

Tata Steel Group Benefits from Integrated Procurement Approach

Capgemini's Business Information Strategy techniques have helped the international manufacturer to build an integrated approach to procurement that gives users immediate, tangible benefits

The Situation

Founded 100 years ago, Tata Steel Group has grown rapidly through acquisition in recent years and is now among the top ten global steel makers. The UK company – formerly British Steel, then Corus – forms a major part of the group's asset base, alongside important operations in the Netherlands, South East Asia and India, where the group has its HQ.

Prior to its acquisition by Tata Steel, Corus had decided to replace its multiple UK legacy ERP systems with a single SAP ERP system. This meant a three-year change programme affecting 6-8,000 users across 50 locations, including 12 major sites.

With Tata Steel in the UK moving to SAP-based ERP systems, it became feasible to create a genuine UK-wide procurement organisation. The vision was to extend the scope for buyers to manage suppliers and negotiate national deals on behalf of the UK, with local buyers calling off against existing agreements. That necessitated new reporting mechanisms allowing buyers to view procurement as an integrated whole. Previously, assembling data from multiple legacy systems across the group had been a labour-intensive and error-prone process.

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Nick Reeks,
Group Development Director,
Procurement, Tata Steel Group



The Solution

However, just implementing a new ERP system was not going to provide that simple integrated view. Multiple source systems and the associated data integration challenges were still a factor. Data enrichment was needed. There were issues of data quality, master data management and data governance. A central challenge was that it was impossible to pre-define how the data should be analysed. Nick Reeks, Group Development Director, Procurement, Tata Steel Group says, “We wanted people to be able to look at spend in whatever way they needed to.” Capgemini’s experience of Business Information Management suggested a design in which all conceivable analyses could be provided by just eight reports. Within these, data could be “sliced and diced” across 25 variables, allowing users to generate virtually any view of spend.

The team successfully adopted an iterative development approach. “It took about 18 months of field testing to get it right – it’s only when you are actually using the reports that you understand where they or the data need further work.”

Supplier-related master data is now going through a similar standardisation process. Lee Ann Howells, Information Management, Procurement UK, explains, “Improving the visibility of vendors will make it possible to see, for example, where different business units are buying from the same company, which will improve our leverage in negotiating with them.”

Data cleansing has had cultural implications: to safeguard quality and avoid duplication, it’s necessary to restrict the number of people authorised to define master data. The key to acceptance has been to demonstrate benefits. Lee Ann Howells finds most people welcome the new approach once they

understand it can help them achieve their cost reduction targets. “Our plant buyers take the reports to team meetings to show how costs can be reduced by buying against existing contracts.”

The Result

Previously, producing a new procurement report used to involve a call to the IT Service Desk who would send the report a week or so later. Now, procurement staff can define and run their own reports by setting parameters, and can often get the information they need back immediately. Data can be presented in a variety of ways, including graphically. The system also automates the distribution of regular reports.

Virtually everyone in procurement now receives the tool’s outputs, and 35-40% of users now create their own queries. This impressive uptake is due not only to ease and speed of use, but also to promotion across the business via half a dozen “champions”.

The SAP project has successfully rationalised the master data, reducing 850,000 spare part items in the UK to 300,000, with consequent economies in purchasing. Nick Reeks says, “We have annual savings targets of about £100m across Tata Steel Europe. Those would be impossible to achieve without efficient, effective and accurate visibility of spend.” Internal data can be enriched with third-party data such as vendor risk ratings to allow better-informed purchasing decisions.

As well as improving its negotiating position, the group is obtaining further savings from inventory reduction. Business Information reports highlight duplication and excessive stock levels, helping to achieve targeted inventory holdings reductions in excess of £20m across the UK. With thousands of line items, this type of analysis wouldn’t be feasible with a spreadsheet.



How Tata Steel and Capgemini worked together

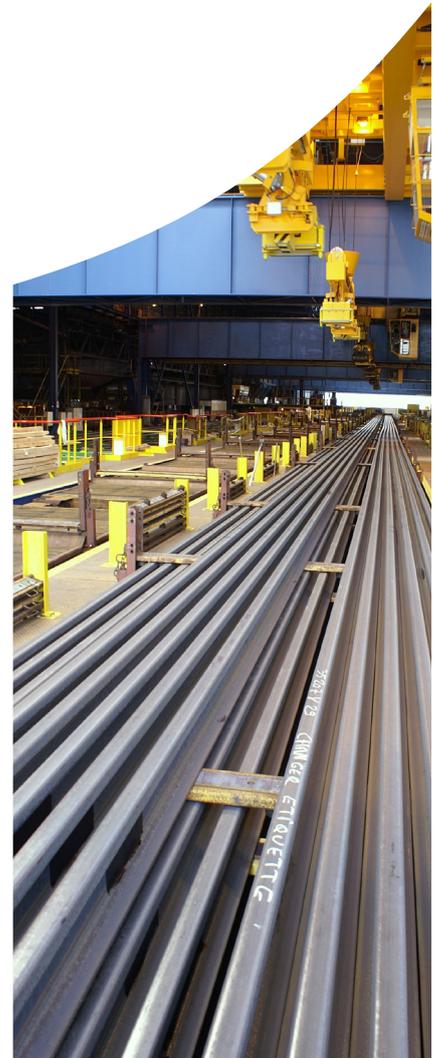
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Initially the approach was rolled out to the UK and the Netherlands. Now, with methodology and standards defined, it is easy to bring other parts of the group into the information cube. In recent months another European SAP system has been added, and work to bring in information from India Singapore & Thailand has just been completed. “The cost of adding more data to our existing cube is now low, though we do have to keep ensuring the quality of the source data,” says Nick Reeks.

Data needed to be drawn from half-a-dozen different systems, both legacy applications and SAP. Technically this task did not prove too demanding. Data cleansing, however, required significant effort and a major overhaul of coding structures as well as different record formats. “If one part of the company calls one item a ‘60 watt light bulb’ and another part calls it a ‘lamp 60w’, you end up with multiple records and multiple contracts for buying what is really the same item, which is both inefficient and expensive,” Nick Reeks says. “With support from our engineering teams, we’ve agreed radical changes to the way we refer to inventory items, and that has been crucial in gaining visibility into the detail of spend.”

In an industry with low margins, procurement represents an important source of savings. Every pound saved on procurement represents a pound on the bottom line, so it’s a pure benefit.

If you would like to find out more about this project, please contact: success.story@capgemini.com





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TATA STEEL

Tata Steel, established in 1907, is one of the top ten global steel companies with an annual crude steel capacity of over 28 million tons per year. Headquartered in Jamshedpur, India the company has operations in 26 countries and a commercial

presence in over 50 countries. The larger production facilities are in India, the UK, the Netherlands, Thailand, Singapore, China and Australia. The Tata Steel Group had a turnover of US\$26 billion in 2011 and has over 80,000 employees.

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