

# The Decision to Outsource the Procurement Function

It is imperative that the organisation considering procurement outsourcing needs to truly understand how important, strategic and critical procurement actually is to their business success



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### Abstract

Procurement outsourcing consists of transferring specified key activities relating to sourcing and supplier management to a third party. There can be several drivers for this course of action, including cost reduction, which will be discussed in this paper. Also discussed in this paper are arguments for not outsourcing procurement, market tendencies, business drivers and potential benefits. We also seek to assist the P&SM Professional in identifying the procurement strategy for his business, preparing the business case, identifying risks, and evaluating and selecting a service provider. Finally, we include a section on hints and tips to aid the P&SM Professional through the research, evaluation and implementation process

### Introduction

Businesses have outsourced many of their processes over recent years, both core and non-core, whether they be operations, facilities or administration. The approach to be taken when deciding whether or not to outsource these processes, and which service provider to use, will be similar to the approach taken when considering any outsourcing process. While initially it may appear obvious what the outsourcing of procurement is about, there are varying degrees of outsourcing (as described in the definition section below). On reading this paper, the reader will begin to appreciate that it is a complex subject and it will require as much research, investigation and board level acceptance, as any other major Purchasing decision.

It is imperative that the organisation considering procurement outsourcing needs to truly understand how important, strategic and critical procurement actually is to their business success, and only when that has been fully understood can a decision to outsource be considered.

One of the main drivers for reviewing whether to outsource procurement is, quite often, to reduce the cost base for the purchase of indirect or direct material. There are, however, many other potential drivers besides pure cost reduction for the outsourcing of procurement, which are discussed more in the section headed 'potential business drivers'.

A business may outsource procurement in order to develop and define a procurement policy, but more commonly a business may decide to outsource in order to supplement its existing procurement function. There may also be a requirement for procurement expertise in a certain field, or if there is a short-term need for a particular project, or because of a shortage of good procurement people.

Outsourced procurement teams may also be far better supplemented by state of the art procurement tools such as sourcing portals, intranets, extranets, supplier databases, e-auction platforms.

Finally, the increasing globalisation of sourcing, along with the implementation of new policies, such as Corporate Social Responsibility, may persuade an organisation that their existing procurement team lacks the necessary skills and experience, or does not have the confidence of its internal customers to provide a focussed, professional and proactive procurement function, and so will look to specialist procurement outsourcing providers.

### Definitions and explanation

Procurement outsourcing is the transfer of specified key activities relating to sourcing and supplier management to a third party, called the Procurement Service Provider (PSP).

'Outsourcing' of procurement can encompass a full or partial outsourcing of the activities which make up the procurement function and its processes, for example:

- Total outsource of the procurement department function and its staff to a full service provider from upstream supply market research and sourcing activity to downstream payment and supplier management
- E-auction event management.
- The procure-to-pay transaction process, for example
- The procurement elements, for instance, of Travel/Fleet management services
- Sourcing and contract negotiation for one or more commodities
- Desktop managed services – procurement of PC's and equipment, including software and on-going support and maintenance

To summarise, "Procurement Outsourcing" can be used to describe a range of services provided by a third party, such as

- The purchase of one element of a procurement service
- The purchase of a procurement service
- The provision of procurement services and processes within an operation which may involve the transfer of people and/or assets to another company.
- The provision of services which cover an entire business operation or function It's all procurement outsourcing, it is just a matter of degree.

### CIPS policy positions

CIPS Practice Guides are designed to provide awareness and a level of understanding to the reader on selected topics, in this case, on the outsourcing of Procurement. They are written for use by those with an interest in business issues in general, and purchasing and supply management (P&SM) issues in particular.

This will include full and part-time P&SM professionals, as well as individuals interacting with P&SM activities. The Practice Guide will also include information on the contextual background to the issues, and will give a balanced opinion on issues that the reader may wish to consider. There will also be references to other sources of information.

Most Practice Guides will contain CIPS' position statements, that is, CIPS' view(s) on the White Paper's subject matter. The CIPS views are arrived at via an extensive consultation with P&SM practitioners, and people with expertise relevant to the subject, including working knowledge groups and the CIPS Policy Advisory Network (PAN). Following the consultation process the CIPS Council's Key Practice Statements Group finalise the statements.

