

Case Study

INDUSTRY > High Tech FUNCTIONAL AREA > Supply Chain Management

The Arnold Group is a management consulting firm that helps leading organizations excel. Our consultants are exceptional, senior-level professionals with a passion for achievement and a proven track record in helping business leaders achieve success in the world's largest organizations. With a depth of industry-specific knowledge and expertise, Arnold Group consultants partner with our clients to fully understand their challenges and deliver actionable results that drive true organizational impact. When you work with the Arnold Group, you are partnering with a team of experts who are committed to your success.

Global Software Leader Launches Strategic Sourcing Program to Build Capability and Cut Cost

Summary

A leading software company sought the Arnold Group's help to redefine its vendor base in order to improve capabilities and lower costs. The Arnold Group implemented its industry-proven approach to strategic sourcing. The team produced a plan with actionable deliverables that enabled the client to achieve these goals and monetize the benefits by implementing spending controls.

Customer Profile

A Leading Global Software and Online Services Company

Challenge

In a worldwide market with over 2000 vendors for online support services, the organization realized it needed a thoughtful approach to organize its buy and improve its contribution margin. The organization sought help from The Arnold Group to develop a sourcing strategy and approach for achieving success in a matured competitive space.

The Arnold Group consultants created a three-year strategic vision and a one-year execution plan to redefine the client's vendor base. The three-year vision defined structural boundaries, policies and requirements. As a result, they were able to transition into a leaner and more flexible supply base using the following four-prong approach for addressing the needs of the business owners.

First, The Arnold Group consultants improved organizational knowledge and understanding around purchasing of online support and development by creating a rubric that stitched together disparate information and analyzing total cost to serve. In addition, they increased an understanding of performance drivers previously hidden by system and organizational boundaries.

Second, consultants worked with the client team analyzing vendor economics and identifying options for consolidation and vendor-relationship extension. The Arnold Group team discovered considerable buy fragmentation and limited application of best-in-class pricing despite previously negotiated agreements. In addition, they identified substantial opportunities for savings by restructuring the vendor base.

Third, the team conducted internal and external benchmarking processes to calibrate go-forward plans and gather lessons for best-in-class execution. Fourth, the team delivered a commodity-based plan to build value for procurement of online services and support.

The one-year plan created a connection between the current business situation and the long-term vision. The plan included a number of tactical initiatives that could yield immediate results, such as implementation of new vendor lists, training and incentive programs, and optional commitments to accommodate management's appetite for risk.

Results

The client was able to immediately put the strategy and plan in place to restructure the vendor community for select commodities. The Arnold Group developed action plans and tools that facilitated quick roll-out across the vendor base, as well as nurtured select vendors to grow their capabilities through a tighter OEM-vendor relationship. The organization expects to easily surpass the 15 percent cost-reduction commitment in the first year.

