

From Competitive Bidding To Strategic Sourcing

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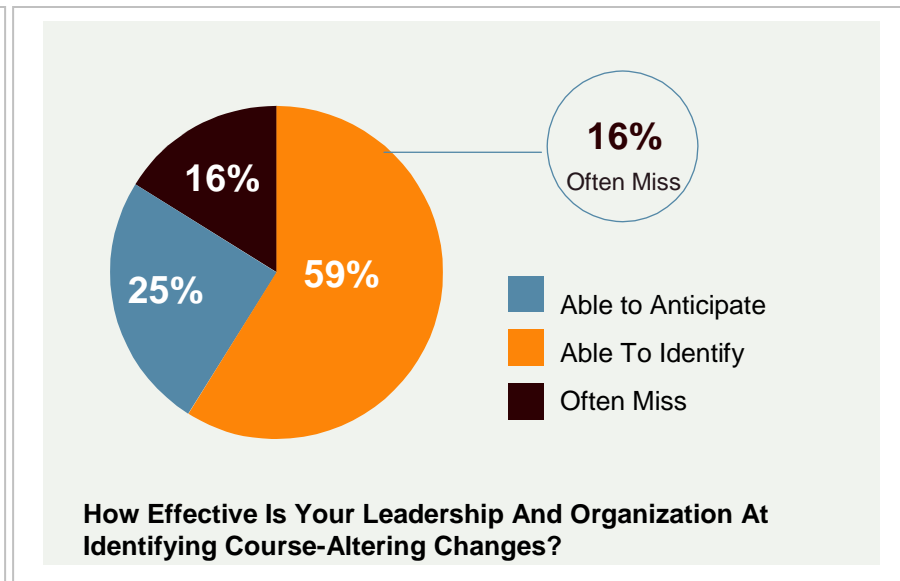
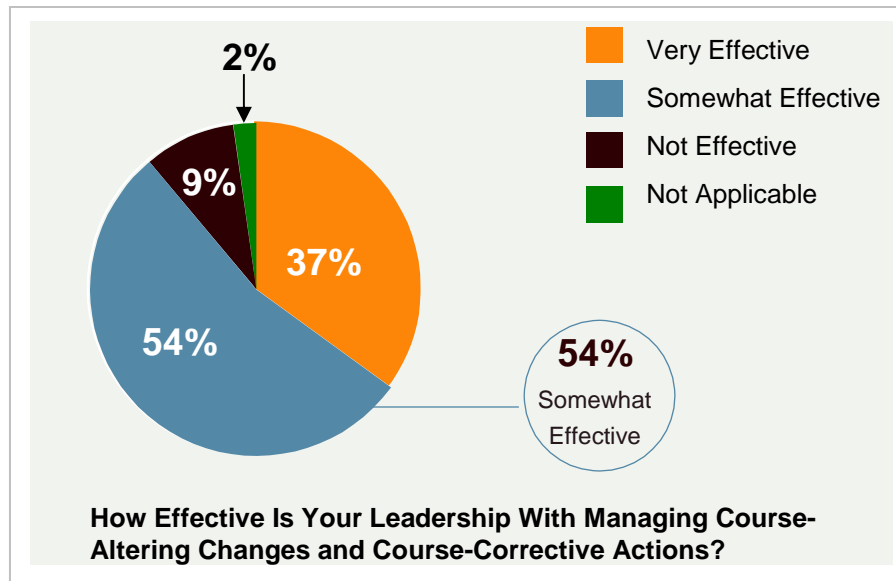
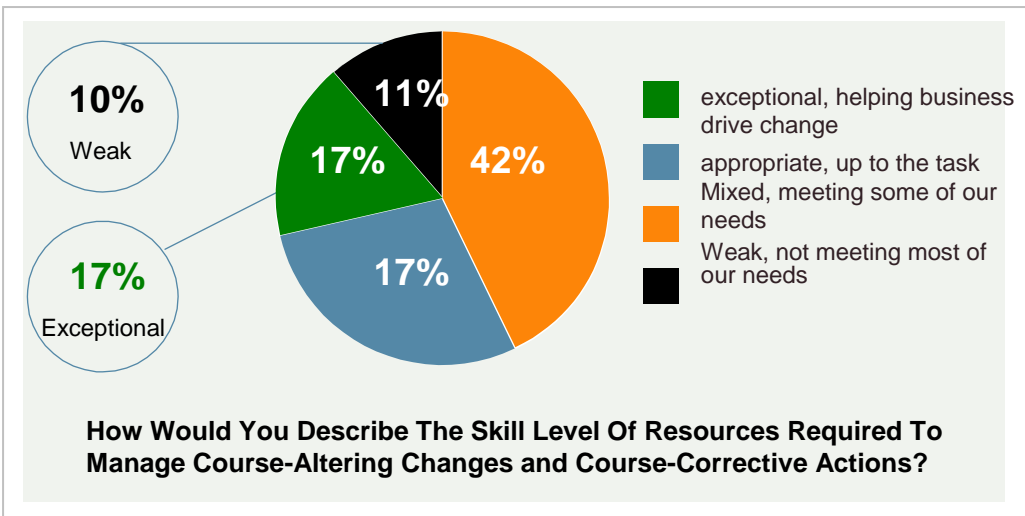
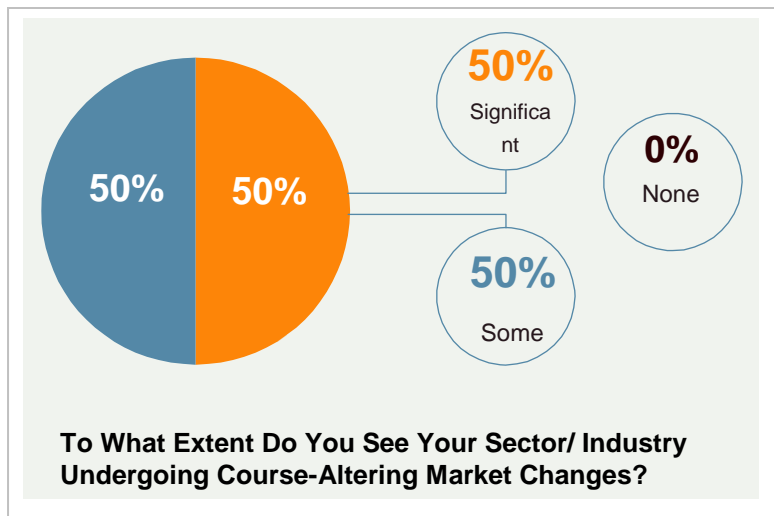
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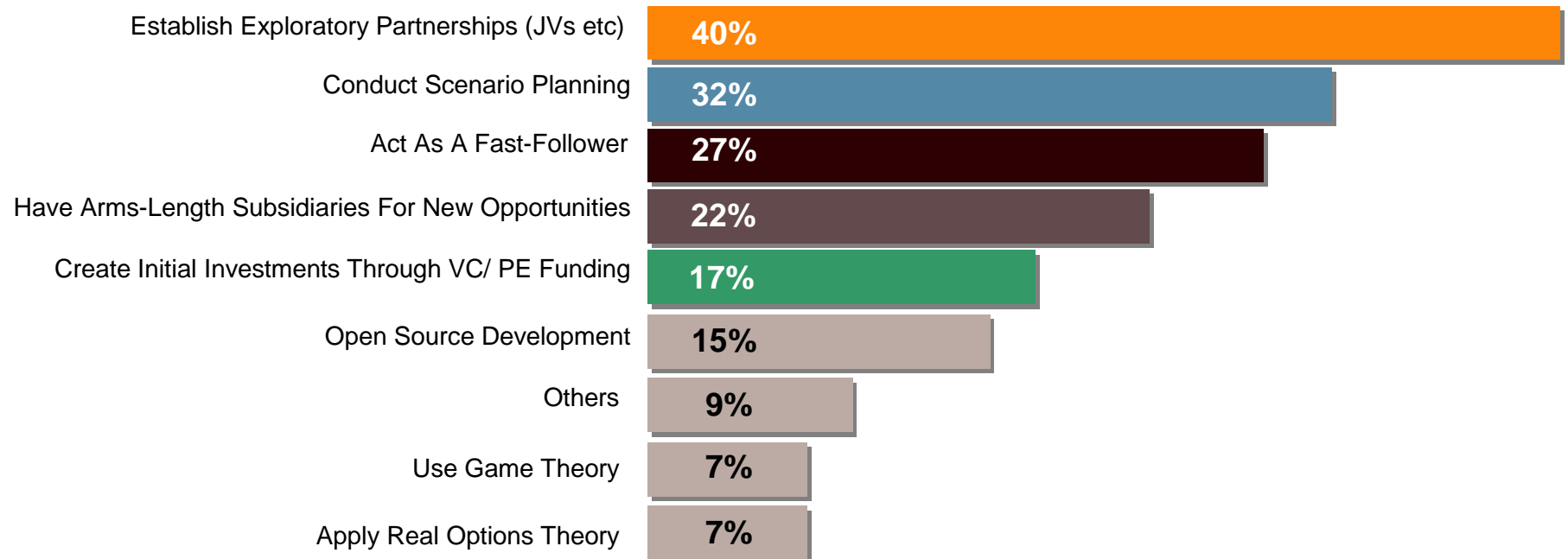
Agenda

