

# How To Get The **Direct Procurement** Software You Need



**WHY THIS ?**  
**E-BOOK.**

# Why This e-Book?



This e-Book is intended for Procurement executives in the discrete manufacturing sector who are looking at positioning their Procurement organization on the path to excellence by boosting their capabilities to deliver more results and in a more efficient way.

In order to do so it is important to first position Direct Procurement activities. By direct Procurement, we mean the activities encompassed in the “source-to-settle” process: the end-to-end integration of sourcing and procurement, starting with spend analysis and ending at spend analysis. It is the integrated workflow that starts with sourcing event identification, proceeds through e-Negotiation and Award, and ends with the creation of a purchase order, the receipt of goods and an invoice, and the e-payment for goods received and includes everything in between.

Such activities in discrete manufacturing involve the management of contract manufacturers who are responsible for delivering parts or sub-assemblies to the factory line and that will be assembled together in the final product sold to customers. For various reasons that we will detail, these activities require a specific attention, therefore specific tools, to enable Procurement to deliver value to the organization and to the customer. Such tools are specific to the Direct Procurement world and cannot be the same as the ones used for Indirect. It cannot be the ERP either.

Our e-book highlights these specificities with regards to the most common challenges that Direct Procurement teams face and provide practical tools to identify their true needs, size the benefits, and ultimately build their case to equip their teams with the next generation platform.



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**WHAT IS  
DIRECT  
PROCUREMENT ?**

# 01 What is Direct Procurement?



The simplest definition of direct procurement is the procurement of raw materials and components for the production of goods (that the organization intends to sell). Direct materials are always accounted for in cost of goods sold. In contrast, indirect procurement is the acquisition of finished goods, materials goods and services that are expensed or accounted for as overhead. The distinction may seem minor, as direct raw materials and components for one business can be indirect for another, and is typically indirect for a supply chain partner further downstream, but it is still an important one.

The reason that the distinction is important is that while most procurement platforms built for direct procurement can be used for indirect procurement, it is generally not the case that most procurement platforms built for indirect procurement can be used for direct procurement. Why? Simply put, the majority of direct categories are much more complex to procure than their indirect counterparts.

Let's take a consumer electronics product as an example. Let's say you're a retailer interested in offering a low-price android tablet for your target market. After consulting a market research organization, you realize that, in order to appeal to your average customer, it must support Android 5 OS, have 8 GB of memory, a 9.7" screen, and a dual core processor. At this point, as it is an indirect purchase for you, once you've identified a half dozen or so of the dozens

of manufacturers of these tablets, you can simply set up an auction that weighs price, delivery time, and warranty and go with the cheapest option. No further details, or evaluation, needed.

But if you are the manufacturer of that tablet, it's a completely different situation. You have to source the logic board, the processor, the heat sink, the memory, the screen, the connectors, the battery, the charger, and the case, and everything has to fit - and work - together. If the board only supports ARM processors, you can't use an x86, and vice versa. In addition, the board will probably only have been fully tested and rated for a subset of those processors. Also, the board will require memory of a certain pin size and only be rated for a certain memory speed, and probably only a handful of memory manufacturers will manufacture 100% compliant memory. You might have more choice in touch screen providers, but guess what, quality and reliability will be key. Many of these components contain rare earth metals and



restricted substances under legislations like RoHS and WEEE, so you have to make sure the product will be fully compliant in the countries you plan to sell it in. You'll have to be extra careful procurement the battery, as it's a huge safety issue. The last thing you want is one bursting into flames in a customer's lap. And so on. The amount of requirements you have to meet and data points you have to track is a lot more extensive. The direct procurement exercise to source the right bill of materials is significantly more complex than the indirect procurement exercise the retailer had to go through, and is not appropriately supported by your average indirect procurement platform.

## An Overview of the Direct Procurement Lifecycle

The direct procurement lifecycle is significantly more complex, and more supplier intensive, than the indirect procurement lifecycle as the requirements are more extensive and critical, and supplier management much more involved.

In contrast to the **indirect procurement** lifecycle that generally goes like this:

### 1) Category (Spend) Analysis

where the indirect procurement team identifies the categories that likely hide the greatest savings opportunities

### 2) Category (Procurement) Strategy

where the indirect procurement team determines whether the savings will be best realized by an e-RFx, e-Auction, and/or an optimization effort

### 3) Supplier Identification & Invitation

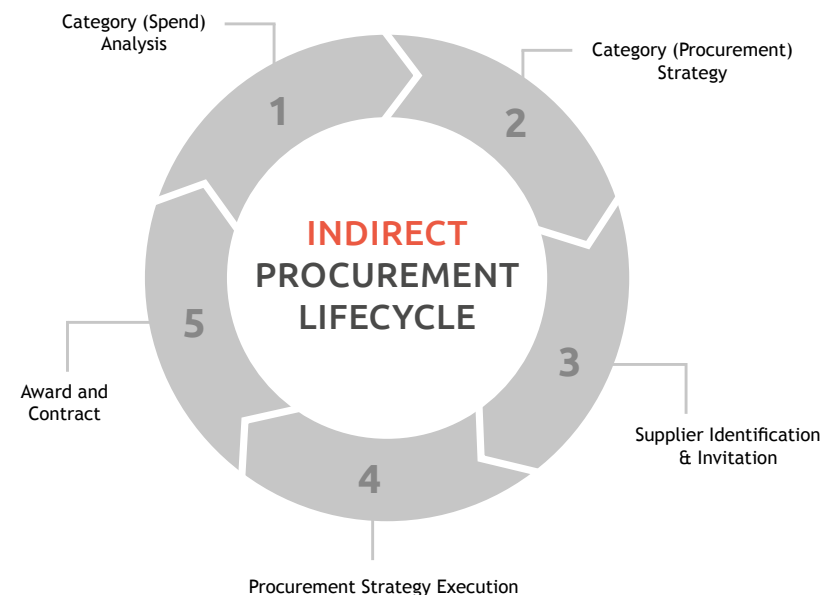
where the indirect procurement team identifies supplies that can meet the demand and invites them to the event

### 4) Procurement Strategy Execution

where it executes the procurement event

### 5) Award and Contract

where it selects a winner and gives the supplier the business



In comparison, the **direct procurement** lifecycle generally goes like this:

#### a) Category Supplier Strategy

While the high-level category strategy is often the same from one procurement event to the next, especially from an internal view point, the details can change on market dynamics. For example, if a raw material is suddenly in limited supply (due to a mine collapse or natural disaster), the goal will be long term lock-in and long-term supplier relationships. If a once limited raw material is now in abundant supply, and new suppliers are now available, a more aggressive supplier strategy might be pursued.

#### b) Supplier Qualification

A qualification for a direct material supplier requires a full 360-degree analysis based on internal and external market intelligence. This is because the buyer has to be sure the supplier can deliver products to specifications, with little or no hazardous materials, conforming to safety specifications, and do so in the required timeframe and at a reasonable cost (that will be profitable for both the supplier and the buyer).

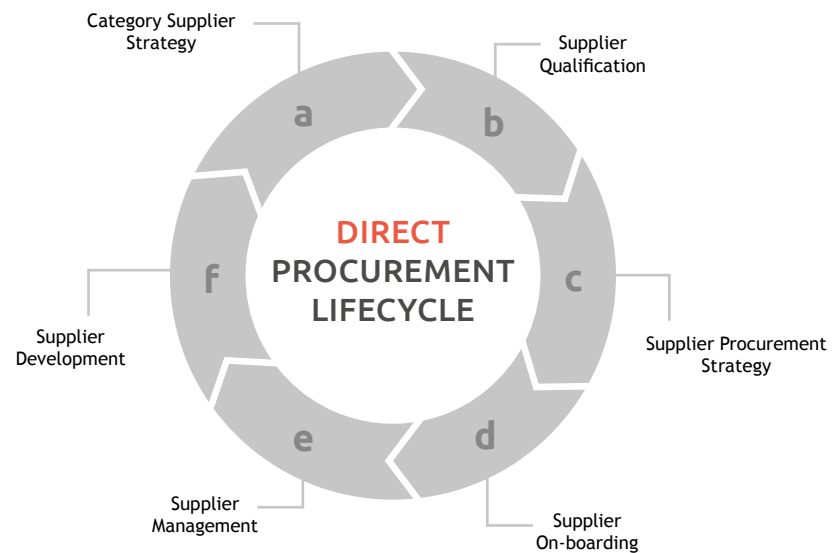
#### c) Supplier Procurement Strategy

Regardless of the strategy chosen, which will typically be a multi-round RFX, typically weighted, sometimes optimization or analytics backed, but which may be an e-Auction for products where there are multiple suppliers that score equal and where the risk is lower, a very detailed procurement

strategy that addresses all of the requirements will need to be selected. This will be derived from the category strategy but tailored to the individual suppliers in the award.

#### d) Supplier On-boarding

Once the supplier, or suppliers, are selected, the suppliers need to be on-boarded. This is more than just having the supplier fill out a profile survey or sucking in some data from D&B. Extensive profiles, product and



production details, insurance and compliance certifications, etc. are more likely to be required. Some of this will need to come direct from supplier systems, and some from third party systems, but all will be required before procurement can begin.

