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Face the Future with Confidence

Procure-to-pay transformation at offshore drilling company delivers savings of over $30 million

An offshore drilling contractor with operations on six continents was experiencing extreme delays in the procurement of goods and services, which also created payment processing challenges and high transaction costs to issue purchase orders and process invoices for payment. The problem stemmed from inefficiencies across the entire procure-to-pay (P2P) process — procurement, receiving, accounts payable, payment and accounting — as well as from poor master data. These processes were being handled within a heavily customized ERP system in which frustrating bottlenecks and delays occurred frequently.

This situation is not uncommon in the drilling industry, where the primary focus is always on production, not internal operations. The company had tried to remedy the issues but that had proven difficult, as changes made to fix one thing would often create new problems downstream or upstream. The company also lacked end-to-end process ownership to drive the needed change. Additionally, even when the lean organization developed solutions for the problems, they were never fully implemented as resources were pulled to other, competing projects. Eventually, the COO turned to Protiviti to help the company develop a holistic approach and fix the problem once and for all.

Like most successful transformations, this one began with an assessment — eight weeks of examining the entire process from end to end to understand dependencies and document challenges. The assessment also considered all current and planned initiatives occurring in the company that were impacting or could impact the current process. From that assessment came a comprehensive strategy, to be executed in multiple phases. The first phase involved addressing vendor master data problems, improving efficiency and automation of P2P processing, and redefining the organization structure and responsibilities. The next phase focused on identifying and delivering sustainable and significant cost savings through development of a strategic sourcing methodology, implementing supporting technology and conducting sourcing events to achieve savings for the company.
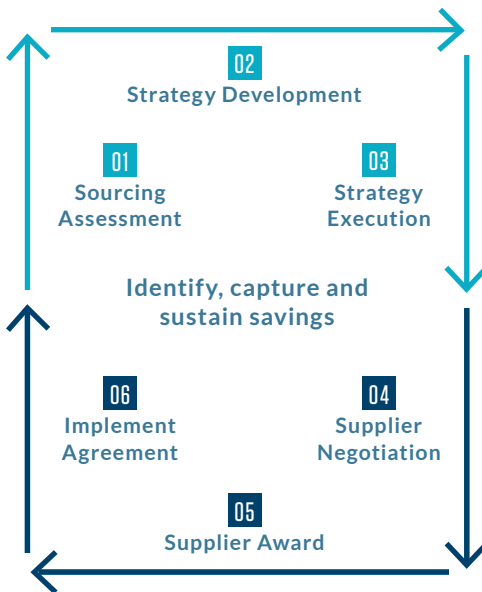
By focusing on master data integrity, process automation and a target operating model to enhance the organizational structure, governance and roles within the supply chain organization in Phase 1, we set the stage for the powerful sourcing capabilities and tools that ultimately delivered significant cost savings for our client. — Christopher Monk, Managing Director, Protiviti

Internal Audit, Risk, Business & Technology Consulting

Strategic Sourcing Framework

Strategic sourcing is a combination of elements that serve as the engine for capturing "real" benefits to an organization. These elements are fueled by spend analysis and sustained by category management.

Spend Analysis

- Spend database
- Spend classification
- Sourcing opportunity pipeline

02 Strategy Development

01 Sourcing Assessment

03 Strategy Execution

Identify, capture and sustain savings

06 Implement Agreement

04 Supplier Negotiation

05 Supplier Award

Category Management

- Contract management
- Supplier management
- Performance management

P2P Transformation

Transformation began with a process redesign using automation, including electronic data interchange and robotic process automation, to eliminate manual efforts, duplicative data entry and rework. Vendor master file records were cleansed using automated tools, and a vendor self-service portal was set up to allow vendors to update information, relieving the company of those tasks. Vendor selection, setup and maintenance were standardized, and all P2P policies were thoroughly documented. A new data governance model defined data ownership, utilization and responsibilities for ongoing maintenance. This broad automation effort improved system configuration and encouraged technology-enabled processes, such as electronic invoicing.

The new P2P function was organized under a single owner. The company developed job descriptions with staffing requirements and implemented KPIs and performance dashboards for P2P operations across the global enterprise. This created clear responsibility and accountability for the process.

With new automated systems in place, the company developed a new enterprisewide sourcing methodology and implemented new cloud-based spend analysis and e-sourcing tools. Leveraging these tools, Protiviti worked with the client to run nine strategic sourcing events utilizing a six-step strategic sourcing approach. Key benefits of implementing the technology included the ability to visualize and analyze spend while speeding up and automating procurement activities (RFPs).

Value Delivered

The company has achieved more than $30 million in savings from the P2P transformation. Of the total amount, $8.7 million was achieved by process cost savings, and an additional $21.4 million in spend savings arose from sourcing events enabled by the new sourcing tools and methodology. In addition to the financial success of the project, the company has improved the reliability and integrity of its transaction data, reducing invoice processing errors. The entire P2P process operates on standard KPIs and metrics globally. And finally, with enhanced reporting capabilities, the company now has real-time access to purchase order and invoice data.

Resistance to change can be one of the biggest obstacles to achieving transformative change. By embracing change, management increased the chances of a positive outcome and contributed to the project's ultimate success.

Training resources on the new processes and tools was key to delivering ongoing value. Protiviti trained the client on a comprehensive strategic sourcing methodology and developed a sourcing playbook and training materials to ensure standardization and to optimize the use of the new spend assessment and RFP tools. The training ensured that the organization could continue to benefit from the transformed processes without dependence on outside resources.

One of the keys to success in this transformation was early and unwavering support from company management, who recognized the need for change and put their wholehearted support into every phase of the project. Resistance to change can be one of the biggest obstacles to achieving transformative change. By embracing change in this case, management increased the chances of a positive outcome and contributed to the project's ultimate success.

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