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Breakthrough Strategies to Improving
Your Total Service Cost of Ownership
Rapidly

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3 Strategic Actions for CPOs to Improve Your Cash Flow Rapidly

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Executive Summary

- There are various actions which can be set as a CPO to manage joint ventures in organisations or turn around management business environments like in merger and acquisitions.
 - It is a matter of fact, that top management want to increase the cash flow rapidly by finding and executing low hanging fruits.
- **Here are three strategic actions any CPO can implement to improve your cash-flow rapidly**

3 Strategic Actions to Improve Your Cash-Flow Rapidly

Strategic Action #1

- Evaluate the Efficiency of Your IT Management System

Strategic Action #2

- Evaluate Contracts of Key Vendors

Strategic Action #3

- Change from Vendor Management to Lead Buyer System

Strategic Action #1

Evaluate the Efficiency of Your IT Management System

- **Leveraging your IT Management Tools related to managing your Procurement activities:** These can vary from having a high data accuracy within your Spend Management Tool, where the responsible person re-evaluate current contract conditions with your ERP-Vendor to check releases and having the data which has been delivered to the Vendor as accurate as possible from your side.

Here the Vendor should, therefore, have a limitation of data inaccuracy, if so, it is the responsibility of the ERP Provider to manage this, give an action-plan and not allocate the costs to you as a Customer.

By doing this, you will have the current data in regards of your spend with your vendors, as stated in the contract, with no-costs allocated towards you as a Customer.

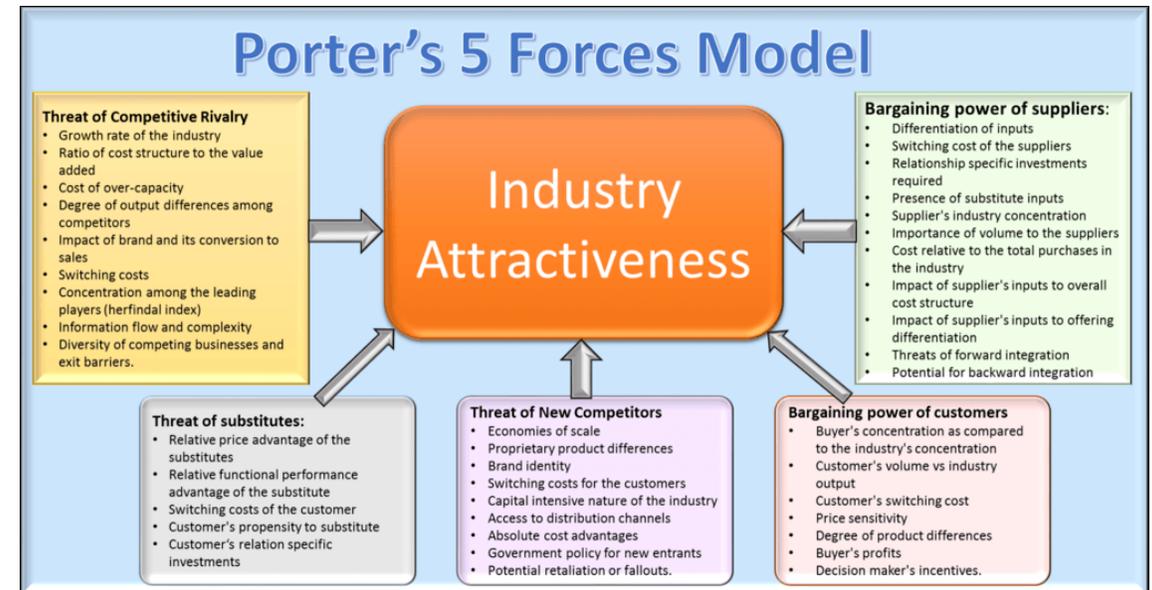
- Secondly, work hand-in-hand in having the ERP-Provider leverage the current modules you have in the system already. This could be an RFP Module, where you can start using this to manage your RFP Process. Define the roles here, set short training with the ERP-Provider and the users of the application and start applying this.
- Appoint a Project leader in your Procurement department to lead this process to start out in evaluating which module brings the highest quick-win and return on investment for the Organization. E-Auctions are also an option which can be applied to manage “no-frill” products like office material to test the process and calculate the documented cost savings by implementing this process.
- This can vary from organisational costs, allocating internal staff to manage this purchase request, by setting as a KPI: ORDER-TO-CASH to determine the cycle time. Why is the cycle time for this KPI significant? Because the sales team in your organisation can perhaps quickly enter a market by providing “merchandising goodies”. In the pharma sector, doctors receive these incentives besides selling the pharmaceutical products.

Strategic Action #2

Evaluate Contracts of Key Vendors

- **Evaluate the contract situation with the Vendors who make up 80% of the Spend and make immediate actions:** Apply the Pareto Principle, that this should only take 20% of the total efforts. The efforts range from making a contract, identifying the type and contract structure (Frame- & Service Agreement & SLA), negotiating terms and setting RFPs for expiring contracts incl. identification of the lead buyers to manage these tasks and report savings on current status through contract documentation storages, e.g. ERP-System.
- Evaluate what has been spent and have your Lead-Buyers to define what the contract strategy will be for the highest spend in the upcoming three years. Have a presentation from your Lead-Buyers to show what the potential there is regarding savings and how the spending group will be managed, e.g. a long-term contract being made as the vendor has a monopolistic supplier position on the market.
- Let your Lead Buyers apply the Porter's 5 Forces Model

Here you can help your Lead Buyers to understand how they can position themselves in regards of the positioning of the Vendor but also learn about the practices from the other department, which leads me to the next point.



Strategic Action #3

Change from Vendor Management to Lead Buyer System

Switch from managing Suppliers to drive the value chain with your Lead Buyers: the CPO should lead the buyers and communicate that they are responsible for managing the value chain and not suppliers.

Here the Lead Buyers need to see the “bigger picture”, because a lack of understanding what is being made with the purchased product, can harm the cash flow of the Organization and result in negative EBIT at the End of the Year. For example, when a Purchaser negotiated a contract which covers a limited spend for a “no-frills” product but on the other side, there is a project on the table that, e.g. to set an RFP because there will be a marketing campaign for a new product that your company will sell within a new market-launch. Here the Lead Buyer should be able to prioritize and see that the RFP is of higher importance and will deliver more overall value.

These are three concrete Strategic Actions any CPO can deliver. Think of one and start with this Strategic Action as soon as possible.



Philip David MBA specializes in crafting your breakthrough service sourcing strategy, evaluating and choosing your strategic service providers, developing your business case for optimizing your total service cost of ownership and leading your implementation project for delivering sustainable results rapidly.

Next Steps

- Adopt these three strategies to optimize your total service cost of ownership rapidly.
- If you've any questions , just contact me, I'll come back within 24 hours
philip.josef.david@gmail.com



To your success,
Philip David

RapidKnowHow

- **RapidKnowHow** offers breakthrough strategies from strategy experts for business leaders that help transferring your goal into action-able strategies and results rapidly.

