

## CASE STUDY

# Sandvik Mining and Construction Taps Liaison Technologies for Global Integration and Improved Supply Chain Visibility.



Sandvik is a global high technology engineering group with advanced products and world-leading positions within the areas of tooling, mining and construction and materials technology. With 47,000 employees serving customers in over 130 countries, the 150-year-old Swedish company's sales approximated 83 billion SEK in 2010. The Sandvik Group conducts operations within three core areas - Sandvik Tooling, Sandvik Mining and Construction, and Sandvik Materials Technology. Seco Tools, an independent, publicly listed company, is also a member of the group.

One division, Sandvik Mining and Construction, needed a cost-effective way to meet a sharp increase in market demand that began in 2009, following the economic collapse of 2008. Like many global companies with a large supplier base, a diverse IT/ERP landscape, many local customizations and differing processes at various levels of maturity, the company knew that streamlining and optimizing its global supply chain processes would result in efficiencies that would ultimately benefit the bottom line. Sandvik Mining and Construction chose Liaison Technologies to integrate its global supplier base.

"We chose Liaison to assist us with this project because of its global presence, the capabilities of its SupplierWeb supply chain portal, and proven success with a long engagement with another Sandvik business unit in Finland," said Lars Holmström, Sandvik Mining and Construction's program manager for SupplierConnect, the internal name for the project. "Another important factor in partnering with Liaison is that we trust their advice. They listen carefully and make keen observations that consistently result in solid recommendations, even when it's different from our initial ideas."

## Unique Approach Speeds Global Rollout

Over the years, Sandvik Mining and Construction has grown organically and through several acquisitions. Because of this, the company ended up with a plethora of different processes and multiple ERP systems throughout its dozens of global locations.

"It got to the point where we really needed a better way to conduct business with our suppliers," said Holmström. "Our choices were either to go for unique implementations for each location or to implement a standardized shared process for all locations. After careful consideration, we decided on the standardized process approach to leverage the shared supplier base more efficiently and cost effectively."

With that goal in mind, Sandvik formed a joint Sandvik-Liaison group to analyze and design the common process. Holmström attributed the success of the process design largely to Liaison's sound counsel as well as how well the group worked together during this important phase of the project.

## Quick Facts

### Company

Sandvik Mining  
and Construction  
Sandviken, Sweden  
[www.sandvik.com](http://www.sandvik.com)

### Industry

Mining and Construction

### Liaison Solutions

Liaison Integration Services,  
including SupplierWeb™

“As we sat around the table openly discussing how to design this new process to meet our global supply chain needs, it became clear early on that Liaison Technologies’ knowledge and expertise would be invaluable,” said Holmström. “Throughout the project, Liaison’s guidance was crucial for ensuring that our focus remained on track. They have become trusted advisors and a major factor in how well the services leveraged in the SupplierConnect project meets our needs and how quickly we’ve been able to roll it out.”

After a successful proof-of-concept, Sandvik Mining and Construction’s Segment Directors and Sourcing Board approved the plan to implement SupplierConnect globally, including aftermarket, assembly centers and production units, within 18 months.

Sandvik and Liaison decided on a unique rollout approach in which basic functionality would be implemented in multiple locations while simultaneously developing and implementing additional functionality such as Advance Shipping Notices (ASNs) and electronic invoicing in pilot locations. This bold approach has resulted in having over 20 simultaneous projects in process in various parts of the world, resulting in a quicker global rollout.

The success of Sandvik’s parallel rollout approach is due in part to the SupplierConnect implementation team’s structured use of a standard project model within Sandvik Mining and Construction. This model defines clear responsibilities along with pre-established decision points, deliverables, guidelines and templates. It has proven essential for the team’s ability to handle multiple parallel projects in various stages of completion around the world.

## Careful Planning, Executive Support and Acceptance Test Lead to a Successful Rollout

A combination of strong executive management support, a small, nimble central group to manage the rollout, and a strong partnership with Liaison enabled the company to achieve its aggressive implementation goal. A key component of each rollout is the Acceptance Test, which the company performs in each location to prove that Liaison’s integration solution is working and will be sustainable when it goes live.

