



Building Procurement Agility with Collaborative Supplier Management

Underwritten by:

TRADESHIFT



REPORT SPONSORSHIP

The views and opinions in this report represent those of Ardent Partners at the time of publication. Sponsoring companies have had no measurable influence on the content and research in this report. The contents of this research report are the exclusive property of Ardent Partners. Please direct any comments or questions regarding our research sponsorship policy to Ardent's Chief Research Officer, Andrew Bartolini, at abartolini@ardentpartners.com and/or 617.752.1620.

Sponsor:

TRADESHIFT

Tradeshift is the end-to-end business commerce company. We provide our customers with solutions to buy and sell goods and services. Our extensible platform allows you to tailor solutions to meet your company's needs.

Tradeshift provides a simplified, modern approach to Procure to Pay technology. Built with the needs of everyone from buyers, AP professionals, employees and suppliers in mind, our Buy and Pay applications revolutionize the way companies manage P2P. Our solution helps to bring all spend under management, gives you total global compliance, and offers a superior supplier onboarding experience—all on a flexible platform.

Tradeshift connects 800,000 companies on a global network across 190 countries and is headquartered in San Francisco, with offices in Copenhagen, New York, London, Paris, Suzhou, Tokyo, Munich and Sydney.

Contact:

www.tradeshift.com

www.tradeshift.com/procure-to-pay/

Email: sales@tradeshift.com

Tel: +1-628-600-3044

Building Procurement Agility with Collaborative Supplier Management

In 2017, enterprises are more reliant on their suppliers than ever before to meet the changing demands of the market and deliver value to their customers. Globalization remains the dominant worldwide economic paradigm, but market forces, like shifting political winds and competitive innovation, have the potential to disrupt strategic supplier relationships in the short term and demand fundamental changes to supplier strategies in the long term.



All of this places greater emphasis on the procurement department to identify, develop, manage, and maximize supplier relationships. Leading procurement teams have shown that the ability to engage and collaborate with their suppliers in the management of their information, performance, and risk can drive business agility and help achieve next-level performance. This report focuses on the supplier collaboration opportunities that exist for procurement teams and the agility dividend that can result.

“We ask our suppliers if they think we are smart and what we can do better. One supplier gave us information which our engineering team used to improve a key process at a new plant.”

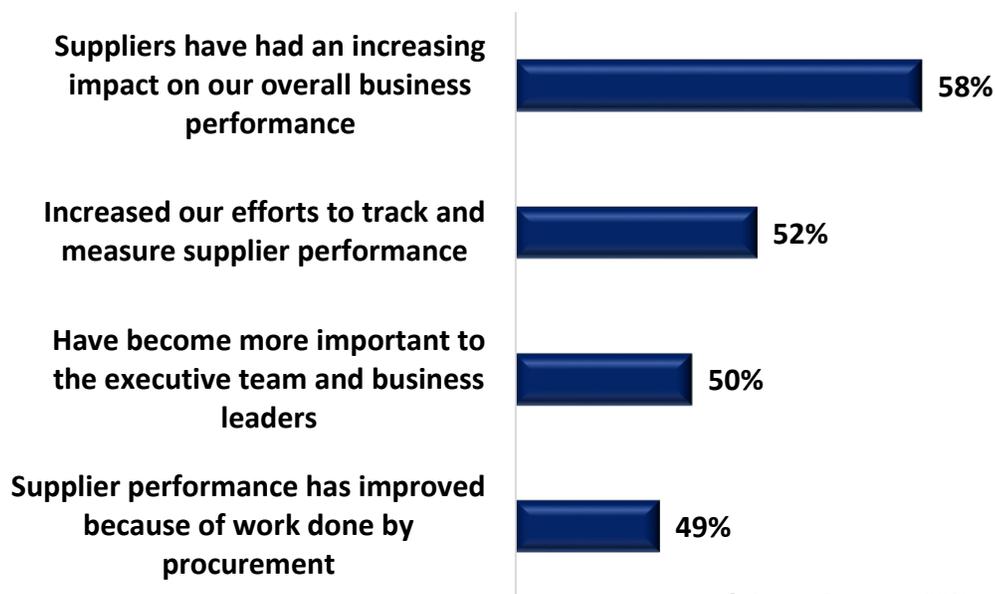
- Chief Procurement Officer, Oil and Energy Industry

Supplier Management: A Transformative Approach

End-to-end procurement transformation is a marathon – not a sprint. Chief Procurement Officers (“CPOs”) planning to revamp their people, processes, and technologies should start training hard in the expectation of encountering strong headwinds in the form of organizational inertia and general resistance to change. CPOs that began their “race” by focusing on strategic sourcing and spend visibility will, ideally, gain a better understanding of enterprise spend and how best to influence it. Likewise, CPOs that start with operational procurement can tighten execution and improve controls among other benefits.

