



FMC Corporation accelerates multi-million dollar savings with SAP and IBM

FMC Corporation is a specialty chemicals manufacturing company headquartered in Philadelphia, Pennsylvania. FMC employs approximately 6,000 people worldwide and operates its businesses in three segments: FMC Agricultural Solutions, FMC Health and Nutrition, and FMC Minerals.

Taking control over indirect procurement

FMC serves customers through a network of business units within each of its geographic regions. This approach has served the company well for marketing, sales and product development, combining global scale with local knowledge and flexibility.

However, the business model also led to decentralized processes around indirect procurement – the sourcing of goods and services for use by internal stakeholders – which dulled

visibility and operational efficiency.

This prevented FMC from leveraging its global scale to negotiate better deals with suppliers, and made it difficult for the company to understand and manage total procurement spend effectively.

Karen Totland, Vice President of Procurement, Sustainability and Facilities, elaborates: “We implemented a talented, center-led procurement organization to leverage our spend globally across all businesses and geographies. This transformation has helped us achieve savings on our direct material spend and also improved our data visibility on what and how much we were buying across the world.

“However, for indirect purchases of goods and services, we did not have a clear, global view of what was being bought, from which suppliers, and at what cost across the organization.

Overview

Challenge

Without standardized processes, chemicals manufacturer FMC had difficulty managing and controlling procurement costs. How could FMC leverage its total spend and optimize operational efficiency?

Solution

FMC worked with IBM Global Business Services to implement a standardized source-to-pay process, built on SAP solutions, unifying the way employees in various locations procure supplies and services.

Key benefits

FMC gained a clear view of procurement processes that makes it easier to manage spending and drive smart sourcing strategies, which have helped it achieve savings of USD150 million.

Business Challenge

Lacking a consistent approach to indirect procurement across its global business, FMC found it difficult to manage and control how employees purchased goods and services.

This was causing the company to miss out on valuable opportunities to leverage its global spend across all businesses.

Too much time was spent trying to understand what we were buying. With the help of IBM to implement global processes and systems, we were able to accelerate our sourcing initiatives that generated savings well ahead of our target.”

Dave Kotch, Vice President and CIO, adds: “To complement the strong organization and processes that Karen and her team implemented, IT focused on partnering with Procurement to deliver technology solutions that would make the source-to-pay process more efficient and sustainable, helping deliver and sustain ongoing savings.”

Selecting SAP

To take control over global sourcing and spending, FMC embarked on an ambitious effort to transform indirect procurement from the ground up. The company’s first step was to create a center-led organization that would act as a hub for global sourcing and procurement.

With the new organization in place, attention turned to introducing a standardized, scalable platform for managing the entire source-to-pay process, through the eProcure project. The new platform would allow FMC to manage global procurement more

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Inez Curry

Director of the Procurement
Center of Excellence
FMC

efficiently through standardized, automated processes. Additionally, the solution would drive greater spend visibility by offering a single picture of actual purchasing behavior, prices and suppliers across all FMC business units and regions.

ZsaNell Smith, Senior IT Project Manager, comments: “We selected SAP Supplier Relationship



Achieved savings of \$150 million

Management to act as the foundation for the new source-to-pay platform. FMC has been using SAP ERP applications to manage core business processes for a number of years, so it was a natural choice to turn to SAP once again to enable the global procurement process transformation.”

Joining forces with IBM

Having selected the technology to enable its eProcure project, FMC looked for a partner capable of guiding a successful implementation and managing the business change that came with such a large-scale initiative.

After evaluating proposals from several consulting firms, FMC chose IBM® Global Business Services® to act as overall project manager and to shape a change management strategy.

Thaisa Laverty, Program Manager for the e-Procure project and current Director of Global Procurement Operations, explains: “Following deep scrutiny of implementation partner capabilities, we felt confident that IBM Global Business Services had the process experience, technical expertise, change management methodology, and project management experience to lead this transformation.

“We were going to be rolling out the source-to-pay system across locations in North America, Europe, Latin America and Asia – IBM’s global reach was a real asset here. We were able to draw on local IBM resources at every stage of the implementation to ensure that the solution was tailored to country-specific requirements and regulations.”

Strong collaboration brings success

FMC took a phased approach to the implementation, working with IBM Global Business Services and other partners to roll out the source-to-pay system on a region-by-region basis.

A pilot implementation kicked off in late 2012 for the company’s North American locations, paving the way for subsequent roll-outs in Latin America, Europe and the Asia-Pacific region.



Solution

FMC totally transformed its indirect procurement processes, working with IBM Global Business Services to move from disparate procurement approaches to a single, standardized source-to-pay process, supported by integrated SAP applications.

Staff all over the world can now purchase supplies and services through a common, web-based catalog, driving greater visibility and control over global procurement.

