

THE LEAN, GREEN CLOUD-BASED SOURCING MACHINE



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Cloud-based services can make your company's essential functions run like a dream, trimming the fat from your expenses. Choosing the right team will provide the highest level of dedication and customer support services that put even machines to shame.

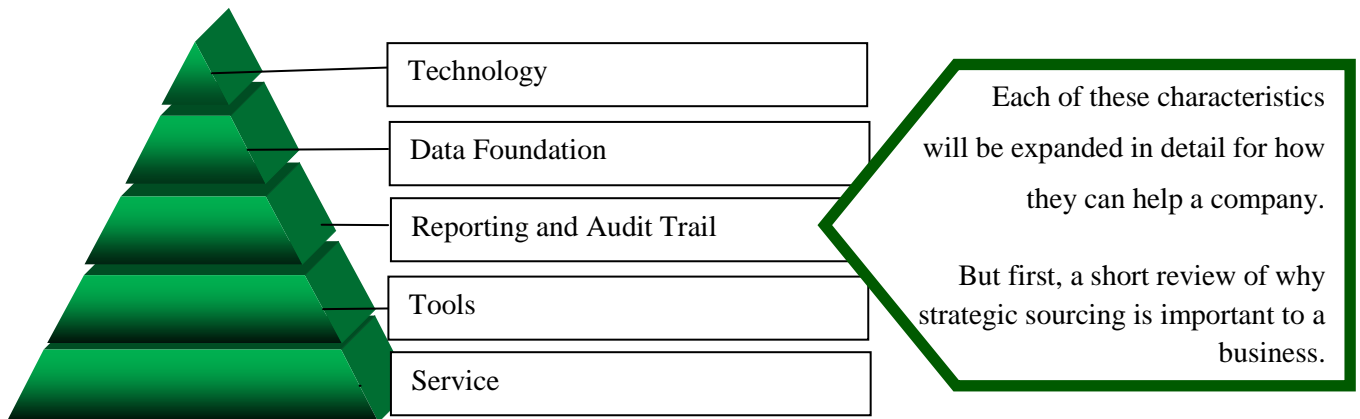
SAFE SOURCING



The Lean, Green, Cloud-Based Sourcing Machine

The search for a strategic sourcing company will uncover many things about an organization including its strengths, weaknesses, holes, and stars. The search can reveal opportunities for an organization to improve and areas that can be leveraged for even better results.

There are five key characteristics that any company should look for when choosing a sourcing company. These five things create a strategic sourcing machine that will make a company leaner and greener.



Why Strategic Sourcing?

Organizations today face a cost pressure that often results in unwanted budget or labor cuts. These cuts can translate into lay-offs and even entire locations closing. With Indirect Spend accounting for up to 70% of expenses for many companiesⁱ, the logical choice when reducing costs is to cut expenses. Many organizations, however, believe that in order to reduce product and supply costs, quality is reduced as well; this is often not the case. With strategic sourcing, companies can obtain the same quality specifications on supplies they currently have, and often even the same brand they currently use, for a lower price. According to The United States Government Accountability Office (GAO), “strategic sourcing enabled companies to achieve savings of 10 to 20 %.”ⁱⁱ



Even if an organization doesn't need to cut expenses, strategic sourcing companies should be considered in new growth opportunities. Strategic sourcing companies can help to obtain suppliers and services in an unfamiliar area. Through cloud-based technologies, many procurement companies can also offer tools such as a streamlined document management and accounts payable system that makes for more a productive, thorough, and efficient work process or information gathering tools such as web-enabled survey and RFX tools. It's never too late to see what ways a strategic sourcing specialist can help, because according to Spend Matters Network, technology and solution capabilities in 2014 "will make it the most important year for the adoption of procurement and accounts payable technologies."ⁱⁱⁱ

Once a decision to implement procurement services in a business is made, it is important to research the options for strategic solutions company ahead of time. Not every provider will offer the same resources, methods, and support that a company needs or even expects. By understanding what is required and considering each of these aspects, companies will be able to be more efficient and productive.