Spend analysis and development of purchasing strategy can often identify quick wins on process optimisation, commercial management, risk reduction and sourcing. The board may well decide to accept a purchasing strategy which encompasses some form of procurement outsourcing to achieve some of the quick wins identified above, within their procure to pay process. For example, outsourcing procurement of desktop IT hardware and networking equipment to suppliers as part of a desktop managed services contract – is becoming increasingly popular. Benefits are lower costs and improved service (right stuff bought first time) as well as standardisation of desktop configuration. This means a company can also pay for a product as a service over time. Although this can all be a positive experience, it also

means you cannot depreciate the cost. This is a minimum risk strategy; the only slight risk is that you can be locked into an inefficient supplier, which may then be hard to change.

There are many advantages and benefits for an SME in outsourcing larger procurements/sourcing/contracts and so on, and only retaining day-to-day procurement in-house, other benefits for SME's include:

- Where companies either cannot afford a high-level Procurement Manager or they cannot attract one, as the job is 'too small', they can outsource the higher-level work and get a specialist for each purchase.
- Company only pays for the time, no high cost of employment
- The outsourcer may implement a system and process for day-to-day purchases with one part-time admin person to administer.

Another fairly common example of outsourcing procurement is that of transportation services, as part of a major outsource of the warehouse/logistics function. This example highlights what is common in procurement outsourcing; just a part of the process can be outsourced as part of a larger contract.

### Arguments For:

- Organisations recognizing that procurement is not a core competency, and are therefore willing to outsource that element, rather than build it internally
- Organisations beginning to understand the risks which attach to procurement and supplier management, especially in a regulated industry, and wanting to distance themselves from the risks by using an intermediary
- Organisations appreciating the internal cost of properly managing a supply chain, and avoiding a headcount increase, through outsourcing the supplier management arrangement
- Organisations using an outsourced arrangement to aggregate spend – for example, a consortium of medium-sized purchasers collectively buying, through using the specialist outsourcer as a form of 'buying club'

### Arguments Against:

- There was no proven competence in the marketplace to take over such activities
- Purchasing and Supply Management (PS&M) is a core competence for the company which requires a very collaborative approach between the PS&M discipline and its entire project and operational groups, so it would be inappropriate to try and outsource it to a third party provider
- There was no sustainable cost quality, or service advantage, demonstrated when the outsourcing of procurement was reviewed
- Low value/low criticality requirements are effectively outsourced anyway via a comprehensive suite of master agreements, for instance office supplies, fittings, ad hoc non-routine low value items, and travel services. (See Appendix 2)

**NB.** CIPS neither advocates nor discourages companies to outsource procurement. However, outsourcing the procurement function, in whole or in part, is a difficult and delicate decision-making process that requires considerable effort from the remaining body to ensure every alternative is considered. Additionally, the implementation of outsourcing is sensitive and difficult and has to be carefully managed. It could be argued that there is even more need for caution and care when making sourcing decisions (in-sourcing, out-sourcing, right-sourcing) when it is the department normally in control of the sourcing process actually managing the outsourcing process. CIPS therefore advocates a robust methodology for deciding whether or not it is appropriate in your own organisation's particular circumstances.



## Explanation and context of the issue of procurement outsourcing

### Potential business drivers:

- add more value/improve performance
- reduce headcount
- improvement in productivity
- technology skills step change
- avoids investment in technology change
- moving from a fixed to variable cost base
- access to Expertise/knowledge/skills
- flexibility of resourcing
- access to specialist tools/processes on an as-needed bases
- focus on “core” business activities
- access to aggregated and leveraged buying power to reduce input costs
- process standardisation – compliance, adherence to policies
- product standardisation
- improved profitability by headcount where applicable
- the performance of outsourced procurement may be easier to measure
- PSP’s may appear to be capable of delivering higher service levels than an existing in-house procurement function

### Potential benefits:

- Innovation, new ideas and processes,
- Easier introduction to new suppliers
- Ability to utilise specialist knowledge and skills to improve purchasing performance
- Supplier’s specialism of particular area of procurement
- Access to niche skills
- Reduced costs
- Aggregation of quantities resulting in greater buying power
- More productive use of resources
- Aggregation of resource
- Increased specialisation = improved outcomes
- Reduction in employment overheads – salaries, training, social costs
- Reduction in management overheads – time, money and resources. **NB.** There will still be a management overhead which must be brought out in the paper for failing to manage the PSP will negate any benefits and spell ultimate disaster).
- Transparency of costs for activities
- The move from fixed staff costs to variable purchased costs
- Improved capture of rebates and volume discounts
- Incentivisation to improve performance
- Access to technology and tools
- Avoidance of capital investment
- Eliminating non-value-added activity
- Better correlation of costs to levels of activity
- Ability to pay by transaction/usage
- Improved risk management due to specialist knowledge (more professional procurement practices)

