



Exxaro partners with Supply Chain Partner to transform its procurement function



Scope of project:

Business transformation, BSM implementation (Coupa) for direct and indirect goods and services, SAP ERP and Azure middleware integration, and ongoing support



Timelines:

April 2019 – November 2020, and ongoing support



Resources deployed:

32 SCP-team members and partners



Industry:

Mining

Diversified resources company, Exxaro, is transforming its procurement function as part of the evolution of its support functions. Exxaro believes that to fulfil its purpose and desired future business by 2026, excellent support functions are essential, especially procurement. To achieve this vision, Exxaro partnered with Supply Chain Partner (SCP), a niche business-spend-management consulting company, to develop a unique operating model for the procurement function and to implement and integrate the technologies.

Exxaro, one of South Africa's largest black-empowered resource companies, prides itself in its innovative, forward-looking approach to achieve its purpose of powering better lives in and beyond Africa.

It is among the top five coal producers in South Africa and forms part of the JSE (Johannesburg Stock Exchange) Top 40 index. It has current business interests in South Africa, Australia, Europe, and the United States of America. Its Grootegeluk mine, based in South Africa's Limpopo province, is acknowledged as one of the most efficient mining operations globally. While coal is the core business for now, the company understands the finite nature of the fossil fuel sector and the changing global imperatives and has a long term strategy that will see it responsibly investing in mining, energy, water, and agriculture.

To position itself for the future, Exxaro is focused on the following strategic goals: growth, digitization, and operational efficiency. To achieve these, the company recognized that enabling the supply chain was critical.

Exxaro employees were looking for more flexibility, choice, useability, and efficiencies in terms of how goods and services were procured for the company. Suppliers wanted a centralised portal that would allow them to interact directly with buyers, with additional functionality of updating their information online. A need also existed to improve capabilities within the sourcing, contracting, and procurement teams to ensure that they could effectively create value for the business, as opposed to being viewed as merely a compliance function.



“What Exxaro wanted was an end-user experience that was as simple as logging on to a web browser, making a purchase and getting delivery. Behind the scenes all the checks and balances still needed to be in place, but from a user experience perspective, it needed to be as simple as that.”

– Chimae Goncalves, Director,
Supply Chain Partner (SCP)

“We realized early on that Exxaro is a forward-thinking company that likes to push the envelope. It’s a company that is committed to excellence in everything that it does and will always go the extra mile to achieve this.” – Chimae Goncalves, Director, SCP

To enable this transformation, Exxaro worked with SCP to translate its procurement strategy into a robust, automated solution. Supply Chain Partner implemented Coupa’s industry leading business spend management platform based on a fit-for-purpose procurement operating model that simplified and streamlined processes, while generating strategic business insights. Supply Chain Partner then conducted multiple ERP integration touchpoints to ensure business-wide efficiencies. The company is also providing ongoing support to ensure that Exxaro obtains the full benefits of its digital transformation programme.

What motivated Exxaro to transform its procurement function?

Exxaro employees had raised several concerns about the role of support functions, including bureaucracy, a lack of process optimization and the use of technologies and tools to simplify processes.

Their aim was to:

- avoid unnecessary spend
- reduce contract savings leakage
- improve pre-approved managed spend
- achieve greater savings through sourcing optimization and standardization
- reduce PO process costs
- reduce invoicing processing costs
- reduce cost to manage supplier information
- reduce cost to onboard new suppliers
- reduce effort with managing and creating contracts
- reduce time managing contract repositories
- reduce effort on sourcing activities.

Bureaucracy was a major area of concern for the corporate centre



54%

rate minimising bureaucracy as the weakest quality of the corporate centre

Process optimisation identified to improve function performance



70%

rank process optimisation as the number one driver to improve functional performance

Tools and technologies were perceived as low performing for functions



7 to 10

corporate functions score was weak in technology and tool effectiveness



After an in-depth process, which included extensive international benchmarking, Exxaro concluded that they would need to make functional shifts to move to a future Business Partner model. With the Business Partner model, the central team enables, guides, and advises the employees, while empowering the business to operate independently.