Key Solution Components

Industry

Chemicals & Petroleum

Applications

SAP® Spend Performance Management, SAP Supplier Relationship Management (SRM), SAP SRM-MDM Catalog, Ariba Contract Management, Ariba eSourcing

Services

IBM® Global Business Services®

Thaisa Lavery comments: “When you are dealing with such a large transformation effort, there are bound to be ups-and-downs. We had a close relationship with the leadership team at IBM, and they were very receptive when we voiced concerns or had questions. The openness and flexibility demonstrated by IBM Global Business Services allowed us to build up a very high-performing project team – after a while, we could hardly tell where the FMC team ended and the IBM team began!”

ZsaNell Smith adds: “The partnership we established with IBM Global Business Services was very collaborative and positive, and really helped us to navigate a lot of the change that came with this project. Impacting over 2,000 employees worldwide, IBM brought an excellent change management strategy and methodology, with good experience and professionalism that were instrumental in driving a successful transformation effort.”

Standardizing on SAP solutions

Working with IBM Global Business Services, FMC has transformed indirect procurement, moving to a common global source-to-pay process that is driven by best practices. SAP Supplier

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Senior IT Project Manager
FMC

Relationship Management acts as one of the cornerstones of the new process, providing a single platform for managing purchase requests.

The SAP Supplier Relationship Management application is linked to three existing SAP ERP instances, each covering a separate FMC business segment, and a global SAP ERP Human Capital Management instance.

Previously, each SAP ERP instance had its own configuration and customizations that existed to support the procure-to-pay process, often with

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a lack of harmonized data in many areas. The implementation of SAP Supplier Relationship Management and Master Data Governance gave FMC the opportunity to revisit this lack of harmonization and standardize.

Streamlining procurement

Today, employees across FMC’s global enterprise have access to a single, catalog-enabled procurement system.

Staff members log into the catalog via a simple web interface, and can browse a range of products, offered at prices

that have been pre-negotiated with approved vendors, with information presented in their local language. Purchases always follow a standard workflow: selection, authorization, purchase, receipt and payment.

Thaisa Laverty notes: “We designed and implemented one global standard and scalable requisition-to-confirmation process with controls embedded in the system. Automation is maximized through workflow, email approvals, catalogs and purchase orders [POs] created without buyer intervention in some cases. These contribute to faster end-to-end processes and increased efficiencies across the organization.

“Now that the source-to-pay system is fully in production globally, we are focusing on making enhancements. Additional features and more catalogues are creating an even better experience for users.”

Moving to a catalog-enabled purchasing system has reduced paperwork for both FMC and its suppliers, increasing efficiencies in business administration. The company also benefits from accurate and readily available data, providing an all-important audit trail for improved financial control.

Business Benefits

- Reached cost savings of **USD150 million by driving more efficient processes and more strategic supplier sourcing**
 - Increased purchase order transactions by **80 percent without increasing number of FTE’s as procurement is able to work across sites globally**
 - Increased light touch and automated transactions by **30 percent through standardized catalogs and/or system contracts**
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Negotiating better deals with suppliers

For the first time, procurement executives are able to easily analyze and compare purchasing costs of indirect goods and services. Based on the transaction data captured from the catalog purchases, FMC can readily identify opportunities to consolidate suppliers and negotiate lower prices. With purchasing data now available at the touch of a button, executives can make vital cost-cutting decisions at a much faster rate.

Thaisa Laverty states: "With the implementation of the global source-to-pay system, we were able to drive non-PO spend to PO, which increases our spend visibility. We can now leverage FMC's global volume to negotiate more competitive and strategic agreements, providing the individual sites with broader access to larger suppliers. In addition, the improved visibility offered by the global source-to-pay system means that we can compare pricing across vendors, and seize opportunities to source products at a lower price. The catalogs also drive savings sustainability by enforcing pre-negotiated prices."

Multi-million dollar savings

With the improved insight, executives can more easily identify opportunities to cut costs and drive greater efficiencies

across the source-to-pay process. In addition, the ability to make more informed sourcing decisions, enhanced spend visibility and better control is delivering big savings for FMC.

Inez Curry, Director of the Procurement Center of Excellence explains: "We are gaining unprecedented visibility into how people are making indirect purchases on a global scale, which makes it much easier to control costs and ensure that employees are following the correct process. "Since working with IBM Global Business Services to introduce a standardized source-to-pay system, built on SAP applications, we have been able to accelerate our savings program and deliver savings of USD150 million, well ahead of our 2015 target.

"Equally important is the fact that we now act as a unified organization – as 'one FMC'. The improved transparency and consistency gives us an excellent foundation from which we can drive even greater efficiencies around procurement. We are starting to think bigger, and look for ways to be more innovative in serving our businesses and working with our suppliers. By working with IBM Global Business Services to implement the foundational source-to-pay processes and systems, Procurement will be able to unlock even greater value for FMC. "



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