- Improved opportunities for outsourced employees in the supplier organisation
- Flexibility to cope with peaks and troughs in workload, without incurring recruitment costs and overheads
- Outsourcing facilitates better compliance, quicker adoption of new ways of working, policy adherence
- Allows internal resources to be more focused on key areas/targets
- Better management information
- Process savings from fully integrated and established supply chains – the construction industry claim as much as 30% savings in some areas.

There are, of course, a number of indirect benefits which emerge – improved ROC (return on capital), for example, which may be more difficult to measure.

### Scope

Outsourcing of procurement includes a range of possible alternative options from the outsourcing of the whole of the procurement function, including the staff, to the outsourcing of a particular project, category, commodity, procurement activity or business process (see Appendix 1 for case study).

Even where organisations choose to outsource the whole of the procurement function, it is unlikely that 100% of the procurement activity within the business will be transferred. There needs always to be an “intelligent” client “within” the outsourcing organisation that is a person or team who have Procurement expertise and who will proactively manage the outsourced service provider. The business must retain somebody with the skills to manage the relationship, contract and the service level agreement, with the outsourced procurement provider.

It is important to remember that procurement is a set of cross-functional activities and the relationship between the commercial skills of the buyer, and technical skills of the specifier or stakeholder, are necessary to achieve best value. Even a company which chooses to outsource procurement totally may decide, and would be wise, to retain strategic control within the company.

How much of procurement is going to be outsourced is a decision which depends on an individual company's circumstances and its business drivers. It is currently more common to outsource part of the procurement process, rather than the entire function. This, therefore, can be a portfolio-based decision which can be based on a commodity for example, stationery or travel, as a commodity, or the purchase-to-pay process.

More detailed examples of the degrees of procurement outsourcing include examples such as:

- The use of interim management (which is not really outsourcing but more contract labour as the control is kept in-house)
- Outsourcing of data cleansing and outsourcing the whole of the e-auction process and so on, or just using the hosted software for total solution or just tool part
- Travel/facilities management may be an area which lends itself to be outsourced, as it very often requires specialist skills and aggregation of spend to achieve maximum benefit.
- Fleet management is a similar area and it, too, is often also outsourced.

It is usual that the company retains information, although the outsourcing process itself distances the outsourced purchasing function directly from the rest of the business. Procurement needs to maintain a proactive approach throughout any investigation into the outsourcing of the function. While it may be difficult to remain unbiased, it should be borne in mind that a negative attitude may only serve to drive the outsourcing decision-maker into a quicker and perhaps inappropriate conclusion. Whereas being proactive and remaining in the driving seat may lead to the conclusion that only the time-consuming transactional processes are outsourced, leaving a perhaps smaller but more strategic procurement function within the organisation.

### Procurement strategy and business case

As in the case of an investigation into the outsourcing of any process, a full review of the function must be undertaken and strengths, weaknesses, and requirements understood before any Request for Information (RFI) or Invitation to Tender (ITT) is issued for the provision of the outsourced service. Through this review a company should identify capability gaps within the procurement process, and should set targets for expected cost and performance improvements using measurable targets, such as cost savings, contract compliance, headcount reduction, improved service levels, lower operating costs and continuous cost, operational and performance improvements.

It is also crucial to fully understand the complex nature of business relationships with suppliers. Management of supplier relationships through a third party – can be less than satisfactory. The input a supplier may have in a business, by suggesting product or technology changes, or enhancements, must not be overlooked as that input can be invaluable and may not be looked for or encouraged, by a third party managing part of the business. It is also crucial to assess if the value brought by an outsourced supplier is sustainable, and achievable, year on year, and not merely in the first year of the contract.