However, a true procurement transformation does not begin and end within one area of the department – it pervades the full scope of procurement’s activities and responsibilities and extends to supplier management. To maximize the impact of a transformation initiative, CPOs and their teams need to extend their focus and efforts beyond solely improving internal processes, technologies, and relationships and engage their suppliers in ways that improve communication, collaboration, and ultimately, performance. And, more procurement teams are taking note (*see Figure 1*). Ardent Partners’ recent survey of 331 CPOs and other procurement leaders found that supplier management initiatives are increasing in both overall numbers and in the size of their impact on business results.

Figure 1: Supplier Management Trends (Past Three Years)



© Ardent Partners - 2016

“Collaboration has been at the forefront of our strategy for a long time. We’ve been working with and rewarding suppliers to bring their best ideas to us.” – Director of Procurement, Hi-Tech Industry

Supplier Management: A Collection of Processes

When done well, supplier management processes can improve procurement’s communication and collaboration with its suppliers, improve supplier performance, avoid/mitigate risk, and drive Best-in-Class procurement performance. The following processes are part and parcel of a successful supplier management program.

- **Supplier Information Management (SIM):** How an enterprise communicates and collaborates with its supplier base, how it manages their information, including whether and how it segments the information, are fundamental aspects of any SIM program. This helps CPOs and their teams better discern who the most critical and strategic suppliers are today and develop a system to identify the suppliers who will be vital to operations in the future.
- **Supplier Performance Management (SPM):** Managing supplier performance is a team effort that requires collecting, tracking, and assessing supplier performance over a period of time. Common processes include issuing supplier customer satisfaction surveys that go to enterprise users, as well as supplier surveys that go to the supplier to determine if they meet specific enterprise or regulatory requirements. Tools include supplier scorecards, performance matrices, and key performance indicators that score, categorize, and track supplier performance, respectively, and help CPOs and suppliers jointly measure and improve performance for mutual benefit.
- **Supplier Risk Management (SRM):** Ignorance is not bliss. Leading procurement teams work with their suppliers to track, mitigate, and where possible, avoid unknown risks by leveraging internal, supplier, and third-party data, continuously monitoring and analyzing the data, and being responsive to market trends or sudden disruptions. After all, suppliers are in the market and closest to trends and risks, and can be invaluable partners in the process. And although it can be difficult, quantifying risk avoidance is a powerful way to demonstrate risk management ROI.

Beyond these three supplier management sub-processes, there are other strategies that CPOs and their teams can adopt, and other capabilities that they can deploy to be valuable (and lower-cost) customers, gain better visibility into supply management processes and suppliers, increase efficiencies, and drive those efficiencies to their suppliers. As Best-in-Class procurement teams frequently illustrate, CPOs and their teams can gain advantages via collaborative supplier management solutions.

How the Best-in-Class Deploy Technology for Superior Performance

Supplier management strategies, processes, and technologies can build procurement agility by enhancing supplier collaboration and communication; by driving process efficiencies; by reducing risk; and by increasing performance. All of these process, performance, and relationship enhancements can, in turn, lead to tangible improvements to an enterprise's

bottom line. Observe the Best-in-Class (defined as the top 20% of all procurement departments based upon specific performance criteria), which have prioritized building procurement agility by way of collaborative supplier management. They report 91% spend under management compared to 57% from their peers, and implemented savings rates of 7.7% compared to 6.9% from their peers. They also source more spend competitively and have a greater percentage of suppliers that are enabled electronically for P2P transactions.

Case Study: Soaring High with Collaborative Innovation

At one “full service” regional airline where service, not cost, is king, the procurement team takes a different approach. “While we have developed a very strong cost culture, we are an airline that is willing to pay more,” notes the Senior Director of Strategic Procurement. “We will not enter into an agreement with a supplier if it is not a win-win. And, we will pay more for superior, innovative, and interesting suppliers.”

