

6 December 2016



WEBINAR

Outsourcing Governance: What's Buzzing and What's Missing?

Findings from our 2016 Outsourcing Governance Maturity Study

SPEAKERS



Claude Marais
Co-founder and President
SirionLabs



John Dreyer
President and CEO
The Shelby Group

Outsourcing Governance: What's Buzzing and What's Missing?

- Why is supplier governance critical in outsourcing engagements?
- Key attributes of effective supplier governance across contract, performance, financial, risk and relationship management.
- Current capability levels and maturity gaps as reported by your peers for their governance infrastructure.
- Recommended strategies for success.

Q & A



SirionLabs' SaaS product Sirion assists large organizations to manage their strategic services suppliers (e.g. IT outsourcing, BPO etc.) by extracting the obligations within contracts and tying the performance of those obligations to invoices received from suppliers.

For more information, visit www.sirionlabs.com



UK Government
G-Cloud Supplier



The Shelby Group is a SirionLabs-Certified Implementation Partner. We help companies maximize their return on investment in supplier governance platform investment with expert support for the business process, technical and change management functions that are critical to success.

For more information, visit www.theshelbygroup.com



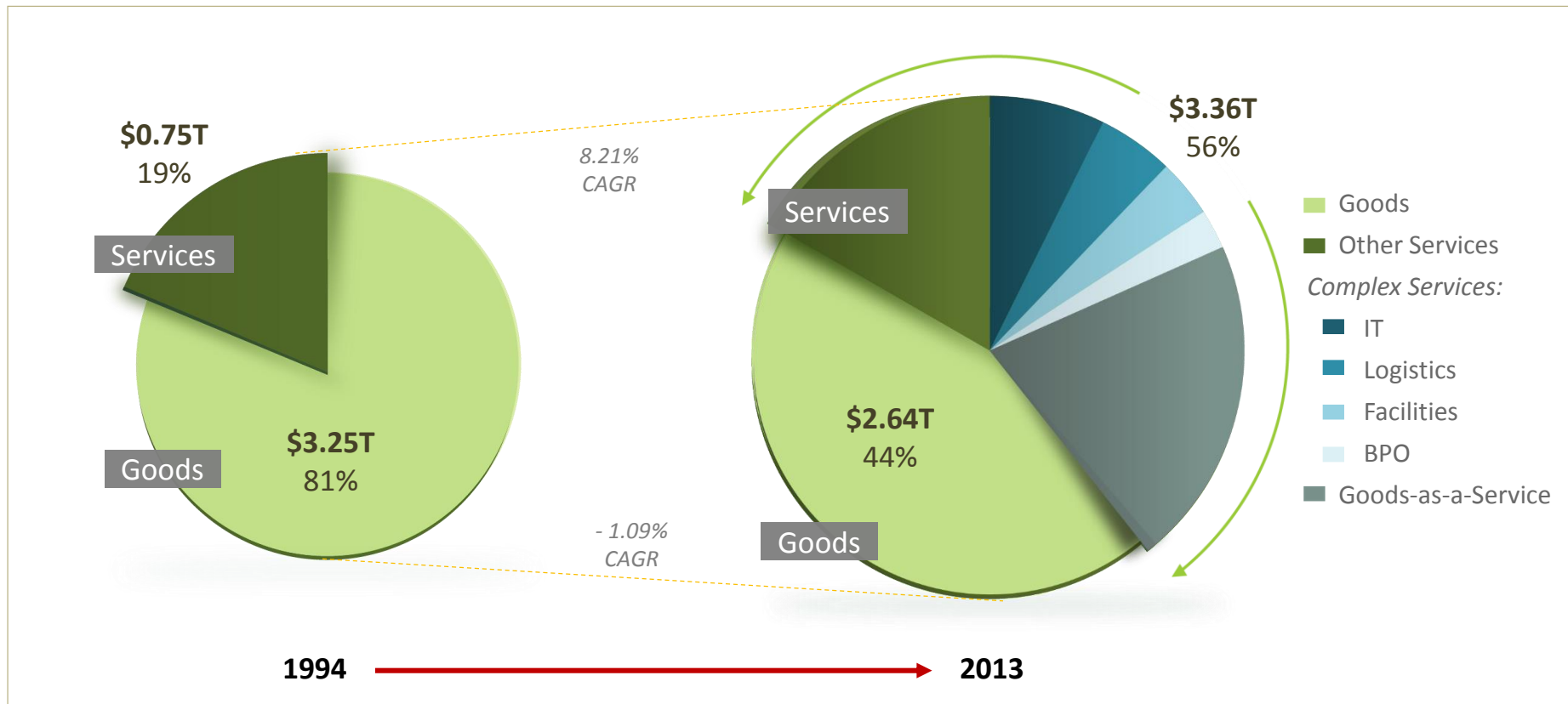
Claude Marais, Co-founder & President, SirionLabs

Claude has been a leader in the global sourcing domain for over two decades. Prior to SirionLabs, Claude pioneered ISG-TPI's supplier governance solution. During his leadership the practice grew to \$11bn in managed TCV. Earlier, Claude was the global leader for contract management and strategic sourcing in GM's \$3bn/year ITO organization. Before GM, Claude had leadership roles in the Procurement and IT organizations at The Coca-Cola Company. He is a co-founder and past National Chair of the Society for Information Management IT Procurement Working Groups, a founding member of the ICEx Outsourcing Forum and a Fellow and Honorary Vice Chairman of IACCM.

John Dreyer, President and CEO, The Shelby Group

John's expertise in finance, technology and business strategy has helped establish The Shelby Group as a leader in procurement and supply chain optimization. He works with senior leaders at Shelby's Global 2000 clients to design innovative solutions for aligning sourcing, procurement, and supplier governance with C-suite objectives to drive bottom-line results. Using a combination of data-driven insight and supplier engagement, John leads his team to reframe relationships and achieve client objectives for outsourced professional services.

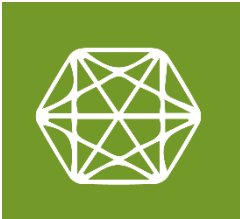
- Services procurement has grown significantly while goods spend has declined over the past two decades
- Governance of services suppliers is fundamentally different from goods



Sources: Gartner, Everest, TPI, Evalueserve, Research and Markets, Zinnov, Global Industry Analysts Inc., Transport Intelligence

The emergence of complex services has presented unique challenges for services buyers resulting in sub-optimal governance environments

High Complexity



Significant increase in complexity due to multi-sourcing, high deal volumes and short-duration deals

