Transforming the Services Supply Chain

Chris Nelms – Ameren

Peter Punwani - Infosys

13 NOV 2007

Oracle Open World Conference

Introduction…

- **Ameren recognized that services account for over 60% of its indirect spend**

  - ➔ The company reengineered its manual and fragmented services supply chain processes

  - ➔ Streamlined its processes and implemented a robust set of tools built on the OA framework and fully integrated with standard Oracle Services Procurement

- **This presentation will discuss the key drivers for the project, Oracle functionality used, gaps addressed, change management approach used, results achieved and lessons learned**

Background...

AmerenUE

AmerenCILCO

AmerenIP

AmerenCIPS
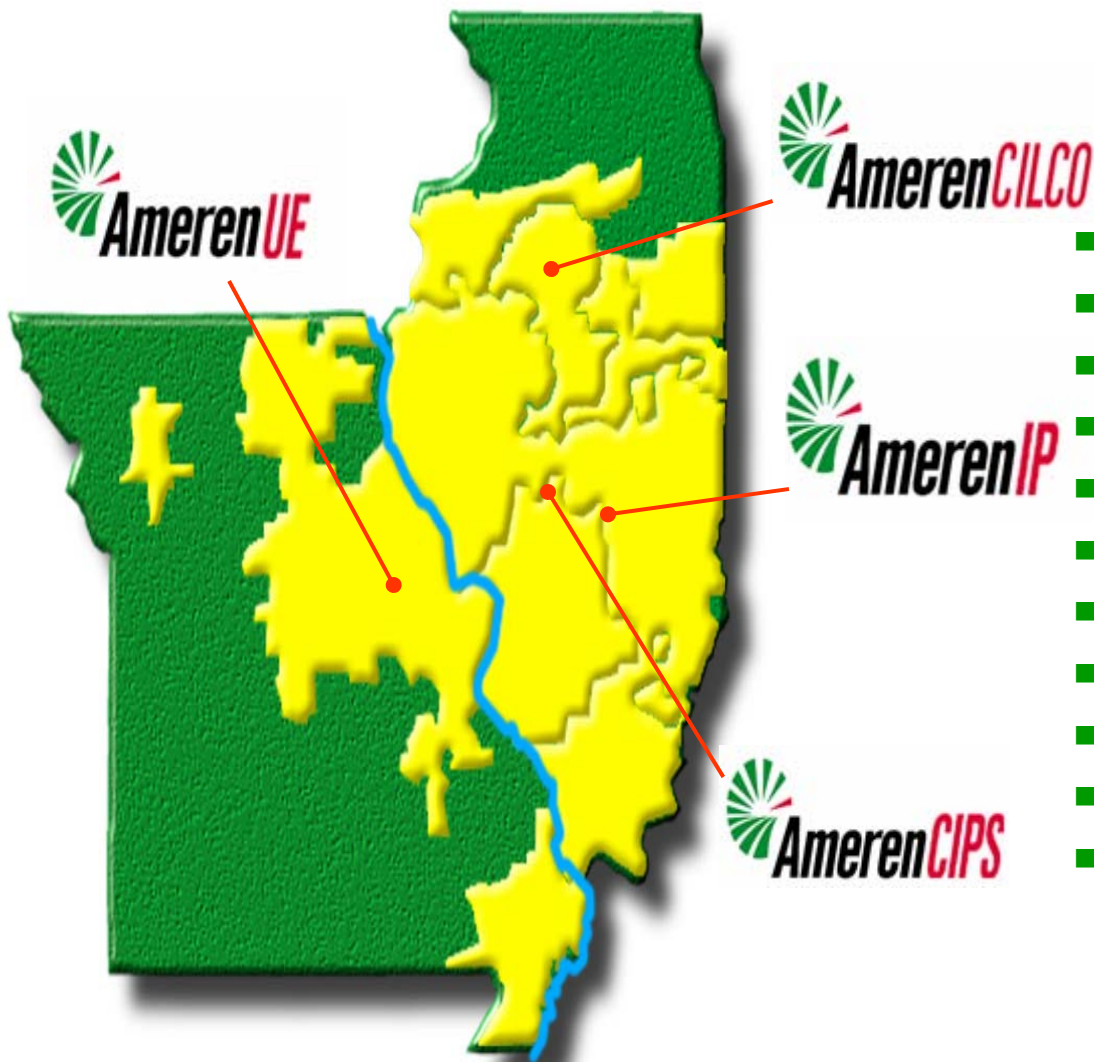
- Electric Customers   2.3 Million
- Gas Customers   925,000
- Service Area   64,000 Sq Mi
- Generation   15,200 MW
- Electric System Miles   81,507
- Gas System Miles   20,350
- Total Assets $18.1 Billion
- Total Revenues $6.5 Billion
- Employees   9,400
- Regulated in Missouri
- Non-Regulated in Illinois

Background to this initiative at Ameren...

