

Round Table Procurement Services  
**Whitepaper - Outsourced Procurement**  
Q&A

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This paper is intended to address some recent questions regarding the RTPS business model and how it has been and can be applied to the organizations seeking to improve their procurement function. This paper, as with any good dialogue, may lead to follow-up questions; further discussion is welcome.

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***Q: Why would an organization decide to outsource versus hire internally?***

**A:** I think there can be many factors that ultimately lead to the decision to use a procurement service – some of which are typical advantages of outsourcing, some that are specific to the organization’s situation at the time. I would suggest the main factors can be:

- Poor experience with full-time staff models;
- The attractive cost/benefit ratio;
- A commitment to invest in the procurement area; a recognition of a need to inject some rigor and substantial improvement into the process of spending funds;
- The ability to adjust the team as needs dictated over time – both in team size and team composition;
- The ability to have a professionally, “self-sufficient” function – ie, a team that did not require a significant amount of management at the executive level;
- The “turnkey” nature of the approach – the ability to install an instant procurement team, with a base set of tools, templates and processes, which could maximize the speed to results;
- The expected difficulty to find full-time resources that possessed a similar mix of skills as was available within the RTPS team, including:
  - consulting/project management
  - front-line procurement management
  - process development
  - change management
  - quantitative analysis
  - database development and management
  - customer service
  - business strategy
  - IT/ERP experience
  - A mix of big picture and detailed focus
- The decision that procurement is not and should not be a core strength of the organization. There is well documented support in the business world in general that it is good practice to consider outsourcing non-core business functions.

*Q: Why is the RTPS team able to deliver better results/better leverage than in-house staff?*

**A:** Clearly, some of the answer lies in the discussion above. In addition to those advantages, I would add the following factors:

- **Efficiencies as a result of past experience and other projects.** There's a certain amount of efficiency that comes from doing the same sort of work over a long period of time. Most of our team has been involved in improving and/or managing procurement organizations for several years. More specifically, we have focussed on working with multiple entities (branches, departments, organizations) to drive improvements in the area of collaborative procurement. As a result, we have approaches, tools, templates, etc that allow us to be especially effective, especially where there is an opportunity for collaborative procurement.
- **Mix and breadth of skills.** Most procurement professionals are very good at the core purchasing skills – negotiation, sourcing, contracts, analysis. We've understood from our experience that in order to maximize the effectiveness of a strategic procurement function, other skills are necessary: communication, change management, customer service, business strategy, etc. In addition, having the ability to draw on a larger network of resources allows us to often target specific initiatives with individuals with specific expertise in that area as required.
- **Volume leverage among and between clients.** There is the occasional opportunity to include the spending volumes of multiple clients when sourcing a given category. This is especially true with very like clients but can also be true among different clients, depending on the category being sourced. We pursue this sort of synergy only if it makes sense for all parties involved.
- **Supply base knowledge.** Over the years, we have become familiar with many of the characteristics of the some of the more common supply industries, including a good knowledge of many of the major suppliers. Likewise, many of the major suppliers have become familiar with us. The advantage is not one of personal relationships, but an understanding and respect for our process and rigor they can expect. And, to a certain extent, I think many suppliers see a real advantage to impressing us as a 3<sup>rd</sup>-party procurement firm.
- **3<sup>rd</sup> Party Perspective.** Sometimes it is helpful to have a different perspective as a 3<sup>rd</sup> party organization. While we certainly have to understand each client, we tend not to be as hindered by internal politics, history, personal preferences, etc.
- **This is our core business.** As a company, this is what we do. As a result, there is an entire team of people focussed on procurement - operations, strategy, best practices, industry trends, etc.