P&C GLOBAL

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Focus:

Outsourcing Focuses Tech Company on Its Core

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Summary

A technology company that had experienced massive revenue and share loss in the previous 3 years sought P&C Global's help implementing a transformation program with a stringent sourcing strategy. P&C Global evaluated outsourcing options for business processes and IT and made recommendations that achieved $85 million in annual cost savings for the company.

At a Glance

$85M
Annual Cost Savings IT Outsourcing

$23M
Annual Cost Savings
Business Process Outsourcing

75x
Return on P&C Global's Fees

9
Months Project Duration

The Situation

P&C Global Helps This Client Focus on Core Competencies & Determine Outsourcing Opportunities

Our Tech Company client had experienced massive revenue and share loss during the previous three years, though the company had conserved cash through significant cost reductions. Management developed an ambitious strategy to transform the company by refocusing the organization on core competencies.

The P&C Global team provided solutions to the following questions:

- What should be considered for outsourcing?
- What's the best end-game option (best-in-breed vs. one-stop)?
- How do we rush through Request-for-Proposal (RFP) and negotiations without leaving money on the table?

The sense of urgency was high because our client needed to sign a contract in less than 9 months; however, there were a number of complications:

- The company was completely vertically integrated for core products
- An "I don't trust foreigners" mentality prevailed
- 75% of the executive team were new to the job
- Many in the company were skeptical of outsourcing due to past failures
- The client was in the midst of a transformation of its business model

Our Approach

P&C Global Considered the Outsourcing Potential Along Its Client's Value Chain & Used a Systematic Approach to Evaluate the Sourcing Potential for Each Division

- Operations (engineering, procurement, manufacturing)
- Customer service and support (CS&S)
- Warranty and repair
- Support functions such as Finance and Accounting (F&A), HR and IT

Set Strategy & Key Success Factors

- Understand client strategy and resulting market positioning
- Determine factors key to successfully implementing strategy
- Understand management's goals on the company's future

Diagnose Internal Activities

- Create detailed process maps of activities under consideration
- Proceed along the company's value chain, division by division
- Evaluate each activity against industry benchmarks

Map Activity Strength & Strategy

- Evaluate importance of achieving key success factors
- Map against performance against industry competitors

Filter Against External Market

- Determine if external market exists
- Define set of potential sourcing partners
- Assess risk of utilizing external market
- Evaluate in-house solution, based on management-initiated turnaround strategy

Develop Sourcing End State

- Develop action plan by and across activities
- Assess high level organization impact
- Objectively compare in-house vs. outsourced solutions with respect to risk/reward

Our Recommendations

Vendor Identification and Selection

- Launch request for information (RFI) and thorough RFP process
- Select potential suppliers based on agreed-to criteria developed with the client's key stakeholders

Deal and Contract Negotiation

- Execute thorough due diligence
- Build base case model, normalize bids, and ensure price flexibility
- Develop and negotiate service level objectives and service level commitments
- Start deal promptly to stay within requested nine-month timeframe

Transition and Migration

- Maintain focus on day-to-day responsibilities
- Align organization with outsourcing effort

The Results

A Few Basic Takeaways Proved to be Essential:

- Ground sourcing in company strategy
- Determining relative performance
- Assessing external market opportunities
- Investing in a robust, multi-sourced RFP process
- Addressing implementation issues early

Within 9-months, P&C Global created significant value for its tech client, totaling +75x P&C Global's fees

- $8M in cost savings from IT outsourcing (ITO)
- $25M in a one-time asset aimpairment write-off
- $23M in cost savings from Business Process Outsourcing (BPO), including outsourcing 50% of FInance operations and 85% of Human Resources operations
- Service levels at or better than current levels, including continuous improvement efforts

Relative performance of activity

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