Innovation and maintaining a competitive ‘cost per available seat mile’ are two of this airline’s top priorities. The cost side is pretty straightforward, but procurement also sits on the company’s Innovation Council. This council focuses on improving the company’s products and services and tries to identify new ones as well. The procurement executive says that “Innovation for us is so large. We want to provide a different customer experience. We generate ideas and procurement takes them to our suppliers. Because they are true partners, our suppliers listen to us and they co-invest with us. Procurement will move the business.”

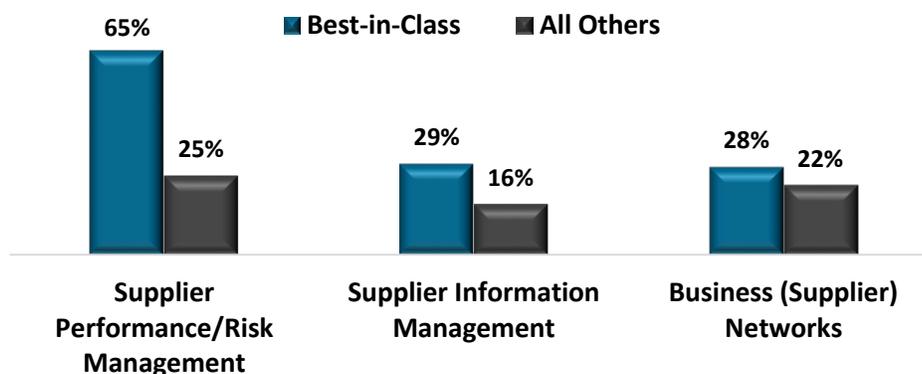
Supplier Management: A Collection of Technologies

Collaborating directly with suppliers helps procurement stay closer to the market, where both parties can stay abreast of trends, risks, and opportunities, and become more agile and competitive. Innovative business solutions, like supplier management suites and business networks, make it easier to communicate and collaborate with the supply base and increase agility. These innovative business solutions enable Best-in-Class procurement teams to operationalize their supplier management strategies.

Supplier information and performance management tools, along with business networks (see *Figure 2*), offer advantages to procurement and supply management teams that seek enhanced communication and collaboration with their suppliers. While each of these technologies is unique, common features, like digitalization, automation, platform/suite modularity, and interconnectivity, allow them to be used in concert with one another for

optimal user experience and performance. The clear favorite for Best-in-Class procurement teams is supplier performance management tools.

Figure 2: Best-in-Class Supplier Management Solution Adoption



© Ardent Partners - 2016

Supplier Performance and Risk Management (“SPRM”) Tools

Digital SPRM tools provide users with automated and scalable methods to communicate with their suppliers, rate and track their performance, and help low-performing suppliers to reach their potential. Digital scorecards and surveys give users and suppliers, respectively, the tools they need to evaluate performance, while integrated communication tools, like chat, email, and file share functionality, allow for the direct exchange of information and feedback. The more communicative and collaborative that these parties can be, the more agile they can be vis-a-vis market trends, risks, and opportunities, which can enhance enterprise performance.

Supply risk management tools also allow practitioners to rate or score risks, monitor and track various risks over time, set alert thresholds, and be proactive with their suppliers vis-à-vis emerging events or sudden disruptions. The most successful procurement and supply chain management teams are better at avoiding and mitigating supply risk. And yet, many find it difficult to show return on investment (ROI) for their efforts because it is difficult to quantify the impact of something that is avoided. What is clear, however is that a collaborative, tech-enabled, and resilient supplier management program can help keep enterprises out of the headlines AND out of the red when disaster strikes.

The Best-in-Class are more than twice as likely (65% vs. 25%) to adopt SPRM tools than their peers. An equal number of Best-in-Class procurement teams report that their SPRM processes are linked to some degree with other processes, like supplier information or risk

management. As a corollary, Best-in-Class SPRM programs appear to outperform their peers, often by wide margins. For example, over the last three years, the Best-in-Class report:

- 241% greater adoption of supplier innovation programs
- 80% greater procurement-led improvement in supplier performance
- 43% greater improvement on overall business/enterprise performance
- 43% greater increases in efforts and investments to improve supplier performance

“As emerging leaders, we’re driving the innovation discussion with our suppliers. Our challenge is to make sure they can keep up delivering the new products and services on time and at the right price.”

– VP, Procurement, Global Manufacturer

Supplier Information Management (“SIM”) Tools

Information is power: the more information that CPOs and procurement teams have at their fingertips, and the greater the speed and fidelity with which they receive it, the more agile, collaborative, and efficient they can be in managing their suppliers’ performance and risk. But information overload is a risk in and of itself; it can paralyze an organization trying to decipher and leverage it all. Luckily, SIM tools can help both parties become more agile, collaborative, and efficient in the age of Big Data.

