

Strategic Sourcing with SAP SRM

Company

The case company is the world's leading provider of large-bore diesel engines for marine and power plant applications. The company designs two-stroke and four-stroke engines, generating sets, turbochargers, CP propellers and complete propulsion packages that are manufactured both by the case company and its licensees. The engines have outputs ranging from 450 to 97,300 kW of power.

The case company employs over 7,700 staff, primarily in Germany, Denmark, France, the Czech Republic, India and China. The global after-sales organisation, PrimeServ, comprises a network of the company's own service centres supported by authorised partners.

Challenge

The background of the project was a number of challenges experienced by the case company's procurement functions in relation to their sourcing process:

- The supply base was far too large
- The supplier portfolio was imbalanced – There were too many non-value adding suppliers and too little focus on value-adding strategic suppliers
- Sourcing was primarily carried out in the home country – Three of four locations placed a major part of their external spend in the home country
- The use of cross-group suppliers was limited

- The use of low cost regions was limited
- The variation in pricing, lead times and payment terms was considerable

In order to improve the situation significantly, a large programme with the following main focus was initiated:

- Organisational re-alignment
- Standardisation – in terms of data, processes and policies
- Group-wide coordination of sourcing to achieve leverage and cost savings
- Harmonisation of information systems – information systems are scattered and under-utilised with a significant need for harmonisation and implementation
- Strategy and structure

As part of the programme, a new information system with global and standardised processes was needed as quickly as possible. This case description deals with the latter part of the programme.

Diagnosis

The company's Group Procurement needed one common IT system based on common standard processes. At the same time, the existing ERP-systems had to remain possibly unchanged. The project should affect them as little as possible. It should be an integrated system covering sourcing, procurement, financial settlement and supplier management. Some of its requirements were knowledge sharing and reporting on all contracts.

By making it possible for all suppliers to share knowledge the number of suppliers needed should be reduced.

The objective was “no-paper in purchasing” – in other words indirect spend should be based on catalogues and all purchasing should be based on electronic documents. Furthermore, this initiative was to provide the infrastructure for significant cost savings.

Solution

As solution an SAP SRM-system together with BI-reporting was chosen. The SRM-system links the different ERP-back end systems, and is the single point of entry for all strategic sourcing experts.

The supplier master data is replicated from the ERP-systems to SRM, and is consolidated within the SRM-system as a master. Inactive supplier master data are archived, and duplicates between ERP-systems are eliminated by using DUNS-numbers. The product master data is replicated from all systems as well.

The following processes are supported by the SRM-system and the BI-reports:

- Spend analysis
- Supplier evaluation
- Supplier qualification including a selfregistration process and RfI-processing
- Supplier negotiation with RfQ and auction processes
- Contract management using global

Strategic Sourcing with SAP SRM

outline agreements with contract distribution to local ERP-systems (see Figure 1)

across sites and systems. Their daily work is carried out more effectively and more easily by use of user-friendly tools with a web based interface, a fast

Lower unit prices are achieved through:

- Several levels of negotiations, including various RfX-processes and reverse auctions
- Combination of volumes across the company group
- Access to proven suppliers of other parts of the organisation

Already shortly after go-live with the system, the case company managed to gain significant savings by conducting an auction for an important commodity.

The future supply can be secured with contracts and the degree of coverage can easily be monitored. This is particularly important to critical materials in a growth scenario.

Now a consolidated group reporting on aligned data and volumes exists, which can be carried out quickly and easily across the organisation

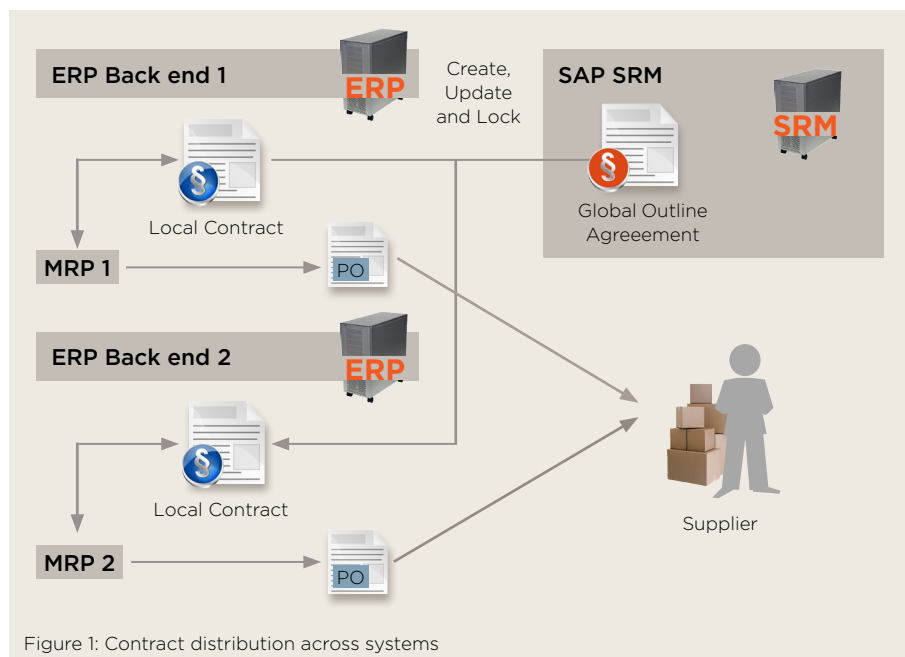


Figure 1: Contract distribution across systems

Result

The SRM-project enables an aligned group category management by sharing the sourcing process and data (supplier base, contracts, and volumes). The category managers and other personnel in strategic purchasing are considerably empowered by access to relevant processes and information

entry with Excel upload and automatic attachment of drawings, bills-of-material and other relevant documentation.

All processes are paperless. The communication with the supplier is carried out online and via e-mail, and thus also very quickly.

For more information, please contact

Henning Hopmann
+45 5138 7405
E-mail: hho@implement.dk