How eSourcing reduced procurement cycle time and cost for a global technology company

Client
A world leader in connectivity technology

Industry
High tech

Business need addressed
Higher savings and shorter procurement cycle times

Genpact solution
Design and setup of a best-in-class eSourcing process

Business impact
• Standardization and simplification
• Access to technology
• Cost and margin pressure
To find savings in its sourcing process, reduce procurement cycle times and accelerate cash flow, a global technology leader identified savings of $5.4 Mn and cut cycle times by 11% through eSourcing.

To improve efficiency within its procurement function, a global technology leader that designs and manufactures electronic connectors, components and systems, wanted to find additional savings in its sourcing process, reduce cycle times and accelerate cash flow. eSourcing had been implemented but had failed to deliver tangible results.

The company partnered with Genpact to reimagine its sourcing process and better leverage technology across the Americas, Asia Pacific, and EMEA.

The journey started with a benchmarking exercise to assess the company’s sourcing performance against its peers’ and then prioritize the recommendations with the global organization. As a result, the company chose to embed eSourcing as a primary focus to generate $5.4 million in savings in one year and cut procurement cycle times by 11%.

**The business challenge**

The technology firm had already implemented an eSourcing platform across its global organization but adoption was very low. Only 11% of the total spend went through the tool, versus an industry median of 25%. Genpact analyzed the process and identified that the company:

- Did not have a process or policy for the use of eSourcing
- Lacked senior management engagement and commitment to drive adoption
- Had limited knowledge of the tool, which led to misconceptions about ease of use
- Had no measurement system or governance in place

**Genpact solution**

Genpact addressed the challenge with a business-focused rather than technology-led approach. The first step was to understand the business outcomes and metrics that would signal success. By tightly aligning the possible transformation to these parameters, the project targeted areas that would have a material impact, and keep internal resistance, technology change, and data remediation to manageable levels.

Genpact worked with the regional commodity managers (in Asia Pacific, EMEA and the Americas), Global Commodity Directors, Regional Process Owners and the Global CPO to understand the challenges and identify agile and pragmatic yet effective solutions. Genpact delivery centers in Romania, India and China were chosen as the delivery sites.

**Process and policy redesign**

To support the company’s goals, Genpact addressed category management at a commodity level across the entire organization, defined thresholds and exceptions, and created eSourcing strategies that took into account regional and commodity nuances.

Genpact created templates for commodity-specific products based on its best practices and experience driving eSourcing for similar customers. For example, it helped the company adopt eSourcing for professional services by replicating best-in-class templates and organized workshops to educate buyers in different geographies on the benefits of eSourcing.
Change management strategy

Managing change is a significant part of any transformation initiative. To embed the sourcing improvements, Genpact focused on:

- Understanding the specific challenges for each commodity and region
- Involving all stakeholders when addressing the key challenges, in particular to ensure commodity managers understood the benefits eSourcing provides
- Providing supporting materials for communicating with suppliers
- Setting stakeholders’ expectations for eSourcing

Long-term use

To ensure long-term adoption, Genpact partnered with the client to establish a comprehensive eSourcing measurement system with a communication and governance strategy, and yearly targets per commodity group.

Business impact delivered

Through its expertise in procurement transformation, and knowledge of global category management and sourcing, Genpact worked with the technology firm to roll out eSourcing globally within six months. As a result, the company saw the level of spend going through eSourcing increase from 11% to 28%, which generated significant benefits including:

- $5.4 million potential cost savings in one year by designing and agreeing on a roadmap of projects
- Cycle time impact:
  - Median purchase cycle time reduced from 77 days to 69 days
  - For the 25% of purchases with the highest cycle times, Genpact reduced procurement cycle times from 160 to 103 days

The technology company now has efficient eSourcing applications that add true value to the business.
About Genpact

Genpact (NYSE: G) stands for “generating business impact.” We design, transform, and run intelligent business operations including those that are complex and specific to a set of chosen industries. The result is advanced operating models that foster growth and manage cost, risk, and compliance across a range of functions such as finance and procurement, financial services account servicing, claims management, regulatory affairs, and industrial asset optimization. Our Smart Enterprise Processes (SEP℠) proprietary framework helps companies reimagine how they operate by integrating effective Systems of Engagement™, core IT, and Data-to-Action Analytics℠. Our hundreds of long-term clients include more than one-fourth of the Fortune Global 500. We have grown to over 67,000 people in 25 countries with key management and a corporate office in New York City. Behind our passion for process and operational excellence is the Lean and Six Sigma heritage of a former General Electric division that has served GE businesses for more than 16 years.

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