



# How FULLSTEP has helped Ferroser design and deploy an optimized sourcing and procurement model



## Objectives of the project

- Standardize the processes and support systems for the sourcing and procurement function in the Group
- Complete traceability of the purchasing cycle, from the origin of orders to reception and payment
- Streamline the authorization process, with information received in real time at corporate level
- Optimize the control of payment to suppliers, reduce number of invoices and improve efficiency
- Improve documentation control for all subcontracts and agreements in the organization
- Obtain savings through improved purchasing conditions by adequately leveraging negotiation volume

## Project background

Ferroser, a subsidiary of Grupo Ferrovial, is a leading provider of industrial services for industrial facilities and buildings, maintenance and operation of roads and infrastructures, and facility management, through its three business divisions: Eurolimp, Ferroser and Ferroser Infraestructuras.

With an annual turnover around \$820 million, Ferroser operates in Spain and Portugal where it works with more than 5,000 suppliers on its 2,500 client contracts.

In 2008, and after the acquisition of Eurolimp, Ferroser's Board decided to consolidate management of its 3 business divisions (Ferroser, Eurolimp and Ferroser Infraestructuras), in order to deploy best practices corporation wide, since know-how and expertise was unevenly distributed in key areas such as sourcing or IT.



As a result, it was decided to establish a streamlined corporate management structure in charge of all the company's operations.

One of the resulting corporate functions created was sourcing and procurement. The new Chief Procurement Officer had a complicated task in front of him. On one side, due to the geographical and operational dispersion of the different management units, purchases were completely disaggregated, and no, or very few, advantages were being obtained from the new increased corporate purchasing volume.

Alternately, most processes were paper based, with authorizations based on written signatures on invoices by supervisors. The invoice and purchase management process was slow, burdensome and worst of all, at corporate level cost information would only arrive days or weeks after being incurred, when no room for action was left.

The new CPO joined forces with the CFO, and together, they decided to embark on a project to revise their procurement operations, in order to improve the efficiency and transform the operational processes.

The characteristics of the organization and the project made it essential to involve several areas of the company (Finance, Quality, Ferroser IT, Ferrovial Group Systems) in addition to the Sourcing area. The team performed a comprehensive analysis of all existing procurement tools in the organization, as well as alternative tools and vendors in the market.

With the involvement of the Systems Division of Grupo Ferrovial, FULLSTEP was contacted and selected to perform a thorough analysis and propose a deployment plan for the optimization of the Sourcing and Procurement Model at Ferroser.

## ferroser after 12 months

21 trained & operational buyers

187 negotiation processes closed

30% of the purchasing volume negotiated

\$5.8 million savings

659 web-users for Purchase Orders

10,800 requisitions handled

5,850 Purchase Orders released



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### Taking on the challenge

Together with **Ferroser's** management, FULLSTEP defined the scope of the Sourcing optimization project, through the analysis of the 4 following axes:

- **Organization:** Sourcing and procurement organization in **Ferroser** and the three business divisions, as well as in the geographical headquarters.
- **Process:** Sourcing and procurement processes in the business units, purchasing departments and accountings department at **Ferroser**. Duplications and inefficiencies were detected in the control of the process.
- **Systems:** With the help of the Department of Systems of Grupo Ferrovial, FULLSTEP conducted a thorough analysis of all sourcing tools existing in the organization as well as alternatives in the market.
- **Analysis of the purchasing scope:** A qualitative and quantitative analysis of all the purchasing categories and estimation of savings potential per purchasing category was conducted.

As a result of this analysis FULLSTEP identified significant potential for improvement potential both in the quantitative (savings) and the qualitative (efficiency) aspects of the project, and together with the **Ferroser** team defined the improvement levers to obtain the identified potential benefits.

*“After analyzing several alternatives, we thought FULLSTEP was the best choice, both for its powerful suite of products that could fully integrate with our existing systems and for the experience of its team in other sourcing and procurement optimization projects”*

*Miguel Prieto, CPO, Ferroser*

### The main improvement levers were:

- Strengthen and reorganize the corporate sourcing and procurement organization
- Unify and standardize the authorization, sourcing and procurement process across the organization
- Deploy standard IT systems that could correctly support the defined process
- Set a negotiation plan for the company's material and service supplies
- Full electronic management of the purchase order-invoice cycle

After the presentation of the analysis and improvements proposed by FULLSTEP, three technological solutions were considered and **Ferroser** selected FULLSTEP's solution, rewarding the FULLSTEP team's experience in sourcing processes, change management, and FULLSTEP's powerful platform, easy to integrate with **Ferroser's** current systems map.

### The deployment project: NOS (Negotiation + Optimization = Savings)

Among the suggested improvements, the following stood out:





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## Implementation of the FULLSTEP Platform

Model organization and support was organized with the deployment of the FULLSTEP Platform:

In order to get the Corporate Sourcing Department started in the deployment of the new model and procedures, we first implemented **FULLSTEP (GS) Global Sourcing**. Based on the FULLSTEP GS structures, we implemented the new organization structure, users, profiles and purchasing categories. With this configured, the tool was deployed to support negotiations with suppliers, bid comparison and awarding decisions, decision meetings, and contract management. The online communication channel with suppliers, **FULLSTEP PORTAL**, was implemented in parallel and widely adopted by Ferroser's supply base (currently 3,000 registered suppliers, 90% of the current vendors under contract are in the system).

In parallel to the implementation of the Global Sourcing module (\$64 million were negotiated in the platform over the first 12 months of deployment, through 187 negotiation processes with savings of \$5.5 million), we expanded the scope of the implementation to Business Units and Managers outside of the Corporate Sourcing Department.

For the efficient management of catalogued and non-catalogued orders of common products on which all contract managers at **Ferroser** may make orders, **FULLSTEP (eP) eProcurement** was deployed, ensuring the provision against suppliers and prices negotiated by the sourcing department.

In order to efficiently control and manage the approval process of expenses and investments, we implemented **FULLSTEP (PM) Process Management**, an online application that facilitates self-management of information for users and suppliers, saving time and costs for both parties.

Finally, the deployment was started of the Supply Base Management model, with both supplier information management procedures and supplier performance monitoring, based on the **FULLSTEP (QA) Quality Assurance module**.

All components have been implemented and adapted to the specific needs of the three lines of business (maintenance of infrastructure, facility management and cleaning) covered by **Ferroser**.

The platform is fully integrated with the other systems used by **Ferroser**:

- Modules MM & FI from SAP: That handle accounting, financial and payment processes
- Corporate systems of Grupo Ferrovial: For reporting and changes in the organization
- Other systems that were already deployed in some businesses

## Results

Through a pragmatic and methodical approach, **Ferroser's** management succeeded to initiate a highly complex project, laying the foundations for a thorough re-engineering of their sourcing and procurement processes. Thanks to the involvement of **Ferroser's** top management and the collaboration of its Sourcing professionals, FULLSTEP's team managed to design an efficient sourcing model that would not only get a "paper approval", but would also be widely adopted, through an extensive software deployment and integration.

The initial phase of the deployment of the model was completed in 9 months, to more than 400 business units, training over 600 users from different areas to the new model and sourcing platform.



After 12 months of implementation, the organization realized 5.8 M\$ in savings on the cost of purchases. The new sourcing model has been widely adopted, after 12 months operation 70% of the group's total spend is managed by the Corporate Sourcing Department.

The model is now being further optimized to keep improving efficiency and capture savings and improvement potential not covered in the first phase.



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