

# Wired into the Board

Procurement at Computer Sciences Corporation's UK division delivers real business value and exerts a strong influence at board level – just ask its CEO

By Geraint John

It may not quite have been a done deal, but at an intellectual level, at least, the decision had been made. In 2005, the UK division of global IT services firm Computer Sciences Corporation (CSC) was prepared to outsource a significant part of its services operation to a third party. The company's Chief Executive didn't see it as a core part of its business and neither did his Executive Board colleagues. Conversations with a potential partner's CEO had taken place and all that remained was to work out the precise terms of the arrangement.

But the deal, which could have been worth £300 million over seven years and involved the potential transfer of over 500 staff, never happened. Why? Because, having looked at it closely over a period of several months, CSC's procurement team concluded it was the wrong thing for the company to do. In similar circumstances, some procurement directors might have balked at delivering this bad news. However, for Nick Caller the fact that he was able not only to go back to the CEO, Keith Wilman, to deliver his verdict but also have it accepted is a measure of the influence procurement now has at board level.

"Keith was very keen to pursue the opportunity; it would have been good to have outsourced it at that particular time," says Caller, Procurement Director for CSC's northern region (UK, the Netherlands and Ireland) based at its European headquarters in Aldershot, near London. "He asked us to go away and explore the deal, to solidify the reasoning and the rationale behind doing it, and then to close it."

As a company in the outsourcing business itself, CSC has a natural inclination towards "onsourcing" work to suppliers, notes Lee Rimmer, associate Director of Procurement – especially when it regards the work in question as a relatively

low margin, commoditised service like "break fix" as opposed to the high value-added data centres and project work that generate around half of the \$2 billion annual revenues that Wilman is responsible for. So how did Caller persuade him that this non-strategic, albeit necessary and customer-facing, service should remain in-house? "By presenting him with the facts and showing him that there may be a different answer. It was too big a decision to make a mistake. There was a cost element to it, as there always is, but mainly it was about risk. Was it the right choice of partner for us? In the short to medium term it made a lot of sense, but would it be a deal that in two, three or four years we would be happy with, and that would suit where our business would be at that time? We didn't feel it was the right answer."

## The CEO's Perspective

For his part, Wilman acknowledges procurement's role in challenging the deal. "You can pay for maintenance or you can buy a warranty," he explains. "By looking at market trends we found that because [computer] equipment was becoming increasingly reliable, having the guarantee of a man there who could pop up and fix a fuse or whatever was a comfort level you didn't need. What you need is something in between [that and no service at all]. That's the kind of thing our procurement people can tell us."

But blocking sub-optimal deals is only one dimension of procurement's influence at CSC; Caller's team, which numbers 28 strategically orientated staff (transaction processing having been moved into a separate shared services centre), is also expected to play a key role in identifying opportunities to manage the business better. One example is recruitment, where it worked closely with colleagues in human resources to bring together a disparate spend of over £30 million a year.

CSC now has one supplier handling all of the firm's resourcing needs across Europe, from advertising vacancies and organising interviews to confirming appointments, for both permanent and contractor positions.

Wilman certainly wants procurement to take cost out. CSC focuses on large-scale IT deals worth anything between \$20 million and \$500 million a year over a period of up to 10 years, and around 90 per cent of the external spend managed by procurement is on behalf of customers, whether it's hardware, software or services. So anything procurement can do to keep CSC's own costs down feeds directly into the company's margins. The IT industry's downturn since the dotcom crash has only raised procurement's importance here. At the same time, Wilman recognises that "there's a limit to what you can get in terms of cost savings" (especially when its key suppliers include global giants such as IBM, SAP, Oracle and Microsoft). "We're forever tasking procurement to do more," he says. "Nick and his team know that they have to go beyond price and look for added-value services. They have to get quite creative." Warranties that obviate the need for constant on-site maintenance personnel – and transfer risk back to the manufacturers – are a prime example.

Wilman adds that he expects procurement to be involved early in the decision-making process, and that he has personally fostered an environment where treating the function as "second-class citizens" is no longer acceptable. "If I'm buying a data centre, I need to know that the procurement guy is part of that discussion," he says. "I don't need a situation where he gets to find out afterwards. We might be doing something similar in another country or on another account, and he can connect up the organisation."

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One practical step Wilman took to ensure this happens was to give Caller a seat on the company's operating board, which has responsibility for day-to-day issues, when he became Procurement Director three years ago. It was the first time the function had been invited to the table. And in the past 18 months, procurement managers have also joined the operational review boards that run individual sectors, lines of service and key customer accounts.

But as well as providing tactical benefits, CSC's executive board also sees procurement's value as strategic. "Increasingly we're into the classic manufacturing choice of make or buy," says Martin Coombs, the CFO and Caller's boss. "Some of the things we do here are quite leading edge, so we have to test whether there's an appetite to do this among our supply partners and what the cost might be over a period of time. The onus is on procurement to step up to the plate and better the business case."

