



# KMGI Procurement Transformation

Organizing procurement process in refinery using cloud technologies

## KMG International Financial 2019:

EBITDA: \$249,7 M

Net results: \$86 M



6000  
employees



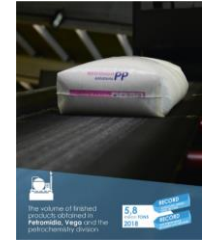
3,35 mln tones  
of fuel sales



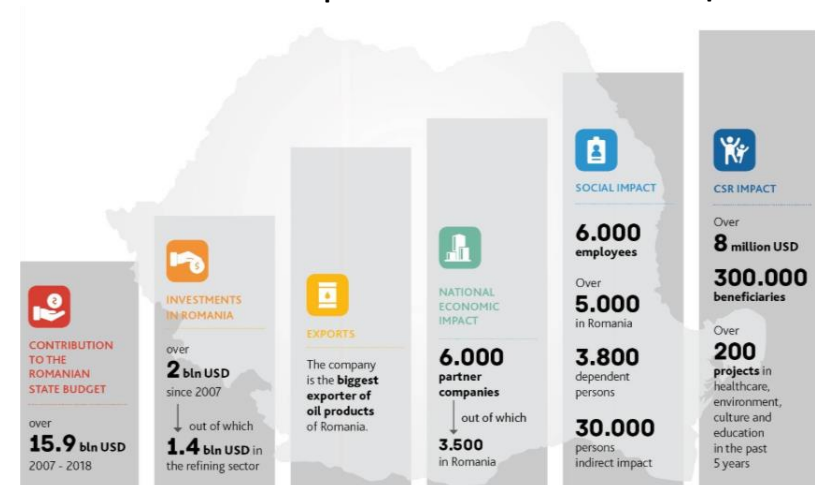
14,9 m tons of  
raw materials  
export



5,9 m tons of  
processed raw  
materials



5,8 m tons of  
petrochemical  
products





# Procurement Spend ~ 600 mln \$

~ 70% - goods, services, logistics

~ 30% - raw materials and energy resources



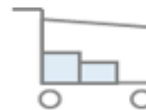
**6**

Countries



**200+**

Capital projects



**53 000 +**

Purchase Orders



**10+**

Categories



**1 000 +**

Suppliers



**61 000 +**

Invoices



**21**

Legal Entities



**2 000 +**

Contracts



**300 000 +**

Items

# What was our starting point ?





### Example Paper-Based Procure - 2 - Pay Process



### Rest of the problems # 3-..... :

- Decentralized procurement departments (doing the same purchases, just at different entities)
- Several Procurement Directors ( Group Director and entity Procurement directors)
- Separate Procurement procedures that wasn't inline with the Group strategy (Group and entities had its own procedure)
- Lack of clear KPI's and dashboards that provide full visibility
- Lack of Procurement planning and clear process improvement projects, deadlines, process improvement objectives.
- Paper based processes and bureaucracy that lead to long cycle time, procurement image in the company and required a lot of people and resources to manage paper process (time, money and efforts).
- A lot of single source purchases
- No frame agreement in place for the recurrent purchases. Continuous tenders for the standard items.
- Lack of centralized procurement system, each company had its own procurement system.
- Split demand over the group, lack of strong negotiation power (due to segregated demand).



## What everyone wants from Procurement ?





# Procurement Objectives to achieve the vision

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## **Operational Efficiency:**

- CIPS corporate certification program to evaluate and improve existing S2P practices
- Procure to pay system implementation
- Establish, Document and implement digitalized S2P policies + workflows
- Baseline the S2P cycle through the development and use of metrics
- Improve contract collaboration through Implement contract lifecycle management tool.

