

Procurement Leaders **Insight**

Total Supplier Management



“It’s impossible to overemphasise the impact that an advanced approach to supplier management can have on large organisations.”

David Rae, Content and Community Director, Procurement Leaders

With the right processes, systems and technology in place, procurement functions can claw back huge amounts of time, meaning scarce resources can be put to use on more value-creating activities. New technologies can introduce control and, with that, ensure that suppliers remain compliant with negotiated terms.

And streamlined processes that remove vast volumes of administrative tasks from both supplier and buyer can help to provide a platform for more advanced working relationships with key suppliers.

It’s this last point that can take procurement to a new level, where it has a significant and lasting impact on the commercial success of a business.

But only organisations that invest in the right tools will make it a reality.

Take Back **Control**

Poor supplier data management and duplication of information can waste time and effort.

Who are your suppliers? Okay, perhaps that's too nebulous a question. How about this: How many suppliers do you have?

Many businesses may find it relatively easy to put a fixed number on that, but there is a good chance that precision and accuracy may not be the same thing. Because of legacy IT systems, acquisitions, devolved control, lack of control, the coming and going of staff as they join and leave the company – and just about any number of other reasons – businesses may easily find that the number of vendor accounts they have bears absolutely no relationship to the number of actual suppliers they have. Duplications, out-of-date records and dormant accounts – spread across multiple systems – can make it difficult and time-consuming for companies to really know where its purchasing spend is going.

Apart from anything else, the clutter of data is expensive to manage. A few years ago, AMR estimated that a typical company spent between \$585 and almost \$1,000 per supplier, per year in supplier management costs. The firm estimated that technology could bring savings of up to \$848 per supplier. Now multiply that out by the thousands, tens of thousands or even hundreds of thousands of suppliers on the company's books and the savings become potentially vast.

Where do these costs come from? Poor supplier data management wastes time and effort as people struggle with the problems of duplicated data, not being able to find information, extra time and money spent communicating with duplicated accounts or suppliers whose contact details have long since been out of date, time spent reissuing returned cheques, the resources devoted to accounts payable help desks, and all sorts of other reasons. Now add in the missed opportunities by not having the information necessary to leverage spend, missed early payment discounts, inability to control maverick expenditure, the sharply increased possibility of fraudulent payments, the inability to communicate with suppliers without incurring huge printing and postage costs, the danger of an unspotted compliance failure on the part of a supplier, and of course the cost of just running multiple systems.

Data management

A few years ago, perhaps, people wouldn't have attempted dealing with their supplier data management because they didn't think they had a problem. But the procurement function is evolving and the future will be more about supplier relationship management, looking at issues such as supplier compliance, risk, performance and innovation.

"Organisations are finding out they can't tackle those issues without visibility into who they are working with and the data required to drive these processes readily available," says Costas Xyloyiannis, co-founder of HICX.

"A lot of people are saying: We have to go back to the beginning and fix what has been broken for years if we're going to take a step forward."

At The Hackett Group consultancy, global procurement advisory practice leader Chris Sawchuk says that the picture has been improving in recent years as businesses realise the scale of the opportunity. "We're certainly much further along," he says. "One of the indicators of that is if you just look at the size of supply bases." The direct spend part of procurement is typically somewhat leaner than it might have been some time ago, if only because it is so inextricably part of the supply chain and the corporate strategy. Typically, there is more work to be done there, but the low-hanging fruit has been plucked.

On the indirect side, however, Sawchuk says “a lot of organisations are talking about tail management. They may have a huge tail that may only represent 10% of their spend, but maybe as much as 90% of their suppliers.”

You can’t take any meaningful action without knowing exactly what the real situation is, though. “The thing that becomes very important is the insight into the supply base,” he says. “But there’s a lot of noise in the supply base itself. You need to clean up your vendor master data and create a process that not only cleanses, but manages it over time.”

“The company is currently rolling out a solution from HICX that has taken the vendor data out of the 14 systems.”

This may not sound like the kind of thing that will get any CEO bouncing out of bed in the morning, but Sawchuk puts forward an interesting argument that procurement could deploy to explain the nature of the problem: “We typically have much better information on the customer side of our organisation. Businesses spend significantly more on customer-facing systems and information than they do on their supplier-facing systems.”

