

Strategic Outsourcing: Emerging Trends and Success Factors

Preliminary Results of 2004 Research Presented
at the

ISM 89th Annual International Supply
Management Conference

April 26, 2004

Robert M. Monczka, Ph. D. John D. Blascovich Joseph R. Carter, Ph. D.



Agenda

- **Research background and approach**
- **Survey respondent demographics**
- **Outsourcing patterns and results**
- **A closer look at procurement**

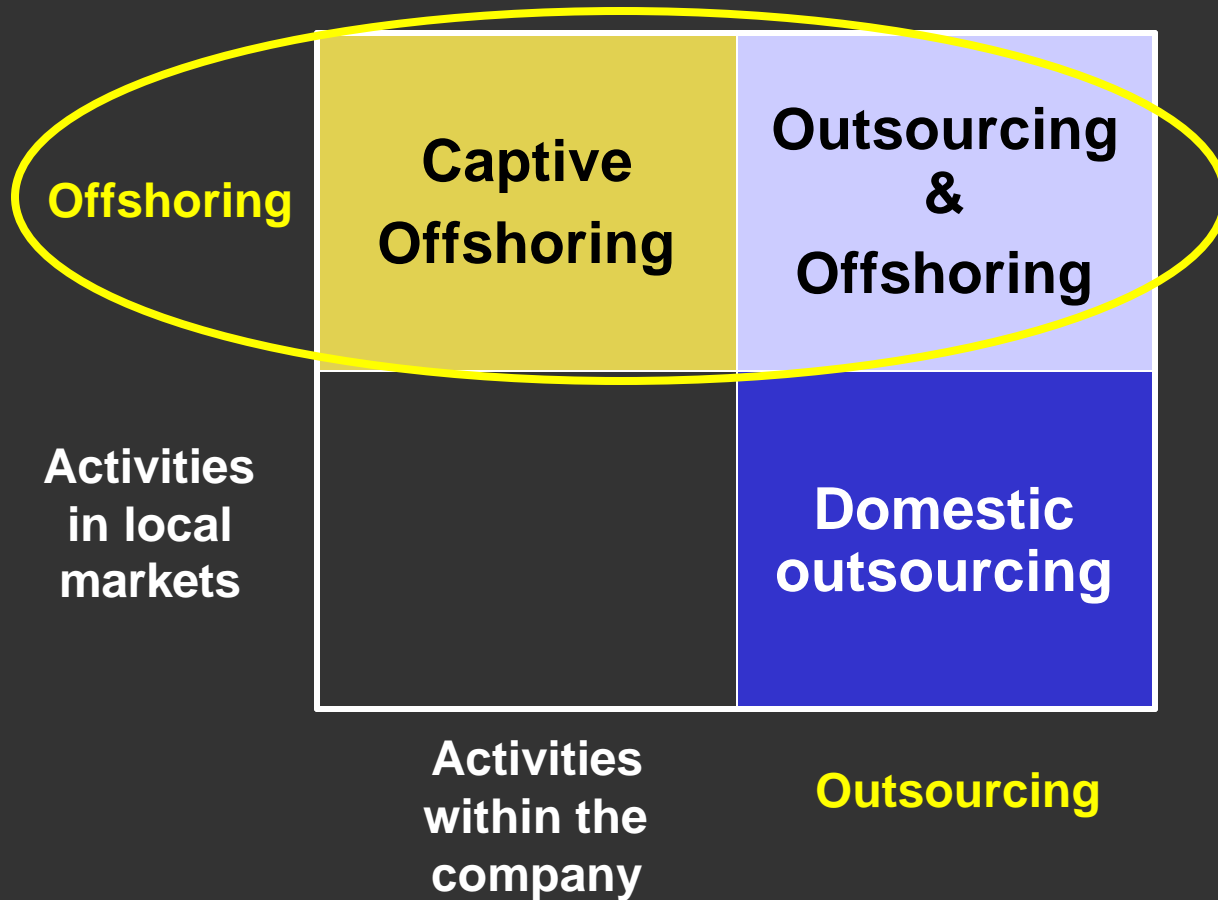
Interest in outsourcing has increased in the past few years

- **In the areas of Information Technology, Manufacturing and Logistics, outsourcing is an established practice**
- **In areas such as Human Resources, Product Development and Procurement, outsourcing is in the early stages**
- **Service provider markets and proven practices are still developing**

What can executives learn from the experiences of others?

Increased focus on offshoring adds a new dimension to outsourcing management

Parallel A. T. Kearney offshoring research provide additional insights



- **2003 - 2004 Offshoring industry surveys:**
 - ◆ **Automotive**
 - ◆ **Chemicals industries**
 - ◆ **Financial institutions**
- **2004 Offshore Location Attractiveness Index**








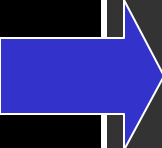
Outsourcing myths or realities?

- **Make/buy is synonymous with strategic outsourcing**
- **The main reason companies outsource is to reduce cost**
- **Many companies pursue outsourcing for revenue growth and market access**
- **Operating cost reduction goals are almost always met through outsourcing**
- **Lack of an adequate supply base is a primary reason not to outsource**
- **People concerns are a primary reason not to outsource**

In late 2003, we began a global research study with these objectives

- 1) Understand how companies plan for and manage strategic outsourcing relationships**
- 2) Determine which strategic outsourcing management approaches are the most effective for achieving superior results**
- 3) Help clarify the realities and myths about outsourcing**

This initial research will continue through May 2004

Activity	Mar 2004	Apr 2004	May 2004
Survey			
Telephone interviews			
Company visits			
Analysis			
Results reporting	 CAPS Executive Roundtable presentation	 Today	  Research release and feedback

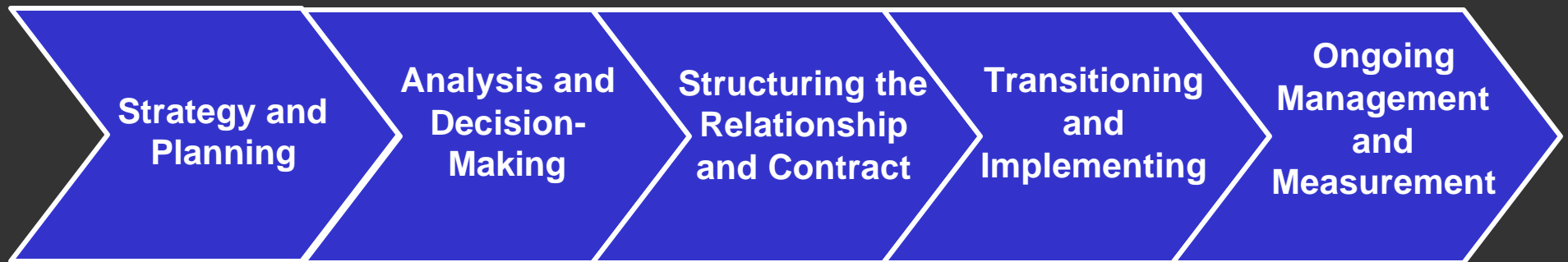
The research framework spans the strategic outsourcing process

Evaluate outsourcing

Define outsourcing model

Move to outsourcing model

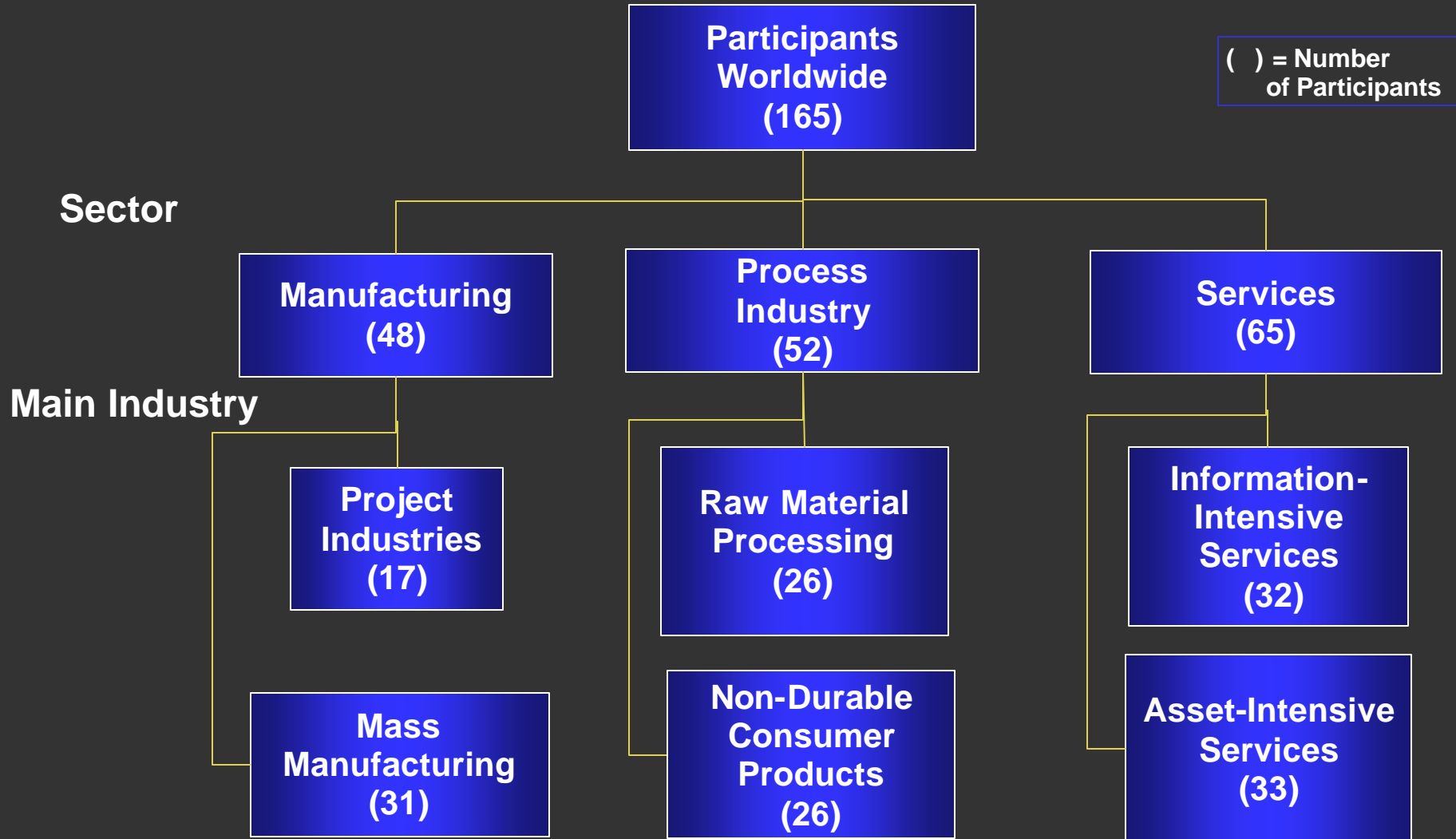
Operate under outsourcing model



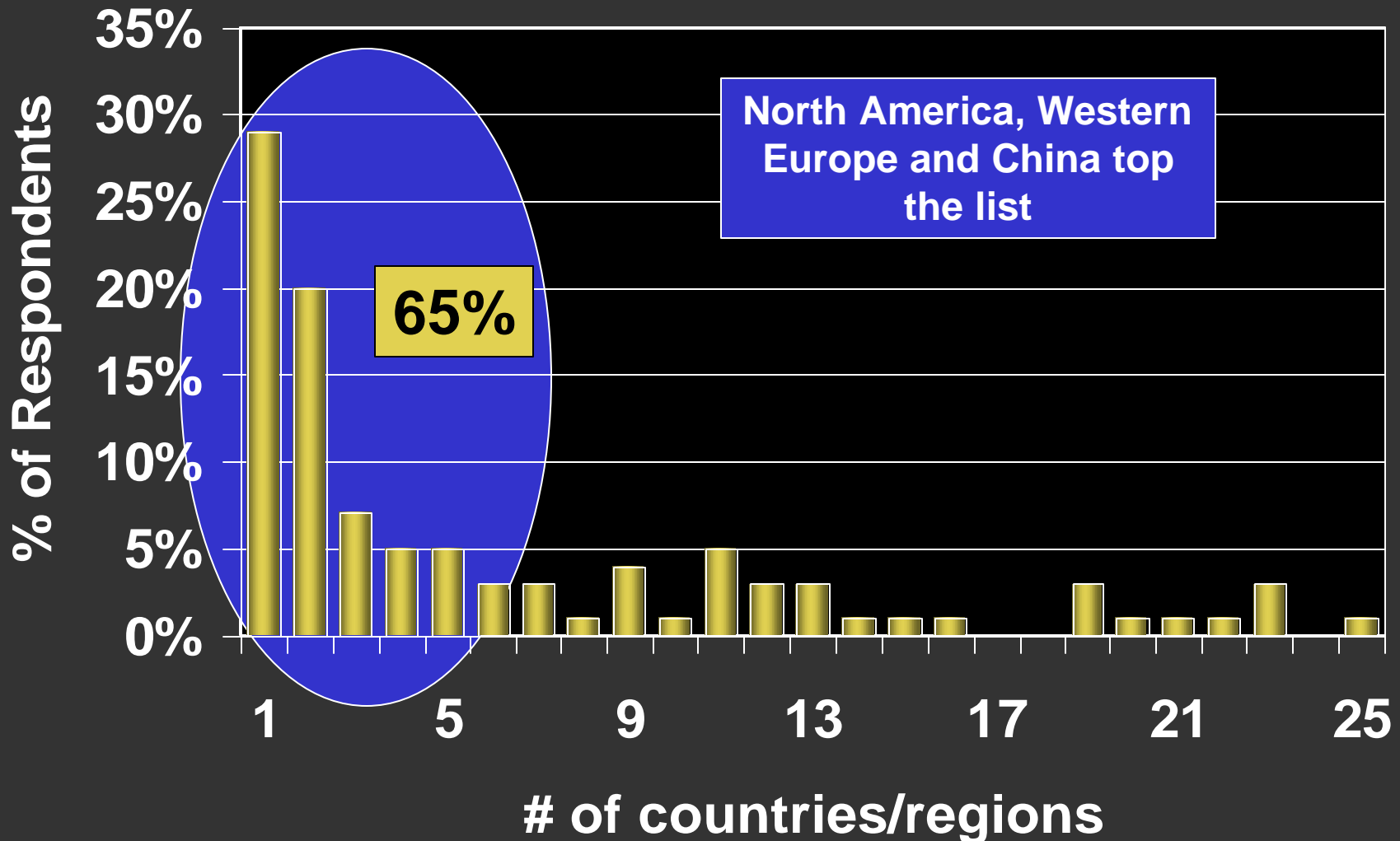
Agenda

- **Research background and approach**
- **Survey respondent demographics**
- **Outsourcing patterns and results**
- **A closer look at procurement**