## **Cost reduction**

- Aggregate demand and renegotiate the contracts with volume discount system.
- Increase number of Frame agreements
- Early and volume discount implementation

## **Improve competitiveness**

- Use Benchmarking to assess the procurement and implement the optimization plan.
- Clear KPI's monitoring
- Training programs to improve critical skills and continuous improvement culture

## **Control Demand**

- Centralize all procurement processes in 1 system
- Business partner concept implementation
- Improve collaboration (with Business, corporate functions and Accounts payable, CAPEX, etc. departments)

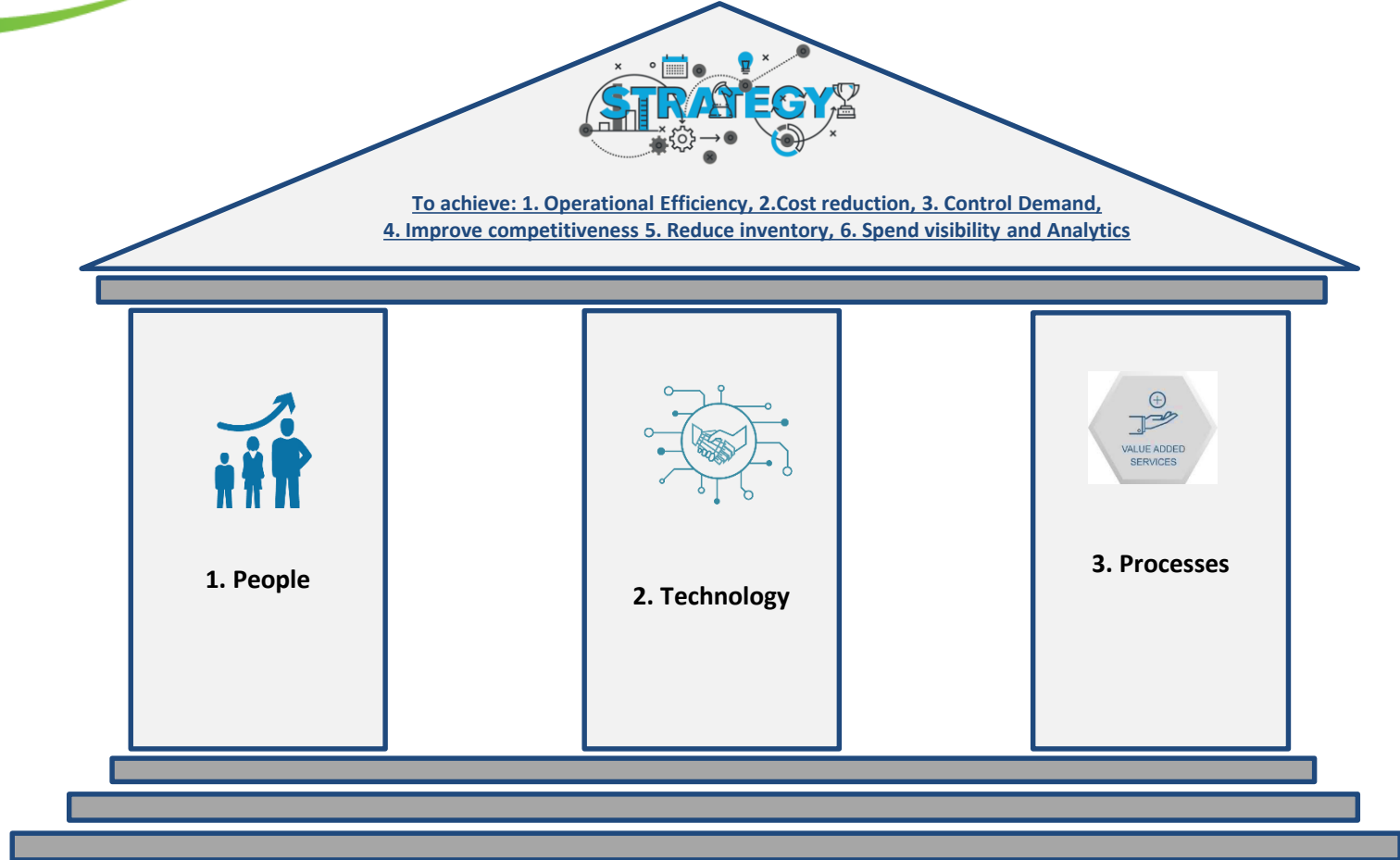
## **Reduce inventory**

- Optimize Inventory management process, procedure
- Define stock items and min. max system
- Implement automatic stock reordering process

## **Spend visibility and Analytics**

- Perform data cleansing and dashboards and automate the monitoring.
- Implement best practice in materials registration.

