Building a centralized procurement center: How to standardize processes and increase compliance during a ‘phased’ global ERP platform rollout

One of the world’s largest crude oil and natural gas energy companies partnered with Genpact to undertake a three-year ERP migration and process standardization program. Procurement and supply chain improvements resulted in increased compliance and data/process standardization across multiple regions and business units. The client’s key need was cost management while managing risk and compliance, along with a successful change management program.

Genpact approach

Genpact coupled its proprietary Lean Six Sigma framework with its procurement and supply-chain expertise to drive value across client operations. It supported a phased ERP platform implementation across regions and business units, using an engagement model based on a robust governance structure. This model included monthly regional meetings and quarterly reviews with all regional process owners, as well as an annual strategic business review with the CPO and other CXO-level leadership to secure agreement on future plans.

Genpact solution

Genpact started with simple rules-based processes before moving on to more complex and strategic ones. In 2010 and 2011, the first wave of transition and early engagement in the North Sea and North America regions incorporated Master Data Management, Purchase to Pay, and sourcing support activities. The scope of these services were significantly expanded and extended to operations in Norway, India, Canada, and the Middle East — ultimately, all under a single operating structure. From the outset, Genpact’s engagement with the client’s steering committee helped create a more robust change-management mechanism, which helped to head off major adoption issues. The key process-standardization elements and dimensions Genpact deployed were as follows:

- **Standardization and centralization of transactional processes**
  
  Client operations initially lacked compliance checks, standard processes, and specific guidelines for operational procurement. An approved vendor list (AVL), records of inventory availability, and free text catalogue items were either nonexistent or not followed. In addition, receipt issues with third-party-managed warehouses and reporting capabilities without a single repository meant further inefficiencies. During the ERP implementation, Genpact addressed these problems by designing
The client lacked universal standards and guidelines for supplier pre-qualification management. Without a central, consolidated supplier database, the company routinely experienced issue-resolution and delayed turnaround time (TAT). Genpact streamlined the supplier registration process, cleaned up the supplier database, and improved the supplier training and communication strategy. It also helped design and standardize the procurement process and workflow, established a standard operating procedure for contract drafting with set guidelines, designed a rigorous quality audit process, and established reporting capabilities to capture the service level agreement (SLA) and TAT. These improvements standardized the sourcing process, established an end-to-end tracking mechanism, and enhanced the contract and vendor management processes.

Standard and consistent risk assessment process

Although it was a world leader in oil and gas exploration and production, the client lacked a standard process and specific guidelines for supplier pre-qualification management. Without a single repository for pre-qualification and assessment findings (for assessments that were in process or completed), multiple assessments were conducted—regardless of a vendor’s validity status. Genpact designed a standardized risk assessment process that used the Ariba tool as a single repository and established reporting capabilities for the entire sourcing process. These improvements resulted in a simpler vendor on-boarding process, increased management efficiency by one central team, and automation of the assessment process.

Standard material mastering process with strong focus on data governance and validation

The client lacked universal standards and guidelines for material mastering. Material was often mastered with incomplete details, data standards were incorrectly classified (resulting in duplicate items being procured outside of the system), and increased inventory costs, expedited orders, and equipment downtime all added unnecessarily to costs. Genpact applied complete and consistent item descriptions, a robust duplicate identification mechanism, standard structuring of data, and consistent use of a standardized dictionary. With these solutions, multiple description formats were avoided and the new format made items easily searchable, accurately structured, and easy to purchase.

Genpact’s clean, standardized, consistent, and duplicate-free data increased compliance, helped avoid safety and operational risk, avoided false stock-out messages, and reduced procurement and inventory carrying costs. Genpact’s shared service expertise was key to forming a global shared service center. Its Master Data Management capabilities helped cleanse and enrich regional ERP data while adhering to a global process template and helping regional business units transfer to the global process. In the first three years of this effort, Genpact:

- Become the sole authority to create, maintain and delete item master records.
- Removed 16% of Material Master Data with inaccuracies.
- Reduced vendor Master Data setup time by 33%.
- Helped enhance the client’s data dictionary with standard definitions for global use.
- Increased data compliance by increasing data accuracy from 48% to more than 98%.
- Ensured more than 20,000 vendors were correctly set up in the procurement system.
- Cut PO process time from 54 to 24 days.
- Decreased rework on requisitions more than 30% by creating templates.

Today Genpact manages centralized procurement for the client’s global operations.

Road ahead

With the “Center of Excellence” delivery model, Genpact is the end to end service provider for this client as it rolls out process standardization to new regions in the Middle East and Africa, and continues expanding into new sub processes through 2016.

About Genpact

Genpact Limited (NYSE: G) is a global leader in transforming and running business processes and operations. We help clients become more competitive by making their enterprises more intelligent: more adaptive, innovative, globally effective and connected. Genpact stands for Generating Impact for hundreds of clients including over 100 of the Fortune Global 500. We offer an unbiased combination of smarter processes, analytics and technology through our 60,000+ employees in 24 countries, with key management based in New York City. Behind Genpact’s 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 15+ years.

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