Ineffective Technology and Processes



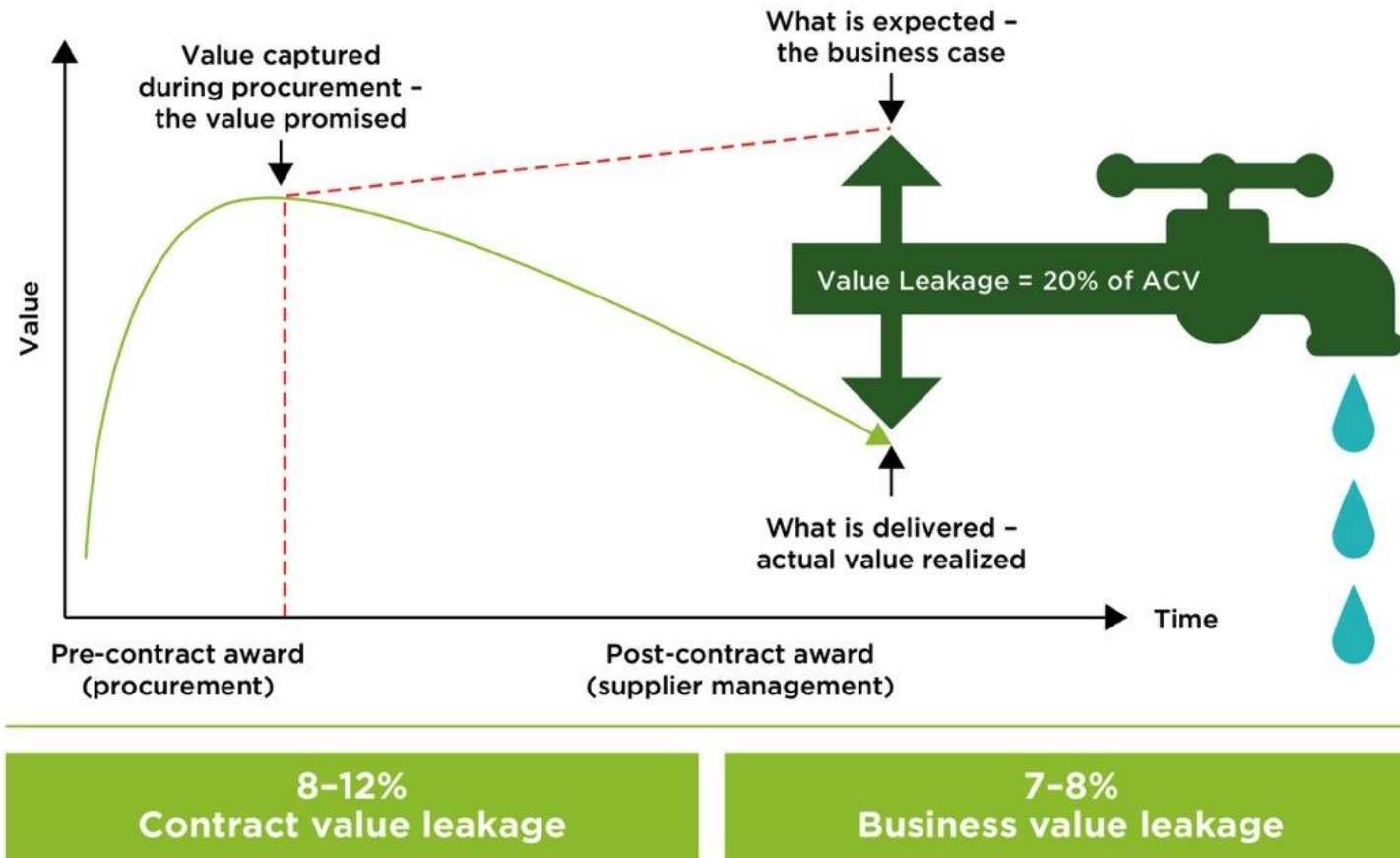
Traditional governance technology and processes are disjointed and inadequate for managing complex services

High Cost of Governance



High cost of traditional governance models is not sustainable due to budget constraints and complex ownership structure

20% or more of ACV is lost through contract and business value leakage



**Houston,
we have
a
problem!**

“The market is currently under-invested in the area of vendor management, particularly when it comes to tools, methods and processes.”

– Deloitte’s Global Outsourcing and Insourcing Survey

“Poor governance plays a role in outsourcing failures as much as 62% of the time.”

– *Unpacking Outsourcing Governance* -
CEB, IACCM, University of Tennessee

“63% of companies surveyed believe they lose an average of 25% of contract value due to poor governance.”

– International Association of Outsourcing Professionals (IAOP)

Value Leakage is the difference between the value of what is expected at the time of contracting and what is actually delivered over the course of an outsourced services engagement.



CONTRACT VALUE LEAKAGE

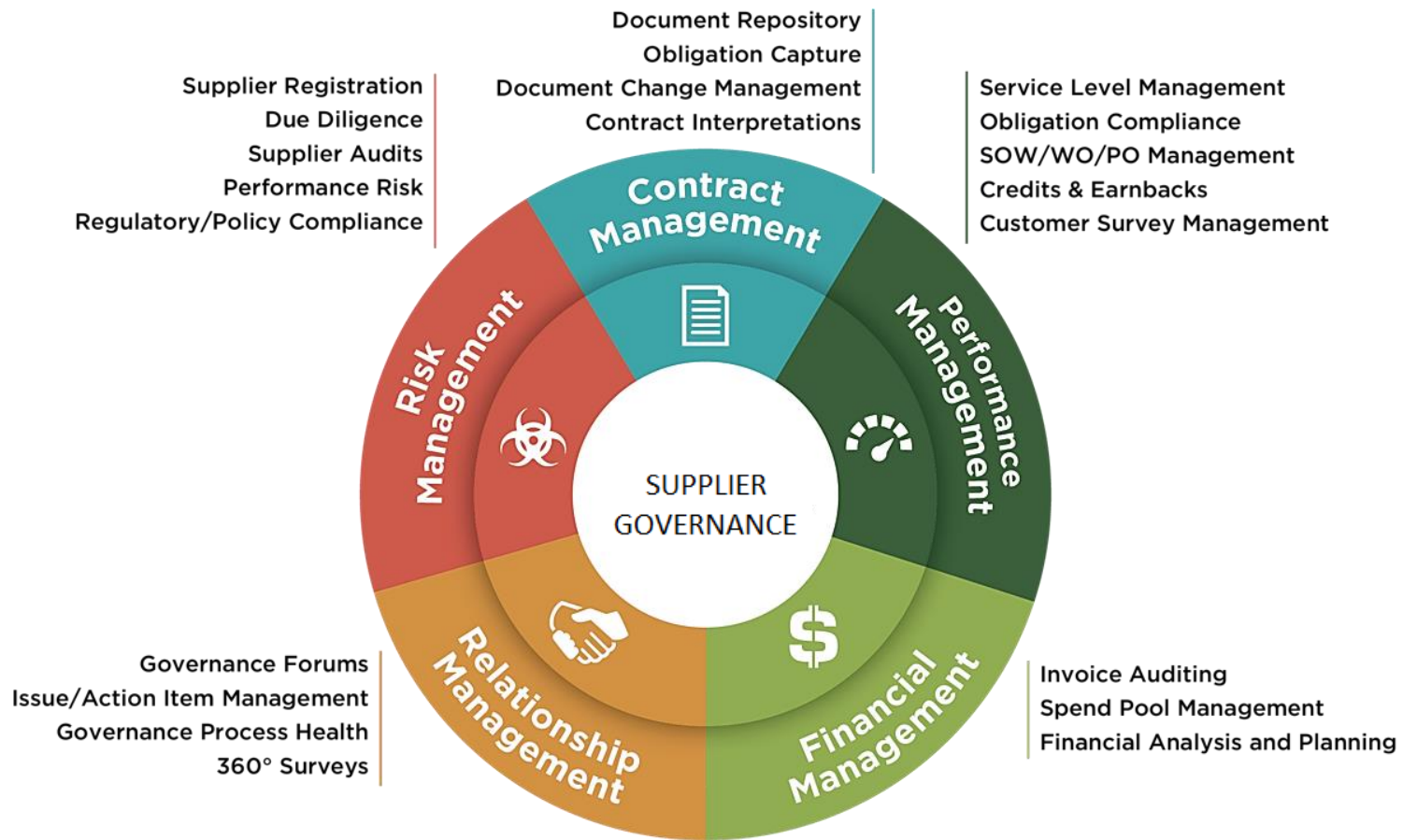
- Invoicing errors & inaccuracies
- Quality and delivery failures
- Unrealized discounts
- Earnbacks

BUSINESS VALUE LEAKAGE

- Poor user/customer experience
- Business disruption
- Rogue workarounds
- Negative brand impact
- Unrealized performance gains
- Unrealized efficiency gains



