INCORPORATING SERVICES PROCUREMENT INTO A TECHNOLOGY SOLUTION
A FIELDGLASS WHITEPAPER
Services procurement is a large, growing area of spend at many organizations and encompasses a variety of engagement patterns and services categories. However, these engagements are still being under- or poorly managed. Companies that regularly use services have the opportunity to drive the same cost savings, quality, efficiency and compliance benefits as realized in other procurement programs. In some ways, better management of services-based spend is the “last frontier” for procurement.

In this whitepaper, we'll define what services mean and outline the different ways organizations are currently engaging them. From there, we'll outline the business challenges organizations now face as they incorporate services spend into their technology programs. We'll then take a look at the benefits organizations can expect as well as considerations that can affect program adoption. At the end of this whitepaper, you should have a better understanding of why the challenges of services management are best addressed through the implementation of services procurement technology.

**Defining Services**

Organizations are frequently engaging third parties in project-based services, offshore/offsite, as independent contractors, managed programs, business services and BPOs. Likewise, a single organization might engage with different vendors that are working across departments including finance, marketing, IT, field services and management consulting, among others. With such a large variety of services being provided to a spectrum of departments across an organization, there is an opportunity to automate processes and provide the much-needed visibility that can help improve services procurement management.

Let's take a closer look at the types of services and payment schemes that your organization might already be utilizing. While one department may have a large amount of unplanned spend, another division might require more discernment in its services management. Different payment schemes and structures help support the various ways organizations — and departments — approach services spend including:

---

**Schedule-based payments:** These may be made at specific intervals such as once monthly or on specific dates. For example, a retailer engages a promotional company to produce marketing-related materials such as online advertising and promotional campaigns. The retailer pays the promotional company $20,000 at the beginning of each month and then trues up the amount once actuals are known.

**Event-based payments:** This payment scheme is associated with the completion of specific events such as deliverables, milestones and/or bonuses. For example, a company might outsource application development or testing to a supplier. The company pays based on milestones such as when testing phases are completed or code is implemented.

**Fee-based payments:** These are related to product or work units delivered by a supplier at an agreed upon unit rate. Specifically, if a project involves manufacturing a certain item, fee-based payments are determined by multiplying the number of units produced by the unit rate. For example, a rail company requiring a bridge replacement will pay a lump sum for mobilization and demobilization but also has...
unit-based pricing based on what is actually needed and used. The company may charge for reinforcement bars by the pound or sidewalk removal by the square foot.

- **Team-based payments:** These are associated with timesheets and/or expense sheets that can be capped over a specific period. These payments follow the normal process of time and expense approval and payment. For example, a telecommunications company could engage a company for software maintenance. These individuals are typically paid on an hourly basis with detailed project tracking. Additionally, some organizations want to capture and track team members, but not have payment terms based on timesheets and/or expenses.

**Taking the First Steps Toward a Technology Solution**

While many companies are regularly engaging with suppliers to provide services, they still struggle to automate the processes for doing so through technology. We’ve outlined several common barriers to adoption below and how to mitigate these concerns to successfully incorporate services spend into your technology program.

- **Inconsistent company-wide business processes:** Over the years organizations have used various methodologies and processes for procuring services without any consistency across departments, business units or locations. Some may have used the same supplier for years while another may have utilized different vendors for varying projects on a one-off basis.

  Implementing a services procurement technology allows for flexibility to match the breadth of management styles across an organization. Furthermore a technology not only accommodates the wide spectrum of management, but also provides visibility into the entire process. The technology solution can be configured to the needs of each so while processes might be different, the visibility into them is consistent with the solution ensuring control and enforcement throughout.

- **Change management and hesitance to forgo relationships with existing suppliers:** With multiple stakeholders across different business sectors and geographies, it may seem impossible to migrate to a single technology solution. Business users might be worried about damaging relationships with their preferred suppliers during the transition from their familiar manual processes.

  However using a technology to manage services procurement doesn’t forgo relationships, but can actually strengthen them through increased efficiency and collaboration. Suppliers can work together within a solution to define SOW terms electronically. The entire process, including payment, is expedited since the terms of the SOW are defined and verified within the solution itself. They also benefit from visibility into the entire lifecycle of services procurement – from negotiating SOW terms, to deliverables tracking, to invoicing. Suppliers are now armed with analytics and reporting to help support future strategic decisions.

*Implementing a services procurement technology allows for flexibility to match the breadth of management styles across an organization. Furthermore a technology not only accommodates the wide spectrum of management, but also provides visibility.*
Understanding the Functionalities

Once you assure internal stakeholders that a services procurement technology is capable of supporting different management processes, you can outline the specific ways it aids services procurement. As the program matures, the technology solution can take a more active role in automating processes facilitating continuous improvement.

Here are a few specific functionalities that a services procurement solution provides to streamline services management:

— A multi-bid SOW, which shares service/bid requirements with chosen suppliers in a standardized, detailed and complete format. The SOW can be created from a predefined template of questions or by copying a previously used SOW.

