

To improve spend control and demand visibility, a global financial services firm launched an in-depth initiative to overhaul its procurement function with increased expertise in strategic sourcing.

Business challenge

In a fragmented, decentralized environment for sourcing and indirect procurement, the client had multiple process inefficiencies leading to excess costs. The interrelated issues included:

- No clear demarcation of roles and responsibilities between the business and sourcing organization
- No standard policies or procedures to limit non-contracted and maverick buying
- Limited knowledge of the cost elements related to spend within specific categories
- Long sourcing cycle times compared with industry benchmarks
- Low spend through catalogs owing to limited technology and enablement

To increase spend under management, the procurement organization focused on category rationalization and ownership. In addition, it needed appropriate metrics and tracking systems to improve contract visibility and vendor management.

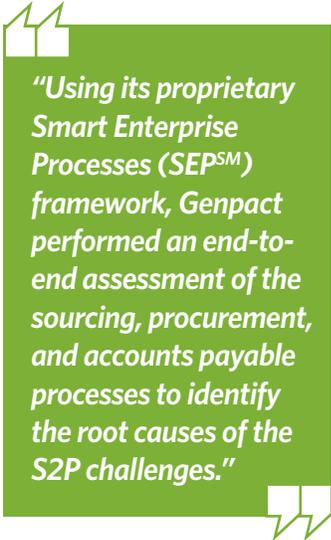
Genpact solution

Using its proprietary Smart Enterprise Processes (SEPSM) framework, Genpact performed an end-to-end assessment of the sourcing, procurement, and accounts payable processes to identify the root causes of the S2P challenges.

The situation called for more than a simple transactional approach. A full transformation of the S2P process was designed to create a profit and value center in a streamlined environment. Genpact worked with the company's team to develop a roadmap for ongoing process improvement, increased sourcing effectiveness and control, and further savings.

The activities in the roadmap enhanced the organization's ability to evaluate suppliers, request information and proposals, and negotiate contracts in both strategic and some non-critical spend categories. The key processes addressed included:

- **Contract management** – analysis of spend, demand, contracts and invoices; stakeholder alignment; roll-out and support for quotes, or requests for proposal or information (RFx); the creation of sourcing, pricing, and negotiation strategies; and the establishment of a benefits calculation and reporting framework
- **Sourcing management** – category-specific methodologies and templates for the RFx process, timelines for supplier responses and negotiations, and performance measurement and risk assessments
- **Tail-end spend management** – curtailing spend leakage and moving towards preferred or contracted vendors
- **Catalog management** – analysis of products and services eligible for catalogs; supplier identification and rate negotiations
- **Accounts payable channel standardization** – product and service categorization and supplier classification
- **Vendor management** – guidelines and conditions for vendor onboarding approvals, parameters for vendor performance measurement, and identification of preferred vendors



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Genpact's analytics capabilities also gave the company clearer insight into the performance of its processes through:

- Key indicators on spend, demand, contracts, accounts payable, and supplier performance
- External research data on primary categories and industry benchmarks
- Guidance on how to interpret the results and make them actionable
- Support in negotiations with suppliers on discounts and contract length

With Genpact's input, the firm established policies and procedures to increase sourcing control on addressable spend. It also created a new methodology to negotiate contracts and create preferred supplier lists, which was a cornerstone of the broader vendor management strategy.

Genpact brought its extensive category management expertise to support contract negotiations. Various categories contributed to savings early in the initiative, such as travel, printing and stationery, and temporary employment. Others addressed later included marketing, conferences and events, and IT consulting.

Changes to the organizational structure helped reduce the company's workload, increase coordination among buying centers, and create a balance between strategic and tactical work.

Business impact

The firm achieved directly measureable savings of \$7.7 million within seven months of launching the initiative. In the same timeframe, it reduced the supplier count for accounts payable and raised the effectiveness and efficiency of its sourcing and procurement processes. The benefits during this first phase included:

- Saving \$7.7 million across indirect spend categories
- Increasing spend under contract from 43% to 52%
- Raising catalog penetration from 2% to 6%

- Creating a new catalog management framework and identifying over 100 suppliers for cataloguing
- Reducing the tail-end supplier count by 52%, which is valued at \$2.1 million
- Cutting sourcing cycle times from 36 weeks to 16 weeks
- Improving contractual terms and contract penetration, which delivered actual benefits of 6% of addressable spend

In this early phase, the project had a 7x return on investment, and generated significant benefits relative to the total procurement spend and potential savings. By achieving a large and rapid payback in the early stages, the organization was well positioned to take on new initiatives.



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The revitalized sourcing and procurement organization gained capabilities to increase transaction volume and create leverage for future work with vendors. Genpact applied a number of benefit levers, including:

- Rate negotiations
- Demand management
- Spend consolidation
- Supplier rationalization
- Process efficiency and effectiveness

Other less quantifiable benefits were equally important. The organization's new vendor management strategy includes strategic spend categories, such as consulting, which aligns procurement more closely with the business' overall goals.

Finally, the transformation initiative has also opened the door to new procurement opportunities. By combining other business entities into a consolidated sourcing unit, the company can build on its expanded capabilities and extend the value generated across the enterprise.

About Genpact

Genpact (NYSE: G) is a global professional services firm focused on delivering digital transformation for our clients, putting digital and data to work to create competitive advantage. We do this by integrating lean principles, design thinking, analytics, and digital technologies with domain and industry expertise to deliver disruptive business outcomes – an approach called Lean DigitalSM. We deliver value to our clients through digital-led, domain-enabled solutions that drive innovation, and digital-enabled intelligent operations that design, transform, and run clients' operations. For two decades we have been generating impact for clients including the Fortune Global 500, employing 77,000+ people in 20+ countries, with key offices in New York City, Palo Alto, London, and Delhi.

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