

# Case Study: Fortune 100 Company Creates “Outsourcing Center of Excellence” to Align its Outsourcing Efforts Company-Wide

## EquaTerra Helps Company Develop Holistic Approach to Managing Provider Relationships

### At a Glance

#### Company Profile

The company is a Fortune 100 company that provides business and technology solutions to companies and individuals around the globe.

#### Services Featured

- Sourcing Governance
- Transformation
- Business Case
- Change Management

#### Business Processes Involved

- Information Technology
- Finance and Accounting
- Human Resources
- Procurement
- Contact Centers

### Executive Summary

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This Fortune 100 company’s procurement organization needed a better grasp of its outsourcing provider services to better leverage cross-business outsourcing deals. To do this, the procurement organization turned to EquaTerra to help it create a framework for managing outsourcing provider services and develop stronger governance oversight. After a data gathering and analysis effort, EquaTerra recommended the creation of an Outsourcing Center of Excellence (CoE), which would serve as the primary, central resource to the company’s lines of business and corporate functions and would be responsible for researching, evaluating, contracting, implementing and managing outsourcing deals. The company expects to realize significant cost-savings, improve service delivery, and facilitate access to greater capabilities company-wide as the CoE becomes an integral part of its business and culture.

### Business Challenge

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This company’s various lines of business and corporate functions were generating shared services and outsourcing deals independently of one another. Oftentimes, the autonomously run business units were contracting with the same providers. Some of those agreements were similar in scope or the scope overlapped, and others were contradictory to one another in terms of scope, service levels and pricing.

Although the culture supported independent thinking, the company’s relatively new procurement organization was looking to holistically manage and leverage its provider relationships. It recognized the need to take on a more strategic, valueadding role to support the lines of business.

In July 2007, procurement engaged EquaTerra to help it determine the best structure for leveraging and managing the company’s outsourcing relationships.

How We Helped EquaTerra advisors conducted a data gathering effort to identify the company’s current state in terms of services, service providers and spend. This effort included a series of interviews and surveys with key executives and personnel. EquaTerra also conducted an impact analysis and assessment to identify high-impact areas (e.g., significant relationships based on the complexity of service delivery, the number of lines of business supported and the value of the agreements). These

efforts helped the company formulate a strategy that focused on utilizing an initial set of service providers and identified ways to leverage similar provider services and capabilities.

Overall, EquaTerra found that there were enough commonalities throughout the various lines of business and corporate functions that its relationships and agreements with providers could be better leveraged.

### An Outsourcing Center of Excellence is Established

EquaTerra recommended the company create a formal Outsourcing Center of Excellence (CoE) to provide holistic and synergistic guidance for the company's BPO efforts. The CoE would:

- Provide best practices in outsourcing and ensure sharing of information throughout the entire company. These best practices would be provided through training and knowledge management workshops throughout the entire sourcing lifecycle. The CoE would provide visibility to market trends and research in outsourcing. Further, the CoE would create and facilitate an internal outsourcing forum to improve the company's organizational capabilities, leverage lessons learned and implement best practices throughout the sourcing lifecycle.
- Develop and provide tools and templates to support the lines of business and corporate functions throughout the sourcing lifecycle. These tools and templates would provide the necessary structure and framework to consistently contract and manage multiple service providers across the company.
- Deliver consulting and advice services to the lines of business and corporate functions. These services would ensure a consistent, thorough, market-tested and experienced approach to identifying, assessing, contracting and managing outsourcing opportunities and agreements. The consulting and advice would also help the organization rationalize the number and use of service providers.

- Ensure data is properly gathered and Analyzed. Thorough data gathering and analysis would help reduce costs, improve productivity, enable standard vendor scorecards and analysis tools, facilitate tracking and reporting on BPO spend, and ease making recommendations on the opportunities for cost savings / strategic efficiencies. This also would include maintaining a database of all BPO contracts for the purpose of internal benchmarking.

### Executive Challenge:

#### “Don't Tell Me How to Do My Job”

The success of the CoE hinges on the organization's ability to overcome two key challenges: 1) overcoming the procurement group's lack of credibility to mandate change; and 2) overcoming the commitment from level senior executives, running highly autonomous lines of business, to “buy-in” to the concept of a centralized resource because they fear unnecessary bureaucracy. This concern was summarized best by one senior executive, “Get me a better price and don't tell me how to do my job.”

The autonomous company culture played prominently in EquaTerra's recommendations for the CoE's design and implementation. EquaTerra recommended central, skilled resources be made available from within the CoE to support all the lines of business and corporate functions in sourcing initiatives. The strategy was to create “pull” from within the lines of business and corporate functions in order to garner company-wide support. The CoE was committed to demonstrating how it could help each line of business leverage BPO services more effectively.

### Results

Overall, the company expects that the CoE will help it achieve significant cost savings as it now has the ability to consolidate and leverage BPO relationships across all lines of business and corporate functions. The company will streamline and standardize contracting processes and create synergies across the lines of business, corporate functions and service providers to ensure strategic enterprise management of its provider portfolio and reduced costs for services and governance efforts.

## Advisor Insights

**Corporate Culture Can Take a Toll:** It is important that companies fully understand how their corporate culture can affect such a massive undertaking. This company believed, because of its autonomously run lines of business and corporate functions, that there would be little support for the CoE had the company mandated its utilization. Instead, the company focused on creating “pull” from the lines of business for CoE services by building upon successes within a line of business. When the lines of business and corporate functions saw the benefits the CoE delivered, the company believed that the CoE would become more integrated – and perhaps ingrained – in the company’s culture.

**Know How to Engage Stakeholders:** It is important that you identify your key stakeholders and understand what they perceive as value-add and how to help them with their hot button issues. When designing the CoE, EquaTerra realized that buy-in from a variety of key stakeholders would be necessary. However, each stakeholder was approached differently – depending on their needs and views – so the case could be made for the CoE and help that stakeholder understand and buy-in to the value of the CoE. The CoE must be set up as to make these stakeholders’ lives easier versus complicating matters.

**Focus on Most Impactful Priorities:** It is important that companies prioritize their efforts based on high-impact areas (e.g., focus on the service providers with the highest spend across multiple lines of business vs. service providers with low and/or very concentrated spend, help remediate/restructure a troubled relationship vs. meddling in a relationship that is working well). By focusing on specific priorities, EquaTerra was able to avoid doing too much at once and focused on initiatives that offered the organization the most value.

## About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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## Contact Us

If you would like to know more about EquaTerra please contact us.

Europe/Asia Pacific	Americas
+44 (0) 845 838 7500	+1 713 470 9812
<a href="mailto:infoeuapac@equaterra.com">infoeuapac@equaterra.com</a>	<a href="mailto:infoamericas@equaterra.com">infoamericas@equaterra.com</a>

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