



Procurement Outsourcing

– Managing Indirect Spend

PROCUREMENTLEADERS
THE EXECUTIVE NETWORK

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Table of contents

- 1** Comment
- 2** Getting Spend under Control
- 3** Management Summary
- 4-5** BPO – the answer to your indirect spend problems?
- 6** Motivate your stakeholders
- 7-19** Outsourcing indirect spend – new landscape, new drivers?

Comment

» David Rae

Editor – Procurement Leaders



David Rae
Procurement Leaders

Indirect spend is a notoriously difficult area for CPOs to control. With the average large organisation employing thousands of staff with the capability to approve external spend on non-production items it soon becomes incredibly complex.

Because of this, it also offers huge potential for savings through improved demand management, consolidated spend and improved governance.

CPOs must get involved and influence buying behaviour across the entire organisation, and in every category, and they must apply the same amount of rigour to indirect categories as they do to direct materials. And with the gaze of CFOs firmly set on achieving yet more savings, it becomes even more important.

This research shows that, while there is still much work to be done, CPOs are tackling the area.

One way of doing so, is to engage with an outsourcing partner which can often bring category expertise, greater buying power and improved compliance to an organisation's indirect spend categories. And, while it continues to struggle to match the likes of HR and finance in terms of uptake, there are signs that procurement outsourcing is really taking off.

However, while outsourcing is certainly a viable solution, the most important issue is to focus on the challenge itself.

After all, what might work for one organisation is not certain to work for the next.

Getting Spend under Control

» Leif Bohlin

Vice President – Capgemini Procurement Services



Leif Bohlin
Capgemini Procurement Services

Managing indirect spend is complex and labour intensive and includes the sourcing of complex goods and services such as IT, professional services, facilities management and marketing, among others.

However, there is still a major difference between those companies that have been able to harness their spend and those that have seen years of costs slip away. According to the German Association of Materials Management, Purchasing and Logistics (BME), the average cost per order is €120, with some companies topping €200 per order, while others are able to complete the purchase for less than €10 showing clear room for improvement at many organisations.

We at Capgemini Procurement Services believe it is hugely important to get indirect spend under control, either through a centralised process within a shared service centre, or through an outsourcing initiative.

From this, we have developed some key ideas for how a comprehensive approach to indirect spend can be developed. We hope they will serve as a useful source of inspiration for your future indirect purchasing agenda. Feel free to contact either myself, or one of your local Capgemini Procurement Services representatives, if you would like to discuss how these insights can guide your organisation.

Management Summary

In mid 2010, *Procurement Leaders* and Capgemini Procurement Services conducted joint research to identify the most important drivers in indirect spend and the outsourcing of indirect spend. The study was designed to understand the relationship between strategy and risk management, which, as our findings showed, proved to be strong.

Managing Indirect spend is complex. Many different stakeholders, a huge variety of processes, thousands of suppliers and various demands must be managed. This is reflected in the split of the procurement department's staff – around half the relevant headcount is dedicated to indirect spend, yet it covers only 5 to 15% of an organization's spend.

As a result, automation is the logical consequence to get more control of the processes and it is of no surprise that **Supplier Relationship Management (SRM)** is still on the rise on the corporate agenda – 70% of those questioned see SRM as a focus area.

Gaining more knowledge about spend and suppliers supports another big trend of the survey – **improving spend visibility** (52%), which reinforces the need to better collaborate with suppliers in order to achieve greater efficiency.

The top three indirect spend areas under procurement's control are office services and supplies (92%), travel (84%) and **IT & telecoms** (83%). For the last two categories the picture has changed dramatically during the last 10 years, as these used to be under the jurisdiction of department managers.

The other big topic on procurement's agenda is outsourcing. In the past, outsourcing deals were done without the involvement of procurement and relied on third parties to prepare the deals. But, according to the results of the survey, 87% of procurement professionals claim to be

involved in the negotiation of outsourcing deals. There is also active involvement in **contract management** and **supplier selection** (72% and 71% respectively). Also worthy of note is the use of **intelligence gathering** and **market intelligence**, practiced by 55% of respondents.

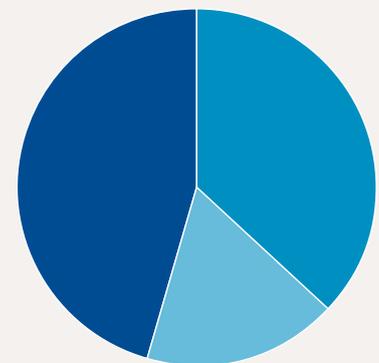
In terms of specific categories of indirect spend, 50% of respondents indicated that **facilities** is high on their priority list, which is slightly ahead of **IT and telecoms** (49%) and **software and IT professional services** (45%).

Procurement departments seem to become more open to outsource their own work. 12% are currently outsourcing parts of procurement. The most commonly outsourced functions are support services like **eProcurement systems management**; 51% are currently doing so. The second-most outsourced function is **procurement transaction processing**. Among those who outsource procurement, nearly half (44%) is currently choosing IT service providers, again highlighting the reliance on technology. Combined, these findings might reflect that procurement does not have efficient technology in place to efficiently handle these functions on its own.

In terms of adoption, 24% indicated that outsourcing was a future consideration, but 49% believe that they will see an uptake in the next year. When asked about the specific timelines, procurement executives err on the side of caution with 47% planning to outsource within 1 to 2 years and 17% looking at 3 to 5 years.

Procurement executives look for proven capability (86%) and spend category expertise (84%), when selecting outsourcing providers and the biggest concern are unclear fee structures (56%), followed by infrastructure and capacity to deliver (55%), the latter of which highlights the recurring theme of a lack of trust in suppliers.

»» What is your perception of procurement outsourcing?



The overall opinion about procurement outsourcing reveals a positive outlook: more than one-third (37%) expressed a positive opinion with less than half of that (18%) a negative opinion. It shows that procurement outsourcing is on the right path, but still has some way to go to establish itself in the mainstream of outsourced business functions.

BPO – the answer to your indirect spend problems?

» Pontus Björnsson

Head of Solutions & Marketing – Capgemini Procurement Services



Pontus Björnsson
Capgemini Procurement Services

The business process outsourcing (BPO) industry is expanding even post downturn, due to the benefits it offers to companies in terms of compliance and the ability to focus on core operations. Today not only non-core work is outsourced, but also more value-added work, such as procurement and logistics, knowledge and legal processes.

According to Capgemini Procurement Services, outsourcing is only possible to do successfully if you have the right focus. To them, the right focus is capitalizing on “what is important”, while “how it is done” is secondary.

In outsourcing models following a “how approach” every task is defined in a so-called “statement of work”. In this document, all tasks, processes, and functions are accounted for, in fact, each and every task carries a price tag, which is invoiced by the outsourcing provider.

The motives for this approach are easy to understand: both the customer and the outsourcing provider are aiming for control. While the outsourcing provider aims to invoice every completed task, the customer is keen to ensure that they do not get overbilled.

