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How Procurement Functions Can Leverage Outsourcing



Connect with Gartner



Thomas Pocock

Sr Director, Advisory



Chris Jarvis

Executive Supply Chain Partner



How Procurement Functions Can Leverage Outsourcing



Connect with Gartner



Thomas Pocock

Senior Director, Procurement Advisory



Tom Pocock is a Senior Director Procurement Advisory in the Supply Chain Operations team. Mr Pocock brings over 15 years of experience in research and advisory roles to support Procurement leaders in elevating the role of procurement within the enterprise. As an expert in procurement strategy, organizational design, talent management, influence and process improvement, Tom takes a pragmatic approach in helping CPOs and their teams achieve success in their transformation journeys.



Procurement Increasingly Wears Many Hats



Accountant



Judge



Environmentalist



Entrepreneur



Security



Doctor



Mind Reader



Salesperson

Procurement Increasingly Wears Many Hats



Accountant



Judge



Environmentalist



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Mind Reader

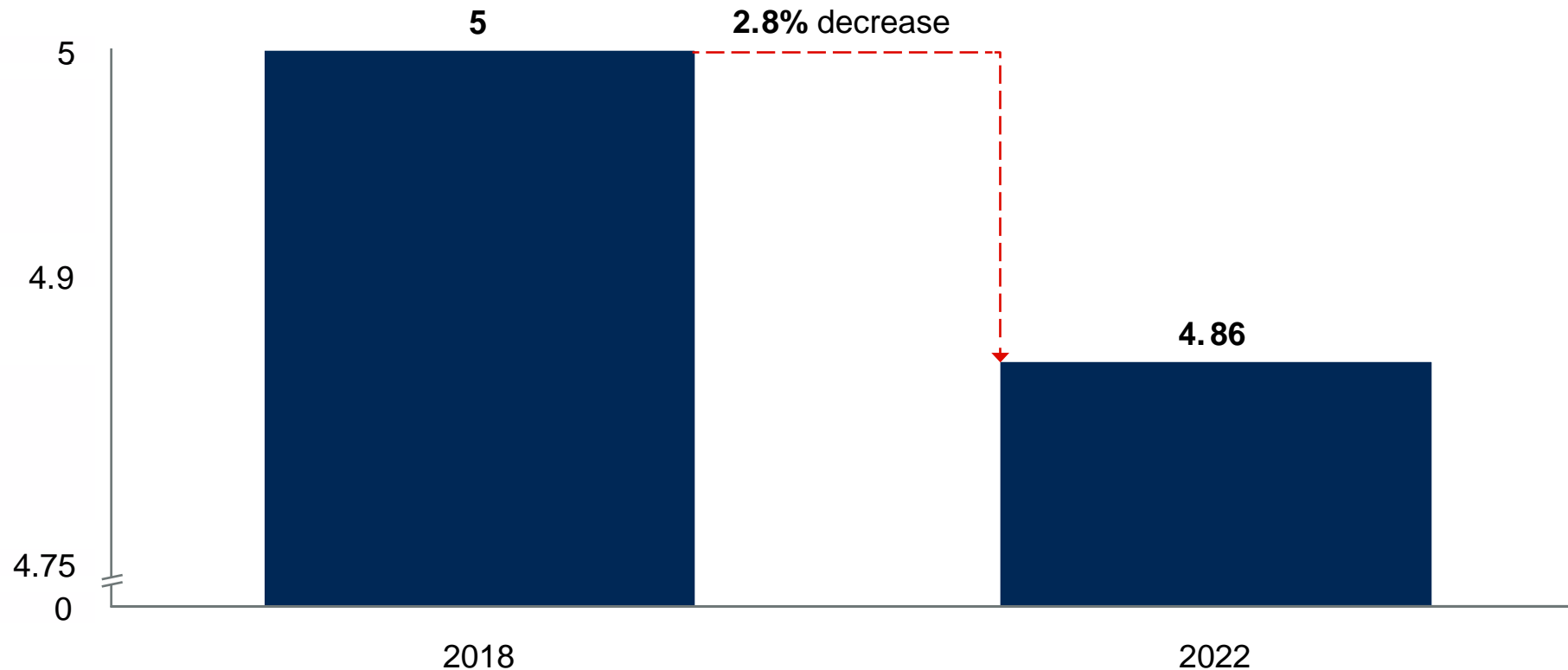


Salesperson

Magician

... But Has Fewer Staff to Wear Those Hats

■ Procurement staff per \$100M in managed spend



2018 n = 135, 2022 n = 194

Source: Gartner Procurement Budget & Efficiency Benchmark

Process
Improvement /
Elimination

Reevaluating
Thresholds for
Involvement

Automation / AI

Upskilling the
Team



We need to use all our levers ...

Process
Improvement /
Elimination

Reevaluating
Thresholds for
Involvement

Automation / AI

Upskilling the
Team

Business
Process
Outsourcing



We need to use all our levers ...

What We'll Cover Today



**The state
of Procurement
outsourcing**



**When it
makes sense**



**Panelist
Interview**

What We'll Cover Today



**The state
of Procurement
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Key Statistics

0.91%

Average % of
Procurement budget
spent on outsourcing

11.7%

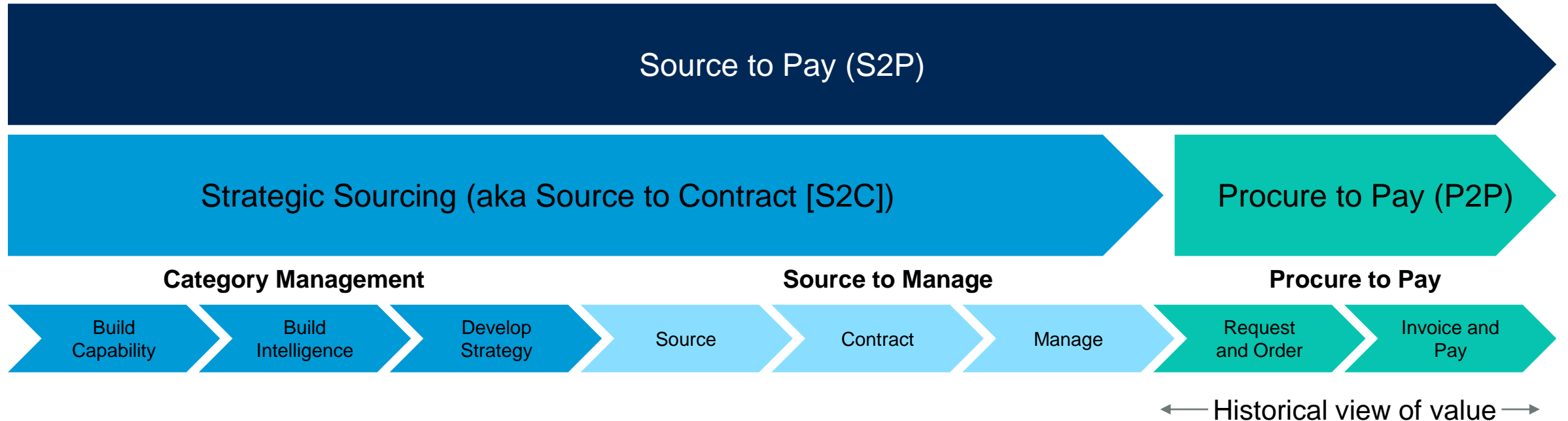
Predicted CAGR of
Procurement outsourcing
market from 2022 - 2028

