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Title:

Category-Led Supply Management with a Supplier Lifecycle Approach: A Case Study

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Abstract

As companies find better ways of dealing with creating value and cost efficiencies in their Procurement areas, one key trend is the concept of Category-led Supply Management (CLSM). CLSM is a concept that takes a cross-functional team that leads a category of services and/or products towards developing sourcing strategies that comply with the corporate objectives through the logical grouping of similar expense items. Each group is driven to satisfy the unique sourcing, contract, payment, performance, and attributes of each spending category. In this process, CLSM creates a strong partnership with suppliers and an ongoing Supplier Relationship Management (SRM) that will satisfy business needs while maximizing the value delivered through the supply base. Considering that the Supplier is always one critical factor present from the start to the end of the ongoing Strategic Sourcing process, seeing the Supplier as a Lifecycle Management process can help companies recognize their suppliers as a prime source of value to the organization that plays a central row in the success of the Procurement Strategy.

The following thesis will analyze, in a research method of a case study, a specific Category in a company and explore the relationship that existed between the supplier and the company to illustrate the importance of Strategic Sourcing and how it is implemented in practice by companies. The case study helped understand the importance of involving Supplier Relationships in a Strategic Sourcing process. Finally, the Case study enlightened how having a milestone-by-milestone methodology helped understand how a business operates and how procurement activity impacts upon them when capturing savings by managing a Category.
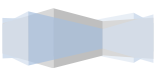
Key Words: Sourcing & Procurement, Strategic Sourcing, Supplier Relationships
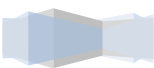
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1. Introduction

1.1. Background

Despite rapidly evolving cost-reduction and growth opportunities, many companies remain uncertain about how to transform their sourcing and procurement organizations to reduce costs while maximizing value from their supplier relationships. In the old days it was argued that the purchasing function should obtain the proper equipment, material, supplies and services of the right quality, in the right quantity, at the right price and from the right source. Historically purchasing function was regarded as a mere operational activity but nowadays it stretches out more in the time horizon.

Currently, businesses should address all sources of value creation by correctly identifying them and dealing with each of them individually and holistically. A key driver that will be analyzed on a deeper lever throughout this thesis is the management of Strategic Supplier Relationships. The Supplier Relationship Management (SRM) process consists of the process that provides the structure for how relationships with suppliers will be developed and maintained. By adding the term strategic to this relationship, companies search to develop the right kind of supplier capabilities and enable them to provide better quality and lower cost product/services on time, and increasing their capability to achieve service levels and targets. At the same time many companies are using Category Led Supply Management (CLSM) for managing sourcing activities. CLSM is a concept that takes a cross-functional team that leads a category of services and/or products towards developing sourcing strategies that comply with the corporate objectives through the logical grouping of similar expense items. By combining the concepts of CLSM, Strategic Supplier Relationships and effective Supplier Relationship Management the two sides of the equation are being considered. To maximize the opportunities, you must engage key suppliers, develop expertise on the product you are sourcing, and manage the Supplier depending on each category.

Problem Description: The Challenges of Sourcing & Procurement Today

As business becomes more competitive, purchasing and supply chain management is increasingly recognized as key business drivers by top managers. Purchasing managers and company buyers can contribute significantly to the company´s performance. Since most companies spend more than they half of their sales turnover on purchased parts and services, the importance of efficient, long term constructive relationships with suppliers increases. Suppliers embody a key part to the company's short term financial results and long term competitive advantage creation. A study conducted by Accenture, Stanford, and INSEAD found that 89% of senior executives at leading companies view supply chains as critical or very important to their company and industry, and 89% also agreed investments in supply chain capabilities have increased in the last three years. "Chief Financial Officers are especially interested. Driven by cost cutting needs and general dissatisfaction with supply chain performance, CFOs are adding supply chain management to the financial levers they already control. They see this activity as integral to meeting their strategic goals and view the

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supply chain as having a large or very important effect on their ability to achieve corporate objectives" (Monczka,2009, pg.196).

Concurrently, many companies still perform averagely in their purchasing and supply management and raise a current problem: purchasing has not grown beyond its transactional origins as a buyer of materials, components, and services. Talent shortfalls are the largest factor in this problem. Most companies consistently overlook the role of talent in purchasing. Low aspirations and a transactional mind-set are another problem. Lastly, purchasers' activities are misaligned with company strategy. Many companies fail to involve purchasing in the early stages of strategic planning and fail to give their Purchasing department a long term strategic approach. However, companies are constantly seeking for new approaches and trends of managing their Sourcing and Procurement departments.

One of the key trends in Strategic Sourcing is CLSM. A centralized procurement should be mandated for common categories to leverage this buying power and achieve best practice. Large multi-site or multi-functional organizations use category management to ensure that commonly used goods and services are not separately purchased by the various functional teams but are sources through a single process able to maximize leverage in the market for the relevant category. By having someone in charge of defining a strategy for a specific category, it can achieve better value for money through aggregation of demand, standardization of requirements in terms of specification, quantity and purchasing authorization; and skilled procurement personnel that are actively involved in purchasing processes. Some executives are concerned about the availability of talent to meet these new skill demands as it easy to find and assign resources to perform traditional operational sourcing but few people are skilled at managing supplier relationship management and strategic sourcing. Managing the supplier relationship through the different categories entails creating closer, more collaborative relationships with key suppliers in order to uncover and realize new value, and reduce risk.

Currently, the type of relationship that entails a different approach depends of the circumstances of mainly two factors: The Criticality of the Category/Family of the products in consideration and the Level of Competition in the Market of Suppliers. Having defined the type of relationship to be maintained with each supplier, the framework will integrate the Supplier Lifecycle Approach for each of the four types of different types of relationships in the matrix. Each Lifecycle depending on the type of relationship maintain has different characteristics, timings, and importance to the company in question. The focus of the lifecycle is to develop two-way, mutually beneficial relationships with strategic supply partners to deliver greater levels of innovation and competitive advantage than could be achieved by operating independently or through a traditional, transactional purchasing arrangement.

The Supplier Lifecycle: A new approach to Strategic Sourcing

In Strategic Sourcing, there is always one critical factor present from the start to the end: the supplier. It differentiates from the traditional Supplier Relationship Management as SRM is only one of the phases of the Supplier Lifecycle. The Supplier Lifecycle includes: initial identification and engagement, classification and qualification risk assessment and management, on-boarding and contract implementation, performance management, supplier relationship management (SRM). The following research will evaluate the Supplier Lifecycle as a new approach to lead Strategic Sourcing in companies today facing the issues in their Purchasing context.

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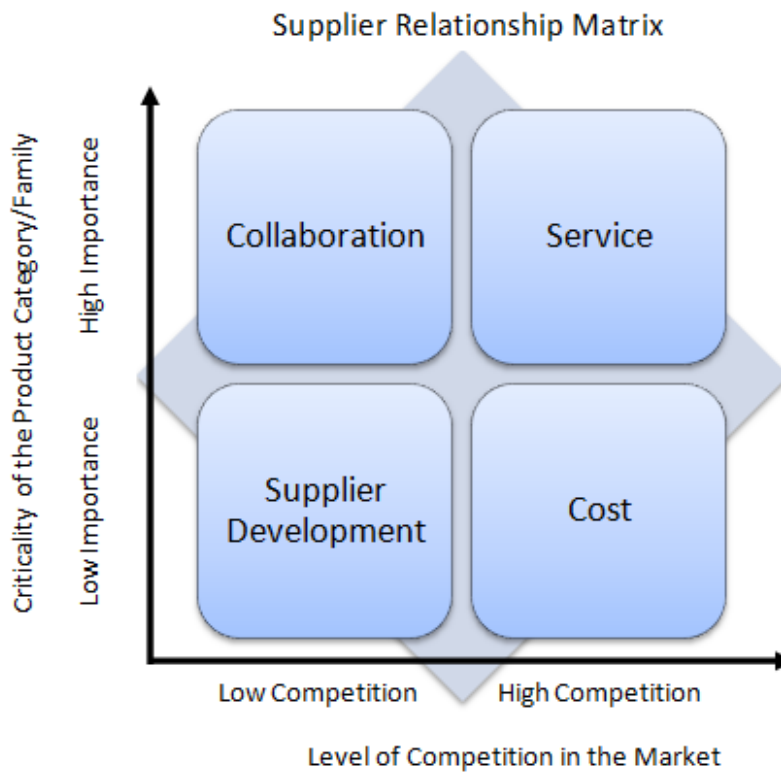
1.2. Research Questions

The Research Question serves two purposes: (1) it determines where and what kind of research the writer will be looking for and (2) it identifies the specific objectives the research will address. The Research Questions are allowed to be slightly modified as the research progresses as the researcher is bound to find new information or new perspectives to be taking in account in the research´s scope. However, defining the research questions properly allows the researches to have a clear direction and focus in both the theoretical framework and the applied case study:

How is it important to have a Supplier Focus in Strategic Sourcing and what are the critical success factors, benefits and drawbacks of carrying out a supplier-driven approach given a Category Led Supply Management Purchasing Department?

Subtopic Research Questions:
- How does the Client company benefit of the CLSM and SRM approach in their Procurement Department implemented by the Consulting Company and why should they undertake such approach?
- What are the reasons behind their actions in Sourcing with a Supplier-focus perspective?

1.3. Purpose

The purpose of this thesis is to enlighten on how companies can strategically manage a Sourcing Category with their suppliers in the current sourcing conditions in a particular context of industry and company-size. Taking in consideration the Category Management approach, the following thesis will analyze which factors need to be taken into consideration to define the type of relationship that will be kept with the supplier and/or suppliers in the market of the corresponding category.

1.4. Outline of the Thesis

The development of this report will have the following sequence. Firstly, it will present the methodology chosen by the researcher in order to perform the research study. Secondly, a recap of the literary review the researcher went through to find the theories and the challenges and current issues in the subject considered in the Master Thesis subject. Then the scenario where the case study was performed will be presented and the milestones taken to build theory will be developed. Next, an analysis of the findings will be carried out and finally conclusions and further research recommendations will be articulated. In broad terms the thesis is divided into the following chapters:

1. Introduction
2. Methodology
3. Literary Review
4. Introduction to the Case Study
5. Analysis and Results
6. Conclusions and Further Research

2. Methodology

The following chapter will explain the methodological approach followed to answer the research questions defined in the previous chapter. It will also analyze the process of how the problem will be studied based on a case study approach.

Research is the process of engaging in planned or unplanned interactions with interventions in parts of the real world and reporting on what happens and what they seem to mean. There is also the approach that research is "a systematic and methodical process of inquiry and investigation that increases knowledge and/or solves a particular problem" (Sekaran, 1992, p.4). Taking the previous definitions into consideration, the purpose of this research is to review and to investigate an existing situation or problem in the Sourcing and Purchasing Context. Research commonly seeks to provide solutions to a problem, to explore and analyze current issues in a particular context, to construct or create a new procedure or system, and or to explain a new phenomenon or to generate new knowledge. In this case, the research will seek to undertake a study to find answers to the research questions earlier defined, undertaking in within a framework of a set of known concepts and philosophies using a specific procedure, methodologies and techniques that will be defined in the development of this chapter. Overall, the research process will also be tested for validity and reliability and will be designed in a way that will avoid falling in a certain bias or keeping objectivity as much as possible.

The Research Onion as a skeleton for the Research

In order to answer how the research will be performed using a clear methodology the Research Onion (see Table) provides a visual perspective of the choices in how to perform the research. It presents a clear framework for the suitable approaches, methods and strategies in which the research will be addressed. It promotes a clear visual view of the different choices the researcher made in how to conduct the research and how a suitable philosophy was chosen over other elements in order to answer the research questions in a suitable manner.
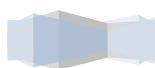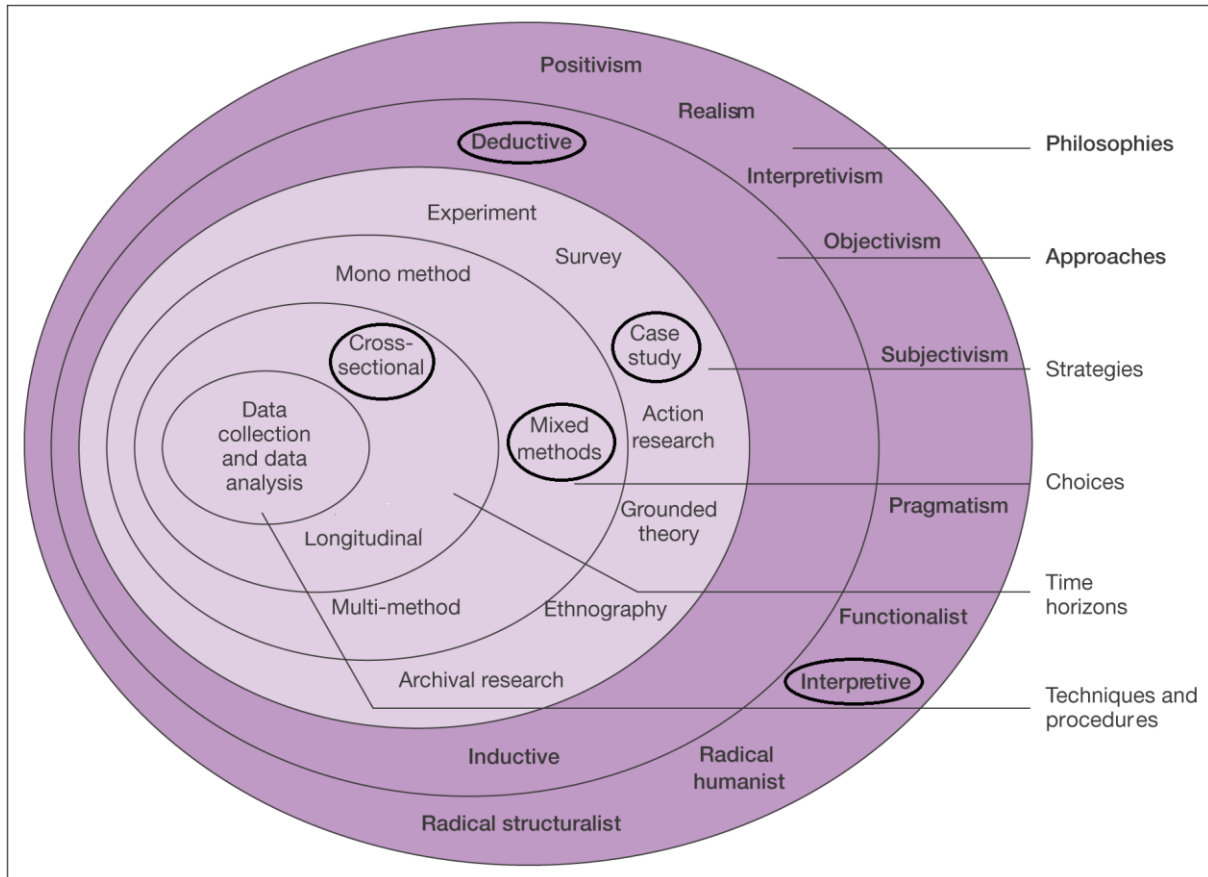
Figure 2.1 The research onion

Research Philosophy

The first layer of the onion is the research philosophy. It gives an idea about how the research process knowledge will be viewed and how the research thinks about the research itself. The research conducted in this study fits best with what is known as the interpretive philosophy. Interpretivism is the philosophical position which refers to the attempt as humans to make sense of the world that surrounds us. In the case of this research, interpretive philosophy will try to understand the meaning and reasons of the current situation in the case that is being analyzed. According to Gill and Johnson (2002), the interpretive paradigm is far from emphasizing rationality, it may be that the principal concern that a research has is to discover irrationalities as well.

Interpretive philosophy always holds a view that the world is subjective and is generally associated with qualitative research. The interpretative approach allows researchers to get close to participants and to interpret their subjective understanding of reality due to a depth understanding of a particular subject matter. Through the closeness of the particular scenario and the participants in it the researcher can interpret the situation that is happening at the moment.

Research Approach on Research Paradigms

The Research Approach can be either inductive or deductive and in some cases abductive. There are also commonly called Research Paradigms. Their differences will be explained thoroughly in the next paragraphs. A paradigm provides a conceptual framework for seeing and making sense of the social world. It allows the research "To be located in a particular paradigm is to view the world in a particular way" (Burrel, Morgan; 1979; p.24).The significance of paradigms is that they shape how we perceive the world and are reinforced by those around us. Within the research process the beliefs a researcher holds will reflect in the way they research is designed, how data is both collected and analyzed and how research results are presented (Collins & Hussey, 2009). It provides the philosophical framework of the scientific research based on the assumptions of the people undertaking it.

Deductive approach works from general to specific. It is viewed as the top-down approach. A deductive approach is consistent with developing a theory and testing it through research. Arguments based on laws, rules and accepted principles are generally used for Deductive Reasoning. Inductive Approach works the other way like deductive moving from the specific to the general to broader generalization and theories. Its conclusion is likely based on premises and usually involves a degree of uncertainty. The following table resumes the main differences between deduction and induction.

Main Differences between Deduction and Induction	
Deduction emphasis	Induction emphasis
• Scientific principles-Moving theory to data • The need to explain causal relationships between variables • The collection of quantitative data • The application of controls to ensure validity of data • The operationalization of concepts to ensure clarity of definition • A highly structured approach • Researcher independence of what is being researched • The necessity to select samples of sufficient size in order to generalize conclusions	• Gaining an understanding of the meanings humans attach to events • A close understanding of the research context • The collection of qualitative data • A more flexible structure to permit changes of research emphasis as the research progresses • A realization that the researcher is part of the research process • Less concern with the need to generalize

Figure 2.2 Comparison between Deduction and Induction

Logic of abduction and deduction contribute to our conceptual understanding of a phenomenon, while the logic of induction adds quantitative details to our conceptual knowledge. At the stage of abduction, the goal is to explore data, find a pattern, and suggest a plausible hypothesis; deduction is to refine the hypothesis based upon other plausible premises; and induction is empirical substantiation. In short, abduction creates, deduction explicates, and induction verifies.

Abduction and deduction are the conceptual understanding of phenomena, and induction is the quantitative verification. At the stage of abduction, the goal is to explore the data, find out a pattern, and suggest a plausible hypothesis with the use of proper categories; deduction is to build a logical and testable hypothesis based upon other plausible premises; and induction is the approximation towards the truth in order to fix our beliefs for further inquiry. In short, abduction creates, deduction explicates, and induction verifies.

Choice of Time Horizon

Since the study was performed during an internship of slightly less than 6 months, the time horizon selected to be of Cross-Sectional Studies. These are usually used when there is a time constraint and there is no sufficient time for research in different points of time. They may be searching for a phenomenon of a different happening in different organizations at same time or to compare same factor. Since the longitudinal studies usually study the same thing in different time frames, and usually refers to study the change and development taking place in different time period, choosing this option was crossed out of the possibility due to the short stay in the internship and chosen context of the researcher.

Choice of Research Strategy

The Research Strategy is the general plan of how the researcher will go about answering the research question. The case study approach was chosen for a number of reasons. Case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Researchers have used the case study research method for many years across a variety of disciplines. Social scientists, in particular, have made wide use of this qualitative research method to examine contemporary real-life situations and provide the basis for the application of ideas and extension of methods. Researcher Robert K. Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 1984, p. 23).

