

Infosys transforms sourcing for a leading Japanese conglomerate, delivering over USD10 million in identified savings



Abstract

Infosys has been a key partner in the procurement transformation roadmap for several clients. In many cases, these include the implementation of ERP systems such as Oracle, SAP, Ariba and more. As a part of the implementation, we are often requested to implement a proof of concept (PoC) for adopting the tools and best practices. In our experience, merely implementing these systems is not enough - organizations require spend visibility, sourcing strategies, execution plans, and best practices such as use of reverse auctions to fully leverage the technology. In the manufacturing sector especially, external partners or service providers have had limited influence so far due to change management issues and hence, operations remain largely internal - but our experience shows that by carefully implementing sourcing best practices, coupled with change management - a specialized service provider can help achieve higher savings and other efficiencies. Here, we present a case study that shows how we helped one such company derive maximum value from the implementation of procurement technology.

Our client is a Japanese conglomerate and a recognized global technology leader largely in the APAC region. Infosys devised a customized sourcing strategy for the company to maximize value post implementing the technology and best practices, leading to higher adoption and savings. We also helped them generate multiple benefits by providing sourcing and e-Auction support during the pilot implementation and developed standard operating processes for reverse auction, for driving further adoption and encouraging newer ways of working in the long run.



When switching from the old to new is necessary

While the technology change initiative was driven from the client headquarters, its five business units across five locations operated independently in a decentralized procurement model as regards the policy, process and technology landscape. This decentralized model gave rise to four key challenges:

- 1 Few common practices amongst the business units and limited or no process documentation in sourcing
- 2 No tracking of common spend categories across the business units leading to missed spend aggregation opportunities
- 3 Lack of centralized market information on suppliers and contracts across business units and regions coupled with purchase transactions in multiple languages that created a barrier to leveraging the information for the best cost country for sourcing
- 4 Lower adoption of reverse auctions as a tool for supplier selection and negotiation

The path to change: Reverse auction pilots

- We identified two ASEAN countries to adopt new sourcing methodologies, especially reverse auctions, based on the consolidated spend analysis done by us during the pilot. We further developed category strategies, identified sourcing projects and popularized e-Auctions as the negotiation strategy. In addition, our team carried out the following activities
- Obtained buy-ins for a common procurement policy and process for the pilot's spend in scope
- Identified over 100 projects within the scope of the pilot and prioritized across common spend categories
- Analyzed existing relevant contracts from the legacy procurement system to understand the requirements, the commercial and legal terms and conditions
- Developed and got buy-in from the business units for the Master Services Agreement (MSA) Framework for aggregated volume buying
- Developed a sourcing strategy, selection

and evaluation criteria for each project based on in-depth market research, spend analytics, and inputs from a cross-functional team of experts across business units

- Developed sourcing templates for request for proposal (RFP) and reverse auctions and set them up in Ariba Sourcing
- Executed and evaluated RFPs followed by reverse auction to identify the best suppliers for each project
- Negotiated and executed MSAs for each project

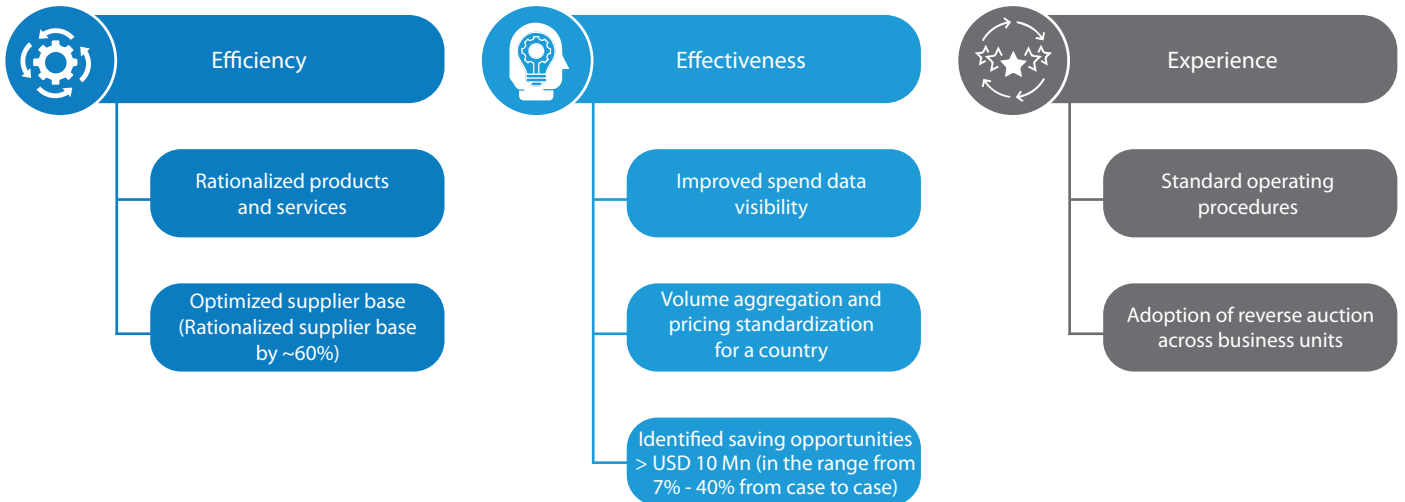




The value

The pilot demonstrated the following benefits of fully leveraging the reverse auction process in Ariba Sourcing:

- a) Consolidated spend data visibility and spend volume aggregation for common categories across the region for better outcomes
- b) Rationalized product and services requirement across business units in the region with MSAs where the business units can leverage the consolidated spend
- c) Optimized supplier base to ensure supply continuity and value delivery
- d) Standardized operating procedures for reverse auction



For more information, contact askus@infosys.com



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