

Re-Imagining Procurement



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Reimagining procurement brings a fresh perspective and sheds new light on existing practices, allowing new successes to emerge.

SAFE SOURCING

This author really spent a lot of time thinking about the title of this whitepaper as I wanted it to clearly sum up my thoughts relative to where procurement is, and where it needs to go, in both the short and long term.

My conundrum boiled down to my title choice of Re-Imagining, Re-Thinking, or Re-Engineering Procurement.

As such, I took a look at the definitions of those three terms in Wikipedia in order to ground my focus on the subject matter to follow. The definition below is the one I liked best relative to this whitepaper, very simply **a new version of an old film** or Re-Imagine.

1. Re-Imagine [According to Wikipedia](#) is a disambiguation of the word Remake and *In film or television, a remake is a motion picture based on a film or television series produced earlier. [1] The term remake can refer to everything on the spectrum of reused material: both an allusion or a line-by-line change retake of a film. [2] However, the term generally pertains to a new version of an old film.*

In a nutshell, that is what we are really talking about. Doing what has been thought of before in Procurement, but making sure we carry it out in its entirety instead of spending a lot of time in trying to figure out how to use rapidly advancing technology in order to carry out what is already available and has been available for, in some cases, years and maybe even decades that you have not already implemented at a price point that returns ROI's easily in excess of 10X.

Well, that's settled then. We are going with Re-Imagining Procurement and for good reason. What many of us were imagining and talking about in the procurement space nearly 40 years ago still has not happened across the horizontal broad spectrum of companies and requires re-imagination. At least that's the plan for now I think.

Procurement is based on data. It is not based on CPO's, Category Managers, Buyers, Suppliers or any titled person with some measure of spend authority or approval. It is based on data. It has always been and will always be. If you don't have data and you don't know where to get data, then your procurement process will be faulty, your pursuit of results lengthy, and less than what they should be. Your company will also be at significant risk. Data can provide the leverage to differentiate you from your competitors and dramatically better results. I think it was Archimedes who said "*Give me a fulcrum strong enough and a lever long enough and single handedly I can move the world*". Let your data work for you. However, beware that you are going to have to know where to get it and how to interpret it.

This author began his career in the supply chain in 1970 in the U.S. Air Force. I was an Inventory Management Specialist with an AFSC of 645XO and worked in Base Supply assigned to a department with the acronym WRM which stood for War Readiness Materials. I won't get into what I specifically did, but suffice to say, we had to make sure that we had products and supporting services where they were needed and when they were needed at a moment's notice. This required a lot of heavy lifting as technology was not as advanced as it is today. For data we used physical inventory systems and our supporting technology was an 8K system from Univac called the 1050-ii. It took up a huge part of our warehouse and required a raised floor. I only mention this because we were required to move quickly and those of you in the procurement space today have more processing power and better price performance in your mobile devices than we had at that time. From a pure price performance or capacity perspective, we are talking more than a billion-fold improvement in today's technologies. Why is this important? Because from this author's point of view, as an active participant in the Supply Chain and Procurement space, a very large majority of companies today are not doing much more in terms of an improved procurement process than they were doing almost 40 years ago. This is a shame with the technology and price performance we have available today that can be turned on in virtually minutes via cloud computing technologies in the form of Architecture as a Service (**AaaS**), Infrastructure as a Service (**IaaS**) or Software as a Service (**SaaS**). In the recent past, it was said that no CIO or VP of Information Technology would get fired for buying from IBM. Today that's more likely to be phrased that no CFO, CPO or other procurement executive is going to get fired for suggesting buying or implementing solutions based on cloud delivered technologies.

Data

Let's talk a little bit about data. For the purposes of this whitepaper, I will restrict data to three areas. However, they are very important areas because without all three, no matter what tools you use or how many resources you deploy or how big your company is, you will end up paying more, experience less quality and suffer shaky less sustainable supplier relationships.

The data that are important as we reimagine procurement should not be a secret to anyone. It is the information you always seem to be looking for but can't often find. These are the three pillars of great procurement results. Tools are only as good as the data they rely on.

