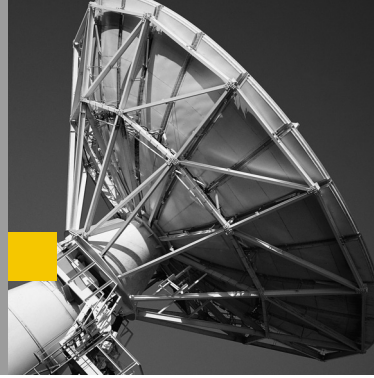


SAP Customer Success Story Telecommunications



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Ninian Wilson, Senior Vice President, Group Purchasing and Supply Chain, Cable & Wireless

AT A GLANCE

Summary

Cable & Wireless, a leading global telecommunications provider, is leveraging mySAP™ Supplier Relationship Management (mySAP SRM) to drive its e-procurement strategy, enforce compliance, and lower costs.

Web Site

www.cw.com

Key Challenges

- Eliminate maverick spend
- Help enforce compliance with prenegotiated contracts for goods and services
- Increase efficiency and improve standing of procurement department
- Deliver greater insight into cost base
- Push down indirect spend
- Increase the strategic importance of procurement

Project Objective

Further improve supplier relationship management with e-procurement strategy

Solutions and Services

- mySAP SRM
- SAP® Business Intelligence, a component of the SAP NetWeaver™ platform

Why SAP Solution

- Wanted to leverage existing SAP software implementation
- Needed tight integration with back-end SAP environment after pilot showed data synchronization was a key issue
- Was convinced that strategic sourcing functionality of mySAP SRM upgrade was central to company's e-procurement strategy

Implementation Highlights

- mySAP SRM upgrade implemented as part of SAP Ramp-Up program
- Implementation and rollout to company locations in the United Kingdom, Europe, Japan, and rest of the world in seven months
- Solution rolled out to 4,000 users

Key Benefits

- Greater clarity and depth of information mean company can spot maverick spend immediately
- Retrospective purchase orders down from 55% to 7%
- Reduced spend compared with previous year
- Lower support costs
- Easier to measure performance and to set targets for company's procurement professionals
- Increased credibility and improved standing of procurement department among senior executives
- Important milestone on the way to strategic sourcing

Implementation Partner

SAP Consulting

Existing Environment

SAP R/3® (functionality available today in the mySAP ERP solution)

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mySAP™ Supplier Relationship Management Helps Global Telecom Drive Purchasing Efficiency, Compliance, Savings

Cable & Wireless is a pioneering global telecommunications provider with a history that stretches back to the Victorian heyday of the British Empire. At that time, the Eastern Telegraph Company – as Cable & Wireless was earlier known – was responsible for establishing and maintaining communications networks between the motherland and the rest of the globe: from Europe, to Africa, to India, to South America, and to the Far East.

A hundred and thirty years later, Cable & Wireless remains at the forefront of innovation in its field, providing Internet Protocol (IP), fixed-line and mobile voice, and data services to business and residential customers in 80 countries. Based in Bracknell, the United Kingdom, Cable & Wireless has 13,000 employees and posted revenues of £3.7 billion (approximately €4.9 billion) in 2004.

An E-Procurement Trailblazer

It's not just in telecommunications that Cable & Wireless sets the pace. In e-procurement, too, the company is an out-and-out trailblazer, boasting an award-winning strategy. And total e-procurement spending of €1.4 billion makes Cable & Wireless the United Kingdom's number-one user of this new approach to purchasing.

Cable & Wireless first developed an e-procurement strategy in 2000. “We saw e-enablement as a way of transforming procurement,” explains Ninian Wilson, senior vice president of group purchasing and supply chain at Cable & Wireless.



CABLE & WIRELESS



“We decided to make a start with transactional aspects, driving cost savings there, before pushing along the value chain towards strategic sourcing. Over the last three-and-a-half years we have transformed the department beyond all recognition.”