Survey respondents represent a wide range of industries

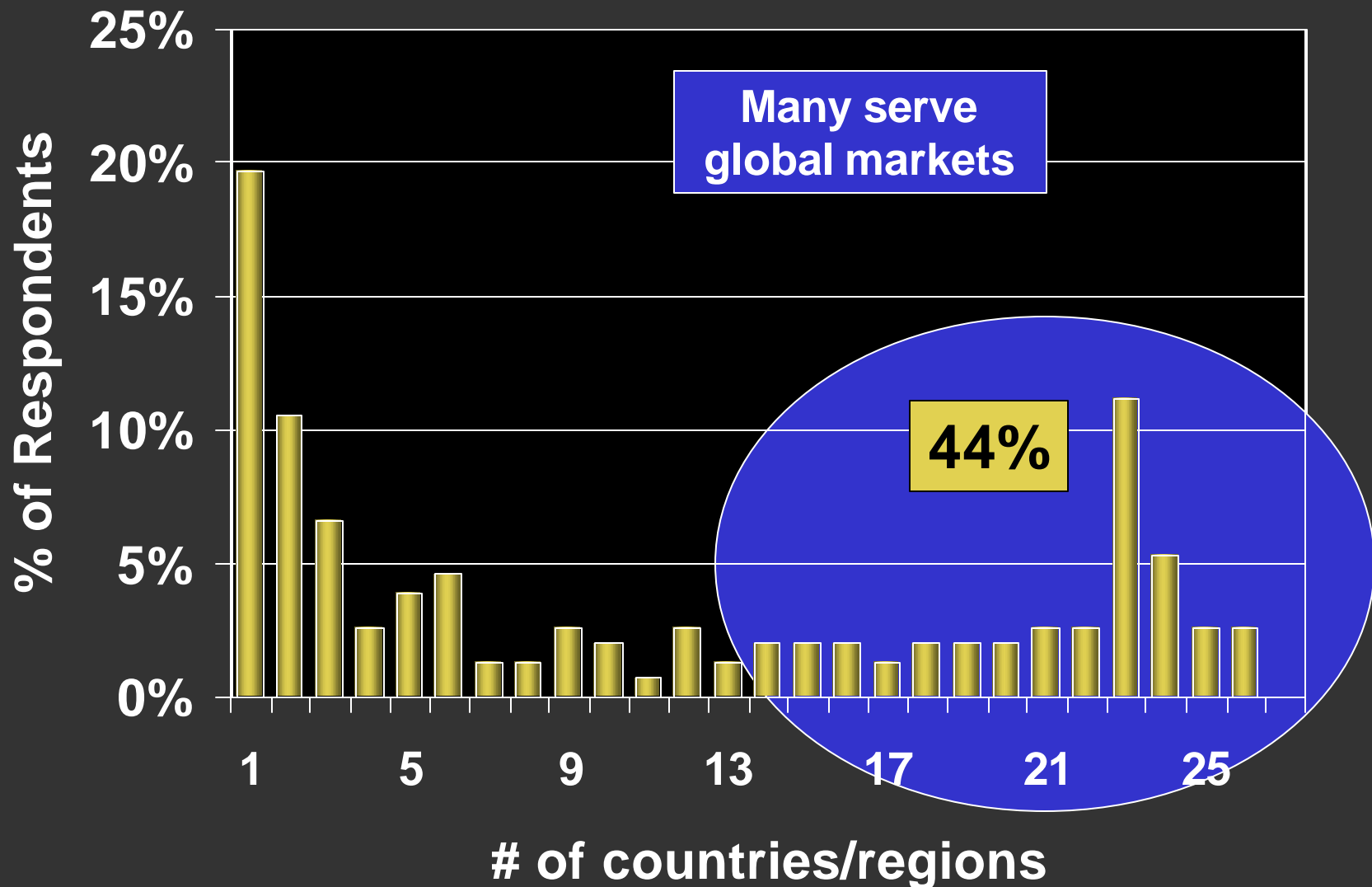


Most respondents have their operational base in just a few countries or regions



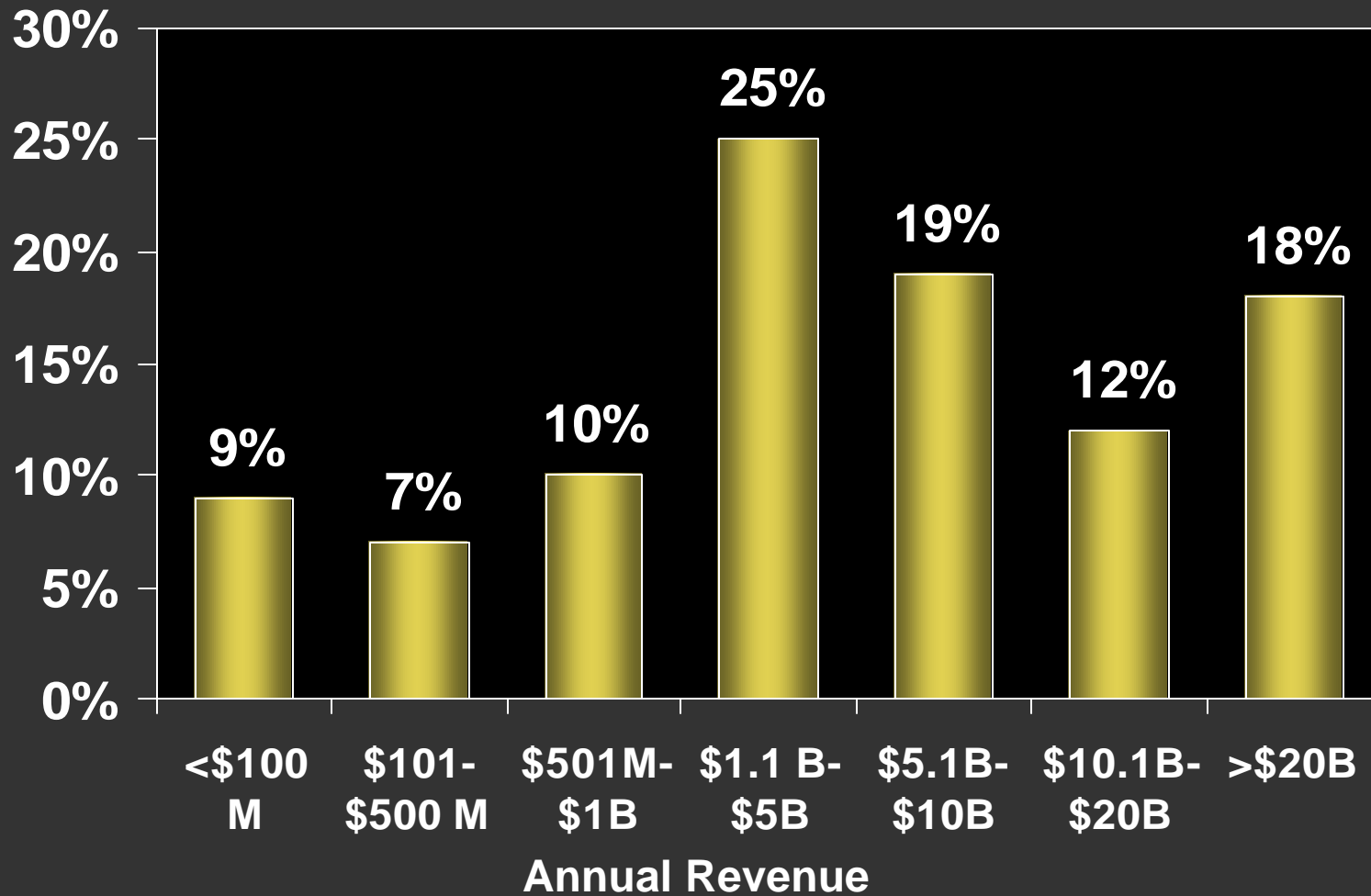
Source: Strategic Outsourcing Survey 2004, Region

However, many respondents market in 12 or more countries/regions



Respondents represent all company sizes

Percent of Respondents



Source: Strategic Outsourcing Survey, 2004, Company Revenue

Agenda

- **Research background and approach**
- **Survey respondent demographics**
- **Outsourcing patterns and results**
- **A closer look at procurement**

The research examined outsourcing across 14 business activities

Corporate Support

Information Technology
Human Resources
Finance and Accounting
Legal/Regulatory

Research & Technology

Engineering/Detailed Design
Product and Service
Development
Research

Demand Side Activities

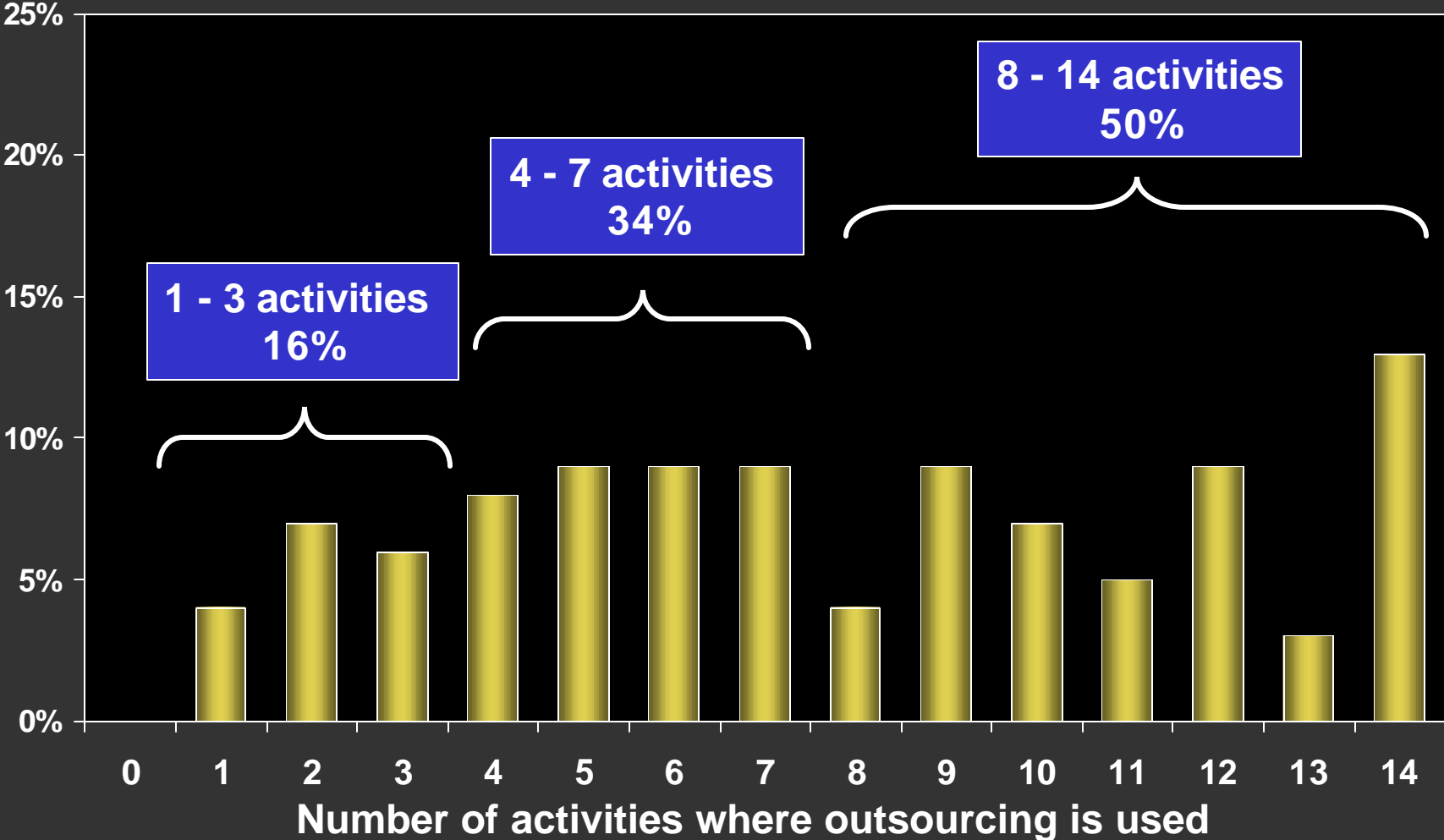
Customer Call Center
Field Service
Marketing
Sales

Supply Side Activities

Procurement/Supply
Management
Manufacturing/Operations
Distribution/Fulfillment

Respondents outsource multiple activities

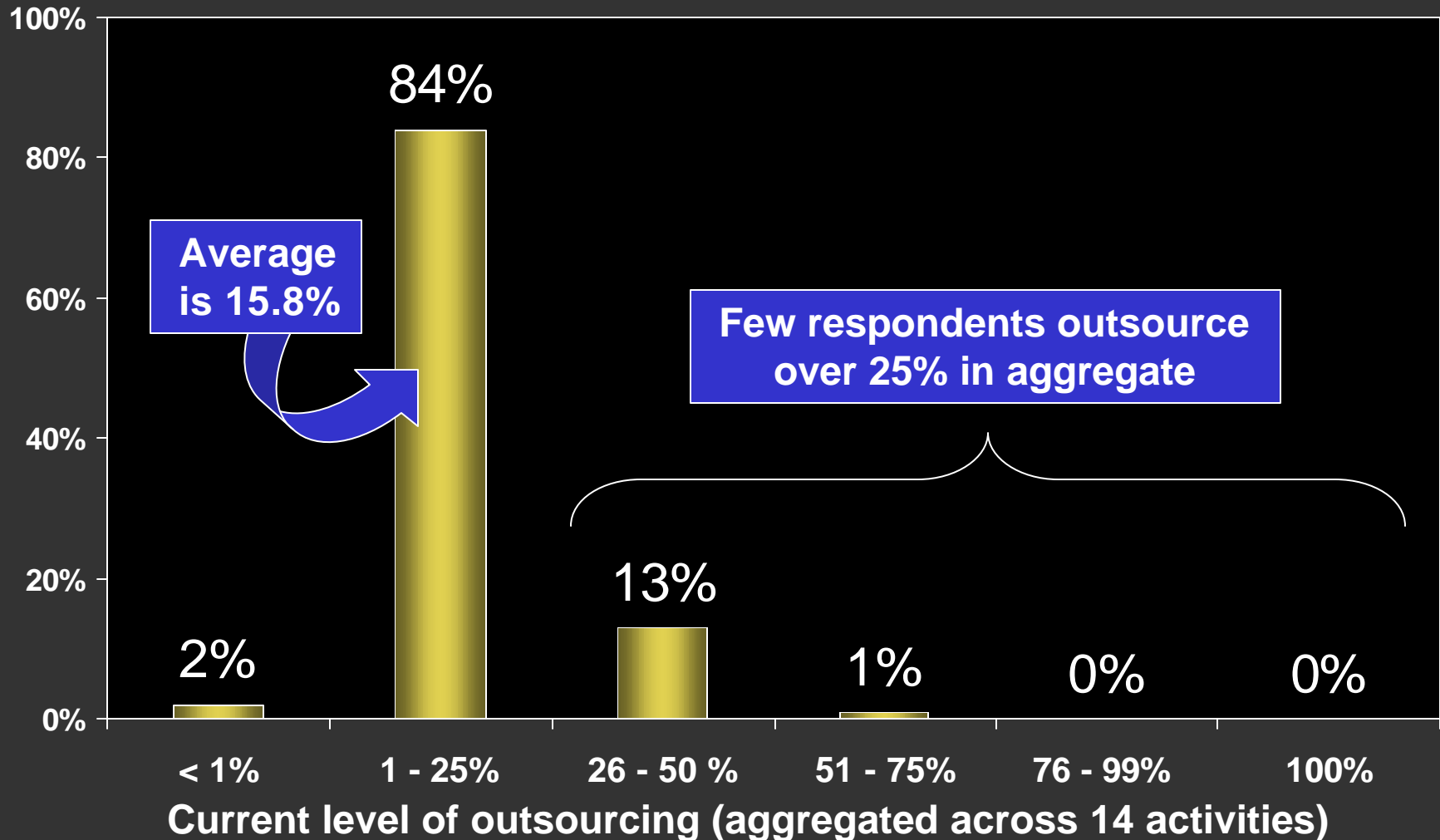
Percent of Respondents



Source: Strategic Outsourcing Survey, 2004, Question 1

However, the overall penetration level of outsourcing is relatively low

Percent of Respondents



Greatest outsourcing activity is in Distribution and Information Technology

Supply Side Activities:

Distribution/Fulfillment

32%

Manufacturing/Operations

24%

Procurement/Supply Mgmt

15%

Corporate Support:

Information Technology

36%

Legal/Regulatory

30%

Human Resources

16%

Finance and Accounting

9%

0% 10% 20% 30% 40% 50% 60%

Percent of respondents currently outsourcing over 25% of the activity

Research and technology, and demand-side activities are outsourced less frequently

Research & Technology

Engineering/Detailed Design

22%

Research

14%

Product and Service Development

12%

Demand Side Activities:

Customer Call Center

22%

Marketing

17%

Field Service

16%

Sales

7%

0% 10% 20% 30% 40% 50% 60%

Percent of respondents currently outsourcing over 25% of the activity

Outsourcing of all activities is projected to grow -- many by 30%+ over today

Supply Side Activities:

Distribution/Fulfillment

★ Manufacturing/Operations

★ Procurement/Supply Mgmt

Corporate Support:

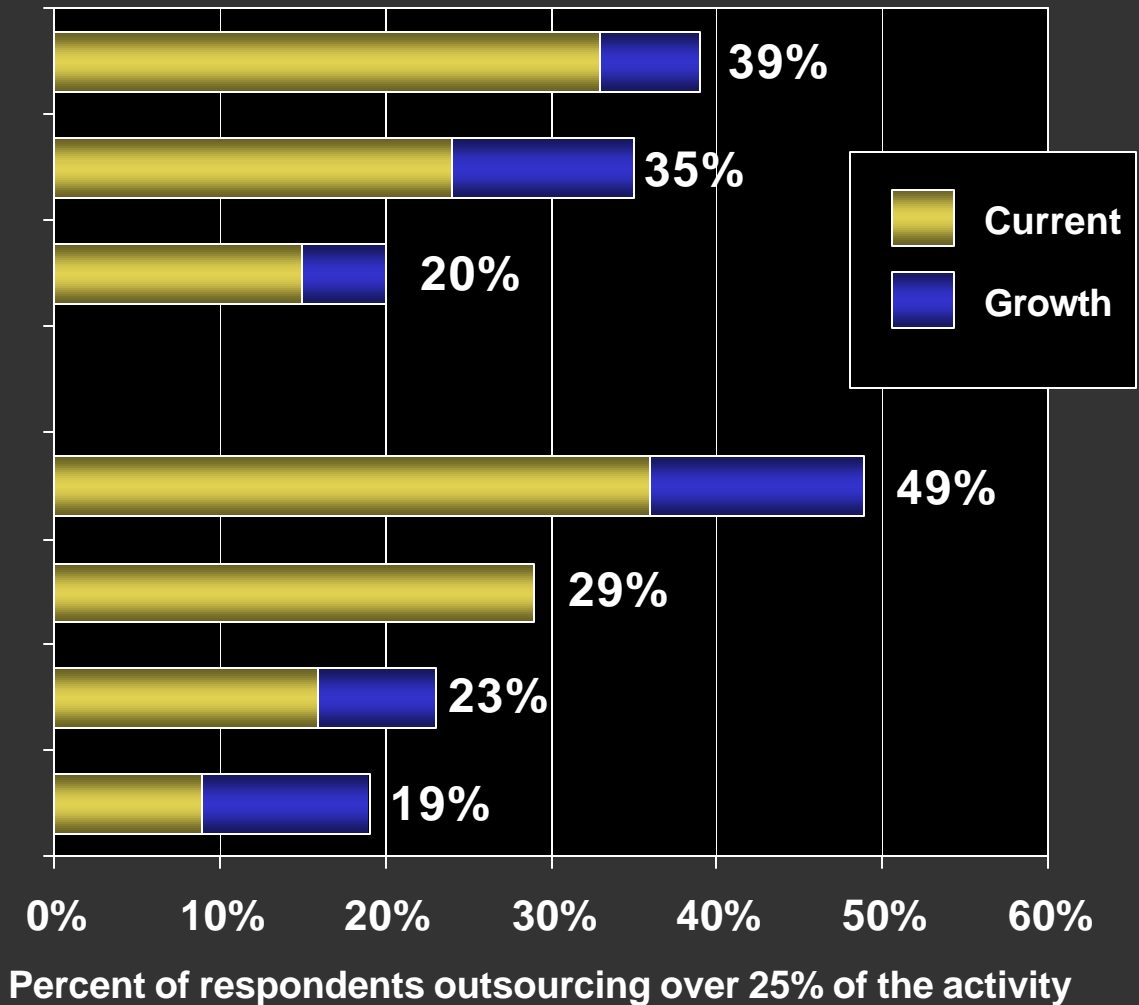
★ Information Technology

Legal/Regulatory

★ Human Resources

★ Finance and Accounting

★ = Largest growth areas for outsourcing



Outsourcing of all activities is projected to grow -- many by 30%+ over today

Research & Technology:

★ **Engineering/Detailed Design**

Research

★ **Product/Service Development**

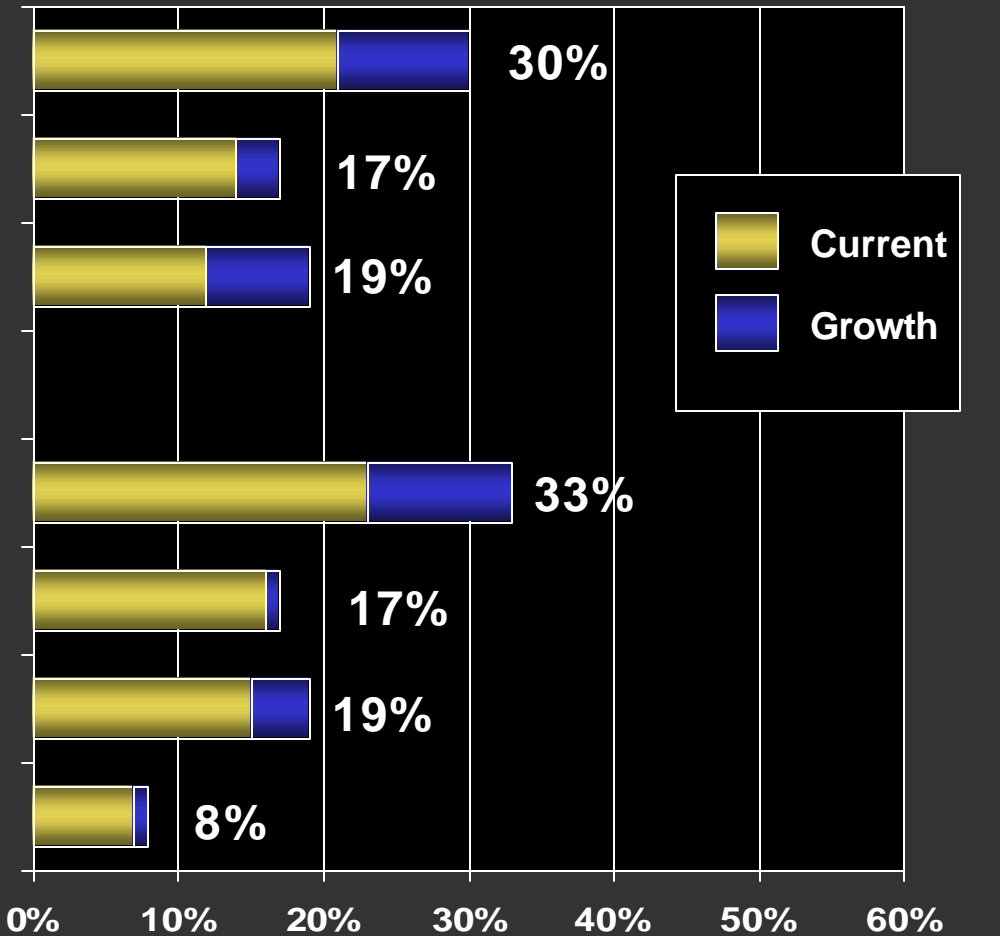
Demand Side Activities:

★ **Customer Call Center**

Marketing

Field Service

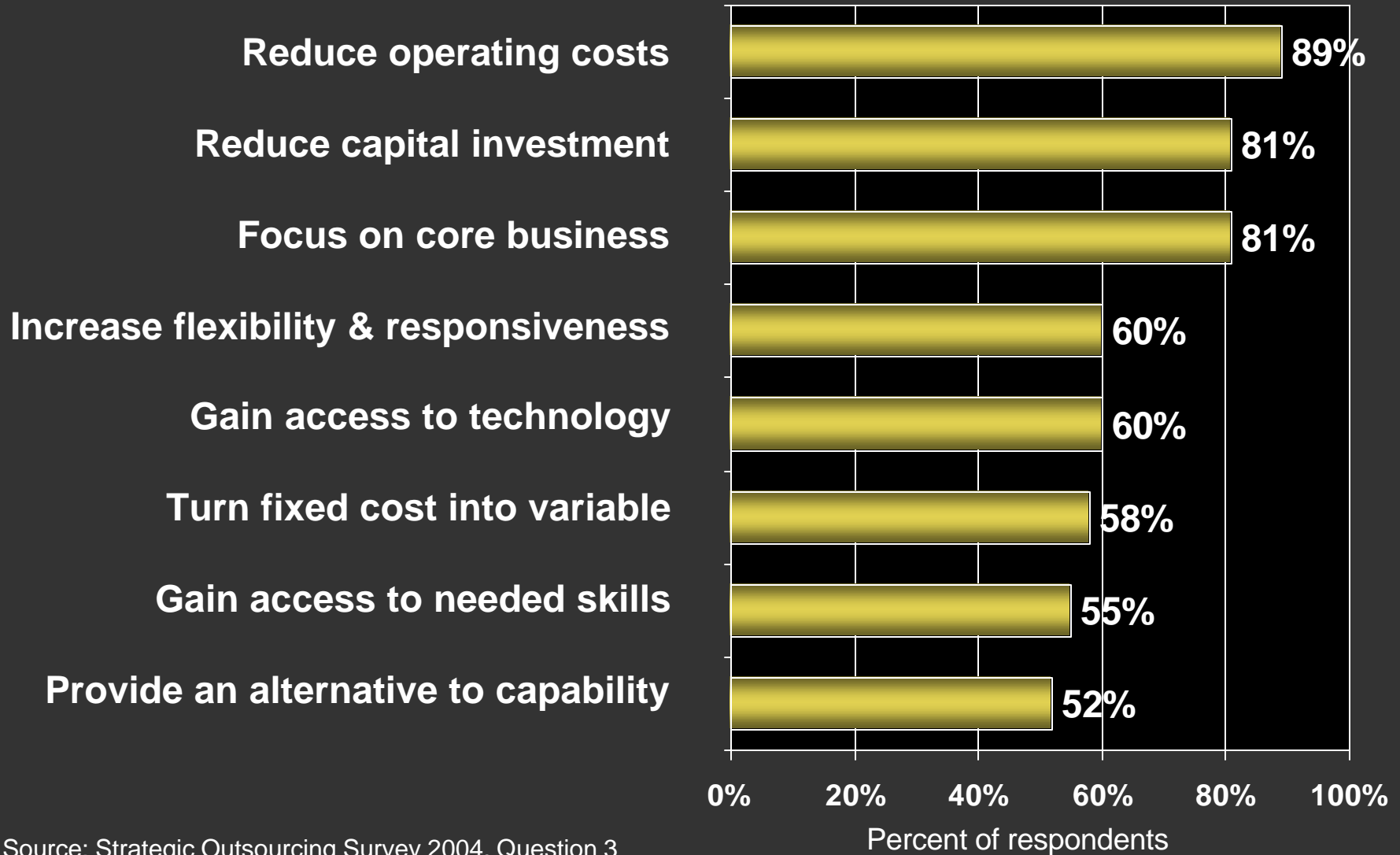
Sales



★ = Largest growth areas for outsourcing

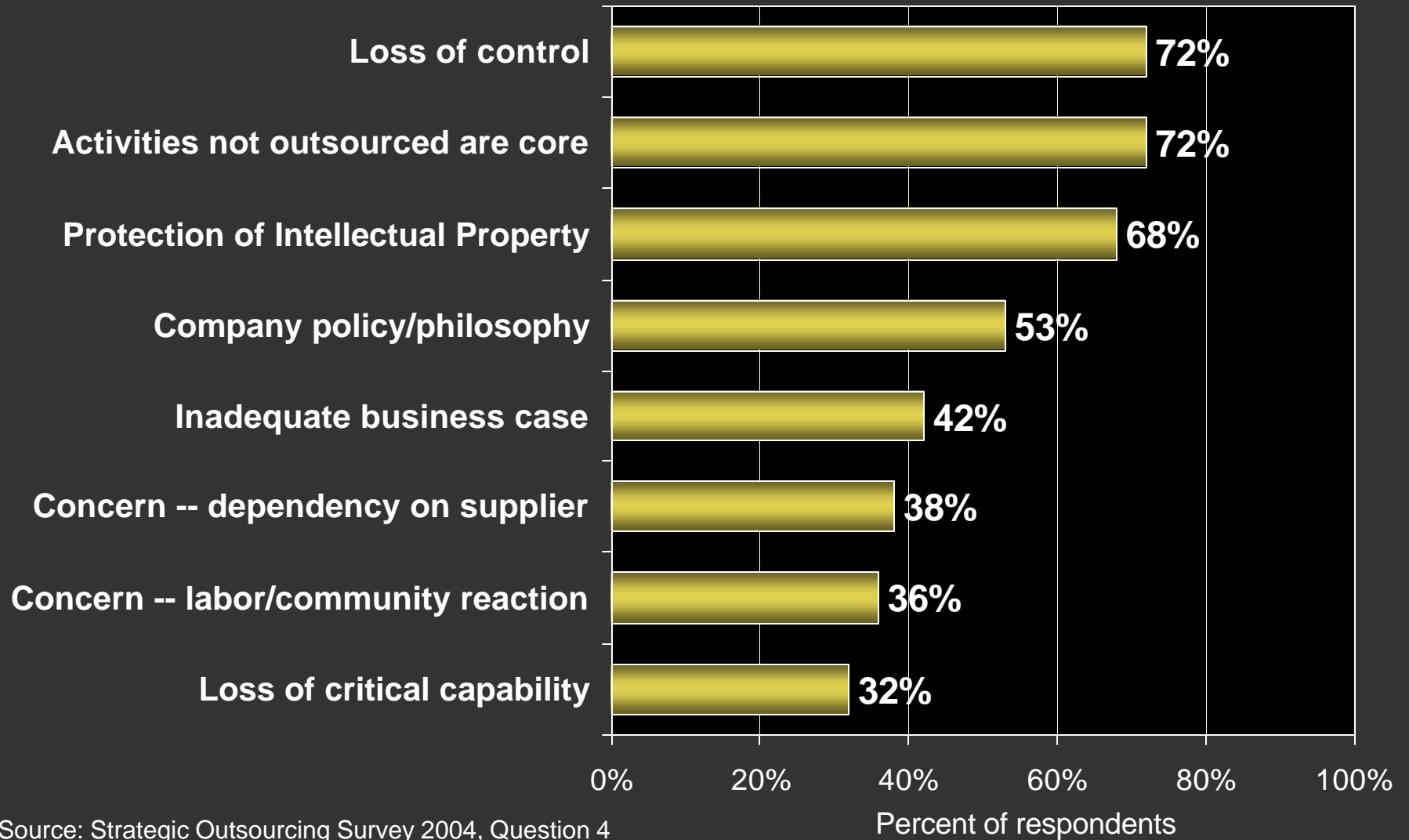
Percent of respondents outsourcing over 25% of the activity

Cost reduction is the primary reason for outsourcing



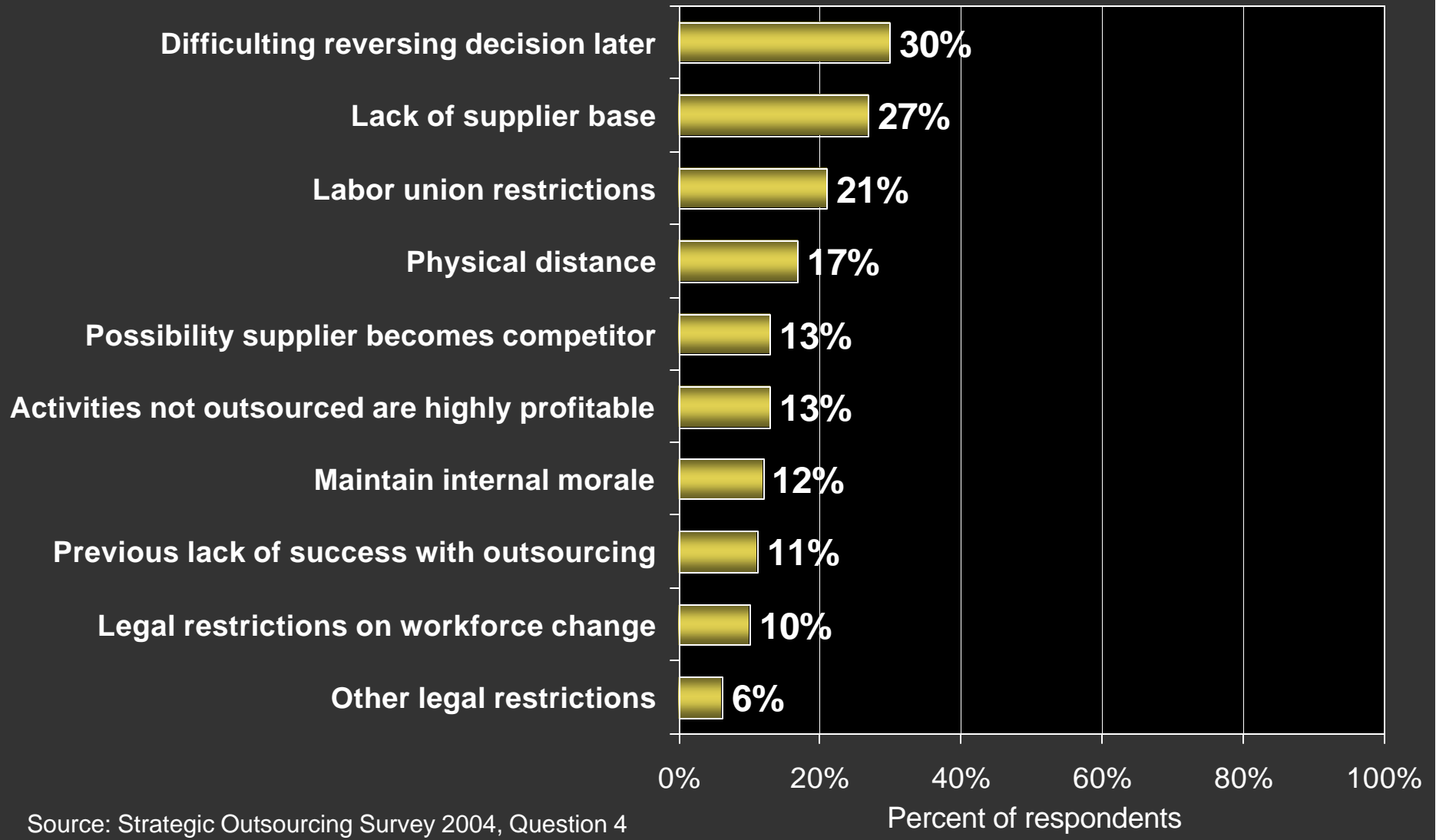
Source: Strategic Outsourcing Survey 2004, Question 3

