



TPI: Sourcing Industry Best Practices

Acquisition Advisory Panel

Office of Management & Budget

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**Peter Allen, Partner and Managing Director for Global
Practices, TPI**



Personal Credentials – Peter Allen

Partner & Managing Director, TPI – The Global Sourcing Advisors

Career Synopsis

- ▶ BS, Computer Science, University of Maryland
- ▶ BBN: ARPAnet Engineering Team; Defense Data Network; NSA Signals Intelligence Data Network
- ▶ Computer Sciences Corp.: NSA/CIA/DIA systems integration; Defense Enterprise Integration Services; Joint Logistics Material Management Modernization; JPMorgan IT Outsourcing
- ▶ Data Dimensions: Chairman, President, CEO
- ▶ TPI: **Business Process**

Commercial Outsourcing Resume

- ▶ Applications Development & Maintenance
- ▶ Software Testing
- ▶ Information Technology Operations
- ▶ Business Process Operations



TPI Value Proposition

Our value proposition integrates expertise, unparalleled market insight and collaboration to ensure innovative and objective solutions.

People

Diverse thought leadership and expertise

Collaboration

Collaborative solution between the client, the advisor and the service provider

Objectivity

TPI is service provider and solution agnostic

**Data &
Tools**

Proprietary market data, best practice tools and proven engagement methodologies



TPI Credentials

TPI Mission: We help clients achieve sustained improvements in business performance through the evaluation, negotiation, implementation and management of sourcing relationships.

People

- ▶ 250+ advisors with an average 21 years consulting, operating and sourcing experience
- ▶ TPI advisors combine strategic capabilities, industry knowledge, deep domain expertise and operating know-how to create realistic strategies that work
- ▶ TPI Client & Service Provider Events, Training, Exchange & Liaisons
- ▶ *Journal of Sourcing Leadership (JSL)* – TPI publication, circulated to more than 7,000 professionals.
- ▶ TPI Index – Partnership with global Equity Research leaders to share sourcing industry data (10 quarters)

Collaboration

- ▶ No conflicts of interest with providers – TPI does not represent service providers
- ▶ 30-40% of engagements result in alternate service delivery strategies to outsourcing transactions
- ▶ “Advice with no strings attached” – Denny McGuire, TPI founder

Objectivity

- ▶ Power of 650+ transactions, 1,100 engagements and US \$360B in total contract value
- ▶ More BPO assessments and transactions than any other sourcing advisory service
- ▶ Proprietary market and service provider data repositories – market-based data for quantitative analysis of alternatives, SLAs, delivery capabilities and decision making
- ▶ Proven Strategy and Assessment methodologies (ITO & BPO) developed over 100 engagements, 15 years
- ▶ Financial business case that focuses on financial realities and delivers expected results
- ▶ Business-based frameworks and strategies for success