CSC's preference for long-term supplier partnerships means that collaboration and joint projects, whether they be of the cost-out or revenue-generation variety, are high on procurement's agenda. "The relationships we have with the vast majority of our suppliers are now at the CEO level," says Caller. "A few years ago Keith would meet his peers at companies like BT and IBM alone. Now he takes us along with him." Procurement also gets involved in customer-facing situations, whether it's convincing potential clients that CSC's costs are well managed, providing advice on specific requirements or suppliers, or being part of bid teams where cost savings and other targets are hammered out. "Because we are involved in the initial bid," he explains, "we can influence what our own contract is going to look like."

## Room for Improvement

Clearly procurement has come a long way in CSC's northern European business under Caller's leadership. He has built up trust and credibility at the CXO level and ensured that "missed opportunities" for the company are kept to a minimum. He has even created a four-day course specifically focused on influencing senior executives. But do he and his team have the degree of influence he would like? "No, we don't," he replies honestly. "I think we've made a massive step. Do I think we could continue to influence more? Yes, certainly."

One area where relationships could be further improved is with business unit heads, particularly those in consulting and transformation services – something Wilman has made a procurement function objective. "Keith wants us to be more in the face of his direct-line senior executives, challenging them like he challenges us," says Caller. He also wants to influence more people at lower levels within the organisation and those working on smaller accounts. "I want to have earlier engagement across the business. Because of the size of the company relative to the size of my team, there are still areas that we're involved in too late. You can add just as much value there as you can on the multi-billion-pound opportunities."

Another key priority over the next 12 months is Europe. As well as his responsibilities in the northern region, Caller also has a governance role for EMEA as a whole, such that procurement heads in countries such as France and Germany have a dotted reporting line to him. Some early work has been done to share best practices and buy collectively through pan-European deals – as in the case of the single resourcing provider – but this is still at what he describes as the "discovery phase".

Caller and Rimmer accept that in attempting to build a European procurement organisation, the need to overcome a host of business, cultural, political and other differences will really put their influencing skills to the test. Key suppliers will also need to be brought on board and win the trust of internal stakeholders before CSC's European board gives the strategy its blessing. "We are not going to just go and sell what we've done in the northern region," Caller explains. "It's going to be about understanding their individual marketplaces and their different requirements and business objectives. I am very confident that the door will be open, but if we're not careful it will quickly be slammed shut."

Indeed, empathy is one of the tips that both men suggest to their peers who are seeking to increase their influence. Others include delivering the fundamentals, being open to ideas from non-procurement specialists and being passionate and confident about the way you communicate with people at all levels (see checklist, below).

"I think the biggest hurdle for a lot of procurement people is being confident enough and having the common sense at points of high pressure," says Rimmer. "Nobody in CSC tells us we can't do something, but you have to get off your backside and come up with solutions. Although the business may push back, it will also now listen. You need credible, professional people with influencing skills to work in that kind of culture."

## 10 Tips for Building Influence

Nick Caller, CSC's Procurement Director for Northern Europe, and his Associate Director, Lee Rimmer, suggest the following advice for increasing your influence at both the senior management and operational levels:

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1. Establish your credibility. Focus on what you're good at and what the business will see as your success. Never forget what underpins the value you deliver. You've got to deliver the P&L benefit
2. Develop trust. You've got to demonstrate tangible delivery and it's got to be transparent as well. Being seen as a trusted adviser is key
3. Learn from your colleagues. Procurement doesn't have a monopoly on procurement ideas. Most board members of companies will have a lot of great ideas. Get outside your comfort zone and forge relationships with people who understand the things you don't
4. Understand the business. Business empathy – understanding what the business goals are – is essential to your success. People will come to you if you understand and respect their business needs
5. Know your audience. To get people to listen, you've got to understand what kind of personality they are – how will they react to being challenged? Do they make snap decisions? Or do they want you to leave things with them for a week?
6. Do things for the right reasons. You've got to have substance behind what you're trying to achieve and you've got to believe in it. If you pick a fight and win it, be sure you have done it for the right reasons. That instils trust.
7. Don't be afraid to make mistakes. If you've got the hearts and minds of people and the sponsorship, making a mistake is acceptable. But learn from it
8. See your users as allies. Know when is the right time to bring users and executives into negotiations. Don't make decisions in isolation, take the business with you, thereby ensuring you've got their buy-in
9. Be clear about your purpose. CPOs don't always say why they want more influence, or what the purpose is. It's not just about improving the perception of a department; it's about adding tangible value to the business
10. Be passionate and confident. If you can demonstrate passion and confidence, you'll find it a lot easier to win the hearts and minds of others