To achieve this, Exxaro realized that the procurement function would have to make the following fundamental shifts:

Resulting functional shifts required

... Our Procurement will have to make the following shifts



To successfully deliver the Business Partner model, Exxaro committed to achieving superior functional capabilities (in the first quartile compared to global benchmarks) and looked globally for solutions to enable an innovative, lean, and agile procurement function.

Governance would be provided through a digital business spend tool to ensure that the business had the freedom to operate within certain boundaries.

Exxaro's approach to functional excellence is forward-thinking in the South African context. Many organisations are still working towards centralizing their operations to take advantage of the perceived efficiency, governance, and compliance benefits that centralization brings. Exxaro's approach is, in many ways, moving back to a center-led, hybrid center of excellence with strong advisory support to business units, putting the power back in the hands of the business unit, with management evolving to be the enabler as opposed to the owner of the support functions.

What did Exxaro do and what was SCP's role?

Exxaro realised that leading analytics and automation technology was required alongside the right talent and technical skills to make the necessary shift in its approach to procurement.

Given SCP's extensive experience in automating complex procurement processes in asset intensive industries, Exxaro appointed SCP as their partner to bring their strategy to fruition. Supply Chain Partner's role was two-fold: to facilitate delivery of the business transformation process, including updating the supply chain policy in line with the new operating model and to implement the technologies in support of this transformation.

The early stages of the project involved developing an optimized operating model for the procurement function. All processes pertaining to procurement, contracting, and sourcing were reviewed and policies and procedures were revised accordingly. Job roles were reviewed and revised and, in some cases, new jobs, such as the Supply chain enablement lead were created.

Under the new procurement policy, Exxaro identified the need to:

Under the new procurement policy, Exxaro identified the need to

- implement a lean and optimized procure-to-purchase (P2P) process
- implement a contracted lifecycle solution
- implement a flexible user-empowering sourcing technology
- set up an interactive supplier engagement portal
- conduct a procurement excellence training and development programme
- focus on integrated procurement talent recruitment
- adopt a streamlined governance model
- offer the option of a DSSU (disciplined self-server user).

Exxaro chose to implement **Coupa's** industry-leading business spend management platform to achieve scalability, improved visibility and customer orientation, agility, speed to value, and savings in the procurement function. Supply Chain Partner is a certified Coupa partner and regional specialist.

Exxaro had already committed to shifting their core ERP to a post-modern ERP approach and selected **Microsoft Azure**, a cloud-based enterprise integration platform able to connect applications and services in the cloud, on premise and at the edge. Supply Chain Partner's role extended to setting up Azure and integrating the procurement model into the new system.



“For us Coupa was the right fit for Exxaro. It too is a progressive company with a partnership approach, which was important to us as we wanted to ensure that the solution met all our expectations. SCP’s extensive Coupa implementation experience, especially in mining, gave us peace of mind that we were in good hands.” – Mzimasi Tshikila, Head of Supply Chain, Exxaro

“This was a complex implementation project that did not come without its challenges, as much of what we expected had not been done before. However, what is important is the spirit you get from SCP. They clearly demonstrated that we were not alone in this Coupa journey. They are with you; they have the same shared values and commitment as we did to get it right. For me, that’s very important.” – Mzimasi Tshikila, Head of Supply Chain, Exxaro

The project took 20 months to deploy across six mines. Every single feature and function of Coupa’s business spend management platform was used, and upgrades took Exxaro’s specific needs into account.

SCP’s scope of work

Business transformation

Supply Chain Partner’s scope of work included policy, business process engineering, the operating model, job profiles and roles, a risk and control matrix on all processes, change management, supplier enablement, communication, and training.

Implement business spend management solution (Coupa)

Seven modules were implemented: P2P, Analytics, Sourcing, CLM, SIM, Services Maestro, and CSO.

