

A Quick Start to E-Procurement Savings: An Interview with Charles Findlay

When improving their supply chain, businesses too often limit themselves to solving problems or supplying quick fixes. While this sort of incremental change is fine, it restricts itself to just that – incremental change. Companies that wish to implement large-scale improvements need to rethink a wide variety of factors that impact their supply chain: procurement, fulfillment, cost-cutting, and embracing the Web. By changing methods and implementing change from the highest levels on down, companies can stretch their savings targets and rapidly implement improvements; the key to this is “thinking big, starting small, and scaling fast.”

What value can clients expect by transforming their procurement methods?

Many of our client organizations are aggressively working to stretch savings targets of 20% or more. You can not just pull those kind of cuts out of thin air. Significant savings on this scale need radical change and the quickest and simplest starting point is a major rethink of procurement activity. Supply chain costs often account for 75% of a typical company's operating budget. By changing the way they buy, leaders in this field have been able to achieve savings of 10–30% per billion spent on indirect goods and services. Benefits frequently fall into a number of categories. They include reducing price paid by consolidating purchases across an entire enterprise with suppliers who can deliver with the lowest total cost of ownership, reducing the cost of buying by streamlining processes to enable business users to self-service their own demand, buying less and better by proactively influencing business buyers to buy what they need from preferred suppliers, managing suppliers better through real-time feedback provided from information automatically generated as a byproduct of day-to-day transactions and finally growing revenue by then offering procurement with complementary service offerings to potentially increase profitability and effectiveness.

Companies are not willing to invest in lengthy implementations – particularly with rapidly evolving technologies. How do you address this need for speed?

Past experience has shown that it can take up to six months to implement just the first phase of a new e-procurement solution, and full roll-out can last between 12 and 18 months. This time period simply does not comply with the rapid speed at which our clients' marketplaces are changing, or indeed with the ideals of CEOs and financial directors!

To address this need, Andersen Consulting has developed a rapid implementation methodology for the implementation of Ariba e-commerce solutions. It catapults organizations forward, drawing on experience from previous engagements to implement Web-enabled e-procurement solutions. We work with our clients for about 100 days to complete an initial, limited-scale implementation that may generate early benefits and serve as a foundation for rapidly deploying the full solution across the organization. In parallel, the organization can prepare for the full roll-out by developing the business case and implementation plans.

Charles Findlay is a partner in the Andersen Consulting Supply Chain Practice, responsible for the Northern European region. He also sponsors Andersen Consulting's e-procurement work across Europe. His expertise is the development of supply chain strategies across a number of industries, with an emphasis on the impact of e-commerce on supply chains.

Do clients use the methodology to kick-start operations in their entirety, or is it more of a step-by-step implementation?

Our approach is very much a first stage implementation. It provides some early benefits which help later in the full global roll-out business case and satisfy the client's finance directors who initially invest in the program. These early benefits are essential to gaining the full support of the client's senior management team. It is then from this building-block foundation that a rapid deployment of the solution across the organization can take place. We describe this as "thinking big, starting small, and then scaling fast." So the initial 100 days of implementation concentrates on client sites within one country. Selecting one or two of the most efficient and streamlined client sites we select 50-100 sympathetic and progressive end-users. Selection of the end-users is a critical step in the process. We like to have a combination of straightforward and complex customers who are also comfortable embracing new methods. This initial implementation is also limited to 3-5 suppliers, which maximizes the usage of a few catalogs by selected users, enabling some benefits at even these early stages.

What happens during the 100 days?

The Andersen Consulting approach addresses critical path implementation issues such as integration with enterprise resource planning systems, automated approvals and work-flows, punch-out

capabilities, purchase card integration, content catalog integration, and connectivity to vendor and supplier networks. There are three phases in the program. The first, analysis and design, includes a supplier summit, conference room pilot, and communication and awareness planning to prepare the client organization. During the installation and configuration phase, software is installed, user interfaces are configured, and business rules are developed. Integration to existing legacy systems is included only where this is practical, in terms of technical, application, and process considerations, in the time available. If it is not included, an alternative prototype linkage is developed to demonstrate this critical element of any final plans. The final phase, build-out and deployment, includes legacy system integration as required, supplier integration and catalogue development, and product acceptance testing.

A key element of this approach is that it provides a benchmark to support the calculation of business benefits and costs for the full-scale implementation. We may also assess other opportunities, such as the need to rationalize the supplier base.

Such a program must take up a great deal of time and resources. What resources are required to support an such an initiative?

The Andersen Consulting rapid implementation methodology is designed to place minimal demand on internal and external resources. While the size of the team will

obviously vary depending on an organization's size and total spend, the average team in our implementations include between 10 and 15 full time equivalents consisting of client procurement professionals, vendor support personnel, and Andersen Consulting e-procurement specialists. It is essential that we arrive at a balanced resource team that fits with the clients requirements. As with the end-user selection, resource selection needs to be of the highest caliber.

Is there a final message you would give clients thinking of finding out more about e-procurement?

Yes. Too often supply chain initiatives start out simply as "problem solvers" or "quick hits." While there is nothing wrong with this approach, it does lead to small-scale improvements. Meanwhile, building the business case for large-scale improvements can take months. How do you get the speed and the impact at the same time? With our approach, you not only get a rapid foundation implementation which will ultimately result in large long term savings, you also get additional business benefits before the implementation stage is complete. This paves the way for a larger more aggressive roll-out program. Re-think procurement, safely embrace the Web, and dramatically cut costs at the same time.

Copyright©2000 Andersen Consulting LLP