

# Supplier Management Report

Leveraging Strategic Supplier  
Management Technology  
to Reduce Risk and Improve  
Supplier Relationships.



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# Introduction

Managing suppliers safely and efficiently has a great impact on a company's stability and bottom line. These measures are especially important if companies are managing a large amount of suppliers and spend, or if they have complex supply chain processes.

“Successful business-to-business (B2B) operations depend heavily on communication, collaboration, and trust among all parties.”

Without proper strategies in place to manage supplier relationships, companies put those operations at major risk.

Organizations can take several steps to effectively manage supplier-related processes, and each step has a varying degree of impact. A first step is to assign a special team to own, monitor, and protect supplier relationships.

A second step is to implement a supplier network that gives suppliers a digital platform with self-service tools to perform functions around Procure-to-Pay (P2P) and Source-to-Settle (S2S) functions.

A third step – and the most efficient way to ensure long-lasting, compliant, and mutually beneficial supplier relationships – is to combine all efforts and tools with a supplier information management (SIM) software.

SIM capabilities allow organizations to validate suppliers prior to and throughout business relationships, and manage all supplier documents necessary for compliance with governmental, financial, and industry regulations.

While a supplier network can go a long way to support efficient supplier management, the combination of supplier network and SIM capabilities truly transforms the process. A holistic set of supplier management tools should include supplier network and SIM services and functionality.

This research report examines the current landscape of supplier management strategies, including use-case trends for supplier networks and SIM tools. It also provides insight into the various tools and services offered with leading supplier management technology, and a set of supplier management best practices.

# Today's Supplier Management Process

## Traditional Supplier Management

Managing suppliers can take different forms and functions depending on the department, team, or member of an organization.

For some companies, such as a small professional services company with no direct spend and very little indirect spend, suppliers are a secondary entity that do not require a lot of time or governance. The business may engage with the supplier infrequently and for varying needs. For many other organizations, such as a large manufacturing company with a complex supply chain and high direct spend, suppliers are highly connected to the success of the business itself. Even companies without direct spend or extensive supply chain concerns may spend millions of dollars on indirect goods and services each year; and managing suppliers can have a direct impact on the efficiency and productivity of their internal operations.

Some companies employ entire teams directly to a process called supplier relationship management, or SRM. This process entails assessing and optimizing an organization's entire supplier base according to both the company's strategic goals and suppliers' characteristics and capabilities.