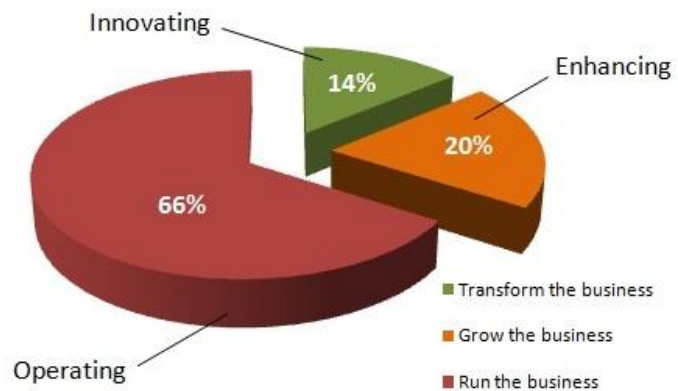


The technology a strategic sourcing partner is able to offer plays a large role in their ability to meet not only current needs, but any future needs as a company expands. With a world that changes daily from technological perspective, it is important to understand the foundation of the solutions needed to ensure that those tools and the technology they are designed around will continue to provide the best in-class solutions moving into the future.

- **Browser and Mobile Device-ready** – In today's world the expectation, not the exception, is that business-related tools and solutions will be available in some form to users wherever they are. Whether the solution is a true cloud-based Software-as-a-Service model or not, customers expect to have some level of functionality and access to data from their laptops, tablets, and smartphones. Part of ensuring this is possible is the amount of development resources that are dedicated to testing new versions of the major web browsers on the market, as well as providing a mobile ready interface if no native iPhone or Android application can be downloaded and secured.



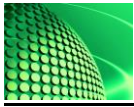
- **3rd Party Data integration** – Strategic sourcing companies deal with a lot of data, much of which they house in their own internal system and make available for analysis and reporting. Many times, however, information will need to then make its way to a Contract Management system, PO system, or catalog system that is being used already. In the perfect world, a company would select a strategic sourcing partner that had all three of these modules, as well as others, where the integration was already completed and the data flow seamless. Since this is not possible for many companies, the ability for their eProcurement partner to provide data feeds to their existing systems is a very important and valuable trait to evaluate when looking at strategic sourcing partners.



Gartner's report "IT Metrics: IT Spending and Staffing Report, 2011"

- **Reduced IT involvement** – IT departments by and large are one of the busiest departments in most companies. Their projects are scheduled, in many cases, months ahead of time, so that effective planning can be put together to ensure the project's success. When this is coupled with the fact that technology is moving so fast and both software and equipment are advancing faster than most IT departments can keep up, it is understandable that getting a new project on their schedule can be difficult, and many projects can stall for as much as a year if they require a high degree of IT involvement. That is one of the reasons why hosted cloud-based solutions are gaining more popularity, the involvement from IT and the capital cost of equipment is reduced. IT involvement in the deployment of an eProcurement solution is something that should be considered carefully and balanced against other implementation timelines.

By finding a sourcing partner with the right amount of technology needed now and in the future, companies can be on their way to becoming more cloud-based. Cloud-based technology helps companies to become leaner in their IT usage, document storage, and process times. Implementing cloud-based technology also helps companies to become greener, eliminating hard storage and paper waste.



Data Foundation

The data and research available through a company directly affects the success of their solution and serve as a backbone, supporting the company as it grows. The more accessible the information and the more assistance for making informed decisions before projects begin, the quicker projects and results can be put into effect and realized by a financial department.

