

Services Procurement and the Flexible Workforce: Keys to Unlocking Strategic Value



Introduction

Procurement leaders play a unique role in managing the complex array of resources that comprise today's workforce. The enterprise continues to look to procurement for solutions to reduce costs, mitigate risk, and ensure the timeliness and outcomes brought by the people and services they manage.

At the same time, continuous improvement in efficiency, quality, innovation, and impact are also primary expectations of the business — and therein lies the challenge. Where is the opportunity to drive value once processes are brought into compliance across the enterprise?

For many companies, the answer to increasing value is locked up in the services spend that is largely unmanaged and unaddressed by the procurement organization. A survey by Aberdeen Group and IQN found that, on average, only 38 percent of total services spend is considered managed, leaving a significant opportunity to drive value through the large portion of spend left unmanaged in most cases.

This report, based on perspectives shared by procurement and workforce strategy experts at a Sourcing Industry Group (SIG) event in November 2018, explores various paths that can help expand the strategic value of labor services spend that remains outside of today's enterprise management view. By understanding three critical areas of challenge and applying practices for addressing them, organizations can unlock the potential for increased visibility, cost control, and impact needed to move the business forward.



Challenge #1

Gain Support to Bring Services into the Procurement Fold

As one procurement leader at the SIG event observed, “You can’t just unilaterally add a category of spend under management and expect internal or external support.” To optimize services spend for maximum impact, procurement leadership needs to have a strategy for expanding the management of spend, gain buy-in for the strategy, and identify and secure needed resources and technology to support the effort.

“To build on the value we provide, the procurement function must embrace innovation and make the case for doing things differently than they were in the past,” said Andrew Baer, procurement director of S&P Global. “At the same time, everyone from the CFO to the line of business managers looks at us as agents of cost reduction and risk mitigation.” These values are nearly the opposite of those associated with innovative investment and risk-taking. How do you reconcile the two? According to many in the SIG group, the answer is not to abandon the traditional focus on cost reduction, but instead to consider the cost impact as part of a larger picture.

“It’s likely that we will always have to prove value through some level of cost control,” said Baer. “But we can use that focus to our advantage. If we’re looking to achieve a scope of services management that is enterprise-wide, we can walk into that discussion with an idea of what is being spent and how it can be improved. For example, we have seen how better visibility across all parts of IT can help

us pinpoint the best resources, in terms of expertise and fit, to drive key parts of our operations.

“A focus on outcomes is essential,” added Baer. “If you need to spend more for a service, but that service achieves the result in less time or avoids the need for additional services than you would have otherwise needed, you can still make cost-control part of the equation. At the same time, you can demonstrate new areas of value, whether that is the speed of outcomes being achieved, flexibility to meet changing demands, or, very simply, helping the people you serve show better results to their leadership.”





38%

The portion of total services spend considered "managed" by today's procurement standard

Source: Aberdeen Group/IQN Survey



First-Hand View:

Navigating Rapid Change as an Enterprise

Jonathan Winters

Global Director of Procurement Solutions
Allegis Global Solutions

With less than half of services spend being effectively managed at an enterprise level, the opportunity for expanding that spend management is significant. With that in mind, here are three fundamentals every business should consider for improving spend management.

Embrace Growth

By systematically assessing the enterprise management of services spend, identifying data sources, and engaging contacts across multiple organizations, an organization can lay the foundation for long-term improvement in how it manages services, non-employee labor, and spend across the business.

The lesson: Embrace growth and treat strategic management as a continuous improvement process.

Treat Data as an Ingredient, Not the Result

Multiple systems yield inconsistent figures on cost, time, and performance. To fix the issue, procurement needs to create a common set of data that supports enterprise-level decisions.

The lesson: Know what you need to learn from your data and commit to building useful intelligence for the business.

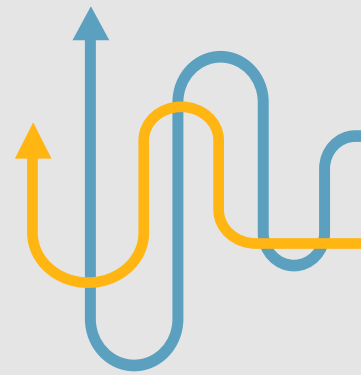
Leverage Data to Build Relationships

Commitment and a robust plan are needed to build a consistent source of data across the enterprise, but once participating departments begin to see results, they will begin to rely on that data for insight and decision support.

The lesson: Once constituents depend on you for improving impact, you can work with them as a true partner.

Challenge #2

Cultivate Smarter Data and Pinpoint Opportunities for Value



“One of the most challenging aspects of managing services spend across the enterprise is establishing meaningful data,” said Jonathan Winters, global director of procurement solutions at Allegis Global Solutions. “When an organization optimizes its management spend, it must involve multiple parts of the company to track costs, timelines, and quality for services delivered. What we found was that success is dependent on much more than technology; it’s about using data to get people across the organization on board with your approach.”

