



“The resources we have engaged from Management Toolbox have been consistently first class in terms of their expertise, ability to form key relationships quickly and success in extracting greater value from our key areas of spend.”

Grant Harpur, General Manager Finance, Sovereign

## Introduction

Sovereign is New Zealand’s largest life insurance company. They provide personal and business life insurance, health insurance, home loan, investment and superannuation products to more than 600,000 customers.

## The Issue

Sovereign needed assistance to develop the strategic procurement discipline within the business in order to deliver sustainable savings and drive efficiencies through improved organisational procurement and purchasing practices.

## The Solution

Management Toolbox provided an interim Procurement Manager to establish the procurement discipline within Sovereign. This person had the ability to appropriately engage, lead and complete agreed Procurement activities and improvement opportunities to release total cost of ownership savings that would be identified. The role also required effectively educating and communicating the value of procurement to the business.

## The Project

Engagement was based on rolling 130 day cycles (6 months work, not

necessarily 6 months in time) with associated short and medium term targets and objectives. The objectives were to:

- Implement agreed category initiatives identified from the Procurement Programme Opportunity Assessment previously carried out by Management Toolbox.
- Identify opportunities in other categories, and implement any ‘quick-wins’.
- Construct a Contract and Supplier Owner Register so that Sovereign has a central repository to, not only manage, but understand its commitments.
- Establish cross-functional teams to define business requirements, specifications, and policy as relevant and identify and drive TCO cost savings.
- Communicate the benefits and value procurement can offer to the business in order to gain ‘buy-in’ for any initiatives.
- Establish a robust and appropriate Procurement/Sourcing Policy for Sovereign to ensure the delivery of “best value” for money
- Identify Next Steps for Sovereign including:



- Establishing an appropriate internal structure to manage procurement post Management Toolbox involvement.

## Results

To date, Management Toolbox has been engaged through four cycles with work undertaken across approximately ten different categories. This has resulted in both cost savings and process efficiency initiatives. Total TCO savings are in excess of \$2M which represents a reduction of 11% of the total targeted spend.

In addition to the cost savings targets, Management Toolbox has also focused on improving the understanding of procurement and its benefits across the company.

As a result, we are now involved in more strategic procurement, which does not always deliver immediate tangible cost savings. It does however, ensure the best value for money is achieved and provide for robust supplier management.

## Sustainability

The future and effectiveness of the procurement discipline within Sovereign requires the support of a robust procurement framework. Management Toolbox continues to work with the client to ensure this happens including:

### Policy

- Even if general in nature, a procurement policy will provide substance to the procurement function.

- Business units must be driven to include it as part of good business practice.

### Processes

- Clear indications of who to talk to and when.
- Contract negotiation and management processes in place.

### Tools

- SharePoint and Intranet directory to ensure easily accessible, consistent information.

### Training

- Provision of a comprehensive training suite, covering the major areas of procurement, including; negotiation, relationship management, tender preparation and management, process mapping and service level agreements.

## Contact us:

If you have any questions, or wish to receive further information, please contact us.

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