IBM

Hydro One achieves rapid time-to-value with an e-procurement solution from IBM and Ariba.


Overview

■ **Challenge**
  Consolidate enterprisewide purchasing activities, leverage spending and reduce inefficiencies to keep total costs down and improve competitive position

■ **Solution**
  An IBM and Ariba e-procurement solution, which leverages a complex, existing IT infrastructure integrated seamlessly with the highly adaptable Ariba® Buyer™

■ **Key Business Benefits**
  Quantifiable ROI in less than a year on actual savings through quick implementation time, streamlined purchasing processes, reduced cycle times, and leveraged aggregated purchase and lowered transaction costs
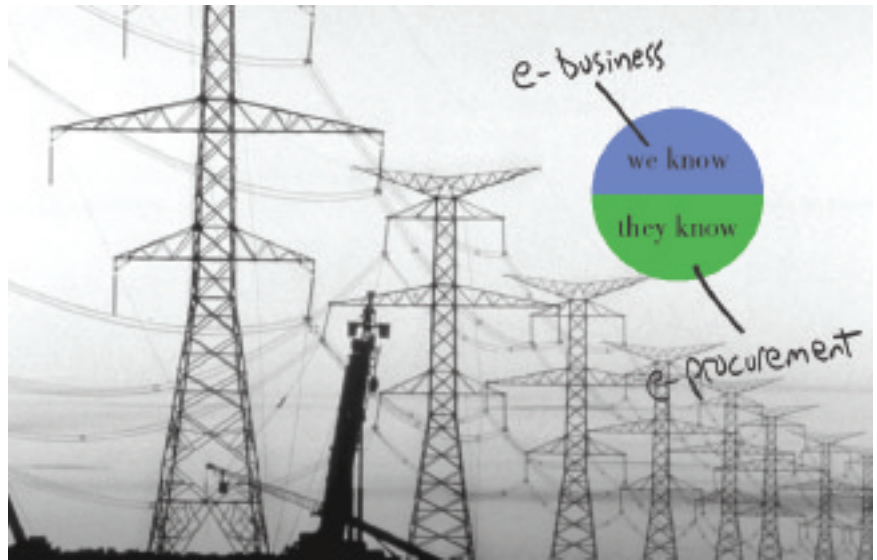
Providing an end-to-end e-procurement solution in just 67 days

The rallying calls of businesses today are speed, efficiency and cost control. Organizations are up against time-consuming, paper-driven processes that are expensive and inefficient, and unmonitored purchasing activities that cause excessive spending through the use of non-approved suppliers. Additionally, language barriers, currency exchanges and cross-border regulations can discourage companies from doing business with potential trading

"Because this was our first strategic e-procurement application, it was critical that the implementation run smoothly. And with the help of IBM and Ariba it did."

– *Chris Booth, Chief Information Officer, Hydro One, Inc.*

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"The IBM team assisted Hydro One with implementing and deploying an e-procurement solution in just 67 days. It also implemented and integrated a solution linking Ariba Buyer with our backend enterprise systems in an additional 60 days—enabling an even faster return on investment."

—Dan Olsen, Director of Supply Management Services, Hydro One, Inc.

partners around the world. To help companies leverage and turn procurement spending into a strategic advantage, IBM and Ariba have formed an alliance to deliver seamlessly integrated business-to-business (B2B) e-procurement solutions that draw on the combination of comprehensive industry knowledge, world-class hardware and leading-edge applications.

A Canadian powerhouse

Hydro One, Inc. is a leading energy company in Canada, employing more than 4,500 professionals and providing electricity to approximately 1.2 million customers throughout the Ontario region. Launched in May 2000, Hydro One emerged from the restructuring of Ontario Hydro. Through Hydro One Networks, Hydro One now owns and operates the electricity transmission and distribution system in Ontario.

The challenges of traditional procurement

A primary challenge that Hydro One faced involved the unmanaged purchasing processes and the high costs of purchasing supplies from non-approved vendors. The company needed to consolidate its purchasing activities, which included thousands of suppliers and hundreds of Hydro One employees, and equated to more than 165 million Canadian dollars and 35 percent of its overall expenditures.

Due to the large number of individuals involved in a typical purchasing process, controlling spending—particularly through contracted suppliers and approval cycles—had become nearly impossible. To further the challenge, Canadian utilities have moved toward an open-market system. As a result, Hydro One needed to generate efficiencies to keep costs down and minimize consumer-rate increases to retain its position in a competitive market. With a significant number of its purchasing activities taking place on the local level, the company realized that streamlining its procurement processes would require an enterprisewide, user-friendly e-procurement solution that could be deployed easily and quickly.