- **Several Challenges & Issues Were Faced In Current Environment**
  - ➔ Unrealized benefits with iProcurement/Purchasing installed base
    - Oracle v 11.5.7 Purchasing and iProcurement implemented in 2003
    - Project lost key BL representation to early retirement package during design phase
    - Project never gained acceptance among the Electrical Generation community
    - Budget constraints/project burn rate forced a 'hurried' implementation
  - ➔ Initial analysis indicated that purchasing was being accomplished in as many as 40 different ways
  - ➔ Maverick spend was epidemic, as high as 60% of total
  - ➔ Many people in the BLs were doing extensive purchasing type work
  - ➔ 60% of the spend was on services
    - Processes varied widely by each type of service
    - No uniform system in place to provide spend and performance data

Objectives...

- **Corporate Objectives – Supply Chain Objectives**
  - ➔ Business & Corporate Services (B&CS) was challenged to eliminate $65M in operating costs
  - ➔ B&CS was further challenged to achieve world class performance
    - Hackett Benchmarking analysis placed Ameren in third quartile performance tier (first being best)
    - Perception of Business Lines (BL) was that they were being overcharged for fair/poor quality services & support
  - ➔ Supply Chain was challenged to:
    - Reduce the number of purchasing methods
    - Decrease the number of small dollar POs (<$2500)
    - Decrease the amount of Non-PO (NPO) spend
    - Reduce the overall number of POs
    - Increase the internal customer satisfaction level with the BLs

Objectives...

- **Project Objectives**
  - → Design a high performance process focused on end-to-end Source to Settle (S2S) processing
  - → Integrate a consistent technology solution to support the new process
  - → Modify the organizational design as needed to support the new process
  - → Utilize a cross-BL / cross-functional approach to ensure representation and input from all areas of the business
  - → Improve the spend information available to the business
  - → Do not customize the technology solution
  - → Streamline and simplify the invoice review/payment process
  - → Increase user adoption on both timeliness and user friendliness dimensions
  - → Involve wider user community in ensuring success

Oracle modules implemented...

