

Sodexo Asia Pacific puts profitable growth on the menu through common, efficient processes.

Overview

■ **Challenge**

Sodexo Asia Pacific's rapid growth was hobbled by its disparate array of systems and processes, which weakened operational performance.

■ **Why Become an On Demand Business?**

The company needed to improve and harmonize its systems and processes to increase its efficiency, while also making information more transparent to support decision-making.

■ **Solution**

Sodexo AP engaged IBM to design and deploy a single common platform for its core back-office systems, and to simplify and standardize the back-office processes running on the platform. With IBM hosting the solution, Sodexo AP keeps its costs variable and predictable.

■ **Key Benefits**

- *3% reduction in overall procurement costs through process standardization*
- *25% reduction in total project cost by outsourcing back-office applications and infrastructure*

>> **On Demand Business defined**

"An enterprise whose business processes—integrated end-to-end across the company and with key partners, suppliers and customers—can respond with speed to any customer demand, market opportunity or external threat."



A division of Paris-based Sodexo Alliance, Sodexo Asia Pacific provides food services in Australia, New Zealand, Singapore, Malaysia, Thailand, China, Hong Kong and South Korea.

Sodexo Asia Pacific (www.sodexo-au.com) is a unit of Sodexo Alliance, one of the world's leading providers of food and multi-services, with more than 300,000 employees spread over 76 countries. Like its parent, Sodexo Asia Pacific's core business is providing catering and facilities management services to companies, institutions and—with the 2000 Olympic Games in Sydney a case in point—major events. From a business model perspective, one of the company's key characteristics is a high degree of decentralization *by design*, with operations organized around—and profitability measured for—specific service contracts.

"In this business, success depends a lot on speed, flexibility and efficient execution around the world. The fact that IBM helped strengthen us in each one of these areas is a testament to the unparalleled depth and breadth of IBM's expertise and its value to us as a key provider."

– Garen Azoyan, Director of Finance and IS, Sodexo Asia Pacific

Optimizing business performance through process transformation

On Demand Business Benefits

- 3% reduction in overall procurement costs through process standardization—that goes straight to the bottom line
- 100% payback within 2 years
- 25% reduction in total project cost by outsourcing back-office applications and infrastructure
- More robust back-office systems to handle rapid growth
- Major reductions in administrative resource costs
- Stronger decision-making capability and improved responsiveness through greater information transparency

For Sodexho AP, this arrangement reflects the importance of keeping in close touch with the evolving issues and requirements of each customer, and the need to track profitability on a contract-by-contract basis.

Despite its operational benefits, the company's business model also made it susceptible to the drawbacks of decentralization, such as the proliferation of disparate processes and information silos between different parts of its operation. This tendency was exacerbated by the company's acquisitions of other service providers, each of which brought along its own IT systems and back-office processes. The result was an increasingly complex collection of systems and processes that was making information less and less transparent within the company. With information harder to come by, the company's decision-makers found it harder to coordinate and optimize its operations around the region.

Poised for rapid growth, Sodexho AP could ill afford to be held back by inefficient processes. With growth in some AP countries exceeding 40 percent, the company needed to respond rapidly to service opportunities, and be able to efficiently marshal the resources—principally people and food—required to fulfill them. This meant, for example, that each country's back-office systems needed to be robust enough to handle the huge spikes in invoice and purchase order activity that major new contracts typically generate. For the company as a whole, running fragmented business processes was especially harmful in the area of food procurement. The combination of huge purchasing expenditures and low profit margins made it especially important to consolidate its purchasing power. But with each unit using its own siloed procurement system, the company had no way to get an aggregated picture of its purchasing opportunities.

Getting ready for growth

Realizing that its existing system and back-office processes posed a threat to its future growth, Sodexho AP acted to change them. Its immediate goal was to replace its financial systems, which had been overwhelmed by the company's huge volume growth. While replacing its application was an absolute necessity, Sodexho AP knew it was not sufficient to support its future growth. To truly prepare, the company saw the need for a more fundamental change to its core processes and business model. In terms of timing, the stars were in alignment. Its parent company had recently selected SAP's finance package as the corporate standard, but the general rollout was slated for nearly two years away. Sodexho AP saw the opportunity to be the leading edge of a companywide deployment. To make it a reality, the company needed a

Key Project Statistics

| | |
|-------------------------------|----------|
| Number of Countries Deployed: | 7 |
| Deployment Time: | 5 months |

solution provider that could not only deploy it from the ground up *rapidly*, but also affect the business-level transformations that would make it a long term success. The company selected IBM Australia.

