

# Has your sourcing strategy delivered the benefits expected?



## Unlock the full potential of sourcing operations

Many organizations have implemented sourcing strategies, from shared-service center to outsourcing contracts, with the objective of improving business performance. Have these strategies delivered the benefits promised? Do the relationships work, as they were envisioned? Do they keep pace with the rate of changes within an organization and its business needs?

Most sourcing operations can benefit from a disciplined assessment of performance that will give the organization the information and tools it needs to maximize value ... a Sourcing Effectiveness Assessment (SEA).



Are benefits of sourcing strategies being realized?

Organizations today are struggling to understand the real business value they receive from their sourcing strategies. Many sourcing structures are not delivering the benefits originally expected nor are they working the way the client organization had expected.

What are some other symptoms of the need for a Sourcing Effectiveness Assessment?

- Limited visibility and/or transparency into the actual value derived from a sourcing relationship
- Outsourcing service provider or shared-service center has not delivered to competitive market standards
- Need to re-set delivery baselines and/or service levels
- Change in the business strategy or original rationale for the sourcing decision
- Contractual requirement with service provider(s) to execute mid-term 3rd party review/benchmarking clause
- Existing contract(s) with service provider(s) approaching the expiration date of the contract

Without a Sourcing Effectiveness Assessment your business may:

- Incur costs for services that are below market standards and/or contracted SLA levels
- Fail to realize expected value and planned savings
- Manage or procure services that do not align with current business, IT or other strategic business objectives
- Fail to comply with changing regulatory and compliance requirements
- Choose to re-compete or repatriate an outsourcing agreement unnecessarily

Are you experiencing several of these challenges in your present sourcing relationships? Do you have access to the information necessary to quantitatively assess the true value of the relationships?

PwC has tools and capabilities that can help organizations maximize the value of a sourcing operations.

## PwC can help ... the Sourcing Effectiveness Assessment

PwC offers comprehensive, independent and objective sourcing advisory services. Expert and experienced PwC advisors utilize a structured, disciplined methodology that will help you assess the health of your sourcing operations and relationships.

Through PwC's proprietary Sourcing Effectiveness Assessment, we can help you quickly understand the actual value you have obtained and how to maximize sourcing value in the future.

Our assessment will accomplish the following objectives:

- Determine whether sourcing operations are delivering expected value as outlined in the original business case or service provider contract
- Understand if there is opportunity to improve value from existing sourcing operations, taking into consideration business drivers, goals and objectives
- Implement an actionable plan to achieve maximum business value from existing sourcing operations

Once the assessment is complete, PwC can also help you implement the assessment recommendations and transition to the "new state" of sourcing operations. Once the transition is complete, PwC can help you monitor your performance and value realization on an on-going annual basis.

Questions the Sourcing Effectiveness Assessment will answer:

- 1 Is our spend level appropriate for what we need?
- 2 How should we measure performance? What metrics are appropriate and best-in-class?
- 3 How should we scope and organize the sourcing operations, such that we can monitor and benchmark value delivered by the different discrete segments?
- 4 What are our cost drivers of the sourcing operations? Which costs are increasing? Which costs are decreasing? Which costs are expected to be increasing and which should be decreasing?
- 5 What management techniques and methodologies should we use going forward so that we continue to optimize our sourcing operations?



## In summary ... the benefits to you

- Quantitative:
  - Cost reduction and/or value improvement ranging up to 35%
  - Identification of the root cause(s) of issues
  - Increased transparency and visibility into sourcing costs, service levels and other performance metrics
  - Fact-based analysis of actual benefits realized from the sourcing strategy (vs. anticipated/contracted)
- Qualitative:
  - Reduced overall levels of risk
  - A well-documented action plan to derive the full potential of the sourcing strategy
  - Improved quality and focus of service delivery
  - A summary of lessons learned to position the organization to derive more value from future sourcing initiatives
  - Improved client leverage and position with service provider(s)



## PwC Advisory Practice

PwC's Advisory Practice provides practical advice to senior executives on how to improve business performance. Using proven methodologies and our deep industry knowledge, we quickly identify those areas where performance can be improved.

For more information about our Sourcing Effectiveness Assessment offering please contact:

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