Automated SIM tools collect, categorize, and validate supplier data points from across and outside of the enterprise, and, like Supplier/Vendor Master Data Management solutions, provide a source of truth for each of their suppliers. They provision users with read/write authority, controlling the management of the information. Most feature self-service supplier portals that allow them to upload, update, and generally manage their own information (like certifications, remittance address, contact info, etc.), which can increase the accuracy and efficiency of supplier data capture and allow procurement to recapitalize resources.

For enterprises that have thousands, or hundreds of thousands of suppliers, having a SIM program supported by a digital, automated SIM solution is valuable for effective supplier segmentation, payment remittance, and business continuity. And it can feed other supplier-centric systems, like supplier networks and supplier/supply risk management dashboards. Although Best-in-Class procurement teams deploy SIM tools to a greater degree than their peers, their overall adoption rate can be improved.

Supplier (or Business) Networks

These web-based platforms enable inter-connected buyers and suppliers to trade, communicate, and collaborate with each other. For many users, supplier networks have risen as a powerful means for businesses to connect with core partners, foster business relationships, automate key procurement and financial activities like procure-to-pay, and provide key stakeholders with the necessary visibility to help forecast and plan for the future. For some, these networks now serve as the primary point of convergence between different procurement, finance, and supply chain related initiatives. And, if a global network effect starts to take form, an acceleration of opportunities may arise within the different networks, driving greater adoption of the technology solutions that enterprises must use to access them. Like SIM solutions, the Best-in-Class lead the way in supplier network adoption, although there is significant opportunity for further adoption.

Collaborative Supplier Management in Action

Business processes and technologies that drive supplier collaboration not only facilitate enterprise innovation, they also help procurement teams increase agility and performance and avoid or mitigate unknown risks. While value propositions help illustrate the value of collaborative supplier management, real-world examples demonstrate the criticality of these relationships and the opportunities available to enterprises and their procurement teams. Here are some examples of enterprise procurement teams collaborating with their suppliers, and the agility dividends they have realized:

- **Unilever, Supply Chain Collaboration, and CSR:** In 2012, Unilever, a world-renowned consumer packaged goods company, launched a project with LEAF, a charity that promotes sustainable food and farming, to help the company source 100% of its rapeseed from sustainable suppliers. Unilever relies on rapeseed oil for many of its products. Its collaboration with LEAF and sustainable farmers supports these farmers and their eco-friendly methods, drives transparency and sustainability into its supply chain, and is just one part of its Sustainable Agricultural Code.
- **Toyota, Gainsharing, and Supplier Collaboration:** The “Toyota Way” is a famous method to drive continuous improvement. The company behind it takes this approach deep into its supply chain where the procurement organization aggressively collaborates with its suppliers to drive value and reduce costs. Toyota has developed an innovation model designed to increase supplier collaboration, uncover new

opportunities, and improve efficiencies. Suppliers whose ideas are implemented can receive as much as 100% of the savings generated by them in the first year.

- **Hosting Annual Supplier Days:** For procurement, a Supplier Day can be a highly effective means to gain alignment with the executive team and partner with the business in developing proactive supplier relationship management strategies. These can be particularly valuable in getting suppliers invested in collaboration since the nature of an intense buyer-supplier contract negotiation can strain the relationship.
- **Design for Success:** When Pratt & Whitney began developing its recent PW 600 series engines, it brought key suppliers to a series of onsite Kaizen events early in the product design process. This resulted in a jet engine with 50% fewer parts and a manufacturing process that was ultimately slimmed from 8 days to 8 hours.
- **Levi's Strauss and Co., the World Bank, and Supplier Financing:** One of the world's most recognizable brands, Levi's, recently partnered with the World Bank's International Financing Corporation and its Global Trade Financing Project to offer tiered, short-term loans to garment suppliers with high environmental, health, labor, and safety ratings. The higher the ratings, the better the financing. Levi's participation is meant to not only discourage unfair, unsafe, and unethical labor practices, but also reward suppliers that improve the quality of life for the people in its supply chain.

Conclusion

Collaborative supplier management is more than picking up the phone and talking with suppliers; it is the sum of several distinct but related parts – supplier information, performance, and risk management – that, when combined, can create synergies that are greater than the whole of its parts. Practitioners that wield process automation tools adeptly and have developed solid relationships with their suppliers are positioned to be more agile; and they are better equipped to leverage supplier innovations and mitigate the supply risks lurking within the market. As the Best-in-Class demonstrate, it pays to embrace automation and innovation, and become agile and responsive to market opportunities and risks.