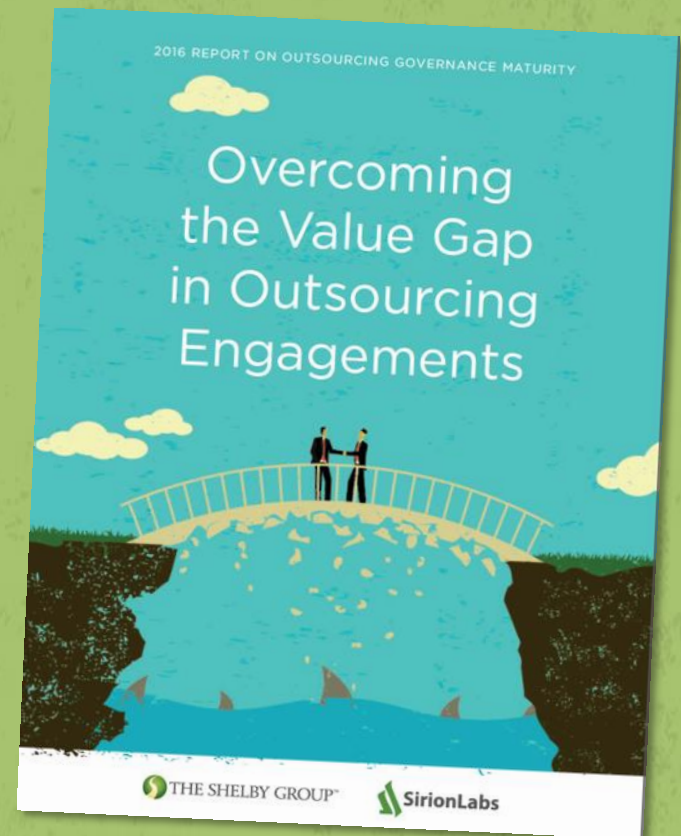
Most experts generally agree on the following as the core processes for effective governance of outsourcing and other complex services engagements



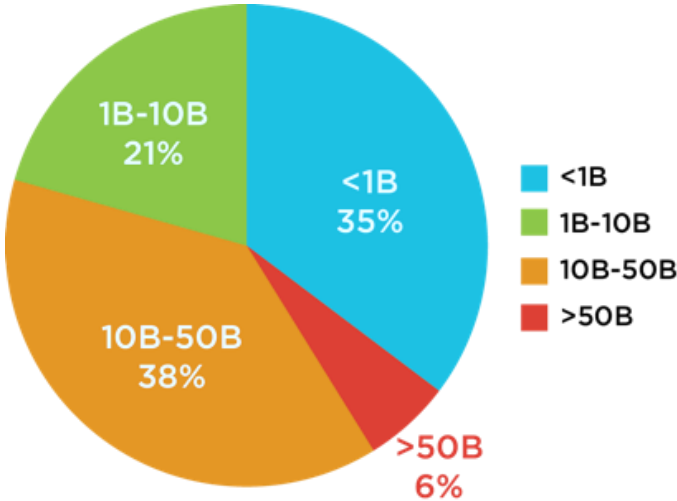
Between September 2015 and March 2016, The Shelby Group and SirionLabs conducted an industry survey to better understand the current state of outsourcing governance capabilities.



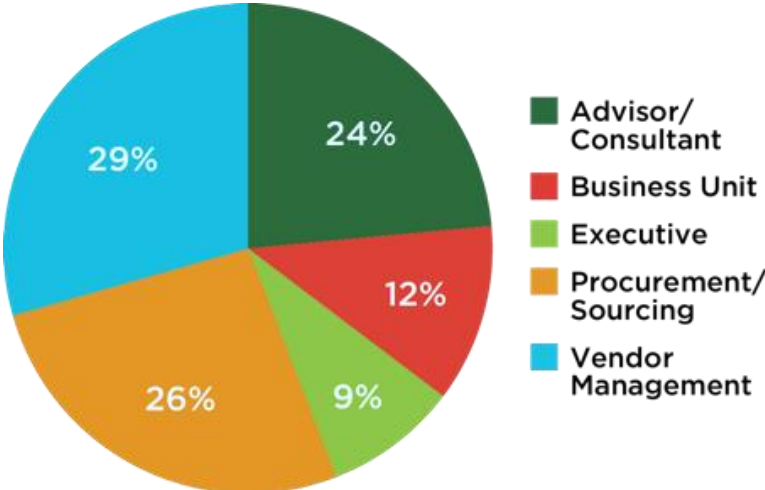
The following section presents the key insights from the study.



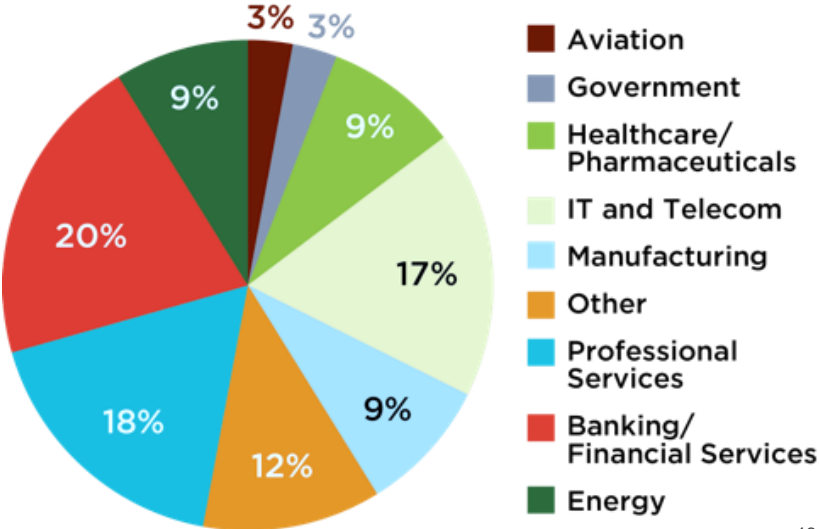
Respondents By Revenue



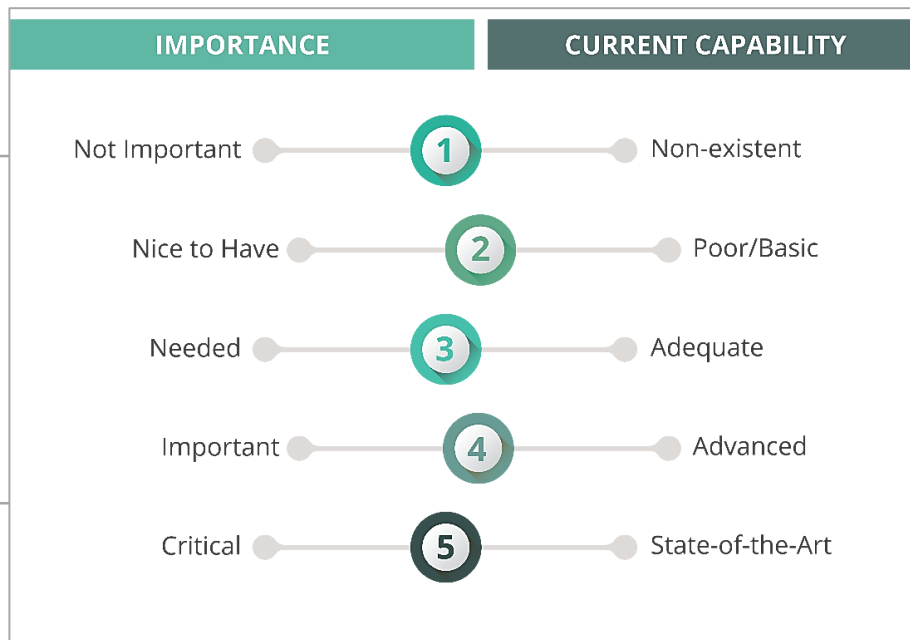
Respondents By Function



Respondents By Industry



Respondents were asked to rate individual processes under each of the 5 governance disciplines (Contract, Performance, Financial, Relationship and Risk Management) on 2 parameters.