#### e) Supplier Management

Once the supplier is on-boarded, and the day-to-day Procurement against the contract begins, the supplier relationship needs to be managed. Even if both parties enter into an arrangement with the best of intentions, each fully convinced that they can meet expectations 100%, there can always be misunderstandings and things can always go wrong. With good management, potential issues can be identified, and corrected, early before they blossom into big problems.

#### f) Supplier Development

Supplier development is more than a simple request for better quality management and a decreased defect rate, less late deliveries, or more cost reductions. Productive requests for improvements in direct material categories often include a request to improve processes, increase purity, or modernize production processes, along with suggestions on how-to.

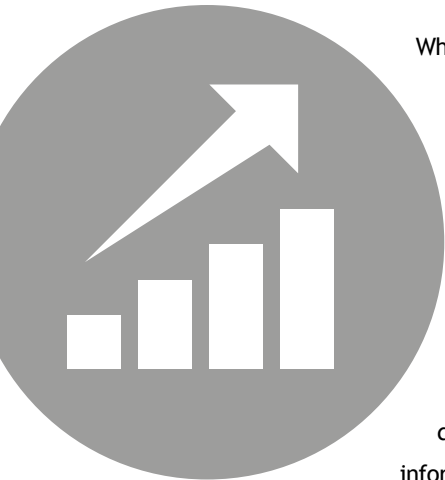


**WHY DO WE**

**NEED?**

**DIRECT PROCUREMENT**

## 02 Why do we need Direct Procurement?



Why do we need direct procurement and processes and platforms to support it? Why can't we just treat all procurement the same and use whatever processes and platforms we already have?

### Better Performance (Inefficiency)

Current platforms and processes designed for indirect procurement are inefficient when applied to direct procurement as they do not collect the necessary information, enable the necessary analysis, or support the necessary procurement processes. As a result, a lot of manual effort is needed to conduct the procurement effort as additional data is collected through email and fax, entered into spreadsheets, and painstakingly compared to verify supplier eligibility, analyze prices, evaluate delivery times and risks, and make an award.

All of that manpower on tactical, non value-add, activities degrade performance which is easily increased when that focus is instead shifted to strategic activities.

### Situational Understanding (Incomplete Picture)

Without processes and platforms that can collect all relevant information (necessary to complete a 360 analysis on a supplier), the picture of the potential, and current, supply base, and each supplier in that supply base, is incomplete. How will you know which suppliers are using inferior materials, exceeding the limits for hazardous ma-

terials, or procuring raw materials from suppliers that use child labour? You won't, and that's scary.

### Cost Control (Increasing Costs)

While inflation was relatively flat in many economies, and North America in particular, during the 2000s, costs have been steadily increasing across the board for the last few years and the trend is expected to continue. The only way to maintain costs is to insure that overspending, which is often rampant in unmanaged categories, is at least minimized, if not negated.

Moreover, overspending doesn't just occur on each unit of product, it occurs on the logistics, on the services, on the warranty and return process, and in every other part of the product lifecycle that is not evaluated and properly managed. And since a platform designed for indirect procurement contains very little product lifecycle support, it should be easy to understand how unnecessary costs can sneak in throughout the product lifecycle.

### Revenue Growth (Flat Sales)

If sales are flat, either because the market is saturated or the organization has not been successful at taking market share away from its competition, it has only two choices to increase revenue: decrease costs or increase product value so that a portion of the customer base will naturally switch to the organization's products. In order to decrease costs, as indicated above, you need the right processes and a platform that supports those processes. In order to increase value, you need to be capable of

identifying value to the end consumer, such as increased reliability, a longer product lifespan, or a better warranty (and return experience) -- and select suppliers that can help you provide that value. This requires a much broader supplier evaluation, management and development process (and supporting platform) than a platform designed for indirect procurement will contain.

### Stakeholder Satisfaction (Unmet Needs)

Let's face it, it's a rare procurement decision that satisfies every stakeholder, as every stakeholder generally has different requirements and priorities, and this is okay. But it's not okay when the needs of only one or two stakeholders are met and half a dozen are affected by the decision. This situation is all too common when the Procurement team doesn't have a solution to capture, track, and manage stakeholder requirements appropriately. Without a solution, that allows all parties to provide their requirements directly, key requirements could be overlooked in short meetings or given insufficient weighting due to a lack of understanding of one party. Also, with all requirements tracked, if the solution also allows each stakeholder to provide their input on evaluation, potential issues or inefficiencies in a product (design) can be identified, and addressed, before a supplier selection is made. This way, even if no one gets their ideal deal, everyone will be happier when they all get to provide input and weight the requirements appropriately.

### NPD/NPI (No Visibility into Opportunities)

In discrete manufacturing, it is a reality that 80% of costs and sources are set at the design phase of the product. This is due to various reasons, among them tooling

needed to actually produce the part / component that will be purchased. So, if Procurement doesn't have access to a (shared) system for new product development that is integrated with the Procurement platform, not only does Procurement not have any insight into what product and material requirements are coming down the pipe (which would allow them to strategically plan the right procurement events at the right time), but they have no ability to provide input into alternatives that might be better or cheaper for the design team (before costs, and quality, is locked in). This lack of visibility into planning prevents Procurement from identifying, and realizing, potential opportunities for cost reduction and/or value creation.

### Supplier Development (Supplier Inefficiencies)

No matter how good the supplier is, there's always room for improvement. But without a system that can track performance over time, and whether it is improving, staying flat, or degrading, Procurement will never know where they should focus their attention or where the potential opportunities are.



**WHY** CAN'T

WE USE

OUR ERP



## 03 Why can't we use our ERP?



We know you're thinking *"but we've pumped millions into our ERP which is supposed to address all of this"*, and despite the grandiose claim that the ERP would power the enterprise, the sad truth is that while it has a lot of basic support for basic functions outside of production, it just can't power modern Procurement organizations.

### No Support for Procurement

ERP fails at even Procurement for a number of reasons. For starters, if requisitioning is supported at all, it is basic, purchase order management is weak in ERPs across the board (compared to best of breed Procurement systems), and invoice management is weaker still. If requisitions are supported, they are single point of creation, single point of approval (or denial), and no support for advanced approval workflows that are generally required for large dollar purchases, off-contract products, or purchases against one (or more) department's budgets. Purchase order flips, if supported, are typically all or nothing and do not allow for partial PO creation from a requisition if a buyer or manager decides that only part of the PO is being sent to a supplier or if the supplier can only support part of it now.

And when we progress to strategic procurement, the situation gets worse. Traditional ERPs were not designed to support the concept of going to mar-

ket with an RFQ to identify potential suppliers of a new product or service, and even new MRPs have only the most basic of RFX functionality compared to a modern strategic procurement solution. And, of course, there is limited support for (automated) auctions or optimization. There is no support, or even acknowledgement, of the need to collect, and store, multiple historical bids from winning and losing bidders alike (for future analysis and trend projection). Spend analytics and reporting is weak, and support for award and contract documents and requirements is limited to bulk upload of attachments with little or no meta-data. ERPs do not have the architecture needed for strategic sourcing: document, project & knowledge management. They are built for repeatable and structured transactions.