The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result, benefits from the prior development of theoretical propositions to guide data collection and analysis. (Yin, 1984, p. 23). In general, case studies are the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over the events, and when the focus us on a contemporary phenomenon within some real-life context. "The essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or a set of decisions: why they were taken, how they were implemented, and what the result is". (Yin, 1984, p. 11).An experiment was overruled because according to Yin, an experiment deliberately divorces a phenomenon from its context so that attention can be only focused on only a few variables (1984, p. 12). Lastly,

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one of the big advantages of selecting the case study is that it allows the researcher to formulate initial propositions based on existing data or a broad conceptual framework that can be revised as the study progresses and data supports or contradicts them or adds a new perspective to it.

Types of Research

The case study can be conducted in different ways. A descriptive r esearch attempts to describe systematically a situation, problem, phenomenon, service or program, or provides information about a particular scenario or describes attitudes towards an issue. A correlation research attempts to discover or establish the existence of a relationship and interdependence between two or more aspects of a situation. Explanatory research attempts to clarify why and how there is a relationship between two or more aspects of a situation or phenomenon. Exploratory research is undertaken to explore an area where little is known or to investigate the possibilities of undertaking a particular research study. Exploratory research seems the most fitting type as it is conducted into an issue or problem where there are few or no earlier studies to refer to. The focus is on gaining insights and familiarity for later investigation. Since exploratory research aims to seek new insights into phenomena, to ask questions, and to assess the phenomena in a new light, instead of just explaining and existing relationship between variables the case study was performed as a research of exploratory nature.

Data Collection

Data collection in this case study is mainly unstructured in order to allow flexibility in all aspects of the research process. It is more appropriate to explore the nature of a problem, issue or phenomenon without quantifying it. Main objective is to describe the variation in a phenomenon, situation or attitude, description of an observed situation, the historical enumeration of events, an account of different opinions different people have about an issue, description of working condition in a particular industry.

Required skills for preparing for data collection taken into consideration by the researcher:

- A good case study investigator should be able to ask good questions-and interpret the answers
- An investigator should be a good "listener" and not be trapped by his or her own ideologies or preconceptions
- An investigator should be adaptive and flexible so that newly encountered situations can be seen as opportunities and not threats.
- An investigator must have a firm grasp of the issues being studied, whether this is a theoretical or policy orientation, even if in an explanatory mode.
- A person should be unbiased by preconceived notions, including those derived from theory.

Source of Evidence	Strengths	Weaknesses
Documentation	Stable-can be reviewed repeatedly Unobtrusive-not created as a result of the case study	Retrievability can be low Biased selectivity if collection is incomplete Reporting Bias- reflects

	Exact-contains exact names, references, and details of the event. Broad coverage-long span of time, many events, many settings	unknown bias of the author Access-may be deliberately blocked
Interviews	Targeted-focus directly on case study topic Insightful-provides perceived causal interferences	Bias due to poorly constructed interferences Response bias Reflexivity-Interviewee gives what interviewer wants to hear
Direct Observations	Reality-covers events in real time Contextual- covers context of event	Time-consuming Selectivity-unless broad coverage Reflexivity-event may proceed differently because it is being observed
Participant Observation	(Same as Direct Observations) Insightful into interpersonal behavior and motives	Same as Direct Observations Bias due to investigator's manipulation of events
Physical Artifacts	Insightful into cultural features Insightful into technical operations	Selectivity & Availability

Figure 2.3 Comparison of the Strength and Weakness of Sources of Evidence

Data Analysis –Building Validity

One of the most important aspects of the research will be to increase validity. Validity deals with the extent to which data collection method or methods accurately measure what they were intended to measure and the extent to which research findings are really about what they profess to be about. The case study will rely heavily on triangulation or the use of two or more independent sources of data or data collection methods within one study in order to help ensure validity. The case study will also rely on refining the hypothesis and peer reviews to increase and build validity.

The first method to build validity is triangulation where different methods are used throughout the different stages of the research and afterwards are triangulated to build internal validity. The purpose of triangulation in qualitative research is to increase the credibility and validity of the results. A definition of triangulation according to O'Donoghue and Punch (2003), triangulation is a "method of cross-checking data from multiple sources to search for regularities in the research data." By converging different streams of information, data and analysis an idea, phenomenon earns validity and is corroborated in order to be used in the future as a fact or theory.

Figure 2.4 Triangulation to Increase

Validity (Wauters in Yin, 2003)

Observation

Interviews

Previous Studies

Existing Theory

Other available data

Convergence vs. Separate Streams of multiple sources of evidence in terms of data collection and analysis

Corroboration of the same fact/phenomenon
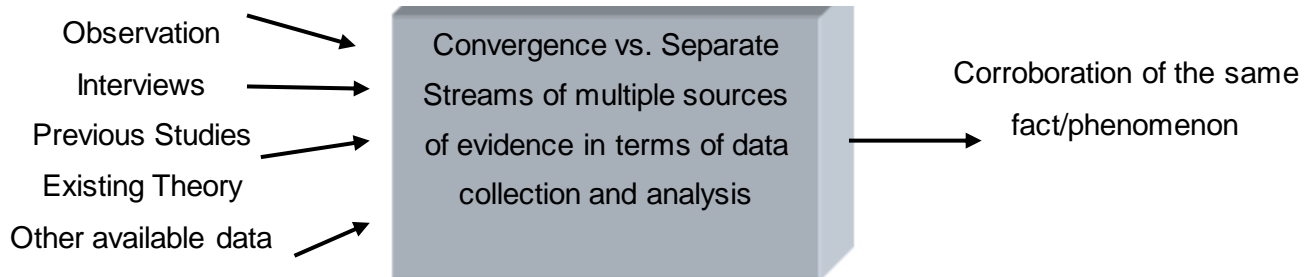
Tutor review or debriefing-

This research was supervised by two evaluators who were keen to check it and discuss its results with the researcher. From one part, the academic tutor ensured that the research was performed in an academic way and following a structured methodology as well as using information that is reliable and updated. On the other part, the company tutor serves as a Subject Matter Expert (SME) on Sourcing and Procurement topics with experience of +5 years in projects in different industries in Procurement Transformation. Both tutors guided the researcher through every part of the thesis from its inception point to the final revision.

Refining hypotheses as the inquiry advances-One of the biggest advantages of the case study is that the hypothesis or the base of the research questions can be refined as the research advances. This is due to the nature of case studies.

Sources of Information

Direct Sources

1. The researcher's experience: Since the researcher performed an internship at Sourcing and Purchasing line of operations of the Consulting Company, data came from directly experiencing the transformation of Sourcing departments of various clients in different industries. Different procedures, methodologies in various project allowed the researcher to gather knowledge of the matter in the daily basis.

2. Direct observations of the researcher: Due to the presence of the author and researcher of this thesis at the Sourcing and Purchasing Consulting area in the Consulting company, data on Supplier Relationship Management and Category Led Supply Chains could be easily gathered by observing the colleagues and immersing in various projects that were related with Sourcing and Purchasing Consulting. The Observation was mainly unstructured as it the most suitable for exploratory research. Observation in which the researcher attempts to participate fully in the lives and activities of the research subjects and thus becomes a member of the subjects' groups, organizations or community.

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3. Informal discussions with key stakeholders: Due to the presence of consultants that have work with various Sourcing and Procurement projects in various companies in different industries, information could be best obtained through sessions of discussion about the subject matter. This allowed the attainment of specific answers on the importance and the characteristics of Category Led supply chains and the results of past implementations and transformations in other projects.

4. Semi-structured open ended informal interviews: Although most of the data came from in-depth informal discussions as mentioned above (the researcher found that people where more open and would reveal more information if the discussion was maintained informal), some information was also collected using semi-formal open-ended interviews which had the purpose of targeting specific questions the researcher had in the development of the thesis.

Indirect Sources

1. Research articles on Sourcing and Procurement: Complementary to normal literary review there was a specific emphasis on the research to finding the most updated articles on Sourcing and Procurement as the thesis is highly focused on designing a framework based on the situational context companies are going through today.

2. The Consulting Company Knowledge Exchange: The Consulting Company where the research was performed gathers documents, and PowerPoint presentations from different Sourcing and Procurement projects and other Management Consulting lines in different areas and is uploaded to share between projects. The most common type of information found is the predefined Delivery Methods. Delivery methods are standard methodologies and approaches that are used to be applied across different projects and clients.

3. Analyst reports on general trends in the Sourcing: Information from such reports is quoted along the text. The consulting company generally generates reports on trends and best practices of all of its Consulting Service lines. This includes Powerpoint presentations and brochures of trends in the Sourcing and Procurement function that helped guide the researcher towards applying the most recent information to the case study.

Possible limitations of the Source of Information

Avoiding bias: Bias on the part of the researcher is unethical. Bias is a deliberate attempt to either to hide what you have found in your study, or highlight something disproportionately to its true existence.

Using inappropriate research methodology: It is unethical to use a method or procedure you know to be inappropriate e.g. selecting a highly biased sample, using an invalid instrument or drawing wrong conclusions.

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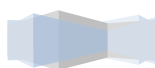
Incorrect reporting: To report the findings in a way that changes or slants them to serve your own or someone else's interest is unethical.

Inappropriate use of the information: The use of information in a way that directly or indirectly adversely affects the respondents is unethical. If so, the study population needs to be protected. Sometimes it is possible to harm individuals in the process of achieving benefits for the organizations.

Ethical Issues

The following ethical issues have been identified that are specific for the development of the research study:

Collection of Information- Requesting of information may put pressure on a respondent therefore however research is crucial to analyze the issue in question therefore to keep it ethical as a researches one must always assure to first obtain the informed consent of the respondent. If you cannot justify the relevance of the research you are conducting, you are wasting the time of your respondent, which is unethical.

Consent- In every discipline it is considered unethical to collect information without the knowledge of the participant, and their expressed willingness and informed consent. Informed consent implies that subjects are made adequately aware of the type of information you want from them, why the information is being sought, what purpose it will be put to, how they are expected to participate in the study, and how it will directly or indirectly affect them. It is important that the consent should be voluntary and without pressure of any kind.

Seeking sensitive information- Certain types of information can be regarded as sensitive or confidential by some people and thus an invasion to their privacy, asking for such information may upset or embarrass a respondent. It is not unethical to ask such questions provided that you tell your respondents the type of information you are going to ask clearly and frankly, and give them sufficient time to decide if they want to participate, without any major inducement.

Maintaining confidentiality- Sharing information about a respondent with others for purposes other than research is unethical. In such a situation you need to make sure that at least the information provided by respondents is kept anonymous. It is unethical to identify an individual's responses. Therefore you need to ensure that after the information has been collected, the source cannot be known.

Limitations of the Case Study Methodology

Case studies are complex because they generally involve multiple sources of data, may include multiple cases within a study, and produce large amounts of data for analysis. Researchers from many disciplines use the case study method to build upon theory, to produce new theory, to dispute or challenge theory, to explain a situation, to provide a basis to apply solutions to situations, to explore, or to describe an object or phenomenon. The advantages of the case study method are its applicability to real-life, contemporary, human situations and its public accessibility through written reports. Case study results relate directly to the common reader's everyday experience and facilitate an understanding of complex real-life situations but there is a risk of researcher bias due to the short stay as an intern in the company and the constant overlapping of learning on the subject matter (Sourcing & Procurement theory) and learning on how to conduct the case study research at

the same time. This lead to the Case Study phases not to be performed in a strictly linear way while constantly moving from one phase to another adjusting details since the a research was in a constant learning process (Maheshwari, 2012).
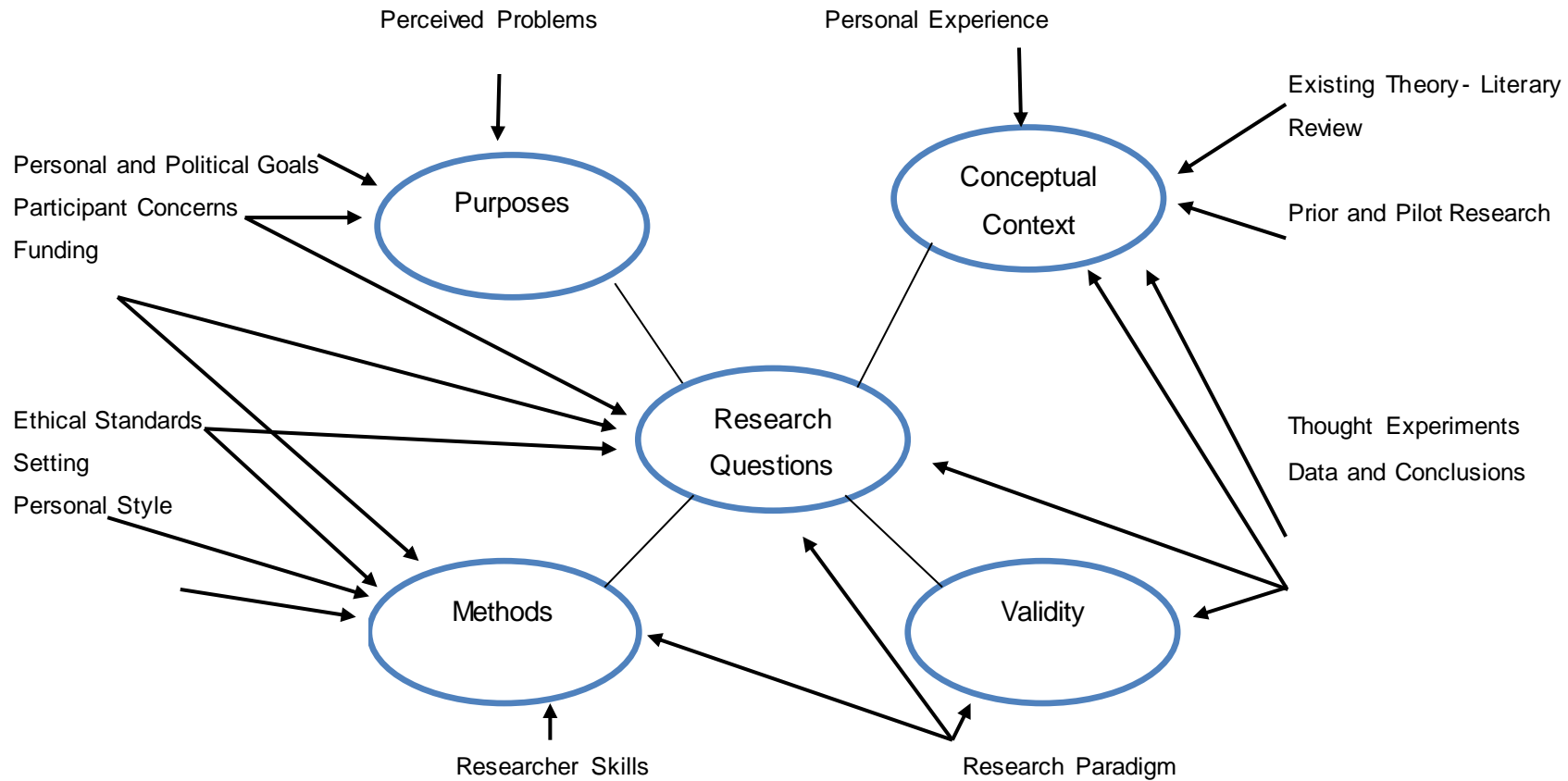
Figure 2.5 Contextual Factors Influencing Research Design (Maxwell, 1998).
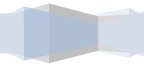
3. Literature Review

The following section summarizes the literary findings of the main topics that concern the subject of this thesis. It also helps the reader understand the relationship between the main research questions and the body of knowledge in the area. It is Introduction to Sourcing and Purchasing concepts

Objectives
- Introduce definition of the concepts and variables that will be developed in the research
- Develop a conceptual model that provides a descriptive representation of the theory being proved or researched
- Coming up with a theory that provides an explanation for relationships between the variables that are being taken into consideration in the model
  Introduction to Purchasing

As business is becoming more and more competitive, purchasing and supply chain management is increasingly recognized as key business drivers by top managers. Purchasing managers and company buyers can contribute significantly to the company´s performance and since most companies spend more than they half of their sales turnover on purchases parts and services, the importance of efficient, long term constructive relationships with suppliers increases. Suppliers embody a key part to the company's short term financial results and long term competitive advantage creation.

The supply base is an important part of the supply chain as its capabilities are crucial to differentiate a producer´s final good or service. "In the manufacturing sector the percentage of purchases to sales averages 55%. This means that for every dollar of revenue collected on goods and services sales, more than half goes back to the supplier". (Monckza, 2009, p.4). Supply chain is a new way of operating, involving internal operations and external suppliers to achieve advances in cost management, product development, cycle times and total quality control. Purchasing is a major area for cost savings, as it can come in different forms, the traditional approach being bargaining hard for price reductions and the new strategic approach focuses more in building relations with suppliers to jointly pull cost out of the product or service in question. "The purchasing function traditionally encompasses the process of buying. It involves determining the need, selecting the supplier, arriving at a proper price, specifying terms and conditions, issuing the contract order, and following up to ensure proper delivery" (Weele, 2005, p.12).

Figure3.1-Supply Management Functions

There is a need to recognize what differentiates Supply Management and Purchasing. Purchasing is a functional group, formal entity on the organizational chart as well as a functional activity. The purchasing group performs many activities to ensure it delivers maximum value to the organization. Examples include supplier identification and selection, buying, negotiation and contracting, supply market research, supplier measurement and improvement, and purchasing systems development (Monczka, 2009, pg.8-9). Supply Management is a strategic approach to planning for acquiring the organization´s current and future needs through effectively managing the supply base, utilizing a process orientation in conjunction with cross-functional teams to achieve the organizational mission. Another definition from the Institute for Supply Management defines supply management as the identification, acquisition, access, positioning, and management of resources and related capabilities an organization needs or potentially needs in attainment of strategic objectives.

Supply management requires pursuing strategic responsibilities which are those activities that have a major impact on longer-term performance of the organization. Purchasing is just one part of Supply management and managing the supply base that differs from a traditional arm's length relationship with sellers. Purchasing requires a team that will work directly with strategic and non-strategic suppliers that will be capable of delivering world class performance and long term advantages to the enterprise. Supply management often takes a process approach to obtain requires goods and services. We can describe supply management as the process of identifying, evaluating, selecting, managing, and developing supplies to realize supply chain performance that is better than that of competitors. Supply management is cross-functional, meaning it involves purchasing, engineering, supplier quality assurance, the supplier, and other related

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functions working together as one team, to further mutual goals. Instead of adversarial relationships, which characterize traditional purchasing, supply management features a long term win-win relationship between the buying company and the carefully selected suppliers. (Monczka,2002, pg.8-9).
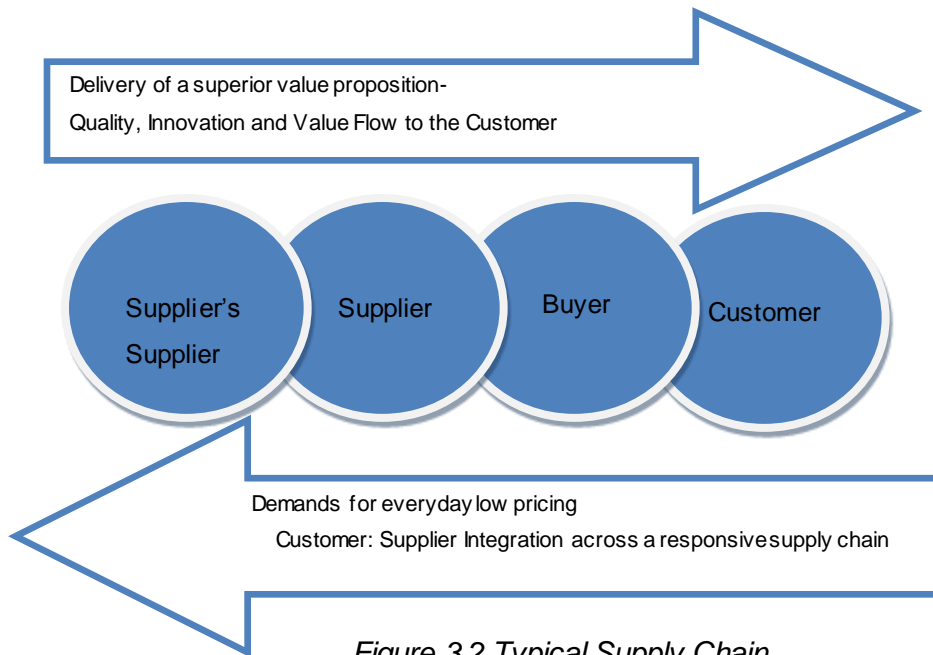
Figure 3.2 Typical Supply Chain

Delivery of a superior value proposition- Quality, Innovation and Value Flow to the Customer

Supplier's Supplier — Supplier — Buyer — Customer

Demands for everyday low pricing
Customer: Supplier Integration across a responsive supply chain

3.1. Strategic Sourcing

Strategic Sourcing is the process of taking advantage of purchasing opportunities by continually reviewing current needs against purchasing opportunities. It covers the whole process for evaluating, selecting and aligning with suppliers to achieve operational improvements and support overall strategic objectives. Strategic Sourcing focuses on total costs and not just the purchase price. Lastly, Strategic Sourcing is seen as beneficial for the organization by gaining a good understanding of its product and service requirements, knowing how it must source them to the existing supply market, and then develop a plan for both short and long-term objectives of their sourcing strategies.

