



zerochaos

Customer:  
**US provider of digital cable television and telecommunications**

Corporate Profile:

Founded 1962

Annual Revenue \$9B in 2010

## THE ZEROCHAOS THEORY:

## The benefits of taking control of a Statement of Work program.

### The ZeroChaos Theory Results

By eliminating all vendor bias from the procurement process and leveraging our industry-leading technology, the ZeroChaos Managed Service Provider program provided this customer with:

- **Greater transparency into all aspects of the supply chain**
- **Improved economics**
- **Increased quality of contingent resources**
- **Enhanced operational effectiveness**
- **Decreased risk**
- **Improved effectiveness of project managers**

### Background:

A client since 2007, this major communications company headquartered in the southeastern US had realized significant savings with our Managed Service Program (MSP) and Vendor Management Solution (VMS). In 2009, they approached us to help them gain transparency in spend in order to better manage their entire contingent workforce across all requisition types, including those service providers engaged under a Statement of Work. Accounting for millions of dollars each year, this represented their largest contingent spend area.

### The Challenge:

Following initial discovery, a number of significant challenges presented themselves. These included:

- ▶ **Limited visibility into spend.**
- ▶ **Compliance exposure.**
- ▶ **Misclassification of workers.**
- ▶ **Lack of cost and accounting control.**

### ZeroChaos Solution:

By taking the time to understand the client's current processes and working directly with them, we were able create a solution that not only met their needs but also greatly exceeded their expectations. Highlights included:

- ▶ **Module added to track SOW projects and manage that spend.**
- ▶ **Independent contractors vetted through software with dual compliance expert review.**
- ▶ **Controls put in place for proper classification of SOW workers vs. staff augmentation.**
- ▶ **Real time expense recognition to support accounting requirements.**

### The Results:

The results have been so positive, the client is implementing the program in every location for a total program size of \$400M annually!

- ▶ **Millions of dollars that hadn't been tracked are now being managed through customized SOW module - now that costs are understood, suppliers can be ranked and competitive bids sought, bringing costs down considerably.**
- ▶ **Compliance exposure is eliminated and workers properly classified.**
- ▶ **Accrual system is in place and expenses recognized when incurred.**

“The ZeroChaos MSP/VMS solution has provided increased visibility and control over our Statement of Work program spend. This has ultimately improved our strategic planning and influenced our policy decisions for service provider optimization, program compliance and cost save measures.”

- Senior Manager, Strategic Sourcing

### The Full Success Story

In 2009, the Senior Manager of Strategic Sourcing approached ZeroChaos with a request. Given the ever growing size, blend – and geographic distribution of their contingent workforce – the organization saw the need to gain transparency in spend to better manage its entire contingent workforce across all requisition types, including those service providers engaged under a Statement of Work. As a trusted partner, they asked us to customize our MSP program by enhancing our service delivery modules and VMS Technology to fit their specific business needs.

Upon the completion of our initial discovery, it became clear that the following challenges existed:

- Because staff was circumventing the procurement stage, there was no holistic view of SOW service procurement spend, making it impossible to optimize the usage of service providers across the enterprise and garner competitive pricing.
- In terms of 1099 classification and compliance, the organization was exposed to significant employment and financial risks that required a way to properly vet independent contractors and other service providers.
- Work engagement types were being misclassified. As an example, sometimes SOW engagements were misclassified as staff augmentation, and vice versa without visibility to manage the engagement relationship appropriately.
- The client's screening and on-boarding processes were ineffective. Controls needed to be put in place to hire and equip new workers for optimum results while protecting the client's assets and intellectual property.
- Security and administration processes were lacking without controls over workers access to buildings, systems, intellectual property and equipment. This left the company vulnerable to losses and prompted the need for clear on-boarding, provisioning and de-provisioning processes for all worker types.
- An accrual Accounting system necessitated expenses be recognized prior to invoicing (which could take weeks or months). A module needed to be added to track expenses as incurred instead of as paid. Cost code allocation was also required to ease reconciliation complexity.

### How Success Was Achieved

ZeroChaos conducted workshops to review each of the current steps in the service provider engagement process, identified gaps in those processes and worked hand-in-hand with the client to design our technology development roadmap. A little over a year later, a fully customized program was rolled out incrementally at the client's corporate headquarters, making it possible for them to manage service procurement in conjunction with the existing staff augmentation program. An MSP compliance solution that included 1099 evaluation, service provider vetting and SOW classification was also deployed. In the first year alone, \$16M in SOW spend was put under management to include 237 engagements and 76 client project managers.

### Game Changing Results

By 2011, the new SOW module had 85% adoption without a mandate. The results were overwhelmingly apparent:

- Visibility into \$80M in annual service procurement spend.
- 27% decrease in service providers added as strategic decisions were driven by reporting visibility.
- In one year, 570 SOW projects were created and over 30 service providers vetted and screened.
- \$350K in annual savings realized through elimination of misclassification of engagements.
- More than 1,000 service provider workers were screened, on-boarded, and tracked through project tenure.
- ZeroChaos Accounting tools improved spend management and supported \$7M in monthly expense accruals.

The Senior Manager also received well-earned kudos from the company for her foresight in understanding the cost savings that could be achieved by working with the right partner.