Unlocking cost optimization potential in professional services spend

Unlock significant value in professional services spend through a commercially proactive approach

We always find cost optimization potential in professional services

- **Professional services** represent a large, yet not enough managed, **spend area in most organizations**
- Strategies and contracts are often treated as final – while **market and priorities keep moving**
- When this shifts, **old agreements no longer deliver full value**
- The result – **significant**, often hidden, **savings potentials** awaiting to be unlocked
- If you haven't performed any significant exercises in this field during the last 18 months, you are likely to find significant opportunities

Organizations buying professional services aim to:

- **Create operational flexibility**
- **Increase transformational capabilities**
- **Optimize costs and mitigate risks**
- **Secure access to specialist skills and knowledge**

But to achieve this, you need to be commercially proactive as priorities and markets change

- **Stay on top of the organization's needs as well as the supply markets' capabilities and offerings**
- **Continuously optimize your external workforce, and monitor cost & performance**
- **Maintain commercial control when focus and demand change over time**
- **Develop, maintain and evolve the right types of relationships**

If you don't have the focus and capabilities to be commercially proactive, you are leaving money on the table

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Is your organization commercially proactive in the professional services spend categories?

"We are completely reactive"

- We have **no or limited transparency** into our spend or contracts
- We have **no or limited benefits of scale** in dealing with vendors
- **Business managers spend a lot of time** procuring resources and dealing with suppliers
- Handling of invoices from these vendors drives a lot of **manual work and frustration** in our organization
- There **is no or limited consistency in onboarding and offboarding of external resources**

"The tail is shaking the dog"

- There are **frequent surprises, firefighting and cost overruns**
- We have **processes and tools in place, but the business organizations resent them**
- Our **lead times for sourcing and procurement are long** and seen as bottlenecks by our business
- **Onboarding takes days or even weeks** for external consultants
- Managers seem to spend **a lot of time trying to circumvent** our processes

"It is part of our competitive advantage"

- We have **high precision in budgets and forecasts**
- **Continuous cost optimization of run costs** helps us fund new development initiatives
- Service performance and internal customer **satisfaction is great, and improving continuously**
- Our external vendors brings consistent value add in terms of **innovations and productivity improvements**
- We have **detailed and accurate data** to support all the above statements

Regardless of your maturity as a buyer, there is significant potentials for cost optimization when procuring professional services

17%

savings on professional services…

…is the average of savings delivered in PIR’s last cost optimization initiatives within the Professional Services spend categories

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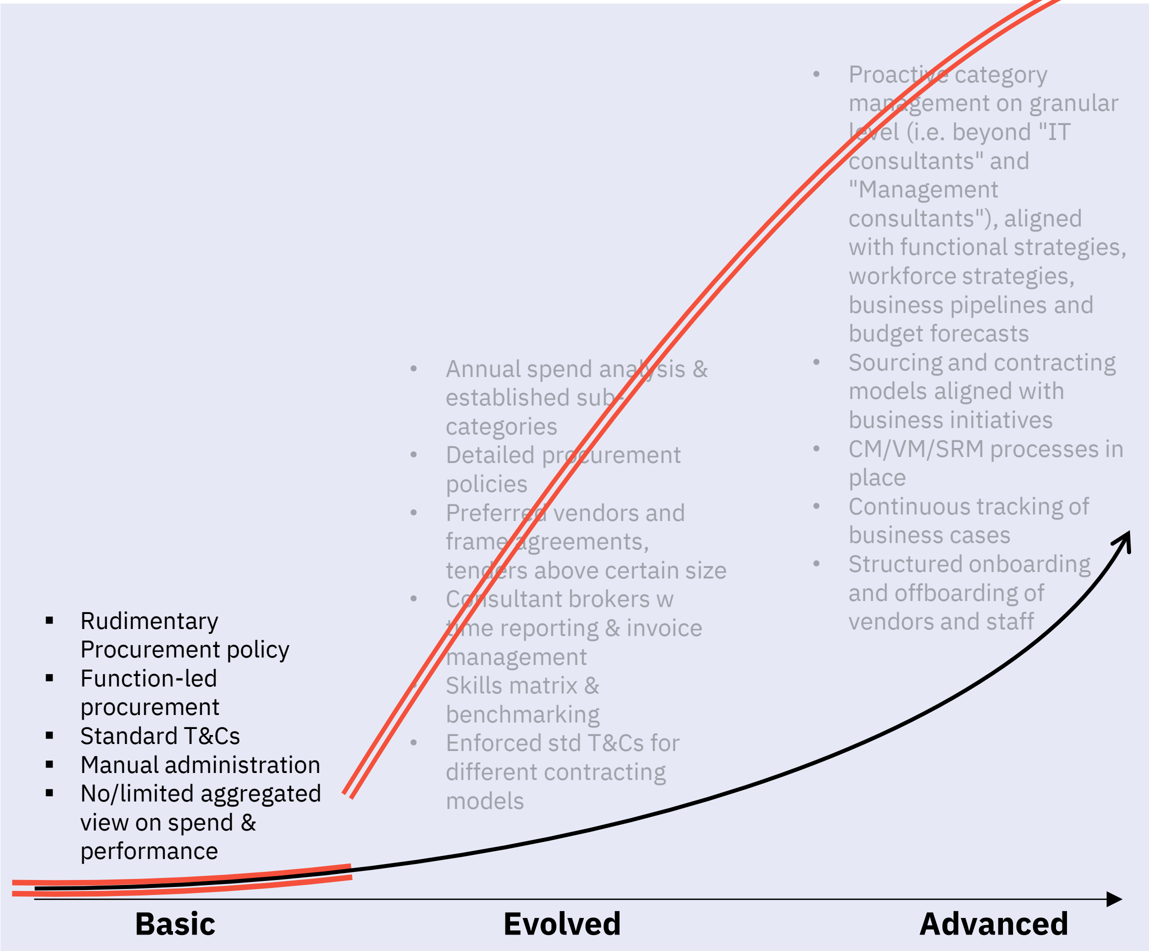
There is normally significant cost improvement potential in immature organizations, with a savings potential on professional services up to 25 %