In the engagement that followed, IBM Business Consulting Services worked with Sodexo AP to redefine and standardize its finance processes, and to design and implement its new financial application in accordance with this process framework. But Sodexo AP took the depth of its transformation one step further, explains Garen Azoyan, the company's Director of Finance and Information Systems. "As a provider of contract-based services, flexibility and adaptability are critical to our success, our profitability and our competitiveness," says Azoyan. "We looked to IBM to provide a financing model that would complement—or even enhance—our business model."

To meet this need, IBM deployed SAP for Finance in a shared-service arrangement, under which it hosts and manages the application, and charges Sodexo AP for the service based on the number of users. IBM Global Services – Strategic Outsourcing, which delivers the service from an IBM e-business Hosting™ Center outside of Sydney, also provides Help Desk services for users of the application. With the six-month deployment of the new financial system a success, Sodexo AP made the decision to extend the 5-year deal to include the critical areas of payroll, HR and procurement. Here again, IBM Business Consulting Services worked closely with Sodexo AP to optimize and standardize these processes, and then design, deploy and configure the applications to support them. The systems run on centrally located IBM eServer pSeries servers that connect out to Sodexo AP's country-level operations. IBM SurePOS point of sale systems running software from IBM Business Partner InfoGenesis are also deployed at Sodexo's AP's local sites.

Strength in numbers

With standardized processes and a common back-office platform across all of its operations, Sodexo AP can now access management reports from any country or site in realtime. This increase in transparency has enabled Sodexo AP management to make faster, more informed decisions and—as a result—has made the company more responsive to its customers' changing needs and to new business opportunities. Procurement represents an especially bright spot for operational improvements. Now, with the ability to aggregate purchasing data from across all units, Sodexo AP is better positioned to leverage its tremendous buying clout. The resulting increase in discounts and rebates is expected to add 3 percent to the bottom line, with that benefit alone generating a 100 percent payback within 2 years. Standardization has also enabled major gains in the efficiency of back-office processes, freeing up resources that have been vital to supporting the company's rapid growth. By the same token, standardization has put an end to the notion that acquisitions represent a step backward in efficiency,

Key Components

Software

- SAP R/3
- InfoGenesis point of sale software

Hardware

- IBM eServer™ pSeries®
- IBM SurePOS™ point of sale systems

Services

- IBM Business Consulting Services
- IBM Global Services – Strategic Outsourcing

Business Partners

- SAP
 - InfoGenesis
-

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–Garen Azoyan

since new companies can be brought under the new platform almost immediately.

As a provider of outsourced services, Sodexho AP's decision to follow its customers' lead—and focus on its core competencies—has also produced significant financial and operational benefits. For one, the company estimates that, had it decided to invest in its own fixed infrastructure instead of hosting, its overall costs would have been 25 percent higher. Equally significant was the ability to bring its IT cost structure more in line with its flexible, variable business model. Thus, as the company's contract volumes rise and fall, its costs remain stable and predictable. But perhaps most important, says Azoyan, is the ability to remain focused on what it does best—serving its customers. “We decided that as a service company the last thing we wanted to be was an IT provider,” says Azoyan. “We don't have the expertise to maintain and support the new system in-house, and the effort and resources this would require would be much better directed toward our customers.”

With the solution fully rolled out, Azoyan sees his company as better able to capitalize on the ultra-fast-growth of markets like China, which grew 40 percent last year and added 2,000 new employees. “In this business, success depends a lot on speed, flexibility and efficient execution around the world,” says Azoyan. “The fact that IBM helped strengthen us in each one of these areas is a testament to the unparalleled depth and breadth of IBM's expertise and its value to us as a key provider.”

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