Risk and vulnerability issues are major reasons not to outsource



Source: Strategic Outsourcing Survey 2004, Question 4

Several other reasons exist to not outsource, but these are not widespread



Source: Strategic Outsourcing Survey 2004, Question 4

Cost and focus-oriented goals are widely pursued

Goals for 50% or more of respondents		Goals for fewer than 50% of respondents	
Reduce operating cost	84%	Provide alternative to building capability inside company	47%
Reduce capital investment	72%	Reduce customer cycle time	46%
Focus on core business	70%	Meet downsizing requirements	46%
Increase flexibility and responsiveness	66%	Reduce development costs	45%
Gain access to technology	63%	Provide backup capability	43%
Gain access to needed skills	62%	Grow revenue	41%
Turn fixed costs into variable costs	59%	Obtain benchmark for in-house activities	33%
Improve quality	53%	Support company policy/philosophy	33%
Increase speed to market	52%	Gain access to markets	30%
Create additional capacity	50%		

Source: Strategic Outsourcing Survey 2004, Question 5

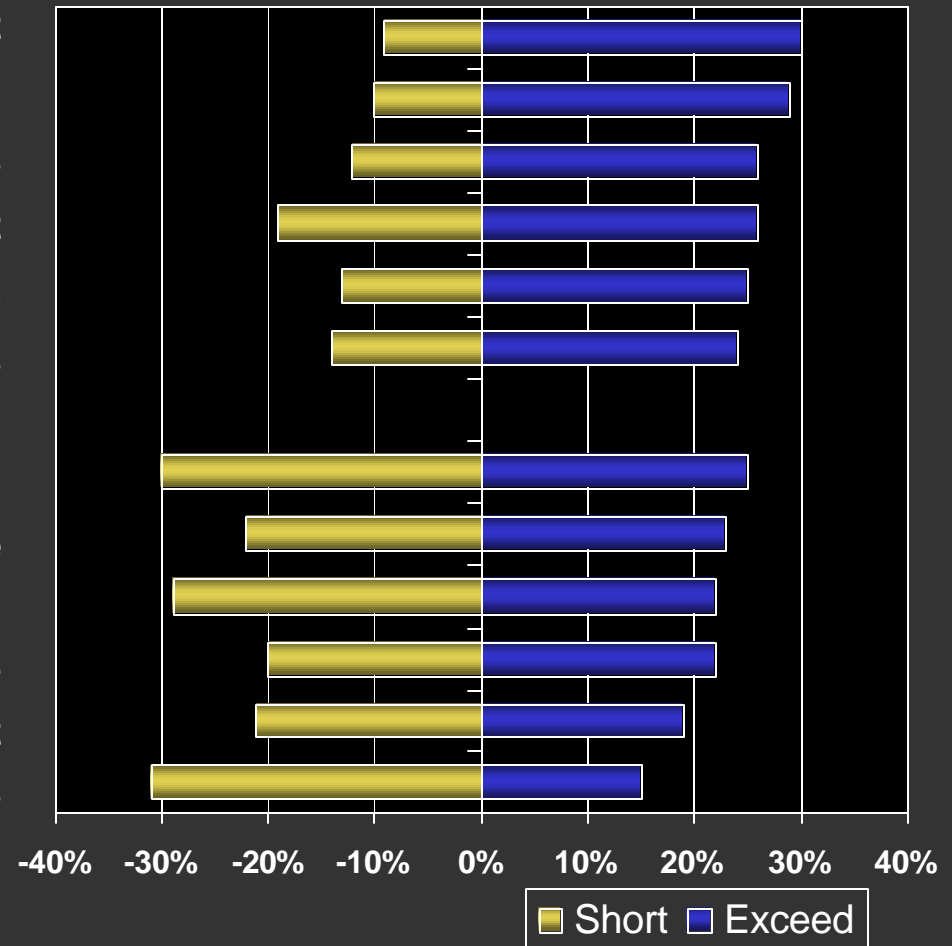
Many respondents exceeded cost goals; revenue goals are more elusive

Cost:

- Reduce capital investment
- Obtain intelligence of competitiveness
- Meet downsizing requirements
- Reduce operating cost
- Reduce development costs
- Turn fixed costs into variable costs

Revenue:

- Improve quality
- Reduce customer response cycle time
- Increase flexibility and responsiveness
- Grow revenue
- Increase speed to market
- Gain access to markets

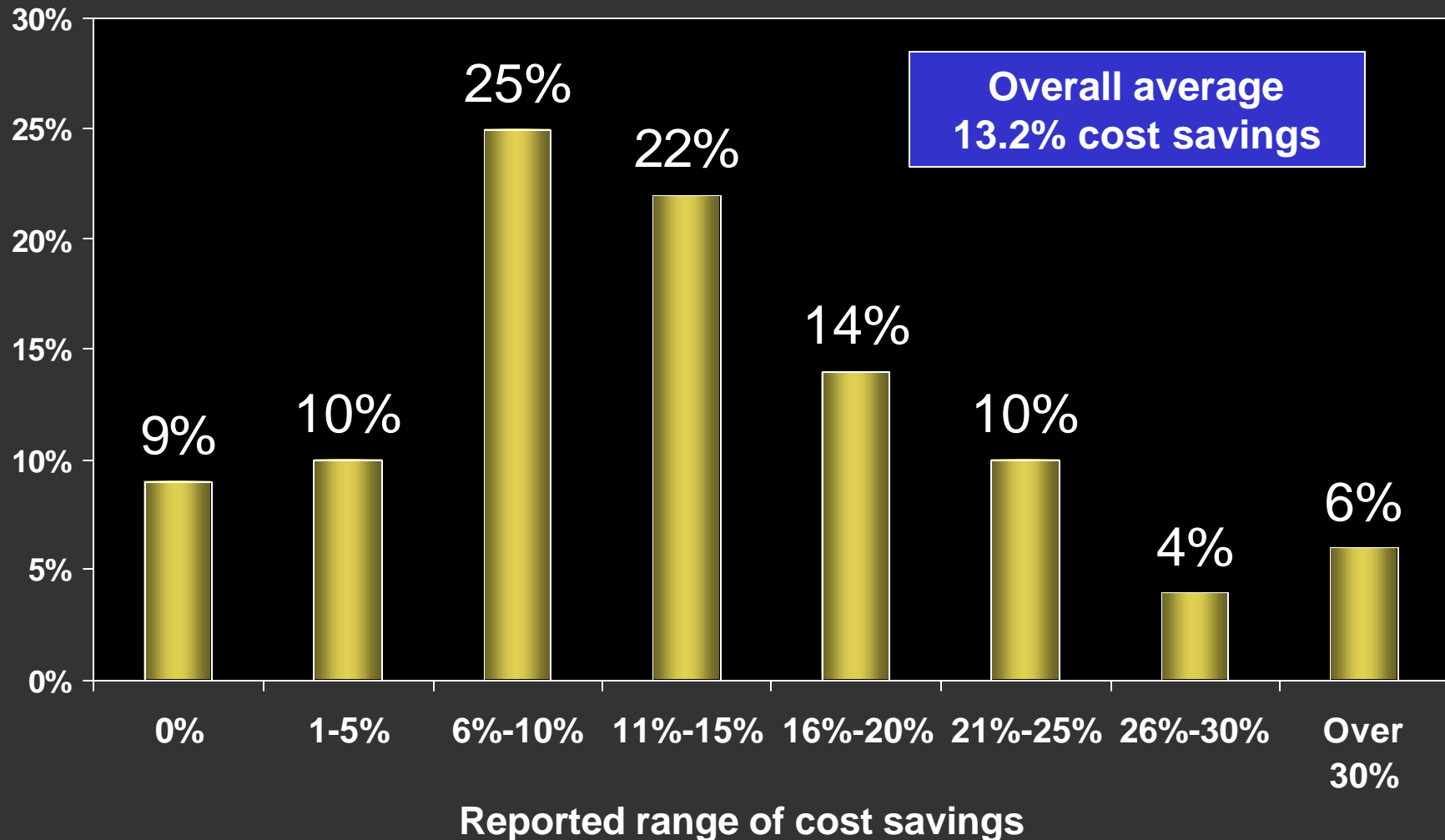


Note: Sample sizes range from 40-118
 Source: Strategic Outsourcing Survey 2004, Question 5

Percent of respondents

Over half of respondents realized savings in excess of 10%

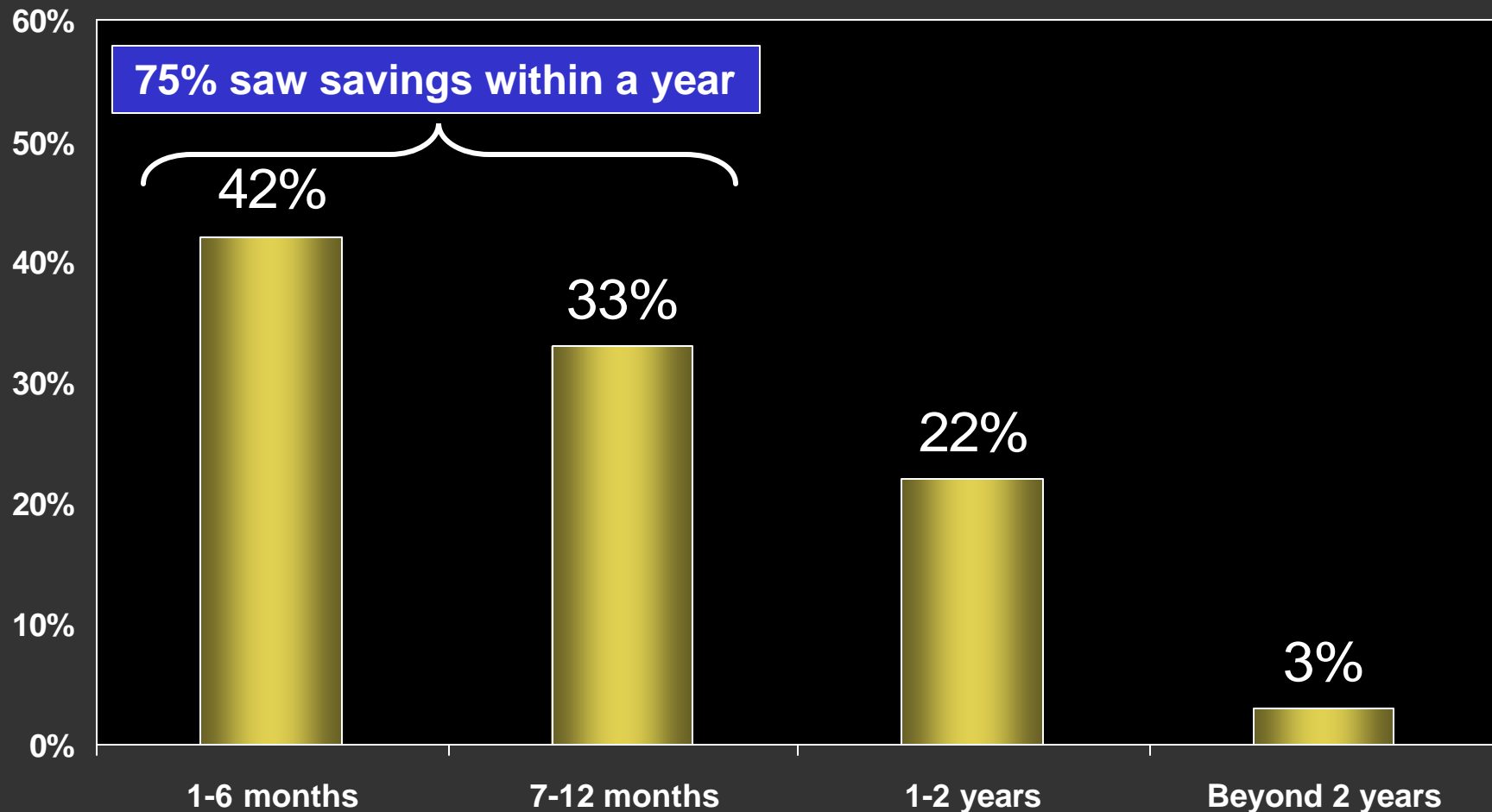
Percent of respondents



Source: Strategic Outsourcing Survey 2004, Question 6

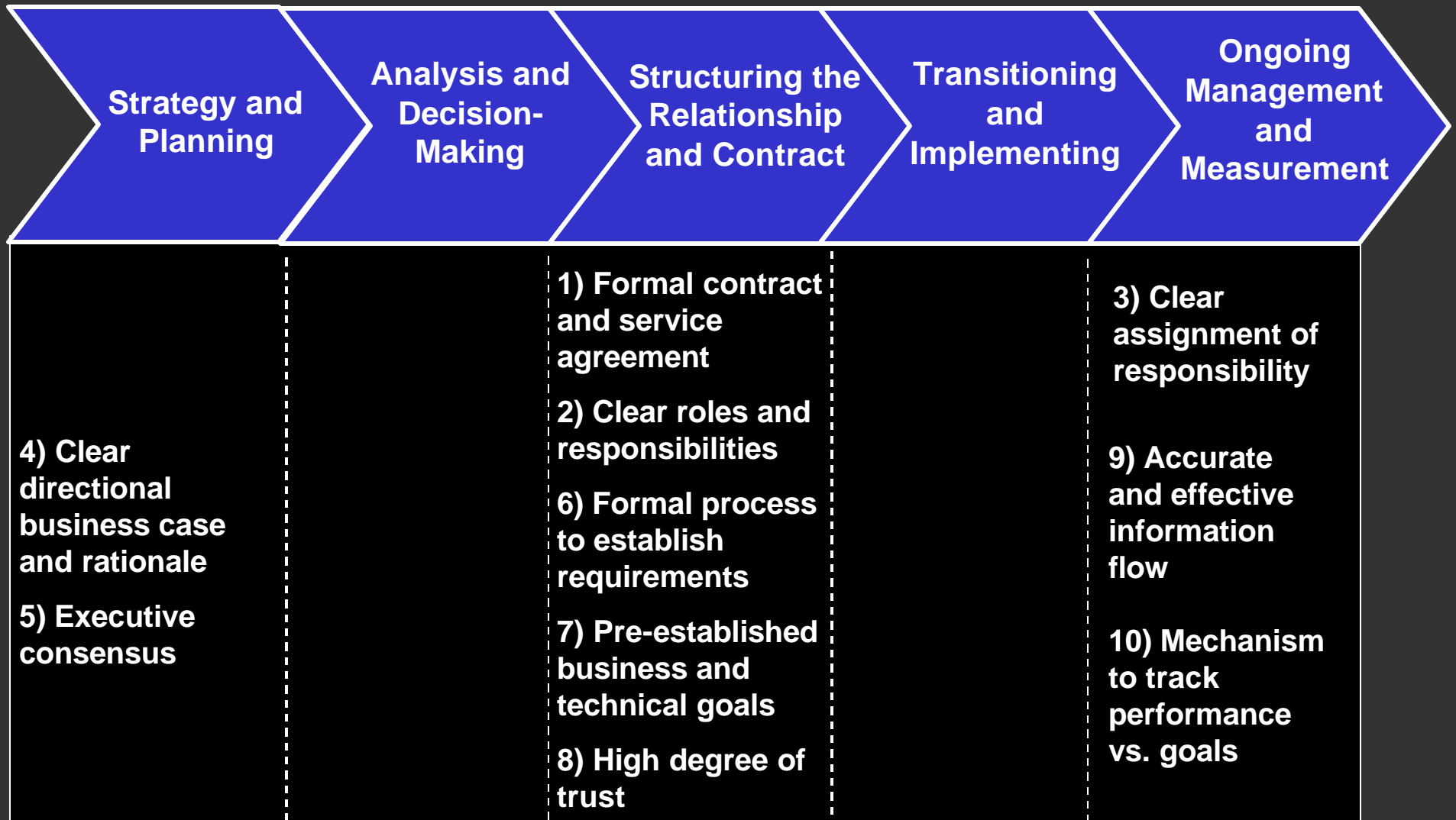
Are quick savings the early portion of a long-term benefit or just a short term gain?

