

WHITE PAPER



GET WITH THE PROGRAM





THE IMPORTANCE OF PROGRAM MANAGEMENT FOR SAVINGS AND VALUE REALIZATION





TABLE OF CONTENTS

Introduction

- ▶ **Supply Management Today** 
 - A. Overview
 - B. Weaknesses
 - C. Opportunities Lost
- ▶ **An Introduction to Program Management** 
- ▶ **Platform Oriented Project Management** 
 - A. True Project Management
 - B. Full Fledged Activity Management
 - C. Flexible and Malleable Rules-Driven Workflow
- ▶ **Supply Management Tomorrow** 
 - A. Overview
 - B. Strengths
 - C. Opportunities Materialized
 - D. Benefits Realized

Conclusion



“

Introduction

Sourcing only identifies value. But value is not realized until it is captured. Capturing value requires each purchase to go through the system and be realized as a perfect order -- the right product at the right place at the right time for the right person at the right price using the right delivery method, and so on. In order to make this happen, an organization has to do more than source -- it also has to execute, track, report, and correct. Otherwise, it will fail to realize 30% to 40% of negotiated value (which is a statistic that has been well known for almost a decade).

However, the only way an organization can properly source, execute, track, report, and correct procurement operations is through proper program management, which is much more than just executing an event, negotiating a contract, and filing it away in the contract management system. It's taking that e-paper and making an e-process out of it, preferably in an integrated Source-to-Pay platform that can insure each step of the program is followed.

”

I. Supply Management Today

A. Overview

In most organizations today, Supply Management is an evolving function with limited Sourcing or Procurement platform support. Over one-third of organizations don't have (anything close to) a modern Sourcing or Procurement Platform, and very few, less than a third, have Source-to-Pay capabilities in their solutions.

Furthermore, among those that do have solutions, most have solutions that consist of a mish-mash of functionality scattered across the ERP, best-of-breed analytics solution, point-based e-Negotiation solution, invoice processing, and other task-based solutions. It's a jumbled state of affairs. As a result, there are a number of weaknesses in both process and platform that exist in an average organization.



B. Weaknesses

An average supply management organization today has a number of weaknesses. These include, but are not limited to:

INEFFICIENCY

The challenge of digitalization has two main goals. Creating value and eliminating superfluous costs.

The way to do this is to optimize the management of expenses. This can be broken down into three parts. Any company digitalization project has these three objectives in mind. And the same goes for procurement.

In all digitalized companies you will find these same three targets:

LACK OF KNOWLEDGE

Lack of knowledge about best practices, modern platforms, and even market conditions limit the effectiveness of a modern Supply Management department.

Lack of knowledge about how to quickly find overbillings and duplicate billings, determine average market pricing, or even build an appropriate should-cost model can result in an organization contracting at above market rates and then paying for the goods and services twice.

LACK OF CAPABILITY

Lack of modern platforms limit the capability of a Supply Management organization in the ability to identify opportunities, pursue opportunities, and capitalize on opportunities.

If all an organization has is e-mail and spreadsheets, even a simple request for quote can take weeks to collect, compile, analyze, and compare ... when a modern solution could do it in a few hours.

C. Opportunities Lost

As a result of these weaknesses, modern organizations are losing a number of opportunities, which include the following opportunities lost:



FROM INEFFICIENCY



TIME

An organization that is inefficient loses time, lots of time in fact, and this loss of man hours has a huge cost. For example, if you are spending 8 FTEs and only getting through 20% of purchase orders and automation can get you through 100% of purchase orders with 4 FTEs, that's a lot of unnecessary man power and cost. (Some organizations have 20 FTEs and barely get through 15% of invoices. Scary.)