The Importance that the respondent ascribes to each of these processes for driving higher value in outsourced services engagements.

The current level of maturity at the respondent's organization for each of these processes.

Question Example

Document Repository - The ability to digitally maintain and manage the latest versions of contract and related documents in a centralized location.

Q. How important is this for effective governance?

Q. How mature are your current capabilities?

How do perceptions of the importance of supplier governance disciplines vary by function?

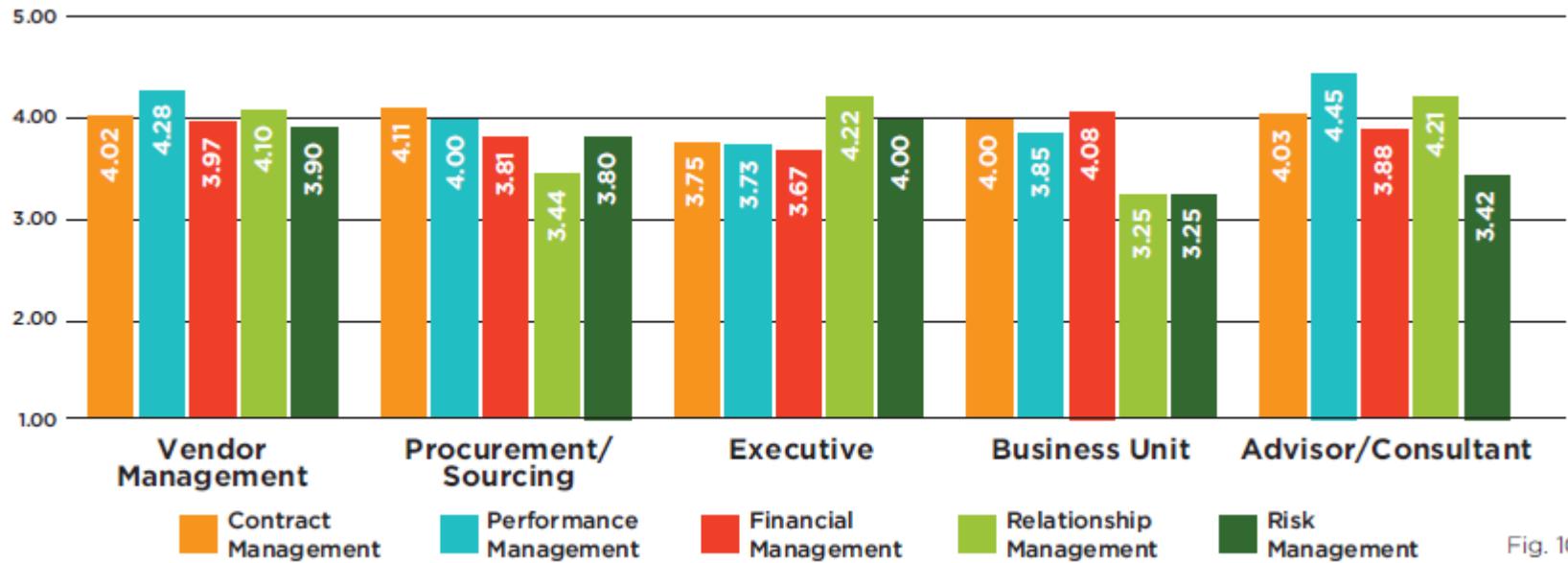
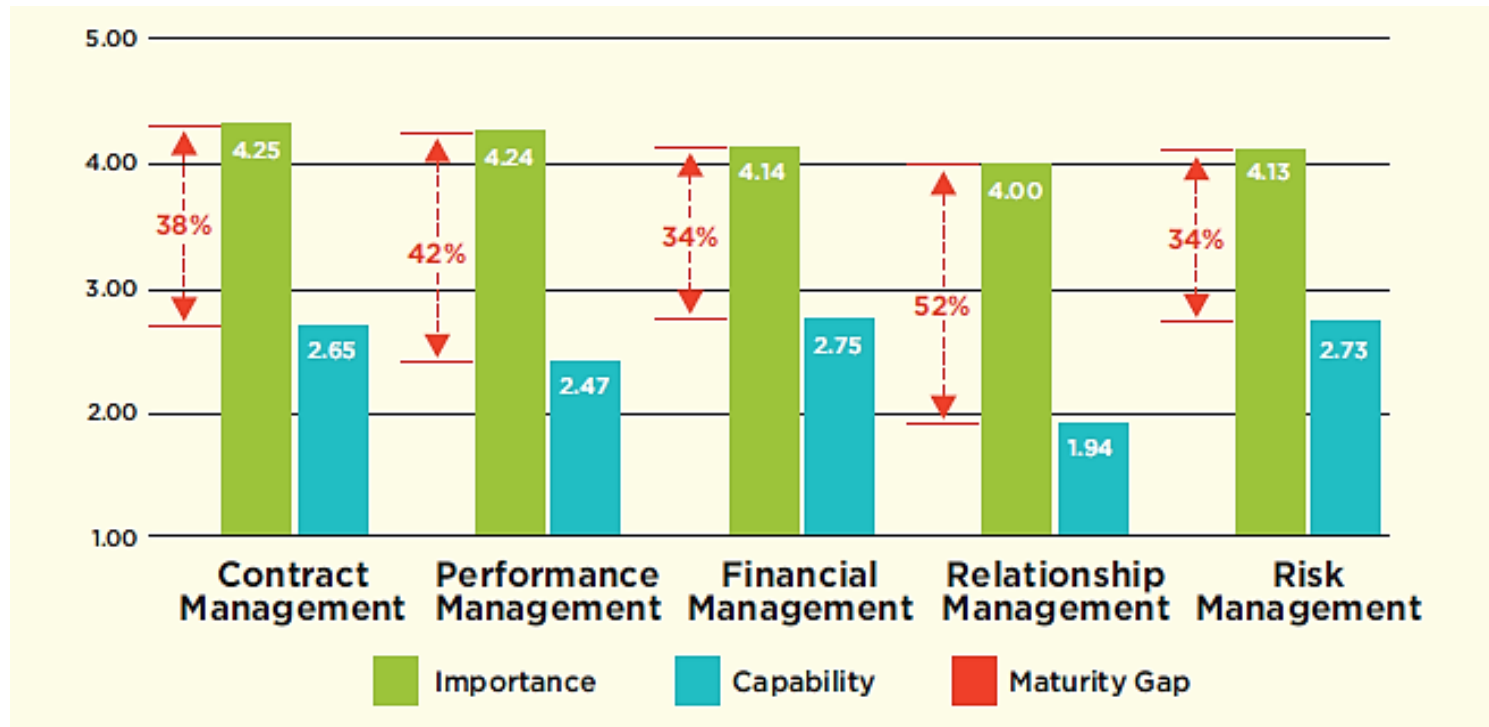