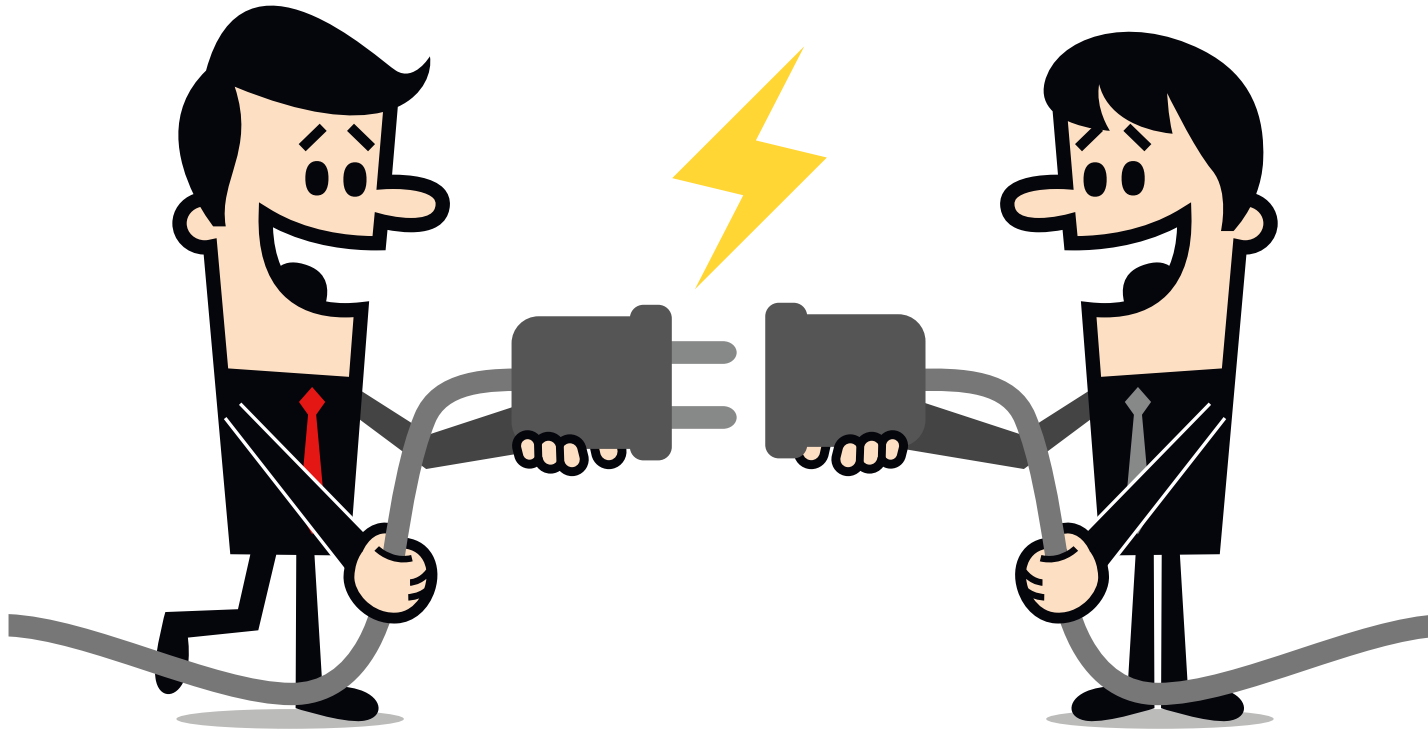
### No Support for Supplier Management

A typical ERP system assumes that if a supplier is in the system, you are doing business with that supplier, but we know that's not always the case. Just because you collect bids does not mean you are going to award business. And just because you are doing business with a supplier today does not mean you are going to do business with that supplier tomorrow. And so on. Plus, there is no supplier portal for supplier self-service, communication, and information management. Remember, supplier performance tracking, relationship management and development is much more critical to direct procurement than it is in indirect and ERP provides essentially no support for this, assuming it all happens outside the platform.

## Little Support for NPD/NPI

Whether Procurement wants to admit it or not, while good cost control can sustain a struggling organization for quite a long time, a product-based organization that does not sell products will not survive. This means that sales have to at least stay flat, if not increase, and in order for sales and marketing to make this happen, they need competitive products. This means that the organization will regularly need to develop new products (NPD) and introduce them to the market (NPI).

The ERP is meant to support the bill of materials, the inventory management, and the production scheduling - it does little to support new product design and introduction. And as we have partially discussed earlier in this document, without a good solution to manage NPD, there will be inefficiencies in the process, built in overspending, and lost opportunities.



**AND WHY CAN'T**

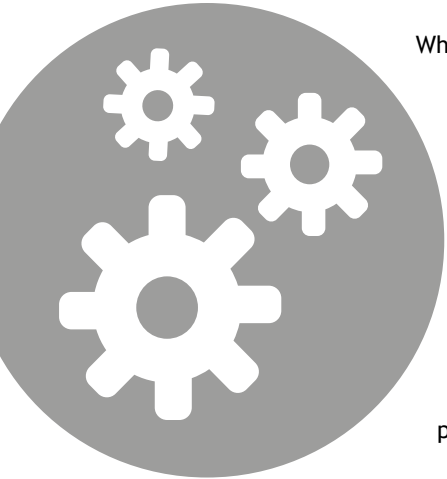
**WE USE OUR**

**INDIRECT PROCUREMENT**

**TOOLS.**



## 04 And why can't we use our Indirect Procurement tools?



While an indirect procurement platform is a big step up from an ERP for strategic procurement management, as it contains proper RFX, auction capabilities, analytics, procurement project management, supplier management, and other key procurement capabilities, it is missing some key features for direct procurement. And we're not just talking about poor support for requisitions, purchase orders (including ASNs, bar code label printing for suppliers), and invoices.

### No Bill of Materials

A direct sourcing project always, always, always revolves around a bill of materials and that's more than just a(n auction) lot, much more. First of all, a lot is one level, and a bill of materials needs to drill down. Secondly, it's rare that one supplier can supply an entire lot. Third, even if you can break a bill of materials into a set of lots that every supplier can bid on to supply all or nothing, not all lots are interchangeable. Different suppliers create products of different quality, different purity, different form, and so on.

### No Detailed Cost Modelling

A key part of cost control and value generation is the detailed cost modelling required to understand how much a raw material or product should truly cost. When dealing with the acquisition of refined raw materials and product com-

ponents, the buyer needs to understand the supplier's costs that consist of raw material acquisition costs and production costs that generally break down into labour costs, energy costs, and overhead costs (which vary on the machine type and throughput).

### Little Multi-Platform Integration

Engineering relies on the ERP. Sales needs real-time access to inventory - current, ordered, and backordered. Marketing needs to know when new products are scheduled to hit. Finance needs to know monthly cash outlay requirements are on track with the budget. And so on. Relevant data in the Procurement system needs to get into these systems, and relevant data from these systems needs to get back into the Procurement system. And a traditional indirect procurement platform won't necessarily integrate with anything beyond the ERP.



**WHY DO WE  
NEED A DIRECT  
PROCUREMENT  
PLATFORM**



## 05 Why do we need a Direct Procurement Platform in particular?



By now you should be convinced that traditional indirect procurement processes are not enough, that ERPs are not enough, and that indirect procurement platforms are not enough, but not necessarily convinced that direct procurement platforms are the answer. But they are. Why?

### Productivity

A proper direct procurement platform allows for the efficient implementation of effective direct procurement processes (which is the foundation for revving your Procurement Value Engine into overdrive), and this can greatly increase productivity. Strategic Procurement events that used to take months can be reduced to weeks, and small events that used to take weeks can be completed in days and the throughput of an average Strategic Procurement organization can often be tripled.

### Point Solutions Don't Cut It

Direct procurement platforms enable a level of productivity that can't be achieved even if you have half a dozen best-of-breed solutions for your supplier discovery (supplier network), e-Negotiation (RFX and Auction), contract negotiation management (end-to-end e-document management with versioning and security), order management (e-Procurement), inventory manage-

ment (WIMS with VMI), and invoice management (m-way comparison invoice automation). First of all, all of these would have to be linked, and they are rarely linkable. Usually a lot of time and effort is needed by IT to create daily extracts from one system and push them into the other, manually resolve record conflicts, and get mostly up-to-date data in each system. Procurement cannot operate in real time, has to check multiple systems to verify data, and sometimes can't even see the full spending picture.

But with a direct procurement platform, all of this functionality is under one platform, all of the data is synchronized in one data store, and current information on pricing, stock levels, and commitments is always available in real time. Procurement can go as fast as they want, or need, to go when doing an acquisition. And everyone can see what Procurement is doing, where they are, when the event will be completed, and when the first shipment is expected. It's an organizational win.

### Cost Control

The more events that get pushed through a direct procurement system, the more costs that the Procurement team can get under control. It's really that simple. And since a direct procurement system can triple throughput, the percentage of costs that can be brought under control can triple as well.

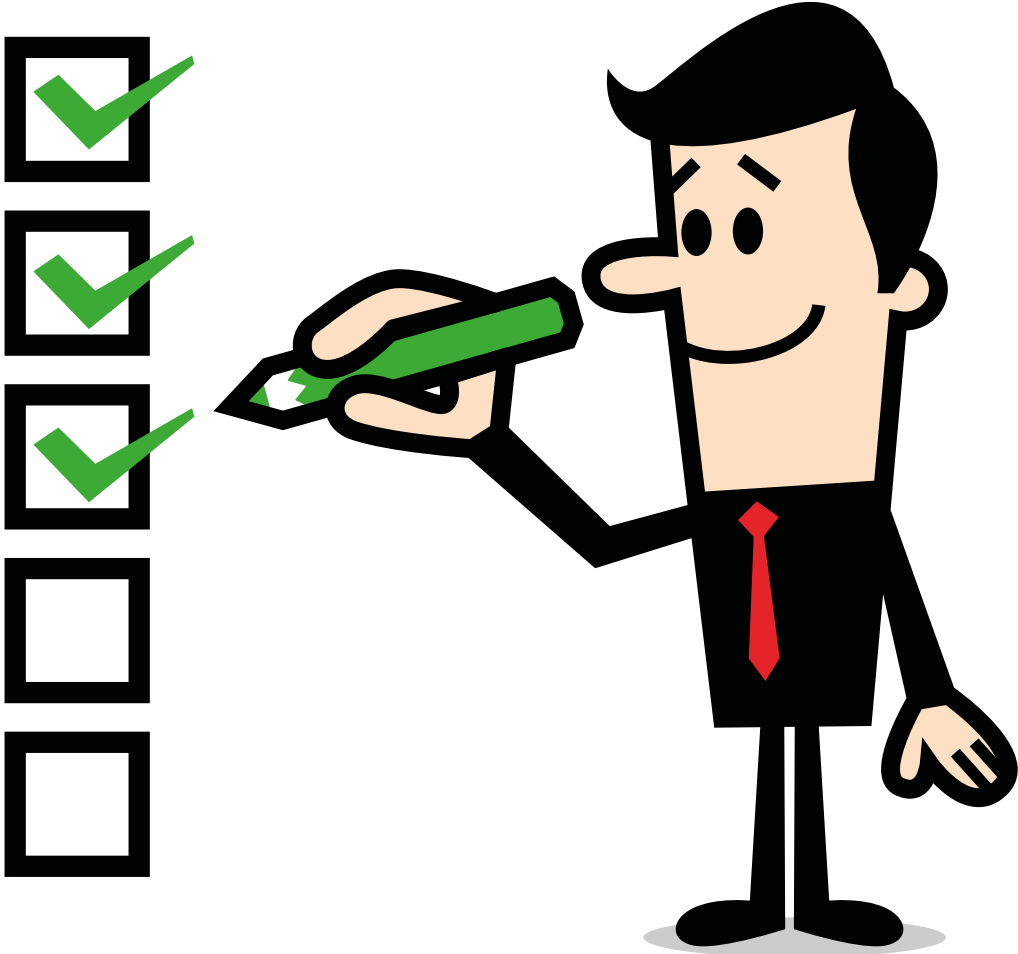
### Quality Management

Let's face it, when finished products are being purchased, you can be reasonably sure of the quality you will be getting, especially if all you are buying is paper, office supplies, MRO, etc. But when you are buying custom-built manufactured products, that's an entirely different story. It all depends on the processes and quality control put in place by the supplier, the materials they are using, and the care they are taking. This has to be controlled on their end, and monitored on yours.