Percent of respondents



Source: Strategic Outsourcing Survey 2004, Question 7

Ten factors emerged as keys to success in achieving goals



Several additional themes emerged from the text survey responses

Significant Selected Reasons for Best Results – Verbatims

- **“Clear ownership of Procurement organization** to lead the outsourcing relationships from inception to managing ongoing issues...best results when procurement negotiated and led vendor management”
- **“Business case well defined and outlined. Key performance indicators** set in place. **Cross functional team** with sponsors identified.”
- **“Both parties willing to** look beyond the alliance agreement to **try new models** in order to improve performance”

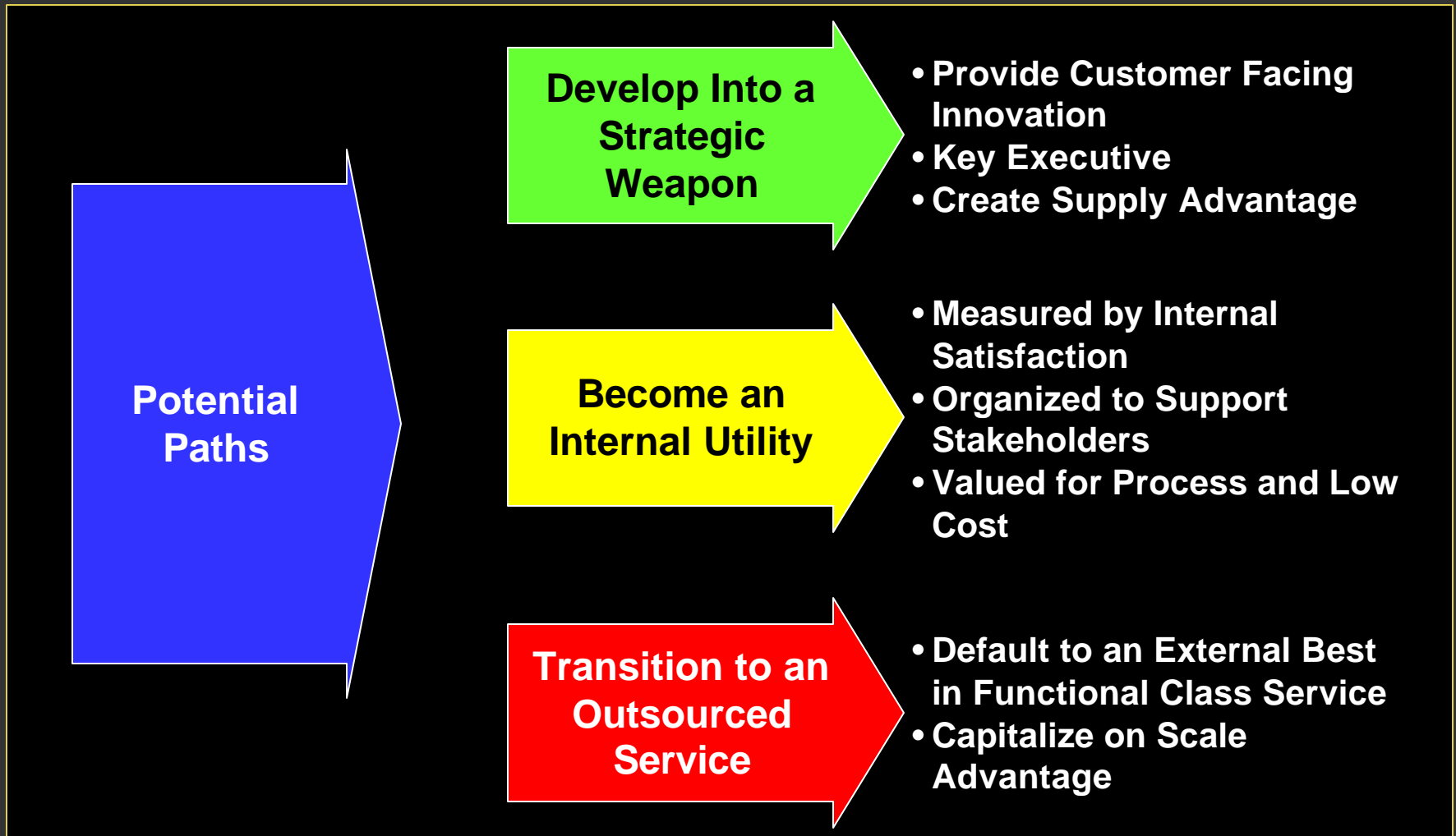
Significant Selected Reasons for Worst Results – Verbatims

- **“We waited too long before ending** the relationship (did not have the right exit policy)”
- **“Underestimated** the degree of **interaction required with our employees**”
- **“Overstated capabilities by** the outsourcing **provider**”
- **“Inordinately complicated performance metrics** that were difficult and too numerous to measure (let alone agree to results)”
- **“Looked to hand over a problem** process to the supplier to handle”

Agenda

- **Research background and approach**
- **Survey respondent demographics**
- **Outsourcing patterns and results**
- **A closer look at procurement**

Procurement organizations are at a turning point similar to what IT faced around 1985



Elements of procurement are being outsourced

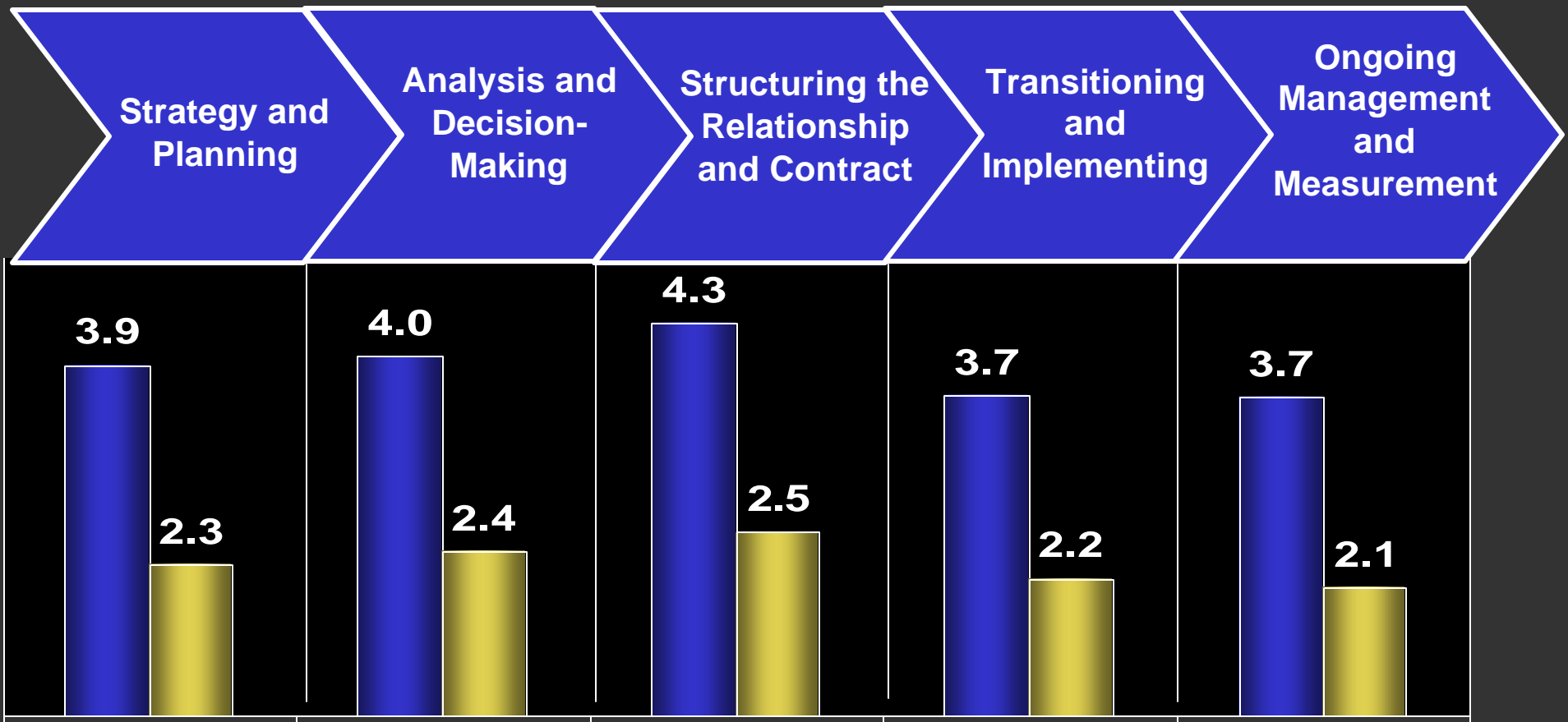
Type of purchase	Percent of respondents currently or planning to outsource procurement activities		
	Strategy	Supplier Management	Transaction processing
Direct Materials	5%	8%	15%
MRO	13%	17%	33%
Indirects	15%	14%	28%
CapEx	4%	8%	13%
Services	16%	16%	25%
Goods for Resale*	7%	11%	18%

Note: 45% of the respondents purchase goods for resale

Source: Strategic Outsourcing Survey 2004, Question 13-19

Additionally, in successful outsourcing situations, procurement involvement is key

Level of procurement organization involvement -- best and worst outsourcing experiences



Key: Mean of score 1 (No involvement) – 5 (Significant involvement)

Source: Strategic Outsourcing Survey 2004, Question 12

Best Worst

Today, procurement is most deeply involved in outsourcing supply side activities

Supply Side Activities:

★ **Procurement/Supply Mgmt**

★ **Manufacturing/Operations**

Distribution/Fulfillment

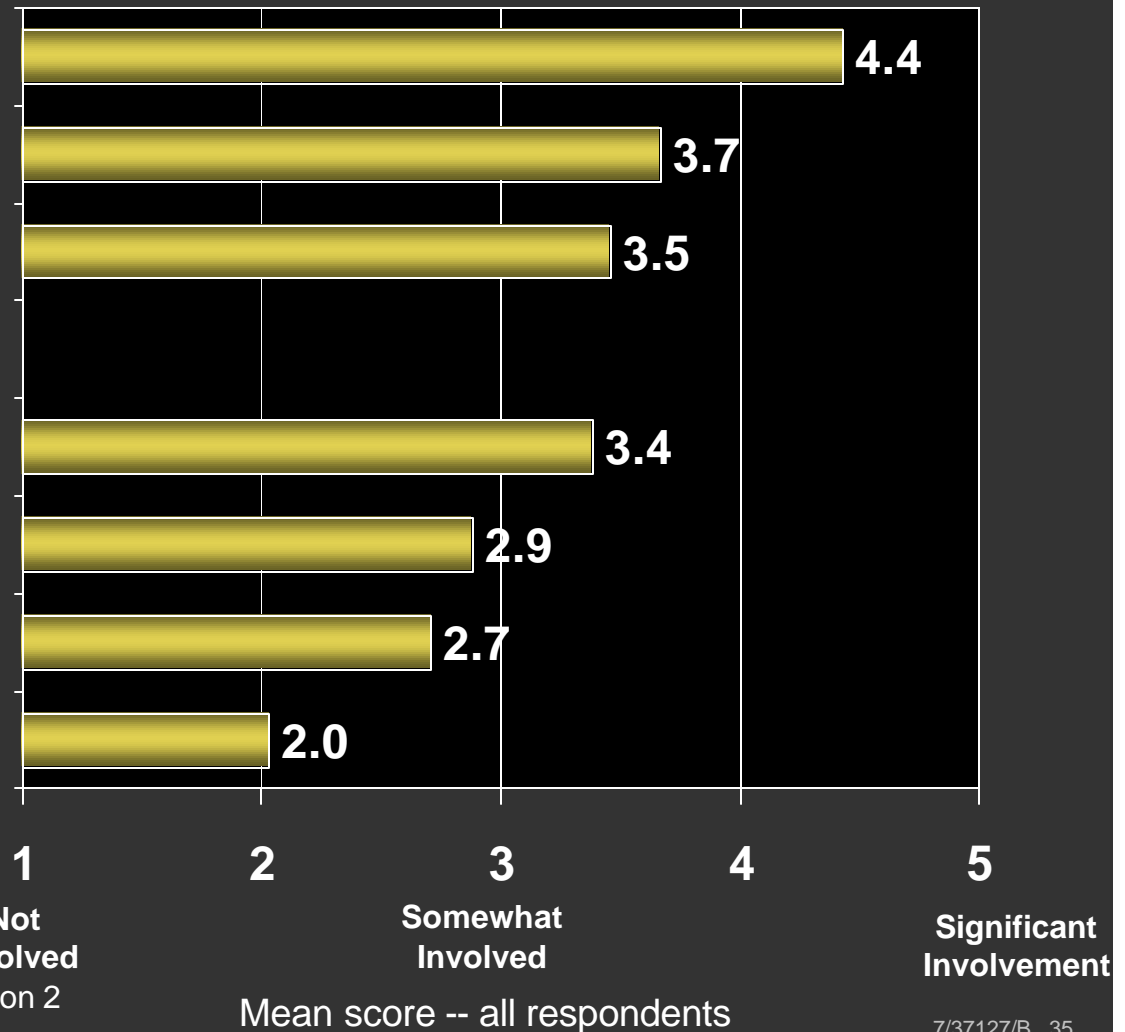
Corporate Support:

★ **Information Technology**

★ **Human Resources**

★ **Finance and Accounting**

Legal/Regulatory



★ = Largest growth areas for outsourcing

Source: Strategic Outsourcing Survey 2004, Question 2

Opportunities exist to boost involvement in other growth areas

Demand Side Activities:

★ **Customer Call Center**

Field Service

Marketing

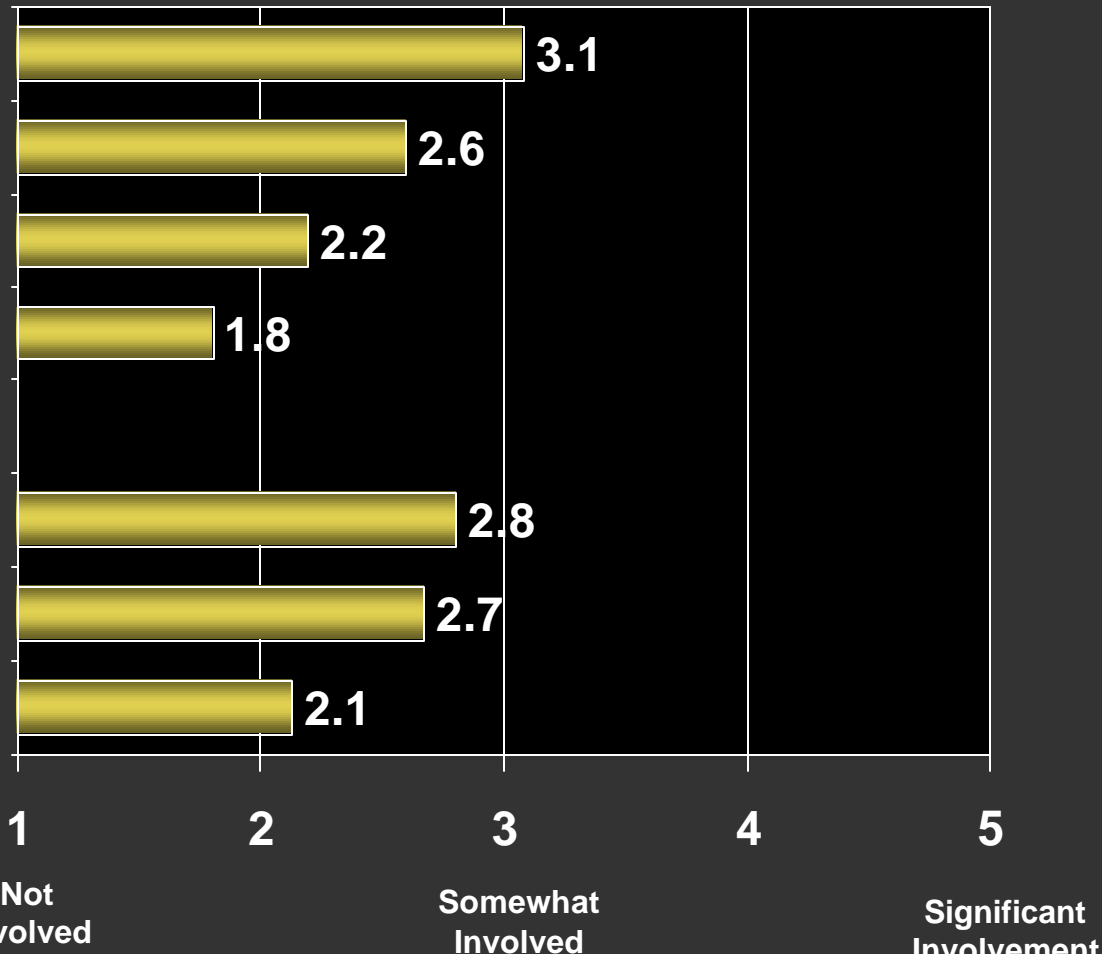
Sales

Research & Technology:

★ **Engineering/Detailed Design**

★ **Product/Service Development**

Research



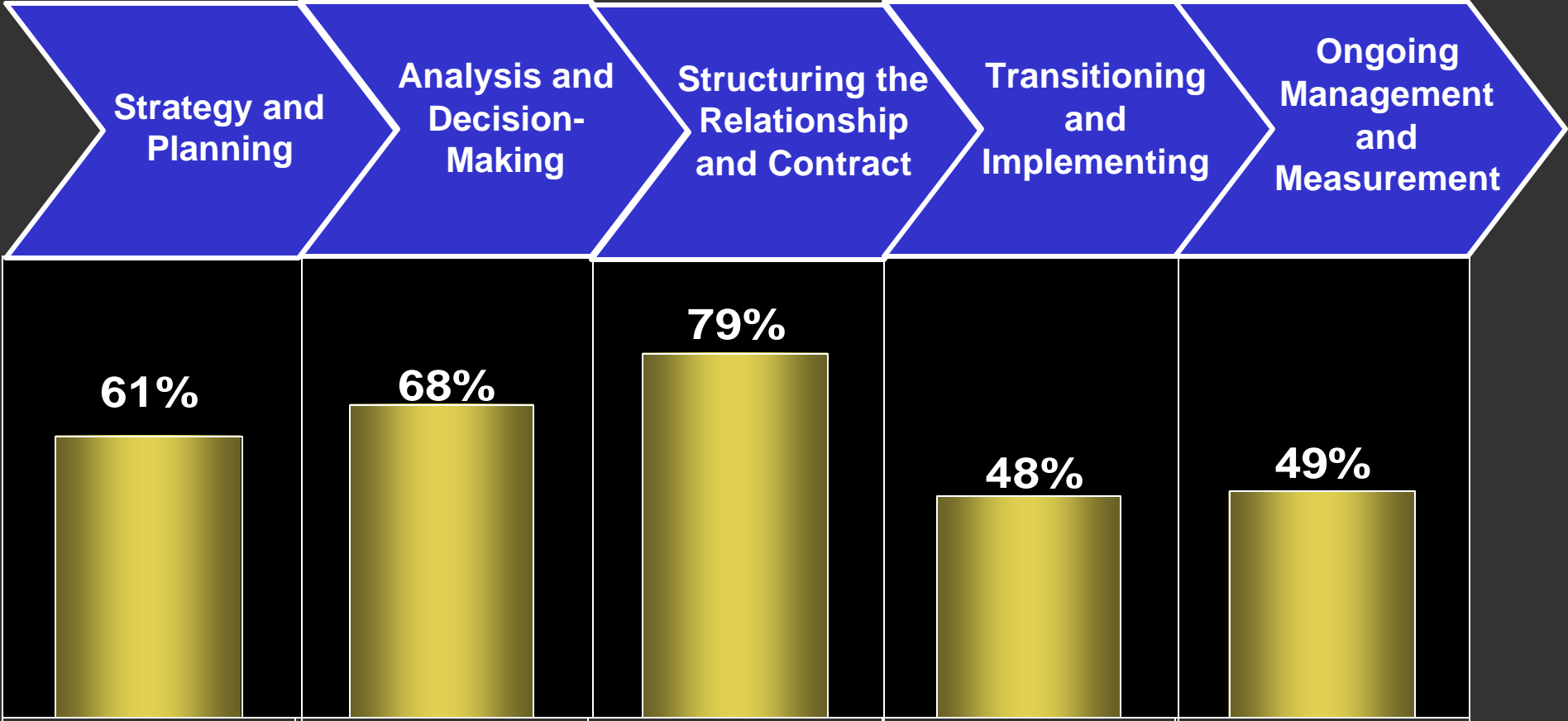
★ = Largest growth areas for outsourcing

Source: Strategic Outsourcing Survey 2004, Question 2

Mean score -- all respondents

Procurement also has an opportunity to extend its reach deeper into the process

Percent of companies with high procurement organization involvement in strategic outsourcing process



Note: % of Respondents = high involvement (Score 4 or 5)

Source: Strategic Outsourcing Survey 2004, Question 9

To summarize ...

Outsourcing myths or realities revisited

Make/buy is synonymous with strategic outsourcing	?
The main reason companies outsource is to reduce cost	●
Many companies pursue outsourcing for revenue growth and market access	✗
Operating cost reduction goals are almost always met through outsourcing	●
Lack of an adequate supply base is a primary reason not to outsource	✗
People concerns are a primary reason not to outsource	✗

Strategic observations so far...

- **Outsourcing will continue to grow due to cost pressures and reduction in the scope of defined core competencies**
- **Most outsourcing today appears to be ...**
 - ◆ **Tactical -- done for cost competitiveness not necessarily with an eye for revenue enhancement**
 - ◆ **Aimed at maximizing short term gains rather than longer term strategic strengthening of the supply chain**
 - ◆ **However, some firms may be focusing on short-term cost reductions as part of a long-term strategy**

Strategic observations so far...

- **Primary reasons for not outsourcing are risk-related**
 - ◆ Risk can generally be managed with appropriate innovation and attention
- **Successful outsourcing will require enhanced and robust decision-making and implementation processes in the future due to increasing complexity and growing political pressures**

Strategic observations so far...

- **Although elements of procurement will be outsourced, the strategic role of procurement will increase**

Strategic Outsourcing: Emerging Trends and Success Factors

Preliminary Results of 2004 Research Presented
at the

ISM 89th Annual International Supply
Management Conference

April 26, 2004

Robert M. Monczka, Ph. D. John D. Blascovich Joseph R. Carter, Ph. D.

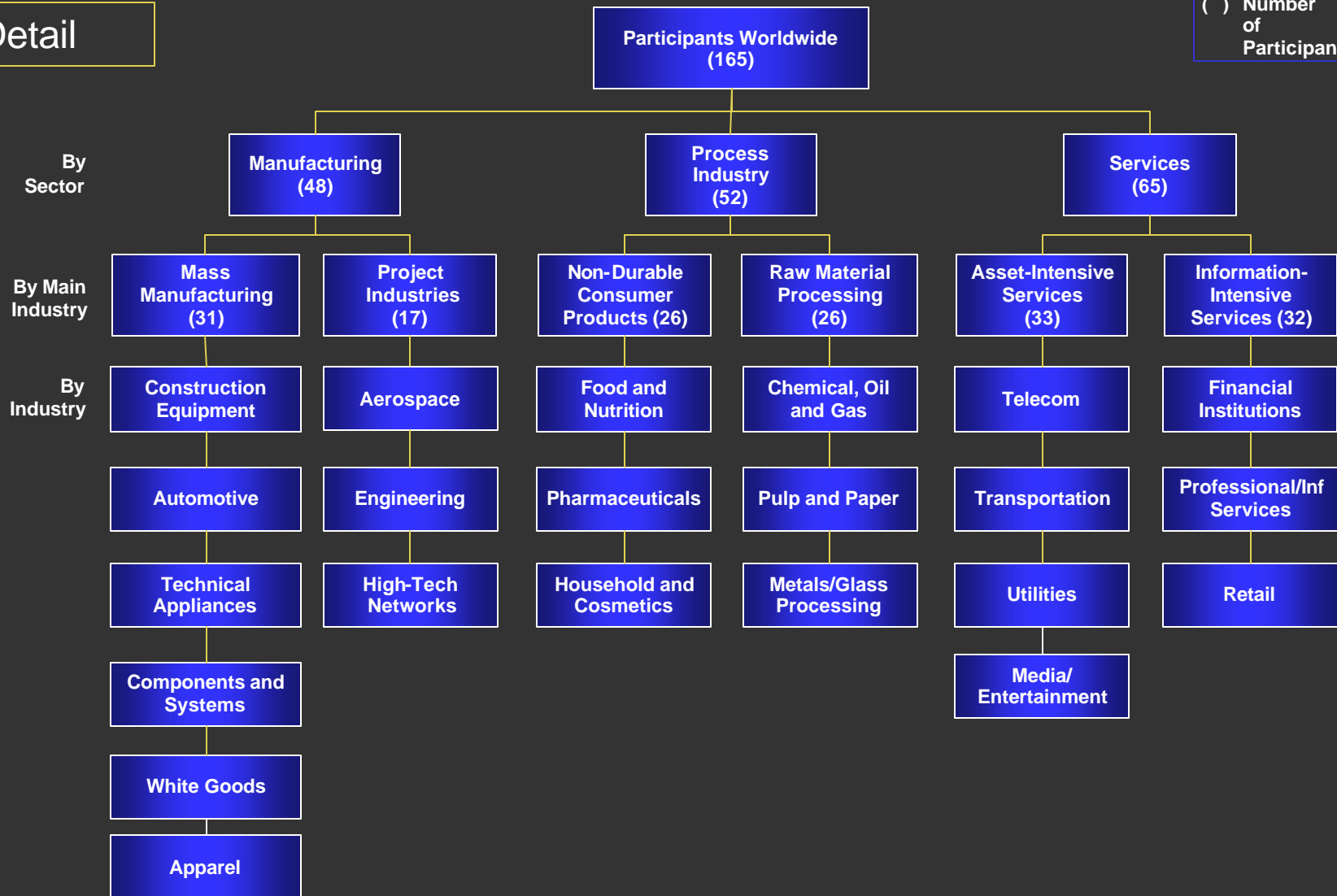


Data appendix

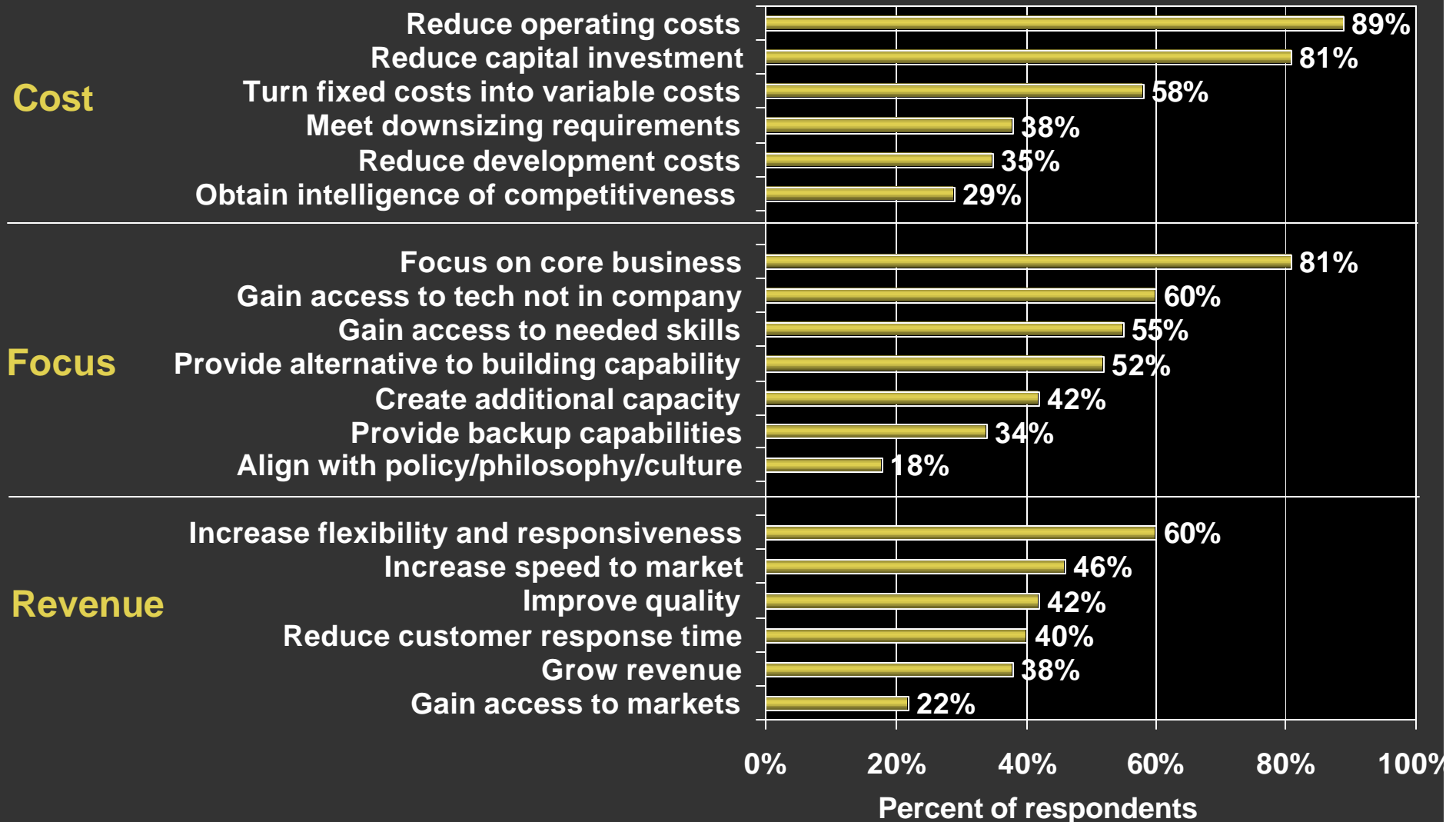
Participants represent a wide range of industries

