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Successful automation of procurement processes can deliver a host of benefits. For one, automation can eliminate the costly, time-consuming manual tasks while giving supply management professionals the tools and enhanced visibility needed to make better procurement decisions. Here’s a guide to successfully implementing your automation project and start gaining those advantages.
Over the past 15 years, many procurement departments have participated in a broad transformation of their function and gained greater awareness and relevance within the executive quarters. A large number of those procurement departments leveraged supply management technology to enable their transformation. Supply management solutions automate the sourcing, procurement, and accounts payable functions commonly referred to as the Source-to-Settle process. The primary applications that fall under this category are (1) spend analysis, which helps companies aggregate, classify, cleanse, and analyze their supplier spend information; (2) eSourcing, which automates the sourcing or bid process; (3) contract management, which automates the supplier contracting process; (4) eProcurement, which automates the requisition to purchase order process; and (5) ePayables, which automates the accounts payable process.

These solutions can drive efficiencies and savings and help organizations become more effective. (We’ve included two case study sidebars in this article that serve as examples.) In fact, when deployed successfully, these solutions can deliver some of the most compelling and competitive returns on an investment in enterprise technology available in the market. That means that these projects are absolutely worth undertaking.

Unfortunately, as with any IT project, the returns on these investments are far from guaranteed. There are many potential pitfalls and landmines that can pull a supply management automation project off of its course. The good news is that over the past 15 years, many, many groups have been successful. And these successes have helped establish standard industry best practices. In this article we highlight those best practices that can lead to a successful purchasing automation project. Our discussion follows this sequence: laying the groundwork for a successful automation project; managing the RFP process; and deploying the solution selected.

**Laying the Groundwork**

There are numerous steps involved in selecting a solution to automate supply management processes. These steps are critical to the overall success of your initiative as they help set the foundation for a successful program.
The following are some best practices uncovered by our years of research and direct experience in selecting and deploying supply management solutions as well as numerous discussions with best-in-class practitioners. These strategies can help your procurement department establish a solid foundation upon which to launch a successful automation initiative.

**Gain Support of Stakeholders**

As with any IT initiative, one of the first actions is to gain executive or senior-level support for the project as well as support from all other relevant stakeholders. A larger set of project stakeholders will bring a wider set of interests, priorities, and requirements to the discussion. The earlier these different inputs are identified and understood by the larger team, the sooner they can be rationalized and prioritized into a comprehensive plan. The wider involvement of stakeholders is also a proven technique for establishing project buy-in at an early stage and promoting user adoption once the project is launched.

The project’s lead architects and builders will likely come from the procurement department. However, wider collaboration is needed, so input should be gathered and incorporated from other stakeholders, including:

- **Line of Business:** End-user adoption rates will have an enormous impact on the program’s overall success. If a large number of system users will come from the business, then the relevant lines of business should have a representative voice in the solution selection and design processes.
- **IT:** Since this function typically understands the enterprise’s current IT infrastructure, it can help to define any integration requirements and/or constraints. IT may also possess the general technical expertise needed to help identify the supply management solutions with the lowest total cost of ownership.
- **Finance:** Finance can help validate the business case for investment in technology. It also may offer strong support in discussing how a supply management solution can help drive efficiencies, visibility, and effectiveness.
- **Supply Chain & Logistics:** Engagement of logistics and supply chain is key as these functions support the processes that are complementary to the sourcing/procurement processes and direct interactions with suppliers.
- **Other Procurement Staff or Users:** These are the frontline users performing the processes that will be impacted by the new solution. This group may be able to support the discussions around how a supply management solution can improve group operations and performance.
- **Suppliers:** Supplier enablement or adoption can be the “Achilles heel” of any supply management project. Understanding the inclination and preferences of suppliers regarding different solutions, while not critical, can help the project team better understand what’s required to enable suppliers onto the new platform.

**Understand Current Process**

Understanding the current process for sourcing, contracting, and requisitioning is critical to making improvements. Whether the plan is to automate the entire Source-to-Settle process or just some part of it, it is important to understand the process as it currently works. Identifying the current process will allow the organization to uncover specific pain points, which
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in turn will help to refine automation requirements. Additionally, it is good practice to establish key performance metrics (like savings and compliance rates) and operational metrics (such as user adoption and business process cycle time) before automation so that improvements can be measured.