But it’s an approach that is proven to be time consuming and requires an extraordinary amount of resources. Essentially, both parties spend a great deal of time discussing what is done, what should be invoiced and conversely, what did not exist in the statement of work. As a result, outsourcing engagements become much more cost intensive.

With the “What-Approach”, the focus is

reversed: companies capitalize on the “what is important part”. The outsourcing provider and the customer agree on targets, which they pursue jointly.

As soon as a company decides to outsource its indirect spend, it must consider two major areas –strategic and operational procurement services.

Strategic procurement services

Strategic procurement is often forgotten in the indirect procurement space, which is often seen as non-strategic and complex due to the nature of spend patterns and business impact. Consequently, they are

often managed alongside other, more strategic, categories or, even worse, are left unmanaged.

But strategic procurement techniques, which maximise the value of category management and sourcing, boosts savings by leveraging global commodity

expertise and uses contracting tools and process efficiency should be employed in indirects.

Operational procurement services are used to industrialise tactical procurement activities and to help with end-user support management and AP processing.

Downstream procurement is in many cases a policing operation, but that need not be the case. By providing operational services, such as buying support, spot buying, compliance and administrative services on a global basis, procurement can become proactive gatekeepers that effectively manages the wider organisation’s purchasing needs.

”The motives for this approach are easy to understand: both the customer and the outsourcing provider are aiming for control.”

CHECKLIST: PROVIDERS' SERVICES

For successful procurement outsourcing, an outsourcing provider must cover:

STRATEGIC PROCUREMENT SERVICES

- Strategic sourcing – setting the optimal procurement strategy per category to negotiate improved contracts;
- Spend analysis – providing in-depth knowledge of the company's spend on all necessary levels of detail;
- Contract implementation – sourced savings are often seen as paper savings if the contracts are not duly implemented and made visible to the organisation;
- Compliance management – ensuring that savings are sustainable year on year through active management of call-off methods and supplier and procurement policies;
- Category management – managing

demand and the supplier base is essential for ensuring maximum value from negotiated contracts;

- Risk management – managing and mitigating supplier risks is essential to ensure continuity of supply and to minimise disruptions in the supply chain.

OPERATIONAL PROCUREMENT SERVICES

- Content management – suppliers, contracts and supplier content need to be managed over time;
- Activity & support plan – daily procurement activities such as call-off support and spot buying need to be provided to the organisation to minimise maverick spending;
- Process management – procurement/purchasing orders (POs), business documents and invoices need to be managed and processed.

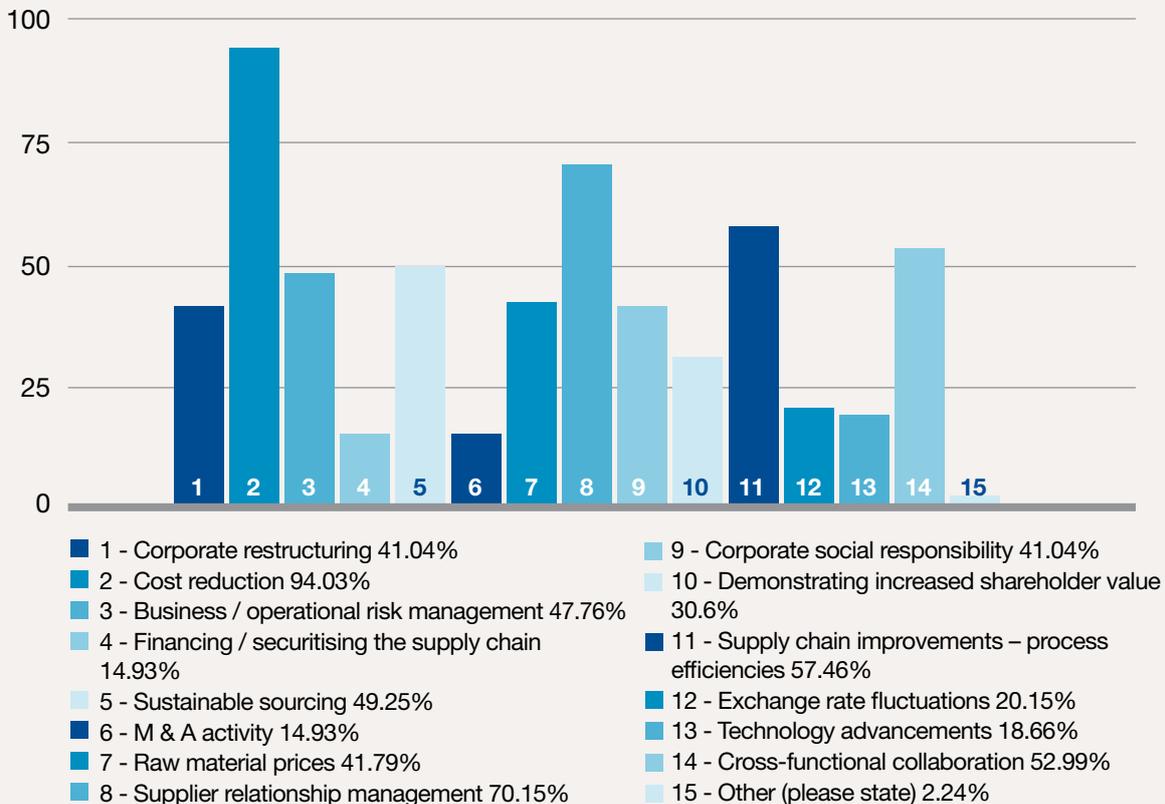
- Technology:
 - Contract Management Solution to map all existing agreements
 - e-Sourcing solution for supplier management and RFP-Management
 - e-Ordering and Procurement Solution to track actual spend
 - Reporting and Analytics

CONTRACT SAVINGS

With the right framework set in place, procurement can focus on the main topic during contract negotiations: contract savings. Customer/supplier engagement is no longer about measuring specific tasks and processes, but instead, it is about quick order management, just-in-time supply and minimising the effort needed to manage indirect spend.

However, none of these should compromise value, which is of equal, if not higher, importance.

» What are the current challenges and drivers for your organisation?



Motivate your stakeholders

» Bob Booth

Head of BPO – Capgemini Procurement Services



Bob Booth

In order to do successful procurement, is it critical that the procurement strategy is aligned clearly with the strategies of the wider business? Is it critical that it is aligned with the strategies of individual business units? Is it sometimes even critical to align it with strategies of departments? *Yes it is.*

Procurement departments and purchasing professionals are responsible for aligning procurement's aims with those of key stakeholders. This is to maximise the financial, process and quality benefits and reduce the negative impact of the effect that buying decisions can have on company stakeholders. The alignment also smoothens the establishment of a strategy across the organization.

Anyone who has been in charge of sourcing, for example, fleet for senior management, will understand what this means. Top management might be demanding a company car that they feel meets their personal needs. "Why are you so concerned with saving money for the company, when this car is for me?" they might ask.