Procurement Outsourcing Market Evolution

Past	Present	Future
<ul style="list-style-type: none"> Primary focus on execution of transactional activity 	<ul style="list-style-type: none"> Enhancing value provided by BPO activities – providing expertise rather than generic BPO 	<ul style="list-style-type: none"> Improving organizational capabilities and process simplification
<ul style="list-style-type: none"> Mitigating need for in-house FTE's as the primary decision driver 	<ul style="list-style-type: none"> Mix of objectives: savings, capability, labour arbitrage 	<ul style="list-style-type: none"> Focus on flexibility and agility
<ul style="list-style-type: none"> Dominated by traditional BPO players, multi-tower approach 	<ul style="list-style-type: none"> Niche players continue to emerge focusing on specific categories (e.g. CBRE for Facilities Management, AMEX for travel / events) 	



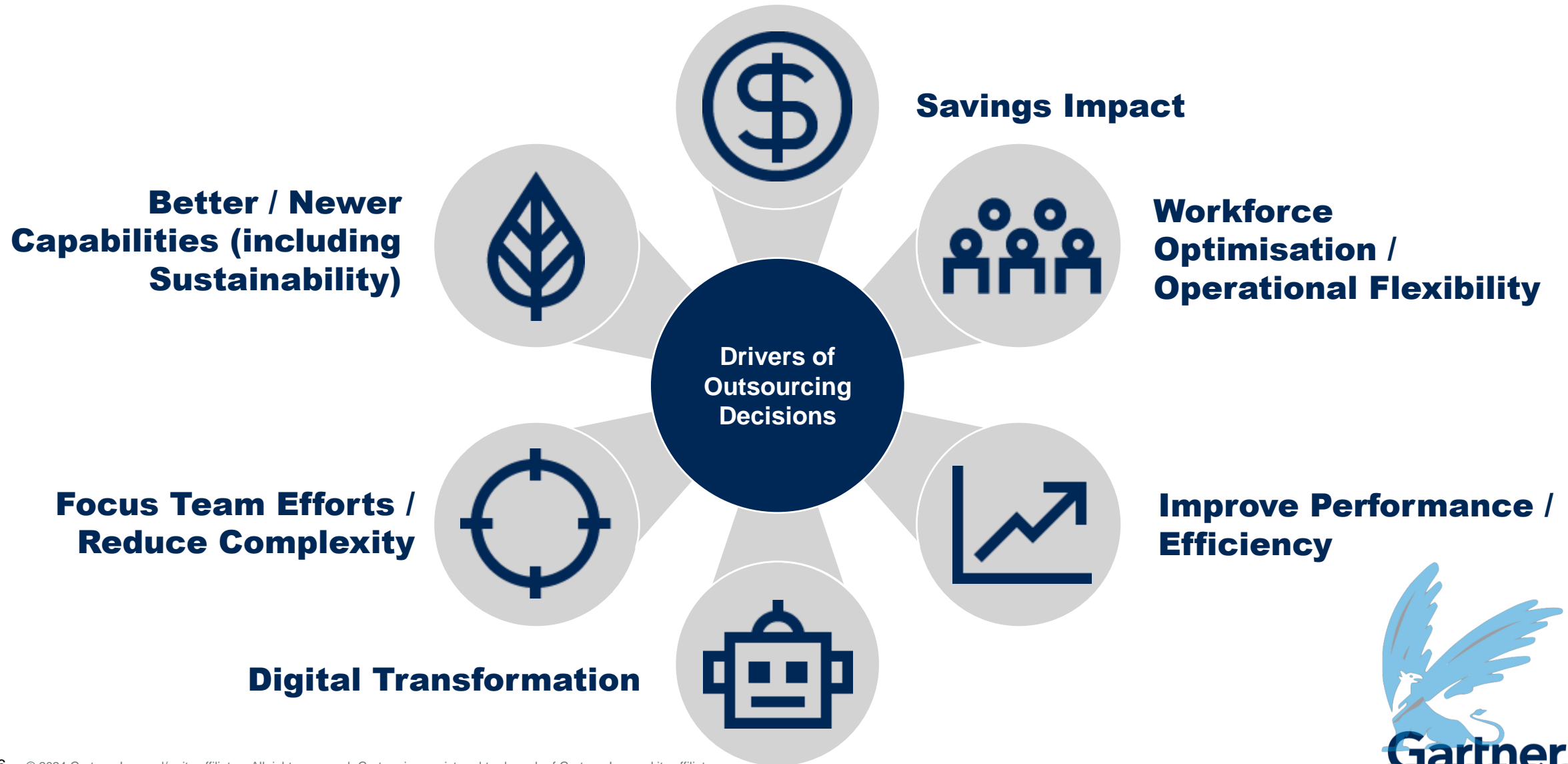
View of BPO Value



View of BPO Value



Typical Decision Drivers for Outsourcing



Typical Decision Drivers for Outsourcing



Typical Decision Drivers for Outsourcing



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**The state
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Interview**

View of BPO Value



Potential Advantages of Outsourcing

- Easy to expand / contract staffing levels as required, based on demand
- Improved productivity and efficiency through economies of scale
- Improved access to skills and expertise (including, but not limited to, market intelligence and category expertise)
- Operating cost reduction
- Ability to redeploy retained staff on projects of strategic importance
- Access to emerging and advanced technology without significant additional outlay
- Improved process performance and reporting transparency
- Faster implementation of best practices

Potential Disadvantages of Outsourcing

- Lower flexibility to adapt to internal customer requirements
- Lack of process knowledge – can be challenging to bring services back in-house due to skill atrophy
- Lack of (your) business expertise.
- Minimum-term contracts, meaning medium- to long-term commitment to the BPO.
- Internal staff and competencies required to manage and support outsourced provider.
- May overemphasize commercial levers.
- Without incentivization for process improvement, the BPO provider will focus on running the process as it's designed, as efficiently as possible — not on making improvements to the process.
- Risk of stalling process maturity improvement if the contract lacks contractual productivity gains.
- Loss of control over things such as supplier relationships in outsourced categories.
- Potential for cultural differences and challenges with the BPO provider.
- Intellectual property and data security concerns.
- Potential for conflict of interest if BPO provider is also a technology provider with access to details of competitors' bids.
- Need to manage reduction / redeployment of internal staff