Appendix

About The Authors

Andrew Bartolini, Chief Research Officer, Ardent Partners



Andrew Bartolini is a globally-recognized expert in accounts payable, sourcing, procurement, and supply management. Andrew focuses his research and efforts on helping enterprises develop and execute strategies to achieve operational excellence within their finance and procurement departments. Andrew is also the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 250 times in eight different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their accounts payable, sourcing, procurement, and supply management operations and his research is currently part of the Supply Chain/Management curriculum at several US universities. He actively covers the technology marketplace as well as trends in sourcing, procurement, supply management, and accounts payable and has been published or quoted in leading business publications including The Wall Street Journal, Business Week, Investor's Business Daily, Forbes, and Fortune, as well as the major trade publications focused on accounts payable and supply management.

Prior to becoming an industry analyst, Andrew developed, packaged, deployed, and used supply management solutions on behalf of enterprises in the Global 2000 while working for Ariba and Commerce One. Additionally, his experience in strategic sourcing (where he managed sourcing projects totaling more than \$500 million in aggregate client spend), business process transformation, and software implementation provides a “real-world” context for his research and writing.

Andrew has been named a “Pro to Know” by Supply and Demand Chain Executive three times and holds a B.A. in Economics from The College of the Holy Cross and an M.B.A in Finance from Indiana University. He welcomes your comments at abartolini@ardentpartners.com or 617.752.1620.

Matthew York, Research Analyst, Ardent Partners



Matthew York is a research analyst who for more than ten years has written and managed content, data, and projects for diverse customers -- including scholars, business executives, and senior government officials. His primary areas of research at Ardent Partners include sourcing, contracts, procurement, and supply risk. Matthew also serves as the editor of [CPO Rising](#), drives the firm's social media operations, and has been named a "Pro to Know" by Supply and Demand Chain Executive. Matthew comes to Ardent Partners from Aberdeen Group, where he conducted survey research and data analysis for multiple research practices, including the Global Supply Management, Supply Chain Management, and Business Intelligence practices. Prior to joining Aberdeen, Matthew served for three and a half years in the U.S. Intelligence Community as both a Human Capital Management analyst and an Intelligence Analyst. He earned a B.A. in Political Science from Stonehill College and an M.A. in Political Science from the University of New Hampshire. He can be reached at myork@ardentpartners.com.

About Ardent Partners

Ardent Partners is a Boston-based research and advisory firm focused on defining and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent also publishes the [CPO Rising](#) and [Payables Place](#) websites. Register for exclusive access to (and discounts on) Ardent Partners research at ardentpartners.com/newsletter-registration/ and join its LinkedIn Group

Report Demographics

The research in this report is drawn from 331 respondents representing the following demographics:

Job Function: 89% procurement; 4% finance; 2% supply chain; 5% other

Job Role: 48% VP-level or higher; 24% director-level; 23% manager-level; 5% staff-level

Company Revenue: 77% Large (revenue > \$1 billion); 12% Mid-market (revenue between \$250 million and \$1 billion); 11% Small (revenue < \$250 million)

Region: 64% North America; 30% EMEA; 6% Asia-Pacific

Industry: More than 25 distinct industries are represented. Manufacturing, Oil and Energy, Pharma, CPG, and Financial Services are the largest industries in the survey pool; no industry represents more than 13% of the overall survey respondents.

Industry Standard "Fine Print:" The information contained herein has been obtained from sources believed to be reliable. Ardent Partners, Ltd. disclaims all warranties as to the accuracy, completeness, or adequacy of such information. Ardent Partners, Ltd. shall have no liability for errors, omissions, or inadequacies in the information contained herein or for interpretations thereof. The contents expressed herein represent Ardent Partners' best analysis at the time and are subject to change without notice.

© 2017 Ardent Partners, Ltd. All rights reserved. Reproduction and distribution of this publication in any form without prior written permission is forbidden. Solution providers and consultancies should take special note that Ardent Partners reserves the right to seek legal remedies including injunctions, impoundment, destruction, damages, and fees for any copyright infringement (which includes but is not limited to usage of any Ardent Partners content in company collateral, presentations, and websites) in accordance with the laws of the Commonwealth of Massachusetts and the United States.