Data & Tools



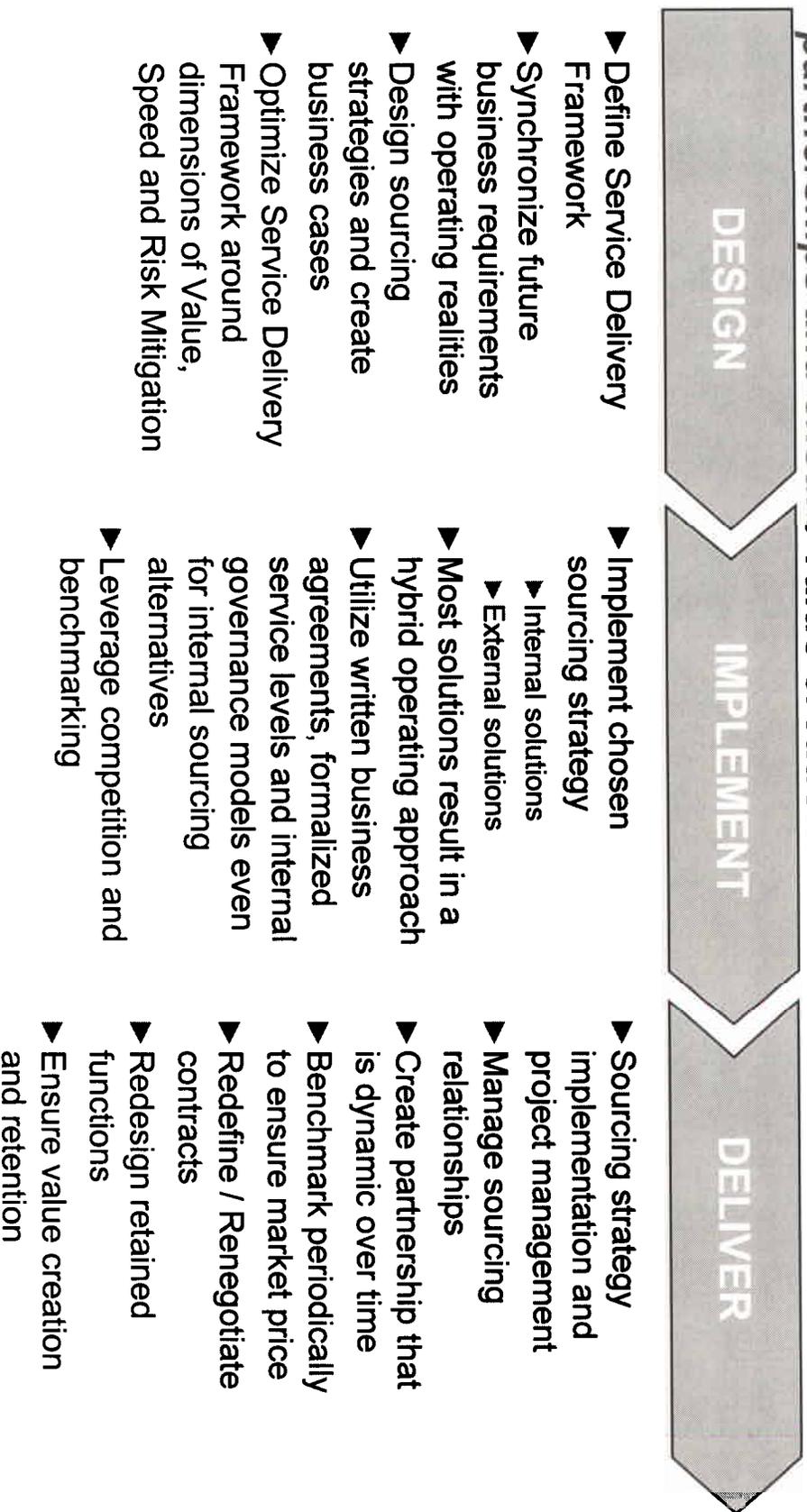
Representative Client Scope: Americas

| | |
|--|--|
|   Fifth Third Bank  DOW JONES  Walters Kluwer  Qwest  Sprint | <p>Total Unique American Clients</p> <p>286</p> |
|  ChevronTexaco  Visteon  AT&T  AMOCO | <p>Total Number of TPI Engagements in the Americas</p> <p>643</p> |
|  TXU  ACCG  TOWERS PERRIN  EDWARDS | <p>Number of Assessment Engagements</p> <p>101</p> |
|  BANK ONE  SWALES AEROSPACE  Amkor Technology  BNSF | <p>Number of Transaction Engagements</p> <p>461</p> |
|  SIEMENS  spherion  Air Canada  Schlumberger | <p>Number of Renegotiation Engagements</p> <p>48</p> |
|  Clark American  VF Corporation  SBC  palmOne  Nestle | <p>Number of Sourcing Management Engagements</p> <p>45</p> |
|  BOEING  NORTHROP GRUMMAN  Federated DEPARTMENT STORES, INC.  Matsushita Electric  TELLUS | <p>Total Contract Value of TPI Advised Contracts</p> <p>\$181.6 B</p> |
|  OXY  ZURICH  Uniform Code Council, Inc. THE GLOBAL INSTITUTE OF STANDARDS | <p>TPI Advisors with Americas Region Experience</p> <p>More than 190</p> |



TPI's Approach to the Sourcing Lifecycle

TPI's approach emphasizes a Service Delivery Framework, leveraging contractual relationships and competition to develop provider partnerships and ensure value creation.





Foundations for Success

**How
a contractual agreement
is achieved**

- ▶ A vision and strategy for the outsourced function(s) that supports the overall business strategy
 - ▶ Value-creation orientation
- ▶ Well conceived and realistic expectations for sourcing
- ▶ Ownership and sponsorship from executive management
- ▶ Effective sourcing / procurement strategy and process
 - ▶ Focus on collaboration and alignment of expectations
 - ▶ Profit is not a four-letter word
- ▶ Sufficient time, focus, dedicated project leadership and a multi-disciplinary team



Elements of Success

**What
the final contract
includes**

**TPJ recommends a set of elements
that every successful sourcing
agreement should include.**

- ▶ Organizational Change
 - ▶ Sourcing Management
 - ▶ Transition / Transformation Planning
 - ▶ Change Management / Communications Plans
- ▶ Clarity of Scope
 - ▶ Statements of Work
 - ▶ Definition of Services
- ▶ Defined and Variable Pricing
 - ▶ Consumption Based Pricing
 - ▶ In-scope Project Pricing
 - ▶ Asset Treatment
- ▶ Transition and Transformation Fees
- ▶ Market Based Business Terms
 - ▶ Exclusivity
 - ▶ Control Rights
 - ▶ Intellectual Property
 - ▶ Limits of Liability
 - ▶ Performance Reviews
 - ▶ Dispute Resolution
 - ▶ Exit Rights
 - ▶ Gain Sharing Potential
- ▶ Measures of Service ROI and Quality
 - ▶ Operational Performance Reporting
 - ▶ Transaction Performance Reporting



Top Ten Factors for Successful Outsourcing

The record shows that strong operational relationships and aligned objectives are the most important factors.

1. Understanding company goals and objectives – a “business view.”
2. Having a strategic vision and plan for the outsourced services.
3. Selecting the right service provider – emphasis on relationship and process expertise.
 - ▶ Pricing comes through scale and process.
4. Managing the relationship on an ongoing basis.
5. Creating a properly structured contract that anticipates change.
6. Keeping communication open with affected individuals and groups.
7. Securing senior executive support and involvement, including BoD and Audit authorities.
8. Paying careful attention to personnel issues.
9. Ensuring short-term financial justification.
10. Using outside expertise.



Anticipating Change

Value is achieved in living the relationship, not talking about it during negotiations.

- ▶ Economic conditions, technology and business objectives are bound to change during the life of the outsourcing contract.
- ▶ Contract must permit customer to retain control, maintain leverage and manage change.
- ▶ Include mechanisms that incentivize the service provider to keep pace with changes in the environment, strategies, and processes.
- ▶ Define and establish metrics to determine business value delivered.
- ▶ Provide incentives that encourage both performance improvement as well as innovations to gain competitive advantage.
- ▶ Institute a multi-tiered contract evolution process – including risk and reward sharing terms, and metrics – which can be redesigned and realigned to fit the evolving business environment.