

Case Study: Major Nordic Bank Optimises Procurement and Accounts Payable Processes EquaTerra negotiates the right solution, by the right supplier, at the right time

At a Glance

Company Profile

Industry: Leading financial services group in the Nordic and Baltic Sea region with three business areas, including Retail Banking, Corporate and Institutional Banking and Asset Management & Life

Size: Approximately 29,000 employees

Services Featured

- Service Provider Selection
- EquaTerra Service Credit Regime

Business Processes Involved

- Finance & Accounting
- Procurement

Executive Summary

A major Nordic bank that grew quickly through a myriad of acquisitions discovered that its complicated accounts payable and procurement processes were costing it money. Furthermore, the Bank needed to implement new technology. EquaTerra advisors showed the Bank how it could outsource to improve efficiency across all areas of its operations, including the back office. Through its assessment, EquaTerra identified methods to make group demand and expenditure more transparent. EquaTerra helped to identify and engage the right partner, delivering an ASP Procurement System – including electronic catalogues, a procurement workflow, order and invoice matching tools – with an integrated outsourced accounts payable service. As a result, the Bank was able to reduce its costs, as well as harmonise its processes and suppliers across four countries. The Bank maintains its dominant position in the Scandinavian market.

Business Challenge

Rapid Growth and Acquisition Leads to Scattered Systems and Processes

Spread across four different countries in the Nordic Region, this major bank has more than 1,500 branches and a number of specialised subsidiaries, many of which have varying accounting and procurement systems in place. Managing this is inevitably a challenging task. The bank's structure – developed through years of growth by acquisition over a wide geographic region – resulted in a complex matrix of multiple suppliers providing similar products to support different procurement processes.

Complicated Accounts Payable and Cumbersome Procurement Cost Bank Money

Rapid growth by acquisition created an unnecessarily complicated accounts payable operation and resulted in limited knowledge about the structure and reality of the overhead spend of the Bank. In addition, procurement processes were often slow and cumbersome. For example, authorisation was often at point of invoice rather than at point of order. This, coupled with the fact that procurement management could not shape and manage demand effectively due to a lack of relevant consolidated data in order to realise economies of scale, resulted in a high-cost operation for the bank.

Note: This case study was written prior to EquaTerra's acquisition of Morgan Chambers in September 2007. All "Morgan Chambers" references throughout this document have been changed to "EquaTerra" to reflect the new ownership and brand.

In order to address these issues and to develop a more effective, reduced-cost operation, this major Nordic bank embarked upon an initiative to:

- Generally improve and harmonise P2P systems, services and processes
- Implement an integrated IT solution providing an ASP procurement system
- Outsource accounts payable operations, which would involve the transfer of 40 staff to a new supplier

To support the initiative, the Bank relied on EquaTerra's proven track record of delivering complex sourcing projects that link IT, business processes and procurement activities

How We Helped

EquaTerra's Insight Leads to the Right Supplier with the Right Solution

EquaTerra's primary task was to support the Bank by identifying the right solution and the right supplier, then negotiating the right deal. The overall goal was to establish a high-quality service at a guaranteed, transparent and comparable price.

The first challenge in selecting the right supplier was to ensure clarity of scope for the outsourced procurement services. Some vendors proposed a full-scope outsource encompassing category management, market research, data analysis, etc. Others offered a less far-reaching solution whereby key analytical tasks and the procurement management roles were retained within the client organisation. As the Bank had no predetermined view of the end solution, EquaTerra provided insight and guidance as to the relative merits of these differing solutions.

EquaTerra Delivers New Pricing Structure

One of the prerequisites of the project was to position the Bank to, in the long run, move the accounts payable services and procurement system from a fixed to a variable cost basis. EquaTerra delivered by developing a new pricing structure that compared the offered price with the internal cost, enabling the bank to accurately measure the success of the initiative.

EquaTerra Review Process Ensures Proposals are Competitive and of High Quality

EquaTerra drove the process with a comprehensive request for proposal defining the scope and general parameters of the project. This built the foundation for the ensuing process of workshops, due diligence and negotiation, which ensured that comparable and common definitions would be featured in the solution of suppliers.

All relevant schedules, such as service level agreements (SLAs), were negotiated in parallel with the short-listed suppliers based on EquaTerra's tested tools and blueprints in order to avoid contractual surprises after the final down selection. To ensure that supplier services were competitive and of high quality, the definition of SLAs – including a proven EquaTerra Service Credit Regime – was included in the contract and negotiation at this early stage.

Finally, the involvement of supplier delivery staff, rather than a pure discussion with sales teams, was key to enabling EquaTerra and the Bank to evaluate a cultural fit during this process.

Results

Flexibility, Savings and Reliability Top the Charts

Engaging EquaTerra to support the selection produced results. The Bank was able to:

- Establish a positive contract in a short period of time
- Understand the overall market and select the supplier and solution with the best fit at the time
- Ensure the partner was a strong cultural fit that would address the transferred staff respectfully, rather than being focused strictly on price
- Achieve significant reduction in cost across its procurement system and accounts payable functions
- Harmonise the procurement department's process and supplier base across all four countries, leading to even bigger savings on overhead

In addition, EquaTerra based the majority of the contract schedules on its proven tools and templates, and made a point to negotiate many of the details before handing the documents to the Bank's legal department, allowing the Bank to keep its spend on legal and consulting services within budget.

EquaTerra carefully constructed the deal to ensure the contract with the supplier mitigated any risks and concerns associated with transferring the services offshore. Ongoing flexibility was built in by including contractual options to change pricing to activity-based prices in order to convert former fixed costs to variable, and deliver continual focus on services and cost performance without risking the guaranteed price.

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, Middle East, Africa and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

Contact Us

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