

Case Study: EquaTerra Strikes Ground-Breaking Outsourcing Deal for Linde AG Material Handling Division of Germany

Quick and deliberate action results in viable options for company under tight time constraints to reduce costs and harmonise financial processes

At a Glance

Company Profile

Industry: Linde AG is a Dax 30 company with an Industrial Gas and Material Handling Division, which produces forklift trucks under the brands of Linde, STILL and OM Pimespo in Germany and Italy.

Size: Approximately 19,000 employees

Services Featured

- Strategy & Assessment
- Service Provider Selection
- Contract Negotiation

Business Processes Involved

- Finance & Accounting

Executive Summary

This case study examines how Linde AG Material Handling – a global leader in its market – turned to outsourcing as a means to improve its financial processes while reducing finance and accounting (F&A) costs. In order to maintain global leadership in the market, Linde sought to improve the efficiency of its back-office operations to run best-in-class operations regarding cost and quality.

EquaTerra supported Linde from supplier identification through contract signing. After identifying the best supplier for the job, EquaTerra negotiated a deal that would provide step-change cost reductions as well as reduce cost over the life of the deal. EquaTerra helped Linde finalise a contract that ensured the transfer to the offshore environment would be carried out with minimal risk. In the end, Linde was able to choose the most appropriate supplier and solution with a partner that proved to be a cultural fit.

Business Challenge

Linde – as the global leader in engineering – seeks to identify and implement cost improvement opportunities for its business. As such, a review of its F&A processes in order to benchmark them against F&A cost of comparable industries revealed opportunities to improve the current cost level as well as the quality of service.

Linde decided to outsource the services and enlist a third-party supplier to instigate improvement initiatives. Outsourcing proposed the best value for money for Linde from a time, cost and risk position.

Linde invited EquaTerra to support them through the outsourcing process.

How We Helped

A Multi-Faceted Approach

Much needed to be done, and in a short timeframe. EquaTerra rose to the occasion and began an immediate assessment of the company's options. The company helped strike a ground-breaking deal for Germany, delivering the desired improvement as well as major, sustainable savings.

Targeted Transition Approach

It was critical to identify the appropriate transition approach to enable process re-engineering efforts and process improvement. In other words, the "ship and fix" versus the "fix and ship" approach needed to be explored with particular focus on the specific skills available within the supplier market.

Shortened Competitive Procurement Process

Because time and cost were a priority for the client, EquaTerra delivered a shortened competitive procurement process with two capable suppliers chosen for their proven experience. This approach enabled the company to adequately manage the quality and risk of the proposals while adhering to a demanding timeline.

Comprehensive Request for Proposal

EquaTerra led the process with a comprehensive request for proposal (RFP) that defined the scope and general parameters. By ensuring that comparable and common definitions would be featured in the solution of both suppliers, the RFP set the stage for the ensuing workshops and future negotiations process.

Clearly Defined Service Level Agreements

All relevant schedules such as service level agreements were negotiated in parallel with both suppliers in order to avoid contractual surprises after down selection. To ensure that supplier services were competitive and of high quality, the definition of service level agreements including a proven Service Credit Regime was included in the contract and negotiation at this early stage.

Integrated Delivery Staff

Finally, the involvement of delivery staff rather than a pure discussion with sales teams was key to enable EquaTerra and Linde to evaluate a cultural fit during this tough and tight process.

Final Negotiations

The detailed approach of the evaluation and review process enabled the contract to be executed immediately following the decision, shortening the time required and mitigating contractual surprises.

Results

As a result of the services EquaTerra provided, Linde achieved a positive contract, within a tight timeframe. The contract provides for significant reduction in cost across F&A functions, with commitments for a continued review of labour arbitrage opportunities and further cost reductions.

Furthermore, EquaTerra was able to ensure that the contract with the supplier mitigated the risk of transferring the services offshore. It also ensured ongoing flexibility by including contractual options to change pricing to activity-based prices in order to convert former fixed costs to variable, and deliver continual focus on services and cost performance.

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, Middle East, Africa and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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