Fig. 10

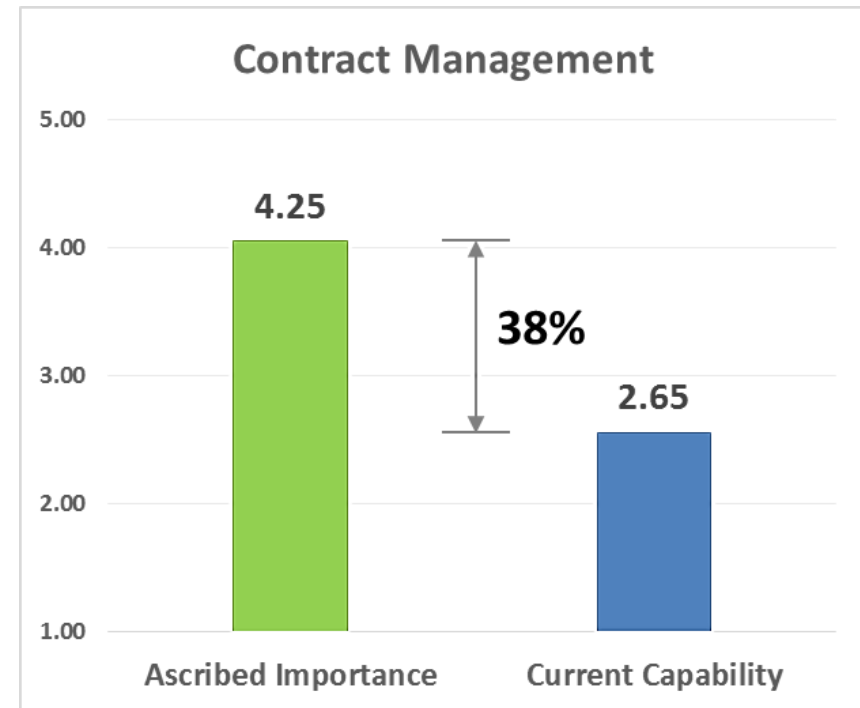
The survey showed significant gaps between the ascribed importance and current capabilities for all supplier governance disciplines.





CONTRACT MANAGEMENT

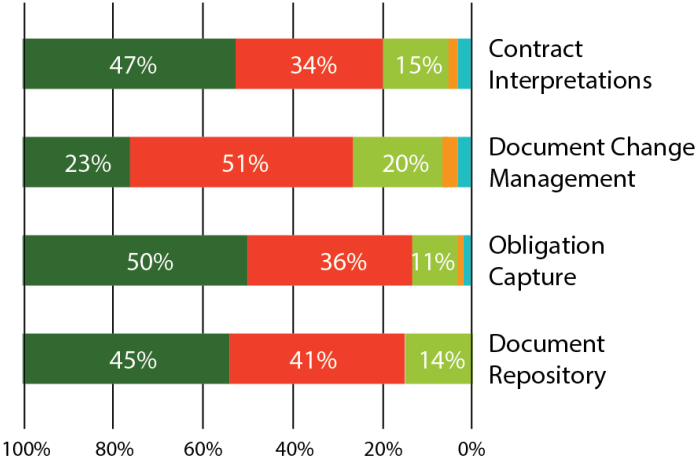
Create a granular view of 'what was supposed to happen' by managing contracts at the obligation level.



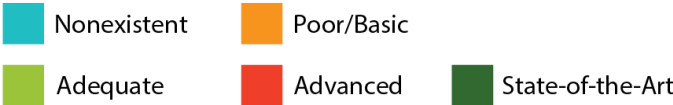
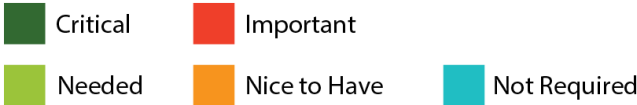
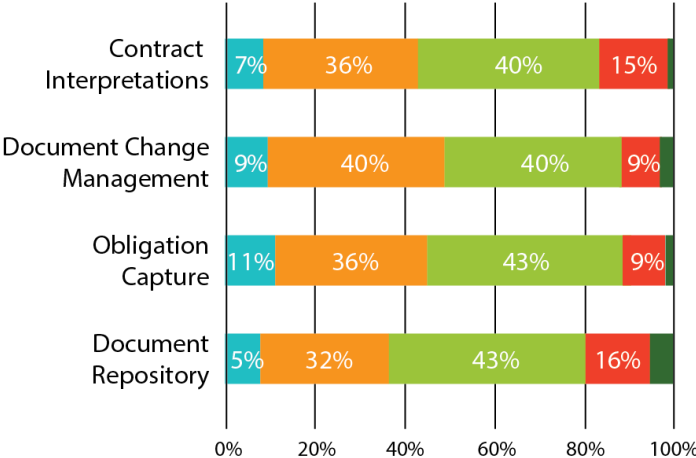
According to a report in the Journal of Contract Management, 71 percent of companies couldn't find at least 10 percent of their contracts.

- 86% of respondents consider Document Repository as Critical or Important, 37% rated current capabilities as Basic or Non-existent
- 86% of respondents consider Obligation Capture to be Critical or Important, 47% rated their existing capabilities as weak (Poor/Basic or Non-existent)
- 81% consider Contract Interpretation to be Critical or Important, 43% rated their current capabilities as Poor/Basic or Non-existent