Organizational maturity in Professional Services Procurement



Typical issues found in "Basic" organizations

- **Lack of transparency** into costs and commercial commitments
- Low or **no benefits of scale**
- **Low compliance** to negotiated deals
- **Contracts poorly aligned** with business needs
- **Supply risks**
- **CSR & reputational risks**
- **Security risks**
- High degree of **manual administration**

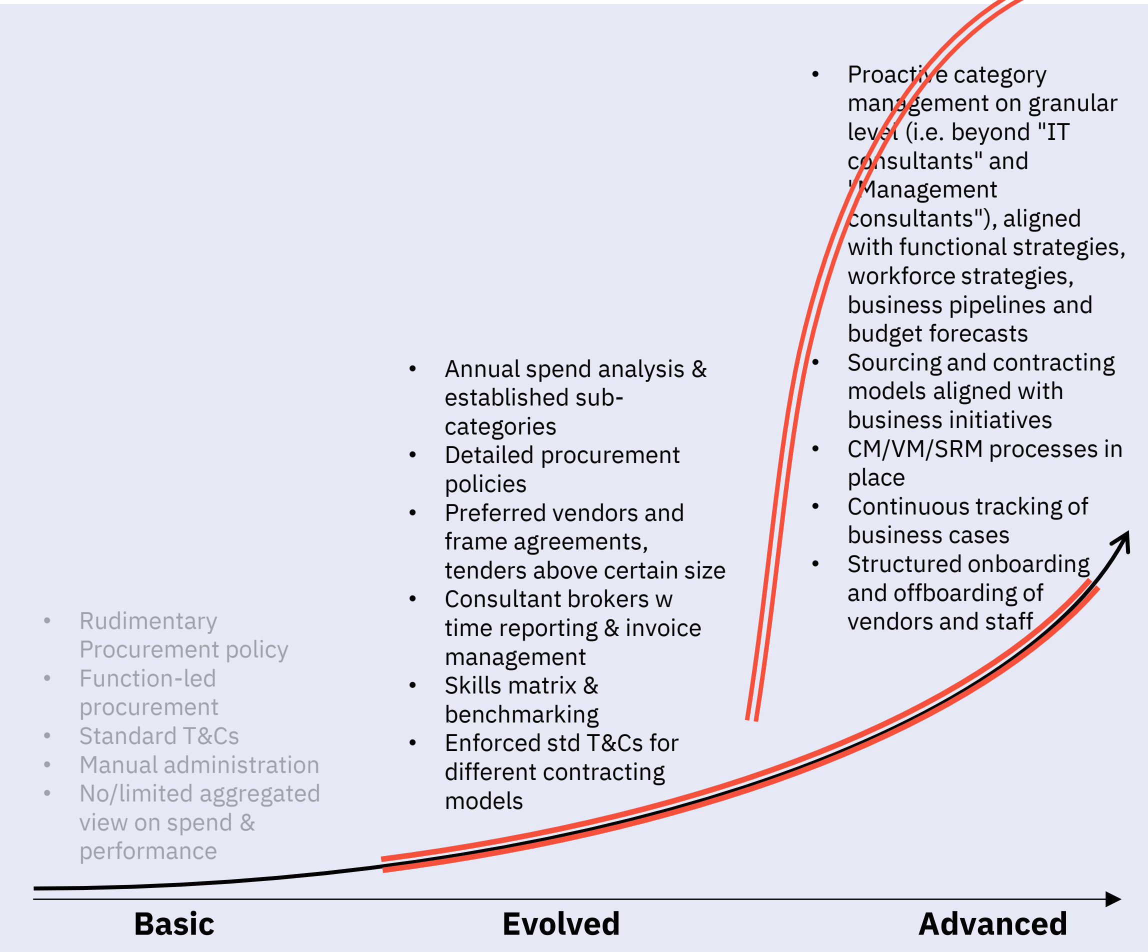
Typical cost optimization levers

Demand management	Digital tools & process support	Consolidation & benefits of scale	Competetive bidding	Improved T&Cs