For our purposes I like to place this data as the following three Pillars:

1. **Pillar One: Your Data**, which is data that your company has available that can be accessed and used in the procurement process.
2. **Pillar Two: Our Data**, which is your e-Procurement provider's data such as specifications, templates and historical category data. I call this our data because SafeSourcing is a Cloud based SaaS provided Procure to Pay SafeSourceIt™ family of solutions.
3. **Pillar Three: Their Data**, which is the Suppliers or Vendors Data. This will include all data associated with getting the best possible product or service at the best possible price, at the exact location, and at the exact time it is needed.

The first question that should come to mind is where this data comes from both internally and externally. The answer is that it depends. It depends on how sophisticated your internal business solutions are and the level of drill down that is available in your business systems and how well they interact or are linked. Here's an example: Company A has a purchase order system that has all of the attributes required to provide a clear historical view of what has been purchased. The CPO asks a procurement professional to get a copy of the P.O. for a particular product or service that has been purchased. The requested P.O. arrives and has one line on the entire document that reads per the attached purchase and sales order (*a vendor document*). Come on, admit it. This has happened to you more than once and it will continue to. So now what? Get a copy of the order from the vendor? Cool idea. When it arrives, the pricing is different, so what now. Let's review the contract? Who has the original signed copy? Get my drift?

Per the example above, this author will guarantee the following. Your data will not include everything you or your procurement professionals need in order to make the best possible decisions for your business within the timeframe it needs to be made and all of the sophisticated systems in the world will not solve this problem for most companies. The data will not be readily at hand; and for the most part your team will not know all of the correct questions to ask in order to collect the data in a timely manner because they may only source this category once every couple of years at best, while solutions providers like SafeSourcing may source it dozens of times every year.



Examples of Internal and External Data Sources

1. Data Warehouses
2. ERP Systems
3. Budgets
4. General Ledgers
5. Purchase Orders
6. Contracts
7. Vendor Product by SKU
8. Vendor Product by SIC Code
9. Invoices
10. Catalog Systems

11. Copies of Orders
12. Product Cut Sheets
13. Brochures
14. Supplier Websites
15. Statements of Work
16. Spend Cubes
17. Subject Matter Expert Input
18. HR & Financial Reporting Systems
19. Architectural Drawings
20. Specifications

I'm sure you can come up with a few more, but anyone that has ever sourced anything in the form of a product or a service has had need to look at any number, if not all, of the above during the process.

I sincerely hope that your company is fortunate enough to have an industry data model that includes elements of all of the above so that you can simply write a query and violas there is your information. Most companies, however, don't and never will. It is for that reason we have procurement solution providers that don't just sell you a tool and go away. They stay involved and help you source categories that they have a wealth of experience with because they source them multiple times per year and know where the outliers and pitfalls are that will trip up the average buyer or category manager. This is called full service for a fixed price.



As such, I offer the following process automated or otherwise.



The chart above outlines a framework that SafeSourcing has developed that outlines the steps necessary from this point forward. We call these four distinct areas of focus: Analyze, Source, Contract and Control. Each requires different tools and skills. Collectively they provide a framework that insures results and provides easy access to required information moving forward.

Now that we understand the variety of areas from where to get our data, we can apply this framework and that begins with the analysis stage. There will be companies here that tell you they have a spend analysis tool or that they can provide you a spend cube if you just give them a copy of your General Ledger. Regardless of what tools you happen to use, there will be heavy lifting and manual effort during the process. There will be specific questions to ask and holes to fill even if your data is relatively clean and easily accessible. This is again where full service offerings like SaaS based SafeSourceIt™ come into play because they are backed up by procurement knowledge workers with years of experience running the same categories for multiple customers multiple times.



I have seen too many deployments of very sophisticated sourcing solutions that are embedded in the world's major software platforms that once deployed do not get used properly. Of course the companies using these solutions were trained, but without skilled knowledge workers readily available that understand specific category strategies that work, for the most part many systems go unused, or knowledge workers default to doing things the old way with a new tool and an ROI that is years in the making.

Table A below indicates some of the many but not all tools and services that fall into the Analyze-Source-Contract-Control Framework. Table B represents the SafeSourcing SaaS offered Cloud Based SafeSourceIt™ Procure to Pay family of products and services.