Making the shift to online purchasing

To quickly regain control of spending, reduce costs and generate efficiencies, Hydro One chose to implement a Web-based e-procurement solution. It searched for partners with credibility, solid track records and the ability to deliver solutions quickly and at the right price. In the end, Hydro One selected IBM Global Services for its expertise and highly focused methodologies,

and Ariba Buyer software for its open-standard integration capabilities and feature-rich and intuitive interface. More important, Hydro One selected the IBM and Ariba alliance team to deliver the optimal solution.

The IBM and Ariba e-procurement solution

The IBM team provided the industry knowledge and skills to quickly develop a strategic implementation plan for the deployment of Ariba Buyer within the Hydro One environment. The IBM and Ariba joint team's planning and methodology facilitated a smooth implementation. Given its varied experience working with numerous information technology (IT) systems—including complex, heterogeneous environments—IBM was able to leverage Hydro One's existing infrastructure to help design an automated procurement plan for processing transactions worth hundreds of millions of Canadian dollars per year.

By making use of open-standard technologies, such as Java™ and XML (Extensible Markup Language), Ariba Buyer provides an interoperable system that easily integrates with Hydro One's existing IT infrastructure and Indus PassPort, Hydro One's enterprise resource planning (ERP) system. In addition, the easy-to-use interface simplifies the purchasing process for end users and helps drive Hydro One's employees to the system—minimizing maverick buying and routing spending to preferred vendors. Users are also able to save time in their procurement processes with an updated, single-access procurement solution and thus increase their productivity and satisfaction. The complete solution provides improved process efficiencies, reducing cycle times and boosting productivity.

Achieving return on investment in less than a year

Hydro One, Inc. estimates that the cost savings generated by the IBM and Ariba solution will provide return on investment (ROI) in less than one year. In certain categories, the new e-procurement solution has already achieved approximately 20 percent savings. Furthermore, the expertise and collaboration between IBM and Ariba enabled the solution to be fully deployed and operational within 67 days. In just six months, the Hydro One e-procurement solution has grown to nineteen suppliers, hundreds of buyers and more than 300,000 product items, giving Hydro One the lead spot in the Canadian energy market. "Because this was our first strategic e-procurement application, it was critical that the implementation

> *"The architecture of Ariba Buyer is flexible and open enough to make a viable longterm e-procurement solution."*
>
> *– Chris Booth*

run smoothly. And with the help of IBM and Ariba it did. We showed the company that payback for an e-procurement solution was much faster than the two- and three-year payback times required for ERP and customer relationship management (CRM) solutions. It was a great confidence booster to know that we could do it," says Chris Booth, Hydro One's CIO.

Now Hydro One e-procurement system users are leveraging all their purchasing needs through Ariba Buyer—using it to strategically select vendors, as well as for its request-for-proposal process. By directing users through the Ariba Buyer system for their purchasing requirements, Hydro One is able to better control costs and simplify the purchasing process for a full range of products—from office and cleaning supplies to highly engineered electrical components. In addition, Ariba Buyer's integration capabilities have enabled PassPort ERP users to connect to the system and easily purchase materials. As a result, Hydro One has cut transaction costs and reduced cycle times to gain an immediate and ongoing ROI, as well as:

- Reduced unit purchase costs by up to 20 percent
- Improved employee productivity through access to realtime product availability and pricing information, and through improved order accuracy
- Increased inventory management and value-chain-management capabilities and efficiencies through greater control of product shipment dates and locations.

Keeping business strong with a leading e-procurement solution

IBM and Ariba delivered a solution that integrated seamlessly with Hydro One's existing systems and value-chain processes. "The IBM and Ariba alliance provided a solid teamwork environment and a complete solution," says Booth. By combining the world's leading e-procurement solution with the world's leading e-business infrastructure and global services, IBM and Ariba created an ideal starting point for Hydro One's B2B strategies and deployed a system that is in the process of providing rapid ROI.

These advanced-technology, high-level e-business solutions and swift implementation capabilities helped Hydro One move its business processes online quickly and easily. Together, IBM and Ariba provided the world-class e-procurement solution that helped Hydro One streamline processes, improve efficiencies and reduce costs to gain a competitive advantage.

For more information

To learn more about IBM and Ariba e-procurement solutions, please visit:

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