



IQNavigator: Going Beyond Software to Tackle Services Spend

According to the Center for Advanced Purchasing Studies, companies of all sizes are allocating more spending to services than to any other indirect spend category. In most companies, ownership of that spend has been decentralized and loosely managed at best. As spending on services accelerates (by some estimates, growing more than 50 percent over the next two years), forward-looking procurement organizations are seeing significant opportunities for savings and bottom-line improvements by bringing more of this spend under management.

Automation is a key first step that can bring both efficiency and control to a largely unmanaged process.

Unfortunately, many spend management solutions on the market were not built for services. The complexities of procuring and managing contingent or contract labor, or even getting a handle on project categories such as legal, consulting or marketing spend stretch the capabilities of traditional e-procurement vendors that are better suited for catalog purchases or bill of materials sourcing.

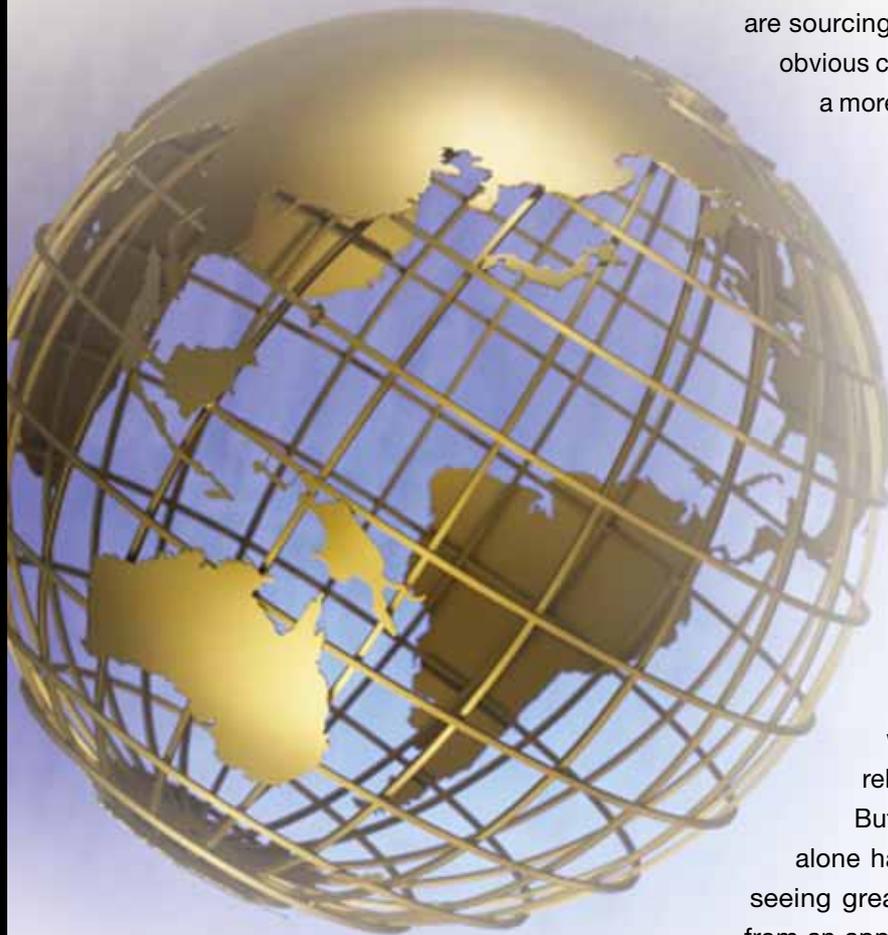
For services spend, effective management of the entire source-to-payment process requires a different approach than direct or indirect goods procurement. Vendor Management Systems (VMS) often fill this role for large spend categories such as contingent and contract labor, although most VMS providers maintain direct relationships with the staffing agencies they are sourcing. Some have called this arrangement an obvious conflict of interest and instead advocate for a more independent, “vendor neutral” approach

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Procurement Manager
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where the software provider has no direct relationship with a staffing agency.

But in the area of services spend, software alone has its limitations. Industry analysts are seeing greater savings and return on investment from an approach that adds outsourced capabilities



– a Managed Service Provider (MSP) – into the equation. MSPs bring domain expertise in sourcing and procurement and objective analysis of market trends while managing the performance and cost of an organization's suppliers. Matched with a VMS solution that can help source services and manage workflow across the widest possible market, an MSP can double or even triple the amount of sustainable savings that would come from a software only approach.

The benefits can be rapid and dramatic. For example, Jeppesen, a division of Boeing, did not have good visibility into overall services spend, and relevant performance benchmarks and comparative information about billing rates were hard to come by. According to procurement manager Carolyn Pisel, Jeppesen suspected they were spending too much on contractors and the business owners were frustrated that it took more than three weeks on average to fill open requisitions. Five months after selecting an integrated VMS and MSP solution from IQNavigator, Jeppesen gained unprecedented visibility and control over services spending that enabled them to standardize rate cards to align bill rates with the market while cutting requisition fill time down to four days.

"We are seeing well over a million dollars in hard savings. That speaks for itself. We clearly made the right decision with the combined software and services model as it provides us the framework for us to be very successful," said Pisel.

Perot Systems is another company that saw rapid success with services spend management. After an initial focus on controlling contingent labor spend in the U.S. yielded over \$2.5 million dollars in cost savings, Perot saw a new opportunity in expanding their MSP into new geographic regions such as the UK and Ireland. Working again with IQNavigator, Perot captured an additional \$4 million in global spend in less than 4 months, achieving bottom-line savings of 12 percent and establishing a firm foundation for services spend management across the entire company.

Similarly, controlling contract labor spend including admin/clerical, IT workers, and call center operations was a priority for Xcel Energy, the large Midwestern electric power and natural gas energy utility. In 2005, the company turned to IQNavigator for help and was soon able to track and reward outstanding supplier performance

through a competitive marketplace. The result not only provided greater visibility into overall services spend, but it also lowered bill rates by an average of 19 percent, generating millions of dollars in annual savings and providing a dramatic return on investment of more than 1,000 percent. The success of Xcel's program led to an executive mandate to expand into additional categories such as legal services that require a variety of deliverables and chargeable expenses. Because a solution such as IQNavigator is built to handle multiple services spend categories, Xcel could easily expand the program to effectively track and monitor budgets and to gain control over this challenging spend category.

"IQNavigator brought visibility and control to our services spending, driving down costs through contract compliance and process efficiencies," said Patricia Vincent, president of Customer and Field Operations for Xcel Energy.

CONCLUSION

Spending on services represents the next great opportunity to take costs out of the supply chain, but attacking this complex category requires more than just a software module or VMS-only solution. As companies such as Jeppesen, Xcel Energy and Perot Systems have discovered, leveraging the knowledge and shared services of an unbiased MSP with true "vendor neutral" technology yields rapid and sustainable results that can quickly expand to new categories and geographies. In today's economy the status quo approach to managing services spend leaves too much potential savings on the table. Procurement and supply chain teams should act now to address this compelling opportunity.



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