The same principle applies to all areas of indirect spend. A poor understanding of stakeholder needs, insufficient supply-base visibility and a lack of knowledge of which suppliers can be used are often reasons why procurement initiatives do not yield results or, in some cases, even fail.

This is not only the case for the end users of indirect goods and services but also for senior stakeholders. Management buy-in, a good project team, a solid software infrastructure and change management are the essential ingredients needed to put a successful buying organisation together. Among those, management buy-in typically plays a vital role and is easiest to achieve with a centralised management structure.

These dynamics are subject to change again as soon as profit and loss (P&L) responsibilities, for instance, in the form of department heads, enter the game. In fact, a P&L structure is an ideal lever to resist any centrally-led procurement initiative. Regardless of how positive a central-led initiative would be for the entire company, these stakeholders are not responsible for the big picture, but for the profit of their given entity, and only look at the cost and benefits impacts for themselves.

So, what is the best approach? Before any organisation starts an indirect spend programme, it has to analyse the potential scenarios and ask questions such as: what are the total, current indirect spend volumes? What could be achieved by an e-procurement initiative? What are the potential savings? How would it affect process costs, cost per order and cost per invoice? What kind of business control and contract compliance can be achieved? What is the ideal organisational structure that is needed to support the future, potentially automated, operating model?

These questions build up to a procurement value assessment. Once completed,

procurement needs to start looking at its alignment with the wider organisation and the talent within it.

The next phase is to build the business case for change, which requires a real understanding of the senior stakeholders and key influencers affected and involved. What advantages would they get out of a procure-to-pay programme? What disadvantages? What are their doubts, motivators and drivers?

For instance, a procurement team at a financial services company might come to the conclusion that the purchasing of new trading-room equipment will not provide a sufficient return on investment, resulting in a push-back on the demand expressed by its internal client.

The final step is to sell the business case for the change, using a "stakeholder influence map", which displays the stakeholders' roles in the decision process, their likely motivation and their personal and professional drivers. When the procurement organisation goes into the negotiation process, it should clearly map out why it is engaging in the purchasing initiative and understand the benefits that will be received, such as shorter delivery circles, lower costs and allowing employees to focus on their key duties for each group of stakeholders.

While such a structured approach may require more effort, the long-term benefits not only affect procurement but also the wider organisation.

In summary, procurement is a continuous change-management activity and unless you understand your stakeholders motivations and their likely objections, you will struggle to convince them to support the change you desire and to build a consensus for change.

Outsourcing indirect spend – new landscape, new drivers?

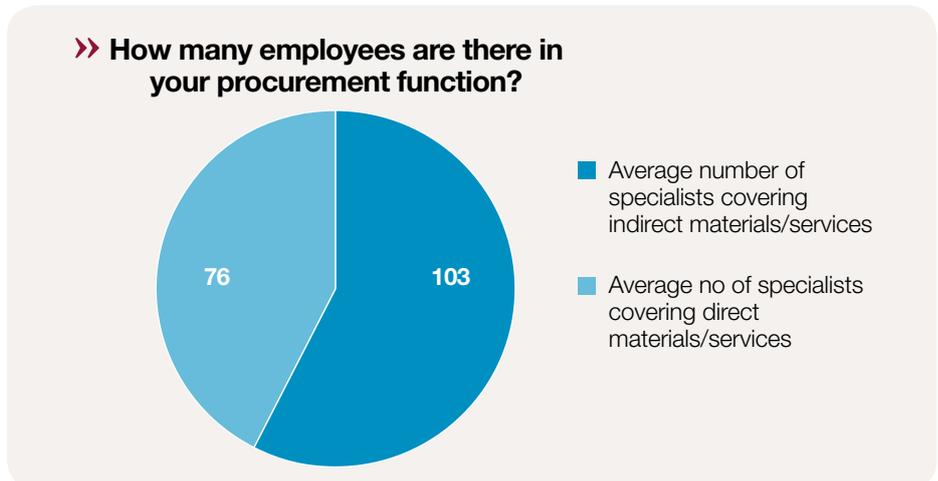
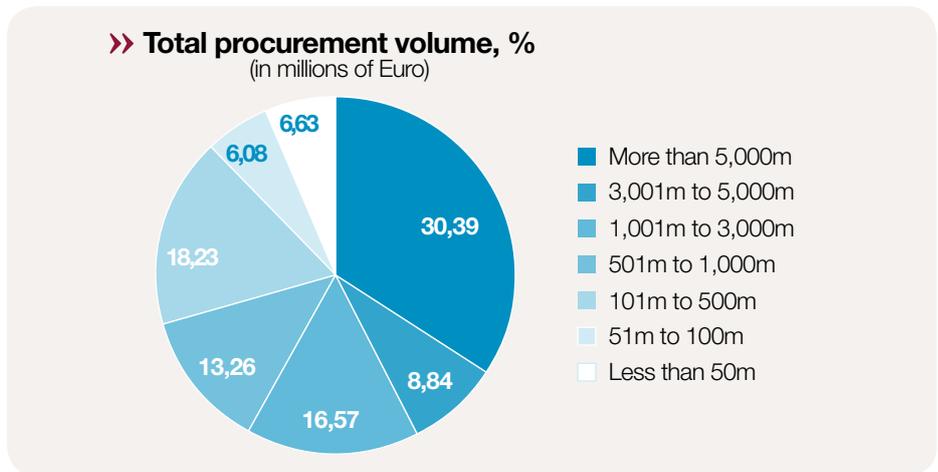
Procurement Leaders and Capgemini

Procurement Services conducted this research to analyze the drivers in indirect spend and the outsourcing trend. The study was sent out to the Procurement Leaders Network in Europe. Target group were CPOs and procurement directors.

Over 190 CPOs and other senior procurement executives from all over the world, and a wide array of industries, took part in the study, with response rates from the UK, the US and Switzerland being higher than those from other territories. Of those questioned, 85% named procurement as their core responsibility, 11% listed supply-chain management and just 1% operations.

A range of companies and industry sectors were represented, with almost three-quarters (72%) of procurement professionals coming from companies with an annual turnover of more than Euro 1bn. Over half of respondents look after a procurement volume of Euro 1bn, and about one third (30%) at a volume of more than Euro 5bn.

As far as the size of procurement functions is concerned, the findings revealed that, on average, 103 procurement specialists cover direct materials and services, while an average of 76 procurement specialists are dedicated to the sourcing of indirect materials and services. This ratio is interesting as indirect spend covers only 5–20% of the total spend and yet a great deal of resources are dedicated to it.



SRM DRIVING PROCUREMENT AGENDA MORE THAN EVER

Not surprisingly, **cost reduction** is still the over-riding priority for organizations as they look to weather the worst effects of the global economic slowdown. In fact, 94% of respondents viewed cost reduction as the major challenge and driver facing their team at the current time.

