



Global
Digest

Professional Services

Background

CASME RoundTable meetings on Professional Services were held in Asia, Australia, EMEA, Latin America, and North America. The following main topics were discussed:

- Stakeholder engagement
- Company requirements
- Industry and financial analysis
- Strategy development and execution
- Contract negotiation and implementation
- Performance management
- Trends and technology.

This Digest provides the key points, good practices and insights of future trends identified by CASME members at RoundTable meetings held around the world.

Stakeholder Engagement

- Procurement's role in the stakeholders' strategies and sourcing activities for professional services involves:
 - Attending the key stakeholders' budget and project planning meetings, to understand the project pipeline and become involved early in order to prioritise high-risk, high-spend projects and provide optimal value
 - Understanding the demand for professional services, identifying which types of engagements require tactical or strategic sourcing, and aligning the procurement strategy with the stakeholders' business strategies and objectives
 - Developing: the scopes of work for projects based on the stakeholders' requirements and expected outcomes; the scorecards for evaluating the service providers' responses to requests for proposals (RFPs) and supplier performance based on criteria, deliverables and metrics defined with the stakeholders; new contracts and master services agreements (MSAs), and reviewing those that are due to expire
 - Establishing preferred supplier lists (PSLs) of approved professional services providers; supporting the stakeholders in selecting new service providers and monitoring supplier performance; providing tools and guidance to the stakeholders for engaging service providers for projects in which Procurement's involvement is not required or possible.
- Effective stakeholder mapping, engagement and management have resulted in collaborative relationships and alignment being developed between Procurement and the stakeholders, and increased the stakeholders' confidence in Procurement's ability to source the most appropriate service providers to fulfil their requirements.
- Procurement is demonstrating value to the stakeholders to ensure its early involvement in projects by:
 - Identifying overlaps in the use of professional services and opportunities for consolidating requirements with fewer providers, to increase the company's volume leverage and rationalise the supply base
 - Conducting market research and providing insights to the stakeholders regarding current market trends and best practices; identifying new service providers that can streamline processes to improve efficiency and reduce costs, as well as opportunities for the use of automation and shared services solutions
 - Managing risk, improving compliance and governance; ensuring compliance with local laws and industry regulations, and that data security and confidentiality are maintained by applying specific supplier selection criteria and clauses in contracts
 - Simplifying, optimising, and standardising processes across the company; creating standard documents and templates to facilitate sourcing and contracting, while allowing for the flexibility that is often required during professional services projects
 - Negotiating improved service level agreements (SLAs), rates, discounts, rebates and payment terms with professional services providers, as well as the provision of added-value services; achieving cost savings and cost avoidance, and assisting the stakeholders to optimise their budgets and reinvest the cost savings achieved during projects
 - Improving supplier relationship management (SRM) programmes to encourage greater transparency and innovation; collaborating with service providers regarding innovation and process improvements; organising workshops for service providers to demonstrate their capabilities to the stakeholders and facilitate direct interactions between them.

- Procurement is overcoming the challenge of the stakeholders having long-term relationships with professional service providers and being resistant to change by:
 - Approaching the stakeholders to understand their reasons for continuing to use the same service providers, and suggesting that they test the market to identify alternative options that may deliver significant benefits to the organisation
 - Providing market insights and benchmarking information to support sourcing alternative options that may deliver better results than existing professional service providers and contracts
 - Using the successful outcomes of recent projects in which Procurement has partnered with other stakeholders to influence resistant stakeholders to consider sourcing new service providers
 - Informing the stakeholders that risk and data security can be managed more effectively by approaching the market and negotiating new contracts than by extending or renewing existing contracts
 - Engaging with senior stakeholders who have decision-making authority to obtain their support.