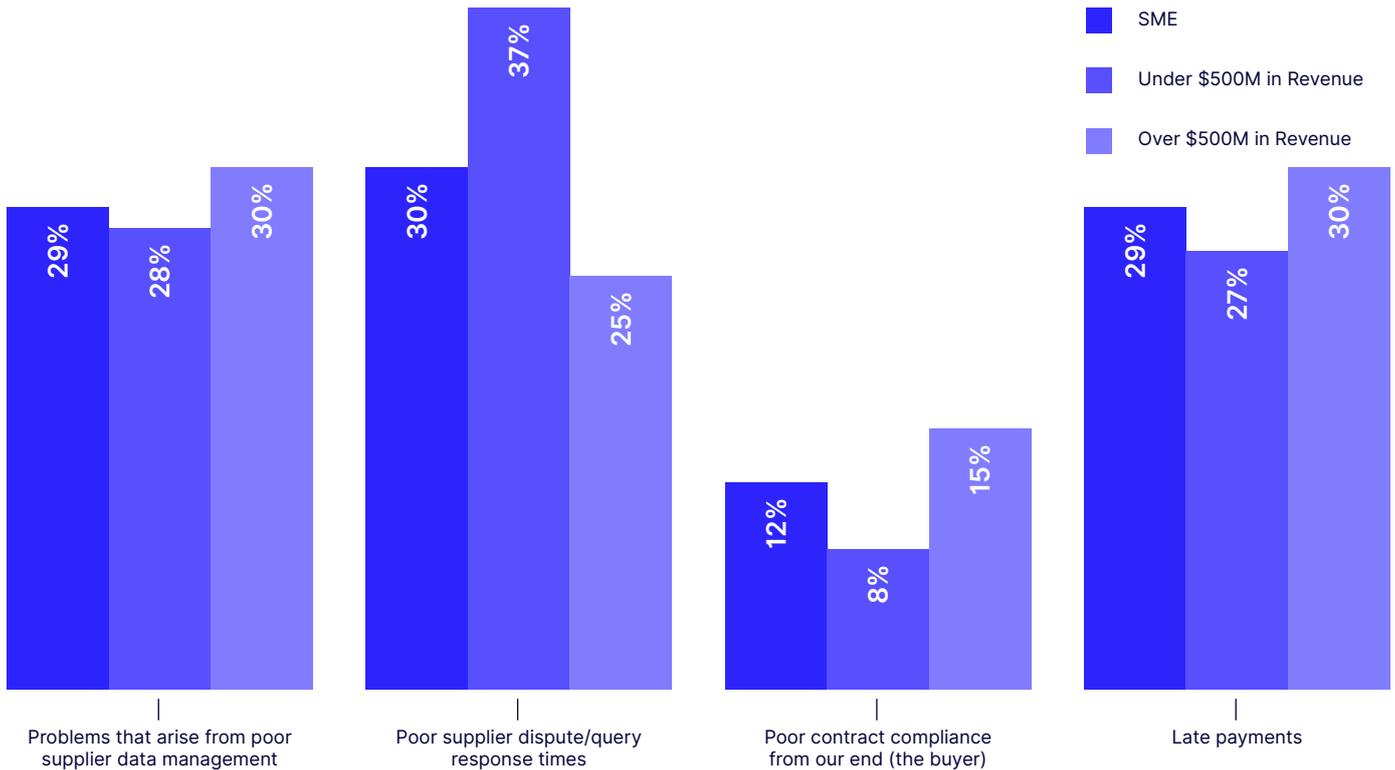
A business may have a separate SRM department or a set of SRM professionals who are installed in many different processes and departments. Some organizations simply have a set of best practices that take an SRM approach, ensuring the approach is applied in various supplier-related activities. The primary goal of an SRM process is to build mutually beneficial relationships with suppliers so that an organization can sustain and profit from these relationships for years to come.

An SRM-minded company will try to maintain as much control over a suppliers' information and activity as possible without damaging the relationship, affecting the supplier's ability to maintain production, or allowing the supplier to damage the company's own creditability. Among today's organizations, the top reasons cited for damaged supplier relationships were almost evenly dispersed between poor supplier dispute/query response times, late payments, and issues related to poor data management.

**“Supplier Relationships are most affected by poor supplier data management, poor dispute management, and late payments.”**

These problems vary slightly by company size. Businesses with over \$500 million in revenue are more likely to list poor supplier data management as the issue that causes the most damage to supplier relationships than business with under \$500 million in revenue, while these smaller businesses are more likely to list poor supplier dispute/query response times as their biggest pain point. These responses partially reflect the greater number of suppliers that large businesses have – and the greater amount of supplier information they must keep track of. Smaller companies will have fewer suppliers and are less likely to have a special team devoted to managing supplier issues.

## Top factors contributing to poor supplier relationships



In all of the cases listed in Figure 1, the damaging results were primarily the fault of the buyer, in terms of their supplier management strategies. For example, one of the most common ways companies damage supplier relationships or inhibit supplier production in the back office is by paying suppliers late. A most common instance in which a supplier will damage a buyer's standing is when the buying organization does not properly vet and validate suppliers. Even if the supplier has not provided correct or legally valid information, or acts out of compliance with the law in some way, the buyer is still responsible for engaging with that supplier.