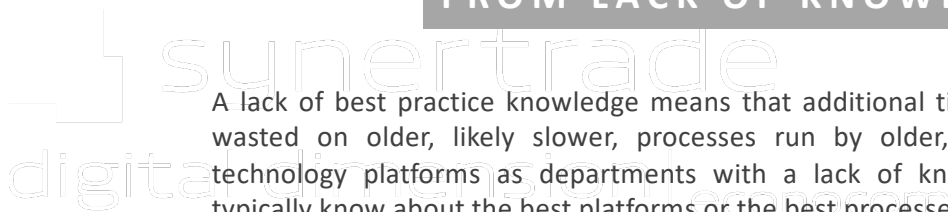
LOST OPPORTUNITY

If you could instead apply those extra 4 FTs to strategic procurement and sourcing events, how many extra events could be run in the course of the year? How many extra supplier development programs could be undertaken? How much would you save? How much more efficient would your suppliers be? How much of an improvement in quality would you get?

FROM LACK OF KNOWLEDGE



TIME



A lack of best practice knowledge means that additional time is typically wasted on older, likely slower, processes run by older, likely slower, technology platforms as departments with a lack of knowledge don't typically know about the best platforms or the best processes.



VALUE

A lack of best practice knowledge often results in the selection of inferior methodologies for sourcing events (auction when optimization backed RFX is best) or supplier development (lean process focus vs. knowledge and education) and this limits the value that is captured.

FROM LACK OF CAPABILITY



VALUE

Without good analytics and insights, how can a Supply Management organization even hope to identify the best opportunity to chase?

And without a good should cost modelling platform, how an organization determine what it should be paying? And without a good optimization platform, how it can find the best allocation between suppliers and carriers?



INNOVATION

Without deep capability with respect to innovation, how will a Supply Management organization truly get ahead?

What's the Answer?



An Introduction to Program Management

Program management is an integral component of the integrated source-to-pay activities that strategic procurement team members must take on.

Program management is the process of managing one or more projects or activities with the intention of improving organizational performance. And while it's often closely related to system engineering, change management, and business transformation, it's a unique beast and is the process of coordinating all of these activities as needed to achieve an organizational goal.

At the end of the day, Procurement organizations generate value in their activities through appropriately identified and implemented programs. This value could be in the form of cost savings, process improvement, better service delivery, increased sustainability, brand recognition, top line revenue contribution, tax optimization and other forms of value that companies value today. And it could come from sourcing projects, catalog-spot buys, contract negotiations, supplier development initiatives, and category initiatives. Each of these collections of related activities, when properly executed, is a program, which needs to be managed in an appropriate manner.

Program management is an integral component of the integrated source-to-pay activities that strategic procurement team members must take on. And programs are not just needed for sourcing a category. They are also needed, for example, for managing the implementation of a new strategic supplier or introducing existing suppliers to new geographies. Furthermore, program management is not just the sum of sourcing, contracting, on-boarding, first article testing and other activities, but it's rather the intersection of all the steps -- including all the communication, collaboration and related activities that take place outside of specific stage-gate processes.

Furthermore, when it comes to program management, procurement technology should mirror the real-world activities in a way that allows the program to be managed through a platform. However, it's usually the case that the program and project management capabilities within either individual procurement modules, a strategic procurement technology suite or a procure-to-pay suite fail to fully deliver in this regard.