Strategic sourcing is not the purchase of goods and services on a day-to-day basis; this is largely transactional or spot buying. Instead, strategic sourcing is the opposite: it is the systematic process that directs the organization to plan, manage and develop the supply base in line with the organization's strategic objectives. It relies on a deep understanding of categories of goods and services, their intended use and associated supply markets based on rigorous analysis to identify the leverage points. This will drive the development of the appropriate sourcing strategy for that organization.

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On a shareholder value point of view, Strategic Sourcing can create value by impacting positively several factors that drive the company´s success and performance. By reducing material and service costs, administrative costs and streamlining the utilization of a company's workforce, Strategic Sourcing is able to increase the profitability of a company. At the same time it reduces the working capital by reducing inventory and improving account payables.
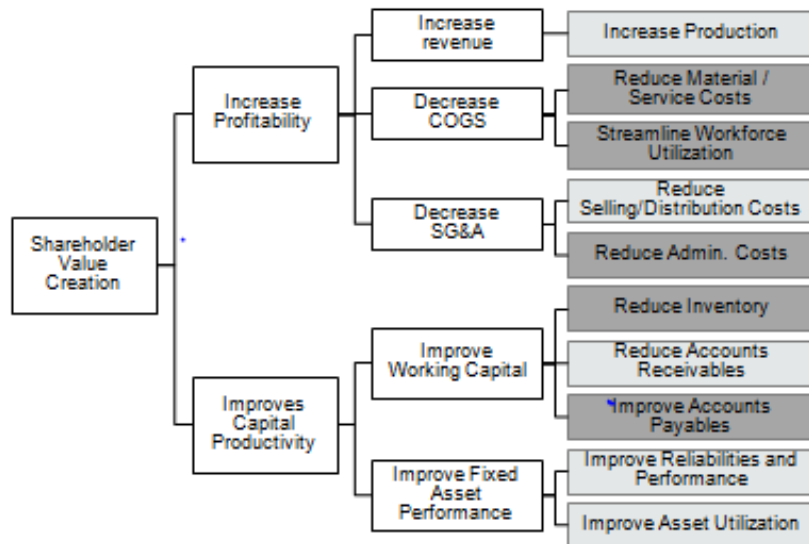
Figure 3.3 How Strategic Sourcing created shareholder value

Strategic sourcing comes from the need for organizations to enable their purchasing departments to be strategic. Although many companies claim to source strategically, a McKinsey Global Survey of chief procurement officers (CPOs) suggests that the role of purchasing at many companies hasn't evolved much beyond the function's narrow, transactional roots as a buyer of materials, components, and services. (Hardt, C. W., Reinecke, N., & Spiller, P., 2007).
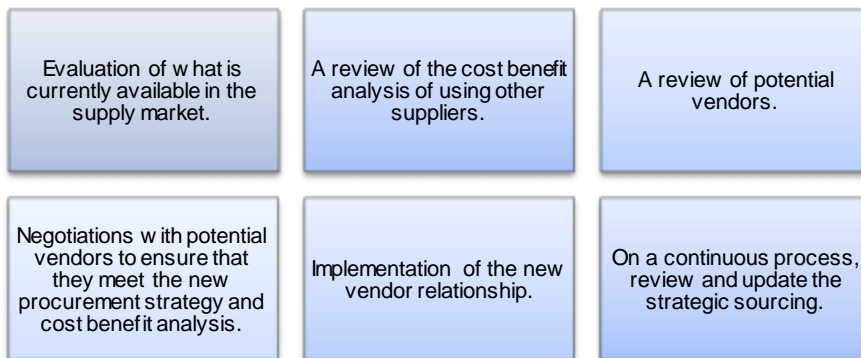
Figure 3.4 Strategic Sourcing Activities

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Sourcing as a Department

Sourcing can also be meant as the group of people or department in a company that is in charge of the purchasing activities. These activities may include identifying potential vendors, conducting negotiations with them, and then agreeing supply contracts with these vendors, however the difference between simple purchasing actions and Strategic Sourcing lies on the approach it is taken and the strategy that is being applied in the deliverance of such activities.

The companies that are succeeding in their purchasing function are doing so by integrating their activities more closely with those of their internal customers, some purchasing units have gained sustainable cost reductions in nontraditional areas where previous optimization efforts have had difficulties in doing so. The concept of exploiting the company's full buying and bargaining power, was brought up in 1983 by Krajlic where he exhorted the importance of the purchasing function reflecting the overall corporate setup. The purchasing department's structure should reflect supply-product market affinities and permit staff with specialized competence to take the lead in working out strategies for specific items. The company should encourage flexibility and entrepreneurship in its managers within the constraints of the overall corporate structure. (Krajlic,1983).

Positioning Procurement leadership on right level at Company	• Getting common understanding of procurement as a critical enabler for sustained added value • Creating a common operating model for procurement (Governance, organization model, degree of centralization) • Defining clear roles, responsibilities and ensuring empowerment of procurement
Creating substantial value through implementing strategic sourcing and category management capabilities	• Identifying measurable and sustainable cost benefits (TCO) • Shifting focus from operational purchasing to strategic sourcing by establishing corresponding separate capabilities • Developing group wide category management and a fact based sourcing process
Implementing a world class organization, common goals and transparent processes	• Centralizing organization to enable adaptive group level steering and leveraging scale and competences • Defining and implementing internal stakeholder and supplier management, effective transactional purchasing processes and corresponding reporting tools • Developing systematically competencies and set of clear career paths

3.2. The Purchasing Context Today

The current economic scenario is reshaping the challenges and the pressures companies are facing, and the procurement departments are specifically a target to reduce cost and add value. The outcome of the decisions in the procurement department has a larger effect on the general performance of the company thanks to the global economy and dynamics. As more and more companies discover the scarcity and growing importance of supply management talent, the demand for such supply skills will only increase. There is an increased pressure to innovate in the procurement function due to external factors such as Globalization, Fast Changes in the Market, Increased Role of Risk Management, and an insufficient Talent Pool (Accenture, 2012).

Globalization
Companies are facing an increased pressure to buy across the globe but also remain reactive and sensible to the local needs and specifications. At the same time there are always requirements to find Lower Cost Sources since companies are constantly searching for ways have lower Operating Cost therefore call for finding Lower Cost Sources constantly. Lastly, companies today face transformations and evolutions very rapidly as Mergers and Acquisitions happen frequently and companies have to deal on focusing on the synergies that can be achieved in the procurement function.

Fast Changes in the Market
Companies are going through Fast Changes in the Market they do business in, therefore they are forced to find ways to become flexible in the Procurement Strategies but meaningful long term deals in an environment where the supply markets are changing constantly due to acquisitions and Joint Ventures. It is necessary to constantly gain wider market insight for the different requirements depending on the type of requirements of the product or service.

Talent Pool
Companies need to find ways to incorporate talented personnel to their Procurement departments as employees with talent can find more fulfilling careers elsewhere, lack of experience in global management and due to the increased pressure may feel like they lack reward from the increased pressure that exists in the Sourcing Environment. According to McKinsey & Co. "creating a high-performing procurement organization starts with managing people, not processes. Companies that begin by focusing on the skills of purchasers and by encouraging collaboration between purchasing and other functions often find that the benefits include not only lower costs but also higher-quality products. (Reinecke , Spiller, and Ungerman, 2007).

Increased Risk Mgmt Role
Increasing regulations, legislations and focus on Corporate Social Responsibility make companies be more focused on a Risk Management approach in their Procurement function.

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3.3. Spend Categories: Direct and Indirect Spend

A spend category is the grouping of types of spend and expenses. The two primary examples of different spend categories include direct spend and indirect spend. Further category breakdowns may include transportation/logistics, corporate services, IT sourcing, and packaging. However all these categories can first be categorized as direct or indirect spend.

A direct material is any component (raw materials, ingredients, standard parts, specialized parts) that goes into the manufacture of a finished good. Direct Materials is one of the major spend categories managed by procurement and sourcing teams. Examples include raw materials, subcontracted manufacturing services, components, hardware, etc. Indirect Materials are materials and consumables purchased that do not become part of produced goods or services that a company delivers to the market, but are necessary for the supporting operations of a business. Examples of indirect materials include office supplies, computer and phone equipment, furnishings, cleaning supplies, tools and manufacturing equipment, fleet vehicles, uniforms, etc. Indirect spend Refers to the cost to procure Indirect Materials as well as costs to cover other services and expenses not part of raw/direct materials, such as personnel costs, marketing, legal, financial, healthcare, housekeeping, travel, maintenance, repair, and operating costs and other such expenses.

A formal tendering process can be used for both direct and indirect spend and is generally good practice. With clearly defined business requirements and specifications a well-conducted tender process should always add value. However, without a clear specification it will be difficult to ensure the existing product or service can be matched or improved. It's worth spending as much time as necessary getting this agreed. A detailed analysis of the supply market dynamics will give insight into the levels of competition you can expect to achieve and help to identify and prequalify suppliers. If an area of spend hasn't been addressed through a formal tendering process because it is considered too difficult or unsuitable, ensure this is robustly challenged, because it will almost certainly yield benefits. This is the approach that is taken in Category Led Supply Management that will be later developed in the Literature Review.

The Case Study will focus more in Indirect Services. Indirect Services represent an untapped opportunity for better procurement, leading to better value and supplier performance. At certain point, if they can prove their value, they become truly involved in the procurement process and decisions. Eventually, procurement can actually take the lead and drive better value in these categories: collaborating and playing the lead role in the management of the spend categories. (Smith, 2011, p.5-6).

3.4. Category Led Supply Chain Management

In the retail and Fast Moving Consumer Goods industry, Category Management has been present for many years and companies rely on their category managers to be specialized in the specific needs of the management of each category profile to achieve the most optimal way of selling the products on the shelf. "Manufacturers to more accurately judge consumer buying patterns, product sales and market trends of categories. By emphasizing profits and sales for entire product groups rather than individual items or brands, manufacturers and retailers can often enjoy a longer-term, joint focus on marketing and merchandising" (Busch,2005). The transfer of the Category Management view from Retailing to world of Procurement transfers most of the concept of the approach. Category management is the sourcing process used to manage these categories to satisfy business needs while maximizing the value delivered from the supply base.

Increasingly, companies are taking a category approach to their spend management practices in their Supply Chain to achieve sustainable savings and results for both indirect and direct spend. Category-Led Management approach brings together the entire organization to better manage processes, resources, knowledge, and activities for a specific expenditure independently of being a commodity, service or indirect spend. However, implementing a Category Led Supply Management approach requires expertise and full integration of the notions of a long term approach view of Strategic Sourcing and a mastery of everyday activities that will achieve optimal results. Klein, from the Chartered Institute of Purchasing & Supply, reports, "very few companies have managed to put in place an integrated cycle whereby every category is sourced periodically (every two to three years), after which 'day-to-day' category management is resumed. Where this integration exists, the two processes start to have a positive impact on one another. Thus, a strong sourcing process will uncover the key performance drivers that need to be managed as part of the category management process; while a strong category management process will provide the sourcing team with the key supplier issues that need to be addressed as part of the sourcing process"(Klein in Busch, 2005).

The purchasing organization should design the category strategies to take into account elements such as product complexity and the competitiveness of the supplier market. The study suggests that complex product categories are typically best suited to functional tenders, in which the purchasing organization describes the functions of the product or the desired outcomes rather than technical specifications, and gives suppliers leeway to identify the best solutions. Finally, selecting the right procurement channel ensures an optimal trade-off between the resources needed to procure the product, its quality, and its price (Husted & Reinecke, 2009).

3.5. Supplier Relationship Management

Supplier Relationship Management (SRM) is a set of principles, processes, templates, and tools that help companies maximize relationship value and minimize risk and management overhead over the entire supplier relationship lifecycle (Derocher, 2012). SRM enables organizations to effectively segment the supplier base. A company ensures that all suppliers are profiled and assigned an appropriation. Formal processes are established as will for the involvement of the companies' resources and management in the relationship. Put in place processes to effectively manage performance and develop supplier capabilities to continuously improve value and to evaluate a supplier's performance along the duration of the relationship.

The value of SRM lies in the business impact that it can achieve by aligning them to high level objectives. These high level objectives of SRM (Webb & Hughes, 2009):

- becoming a "customer of choice" to improve access to limited capacity, best talent, best ideas and new innovation;
- cost-reduction delivery through collaborative cost-out initiatives, rather than using competitive tension to squeeze suppliers' margins;
- obtaining competitive advantage from strategic suppliers and increasing the top line;
- increasing the value obtained from current suppliers;
- becoming best in class at managing relationships, improving collaboration and relationship quality;
- managing the inbound supply risk profile
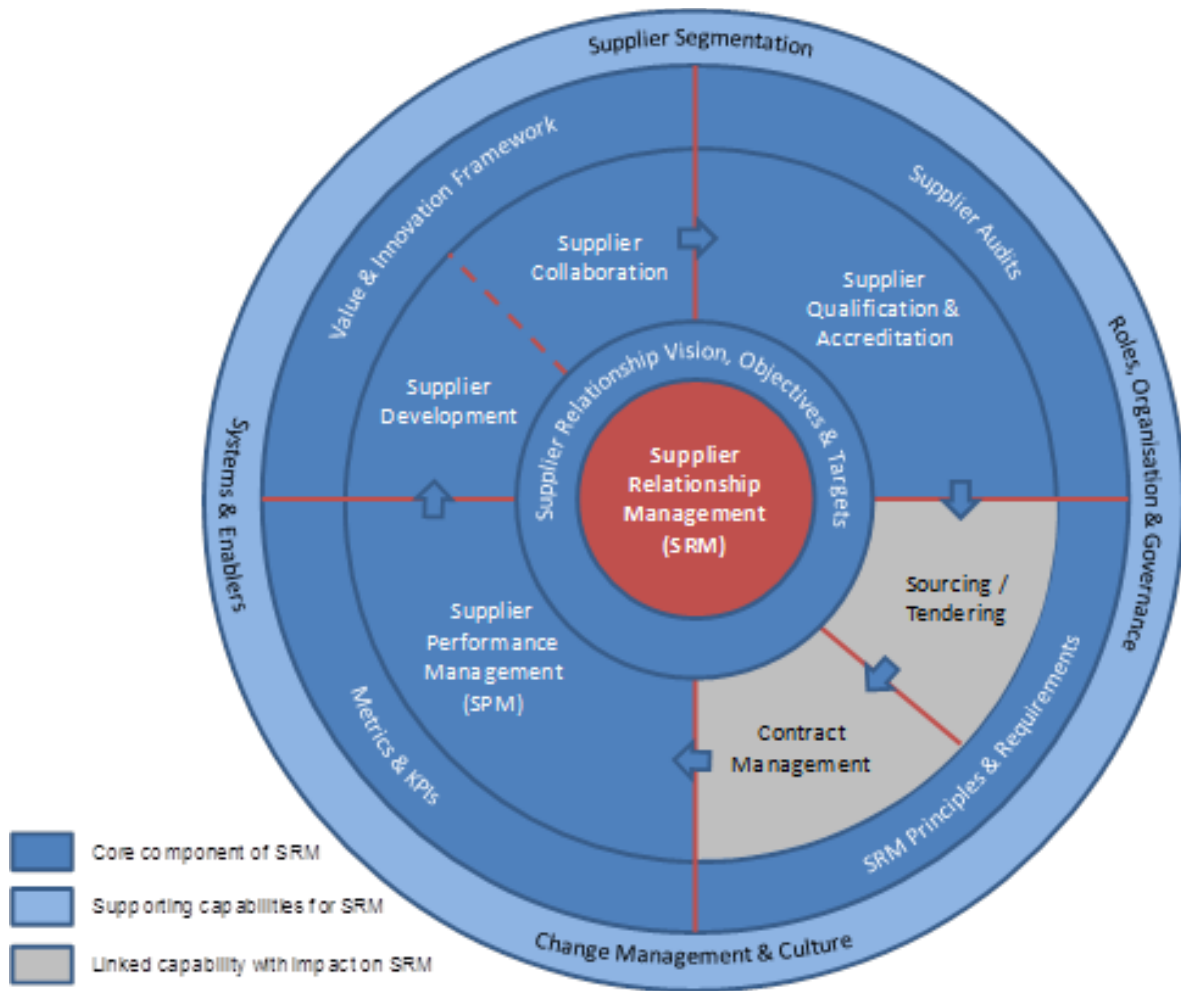
Figure 3.5 A typical Supplier Relationship Management

Lastly, SRM has become of importance because of cost-cutting pressures that procurement is facing in the current economic situation. It may become attractive to a company to go back to more traditional ways of managing suppliers but keeping a SRM approach might provide a larger payoff on the long term, "Another reason to push ahead with SRM is that as economic conditions improve, supply shortages for commodities, components and other products are likely to return. And companies that have treated their suppliers fairly and continued to invest in their relationships during the downturn are more likely to be seen as 'customers of choice' - and enjoy continuity of supply - when things pick up. While SRM takes procurement professionals beyond their usual boundaries of strategic sourcing and category management, most recognize its significance" (Day, 2009).
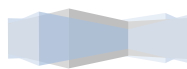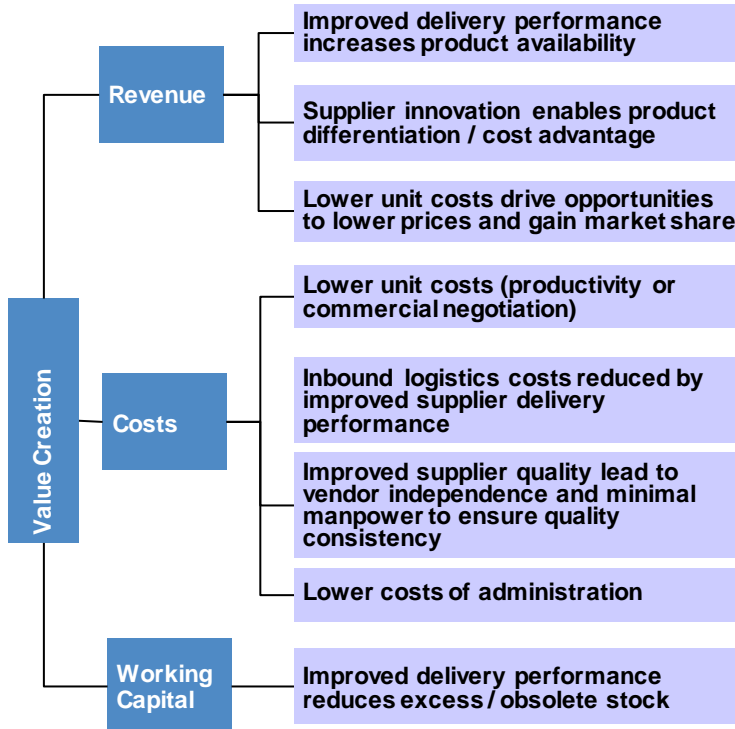
Figure 3.6 Shareholder Value creation through Revenue, Costs and Working Capital

3.6. Main Milestones of a Strategic Sourcing Process

The Main Milestones of a Strategic Sourcing Process is a used in the Consulting field across clients from different industries to enable them to obtain maximum benefits of the strategic management of purchasing actions, managing the proper planning and execution of supplies and achieving purchasing norms that the company has predefined. The Main Milestones Process covers the process from the identification of a purchasing opportunity until monitoring selected suppliers going through proper negotiation and Agreement processes.

