

PROJECT SUMMARY SUPPLIER COLLABORATION – PETROCHEMICAL COMPANY

PROJECT TITLE: PURCHASING – A NEW WAY INITIATIVE

Project Overview: A CGN Consultant led a project to establish strategic supplier collaboration across autonomous operating companies.

Business Objectives

- Develop and implement a model of collaborative strategic supplier relationships focused on joint problem-solving and continuous improvement in an environment of transparency and trust
- Centralize the coordination of purchasing across autonomous operating companies (Onshore, Offshore, Pipeline, Refining and Marketing, and Mining) on strategic commodities that had previously been managed independently by each company
- Achieve some initial economic benefit from scale and establish a baseline for continuous improvement gains

Challenges

- Gaining the voluntary collaboration of purchasing leaders across multiple operating companies which had operated as independent fiefdoms, with no formal reporting relationship to corporate purchasing
- Developing agreement across multiple companies on strategic commodities
- Migration from multiple suppliers for given commodities to a consolidated supplier base

Solutions

- Engaged senior purchasing leaders in an educational effort regarding the benefits of strategic supplier collaboration
- Analyzed supplier base and commodity purchases across all operating companies to identify candidates for strategic sourcing initiative
- Selected suppliers and commodities for pilots and gained commitment across operating companies for pilot projects. Focused on achieving significant demonstrable benefits through early wins
- Launched broad communications on successes and on *The New Way Principles* that led to those successes
- Structured the implementation across a comprehensive set of strategic suppliers in a **shared leadership network model** rather than moving the purchasing work from operating companies to corporate
- Broadened communication of *The New Way* approach and benefits to all 1,500 members of Purchasing across the organization

PROJECT DURATION:

Eighteen months

RESULTS:

- **Achieved alignment on a major change in operating model, in the absence of central formal authority and control, across multiple autonomous operating companies**
- **Created *New Way Operating Principles* to guide formation of collaborative relationships with strategic suppliers**
- **Successfully engaged broad numbers in engineering and operations, with purchasing, in joint problem-solving with suppliers**
- **Implemented vendor managed inventory, initiated robust feedback from suppliers to identify supply chain inefficiencies**
- **Realized significant benefits in quality of supply, reduced inventory, eliminated sku's via standardized component parts, and reduced costs**



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