

Case Study

Strategic sourcing at one of the world's largest steel companies

Business Challenge

One of the world's largest steel companies had grown a great deal in recent years by acquiring other steel organizations. Not surprisingly, it found itself battling several problems common to enterprises that employ mergers and acquisitions as a growth strategy. For example, as it absorbed companies, it also absorbed their different procurement processes, as well as their suppliers. Additionally, the acquired companies usually featured disparate information technology systems, and lacked common item codes. The company's executives recognized the tremendous scope for streamlining processes and cost savings in Indirect and MRO Spend. As such, they set a goal to reduce sourcing costs by 10 percent. For an organization of such size, this reduction would constitute a considerable sum—and it would go straight to the bottom line. With that in mind, the steel company engaged Mahindra Satyam, an organization with a track record of end-to-end strategic sourcing success—from design through implementation and beyond. Mahindra Satyam employed an onsite-offshore execution model, which was designed to enhance performance and efficiency. The team featured several experienced strategic sourcing experts, as well as sourcing and data analysts.



Mahindra Satyam Solution

The Mahindra Satyam team's multi-pronged strategy began with the collection and examination of data about the steel company and its procurement procedures. Experts gathered information from 20 plants and more than 200 suppliers. All told, they cleansed, classified and analyzed more than \$100 million of spend data. This information enabled the team to identify and deploy the right sourcing strategy and negotiate more favorable terms with suppliers, taking advantage of the client's significant economies of scale.

Other elements of the solution included development of category-specific sourcing strategies, supply market analysis, and creation of total cost optimization models for key categories.

Moreover, Mahindra Satyam managed the "RFX" process, standardizing the way the steel company obtains materials with a comprehensive checklist. The team also created with help from the client's purchasing managers, a Bid Analysis tool that analyzes and simplifies even the most complex procurement scenarios. The tool is especially valuable for an organization that solicits bids from such a large group of suppliers, for an even larger set of items.

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Benefits

As a result of the program, the steel company's procurement efforts are significantly streamlined. Consequently, the company is indeed saving between 10 and 20 percent in its procurement, depending on the category. In fact, the total identified

savings for the organization was about \$15 million a year. The steel company is also working with far fewer suppliers, which streamlines numerous operations while reducing costs, as well as the tedious tasks involved with management of multiple suppliers.

Mahindra Satyam's Supplier Relationship Management Practice

Mahindra Satyam's Supplier Relationship Management Practice provides end-to-end solutions that keep purchasing costs down and enhance the value of supplier relationships. Our solutions include Strategic Sourcing, Spend Analysis, Sourcing Support and Analytics, Procurement Operations, Package Evaluation, Supplier Enablement, eTendering, Contract Management and EIPP. We also feature a powerful combination of deep domain knowledge, process expertise and cutting-edge technology to help companies realize savings and streamline operations.