- ⇒ **Today's Strategic Imperatives**
- ⇒ **Services Sourcing – Competitive Evaluation**
- ⇒ **Mindset Transformation**
- ⇒ **Strategic Sourcing**

Today's Strategic Imperatives



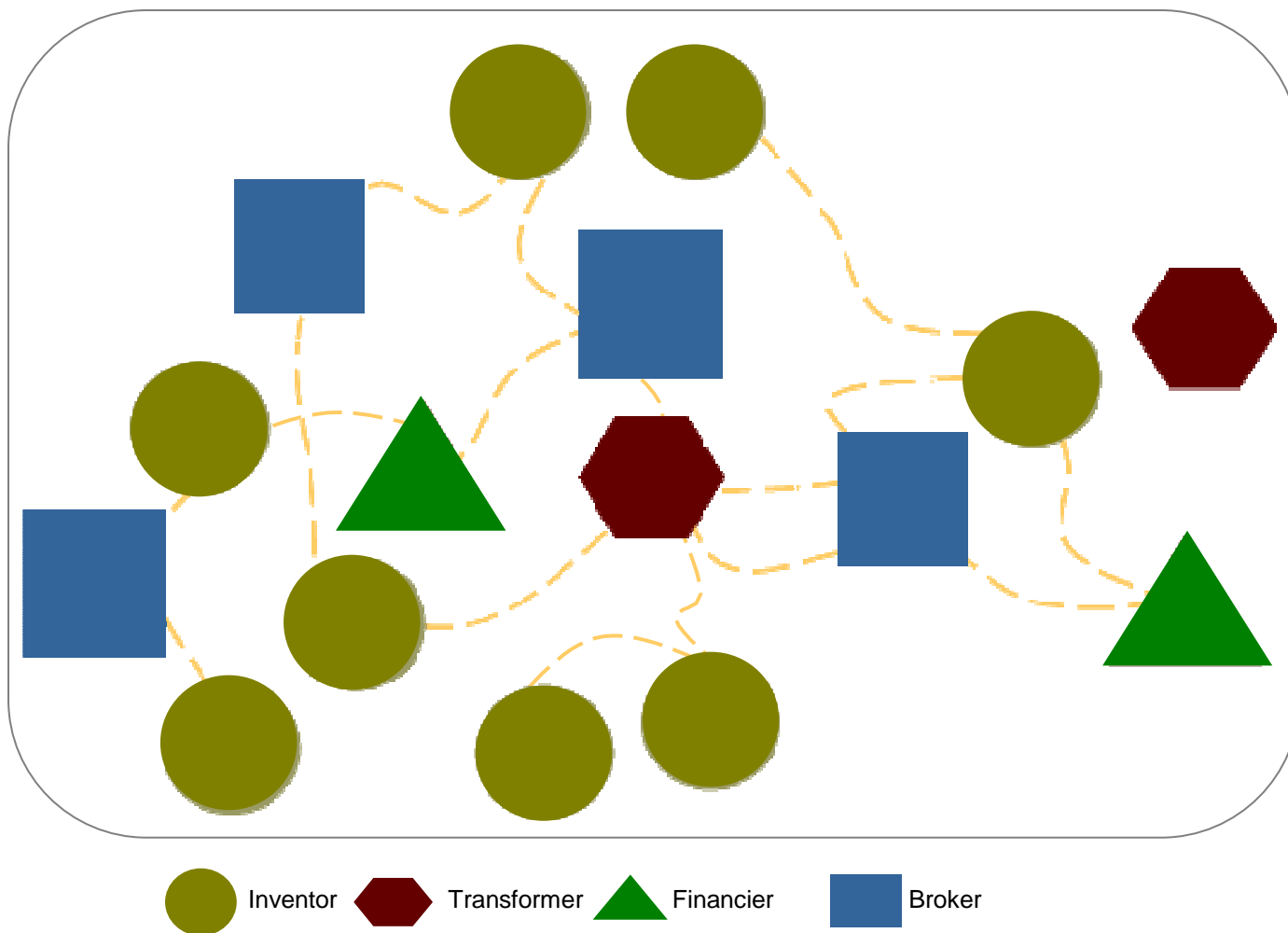
And They Struggle With Various Options



CEOs Struggling With Various Tools That They Either Plan To Use, Do Not Plan To Use, Have Knowledge Of, Are Told To Use

To Assess Potential Course-Correcting Actions

Driven By A Imperative To Leverage “Best In Breed”

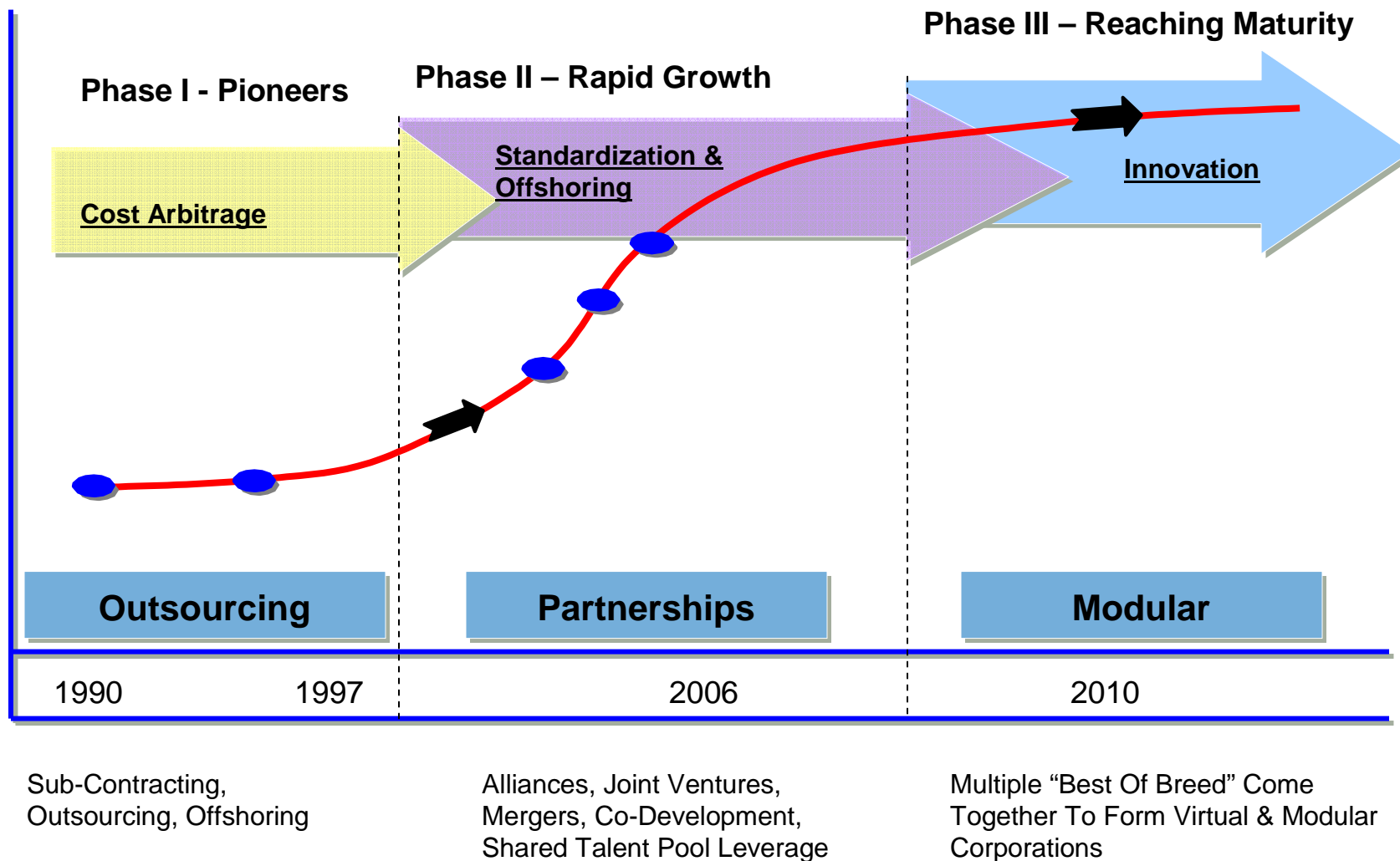


Develop new operating models to include work structures, Inter-Networked Corporate Boards & multi-Localational governance models

Building the needed competencies to perform in a global delivery model by staying focused on a core – Inventor, Transformation, Financing or Consulting.