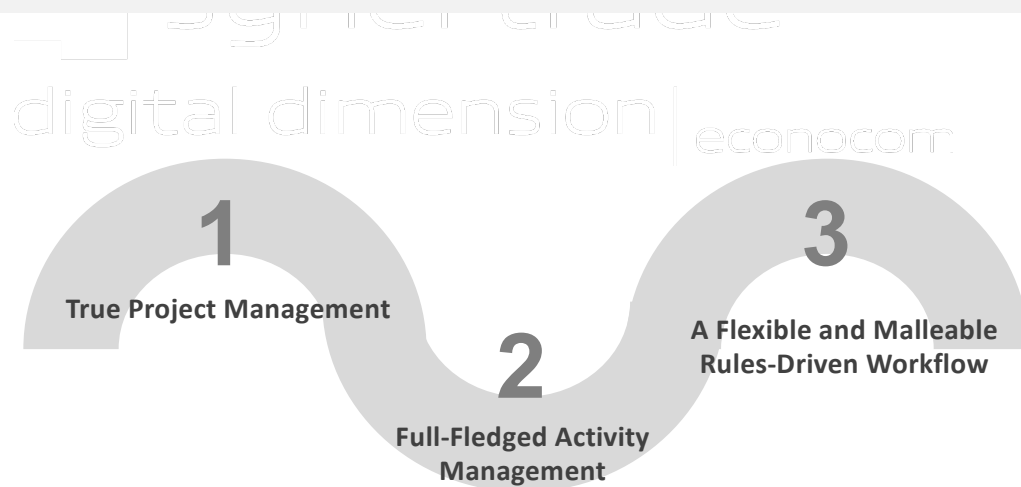


Platform Oriented Project Management

Program Management has traditionally been done by project managers using project management technology because programs were viewed as just enhanced projects and that was the domain of project managers. But programs are more than just projects. They are collections of activities that are designed to go beyond just cost and resource management to value generation.

As such, they cannot be properly managed by traditional project management tools and definitely cannot be managed by spreadsheets! Proper program management requires traditional project management integrated with value-add activity management capabilities, and preferably requires this integration in an individual platform. This is what we call platform-oriented program management.

So what is required for platform-oriented program management?



1 True Project Management

Most Sourcing and Procurement platforms these days do not have any project management capability. They allow for the definitions of user by role and the definitions of actions those users can take, but that's not project management.



Project management, defined as the practice of planning, guiding, and executing a team to achieve a specific goal or objective, requires the ability to define scope, timelines, and goals. To break the project down into phases with activities, component tasks, and milestones. To assign resources, both people and assets, to individual tasks and milestones. To make changes as events happen. Most domain specific platforms do not have this, especially in Supply Management.

2

Full-Fledged Activity Management

The platform must support the full extent of the activity that it is designed for, not just part of it. For example, for sourcing it must support sourcing of all categories the organization buys: products, services, raw materials, contingent labour, and so on. Not just indirect finished goods. For supplier information management, it's more than just a basic profile and contact directory. It's full catalog management. Full key party profile. For analytics, it's not just a set of canned reports -- it's the ability to absorb any and all data required to build whatever ad-hoc report the analyst needs to figure out the situation at hand..

digital dimension | econocom

3

A Flexible and Malleable Rules-Driven Workflow

... that connects the entire platform together

Programs are more than a collection of activities and project plans. They are collections of, and connections between, activities and resources that need to synchronize appropriately to achieve the desired results. This cannot happen if the platforms are rigid and cannot adapt to the situation at hand, and the responses required.

Situations change daily and so do the necessary responses. The platform should not only be capable of detecting when situations change, but automatically adapting to the situation by dynamically adapting the workflow and guiding the users through the right path through the platform. For example, for a sourcing project, if the market dynamics change and the right approach is not an RFI but an auction, the platform should adapt, and guide the user to auction creation, populating it with existing data. Similarly, it should be capable of analyzing a purchase request or a category and determining the right type of event or workflow.



Supply Management Tomorrow

A. Overview

Tomorrow, Supply Management organizations will run on integrated S2P platforms that will integrate best practice workflows out of the box and guide supply management professionals through their daily tasks using templates, workflow, machine learning, AI, and emerging cognitive capabilities.

These platforms will take organizations technological decades beyond where they are today and change the way organizations do business.

B. Strengths

Tactical Automation

The tactical automation of tomorrow's platforms will minimize the amount of low-value, almost mindless, tactical tasks that, while low-value, still need to be accomplished. Requisitions still need to be processed, purchase orders still need to be cut, invoices still need to be processed, and goods receipts still need to be issued – and of these (e-)documents need to be m-way matched. Unless there is a discrepancy, manual processing adds no value. The ability to automate all of these tasks, and other tasks that can be done without manual intervention, is a huge strength of modern source to pay platforms.

