



Infosys Builds Outsourcing Partnership in Mining Sector to Solve Procurement Labor Shortages and Integrate PO with FAO.

» HOW WE DID IT!

What happens in an outsourcing relationship when the two partners are willing to go beyond each of their comfort zones to solve an intractable problem? Answer: a win-win for both partners as well as the relationship itself.

This is the story of how Rio Tinto, a leading international mining group, and Infosys BPO, its outsourcing service provider, crafted a solution based on their faith in each other.

Infosys BPO had the hunger to penetrate new sectors, including the mining sector in the APAC region, states Asheesh Mehra, Head of BPO Asia Pacific, Japan and Middle East.

Rio Tinto had a problem: its growth led to a “significant shortage” of qualified people to recruit into its procurement department, according to Scott Singer, Head of Procurement. Outsourcing to Infosys extracted cost and added value to the processes (the usual suspects) but did not solve the original problem.



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RioTinto



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Today, two years into the relationship, the original driver to outsource still exists because Rio Tinto is still growing. The two partners, who now know and trust each other, came up with an unusual solution. Infosys agreed to send 10 of its up-and-coming procurement stars to work in the global procurement department of Rio Tinto for six months to a year.

Project Palm

The outsourcing relationship began with Project Palm. In 2007 Infosys made a strategic decision to focus on the Asia-Pacific marketplace, according to Mehra. A veteran of the BPO business, he moved from Chicago to Melbourne to build the service provider's BPO practice across APAC. At the same time, Singer was moving from Connecticut to Brisbane to head the procurement efforts for the mining company.

Rio Tinto had difficulty hiring both procurement professionals and transaction employees in many of its key markets but especially Australia, notes Singer. The company, which Singer calls "a large, complex organization," processes 2.5 million purchase orders a year. The procurement executive, who had outsourcing experience, looked to India to solve its labor needs.

The mining company had a second objective: it also wanted to create an offshore Center of Excellence.

In June 2008 Rio Tinto put out an RFP for Project Palm, a sourcing and procurement deal. "We wanted a service provider that would become an extension of our procurement department offshore," Singer explains. The mining company has a large number of procurement, buying and supply chain professionals in 50 geographies.

"Being called to the table to bid on Project Palm was exciting, especially after having lost a small piece of business to competition. The objective was very clear for us – focus on a solution that provides true value and a partnership," Mehra states.

The proposal included:

- » Bid management
- » Supply chain market research
- » Global indices
- » Master data management
- » Central expediting

This was a global proposal, performing the work for centers in Perth and Brisbane in Australia, Voreppe, France and Salt Lake City in the United States. Infosys won, even though it was "a new entrant in the procurement outsourcing space at that time. They won because they demonstrated they were willing to work with us. They had a strong partnering and business improvement orientation," says Singer. The fact that Infosys was strong in SAP was a plus, too, since the mining company was consolidating its IT with a global implementation of SAP.

Infosys knew it had to deliver on its promises. "Rio Tinto told us Project Palm was a showpiece. We had to prove procurement outsourcing worked. If we messed this up and didn't deliver as promised, it would discourage other outsourcing efforts at Rio Tinto. This outsourcing engagement had a lot riding on it," recalls Mehra.

The mining company was happy when Infosys saved 400,000 Euros in 24 hours when its workers identified a small process improvement in France.

By early 2009 the outsourcing was in a steady state. "We communicated well, monitored the deliverables closely and ensured we kept our promises," says Mehra. "The results showed our company outsourcing is the way to go. We said 'well done' and gave Infosys a pat on the back," adds Singer.

Project Beech: Combining procurement with finance and accounting

In September 2009 Rio Tinto issued a new RFP that combined sourcing and procurement with finance and accounting processes like accounts payable and expense management in a procure-to-pay solution. The mining company asked its two leading candidates to assemble a team and travel around the world with Rio Tinto executives to craft a solution together.

"We are a transaction-intensive organization," Singer continues. He points out procure-to-pay includes a lot of data elements, any one of which can slow the process and create inefficiency. Tying the two processes together is the key to eliminating problems. "Infosys is playing an integral role in streamlining work,"

The service providers visited the mining company's offices in Australia, Canada, France, Singapore and the UK.

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Once again, Infosys won the deal. It currently provides these services in Pune, India; Lodz, Poland; and Monterrey, Mexico.

Mehra says Infosys co-located its employees on one floor in India when it merged FAO with upstream procurement outsourcing. "This synergy created a great opportunity for business transformation," says Mehra.

Just eight months in, Infosys is already "streamlining the process and providing continuous improvement," says Singer.

