MICROSOFT CORPORATION – PROCUREMENT
OPTIMIZING THE SOURCING AND DEVICES FULFILLMENT PROCESS

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Indirect procurement within Microsoft touches close to $21B/yr spend and is responsible for ensuring that internal customers get high-quality service to meet their sourcing requirements. Microsoft employees all over the world turn to Procurement to purchase goods and services. The Tauber team was given the opportunity to work on two different process improvement projects within Procurement.

The first project required the team to propose a new, and more efficient sourcing service model. Currently, on complex purchase requests, those with budgets over $25K or that require quotations, Procurement guides the buyers as project managers. Moreover, the project manager can be either a Microsoft Sourcing Manager or an outsourced partner (BPO). The decision to use a BPO is based on the location and projected spend. To address the task assigned, the team performed a value stream mapping of the existing processes and analyzed differences between BPO-led and Microsoft-led projects. The team found that a project led by a Microsoft employee has higher cost but generates 4.5% higher savings. Additionally, the team found an opportunity to simplify the sourcing process for low spend projects and reduce the project cost. Based on this work, the team proposed a new model with clear guidelines on when and what to outsource. Also, the team recommended process improvement opportunities to make the existing processes more efficient and customer friendly. The new service model constitutes a $5M (annualized) opportunity to reduce costs and generate additional savings. Furthermore, the identified process improvement opportunities could generate up to $2M (annualized) savings.

The second project consisted of optimizing the internal laptop distribution process in the US and Asia. First, the team focused on solving the problem of internal laptop distribution in the US. Analyzing the current state, the team found that the process was managed by multiple admins, who had to rely on outdated tools and had no control over device delivery. To solve the issue, the team designed a centralized and standardized process both for employees requiring device refresh, and for new hires. Through the implementation, the team forecasted annual savings of $8M for Microsoft, along with an improved employee experience. Next, the team analyzed the current Microsoft Surface's fulfillment model in Asia, where 75% of the escalations were regarding Surface requests. Through the existing model the Surface laptop goes directly from the Microsoft factory to the employee. The process is simple from a transportation perspective, but the administrative process is lengthy and complex. The team performed a value stream map of the existing process and proposed a new service model where a third-party distributor is used in each country. The new distribution model reduces the time required to process a Surface request by 90% and generates $91 savings per device while decreasing the lead time by over 50%.

Overall, through all the projects, the team forecasted total annual savings of $15M. Along with that, the new sourcing model and the streamlined hardware distribution processes will lead to better user experiences.