- **Global coverage** – While there are obvious advantages from working with national, regional, and local providers, it is important to be able to look at other global sources of supply. Having options gives leverage to be able to make decisions as it relates to primary and secondary sources of goods and services. This is especially true for global companies who need to source goods and services local to their international offices. Working with a supplier that has a global supplier database is important to be able to develop a view that looks at all options of origin.
- **Feeding itself** – Data by itself is useful, but data that gets smarter and fresher, leveraging the fruits of its labor, is the key to running a better sourcing organization. For most companies, the limited view they have of the supplier community goes only as far as their own experience or research. With a third party strategic sourcing partner and/or tool, companies get the benefit of experience that company has had with those suppliers, products, and services. If a supplier has been great to work with, that information should be available from a sourcing partner or tool. Likewise, if a supplier has not done well with delivery after an award of business, access to that information should be available as well. As thousands of sourcing projects complete each year, data should be leveraging the results of that information as much as possible.
- **More than the basics** – Along the same lines as “feeding itself,” data should be more than just the basics about who a supplier is, where they are from, and how big they are. Strong supplier databases should provide the level of detail on par with a mini-RFI before a project ever begins. This data should include who their biggest competitors are, what new products or releases they have completed in the last 2 years, who they are doing business with, and where their core strengths lie. This should also apply to categories and





having access to template libraries with starting documents for RFIs, RFPs, and online bidding specifications.

By finding the right data foundation in a strategic solution, companies can work toward being greener and processing more economically. By having the right data, the right supplier or service provider can be selected that fits the company's needs, helping it company run smoother and more efficiently. A large data foundation can also help to eliminate waste, whether it is from cutting back on plane trips, finding more localized or centralized suppliers or services, or even finding companies that adhere to the same environmental ethics, this data can help a company move toward a greener future.



Reporting and Audit Trails

Another key supplier aspect when choosing a custom sourcing solution specialist is their ability to use technology and a data foundation in a way that provides all the information needed. This information should be clear, concise, organized, and thorough.

- **Strong base reports** – Custom sourcing solutions should have a standard set of reports that they provide their customers when an event is complete. There are certain aspects of this report package that should be present in order to review the most basic details of an outcome. Supplier activity should be captured in a way that timestamps every quote entered in the system and who entered it. This is also part of the audit package described below. Any online notes should be reported as well as the supplemental documentation many suppliers provide. The final outcome, in a detailed and summary view, should be provided as well as copies of all of the documents that were involved in the sourcing process. Basic award scenarios and supplier performance during the process should also be included in a standard spreadsheet or executive summary style report.



- **Capable of additional analysis** – As important as the base set of reports are, the capability to provide additional analysis is just as important. There will be times when special circumstances surrounding the event need to be considered or the way an incumbent factors into an award decision must be reviewed.



A custom sourcing partner’s ability to provide scorecards, provide additional award scenario details, or break down situations where a primary and secondary supplier need to be awarded by location are all realistic and important ways that they can help save dozens of hours and allow procurement departments to do the other things they need to do for their company.

- **Audit Packages** – There are usually not many times when a company will need an audit trail of what happened during a sourcing project, but typically when they do it is of critical importance. So when technologies or partners are evaluated, they should be able to provide a package that includes copies of all documents and electronic versions of communications that went to any potential supplier. They should also be able to provide time stamped documents of all notes and quotes entered into the system as well as who entered them for the supplier. All verbal communication and questions submitted by a supplier to the customer should be captured in a central place that can either be accessed by the customer or by the administrators for reporting purposes. This package should be easily available and contain the trail of all communication with the suppliers.

The right custom sourcing partner can provide an organization with the right reporting and auditing materials quickly and thoroughly to become a leaner and more efficient machine. If a solutions company can provide this information in an easy to use, timely fashion, companies will spend fewer labor hours analyzing the data, making expenditures a bit leaner. In addition, the time saved will help to focus on other tasks, helping operations run more smoothly.



