There's a technology solution for every supply management issue, from sourcing and contracting to managing analytics and risk.

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Today, a wide variety of technology solutions providers serve the supply management field. With so many options, it can be challenging to choose the appropriate solution for your needs. It’s important to consider your foremost procurement operating issues prior to selecting any tool. Of course, be sure to always contemplate your complete technology strategy before engaging in any singular implementation.

Let’s look at how technology impacts four areas of the function:

1) **Sourcing:** The process of selecting the best-fit supplier.
2) **Contracting:** The documentation throughout the life cycle of the relationship.
3) **Supplier management and supply risk:** The careful review of suppliers across a number of factors to maximize value and minimize risk.
4) **Procurement operations, finance and analytics:** The payment of suppliers and visibility of operational compliance and analytics for decision-making.

**Sourcing Technology Drives Speed and Value**

Within the sourcing framework, technology is commonly used for conducting the end-to-end sourcing process electronically, leveraging software to assist with proposal comparison, and using niche software for category-specific buying channels.

Technology brings many benefits to the sourcing process. Technology improves documentation and knowledge management, visibility and collaboration across the sourcing team, consistency in approaches to market, and analytics for more comprehensive TCO calculations.

However, technology can present challenges for suppliers and other aspects of the sourcing process. Smaller suppliers, for example, may not use or be familiar with certain e-sourcing tools as part of their sales process. And depending on the contract value, it may not be an investment suppliers are willing to make. In addition, international laws and standards may require paper proposals (rather than electronic documents) to be legally binding. Understanding the supplier environment is critical for these reasons.

In what ways does technology provide opportunities to sourcing areas? There are several. Consider leveraging technology if you face the following scenarios:

- **You need to keep better records of your past sourcing activities so the data can be leveraged in the next sourcing cycle.** Select a tool that supports long-term category requirements...
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and can scale as your company grows, rather than various tools to meet ad hoc needs.

• You must improve sourcing team collaboration at the local, regional and global levels, without introducing additional meetings and longer flow times. Leverage collaboration functionality in your sourcing tools to include discussion boards, timelines and statuses with automated alerts and action tracking. Also consider leveraging internal collaboration sites your company may already be using (for example, Sharepoint) as well as sophisticated email tools, such as Constant Contact.

• You need sourcing tools that are customized by category. There are tools that are leading class in specific categories, such as SciQuest for transportation and SAP Fieldglass for contingent labor. Make sure to integrate these with your ERP system so the data is consistent and to refrain from adding manual entry requirements.

• You need to speed up the sourcing process to meet end-user needs and complete more events with the same number of resources. There’s no need to add more staff if you use electronic RF(x)s. With eRF(x) technology, you can retain all previous sourcing materials electronically for easy updates to move through the sourcing process faster.

Where are we headed with technology in the sourcing process? We’ll find repeatability and automation, self-service by the consumer, and quicker, crisper and more standardized workflows driven through the technology with better connections between the different buying channels. Today’s sourcing professionals need to be experts in leveraging sourcing tools (or have experts close by) to maximize value in each sourcing event. Doing so not only increases value but enables sourcing professionals to hold more events and, thus, maximize competition in their categories.

Keep Contracting Processes and Records Organized and Efficient

Within contract management, technology is commonly used to organize a number of processes. For example, it’s used to store contracts in robust repositories that host fields for exhaustive data collection and alerts, electronic contract approval and signature routing, and sharing redlined revisions of contracts during the negotiation and contracting process. Using technology in contract life-cycle management also improves speed in the contracting process and helps ensure that everyone in the firm uses standard, approved provisions.

However, some challenges are common when using contract management technology. For example, international laws and norms may require paper contracts — not just electronic copies — to be legally binding. Also, there’s a lot of manual labor necessary to gather and enter applicable contract information into a tool. Thus, consider managed services or offshored paralegal support. If your contracting technology is separate or not fully integrated with your ERP system, there’s a risk of conflicting information and confusion in the data.

If you are experiencing the following, there may be opportunities to leverage technology for contracting:

• You need to know what contracts are in place and where. Keeping track of contracts starts with a mandate and should end with all contracts organized in one single electronic repository. Even simple, low-cost tools will allow for key fields such as start dates and expiration dates to be entered and trigger notifications. The better tools will have fields to run useful analytics on contract values, rates and SLAs.

• You need to be aware of certain contract terms throughout the life cycle of a contract. Key provisions, deliverables, SLAs and other items should be extracted from the contract itself and summarized on a contract cover page or in a “critical terms” section of your contract management software. This information can be shared with users of the contract, referenced throughout the life of the contract and made visible as a contract nears its expiration.

