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GSK adds travel to impressive e- kit

Pharma giant has 99+% of spend classified

GlaxoSmithKline, a recognized global leader in electronic sourcing, is pushing deeper on e-auction penetration, expanding requirements for electronic purchase orders and implementing a new tool for corporate travel.

"We will do 4,000 e-sourcing events this year, a combination of auctions and eRFX," said Gregg Brandyberry, GSK's vice president of Global Systems and Operations in an interview in late 2006. "But there are still some parts of the company that have the opportunity to use them more. Some of our country organizations are more advanced than others. Certain categories of spend have deeper penetration than others." Electronic sourcing events are conducted by the company in more than 60 countries.

GSK also plans to drive the use of its Emptoris ePass tool deeper within its supply base. Some 18,000 of the company's suppliers are now registered on line, up from 5,000 in 2003. That number is sure to grow as use of the tool moves down the supply chain.

Slightly more than half of the sourcing events are electronic sealed bids as opposed to auctions. "We get very similar results either way," Brandyberry says. GSK says it gets a payback on its annual payment to Emptoris every three to four days.

Other technology highlights at GSK:
Corporate Travel: GSK launched late last year a travel service tool with Reardon Commerce for the United States and the United Kingdom. "We did a six-month pilot study with 800 people," says Brandyberry. "Our IT people were heavily involved."

Key Program Axioms at GSK

- Commitment to invest in procurement technology with accelerated ROIs
- Gives the users what they want and need
- Implement best-of-breed solutions
- Configure plug-and-play applications
- Put major focus on data integrity
- Ensure that program is highly ethical internally and externally

R. Gregg Brandyberry is one of the leaders in deployment of technology in supply management. How he—and GSK— got there is a story in its own right.

He was a laboratory manger in the chemical process industries early in his career and became interested in materials management and statistical process control. By 1990, he was in charge of manufacturing and quality at Gates Energy Products, which was a semifinalist in the Malcolm Baldridge National Quality Awards. In 1993, Willie Deese was looking for a Six Sigma maven in his procurement organization at SmithKline Beecham Clinical Laboratories. By the late 1990s, Brandyberry was the program manager for Joe Meier, who at the time ran production purchasing and is now Brandyberry's boss as the SVP-Procurement at GSK.

"One thing I recognized was that we needed to change how we did systems and tools," comments Brandyberry. He hired Jason Magidison, an expert in a process development approach that focuses on needs of users and customers. Several concepts are covered in a book co-written by Magidson called *Idealized Design.* E Sourcing took off when GSK went to a self-service e sourcing model, removing the third party between GSK and the supply base.

Some 16,000 employees are now hooked up for airline reservations, hotels and dining. GSK plans to add packaging shipping to the tool, which Reardon describes as a concierge service.

"I can be sitting at home wireless on Sunday evening thinking about my trips for the next two weeks," says Brandyberry. "All of the price transparency comes up with all of our contracted arrangements, plus other deals allowing the best cost conscious decisions to be made". GSK uses the tool to embed corporate policy.

In the first year, GSK expects to capture about one-quarter of the eligible spend. Usage will grow as kinks are worked out, such as creating more incentives to use the dining tool. Savings could reach 15%. Rental cars are also included as part of the system.

E-Procurement. GSK uses Ariba Buyer and EB Pro from SAP to automate requisition approval and procurement processes. SAP is the company's enterprise resource planning platform, and is also used as the front-end buying tool for some international markets. The goals of the e-procurement system included reduction of maverick spending, creation of more detailed spend data and enabling more price transparency. The company also wanted to eliminate multiple "punch-outs" to supplier catalogues. Close to $3 billion flows though the Ariba tool for US and UK user and more than 120 catalogs are available. Operations staff in procurement was reduced 40% and payback came in less than a year. After the rollout in the US and UK in 2002, the EB Pro Buyer was used to extend e-procurement to other geographies. Sarbanes-Oxley compliance became a major driver.

Lab supplies. In the initial e-procurement approach, the Ariba or SAP tool connected to punch-out suppliers, content providers or a supplier aggregator. In a newer strategy both e-procurement tools have the ability to connect to a supplier aggregator, which then connects to all suppliers and content providers. Prior to SciQuest (early 2002): "procurement people were trying to tell R&D people what to buy and that wasn't going to work," comments Brandyberry. "So the R&D people would have stacks and stacks of catalogues or they would be punching out individually to the suppliers' Web sites." The SciQuest implementation began with 70 suppliers' catalogues with GSK pricing and another 80 added later. Site specific catalogues were added for each of the company's largest R&D centers in Philadelphia, Research Trainable Park in North Carolina, the UK and Italy. Contract compliance improved 35% in the first year and payback took less than a year.

Today there are more than two million unique items in the aggregated content. One of the keys is a taxonomy created by SciQuest which allows rapid normalization of content from a number of suppliers. Technology works well at GSK because of a strong executive mandate, an effective organizational structure and an unusually strong understanding of spend. Brandyberry says GSK has classified better than 99% of its $14 billion annual spend. Recently, GSK hired Zycus, which uses artificial intelligence, to develop more granularity in the spend data. "OK, so a given buyer bought X. Did they buy it from a preferred supplier? That's tougher because now you have to categorize at an item level and get the code in. We're about 75 to 80% of the way there."