Detail

() Number of Participants

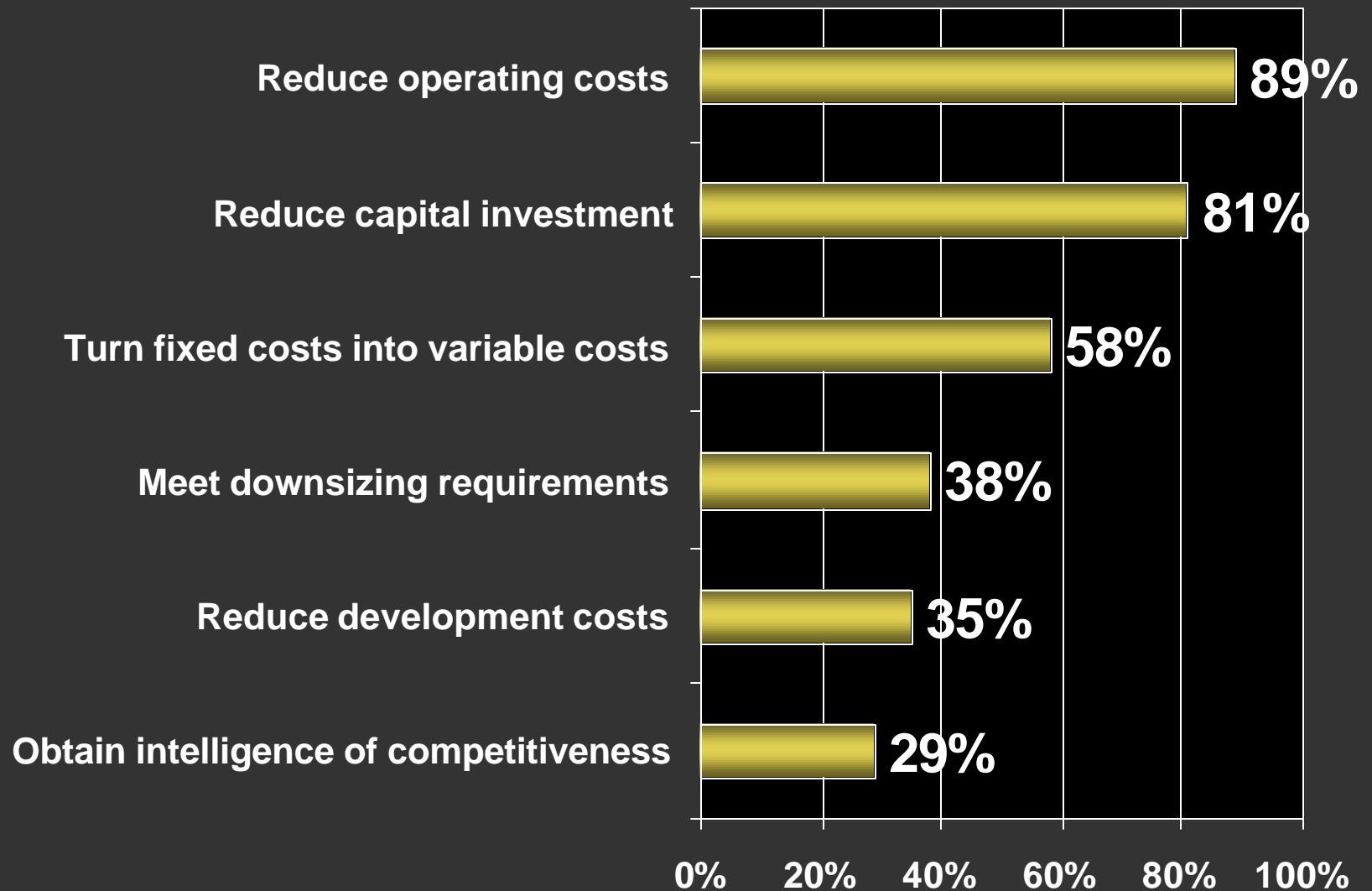


Companies enter into outsourcing for combinations of reasons



Source: Strategic Outsourcing Survey 2004, Question 3

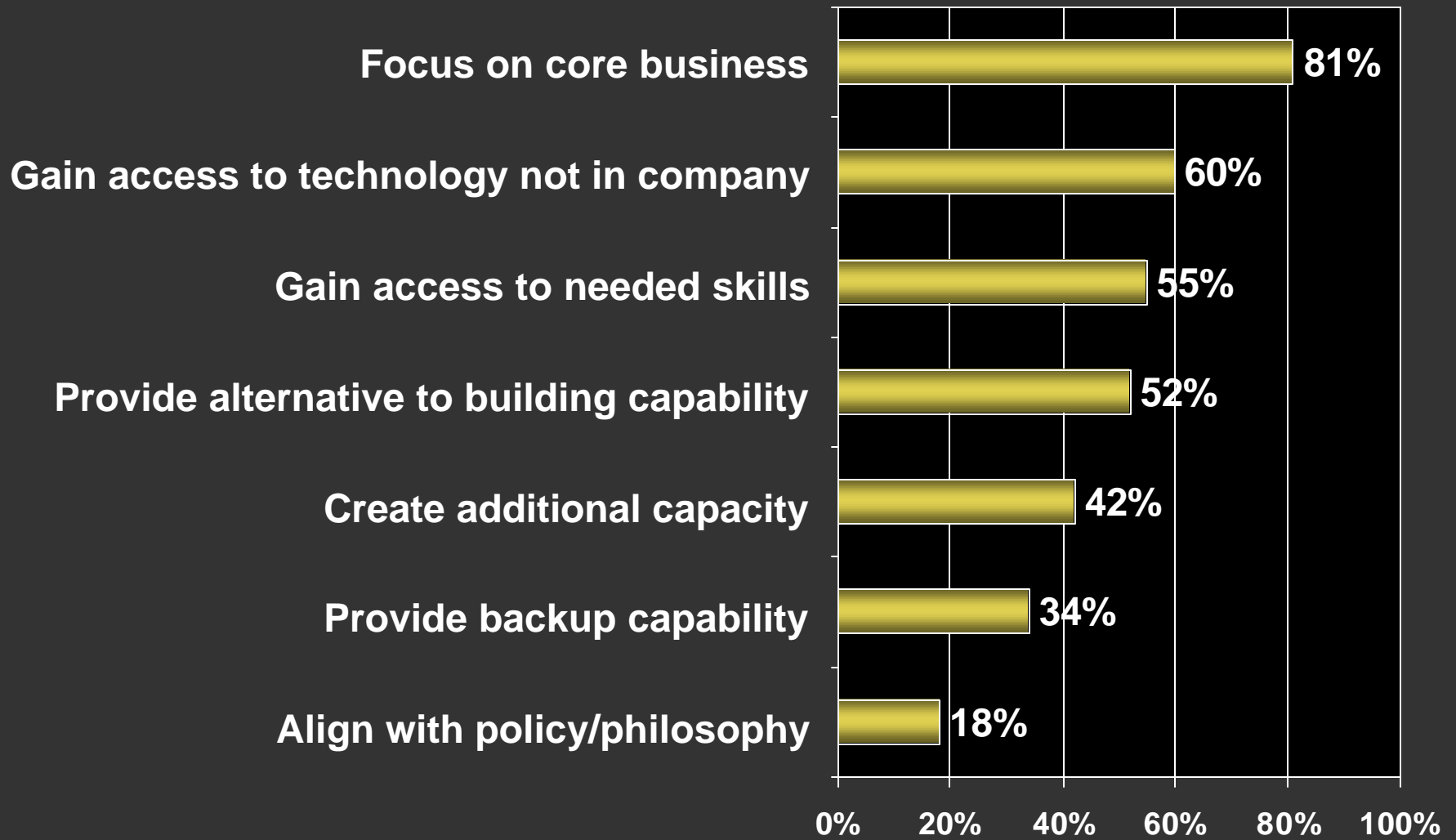
Cost reduction is the primary reason for outsourcing



Source: Strategic Outsourcing Survey 2004, Question 3

Percent of respondents

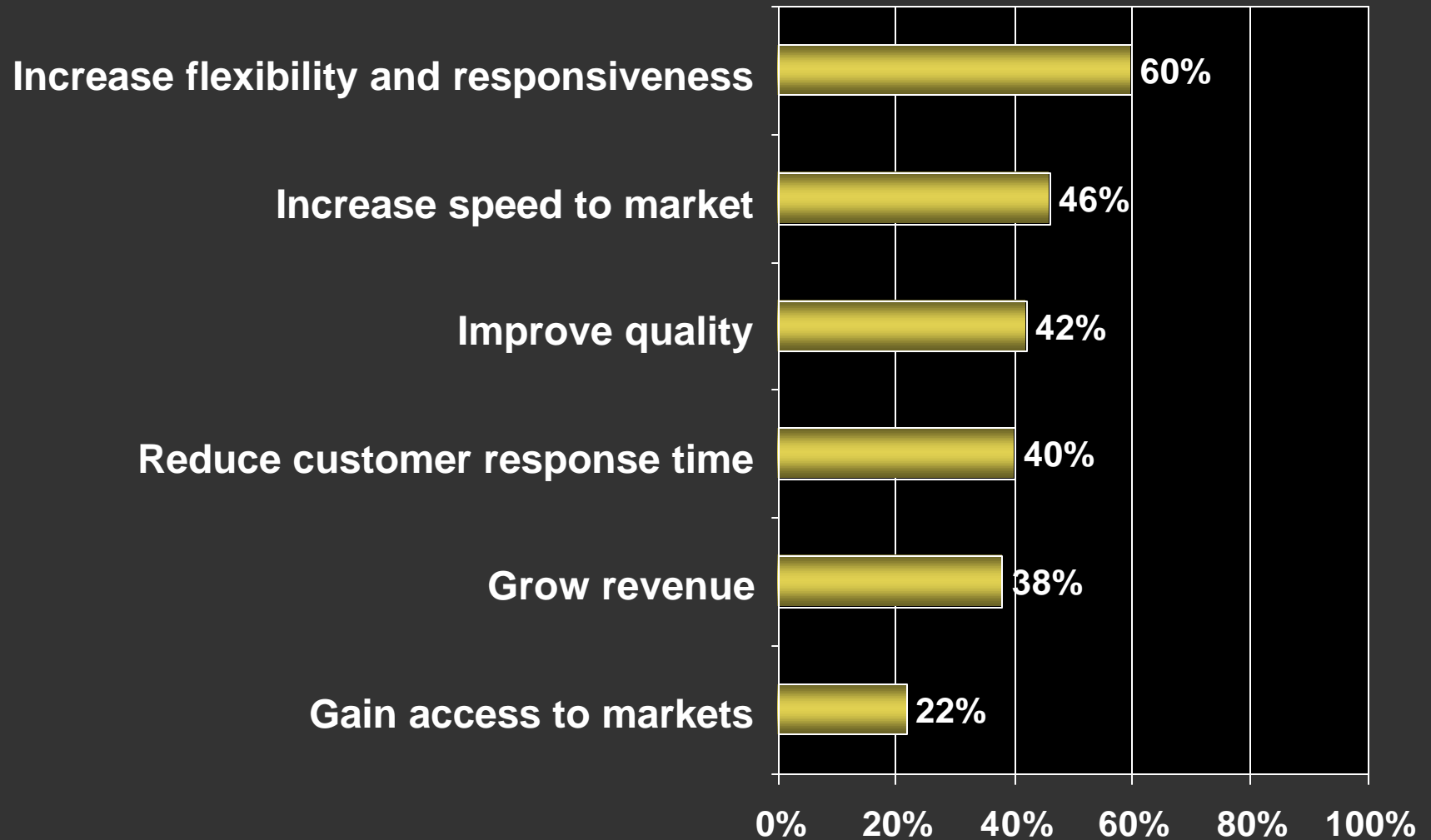
Companies also outsource to focus on on the core business



Source: Strategic Outsourcing Survey 2004, Question 3

Percent of respondents

Revenue growth is not a primary reason for outsourcing



Source: Strategic Outsourcing Survey 2004, Question 3

Percent of respondents

Respondents exceed cost goals; revenue goals are more elusive

Cost:

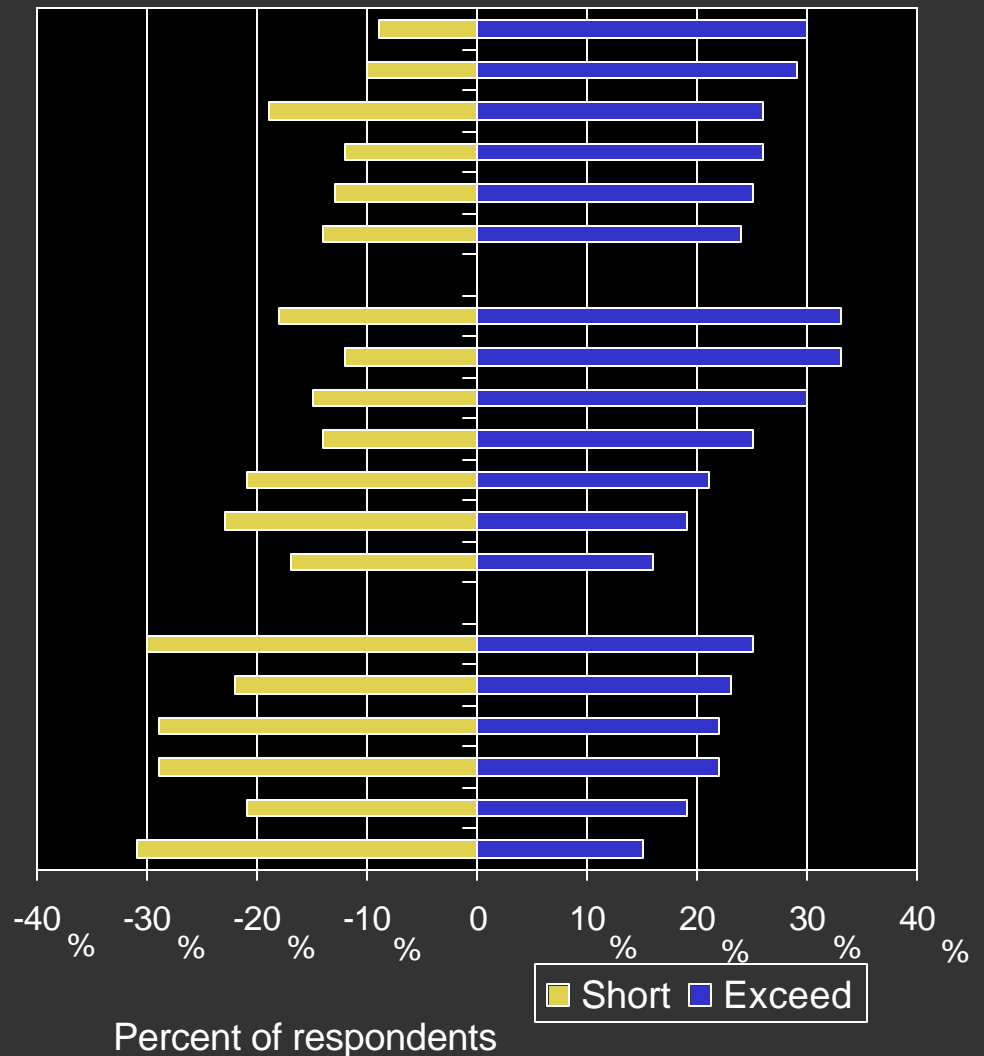
- Reduce operating cost
- Reduce capital investment
- Turn fixed costs into variable costs
- Meet downsizing requirements
- Obtain intelligence of competitiveness
- Reduce development costs

Focus:

- Focus on core business
- Gain access to needed skills
- Create additional capacity
- Provide an alternative to building within company
- Gain access to tech not in company
- Provide back-up capabilities
- Support company policy/philosophy/culture

Revenue:

- Increase flexibility and responsiveness
- Improve quality
- Increase speed to market
- Grow revenue
- Reduce customer response cycle time
- Gain access to markets



Note: Sample sizes range from 40-118

Source: Strategic Outsourcing Survey 2004, Question 5

Respondents reported the impact of various factors on goal achievement

Process step/Factor	Mean	Variance
Outsourcing and Strategic Planning		
Clear directional business case and rationale	5.20	2.61
Executive consensus	5.16	2.35
Systematic processes to identify activities	4.50	2.75
Analysis and Decision-Making		
Cross-functional decision making and agreement	4.91	2.77
Formalized financial and situational analysis	4.82	2.69
Structuring the Relationship and Contract		
Formal contract and service level agreement	5.49	2.06
Clear roles and responsibilities	5.34	2.10
Formal process to establish requirements of supplier	5.14	2.11
Pre-established business and technical goals	5.06	2.48
High degree of trust	5.05	2.30
Cross-functional decision-making	4.85	2.73

Source: Strategic Outsourcing Survey 2004, Question 8. Based on 7 point scale, 1 = no impact, 7 = major impact)

Respondents reported the impact of various factors on goal achievement (cont'd)

Process step/Factor	Average	Variance
Structuring the relationship and contract (continued. . .)		
Formalized and clear IP rights and ownership	4.75	3.05
Systematic process to determine what info to share	4.46	2.42
Formal contingency/exit strategy	4.35	2.97
Transitioning and Implementing		
Clear accountability for transition management	4.94	2.75
Formal governance process and project plan	4.90	2.69
Joint education and training	4.45	2.88
Formal plan to maintain motivation of displaced staff	4.03	3.16
Ongoing Management and Measurement		
Clear assignment of responsibility	5.32	1.57
Accurate and effective information flow	4.96	1.86
Mechanisms to track and report performance	4.96	2.43
Accurate and valid performance metrics	4.95	2.61
Formal process to take corrective action	4.80	2.38
Formal joint problem resolution process	4.79	2.22

Source: Strategic Outsourcing Survey 2004, Question 8. Based on 7 point scale, 1 = no impact, 7 = major impact)

Survey appendix

Strategic Outsourcing Research

2004 Pulse Survey

A Joint Research Effort by



Introduction and background to the research

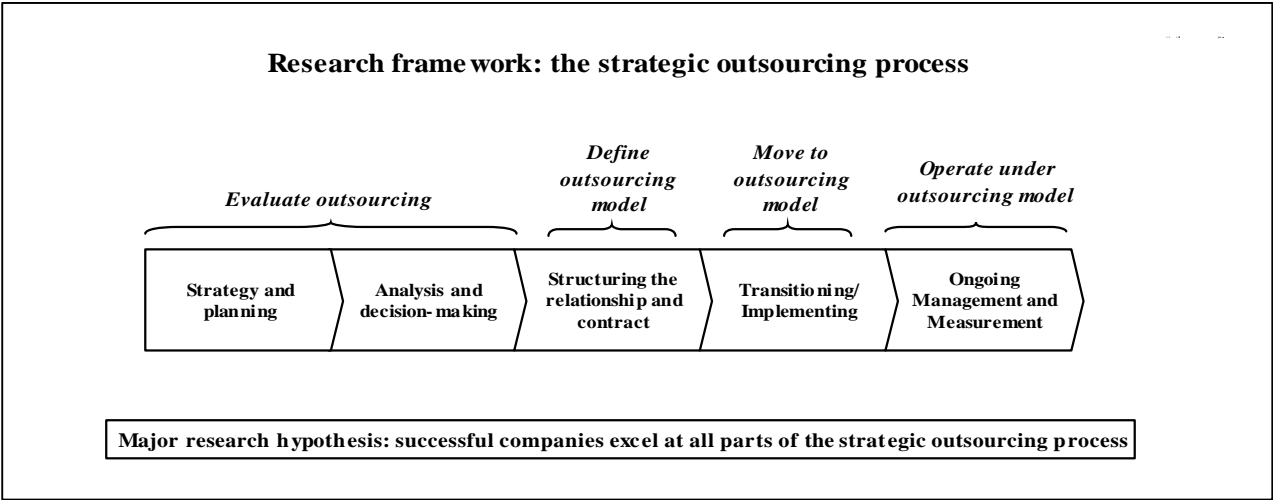
Thank you for participating in this research and benchmarking study of strategic outsourcing, being conducted jointly by CAPS Research, Arizona State University, and A. T. Kearney, Inc.