Five Criteria to Determine if Outsourcing is Right For Your Function



Scope
Complexity



Degree of
Standardization



Process
Documentation



Business
Criticality



Capability
Advantages

What We'll Cover Today



**The state
of Procurement
outsourcing**

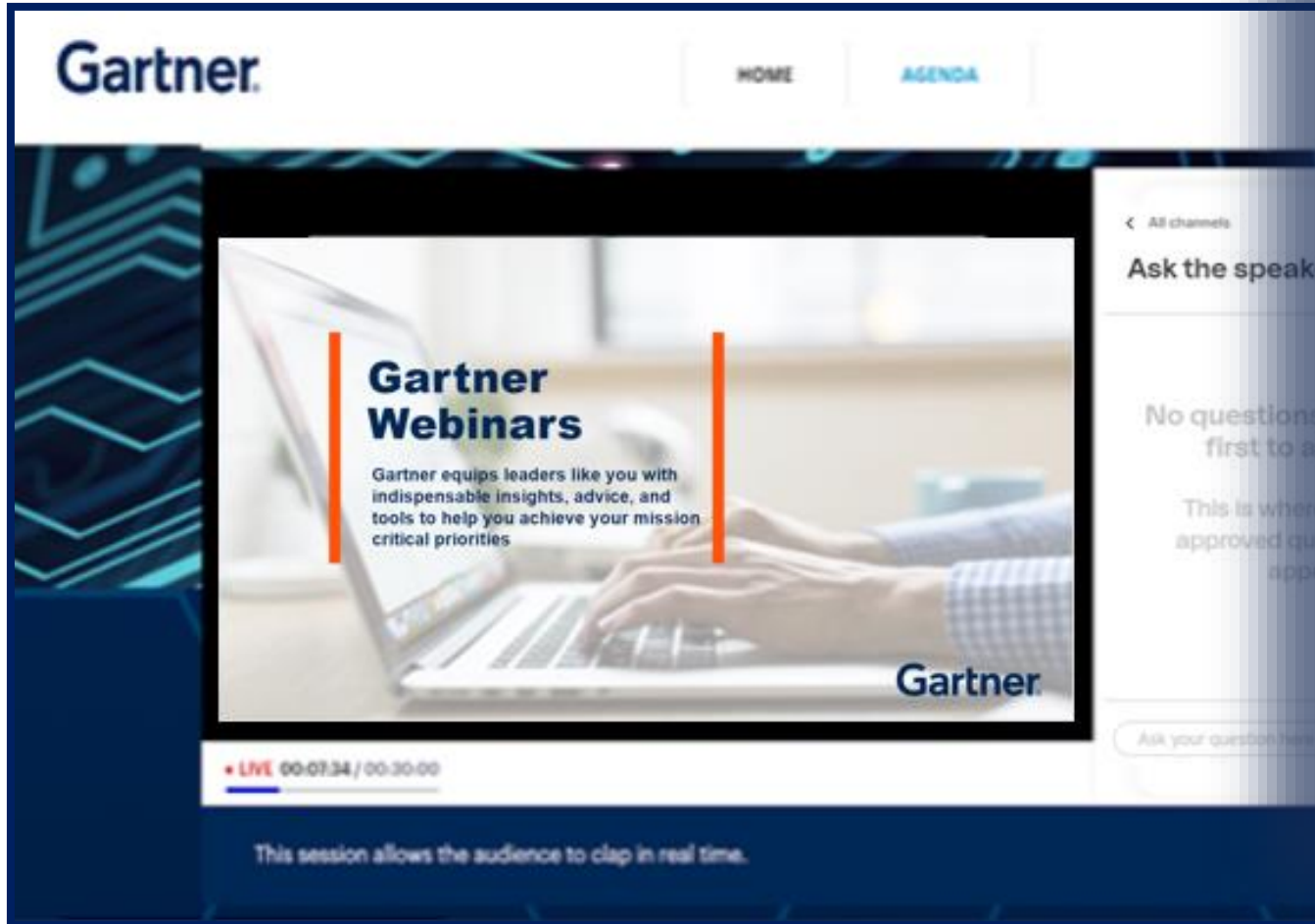


**When it
makes sense**

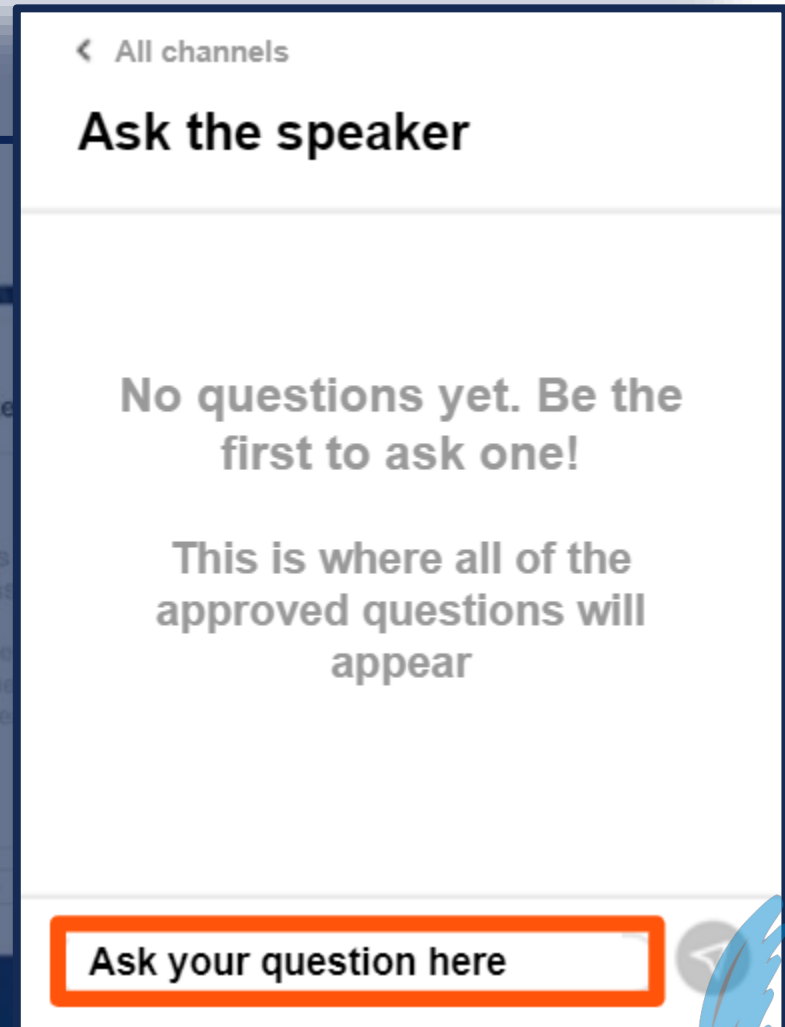


**Panelist
Interview**

Ask the speaker



The screenshot shows the Gartner website interface. At the top, the Gartner logo is on the left, and 'HOME' and 'AGENDA' links are on the right. Below the navigation bar, there's a large video player area. On the left side of the video player, there's a sidebar with the title 'Gartner Webinars' and a description: 'Gartner equips leaders like you with indispensable insights, advice, and tools to help you achieve your mission critical priorities'. Below this, there's a live timer showing 'LIVE 00:07:34 / 00:30:00'. At the bottom of the video player, it says 'This session allows the audience to clap in real time.' On the right side of the video player, there's a sidebar titled 'Ask the speaker' with a back arrow and the text 'All channels'. Below this, it says 'No questions yet. Be the first to ask one!' and 'This is where all of the approved questions will appear'. At the bottom of this sidebar, there's a button labeled 'Ask your question here'.



This is a close-up of the 'Ask the speaker' sidebar. It features a back arrow and the text 'All channels' at the top. Below this, the title 'Ask the speaker' is displayed. The main content area contains the text 'No questions yet. Be the first to ask one!' and 'This is where all of the approved questions will appear'. At the bottom, there is a button labeled 'Ask your question here' which is highlighted with an orange border.



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Gartner.

Key issues for CPOs in 2024:



Generative
AI



Change
Fatigue



Procurement
Transformation

Chief Procurement Officer Leadership Vision 2024

Learn the 3 strategic actions for success
this year.



