Transforming The Services Supply Chain At Ameren

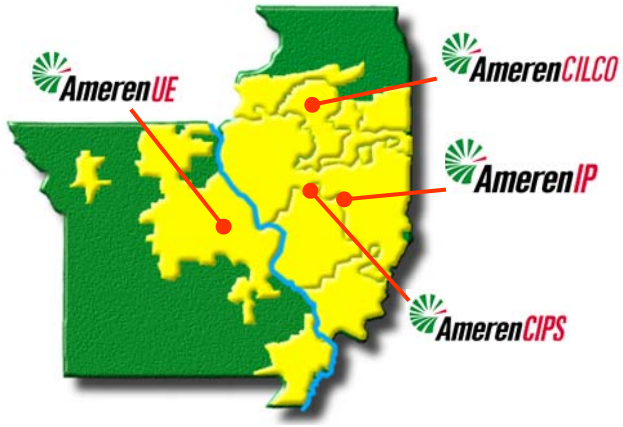
Chris Nelms
Ameren Corporation

Introduction:

Ameren recognized that services account for over 60% of its indirect spend, The company reengineered its manual and fragmented services supply chain processes and streamlined its processes and implemented a robust set of tools built on the OA framework and fully integrated with standard Oracle Services Procurement. This paper will discuss the key drivers for the project, Oracle functionality used, gaps addressed, change management approach used, results achieved and lessons learned

Background:

About Ameren



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 for this initiative at Ameren:

Several challenges & issues were faced in current environment, including but not limited to the following: 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 and no uniform system in place to provide spend and performance data

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/channels, Decrease the number of small dollar POs (<$2500). Decrease the amount of Non-PO (NPO) spend, Reduce the overall number of POs and increase the internal customer satisfaction level with the BLs

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	Upgraded Modules
Sourcing	iProcurement
Procurement Contracts	Core Purchasing
iSupplier Portal	XML Gateway
Services Procurement	
Accounts Payable	
E-Commerce Gateway	

Project Strategy:

Business benefits were identified and validated up-front. Services account for 60% of spend, huge $$ in the utility space. The focus was on the total lifecycle of services – not just procurement. Careful risk management strategy around the new Oracle modules. Gained cross-BL and cross-functional user buy-in, which is the key to adoption. Built in QA checkpoints and planned feedback points. Researched and went after quick hits to get early benefits. Made extensive use of PMO, leveraging cross-functional teams with a unified directional attitude for working together toward the same goal. PMO also managed timelines, quality and costs. Daily/Weekly focus on issue resolution.

Project Organization:

As a project we adopted early and continuous stakeholder involvement. We conducted workshops in base functionality to set process direction. The cross-functional team planned and executed testing, system integration, leveraging the Infosys offshore model extremely effectively. We involved over 100 users in UAT (User Acceptance Testing). 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:

The technology was reviewed in advance and used to set the business process expectations. Key gaps were identified and reviewed periodically. The Rate Card concept was created to contain the supplier rates at both a relationship and individual procurement contract level. Time and milestone entries were made part of the Rate Card schema for fixed price jobs. Labor and Equipment time, as well as Material, Expense and Taxes are all enabled on the Time Card within CCTM. Several packaged solution options were considered and then determined to not be fits to the CCTM process. We desired to make the most of the existing Oracle functionality in the eBusiness Suite, so the CCTM application was built using the OA Framework toolset and it looks and feels just like iProcurement and iSupplier Portal. The Change Management team took a flexible approach to implementing the change from a business line perspective. Some BL's required more touch than others. Interfaces and data conversion was planned and executed by the cross-functional PMO. Metrics and performance management was in place from the beginning. In keeping with the theme of quick wins/hits as well as the reality that the process change, irregardless of the technology tool would drive savings. Financial savings, maverick spend, cycle time savings and contract management and utilization were all measured continually and reported periodically throughout the implementation lifecycle. CCTM makes extensive use of ERS infrastructure to provide the suppliers and Ameren with an invoiceless process.

Benefits:

Common Benefits/Attributes Across Ameren Bus, A supplier / contract specific rate card feature. A single screen to enter labor and equipment hours, material, time, expense and tax information. Extensive use of contract purchase agreements to maintain control on supplier spend. Use of 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) invoice creation and ACH 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 10 months prior to remainder of modules, right after initial version upgrade. Spend information now available and accumulating daily. A/P discounts capability enabled. Contract compliance enabled for the first time in a systemic manner. A qualitative attribute: Strong buy-in across the user community / business lines leading to better acceptance of Oracle as an ERP system at Ameren. Productivity improvements of over 50%, cycle time reductions of over 60% and project delivered under budget

Lessons Learned:

Use of cross-functional PMO with weekly checkpoints holding each other up and accountable was invaluable. Early and frequent focus on published metrics. The prime mover of the project was the benefits delivered not the technology implemented. Oracle's product is pretty good overall, but the team knew the challenge would be to adapt the process to fit the tool and not to customize the tool to fit the process. Crated a user team that was widespread representing all the business lines. Initial design and process prototyping was done before the system was selected. Key super-users from all over the organization as well as several key suppliers were requesting to be and subsequently were involved in user acceptance testing; many (100+) users from all over the service territory, representing all the business lines actually participated in the testing. Two complete rounds each of system integration testing and user acceptance testing. Utilized Infosys offshore model for development and preliminary rounds of testing. Involvement of CCTM suppliers in testing.

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

Conclusion:

The savings are only the tip of the iceberg as to reasons why this project was and iss a continued success. Over time the data captured via CCTM improves the Sourcing process and enhances both the suppliers and Ameren's ability to efficiently and effectively submit and evaluate services delivered. 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 down the road