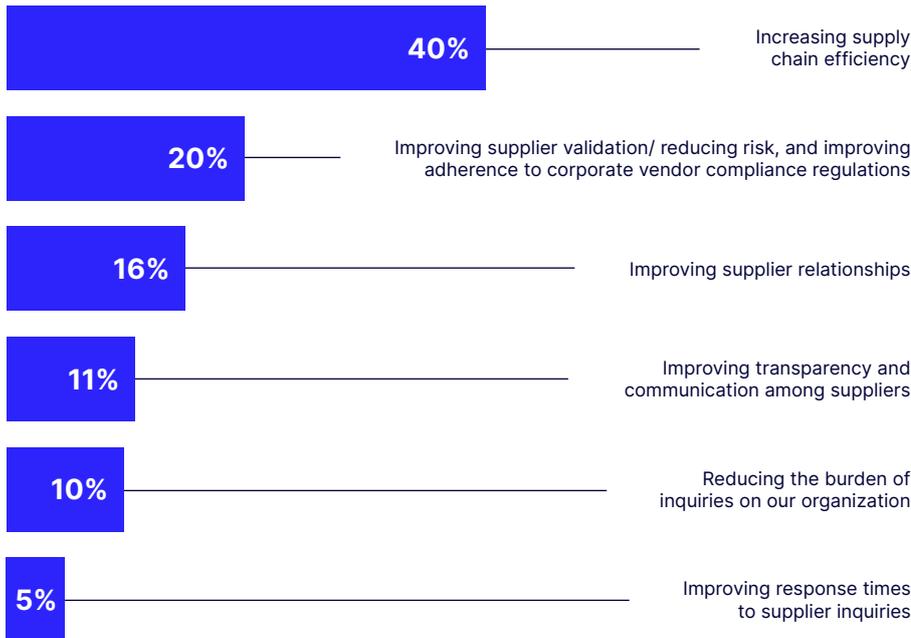
The risks of such engagements can be high – when organizations do not properly manage their suppliers and supplier data, they run the risk of legal repercussions, inefficient supply chain operations, and lost revenue due to high processing costs. They also run the risk of bad publicity, which can hurt sales and operations in the long run.

“Organizations’ top supplier management goal is improving supply chain efficiency.”

Gaining proper control over and visibility into suppliers’ activity and information is vital for any company, from the beginning of a supplier relationship to its end.

These actions greatly increase a company’s ability to achieve their supplier management goals. When asked about their top goals in managing suppliers, most organizations hoped to increase supply chain efficiency and supplier validation and compliance, as well as improve supplier relationships.

## Top supplier management goals



The most effective software used for proper supplier management also supports other business processes, including P2P and S2S processes. These features ensure that proper management strategies are embedded throughout a company's back-office operations.

Successful supplier management entails recruiting highly qualified, legally compliant suppliers; properly managing suppliers' regulatory documents; and maintaining healthy supplier relationships through efficient P2P and S2S processing.

## The Supplier Network

Supplier networks are platforms that allow organizations to access their supply base in real time and perform vital financial and reporting functions.

