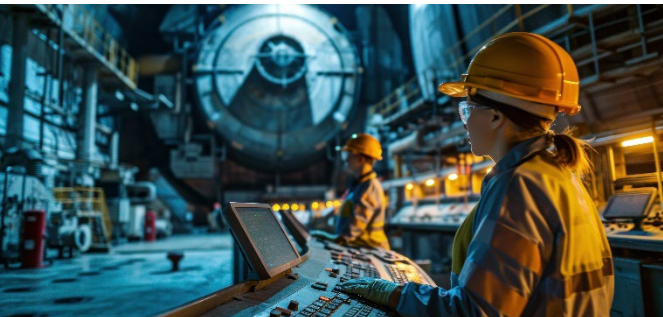# Babcock Procurement & Supply Chain Case Study

Technology-enabled Procurement & Supply Chain Transformation at Defence and Aerospace Giant

With annual turnover of more than **£4.4bn** and employing **26,000** staff, Babcock is a leading defence and aerospace company, providing services to defence agencies around the world.

The challenge

Babcock delivers a multitude of large-scale engineering programmes globally across its four sectors - Marine, Nuclear, Land, and Aviation. Its Procurement & Supply Chain function has a critical role to play in ensuring operations run smoothly and that value from supplier relationships is maximised.

However, each of the four divisions was operating with its own Source-to-Pay (S2P) process, technology and organisational structure, resulting in high levels of manual processing and inefficiencies.

The vision

Babcock's leadership recognised the opportunity to improve performance to help the business meet its strategic aims - and called on KPMG to help. The KPMG team recommended that a technology-enabled transformation of S2P was needed, with a single technology solution sitting across all four sectors, which would:

- Drive more consistent ways of working across the business
- Improve relationships, innovation and value delivery from the supply base
- Release capacity across Procurement & Supply Chain and Accounts Payable to focus on more strategic, value-adding activities
- Deliver a step-change in colleague experience

We devised an ambitious business case, focused on the UK, with a strong return on investment and rapid payback period.

Delivering this vision required an equally ambitious set of partners, for which Babcock selected KPMG and Coupa, based on their proven experience of jointly delivering over **200 successful S2P transformations** globally.

> **KPMG exceeded my expectations**. They brought us **industry leading experts** in Coupa, coupled with a strong methodology via Powered Procurement. The programme has **delivered significant cost, efficiency and user experience benefits to Babcock** and KPMG were instrumental to this.
>
> **Matthew Mann**
> Group Head of Procurement, Babcock

Setting up for success

As a first step, we secured alignment around the delivery approach and design principles, leveraging KPMG's proven Powered transformation approach. Powered is premised on organisations adopting KPMG's pre-built set of leading practices, as opposed to trying to replicate existing ways of working into a new solution. Babcock's leadership team were fully aligned with this, and we quickly agreed a set of design principles that embodied it.

We also knew that delivering this transformation needed cross-functional buy-in and engagement – this could not be solely a 'Procurement & Supply Chain solution' – and so we brought together a programme team from across all key stakeholder groups – Procurement & Supply Chain, Finance, Risk, Tax, Legal and IT.

> **KPMG brought us a structured approach and they collaborated well** with our IT teams to get the right solution and **deliver the programme within a challenging timeline.** The level of communication between the teams was excellent and this **created a 'one team' approach**, which proved very effective throughout.
>
> **Jason Jarvis**
> Head of SAP, Babcock

Change management supporting and empowering users

Unsurprisingly, the change management and training challenge was sizeable – with over 3500 users and 6000 suppliers needing to be supported and trained in the new ways of working. To help enable this, the joint Babcock/KPMG team designed a series of training interventions to make the change journey easier and more digestible. We leveraged a combination of short videos, webinars and internal communication channels to provide direct access to project team members and a supplier website that was regularly updated.

Key to our success was a strong focus throughout the project on improving the user journey through the new solution. This meant challenging all aspects of the design, ensuring any unnecessary process steps were removed, whilst maintaining robust controls, and doubling down on the volume and quality of purchasing content available in the new system.

🎯 Outcomes:

Through strong collaboration between Babcock, KPMG and Coupa, we have enabled a S2P transformation to take place within Babcock. The project has delivered its objectives and benefits are continuing to increase as more spend is channelled through the new solution.

Babcock now has the latest Source-to-Pay technology across its four sectors, with improved processes in place to maximise value delivery, improve risk management and deliver a better experience for its colleagues and suppliers.

- **End users**
  - **Significantly improved user journey** across Source-to-Pay – easier to use and with more automation
  - Average **requisition approval cycle time of 0.75 days** compared to over 2 days previously
- **Procurement & Supply Chain**
  - All sourcing, contracting and data analysis through **a single platform with consistent processes and operating model** – over 2000 sourcing events ran within the first 12 months
  - **Multi-million pound cost savings unlocked** by increasing the proportion of spend actively managed by Procurement & Supply Chain
  - **20% of new supplier requests rejected and guided to preferred suppliers** – previously there was limited visibility and controls in place to enable this
  - Increased automation, reducing manual transactional activity - **identifying 13% of Procurement & Supply Chain team capacity** that could be refocused on more strategic activities

> KPMG Tax supported us in **moulding Coupa to provide automated tax code determination as a default.** We found KPMG quick to respond, and with Coupa, we have ultimately ended up with a Source-to-Pay solution that has **allowed us to significantly reduce VAT risk** and to identify key suppliers for specific auditing and attention.
>
> **Sue Wilton**
> Head of Indirect Tax, Babcock

- **Finance and Risk**
  - **Over 60% of requisitions automated** through self-serve channels (previously 5%)
  - Invoice first-time match rate **improved by 23%**
  - Average invoice approval cycle time **decreased from over 5 days to 3.5 days**
  - **Enhanced automation of indirect tax processes,** reducing manual compliance costs
  - A single, streamlined supplier on-boarding and risk management process with embedded controls – **now possible to register suppliers within a single day** (previously could take weeks)
- **Suppliers**
  - **Easy to use self-service portal** for on-boarding and transaction management
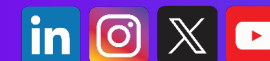 - Ability to **quickly and easily track payment status** and maintain supplier registration details
- **IT**
  - **A single highly secure cloud platform** with limited customisations and integrations
  - **Robust design and configuration documents** in place, enabling quicker system upgrades and maintenance