Specialist skill will probably be needed to ensure proper identification and quantification of risk, and to ensure compliance with legal and financial requirements. It will be necessary to put together a cross-functional team comprising stakeholders (business and operational) such as purchasing, HR, legal, tax, finance, property, risk management and IT. The business case itself should include:

- Business (operational) sponsor
- Business drivers
- Fit with future business strategy
- Benefits
- Risks and risk management plan
- Costs and savings
- Investment required
- Optimum contract duration
- Legal and HR issues and considerations
- Supply market analysis
- Case studies/references
- Required service level definition
- Implementation plan and responsibilities
- Contract considerations
- Contract and supplier management plan

- Cost benefit analysis/ROI model
- Potential future developments and forward plan

Research done by the Aberdeen Group ('The Procurement Outsourcing Benchmark Report') found that the ultimate business case for procurement outsourcing delivers results that are both rapid and sustainable. The results include:

- Big benefits: Enterprises outsourcing procurement have experienced dramatic and widespread benefits in category cost savings, process efficiencies, and cost savings, and improved spend compliance and service levels (reduction in prices of goods and services: 15-25% and improved compliance 55%-65%)
- Rapid benefits: Aberdeen research finds that procurement outsourcing provides significant time to- value advantages. Enterprises report that their outsourcing initiatives can deliver measurable improvements within 10 to 24 months. By comparison, Aberdeen estimates that do-it-yourself procurement overhauls, average at least four years.
- Sustainable benefits: Aberdeen's benchmark has found that the satisfaction with procurement outsourcing increases over time. Enterprises outsourcing procurement for more than two years reported much higher returns, and higher levels of satisfaction, than those that outsourced procurement more recently.

### Risks

Potential risks are:

- Losing ideas/contact from suppliers, resulting in less innovation (and even intellectual property)
- Loss of key skills
- Could cost more money
- Supplier doesn't perform as expected
- Strategy change/dislocation
- Distance from market – might lose sight of exactly what's happening
- Lose ability to bring in-house
- Outsource providers that don't understand culture of the business
- TUPE issues with staff transfer
- Cost escalating over time
- Potential to lose competitive advantage
- May take longer to change direction of strategy
- Risk of suppliers having a hidden agenda, for example, rebates (better deals because clients may want to use certain suppliers)
- May choose wrong company in terms of cultural fit

### Evaluating and selecting a procurement service provider

Organisations must try and select an outsourcing provider based on their current and potential future needs.

The following could be used as selection criteria to evaluate procurement service providers:

- **Category expertise** – Check if the provider has made frequent assessments of market dynamics, supplier capabilities, and cost negotiations within a given category. Make sure that the PSP also has knowledge of local and regional and global suppliers, to make sure they offer a solution offering best total value.



- **Sourcing Process Methodology** – A prospective PSP should follow a competent management methodology. Process standardisation is important across the entire procure to pay process for satisfying new financial reporting requirements and assisting in the knowledge and process transfer. A standard process for a sourcing process methodology will make it easier to measure and benchmark process cycle time and cost measurements.
- **Operational Excellence** – PSP's should offer excellence in the following areas:
  1. Scope of services
  2. Relationship management
  3. Supplier network and enablement
  4. Global coverage
  5. Technology
  6. Costs
- **Experience and Customer References** – Procurement outsourcing can be different from outsourcing other business functions, such as IT. Organisations must carefully evaluate prospective service providers on their actual experience of managing procurement outsourcing.
- **Financial stability** – Carefully consider the financial statements of prospective PSPs to ensure they have profitable, sustainable business models, and sufficient cash reserves to carry the PSP, in leaner times.

The above criteria, along with considerations for the best pricing model about how to pay your application service provider, can be used to build an RFI template for your organisation to examine potential PSP's capabilities and experience.

### Hints and tips

The following hints and tips may prove to be useful when considering the use of a PSP:

- Conduct a literature/research review. Magazines such as Harvard Business Review, Institute of Operations Management, European Federation of Purchasing, and the magazines they produce may be useful
- Conduct a thorough business case investigation
- Obtain support from a business sponsor at a very high level
- Make a positive opportunity from outsourcing procurement, don't think negatively, even if involved in the procurement process
- Outsourcing transactions is a big opportunity, allows procurement to focus on more strategic issues
- Look at opportunities in niche areas such as transaction, categories, and so on
- The upfront planning and business case should actually fit into the business strategy
- Conduct a risk assessment
- Conduct marketing analysis
- Conduct an RFI process to glean further information and narrow down potential candidates to an ITT
- Conduct an ITT exercise
- Have a balanced team of evaluators for the ITT exercise.,
- Conduct due diligence before handover, involve legal and HR experts at the start of the process to manage issues, such as TUPE and so on
- Appoint a senior internal person (and team) to manage the total outsourcing contract
- A comprehensive contract must be drawn up and should cover areas like Intellectual Property, knowledge transfer on termination and so on