Company Requirements

- Organisations engage professional services to fulfil business requirements and obtain:
 - Experience and expertise that are not within their core competencies or available internally; objective external perspectives of business transformation and strategic operating models; capabilities that provide the organisation with a competitive advantage; external knowledge of the market and industry trends for strategy development; assistance with legal and regulatory compliance.
- Procurement is managing and reducing professional services spend by:
 - Improving spend visibility of spend and compliance with purchasing policies and processes using a vendor management system (VMS) such as [SAP Fieldglass](#)
 - Establishing an internal network of specialists and experts to act as in-house consultants to whom requirements can be referred before sourcing external expertise; internalising roles that can be performed in-house, such as project management and change management, to minimise cost and improve knowledge transfer; requiring justification for contracting external services rather than internal support
 - Ensuring that services are not being duplicated within the organisation, and determining whether the results obtained from a project conducted in one business unit could be replicated in others
 - Engaging with the stakeholders to develop category-specific budgets based on the projects and spend planned for the following year
 - Consolidating spend with fewer service providers to negotiate improved prices based on volume leverage.
- Approaches for managing the professional services spend on a global, regional or local basis include:
 - Developing the strategy, risk management and governance frameworks and PSLs at the global level, to be applied at the regional and local levels, which take into consideration local requirements, markets, laws and regulations
 - Evaluating global, regional and local service providers in terms of strategic alignment, service capabilities and geographic coverage, as well as the use of local partners by global service providers
 - Understanding regional and local requirements and challenges, market dynamics, and the capabilities and competitiveness of local service providers in specific categories
 - Researching internal and offshore external experts that are capable of delivering the same services as tier-one and tier-two providers at a lower cost.
- Cultural compatibility and a mutual code of conduct between the organisation and professional services providers are important, especially in terms of corporate social responsibility (CSR), sustainability and diversity. Procurement manages the supplier onboarding process and ensures that the professional services providers that are engaged understand the company's culture, code of conduct and ways of working.
- Knowledge transfer from the professional services providers to the organisation during and after projects is being managed by defining requirements and incorporating the relevant clauses in contracts; establishing a central internal repository for storing information and documenting the intellectual property (IP) generated during projects; assigning internal personnel to work together with the service providers; the service providers conducting workshops and post-project briefings to transfer knowledge; the service providers and the primary stakeholders delivering presentations to the relevant internal personnel regarding the processes and outcomes of the projects they have been working on together.

Industry and Financial Analysis

- Business, financial and market intelligence is being obtained from sources such as [CASME](#), [Constellia](#), [Dun & Bradstreet](#), [Gartner](#), [RapidRatings](#), [Source Global Research](#), [The Hackett Group](#), and [The Smart Cube](#); as well as requests for proposals (RFPs) requiring participants to provide their company profiles and financial information; internal and external benchmarking exercises; post-project evaluations and feedback from the stakeholders and service providers; industry- and sector-specific events and conferences.
- Benchmarking is being conducted by comparing rates with and between the 'big four' professional services companies; approaching the market with requests for information, quotations and proposals (RFxs); reviewing contracts and master services agreements (MSAs).
- The remuneration models that are being applied for professional services include:
 - Fixed fees based on pre-negotiated rate cards for specific roles and levels of seniority/experience
 - Time and materials based on hourly rates, with a not-to-exceed limit
 - Value- and incentive-based remuneration models for strategic projects
 - Deliverables- or outcome-based models
 - Success fees for legal services
 - Volume-based tiered pricing, with discounts and rebates
 - Milestone payments for the on-time completion of specific deliverables
 - Risk/reward risk models, with a percentage of the fee withheld until specific deliverables have been accepted, and financial incentives based on the service providers' performance levels.