Opportunity Identification

The first milestone consists of the generation, registration and documentation of the Purchasing Opportunity through a proper identification of the High Level Spend of the company and a Category Segmentation approach. The good or service solicited from the client is registered by the purchasing personnel as a Purchasing Opportunity Proposal,

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comparing it to other Purchasing Opportunities prioritizing them depending on the function and urgency. The Purchasing Opportunities have to be analyzed properly to decide which will be analyzed more in depth in terms of viability and risk assessment. This process also includes the identification of the Team that will lead the Purchasing Opportunity. If approached the next milestone is to create a category profile of the Purchasing Opportunity. The process of Purchasing Opportunity Identification can be summarized as follows:

| Generation and Registration of the Purchasing Opportunity | → | Control of the proposals of Purchasing Opportunities | → | Evaluation and Prioritazion of Opportunities | → | Planning of Selected Purchasing Opportunities | → | Category Sourcing Launch of Selected Opportunity |

Milestone 2- Category Profiling

Once the Purchasing Opportunity is identified, a Category Profile must be analyzed in order to define the Cost Structure of the Category, evaluate the Category Importance and measure the Customer Requirements. The objective of this milestone is to develop a profound knowledge of the Category, and develop the different options for the purchase analyzing suppliers and market tendencies. At the same time Savings opportunities can start to be identified by properly analyzing the Category, the Client and the Supplier base.

In order to develop the Category Profile, the team in charge of the Purchasing Opportunity must do the Following analysis and research:

- **Analysis of the Client´s Requirements:** Analysis of the type of client and segmentation, Research on the volume necessity depending on the type of client, Prioritization of the clients and the criterion of purchase.
- **Analysis of the Product Category Family-** Determination of the Complexity of the Family and recompilation of historical data and estimation of future requirements of the category such as: Volume, Price Unit and number of variety types.
- **Determination of the Total Cost of Ownership of the Family-** TCO analysis often shows there can be a large difference between the *price* of something and its long term *cost.* TCO, is a calculation designed to help people make more informed financial decisions. Rather than just looking at the purchase price of an object, TCO looks at the complete cost from purchase to disposal. It adds to the initial purchase price other costs expected to be incurred during the life of the product, such as service, repair, and insurance.
- **Supplier Market Research**- Research on the Supplier Market Tendencies and Volumes. Profiling of current and potential suppliers, Renewal of Information of current Suppliers and Identification of Alternative Suppliers.

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Milestone 3- Sourcing Strategy Decision

Defining the Sourcing Strategy consists of defining the type of relationship that will be maintained with the supplier and the type of supplier that will be needed for the sourcing of each specific Purchasing Category.

There are certain concepts to keep in mind in this process for each Category Profile:

-**The Criticality of the Family of Profile:** The importance of the category for the operational success of the company
-**The Technical Complexity of the Family:** A Complex Category is referred to one that has a great number of technical requirements that are fundamental. Complex families typically are in need of detailed technical requirements that are properly documented.
-**Level of Competition/Rivalry of the Market:** The level of offer and number of players in the market and the complexity of the relationships between them (Monopolies, Alliances, Few Suppliers).

Definition of the type of relationship with the supplier-Two factors are taken into account in the definition o the type of relationship with the supplier the criticality of the Category and the level of rivalry in the market.
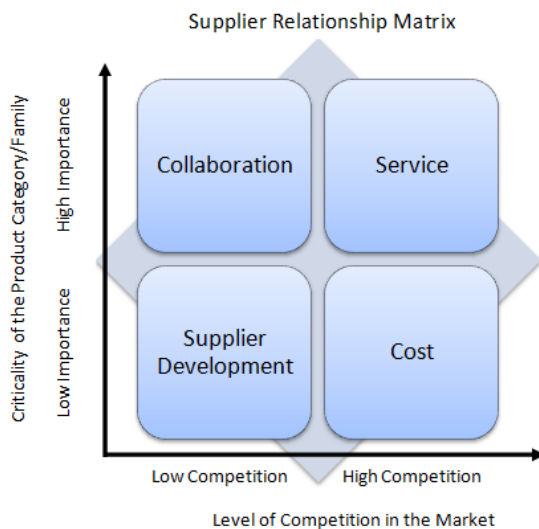
Service: Focus on accurate demand forecasts and mitigating risk of non compliant-service
Cost: Focus on obtaining lowest cost.
Collaboration: Focus on development of supplier relationship and collaboration in specification and design phases.
Supplier Development/Alternative: Focus in constant market control always looking for alternative supplier development.

Figure 3.8- The Supplier Relationship Matrix

Having analyzed but the type of supplier and the type of relationship to maintain with the supplier, the Category Profile Sourcing Strategy can be easily defined.

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Milestone 4- Supplier Screening and Selection Process

Once the Sourcing Strategy is defined there is a need to Identify Selection Factors and start screening suppliers that fit into it and can become a possibility to be considered for the following processes.

Figure 3.9- Supplier Type Matrix

Supplier Type Matrix
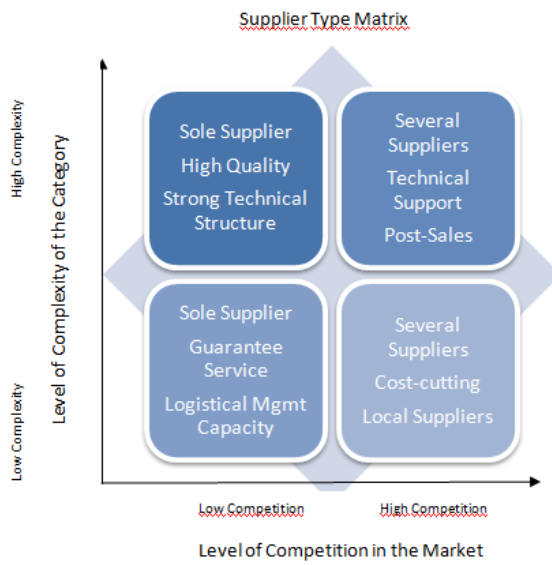
Define Category Baseline-

A baseline is different from a budget. While a budget takes a company´s current income and divides it into categories based on how you wish to spend the money allocated. Whereas, a baseline is the lowest amount you believe you can spend without incurring additional sufferings. In other words, a company should start planning its current budget without regards to its last year's budget. In real life application, many purchasing departments look at historical budgets to estimate their costs but the Zero-based budget is built from zero ground upwards.

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Milestone 5.-Launch of RFI/RFQ

Once the Sourcing Strategy is defined, the search is initiated for the best supplier that satisfies the predefined conditions and requirement for the Category Profile. Preliminary Request for Information (RFI) is sent to suppliers, so that the process of supplier screening is initiated. Normally the RFI includes functional requirements that are fundamental for the Category Profile. After receiving responses an evaluation and selection process is conducted to determine which suppliers will be sent a Request for Proposal or Request for Quotation depending on the case. Suppliers send their proposals and these proposals are evaluated to determine if they need any modification or confirm any particular conditions that may be in doubt. A second selection is conducted in which the selected suppliers will continue to the phase of negotiation. This milestone can be summarized in the following diagram:

Planification of the Requests		Ellaboration and Remmitance of RFI		Evaluation and Selection of Suppliers		Ellaboration and Remmitance of RFP/RFQ		Evaluation and Selection of Supplier Proposals

Milestone 6-Negotiation and Agreements Process

The objective of this milestone is to achieve the formalization of a Purchasing Agreement for the Category Profile that is well-situate in terms of the business goals of the company. The main activities include:

- **Preparation for Negotiations**- Establish the negotiation process that will be followed and the conditions for the negotiation process that will take place.
- **Negotiate Business Agreements**- Negotiate individually each of the proposals the selected suppliers have provided given the requirements that the company obliges considering the Category Profile in question.
- **Document Results Achieved-** A decision is made whether there will be a contract formalization and suppliers are communicated these results. A proper documentation of this process is created.

Milestone 7-Contract Implementation

Once agreements are reached, it is necessary to incorporate the new information and updates to the required information systems. Such Information must include:

- Supplier name, Technical and Functional Characteristics, Price, Payment Terms, and Service.
  It is important to recognize the evolution of the levels of service that the supplier offers to the company depending on the performance indicators they are evaluated in and to maintain constant development knowledge in the relationship between the supplier and the company.
- Identify and communicate operational problems to the supplier and improvements.

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3.7. Challenges in Sourcing and Procurement

Many companies that have transformed their supplier environment in recent years advanced procurement techniques experience a common set of pain-points and challenges (Derocher,2005) :

Challenges	Description	Result
Increasing reliance on suppliers and exposure to supplier risks	Supplier risk remains largely unmanaged while reliance on suppliers and exposure to supplier risk continues to increase dramatically. Increased focus on strategic sourcing, outsourcing, and low-cost country sourcing has transferred to suppliers many activities that were previously performed in-house and has simultaneously driven consolidation in the supply base.	Dramatically increased reliance on key suppliers, often accompanied by development of more complex supplier interactions with growing numbers of touch-points and dependencies.
Ill-defined post-contract supplier management processes and roles	Processes and roles post-transaction are ill-defined, often inhibiting further performance improvements, limiting value from supplier relationships, and making performance gains difficult to sustain. In many large and even mid-sized companies, the sourcing discipline is well established and repeatable enabling companies to lock in savings in category after category.	Relationships that are inefficient and fail to harness the full capabilities of the supplier translating into increased lifetime costs. Little clarity of who within the company is responsible for contract management.
Suppliers are not accountable for performance the organization.	While hundreds or even thousands of supplier metrics are tracked and reported, performance problems can persist and organizations often do not recoup resulting costs. Service Level Agreements (SLAs) that are not aligned with business value drivers, few, if any individuals that understand what suppliers are actually accountable for, and a lack of clarity in what actions should be taken when issues occur.	Significantly diminished value from the supplier relationships, lost opportunity in recouping costs from ill-performing suppliers, and frustrated employees who know that suppliers are underperforming, but cannot correct the problem.
Strategic suppliers are not truly strategic.	Most organizations can not precisely identify which suppliers are truly strategic or even how such strategic supplier relationships should be managed, leading to an inability to effectively focus resources or realize strategic value from the supply base.	Many organizations manage strategic and non-strategic suppliers in an undifferentiated fashion, resulting in too much time wasted on non-strategic suppliers while little strategic value is derived from

		strategic relationships.
Employees Are not equipped with supplier management skills and knowledge	Procurement brings to bear resources with transactional or sourcing skill sets, operations brings to bear resources with functional and people management skills – none are a good fit for day-to-day supplier management. In most organizations, the personnel responsible for on-going supplier management are the same individuals who drove strategic sourcing and those who managed internal functional departments before they were outsourced. In both cases, such individuals often lack both the knowledge and the skills required to manage supplier relationships effectively.	The result is that the best skills and knowledge are not brought to bear in managing supplier relationships. In addition, these legacy skill-sets combined with individuals' desire to do what is best for the company can actually prevent suppliers from being held accountable for performance and can increase internal costs – employees that are accustomed to being
Companies should manage suppliers vs. having suppliers manage the organization to extract profits	In the absence of a clear set of supplier management processes and roles in the organization, suppliers are often able to set the agenda and canvass the organization to build business.	Multi-faceted relationships, such relationships should be defined in a structured transparent manner rather than through a free-for-all sales frenzy, that can distract many individuals across the organization, consume a lot of time, and lead to poor procurement choices.
Everybody has become a vendor manager	Inefficiency introduced as too many employees spend time on unnecessary or redundant interactions with suppliers. This overhead is exacerbated by the duplication of supplier management effort that typically occurs across different corporate functions, business divisions, and geographies.	Too many employees become involved in performing supplier management tasks that are often redundant, inefficient, unnecessary, or even competing.

3.8. Literature Review Conclusion, The Supplier Lifecycle: the missing link

The performance of a supplier shows a great impact on an organization's success and will ultimately determine how the procurement function and its leadership will be regarded by the business. Moreover, suppliers that provide an excellent product and service can provide real value regardless of the quality of the sourcing process or contract. Even if a company is able to achieve a successful category management process and best practice contract will amount to nothing if the supplier simply fails to perform. In other words, supplier lifecycle management (SLM) is a key missing link in procurement for a number of reasons. "Managing suppliers in a joined-up, integrated and consistent manner throughout their life as a supplier should be a priority in Procurement departments. The Supplier Lifecycle Approach addresses this central role that suppliers play. It complements other typical trends in Procurement and Sourcing such as performance, supply risk, CLSM and SRM" (Smith, 2011).

A perspective that is lacking in Main Milestones of a Strategic Sourcing Process is the type of Lifecycle to be carried out depending on type of category and supplier base. This is the missing link that the researcher identifies overall in the existing theory of Supplier Relationship Management and Strategic Sourcing. It has been proposed by various authors but there is no real theory, methodology or strategy than defines the lifecycle of the supplier depending on the type of relationship. During the next chapters the author will select a specific case where the Main Milestones of a Strategic Sourcing Process was applied and will analyze how the suppliers considered in the Sourcing Process played a key role, and how the Relationship with suppliers start even before they are selected and that will enable them to have a collaboration that will determine the success of the relationship and the development of their Lifecycle together in the sourcing process.

The Literature Review concludes by highlighting that there is a lot theory on one side behind CLSM (Category Led Supply Management) and on the other hand there is the concept of SRM (Supplier Relationship Management) and both offer a good starting point to manage their Purchasing Departments using a strategic sourcing point of view. However, the researcher often questioned why they are considered separately from each other when they are often tightly linked throughout many, if not all, stages of their processes.

The Literature Review helped the researcher start answering some, or parts, of the research questions. The literature review also gave the researcher the theory and base of why it is important to have a Strategic Sourcing perspective and summarized critical success factors, benefits of SRM and CLSM. However some of the subtopics are still to be answered as the Case Study will build validity only through the analysis and exploration of Sourcing theories in practice. Keeping in mind that any theory and/or conclusion reached at the end of this case study will rely heavily on triangulation to increase validity, existing

theory must be strengthened by direct observations, interviews and other available data in order to converge the available information and evidence and be able to reach certain conclusions.

The list of challenges identified, given that many companies that have had the initiative to transform their supplier environment still struggle in some aspects poses the question of what can companies do to further have successful CLSM and SRM. The supplier approach can be an option as an improvement area and visualizing the supplier as a lifecycle can be a useful to leverage the relationship in order to have a better CLSM.

4.Introduction to the Case Study

The following chapter will develop how the Case Study chosen to analyze and obtain information on how it is important to have a Supplier Focus in Strategic Sourcing and what are the critical success factors, benefits and drawbacks of carrying out a supplier-driven approach given a Category Led Supply Management Purchasing Department. The research was performed over the period of 6 months in Accenture Management Consulting in Madrid, Spain. (See ANNEX to read more about the Consultancy Company, Financial Performance data and the various lines it operates in). The researcher was assigned to the Operations Line in the Management Consulting field. The Operations line works with clients across a broad range of industries to develop and execute operational strategies that enable profitable growth in new and existing markets. Combining skills in supply chain strategy, sourcing and procurement, manufacturing and design, planning and fulfillment can help organizations transform their operational capabilities, and implement innovative solutions that can optimize their local and global operations. During the Master Thesis Research period, the researcher was placed specifically in the Sourcing and Procurement area of the Operations Line, hence the subject of the thesis chosen. The researcher was integrated as an Analyst to a specific project to a specific client during the duration of this research which will be later explained in this chapter in the Analysis of the current state.

4.1. The Case Study Process to be implemented
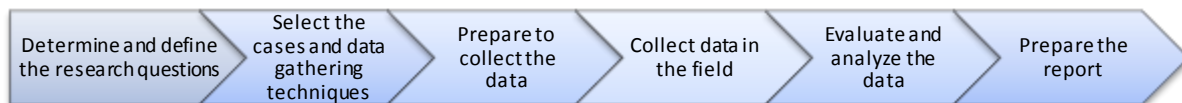
Figure 4.1 The Case Study Process to be Implemented

Step 1- Determine and Define the Research Questions-The first milestone in case study research is to establish a firm research focus to which the researcher can refer over the course of study of a complex phenomenon or object. This part was defined on Chapter 1 as the contextual scenario was presented and the case method was explained through the research onion.

Step 2- Select the Cases and Determine Data Gathering and Analysis Techniques- The researcher considered multiple sources of data but the case study was a single case study using documentation, direct observation, open interviews and the researcher's own experience gathered in the course of 6 months. The Case Selected was first choice mostly because it is the one the researcher got most in depth in during the internship, therefore the researcher knows the type of information and availability well and the set of decisions

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that were taken during the sourcing process of this particular category. Data gathering techniques are explained more detailed in the Research Onion as well.

Step 3- Prepare to Collect the Data-. Since data to be collected and examined includes organizational documents, the researcher states his intent to request copies of these documents. In this case, the investigator decides to also conduct open-ended interviews with key members of each organization using a consistent interview process so that uniformity and consistency can be assured in the data, which could include facts, opinions, and unexpected insights (Maheshwari, 2012).

Step 4-Collect Data in the Field -Data was collected at all times of the internship. The researcher kept from Day 1 a diary writing insights when necessary and useful information for the research. The researcher had to choose carefully which data could be useful to construct a strong case study and which was not pertinent.

Step 5-Evaluate and Analyze the Data-The results were analyzed using mostly qualitative analysis and generalities. All content was revised by the two tutors to avoid researcher bias and to make sure that the analysis was not over generalized or unbalanced towards theories favoring the importance of Supplier relationships and the supplier lifecycle.

Step 6.- Prepare the report -The report was written at most of its part over the last four months and aims to cover the process the researcher went through during the research period of January 2012 until 15th of June 2012. Key features of the report include a retelling of specific stories related to the successes or disappointments experienced by the organizations that were conveyed during data collection and answers or comments illuminating issues directly related to the research questions. The report also includes confirming and conflicting findings from literature reviews. The report conclusion makes assertions and suggestions for further research activity, report distribution includes all participants.