Tools

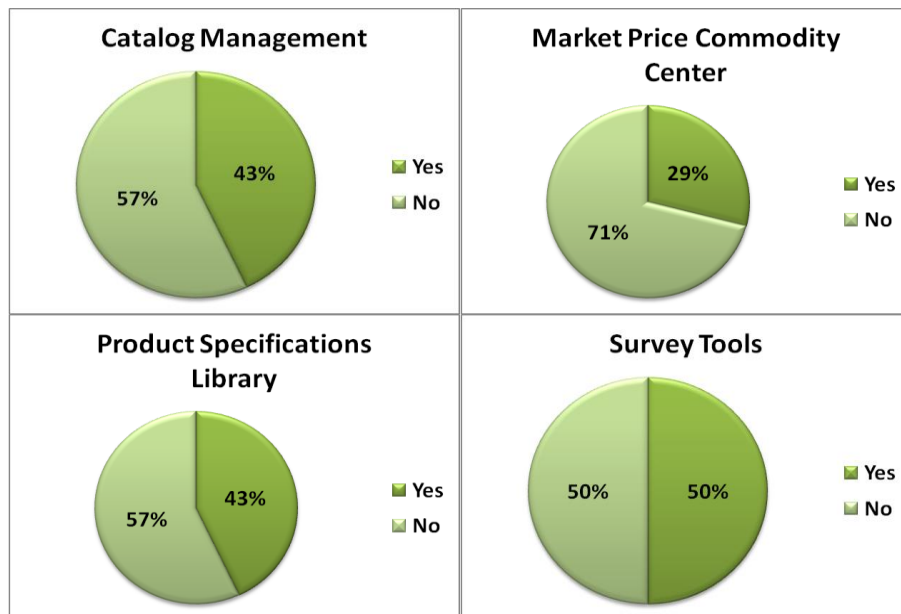
The different types of tools custom sourcing companies can sometimes offer are essential because they can make the job of a procurement professional easier. Through these tools, they can make work easier and allow companies to grow into new areas that were previously unreachable.

- **Information Gathering** – A good supplier database and template library foundation is important when beginning a sourcing project, but it only addresses the external data and does not always help explain the internal spend data and specifications, especially when the category is a new one to your company. Being able to send electronic surveys to resources within a company in a way that requires very little effort, can save a procurement team hours of time in legwork, but, more importantly, can ensure that the picture painted for potential suppliers is accurate. Being able to understand who in a company is buying something, what they are buying, how much they have historically purchased, how much they expect to purchase, and whether they like the current product and supplier are all details which will shape a very successful event and can be easily collected with an online survey tool.
- **RFx** – The concept of moving from Request to Information to Request for Proposal to Request for Quote/Tender is not a foreign one in the procurement industry, and virtually every strategic sourcing company offers some type of tool or service to support this flow. Where the differentiator begins to come in is how seamless the flow is from one step to another. Do suppliers need to learn multiple tools? Is it online? Are details from each step automatically moved over into the preparation and documentation of the next step? Each step of the RFx process is unique, but has common threads that tie each together. Good RFx solutions will tie these threads together in a way that reduces the time it takes to run from beginning to end and the amount of repetitive tasks required of the suppliers with each step.



- Result Management** – The information is gathered, the project is complete, and the results are better than expected. The problem is that without the tools to put those results into effect, they become worthless. Being able to manage the results of sourcing events is considered by many to be more important than the results themselves and can take several different forms. To begin with is a catalog/ordering/purchase order system that will allow a company to place the orders they need at the new pricing negotiated. Implementing a catalog system can also prevent rogue spending from unapproved suppliers based on past history. Another useful solution is a contract management tool to track contracts and important details and dates, ensuring that the contract will not roll over into a situation that costs even more money than saved. Managing both aspects of a new deal are critical to maintaining a project’s success.

Figure 1.1 Survey results of tools offered by some Strategic Sourcing companies



Finding the right cloud-based tools will help you to become greener and leaner. Finding a strategic solution with the right tools can help get the needed information; sort, store, and utilize that information; and cut down on time spent managing that information. By implementing current, cloud-based tools, labor hours can be trimmed to help a group run more effortlessly.



Service

Service functions as the foundation on which all the other important characteristics are built. Having great data, tools, reporting, or technology will only be as good as the team helping to run new projects, and a custom sourcing partner should be as strong, if not stronger, in their customer service offering than anything else they do.