An average Procurement platform will not have any support for up front quality assessment, ongoing quality process management, and regular quality inspections, both at the supplier's facility and at the warehouse. But this capability will be native in a good direct procurement platform and underlie the workflow of every single strategic direct procurement event.

### Risk Control

Up-front procurement costs are only one cost an organization has to deal with. Back end warranty and return costs are another. Penalties for late deliveries are another. And if the product doesn't meet performance specifications, causes product or production line breakdowns, or injures someone, there is the cost of the remediation or, if that can't be arranged, the cost of the lawsuit. But this is just one set of risks that the Procurement organization has to deal with.



There are other, more significant risks, that the organization has to deal with. Risk of supply disruption. Risk of hazardous materials. Risk of suppliers breaching ethics and social responsibility standards and codes. And a myriad of other risks that will go undetected without a proper process powered by a proper platform that can collect, and monitor, all of the required information necessary to identify, mitigate, and minimize the impact of risks. All of this in a multi-tier supply chain!

## Stakeholder Engagement

Successful Procurement, and more importantly, a successful Procurement Department profile, depends on the engagement of all relevant stakeholders, especially C-Suite stakeholders, who need to view Procurement positively and engage Procurement regularly. But this is hard to do on a regular basis, and almost impossible to do in every event a stakeholder could be affected by. But with a modern, well designed, direct Procurement platform, RFIs can be sent to all (potentially) affected stakeholders before the event, feedback can be evaluated, and those (most) affected can be invited to provide feedback on supplier submissions at the appropriate time. If opinions considerably diverge, Procurement can quickly detect this and call a meeting on an as-needed basis to bring the relevant stakeholders to the table and get a consensus on the most important requirements.

## Supplier Relationship Management

Good Supplier Relationship Management (SRM) is more than just calling the supplier up once a quarter for a “hi, how are you, want to go for a drink” and inviting them to an annual supplier recognition event. It’s also a lot more than just information management and scorecards. It’s constant performance monitoring, constructive improvement efforts, 360-degree evaluations, and innovation projects. And it’s an effort that requires a lot of data collection and management, communication, and project tracking; not just at the supplier level (which is what indirect procurement systems deliver) but at the part level. And this is where a proper platform comes in.

## Value Management

When you put it all together, it’s all about better value management. If you refer back to our paper on the Procurement Value Engine (PVE), organizations at the top of the hierarchy of supply have progressed through managing supply to managing cost to managing demand to finally managing organizational value, focusing on the activities and functions that will enhance value. The PVE dives deep into the various levers an organization can pull to find value in direct procurement.

**WHAT** DOES A  
DIRECT PROCUREMENT  
PLATFORM  
LOOK LIKE



## 06 What does a Direct Procurement Platform look like?



A direct procurement platform looks exactly like what you would get if you fused an indirect procurement platform with an ERP with a SRM tool and added a ton of functionality to actually make it work for your needs. In other words, depending on what particular function you need to do at any particular time, it's going to look like a next generation procurement platform, a next generation ERP, or a next generation SRM tool - but better.

It's going to be better than anything you have now because it's going to include never-before seen functionality in the procurement capability and the ERP-like capabilities are going to be better and easier to use than ever before. Specifically, it's going to contain at least the following capabilities not typically available in an indirect procurement platform.

### Drill-down BOM

A direct procurement platform supports a true, multi-level, bill of materials that corresponds to the products the organization needs to manufacture and allows sourcing events to be conducted against those bill of materials, if it's a new product where all of the components and raw materials need to be sourced now, or across bill of materials', where there are similar needs that can be collected into a category that the organization can source as a whole for volume leverage. This capability also provides the organization with improved spend visibility which enables better spend analysis.

### Detailed Cost Models

Standard platforms are pretty basic when it comes to cost models - unit price, transportation, storage, overhead or modifier - which is more than enough for indirect purchases. But when you are talking direct, you want to break apart the production cost of each component into raw materials, labour, energy, misc. overhead (even if the supplier is the one paying those costs) to truly understand not only what the cost is, but what drives the cost, so that if costs rise, then the organization knows where the drivers are and where re-design or re-sourcing efforts should be focused, as neither are quick in the direct world. In the indirect world, if your supplier ups the cost of its printer cartridge, you switch to a new one. No big deal. But in the direct world, if it takes a supplier three months to update production lines and processes to create your custom-built products, then it's at least three months before you can switch to a new supplier - and there will be switching costs. So understanding the costs, and cost drivers, up front is key to keeping costs under control and focusing redesign and lean efforts appropriately.

### Collaboration

Collaboration is more than integrated e-mail, instant messaging, and document upload. A lot more. Collaboration is working together to identify design and production issues, potential solutions, and the requirements to achieve them. This requires the sharing of, and joint input on, CAD/CAM product designs, bill of materials, inventory levels and delivery options, and other product lifecycle issues that go beyond simple purchase and delivery.

Collaboration requires the ability to collaborate on-line, in real time, on shared designs, diagrams, and documents. It requires the ability to jointly monitor, plan, and maintain appropriate inventory levels for production (and sales), as well as the required production and transportation dates. This requires access to shared inventory data, trend levels, and projections, and the ability to create joint what-if planning models to agree on the best designs. It requires the ability to walk, and edit as necessary, bill of materials so that all parties are always in sync. Collaboration in direct procurement is more than electronic PO download, invoice flip, and checking payment status. It's managing the entire lifecycle.

## Quality Control

In indirect, if a product doesn't work, you just return it for a replacement, and that is the extent of quality control. But in direct, every component and raw material needs to be subjected to quality control as one bad buy can destroy an entire production run. Every raw material and component, no matter how minor, needs to be subjected to strict quality control standards that should include supplier testing, buyer (spot) testing, chemical/composition sampling, and the completion of industry standard quality control tests.

It will support the full gamut of production and quality control measures promoted by the AQPC, it will support APQP (Advanced Product Quality Planning), It will contain support for built-in 8D (Eight Disciplines) and QDX (Quality Data Exchange) reports, and, of course, have a deep, collaborative, complaints and dispute resolution process.

## Multi-Platform Integration

Required data for direct procurement lives in a number of organizational platforms. Of course some of it lives in the ERP/MRP and some of it lives in the Supplier (Relationship) Management (SRM) platform as previously discussed, but some of it lives in the Warehouse and Inventory Management System (WIMS), some of it lives in the CAD/CAM software, some of it lives in the accounting systems, and so on.

Plus, the data from these systems and the procurement system has to get into the analytics and reporting systems, so, in a nutshell, all of these systems have to be integrated. That will never happen with an indirect procurement platform that will integrate with, at most, just the ERP. But a direct procurement system that needs all of this data understands this and has built in integration, data mapping, and migration capabilities.



## Market Data Integration

Not only does direct procurement require a lot of internal data, but it requires external market data too. This is one thing it has in common with indirect procurement. If the organization has to go to market for a new raw material or component, or needs to find new sources of supply, it has to go to market. This means it needs information on the global supplier market, the global commodity markets, and current supply versus demand trends. This data has to come from outside the organization. So the platform needs to integrate with, and make it easy to integrate with, third party data feeds. This is a critical capability for market informed sourcing, which is key to an organization getting the best value out of every negotiation.

## Centralized Supplier Management

Even if the supplier master lives in a previously acquired SRM system, since Procurement is responsible for the majority of supplier selection, onboarding, management, development, and discipline (when necessary), procurement needs to be able to centrally manage all supplier data through a single Procurement platform.

## Audit Trails

Few indirect sourcing platforms have good audit trails, as it typically doesn't matter who ordered the last ream of paper or accepted the truckload of disposable cell phones for mass market discount retailers, but when it comes to di-

rect sourcing, where any inferior component or tainted raw material can result in inferior products or production line breakdowns that can result in injury or even death, audit trails are a must.

That's why direct procurement platforms track every change to every piece of data in an uneditable and unalterable database that records who made the change, when, and from what to what. At any time, a complete history of every transaction, down to the field level can be queried and output.

## New Product Development (NPD)

The lifeblood of any enterprise is new product development and new product introduction into new markets. In our modern world, with consumers expecting newer and better products on an almost daily basis, NPD has to be at the forefront of any manufacturing organization. But NPD should not be left to the engineering design team alone, with random inputs from marketing, as it has been well known for some time that up to 80% of a product's costs are locked in at design.