The following subsections, the Case Study Report, will have the following structured sequence. Firstly it will introduce the Case Study Selection and justify its choice as a Case Study that will enable the researcher to find enough information to reach conclusions. Then the Initial State conditions of the Purchasing Department will be evaluated using a specific framework previously defined in the Literary Review. As it has defined that the Case Study is of *exploratory* type, the third part will consist of Exploring how the Main Milestones of a Strategic Sourcing Process was implemented during the period, which milestones were followed and which were not, which presented a challenge or which were quick wins, but more overly: in which milestones did the suppliers play a key role to achieve their completion. Then the Results or Future state will be evaluated using the same framework that was used for the Initial so that results are visible and can be compared. Both frameworks, the initial state and results state, will be analyzed with a special focus of highlighting when suppliers played a part of the process or the result. The researcher expects to reach enough triangulation to build a theory of a Supplier Life Cycle

given the role the Supplier played in the implementation of the Strategic Sourcing Strategy and the results it gave to the Category Profile chosen to be analyzed in the Case Study.

Figure 4.2 How the Case Study will be presented

4.2. Introduction to the consulting and the client company

Accenture PLC, is a global management consulting, technology services and outsourcing company with more than 244,000 employees across 120 countries. Accenture´s client base currently includes 96 of the Fortune Global 100 companies. For the fiscal year that ended August 31, 2011, the company generated net revenues of US$25.55 billion. The operating profit of the company was $3.47 billion in FY2011, an increase of 18.2% over FY2010. Its net profit was $2.58 billion in FY2011, an increase of 12% over FY2010. A difference from other consulting companies is Accenture´s Commitment to strengthen client satisfaction and extends our relationships. For example, 99 of its top 100 clients in fiscal year 2011, based on revenue, have been clients for at least five years, and 92 have been clients for at least 10 years.

Revenue	US$ 25.55 billion (2011)
Operating Income	US$ 3.47 billion (2011)
Net income	US$ 2.55 billion (2011)
Total Assets	US$ 15.731 billion (2011)
Total Equity	US$ 3.878 billion (2011)
Employees	244,000

Figure 4.3 Main Accenture Figures

The Sourcing and Procurement Service Specialty

In Accenture Consulting, there is a business unit in the Operations field specifically dedicated to projects of Sourcing and Procurement. The Sourcing and Procurement function helps many companies that remain uncertain about how to transform their sourcing and procurement organizations to reduce costs while maximizing value from their supplier relationships. Procurement Projects are often considered Procurement Transformations where the aim is to optimize the procurement organizations addressing all

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the sources of value creation: people, sourcing, processes and technology. The Sourcing and Procurement Consulting Line include the projects that target the following aspects of Purchasing Departments:

Indirect Materials & Services – Closed Loop Spend Management:	• Visibility, category ownership, demand management, strategic sourcing, integration with budgets, procure to pay operations and control & monitoring drive best in class SG&A performance.
Direct Materials – Supply Management	• The upstream supply chain is an increasingly critical contributor to better business performance through product cost mgmt, global sourcing & logistics, SRM and risk management.
Supplier Relationship Management	• Accenture defines this as the systematic management of supplier relationships to optimize the value delivered through the relationship over their life cycle.
Workforce Transformation	• The procurement workforce today requires a mix of skills in the right geographies to optimize the organization's performance.
Technology Enablement	• Technology needs to provide a talented workforce the information to make the right decision in an efficient manner.
Accenture Procurement BPO & Managed Services	• A complete source-to-pay offer focused on driving real business outcomes by leveraging the outsourcing concept to reduce costs and improve performance, like compliance.

The Client Company that will be used as a case study will be called **MultiService** throughout the thesis. It is called in this manner due to confidentiality required and by policy of the Consulting Company.

The MultiService Company: A brief introduction

MultiService's main service offering is, complete or partial, strategic subcontracting of all services that are necessary for the optimum functioning of a building. These services are managed in an integrated and coordinated manner using a single administrative unit, under one same contract. MultiService is leader in Spain and Portugal in the cleaning sector in terms of quality and size. The comprehensive experience and qualifications Multiservice Co. offers enables them to offer the maximum quality of services offered, depending on the specialization level that is needed to meet client requirements.

The Multiservice company, founded in the early 1990s was created as a business project that was focused on the service offering of Cleaning of Public entities and evolution to a range of services that are offered in an integrated manner. The Service Offering is unique in Spain. Average annual growth of Multiservice Co. is 20% in the last 10 years. Success is marked by the organization's ability to lead by diversification and consolidation of markets and growth in many if not all the Business Units.

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> The advantage that MultiService offers to their clients by offering their services are summarized in the following points:

Specialization, in terms of management as well as offering of integrated services

Tailoring and adaptation of different services to the client's needs, collaborating with clients to have an effective result driven approach

Competitive Solution Contribution in terms of Quality and Value for Price, Selection, Training of Resources specialized each of the service needs that are offered

Commitment to the client's main activity and needs

The range of services:	Main Activities:
Infrastructure maintenance	Classic Cleaning Services
Cleaning services	Technical Cleaning Services
Security Services, Sanity Services, Environmental Services	(Assembly, Disassembly of Facilities)
	Maintenance

MultiService Core Values can be summarized as the following:

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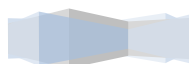
4.3. Management Control Systems as a way to evaluate Initial and Future State

A Management Control System as defined by Malmi and Brown is "those systems, rules, practices, values and other activities management put in place in order to direct employee behavior. If these are complete systems a opposed to a simple rule then they should be called MCSs" (Malmi and Brown, 2008, p.290). According to Merchant and Van der Stede (2007) companies and other type of organizations have four management control alternatives: Results control, action controls, personnel controls, and cultural controls. Management Control is about taking milestones to help ensure that the employees do what is best for the organization. Action controls are the most direct type of management control because they ensure the proper behavior of the people on the organization must rely by focusing directly on their actions. Personnel and cultural controls, which are referred more as soft controls, have become important because they are creating a powerful force that encourages employees in a number of ways. Overall, companies have become flatter and managers have wider spans of control and elaborate hierarchies and systems of actions controls that are replaced by empowered employees.

Action Controls

Action controls are the most direct form of management control because they involve taking milestones in order to ensure that employees act in the organization´s best interest. Action controls can take any of these four basic forms: behavioral constraints, preaction reviews, action accountability and redundancy. Action Control is an easy way to Ensure that employees perform (or do not perform) certain actions known to be beneficial (or harmful) to the organization. Pre action reviews are aimed at preventing undesirable behaviors. Physical constraints such as locks, passwords and limited access. Administrative constraints restrict the decision making authority and the separation of duties Any type of control can focus on action taken, results produced, and the type of people employed and their shared values and norms.

Results Control

Results control bases on the fact that you do not tell your employees how to do things but more what you want them to achieve for the company. It is a process that can be summarized in four milestones, the first is defining the dimensions on which results are desired, the second id measuring performance, the third milestone is setting performance. Results controls are usually issued on professional employees who are considered to be able to work effectively without being told how to do things, but instead work efficiently towards targets. It is also often used on manager, to achieve performance results and targets.

Cultural Control

Cultural controls are designed to encourage mutual monitoring, a powerful form of group pressure on individuals who deviate from group norms and values. Cultural controls are most effective where members of a group have emotional ties to each other. Organizational cultures remain relatively fixed over time, even while goals and strategies necessarily adapt to changing business conditions. The cultural norms are embodied. A definition of organizational culture is "the set of values, beliefs and social norms which tend to be shared by its members and, in turn, influence their thoughts and actions" (Flamhotz et al, 1985, p.158). Culture controls can be applied for three different reasons: when an organization searches to and employs employees with certain desired values, or employs to be against certain values. Culture control rely on the ability to make people perform for the organization by everyone taking responsibility for each other and being empowered to perform as expected.

Personnel Control

Personnel controls refer to the assumption that employees by nature want to control themselves. Managers do not have to tell employees what to do and then monitor their every move to be sure that the do the tasks that where intended. The assumption is that employees like to perform well for themselves and this should result in a well performing company, this can be impulse by motivation: managers have to keep their employees constantly motivated and to keep them updated they must invest in training. (Merchant and Van der Stede, 2007). Everyone has to be fully qualified for the position they occupy in the organization to make it possible to use personnel control.

Tightness of Controls

In order to benefit from Management Control and to achieve results, Merchant van de Steede describes that Control Systems should be evaluated for their tightness of control since tightness increases the probability that such controls will have visible effects on the results of the organization. The achievement of tight results control depends on charachteristics of desired result areas, performance measures and the reinforcements of the incentives provided. In order for management control to be considered tight in a results control system, the results dimensions must be true organizational objectives, the performance targets must be specidic and with feedback being obtain in short time terms. As concluded by Merchant and Van der Stede (2007), in most cases, the degrees of control are not tight enough to achieve optimal results. For management control to be considered tight in a result control system, the results dimesion must be congruent with the true organizational objectives, the performance targets must be objective.Controls must be complementary with each other and work towards the same business goals. Companies have to make sure they are not contradicting and overlapping to much that the employees will find them too restrictive and over controlled.

Incongruence between controls can exist because the management or either person that is setting the controls may not fully understand the true company goals. Action control systems can be considered that only id it likely that employess wll consistently perform the actions desired to achieve the company's objectives, and not take any undesirable actions. All of the control types can be used to provide tight control, depending on how and where they were designed to be used.

4.4. Analysis of the Initial State

The Strategic Sourcing Transformation process had been well taken in place when the researcher arrived to the scenario; however some of the categories of indirect spend were just in the first milestones or the middle of the process of the Strategic Sourcing Methodology transformations. Of the various categories being in process of transformation, the researcher was assigned to analyze the Printing Category in the Client Company: MultiService.

MultiService´s Main Indirect Spend Categories	MultiService´s Main Direct Spend Categories
•Printing / Printing Services •Clothing/Personnel Uniform •Office Supplies •Electricity Bills •Servers •Travel Services •Courrier Carriers •Liscences •Mobile Telephone Providers •Renting •Subcontractors (IT, waste management) •Fuel	•Catering (Food Supplies, Subcontracted Catering, Equipment) •Cleaning Supplies (Supplies, Subcontracted Services, Equipment) •Airport Services (Material, Subcontracts, Equipment) •Landscaping and Gardening (Soil, Gardening Supplies, Plants) •Advertising •Maintenance

Even though the Printing Category plays a role of indirect spend, managing it with a Strategic Sourcing methodology can lead to a an optimum level of utilization of resources which in printing can be costly and add up quickly and can represent a significant annual spend for a company. With the correct planning and execution of a Strategic Sourcing, any company can learn to grasp the real value that Strategic Sourcing and Supplier Relationships bring to a company. Even for Indirect Spend, each category must have it´s appropriate sourcing strategy based on its needs, "Improving procurement across indirect services categories offers significant opportunities for savings. However, executives need to recognize the challenges, understand the value drivers for each

category and identify the right strategies. Data, tools and capability must be carefully chosen to be appropriate, and in particular, specifically designed to meet the needs of the spend categories" (Smith, 2011, p.2).

4.5. The Chosen Case Study-Category: Printing

Selecting cases is a difficult process, but the literature reviewed provides guidance in this area. Stake (1995) recommended that the selection offers the opportunity to maximize what can be learned, knowing that time is limited. Hence the cases that are selected should be easy and willing subjects. In this case, the chosen category to be studied as a Case Study is the printing category.

The Printing Category was chosen for a number of reasons and represents a case study rich in information:

- The researcher spent most time of her internship doing support activities for the Sourcing transformation of the Printing Category and therefore has a clear grasp of the richness and availability of information regarding that category.
- The Printing Category even though is an Indirect Spend poses challenges and complexities in both Category Led Supply Management and Supplier Relationship that enabled the researcher to further investigate of the reasons
- The researcher was able to go through various milestones of the Strategic Sourcing process transformation therefore was able to experience through direct observation
- The Managed printing services industry is in growth and becoming dynamic therefore the supplier base and offered services are complex considering it is an indirect family.

Opportunities Identified before the Sourcing Transformation Process

1. Budgets for the printing service area are spread across the organization so it is difficult to understand just what it is being spent with which suppliers, by whom and which cost.
2. Requirements are often more complex and difficult to standardize compared to physical goods. The specification can be unique and subject to the particular set of an individual providing service.
3. Services are often personal to the budget holder
4. Lack of visibility of the Spend Category
5. Non holistic approach to the sourcing of printing equipment
6. No post contract performance
7. Unmanaged supplier compliance- Suppliers were not ensured to do what is contractually required of them
8. There is no clear view of the supplier, their contracts, and the importance of their business with the organization.

Managed Printing Services and the evolution of Printing Services

The use of an external provider to assess, optimize and continuously manage an organization's output environment in order to lower costs and improve productivity and efficiency while reducing risk. MPS allows organizations to reduce costs and improve efficiency by rationalizing the print environment in a company. Managed Print Services allows organizations to leverage investments through monitoring usage and optimizing the infrastructure and need depending on the amount of resources and printing required in the business. Whilst this can be done internally, the term is typically associated with outsourcing the fleet to an external vendor. Managed Print Services provides customer with a single point of contact for management of various brands of print devices. It also enables proactive monitoring, ensures secure printing and provides additional sustainability benefits.

MPS can cover the assessment and review of the current print environment to provide recommendation depending on the business needs of every company and estimate potential savings by switching to the new service model. The scope of the assessment can range from basic online assessment and budgets to complete recommendation of how the printing environment should be modified in a company. It also helps companies rationalize, consolidate and optimize the printing activities within their companies. They can help companies improve their user-to-printing device ratio, and development and implement printing policies and restrictions. Finally once the deployment of a new printing strategy, MPS companies can deal with the managements of the Printing Category: continuous process improvement, performance and business review, SLA monitioring and proposing improvements for workflows.

Benefits of Managed Print Services:

Reduced Costs	**Improved Productivity**	**Go Green**	**Reduced Risk**
Up to 30% cost savings through HCL Xerox alliance	Continuous monitoring and a preemptive support model drives device uptime, output quality, and increased user productivity	Reduced power, paper & consumables	**Reduced Risk**Leading industry assessments based on proven global deployments and benchmarking. Metrics-drive lean Six Sigma approach.Satisfy compliance requirements by providing tools and processes that enhance privacy and provide detailed reports of print usageMinimize risk of security breach
Variable cost model on a per page or per seat basis	Proactive break-fix services reduce calls to the help desk and free your IT staff and end-users from the support process so they can focus on their core competencies	Replace outdated equipment at no Capex - cheaper, cleaner, more secure and better connected	
Zero capital expenditure	Simplified IT vendor management by reduction of number of external vendors and suppliers.	Substantial reduction in enterprise carbon footprints	
		Use of recycled paper through Agility Alliance partner Xerox	

In conclusion, Managed Print Serviced play a role in helping companies strategically manage their printing, controlling costs, and delivering transformations that will make them save money.

Another important point is that MPS providers are able to deliver strategic business advantages and provides solutions, improvements on an ongoing basis. By building a supplier relationship of Managed Print Services, suppliers can help their customers contain costs, improve efficiency and support ongoing innovation.
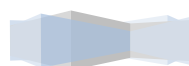
5. Analysis & Results

This chapter will analyze the findings of the case study and will go through what happened during the implementation of the Sourcing Strategy. It will also summarize the information collected during the six months the researcher was at the Client Company during the Transformation.

Important Considerations and Assumption taken into account in the analysis:

- The analysis conducted will be based on the triangulation of the following information obtained during the performance of the Master Thesis and the literature found on the subject
- All empirical information is based on the information provided by the Consulting Company in terms of the process that was being implemented
- The researcher was always present in the office of the Consulting Company and never at Client site. However, the tutor of the researcher was present 80% at Client Site therefore the documents the tutor decided to show and the comments were the ones used in this study
- There were other Sourcing Categories being taken in place at the same time that the Printing Category was being strategically sourced.

5.1. Empirical Findings

The researcher studied many of the Consulting Company and Multiservice´s written documentation and survey response to identify unique characteristics and patterns within the data for that organization. Another technique, the cross-case search for patterns, keeps investigators from reaching premature conclusion since the researcher forced to look at many data from different sources. As patterns began to emerge, cross-case analysis followed. In all cases, the researcher treats the evidence fairly to produce analytic conclusions answering the original "how" and "why" research questions. The following section summarizes this process and presents the information found in order to identify patterns and build validity for the case study.

Initial State Evaluation of the Management Control Systems in the Printing Category

The researcher decided to apply the Management Control System approach in order to have a guideline in how to compare the initial state in the Printing Category practices and the Future state that all the Sourcing Strategy actions produced. Evaluating the Management Control Systems through Action, Results, Personnel and Culture Controls, helped the researcher gather and use information to evaluate the performance of

different organizational resources like human, physical, financial and also the organization as a whole considering and see how much they are aligned with their organizational strategies.

Action Controls

Action controls ensure that employees perform (or do not perform) certain actions known to be beneficial (or harmful) to the organization. Action Controls also serve for prevention or detection of the possibility of the appearance of undesirable behaviors. An efficient way of coordination as action controls increase the predictability of actions and reduce the amount of inter-organizational information flows to achieve a coordinated. In the case of Multiservice Printing, action controls were present and identified however their efficiency and tightness was in doubt.

In terms of users of printers, the number of printers and location were scattered and unplanned. No planning was involved when deciding where and how many printers should go in which place. The lack of planning led to a high number of printers in relation to the number of employees in each of the areas and a low utilization rate of the printing equipment. At the same time, the number of copies printed annually was also higher than the average considering the number of employees.

This phenomenon was the outcome of lack of action controls when buying new printing equipment. Buyers would buy printer by printer and toner by toner as the need came up from employees or personnel in each of the different centers. There was no revision if there was something unusual, in terms of consumption of toner. Security was another action control issue, where due to system obsoleteness and because some printing equipment did not have the option to do so, there were no secure printing functions where users of the printing equipment were limited to print important documents or documents with a big volume of pages that may require authorization.

Personnel Control -Buyers in the Purchasing Department

As said previously, personnel controls refer to the assumption that employees by nature want to control themselves. In MultiService buying personnel were free to buy what was Printing Equipment as long as they stayed in budget and the need was previously approved. When the Consulting Company intervened to analyze the spend in the printing category, the lack of control over buying supplies and equipment for printing reflected that the Printing Category was not being managed correctly and one of the key causes was the lack of knowledge in sourcing strategy. The assumption that employees like to perform well for themselves and this should result in a well-managed Spend Category and would strategically reflect in a well performing company.

Lack of Direction- they did not understand what was expected of them in the buying process of several categories. Each buyer followed its own process in buying the necessities of the center. When looking for suppliers there were very heterogenic conditions for choosing suppliers. There was no action control that limited the buyer of printing equipment to choose a certain supplier that would yield better benefits by choosing one or another. Also, buying of printing equipment and its respective supplies was decentralized this meant that every center followed their own needs and necessities with each their own suppliers.

Lack of Motivation and Personal Limitations-Will they work consistently hard and try to do what is expected of them. Buyers had no visibility and awareness of how much supply and little utilization was being used in the printers. Personal limitations in terms of are they capable of doing what was expected of them because they were unaware of Strategic Sourcing practices.

Results Controls

Previously, it was stated that results control bases on the fact that you do not tell your employees how to do things but more what you want them to achieve for the company. In MultiService Puchasing Departments there was a lot of opportunity in terms of what was being achieved by sourcing Printing equipment and supplier. The researcher searched for indicators that could demonstrate that the management of the acquiring supplies was reflecting a poor Sourcing Strategy.

Many indicators showed that the Printing Spend was not being controlled. Some indicators that reflect how the Category Spend:

- Very low visibility to the amount of print per machine and center: This was the most important lack of control as knowing how much was being printed per machine and per center could provide insight in how much each MultiService center *should* be spending and by comparing it with last year´s baseline of spend (which was not completely available and was hard to calculate) one could see the real opportunity in Sourcing the Printing Equipment and supplies.
- High Supplier Dispersion: Since each buyer from almost every center could source their printing equipment by their own there was a high number of suppliers and lack of control of the history of purchases with them.
- High Number of Printing Equipment Dispersion and of Supply Typology: Not only the suppliers were different but the number of types of equipment was high as well. This represented a difficulty in the management of the printing equipment as each type of printer required different type of driver to install and therefore installing a printer in any of the company's computer represented a difficulty. When replacing toners and ink, each printing equipment required different toners which made the process long, unordered, and expensive.

