Driving Increased Value from Your Services Spend Categories

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OPTIMIZING PROFESSIONAL SERVICES SPEND
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DISCUSSION POINTS

• Benchmarks
• Evolution in purchasing procurement
• The presence and growth of services spend
• Services category strategies and persistent challenges
• Deconstruct the work – labor/capability decisions
• Opportunity driven by technology-enabled insight
• The potential for AI
## The 2018 Procurement Benchmarks

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spend under management</td>
<td>62.1%</td>
</tr>
<tr>
<td>Savings 2017 (Actual)</td>
<td>6.2%</td>
</tr>
<tr>
<td>Savings 2018 (Target)</td>
<td>6.0%</td>
</tr>
<tr>
<td>Addressable spend that is sourced</td>
<td>46.9%</td>
</tr>
<tr>
<td>Spend that is contract compliant</td>
<td>59.3%</td>
</tr>
<tr>
<td>Transactions that are contract compliant</td>
<td>68.0%</td>
</tr>
<tr>
<td>Contracts stored in a central, searchable repository</td>
<td>65.5%</td>
</tr>
<tr>
<td>Enabled suppliers</td>
<td>32.4%</td>
</tr>
</tbody>
</table>

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Perceptions of Procurement Function and Value

- 51% predict procurement will evolve into an agile group of strategic advisors to the business
- 49% of time is spent on tactical tasks – 42% of workload could be enabled by AI

* From Procurious Procurement 2030 report
What is procurement’s greatest weakness?

Procurement is being held back by a narrow focus on cost savings and a lack of influence.

- Lack of focus beyond cost savings: 29%
- Lack of influence: 22%
- Lack of mandate from leadership: 12%
- Inability to drive supplier-led innovation: 12%
- Goals & targets unaligned with organisation: 11%
- Talent and skill development: 6%
- Lack of funding to achieve goals: 3%
- Other: 5%

* From Procurious Procurement 2030 report
Obstacle #1

Challenges:
- C
  - Only 38% of organizations have visibility into the spending of their contingent labor services including SOW

Actions:
- A
  - 42% Invest in VMS

Obstacle #2

Challenges:
- C
  - Only 38% of organizations have adapted a programmatic approach to managing SOW-based services

Actions:
- A
  - 50% Consistently track against regulatory requirements

Obstacle #3

Challenges:
- C
  - Only 28% of organizations are able to measure the outcome of their SOW-based projects and services

Actions:
- A
  - 40% Track spending thresholds in real-time

Obstacle #4

Challenges:
- C
  - Only 28% of organizations have collaborative sharing of information on their SOW-based labor

Actions:
- A
  - 58% Manage master agreements for services and suppliers

Goals Achieved

- 15% Cost savings
- 10% Greater efficiency
- Over 70% of projects meet pre-defined goals
- 8% Improvement in efficiency

Source: Aberdeen Group/IQN
Services Procurement Program Maturity

Source: Spend Matters
Services Procurement Challenges

- Confusing, complex, and inefficient processes
- Complexity of multiple technologies
- Ineffective Supply Chain Management
- Big data - Little Value
- Ability to effectively manage spend due to lack of standards and categorization
- Internal procurement resources consumed in tactical work
- Lack of procurement resources
- Misaligned business objectives
Opportunity

- Only 35% of total services spend considered “managed”.
- Excluding contingent labor/MSP, only 3% of spend is “managed”!
- ERP spend data (source) contains significant amount of misclassification

*Not indicative of relative size of spend*
The Opportunity within Misclassification

Defined outcomes and schedules?

Control of work(ers)?

Contingent Worker

Transfer of Risk?

Output-based?
Please utilize the provided sample SOW
Recommended suppliers

KPMG
accenture
Grant Thornton
Cognizant

Historical performance

Vertical Bar Chart
Grouped Vertical Bar Chart
Stacked Vertical Bar Chart
How much detail are you getting out of your services spend capture?

- Aggregate spend/supplier level data
- Supplier capability and quality
- Resource level productivity
- What is really in your SOWs?
Artificial Intelligence Is No Longer Artificial.

AI IS REAL.

It’s a reality business leaders, workforce strategists, and talent decision makers can no longer afford to ignore.

The State of AI: Accelerating innovation

AI’s Impact on Jobs: Displacing old jobs, creating new ones

AI’s Impact on Procurement: Reshaping how companies compete for talent and get work done
PRACTICAL UTILIZATION

**VISIBILITY**
- READ SOWs
  - Structure Data
  - Improve VMS structured data
  - Compare to VMS
  - Audit
  - Standardize and categorize SOW data

**ANALYZE SOW DATA**
- Read MSAs and match SOWs
- Compare to AP data
- Identify cost savings opportunities
- Categorize and analyze contract clauses

**INSIGHT**
- PREDICT RESOURCE COST
  - Predict roles needed for a delivered work product
  - Confidence scores for the roles required
  - Estimate resources needed for work product

**PREDICTION**
- PREDICT PROJECT COST
  - Estimate effort for work product
  - Recommend approach for type of SOW (milestone, fixed price, time and materials)
  - Estimate cost for work effort up to one year
IN OTHER WORDS...

GOING FROM

THIS
TO THIS
MORE INFORMED BUYING DECISIONS

Options

Savings

VALUE

Efficiency

Reduced Risk

Quality

Supplier Data

SOW Details

Spend and Financial Data

MORE INFORMED BUYING DECISIONS
Session information and evaluation how-to’s

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- By signing and submitting your evaluation, you are automatically entered into a prize drawing

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2. Select **Day**
3. Select **Session**
4. Click on **Clipboard Icon**
5. **Complete and submit evaluation**

This was **Lab D**

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