70% named **supplier relationship management (SRM)** as a main focus area and this could be owed to three possible reasons: first, the heavy emphasis on SRM could be a consequence of the economic downturn, as a lot of suppliers were threatened by bankruptcy, representing immediate risk to their own supply chains. Furthermore, the concept of competing supply chains has become popular again. It is not only the R&D or the brand reputation which makes a company unique, but so are its suppliers who play an increasingly important role in a company’s positioning. This goes hand in hand with **“supply-chain improvements”**, which was identified by 57% as a key challenge/driver.

“Whatever the strategic imperatives, cost is still king and if that continues to be the case, and if procurement outsourcing can continue to prove its worth, then it will grow as we move through 2010 and beyond”

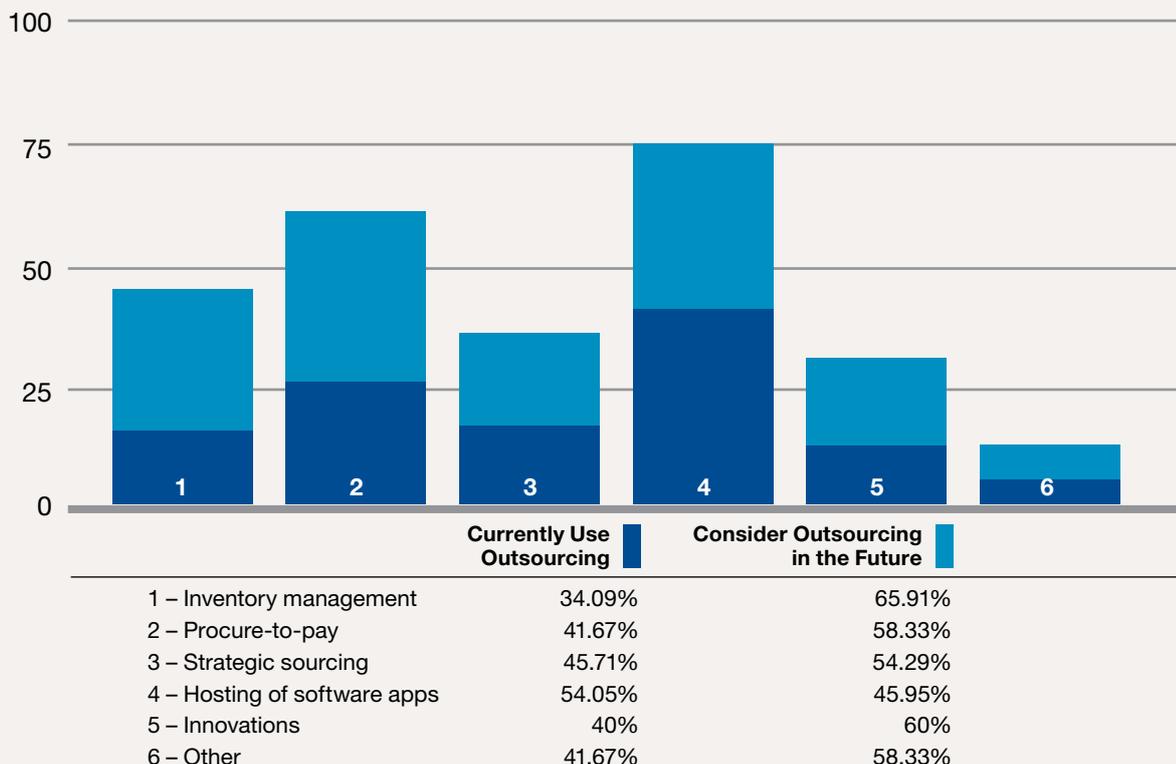
– CPO FROM LEADING ESTATE MANAGEMENT PROVIDER.

Greater collaboration between procurement and the wider business was also seen as essential: 53% of respondents placed cross-functional collaboration among their top priorities. **Business and operational risk management** is still high with 48%, although less prevalent. Meanwhile, 42% of the samples viewed raw materials as their key driver. However, this number could go to over 90% if filtering only on respondents from production-related industry sectors.

Despite the increased focus on cost, **sustainable sourcing** (49%) and corporate social responsibility (CSR) (41%) remain important topics on procurement’s agenda. In fact, both areas “survived” the downturn and are generally seen as the future of procurement, as they will help to achieve competitive advantage.

Another 42% viewed corporate restructuring as their main challenge. This finding may come as a surprise to many, considering that restructuring nowadays is more a process as opposed to a

» **What are your current and future use of service from an outsourcing partner?**



project. Supply chain financing (SCF) however, was treated as a low priority, with only 15% referring to it as a priority in their respective organisations. Similar observations were made for Technology advancements (19%) and M&A activity (15%).

GAINING VISIBILITY – A KEY REQUIREMENT

It is no surprise that procurement’s priorities appear to mirror those of the wider-organisation and, keeping in line with the increased focus on cost, gaining visibility into procurement expenditure is seen as vital. Over half of those questioned (52%), listed improve expenditure visibility as a high priority on their agenda. The reduction of working capital also ranked among the top procurement priorities, with 49% confirming this to be the case. In a series of qualitative interviews with CPOs conducted alongside this study, the reduction of working capital was seen as the major requirement for procurement at the current time, ranking marginally higher than gaining greater spend visibility.

In comparison, reducing the number of suppliers was seen as slightly less relevant, with barely one-third (31%) of procurement executives ranking it as a top priority. This finding was also supported by the qualitative CPO interviews conducted; here, supplier reduction was rated below both working capital reduction and spend visibility.

Note: The above percentages reflect the top two scores combined (5 and 6) on a six point scale.

PROCUREMENT’S INDIRECT CONTROL

Office services and supplies topped the areas of spend under procurement’s control. An overwhelming 92% of procurement functions control the spend in this area, with travel (84%), IT & telecoms (83%), facilities management and professional services (80%) next in line. Further findings revealed that logistics spend was managed by 71% of procurement organisations, a figure that puts it marginally behind utilities (74%), but ahead of fleet (68%) and marketing services (63%) – two areas traditionally out of procurement’s hands, but increasingly coming under its radar.

KEEPING CONTROL OF PROCUREMENT

Our survey findings suggest that most companies are still reluctant to surrender control of their procurement operation by outsourcing it to an external organisation. Of those questioned in the study, only 12% were currently outsourcing procurement. Furthermore, 61% of respondents said there were no plans to outsource procurement in the near future, although one quarter (24%) revealed that procurement outsourcing was a consideration. Should this consideration materialize, then procurement would assume a margin similar to payroll or logistics outsourcing. Still, the future will tell if these considerations will become decisions in the end.

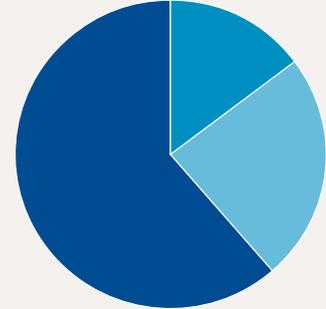
INCREASED ACTIVITY PREDICTED

When asked how they saw activity changing with regard to procurement outsourcing over the next year, almost half (49%) predicted an increased uptake, while only a small minority, 3.4% said that they expect outsourcing to downscale. This same trend was seen by the CPOs involved in the study, with 43% anticipating an increase in outsourcing, and 47% predicting that the situation will remain unchanged, whereas barely anyone expected a decrease. With the economic recovery remaining fragile, 38% of the overall sample anticipated an unchanging situation, an indication that short-term objectives are currently over-riding long-term plans.