Importance



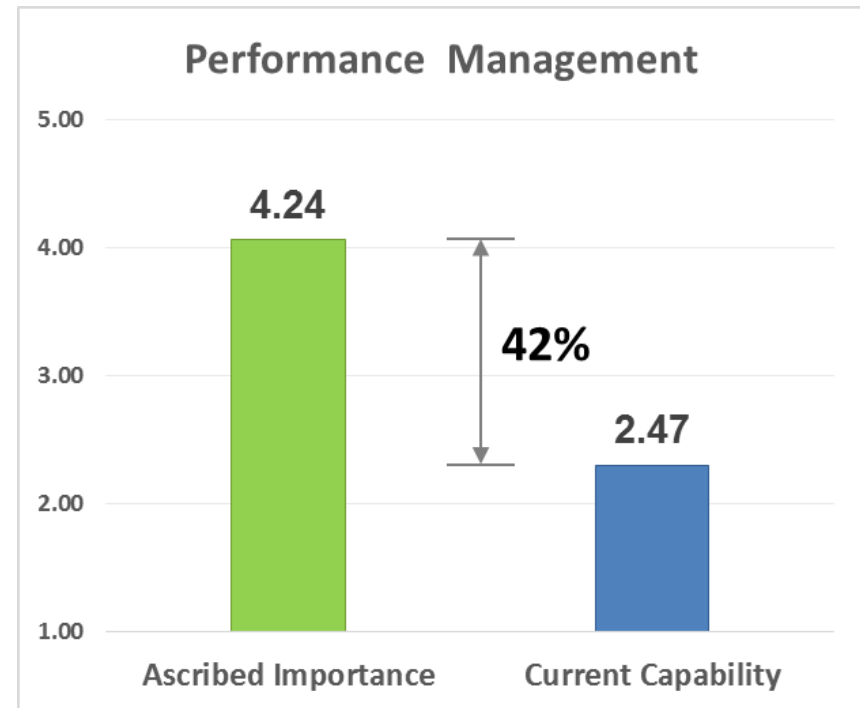
Capability





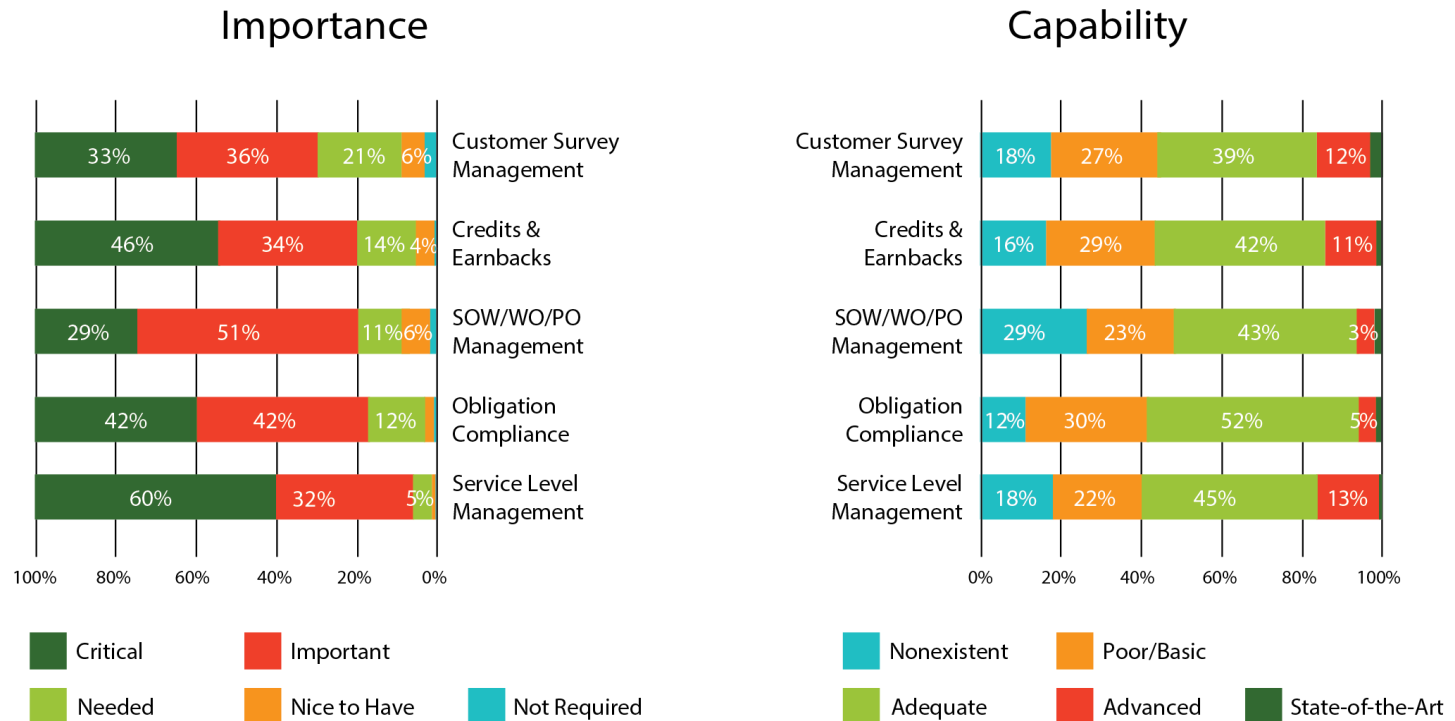
**PERFORMANCE
MANAGEMENT**

Track 'what actually happened' at granular level with auto-reconciliation of performance data against contractual obligations.



Industry research shows that 66% of suppliers believe they meet service levels more than 90 percent of the time, while only 40 percent of service consumers think that same service level is met.

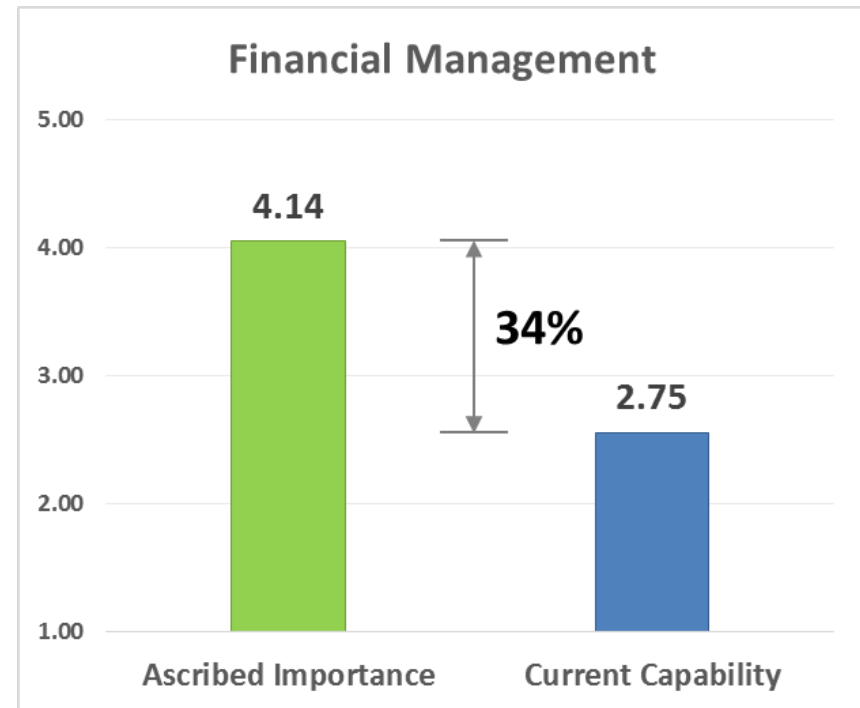
- 92% of respondents consider Service Level Management as Critical or Important, 40% reported current capabilities as weak (Poor/Basic or Non existent)
- 84% of respondents rated Obligation Compliance as Critical or Important, 42% reported their existing capabilities as Poor/Basic or Non existent
- 80% consider SOW/WO/PO Management to be Critical or Important, more than 50% rated their current capabilities as Poor/Basic or Non existent





**FINANCIAL
MANAGEMENT**

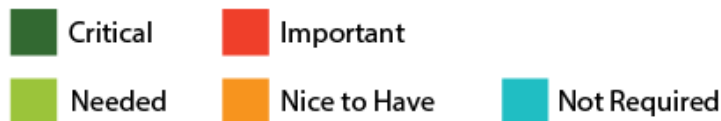
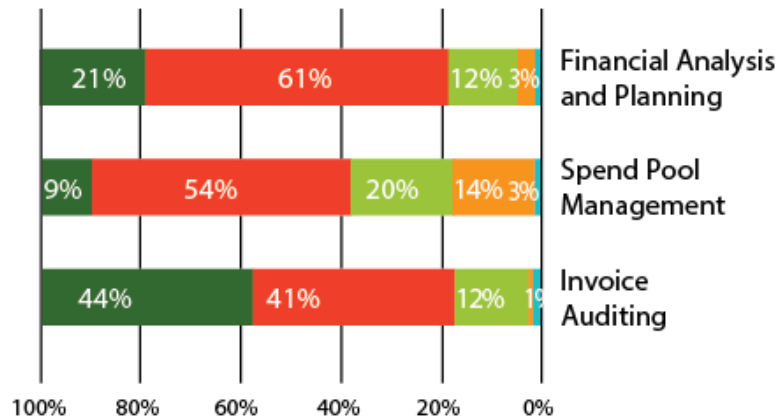
Combine ‘hard savings’ realized from automated invoice reconciliation with dynamic value assurance against the business case.



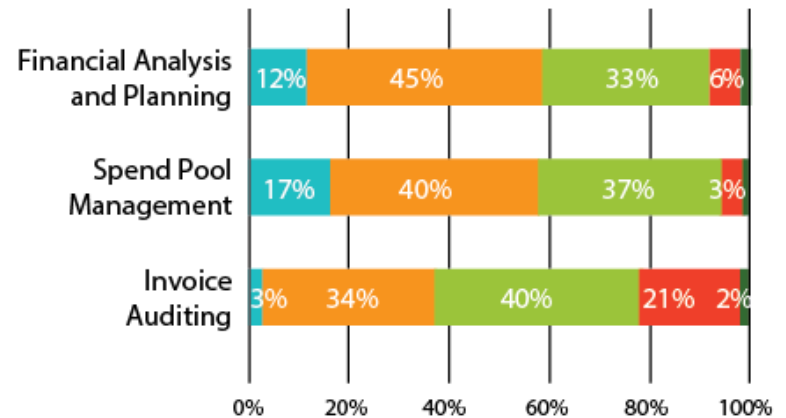
The 8-12% hard value leakage indicates that majority of the stakeholders are not aware of the financial leakage that happens in their contracts.