If Procurement can get involved from day one, and see proposed bills of materials well before the design is finalized, it can not only inform engineering and the rest of the organization of the potential product cost, but where the cost is, what alternatives might bring cost down, and if there are any opportunities to standardize on components or materials across product lines. This is very critical as most common activities, once in production, will be around repricing / forecasting / ordering / change-orders with locked-in vendors. Better to get the right vendor from the start!

## Project Driven Workflows

You might think this is not unique to direct procurement platforms, as there are a few modern indirect procurement platforms that have modern project management capabilities, but as direct procurement is so much more involved than indirect procurement, indirect project management is not even close to being sufficient.

Plus, traditional project management software, as we know, doesn't even come close to the needs of direct procurement. Direct Procurement Project Management needs to support projects that encapsulate the supplier-focused direct procurement lifecycle described earlier in this book: category supplier strategy, supplier qualification, (individual) supplier procurement strategy, supplier on-boarding, supplier management, and supplier development. This goes well beyond the RFI-RFP-RFQ-Auction/Negotiation-Contract cycle of indirect procurement, involves more stakeholders, requires more information, and needs more careful tracking and analysis to identify, and resolve, potential issues before they grow into big problems.

## Vendor Managed Inventory

A good direct procurement platform allows a vendor to manage inventory levels on behalf of the organization, subject to minimum and maximum inventory levels. This helps the vendor plan shipping dates, and, respectively production dates, to make sure the organization always has what it needs, when it needs, ensuring that organizations that migrate to just-in-time inventory management strategies get that inventory just in time, with little or no effort on their part. This also gives the buyer better visibility into its ability to meet demand, as it can see what it has,

what it has coming, when, and if the supplier has made adjustments to meet the organization's changing demand.

## Advanced Catalog Management with Demand Shaping

A direct procurement platform contains extensive catalog management capabilities that allow the organization to maintain complete supplier, and potential supplier, offerings, pricing, and availability. But these platforms don't just maintain catalogs, and integrate with supplier catalogs or networks if they are available, they also allow the organization to specify approved or preferred products and guide a buyer to those options over other, equivalent, options. This helps the organization to shape demand appropriately.

## Adaptive Behavioral Workflow

Every direct procurement need is different, so every direct procurement event should be different. Indirect platforms recognize that indirect needs are different and provide different templates for RFX and Auction events to "customize" the experience, but direct procurement is more involved and you can't customize an event simply by offering a set of templates. You need a customizable workflow as well.

For example, consider the acquisition of a set of specialized engines for your new Model X automobile versus the acquisition of a completed mp3 player (of your design) for your consumer electronics line. In the first case, you may need to source a complex Bill of Materials of subcomponents, ship those subcomponents to the assembler, and then ship the engines to the factory. In the second, you just need to

source completed units and ship them to distribution warehouses. Both require exceptional supplier assessment quality management, but while the second will be a multi-round RFX-backed negotiation, certain bill of material components could be auction while others will be negotiation and the distribution process is entirely different.

Moreover, not only should the workflows be configurable to support each type of event appropriately, but they should adapt to the proper workflow based on similar sourcing events in the past and not force the user to customize an entire workflow when it's obvious that the portable phone in the consumer electronics category is going to be sourced about the same way the MP3 player and watch were sourced and the aircraft engine is going to use a process similar to the automobile engine and boat engines. The workflow should not only be customizable, it should adapt as well.



**WHAT BENEFITS  
DOES A DIRECT  
PROCUREMENT  
PLATFORM BRING**



## 07 What Benefits does a Direct Procurement Platform bring?



Now that we've discussed the functions, you probably have a good idea what some of the benefits are, but just to make it abundantly clear, we're going to summarize the key benefits to help you understand some of the benefits you will focus on as you build the business case for a direct procurement platform, which we will help you with in the next section.

### Tactical Work Reduction

Without a proper direct procurement platform, a lot of time is spent on proper information collection, organization of stakeholders for product and response reviews, communication with suppliers, verification of response and document completeness and correctness, m-way invoice matching against detailed bill of materials, and various other data-intensive tasks that do nothing but suck up time.

However, with a proper direct procurement platform, the organization can instead focus on more strategic activities, such as quickly identifying parties that need to submit critical information and helping them do that, allow stakeholders to provide their responses to a central portal at their own convenience (and immediately identify common availability windows if a meeting is needed), automatically detect incomplete or invalid and expired documents, m-way match all invoices (and automatically bounce incomplete or invalid invoices back to a supplier for correction and completion, leaving only a small number of invoices that

need to be manually reviewed when a supplier resubmits and claims accuracy), and generally avoid mind-numbing tasks that can be automated, allowing more time for supplier development and strategic procurement activities.

The impact of this tactical work reduction should not be underestimated. For example, a good m-way match capability will automatically process the 85% of invoices that are error-free touch-free without human intervention, and if it has automatic return (with explanation), that percentage can be increased to as much as 98%. The time savings from only having to look at 2 invoices out of 100 is incredible. Plus, there is the time savings from not having to send and receive orders, invoices, receipts, acknowledgements, etc. as the system can automate all that; the time savings from not having to monitor responses for completeness or send reminders during strategic procurement as the system can automate all that; or even having to manually calculate total cost of ownership as the system automates all that. Strategic procurement events that used to take months will take weeks.

### Risk Identification & Supply Monitoring

This is one of the benevolent side effects of a direct procurement platform. Supply chains are wrought with risks that include, but are not limited to, unexpectedly insufficient or unavailable supply, supplier failure, distribution delay, loss or theft during distribution and storage, and so on. These risks, and others, which typically go undetected, can often be identified through a direct procurement platform.

A direct procurement platform will integrate with market data and supplier data feeds and allow an organization to detect if supply availability goes up or down

below expectations, allowing an organization to lock in supply when it begins to get scarce (and not after it becomes unavailable). A direct procurement platform that collects detailed supplier data and third party credit ratings can often detect supplier financial difficulty before the supplier goes bankrupt and allow the organization the opportunity to work with the supplier, if it is truly strategic, or identify a new supplier, if it is not.

It will integrate with supplier systems through EDI and XML and accept order acknowledgements, pre-shipment notifications, shipment notifications with expected receipt dates, and so on. As a result, the organization immediately knows if there are any delays in shipment, any expected delays in delivery, if a delivery is late and needs to be tracked, and so on. And if the shipment is late, and can't be tracked, the organization will immediately know if a shipment is potentially lost or stolen and can immediately take steps to secure a replacement supply while it determines what happened (and if the shipment was stolen, immediately begin the insurance claim).

The value of improved risk management should not be underestimated. Recent publications by McKinsey<sup>1</sup> and Kurt Salmon<sup>2</sup> found that managing risks and volatility can reduce spend by 5% to 7%. This was echoed in a more recent Spend Matters<sup>3</sup> study that found that good risk management can prevent damages up to 7.5% of revenue. The reason for this is that when risk materializes as a supply chain disruption, it's not just revenue that is lost, it's performance across the board.

1 Value-creating purchasing; Lorenzo Formiconi, Martin Losch, Jean-Philippe Talmon, and Marco Ziegler, McKinsey & Company, 2010  
 2 Disruptive Innovations in Sourcing, Kurt Salmon  
 3 Proactive Supply Chain Risk Management (SCRM) in an Uncertain World  
 Thomas Kase, Spend Matters, 2016

## Value-Based Scenario Identification

The ability to maintain deep multi-level bill of materials and view them top-down by product and cross-sectionally by component or raw material or category is extremely valuable as it allows a procurement team to determine if they can get the best deal sourcing on the raw material / component, category, or BoM level.

In addition, the deep cost breakdown capability al-



allows a buyer to identify the major cost drivers and work with the supply base to minimize, or mitigate them. If a rare earth mineral is getting too expensive, is there another one that could be used instead with an alternate design? Is there a way to minimize escalating labour costs with automation? Can energy usage be reduced, or could a new power plant minimize costs?

The value here can be extensive. What many Procurement departments still do not realize is that an increase in spend under management alone will result in an increase in savings, and the more spend that is put under management, the more savings that can be obtained. Recent Aberdeen<sup>4</sup> studies have found that an increase in spend under management by 30% can result in an increase in savings by 13% and this savings metric can be increased if that spend is tail spend. Savings of up to 20% are not uncommon<sup>5</sup>.

## Supplier and Stakeholder Engagement

There's a lot of money to be saved with proper strategic procurement. Lower unit costs, lower inventory costs, lower distribution costs, and, generally, lower total costs of ownership. And there's a lot of value to be identified with good strategic procurement that identifies options that are of higher quality, faster delivery, or better return and warranty service. But once this saving is identified, and obtained, there's no more savings to be had. Yes, this is significant savings and a direct procurement platform will make sure that identified plans become reality and there is no leakage (as is common in indirect platforms). But sometimes that's

not enough for an organization to be competitive as it needs to be. And you can't squeeze blood from a stone, so how do you find more savings?

The next level of savings will come from productivity and production improvements, product redesign, and demand management. Engaging the supplier to identify inefficiencies and helping them implement lean processes to drive down production costs and using the project and innovation management aspects of a direct procurement platform to do so. Working with the supplier and marketing to redesign a product to contain only desired functionality, and to do so with lower cost materials and production processes. And minimizing demand for internal consumables by making the organization more efficient or finding alternatives. For example, giving everyone a second monitor so they don't have to print reports.