— A collaboration mechanism, where internal staff can collaborate on the SOW bid criteria within the technology platform before it is released to suppliers for response. Users and suppliers can define terms and conditions as well as alternate methods of defining the payment schedules for invoicing purposes.

— A template library for reuse and consistency, collaboration and red lining tools which track changes and edits, as well as approval workflows that ensure terms and budgets are authorized prior to project kickoff.

— On- and off-boarding workflows that are incorporated into the SOW to ensure that resources have completed the appropriate steps prior to beginning work on a project.

— A variety of payment terms, allowing flexible invoicing capabilities on supplier agreements.

— The ability to track headcount and equipment, providing visibility into the entire workforce. Companies can track re-hire eligibility status, and credential and license management.

Realizing the Benefits

Once a technology solution has been implemented to manage services procurement, organizations are eager to see the cost savings, efficiency, quality and compliance benefits. The timing of these benefits varies depending on the adoption of the solution but organizations can expect the following:

Cost Savings:

— Improved cost control and spend flow
— Rate card enforcement
— Reducing maverick spend
— Increased competitive sourcing and reduced supplier pricing
— Assurance that MSA supplier discounts and rebates are leveraged

Efficiency:

— Reduced time-to-hire without internal bottlenecks
— Improved PMO responsiveness
— Standardized and consistent process flows
— Automated invoices and payment terms
— Demand planning and talent pools
— On- and off-boarding checklists
— Integrations to current IT systems
— Supplier collaboration in one system of record

**Quality:**
— Improved user satisfaction
— Enhanced supply base management and worker quality
— Better ability to rate suppliers and workers

**Compliance:**
— Independent Contractor validation
— Visibility and control over subcontractors
— Company-defined approval processes
— Tenure controls
— On-site governance
— Fewer misclassification and co-employment risks
— Drug and background check automation

**Visibility:**
— Real-time metrics and performance KPIs
— Transparency into supplier rates resulting in more informed decisions
— Access to historical supplier performance data
— Cost reduction by leveraging market benchmarking data

The expected benefits vary with the level of scrutiny with which services procurement is managed. As a program matures, you can choose to take advantage of additional capabilities in the solution. For example, while a company might originally only manage the creation of the SOW through the technology, it can eventually include the multi-bid process, purchase orders and invoicing. A solution can accommodate these varying levels of management within one company. While every SOW is different, a services procurement technology is flexible enough to provide functionalities to support every level of administration.

*While every SOW is different, a services procurement technology is flexible enough to provide functionalities to support every level of administration.*
Addressing Other Considerations

A services procurement system provides benefits not just to buyers, but to other external stakeholders and technologies including:

**PMO/MSP:** Whether program management is handled by a third party or in-house, services procurement requires a team capable of managing day-to-day tasks and processes, and providing strategic guidance. Many services procurement programs utilize a Managed Service Provider (MSP) while others choose to manage the initiative in-house with an internal Program Management Office (PMO).

PMOs help define the terms and ensure all necessary steps are completed after business users initiate the SOW process. The PMO also plays a critical role in supplier communications that business users neither have the time nor expertise to execute. It can also field any payment-related questions and track supplier qualifications. All of these duties are automated and simplified through the technology platform. Manual, timely processes are eliminated so the PMO can now focus on more strategic initiatives related to services procurement at the organization.

**Integrations:** Without a targeted services procurement system in place, it’s impossible to integrate project management, financial, master data and contract negotiation systems. A technology has the flexibility to integrate with ERP and other systems during any point in the process. Because every organization has different process flows, a services procurement technology must have the ability to integrate whether it’s at the beginning, middle or end of the engagement.

**Example 1:**

> Services procurement can be initiated entirely within a technology solution and ultimately integrate with an ERP financial system.
In another scenario, services can originate in another system with only management and payment taking place in the application.

In yet another situation, an ERP system can handle the initiation of services procurement while an application manages the rest of the process.

No matter the level of management an organization or department chooses to utilize, an open technology platform is capable of integrating with existing systems and giving full visibility into the process.

**Conclusion**

While organizations certainly face challenges in adopting a technology to manage services procurement, the benefits and opportunities for improvement are significant. Over time, organizations can gain visibility, achieve process efficiencies, mitigate risk and see increased cost savings.

**Related Resources**

- Whitepaper: Statement of Work (SOW) Framework: Engagement Patterns
- Datasheet: Fieldglass Services Procurement
- Case Study: S-O-W: Cisco Spells Workforce Success with a Focus on Statements of Work

**Contact**

To learn more about Fieldglass and how we can help you gain insight into managing services procurement, please don’t hesitate to contact us at fieldglassinfo@sap.com or visit www.fieldglass.com.

**About Fieldglass**

Fieldglass, an SAP company, provides a cloud-based Vendor Management System (VMS) to manage contingent workforce and services procurement programs. More than 300 customers leverage Fieldglass to gain visibility into their external workforces, including contingent labor, services managed through Statements of Work and independent contractors while optimizing spend, quality, compliance and efficiency.