

Leader of Stationary Reciprocating Engines

BACKGROUND

A \$400M leader in the design, manufacture and marketing of large stationary natural gas engines which help customers globally with power generation and/or gas compression. The management team believed there were significant opportunities to improve the overall strategic sourcing process and to deliver significant benefits: cost savings, improved working capital, reduced supply risk, and improved quality

The project scope included:

- Preparing a detailed enterprise-wide spend analysis to help identify and prioritize opportunities

- Executing a rigorous strategic sourcing process

- Providing recommendations to improve overall procurement capabilities and establish a repeatable and sustainable long-term sourcing program

APPROACH

Conducted key stakeholder interviews from Procurement, Finance, Manufacturing, Engineering, Quality and C-Suite to gather baseline costs and understand current state sourcing processes

Performed a tailored spend diagnostic (spend cube) leveraging spend data from multiple different sources and systems, including the analysis and categorization of \$200+M of addressable spend

Executed a multi-step strategic sourcing process in the following areas:

- Aluminum & Iron Castings, Fittings, Valves & Hoses, Gears, MRO, and Wire Harnesses

Conducted multiple training courses for over 100 professionals in the areas of: Methodology, Effective Presentations, Site Visits, and Negotiations

Built infrastructure to support Best Cost Country sourcing

Developed cross functions teams (Procurement, Engineering, Manufacturing, Quality and Finance) to drive sourcing initiatives



IMPACT METRICS

OVER
21%
realized savings

OVER
150%
increase in Best Cost Country
sourcing as a % of total
spend



"This project exceeded all expectations. It helped transform our procurement organization into a global sourcing powerhouse."

– Director of Procurement

RESULTS

Spend analysis and category prioritization identified up to \$40M of potential savings opportunity through three waves of the strategic sourcing program

Delivered more than \$20M (21%) in annualized savings

Achieved non-price benefits: improved cash flows thru extended terms, improved inventory turns, better On-Time-Delivery, lowered PPM commitments

Improved spend under contract from less than 10% to over 45% while rationalizing the supply base by 35%

Grew Best Cost Country sourcing as a percentage of spend from 7% to 20% with average landed cost savings of up to 30%

Strategic sourcing training successfully embedded best practices and associated tools and templates for ongoing sustainable sourcing savings



ABOUT TENET

Over the last three decades, our team has delivered more than \$1B in documented client savings across industries, driving measurable value at an ROI of 6-15X.

Contact us today to start a conversation around how we can help you.