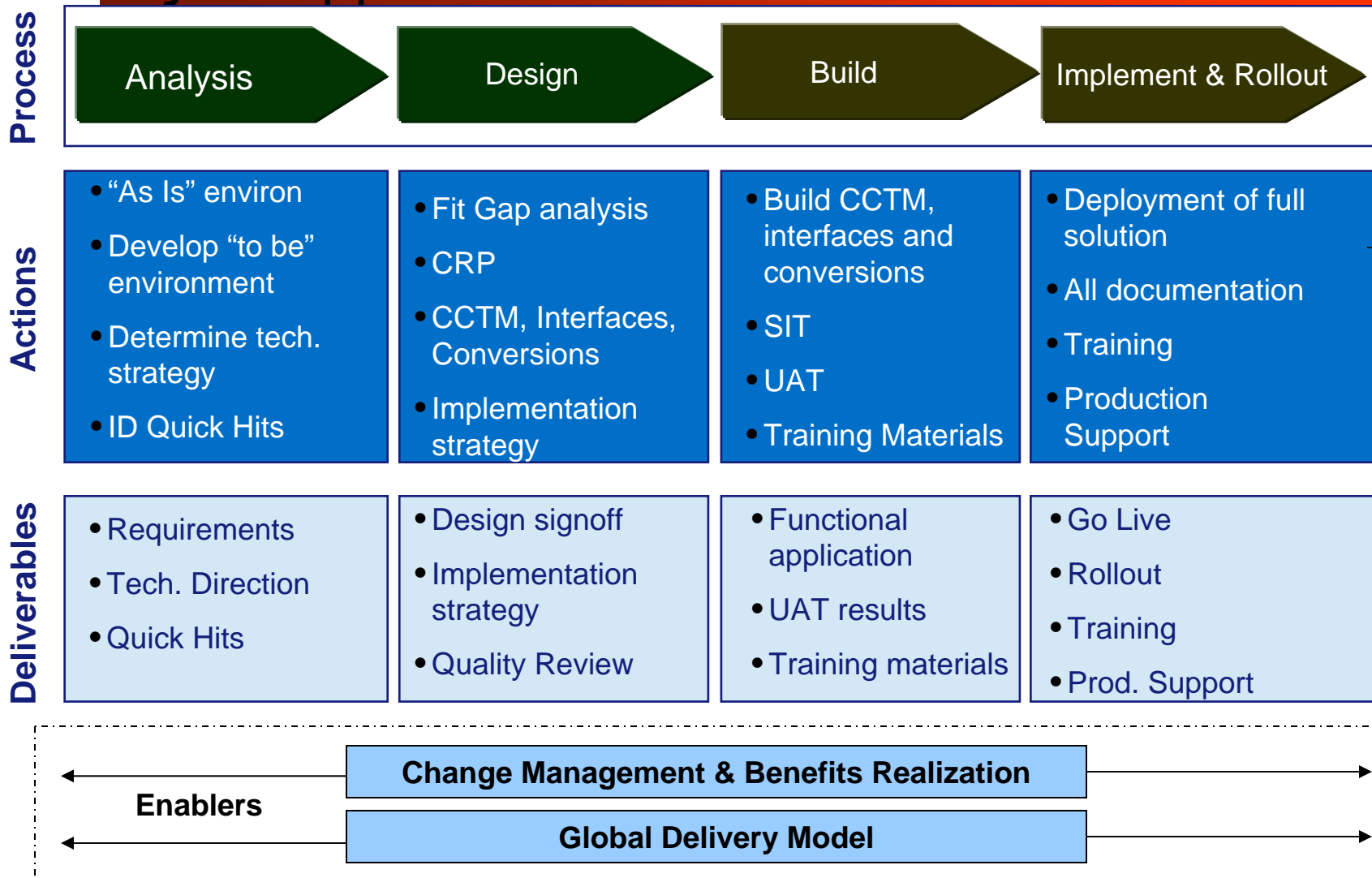- **Newly Implemented Modules**
  - ➔ Sourcing
  - ➔ Procurement Contracts
  - ➔ iSupplier Portal
  - ➔ Services Procurement
  - ➔ Accounts Payable
  - ➔ E-Commerce Gateway

- **Upgraded Modules**
  - ➔ iProcurement
  - ➔ Core Purchasing
  - ➔ XML Gateway

Project Approach…

Process

| Analysis | Design | Build | Implement & Rollout |

Actions

• "As Is" environ • Develop "to be" environment • Determine tech. strategy • ID Quick Hits	• Fit Gap analysis • CRP • CCTM, Interfaces, Conversions • Implementation strategy	• Build CCTM, interfaces and conversions • SIT • UAT • Training Materials	• Deployment of full solution • All documentation • Training • Production Support

Deliverables

• Requirements • Tech. Direction • Quick Hits	• Design signoff • Implementation strategy • Quality Review	• Functional application • UAT results • Training materials	• Go Live • Rollout • Training • Prod. Support

Enablers

Change Management & Benefits Realization

Global Delivery Model

Project Approach – Get Business Results!

Technology as an enabler to a holistic approach

Project Approach...

- **Strategy**
  - ➔ Business benefits identified and validated up-front
  - ➔ Services account for 60% of spend
  - ➔ Focus on total lifecycle of services – not just procurement
  - ➔ New Oracle modules – risk management
  - ➔ Cross-BL and cross-functional user buy-in – key to adoption
  - ➔ Quality assurance checkpoints and feedback
  - ➔ Quick hits to get early benefits
  - ➔ Program Management Office
    - ● Manage timelines, quality and costs
    - ● Issue resolution
    - ● Integrated team

Project Approach…

- **Organization**
  - ➔ Stakeholder involvement
    - ● Workshops – Process direction
    - ● Testing – System Integration Test; User Acceptance Test
    - ● Data conversion
    - ● Training
    - ● Production Support
  - ➔ Executive sponsorship
  - ➔ Cross-functional impacts (e.g. supplier file management)
  - ➔ Suppliers as stakeholders
- **Process**
  - ➔ "As Is" and "To Be' workshops
  - ➔ Prototyping for "To Be" workshops
  - ➔ Fit Gap analysis – integrated and individual BL needs

Project Approach...