Liaison allowed Sandvik to automate and standardize its supply chain processes so they are uniform and simple. It also allowed the company to employ a standardized project model throughout the world. Moreover, because Liaison works with multiple ERP systems, Sandvik avoided the expense and effort of having to standardize on a single ERP system.

When Liaison receives purchase orders from Sandvik’s ten-plus ERP systems, it takes care of sending them to suppliers via EDI or, using SupplierWeb, directly over the Internet, as appropriate. Because the documents go through SupplierConnect, they all look the same to the suppliers regardless of the ERP system of origin. SupplierConnect also receives electronic invoices from its suppliers for processing.

## Clear Benefits and Results

The global rollout of SupplierConnect is already proving effective in boosting supply chain productivity by enabling Sandvik buyers to increase the number of order lines they can handle daily. With buyer productivity up, the focus is now on improving the order confirmation process by reducing supplier changes to orders and freeing Sandvik staff to handle only the exception changes.

## Key Benefits

- Streamlines and optimizes global supply chain processes
- Supports simple, uniform processes across all locations
- Works with multiple ERP systems, eliminating the expense of standardizing on a single system
- Extracts KPIs, providing actionable information to improve productivity

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— LARS HOLMSTRÖM  
PROGRAM MANAGER  
FOR SUPPLIERCONNECT  
SANDVIK MINING AND  
CONSTRUCTION, SUPPLY  
AND SOURCING

Standardizing on a common process has also given rise to a new reporting structure that enables the company to measure Key Performance Indicators (KPIs) extracted from purchase orders and order confirmations, regardless of the ERP system in use. If the supplier makes a change to the order in the order confirmation, such as price, quantity or delivery date, Sandvik site managers can now view the detail of those changes in a monthly summary report that provides visibility into changes made by individual suppliers by site. Now, for example, when a supplier changes a price on an order confirmation, Sandvik can update the price in SupplierConnect so that future orders will include the new prices.

“In one instance, after making price changes in one ERP system, order confirmation changes were reduced to just two percent of all purchase order lines,” said Holmström. “This visibility into KPIs and subsequent action on the part of our site managers is proving effective in reducing changes to order confirmations, which, in turn, improves the flow of confirmations and our relationship with our suppliers.”

The SupplierConnect team has also adopted a reporting structure to provide Sandvik executives with daily and weekly summaries of key metrics on supplier and site performance in a format that is useable for decision-making.

Another benefit of SupplierConnect is its effect on internal requests for service. “During the first month of going live with a new ERP system and integration scheme in one location, we processed 4,400 invoices and we had an issue with only one of them,” said Holmström. “During that time, our internal support team received only a dozen service requests despite handling 50,000 P.O. lines per month. This means that SupplierConnect is proving to be an extremely stable solution. I am very confident about that.”

## What's Next?

Sandvik is in the process of restructuring, which includes splitting three business units into five. As part of this strategy, Sandvik Mining and Construction is being divided into two business areas: Sandvik Construction and Sandvik Mining. Over the next year, the focus will be on continuing the global rollout of SupplierConnect and increasing supplier usage throughout both entities.

“SupplierConnect has proven its value in streamlining Sandvik Mining and Construction's supply chain,” said Holmström. “Its standardized uniform process design with the ability to compare common KPIs regardless of the originating ERP system is as well suited for supporting Sandvik Mining and Sandvik Construction independently as it has been for supporting the combined business unit.”

Liaison's SupplierWeb™ is a web-based portal that enables companies and their suppliers to automate manual processes and electronically trade with each other in an efficient, consistent manner—regardless of size, time zone, language or geographic location. Requiring only a web browser and Internet connection, SupplierWeb provides trading partners with a reliable and cost-effective solution to handle crucial supply chain activities.

### Atlanta – US HQ

3157 Royal Drive  
Building 200, Suite 200  
Alpharetta, GA 30022

Tel +1.866.336.7378  
+1.770.442.4900  
Fax +1.770.642.5050

### United Kingdom

+44 (0) 1425 200620

### Finland

+358 (0)10 3060 900

### The Netherlands

+31 (0) 20 700 9350

### Sweden

+46 708102213

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