COVID-19

- The COVID-19 situation has resulted in fewer professional services personnel being available, as many have been furloughed or are only working intermittently. The issue of service providers being unable to move between countries during the pandemic has been mitigated by people working remotely and communicating using online solutions.
- Remote engagements during the pandemic have demonstrated that using offshore professional services is an acceptable solution that enables organisations to attract talent while reducing their carbon footprints due to the lack of travel between locations.
- Procurement has provided value by mitigating risks, providing solutions and optimising supplier relationships to ensure business continuity; improving the governance required regarding communications between the stakeholders and service providers; analysing the financial status of professional services providers to determine the stability of their businesses, whether shorter payment terms are necessary to assist them to survive, and whether contracts should be terminated or extended.
- Consultancy companies have been rebranding themselves as long-term managed services providers (MSPs), and offering free or discounted services to encourage or oblige companies to continue using their services.

Strategy Development and Execution

- The global professional services strategy is developed by the global procurement team, but may be supplemented by strategies developed at the regional level. Good practice when developing a global strategy is to obtain input from the regional and local procurement teams and stakeholders, to understand the requirements and market conditions, and increase buy-in from the stakeholders while ensuring that the global strategy is relevant to their requirements.
- Procurement's efforts to align the professional services strategy across the organisation include:
 - Applying a collaborative approach and regularly meeting with the stakeholders
 - Clearly defining the procurement taxonomy and category hierarchy to improve data quality
 - Conducting analytics to understand the spend according to the stakeholders, service providers and categories
 - Identifying the stakeholders who are using professional services and presenting them with spend data, to provide visibility of how the professional services spend is being fragmented through multiple service providers, and discuss consolidating spend with fewer providers
 - Providing a guided buying tool to the stakeholders, such as the SAP Ariba module, to channel the spend towards a limited number of preferred professional services providers
 - Segmenting consultancy services into sub-categories and focusing on how Procurement can provide added value for each sub-category.
- The stakeholders who request professional services tend to be responsible for defining the scope and specifications of the requirements within statements of work (SOWs). Procurement provides guidance for

developing SOWs, and verifies the quality and accuracy of the contents with the stakeholders and service providers, while ensuring that the SOWs:

- Clearly define the scope, time schedule and deliverables for projects
- Include the number of personnel, levels of seniority, hours and locations for projects
- Align with any MSAs that are already in place with the service providers
- Clearly define the remuneration model, the criteria for the acceptance of deliverables and outcomes, and the service provider's reporting responsibilities.
- Procurement establishes PSLs of tier-one professional service providers with which contracts and rates have been agreed. The PSLs are developed in collaboration with the stakeholders to give them the opportunity to evaluate and approve the service providers that are included. The use of PSLs helps to consolidate services with fewer providers and rationalise the supply base, while assisting the stakeholders to quickly engage approved service providers without the need for further contractual negotiations.

Contract Negotiation and Implementation

- Good practices for negotiating professional services contracts include:
 - Providing incentives to the service providers to offer discounted rates; avoiding penalties and strict conditions that may deter the service providers from co-operating
 - Offering contract terms that are long enough to enable the service providers to recoup their set-up costs
 - Understanding the service providers' strategic objectives for bidding for the work, and aligning these with the stakeholders' business objectives
 - Agreeing rate cards based on the levels of experience and seniority of the personnel who will be allocated to the company's account, that stipulate capped or not-to-exceed rates
 - Obtaining a balance between Procurement's priority of achieving cost savings and the stakeholders' priorities, such as time to market and quality.
- Contracts and master services agreements (MSAs) for professional services should address:
 - Data security and privacy, compliance with the General Data Protection Regulation (GDPR), the protection of confidentiality, ownership and protection of IP
 - A non-compete agreement for confidential projects to prevent the service providers from working with the company's competitors
 - Limitation of liability and indemnity
 - Key personnel and the organisation's right to approve any replacements during projects
 - Force majeure and the service provider's obligations and liabilities
 - Compliance with the organisation's code of conduct, CSR and sustainability policies
 - SOWs, service level agreements (SLAs) and key performance indicators (KPIs) that specify the service provider's obligations and performance requirements
 - The remuneration model and payment terms, and purchase order (PO) and invoicing compliance requirements, to ensure PO approval before service delivery, payment, accurate and on-time payment
 - Written approval for the acceptance of deliverables and authorisation for milestone payments and progression to the next phase
 - The conditions and method for evaluating the application of rewards and penalties
 - The duration of the contract or MSA; termination and exit clauses that clearly state the notice period, each party's roles and responsibilities, as well as any compensation and costs that need to be paid.
- Procurement facilitates and expedites the selection and contracting of qualified service providers by:
 - Providing templates for MSAs, SOWs and master SOWs (MSOWs)
 - Requesting the service providers redline unacceptable contractual requirements during the bidding process
 - Conducting competitive bidding and e-Auction negotiations in a timely manner
 - Using artificial intelligence (AI) and machine learning applications to perform natural language processing (NLP) to compare and score service providers' proposals, deliverables and contractual requirements, screen contract drafts, identify areas of concern and highlight ambiguities.