The evolving maturity of the procurement outsourcing market was identified by some as a major driver for growth, with the increased range of services put forward by outsourcing providers offering companies more scope to use outsourced expertise.

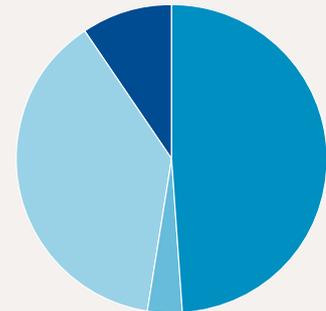
Given the fragile nature of the global economic outlook, those companies considering outsourcing were in no major hurry to speed up their decision making, with 47% planning to outsource within 1–2 years, 37% planning to do so within the next 12 months and 17% looking at a longer time frame, between 3 and 5 years.

» What are your current and future plans for procurement outsourcing?



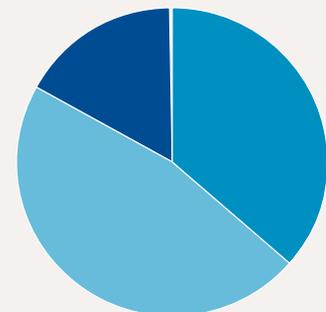
- 1 – Currently outsourcing: 14.73% (19)
- 2 – Considering outsourcing: 24.03% (31)
- 3 – No plan to outsource: 61.24% (79)

» How do you see activity changing with regard to procurement outsourcing in the next year



- 1 – Increased activity: 49.15% (58)
- 2 – Decreased activity: 3.39% (4)
- 3 – Stay the same: 38.14% (45)
- 4 – Don't know: 9.32% (11)

» When are you planning to outsource?



- 1 – Within the next 12 months: 36.67% (11)
- 2 – Within 1–2 years: 46.67% (14)
- 3 – Within 3–5 years: 16.67% (5)

Of those companies already engaged in some procurement outsourcing activity, eProcurement systems management turned out to be the most commonly outsourced procurement function; 51% currently outsource this area of spend. The study further reflected that 38% of those questioned had outsourced their procurement transaction processing activity, while another 35% had moved their indirect goods & services procurement out of house. This figure compares starkly with the 13% that have outsourced their direct goods procurement and the 20% that have outsourced their sourcing (full or partial) activities. The findings also revealed that a minority of 3% is outsourcing all goods and services.

IT AHEAD IN OUTSOURCING RACE

According to our research, IT manage-

ment & infrastructure was the most commonly outsourced business function (49%), followed by payroll (39%) and logistics (32%). Finance & accounting (18%) and legal (13%) joined procurement (12%) as the three least outsourced business areas.

With that in mind, it is no surprise that IT-related activity is only topped by travel when it comes to the indirect spend categories that our respondents are currently outsourcing. Three-quarters of respondents (75%) named travel as their most frequently indirect spend category, which, along with IT & telecommunications (63%) and software & IT professional services (63%) formed the top three. Marketing (21%), professional services, legal services and HR & personnel (17% respectively) were the four least outsourced areas of indirect spend.

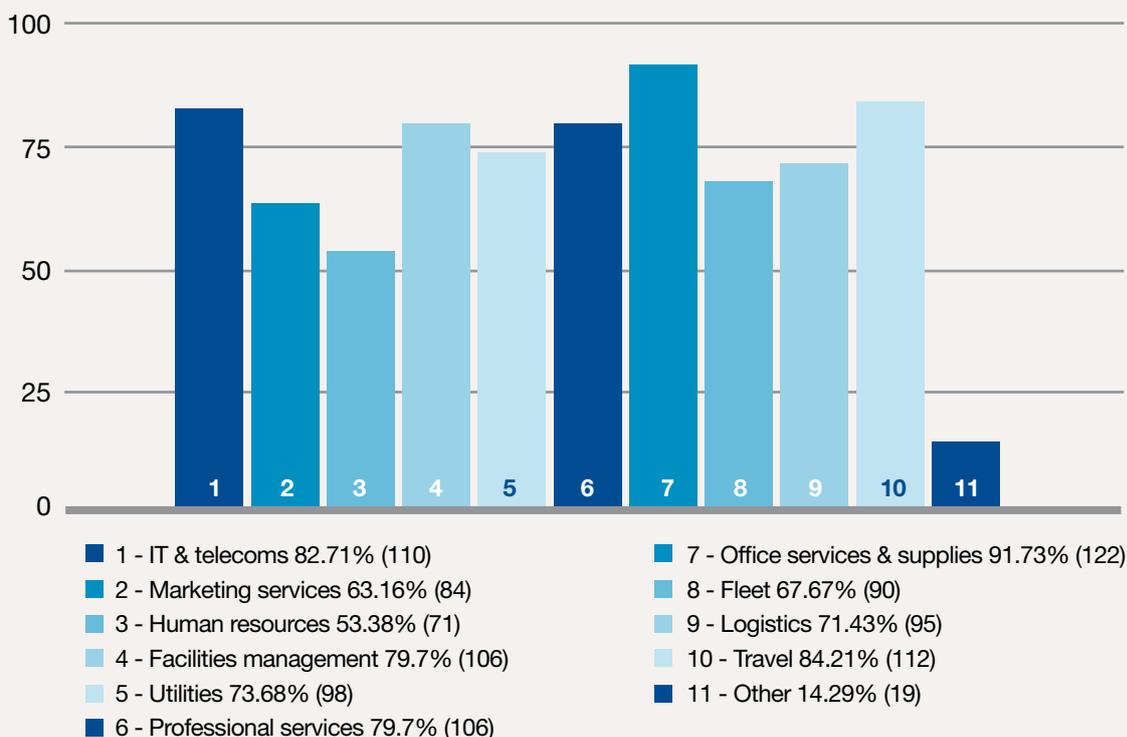
MIXED PICTURE ON PROVIDERS

IT service providers are leading the way when it comes to the supplier space. Of those questioned, 44% are currently outsourcing their procurement to IT service providers, which once again illustrates how reliant organisations are on outside expertise in the technology marketplace. Surprisingly, specialist outsourcing service providers (24%), pure play procurement service providers (16%), were topped by both logistics service providers (34%) and service or product suppliers (28%).

PROCUREMENT'S INCREASING INFLUENCE ON OUTSOURCING DECISIONS

Does procurement have any say when it comes to making outsourcing decisions? One of the biggest revelations of this study was the increasing influence procurement appears to be gaining in decision-making

» Which of the following indirect expenditures are managed by procurement?



across the wider business. According to our findings, procurement plays a major role in negotiation (87%), contract management (72%) and supplier selection (71%). However, procurement’s growing strategic influence is reflected in the role it plays in the intelligence gathering and market analysis (55%).