Deep Analytics

Modern source to pay platforms typically come with deep analytics capabilities that can be used to analyze spend and performance. These platforms can suck in, normalize, and combine spend data from all of your enterprise systems and allow you to extract deep category spend intelligence. This, in turn, makes it easy to identify the top sourcing and procurement opportunities. Plus, these platforms can also process performance metrics and raw performance data and create organizational scorecards

Cognitive Guidance

The best platforms can import market data from live data feeds, combine them with should-cost models, and average labour and energy costs from around the world and determine expected market costs for any manufactured product. This can be compared to the current rates being paid by the organization and used to identify the market potential of the product. Moreover, the platform can do this for all products in a category for which there are should cost models and identify the categories that, as a whole, present the best sourcing opportunities based upon cost differentials and market trends.



Best Practice Process Oriented Workflows

The best platforms will have template driven workflows for each category based upon best-practice sourcing knowledge and market intelligence that adapts to the current opportunity and guides the buyer through the sourcing event from initial supplier invitation to final award. Depending on the category and the situation at hand, it should guide the buyer through an initial RFI to either a second round RFI, auction, or optimization event. The buyer should be guided through each step of the process and all tactical work should be automated, as this will allow the buyer to focus on strategic analysis and decision making versus just tactical data processing.

C. Opportunities Materialized

Time

With a modern Source-to-Pay platform that incorporates program management, the buyer will have considerably more time for strategic activities as tactical processes will be automated, templates and workflows will guide the buyer through the process, and much of the data the buyer needs will be pulled in regularly through APIS and be there for guidance.

digital dimension | econocom

Cost Avoidance

Since the buyer will be able to make better sourcing and procurement decisions across more categories, the organization will realize more cost avoidance opportunities than it did before – which will go beyond just savings. How so? The ability to analyze the usage and performance data and optimize logistics and inventory will enable the organization to more accurately predict demand, minimize unnecessary inventory, and minimize loss if demand suddenly shifts for a product or a production line needs to be replaced (invalidating the stockpile of spare parts).

Value

A program management oriented source-to-pay platform will enable an organization to realize value beyond just time savings and cost avoidance in a multitude of ways. First of all, it will allow an organization to identify the best teams for each category and designate the tasks each is best suited for as such a platform can capture that knowledge. Secondly, the supplier portal can automate supplier requests and reminders and minimize the number of reach outs the team needs to make about basic data collection and RFI responses.



Innovation

A program oriented platform will also allow an organization to define, and manage, joint supplier development and innovation programs, which can also lead to benefits in the form of long-term cost reductions, quality improvements, and newly identified value-added services. Program management is more than an afterthought – it’s a fundamental piece of the modern Source-to-Pay platform and process.

D. Benefits Realized

We could quote the countless studies that Analyst Firms and Consultancies have been doing for the past two decades that demonstrate a year-over-year savings of 10%+ using advanced sourcing technologies. But instead we are going to clarify precisely how the advanced sourcing platforms of the future are going to save you time, avoid cost, add value, and provide innovation as we feel this provides the most value and provide the education necessary to select the right platform for your organization.



Time

Savings of up to 80% on sourcing projects will be realized. Consider the following timeline for a typical sourcing project:

Opportunity Analysis and Strategy Selection:

1 Week to analyze the data, analyze market costs and trends, analyze past savings rates on similar categories to estimate savings potential, and come up with a Strategy

Supplier Identification, Participation Requirements, and RFX Construction:

2 to 3 Weeks to determine and document product/service requirements, business requirements for participation, pre-qualify potential suppliers, etc.

Supplier Invitation, Registration, and Bidding

2 Weeks to get suppliers on-boarded and bids in

Analysis and Award Selection

(up to) 1 Week to create and run through all of the different award scenarios using optimization and comparative analytics to find the one that best balances lowest cost with business constraints and preferences, create an award scenario, notify the suppliers, begin the contracting process.