- High percentage of property equipment: The number of equipment per user was high in comparison to the industry and this made users have too many printing equipment available for them which also reflected on the amount of copies being printed. By the consultant's experience in projects like this it was stated that normally the more amount of printers there are, and the nearer the user can find a printer to them, the more likely the user of printing equipment will print more copies. Therefore the high percentage of property equipment also was affecting the number of copies printer per machine per center.
- High consumption of printing supplies: even though there was no precise control on how much printing supplies the MultiService centers should be consuming, the number in terms of experience was too high for the Consulting Companies experience, therefore was identified as a good opportunity to cut costs and reflect savings on the long run.

The results overall were largely uncontrolled. There was few ways of knowing how much there was either of spend, savings, consumption, equipment, types of equipment etc. The Consulting Company saw a real opportunity in this Indirect Service as important category in which many times reflect a lot of hidden costs and not a lot of savings are captured. The buying process and the maintenance of all the printing equipment is rather complicated for an indirect service, therefore it was important for the Consulting Company to demonstrate a real transformations through results control.

Culture Control

As it was stated before, Culture control deals with social pressure and group norms and values and many of times company culture is not said but only lived. For the researcher it was one of the most difficult control systems to evaluate because of its qualitative nature. In this case Cultural controls were hard to identify since the company was going through rapid changes in their high level decisions therefore there the strategy was changing constantly and therefore affecting the culture in their employees. On the Purchasing level, there was little long term thinking when sourcing indirect spend. Also, and the researcher would like to add this point due to the focus of the thesis, the relationship with suppliers was very tactical and not strategic. In some ways it is valid to think that indirect services do not require a very long term strategic relationship with suppliers but at the same time they have a written or unwritten relationship with their suppliers who had been providing equipment for years.

How the Main Milestones of a Strategic Sourcing Process Got Implemented in the Printing Category

The Main Milestones of a Strategic Sourcing Process were used to transform the Printing Category purchasing actions, managing the proper planning and execution of supplies and achieving purchasing norms that the company has predefined.

| M1 Sourcing Opportunity Identification | M2 Category Profiling | M3 Sourcing Strategy Decision | M4 Supplier Screening & Selection Process | M5 Launch of RFI/RFQ | M6 Negotiation & Agreements Process | M7 Contract Implementation |
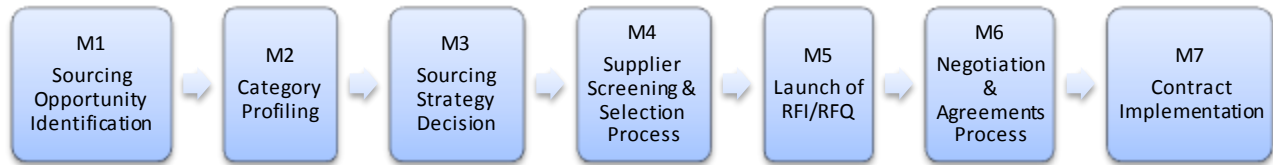
The main consultant assigned to the Project assured that the main milestones is followed strictly on every category that strategic sourcing is implemented. All activities that are implemented and applied are related to milestones in of the Strategic Sourcing process that play a key part in capturing and controlling each Spend Category.

Milestone 1: Sourcing Opportunity Identification

The Printing Category is considered an Important category inside the indirect spend categories. The main consultant assigned to this project stated that printing is normally a category where savings are not reported but represents and owns a lot of hidden costs. As one of the most common categories that is strategically sourced when implementing the Main Milestones of a Strategic Sourcing Process it provided a good example on how savings can be captured easily through the correct management of indirect spend. Before the Consulting Company was hired, the Purchasing model for the sourcing of printing equipment and their maintenance was obsolete, and most purchases, repairs, or replenishment of toners were done in a single manner, dealing with it transaction per transaction. Another problem in the company was that the best Practices in Printing were not being applied such as: Double faced printing, default Black and White Printing, limiting only certain users to print color, etc.

The objective of the Sourcing Strategy for the Printing Category is to optimize the management, sizing and costs of the Printing and Copying Services required by Multiservice. Exhaustive control over the real costs and its allocation to the corresponding cost center, with the final objective of having a Total Cost Ownership as tight as possible and as close to reality as it can be achieved. At the same time, the objective of having corrective and preventive maintenance depending on the printing volume and the estimate of copies done will allow Multiservice to have clear visibility and up to date information about its Printing Spend. A replenishment of printing supplies such as toners needs to be designed for the optimal functioning of the system and the service to be at the best quality.

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Through the tendering and negotiation process, with a Strategic Sourcing point of view, Multiservice expected that the suppliers have the possibility to evaluate the equipment that was currently in the Multiservice Centers being evaluated for the Printing Services and that the supplier willing to compete send out a proposal for the sizing (in terms of number of printers), equipment type, and associated cost for the service in an optimal way and with a service level of quality. Whichever optimal solution found and selected, Multiservice searches to mitigate any kind of impact that can be generated by the transformation, so it was important throughout the Main Milestones of a Strategic Sourcing Process to keep in mind that any type of proposal needed to take into consideration the Change Management issues in the Implementation process. The Sourcing opportunity was identified and selected using the following process:

| Generation and Registration of the Purchasing Opportunity | → | Control of the proposals of Purchasing Opportunities: Printing considered as key Indirect Spend | → | Printing Category is Evaluated as on of the Priority Categories | → | Planning of Selcted Cagefories: Printing and other Indirect Spend Categories are chosen | → | Printing Category Sourcing Strategy is launched |
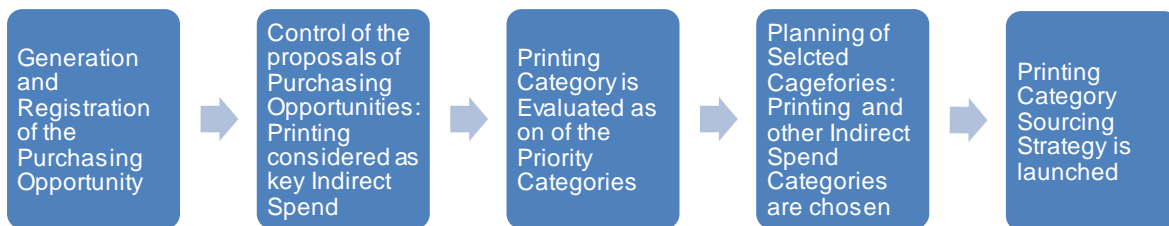
Milestone 2: Category Profiling

In order to facilitate the tender process, 10 centers were chosen as the main offices of MultiService and those that spend more money in Printing Supplies and Equipment on an annual basis. The service is oriented to the optimization of printing services, on which the volume of spend in printing was mostly based in those centers.

For the Tendering Process, 2 Scenarios were sent out to the selected suppliers:

Scenario 1: 100% Common Printing Equipment for all MultiService Centers

In this scenario, suppliers must consider the 10 centers for the tendering process and the changes made in Multiservice are the most drastic. The first scenario asked suppliers to propose a Managed Printing Solution that would not keep any of the printers or copiers in any of the offices. Many of the printers in MultiService centers were located inside managers offices and this makes personnel print more. Therefore the most drastic

proposal was to put all printing equipment strategically in common areas in a location that would not affect the everyday normal productivity of any employee.

Scenario 2: Common Printing Equipment for all MultiService Centers with Some Directors having Personal Printers

In this scenario, suppliers were asked to consider the 10 centers and relocate and replace some of the printing equipment and leave some directors to still use some personal printers. The proposal that is submitted by suppliers would keep the same equipment that is located in each selected high level offices and new equipment would be installed in common areas to give service to the rest of MultiService personnel. This new equipment would be strategically located in a distance to each employee that would not affect the productivity and efficiency of the employees. Scenario 2 was the easiest to follow as it meant a slight change but not aggressive enough. However if the objective was to capture as more savings as possible, Scenario 1 was the most drastic but the most beneficial in cost and printing practices.

Analysis of the Product Category Family-Determination of the Complexity of the Family and recompilation of historical data and estimation of future requirements of the category such as: Volume, Price Unit and number of variety types. The main consultant stressed that even though it is an indirect cost it has more technical difficulties than other Indirect Categories. Multiservice with the aid of the suppliers have to analyze the different types of equipment that are available that suit the needs of the office center more appropriately.

The Printing Category Baseline- Gathering the Necessary Data

The Category Baseline, elaborated mostly by the researcher and her company tutor as guidance, represents the Printing Spend details of the most important Office Centers for MultiService. The purpose of the Printing Category Baseline was to find the total annual spend in such Multiservice Office Centers in order to have an outlook on what, where and how the Printing Budget is being spent and ultimate serve as a base line towards comparing the savings to new proposals.

Variables that are taking into account to calculate the Printing Spend:
No. of Employees- The number of employees that are in each center is essential to calculate the amount of printers needed.
No. of Printing Equipment- In some cases, there was no control over how much printing equipment was in each center. Moreover, in many cases there was no visibility of which printers, fax and other type of equipment was active or not, which printer was using which type of Toner and how much money was being spent in their maintenance on a yearly basis.
Number of Monthly/Annual Copies- The number of copies printed or made per year was a very important number to do a baseline to compare how much money is being spent and

how much money *should* be spent. This was not an easy number to obtain as the sources of information were spread all over. To obtain information of the total number of copies per center the Consulting Company depended much on the information suppliers were providing more than information Multiservice had access to. This was one of the first indicators in the practical case study that even in this category; the supplier plays a central role even when evaluating the needs of Multiservice in terms of Printing.

Annual Maintenance Costs- Annual Maintenance Costs was another area where Multiservice lacked control over the Printing Category Spend. There was no control on the frequency, cost per unit per type of Printing Equipment, and number of Printing Equipment that received maintenance per year. However, by assuming that all printers receive a periodical maintenance every certain amount of time and that maintenance costs depends on the type of equipment it is, the researcher with support from the tutor was able to obtain an approximate amount in order to be utilized for the Printing Category Spend Baseline.

Annual Printing Costs- Annual Printing costs were then calculated with the information obtained from another Supplier. The supplier calculated this with the aid of information provided by one of the suppliers also.

Annual Renting Equipment Cost- Renting costs where the ones that were more controlled of the three main costs identified by Multiservice as the main costs that the Printing Ca tegory represent.

ID	Regional Division	Nº of Employees	Nº of Printing Equipment	Total Number of Monthly Copies	Total Number of Annual Copies	Annual Maintenance Cost	Annual Printing Supplies Cost	Annual Renting Equipment Cost	TOTAL
1	South 1	78	47	65.552	786.623	9.615	19.650	31.363	60.628
2	South 2	78	32	53.811	645.732	5.265	16.996	7.620	29.881
3	South 3	24	16	27.566	330.788	1.772	5.113	7.193	14.078
4	South4	22	12	20.978	251.732	2.773	3.374	13.185	19.332
5	Northeast 1	101	26	121.060	1.452.719	8.942	33.603	3.812	46.357
6	Northeast 2	12	12	37.125	445.500	4.016	4.490	1.980	10.486
7	Northeast 3	23	14	23.713	284.553	2.250	3.270	2.500	8.020
8	Catalonia	270	66	200.592	2.407.109	21.514	28.512	40.688	90.714
9	Central	382	143	266.123	3.193.474	35.399	81.903	69.234	186.536
10	Canary Islands	47	31	54.336	652.034	6.220	8.314	16.711	31.246
			400	870.855	10.450.264	97.767	205.225	194.286	497.278

Total Annual Cost (Maintenance+ PrintingSupplies+ Renting Costs)	497.278

Table 5.1 Summary of the Category Baseline

Total Annual Cost- (Maintenance+PrintingSupplies+Renting Costs): *497.278 euro*

One of the primary benefits of zero-based budgeting is that it forces preparers to think through their operations in order to plan for the upcoming year. The review process offers preparers the opportunity to examine each of the factors and, possibly, to discuss them with management. Zero-based budgeting builds the preparer's knowledge of the company and its operations whether the preparer is a longtime veteran or a relative newcomer to the organization. In many cases, it can serve as a management tool to develop lower-level managers' skills and their motivation.

Supplier Market Research- Research on the Supplier Market Tendencies and Volumes. Profiling of current and potential suppliers, Renewal of Information of current Suppliers and Identification of Alternative Suppliers.

Milestone 3: Sourcing Strategy Decision

The Sourcing Strategy that was decided by MultiService is to find a supplier that will offer an integrated solution that will manage printing equipment, printing supplies (toners, replacements), maintenance and incidents coming from printing equipment across the different MultiService centers. The service will have the objective of optimizing the Printing areas in all Multiservice facilities, in which, the cost of printing and copying will be managed per copy with the supplier. The need to control thoroughly all real costs generated by printing, will be the responsibility of the supplier. Because the Printing Category represents complicated spend that requires not only replenishment of toner but maintenance and incident support, Multiservice decided to take a Sourcing Strategy of hiring a Managed Printing Service.

At the same time, the objective will be to outsource the administration and maintenance for the Service of Printing and Copying, Multiservice will provide the necessary tools to have sufficient control over the real cost and   In order to facilitate the tender process, 10 centers were chosen as the main offices of MultiService and those that spend more money in Printing Supplies and Equipment on an annual basis.

The Managed Printing Service Supplier is to be in charge of providing printing service that would charge Multiservice by print, black and white and/or Color. All necessary materials (equipment, toners) and intangible materials (software, drivers, maintenance) necessary for the correct, efficient and precise functioning of the service in terms of management of printing service was now full responsibility of the chosen supplier in the whole Strategic Sourcing process.

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The objectives of this new Strategic Sourcing approach are defined by Multiservice as:
- To have full control over the real number prints
- Saving in management costs- a low cost per print and reduction of the Total Cost of Ownership
- Optimization of the Printing Areas in terms of users per printer ratio
- Remote Management of the Printing Service: Optimization, Management and Control of Printers
- Tools for Control and Reporting of the Use of Printing Equipment
- General Improvement of the availability of Printing Equipment and systems by complying with the Levels of Services agreed in the Strategic Sourcing negotiation process and an adaptation of the Printing area and practices towards the real necessity of the users and MultiService centers studied.

Technical Requirements Compliance
- As general criteria, the designs in which a good balance is achieved between productivity and efficiency are achieved while reducing costs.
- Printing Equipment must include all necessary functionalities to cover the normal necessities that MultiService employees are used to performing at a competitive cost. An balance must be achieved between equipment functionality and the costs that they will generate to MultiService.

Milestone 4: Supplier Screening & Selection Process

The acquirement of copying and printing services for MultiService Company will be given to the supplier that will comply with the technical requirements and with the documentation for the tendering process that will minimize the total cost of acquisition. Before the final decision was taken, MultiService may ask suppliers' samples of the printing equipment provided.

The printing service, in which the offer is characterized by:

- Efficient Management of the resources and amount of equipment provided
- Transparent service and Optimization and Cost Savings
- Centralized management of the Printing Centers ensuring efficiency, continuous maintenance, improving the availability of the printing operations
- Tightness control in the consumption of printing services
- Service Economy- By knowing the real consumption of pages that are printed either Black and White or Color savings can be captured by relocating, eliminating or adding printers where they are really needed or not being utilized
- Service Quality -Service Guaranteed through SLAs assuring the availability of printing equipment installed and reducing the time machines are not being used

By wishing to have an Integrated Managed Printing Services that will free Multiservice resources in order for them to focus on the purchasing or more core, value adding purchasing Strategy, MultiService seeks a service that will:

- Optimize the number of Printing Equipment in MultiService centers
- Install and fully start running all equipment installed
- Optimize the use of toner and other printing supplies
- Printing Equipment Functionalities Description and Management
- Install a Counting & Tracking System in all printers
- Increase availability and Quality of Service
- Manage and Deliver Reports per Printing Equipment
- Preventive Service
- Technical Assistance

Milestone 5: Launch of RFI/RFQ

One of the biggest difficulties in the RFP/RFQ process is to succeed in obtaining all of offers made by the suppliers to be compatible and comparable. Since it is not a catalog-like quote where products are orders depending of the necessities, the consulting Company, together with MultiService had to find a way to guide suppliers to send analogous proposals. In the Printing Category case, each supplier will propose a different solution for the Printing Equipment required in MultiService centers. Multiservice has to provide enough information to guide them in order for the supplier to correctly propose the number of printers or printing equipment needed.

Also this specific proposal included different scenarios and suppliers were asked to give proposals to different time frames for the renting contracts. Each supplier had to give their quote given a time frame for the Managed Printing Service of 3, 4, or 5 years. Suppliers can choose to participate in the tendering process and accept the rules and conditions that require participating in it. Part of the Consulting Company's work was to define what was going to be the terms and conditions and making sure that all aspects of the new Request for Quotation were included in order to avoid loopholes that could later have a negative effect for MultiService.

Milestone 6: Negotiation & Agreement Process

The negotiation process presented various difficulties. MultiService took some time deciding as the contract chosen was going to be on the medium term (3-5 years).

# of Equipment

Center ID	# of Equiment As-IS	# of Equipmt. Supplier 1	# of Equipmt. Supplier 2	# of Equipmt. Supplier 3	# of Equipmt. Supplier 4	# of Equipmt. Supplier 5
1	47	19	9	12	14	11
2	32	8	5	11	9	4
3	16	3	4	3	5	4
4	12	4	3	3	3	3
5	26	11	8	7	11	7
6	12	4	5	5	11	5
7	14	3	3	4	4	5
8	66	19	15	22	19	18
9	143	28	19	34	31	45
10	31	5	3	3	4	9
	400	104	74	103	111	111
		26%	19%	26%	28%	28%

Table 5.2 -Comparison of the Equipment As IS and Supplier Tenders

Multiservice Equipment

Supplier1 - 104 Printing Eq.		Supplier2 - 74 Printing Eq.		Supplier3- 103 Printing Eq.		Supplier4 - 111 Printing Eq.		Supplier5- 111 Printing Eq.	
MultiService Eq.	9%	MultiService Eq.	0%	MultiService Eq.	0%	MultiService Eq.	0%	MultiService Eq.	5%
New Equipment	91%	New Equipment	100%	New Equipment	100%	New Equipment	100%	New Equipment	95%

Table 5.3- % of Current Multiservice Eqmt. Vs. New Equipment offered in Supplier Tenders

Printing Equipment Typology

	Supplier 1	Supplier 2	Supplier 3	Supplier 4	Supplier 5
Multifunction	104	74	99	72	111
Black&White	0	0	1	0	0
Color	0	0	3	39	0
	104	74	103	111	111

Table 5.4 –Equipment Typology depending on Supplier Tender

ID	Regional Division	Annual Spend	Supplier 1 Tender	Supplier 2 Tender	Supplier 3 Tender	Supplier 4 Tender	Supplier 5 Tender
1	South 1	60.628 €	30.365 €	34.738 €	29.241 €	33.049 €	40.891 €
2	South 2	29.881 €	16.063 €	14.328 €	21.976 €	21.002 €	19.263 €
3	South 3	14.078 €	5.186 €	6.376 €	6.300 €	9.549 €	10.187 €
4	South4	19.332 €	10.083 €	12.235 €	8.931 €	11.949 €	14.461 €
5	Northeast 1	46.357 €	30.059 €	32.695 €	25.826 €	50.110 €	44.663 €
6	Northeast 2	10.486 €	10.199 €	11.320 €	11.449 €	15.204 €	16.313 €
7	Northeast 3	8.020 €	5.978 €	6.347 €	8.551 €	9.108 €	11.135 €
8	Catalonia	90.714 €	47.841 €	49.814 €	50.093 €	73.688 €	71.615 €
9	Central	186.537 €	82.027 €	88.296 €	89.503 €	117.810 €	134.660 €
10	Canary Islands	31.246 €	19.333 €	20.135 €	14.125 €	26.920 €	32.660 €
	Totals	497.278 €	257.133 €	276.284 €	265.996 €	368.387 €	395.847 €
	Total Savings Achieved		240.145 €	220.994 €	231.283 €	128.891 €	101.431 €
			48%	44%	47%	26%	20%

Table 5.5- An example of a Tender comparison, in a 5 year service agreement for Scenario 1

Milestone 7: Contract Implementation

Once the Supplier Choice was sign, the chosen supplier or suppliers must start with the service, starting with the installation of the new equipment, installation, configuration, and running of all new equipment installed in MultiService facilities. The whole process lasted about one month from the moment the agreement was signed until the new Printing plan was fully functional. Ongoing Supplier Services include:

Printing Service Monthly Report- Reports Required are all defined before signing an agreement. The Monthly Report requires in general form, reports by center, reports by printer and reports by users. The Suppliers will provide in a monthly manner and in electronic format the information about the consumption and use of printing services with the following information as support:
Equipment Availability Report
Recount of printing toner deliveries per printing machine/equipment
Recount of technical incidents per printer
Number of printed pages

Continuous Improvement- The supplier(s) will participate in an active manner with the Points of Contact assigned by MultiService in order to achieve continuous improvement of the service provided. This approach is focused on the improvement of the efficiency and process improvement and cost reduction. Multiservice is open to any new report and metrics suppliers decide to generate in order to continuously improve the Printing service. Phone Tracking- The chosen supplier must have a Phone Number especially for the management of any incident in the management or functionality of the Printing equipment provided.