Planning strategically to move business and service focus from “process” to “domain” competence.

Planning HR impacts including talent development and retention focused at “topline” value creation



Services Sourcing – Competitive Evaluation

KNOWLEDGE

STRATEGY

Global 5000 & Fast Growth Market Leaders

- Global Portfolio Analysis
- Offshoring/Outsourcing Audit
- Global Market Assessment
- Application/Business Process Analysis
- Offshoring Business Model Analysis
- Offshoring-Corporate Strategy Alignment
- Offshoring Financial Analysis
- Risk Assessment
- Offshore Roadmap
- Business Case Analysis
- Transition and Governance Strategy
- New Opportunity Assessment

Private Equity/VC & Global Conglomerates

- Acquisition Target Search
- IT and BPO Acquisition Strategy
- Market Due Diligence
- Company Due Diligence
- Custom Research

- Market research
- Supplier/location visits
- Offshoring workshop
- Understanding of
- Offshore models
 - Case Studies
 - Peers
 - Best Practices
- Ensure senior level sponsorship

SOURCING

Source

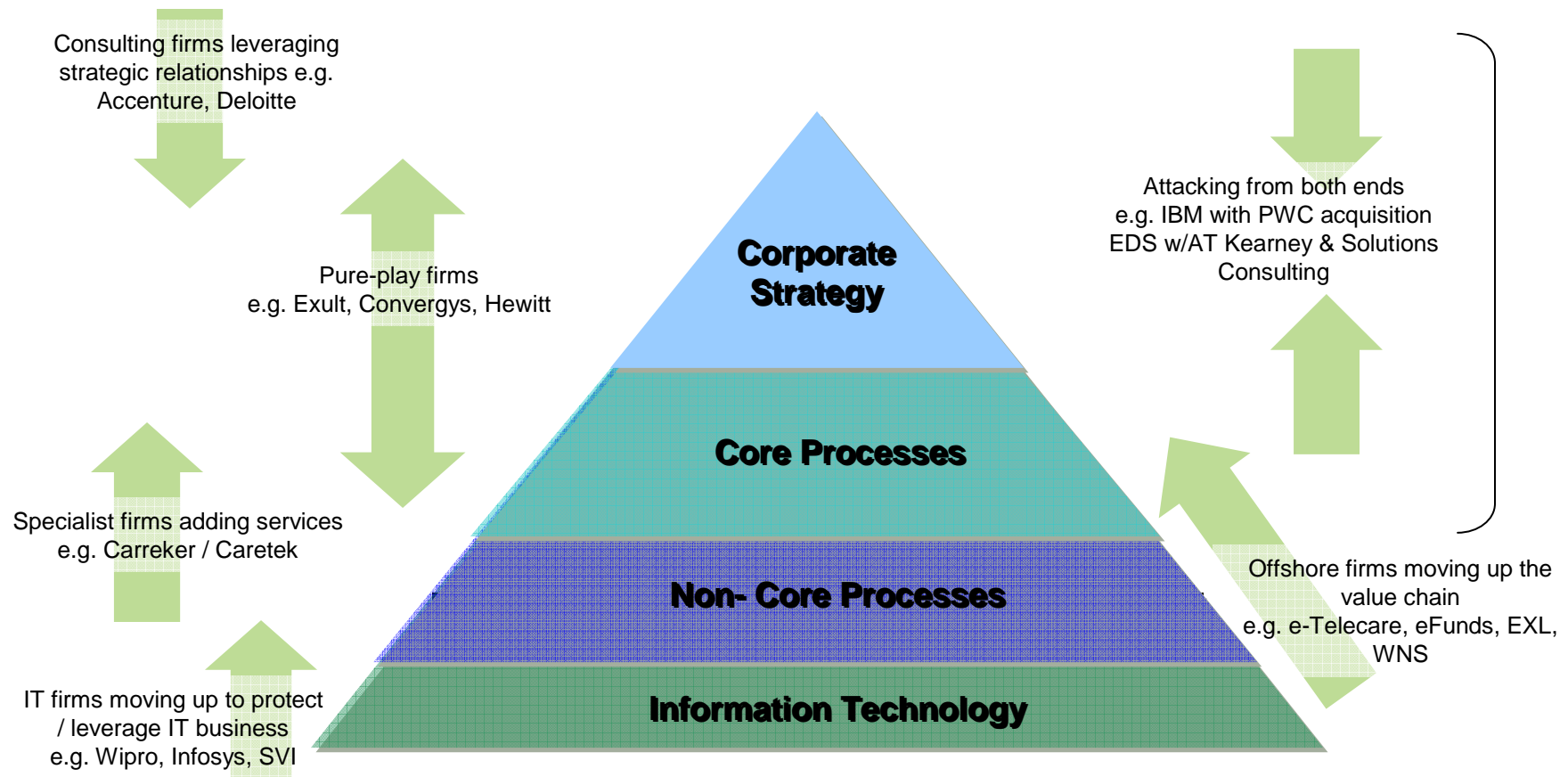
- Global Supplier Identification
- RFP Process Management
- Bid Evaluation
- Supplier Due Diligence
- Contract Structuring & Negotiations
- Transition Planning

Build

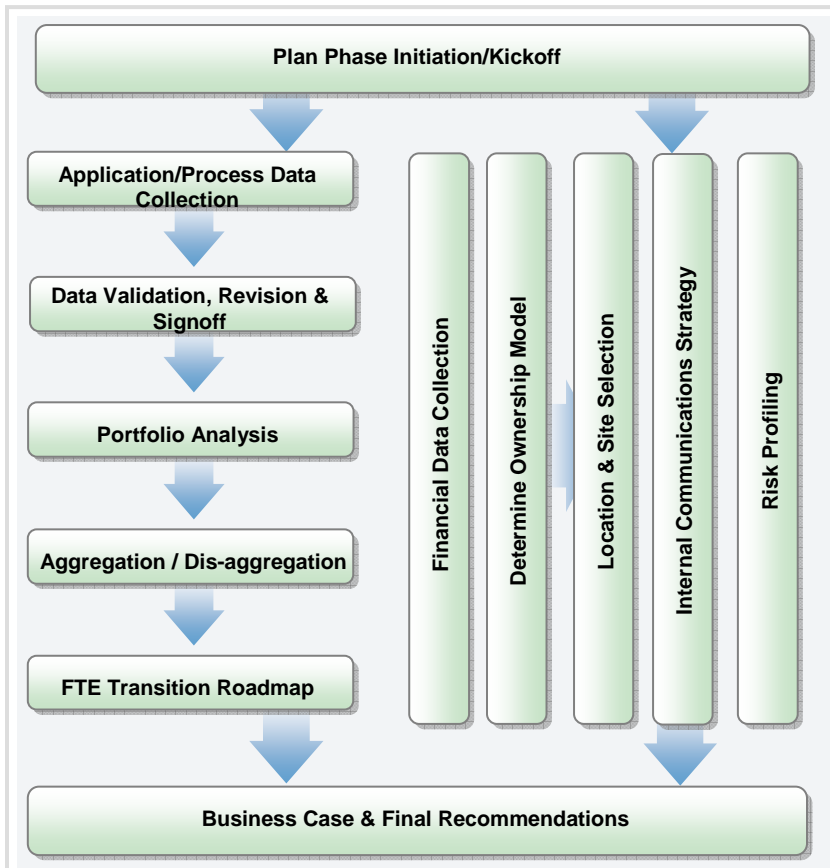
- Setup of own centre
- Finance & Accounting
- HR Strategy & Management
- Infrastructure Establishment
- Procurement
- Transition Management