- **Technology**
  - ➜ Key gaps
    - Rate Card
    - Time and milestone entry
  - ➜ Contractor Cost Tracking Module
    - Options considered
    - Making the most of Oracle functionality
    - Flexibility in supporting change management needs
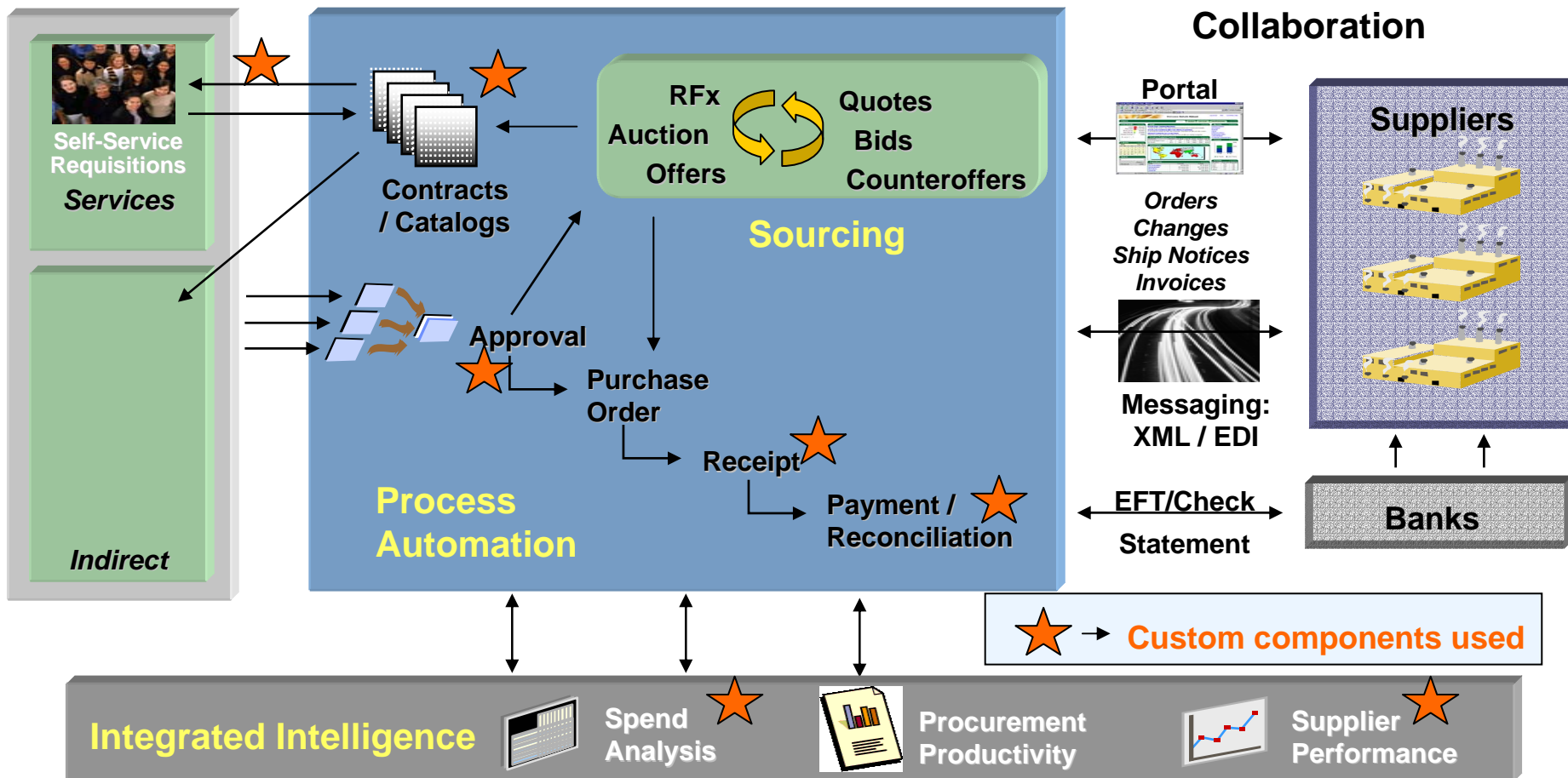 - ➜ Interfaces and data conversion
- **Performance Management**
  - ➜ Metrics in place as project started
  - ➜ Monitored financial savings, maverick spend reduction, cycle time savings, contract management, vouchers created via ERS, productivity.

