Procuring Across Borders

Key Insights

We live and work in a global business environment and companies are adapting their business and support services in a way that aligns with their global footprint. To achieve this they are procuring more and more on a cross border basis. This document provides an overview of what to consider when looking to procure services in more than one country.

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Introduction

When procuring in multiple countries you need to consider the following:

- Client Readiness - can your organization manage a multi country service?
- Service Provider Maturity - are the right suppliers out there?
- Contract Model - do you have the right legal framework in place?
- Management information and Reporting - do you have enough information to effectively manage the contract ?

If you can answer yes to these questions then you can succeed with a cross border contract but that still does not mean it's going to be easy.

To succeed, one thing you must always remember is the human factor - this is a significant change for an organisation and some people will not be as supportive or helpful as you'd like.

Remember, if you get this right the benefits will be significant but get it wrong and there can be a big impact on your organisation and its operations.

About the Author:

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He has a diverse range of change, efficiency, property, facilities and procurement projects across a wide range of business sectors including many Fortune 500 and FTSE 100 organisations as well as national, regional and local government as well as high profile public events such as the highly successful 2012 London Olympics.

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sharing knowledge

Client Readiness

Clients need to be developed in such a way as they can manage the contract on both a local and a global / contract-wide basis:

- A strong central contract management team with overall responsibility for the contract including the role of ultimate arbiter in the event of dispute between service provider and individual site or region
- Local teams with the knowledge to manage an outsourced contract and the attitude to not just focus on operational delivery
- A clear and unequivocal mandate from senior management that the outsource will go ahead and cannot be deviated from

Service Provider Maturity

Service providers will also have maturity differences with some being more established in some countries than others so you need to consider:

- The service provider must have a strong global / regional management function in place dedicated to managing multi-country contracts
- You must accept that suppliers will be stronger in some counties than others. This is due to a number of factors including, but not limited to, heritage, other clients and general business focus
- Suppliers are likely to sub-contract (possibly all service delivery) in some countries. This is not a problem but you need to be certain that they have the resources to manage these sub-contractors so that service and management information is not compromised so you still get the benefits you are looking for

Contract Model

The most common, and effective, contract model is the use of a Master Services Agreement (MSA) supported by country specific Local Services Agreements (LSAs):

- The MSA should be executed in the country where the client is based or is legally mature, e.g. the UK, and will cover the key details of the contract including areas such as payment, termination and performance management
- The LSAs will be executed locally but should be in the same language as the MSA with any translations being for information purposes only
- LSAs should be concise documents which detail variations to the MSA for genuine and specific business reasons and should not:
  - Repeat the MSA or its clauses
  - Attempt to vary the main clauses of the MSA and deliver non-operational inconsistency

  The LSA should therefore be supplementary to the MSA and should not be seen as separate to it

Management Information and Reporting

One of the keys to success for the contract is management information as it provides managers with the tools they need to get the most out of the contract:

- The right management information allows:
  - Different countries to be measured against each other and therefore drive both consistency and allow internal benchmarking
  - Good practice and knowledge to be shared between sites and countries (it is amazing how much good practice is never shared)
  - Risk to be identified and mitigated
- The management information system must be designed primarily for use by the central team but still offer site / country specific versions so that local management can manage the contract consistently and drive value
- The management information system will be electronic using a database, CAFM system or ERP system. As with all such systems it should be easy and intuitive to use with information being provided to people in the format and volume they need to do their job, e.g:
  - Flash reports and dashboards for senior management
  - Detailed information for operational managers

Key Insights

The following are key insights from experience, with multi-national contracts for Fortune 500 and FTSE 100 companies and other organisations:

On a local level many managers will feel that they are losing control and will not be supportive of change
Always commence discussions early and try to mitigate their issues and concerns

Every country and / or location will say they are totally different and have unique needs
This is rarely true but they will have some unique needs so they should have visibility and input into specifications before issue

Work with the service provider
Accept that they are mobilising something very complex and will need help in some places - mobilisation should be a joint exercise and remember they will typically have a lot of knowledge experience that you can use to your advantage

You need a solid business case for change
This is a big change both culturally and operationally so do not even start it unless there is a solid business case (financial or non-financial depending on core business imperatives)

Flexibility is key
The contract and service must be able to evolve to meet the needs of the business, e.g. changes in the focus or global footprint of the organisation

Finally you should always remember that cross border procurement is a change management project as well as a procurement / operational project so people will be going through the emotional cycle during the project and therefore the human aspect of such a change can never be forgotten

If you need support or advice just contact **Spingate Consulting.**

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