

Essar Group

The Essar Group is a multinational conglomerate and a leading player in the sectors of Steel, Oil & Gas, Power, Communications, Shipping Ports & Logistics, Construction and Minerals. With operations in more than 20 countries across five continents, the group employs 60,000 people, with revenues of about USD 15 billion.

Essar began as a construction company in 1969 and diversified into manufacturing, services and retail. Over the last decade, it has grown through strategic global acquisitions and partnerships, or through Greenfield and Brownfield development projects, capturing new markets and discovering new raw material sources.

Today, the Group continues to expand its global footprint, focusing on markets in Asia, Africa, Europe, the Americas and Australia. Essar invests significantly in the latest technology to drive forward and backward integration in its businesses, and on leveraging synergies between these businesses. It also focuses on in-house research and innovation to be a low-cost manufacturer with high-quality products and innovative customer offerings.



“As business leaders, we are assured of complete transparency and speed of execution, especially in a shared service environment.”

Mr. Shyam Bagrodia
Group President - Procurement, Essar Group

“The Group expected Aegis to execute its mandate consistently and rapidly. Delivering on this expectation over such a large volume of sourcing with globally dispersed supply base would not have been possible without technology enablement. Ariba fit the bill perfectly.”

Mr. Aparup Sengupta
Global CEO and MD, Aegis Limited

The Challenges

A significant portion of Essar’s ambitious business pursuits are being delivered through an aggressive expansion strategy, the effective and timely execution of which requires a well-oiled procurement machinery. The Group’s management believed process standardization, streamlined negotiations and ensuring good governance and controls to be critical requirements during the growth phase. With significantly diversified procurement teams and limited IT infrastructure, the procurement function was not geared to deliver the above goals.

With a total expected annual spend of over USD 3 billion in expansion projects, managed by 300+ procurement professionals distributed across businesses and geographies, and over 30,000+ global suppliers, the volume of work was significantly enormous. Managing the above volumes was quite cumbersome due to limited integration and standardization. A critical drawback was that a substantial part of the buyer’s day was spent in conducting manual negotiations, which were highly dependent on individual skills and did not lend itself to consistency and transparency. Visibility of common spends across verticals was also not optimal.

The Solution

Structure

To meet these challenges effectively, the Essar group chartered its group company, Aegis Limited, a leading global BPO provider, to establish a centralized procurement shared service. This service was to manage entire



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capital expenditure required for its expansions and also common indirect spends across businesses.

A core team of sourcing professionals was formed under Aegis Spend Management as a group-wide shared service mandated to institutionalize world-class spend management through streamlining the people, processes and technology. The team was organized around key functions namely project management and coordination, buying, eBidding, expediting and inspection, systems and performance improvement, and support services.

Method and Process

Aegis defined a clear working model with the group companies including detailed service level agreements for efficiency and effectiveness. Under the re-defined process, individual businesses' users identify the sourcing requirement and technical specifications and send the same to the Aegis shared services team for sourcing execution. The Aegis team completes the sourcing process and passes on the results of negotiation back to the business buyer for releasing the contract.

Ariba Partnership

Aegis partnered with Ariba to implement Ariba Sourcing and Ariba Category Management to provide automation, detailed process visibility and an integrated knowledge management framework to the sourcing process. The Ariba eBidding tool was also leveraged to effectively automate the negotiation process.

Aegis implemented Ariba's On-Demand Sourcing within 15 days of commencement of the initiative in April 2009 and subsequently implemented the Ariba 9r1 by November 2009.

Aegis brings specific value addition during the sourcing process through spend aggregation across businesses, leveraging category specific sourcing process on Ariba Sourcing platform and delivering eBidding expertise on Ariba Sourcing. This ensured consistency of Sourcing process over time and also builds on the knowledge generated during the sourcing project. The processes have incorporated best practices like Total Cost of Ownership, Lotting Strategy, specific negotiation formats, etc. Some of the other innovations implemented

include delivering eBidding events through a touch-less Center of Excellence, recording all calls made during the eBidding events, etc. to ensure complete transparency and integrity of the process.

Through a combination of internal policy definition and enforcement, instituting strong governance mechanisms, implementing the shared service platform and technology, Essar has become one of the global leaders in eSourcing in a short span of less than one year.

Benefits

- E-Sourced spend over USD 1 billion in the first year of implementation
- Up to 30 percent reduction in sourcing cycle time
- Complete transparency and credibility of sourcing process
- Positive supplier experience

Future

Having locked in the best practices in e-Sourcing, Essar has now embarked on an initiative towards further procurement automation through implementing Ariba's Procurement tools. This will help Essar businesses in streamlining compliance as well as integrate with its suppliers for exchanging POs, Invoices, etc.

About Essar Group

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About Ariba

Ariba, Inc. is the leading provider of collaborative business commerce solutions. Ariba combines industry-leading software as a service (SaaS) technology to optimize the complete commerce lifecycle with the world's largest web-based community to discover, connect and collaborate with a global network of trading partners and expert capabilities to augment internal resources and skills, delivering everything needed to control costs, minimize risk, improve profits and enhance cash flow and operations – all in a cloud-based environment. Whether you're buying, selling or managing cash, you can do it more efficiently and effectively in the Ariba® Commerce Cloud. Over 300,000 companies, including more than 80 percent of the Fortune 500, use Ariba's solutions to drive more efficient inter-enterprise commerce. Why not join them? For more information on Ariba commerce solutions and the results they deliver, visit www.ariba.com