GOVERNANCE

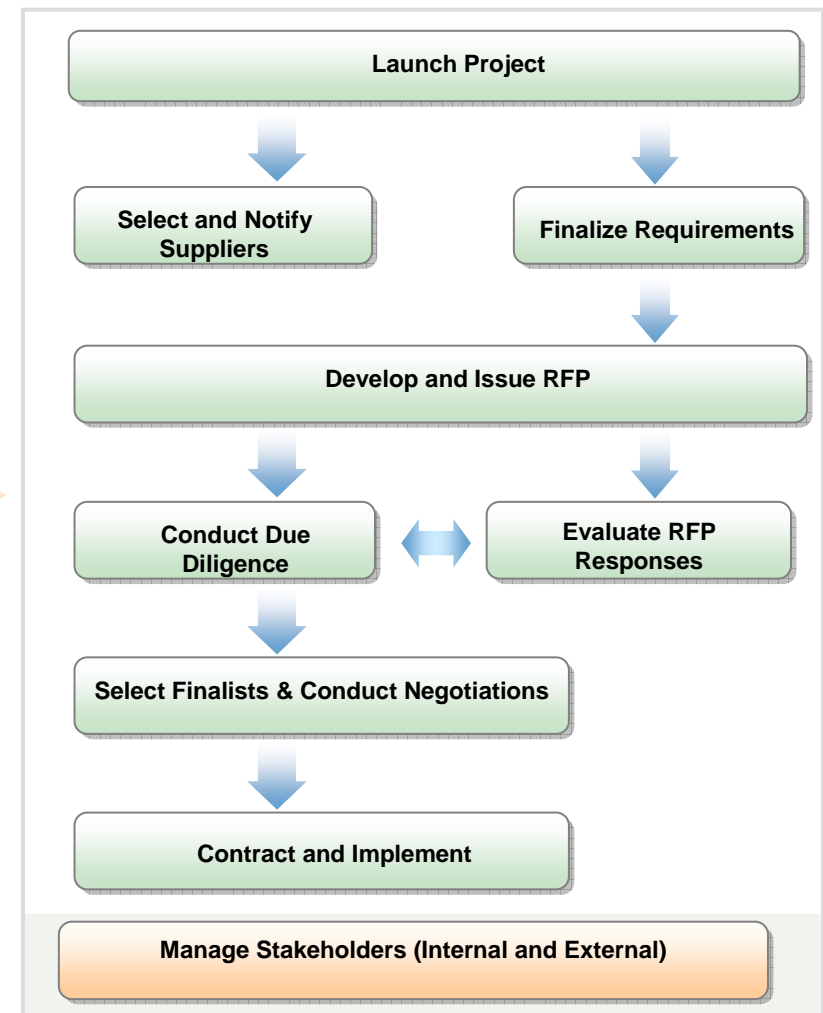
- Operations Management
 - Performance Management
 - Financial Management
 - Contract Management
 - Relationship Management
 - Resource Management
- Risk Management
- Review & Audit



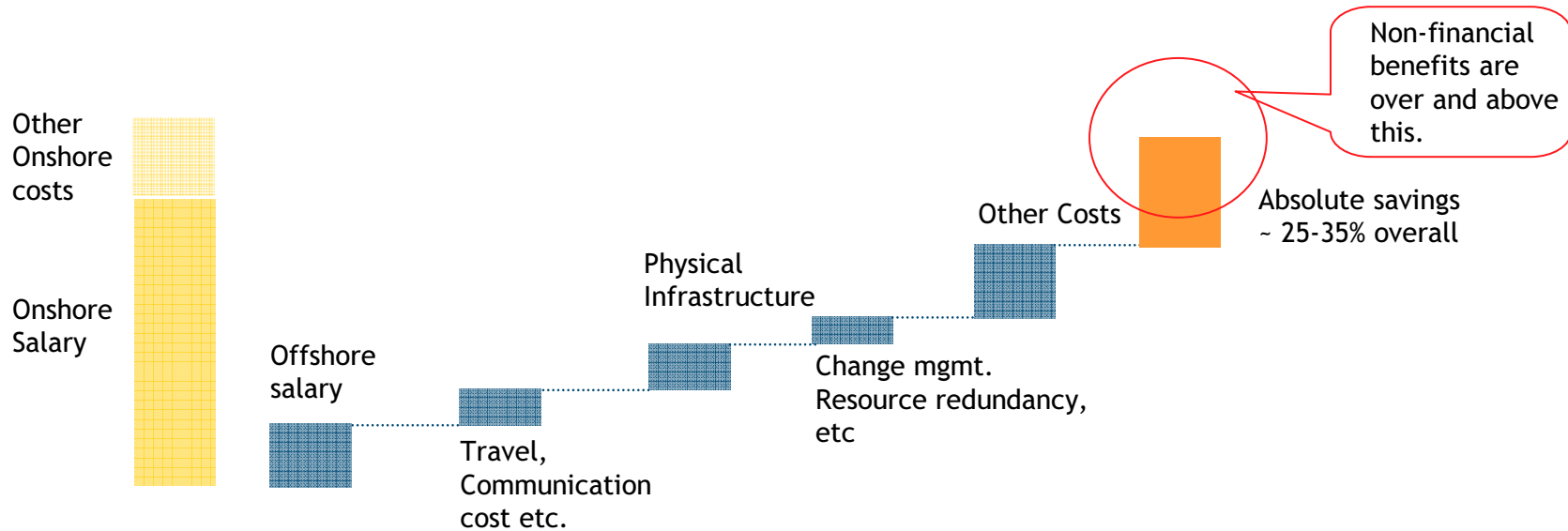
PLAN & ASSESS PORTFOLIO



SOURCE COMPETENT SUPPLIER



Where Sequential Goals Increase The Pressure



- 1 **Need to reduce costs**
 - Increasing pressure on organizations across industries to cut costs and improve productivity

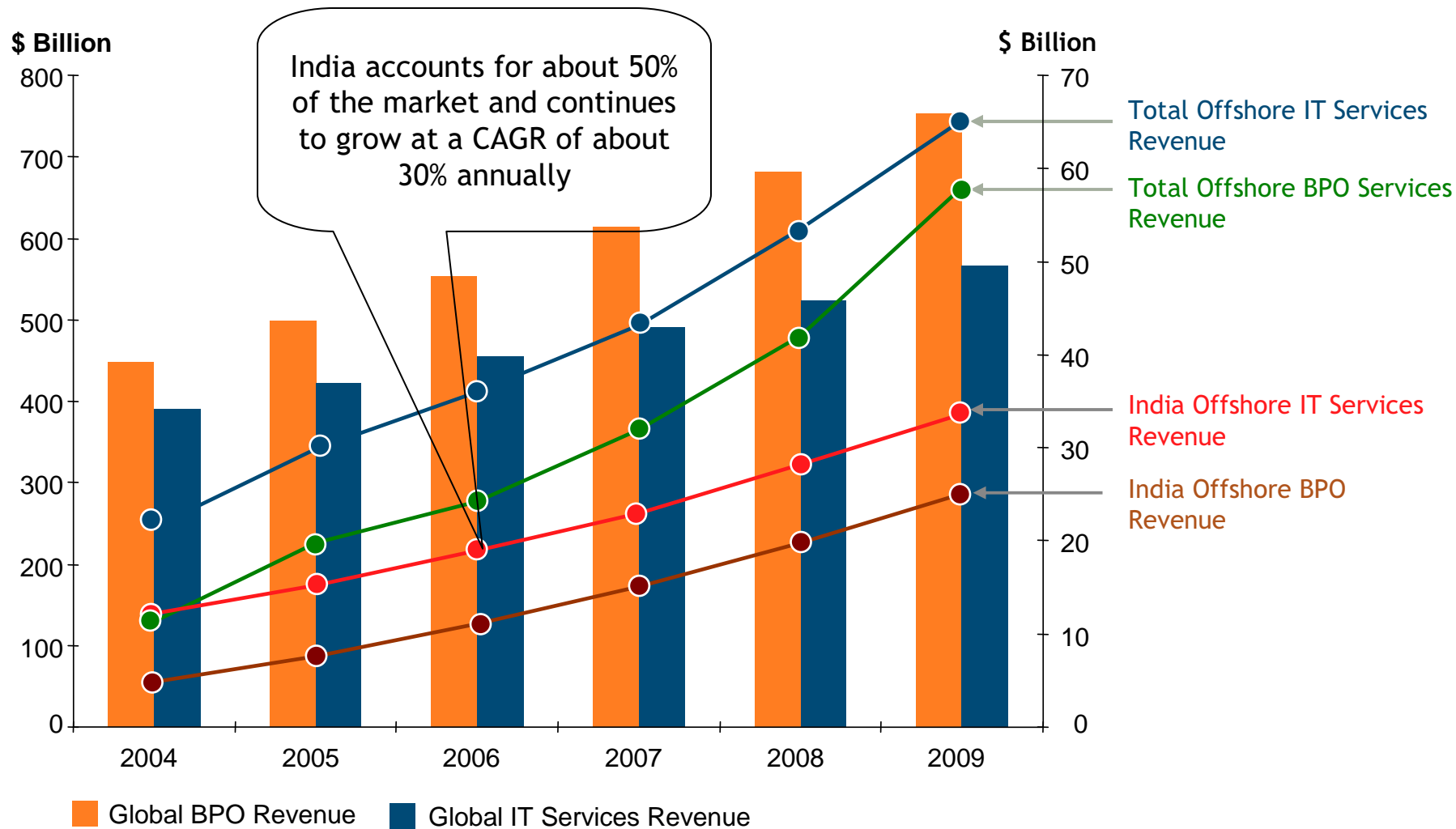
- 2 **Focus on core operations**
 - Increasing trend towards leaner organization and focus on core activities driven by M&A, Global Competition and Economic Cycles

