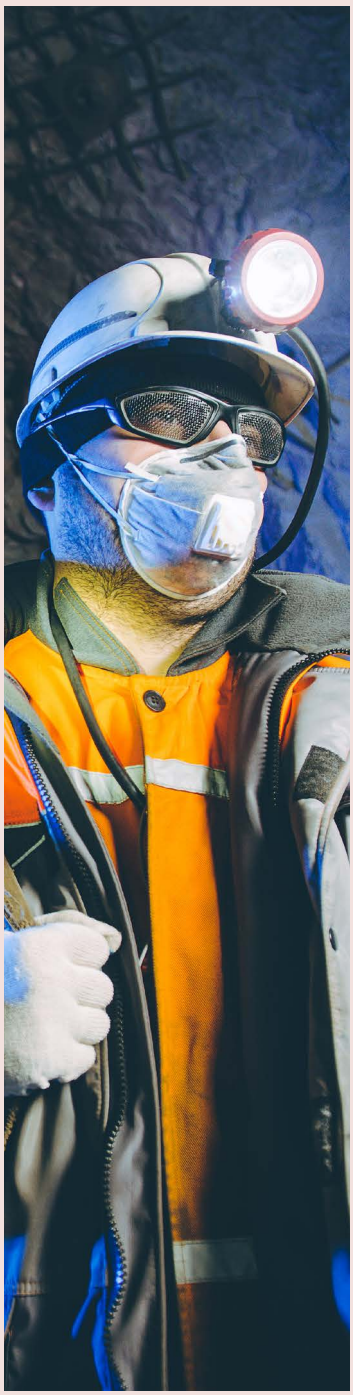
CASE STUDY



GOING FOR THE GOLD STANDARD IN SUPPLY CHAIN EXCELLENCE

Abstract

The Regional Procure-to-Pay Managers of one of the largest gold mining companies in the world were saddled with production losses and machinery downtimes caused by delayed supply deliveries by vendors. When they mandated Infosys BPM to transform their procure-to-pay processes, they not only gained a sharper competitive edge with a more efficient supply chain and ~ $13 Mn in annual savings, but also numerous industry awards hailing the impressive outcomes.

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Delays leading to losses

Eden Crowe is a Regional Procure-to-Pay Manager for one of the largest gold mining companies in the world, handling all its procurement activities in the Americas. In a meeting with two of his counterparts managing the Africa and Australia regions, Eden was surprised to learn that they all faced similar challenges.

Together, the three regional managers were responsible for managing all the procurement requirements of the company's ten mining sites spread across N. America, S. America, Africa & Australia. With billion of dollar in annual spends for over 32,000 purchase order (PO) line items per month, and a vast supplier base spread around the globe, meant that the entire supply chain was very complex. The primary challenge they faced was that of untimely deliveries by suppliers which reflected in low metrics for delivery in full on time (DIFOT). With over 50% of the PO line items having delayed deliveries, stock outs and delay in MRO materials (maintenance, repair, and operations) were common across the mining sites, leading to increased machine downtimes and production losses.

The procurement teams dealt with the delays by maintaining an increased number of safety stocks, but the downside was a corresponding increase in holding costs. At other times, critically needed non-stock items had to be shipped in expeditiously from suppliers which led to higher shipping costs overall. The often-delayed deliveries also meant that the procurement teams needed to constantly follow-up with suppliers and frequently modify purchase orders, all of which translated into a huge amount of effort.

Having agreed that these issues had put the cost-effectiveness and reliability of the company's supply chain at stake, they decided to seek the help of their long-term and trusted partner, Infosys BPM.

Exerting leverage to drive transformation

Jimit Shah, Infosys BPM's veteran supply chain transformation expert was soon in discussions with Eden to understand his procurement function's pain points. Then, he and his team sat together to brainstorm on improvement levers they could deploy and presented their ideas to Eden. As part of this, four improvement levers were proposed:

- Vendors to increase their acknowledgement of the purchase orders released by the company
- Increase coverage of materials under contracts to provide better control over spend and savings, while improving delivery schedule adherence
- Reduce the number of changes the procurement team made to released purchase orders, thereby reducing negative impact on further activities
- Improve the payment experience for vendors

With Eden and his colleagues' hearty concurrence on the plan, Jimit directed his team of transformation experts to set things into motion using advanced data analytics and process mining.

