



## I D C C U S T O M E R S P O T L I G H T

# Maybank's Strategic Procurement Team Redefines Business as Usual

October 2012

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Sponsored by Microsoft

*Getting visibility and control of one's business procurement activities, payments and vendor management is a daunting task in any business. Malaysia's Maybank gained better visibility and tighter controls into its corporate expenses and reduced operational costs with the help of an electronic procurement solution.*

### Introduction

Maybank, a leading financial group in Southeast Asia and the largest bank in Malaysia, has US\$135 billion in total assets, a market capitalization of US\$22 billion and US\$1.5 billion in profits for 2011. Behind the numbers is a financial powerhouse with strong regional presence across 19 countries, over 2,200 offices and a direct global workforce of 46,000 employees. With a mission of "Humanising Financial Services across Asia," the bank has a wide portfolio of financial services across retail, corporate and wholesale banking.

### Business Challenge

In the past, Maybank had fairly fragmented procurement processes. As it expanded its operations regionally, the Bank realized that it was important to enhance compliance across different procurement teams and gain visibility into total spend across different business units. This would help overcome inconsistency in contracts and pricing as well as the lack of standardization, automation and visibility which contributed to challenges in obtaining a consolidated view of the organization's spending patterns.

### Group-wide Governance and Control

To address these issues, Maybank created a "Strategic Procurement" team within the CFO's office with an initial team of 17 people who had an overview into various Line of Business (LoB) budgets and spend patterns. The team later engaged with internal stakeholders, and decided to invest in an on-premise procure-to-pay (P2P) system. As per Maybank's requirement, the desired solution had to

#### Solution Snapshot

Organization: Maybank



**Operational Challenge:** Maybank had distributed procurement systems, which did not provide central management, visibility, automation and standardization across the company. In addition, disparate contract templates and policies led to issues in compliance and process efficiencies.

**Solution:** Implementation of on-premise version of MyBiz Procurement Spend Management solution across the group.

**Project Duration:** 7 months

#### Benefits:

- Tighter control over spend against budget with 90% of procurement orders issued using procurement catalogue
- Comprehensive and detailed view of spend, resulting in targeted and achievable cost savings
- ROI period of less than a year from savings through eAuction

integrate with existing systems (ERP platform and databases) across its various businesses, and provide the granular level of visibility and analysis that Maybank needed to maintain strict control over its procurement budget.

After evaluating several solutions available, the bank decided to implement MyBiz's procurement spend management solution. While the solution was initially optimized for Microsoft's Windows Azure cloud computing platform and designed for cloud-based deployment, Maybank decided to implement the on-premises version running on Microsoft's Windows Server Enterprise Edition and SQL Server Enterprise Edition.

## **Implementation**

In the current business environment, banks have an overarching need for better management, standardization, visibility and accountability for the extended organization. The Spend Analysis, eProcurement and eAuction tools Maybank selected from MyBiz's Business Relationship Network (BRN) product suite mapped role-based workflows, responsibilities, company policies and corporate quality metrics, with user profiles at the central procurement and local business teams.

The Spend Analysis module enabled senior management to make informed and accurate sourcing decisions by allowing them to interactively view operational financial data from a strategic procurement perspective while the eProcurement application addressed the corporate procurement challenges by automating and streamlining the purchasing process to ensure compliance, limit off-contract buying and reduce associated operational overheads. The eAuction tool was implemented to gain significant purchase savings.

Maybank's first step was to map the business processes against roles, define the relationship at various tiers of the organizational hierarchy and map the same to industry best practices to Maybank's goals (i.e., procurement management, visibility, standardization, accountability and process efficiency). Working collaboratively with internal stakeholders, the strategic procurement team at Maybank engaged with internal business stakeholders, including the LoB heads, CFO and CIO to create standardized templates across the procurement process. These processes included creating tender request for proposals (RFPs), vendor evaluation, vendor selection, bid closure, invoicing and payment. Simultaneously, standardized contract terms and responsibilities were put in place for internal users.

From a technical perspective, MyBiz worked with the IT Department to integrate its tools with the existing ERP and database systems to ensure that the existing systems continued to operate in an "as is" state while the sourcing and procurement tool could extract information without any compromise to system performance.