<sup>4</sup> Best-In-Class Lead the Way on eSourcing, The; Bryan Ball, 2015  
Source-to-Pay Procurement Transformation: Tying the Pieces Together; Bryan Ball, 2015  
<sup>5</sup> Getting a Grip on Tail Spend; Ralf Magerle, Kyle Rosenthal, & Christian Meyer, Accenture, 2014  
Managing the "Long Tail": How Focusing on Tail Spend Management Can Directly Impact a Firm's Bottom Line, David C. Wyld, Reverse Auction Research Center, 2012

**HOW DO YOU  
BUILD THE  
BUSINESS CASE**



# 08 How do you build the business case?



Simply put, you present a compelling value proposition based on facts and metrics that is tied to organizational objectives and initiatives to get the attention of not just the CFO, but the entire C-Suite.

Start by looking up the direct/indirect spend breakdown from CAPS research to objectively point out the fact that the majority of spend in your industry is direct. (For example, direct spend in industrial manufacturing is 70%.) Then point out the advantages in procurement automation that has been documented again and again by CAPS and Aberdeen, that found that an organization that adopts a direct procurement platform can expect material costs to be reduced 14%, procurement cycle times 50%, and time to market 15%. And these are just average results. Some organizations, with the right platform that supports the right processes, can see even more savings, faster cycle times, and improved time to market.

### ROI Models

The first step is to put together an ROI model that shows the benefits of a direct procurement platform taking into account additional sourcing capability and additional savings. For example:

	w/o direct procurement platform	w/ direct procurement platform
Direct Material Spend	1 Billion	1 Billion
% Spend Sourced Yearly	15%	30%
Annual Spend Sourced	150M	300M
Average Savings	4%	12%
Annual Savings	6M	36M
Savings Multiple		6X

These numbers will vary depending upon what percentage of spend you are able to source annually, your current average annual savings percentage, the expected throughput increase (which should be at least a factor of 2) and the expected average savings percentage increase (which will generally be a factor of 2 to 3). However, they won't vary much and you should expect to see a large ROI multiple when the calculations are completed.

### A Time Saving Case Study

One of POOL4TOOL's clients, Tower International, decided to do the math, and it did add up. This is what they found on the tactical side, without any help from POOL4TOOL:

The company was manually processing almost 4,000 internal requisitions in order to determine which buyer to assign them to, and this number was increasing annually due to growth. To try and reduce the workload, they decided to implement a supplier portal to streamline and automate the purchasing process. Before the portal, every requisition required at least 4 minutes of manual review by a coordinator, and every requisition package had to be reviewed and assigned within 24 hours.

With the POOL4TOOL system, a requisition could automatically be assigned to the correct buyer using system rules, completeness could be verified before assignment, and coordinators only have to review exceptions, which are a small fraction of the total requisitions. Whereas coordinators were wasting 6 to 8 weeks a year just assigning requisitions, the system is now doing this automatically. And this is just one example of the significant time savings a system enables, but one that illustrates how it enables the Procurement organization to get more spend under management, and thus more savings, as an organization not spending time on tactical tasks that can be automated can spend more time on strategic tasks that get results.

## Meaningful Data

Back up the ROI models with at least two, if not three, years' worth of data and accepted analyst firm or research group statistics to back-up the expected improvements. Statistics from CAPS, Aberdeen Group, Gartner, Forrester and the ISM will go a long way to validating your ROI model.

## Improved Compliance and Risk Management

Compliance might be easy to overlook and forget when engineering says they need a new sprocket in two weeks, but it's big and important. Really big and important. Failure to adhere to certain environmental, financial, and human rights legislation can cost the organization millions of dollars in fines. Sometimes hundreds of millions of dollars in fines.

Thus, compliance is critically important, and the only way to ensure compliance is to take efforts to ensure compliance from the very beginning. Qualify the suppliers to make sure they are socially responsible, do not use illegal (child / slave) labour in their factories or their supply chains, and have compliance management processes in place to stay compliant (and safe).

Then, during the event, even if the organization is buying finished products, gather data on complete bill of materials to make sure there are no hazardous or restricted substances being used and, if they are necessary, that they are properly handled and the amounts are under the legal limits. This is not only critical for audit trails and declarations, but for making sure your products aren't seized at the border and destroyed (or you could be out millions of dollars).

But this is not an issue with a direct procurement platform, as (adaptive) workflows can be configured that not only make compliance easy, but force junior buyers to make sure compliance is addressed at each step of the direct procurement journey.

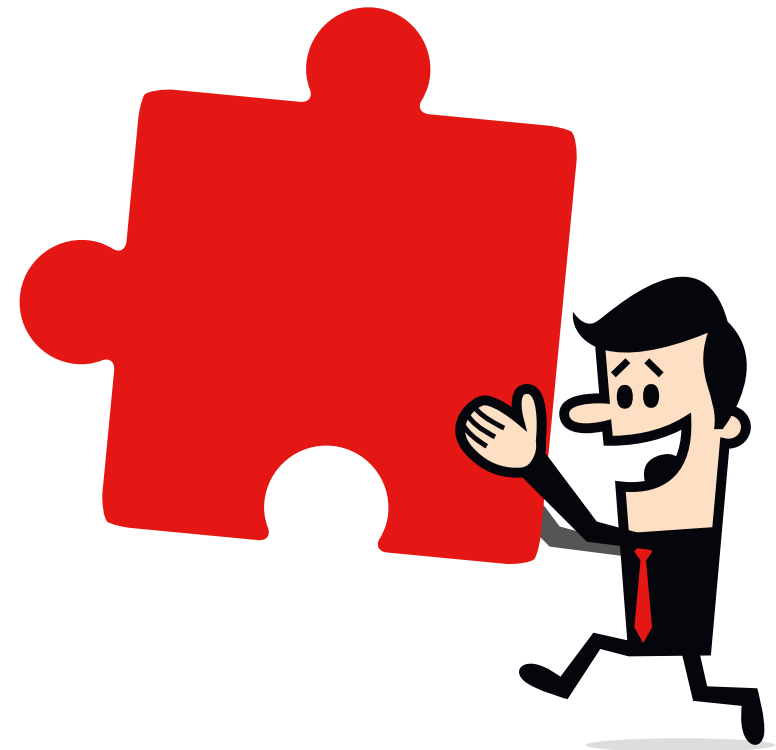
However, compliance is only one aspect of risk management that needs to be addressed for successful direct procurement. A lot more can go wrong with direct procurement than indirect, and it's not always as easy as calling the other office supply company and having a new paper order sent over when the first company lost your order.

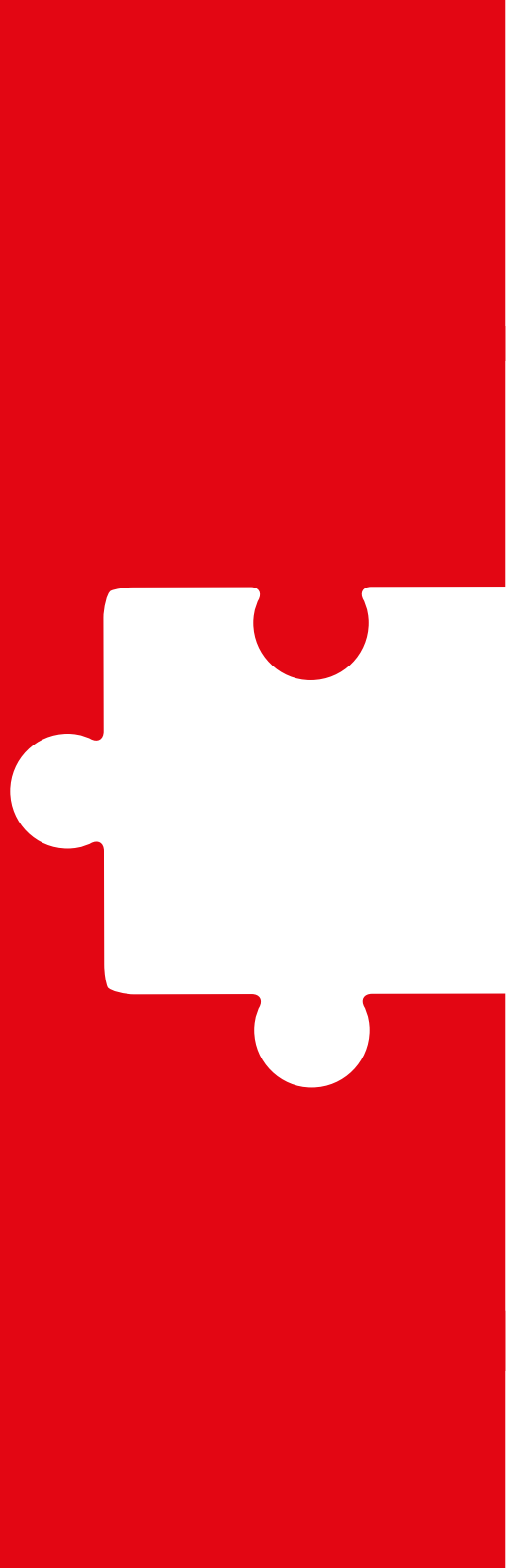
For example, in direct procurement there are quality risks (from inferior raw materials or processes), safety risks (as people can get hurt on production lines or transporting hazardous materials), production shortfall risks (if the raw materials become unavailable or the production lines breakdown), distribution risks (if carriers go bankrupt, borders close, or pirates attack), and stock-out risk (if inventory levels aren't accurate or sales go faster than expected).

