

Case Study

Delivering Greater Procurement Efficiencies

The leadership issue: How to transform the performance of Procurement, across a complex business.

Background

Our client is a £1 billion division of a global facilities management group. It comprises six semi-autonomous business units, together spending over £450m pa on materials and sub-contracted services. Each business unit was under revenue and margin pressure, especially those dependent on public sector work. As part of the drive to improve EBITDA there was a need to re-establish good procurement practices and deliver significant savings.

What we found

The business was split into autonomous Business Units, each with many types of customer contracts. There was no single picture of procurement spend or performance, making it difficult to benchmark against the external market. The procurement organisation itself had lacked leadership and was structurally as well as geographically diverse. Challenging Procurement & Supply Chain savings were already written in to Business Unit budgets and there was pressure from Group level to deliver over and above this.

What we did

- ◆ The starting point was initial analysis to size potential savings, with involvement of the Managing Director, Finance Director and Directors of the Business Units collectively, to agree a stretch target and give the programme their full support
- ◆ With the client team, we then created a definitive 'spend cube' and with it a single set of numbers. Rigorously developed with input from Finance, IT and the Business Units, the spend cube gave a comprehensive and detailed view of what was being spent where
- ◆ This enabled us to conduct a top-down and bottom-up analysis of spend at the category/supplier level, and agree with each Business Unit what was impactable. These potential savings were compared to budgeted revenue figures and differences reconciled and explained
- ◆ With the Business Units on-board and contributing to the process, we created and implemented a prioritised plan. This included a complete organisational re-design of the procurement function as well as the practical steps necessary to make significant savings
- ◆ We established systems to closely monitor and record the benefits as they were realised. Working with the business at all levels we supported the organisation as they moved to a new way of working

Results

- ◆ In-year cash savings of £8 million with a financial year exit run rate of £10 million pa
- ◆ A new operating model for procurement fully installed and driving sustainable benefits
- ◆ A significant element of capability development included as part of the restructuring
- ◆ Benefits made fully traceable within Business Unit Profit & Loss accounts
- ◆ The success of the programme significantly impacted the overall business results and company valuation

“On behalf of the business, the procurement team and me personally, I'd like to thank your team for their commitment and effort over the past 6 months. You leave us having materially assisted in the set up and delivery of some challenging targets within a culturally challenging environment. Good luck with the future and thanks again.”

Strategic Director, Procurement & Supply Chain