Exchange of communications- The supplier provides a Single POC (Point of Contact) that will manage the MultiService account. Multiservice assigns on person from the Purchasing Department that will manage the contract and different buyers across Multiservice will be contacted to solve and execute everyday operational activities.

Corrective Maintenance of Printing Equipment-The supplier or supplier selected must develop all actions that will enable the development of correcting any damages made by software or hardware from any past situations.

Supply of Printing Supplies and Preventive maintenance of the areas printing- as part of the correct functioning of the printing equipment. The supplier is responsible for sending the toner replacements and should perform the necessary actions to avoid any obsolete equipment to be used by MultiService.

Service Level Agreement- Maximum time of incident resolution is 24 working hours from the time Multiservice communicates the incidence.

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Useful Documentation- As the last milestone, the main consultant working in the Multiservice Purchasing Transformation was asked what type of documentation is normally stored to serve in the future for Printing Category reevaluation purposes. The information that normally is reutilized is all the supplier proposals that participated in the tendering process, the RFP, RFI or RFQ depending on the case are important to keep for reevaluation and reconsideration purposes. The final supplier proposal comparison that is included in this report is also a document that needs to be kept so that the final result and reason of choice of supplier is always available when something needs to be reconsidered or for any changes made, or future considerations. The Spend Analysis and the Category Baseline is also a key document to keep, as well as documentation about the number of copies printed per printing equipment in order to reconsider and use for future calculations and future clients.

Future State Evaluation

The future state although in timing perspective was not completed as a whole (the researcher finished the Master Thesis when the decision was made and implementation was just going to start) brought Multiservice positive changes in terms of the management of their Printers and Printing consumption and an overall better control systems that will be summarized in the following paragraphs.

Switching to Managed Print Service and having a Medium Term Relationship with the chosen supplier of the service represents a major change in how Printers are used in Multiservice centers. Overall, main changes and benefits identified by the researcher and the main consultants of the project can be resumed in the following table:

Technological	• Number of drivers reduced, better management of the printing services • Better control over the number of papers printed • Limit the number of users • Black and White printing by default
Infrastructural	• Strategically located printers to optimize number of users • Reduction of total number of printers • Elimination of obsolete printers and replacement for new multiservice printers • No personal printers. Printers are only installed in common areas.
Economic	• Clear and significant annual savings • Improved visibility of the Category Spend. • Reduced Maverick spend
Strategic	• Improved Supplier relationships • Needs are evaluated before actually buying • Better knowledge of the category supplier market therefore larger leverage when making a choice

	• Centralized spend, larger leverage as a buyer
	• Savings in Indirect spend can be transferred into spend that can actually add value to the company
Organizational	• Better Sourcing Practices in general
	• Centralized Spend
	• Centralized company-wide common objectives
	• Better communication plans

By analyzing such changes now and relating how the Management Control Systems inside Multiservice will get affected the researcher evaluates the Action, Result, Culture and Personnel Controls with the following conclusions.

Action Controls

Printing Practices changed completely due to the systems implemented by the selected supplier which included systematically limiting the actions of employees (final users of the printing equipment). By updating the printer equipment installed in MultiService Office Centers the control over its users and control over installing best printing practices was implemented. Limiting certain users to certain functions such as only certain users can print in color or more than certain amount of pages can reduce significantly the yearly spend as practices change and evolve due to the action controls implemented. Printing would also become more secure by establishing action controls to users. Lastly, action controls in limiting users to do certain printing practices would now signify that printing in the company would be oriented towards eco-consumption.

Also, choosing a supplier that would implement Managed Printing Services simplified the management of the Printing Spend Category. From now forward, only one buyer needs to take care of the relationship that will be created with the chosen supplier. There is no need to keep catalogs for Printing Supplies all over MultiService Centers and the management and the number of drivers and through good relationship management and review of the contract to adapt to any additional need and to suggest any improvements or modifications.

Personnel Controls

Buyers after the Strategic Sourcing process are more trained for negotiating and defining a Category needs and have a better vision of what is really needed depending on the Category and/or Family of products. Training is an important part of performing well on the Strategic Sourcing process because without Training Buyers may not grasp the real value in having a TCO based purchasing model, or the Closed Loop Concept or the real value in Supplier Relationship Management. Part of the Implementation of Strategic Sourcing in MultiService included Training Sessions for Buyers in the Procurement department.

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Culture Controls

The culture in MultiService is going through changes because the organization has been undergoing various organizational changes from the beginning of year 2011. Therefore for the researcher it was hard to categorize how much the culture change because of the changes and proposals implemented by the Consulting Company.

In terms of the printing culture, the people who consume the printing spend category will accept cost reductions as long as the process is: started in another department. The transformation did not mean a total change in suppliers; and did not jeopardize a good relationship with the supply base. The transformation process to a Strategically Sourced Printing Category meant a culture change in terms of what is expected from it and how it is going to affect issues such as delivery reliability, service or payments. This type of activities meant viewing the Printing supplier as a Supplier whom MultiService would keep a relationship with and this relationship started evidently with a Lifecycle that the researcher will later comment.

Result Controls

Results were noticeable and overall a better control over Printing Practices and Printing Spend was very visible from the start. As said previously, the Consulting Company had to prove with significant savings and in a quantitative figure how much saving such decision would bring so that the decision making process would be easier to take. Therefore some points were highlighted to show why such decision would bring results that were evident and controllable. Some of the most evident results in Printing Spend and the Management of the Printing Category can be summarized as follows:

- The number of suppliers was diminished significantly
- Number of Printing Equipment was reduced significantly
- Equipment typology reduction, only 7 different models were used
- Driver Homogenization there is only need to install a small number of drivers
- High visibility of print consumptions and number of pages printed by equipment and center.
- Reduction of dedicated time for management of the printing equipment
- Overall paper consumption reduction

Savings Generated by the Sourcing Decision

For the Consulting Company it was important to demonstrate that the implementation of the Strategic Sourcing was going to enable the Printing Category to have savings that went further away from the initial contract negotiated. By following the proposals made by Supplier insights and knowledge in the field Multiservice is enabled to

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reach savings that go further than just the contract negotiated. It was important to show that the Sourcing Strategy would bring long term benefits and overall better Printing Practices that would demonstrate a positive change in the Printing Spend. By having a successful Category Led Supply Management, MultiService can save a total of little more than 300,000 euros. Saving #1 represents the initial negotiated saving, Savings 2 through 5 represent additional savings that by managing the Printing Category correctly, and by applying Printing Best Practices, MultiService can capture additional savings on the long run. Some of the additional savings relate to improved relationship with the Supplier.

Saving No. 1- Implementation of the new model for printing and copying

Savings No. 1 represent the immediate savings depending on the recommendation of choice. Depending also on the Scenario chosen the amount of savings and changes needed to be made in terms of infrastructure, change of equipment and change of culture in terms of Printing in the office. The first choice recommendation was to choose Scenario A as it represents the least number of printers in total and since all are networked common area printers the type of printers would be the least making the management of them easy. The Scope of the model also affects the amount of savings as the longer the deal with the supplier the more competitive the price offer is made. The example shown below shows the most competitive savings using the most aggressive scenario. To take out all printers out of the personal offices, and to choose the least costly supplier.

The results are the summarized in the following image:

1.	Implementation of the new model for printing and copying- Supposition of Choosing Supplier 2 in Scenario A with a 5 Year Tender
Original Anual Printing Spend	497.278 €
Negotiated Price (5 years)	257.133 €
Savings:	240.145 €
Savings (%)	48,29%

Saving No. 2- Reduction of the number of copies and redistribution of the number of Black & White copies and COLOR copies

The ratio between Black and White Copies and color of copies is bound to change. By restricting users to print Black and white by default, and only some users have access to printers that are capable to print in Color. Since Color Printing is significantly more expensive than printing Black and White, this would represent a significant annual saving. The reduction of number of copies is achieved by choosing the Scenario where all printers are located in common areas and there are fewer printers per square meter. By simply doing this, users of the printers will feel less attracted to print unnecessary documents as they have to walk a significant distance to retrieve their prints.

2.	Reduction of the number of copies and redistribution of the number of Black&White copies and COLOR copies

Initial State at MultiService Centers

			Cost per Copy proposed by Supplier X B&W / COLOR (€/Copia)	Total Cost (€)
Yearly Black & White Copies	7.452.178	71%	0,0050	37.261 €
Yearly COLOR Copies	2.998.085	29%	0,0400	119.923 €
	10.450.264			**157.184 €**

Future State after applying the Main Milestones of a Strategic Sourcing Process

Real Case Comparation- MultiService Center XX	
Percentage of Copies Black & White Reduction	37%
Percentage of Copies COLOR Reduction	29%
% Copies Black & White	89%
% Copies COLOR	11%

Number of Copy Reduction		
Yearly Black & White Copies	4.694.872	69%
Yearly COLOR Copies	2.128.641	31%
Total Yearly Copies Expected	**6.823.513**	
Change of Copy Distribution		
Yearly Black & White Copies	6.072.926	89%
Yearly COLOR Copies	750.586	11%
Total Copies	**6.823.513**	

			Cost per Copy proposed by Supplier X B&W / COLOR (€/Copia)	Total Cost (€)
Yearly Black & White Copies	6.072.926	89%	0,0050	30.365 €
Yearly COLOR Copies	750.586	11%	0,0400	30.023 €
	6.823.513			**60.388 €**

Savings:	96.796 €

Saving No. 3- Reduction of Paper consumption due to the number of prints and copies done by double face

Another significant saving is the reduction of paper consumption due to the number of paper sheets saved by printing double face by default.

3.	Reduction of Paper consumption due to the number of prints and copies done by double face	

Initial State at MultiService Centers

Total Yearly Copies in MultiService Centers	10.450.264	
Nº Packages of Paper (500 pages)	20.901	
Nº of Boxes with 5 Packages each	4.180	
Price per Box	10,45 €	
Annual Spend	**43.682 €**	

Future State after applying the Main Milestones of a Strategic Sourcing Process

Total Yearly Copies in MultiService Centers	6.823.513
Nº Packages of Paper (500 pages)	13.647
Nº of Boxes with 5 Packages each	2.729
Price per Box	10,45 €
Annual Spend	28.522 €
Annual Spend Implementing Two Faced Printing	**14.261 €**
(annual spend divided by 2)	

Savings:	29.421 €

The total of each of the savings mentioned below can be summarized as follows:

Savings 1 :Implementation of the new model for printing and copying	240.145 €
Savings 2:Reduction of the number of copies and redistribution of the number of Black&White copies and COLOR copies	96.796 €
Savings 3:Reduction of Paper consumption due to the number of prints and copies done by double face	29.421 €
Total Savings (1+2+3)	**366.362 €**

In conclusion, the yearly savings go further away than just the amount of money saved from the new contract with the new supplier. By evaluating the needs of the printing category itself the Strategic Sourcing process was able to highlight all the different savings in not just printing equipment and supplies but also improving printing practices and controlling more the practices of printing in the office. The successful implementation of Strategic Sourcing may lead to an improved understanding spending patterns that will assist in optimizing the budgeting and planning process and enable sourcing personnel in MultiService to make better and informed decisions.

5.2. Answers to the Research Questions: Suitability of Supplier Lifecycle approach and Discussion

Coming back to the research question,

How important is it to have a Supplier Focus in Strategic Sourcing and what are the critical success factors, benefits and drawbacks of carrying out a supplier-driven approach given a Category Led Supply Management Purchasing Department?

The Empirical Findings showed the Supplier´s played an important role throughout the Strategic Sourcing process. How important the organization's users are to testing incumbent supplier relationships even in indirect spending such as Print category can yield to various monetary and non-monetary benefits.

Key Success Factors

Understanding the Category and its Business Requirements-Understanding the capability, costs and capacity within the supply base ensures that business requirements can be appropriately matched without incurring higher costs. Systematic improvements in supplier management not only improve cost of goods and services but can also improve relationships with suppliers. This can lead to supplier relationship management (SRM) – tools and processes that enable the proactive management of an ongoing business relationship to secure a competitive advantage for your organization. Also to better understand the category historical information should be kept to make better supplier and sourcing decision in the Strategic Sourcing process of a category.

The constant collaboration and continuous improvement-Viewing the supplier as a lifecycle, constant collaboration and continuous improvement are key factors that enable the true generation of value. Such collaboration and initiatives are hard to initiate and improvements are hard to identify when there is not a good Relationship management between two suppliers. "Supplier development will be more successful is the relationship is in a stage where the levels of cooperation, adaptation, information sharing, commitment, etc are high (maturity) rather than low (initiation and decline)" (Wagner, 2010, p.279). Real improvements happen at the very peak of the relationship. "Improvements in performance will happen within the unique exchange relationships developed between the buyer and supplier firms" (Wagner, 2010, p.277). Although in the case of MultiService Printing Category, many parts of the consulting companies baseline was constructed by information provided by suppliers and not by MultiService itself. The supplier with the interest of being chosen in the negotiation process and MultiService interested in creating a baseline that is the closest to reality as possible.

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The mind set in the company´s resources- A successful supply management of a Category depends on how much of the purchasing personnel is involved in developing such relationship. "The measures used for supplier development focus on the allocation of buyer personnel to the supplier and the transfer of tacit knowledge in order to improve the supplier´s skill base with respect to technology, product development, and manufacturing, and training of supplier personnel" (Wagner,2010, p. 280). The constant transferring of knowledge and the training of personnel towards having a Supplier focus plays a key part in having a successful Strategic Sourcing practice.

Understanding the dynamics of the Supplier Lifecycle-Increasingly, understanding how the relationship with a supplier works and viewing it with a Lifecycle point of view would help a company bring up certain opportunities given the type of relationship that exists with the Supplier depending on the Category of product being sourced. The value of this phenomenon, of the value and benefits that is created when two actors come together is called social capital. "First, social capital has been described as the "relational glue" underpinning effective supply chains (McGrath and Sparks in Wagner, 2005). Second, social capital theory acknowledges that buyer-supplier relationships are embedded within a larger social, environmental, political, and legal context (Hakansoon in Wagner, 1982). Social capital enhances the efficiency of buyer-supplier relationships resulting in the creation of opportunities that may not otherwise have been possible. By understanding and embracing the dynamics of the Supplier Lifecycle having a Supplier Focus in Strategic Sourcing can yield greater benefits.

The benefits in the Printing Category

How does the Client Company benefit of the CLSM and SRM approach in their Procurement Department implemented by the Consulting Company and why should they undertake such approach?

In the Printing Category Specifically, the benefits and comparison of before and after are the following:

Printing Services in MultiService Before	Printing Services in MultiService After
• Number of printers high for the number of employees • High Supplier Dispersion • High Printing Equipment Dispersion (too many types of equipment: • High number of supply typology • High percentage of property equipment • High consumption of printing supplies • Printing Equipment was not Eco Friendly	• Supplier Base Reduction • Number of Printing Equipment reduced significantly (more than 70%) • Better use of equipment in terms of real necessities • Equipment typology reduction • Printing Equipment is new and state of the art • Reduced number of drivers to install in employee computers • All inclusive service: Maintenance and

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• Printing Equipment did not have Secure Printing functions	printing supplies
• Very low visibility to the amount of print per machine and center	• New equipment is oriented towards eco-consumption
• Management of Printing Services is time-consuming	• Secure Printing mechanisms Implementations
• Very low-user control	• High visibility of print consumptions and number of pages printed by equipment and center.
• Low utilization rate for printing equipment	• Reduction of dedicated time for management of the printing equipments
• Lack of Eco-Friendly Policies	• Overall paper consumption reduction
• Heterogenic conditions for hiring process	• Improvement of overall payment conditions
• Heterogenic conditions for choosing suppliers	

The drawbacks of the Implementation

Loss of Control-By giving the suppliers too much responsibility companies have less control over costs. The total cost of ownership of the category profile is controlled less by them so unless it is very clear that they are saving money by choosing MPS services then they should go for such option. In the case of MultiService, savings were justified plus the list of non-financial benefits associated with the Strategic Sourcing Decision made MultiService decide towards subcontracting its Printing Service.

Another loss of control is over the users and their printing practices. Although MPS assures the delivery of the best printing practices using updated equipment in order to print more efficiently, users and administrators have less control over the usage of the new equipment, the replacing cartridges or resolving issues such as printer or Multifunction equipment malfunction. The companies that subcontract Managed Printing Service are dependent on their supplier for resolving such issues.

It is best suitable for larger companies- Large companies will benefit the most for negotiated deals with suppliers due to economies of scale, therefore changing for an MPS provider will suit best for companies that can afford to reach better negotiation through the volume of service needs. This was the case of MultiService.

Contract Compliance-MPS contracts can also lead to complications, not reading carefully the terms of the contract and agreeing that the policies suit best for the contract, can lead to negative consequences. Since some MPS services may get too restrictive, violating the contract or cancelling it is expensive for companies. In the case of MultiService, one factor that influenced the selection of the supplier was the cancelling cost each tender offered. In case of any contract incompliance or dissatisfaction of the server, the client company wanted to assure that the penalties, both financial and non-financial, could be mitigated.

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Assuring that the equipment provided by the server is the best for the company´s needs- Since Printing technology is rapidly evolving; chaining your whole company to the brand the MPS provider selected can mean that the company is losing out on new market innovations. In the case of MultiService case, most new equipment was far too much advanced in comparison to the equipment they owned before therefore this was not a problem.

5.3. Answers to the Research Questions: A Proposal for the Lifecycle in the Printing Category

"Perhaps more important is the purpose of SLM which is to recognize suppliers a prime source of value to the organization and deliver that value by putting them at the heart of procurement strategy and management"(Smith, 2012, p.4). For the Printing Category, this statement is true, even though it is an indirect Category and the term Strategic Supplier is not valid due to the level of importance of the Category. But still, managing the Relationship with the Suppliers and involving them early in the Strategic Sourcing process was a fundamental part of having a successful Category Led Supply Management.