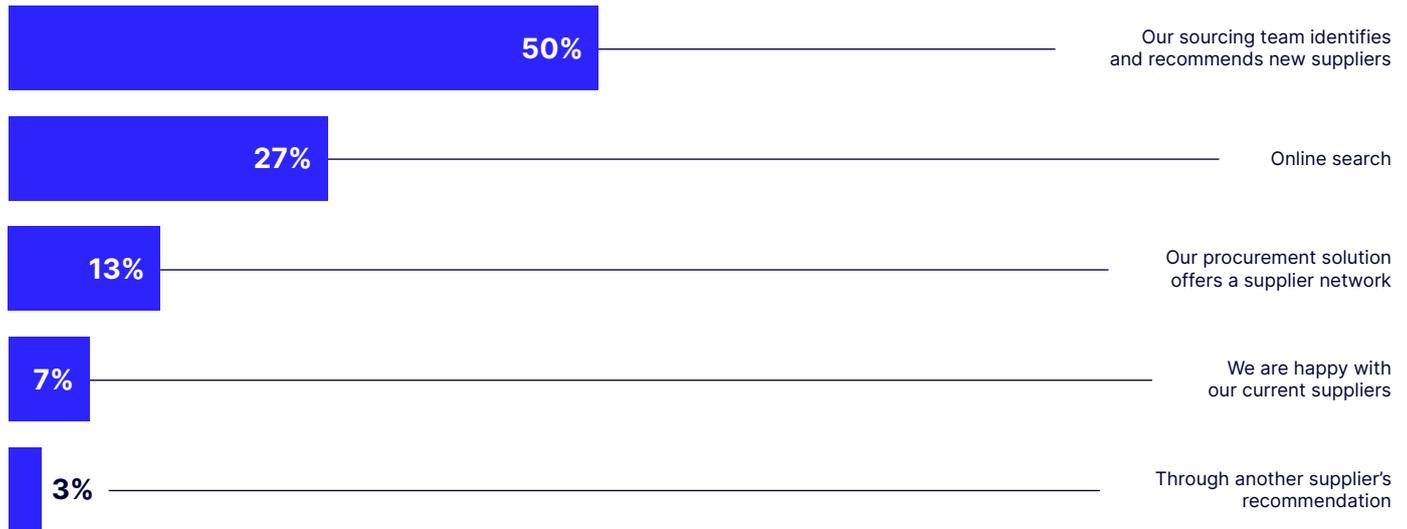
Some common tasks organizations can accomplish with supplier networks include gathering and maintaining supplier information and documentation, handling supplier inquiries and disputes regarding accounts payable (AP), procurement, payments issues, and validating payment information. These tools often come bundled within a purchasing management solution like eProcurement, but some stand-alone networks integrate with any supplier-focused P2P or S2S solution.

In contrast to simple supplier portals, in which buyers communicate with existing suppliers, supplier networks also give organizations access to external suppliers. This feature allows them to build new, more competitive relationships, negotiate prices on procurement and sourcing projects, and monitor wider supply chain operations. Figure 3 shows that many companies are still using manual and inefficient methods for sourcing new suppliers.

Companies can discover competitive new suppliers for a variety of functions with a supplier network tool. For example, a supplier network that integrates with a sourcing automation solution, or that can at least be used by a sourcing team, will give a company access to a wide pool of validated, suitable suppliers to choose from.

**“Most organizations use their sourcing teams to discover new suppliers.”**

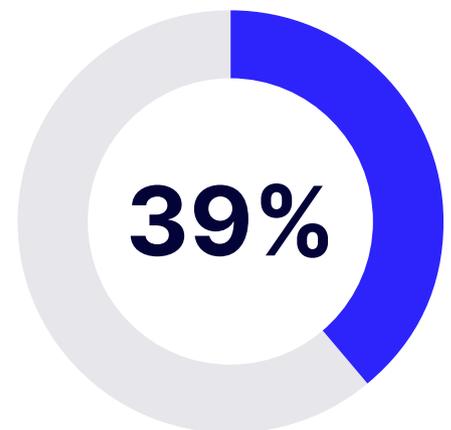
## New supplier discovery methods



According to survey results, only approximately 39 percent of companies are using an electronic supplier network to manage suppliers. Despite a supplier network's ability to support some supply chain processes (e.g., sourcing), companies in supply chain-centric industries – such as manufacturing, engineering/construction, and aerospace/aviation/automotive – are less likely to use an electronic supplier network than those in the healthcare, retail, and transportation industries. PayStream Advisors believes this evidence is partly due to the fact that supplier networks are more commonly packaged and marketed in line with P2P software platforms.