AutoNation, headquartered in Fort Lauderdale, Florida, is America’s largest automotive retailer. A constituent of the S&P 500 Index, it owns and operates 270 new vehicle franchises in 15 states. AutoNation has 13 regional ERP systems plus a PeopleSoft system for head office, resulting in 14 accounts payable systems.

The company is currently rolling out a solution from HICX that has taken the vendor data out of the 14 systems and located it in a centralised database.

“The decision to implement the HICX system was a response to our need for a more automated and standardised approach to managing supplier data,” says Jacy Bassett, manager, supplier resource department at AutoNation. “With 14 disparate systems, all of our processes were manual in nature. It was difficult to manage the multiple approval points using emails, phone calls, and fax.”

The multiple ERP systems arose largely because of the requirement to use a specific system for the automotive industry.

The problem was that one system was not capable of handling the volumes that AutoNation is dealing in, so it has 14 systems deployed on a more or less regional basis. Each time the supplier relationship was extended to a new region, the data had to be duplicated into a new system.

“We were very proud of our state before we implemented HICX as far as being able to pull the data together,” Bassett says. And no doubt many businesses will feel the same way about their own systems. “But it was a constant effort to try to keep the data consistent so it would come together and allow us to see the supplier 14 times. It proved too difficult to incorporate the data from the corporate system into the consolidated report,” she adds.

Apart from the effort of managing the data, AutoNation could see that it was missing out on opportunities. “Having a holistic view of the supplier and of our spend was difficult,” says Bassett.

“This lack of insight has prevented us from being fully able to leverage our size and consolidate spend among our store and business units.”

With integration, coupled with master data governance, AutoNation now has “a single source of truth, one point of data entry that feeds to all of our ERP systems through an automated process that ensures consistency in the data”, Bassett says. Further, through HICX, there is seamless management of mismatches within the supplier record represented between the two different types of ERP systems.



Power play

EDF Energy is one of the UK's largest energy companies and is the largest producer of low-carbon electricity. It is a wholly-owned subsidiary of the EDF Group, which bought British Energy, the nuclear power generator, in 2009. For Greg Brown, EDF's head of procurement directorate, being able to get insight into the supplier compliance issues and the risk issues are even more important, therefore, than the financial considerations – though they certainly aren't immaterial. Back in 2008 “we launched a social commitment in relation to compliance with the ten principles of the UN Global Compact”, Brown says. “It became quite evident that if we were to understand who our suppliers were and then be able to monitor compliance, we needed to be able to do something about our master data within SAP.” At the time, before incorporating British Energy, the company had some 20,000 supplier accounts. That's now down to 5,000, post-acquisition, and with no duplication.

“One of the reasons that we selected HICX was to do with what we call a category risk matrix,” Brown explains. “We have 1,600 product service categories which carry risk in relation to areas such as human rights, the environment and anti-corruption.” Moreover, from a public safety perspective, delivering to a nuclear facility is somewhat different from delivering to an office environment.

“The categories of risk depend on the particular supplier and the environment into which the goods are being delivered. We calculate the risk which will then be used as part of the qualification process,” he says.

Risk and compliance issues were also an issue for Randstad Sourceright, a business that provides temporary or contract workers. Depending on the skills sought, the firm's clients may need workers who have particular qualifications, insurance coverage, health and safety certificates or operating licences. HICX provided Randstad Sourceright with a centralised single source of information about its suppliers – the workforce it has on tap – enabling the business to secure a competitive advantage by having ease of access to such critical information when given a client assignment. “The ability to quickly and efficiently manage our supplier relationships has become a key competitive differentiator for us,” says Mary Kristynik, VP supplier strategy at Randstad Sourceright. “By providing visibility across all existing suppliers, and accelerating new supplier onboarding, we can deliver market-leading customer service.”

Assault on pepper

At UK-based Premier Foods, the company has driven a lot of value out of its supplier data management programme. Mark Hughes, group procurement director, says that the business had grown rapidly over a number of years.

The result was that it wound up with no fewer than 17 ERP systems and seven accounts payable systems, housing 106,000 supplier accounts. "With that complexity, accurate data was very difficult to find," Hughes recalls.

The company embarked on a change process in 2008, peeling away the onion-like layers of the 106,000 accounts to reveal that the business had, in fact, around 10,000 actual suppliers. "It took around three to four months to get to know what we were spending, with whom and on what," Hughes says.