Table A

1. Spend Management and Analysis Tools
2. Supplier Databases
3. Specification Template Libraries
4. eProcurement Tools
 - a. eRFI
 - b. eRFP
 - c. eRFQ
5. Contract Management tools
6. Catalog Systems
7. Purchase Order Systems
8. Invoice or Billing Management Systems
9. Survey Tools
10. Dashboards
11. Project Management
12. Subject Matter Experts

Table B

1. SafeSourceIt™ Supplier Database
2. SafeSourceIt™ eRFX Platform
 - a. eRFI
 - b. eRFP
 - c. eRFQ – Reverse Auction
3. SafeSurvey™
4. SafeDashboard™
5. SafeDocuments™
6. SafeContract™
7. SafePO™
8. SafeCatalog™
9. SafeBilling™
10. SafeSpendAnalysis™
11. SafeScorecards™
12. SafeSourceIt™ Strategic Cost Initiative
13. SafeSourceIt™ Specification Library
14. SafeSourceIt™ Discovery Services


I am not going to go into all of the applications that impact the Analyze-Source-Contract-Control Framework because that would take much more than this whitepaper to accomplish. The point is that everything we have discussed in this paper has been done in procurement history and began as a manual process. Technology has evolved in such a way that in order to continue to apply these practices systematically required a cost model that only a few of the very largest companies could afford. That is no longer the case. In today's SaaS world, these applications can be deployed in a matter of days at a cost that in many cases offer an almost instantaneous ROI. The better news is that they can also be turned off just that quickly if someone comes along with a better mouse trap or your service provider fails to live up to their promises and service levels.



How did we define Re-Imagine? As a new version of an old film! Well that's my re-imagination for procurement, carrying out what is already available and been enabled by technology so that all companies can take part in the benefits. There are a vast number of companies that continue to struggle by doing things the same way they have for years while always looking for the next best idea.

Why wait when ROI's like the one indicated by the following case study are waiting for you. The ROI on this project was immediate, and well greater than 50X. Its impact on the company's financial results, quality of service, and vendor management was also immeasurable.

Case Study Temporary Labor



Case Study – Temporary Labor

The Client: A Fortune 500 distribution company needed to consolidate and source their temporary labor spend across more than 70 locations nationwide.

The Issues: The current historical spend detail was limited. The job descriptions were not consistent. There was no insight into the basis of the charges. There were more than 125 vendors being used.

The Process: Step one was to consolidate and standardize a job description list with the help from Human Resources. Step two involved reducing the 125 vendors into a pool of 30 that would be invited to compete for the business. Step three entailed required all vendors to provide base rate by geography, national upcharge by job description and Unemployment tax and Worker's Compensation rates by state.

The Result: The event run was an enormous success with over \$2M in savings, standardized job descriptions, consolidated vendor base and complete insight into how they were being charged on every invoice.

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If you'd like to improve your financial results, earnings and shareholder value or just learn more about SafeSourcing and its SaaS based family of Procure to Pay solutions, please visit our website or contact us at <http://safesourcing.com/Contact-Us> and ask about the SafeSourceIt™ Family of products and services. I believe that you will be glad that you did.



About The Author



Ron is the founder and CEO of SafeSourcing Inc. with more than 40 years of experience working in a number of industries. Ron was formerly the President and CEO of Intesource, an internet based Spend Management Company. In prior roles Ron served as the Executive Vice President at Trax Retail Solutions. After leaving the U.S. Air Force as an inventory management specialist Ron began his career at NCR Corporation where he eventually served as the Vice President and General Manager of an NCR Global Software business unit.

Ron holds a Bachelor of Arts degree and Bachelor of Science degree from Bridgewater State University in History and Psychology, respectively and has also completed certificate programs at the American School of International Management. Ron is also a U.S. Air Force Certified Inventory Management Specialist.

A well-known industry speaker and writer on a variety of subjects including technology, operations, risk management, the supply chain, and Sarbanes Oxley, Ron is a US Air Force Veteran, and is listed in the VIP section of Madison's Who's Who.

Ron was a featured guest on "World News Review" CNBC, Sky Radio and has been honored on multiple occasions including 2015 as one of the industry's "Pro's to Know" by Supply & Demand Chain Executive Magazine. He is an author of over 1,000 posts at The SafeSourcing Blog on a wide range of subjects regarding Spend Management, Cost Reduction and Optimization and eProcurement including the entire Procure to Pay process. Ron has published a number of white papers including "Re-Imagining Procurement", "4 Tips and 3 Pitfalls to Avoid when Sourcing Professional Services", "Safety in the Supply Chain, An Irony" and "Construction Sourcing with eProcurement Tools" amongst others.

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