- 3 **Increase flexibility and capacity**
 - Handle demand variation and quickly gain access to a wide variety of current and emerging skills

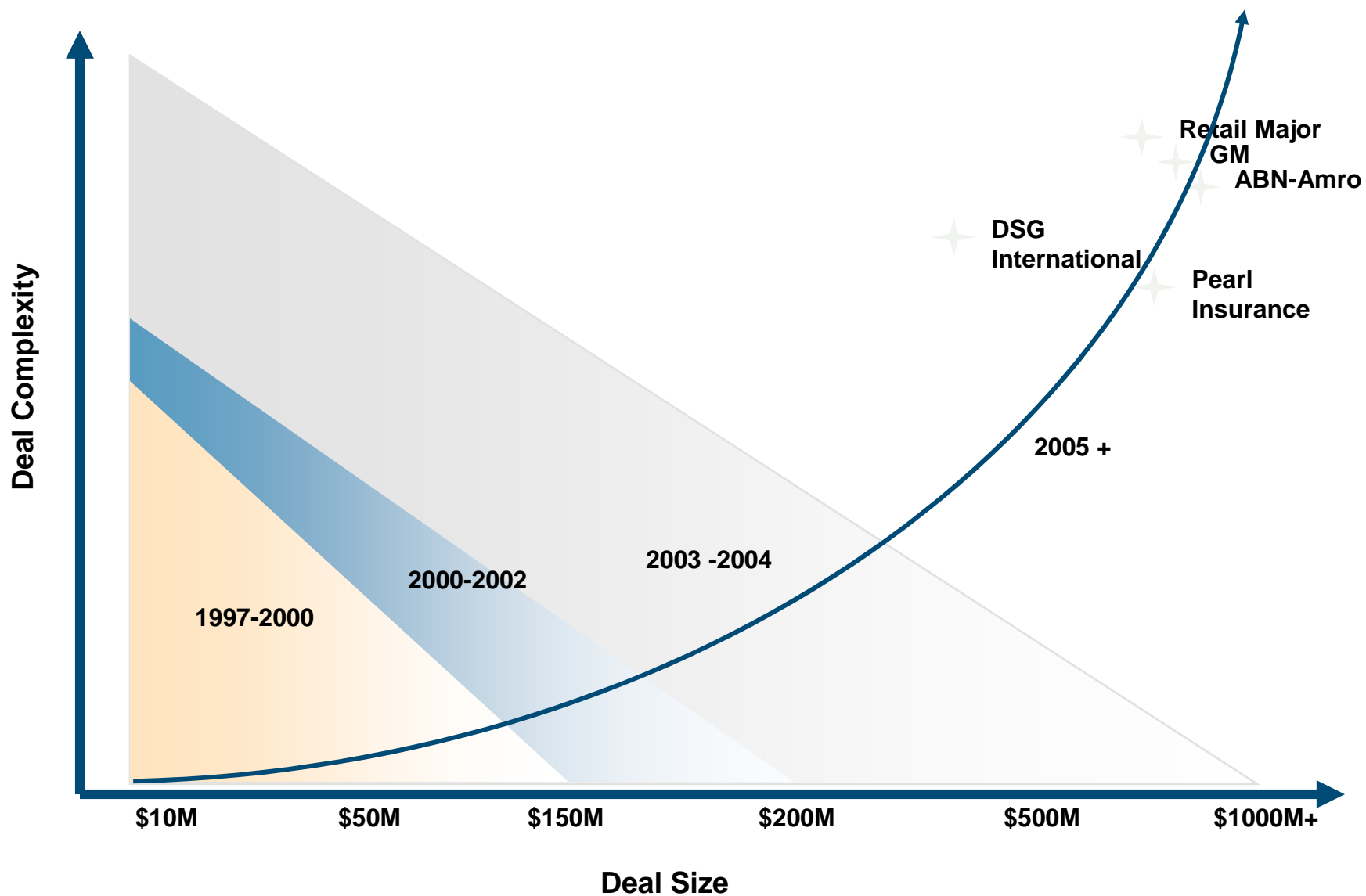
- 4 **Maintain and increase quality**
 - Achieve quality levels needed to support the business and drive improvements over time

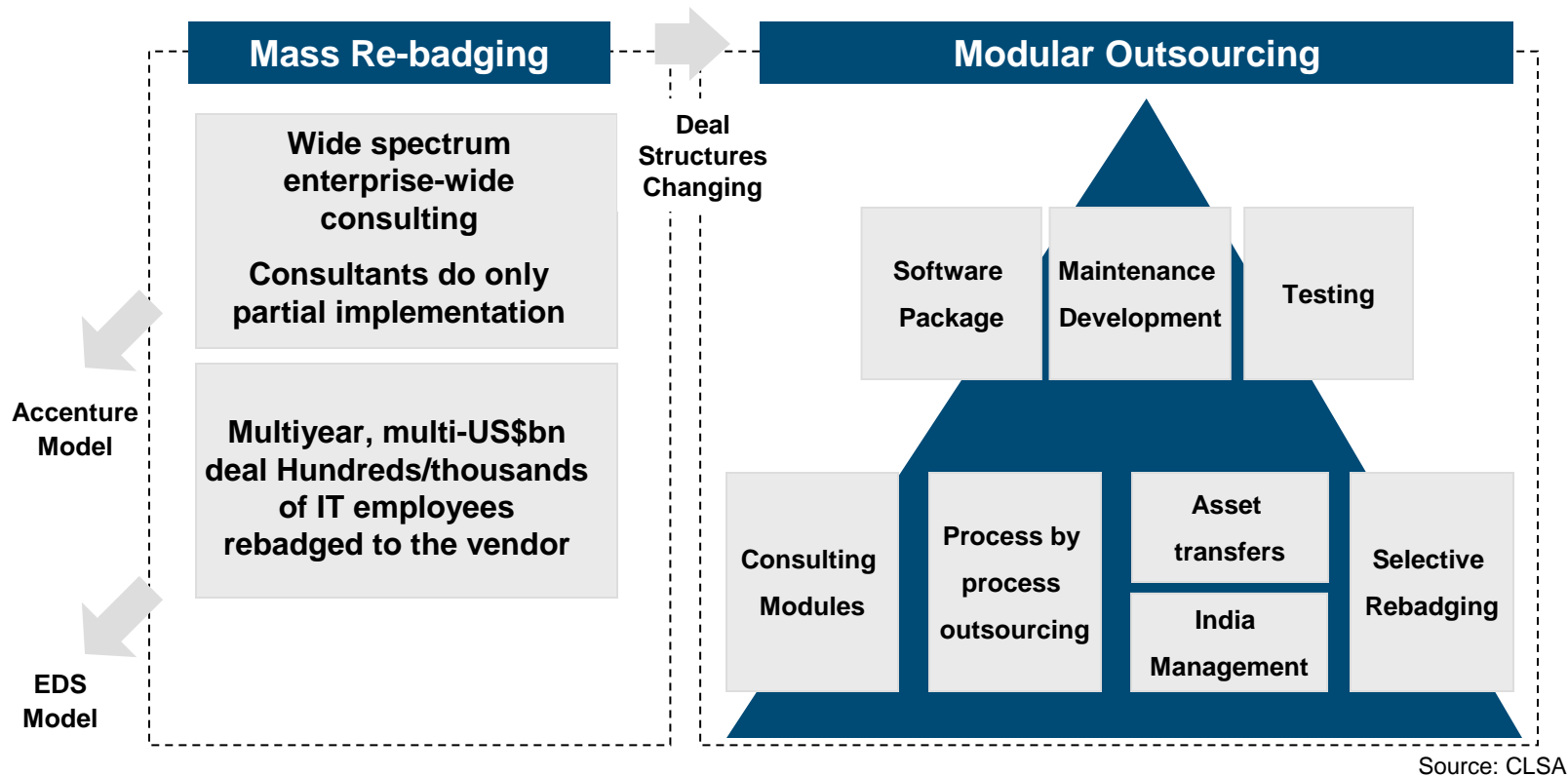
- 5 **Future-ize**
 - Develop offerings and service delivery models that will continue to bring unique value to the business in future