# Main pillars of KMGI procurement strategy



## Procure to Pay Project





# HOW DO YOU BUY WHEN YOU NEED SOMETHING IN YOUR PERSONAL LIFE ?

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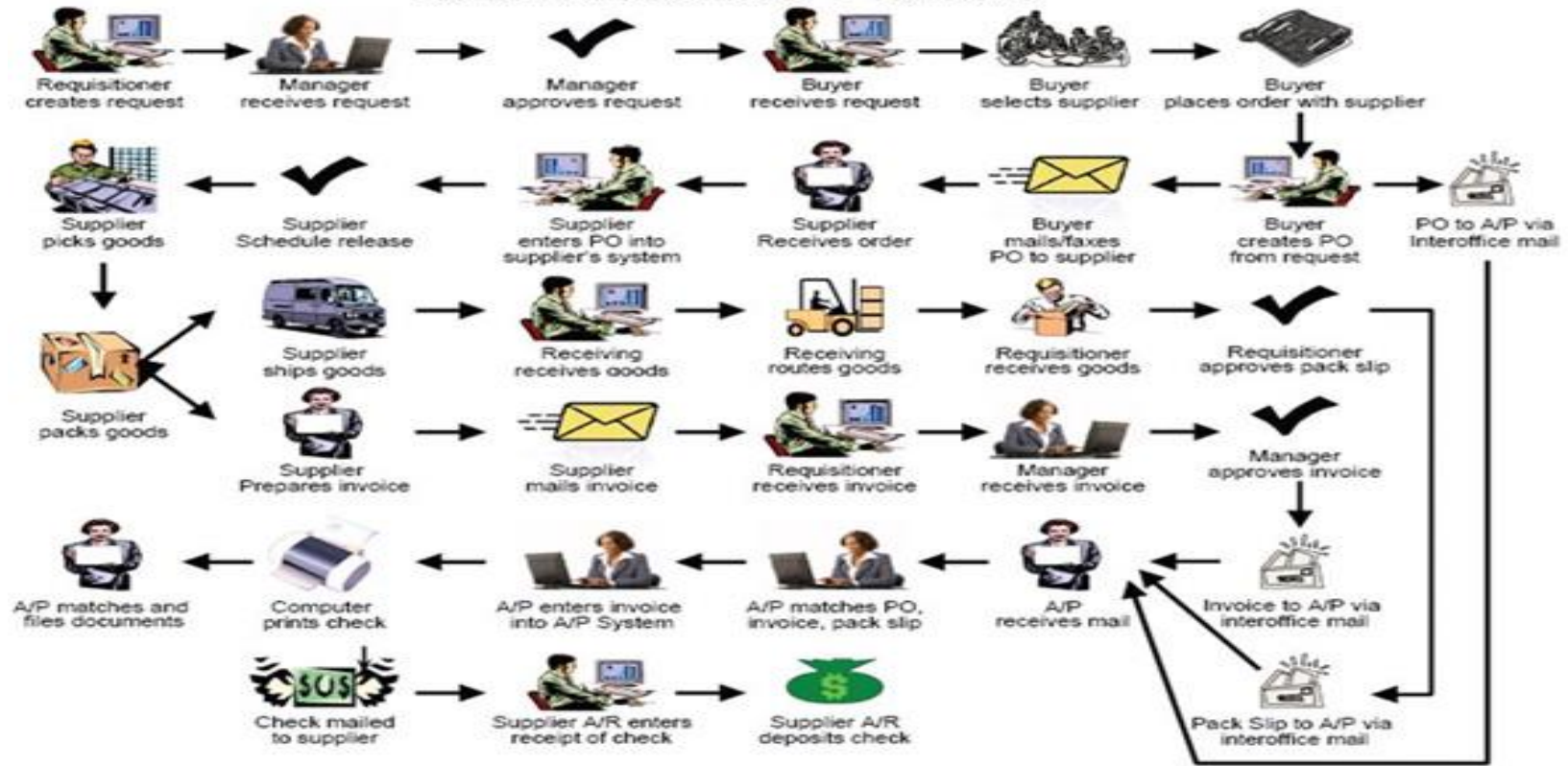
You buy from Electronic Catalogue





## But in your business life .....

Example Paper-Based Procure - 2 - Pay Process



14



# For General and administrative Category

Office > Office Supplies

## Shop by Category

Office Organization

Writing Supplies

Adhesives and Glues

Meeting and Presentation  
Supplies

Office Basics

Calendars and Planners

Forms & Recordkeeping

Office Fasteners

Office Signs

Paper

Shipping and Moving

Rollback



**\$8.88** was \$9.88

save \$1.00

Westcott iPoint Orbit  
Battery Pencil...