The Problems with Procurement

The procurement department had a bad rap at Cable & Wireless. “Maverick spending was a major issue. Sixty-five percent of all purchase orders were retrospective, for example – potentially unbudgeted, overpriced, and out of contract. Invoices used to arrive and there was no purchase order, and nobody knew who’d placed the order. So they couldn’t create a goods receipt notice, and it got caught in an endless loop of despair. That really irritated our suppliers,” says Wilson. “We even had someone in sales who felt he had to commit the company to spend a £1 million on his company credit card. Why? Because procurement was hard to deal with and slow at getting POs out.”

From Vision to Reality

Wilson was driven by a conviction that procurement could and should be making a more valuable contribution to the profitability of Cable & Wireless. “We wanted to become more competitive by gaining greater granularity and understanding of our cost base. We also wanted to leverage our purchasing strength by aggregating group spend. And we wanted to enforce governance globally. Technology was to be our enabler,” he adds.

“Manna from Heaven”

Cable & Wireless looked at a number of e-procurement products. “We selected SAP software after carrying out a pilot. It showed us that one of the biggest issues was keeping data synchronized.

“Even with 60 to 70 users, data was getting unaligned very quickly. So when SAP said they had a product coming, it was manna from heaven for us because it would slot right into our SAP R/3 back end.” (SAP® R/3® functionality is available now in the mySAP™ ERP solution.)

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The company went live with an earlier version of mySAP Supplier Relationship Management (mySAP SRM) in the United Kingdom in June 2001. They then rolled it out successively at the company’s locations in the United States, Japan, and, in April 2002, the rest of Europe. The new solution, which supports a total of 4,000 users, is employed chiefly to purchase indirect materials such as office supplies, but also some direct materials, such as routers.

mySAP SRM provided a range of transactional functionality, including self-service purchasing for users at Cable & Wireless, supplier self-service, and automated invoice processing. “In the first year, the business case returned £17.5 million [approximately €25.3 million]. Most of that was attributable to better management information, greater compliance, lower prices, prompt payment, and lower transactional costs,” says Wilson.

The company’s first moves into e-procurement drew widespread praise, and Cable & Wireless scooped no less than four top awards, including two from Britain’s Chartered Institute of Purchasing and Supply, for “Best International Purchasing Project” and “Best Use of E-Procurement” in 2002.

Developing the Vision

“Our overall vision for procurement is based on interlocking sourcing and buying cycles,” says Wilson. “The sourcing cycle is when we define suppliers, prices, terms, and conditions for products and services. These are then made available for the buying cycle – for example, selecting, approving, ordering, receiving, invoicing, and payment.

“Information from this cycle is used to evaluate supplier performance, compliance, and needs, and flows back into sourcing – closing the loop.” However, closing that loop was, and still is, a major challenge.

Technology in Its Infancy

As recently as three years ago, supplier relationship management software was still very much in its infancy. “To be frank, the earlier version of mySAP SRM was only useful for e-transactions. We built

our own contract and knowledge databases, and brought in additional stand-alone tools from different vendors. At the time, there wasn't one provider that could give us everything," says Wilson.

The cracks didn't take long to appear. "After a couple of years, the tools we'd developed were looking a bit tired and were getting expensive to maintain. Upgrading was tricky because many of the original programmers had left the company. Ideally, we wanted to move everything to one, fully integrated system and give our procurement people one version of the truth," he adds.

Evolving into a Powerful SRM Platform

Around that time, SAP demonstrated the capabilities of a later version of mySAP SRM to Cable & Wireless. "We were bowled over. The product had evolved and included the functionality we always wanted. We saw it as a great opportunity to upgrade, to take the whole package and iron out a lot of wrinkles we didn't have time to iron out in 2001 and 2002. It would also give us a strong foundation for the move towards strategic procurement – things like contract management, sourcing analytics, eRFx, and e-auctions," adds Wilson.

Ramping Up to the New Version

The decision to implement the latest version of mySAP SRM came in mid-2003. "Executive buy-in wasn't difficult because we had concrete proof of savings," says Wilson.