Owing To Illusionary Perspectives Of "Quick Wins"



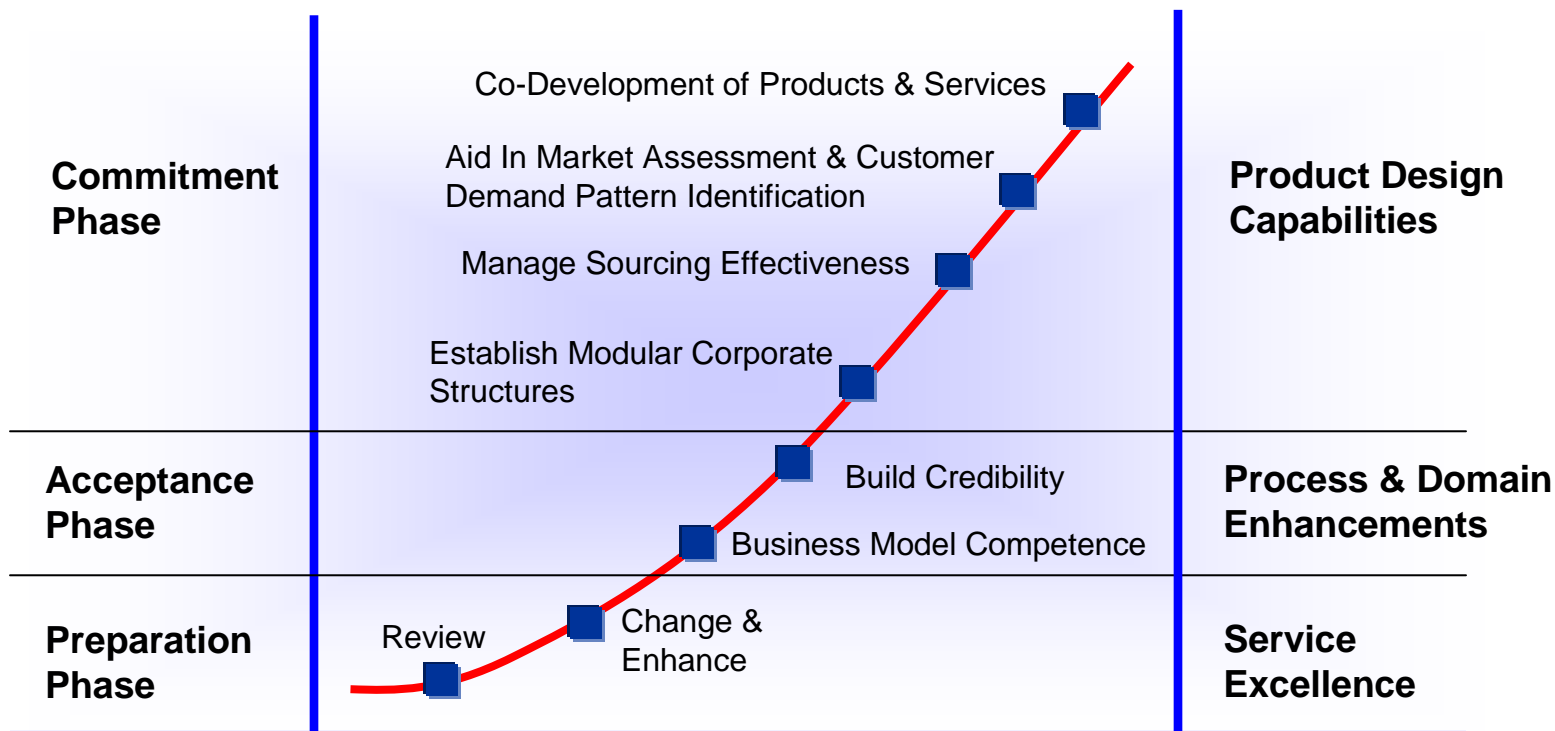
Mindset Transformation





- Deal structure on large deals are changing as clients are opting for multi-country, multi-vendor model
- Utilizing best-fit resources and vendor capabilities, reducing vendor switching costs, favorable negotiations and risk diversification key triggers
- Establishing program governance framework and ongoing program management is emerging as significant challenges for organizations. The ability to demonstrate transition and project management capabilities will increase service provider competitiveness in the new scenario

