Getting Started with Digital Transformation:
Five Tips for Procurement Directors

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Getting Started with Digital Transformation: Five Tips for Procurement Directors:

Procurement directors often find themselves in the challenging position of having to extend the value of their staffs throughout the enterprise, despite the fact that many supply management teams remain understaffed to deliver that value. Many teams still have not returned to their pre-recession staff levels. As they continue to manage more spend and risk, as well as drive more compliance and performance, the expectation continues for procurement directors and their teams to be everywhere and everyone for the enterprise. But success can have its limitations.

Like bodybuilders trying to build more muscle and strength will eventually plateau; they will hit an invisible wall of too few staff, too many expectations, too many obstacles, and too little time to deliver more value. And like bodybuilders, procurement directors will need to make changes in how they operate in order to overcome these plateaus and reach new heights. Process automation and technology adoption can be force multipliers for beleaguered procurement teams, allowing them to extend their value throughout the enterprise – to perform more of the heavy lifting, to cover more ground, to close process gaps, and to allow procurement staff to move from tactical, transactional work to strategic planning.

However, process automation and technology adoption are not as simple as adding a new exercise to a workout or switching up the order; organizations need to understand why and how they are going to automate or adopt; and then they need to ensure that they have the right people, processes, strategies, and relationships in place in order to successfully implement and sustain the change. Indeed, technology implementation is a lot more challenging and has a longer tail than changing up one’s workout. As a procurement director, you can help your CPO understand that he or she needs to take care to implement change in a manner and form that is consistent with their unique needs and considers all of the moving parts of the modern enterprise.

In that vein, this report provides five strategies on how procurement directors can successfully drive technology adoption within their organization. It includes guidance on
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staff/talent considerations, process implementation, solution selection, gaining visibility into the upstream and downstream currents of supplier management, and supplier enablement.

Technology Solutions for Procurement Challenges

Before providing guidance on how to properly and effectively implement procurement process automation and technology adoption, it is worthwhile to briefly review the kinds of technology solutions at play and what they can do for procurement organizations. Figure 1 below highlights the primary solutions that support the overall source-to-settle process. Ardent Partners’ research has shown that Best-in-Class organizations adopt the solutions to a greater degree and utilize them to greater advantage than their peers.

Figure 1: Source-to-Settle Technologies

Automated Spend Analysis and eSourcing

At a high level, automated spend analysis provides valuable intelligence into historical and current spend and sourcing behaviors, which can be pulled into the sourcing process to inform future buying decisions. Automated spend analysis and electronic sourcing (“eSourcing”) can provide seamless linkage of intelligence from one process to the other with comparatively little user interface.

Contract Management (Authoring and Repository)

Likewise, sourcing agreements and information derived during a sourcing event, like supplier information, product specifications, pricing, and length of performance, can be pulled into the contracting phase, where they can be codified into a contract with a digital contract authoring tool and expediently signed with electronic signatures and automated workflows. Once executed, contracts can be stored in a central, digital, and searchable contract repository for easy retrieval, reference, and auditing. Collectively, this helps contracting,
legal, and procurement teams drive greater internal and external contract compliance and risk mitigation.

**Supplier Performance Management and Supplier Information Management**

Procurement teams can further increase compliance and reduce confusion on the upstream (and downstream) side by linking contract management tools to automated supplier information (“SIM”) and performance management (“SPM”) tools. Supplier performance management tools help procurement teams rate their suppliers’ performance against their contractual obligations, using a variety of tools like supplier scorecards, surveys, and key performance indicators. Tying contract management to SPM helps procurement teams link contract performance with supplier performance for objective data. Likewise, SIM tools help to organize supplier information, such as points of contact, addresses, business units, billing, and payment information, so that the correct supplier is paid, reducing late or erroneous payments.

**eProcurement and ePayables**

Further downstream, eProcurement tools provide buyers with seamless integration of business networks and supplier catalogs with established, preferred suppliers that are integrated onto enterprise systems for easy buying of goods and services for the organization. Rather than performing three bids and a buy, eProcurement users can log onto an “Amazon-like” platform, purchase against established contracts, and place more spend under management. Lastly, ePayables brings automated, digital processes, electronic invoicing, and electronic payments to the back-offices of accounts payable and finance departments, resulting in faster processing times, lower costs to issue payment, and even the ability to take advantage of dynamic or early-payment discounting.

