

Case Study: Transforming Purchasing in A Leading Italian EnergyCo.

I. Description

The CEO and the Senior Management of one of the Italian leading Energy companies were committed to improve the performance of the purchasing processes, defining a new operational model and achieving significant financial benefits.

II. Key Findings

After the completion of the assessment phase, the team identified several findings of poor operating performance leading to high purchasing costs:

- Unclear roles and responsibilities, especially between the Purchasing Dept. and other company functions.
- Excessive number of small orders; poor use of open contracts.
- Insufficient leverage of competitive bids.
- Weak scouting of new suppliers.

III. Methodology and Approach

The project was structured in three phases along a road map, with the aim of aligning the purchasing process to best practices:

- *Phase 1.* The team performed an assessment of the current situation, built an accurate spending map, identified some product/service categories to be tackled immediately ("pilots").
- *Phase 2.* For each target category ("pilot") a cross-functional work-team was set up and a new purchasing strategy defined and implemented.
- Key improvement levers have been benchmarking, full-costing, on-line competitive bidding, demand planning and aggregation, vendor list review.
- In parallel to this hand-on, bottom-up approach, the overall purchasing organization, processes and tools were redesigned and re-launched.
- *Phase 3.* The new purchasing organization rolled-out the new approach to other spending categories, with an increasingly light consulting support.

IV. Results

- Achieved over €10 Mln of annual cost savings (on some categories savings of over 25% of the spending baselines).
- Implemented a new purchasing organization and new cross-functional processes.
- Mobilised the overall company in adopting the new purchasing approach.

** Specific project results are proprietary. For more information regarding this case study or to request an introductory meeting, email us at info@tefen.com*