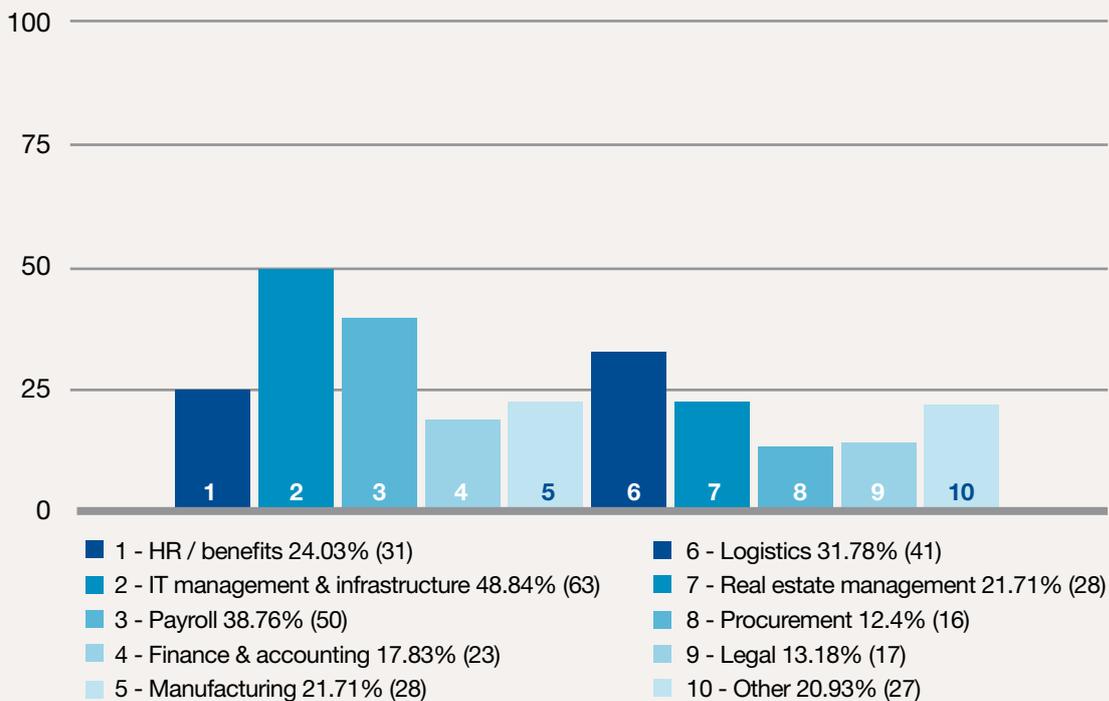
Surprisingly, given the volatile market conditions experienced in the recent past, procurement is still kept at arm’s length when it comes to risk and performance management. Only 41% indicated they were actively involved in risk management decision making, and the same was true for performance management.

Note: The above percentages reflect the top two scores combined (5 and 6) on a six point scale.

“We outsource very specific elements of our procurement – at the moment there just isn’t the expertise available in the marketplace for a wholesale shift to procurement outsourcing”

– SENIOR EUROPEAN-BASED CPO.

» Which business are you currently outsourcing?





“For certain commodities procurement adds no-value by doing it itself – by outsourcing you can save money and still deliver the kind of performance that the business expects and needs”

– CPO FROM A PAN-EUROPEAN FINANCIAL GIANT.

MANAGING RISK A MAJOR DRIVER

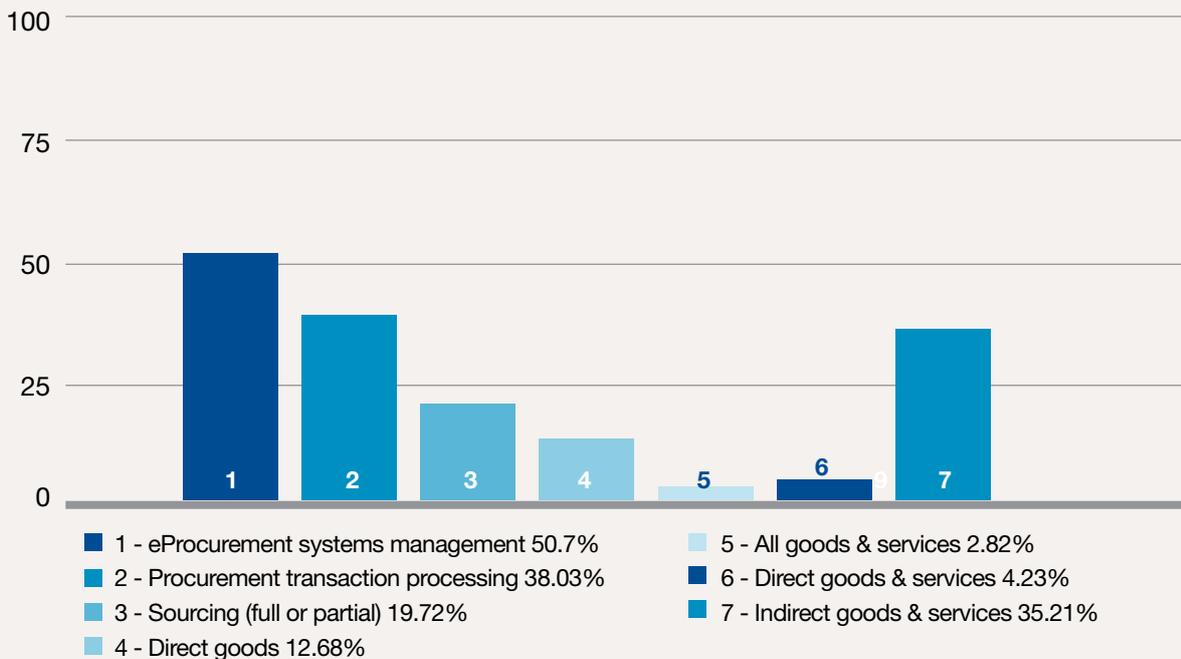
Unsurprisingly, given the current economic climate, when it comes to selecting an outsourcing partner, proven capability ranked highest in terms of importance (86%) – an indication companies are either unlikely, or unwilling, to place their trust in an outsourcing provider without a proven track record of success. Spend category expertise was the second-most important criterion that companies pay attention to as they evaluate suppliers; this was supported by a response rate of 84%. Total cost also showed to be critical (81%), as did Return on investment (78%). Trailing, but

important factors were a supplier’s change management capability (63%) and financial strength (60%).

