

EXECUTIVE SUMMARY

# Driving Business Value Through B2B Outsourcing

Improving Business Performance,  
Trading Partner Satisfaction,  
and B2B Capabilities

RESEARCH BACKGROUND BY GXS™



STANFORD GLOBAL SUPPLY CHAIN MANAGEMENT FORUM  
October 2007

# Driving Business Value Through B2B Outsourcing

## IMPROVING BUSINESS PERFORMANCE, TRADING PARTNER SATISFACTION, AND B2B CAPABILITIES

By Barchi Gillai and Tongil Kim

### Executive Summary

Over the years, as the need for more inter-company data transactions grew, so did the inefficiency of manual means of communication, such as phone, fax, or email. Consequently, companies started using B2B solutions<sup>1</sup> to automate information exchange with their trading partners. Such solutions provided them with the means to exchange with their trading partners a higher volume of data more frequently, and at a higher degree of accuracy. Initially, the implementation and maintenance of the B2B solutions was conducted in-house, by internal IT personnel. But as business networks became exponentially more extensive and complex, managing these solutions internally became too burdensome for a growing number of organisations. The increasing number of data formats and communication protocols used by different trading partners further intensified the hurdles associated with B2B collaboration. To overcome these challenges, some companies started handing over the management of portions or all of their B2B solutions to external service providers. B2B service providers can help manage and coordinate B2B activities across different platforms and across different parts of the supply chain, thus reducing the complexity and coordination problems in intra- and inter-enterprise collaboration.

The benefits of B2B outsourcing have been acknowledged and studied in a number of studies, but only a limited number of studies attempted to quantify the magnitude of the technical and business benefits of working with an external B2B service provider. The goal of this study was to fill this gap by identifying, and as much as possible quantifying, the benefits related to technology, business processes, and human resources, which have been realised by companies that have outsourced at least a portion of their B2B operations.

The study was based on information received from 25 companies, which come from a number of industries and vary in their size, past B2B capabilities, and other characteristics. All participants are currently outsourcing at least a portion of their B2B operations to an external service provider.

We collected information related to improvements in technology, business processes, and people. The inputs provided by the participating companies clearly demonstrate that B2B outsourcing can be of much value, regardless of the particular company characteristics. The benefits reported by participating companies are listed below. The numbers in parenthesis are the percent of participants that reported each of the benefits:

### Technology

- **IT infrastructure:** higher B2B technical capabilities (83 percent); reduction in spending on IT infrastructure: hardware, software, legacy systems, and network charges (26-46 percent, depending on the category); reduction in data processing time (46 percent); reduction in redundant/overlapping B2B platforms (33 percent).

<sup>1</sup> B2B solutions are defined by Gartner as "multi-enterprise/business-to-business (B2B) infrastructure" used to exchange data and link business processes between a company's internal applications and systems and those of its external business partners—i.e. customers, suppliers, logistics providers, financial institutions, etc.

- **Risk management:** higher predictability of B2B IT costs (71 percent); increase in B2B system availability (58 percent).
- **Roll-out of B2B e-commerce:** reduction in time to set up a new B2B connection (63 percent); reduction in number of trading partners waiting to get on-boarded (42 percent).

## Business Processes

- **Efficiency:** increased traceability of B2B transactions (70 percent); reduction in time to develop support for new technologies and/or standards (64 percent); reduction in time spent on manual transactions (57 percent); ability to focus on higher value business objectives (48 percent); higher data quality (48 percent); increase in utilisation and extended capabilities of core systems (45 percent); access to data that was previously not available (26 percent); reduction in payment cycle time (18 percent).
- **Trading partner satisfaction:** increase in number of value-added services provided to trading partners (57 percent); increase in customer satisfaction (50 percent); increase in supplier satisfaction (35 percent).
- **Supply chain management:** higher inventory visibility (39 percent); reduction in frequency and/or duration of shipping delays (30 percent); reduction in excess inventory (26 percent); reduction in frequency of cancelled/returned orders (22 percent); reduction in the frequency of shortages/stock-outs/back orders (13 percent).

## People

- Reduction in Full Time Equivalents for internal development of B2B solutions/connections, trading partner support, and internal operations/support (50-59 percent, depending on the category); higher productivity of internal IT resources (57 percent); higher availability of B2B support around the globe (52 percent); reduction in internal B2B training costs (32 percent).

Overall, B2B outsourcing was a positive experience for the vast majority of the participating companies. All participants were able to realise annual costs savings higher than the required annual investment, with the average level of annual benefits being 2.45 times higher than the annual costs. Furthermore, for all but one of the participants the benefits they realised met or exceeded their expectations. Half of the participants felt that B2B outsourcing provided their organisation superior capabilities. When managed wisely, the benefits achieved through B2B outsourcing may help a company to improve its position in the marketplace.

It is important to note that at least some of the benefits listed in this report are not achieved automatically. Rather, the ability to realise the more indirect benefits depends on how well a company makes use of the resources that were freed up and the additional information it gained access to through B2B outsourcing.

## Research Background

For many years, business process outsourcing (BPO) has been identified as a strategic trend for many industries. As an organisation exclusively focused on business-to-business (B2B) e-commerce, GXS recognised a unique opportunity to address the substantial barriers and obstacles plaguing our customers' ambitions to optimise their supply chain and better serve their customers. For much of this decade, we have committed ourselves to combine nearly 40 years of domain expertise and our global reach with significant investments in technology, capabilities and practices.

Earlier this year, GXS explored opportunities to conduct a ground-breaking study on the business and technical benefits of global business-to-business e-commerce outsourcing. The key research questions to be addressed included:

- What are the elements of business value realised by companies that outsource B2B operations, where possible quantifying the level of benefits realized?
- What is the Return-on-Investment (ROI) associated with B2B outsourcing as it compares to other B2B initiatives?
- What are the best practices in B2B outsourcing that have contributed to achieving these results?

GXS was looking for a partner with global capabilities, supply chain expertise, and a strong commitment to leading edge research. Stanford University's Forum on Global Supply Chain Management (the Forum) was a perfect fit. The Forum is a program in partnership with industrial organisations that works to advance the theory and practice of global supply chain management. As a leading research institute in the area of supply chain management, Stanford's Forum seeks to identify, document, research, develop and disseminate best practice as well as new innovations in this area in order to advance teaching and research in global supply chain management.

The following report successfully addressed each of the research questions above and is the result of many long hours of research, analysis, and insight from the team at the Forum. We hope you find the report to be a valuable source of information detailing the business value created through B2B outsourcing.