For example, Rio Tinto wanted to reduce the number of invoices blocked for payment by the system. Because the partners merged the process, Infosys can do a root cause analysis immediately and solve any problem. "This is possible because we do both price file maintenance and invoice processing in Pune," he explains.

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Today Infosys runs two of the mining company's 10 global procurement centers, processing 3,500 invoices a day. The partners use a hybrid model. For example, one of its biggest purchases is hydrocarbons like diesel fuel and lubricants. Rio Tinto retains ownership of category management, but Infosys handles vendor and market analysis to support the category managers.

On the other hand, Infosys has now taken over less strategic categories like office supplies and print management.

The proposal included:

- » Savings: \$500,000 a year in sourcing spend
- » A reduction in cycle time
- » A reduction in invoice back log
- » Standardization and enhancement of processes and on-boarding new business units on the common process design
- » Integration of Rio Tinto's procure-to-pay process by looking at end-to-end service levels and exploring synergies
- » A focus on business metrics as opposed to stand-alone process metrics (Instead of looking at the number of days it took to process the invoice, the focus is to track the invoice payments within the payment terms, thereby maximizing discounts, minimizing penalty interests and adding to vendor satisfaction).

"The intangible benefit is creating a unique cross-geography work force that supports our growth," says Singer.

A novel solution

Rio Tinto still has labor shortages in a number of geographies. Singer approached the Infosys executives and asked if the service provider would put its "best and brightest" into his procurement operations for six to twelve months. "This helps me and it helps them by strengthening their procurement outsourcing abilities. Their employees will be stronger procurement professionals when they return home," he explains.

Singer says when he proposed this solution he realized it was not Infosys' normal business model. Agreeing "was a statement of their desire to support us and develop their skills." The first 10 Infosys employees in this program will be moving to Canada and Australia shortly.



Why this relationship works

Mehra says this relationship is successful “because both the organizations see a trusted partner in each other. This has fostered creation of seamless opportunities in building tomorrow’s enterprises. Besides this, we have seen cultural fit among ourselves, and this has helped us quickly solve any issues that surface,” says Mehra.

The relationship goes “way beyond the contract. It’s a mindset,” says the mining executive. Infosys wants to understand the mining business, he continues.

Singer says the mining company wants to continue “to integrate Infosys into our business.” He copies Infosys executives on every communication to his team. “I treat the Infosys staff like they are my own staff,” he says.

He also visits the Infosys centers at least twice a year, and the Infosys team travels to Australia just as often. Last year the combined team averaged 75 trips. “Travel helps bridge the divide between geographies,” he says.

As this relationship matures, Singer says he hopes to add more knowledge-based work. In a partnership like this, anything is possible.



Scott Singer Global head of Procurement Rio Tinto

Scott Singer is the Global head of Procurement for Rio Tinto. He is responsible for implementing sourcing strategies, executing supply agreements and managing inbound supply chain for the Rio Tinto Group businesses. Scott is supported by a team of over 1000 people based at Rio Tinto sites across the world and regional office hubs on five continents. He is based in Brisbane, Australia.

Prior to Rio Tinto, Scott spent 19 years with United Technologies Corporation most recently serving as the Chief Procurement Officer. He joined UTC as an environmental engineer and served in a number of operational and staff positions at UTC Corporate and within the business units including Pratt & Whitney, Sikorsky Aircraft and Norden Systems.

Scott holds a Bachelor’s degree from the University of Rhode Island and two Master’s degrees from the University of New Haven, CT.



Asheesh Mehra Head - Asia Pacific, Japan and Middle East, Infosys BPO

Asheesh Mehra leads Asia Pacific, Japan and Middle East regions for Infosys BPO. He also manages operations for Infosys’ delivery centres at Manila, Philippines and Hangzhou, China. Asheesh is an outsourcing veteran with over 11 years of cross-industry, global sourcing experience. He has driven business transformation through outsourcing for several Fortune 500 companies.

He led WNS’ insurance BPO practice and was a member of the start-up management team at Msource, a pure-play BPO firm, part of the Mphasis Group. During his tenure at Msource, TCS Intelenet and WNS, Asheesh was instrumental in driving strategic initiatives in the areas of market penetration, operational excellence, organizational development, and transition.

Asheesh holds a bachelor’s degree in Hospitality from the Welcome Group School of Hotel Management, Manipal. He was conferred with “People’s choice for Personal Contribution to Industry - APAC” award by SSON in 2011 and “Thought Leader of the year - Asia” award by SSON in 2010.

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