



The Supply Chain Connection

RESEARCH ARTICLE

Business Value of B2B Outsourcing

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This article summarizes a study that has been completed recently by the Stanford Global Supply Chain Management Forum, and focuses on gaining a better understanding of the value of B2B outsourcing, based on the experience of companies that already outsource at least a portion of their B2B operations. Those who wish to read the full report summarizing the study can download it from the [Forum website](#).

Introduction

Over the years globalization, and the growing number of business partners the average company interacts with, intensified the need for more inter-company data transactions. With it came the realization that manual means of communication, such as phone, fax, or email, are becoming more and more inefficient. Consequently, companies started putting in place B2B infrastructure¹ 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 organizations. The increasing number of data formats and communication protocols used by different trading partners, as well as the development of different standards across industry and geographic regions, 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 outsourcing² 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 realized 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 size, past B2B capabilities, and other character-

¹ According to Gartner, "Multienterprise/business-to-business (B2B) infrastructure is used to exchange data and link business processes between a company's internal applications and systems and those of its external business partner." Source: Lheureux, B.J. et al., "Taxonomy and Definitions for the Multienterprise/B2B Infrastructure Market," *Gartner*, April 2007.

² B2B outsourcing refers to the combination of outsourcing the technical B2B infrastructure as well as the people and processes necessary to manage the B2B infrastructure and trading partner connections.

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istics. All participants are currently outsourcing at least a portion of their B2B operations to an external service provider, so the information they provided the research team was based on their actual experience.

Key Findings

Overall, B2B outsourcing was a positive experience for the vast majority of the participating companies. For all participants, the annual benefits/costs savings they were able to realize were higher than their required annual investment. The level of annual benefits realized was quite significant among the participants, from a minimum of 1.4 times the annual cost to as high as 4 times the required annual cost, with the average level of annual benefits being 2.45 times higher than the annual costs (see Figure 1). Furthermore,

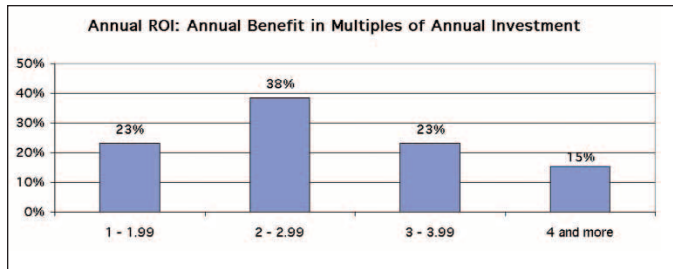


Figure 1: Annual Benefits/Cost Savings of B2B Outsourcing vs. Annual Investment

all but one of the participants reported that the benefits they realized met or exceeded their expectations. In addition, half of the participants felt that B2B outsourcing provided their organization superior capabilities. When managed wisely, the benefits achieved through B2B outsourcing may help a company to improve its position in the marketplace.

As for the more detailed benefits 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 following is a summary of some of the more significant

benefits associated with B2B outsourcing, which were reported by participating companies. For a detailed discussion of all the information collected in the study, please see the full report available for download at the Forum website.

Technology:

- 83 percent of participating companies increased their technical capabilities and flexibilities, including, for example, the ability to support more document formats and communication protocols, with the percent improvement reaching an average of 75 percent;
- 26-46 percent of participants reduced their spending on IT infrastructure: hardware, software, legacy systems, and network charges;
- 71 percent of participants saw an increase in the predictability of B2B IT costs, and 58 percent improved their B2B system availability;
- 63 percent of participants reduced the time to set up a new B2B connection, and 42 percent experienced a reduction in number of trading partners waiting to get on-boarded.

Business Processes:

- 70 percent of participants increased the traceability and accuracy of their B2B transactions, and 48 percent reported an increase in the quality of data they receive from their trading partners;
- 64 percent of participants reduced the time to develop support for new technologies and/or standards;
- 57 percent of participants reduced the time spent on manual transactions, and 48 percent reported an increase in their ability to focus on higher-value business objectives;
- 57 percent of participants were able to increase the number of value-added services provided to trading partners, 50 percent experienced an increase in customer satisfaction, and 35 percent reported an increase in supplier satisfaction; and

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- Participants reported a number of benefits related to supply chain management, including higher inventory visibility (39 percent of participants), reduction in frequency and/or duration of shipping delays (30 percent), and a reduction in excess inventory (26 percent).

People:

- 50-59 percent of participants reduced the number of Full Time Equivalents for internal development of B2B solutions/connections, trading partner support, and internal operations/support; 57 percent saw an increase in the productivity of their internal IT resources; and
- 52 percent of participants experienced higher availability of B2B support around the globe.

It is important to note that at least some of the more indirect benefits listed above, such as improved operational efficiency, better inventory management capabilities, and stronger relationship with trading partners, are not achieved automatically. Rather, the ability to realize those 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.