- The psychological shift in attitude when dealing with a department within a business, which then becomes part of a newly formed, outsourced, company, needs to be appreciated and managed
- Don't outsource to a provider if you're their only customer
- Procurement professionals need to act as a balance for finance, looking at moving the costs of outsourcing procurement from fixed to variable
- Don't forget to take the views of internal users into consideration
- Take into account the costs for managing the outsourcing activities
- There should be a clear ability to terminate the contract and to leave the contract
- Think about the ownership of information on shared systems, who owns it, make this clear in the contract

In terms of choosing a PSP the same procurement 'check list' tends to be used – but there is probably more emphasis on cultural alignment (however this is difficult to measure, because it is much more subjective).

The choice of supplier is usually heavily influenced by the key 'drivers' identified in the business case. In the case of savings as a driver, the supplier needs to demonstrate unit cost savings. However, there needs to be evidence of benefit or risk sharing. It is inappropriate that the procurement partner takes all the risk, the purchaser takes all the benefit. Future model contracts will need to offer more incentive for continuing savings.

The outsourcer tends to earn their fee from three ways;

1. Either on a cost per unit managed by the procurer
2. On a rebate system in a "gainshare" agreement, being made to the purchaser, albeit with payment from the supplier on a transparent basis. (**NB.** there is a risk that the organisation choosing the PSP will choose the provider which gives the highest rebate back to his business.)
3. A combination of both

The more astute organisations think in terms of 'whole life cost' of managing the supply chain (internal plus external cost savings). Once the decision has been made to outsource, the standard of terms used can be fairly inconsistent, and there is an argument for more standard terms and conditions to be used. Further points for consideration:

- Many organisations use the same procurement process and ultimately the same suppliers, but procure separately. Therefore, there can be much duplication of effort, that could be avoided. This absence of coordinated thinking also results in reduced purchasing leverage
- Outsourcers can have a much greater understanding of key commodities than the purchasing organisation. This is a result of a concentration of knowledge
- Outsourcers can help create 'purchasing clubs' by aggregating volume, and acting as an intermediary. Therefore, they can act as a catalyst for change to bring cost benefits
- There should be more benefit transfer (shared risk / rewards) in the contractual relationship to encourage continuous improvement.

## Summary

Procurement outsourcing is part of a continuum along the spectrum of outsourcing services in an effort for a business to continually cut costs, improve supply performance and focus on core competencies. The specialisation procurement outsourcing may offer in terms of technology and web-based applications, sourcing capabilities, spending analysis, supplier appraisal

analysis, and leverage on procurement spend, have all helped to make the outsourcing of procurement an attractive option to some companies.

Modern outsourcing is just another example of the search for competitive advantage, and like companies themselves, some innovations will succeed, while others will fail. That is the nature and strength of the system and, just because someone has been successful with a particular strategy for outsourcing a process, does not guarantee its success, this even in similar enterprises.

Organisations, therefore, should look carefully at the outsourcing of procurement. Whether procurement is done by the organisation itself, or a PSP, or a combination of these; it is important that the process of procurement is credible, professional and integrated into the business.

Readers will now hopefully have a better understanding of the options open to them when it comes to looking at the outsourcing of some, or all, of the procurement function; as well as understanding the need to engage stakeholders with a compelling business case, and having access to some useful hints and tips to help them along their way on the procurement outsourcing journey.

### Further reading and references (web based)

Aberdeen Group - 'Procurement Outsourcing Handbook: Volume I: Framework for Assessment and Selection Success' June 2005 ([www.aberdeen.com](http://www.aberdeen.com))

Aberdeen Group 'The Procurement Outsourcing Benchmark Report: Accelerating and Sustaining Total Cost Savings' March 2004

Accenture Procurement Solutions: Achieving High Performance with Procurement Business Process Outsourcing'

The Case for Procurement Outsourcing': Donovan Favre, Charles Findlay, and Jeffrey C. Zaniker ([www.ascet.com](http://www.ascet.com))

IBM case study 'United Technologies: Outsourcing Procurement Yields high efficiency and tight spending control' ([www.306.ibm.com](http://www.306.ibm.com))