Approach summary

In the first phase of the project, Jimit's team focused their efforts on standardisation. They standardised the company's definition of DIFOT and its measurement methodology for ten global mining sites.

In the next phase, Jimit focused on analysing the data and insights presented by the near real-time dashboards. Using Ishikawa diagrams and advanced Celonis process mining technology, his team studied the root causes of the delayed deliveries by the suppliers. This involved analysing the PO rework and discovering actual as-is PR to goods receipt process to understand hidden inefficiencies and their impact on DIFOT.

The analysis helped identify two groups of vendors — the first with a low rate of PO acknowledgement and the second which scored high on PO acknowledgement but on the other hand also consistently missed DIFOT. The team also identified materials which had a high frequency of ordering but were not contracted. Also, analysing past/historical PO data helped to calculate the average delivery lead times at the material code level and the lead time required for a 95% service level, giving Jimit realistic lead times to be mentioned on contracts and POs.

Having identified the root causes, the last phase focused on prioritising the preventive actions needed and executing high benefit improvements and big projects. Jimit conducted discussions with the top vendors to contract and cover the high order frequency materials under SAP outline agreements. His team also developed bots over an RPA platform to reduce and expedite the efforts in creating and modifying purchase orders. These bots were also programmed to alert vendors of their upcoming due deliveries to help them improve the DIFOT. PO acknowledgement and rework were made a part of vendor performance scorecards to ensure active participation from vendors for improvement.

Since various stakeholders including vendors and buyers across the value chain contributed to the DIFOT performance, the team conducted several sessions to explain its importance to them separately. They also ensured the project's success through conducting regular governance calls with client supply chain teams and end users for relevant approvals required for DIFOT improvement, inputs, and to escalate any issues. Also, to realise positive movement on the transformation levers and to make the changes stick, the team used the ADKAR change management framework (awareness, desire, knowledge, ability, reinforcement) while delivering the solution.

Procuring benefits and securing rewards

The results of Jimit and his team's diligent efforts were soon apparent, and Eden was more than impressed by the outcomes. On the operational front, the transformation levers applied greatly improved the commitment of vendors to their delivery dates with the metrics for PO acknowledgement rising sharply from 80% to over 90%. Further, PO contract coverage also grew by ~10%, providing even more control over delivery schedule, and overall, the DIFOT saw a ~15% improvement.

Additionally, with fewer expediting requirements and bots automatically expediting forward dues without any manual intervention, Eden was able to reduce the effort equivalent of 7 FTEs, amounting to annual savings of ~$230,000.

Key benefits

- ~$11 Mn savings with reduced production losses and machine downtime
- ~$1.2 Mn savings with decreased safety stock and holding costs
- $500,000 savings with minimised shipping charges
- ~$230,000 annual savings with manual effort reduction
- DIFOT improved by ~15%

These tactical outcomes in turn delivered several strategic benefits. Due to the timely delivery of critical spare parts, production losses and machine downtime was reduced, enabling an estimated annual savings of $11 Mn. In addition, safety stock levels and holding costs shrunk by 3% due to reduction in lead time variability, resulting in annual savings to the tune of $1.2 Mn. Lastly, expedited shipping incidences reduced by 3% and resultantly shipping charges by 2%, amounting to $500,000 worth of annual savings.

Eden and the other two regional procurement managers jointly met Jimit to express their appreciation of the project's beneficial outcomes at the company level. The improved supplier DIFOT had made the supply chain more reliable and efficient providing a competitive advantage over competitors. Also, the reduced inventory holding costs, shipping fees, and production losses had helped to significantly strengthen the organisation's bottom-line. It's no wonder that soon, this hugely successful transformation garnered numerous appreciations, both within the company and across external global forums.

**Names have been altered to preserve the identities of the people involved.*

For more information, contact infosysbpm@infosys.com

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