



CASE STUDY 3

Global Offshore Outsourcing – Leading Canadian Telco (“Client”)

Challenge

Reduce current departmental budget of \$1.5M by 5% while transforming the team to deliver greater value-add to business unit customers. A significant factor in the poor performance provided by the existing team was that the strategic resources, the Contract Managers, were consumed with tactical activities and had no capacity to focus on strategic value-add procurement. There was also a lack of formal documentation and training material to support these tactical processes and procedures so there was limited opportunity to drive continuous improvement efforts. Furthermore, there were no rigorous performance measurements assigned to these activities.

Solution

The scope of the Tactical Procurement outsourcing for Customer included:

- Contract Administration
- System/Process Support
- Tender Management
- Department Reporting
- Supplier pre-qualification

Based on a proposal and business case presented to the Senior Executive Team, the Project received approval to proceed with a “pilot” outsourcing of Contract Administration activities based on the following financial analysis:

10 External vs. 10 Internal		External (WIPRO)	Internal (TELUS)	Delta
Salaries/Benefits:	3 Years	\$326,854	\$1,119,821	(\$729,967)
	5 Years	\$558,404	\$2,046,570	(\$1,488,166)
	10 Years	\$1,137,281	\$4,363,442	(\$3,226,161)
Hardware:	3 Years	\$299,675	\$0	\$299,675
	5 Years	\$514,321	\$0	\$514,321
	10 Years	\$1,050,935	\$0	\$1,050,935
One Time Costs:	3 Years	\$88,775	\$0	\$88,775
	5 Years	\$88,775	\$0	\$88,775
	10 Years	\$88,775	\$0	\$88,775
NPV:	3 Years	(\$437,990)	(\$671,221)	\$233,231
	5 Years	(\$666,917)	(\$1,146,701)	\$479,784
	10 Years	(\$1,118,975)	(\$2,085,625)	\$966,650

The Project team executed a rigorous RFP, selecting a solution from Wipro (an India-based supplier) that featured the following benefits:

- 8.5hr work day provides additional capacity of 2520 hours annually (vs. internal) and 2 additional Wipro resources are fully deployed to support Customer at \$0 cost
- Defined Governance and Change Management with Performance reporting: responsiveness, cycle time, quality & customer satisfaction
- Comprehensive SLA that defines critical targets and includes financial impacts for poor performance

- Detailed desk instruction/documentation of all processes
- Daily, weekly, monthly & quarterly communication forums
- Ongoing Continuous Improvement and educational workshops

Results

The operational impact of the tactical outsourcing included the following key benefits:

1. Increased Quality (and Throughput Yield)

- 21% increase over 2006 on template contract volumes
- 46% increase over 2006 record volumes
- 2007 results achieved with no increase in resources over 2006
- Introduction of a formal “tactical” scorecard that produced the following year one results:

OPERATIONS	2006 ACTUAL	2007 YTD ACTUAL	THRESHOLD (0.5X)	TARGET (1.0X)	STRETCH (1.5X)	STRETCH (2.5X)
Cycle Time						
Tender Creation (% < 4 Days)	n/a	97.8%	82.0%	85.0%	86.5%	87.5%
Contract Creation (% < 14 Days)	n/a	90.0%	82.0%	85.0%	86.5%	87.5%
PO Creation (% < 3 days)	n/a	100.0%	87.0%	90.0%	91.5%	92.5%
Quality						
Tender Creation (%)	n/a	98.9%	82.0%	85.0%	86.5%	87.5%
Contract Creation (%)	n/a	94.0%	82.0%	85.0%	86.5%	87.5%
Record Updates	n/a	81.8%	82.0%	85.0%	86.5%	87.5%
Client Management						
< 6 Escalations to Director (#)	n/a	2	6	< 6	< 4	< 2
CCS MOR Report						
Complete & On-time (#)	n/a	7	9	10	11	12

Note: Service Level Agreement effective as of Apr 2007; values reflected represent Apr-Sep YTD average

2. Increased Corporate Coverage

New clients throughout the Client’s organization were engaging the procurement team who now had the capacity and framework to effectively provide both strategic support via our internal resources and tactical support through their new outsourced partner.