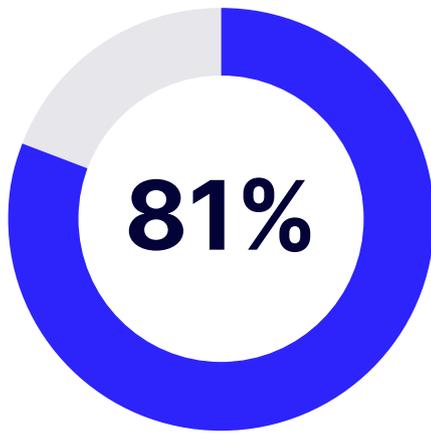
Industries that are more consumer-facing and manage more indirect spend than direct spend (e.g., retail, healthcare, transportation) are also more likely to adopt P2P solutions than those in direct-spend and supply chain-focused industries.

Higher revenue businesses are also more likely to use an electronic supplier network, primarily due to their larger number of suppliers. Almost three-quarters of businesses with revenue under \$500 million do not use an electronic supplier network; and 48 percent of businesses with revenue above \$500 million use an electronic supplier network.



**use electronic supplier network usage**

“Less than half of organizations use supplier network technology.”



**of improvement of  
supplier relationships  
post implementation**

“Over three-quarters of organizations report improved supplier relationships after implementing supplier network technology.”

As seen in Figure 2, supplier network tools are proven to achieve one of companies’ primary goals: improving supplier relationships. According to survey results, 81 percent of organizations that have implemented a supplier network reported stronger supplier relationships than beforehand, see Figure 5.

These results specify a supplier network alone – when it comes to supplier information management, the benefits to and improvements in supplier relationships and management can become even more pronounced.

## Supplier Information Management

Supplier information management software is a powerful expansion of the supplier network.

Built to go beyond simply managing supplier activity, it handles the complex information, validation, and reporting processes often required in companies with large supplier bases, complex supply chain operations, and/or widespread global operations.

SIM is partly an extended supplier network tool – similar in form and function, but incorporating more dynamic features, more extensive services, and elements of governance, risk management, and compliance (GRC) software. GRC software is vital for compliance with tax and regulatory requirements and maintaining validated, low-risk supplier relationships.

SIM solutions store and manage all relevant supplier materials, documentation, and credentials, including:

- Tax forms
- Sustainability scorecards
- Qualification results
- Certificates
- Risk assessments
- Watchlist clearance

SIM offers a portfolio-level view of supplier relationships that enables buyers to segment their suppliers according to type, risk level, and region, and allows them to select a supplier for sourcing or procurement based on more strategic parameters.

It also greatly reduces the risk of data, compliance, or legal problems arising downstream in supply chain processes.

SIM solutions streamline supplier data management by consolidating documents into one cohesive and dynamic system, and reduce communication difficulties by offering suppliers valuable self-service and help desk tools. Sometimes SIM is offered as a stand-alone, plug-in tool, while other times it is bundled within a more robust supplier network tool. The best way to use a SIM tool is in conjunction with a supplier network. By taking this comprehensive approach, organizations can manage their suppliers across a wide variety of circumstances and processes.

The pain points and goals involved in supplier management, as demonstrated in Figures 1 and 2 (pages 5 and 6), help to illustrate how supplier networks and SIM differ in the ways they support organizations' supplier management needs. For example, top issues that contribute to damaged supplier relationships are poor supplier

dispute/query response times, the effects of poor supplier data management, and late payments; while the top goals are increasing supply chain efficiency and improving supplier risk management. Table 1 shows how SIM and supplier networks alleviate pains points and achieve goals, as well as how a combined effort does so.

“Supplier management pains and improvements solved by supplier network and SIM technology.”