Establish a Blueprint

In order to establish a solid foundation for the project it is important to develop a long-term strategy and plan (in effect, the business case). To do this, the organization must have a clear sense of the long-term goals and objectives of the automation initiative and its potential impact on the enterprise. For example, if you consider the entire Procure-to-Pay process, the work in accounts payable (AP) is really the second half of a process that began in procurement. This makes it wise to take into consideration the systems/processes that AP already has in place or plans to deploy. For such reasons, you need a blueprint that will both help provide an understanding of the current state and ensure that the desired outcome is achieved. The blueprint should consider all of the following:

- Process efficiency and savings goals.
- System capabilities (requirements and desired).
- Integration requirements.
- Visibility and reporting capabilities.
- Business user engagement, requirements, and adoption.
- Functional user engagement, requirements, and adoption.
- Supplier enablement strategy.
- Procurement processes and technology.
- Process, contract, and regulatory compliance.
- Budget and timeline estimates.

Determine Technology Delivery Approach

Before going down the path of selecting a solution, determine what method of solution delivery (installed/on-premise or cloud-based) is appropriate for your organization. The IT department may have certain requirements that could limit certain options; therefore, it is important to involve them from the beginning. The two main delivery methods are described below:

1. **Cloud-based Solution:** Software delivered in the cloud (also referred to as on-demand or SaaS) is typically hosted, maintained, enhanced, managed, and upgraded on the application and server side hardware infrastructure by the cloud solution provider. Generally, the user pays for the solution on a consumption or time-period basis (rather than the traditional perpetual license).

   Cloud-based solutions typically have the following characteristics:
   - Accessed via the web.
   - Cost based upon usage (i.e., subscription and/or transaction-based fee vs. upfront investment).
   - Provider required to maintain the software (often with the use of service level agreements, or SLAs).
   - Hosted or resides at a centralized facility.
   - Multi-tenant architecture.
   - Capable of quick utilization.
   - Constraints in what can be customized in the solution; solutions often have a distinct list of configurable items or features.

2. **Installed On-Premise Solution:** With this model, the software is installed and deployed on the servers at the client’s site. This typically requires heavier involvement from the client’s IT department and/or a third-party consultant. Also, there is usually a larger one-time upfront license fee for such a model, allowing for perpetual use of the solution. (There may also be transaction-based fees). Additionally, implementation periods are usually longer due to the need to develop the entire site/instance infrastructure, including hardware configuration, and possibly to develop a higher level of customization.

   Some providers offer their installed solution via an Application Service Provider (ASP) approach, which is an outsourced or third-party hosting solution. This is differentiated from a true “cloud” solution in that the ASP can host and manage an installed solution from a central facility, allowing clients the ability to access the application over the internet instead of installing the software onsite.

Managing the RFP Process

While it takes some effort to get to the RFP stage—getting buy-in from key stakeholders, determining organizational requirements and getting the business case and budget approved—the success rate of a project is much higher if all the internal requirements have been met before actually selecting a solution.

The Request for Proposal (RFP) process can be a lengthy and complex one, but it is absolutely critical to
the project’s overall success. If the RFP process is poorly executed, serious consequences can result and then linger within the enterprise for years. If the team lacks experienced resources and has available budget, leveraging the support of a third-party expert in the RFP process can pay huge rewards. Below we discuss the key elements of the RFP process.

The RFP
The goal of an RFP is to get a detailed view into the top providers’ solutions and gain a better understanding of how their products/services, strengths and experience match with internal requirements. To get the best information from the providers, it is important to share information with them. Therefore, the RFP must clearly convey the goals and objectives of the project and include the specific requirements you have deemed necessary based on research and input from cross-functional stakeholders. Vendors' responses are more likely to be focused and relevant if they are well equipped with information about the project.

When Ardent Partners advises its clients on selecting automation solutions, we encourage them to incorporate the following elements in their RFP:

- **Introduction:** Start the RFP by providing an introduction to your company and the project. Include information that will provide some insight into the project’s goals and objectives as well as some of the key requirements so the vendors have a good understanding of the scope. Also, be sure to include the necessary confidentiality and non-disclosure agreements.

