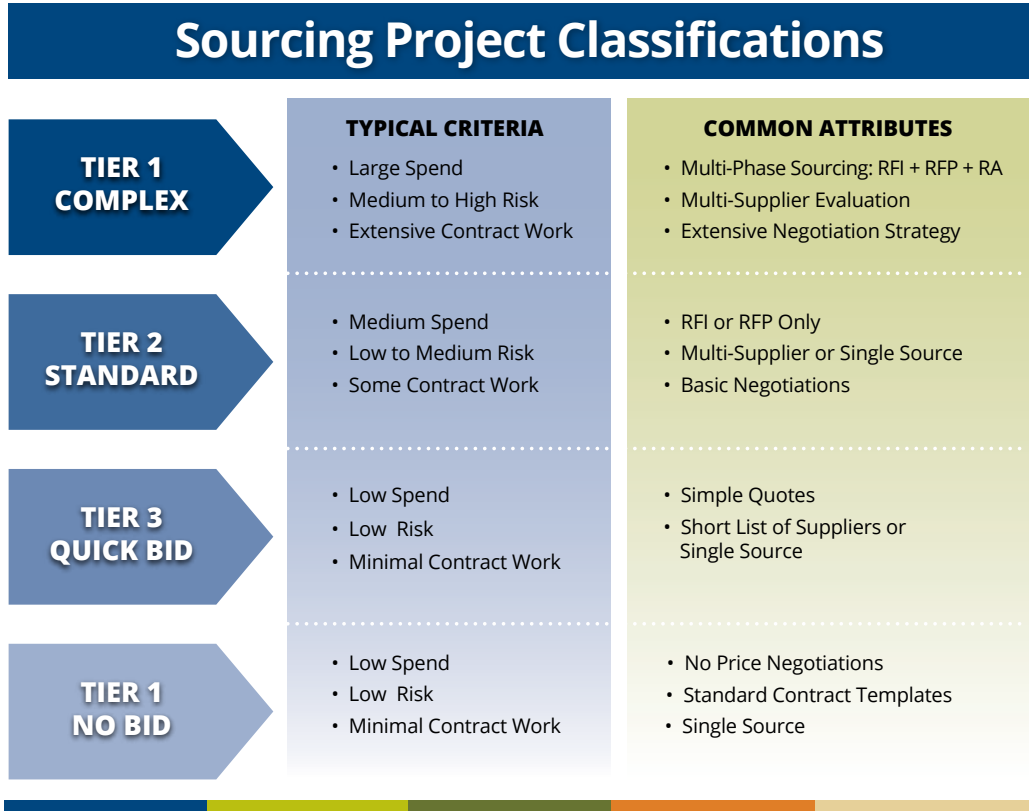
A major manufacturer/retailer had aggressive procurement transformation goals but did not have the headcount – or global presence – to act on the full opportunity. They partnered with Denali to bring spend under management, work deeper into the supply chain, and innovate with their suppliers without creating unnecessary risk. They started with a pilot managed service program and gradually extended the scope of their PaaS execution over time.

Today it encompasses \$200M in annual spend influenced across North America, Latin America, Europe, and Asia. The execution team supports over 20 client locations in no less than 10 local languages.

The 150+ projects undertaken by the program's seven global category teams have resulted in an average savings of 16 percent.

execution program will be applied and most effective.

There are two common approaches to applying a PaaS program to manage spend using the above four-tier breakdown. It's worth noting that neither procurement nor the PaaS execution team is likely to invest time in managing the Tier 4 or 'No Bid' spend.



Emphasis on Scalability

When procurement is looking to bring a significant portion of spend under management quickly through strategic sourcing, Tiers 2 and 3 are the 'sweet spot' for a PaaS execution team. Under this approach, procurement retains complete control over the most complex and strategic spend categories. The best execution partner in a scalable model is one with significant sourcing experience. Since the program will require a number of sourcing projects to be underway at a time, the sourcing and project management skills associated with this work should already have been demonstrated by prospective partners.

Emphasis on Strategy

In other cases, procurement may have the opportunity to bring the organization's most complex, strategic spend under management, but not have the requisite experience to handle those categories. When strategy is selected as the focus for the PaaS, procurement will need to weigh the

capabilities of specialist-procurement managed services providers against large, generalist consulting services firms. The determination is likely to be made based on a number of factors:

1. **The category or categories of spend in question.** Some categories of spend require such specialized experience in order to achieve success that only service providers that have team members on board who have worked extensively in that market before should be considered.
2. **Whether the program will involve a pilot project.** Despite the potential contribution to program success, large consulting firms are often not interested in an engagement model that ramps up gradually over time.
3. **Cultural fit.** As with the scale-driven model for a PaaS program, the two organizations must still be able to work well together throughout the course of the project.