"From 10,000 suppliers six years ago, the company reduced that down to below 3,300 by the start of 2013."

"Since then we've been on a crusade. We've now got one accounts payable." But, as ever, it's what you do with what you learn that is the deciding factor. Premier Foods now had the information it needed to go on 'a journey of consolidation' with its suppliers.

From 10,000 suppliers six years ago, the company reduced that down to below 3,300 by the start of 2013. "When you do that you start to think: What is the art of the possible?"

Hughes says: "How much can we reduce it?" Soon, a new target was set to halve that figure, which as of mid-2014 is already below 2,000.

The transparency and centralised structure has allowed Premier Foods to leverage its buying power, of course, too. One discovery along the way was that the company was buying 28 different specifications of black pepper – different types and different package sizes. "Maybe you need two or three," Hughes says. "Twenty-eight seemed slightly excessive." The savings aren't to be sneezed at.

Five years ago, just under 70% of spend was with the top 250 suppliers, today it's just under 85%. "I can meet the top 250 suppliers probably once or twice a year," Hughes says.

"We know a lot about them. When you've got 2,000, 3,000 or 5,000 suppliers, then with the best will in the world no procurement team can know them all."

Selling the idea

One of the problems is about getting buy-in across the business for a supplier data management programme. In organisations where the business units or regions enjoy a certain amount of autonomy,

any initiative from head office causes angst about what can be perceived as a 'land grab' by the centre of the organisation, taking away local decision-making power.

At Hackett Group, Sawchuk has seen this kind of thing many times. "The biggest concern a business might have is about the decisions around who they're doing business with," he says. "The way you overcome that is that should not be coming down from the top. Any decision should involve the business in the first place. Data about a supplier is not a decision about a supplier."

"We have a centre-led procurement model," says Bassett at AutoNation. "Our corporate procurement team currently manages about 40-plus categories of spend. Otherwise, the stores or business units can make the decisions locally about the suppliers they wish to use. We needed a system that could support the corporate oversight while still allowing for the local flexibility."

Xyloyiannis summarises what needs to happen: "The point is to enable core processes to be governed at a central level but allowing business to make their own decisions. This is complicated to achieve but possible with the right approach. You essentially wind up with very tailored processes further down the business but they still get the benefit of the synergies from a centralised system and the right level top-down control/visibility."

Data day

It doesn't matter who you ask in procurement; when you try to find out what one of the biggest challenges is, the answer always seems to be the same: data.

"It's not until you're in the midst of it that you realise the importance of not underestimating the data," says Jacy Bassett, manager, supplier resource department, AutoNation. "As clean and as whole as we thought our data was from an accounts payable/vendor standpoint, it was still not enough to advance us into the new solution without experiencing a stall point. We thought that the data was clean and ready for implementation but we ended up spending an unplanned six weeks focusing on it."

There's no secret to getting the data cleaned up. You simply have to "go over and over it until it is clean", says Denise Foley, CPO at AutoNation.

Bassett adds: "The first thing is understanding what components you need, what's missing and doing the gap analysis of where you are versus where you need to be. The verification of tax IDs for us was the first priority because that helped us identify unique suppliers. This identified suppliers that, from a data perspective, were meant to be the same but had anomalies in the names or other data points that would not align."

At EDF Energy, head of procurement directorate Greg Brown says: "You've got to be prepared to invest in cleansing your own data because you can't outsource that."

One particular problem EDF Energy had was in migrating to its new system, which was affected by some customisations that made it difficult to finalise the interface, as well as some issues relating to the standardisation of the required master data. "What we wanted to do was to harmonise the master data where it existed in duplicated form without impacting our internal business. The de-duplication of information within the provider, without having an impact on internal business transactions, was probably the biggest challenge," Brown says. "We invested a lot of time getting that right. [We would find] outstanding purchase orders with one supplier but then find that the supplier in question had been closed down in favour of another supplier which was exactly the same thing – but how do you manage that? It has to be right first time or it's wrong and you're left with it."

But at Premier Foods, Mark Hughes offers this advice: "Be pragmatic" about data, he says, without drilling down into the nth degree of analysis.

“Feedback from them will be useful for the next phase, bringing existing legacy suppliers into the self-service model.”

This ends up being a win-win situation for the supplier, market-facing local business and global/central organisations – everyone is empowered and there isn’t a tough ‘sell’ internally to convince people to give up control, since they are not having to do so.”