Now consider the revised time-line for a cognitive-backed program empowered by the right advanced sourcing or source to pay program:

Opportunity Analysis and Strategy Selection:

1 day to review all the opportunities identified automatically by a cognitive-backed advanced sourcing platform and the estimated savings from default sourcing programs and select one

Supplier Identification, Participation Requirements, and RFX Construction:

1 day to review the suppliers automatically identified as primary candidates, the automatically constructed RFX, and compiled participation requirements from previous events, make a few edits, and launch it

Supplier Bidding:

5 days, but only to give the suppliers time to respond – the invitations take seconds, and the system can even pre-populate historical or network bids and terms to make it easy for the suppliers

Analysis and Award:

1 day to review all of the automatically generated analysis and suggested award, and select it or one of the alternatives, and kick off the contract cycle

In other words, events that used to take over 6 weeks now take less than 2 weeks. And most of that is just waiting for supplier responses. It's easy to see how future cognitive-backed programs built on top of integrated sourcing platforms with program management will reduce time requirements considerably and allow a typical Procurement department to triple the number of events they run annually.



Cost Avoidance

A modern sourcing platform can help an organization avoid cost in multiple ways, beyond just ensuring that the organization pays the lowest cost that meets its needs. Great analytics can help identify when utilization, or sales, levels are going down and when a product needs to be retired or replaced. It can also identify correlations between products that are selling less and products that are selling more and help an organization identify the right replacement products.

The better platforms can even tie correlations between decrease utilization of a product and purchases in unrelated categories. For example, decreases in paper utilization with increased deployment of 2-monitor solutions. Decreases in janitorial supply utilization with a recent decrease in office space utilization. And so on. This helps a buyer understand that the reduced utilization might be (semi-) permanent and the organization should not be looking for a replacement.



In other words, though advanced correlations and trend analysis, the platforms will prevent the organization from over-buying or over-stocking on an (end-of-life) category and identify the right product or service replacements.

Value

These platforms won't stop at automating the identification of categories for sourcing and the automation of those events or the identification of cost avoidance opportunities. For example, the ability of a platform to correlate drops in sales in one category with an increase in sales in another category can help an organization identify which categories can be the next sales leaders and where pre-emptive sourcing, marketing, and sales should be focused.

Getting a jump start on future opportunities will help Procurement provide value to Sales and revenue generation, and this should help convince Sales and Marketing that it's not a cost center, it's a value center.

Innovation

These platforms enable hard innovation beyond traditional supplier development and innovation programs as they enable an organization to quickly cost out a bill of materials, identify long-term cost reduction opportunities from switching to suppliers with newer technologies, and automate data collection from organizational systems, supplier networks, and suppliers. This is a tremendous time-saver and a boon to innovation as organizations can focus on defining alternatives, not trying to figure out if they are feasible and what the costs will be.

It's hard to quantify precisely the value that can come from innovation, but we've seen new designs take out half of the cost while adding value. We've seen organizations that achieve preferred customer status avoid disruptions when supply is limited and they get the limited supply when their competitors don't. The cost avoidance can be anywhere from a few hundred thousand to tens of millions for each innovation identified.



“

Conclusion

It would be easy to summarize all of the potential an advanced sourcing system will provide your organization, but your time is valuable so instead of repeating ourselves, we suggest that you simply put on your Nikes and Just Do It!

”



About SynerTrade...

Digital Procurement Solutions

With +650 customers worldwide, SynerTrade is a leading global provider of digital procurement solutions. Its cloud-based platform, SynerTrade Accelerate, covers the entire purchasing process thanks to a set of flexible applications, easy to use. SynerTrade Accelerate is a complete eProcurement Suite that manages +500 billion € spend each year, and widens the performance of Procurement and Finance departments in companies such as Adeo, Alstom, Baloise Insurance, Decathlon, Deka Bank, Engie Groupama, Lafarge, Lindt, Lufthansa, Saint-Gobain, Sanofi, Shiseido, Total, Transdev, Yves Rocher, etc. With 22 offices worldwide and a 24/7 assistance in 10 languages, SynerTrade brings real expertise and a local service to its customers to optimize their purchasing processes around e-sourcing, e-procurement, SRM (Supplier Relationship Management), spend analysis and purchasing intelligence, or even product innovation management.

SynerTrade is one of the Software entities of Digital Dimension, Econocom Group.

For more information, visit our website: synertrade.com

Or contact us at: contact@synertrade.com