The new version of mySAP SRM was deployed as part of the SAP Ramp-Up program, intended for early adopters of SAP software releases. SAP Ramp-Up offered Cable & Wireless accelerated support channels and dedicated coaches who had direct access to SAP product development and management. The implementation proper was carried out between November 2003 and March 2004, and by May 2004 the system was rolled out at international Cable & Wireless locations, including the United Kingdom, Europe, and Japan. "All in all, the SAP Ramp-Up project ran smoothly – actually the biggest problem we had was over a two-foot connector cable!"

At the same time, Cable & Wireless deployed SAP Business Intelligence (SAP BI), a component of the SAP NetWeaver™ platform, to replace its homegrown knowledge warehouse.

On Track to Closing the Loop

"We're not talking about a silver bullet cure here. You don't switch it on on Monday and by Friday everything's fixed. However, by Friday, you're starting to get some of the information which makes sense to you," Wilson explains.

"SAP Business Intelligence is incredible. It gives us so much control of the sourcing process. Once a month we review who is using the system and who isn't. We have a list of the top-10 offenders that goes to the executive – and believe me, nobody wants to be on that list," he says, adding, "Rules and policies aren't there for show, and it's an effective way of embarrassing people nicely into complying." This approach also leads to additional benefits. "Offenders often come to us and say they don't want to appear on the list again. So we try and work out ways of solving their specific issues. This has taken us into spend areas we had never thought of more than once."

Driving Efficiency, Lowering Costs – and Proving It

Newfound clarity and control has enabled Cable & Wireless to significantly reduce retrospective purchase orders, from over 55% to just 7% by March 2004. Says Wilson: "Buyers can now see more on the orders in their category of spend and can make more choices. We've also reengineered workflows to reduce management involvement – freeing up key professionals for value-adding activities."

The new system is also easier to maintain. "We've reduced support costs. Previously we had several interfaces to the SAP software that were a bit stretched. Some of the workflow didn't work. We've now resolved that and cut down calls to the help desk significantly," explains Wilson.

Key Suppliers and Executives on Board

"Supplier reaction was initially mixed. So we set up workshops to share our vision, and then left them to make their choices. All of our major suppliers have come with us. More importantly, we've started to make a material difference to our payment terms in the past year," Wilson adds.

mySAP SRM has also delivered greater accountability. "We can measure performance and set targets for our key procurement professionals. We can also tell the board exactly where we stand.

They trust us, because they know that the return is real. I think that is the true value – when you can go back and ask for more and they give it to you and know you'll spend it wisely. It has improved the overall perception of procurement in the business."

From Push to Pull

"Systems offer an opportunity, but great procurement is done by people," Wilson explains. "We underestimated the people aspect of the equation initially. A lot of key stakeholders just weren't comfortable with this huge change. So we brought in experienced staff – excellent communicators who encouraged people to use the system."

Things have changed considerably since the early days. "Word has spread throughout the organization," says Wilson. "Now our Jamaican purchasing department is clamoring for e-procurement. That's great to see – it means they understand the value."

But are SAP and Cable & Wireless moving in the same direction? "Yes, absolutely. SAP's vision for SRM is almost identical. SAP is now delivering what we always envisaged for e-procurement. We've now got a strong foothold to reach for the next level – strategic sourcing."

Watch This Space

E-procurement is a journey with many milestones. Cable & Wireless has just passed a few more successfully. "We're implementing an SAP back end in Jamaica at the moment, and we may roll it out to 12 other Caribbean islands. Experience has shown that if you've got an embedded SAP software asset, you should build on it," Wilson explains. "We'll also be looking at SAP's contract management capabilities. We want to get a greater level of information about procurement, about our suppliers, and about the service provided. And I want to formalize my internal vendor awards – moving from questionnaires to hard facts so that I can further drive continuous improvement," Wilson adds.

Cable & Wireless's Wilson also makes a promise for the future. "We led the industry in terms of thinking for e-enablement about two years ago. We've been sitting back observing for a while. Now it's time to return to the front of the pack. Coming first for us as a department is a stated vision. You should see that happen over the next 12 months."