Performance Management

- Contracts and MSAs for professional services tend to include general SLA requirements and KPIs, with project-specific KPIs developed according to the requirements. These KPIs include metrics regarding:
 - Account management
 - Reporting
 - Performance against the deliverables
 - Invoice accuracy

- On-time delivery
 - Cost-effectiveness
 - Innovation
 - Efficiency
 - Continuous improvement
 - Knowledge transfer
 - Compliance with CSR and sustainability requirements
 - Stakeholder satisfaction.
- Global KPIs may be applied to all projects to enable consistency in measuring, scoring, and reporting supplier performance across the business. KPIs may be reviewed on an annual basis, at specific project milestones, or following the completion of a project. When it is difficult to quantify service delivery and clearly define the KPIs for projects, supplier performance is evaluated based on qualitative feedback from the stakeholders.
 - Supplier performance against the SLAs and KPIs is discussed during quarterly, six-monthly and annual review meetings between Procurement, the stakeholders and service providers, and may be an integral part of the company's SRM programme.
 - TCO analysis is used to assess the direct and indirect costs of engaging professional services, and to evaluate and select service providers when price is not the primary decision-making criteria. Procurement incorporates TCO principles into the management of the professional services category by consolidating requirements, standardising job roles, descriptions and levels, including TCO in the evaluation of RFP responses, and implementing a TCO visualisation tool that is accessible to the stakeholders.

Trends and Technology

- The acquisition of small and medium-sized companies by the large professional services companies to expand their portfolios is creating market consolidation. Some companies are increasing their engagement of start-up professional services providers to assist with implementing innovation projects. Start-up companies tend to be more responsive and flexible than the large global professional services companies; they also offer competitive rates, tend to accept the organisation's payment terms, and can be contracted with the same levels of security.
- The use of offshore professional services providers is expected to increase due to the cost reductions that can be achieved by awarding part or all of projects to offshore service providers, increased acceptance of using offshore professional services during the COVID-19 pandemic, and many large professional services companies offshoring parts of their offerings to low-cost countries (LCCs).
- Technological developments are impacting the management of the professional services category through the selection of offshore or third-party providers that are investing in technology and automation, large professional services companies offering robotic process automation (RPA) solutions, AI capabilities being provided for developing and testing IP, and the incorporation of terms and conditions T&Cs within contract templates regarding digital solutions and software.

Resource Centre Links

The following are links to the full meeting reports for each region:

- [Asia](#)
- [Australasia](#)
- [EMEA](#)
- [Latin America](#)
- [North America](#)

Important

This report is a summary of the facilitated discussions held between the CASME members who attended the meetings. CASME is not a consultancy and does not provide advice. The accuracy or validity of any recommendations or references, particularly to legislation and regulations, contained in the report should be verified by the reader prior to being acted upon. Any third-party organisations named in this report are not recommendations but are examples of companies mentioned during the meeting that may be considered when sourcing the relevant products or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed also provide similar products or services.

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