

PURCHASING PRACTICES BEYOND 2020

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Outsourcing

The gains to be experienced by undertaking it

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What is Outsourcing?

- Outsourcing is now a permanent feature of the Business life, As companies search for cheaper and more effective ways of working, handling over non-core functions to lower cost specialize can be an alluring prospect
- Outsourcing is the contracting out of business function to an external supplier, involving the transfer of people, process and assets. Eithers and on-shore or off-shore location and to one (single sourced) or more (Multi sourced) outsourcing partner



Business Process Outsourcing (BPO)

IT/ITES

- Software development, IT staffing, Helpdesk services, Infrastructure Management Services

Call Center Services

- Inbound and outbound call centers, telemarketing, email support, technical support services etc.

Healthcare Services

- Teleradiology Services, Medical Transcription Services, Healthcare Claims Adjudication

Financial Services

- Book-keeping, Payroll Processing, Financial Analysis Services

E-commerce Website

- Online ordering, Refund processing

Retail Services

- Ordering, status checking

Telecom sector

- Services information, Compliant processing

Manufacturing

- Component information, Ordering, Help services

Travel Industry

- Bookings, Cancellations

Outsourcing Benefits



BPO cost model



Cost per Seat: This is the closest model to you hiring the staff yourself consequently every person who hired is charged directly back to you



Cost per Call/Contact: pay for amount of time that staff are on the phone or dealing with a reply to a customer and consequently removes a lot of waste seen in CpS models.



Cost per Case Used: as a focus for businesses who want to see First Contact Resolution (FCR). A customer gets a solution in one go.



Cost per Time (CpWM and CpWH): The cost per time model is where you only pay when staff are working.



Three primary factors for consideration



- Firstly, **time** is the primary consideration. When you retain an outsourcer it can be a factor of months faster than putting everything you need to do in place.



- **Risk** is a factor because if there's someone else experienced and capable of doing a process they're going to be able to spot and fix holes a lot faster than you learning the ropes.

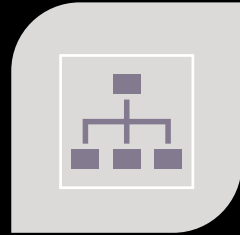


- Finally, **quality** is a huge part of the outsourcing process as the scope and operation is defined and focused.

When do you need this business process up and running by?



1. DELIVERY OF THE WORK



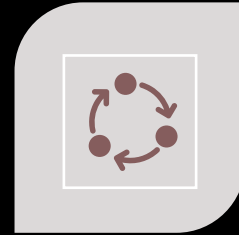
2. MANAGEMENT AND REPORTING ON THE PROCESS



3. HIRING AND MANAGEMENT OF THE STAFF



4. QUALITY CHECKING THE WORK



5. REVIEWING THE PROCESS

5 Areas - time spend

In-house

Company

Outsource

Outsourcing supplier

Company

Outsource Lifecycle

1

Assess

Determining the scope of outsourcing

Common understand objectives, benefits, cost and risk on Business case

2

Prepare

Identifying suitable partners

Selecting the right vendor(s) to participant in the process and develop RFP document

3

Evaluate

Choosing the right partner

Structured evaluation of vendors' proposal and final shortlist

4

Commit

Negotiating the contract

Achieve the best value and getting deal 'across the line'

5

Transition & Transform

Moving to the new contract

Transitioning the work and resources, robust transition plan and implement reporting mechanism

6

Optimize

Managing the new contract

Manage vendor relationship, monitor contractual obligation and tracking charge with original business case

Question List

1. What exactly are you outsourcing?
2. When do you need this business process up and running by?
3. What risk do I expose my business to by outsourcing?
4. Where do we need to improve?
5. Where is the paperwork that describes the processes and procedures and is the basis of training?
6. Who are we going to use?
7. Have you checked the fine print of the contract?
8. Whose system are we going to use?
9. Have we a plan for how we are going to quality check our process?
10. Does this outsourcer want to be a partner or a supplier?



The keys Takeaway

Outsourcing is the driver for cost reduction, speed of development, Flexibility, Special skills and compliance

Develop clear understanding 'As Is' and execute as Business case

Adequately plan, manage and retain the right level of control /direction in the outsourcing relationship

Effectively manage the commercial, legal and financial risks of outsourcing

Effectively manage any transition and transformation phases .

Solid SLA's established, Benefit tracking and realistic optimization are required.