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the eBook**



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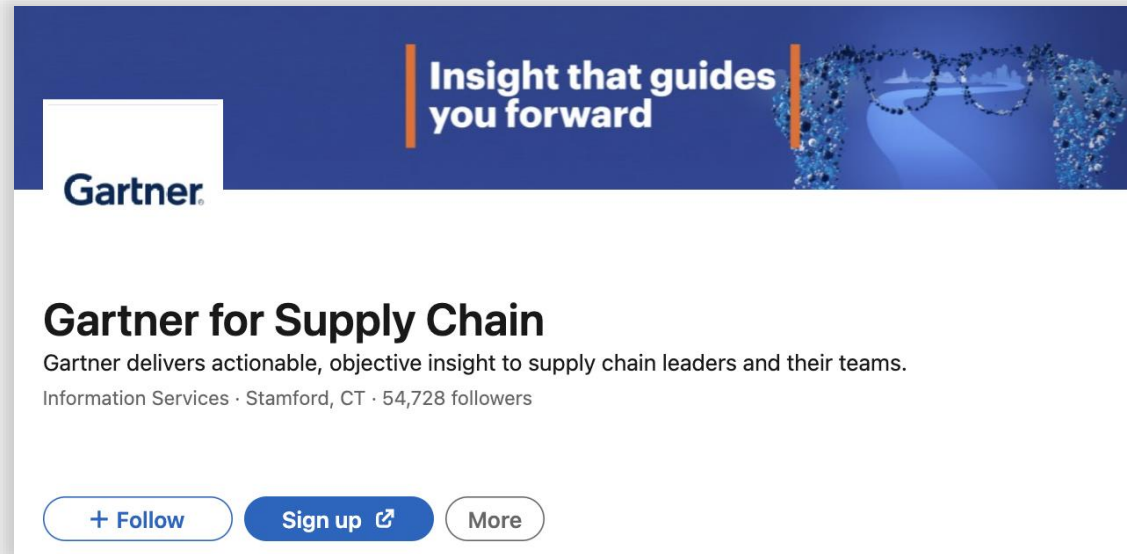
Submit your entry between September 2, 2024 and
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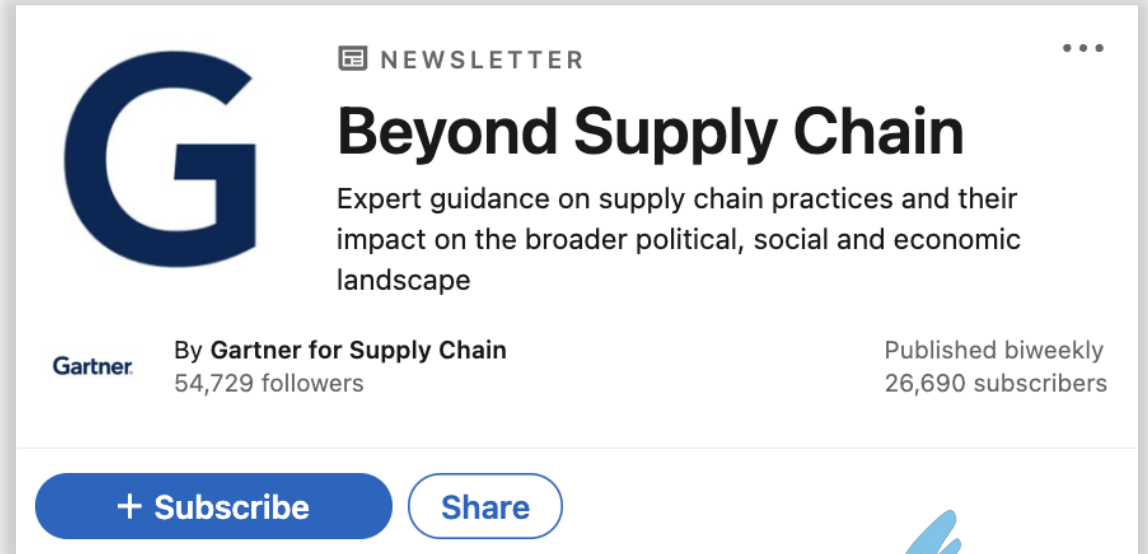
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This session allows the audience to clap in real time.

< All channels
Ask the speaker

No questions yet. Be the first to ask one!

This is where all of the approved questions will appear

➤

The Future of Cloud in 2027: From Technology to Business Innovation

As cloud computing evolves from technology enabler to business disruptor, IT leaders must ensure they understand their organization's business strategy. Only then can they seek opportunities to leverage new and emerging cloud capabilities to accelerate that strategy. This free webinar reveals Gartner's top predictions for where cloud computing will be by 2027, and explores how these predictions will shape your cloud value proposition.

- Explore what cloud computing will look like in 2027
- Discover how multi-cloud and cloud native can affect organizations' cloud efforts
- Ensure a successful cloud journey for your organization

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Speakers