Typical savings potential 15-25%

However, we find large improvement potentials also within mature organizations with elaborate processes and tools in place

Organizational maturity in Professional Services Procurement



Typical issues found in ”Evolved” and “Advanced” organizations

- Uniform "one size fits all” **processes & contracts poorly aligned with business needs -** focus on **process control rather than business outcomes**
- **Business models & contracts not aligned** with intended business outcomes - e.g. negotiations focused on rates rather than TCO, limited risk transfer
- **Business deals evolving over time**, beyond commercial control & initial intent
- **Reactive or lack of management of delivery performance & relationships**
- **ROI not tracked** on development or transformation initiatives
- **Business owners spending a lot of time** trying to work around the corporate policies
- **Poor onboarding** leading to inefficiencies and misaligned expectations

Typical cost optimization levers

Control of cost, quality & delivery	Business & delivery models	Targeted sourcing & contracts	Contract management	Supplier relationship management

Typical savings potential 10-20%

The PIR approach for optimization of professional services spend enables rapid, sustainable business outcomes

1. Spend analysis
(2 – 6 weeks)

2. Opportunity assessment
(4 – 8 weeks)

3. Execution
(2 – 18 months)

Decision point

Decision point

1.1 Analysis of spend and contracts

1.2 Understand workforce strategy and business agenda

1.3 Assessment of current capabilities

2.1 Stakeholder engagement

2.2 Category deep dives

2.3 Execution planning

Renegotiations
- Initiative 1
- Initiative *n*

Tenders
- Initiative 1
- Initiative *n*

Tools, org and governance
- Initiative 1
- Initiative *n*

Program management & Value tracking

Comments

1. The **Spend analysis** phase provides a foundation in terms of business context and workforce strategy, as well as single source of truth for 3rd party spend analytics, serving as baseline for opportunity identification and benefit calculations
2. The **Opportunity assessment** phase provides validated and anchored cost optimization initiatives with individual benefit cases as well as an execution wave plan (including targeted value ramp-up curve and set resourcing for the execution phase)
3. The **Execution** phase realizes the identified potentials, can consist of several different types of initiatives. Typical is a combination of speed sourcing, strategic sourcing and more complex projects targeting e.g. tools implementations, process optimization, demand harmonization and changes to organizations and governance

PIR can support you in a delivering a range of cost optimization initiatives during execution, depending on the opportunity assessment outcome

Negotiation levers

Procurement Value Generation

Speed sourcing	Quick realization of savings and other improvements through fact-based renegotiations on existing contracts
Strategic sourcing	Running one or more RFx:s/Tenders to establish new contracts with better value for money
Contract management	Contract management to secure and manage critical initiatives
Supplier 360 initiatives	Engaging in tighter dialogue and collaboration with top supplier to find common opportunities to drastically reduce cost and/or generate additional value
Digitalization and process optimization	Improving the end-to-end process from demand to post-delivery support to improve business support, increase transparency and lower the Total Cost of Ownership (TCO)

Unlock double-digit savings and transform your professional services portfolio into a true competitive advantage with PIR

We bring deep expertise in Professional Services

- PIR has during recent client engagements addressed challenges within the professional service category successfully:
  - Renegotiation with existing suppliers resulting in **6,5% quick win savings** and **24% in long-term savings**
  - Established governance for the professional services procurement resulted in a **20% reduced cost on total spend**

We are purchasing specialists – it is in our DNA

- **Purchasing is our core** expertise, and we have 20+ years experience of procurement and cost optimization
- We have successfully supported clients **in across an array of industries** with sourcing projects focused on **cost optimization, transformation** and **mission critical investments**
- All our senior consultants have **experience of professional services procurement** – from driving change to designing, implementing, and running processes and digitalization

We deliver with you, not to you

- **Strong belief in integrated teams** & the ability to realize results in co-operation
- Lean team of **experienced consultants** that works actively with and within your organization…
- …ensuring actual and lasting **solutions, tailored to your organization's unique needs** and **seamlessly integrated into operations**

We measure our success by your results

- We **always work towards joint targets & objectives** and don't consider a report a result
- We ensure that our **recommendations are not only implemented but also embraced by your people** for long lasting impact
- We **roll-up our sleeves and deliver tangible results**, sharing responsibility for results and adapting to your evolving needs throughout the journey

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