Moving Away From Traditional Towards Partnered Risk-Based Models



Strategic Sourcing

INSIGHT

Build understanding and align stakeholders

STRATEGIZE

Formulate strategies and techniques

NEGOTIATE

*Create competition and select the
best*

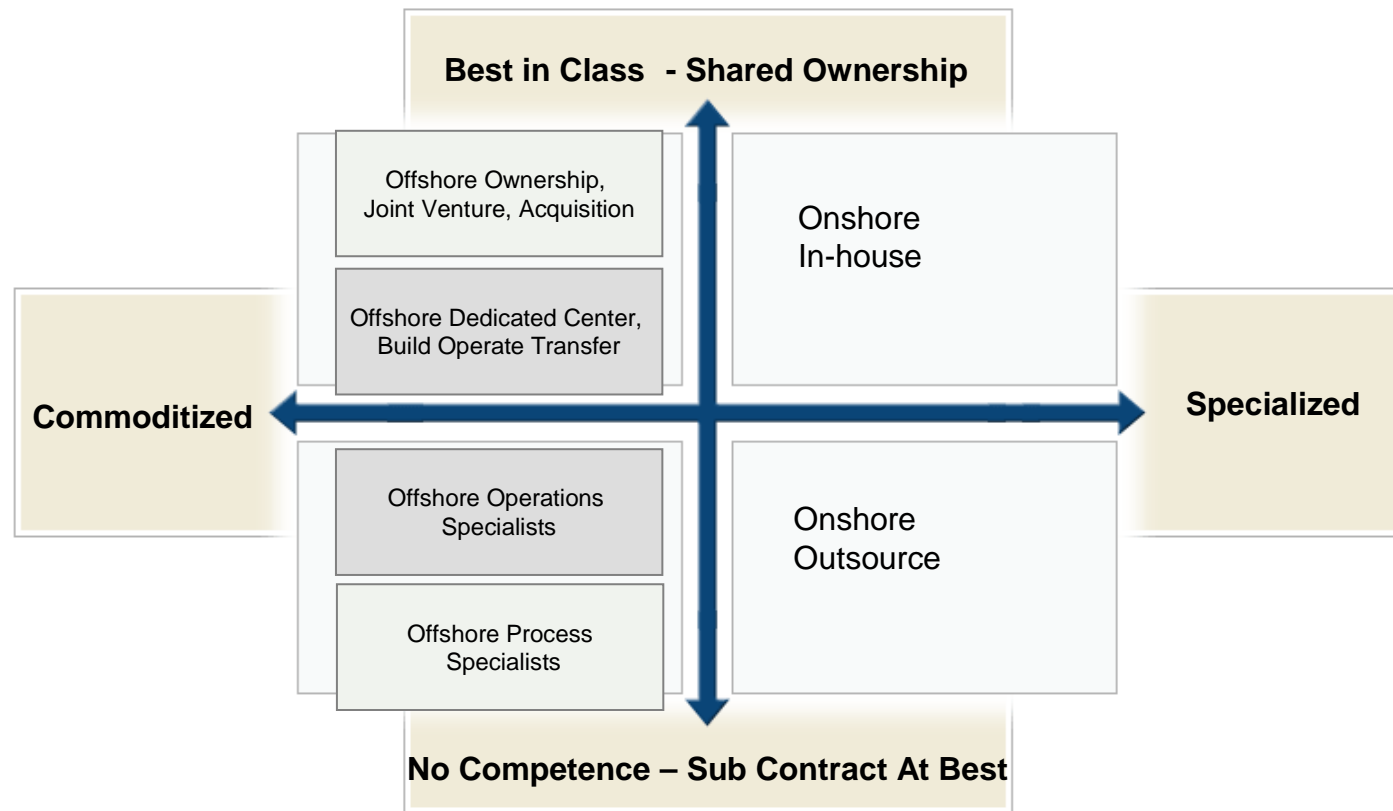
IMPLEMENT

Roll-out deals and manage performances

MANAGE

Measure constantly and seek improvements

Globalization & Modular Entities Are Enabled Only Through Business Model Transformations – Not One But Multiple

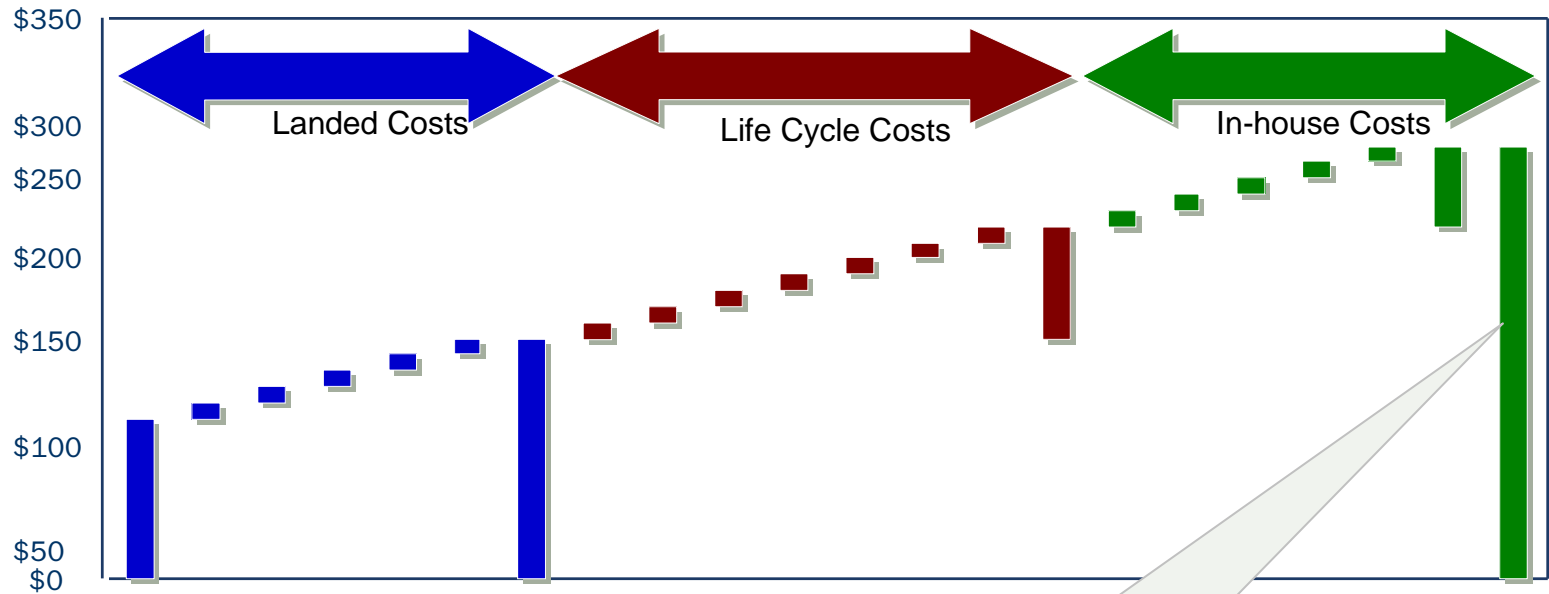


Develop “Total Cost Of Shared Ownership” Model



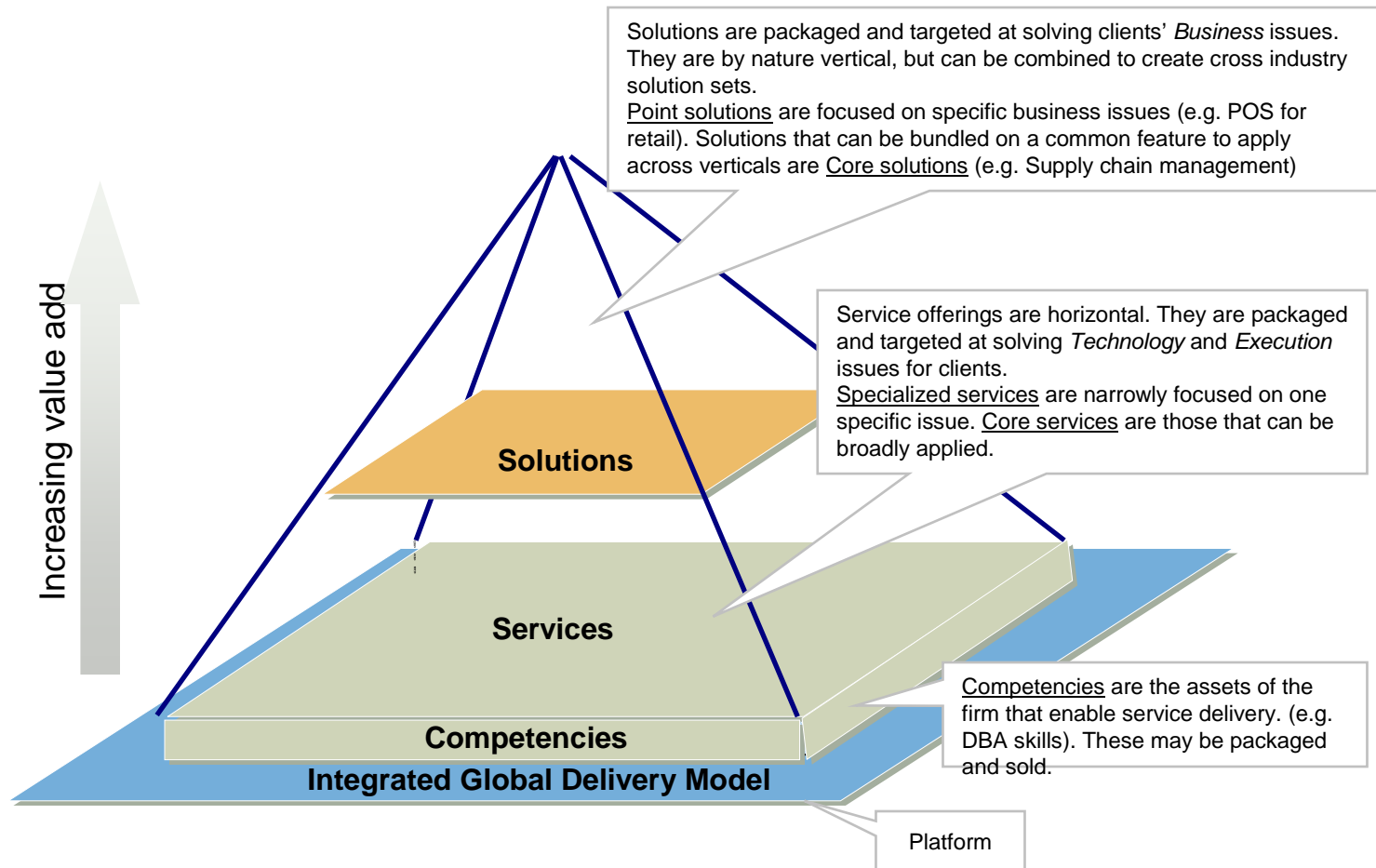
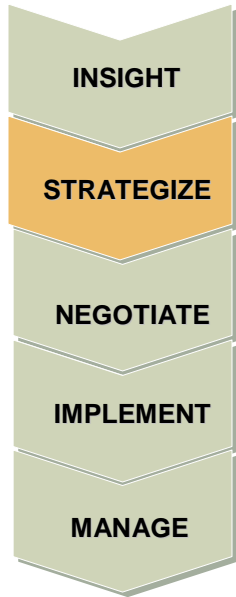
TCSO Is Not Just About Cost Components, But Exponential Investment Demands That Multiple Models Will Place On The Organization – Hence **Revenue Source Alignment (RSA)** Is Important As Well