Sourcing Execution Lessons Learned

While reaching execution goals with a PaaS provider isn't a new approach, procurement's application of it has been proven in a small set of leading organizations. The lessons learned in the process should be studied by any organization considering Procurement-as-a-Service.

Start Small

The earliest projects put through the PaaS execution team should be low risk and involve 'procurement friendly' stakeholders who embrace the idea that they are participating in an important pilot. Their constructive feedback should be relied upon to ensure that the PaaS program is better suited for application on a larger scale in the organization. The spend categories selected should be mature, and the central leadership team should take an 'artisan' approach when first rolling out the program—with an emphasis on getting a small group of projects done right, rather than demonstrating their full execution scale from the outset.

Adjust and Go

The PaaS program and execution team should be flexible by design. Particularly in the early stages, the team should address one project, category, or geography at a

time. Given that, as noted earlier, PaaS is not traditional outsourcing, therefore early program efforts are focused on laying the groundwork for future collaborative efforts as they are generating return in their own right.

Collaborative Project Management

The core program team along with key members from the procurement and execution provider should meet regularly. A suggested frequency for communication includes weekly checkpoints, quarterly scorecards, and bi-annual reviews. From a performance metric standpoint, these should focus on cost, quality, and execution speed.

One Goal

There should only be one goal – that is the goal of elevating the value of the procurement organization whether that is measured as savings, reputation, stakeholder satisfaction or efficiency, this goal should be a shared one with the PaaS provider. Historically, organizations that set separate goals for their team members and the service provider have created an "Us vs. Them" mentality that hinders collaboration and value creation.

Balanced Scorecard Approach to Performance Management and KPIs



Conclusion

The potential opportunity for procurement to create value should not be limited by headcount constraints. Procurement-as-a-Service offers the opportunity to scale procurement's impact without ceding control over the approach to execution. By partnering with a qualified managed service provider, procurement can make the decision which spend they are best qualified to manage AND make sure the other spend is addressed in parallel. That is what you might call: Execution-as-a-Service.

Key Take Aways

1. Procurement-as-a-Service is not traditional outsourcing. It requires a sustained, collaborative work arrangement between procurement and the managed service provider.
2. Carefully select the spend that will be managed via PaaS to ensure that it achieves procurement's goals while setting both in-house procurement and execution team efforts up for success.
3. Starting small, despite the understandable desire to achieve significant results quickly, lays the groundwork for sustained success going forward with minimal additional project adjustment.

Lasting Transformation and Value



Design & Build

- Involve Strong **Executive Sponsorship**
- Aggressive Yet Achievable **Goals** and **Measurement**
- Program Planning, Team Building, and **Governance** Model
- Process Mapping and Redesign; Develop **Operating Guides** and **Playbooks**
- Supervise and Execute **Transition Plan**



Drive Execution

- Spend Analysis and **Opportunity Identification**
- Pipeline Development, Consistent **Global Services Execution**
- Reporting and **Performance Metrics Tracking**
- Coordination and Management of Resources
- Escalation Management; Culture of **Continuous Improvement**



Manage Change

- Stakeholder **Focus Groups** and Feedback
- Program **Branding/Marketing**
- **Customer-Centric Approach** to Stakeholders
- Communication & **Change Management** Plan
- Education, Training, and **Knowledge Building**

Contact [Denali](#) Today to Learn More About Adopting a PaaS Program for Your Organization

About Denali - A WNS Company

Denali, a global sourcing and procurement solutions provider, is now a **WNS** (Business Process Management leader) company. Denali – A WNS Company supports Global 1000 companies by offering an array of best-in-class procurement solutions, including Category Management, Analytics, Strategic Sourcing and RFx Management, Supply Market Insights, Contracting, Supplier Management and Procure-to-Pay. With a team of more than 2,000 procurement specialists worldwide, we have helped our clients source and procure more than USD 75 Billion worth of materials and services across direct and indirect spend categories. For more information, you can visit us at www.denaliusa.com. You can also contact us directly at **844.633.6254**.

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