

Sourcing Advisory Services

Global competition and mounting pressure from shareholders to focus on core business issues, improve customer satisfaction, and reduce information costs are driving many companies to re-evaluate sourcing options. Shifting to a focus on core competencies while leveraging increasingly commoditised services such as call centres, systems development, and IT operations, can also increase focus and sharpen the competitive edge of an organisation.

How KPMG can help

KPMG China's Sourcing Advisory Services can help companies evaluate their sourcing approach, and establish sourcing strategies with controls over implementation and management to reduce concerns about numerous sourcing alternatives, and increase the benefits that can be realised from shared services, outsourcing, and multi-vendor arrangements.

We provide three broad categories of services depending on business needs:

- Sourcing Risk Advisory provides assistance with sourcing approach, vendor evaluation, negotiation, and transition management for potential sourcing service partners.
- Sourcing Assessment helps clients review and assess current sourcing arrangements; it includes requirements reviews and due diligence and controls assessment.
- Sourcing Performance Management assists clients with contract compliance and service-level management reviews to help determine whether the planned value is being delivered.

Addressing the full sourcing life cycle

Our Sourcing Risk Management Services address the full life cycle for sourcing efforts, from developing a sourcing approach through design, implementation, and management of sourcing arrangements and considering future service evolution.

Sourcing models can include the following types of approaches and arrangements:

- Shared services, which involve consolidating the provision of in-house services into a single service centre with service-level agreements and performance reporting
- Periodic vendor consolidation, contract renegotiation, and active service-level management
- Outsourcing services to a third party in the same country as the host business
- Off-shoring, which involves the consolidation of services in another country.

High risk or high return?

- Shared services can deliver 20 to 30 percent savings.
- Outsourcing services can reduce unit costs by between 10 to 20 percent.
- Offshore services can save between 40 and 60 percent.

Seventy percent of organisations interviewed in a recent survey identified the following as the three key reasons why outsourcing relationships failed:

- Suppliers did not understand the business they had taken on.
- Costs were too high and uncontrolled over the course of the contract life.
- Service was not up to standard.

Source: Statistics supplied from the UK National Outsourcing Association

KPMG Risk Advisory Services

Risk Advisory Services assists clients to focus on fundamental business issues that help increase revenue, control costs, and identify and manage risks, including the risks inherent in the technology systems used to support business objectives. Risk Advisory Services provides clients with information to empower them to meet their strategic and financial goals.

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Our approach

KPMG approaches sourcing risk management as a strategic opportunity rather than as a tactical approach to “fixing” under-performing processes or functions.

We help bridge the gap between a company’s technology needs and its strategic and financial goals. We approach large-scale sourcing projects as the means for companies to realise their strategic goals. The sourcing strategy and vision as well as the migration plan are realised through a structured approach, contract definition, and program- and service-level management.

Why choose KPMG?

Experience. Many companies undertake sourcing exercises infrequently and have limited in-house sourcing experience.

A strategic approach to outsourcing.

Outsourcing requires significant commitment from management and a significant investment in managing relationships. We can evaluate various options for approaching sourcing that can help enable informed decision-making.

The integrity of operational processes.

This is maintained throughout the system and process transition. We evaluate the operational implications of the sourcing effort and assist in replicating the existing business processes within the outsourced model, adding required process controls to operate efficient business processes across multiple organisations.

The integrity of financial and operating controls.

These are maintained or enhanced as sourcing approaches and strategies are implemented and evolve.

Sourcing life cycle

Assess/develop sourcing approach

- Approach review
- Readiness assessment
- Business case

Sourcing preparation

- Sourcing approach
- Process design

Sourcing selection

- Vendor selection assistance
- Negotiation preparation
- RFI (Request for Information) and RFP (Request for Proposal) preparation

Transition management

- Project management
- Asset management

Delivery management

- Contract compliance
- Service-level management

Service evolution

- Service requirements review
- Benefits realisation review