Solution	SIM	Supplier Networks	Combination
<b>Applicable Pain Point (Figure 1)</b>	<ul style="list-style-type: none"> <li>Problems that arise from poor supplier data management</li> </ul>	<ul style="list-style-type: none"> <li>Late payments</li> <li>Poor supplier dispute/query response times</li> </ul>	<ul style="list-style-type: none"> <li>Poor contract compliance (buyer-side)</li> </ul>
<b>Applicable Goal (Figure 2)</b>	<ul style="list-style-type: none"> <li>Improving supplier validation/reducing risk, and improving adherence to corporate vendor compliance regulations</li> </ul>	<ul style="list-style-type: none"> <li>Improving response times to supplier inquiries</li> <li>Reducing the burden of inquiries on our organization</li> <li>Improving transparency and communication among suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Improving supplier relationships</li> <li>Increasing supply chain efficiency</li> </ul>

Due to the many difficult and broad goals and challenges organizations face in their supplier management, Table 1 shows that a simple approach is not adequate to achieve full control and improve the process. To manage suppliers to the best of their ability, an organization must move beyond simply offering a supplier sign-on page, which lets a supplier look at an invoice or payment.

It must consolidate the entire supplier relationship into one dynamic platform that combines the functionality of a supplier network with the transparency and comprehensiveness required to successfully manage supplier information.

Leading holistic SIM solutions offer this dynamic ownership of the supplier management process.

The best way to use a SIM tool is in conjunction with a supplier network, or by implementing a holistic solution that offers the functionality of both tools. The following details the features and functionality offered with leading supplier network and SIM software.

# Leading Supplier Management Software

The following tools and services are offered by most supplier network and SIM software providers. They are meant to provide both comprehensive buyer-side control and value-added, self-service supplier functionality.

Leading supplier networks and SIM solutions offer:

## **Support across the back office**

Many leading SIM platforms offer integration points for existing P2P and S2S solutions, enabling organizations to unify all supplier activity in their P2P processes and create one source of data for strategic financial, legal, and business decisions. Integration increases P2P and S2S process efficiency and improves processing times, costs, and supplier relationships.

Some supplier networks and SIM solutions already offer at least some AP and purchase order (PO) functionality, while many also offer electronic payments support. These capabilities may include PO transmission and routing to suppliers, invoice creation and submission, and communication tools for all supporting P2P documents. Some solutions also support more intensive procurement features, including catalog management, inventory, and shipping and receiving management.

## **Secure supplier onboarding**

Advanced supplier management solutions incorporate supplier onboarding tools to ensure that a supplier is a secure and compliant business partner from the beginning of the relationship. Supplier validation measures are checked against thousands of rules based on payment method, currency, and country. These measures may be enforced using smart forms and document workflows to ensure that data is entered properly; and many providers legally verify suppliers by running them through international Do Not Pay lists, such as the Office of Foreign Assets Control's list.

## **Clean supplier data**

Many organizations struggle with faulty data in their supplier master files and may host this information for years without the transparency or time to drill down into the issues and fix them. SIM providers create cleaner data by validating information when suppliers first submit it; and some perform vendor master file cleansing and enrichment upon starting a contract.

This process involves collecting all the disparate vendor data related to different regions, countries, systems of record, and divisions to identify and remove errors. Some providers even reach out to suppliers to correct the data.

## **Dynamic search capabilities**

Supplier management solutions provide organizations with a single, centralized repository for their suppliers' company and contact data, and allow them to search through this data in dynamic ways. Buyers can perform quick keyword searches and advanced filtered searches of the directory using a variety of parameters, including region, type, and classification. This search tool allows organizations to select suppliers for more strategic initiatives, such as sourcing, category management, or AP automation onboarding.

## **Tax compliance support and secure global payments**

One of the most pressing issues organizations face is maintaining compliance with increasing and ever-changing international legal and tax regulations.

This is especially important for organizations making overseas payments to many different international suppliers.

Leading SIM providers are informed on current tax and payment requirements, and work to make compliance processes less complex for their clients and their clients' suppliers. Many solutions assist P2P departments by automatically gathering the correct tax form and tax ID information from suppliers prior to payment, preventing tax and regulatory issues before it is too late for corrections. Some solution providers notify their clients of regulation changes that might affect them, while others help streamline more complex overseas financial requirements, such as the Foreign Account Tax Compliance Act. A SIM solution's knowledge of global tax and payment requirements helps to streamline overseas payments. SIM solutions that facilitate communications between payees and suppliers will provide suppliers with real-time status on their payments, help resolve payment errors, and automate payment reconciliation.