Not only do each of these risks need to be managed on an ongoing basis, but they need to be addressed up-front during the strategic procurement phase, and this is something a typical indirect procurement platform will not support. Sure, a proactive organization can create and issue RFX templates asking about quality control and safety issues and ask for financials, but questionnaires don't address material availability, risk monitoring, or continued supply availability. Inventory levels, sales trends, market indices, and events need to be continually monitored and assessed, and the right actions taken at the right time.

If the organization has the right direct procurement platform, this will be relatively easy to do (compared to the almost impossible task of doing this

in an indirect procurement platform). The supplier assessment can include in depth quality assessments and safety assessments, as direct procurement platforms have quality control methodologies built in, and the processes and controls can be monitored on an ongoing basis. The platform can integrate with market feeds and indexes to monitor market supply and prices, and can integrate with semantic news monitoring services to look for stories that could have an impact on relevant raw materials (such as natural disasters that wipe out crops, fires that destroy factories, and tsunamis that wipe





out entire industrial parks where your suppliers' warehouses are likely located). The platform can track inventory, manage inventory, automatically re-order if stock drops below a certain level, and if it is a leading direct procurement platform, even support Vendor Managed Inventory (VMI) where the supplier has their own portal. This not only ensures you have the inventory you need if the supplier is better at managing inventory than you are, but ensures they have visibility into what the organization will need when, and can plan their production appropriately.

In other words, since raw material availability, quality, and stock levels can be evaluated and monitored; since supplier safety assessments can be done as needed; production and inventory-in-transit levels can be monitored in real-time; vendors can manage inventory; and sales feeds can be integrated for real-time in-

flow-vs-outflow monitoring, most of the above risks can be assessed, managed, and monitored in real time. Moreover, the integration of semantic event monitoring will catch many external events (such as natural disasters, border closings, or pirate attacks) that can affect production or distribution, which is something a typical indirect platform never will.

### Finally Extract Value from the ERP

As we indicated earlier in this e-book, when your organization was sold its Enterprise Resource Planning (ERP) solution suite back in the 1990s or 2000s, it was probably told that the ERP suite was the answer to all of its information management problems and it would be the last suite the organization would ever buy. As the evolution of Manufacturing Resource Planning (MRP) software - which was focused primarily on product planning, manufacturing, and inventory management - ERP was supposed to address all of the weaknesses in the MRP software as well as give Sales and Marketing, Finance, and Executive Management visibility into operational status.

Specifically, ERP was supposed to handle (direct) procurement, receiving and distribution, sales forecasting and integration into production planning, and provide a solid foundation for accounting and finance. ERP was supposed to provide the organization with a real-time end-to-end view of core business processes that could be used to effectively monitor, manage, migrate, and market the business. ERP was supposed to be delivering on the single system promise that the organization was waiting for since the dawn of the ERP. But, as we all know, it did not.

ERP failed at (direct) procurement because it didn't support the concept of going to market with an RFQ to identify potential new suppliers, just assuming that every vendor in the system was a vendor the organization was doing business with and every product was an approved catalog product and every request was an approved acquisition. In the world of procurement, this is just not the case. And even if the ERP your organization uses is a newer ERP with basic RFX support, chances are there are no audit trails, advanced weightings, comparative reporting, or other features available in just about every e-Negotiation platform on the market, even free ones!



And this was just the beginning. Purchase order management was weak, invoice management weaker still, and approval workflows nonexistent. Most orders and invoices are treated as static documents, meant to be entered once and never changed. But orders need to be updated, invoices need to be corrected, and service requirements need to be captured.

And what about receiving or inventory management? Well, you could mark goods as received and track inventory, but if you want to track any more than a requested delivery date - such as the drop-dead ship date, actual ship date, actual received date, etc. - good luck. And if you wanted to forecast? Forget about it. The algorithms, if there were any at all, were simply the old MRP algorithms that relied heavily on sales projections, which we all know are heavily padded and inaccurate (and often retrieved by a proctologist with a flashlight).

And quality? Well, that took place offline right?

In other words, the organization likely spent seven figures on the ERP and didn't realize any of the benefits that were promised by the slick salesmen in their snazzy suits.

But with a direct procurement system, the organization can finally realize all of the benefits that were promised, because the ERP does one thing quite well - and that one thing is store data. Lots of data. In an average organization, typically as much data as you want to shove into it. The ERP is typically the best, and most complete, big data store the organization has

and is typically capable, sometimes with the proper extensions (provided by a modern direct procurement system), of storing all of the data that the organization needs. So even though the ERP never delivered on its promises, it's often the best foundation an organization has for modern platforms and a platform capable of using that foundation, and unlocking its value, can deliver great results.

**Use Cases: Savings, Cycle Time Reduction, Risk Reduction, etc.**

Start by taking use cases provided by your prospective vendor, combine them with historical sourcing scenarios, and create specific ROI models that demonstrate expected tangible results from real world sourcing events that will come up soon. In other words, create specific examples of the ROI model described above, but with precise historical numbers and specific savings percentages that are realizable based upon vendor use cases and up to date industry data. But don't stop there.

Also put together ROI models from tactical efficiency improvements from automation (that result from automated data collection, automated m-way data matching, automated scorecard generating and monitoring, and so on). The manpower costs saved are quite significant. And while it's true that you likely will not reduce staff, instead turning the staff towards more strategic activities that will have a 3X, 5X, and maybe even 10X ROI, it's still a savings because it's money you're no longer spending on valueless tactical activities.

Then focus on the benefits that come from supply assurance, quality improvement, and faster time to market. Build project savings models from each of these. Improved supply assurance will reduce disruptions and losses associated with disruptions. A model might look like this:

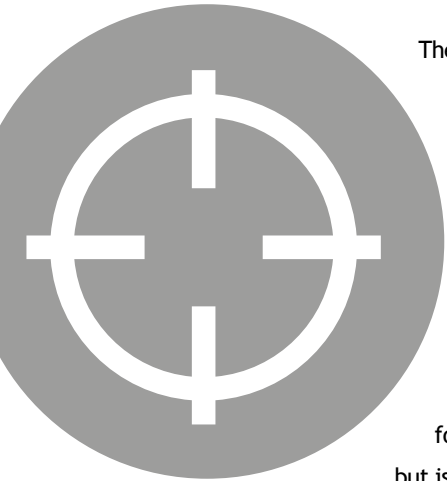
	Current	Projected
Annual Spend	1 Billion	1 Billion
Average Stockout Rate	8%	5%
Average Stockout Time	6 weeks (11%)	3 weeks (6%)
Average Cost	8.8M	3M
Total Savings		5.8M

The fact of the matter is, as highlighted in our two-part white-paper on the Procurement Value Engine, a direct procurement platform can power an efficient, effective, and sustainable procurement value engine that can increase the maturity of the entire Procurement department and increase the overall value that it generates.

**HOW DO YOU  
CONVINCE  
THE C-SUITE**



## 09 How do you convince the C-Suite?



The cost models will convince the CFO, and maybe even the CEO, but you need the CPO, CMO, CSO, and CRO on your side as well. Not always an easy thing to do. You will need to do some serious cross-functional consensus building. After all, generally speaking, most executives are reluctant to invest more resources into a function they see as a cost center. Why invest in a new direct procurement platform when the organization has survived just fine without for years. (The reality is the organization has survived, but isn't doing just fine.)

After showing the cost models, which will often be met with derision as everyone claims cost savings these days, whether they will materialize or not, the next thing you need to do is link the savings to specific initiatives and objectives sought out by the C-Suite. For example, if there is a specific objective to reduce stockouts, demonstrating how the platform will minimize supply disruptions, and thus stockouts, will get a lot of attention, and we discussed that model in the last section. But this is only part of the puzzle.

### Address Primary Executive Concerns Across Department

Addressing the organizational objectives is a good start, as this will get the attention of each C-Suite executive. But just getting their attention is not enough to get their vote, and their funds. The next step is to present each executive with a business case customized to their needs. The CFO will care about cost savings.

The CEO will care about growth. The CRO will care about risk management and mitigation. The COO will be focused on streamlined production. The CSO will be focused on the achievement of objectives as efficiently as possible. And the CMO about how many customer desires can be met without increasing cost, sacrificing quality, or increasing production time.



## Set Achievable Expectations

A direct procurement platform will enable the organization to achieve considerable cost reductions, implement noticeable cycle time reductions, and reduce supply chain disruptions (which will also reduce stock-outs). But it won't happen overnight. While a 10% cost reduction might be identified in weeks, it may take a year for the cost reduction to be realized as it's only realized when raw materials and components are sourced at a lower price. Cycle time reductions require process transformation, training, and practice. Supply chain disruptions don't happen every day, so their prevention is not going to be realized on a regular basis. Make sure the C-Suite realizes this and accepts the fact that the returns will be significant, but will take time.

## Address Corporate Objectives (and how the Platform helps)

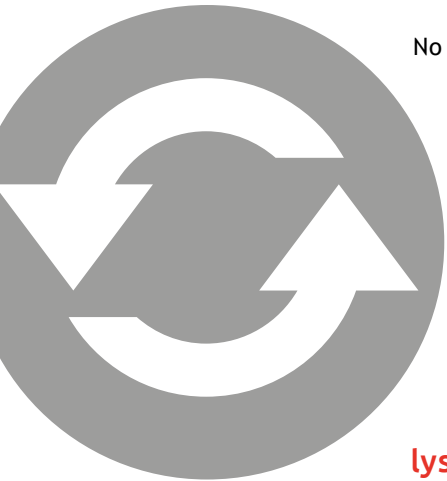
Finally, map each capability and benefit the platform will deliver to each objective. Explain how each automation benefit will enable a procurement initiative that will support an overall business strategy that will realize the objective.