- **Experienced** – Sourcing experience across dozens of categories is not something that every strategic sourcing company has. There is a reason why some sourcing partners focus on travel, energy, and logistics only for their customers. Experience in sourcing events from both a consumer, sourcing partner, and supplier side is a big key to understanding the perspective of all the parties involved. This experience helps with the management of the suppliers as well as that of the customer to keep the projects moving and details and communication delivered. Well-rounded strategic sourcing companies will have sourcing experience in IT related products and services, software, warehouse materials and equipment, construction-related goods and services, temporary services, For Resell goods, transportation and logistics, commodity goods, and normal indirect spend items to name a few.
- **Supplier management** – The most difficult task in running a sourcing project, outside of collecting the data necessary to run the event, is managing the suppliers during the process. Management begins as soon as suppliers are contacted to participate in the event. Strategic sourcing partners should be able to assist with fielding all questions from suppliers, speaking to suppliers on their customer’s behalf to get them engaged in the process, handling objections they may have about the process, and training them on how to follow the process and tools with live support. Once a sourcing project begins, custom strategic sourcing partners should manage the process and all communications so that their customers can be allowed to focus on the important things they will do later. Support should continue through the entire process all the way until the project completes and suppliers have submitted everything requested.





- **Post event support** – In some cases once the sourcing event is completed, handling and communication of the suppliers selected for award goes back to the customer. In many other cases, the sourcing event (RFI, RFP, RFQ) is just the beginning of the evaluation process. Many times, samples will need to be coordinated, presentations scheduled with the selection committee, scorecards and evaluation materials developed and distributed to the internal decision makers, as well as agendas to the suppliers. These are all ways that good strategic sourcing partners stay involved and take the load of the sourcing process off of the customer. Often the suppliers are familiar with the customer service member they have been dealing with, and having that same person take them all the way through the process is a big advantage to the process going smoothly.

Custom sourcing solutions partners that provide paramount customer service allow companies the opportunity to be a leaner, greener, cloud-based machine. Strong service skills will provide the needed help and guidance to get a company functioning practically and economically, with each plan specifically tailored to an organization's needs. A clear plan and unsurpassed service can help trim budgets and help functions and processes run more smoothly through their technology, data, reporting, and tools.



During the search for a custom strategic sourcing partner, keep in mind the five key aspects: technology, data foundation, reporting and audit trails, tools, and service. When implemented, each of these aspects will benefit a company and guide them towards being a leaner, greener team.

With the right technology, a company can become cloud-based, cutting down on IT usages, document storage, process times, and reducing their carbon footprint. When that technology is paired with a solid data foundation, a company can better streamline their processes, making them more time and cost efficient. If the technology and data foundation is backed up by reporting and auditing trails, then the company will have easy access to all of their information, eliminating lengthy searches. The right tools can help to provide ease of use to current processes as well as making new discoveries run more smoothly. The technology, data, reporting, and tools are all pulled together by the service a strategic sourcing company can provide. The level of service a company receives determines how quickly any questions, concerns, or ideas can be resolved or implemented. A high level of service mimics the level of dedication a sourcing partner exhibits and is essential for a company to thrive.



By keeping the crucial characteristics in mind when researching a strategic sourcing partner, a company is well on its way toward smoother processes, lessened expenses, and increased accessibility. A company is on its way toward being a leaner, greener, cloud-based machine.

ⁱ Kausik U, Mahadevan B. A Review of Strategic Sourcing Literature During 1997-2010: Trends and Emerging Issues for Research. South Asian Journal Of Management [serial on the Internet]. (2012, Apr), [cited January 8, 2014]; 19(2): 78-98. Available from: Business Source Complete.

ⁱⁱ Chaplain C. Strategic sourcing : improved and expanded use could provide procurement savings for federal information technology : testimony before the Committee on Oversight and Government Reform, House of Representatives / statement of Cristina Chaplain [monograph on the Internet]. [place unknown]: Washington, D.C. : United States Government Accountability Office, 2013; 2013. [cited January 8, 2014]. Available from: Wright State University Library Catalog.

ⁱⁱⁱ <http://publicspendforum.org/2013/11/21/procurement-technology-public-sector-first-five-trends-watch-2014/>

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