Our findings indicate a mixed picture when it comes to the major concerns or risks for those companies considering outsourcing. The top concern identified by more than half of procurement executives (56%) was unclear fee structure, implying that communication between buying organisations and their suppliers is less than ideal. Another top concern expressed by 55% was the supplier’s infrastructure and capacity to deliver, raising the issue of trust yet again. This sentiment was further compounded by outsourcing core com-

petencies being flagged as another key stumbling block by 54%. Price also fit into this mix of top concerns as 53% voiced that outsourcing fees were too costly. This may come as a surprise to those who thought that the price of outsourcing has become less relevant as today’s companies are deviating from low cost outsourcing work and instead leverage quality and innovation in order to stay competitive. Slightly less than half of respondents (48%) stated that the perceived loss of control was a major concern, a finding that further feeds into the recurring theme of lack of supplier trust.

>> What procurement functions have you outsourced?



LEARNING FROM THE PAST

Inventory management has been one of the key issues facing procurement over the past two years, and our study does indeed suggest it is the area most respondents will be looking for outsourced expertise in the future. Of those questioned, only 34% currently use an outsourcing provider for inventory management, however, in future, this figure could rise to as high as 66%, as estimated by our respondent base. Procure-to-pay might see a similar uptake: 52% currently use an outsourcing partner for it but in the future, 58% would consider using one. Another indication of

the increasing importance of innovation is illustrated by these contrasting data points: 60% would use an outsourcing partner to leverage innovation in the future, but “only” 40% do so now.

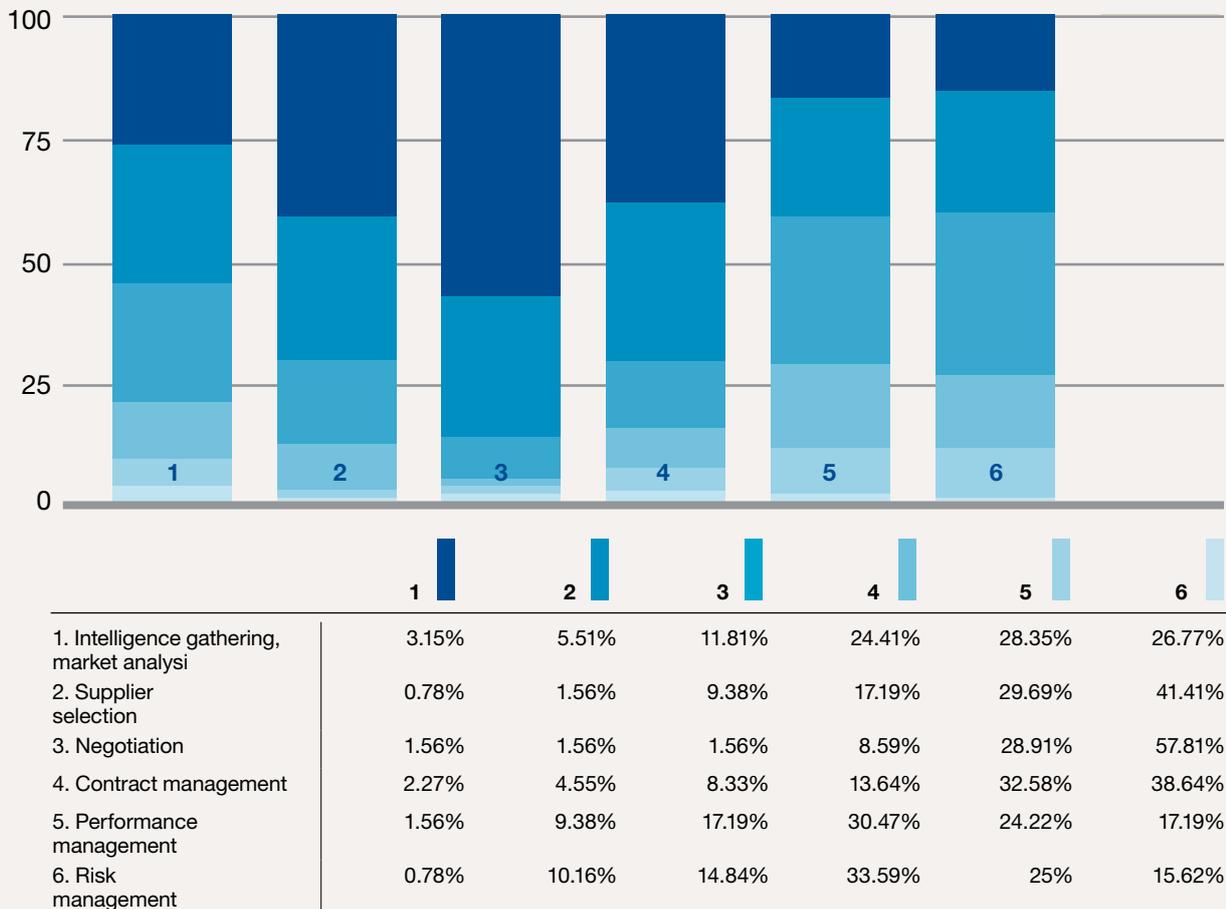
FACILITIES MANAGEMENT TAKING OFF

When asked to estimate which areas of indirect spend had the most potential over the next five years, half of our sample (50%) pointed to facilities. IT and telecommunications (49%), software and IT professional services (45%) and contract labour (45%) proved to be its closest challengers. Marketing, print,

“As the market matures then I think we’re going to see more and more companies looking to procurement outsourcing as a means of achieving efficiencies and cost savings”

– CPO FROM MAJOR UK-BASED CORPORATE.

» To what degree is the procurement function involved in the Outsourcing decision-making process?



legal services, HR and personnel and logistics were each identified by about a third (32%-35%) as opportunities in the first half of the decade. Conversely, office equipment (26%) and packaging (11%) – two areas of direct spend already being extensively outsourced – were viewed as limited areas.

PERCEPTION VERSUS REALITY

As far as the perception of outsourcing is concerned, nearly half (45%) indicated to have no opinion either way. However, 37% viewed procurement outsourcing in a positive light, and only 18% expressed to have a negative opinion. When asking a select group of CPOs the same question, there was

a slight shift in opinion, with 42% regarding procurement outsourcing positively and far fewer (36%) reflecting a neutral stance.

When further probing as to which factors had contributed to these perceptions, the variety of responses illustrated that procurement outsourcing still has some way to go to establish itself in the mainstream of outsourced business functions.

