

# Case Study

# NRK

## NRK streamlines procurement

**NRK** The implementation of Maconomy's procurement solution enables NRK to reduce order-processing time, cut transaction cost, lower inventory levels, and obtain better supplier prices.

NRK, the Norwegian Broadcasting Corporation, is the dominant player in Norway with a market share of more than 40% in television broadcasting and 60% in radio. The company operates from 16 offices across the country and has approximately 3,400 permanent staff. NRK produces and buys programs for its two television channels, ten radio channels, the Internet, and teletext TV.

NRK is government-owned and funded almost exclusively (more than 90%) by TV license fees. Because the license fee is determined by the Norwegian parliament, NRK has limited possibilities to increase its revenue of approximately €400 million. Therefore, NRK must continuously focus on reducing administrative tasks and making better use of resources to increase the number and quality of programs in order to stay ahead in an increasingly competitive market.

### **"A simplified NRK"**

In 2002, NRK introduced "A simplified NRK" with the objective of making it faster and eas-

ier for employees to complete administrative tasks. Since Fall 2003, an employee portal on NRK's intranet has provided a single point of entry for making purchases related to programs or internal use, submitting time sheets, submitting travel costs and other expenses for reimbursement, and making approvals.

Procurement was a significant part of this initiative because external purchases represent 40% of NRK's budget and consume a lot of employee time.

### **Reducing the cost of buying**

NRK recognized that the company did not leverage its buying power to get the best prices, best terms of delivery, and best service levels. Many departments and teams used the same suppliers, but employees spent too much time identifying what to buy and purchases were not coordinated across the organization. In addition, the request process was slow and official approval procedures were not always followed.

"Our goal is to reduce the cost of buying by cutting transaction costs, lowering invento-

ry levels, and obtaining better supplier prices and conditions. Centrally negotiated agreements, a network of ordering staff, efficient ordering processes, and purchasing across teams will help us achieve this goal,” explains Ole André Hansen, Director of Finance.

### **Streamlined ordering processes**

Today, everyone can make simple, standard, completely automated purchases, while approximately 180 people take care of more complex purchases. A central purchasing department with a staff of 20 then makes the most complicated, one-of-a-kind purchases, negotiates supplier agreements, and processes invoices. Ole André Hansen continues: “We have been able to appoint competent purchasers throughout the organization without adding people thanks to the efficiencies we have achieved.” Tina Voigt, Director of Accounting & Payroll, adds: “Instead of spending time chasing incorrect orders, our central purchasing staff now focus on the most complicated purchases, make advantageous supplier agreements and look into consolidating and automating ordering and invoice processing with our large suppliers.”

### **Standardized products**

Product choices have been standardized with the introduction of the procurement system. A limited selection of, e.g. mobile phones, cameras and technical equipment, is avail-

able unless an employee has very specific needs. This saves time for employees and enables the central purchasing staff to negotiate favorable supplier agreements in addition to following up on purchases that do not fall under corporate guidelines.

### **Maconomy - the right fit**

NRK selected Maconomy for their procurement solution for a number of reasons. NRK already used Maconomy’s job costing module for controlling program productions and saw an advantage in fully integrating the procurement solution with the project controls already in place, i.e. program budgets, use of internal materials, facilities and hours. By selecting an existing, proven supplier they could also concentrate on process optimization. “We chose Maconomy because of the fit with our solution criteria – high user friendliness, full process support, built-in proactive reminders/alerts, and reduced transaction cost and paperwork,” concludes Ole André Hansen.

NRK also keeps supplier contracts in Maconomy and uses Maconomy for inter-company transactions and inventory. Integration is made to NRK’s corporate finance system.

### **Fast implementation**

The “going live” date was set early on and once agreed upon, it was non-negotiable. Many people contributed to specifying



*“We have reduced the administrative time spent on purchasing and the true cost of productions is now visible.”*

requirements, but few people were involved in actual process design in order to ensure swift progress and a clear focus on goal attainment for the implementation. Very few external consultants were involved. “It was an ambitious deadline, but we remained focused on the goals of the project and had easy access to decision-makers. This made the implementation successful and enabled us to go live in our central purchasing function in July and for the rest of the organization in November 2003 as planned,” reports Ole André Hansen.

### **Limited training needs and low running costs**

Training needs and support are limited for most employees, as only relevant catalog items, activities, etc. are shown. Some training is needed for the 180 people throughout the organization making the more complicated purchases, but even they are able to manage without much training. Tina Voigt comments: “With the intuitive interface and reminders for tasks that need to be completed, most employees are able to use the Maconomy procurement portal without any guidance or by just reading the few instructions at the entry to each area of the portal.”

Two persons support the 3,400 users, adjust layouts, and develop reports for NRK’s

employee portal. They cover procurement, job costing and all other areas of Maconomy. This will be reduced to just one person as the implementation settles.

### **Clear focus on ROI**

NRK has had a clear focus on quantifiable cost savings and the company has set specific goals to justify the time needed for changing processes and funding a new system.

“We expect to reduce the number of invoices we receive annually by 30%. We also expect that 60% of requests will be approved only once compared to zero percent before implementing Maconomy,” explains Ole André Hansen. Tina Voigt adds: “It used to cost us €50-200 to process an invoice. Reducing this by just 20% will be a significant saving and by itself justify the effort and investment.”

### **Benefits expected to be achieved in 2004**

- 30% reduction in number of invoices
- 60% of all orders will be approved only once, including invoice processing
- 50% reduction in number of suppliers used
- 80% of orders via the new system and to preferred suppliers
- Substantial reduction of obsolete inventory, estimated annual value maximum 1.5%
- €230,000 increase in cash discount per year

**Maconomy Offices:**

**Benelux**

Maconomy Benelux B.V.  
Beechavenau 54-80  
NL - 1119 PW Schiphol-Rijk  
Phone: +31 (0) 20 658 6370  
Email: info@maconomy.nl

**Denmark**

Maconomy Danmark A/S  
Vordingborggade 18-22  
DK - 2100 Copenhagen  
Phone: +45 35 27 79 00  
Email: info@maconomy.dk

**Germany**

Maconomy GmbH  
Mercurhaus Bad Homburg  
Hessenring 121  
D - 61348 Bad Homburg  
Phone: +49 (0) 6172 - 92 58 31  
Email: info@maconomy.de

**Norway**

Maconomy Norge A/S  
Bryggegt 9  
N - 0250 Oslo  
Phone: +47 22 01 38 00  
Email: info@maconomy.no

**Sweden**

Maconomy Sverige AB  
Svärdvägen 3 B  
SE - 182 33 Danderyd  
Phone: +46 (0)8 587 077 00  
Email: info@maconomy.se

**United Kingdom**

Maconomy (UK) Limited  
Regal House  
70 London Road  
Twickenham, Middlesex  
TW1 3QS  
Phone: +44 (0) 20 8843 7000  
Email: info@maconomy.co.uk

**US**

Maconomy Inc.  
33 Boston Post Road West, Suite 340  
Marlborough, MA 01752  
Phone: +1 508 460-8337  
Email: info@maconomy-usa.com

*About NRK:*

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*Tina Voigt,  
Director of Accounting  
& Payroll, NRK*



*Ole André Hansen,  
Director of Finance, NRK*

