

This UK based client is the oldest steel company in the world with an illustrious history, its foundations laid in 1805.

With over 200 years of innovative experience in casting, forging and engineering, the current facility produces major items of capital plant in carbon, alloy and stainless steel.

With annual revenues around £71 million servicing world-wide markets for its heavy engineering customers, it continues to produce the largest steel castings and forgings in the western world.

The group exports over 70% of its products to 80 countries on 5 continents.

A world leader in the design and manufacture of offshore structural castings and forgings as well as producing super clean steels for critical components in petrochemical and power generation.

Key markets include pipe mould forgings up to two metres diameter, high performance steel castings for structures as well as components for materials processing, cement, mining, marine and paper industries.

A major field of current operations is the strategic resource for nuclear



## REENGINEERING THE PROCUREMENT FUNCTION

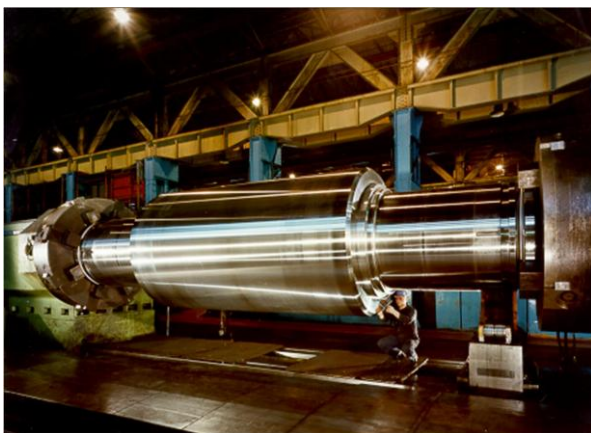
In their previous financial year, this client experienced a significant procurement spend of £80 million across the group in order to meet strict deadlines to demanding customers. Operating in a volatile market where the delivery of high quality, on-time product was critical, the focus on lower costs whilst retaining quality was put in the spotlight.

The client approached Mteq to assist in their efforts to control sustainable procurement spend to contribute in maintaining their position as world leader in their field.

### The Issues

Common issues were evident across the group comprising six business units operating self autonomously. Mteq worked with local management to maximise advantages through group leverage.

- No one person coordinated purchasing activity within a formal structure. All previous centralised functions had gradually given way to local initiatives.
- Buying activity was tactical by nature due to a lack of strategically trained resource.
- The £80 million spend was spread across 1200 different suppliers, mostly local.
- Management information on supplier spend had become fragmented across four independent purchasing systems.



## Solutions

Mteq provided a dedicated project management team, with appropriate subject matter experts working closely with the client to reengineer the procurement function to target 5% savings from addressable spend.

The following delivery approach was employed:

- Lean mapping of the four independent purchasing processes to identify waste, establish value add activities and consolidate activities through one robust system.
- Develop a centralised procurement function, with strategic and tactical layers to address the needs of the six business units.
- Recruited appropriate resource in the position of Procurement Manager.
- Introduced the concept of strategic buyers to source group wide solutions.
- The right people with the right skills were identified to populate tactical buying positions in each business unit under the direction of the procurement manager.
- Recommended a requisition process to control purchase requests.
- Installed savings targets against new categorisations of spend with each tactical and strategic buyer.
- Trained buying personnel in CIPS vendor approval, management and negotiation techniques.
- Rationalised the supplier base by 46% to reduce the long tail of low value spend.
- Developed a new procurement policy to encourage site-wide practice and control.
- Installed a new management control system to control all spend activity and produced effective reporting tools and review mechanisms.

## Outcomes

The client procurement team supported by Mteq successfully completed the project across six business units within a six month time frame delivering the following benefits:

- The client was positioned to control the procurement operation across the group to achieve significant savings from the addressable spend at a ROI of 10.5:1.
- Each business unit had clear procurement savings targets that contributed to their financial and operational goals.
- A centralised procurement function with strategic direction across the group provided structure and generated cross site cooperation in achieving common objectives.
- Simplified processes and one data management system enabled dedicated procurement personnel to make swift decisions on categorised spend based on accurate information in a controlled environment.
- Management Control System provided management with improved visibility of procurement performance through a suite of KPI's and enabled supplier performance to improve client service delivery.
- The client experienced a significant improvement in efficiencies and cost reductions as result of rationalising the approved supplier database.
- Significant behaviour change as result of CIPS training contributed to the client achieving the best possible contractual terms when re-negotiating current and future contracts.
- Modified behaviours around new process and management controls fostered a more collaborative relationship between client and their

suppliers producing further  
innovation and service  
enhancements.

- To embed perpetuation, detailed procedural manuals were provided to support client compliance.
- Sustainability of systems and behavioural change was reinforced by conducting compliance audits during the project.

*Savings arising during the projects are client sensitive*



For further information contact:

**Mteq WLM Implementation Ltd**

78 York Street

London W1H 1DP

Tel: +44 (0)207 6924820

Fax: +44 (0)207 6924821

[www.mteqwlm.co.uk](http://www.mteqwlm.co.uk)

Reg No: 5772345 Reg Office: Arcadia House Maritime  
Walk Ocean Village Southampton SO14 3TL