According to Winters, success is a matter of using data to help gain the trust of stakeholders. “Often, an organization may have several ERPs across multiple parts of the business, each tracking the same type of activity in a different way,” he said. “If you have the resources to help compare apples to oranges and find common ground, that’s good, but it takes flexibility and commitment. When data finally normalizes across the organization, the procurement organization may even see business owners who previously showed little support for a new management strategy now actively approach procurement, asking for more data and insights.”

“The journey to data integrity may require dedicated resources from the procurement function, and it can take time,” Winters continued. “It’s important for procurement to work with multiple stakeholders to capture key indicators and opportunities for cost savings, accelerated outcomes, and increased reliability. For example, if you can work with the business to show that a solution for developing multiple web assets can accelerate the process and control costs, the benefits make the line of business owners’ jobs easier. That business case will help procurement gain a higher level of trust and partnership from the business, and with it, access to broader management of services spend.”





SIG Takeaway:

Three Principles for Advancing Services Management

Andrew Baer

Procurement Director
S&P Global

An Engaged Workforce Delivers Impact

The services spend across the enterprise varies, and the level of worker engagement among those services can shape the quality of results.

Takeaway: Consider worker engagement as a key to the vendor's value. Look beyond cost to assess the right provider for the job. Is there a record of consistent worker engagement and low turnover? Do the people have the right skills to meet the organization's goals? These are all key questions that shape an ideal services procurement and management decision.

Managed Risk Drives Progress

In today's world of rapid innovation, procurement must be able to take chances in expanding their areas of strategic management, and expansion requires some level of risk.

Takeaway: Embrace managed risk when innovating processes. Total risk avoidance is no longer a viable option for organizations as changing workforce demands require the constant ability to evolve strategies for managing non-employee workers and the services providers that bring them to the organization.

Expert Partners Amplify Value

An objective view, technology expertise, and market intelligence can help make an external consulting or solutions partner a valuable resource for improving services management impact.

Takeaway: "Don't go it alone" when building a services management strategy. An eye on the market and technology to better track data and activity, external relationships with services providers, and shared ownership of results make an external partner a valuable resource in optimizing management and facilitating change.



Challenge #3

Secure Partners and Allies to Share the Journey

The journey to expand the management of services spend cannot be taken alone. "You can't achieve maximum impact and lasting value without incorporating the best resources and partnerships available," said John McGoun, chief procurement officer of Change Healthcare.

"The resources internally include leadership, line-of-business owners, and external partners. These allies can support the change management needed to better manage the organization's universe of services vendors and non-employee talent," McGoun added.

A strategic approach begins by assessing and documenting the current state of services procurement within the organization and the business outcomes expected. With their objectives in mind, organizations can set about gaining a detailed view of the solutions provider market and vendor capabilities for managing services spend. Organizations can then focus on identifying and selecting the right partner options through a consistent evaluation and selection process that aligns to the organization's objectives.





Strategic Perspective:

Addressing Today's Services Procurement Challenges

Jon Kesman
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Key challenges that can emerge when attempting to effectively manage the services procurement process include:

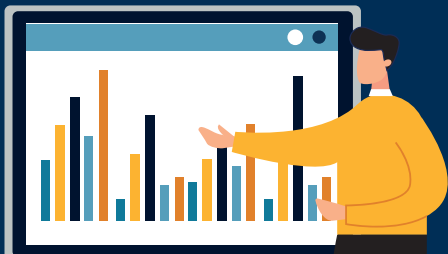
- **A lack of subject matter expertise** needed to effectively manage the spend, or simply not enough capacity in general to accomplish a company's strategic objectives
- **Internal variation in requirements** across departments
- **A vast base of suppliers** providing the multitude of services with no true awareness of their full capabilities or performance record
- **Competing business objectives** where procurement wants savings, for example, but business stakeholders want quick delivery and are focused on ROI
- **Confusing processes** for engaging and dealing with suppliers and their workers
- **Internal perception of the procurement function** and its charter and capabilities



Overcoming these challenges involves bringing a well-rounded approach to services procurement. The elements of an effective services acquisition process include:



Innovation: A flexible model that can be adapted to best fit your company's unique requirements and procurement strategies



Reporting: Insights into the details and performance of all elements of your services spend to align processes and practices for better decision-making, engagement, and return



Supply base management:
An understanding of supplier sources, capabilities, and performance for more rational decision-making



Market intelligence: Market analytics information to enable performance benchmarking, better decision-making, and improved ROI



Stakeholder relationship management:
Increased understanding of expectations from, and alignment to, stakeholders across the company to strengthen relationships and deliver greater value from the function.

Optimized Services Strategy: Good for People, Good for Business

By better managing services spend, procurement leaders can partner with HR and business leadership to drive greater value to the enterprise. Not only can they achieve positive cost impact, but they can also better align the workforce they engage through services providers with the real needs of the business.

“Whether the work that drives business success is delivered through employees, contingent workers, contractors, or services providers, the need for the right person, with the right skills at the right time and cost, is the same,” says Bruce Morton, global head of strategy for Allegis Global Solutions. “Great companies recognize that strategically managing the services provider ecosystem isn’t just good for the bottom line today; it’s essential to the innovation and flexibility that shapes an organization’s performance in the future.”



This report was developed by Allegis Global Solutions, an Allegis Group company, in cooperation with Sourcing Industry Group.



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