To start with the proposal of the Lifecycle for the Printing Category the researcher decided to highlight how the Suppliers played a part in the Main Milestones of a Strategic Sourcing Process for the Category Profile of Printing Equipment and Supplies.

| M1 Sourcing Opportunity Identification | M2 Category Profiling | M3 Sourcing Strategy Decision | M4 Supplier Screening & Selection Process | M5 Launch of RFI/RFQ | M6 Negotiation & Agreements Process | M7 Contract Implementation |

Milestone 1- Sourcing Opportunity Identification	The Sourcing opportunity is identified and the Category Profile is selected as one that may present savings opportunities. Suppliers past information plays part of developing the Identification of the Sourcing Opportunity.
Milestone 2- Category Profiling	Much of the analysis of the Category relies heavily on information provided by the supplier given by the experience and past service given to MultiService. The Category profile relies also on the industry and supplier market available for that particular family also. Given the rivalry, geographic availability, supplier size, degree of specialization, market tendencies and evolution of the supplier market the Category will have a different Profile that will make it have a Sourcing Strategy

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	with certain conditions. Analyzing the supplier options will also update the availability of suppliers that can compete towards sourcing the business requirements of MultiService.
Milestone 3- Sourcing Strategy Decision	The Sourcing Strategy depends largely if the amount of suppliers present and the dynamics that exist in the market given the supplier market and product family complexity. Defining the Sourcing Strategy consists of defining the type of relationship that will be maintained with the supplier and the type of supplier that will be needed for the sourcing of each specific Purchasing Category, both supplier types and relationship depend 100% on the supplier available, something MultiService cannot control and depends on the suppliers.
Milestone 4- Supplier Screening & Selection Process	To Identify the Selection Factors many influences were taken into consideration by MultiService. Some Factors were even proposed by the Supplier itself. Since the supplier had the liberty of submitting its own proposal, then MultiService although having a list of must haves for subcontracting its Printing Services, relied heavily of factors that they had not considered.
Milestone 5- Launch of RFI/RFQ	The RFI auction in this Category was standard to the industry practice. It was a challenge to find a way to let suppliers propose their own solution to the printing category and then find a way to present it to MultiService in a comparable form.
Milestone 6- Negotiation & Agreements Process	When the Agreements were being negotiated, many of the contract conditions were negotiated directly with the suppliers. Some suppliers merged their tenders in order to provide a more competitive tender and give a more complete range of services that would suit better Multiservice and would make them lean towards choosing them,
Milestone 7 Contract Implementation	When Contract Implementation takes place, traditional Supplier Relationship Management practices of contract compliance, Supplier Performance metrics, Collaboration for Continuous Improvement are taken place.

As defined earlier on in this report, Strategic Sourcing is the process of taking advantage of purchasing opportunities by continually reviewing current needs against purchasing opportunities. Strategic Sourcing is commonly separated by Categories where the Supply Management is mostly Category-Led (CLSM). However, implementing a Category Led Supply Management approach requires expertise and full integration of the notions of a long term approach view of Strategic Sourcing and a mastery of everyday activities that will achieve optimal results. Without this mastery, it is hard to make an organization aware that the supplier plays a key role when sourcing strategically and those Strategic Sourcing methodologies should place suppliers in a central role of their methodologies.

While Supplier Relationship Management is focused more towards the post contract activities, seeing the Supplier as a Lifecycle can help Purchasing departments involve the suppliers earlier in the process so that their needs are satisfied in a deeper more effective manner. SLM considers all the elements of our relationship with a supplier, from initial engagement and information gathering, the sourcing process, through the work relationship, to development and on towards final parting of the ways" (Smith, 2012, p.19). In the case of the Printing Category, the supplier started playing a big part by Milestone 2 and was present throughput the rest of the milestones. Although initial engagement had existed since MultiService had already been in contact with most of them through traditional Purchasing Practice, the rest of the activities were present as part of the Lifecycle that is undertaken during a relationship between.

The researcher identified that there was a gap between Supplier Relationship Management practices and Category Led Supply Management. On one side, Strategic Sourcing and the Main Milestones of a Strategic Sourcing Process while in the other there is a Supplier Relationship Management process that deals more with post contractual activities to evaluate supplier selection, performance and collaboration. But in fact, most Supplier Relationship Management cycles start considering the start of the lifecycle when the Supplier is accredited to be considered in the tendering process. In practice, the case study showed that the Supplier was involved earlier in the process and played a key part on the Category Profile. In the case of the Printing Category in the MultiService office, the supplier was one of the key players in helping MultiService analyze how much money they were spending in the Category, and evidently, what type of Sourcing Strategy they should execute.

The importance of Supplier Development

Supplier development as any set of activities buying firm expends on a supplier to improve supplier performance and/or supplier capabilities (Krause et al. 2000) can help to meet supply needs and generate favorable results for the buying firm. "The ability to consider the entire end to end view of the supplier and their relationship with the whole organization, will lead to better decisions, working together strategically and capture the supplier innovation that can deliver real competitive advantage" (Smith, 2012, p. 8).

Supplier development must start with the harnessing of a supplier from the moment of first contact and the creation of added value throughout the collaboration between the buyer and the supplier. Wagner (2010) suggested taking into account for the dynamic nature of buyer-supplier relationships over the relationship life-cycle in the studies on supplier development. For the dynamics of the Printing Category, the researcher can resumes the Supplier Lifecycle as the following cycle.

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The Lifecycle, in contrast to the traditional Relationship Management, should include the phases in Requirement Specifications and Spend Analysis, Research & Sourcing Strategy because the Printing Category, even though an indirect spend, showed how Supplier input played a big part in Developing the spend Analysis and the Sourcing Strategy.

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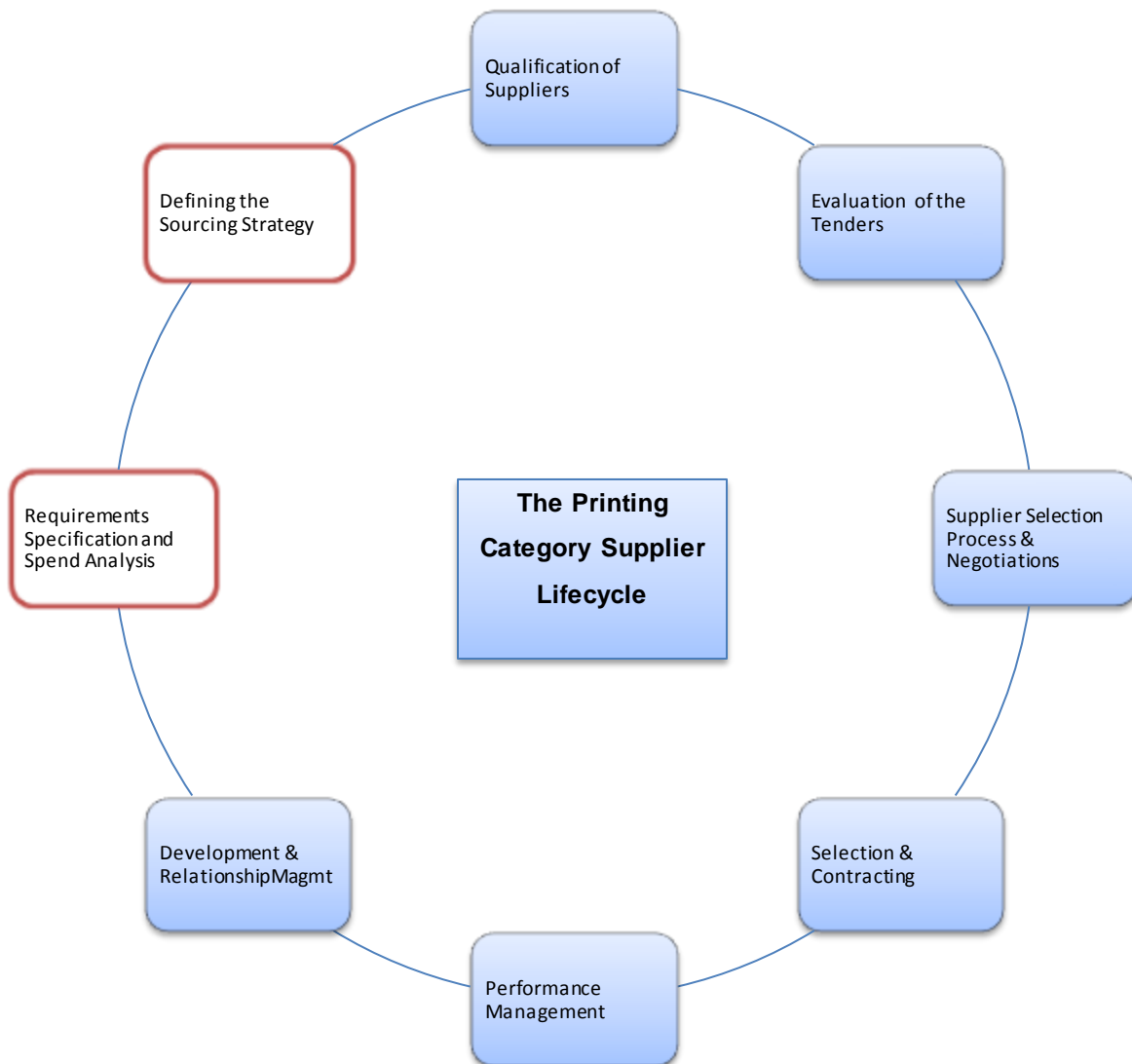
6. Conclusions and Further Research

6.1. The problem and its significance

The case study was chosen because it would be illustrative in different perspectives and important subjects of current sourcing and procurement issues:

Firstly, to illustrate the importance of Strategic Sourcing and how it is implemented in practice by companies, either with the help of Consulting Companies or not, in order to have a better understanding how the category management strategy aligns with overall business goals. The Case study enlightened how having a milestone-by-milestone methodology helped understanding your own business' operations and drivers, and how procurement activity impacts upon them when capturing savings by managing a Category.

Secondly, to show that procurement is not just an organizational function. It is a competence, the ability to structure a deal, understand a supplier environment and create a solution to a business problem. To affect this in a business environment, there is a need to know about the company business requirements and about the supplier market. The Procurement department must know which categories, regardless if they are direct or indirect spend, are going to have which Sourcing Strategy and how deep the Main Milestones of a Strategic Sourcing Process will get implemented. The MultiService Case Study showed how even though it was a printing category and is considered an Indirect Spend, it proved to be a complex buy, with medium to long term negotiations, and with base lining with a lot of level of detail.

Thirdly, to case study served show the importance of involving Supplier Relationships from the start even when evaluating the needs of the Category Spend. "Perhaps more important is the purpose of SLM which is to recognize suppliers a prime source of value to the organization and deliver that value by putting them at the heart of procurement strategy and management"(Smith, 2012, p.4). The case study for the Printing Category proved that involving the supplier as early as possible while implementing Main Milestones of a Strategic Sourcing Process was essential to the development of the Strategy and the Procurement decision to go towards Managed Print Services.

Finally, to prove that indirect services are real opportunities of capturing savings. Indirect Services represent an untapped opportunity for better procurement, leading to better value and supplier performance. At certain point, if they can prove their value, they become truly involved in the procurement process and decisions. For CLSM and Supplier Lifecycle transformations they can prove to be transformations that capture savings and

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generate value to the Procurement Department. They are quick wins that can open the way towards better Sourcing Practices, Category Management and Supplier relationships and set the example to implement such methodologies in Core and Direct Categories. With Indirect Spend, eventually, procurement can actually take the lead and drive better value in these categories: collaborating and playing the lead role in the management of the spend categories. (Smith, 2011, p.5-6).

6.2. Limitations

Case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Researchers have used the case study research method for many years across a variety of disciplines. (Maheshwari, 2012).

Despite the advantages, case studies often receive criticisms. Yin (1984) discusses three types of arguments against case study research. The first argument against case studies is lack or rigor. In MultiService printing case lack of rigor was definitely present. "Too many times, the case study investigator has been sloppy and has allowed equivocal evidence or biased views to influence the direction of the findings and conclusions" (Yin, 1984, p.21).

Secondly, case studies provide very little basis for scientific generalization since they use a small number of subjects, some conducted with only one subject. Yin (pg.21) often raises the question "How can you generalize from a single case?". In the case of the MultiService case study there was practically no choice for the researcher due to the time constraint. "To capture the dynamics of a buyer-supplier relationship over the life-cycle would require the collection of longitudinal data over the relationship over several years. Since such longitudinal studies are very difficult to perform, researchers typically examine buyer supplier relationships at a single point in time. To overcome this challenge one can classify the relationship by the phase and use this information for quasi-longitudinal analysis" (Anderson, 1995).

Thirdly, Yin defines that case studies are often labeled as being too long, difficult to conduct and producing a massive amount of documentation. The danger comes when the data is not managed correctly and organized systematically. This was not a problem in the case study presented during this thesis as the Printing Category offered just enough information for the researcher to present.

Saunders et al. (2007, p.98) defined generalizability as: "the extent to which the findings of a research study are applicable to other settings". Kalof et al. (2008) pointed to doubt about generalizing the results from qualitative research studies. The researcher to avoid this from happening focused on the two main tactics to avoid generalizability stated

by Kalof and Denscombe.Kalof et al (2008) named two main tactics to achieve it 'clear description of the sample selection criteria' and 'rich description of the research site'. Denscombe (2002) added another tactic which is 'theory relevance'. Theory relevance was given an importance throughout the research. In the Literature Review the researcher focused on always presenting a combination of traditional literature on Sourcing and Procurement but also finding the time to select articles that show Sourcing & Procurement Trends that are relevant in today's environment. The case study was presented with as much relevant detail as possible so that the reader would enter the world of the research site and would understand the series of things that happened during the research period.

6.3. Scientific Contribution and Suggestions for further research

Supplier Lifecycle Management works from the premise that the supplier be considered as central to procurement activities and processes. The case study tries to enlighten and induce a theory from specifying the initial research questions until reaching closure in the following paragraphs.

The case study served as a write-up of the series of events that happened during the period the researcher was serving as an intern. As Yin states, "The essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or a set of decisions: why they were taken, how they were implemented, and what the result is". (1984, p. 11). From this point of view, the proximity to reality, which case studies usually entail and the learning process that applying the case study generated for the researcher will allow a deeper understanding of the subject in question. After reading the Case Study, the researcher anticipates that the reader remains more certain, if not convinced, that Supplier Lifecycle is relevant when implementing Category-Led Supply Management using a series of events and decisions to serve as an example and explore the reasons behind them.

By parting from a literature review and then discovering how in practice many of the theory and methodology is applied, the researcher was able to present a new insight on how supplier involvement early on in the Strategic Sourcing of a Category can bring benefits to a company. After going through the learning process and conducting a case study and having experienced a Category implementation, the researcher is able to comment on how to implement Strategic Sourcing processes. When faced with the question of how best to implement and embed a strategic sourcing program, the industry opinion would normally talk about key strategic supplier relationships while others might think about key stakeholders within their organizations and understanding strategic business requirements. The case study enlightened how all of these factors play part. How strategic sourcing was implemented to an indirect category and how the supplier played a key role in the transformation process, and the methodology and approach is general enough to be transferred amongst other categories.

The advantages of the case study method are its applicability to real-life, contemporary, human situations and its public accessibility through written reports. Case study results relate directly to the common reader's everyday experience and facilitate an understanding of complex real-life situations. With the subject of generalizability in question, regarding "the extent to which the findings of a research study are applicable to other settings"(Saunders et al., 2007, p.98), the research methodology used, and the Strategic Sourcing process can be applied as a Case Study to any other Category. To a certain point, as a case study it is so close to reality that the researcher wondered if the process of evaluating the supplier's role in the Strategic Sourcing process and then elaborating a Lifecycle for the Supplier Relationship for that particular Category could be applicable to other scenarios (Categories in other companies in particular).

As a further research, the researcher suggests to continue studying other categories, whether they are direct or indirect, and to evaluate the importance that suppliers play depending on the type of Category. By developing a Lifecycle Model for each type of Category, it would become easier to compare and contrast the difference in the Lifecycle depending on the type of product or service being sourced and how deep and long should the lifecycle be. This way, lifecycles and supplier involvement can be easily visualized depending on the type of Category, and would help refine the Lifecycle each Sourcing Category entails. Additionally a more detailed study of the critical factors that lead to good Supplier Relationship management would complement well the studies carried out in this thesis. As this case study focused more on itself and less in the industry trends or the general Sourcing and Procurement practices, a multiple case study where practices are compared across the same or different industries would bring new insights on what are, and what are not, the best Strategic Sourcing practices and the most effective Supplier Relationships.

7. Appendixes

7.1. The Consulting Company: Accenture Additional Information

Accenture focuses on a "high performance business" strategy that combines deep industry knowledge, knowledge, service-offering expertise and technology capabilities. Their expertise focuses on three main areas: Consulting, Technology, and Outsourcing. Accenture helps client perform at a higher lever and create long-lasting value through the entering of new markets, increasing revenue in current markets, improving operational performance and delivering current products and services in a more effective and efficient manner.

The Strengths of Accenture are identified as follows:
- Extensive industry expertise.
- Broad and evolving service offerings.
- Expertise in business transformation outsourcing.
- History of technology innovation and implementation, including our research and development capabilities, on which we spend approximately $300 million annually.
- Commitment to the long-term development of our employees.
- Proven and experienced management team.

Operating Groups

The Accenture Operating groups consist of the wide range of industries the different Accenture Operating Lines Serve. The five Operating Groups comprise 19 industry groups which focus on their respective industry evolution and business issues and dynamics. The Five Operating Groups are the following:

Communications, Media & Technology: Communications, Electronics and High Tech, Media and Entertainment

Financial Services: Banking, Capital Markets, Insurance

Products: Automotive, Air, Freight & Travel Services, Consumer Goods & Services, Industrial Equipment, Infrastructure & Transportation Services, Life Sciences, Retail

Resources: Chemicals, Energy, Natural Resources, Utilities

Health & Public Service: Health, Public Sector, Non-profit, International Organizations, Non-governmental Organizations (NGOs).

Accenture Management Consulting

Accenture Management Consulting offers specialization in different Consulting lines that can deliver tailored solutions to the specific needs of every client in their respective industries. The Management Consulting Lines are specified below. This thesis work was performed on the Operations line of the Management Consulting area of Accenture, and the clients that were analyzed were all clients of the Operations Line of consulting.

Accenture Consulting
•Analytics •Business Process Management •Change Management •Cloud Services •Customer Relationship Management •Finance and Enterprise Performance •Global Delivery •International Delivery •Mergers, Acquisitions and Alliances •Mobility Services •**Operations** •Risk Management •Smart Grid •Strategy •Sustainability •Talent and Organization

The Operations Line

The Operations line works with clients across a broad range of industries to develop and execute operational strategies that enable profitable growth in new and existing markets. Combining skills in supply chain strategy, sourcing and procurement, manufacturing and design, planning and fulfillment can help organizations transform their operational capabilities, and implement innovative solutions that can optimize their local and global operations. In order to have an Operational transformation, companies need the right mixture in structural and execution changes of their operations involving changes in people, processes, technologies, and organizational designs. Accenture works with its clients across a broad range of industries to address key business issues such as:

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- Quantifying and optimizing levels of product and process complexity

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- Integrating technology and process excellence
- Exhibiting flexibility when responding to unpredictable market shifts
- Increasing productivity without impacting headcount
- Managing costs efficiently and effectively
- Decreasing supply chain talent gaps and turnover

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