- **Company Profile:** This section should ask for general information related to the vendor company—history, description, mission and vision, financials, customers, industries, and so forth.

- **Technology:** This section is to better understand the providers’ platform and technology architecture and details around integration to your internal systems and security features.

- **Functionality/Capability:** One of the most important parts of the RFP, this section focuses on vendor’s features, functionality, and capabilities. It should include detailed questions that will help to understand the vendor’s solution and how it works. Ask questions that are specific to organizational requirements—for example, eInvoicing, supplier network, dynamic discounting, and global capabilities.

- **Pricing:** This section requests detailed pricing from vendors. It should include a framework in which vendors can respond that allows you to compare pricing in an “apples-to-apples” way.

- **Services and Support:** Information should be requested regarding the type of technical and expert support that is offered. This section of the RFP also should ask questions around solution training and the implementation process.

- **Client References:** Ask for three to five current and past client references and, if possible, speak with these references before making a selection. The conversation should focus on:
  - Return on Investment (ROI) and payback period.
  - Service and support.
  - Challenges faced with solution provider.
  - Availability and responsiveness of the provider.
  - Costs and expenses, especially hidden costs.

Technology Demo
In addition to the technology-specific questions in the RFP, it’s good practice to request a detailed live demo of the product. Depending on the number of solution providers participating in the RFP, this is typically done after a short-list has been determined. It may be beneficial if some or all of the extended team (i.e., key stakeholders) are invited to the demo, so they can begin to get a feel for the technology. It is important to prepare for the demo. Know what questions to ask and consider sending the vendor a list of items to cover during the demo.

In some situations a test run (or pilot) may also be appropriate. For example, if the team is considering a spend analysis solution, it may help to ask the shortlisted providers to classify, cleanse, and analyze a subset of the total enterprise spend and present the data for analysis by the internal project team within the proposed tools.

Deploying the Solution
Once the best-fit solution has been selected, the fun really begins. Solution deployment is a process with multiple moving parts that requires full attention. Beyond

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the standard IT project management strategies, here are a few areas that can lead to a smoother deployment and higher adoption.

**Align Systems and Processes**
The misalignment of systems and processes can be a huge impediment to the overall adoption of supply management solutions by users. This happens when project or process teams dream big and aim to play big with dynamic, robust but overly-complex designs. Or it might be designs that look good on paper but when viewed through the looking glass out in the field are far beyond even the best capabilities of the practitioners, the doers. Here are a few ideas on how to avoid the misalignment of systems and processes:

- Get the process right before thinking about the technology. Do the process groundwork and then involve the doers in the design and vetting of the design in the field.
- Never lose sight of the process objective (what you are trying to achieve by doing the activity in the first place) and take a “results first” focus on process design.
- Understand that the initiative’s success is more likely tied to effective change management than in getting the design “right.” Moving legacy, off-line processes into an online application is viewed by many, if not most, practitioners as a huge and disruptive change. Underestimating the full amount of change management required defeats many process automation initiatives.

**Monitor Progress and Update Stakeholders**
Internal stakeholders have been an integral part of the project since the beginning and they must be kept up-to-date on the progress. Ensure that the project team and the solution/service provider work closely together throughout the deployment so that everyone stays on the same page. A poorly managed project, combined with inadequate communication, is major factor in unsuccessful projects. Therefore, it is important to monitor each milestone and provide regular updates and progress reports to the stakeholders. Having a dedicated project manager is essential in this regard.

**Prevent Scope Creep**
Scope creep and solution deployments go hand in hand; project teams must be vigilant. With so many moving parts, and multiple people with multiple deliverables and changing responsibilities, it is easy to lose sight of the project’s initial goals. Sometimes a change in scope is inevitable. However, a project plan that provides a focused and well-defined scope and requirements—and includes the appropriate resources—will help keep the project on track.

**Include Service Level Agreements and Contracts**
The people involved in the original negotiations during a software selection are usually not the same people assigned to deploy it. For this reason, have the solution provider include a service level agreement (SLA) or statement of work (SOW) as part of, or in addition to, the software contract. To ensure successful deployment of the solution, try to link payments to specific deployment milestones, for example, tying the timing of the license or subscription fee to the solution’s successful launch. During the deployment stage, additional products or services are often required. It’s a good strategy.