### **Supplier validation, risk assessment, and scoring**

Validating overseas suppliers can be a complicated and error-prone process, and engaging with a high-risk or illegal supplier can have dangerous consequences.

Today's organizations are also concerned with maintaining the integrity of their supply chain operations; many avoid working with suppliers that do not follow ethical standards in their manufacturing and employment operations. SIM solutions offer many supplier validation services to thoroughly vet suppliers, allowing organizations to gauge each supplier's risk level and monitor and score their activity. Some providers offer these tools natively, while others integrate with third-party validation services to give clients access to more extensive security and validation tests. Required validation forms and reviews can be configured in an onboarding workflow based on the type of supplier, and can be used to identify characteristics about a supplier, such as whether it qualifies for diversity status.

### **Supplier self-service and AP help desk support**

Most supplier networks and SIM solutions offer dynamic self-service portals with tools for profile management and troubleshooting. Suppliers can update their profile information, enter payment information, and import documents such as contracts, insurance certificates, and tax forms. These portals also give suppliers the ability to check on invoice and payment statuses via the platform, and offer help desk support features like online ticketing systems for supplier queries.

By moving dispute resolution from the phone to the portal and giving suppliers the chance to maintain their own information and solve their own problems, buyer-side staff can spend more time on high-priority issues.

### **Supplier outreach**

Many supplier network and SIM solutions allow buying organizations to send targeted, custom messages to large groups of suppliers at once and facilitate the creation of surveys, questionnaires, and other web forms. A buying organization can also request documentation or ask that a supplier participate in a risk or validation review. A detailed audit trail of supplier activity allows enterprises to obtain real-time updates via reports and dashboards. Some solutions also include reminder capabilities to ensure that suppliers complete high-priority initiatives in a timely manner.

# Supplier Management Best Practices

Managing suppliers successfully cannot be done with a software tool alone – organizations must also use strategic and careful management techniques from technical onboarding and throughout the supplier relationship. The following best practices outline how to leverage both technology and strategy in supplier management.

## Technology Onboarding

### Educate suppliers

It is important to onboard as many suppliers as possible to the supplier management software for many reasons. One of the main reasons, especially in the eyes of C-suite and upper-level stakeholders, is to ensure ROI from the technology investment. Unfortunately, suppliers have been historically reluctant to join supplier networks and other B2B platforms because of their belief that the gains would not outweigh the expenses of supplier network fees, training time, and complicated registration requirements. However, supplier networks have adapted the current needs of both buyers and suppliers, and solution providers have removed many adoption barriers. Few networks charge suppliers a fee to participate; and if they do, the fees are typically very low. Today's technology is more intuitive than in previous years, thus requiring minimal training, and registration and onboarding have become simple and quick.

Modern supplier management tools also offer many more value-added services to suppliers, making adoption a strategic advantage. Organizations should educate their suppliers on the current flexible commitment requirements of supplier networks and SIM tools, as well as the benefits the suppliers stand to gain if they participate.

### Prepare an onboarding campaign

Leading SIM solutions offer a variety of onboarding strategies, and solution providers regularly develop new ways to reach out to suppliers. Organizations should first evaluate their supplier base in order to gauge the current culture and technical maturity of these companies. For example, technologically advanced suppliers will be easier to onboard through an email campaign than those operating under mostly manual, paper-based processes. The latter group will require different strategies, such as phone or mail-based outreach.

Next, businesses should work with a provider to strategically structure and orchestrate an onboarding campaign that will achieve the highest amount of participation. Organizations should choose a solution provider that understands how to segment suppliers strategically and how to use different onboarding methods for different segments. Some supplier management providers offer teams of onboarding specialists to run large-scale onboarding campaigns, personally reaching out to suppliers through phone, email, and mail with invitations to join the network. These teams may also help the buying organization create invitation templates for their own outreach campaigns, as well as configure registration landing pages on the company's website.