- 82% of respondents rated Financial Analysis and Planning as Critical or Important, 57% reported Poor or Non-existent capability
- 85% respondents consider Invoice Auditing as Critical or Important, 37% rated current capabilities as Poor/Basic or Non-existent

Importance



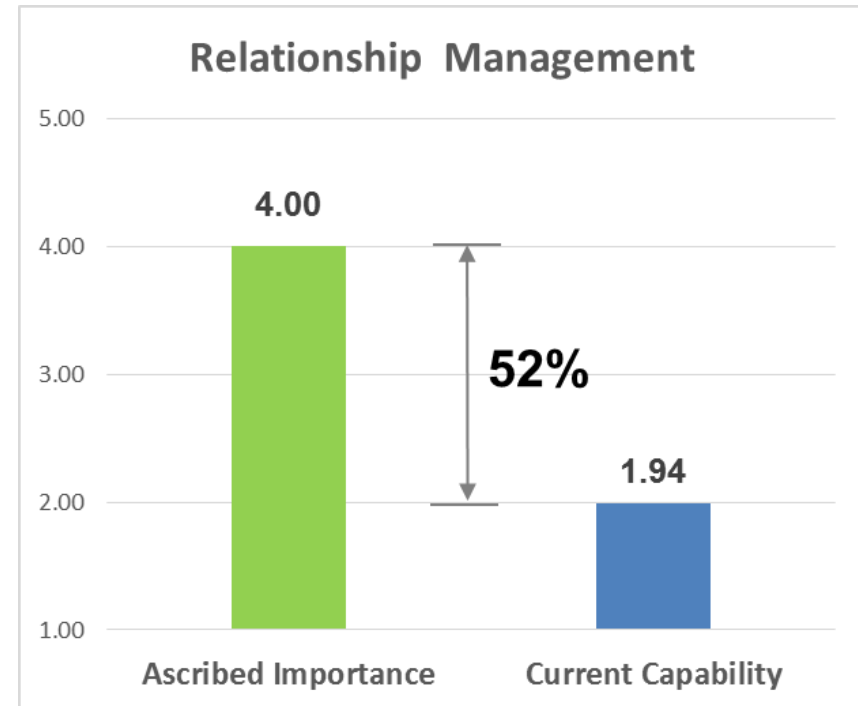
Capability





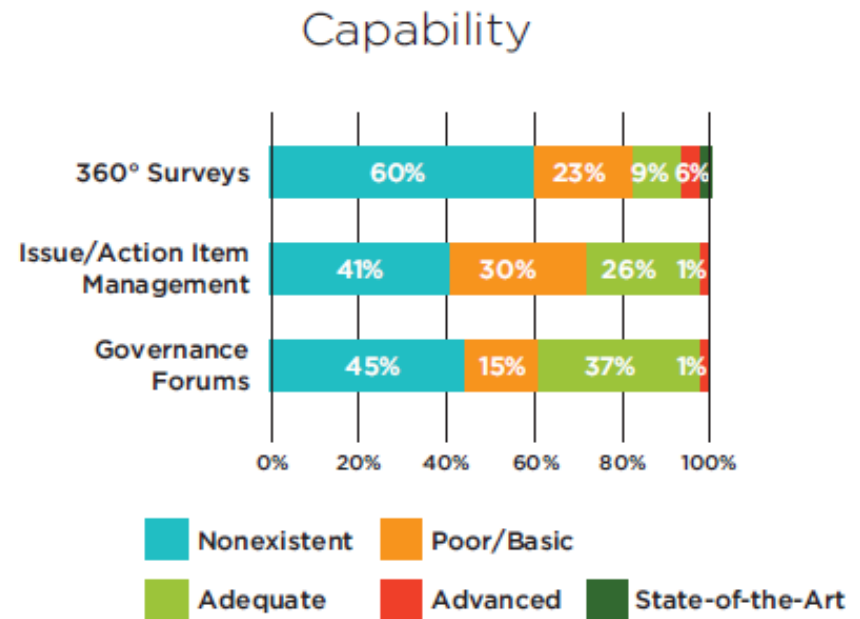
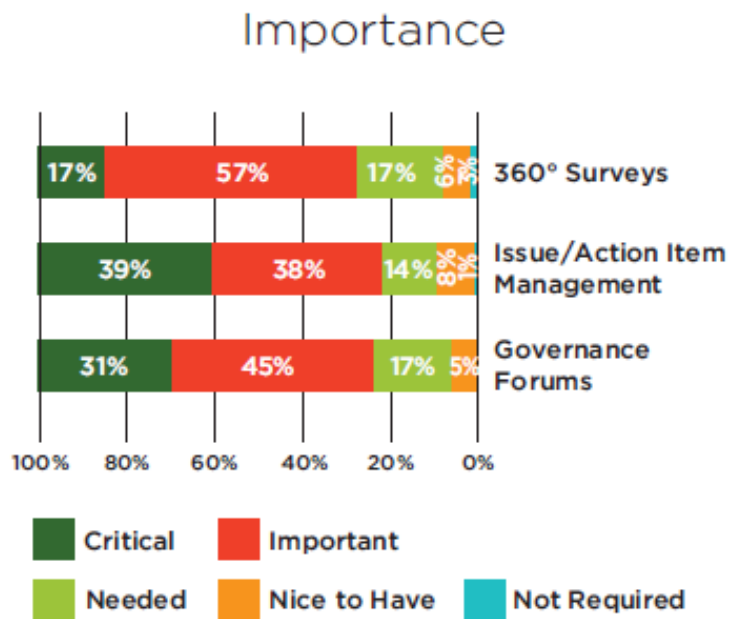
RELATIONSHIP MANAGEMENT

Align supplier and governance organizations on an intuitive interface to manage and track all key relationship activities, processes and metrics.



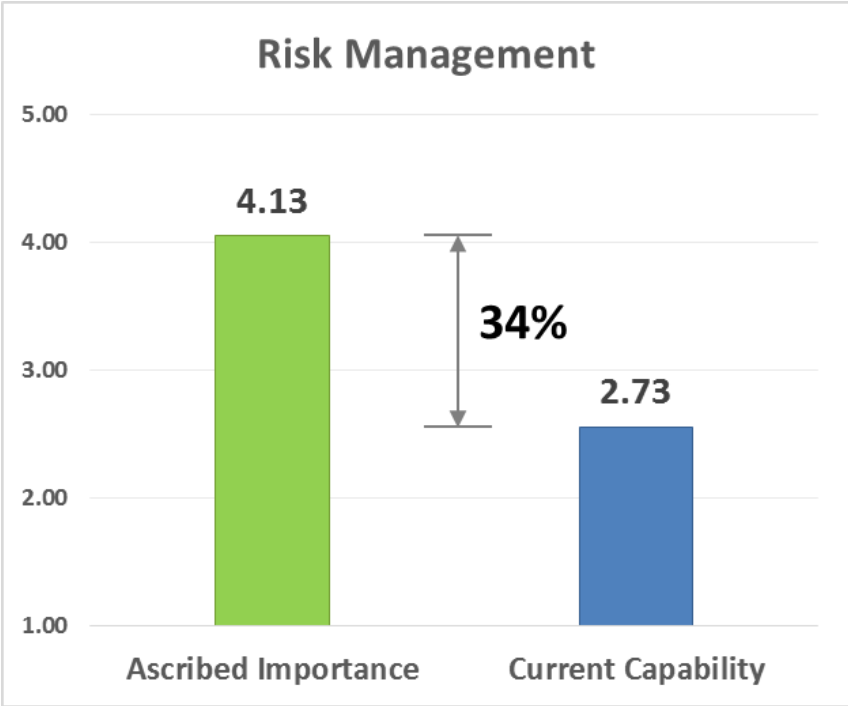
According to a PwC study, only 13% companies reported an established SRM program, while the rest have SRM programs in the exploratory stage or none at all.