★★★★★ 26

2-Day Shipping



**\$7.15** list price \$19.95

save \$12.80

Westcott iPoint Ball  
Battery Sharpener,...

★★★★★ 128

2-Day Shipping



**\$9.88**

Westcott Titanium  
Bonded Scissors, 8"...

★★★★★ 22

2-Day Shipping



**\$12.00** was \$14.00

save \$2.00

Westcott Carbo Titanium  
Bonded Scissors, 8"...

★★★★★ 9

2-Day Shipping



**\$7.22** was \$11.38

save \$4.16

BIC 40-Pack Xtra Life  
Mechanical Pencil,...

2-Day Shipping

Rollback



**\$5.97** was \$6.53

save \$0.56

Westcott 8" Titanium  
Soft-Handle Scissors

★★★★★ 9

2-Day Shipping



Paper & Printable Media



Filing & Storage



Pens



Safes



Calculators



Shipping & Mailing



Pencils



Erasers



Highlighters



Correction Supplies



Markers



Planners



Home

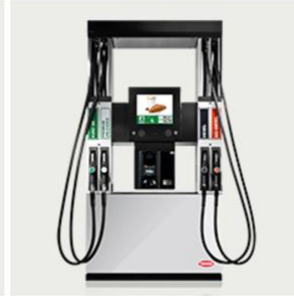
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Quantum 410



Quantum 310



Quantum 210



Quantum 110



T-Media



AdBlue® Dispensers & Solutions



Quantum 310 CNG

## For Industrial services category

**Rominerv**  
a company of The Rompetrol Group  
**Valves** *iAifo*





# For Marketing category



# Projects ongoing to support the vision

## Development timeline

- ✓ **Implementation of the Digital Signature:**
  - ✓ Executive presentation with VP's
  - ✓ Presentation and onboarding of GM's and CFO's
  - ✓ Onboarding rest users
- September 2017

- ✓ **Implementation of the P2P system:**
  - ✓ Finalize test
  - ✓ Finalize trainings
  - ✓ Onboarding and internal communication
- October 2017

- ✓ **Contract lifecycle management:**
- ✓ Collect business requirements
- ✓ Change request
- ✓ supplier selection

October –December 2017

- ✓ **Corporate certification:**

- ✓ Assessment and Gap analysis
- ✓ Gap workshop and close the GAP
- ✓ Final review and CIPS certification

August-December 2017

- ✓ **Increase number of Frame agreements program:**

- ✓ Kick off with business responsible
- Requirements gathering
- Procurement planning
- Catalogue development

August 2017- Continuous

- ✓ **KPI's improvement:**

- Definition of the KPI's
- Benchmarking with world class
- Strategy development

October 2017 – December 2018

- ✓ **Inventory Automation:**

- Business process document
- Supplier selection implementation

February 2018 – August 2018

2017

2018

# Corporate certification achieved



This certificate is awarded to:

**KazMunayGas Rompetrol**

for achieving the:

**CIPS Corporate Certification  
Standard Award**

Date: August 2018

Number: 0427 Valid to: 08/2021



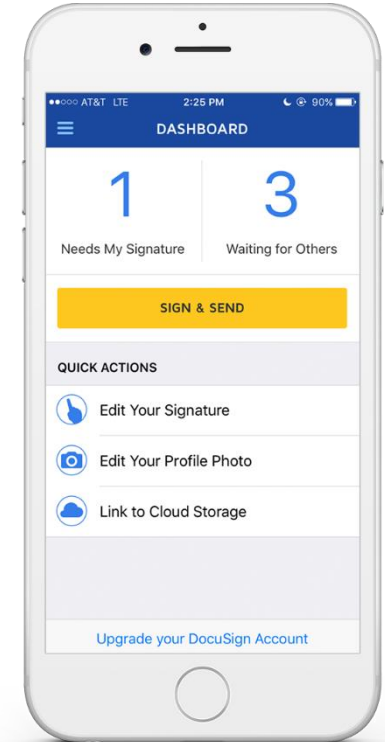
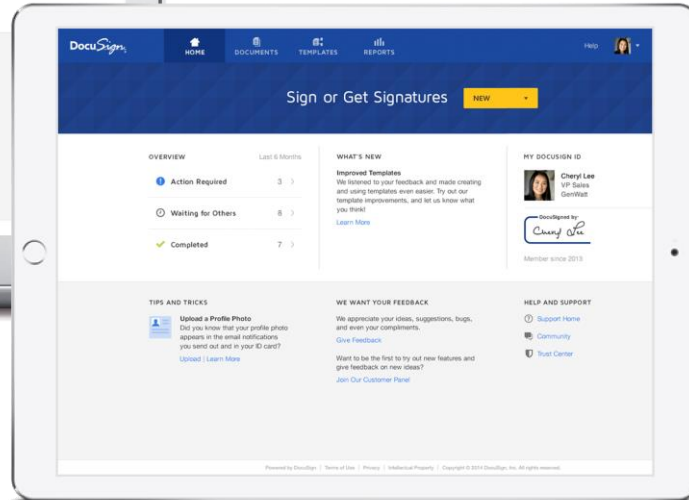
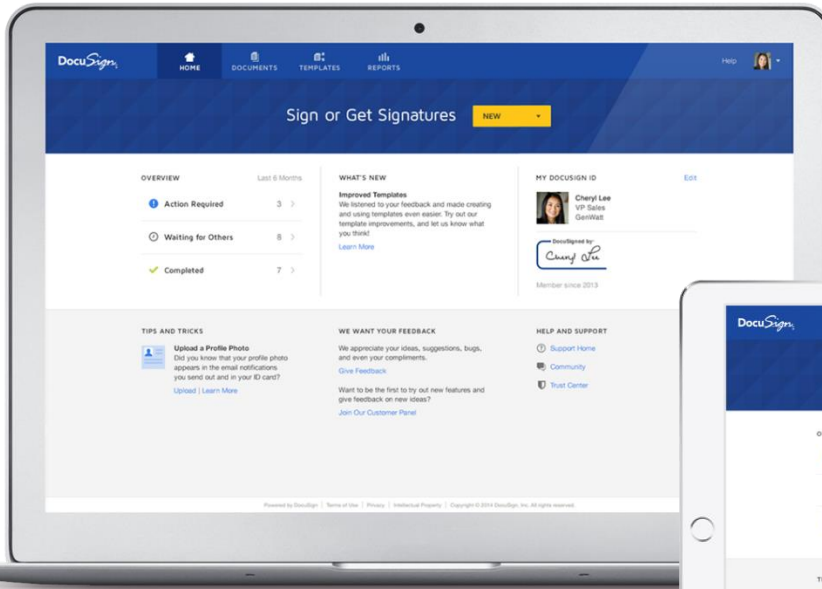
Malcolm Harrison  
Group Professional Standards and Regulation Director

This certificate is awarded by and remains the property of the Chartered Institute of Procurement & Supply



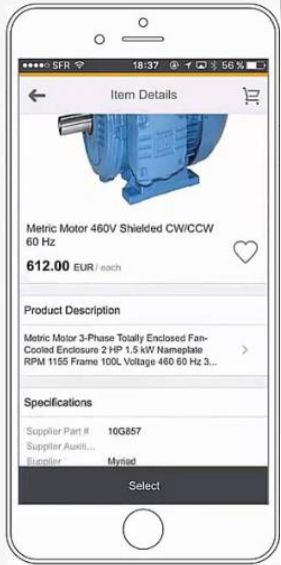
# Contracts are now being signed electronically

**100% of the Procurement (and not only) process are now digitized, including contract signing.**



# All procurement activities performed in Ariba:

**Procurement services offered through E catalogues and fully digitized:**





Following Change for good program started in 2015 Procurement department have improved the efficiency and quality of entire procurement function

### ❖ Improvement in minimizing number of single source

- Following implementation of centralized procurement organization and implementation of new processes Procurement department have significantly improved statistics of tendering vs. direct purchase
- According to last NC KMG Audit report the amount of the Direct purchases decreased during 2014, 2015, 2016 from 47%, 24% to 8% respectively. 7% in 2017.
- Amount of tender increased from 20% to 51% of total Procurement processes

### ❖ Improvement of sourcing and delivery time

#### 2015 Procurement cycle time :

- Direct Purchasing – 60 Days in Average.
- Bidding process with value till \$100,000 – 90 days in Average.
- Bidding process with value over \$100,00 – 160 Days in Average.