Contractor Cost Tracking Module...

Seamlessly integrate with existing Oracle applications...

Collaboration

Self-Service Requisitions
Services

Indirect

Contracts / Catalogs

Approval

Purchase Order

Receipt

Payment / Reconciliation

RFx
Auction
Offers

Quotes
Bids
Counteroffers

Sourcing

Process Automation

Portal

Orders
Changes
Ship Notices
Invoices

Messaging: XML / EDI

EFT/Check Statement

Suppliers

Banks

Custom components used

Integrated Intelligence

Spend Analysis

Procurement Productivity

Supplier Performance

Benefits...

- **Common Benefits/Attributes Across Ameren BUs**
  - A supplier / contract specific rate card feature
  - Single screen to enter material, time & expense details
  - Use of contract purchase agreement to maintain tab on supplier spend
  - Multiple time entry modes (daily, weekly, individual vs. bulk etc)
  - Bulk data upload using Excel file upload utility for rate cards and time card data
  - Time card approval engages matching and triggers evaluated receipt settlement (ERS) payment
  - Spend amount apportionment between multiple accounting buckets based on the type of spend & category
  - Rate card, time card approval notifications & workflow
  - Spend control using approved negotiations on a rate card
  - Traceability reports to view service request to payment life cycle
  - Designed and implemented with the goal of leveraging existing work management systems (WMS) in place in the energy delivery and generation user communities

Project Results…

- Went live on schedule – May 21, 2007
- $25 million savings already achieved
  - Reduced maverick purchases
  - Sourcing process fully implemented
  - Spend information now available
  - A/P discounts capability enabled
  - Contract compliance
- Qualitative – strong buy-in across the user community leading to better acceptance of Oracle as an ERP system at Ameren
- Productivity improvements of over 50%
- Cycle time reductions of over 60%
- Project delivered under budget

Lessons Learned…

- **PMO**
- **Focus on Metrics**
  - ➜ Focus on benefits as opposed to just technology
    - Desire for speed to benefits
- **Oracle has a good overall product but we knew the challenge would be to refrain from customizing it**
- **Widespread user involvement**
  - ➜ Design/Prototyping before the system was selected
  - ➜ Key Super Users from all over the organization were requesting to be involved with the testing.
  - ➜ Two rounds of testing SIT/UAT
    - Many (100+) users from all over the service territory representing all the BLs.
    - CCTM Supplier Involvement in Testing
      - Separate from UAT, but at the same time, Suppliers for the first rollout of CCTM came in and tested the system.

Quotes from Ameren Management...

"The potential for unlocking the value of the supply chain has never been greater. Ameren has moved the role of purchasing from being a back-office support organization to a front-end strategic partner with the generation, transmission and distribution businesses."

"We recognized early on that while our materials supply chain had been improved substantially, the services supply chain could yield strong savings through robust processes and integrated systems to get full value for the 60% of indirect spend that it represents," Brandt said. "Infosys, with their experience in this area and strong systems integration skills, made a perfect partner to help us design and implement the solution."

Mark Brandt, Ameren Manager, Supply Chain

"We are well on our way to achieving savings of over $25 million per year from these improvements, as well as addressing lead times, information access and many other items relating to sourcing and contract management. This is truly a case of using supply chain capabilities as an enabler for cost reduction and to allow the supply chain to better meet the needs of our internal partners."

Dennis Weisenborn, Ameren Vice President, Supply Services

In conclusion…

- **The savings are only the tip of the iceberg:**
  - ➔ Over time the data captured via CCTM improves the Sourcing process
  - ➔ Moves services to more controlled and robust processes that provide actionable spend and performance information
  - ➔ Moves Purchasing from a back office function to much more of a strategic partner with the business lines
  - ➔ The implementation only begins the journey, paving the way for greater savings and efficiencies in the processes

Questions...?

Thanks for attending

Enjoy the remainder of Open World