Procurement Outsourcing: '10 Things Companies Really Want to Know' by ICG Commerce (<http://purchasing.knowledgestorm.com>)

'The Benefits of Selectively Outsourcing Procurement' a report by Flavien Kulawik. Business Briefing: Global Purchasing and Supply Chain Strategies 2004

## Appendix 1

### Procurement outsourcing case study - GEK Global Solutions

QEK Global Solutions is a provider of a wide range of integrated support services to vehicle manufacturers, their tier-one suppliers, and other businesses outside the automotive sector. QEK's aim is to allow clients to focus on their core activities by providing them with a comprehensive range of outsourced automotive services, customized to each client's need and created out of the direct experience of international staff. QEK has been providing fleet services for over eighteen years. Today, QEK Global Solutions has several major operational centres in the UK, Australia, United States and Canada.

Quatrosystem Ltd were engaged to perform a comprehensive spend analysis and development of purchasing strategy for QEK Global Solutions in the UK. Quatrosystem identified quick wins on process optimisation, commercial management, risk reduction and sourcing. A paper was prepared for and delivered to the board on future purchasing strategy. This was accepted and resulted in the outsourcing of all strategic sourcing and contracting for QEK in the UK to Quatrosystem. In the first year this outsourcing realised actual cost reductions of £537k– an ROI for QEK of around 590%. Substantial savings of £1m plus have also been identified from process optimisation, and the implementation (now complete) of QS BUY, Quatrosystem's web-enabled IT solution for the procure-to-pay process.

The outsourcing works on the basis that QEK are responsible for day-to-day purchases, mainly from pre-agreed contracts, together with the transaction (P2P) process. Quatrosystem provide strategic support on sourcing and contracting, utilising specialist expertise and charging on a time basis. This way, QEK benefit from high level, specialist procurement expertise for each large contract, without the cost of employing a full-time high level resource which would be under-utilised on a full-time basis.

This type of procurement outsourcing is an innovative solution for medium-large organisations which cannot justify a full-time professional procurement department. The specialist and experienced resource available from an outsourced service provider, such as Quatrosystem, to support each category of purchase would not be available from internal resources. In addition, it was not possible to attract a high calibre resource to a role where the large challenging purchases are few and far between. However, these purchases are highly business critical and the outsourcing arrangement provides an ideal solution.

## Appendix 2

### **News, 24 April 2003 - Accenture set to take back purchasing - Supply Management - Exclusive by Geraint John**

Top management consultancy Accenture is poised to bring its procurement back in-house, just three years after outsourcing it. Sources have told SM that the US-led firm, which employs more than 75,000 people worldwide, and spends hundreds of millions of dollars annually, is unlikely to renew its contract with ICG Commerce beyond December, when a break clause becomes active.

Alex Milward, a partner in Accenture's London office, confirmed that the company was "reviewing the options", but said no decision on the ICG contract had been taken, although one was likely "within weeks". Accenture outsourced its travel, offices supplies and other indirect procurement, for seven key countries - the US, UK, Canada, France, Germany, Spain and Ireland - and transferred 60 staff to ICG at the beginning of 2001 in a five-year deal.

Karl Pick, ICG Commerce's vice-president for the UK and Ireland, and one of the staff who transferred from Accenture, would not comment on details of the contract between the two companies. But he insisted that the relationship was "very good" and that ICG had exceeded its cost saving targets. An anonymous case study on ICG's website claims it saved 20 per cent more than its \$60 million target in year one.

Pick denied that losing the contract with one of its biggest clients - thought to be worth around \$12 million a year - would be a serious blow to ICG. When it outsourced, Accenture did not consider procurement to be a core competence. But business process outsourcing (BPO) has since become a bigger part of the company's business, and, in some parts of the world - including the UK - earnings from outsourcing now exceed those from consulting.

Industry insiders say that not managing its own internal procurement has become something of an embarrassment for Accenture when it comes to selling the service to others. One described taking purchasing back as "a logical step given its current strategy". Accenture wants to capitalise on strong growth potential for BPO, including procurement among multinationals and public-sector bodies. Milward said that Accenture was "in discussions with lots of clients about outsourcing their procurement", particularly in North America. A report by analysts IDC last September predicted that the worldwide market for procurement outsourcing would grow from \$5.3 billion in 2001 to \$12.2 billion by 2006. A "relentless focus on cost reduction" and the challenges of implementing new technologies, such as e-procurement were the main drivers, it said.



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