Lack of experience and concerns over ROI (return on investment) were two of the major factors that contributed to the negative perceptions of procurement outsourcing among some procurement executives. Another respondent identified

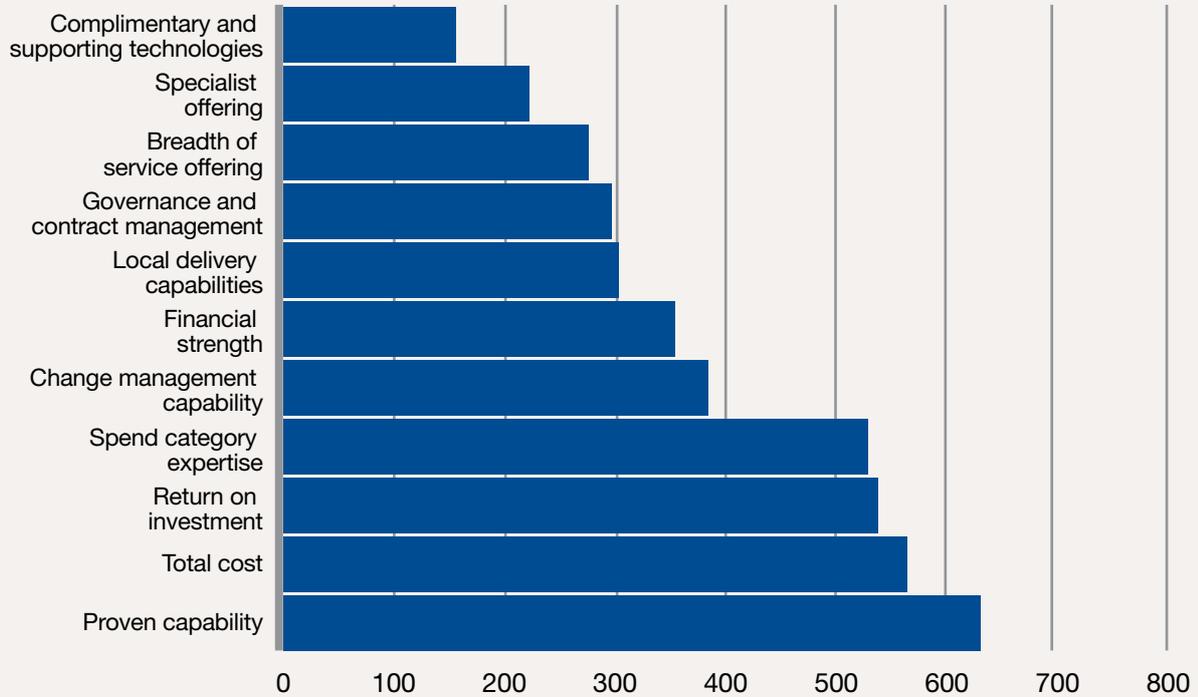
the need for procurement to remain “a core competency” as the primary reason why outsourcing was not on his agenda.

However, many others had a different view, reporting that outsourcing had enabled them to save money and maintain tighter **controls on procurement spend**. Both the **capability** and **capacity** of the service provider were viewed as major factors contributing to the success of the outsourcing outcome.

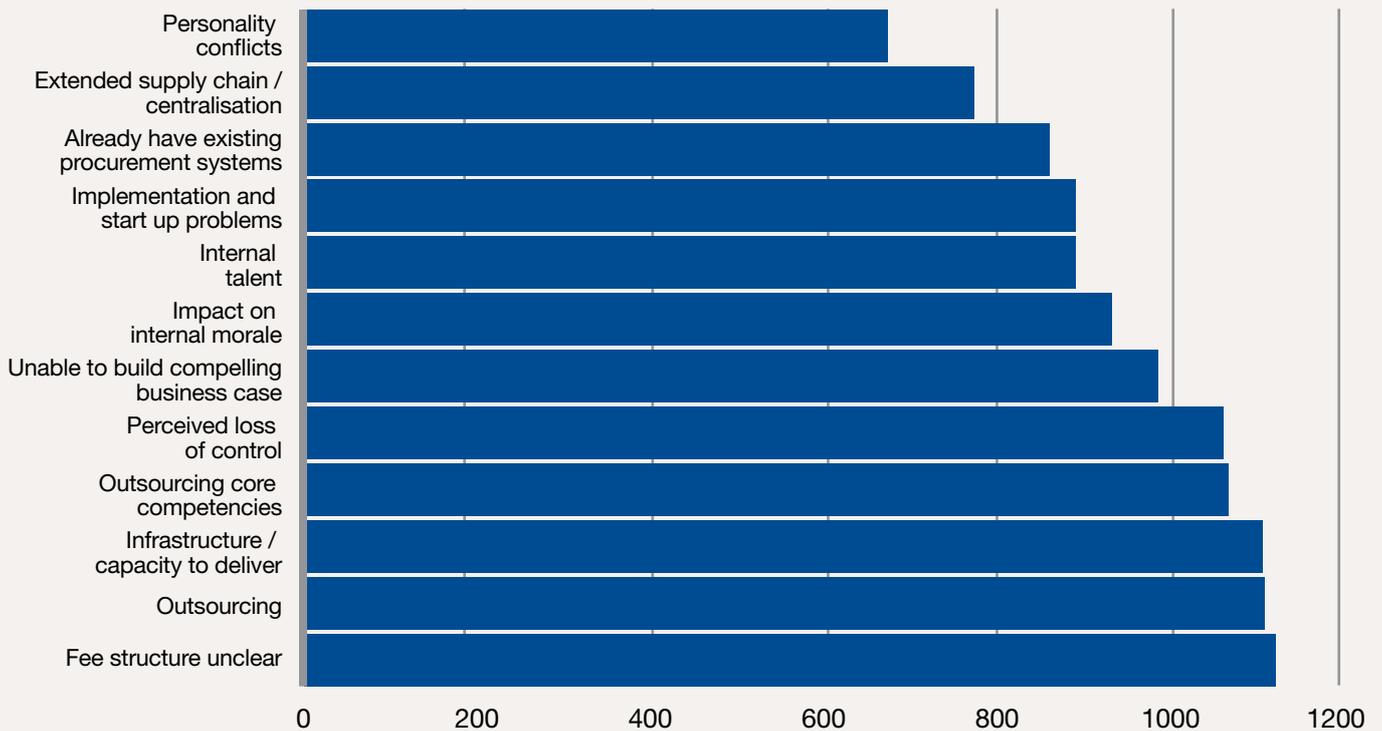
Among those who had no opinion on procurement outsourcing, the majority admitted that the lack of exposure to it contributed to their neutral standpoint.



>> Please rate the following in terms of importance when selecting an outsourcing partner



>> What are your key concerns or risks when considering outsourcing?



»» About Procurement Leaders

The Procurement Leaders Network is an international membership-led community focused exclusively for executive level procurement, sourcing and supply chain management professionals.

The Network acts as a catalyst to spearhead innovation, leadership and strategy and has been developed in support of our members growing global remit. It delivers high quality insight and perspective on today's most critical corporate issues, whilst providing members with new ideas, approaches and strategies to meet their current and future business challenges.

More information is available at:
www.procurementleaders.com

»» About Capgemini Procurement Services

Capgemini, one of the world's top notch providers of consulting, technology and outsourcing services, has recently launched 'Procurement as a Service™'. This service concept seamlessly integrates IBX On-demand procurement tools, strategic and operational outsourcing services and consulting.

The IBX On-demand Platform represents a complete set of software tools for the procurement organization, like IBX eProcurement and IBX eSourcing, all delivered on-demand. With this solution suite Capgemini Procurement Services provide clients inroads into leading practices in the industry and drives year over year savings directly to the bottom line.

Present in more than 30 nations, Capgemini reported in 2009 global revenues of EUR 8.4 billion and employs 90,000 people worldwide.

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