#### Today Procurement cycle :

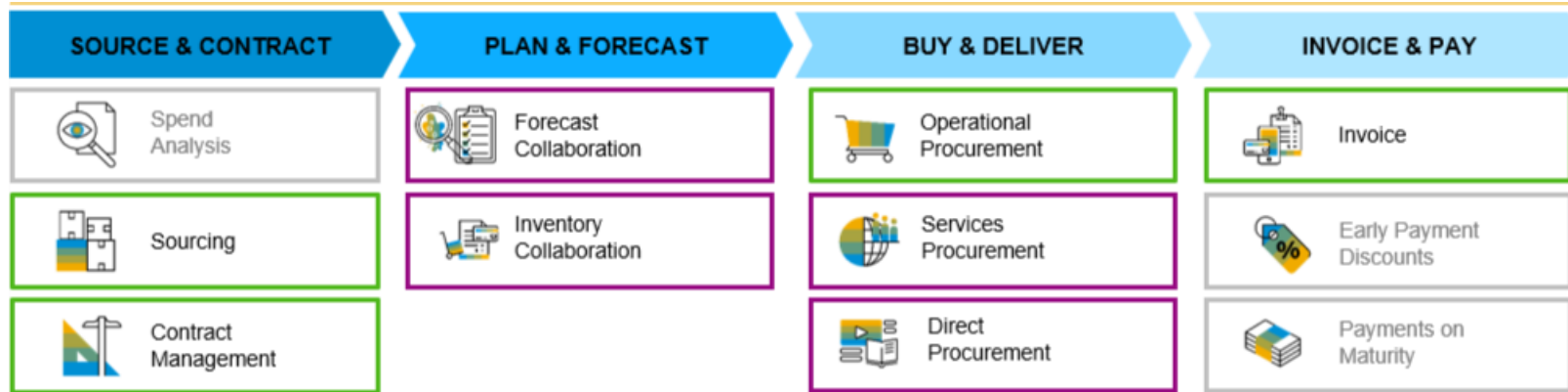
Direct Purchasing – 25 Days in Average.  
Bidding process with value till \$100,000 – 40 days in Average.  
Bidding process with value over \$100,00 – 50 Days in Average

### ❖ Savings

- Savings achieved during 2015 more than ~ \$46 mil USD
- Savings achieved up to date 2016 more that ~\$33 mil USD
- Savings achieved in 2017 – \$27 mln.
- Saving achieved in 2018 – \$29 mln.
- Saving achieved in 2019 – \$36 mln.

### ❖ Achievements

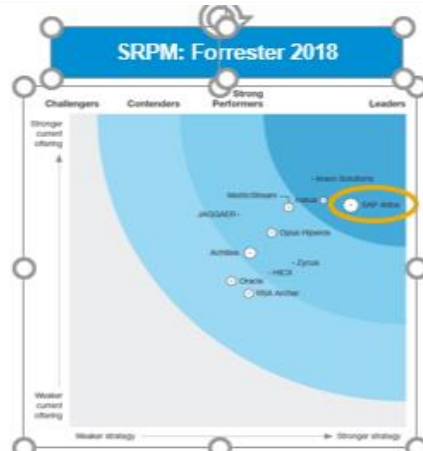
- Procedure update to eliminate redundant approvals in 2016
- DocuSign Electronic signature implementation in 2017
- CIPS Corporate Standard Certification achieved in 2018
- Ariba E Procurement implementation in 2019



**Contract Management: Forrester 2019**



**SRPM: Forrester 2018**



**Services Procurement : Forrester 2017**



**Sourcing : Gartner 2018**





# 2020

THE IV INTERNATIONAL OIL & GAS  
SAP SUMMIT ONLINE

## Thank you!



KazMunayGas  
International