The Maybank eProcurement Portal was launched in end-September 2010, with the first eBid event conducted within 30 days of project team mobilization. In seven months, eProcurement went live nationwide. At time of writing, Maybank transacts in excess of 4,000 electronic purchase orders per month with full control over all purchasing processes from supplier management, sourcing, requisition, order fulfilment, invoice and payment. All suppliers are connected electronically for transparency and collaboration. The entire procurement transaction lifecycle is entirely paperless.

In less than eight months from project start, Maybank implemented Procure-to-Pay, eBidding and Contract Management modules successfully and met all project objectives and go-live dates set by the Project Steering Committee — most spectacularly, the project generated a return on investment to cover the entire costs of the project within one year from the start of the project.

## Challenges

As with any transformation project, there are always challenges to overcome. Implementing a new IT system, for instance, required alignment and buy-in among employees which was one of the critical success factors. Maybank's Head of Strategic Procurement recognized that change management was one of the key challenges and pre-empted the initial response by engaging with the LoB heads, CIO and CFO in advance and having them involved through the project stages.

This buy-in from the senior management was driven by an intrinsic need to better monitor costs and gain visibility into spend patterns. IDC believes this support from senior management was crucial to the successful implementation of the system.

For Maybank, the key challenge was gathering information with regard to business relationships between vendors and different business units, as well as internal Maybank policies and frameworks in order to make the solution function as required. Furthermore, a laundry list of invoiced items with varying descriptions had to be normalized into a standardized catalogue to make the system MECE (Mutually Exclusive, Cumulatively Exhaustive).

By maintaining an open communication with key internal stakeholders, the Bank was able to allay any concerns about the solutions' viability after implementation. The spend analysis report offered insights on the organization's spend patterns which were unknown to the business and offered options for cost reduction. After seeing the analysis, the business entities approached the strategic procurement team to find out when and how the procurement system could be implemented for their businesses as well.

## Benefits

Maybank's procurement solution has delivered on the business benefits that the organization aimed to achieve. Thanks to the e-procurement solution, the bank is able to gain better management, visibility and control over its spend, as well as implement the required controls and processes to ensure a high level of compliance.

Below are the various benefits observed at different levels across the organization:

- **Management:** Business leaders are able to gain better visibility and granularity into their budget utilization and ensure high level of compliance to their budget policies. In addition, they are able to access a wider pool of vendors for their requirements at competitive rates. Furthermore, they are better placed to forecast budgets and compare trends (spend analysis) across different items to offer a more qualified view to the management team. Currently, the bank has category classification (IT, marketing and facility) level procurement manual which ensures standardization across different procurement segments.
- **Reduction in contract rates:** By implementing a centralized procurement system, Maybank has encouraged its vendors to be competitive. As a result, the bank has observed general savings of 20–25% in contract renewals as well as 10% over the top savings from process efficiencies.
- **Standardization of invoices:** Maybank now has an extensive catalogue with standardized pricing available to all businesses of the bank. As a result of this, 95% of items in new tenders use the catalogue in the central procurement system which not only makes the bidding process more competitive, but also helps simplify the process of raising a tender or request for quotation (RFQ).
- **Standardization of templates:** With standardization in tender templates, the technical and financial bids are a standard tool within the company which enable easier comparison of multiple bids from different players as well as ensure compliance to corporate policies.

- **Accountability for procurement:** Historically at Maybank, GRNs (Goods Receivable Notes) at the branch level witnessed only 30–40% on time resolution. Under the current system, should there be a delay, an alert and reminder will be triggered to ensure compliance. However, should the GRN user fail to clear the GRN, the Purchase Requester is disallowed from raising fresh Purchase Requests (PRs). Enforcing this has led to on-time payment of vendor invoices, which leads to better satisfaction levels in the vendor community.
- **Inclusion of qualified vendors:** Under the new procurement system e-portal, vendor registration is mandatory. As part of this, Maybank has to upload corporate and financial information which enables credibility checks and only qualified vendors are approved into the Maybank Supplier Registration.

These benefits are echoed in the discussions that IDC has had with CFOs in the region. According to a CFO poll undertaken by IDC in November 2011, "decreasing overall expenses" was the top priority and "consolidation of suppliers" was highest on the CFO's agenda.

## Methodology

The project information was obtained from multiple resources including information supplied by Microsoft, product demonstrations provided by MyBiz and questions posed by IDC directly to the Head of Strategic Procurement at Maybank.

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