Automation Benefit	Procurement Initiative	Business Strategy	Corp. Objective
Increase procurement throughput	Re-source an additional 20% of spend	Reduce COGS through direct material cost improvement	Increase operating margin
Better demand visibility	Reduce maverick / off-contract spend	Increase capture of identified savings	Reduce Savings Leakage
Automatic data collection, verification, validation and monitoring	Centralize spend with strategic, vetted, suppliers	Supply Base Rationalization to Sustainable Suppliers	Sustainable Supply
Master transaction data store	Increased Spend Visibility	Capture all transactions electronically	Better audit trails
Supplier Management, inc. challenge response management	Innovation Challenges	Product innovation in key strategies	Be seen as an innovative brand
VMI capability	JiT Inventory Management	Eliminate Stock Outs	Always Have What the Client Needs

**HOW** WILL WE  
DEAL WITH  
THE COMMON  
OBJECTIONS



# 10 How will we deal with the Common Objections?



No matter how much you need a direct procurement platform, how good the ROI model you present is, or how many problems the platform can solve, there are going to be questions and objections. We understand you will need help tackling them, so in this e-book we are answering the top three.

## **POOL4TOOL isn't on Top of the Analyst's Perilous Pyramid**

Let's face it, the analyst quadrants, waves, and other reports tend to only map providers who offer traditional (indirect) spend management solutions such as spend analysis, e-Sourcing, contract management, and traditional procure-to-pay enablement. All of their reports are centered around traditional applications and suites for indirect procurement and direct procurement solutions, which are few and far between, don't fit the mold.

POOL4TOOL is a specialized solution custom designed for all of your direct procurement needs that not only meets all of your needs but the needs of the organization. It supports inventory and warehousing, finance and back office, engineering, and even sales and marketing. Plus, its electronic document exchange and supplier portal enable all of the organizational suppliers.

## **It Won't Work With Our Current Systems**

The great thing about POOL4TOOL is that it will. It was designed to be integrated with your ERP, and integrates with the major ERPs out of the box. It was also built with the ability to import data in a multitude of formats from a multitude of systems and push data out in a multitude of formats to a multitude of systems to where it is needed. The goal is to fill in the gaps in your current platform, replace what can be done better, and automate as much as possible.

Automation provides your business with an opportunity to make positive changes and do better. It significantly reduces tactical data collection and processing tasks and frees up personnel to focus on more strategic efforts such as getting more direct spend under management, improving supplier performance, or working on new product design.

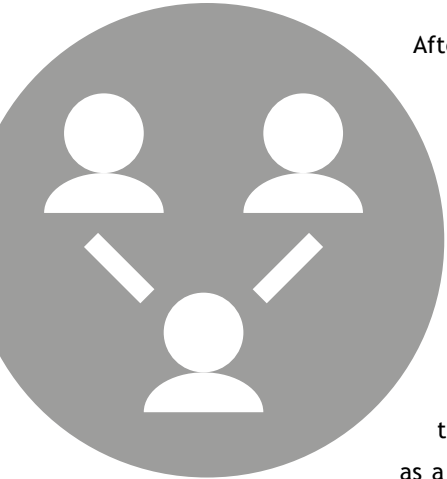
## **We can't Manage the Organizational Changes**

The changes are easy to manage, as long as you have a good plan. POOL4TOOL will work with you to determine a manageable implementation strategy with a full change management plan that includes communication, training, and supplier onboarding. POOL4TOOL is focused on ensuring that every implementation is a success and realizes that, like all functions, direct procurement is done by people, that need to be supported through the lifecycle, and lifecycle changes, as well.

**HOW DO WE**  
**INSURE A**  
**SUCCESSFUL**  
**ROLL-OUT**



# 11 How do we insure a successful Roll-Out?



After many fantastic software-based disasters, and billions of dollars collectively spent on shelf-ware since the dawn of IT, most organizations know that just selecting the right system isn't enough. In order to get the value, the system has to be implemented, adopted, and regularly used by its intended audience. This is often easier said than done, even if everyone wants the system, because most people are resistant to change, and the implementation of any new system is often seen as a massive undertaking in change management, that no one wants to lead. But if one takes a logical, step-by-step, approach, it's not hard at all.

## Plan the Scope – One Size Does Not Fit All

The first step is to plan the scope of the implementation. What are the capabilities of the direct procurement platform that are needed, what systems need to be integrated with, to what degree, and in what order. Depending on the vertical, and what is contained in different platforms, the organization might not need the supplier management module in the direct procurement platform (and can just integrate to the supplier master data store), might not need the quality control capabilities (as the organization might have a leading quality management platform) and can just integrate, and might even be able to bypass or replace existing order, invoice, and inventory management in the ERP, and not

need to integrate that capability (once the historical data is imported).

If the organization has global offices, then it's important to make sure the scope appropriately addresses the global nature of the implementation, and only tackles what needs to be done.

## Define the Roadmap

Once the scope is adequately defined, an implementation roadmap can be defined that partitions out the implementation, integration, usage and testing into bite-size chunks. The necessary resources, and affected parties, can be identified, reasonable schedules and project plans defined, and bite-sized milestones hit.

Similarly, if a global implementation is required, it's important that the rollout be staged and implemented in pieces. Any organization that tries a big bang implementation typically ends up with a big disaster.

Once people see that the system wasn't just an impulse purchase or another purchase made by an outgoing executive to show initiative, then it will be taken seriously and you can move on to the next step.

## Build the Adoption Plan

An effective system is an adopted system, but getting a system adopted requires more than just getting it rolled out and ready to use - it's getting people ready to use it. This requires more than giving them a user account and a training manual, it requires making them want to use it ... and making sure it's easier for them to use the system than to do their jobs any other way.

This means that the first thing you need to do is focus on what each user actually needs, prepare a demonstration that shows them how it will be easier to do what they need in the system than outside the system, walk them through it, and then give them a sandbox where they can try for themselves and see success in action.

While a modern interface, predefined templates, adaptive workflows, collaboration capability, and end-to-end supply management capability in one platform will go far, it's not always enough to convince someone it's a better way. But taking the time to build an adoption plan that shows them, that will usually get the ball rolling, which will eventually snowball until everyone comes on board.

Even though it's important to get the approval, backing, and vocal support of sponsors, managers, and head honchos, it's important to remember they are not going to be using the platform on a daily basis or leading the adoption charge. It's the day to day users who see the benefit that will carry the torch, so be sure to serve them first.



**WHY?**

**POOL4TOOL**

# 12 Why POOL4TOOL?



By now it should be abundantly clear that you need a direct procurement platform to reap the benefits that best-in-class direct procurement can bring an organization. But why choose POOL4TOOL?

## Exactly What You Need

POOL4TOOL was built for manufacturing from the ground up and each and every module and function was designed hand-in-hand with customers to make sure that the functionality addressed the issues and challenges faced by manufacturing buyers on a daily basis, and did so in a way that was both efficient and effective.

There are no unnecessary bells and whistles, and the configurability of the platform not only means that each and every customer gets a workflow that is customized to their needs but a workflow that does exactly what the organization needs to do.

## Built for End-to-End Supply Management

Whereas most indirect supply management platforms tend to focus on either strategic procurement (also known as strategic sourcing), tactical procurement (known as e-Procurement or Procure-to-Pay), supplier information/performance management, contract management, or another point-based solution (that

doesn't meet direct procurement needs because there is no support for bill of materials, detailed cost models, or other critical functionality), POOL4TOOL was built to support the end-to-end direct procurement lifecycle.

## Streamlined Supplier Management

Suppliers are critical to direct procurement. Your product is only as good as the raw materials and components provided, the majority of your costs are the costs of the raw materials and components they bill you for, and their disruption is your disruption. Thus, supplier (information) management, (performance) monitoring, development, and innovation is critical, and the ability to do so in a simple, streamlined, fashion that does not waste unnecessary effort is critical as well.

## Single Solution Simplifies Procurement

You could try and cobble together a best in class strategic sourcing suite that supports advanced cost modelling with a best in class procurement platform that supports PO-flip, automated invoice matching, and e-payment with a best of breed SRM platform for supplier management with an e-document exchange (EDX) platform for all of the supply chain communications that are required, and do custom development and manual processes to fill in the gaps, or you could just get a single solution that does end to end. It will be more efficient, significantly more effective, and cost many times less.

## Easy Implementation and Integration

POOL4TOOL can be delivered as a 100% cloud-based service, or where on-site is necessary to meet strict security requirements, as an on-premise application. The pure SaaS solution can be switched on in minutes and integration into your SAP and Oracle ERP can be accomplished out of the box in days, or even hours, and POOL4TOOL has the capability to integrate your in-house applications with data feeds just as fast.

## Rich Collaborative Environment

POOL4TOOL contains a multitude of features that allow for collaboration between stakeholders and suppliers in a secure and controlled fashion. Integrated messaging, secure document exchange, and similar functionality.



Contact us!

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