Interest in outsourcing has increased substantially in the past few years, as companies seek greater focus, lower costs, greater flexibility and access to new capabilities and markets. In some areas such as information technology, manufacturing, and logistics/distribution, outsourcing is an established practice that produces major benefits for companies that manage outsourcing well. In other areas such as human resources, product development and procurement, outsourcing is in the early stages. Service provider markets and proven practices for outsourcing management are still developing.

As companies look at entering into outsourcing, or expanding their use of outsourcing across a range of activities, what can executives learn from the experiences of others to improve the probability of a successful outsourcing decision? This study’s purpose is to find out by accomplishing two primary objectives:

- 1) Understand how companies plan for and manage strategic outsourcing relationships
- 2) Determine which strategic outsourcing management approaches are the most effective for achieving superior results

To structure the research, we have developed the following research framework. Several questions in this survey incorporate this five-step strategic outsourcing process.



Survey guidelines

The survey is structured as follows

Participant description: Contact and background information

Part 1 -- Outsourcing profile: Questions 1 and 2 ask about the present and future scope of outsourcing within your unit and the role of procurement in the outsourcing process.

Part 2 -- Reasons for outsourcing: Questions 3 and 4 ask about the reasons behind your outsourcing decisions

Part 3 -- Goal achievement: Questions 5 - 9 ask about results achieved against your outsourcing goals, and the factors that contributed to your level of achievement

Part 4 -- Best and worst case examples: Questions 10 - 12 ask about the factors contributing to your outsourcing performance compared to your goals for your best and worst case examples

Part 5 -- Procurement outsourcing. Questions 13 - 19 ask about the present and future scope of outsourcing within your unit specifically for procurement activities

Instructions for completing the survey

Please pre-select a particular unit of your company (e.g.; corporate, SBU, division, region) and answer all questions from the perspective of that unit.

Confidentiality notice

Individual responses will not be released without approval of the participating company

Please provide your contact information

Name of person completing survey	
Title	
Company name	
Address	
City/State	
Country/Postal Code	
Telephone	
Fax	
Email	

Please indicate the unit of your company for which you are responding (e.g., corporate, division, SBU, region)

Unit name	
Unit headquarters location (Country)	

Please indicate your unit's primary industry (check one only)

Aerospace		Metals/glass processing	
Automotive		Mining	
Chemical, oil and gas		Pharmaceuticals	
Components and systems		Professional/information services	
Construction		Pulp and paper	
Engineering		Retail	
Financial institutions		Technical appliances and equipment	
Food and nutrition		Telecommunications services	
Heavy machinery		Transportation services	
High-tech network infrastructure		Utilities	
Household and cosmetics		White goods	
Media/entertainment		Other (_____)	

Please indicate the approximate 2003 annual revenue for your unit (please convert to US dollars)

Under \$100 million	
\$101 - 500 million	
\$501 million - \$1 billion	
\$1.1 billion - \$5 billion	
\$5.1 billion - \$10 billion	
\$10.1 billion - \$20 billion	
Over \$20 billion	

Please indicate the countries/regions where your unit has *significant* operating or marketing presence (check all that apply)

Region/Country	Operating - manufacturing locations of our unit (products and services)	Markets served by our unit
North America		
Canada		
Mexico		
United States		
Central/South America		
Argentina		
Brazil		
Venezuela		
Central America/Caribbean		
Other South American countries (please specify _____)		
Europe, Middle East, Africa (EMEA)		
Eastern Europe		
Central Europe		
Western Europe		
Middle East		
South Africa		
Other EMEA countries (please specify _____)		
Asia/Pacific		
Australia		
China		
India		
Indonesia		
Japan		
Malaysia		
Philippines		
Singapore		
South Korea		
Taiwan		
Thailand		
Other Asia/Pacific countries (please specify _____)		

1) Please indicate your current and expected future level of outsourcing for the following activities.

	Currently outsourced (check one column per row)						Plan to outsource in next 18 months (check one column per row)											
Activity	Very Little 1-25%		Some 26-50%		Majority 51-75%		Significant Majority 76-99%		Very Little 1-25%		Some 26-50%		Majority 51-75%		Significant Majority 76-99%		All 100%	
	None 0%								None 0%									
a) Research																		
b) Product and service development																		
c) Marketing																		
d) Sales																		
e) Procurement/Supply management																		
f) Engineering/detailed design																		
g) Manufacturing/operations																		
h) Distribution/Fulfillment																		
i) Customer call center																		
j) Field service																		
k) Finance and accounting																		
l) Legal/regulatory																		
m) Human resources																		
n) Information technology																		
o) Other (_____)																		

2) Please indicate your procurement organization's involvement in the outsourcing management process.

Activity	Degree of involvement of your company's procurement organization in the outsourcing management process (check one column per row)				
	None 1	2	Somewhat involved 3	4	Significant 5
a) Research					
b) Product and service development					
c) Marketing					
d) Sales					
e) Procurement/Supply management					
f) Engineering/detailed design					
g) Manufacturing/operations					
h) Distribution/Fulfillment					
i) Customer call center					
j) Field service					
k) Finance and accounting					
l) Legal/regulatory					
m) Human resources					
n) Information technology					
o) Other (_____)					

3) For those activities that you are currently outsourcing or will outsource, what are the primary reasons that you chose to outsource?

Reasons to outsource (check all that apply)	
a) Gain access to technology not resident in our company	
b) Increase speed to market	
c) Reduce capital investment	
d) Grow revenue	
e) Turn fixed costs into variable costs	
f) Improve quality	
g) Reduce operating cost	
h) Meet downsizing requirements	
i) Gain access to needed skills	
j) Focus on core business	
k) Reduce development costs	
l) Gain access to markets	
m) Increase flexibility and responsiveness	
n) Reduce customer response cycle time	
o) Create additional capacity	
p) Align with company policy/philosophy/culture	
q) Provide back-up capabilities	
r) Provide an alternative to building the capability inside our company	
s) Obtain intelligence on/benchmarks of competitiveness for in-house activities	
t) Other (_____)	

4) For those activities that you are not outsourcing, and do not plan to outsource, what are the primary reasons you have chosen not to outsource?

Reasons not to outsource (check all that apply)	
a) Lack of adequate supply base (cost, environmental, technical, social)	
b) Loss of control	
c) Protection of intellectual property	
d) Company policy/philosophy/culture	
e) Possibility supplier will become a competitor	
f) Difficulty reversing decision in the future	
g) Fear of becoming too dependent on the supplier	
h) Activities not outsourced are highly profitable	
l) Activities not outsourced are considered core competencies	
j) Concerns for labor/union/community reaction	
k) Previous lack of success with outsourcing	
l) Physical distance	
m) Loss of critical capability	
n) Maintain internal morale	
o) Labor union restrictions	
p) Legal restrictions on workforce changes	
q) Other legal restrictions	
r) Inadequate business case	
s) Other _____	

5) Where you have chosen to outsource activities, to what extent have you met your goals on these performance dimensions? If the performance dimension was not a goal, please indicate.

Performance dimension (check one per row)	Fell far short		Achieved goal				Far exceeded	Not a goal
	-3	-2	-1	0	1	2	3	
a) Gain access to technology not resident in our company								
b) Increase speed to market								
c) Reduce capital investment								
d) Grow revenue								
e) Turn fixed costs into variable costs								
f) Improve quality								
g) Reduce operating cost								
h) Meet downsizing requirements								
i) Gain access to needed skills								
j) Focus on core business								
k) Reduce development costs								
l) Gain access to markets								
m) Increase flexibility and responsiveness								
n) Reduce customer response cycle time								
o) Create additional capacity								
p) Support company policy/philosophy/culture								
q) Provide back-up capabilities								
r) Provide an alternative to building the capability inside our								
s) Obtain intelligence on/benchmarks of competitiveness for in house activities								
t) Other (_____)								

6) What range of cost savings have you realized from your outsourcing efforts?

Range (check one only)	
Too early to tell	
None	
1 - 5 %	
6 - 10%	
11 - 15%	
16 - 20%	
21 - 25%	
26 - 30%	
Over 30%	

7) How quickly did you begin to realize these cost savings?

Timing (check one only)	
Not applicable	
1 - 6 months	
7- 12 months	
1 - 2 years	
beyond 2 years	

8) To what degree did the following factors contribute to your level of performance against your goals?

Factor	Degree that this factor contributed to your level of performance (Check one per row)						
	No impact						Major impact
	1	2	3	4	5	6	7
Outsourcing strategy and planning							
a) Systematic processes to identify candidate activities for outsourcing based on competitive analysis							
b) Executive consensus about the appropriateness of this activity for outsourcing							
c) Clear directional business case and rationale to justify outsourcing this activity							
d) Other (_____)							
Analysis and decision-making							
e) Formalized financial and situational analysis processes to decide whether to outsource this activity							
f) Cross-functional decision-making and agreement to outsource this activity (cross-unit where appropriate), including approached to overcoming barriers to success							
g) Other (_____)							
Structuring the relationship and contract							
h) Formal process to establish requirements and select the outsourcing supplier for this activity							
i) Cross-functional decision-making to select the outsourcing supplier for this activity (cross-unit where appropriate)							
j) Formalized and clear intellectual property rights and ownership agreement with the supplier							
k) Pre-established and agreed-upon business and technical goals for the relationship, including performance metrics							
l) High degree of trust							
m) Formal contract and service level agreement							
n) Systematic process to determine what information to share with each other							
o) Clear roles and responsibilities for managing the execution of the contract							
p) Formal contingency/exit strategy							
q) Other (_____)							

8 (continued) To what degree did the following factors contribute to your level of performance against your goals?

Factor	Degree that this factor contributed to your level of performance (Check one per row)						
	No impact						Major impact
	1	2	3	4	5	6	7
Transitioning/Implementing							
r) Formal governance process and project plan (schedule) to guide and manage the transition to the outsourced model							
s) Joint education and training for affected activities and processes (both outsourced elements and interfaces with remaining internal elements)							
t) Formal plan to maintain motivation of outsourced or displaced staff during the transition process							
u) Clear accountability for transition management							
v) Other (_____)							
Ongoing Management and Measurement							
w) Clear assignment of responsibilities to the correct people, from both parties, to manage the relationship							
x) Accurate and effective bilateral information flow to execute the requirements of the contract and SLA							
y) Formal joint problem resolution process							
z) Accurate and valid performance metrics							
aa) Mechanisms to track and report performance versus goals							
bb) Formal process to take corrective action							
cc) Other (_____)							

9) What involvement did your procurement organization have at each point in the outsourcing management process?

	Degree of involvement of your company's procurement organization in the outsourcing management process (check one column per row)				
	None 1	2	Somewhat involved 3	4	Significant 5
Outsourcing management process steps					
a) Outsourcing management and planning					
b) Analysis and decision-making					
c) Structuring the relationship and contract					
d) Transitioning/Implementing					
e) Ongoing management and measurement					

10) For those activities that you have outsourced, please indicate the activity where you have had the overall best results and the overall worst results (maximum one check per column)

Activity	Best	Worst
Research		
Product and service development		
Marketing		
Sales		
Procurement/Supply management		
Engineering/Detailed design		
Manufacturing/operations		
Distribution/Fulfillment		
Customer call center		
Field service		
Finance and accounting		
Legal/regulatory		
Human resources		
Information technology		
Other (_____)		

11) For both the best and worst result cases which you identified in Question 10 above, please describe the most significant reasons or causes (up to three) for high (best) and low (worst) performance. Please focus on a specific situation in responding.

<u>Most significant reasons for high performance (best case)</u>	
1	
2	
3	

<u>Most significant reasons for low performance (worst case)</u>	
1	
2	
3	

12) For your best and worst case examples, what involvement did your procurement organization have at each point in the outsourcing management process?

<i>Best Case</i>						<i>Worst Case</i>				
Degree of involvement of your company's procurement organization in the outsourcing management process (Check one per row)						Degree of involvement of your company's procurement organization in the outsourcing management process (Check one per row)				
None	Somewhat			Significant		None	Somewhat			Significant
1	2	3	4	5	Outsourcing management process steps	1	2	3	4	5
					Outsourcing management and planning					
					Analysis and decision-making					
					Structuring the relationship and contract					
					Transitioning/Implementing					
					Ongoing magement and measurement					

Please indicate whether the following procurement activities are not currently outsourced, currently outsourced, or planned for outsourcing. Please provide separate answers for direct materials, maintenance, repair and operating supplies, other indirect purchases, capital expenditures, services, and goods for resale as noted

13) Outsourcing of procurement activities for direct materials (includes raw materials, components, assemblies, packaging)

Procurement activity (check one entry per row)	Not currently outsourced	Currently outsourced	Definitely plan to outsource
a) Category/commodity strategy and supplier selection			
b) Supplier assessment and evaluation			
c) Supplier development			
d) Supplier certification			
e) Ordering and replenishment and payment/settlement transaction processing			
f) Coding and catalog management			
g) Procurement information systems management			
h) Other ()			

14) Outsourcing of procurement activities for maintenance, repair and operating supplies (includes supplies to maintain buildings and production equipment)

Procurement activity (check one entry per row)	Not currently outsourced	Currently outsourced	Definitely plan to outsource
a) Category/commodity strategy and supplier selection			
b) Supplier assessment and evaluation			
c) Supplier development			
d) Supplier certification			
e) Ordering and replenishment and payment/settlement transaction processing			
f) Coding and catalog management			
g) Procurement information systems management			
h) Other ()			

15) Outsourcing of procurement activities for other indirect materials (includes materials and supplies to support non-production activities)

Procurement activity (check one entry per row)	Not currently outsourced	Currently outsourced	Definitely plan to outsource
a) Category/commodity strategy and supplier selection			
b) Supplier assessment and evaluation			
c) Supplier development			
d) Supplier certification			
e) Ordering and replenishment and payment/settlement transaction processing			
f) Coding and catalog management			
g) Procurement information systems management			
h) Other (_____)			

16) Outsourcing of procurement activities for capital expenditures

Procurement activity (check one entry per row)	Not currently outsourced	Currently outsourced	Definitely plan to outsource
a) Category/commodity strategy and supplier selection			
b) Supplier assessment and evaluation			
c) Supplier development			
d) Supplier certification			
e) Ordering and replenishment and payment/settlement transaction processing			
f) Coding and catalog management			
g) Procurement information systems management			
h) Other (_____)			

17) Outsourcing of procurement activities for services (includes administrative, professional, transportation, travel and utilities services

Procurement activity (check one entry per row)	Not currently outsourced	Currently outsourced	Definitely plan to outsource
a) Category/commodity strategy and supplier selection			
b) Supplier assessment and evaluation			
c) Supplier development			
d) Supplier certification			
e) Ordering and replenishment and payment/settlement transaction processing			
f) Coding and catalog management			
g) Procurement information systems management			
h) Other (_____)			

18) Do you purchase goods-for-resale? (Includes goods sold by wholesalers and retailers, and spare equipment and parts purchased and resold by OEMs to their installed customer base)

Yes	
No	

If yes, please continue to question 19, if no, please proceed to end of survey

19) Outsourcing of procurement activities for goods-for-resale

Procurement activity (check one entry per row)	Not currently outsourced	Currently outsourced	Definitely plan to outsource
a) Category/commodity strategy and supplier selection			
b) Supplier assessment and evaluation			
c) Supplier development			
d) Supplier certification			
e) Ordering and replenishment and payment/settlement transaction processing			
f) Coding and catalog management			
g) Procurement information systems management			
h) Other (_____)			