## **Onboard strategically**

Not all organizations have the bargaining power to force suppliers to register for their network or SIM solution; and suppliers' ability to simply take their services and their competitive prices elsewhere is a legitimate risk. However, when the circumstances are suitable, organizations should do their best to be

assertive and persuasive with their supplier base, giving at least some of their suppliers deadlines for registration and stressing the importance of participation. Suppliers should be fully and properly informed on all the values of a supplier network or SIM tool, including the value of more efficient processing, more secure interaction, and improved data exchange.

If an organization cannot make all of its suppliers join the solution upon implementation, it can set up a plan to phase out and replace suppliers that are unwilling to participate over time. By the end of this timeline, the buying organization will hopefully be working only with suppliers that are fully validated, financially secure, and low risk and that benefit their supply chain health.

# Supplier Base

## **Clean and segment the supplier list**

When a company onboards its supplier list into a supplier network and SIM solution, it should take the time to clean and strategically segment this list. Many supplier management software providers will offer their clients services to assist with cleaning vendor master files and segmenting suppliers. Segmenting the supplier base is a vital function for organizations that want to use their suppliers to improve their operations and competitive advantage. It allows an organization to engage with different groups of suppliers using different approaches. Segmenting the supplier base prior to using supplier management software is like fixing a broken current state prior to automation – it improves the success of an automation initiative. When the supplier base is properly segmented, the use case and value possible with supplier network and SIM tools are broadened and enhanced.

## **Reevaluate existing supplier contracts**

Long-standing, comfortable supplier relationships can cause a company to grow lax when it comes to monitoring and updating contract terms and pricing agreements. However, a business may leave a lot of cash on the table by doing so. As organizations bring their suppliers into a digital environment, they should reevaluate existing contracts and agreements, identifying those that are no longer cost-efficient or sustainable.

## **End relationships with damaging suppliers**

As companies evaluate their existing contracts and agreements, they may discover many items in their supplier records that are noncompliant or legally ambiguous. If an organization is unknowingly engaged with a supplier that has not maintained compliance with items like certifications and tax requirements, the company is putting itself at risk.

For example, a supplier with which a company has had a decade-long relationship may have recently operated in a way that landed it on an international blacklist. A “don't ask, don't tell” approach is not strategic, and a company should make sure it is informed of its suppliers' current activity.

## **Align the supplier base with future goals**

As a company segments its supplier base and gains access to tools that enable it to engage with new, more competitive suppliers, it also can broaden its operational goals. With a broader and stronger supplier base, a company can scale to new areas, either in terms of production or geography. The company should select new suppliers with these goals in mind. It should also work with its supplier network/SIM software provider to make sure its management strategies are in line to support its future business expansion.

# Supplier Partnership

## Maintain open lines of communication

As Figure 1 shows (page 5), one of the main reasons for damaged supplier relationships is poor response times to supplier disputes and queries. However, poor communication can be a problem in other areas than just those related to invoices and payments. If a supplier feels unheard in other areas of the relationship, an organization may not be able to sustain the relationship for long or gain the greatest value from the relationship. Just as a buyer prioritizes some suppliers over others, a supplier can prioritize or de-prioritize a buyer – and offer a varying quality of service. If the supplier already feels that there aren't proper communication channels in place, it may be more resistant to onboarding to a supplier management tool.

The organization should be sure to improve its outreach to suppliers by leveraging the solution's communication tools as much as possible and work to repair the damage caused by past bad experiences.

## Offer consistent support

In addition to using technology to improve supplier communication, companies should do so in terms of supplier support.

Fortunately, supplier network and SIM solutions offer a robust set of tools for this component of supplier management. Organizations should talk to their provider about how to build out support programs strategically and according to different supplier segments. For example, they can use their solution to send out surveys to suppliers, asking for concerns, questions, and suggestions for improvements in the relationship. Simply asking for feedback can be extremely beneficial to those relationships.

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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.

