

Sourcing Savings in a Challenging Organizational Environment



ACS applied structured strategic sourcing methodology to drive procurement savings.

39%
Savings

SITUATION

- Revenue growth slowing with net income shrinking from nearly 10% to under 5% in two years
- Intense industry price competition due to new entries from low-cost countries
- Company had not realized economies of scale from its growth—redundant functional activities driven at the line of business level
- Founder hesitant to push centralization since business unit autonomy has been key to success
- \$1.8B in external spend fragmented across over 13,000 suppliers

APPROACH

- Created an enterprise-wide organization structure to lead the change
 - Involved business unit executives on sourcing steering committee
 - Engaged LOBs at tactical, project level to drive new pricing into each new sales opportunity
- Applied structured strategic sourcing methodology to drive procurement savings
 - Comprehended all spend and drove standardization
 - Identified and implemented new technologies to drive further savings
- Executed RFPs and reverse auctions to select key suppliers and create competitive tension on established incumbents in each category

RESULTS

- Annual run-rate sourcing savings equivalent to nearly 50% of net income
- 7–39% price reductions on major commodities
- Established procurement as an internal proof for adopting shared services to gain broader economies of scale