Four additional third-party applications were implemented:

ETSA (Economic Trends South Africa): live index feed for real-time contract tracking and price negotiations.

Inoxico: credit bureau integration to SIM for supplier record verification and validation (company registration and directors, bank registration, black economic empowerment status).

ReadSoft: AP invoice specialist.

DocuSign: electronic document signing.

Integration

Supply Chain Partner was responsible for all configuration and integrations between Coupa and SAP. Supply Chain Partner was also responsible for all work inside SAP (ABAP) and for designing, building, and supporting the middleware (Azure iPaaS).

“We are obsessed with delivering value and will not rest until we feel we have delivered. We were determined to meet Exxaro’s high standards, and I believe we gained from the Exxaro experience in terms of the importance of being agile, solution-led, and open-minded.” – Chimae Goncalves, Director, SCP



How has procurement been transformed?

With the new systems and technologies in place, Exxaro now has a single source of spend data across all businesses. Its procurement function can interface with various systems, both inside the organisation and with external parties. It is also able to integrate with supplier systems, such as punchout catalogues, to automate end-to-end transactions.

Visibility of what is happening across the procurement function, including indirect spend and supplier information, has improved by 20 to 45 percent. This is not just data but also process approval chains, workflows, planning, tracking, and milestones.

The speed of the P2P process has improved by between 25 percent and 35 percent. There is also more flexibility on changing sources of supply.

The procurement function is far more agile. Action is no longer just driven by user requests; it is driven by analytics, and many of the processes have been automated. Non-value controls have been relinquished.

Savings of between 15 percent and 25 percent are expected because of automation, which enables everything to be done quicker, faster, and smarter. Savings as a result of not having evergreen licensing and customization fees can also be made.

A key benefit is the improved customer experience because of simple, automated processes, multiple platforms, and user-enablement (self service).

	CURRENT CHALLENGE	AMBITION
 Scalability The ability to interface with various systems, both inside the organisation and with external parties. Integration with supplier system to automate transactions	- Multiple ERP systems (SAP/Sage) - Limited process automation - Single user interface (via ERP login)	- Single data source across all ERP's - Integration with supplier systems (for example, Catalogue, A/P) - Multiple user interface (mobile, web)
 +20% – 45% Visibility Not just data, also process approval chains, workflows, planning, tracking and milestone visibility. Multiple/different ERP scalability (for example, ECC ERP)	- Multiple data sources - Indirect spend not visible - Excel sheets for sourcing - Supplier data not updated	- Single data source across all ERP's 95% spend is visible in Coupa 73% of spend is sourced through Coupa 80% suppliers adopted onto Coupa
 +25% – 35% Execution speed Rapidly moving through the P2P process. Flexibility on changing sources of supply and getting things done faster	116 hours from PR to PO - Approval delays (for example, Contracts) - Cannot measure contract development time	12 hours from PR to PO < 24 hours to approve invoices - Measure contract development time and set targets
 +20% – 30% Agility Forward thinking, collaborative, insight and data-driven and action-oriented	- Demand-driven action (user requests) - Too much focus on transactional execution - Governance controller vs business partner	- Proactive insight-driven action (analytics) - Increase process automation - Relinquish non value-add controls
 +15% – 25% Savings Transactional to strategic value add, no evergreen licensing and customised fees associated with on- premise IT solutions	- Pressure regarding procurement costs vs growing business needs - Transaction cost vs automation - Limited visibility of cost trends	- Automate high volume, low value transactions - Scale HR capacity through digitisation - Transfer skills to insight-driven actions - Benchmarks for should-cost modelling
 User orientation Self-guiding process execution channels, machine learned guide, end-user self-service sourcing mobile app	- Complex systems - On- premises execution tools - Execution mandate within Procurement	- Simple, automated process (real time) - Multiple platforms (mobile, web) - User enablement (self-service) - Enabling and advisory role for procurement

Contact us

info@supplychainpartner.com
0861-1-SUPPLY

South Africa
+1 (949) 315 6418

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