• You need to speed up the sourcing process. It’s a good idea to house standard templates preapproved by legal on your internal procurement portal. An electronic signature platform (such as DocuSign) can expedite the signature process and ensure full execution by all users; you can also use these platforms to gain contract approval prior to execution.

In the near future, we will likely be able to generate automated decision trees and safely route for acceptance various pieces of contractual risk exposure. Progressive tools already enable visibility to agreed-to provisions in a tool rather than displayed in a Microsoft Word file with a signature box. Such tools are leveraged to negotiate contracts directly with suppliers for a clear and organized record of intent. Platforms such as Contract Logix and Determine are leading the way in this space.

Drive Visibility Into Supplier Management and Supply Risk

If your team has a number of individual scorecards useful for one meeting but never used again, or you’re overwhelmed regarding the level of risk presented by each of your suppliers, it’s time to use technology for risk management support.

There are strong benefits in using technology for supplier management and supply risk. The right tools provide visibility into performance against SLAs, help identify risk exposure points in the relationship, and prevent lost time and errors prevalent in “management by spreadsheet.”

However, there is potential to weaken existing interpersonal
relationships with some suppliers if the majority of your communications are suddenly occurring through email rather than personal discussions. There’s also the possibility that suppliers will raise prices if you request more data and electronically track performance. However, money spent on supplier risk usually has a strong ROI over time by preventing expensive supply chain problems before they happen.

Some potential opportunities for leveraging technology in this area include:

- **You need to focus on the suppliers that offer the most value.** Spend analysis reveals your top spend areas, but your most valuable suppliers must be flagged in accordance with additional criteria — for instance, switching potential, reputation or potential to add differentiated value. You may end up with 10 or more criteria with weights/implication factors/likelihood factors. With multiple criteria, thousands of suppliers, algorithms and real-time updates, you need a sophisticated approach for accuracy and usability.

- **You need a full grasp of the risks in our supply chain, at all tiers.** Risk technology brings more sophisticated methodologies and approaches to the table. Ability to segment by region, type of risks and mitigations in place (or not) enable informed business decisions. Tools such as Venminder can manage the diligence and risk assessment process, so you know what risks are present at any given time.

- **You need to keep your suppliers up to date, but continuous communication with all of them is time-consuming.** Consider an external portal to house all of them is time-consuming. You may end up with 10 or more criteria with weights/implication factors/likelihood factors. With multiple criteria, thousands of suppliers, algorithms and real-time updates, you need a sophisticated approach for accuracy and usability.

- **You need to make invoice processing less time-consuming.** Functionality has emerged that automates and shifts the invoice input responsibility from your company to your suppliers. For instance, suppliers can upload invoices into your system, update their profile and check on payment status of their invoices. Make sure to assess the security of your ERP tool and design cyber-security conscience procedures (such as two-factor authorization) with your IT security department.

- **You need more accurate savings calculations.** More mature organizations have migrated away from spreadsheets that calculate savings based on estimations at the completion of a sourcing project. Instead, procurement and finance partner to track actuals versus budget. Conducting variance analysis and capturing for synchronization with your ERP tool makes no room for error in the “why” or “how” behind savings.

- **You need higher compliance to contracts.** Certain categories can be more difficult than others regarding contract compliance. Spend areas like office supplies and IT equipment can be set up in punch outs (essentially, the supplier’s portal embedded into your ERP system), driving buyers through the preferred supplier.

  - **You need to access spend data in real time.** Typically, when companies struggle to gather their spend data, it’s because they have various different systems that don’t “talk” to one another, so the spend needs to be extracted from all systems and contorted to fit into a report. If you’re unable to consolidate systems, consider feeds into a tool like Tableau that allows real-time connecting of data fields.

  - **You don’t have the resources to make sense of all the data.** Choose technology with a user-friendly user interface and can be easily customized. Collaborate with the IT team when selecting tools so it is onboard with the mission and resourcing required to maximize effectiveness.

  Technology in procurement is evolving rapidly. To keep pace, partner with IT to develop a technology roadmap for procurement, and find out what products other departments in your company are using because there may be opportunities for efficiencies and synergies. Technology changes fast, so your technology roadmap should evolve over time. Make sure to budget for new technology products, ongoing support and implementation.

  In the end, technology enablement is driving new skill requirements in our function. With less transactional work, procurement professionals can focus more broadly and on the right strategic opportunities. As we proceed along in the procurement technology journey, be prepared for numerous iterations of technology in an ever-changing procurement/tech landscape. ISM

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