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**Case Study: Dollar Benefits of Automation**
Blue Cross Blue Shield of Rhode Island (BCBSRI) set out to make significant changes to improve processes to increase spend under management. The company began its procurement transformation by centralizing the procurement function. It added external talent with strengths in strategic sourcing, analytics, and negotiations and created a performance based culture. A new purchasing policy and six-step strategic sourcing and vendor management process rooted in best practices was implemented.

The next step was the implementation of an end-to-end procure-to-pay solution to tie in all of the processes, goals, and strategies set forth. Puridiom 4.0 Enterprise Cloud solution was the selected solution. It enabled automation of the antiquated and manual P2P process, which enhanced the procurement team’s ability to influence vendor spend. The solution further enabled suppliers to transact electronically with BCBSRI, increasing efficiency of the cost accounting and finance teams while allowing the procurement team to negotiate fast-pay discounts. Other capabilities allowed the company to track cost savings and ensure tie-in with budgets; create access to timely and quality spend data with rich reporting; and assist in measuring and improving vendor performance.

Through this automation initiative, BCBSRI has improved overall performance, increased budget compliance, enforced process compliance, reduced maverick spending, increased spend under management and visibility, and focused resources on high value and strategic activities. The company has projected savings from this project to exceed $1.9 million.
therefore, to nail down the costs of these additional products/services in the beginning. For example, set the hourly rates for development work or the cost to add an additional module to the solution.

**Conduct Appropriate Training**

It goes without saying that training is an important driver of user adoption and overall program success. While the usability of supply management solutions has greatly improved over the past five years, training is recommended for most system launches. From a scheduling standpoint, do your best to initially train users as close as possible to the time when they will first begin using the solution. Remember that many users will be logging in to use the system infrequently; so they will need ongoing access to support. Develop internal application expertise to serve as ad hoc trainers and power users to support the larger group. Finally, maintain an ongoing training program so users can reinforce what they have already learned and keep current on new system capabilities as they become available.

**Pay Attention to Change Management**

Supply management technology deployment represents a big change management initiative. And, as such, it can hit a few classic roadblocks. Among the most common is one we refer to as the NIMBY (not in my backyard) effect. This is where people say that while the new process and technology sounds great, they just do not, should not, or cannot apply to them (or in their “backyard”). NIMBY is typically a blend of arrogance and fear of change within organizations. Even with a strong mandate in your organization, this can be a real issue. Here are some ideas on how to counteract the NIMBY effect:

- Argue the base case benefits of the solution: visibility, efficiency, knowledge capture and retention, best practice development, and so forth.
- Challenge the NIMBY proponents on their arrogance, parochialism or drawbridge mentality as well as their failure to support enterprise objectives.
- Track and maintain usage statistics and circulate them regularly to all procurement, finance, and business unit executives. Even the most arrogant individuals try to avoid being on high-profile “negative” lists. Reward the heavy users, engage those that are not, and provide support for everyone.

**Do a Perpetual Sell**

Whether or not there is a usage mandate, project leaders need to continue making the business case for usage to their stakeholders after deployment. You just don’t want people to use the solution; you want them to want to use the solution. Create case studies, share usage data, share mini-project ROI data with a goal of creating an environment that draws people to the solutions and rewards them for usage. And importantly, when they don’t use the solution that well, support them (don’t punish them).

**Toward Operational Excellence**

It is clear that procurement is a function that can significantly impact the business process and can significantly impact business results. Best-in-Class procurement leaders know that having a solid technology platform to drive their processes helps maximize their results. The development of a Best-in-Class procurement automation initiative takes among other things, sponsorship, effort, collaboration, vision, expertise, and a supporting technology infrastructure. Superior program design is another critical element in the speed and level of operational excellence and performance results that are ultimately achieved.

Over the past decade, we have witnessed phenomenal advances in supply management automation technology. We have seen advances in specific features and functionality within the different applications and we have seen these solutions better able to integrate to other systems and tightly link business processes. New deployment methodologies, improved usability, and competitive pricing also have helped make the solutions accessible to most companies in the marketplace. With the compelling ROIs on supply management technologies that we continue to see generated by the companies we work with, it’s clear that investing in procurement automation is no longer optional. It is, in fact, a key strategy in achieving operational excellence.