$$\text{TCSO} = \text{TCO} + \text{RSA}$$

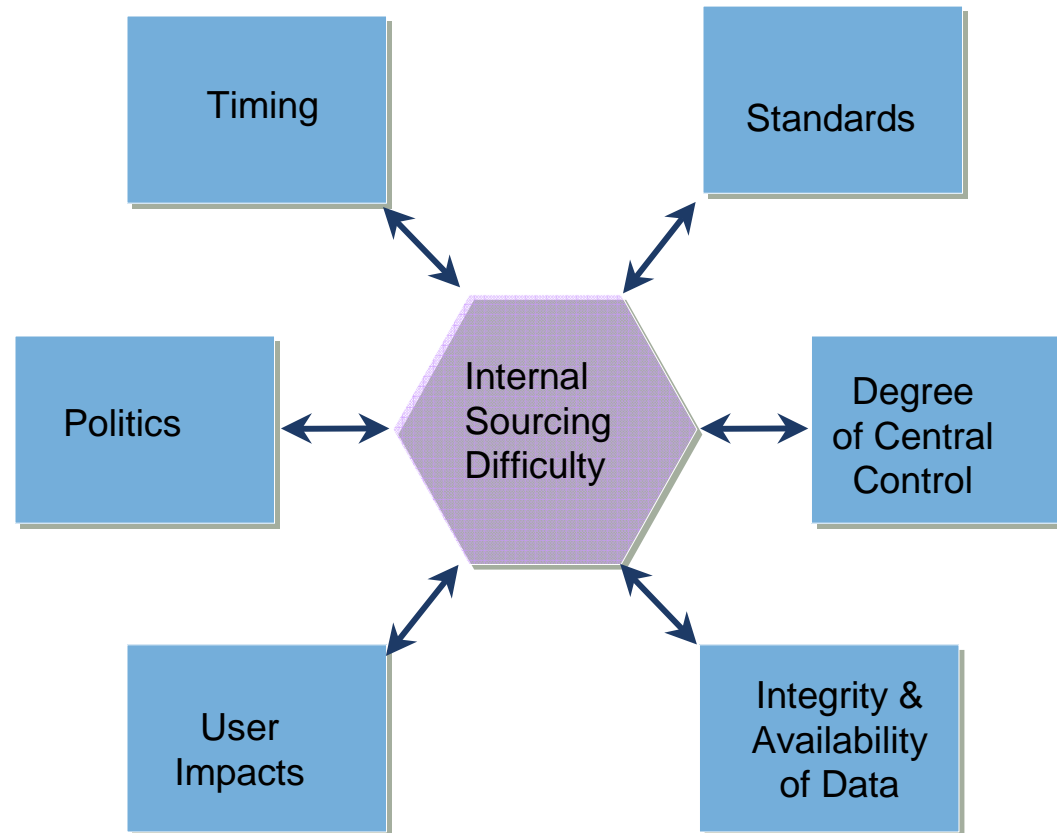
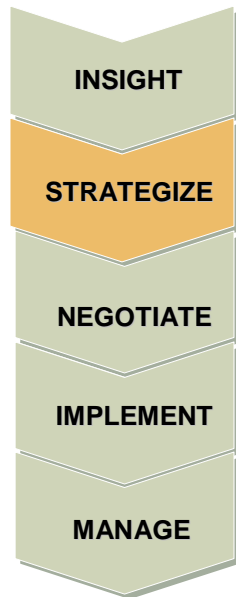


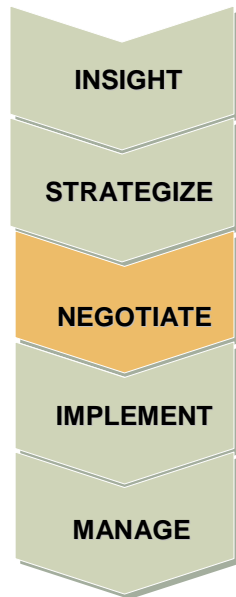
Revenue Source Alignment Costs Will Impact And Increase In-House Costs During Initial Stages of Adoption Of Multiple Business Models

Revamp & Overhaul Existing Services Portfolio From A Value Chain Perspective

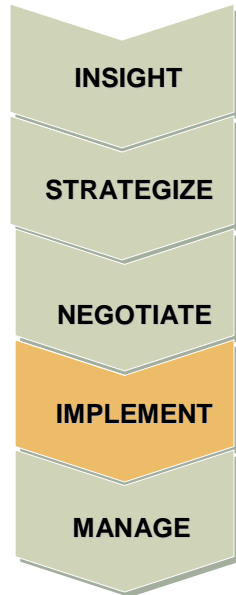


And Establish Internal Sourcing Difficulties Towards Adopting Module-Oriented Strategies

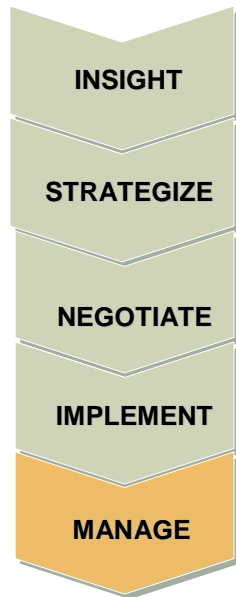




- Is An RFP & Competitive Bidding Process Necessary In The First Place?
- What Is The Market Basket?
- Is It Driven By Multi-Sourcing, Multi-Shoring & Multi-Models?
- Are Reengineering, Portfolio Aggregation & Total Cost Modeling Exclusive or Inclusive Of Sourcing?
- Value-Added Solutions As A Focus May Exclude Competitive Bidding
- Incumbent Provider Positioning Within Strategy Is Important – Aggregation Of Incumbent Services Brings Focus To TCSO
- Are Incumbents Responsible For RSA?
- Attractiveness of Contract Expectations Has To Be Two-Way, Not Just Focused on Customer Organization's TCSO Needs Or Topline Demand By Stakeholders Alone
- External Partners To Become Component Contributors To Strategic Development Esp. During Pre-Negotiations Phase
- Develop **MDO [Most Desired Outcomes]**, and **LAA [Least Attractive Alternatives]** In Conjunction With External Partners To Ensure Shared Risk & Ownership
- LAA and MDO Define The Negotiation “Envelope”



- Establish Top Management Principle Power Sponsorship
- Create Clearly Accountable Ownerships & Roles
- Align All Roles To MDOs and LAAs
- Select Performance & Savings Measurement Criteria
- Create Statistical & Scorecard Tools Aligned Towards Corporate Goals – Both Customer & External Partners
- Develop Communication, Risk Management & Resolution Structures
- Share Intellectual Property With Adequate Legal & Regulatory Protections Where Necessary
- Privacy & Confidentiality Are Not Just Restricted to NDAs – Need To Go Beyond Towards P&L and Balance Sheet Accountabilities



- Constant Measurement, Benchmarking & Analysis
- Causal Resolutions Is Vital
- Proactive Responsiveness Is The Norm
- Fire-Fighting Issues Spell The Death Of Expectations – No Tolerance Is The Guiding Force
- Train & Enhance Competencies – Shared Expenses, Shared Ownership
- No Renegotiation Triggers For Every Scope Creep
- Determine Termination Clauses From A “Performance” Perspective, And Not Cause or Convenience Alone
- Determine And Measure Ongoing Relationship Enhancements Or Deteriorations Strategically
- Don’t Breach Established Governance Criteria
- Effect Payments – Rewards & Penalties – On Time

Thank You



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