Self-service portals that enable suppliers to input and amend their own data can play an important part in the new process. Just as airlines have pushed out the process of check-in and registering passport details back to the passenger, so too are organisations opting for systems that require suppliers to maintain contact details and other information.

AutoNation is bringing suppliers into the fold gradually, by starting with the onboarding process for new suppliers. Feedback from them will be useful for the next phase, bringing existing legacy suppliers into the self-service model. Bassett says so far “we’ve had a very positive response.

We let the suppliers know what the solution offers them.

By communicating the win-win, it’s not all about how much AutoNation will gain out of it; the supplier also gains the benefit of better communication through the HICX system.”

In fact, the portal model that AutoNation is working with gives suppliers transparency into their invoice status and payment details. “It was a large part of our business case and ROI for the suppliers to depend less on our support desk and more on self-service in the portal,” says Bassett.

The support desk currently handles some 4,000 supplier inquiries a month – mostly from suppliers struggling to reconcile payments received from AutoNation’s 14 accounts payable systems with multiple outstanding invoices – so moving suppliers on to a self-service portal could bring considerable savings and benefits for everyone.

But even despite the obvious benefits for suppliers, AutoNation is being cautiously realistic about how quickly it can urge suppliers to move over to the new portal. “We don’t know how long it’s going to take us to onboard the small to medium-size vendors and to change behaviour to have the vendors help themselves,” says Denise Foley, CPO at AutoNation.

“We can expect the vendors to make the change and benefit from the technology but we were careful to not set the expectations too high. I think that the self-help portal is a very strong selling feature.”

Safety questionnaires

At EDF Energy, head of procurement directorate Greg Brown thinks that its portal will be a real help to their vendors. “Historically, I’m very aware we were sending out things like health and safety questionnaires with each business unit asking for the same stuff but in a slightly different way. This was obviously adding massively to the burden within the supplier organisations,” he says.

Now, with a recently-launched HICX solution, its suppliers can use the portal to upload appropriate insurance documents or health and safety certificates such as OHSAS 18001 and then these will be visible across the group.

At AutoNation, Bassett says: “The realised benefit that we have had so far is the automating of the workflow and standardisation of the processes.” More benefits will flow through as the solution is rolled out, particularly on the reporting side which will turn a painful monthly exercise into an ability to tap into real-time information, equipping the company with the information it needs to manage and negotiate better with suppliers.

It will also be easier to get access to things such as insurance documents that vendors can upload into the portal. “We are getting better governance and better control with improved visibility,” says Bassett.

EDF Energy will be using its system as a way of engaging with suppliers electronically about any particular initiative that it's considering. This is simpler than email or written questionnaires, and allows the company to immediately analyse responses according to whatever other metadata is stored about the suppliers – category, spend, risk, or anything else.

Take ownership

The benefits of supplier data management are legion – ranging from savings in terms of simply operating the system, improving buying power, reducing risk and enhancing compliance. A supplier data project is still not always an easy sell within an organisation.

“Data doesn't generally excite people – it's very foundational. But the opportunities that come from the consolidation and enhancement of data can have a healthy impact on the bottom line,” says Foley.

“Today, management of data is very fragmented so there is no motivation for people to do it; nobody owns it and nobody is measured on it. But many are consolidating that into a centralised function,” HICX's Xyloyiannis says.

“The opportunities that come from the consolidation and enhancement of data can have a healthy impact.”



This creates significant opportunities not only in saving cost but in strategic terms as well as opening up the door to possible outsourcing opportunities.

“We've seen a big emergence of centres of excellence and global business services functions, which require visibility and the capability to run global processes, which has led to a lot more of these projects successfully getting off the ground.”

Best practice in supplier data management is not easy to achieve, however, but advice for other procurement leaders comes from Mark Hughes at Premier Foods. “Have patience,” he says. “It is a journey. You can't do it all at once.”

HICX is the Low Code Platform for Supplier Management.

We enable business to find, maintain, and re-use trusted Supplier Data and Information across their Enterprise, across any spreadsheet, app or system. Our solutions enable your businesses to be more reliable, flexible, and scalable. Building from a rock solid platform of good quality data, we help businesses become digital in supplier management, third party management, compliance and risk, master data and finance management.