- 77% of respondents rated Issue and Action Item Management as Critical or Important, 71% rated their current capability as less than Adequate
- 74% of respondents rated 360° Surveys as Critical or Important, 83% rated their current capability as less than Adequate





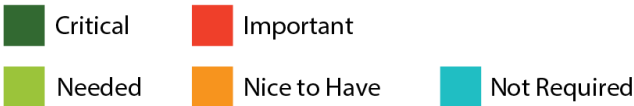
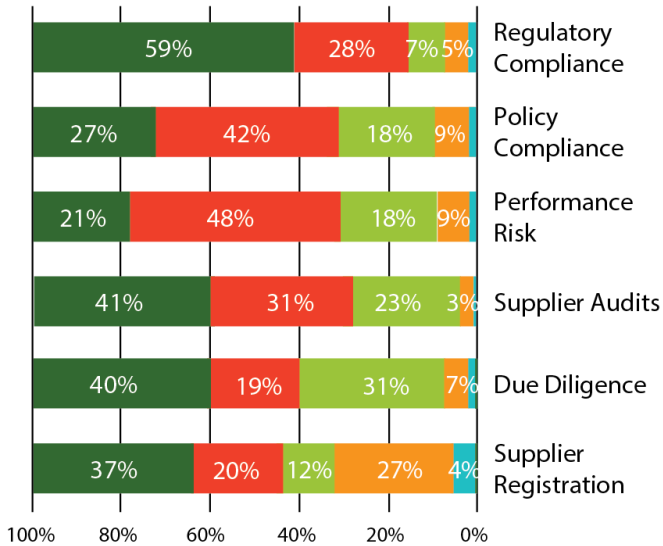
Predict and control key supplier risks arising from contractual, performance and regulatory compliance on a unified scorecard.



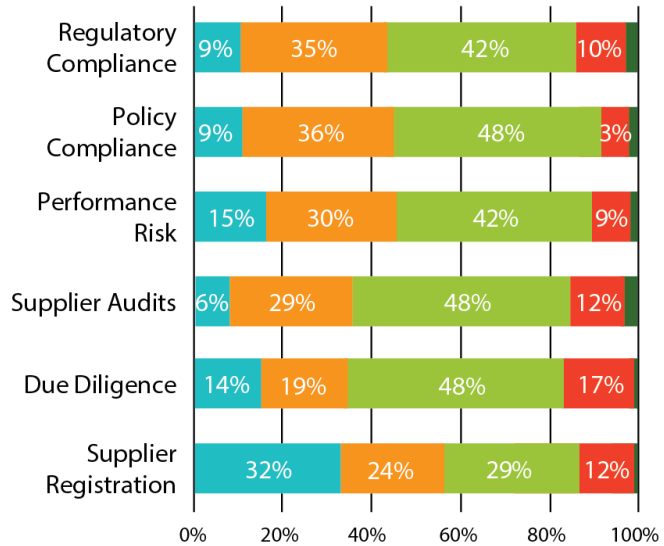
As per IACCM research, the traditional “risk avoidance” approach to contracting is being increasingly questioned and the focus is shifting away from avoiding potentially risky relationships to managing those relationships closely to ensure the full benefit of the contract is recognized.

- 87% of respondents consider Regulatory Compliance as Critical or Important, 44% reported less than Adequate current capability
- Respondents reported higher capability maturity in Due Diligence and Supplier audits than in the ability to manage Policy and Regulatory Compliance

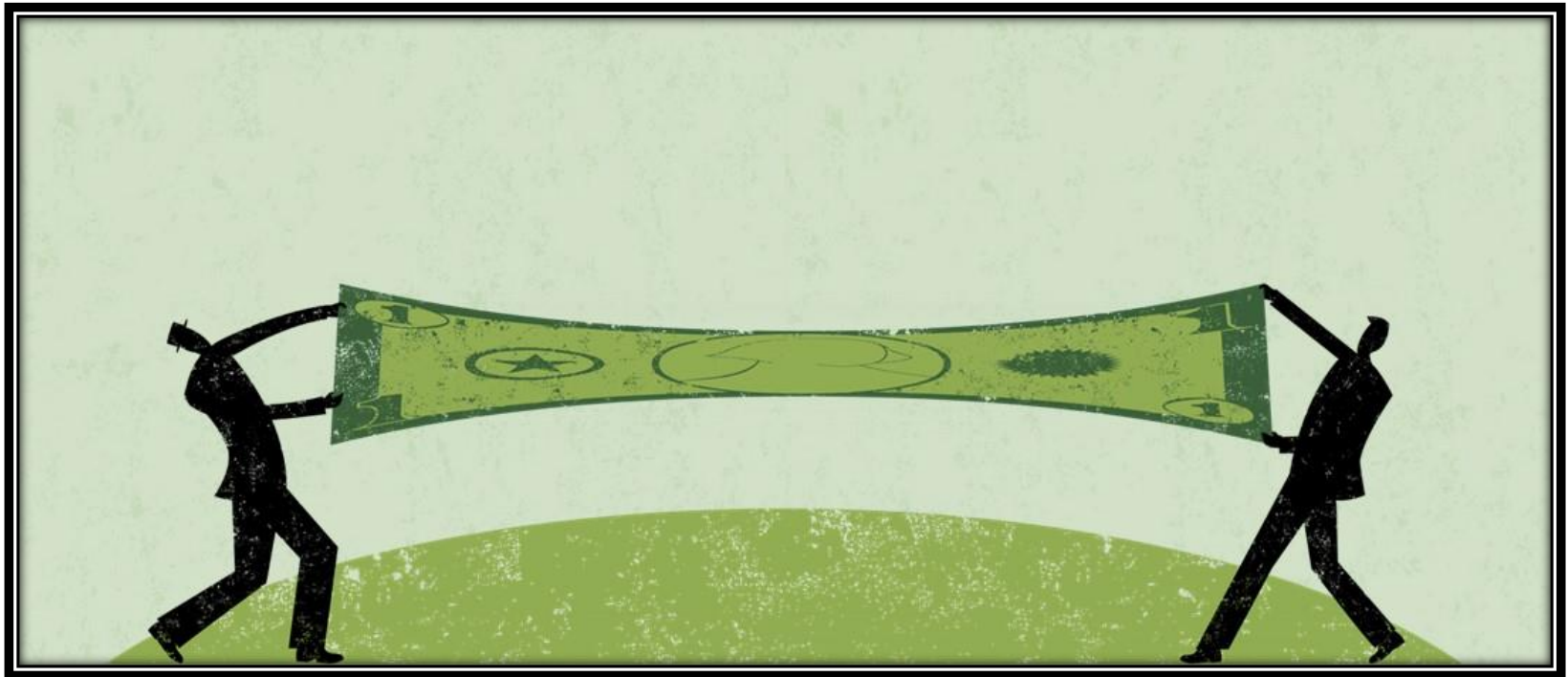
Importance



Capability



Brute-force attempts at achieving contractual cost savings from suppliers backfire and a balanced approach yields better overall results in the long term.



It takes management of all elements of flight to keep a plane in the air. Effective supplier management is no different.



To address the problem, executives must move beyond an enforcement mindset to enable opportunities for value creation that yield benefits for all stakeholders involved in the value chain.



Supplier relationship management and performance management, within which the greatest capability gaps exist, need to be viewed from a partnership perspective.



Buyers and sellers need access to a common source of truth in near real time with regard to accountability for performance and value creation.



- Integration of all key supplier governance disciplines on a single platform
- Configurable workflows for all key processes to automate high-volume activities like performance and invoice validation
- Advanced analytics and predictive insights in client-supplier relationships
- Foster a mindset of balance for all aspects of supplier governance







Thank You!