

Breaking through functional and cultural barriers to drive value



Maine Pointe helped create a sustainable, world-class procurement function

The results

Maine Pointe helped break through functional and cultural barriers and create a world-class procurement function equipped with the skills and capabilities to drive sustainable change, resulting in:

- Sustainable savings across direct and indirect procurement categories
- 30% reduction in headcount
- Best-in-class processes and procedures infused into the organization
- A 4:1 ROI in year 1 leading to a 6:1 ROI in year 2

This story is for private equity executives and company CEOs who want to:

1. Turnaround an underperforming procurement function that has already gone to market.
2. Create strategic supplier relationships for optimum performance.
3. Break down functional silos and drive change.
4. Improve EBITDA and implement a world-class strategic procurement function.

The challenge

Our client had recently acquired a multibillion-dollar specialty equipment manufacturer and service provider formed from more than 100 acquisitions. The company's previous owner, a multinational conglomerate, had made superficial changes at corporate level including installing an ERP system. However, they had not addressed the disparate cultures, processes and people issues that were causing significant challenges within the company.

Based on our established relationship with the private equity firm's operating partner, they invited Maine Pointe to help address a number of issues within the business, with a specific focus on strategic procurement, to drive EBITDA improvements and prepare the business to be sold within a two-year window.

Our analysis found that the company's procurement function was very low on the procurement maturity curve. The supply base was extremely fragmented (over 1,600 direct suppliers) and, while supplier reviews had been carried out, the company had never followed through on its threats against suppliers. As a result, many were entrenched and cynical, a position exacerbated by the company's under-skilled procurement team and siloed business units.



Breaking through functional and cultural barriers to drive value

Maine Pointe set about removing the functional and cultural barriers that had allowed this situation to develop.

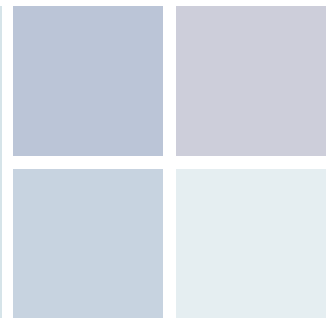
Given the complexities of the task from a cultural, operational and data perspective, Maine Pointe commenced by leveraging its unique Leader and Organization Improvement (LOI) methodology, working in close collaboration with the client to map the **'as-is' procurement environment**. Our LOI, procurement and logistics subject matter experts then worked on the new organizational design and mapped out the **'to-be' environment** for a world-class strategic procurement function that would be well integrated with their logistics operations. More specifically, Maine Pointe's approach included:



- Addressing the company's bloated organizational structure by replacing 80% of the procurement staff that did not have the correct skills with people who did
- Engaging with the incumbent supplier base and introducing new suppliers to reposition the company as a long-term partner as opposed to a tactical, price-based customer
- Utilizing index-based pricing favorable to both suppliers and customers and developing category management plans
- Creating cross-functional teams to be actively involved in the business solution to determine the total cost of the products being purchased
- Training, mentoring and embedding best-practice skills to build a sustainable, top flight procurement team including training a client 'expert'
- Standardizing processes and procedures and implementing a formal, common and cohesive Procurement Management Operations System (PMOS)

Lessons learned for other executives

- With the right management approach, it is possible to break down silos and implement cultural change
- Optimizing supplier relationships leads to significant EBITDA enhancements
- It is possible to transform a tactical, cost-based supplier environment into a strategic and value-driven procurement function



Want to **break down silos** and **implement cultural change**?

Want to find out how Maine Pointe can help you to create a sustainable, world-class procurement function?

Talk it through in a no obligation phone call or meeting with one of our executives.

Email: info@maineptune.com to arrange a call.

Maine Pointe is a global implementation-focused consulting firm trusted by many chief executives and private equity firms to drive compelling economic returns for their companies. We achieve this by delivering accelerated, sustainable, improvements in both EBITDA and cash across their supply chain and operations. Our hands-on implementation experts work with executives and their teams to rapidly break through functional silos and transform the buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business. We call this **Total Value Optimization (TVO)™**.

Maine Pointe's engagements are results-driven and deliver between 3.5:1-12:1 ROI. We are so confident in our work and our processes that we provide a unique 100% guarantee of engagement fees based on annualized savings.

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