Individually and collectively, these technologies can increase visibility into enterprise spend, the sourcing and procurement process, and save the enterprise significant amounts of time and money. They can enhance savings, compliance, risk mitigation, and supplier performance. Ultimately, they can drive greater value back to the enterprise. Here are five tips for getting started with a procurement transformation initiative at your organization.
Tip #1: Think holistically about introducing technology into the source-to-settle process

There are many factors to consider before introducing business process automation and/or technology solutions within a procurement operation. First, take a moment and consider where you are in the context of overall technology adoption – are you “upstream” with strategic sourcing technologies and want to sail “downstream” into P2P waters? Is it the opposite? Every organization’s needs are unique. When you are looking to make a change, it can be a little overwhelming considering all the options in the market, and whether to adopt one-off solutions, an upstream or downstream suite, or to automate the entire source-to-settle process. But the good news is that technology adoption does not have to be done all at once.

Rationalize technology adoption according to your needs and budget. Where does your organization hurt the most, and what makes the most sense in terms of capabilities, upfront costs, total cost of ownership, and return on investment? Do you have the technological infrastructure to support further adoption? If not, how about moving to the cloud for a hosted solution? Remember that at the end of the day, it matters less where your procurement organization introduces technology into its operations and more that you continue adopting with the goal of automating the entire source-to-settle process. Even incremental adoption and automation can offset staff shortages, perform more heavy lifting, allow you to scale up, and extend procurement’s value.

That said, you and your CPO also need to consider whether you have the staff and talent levels to support technology implementation. Technology takes time, training, skill, patience, and consistency in order to be maximized. If there are not enough hands on deck to support tech adoption, or if the right people with the right skillsets are not in place to deploy source-to-settle solutions, even the most robust tools will be set aside in favor of manual processes that people understand and are comfortable with but provide comparatively little value. Ironically, technology can offset staff shortages and allow fewer staff to perform more work; but it still takes skilled personnel to set the wheels in motion and keep the bus on the road.
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**Tip #2: Simplify and pare down processes before mapping them to the new technology**

Once a technology solution or suite of solutions has been selected, it is imperative that your procurement team considers how this implementation is going to change their processes, and how to re-engineer their workflows for maximum efficiency and adoption. For example, automating spend analysis requires more customization up front in order for the tool to deliver actionable insights when and where and to whom they are needed. But the process needs to make sense according to enterprise requirements, and needs practitioners to streamline it; otherwise, the tool and new process will not be maximized. If practitioners follow dozens of unnecessary steps to collect, clean, and deliver additional information that is not adding enough value, then their process should be simplified.

Likewise, if a process is not intuitive and user-friendly, then users are more likely to find the most direct route through, risking over-simplification and under-utilization. Dumping raw data into an Excel file and sending it to executives may be easier than building and running a regular report with clean data and actionable insights, but it provides no value. The technology is there to automatically and regularly provide that value, but the process needs to be understood and mapped according to enterprise needs in order to maximize value. If a process is particularly kludgy, it is even more possible that the process and the solution will be set aside in favor of manual workflows that are more time consuming but familiar and reliable, negating the value of the technology investment. Remember that a key part of the value of automation solutions is their ability to model processes that are highly scalable and repeatable; if the solutions are not being used and used well, their overall impact is limited.

**Tip #3: Prioritize supplier enablement and the cloud for greater collective value**

One of the challenges of adopting technology solutions is that it often “takes a village” to support the initiative, a “village” that many organizations simply do not have. But the beauty of supplier enablement strategies is that you can use business networks and third-party enablement teams to accelerate enablement. You can also use networks to perform more of the heavy lifting if your organization cannot scale up human and technological resources to organically support adoption. Leveraging a business network can allow your enterprise to benefit from existing suppliers who have been enabled on the network for a previous...
customer relationship. Your procurement teams simply need to tap into that network to realize the benefits.

Supplier enablement, particularly through business networks, allows buyers and suppliers to connect quickly, efficiently, and securely. Moreover, cloud-based solutions like eSourcing and reverse auction platforms deploy quickly, are flexible, scalable, and secure, and require little in-house IT support. They are the logical and cost-effective alternative to “reinventing the wheel” for every new sourcing event.

**Tip #4: Prioritize gaining visibility into data and into process**

There are many moving parts within the source-to-settle process, and your CPO must gain visibility into every aspect of the value stream – whether it is strategic sourcing or P2P. As a process and a tool, spend analysis can help you and your CPO understand current and historical spend across categories and suppliers so that you can make more informed sourcing, buying, and supplier decisions. It can also flow downstream to enhance contract compliance, management, and supplier performance management initiatives with all of the rich intelligence that it provides. Surprisingly, spend analytics adoption and automation is not higher, even among the Best-in-Class. Procurement teams should prioritize gaining visibility into spend and other key facets of the source-to-settle process.

Likewise, contract repository and search tools can give you visibility into existing contracts and enable teams to audit contracts for compliance or reuse them as contract templates, saving your enterprise time, effort, errors, and money. Contract analytics can help you understand risks lurking within your contracts, such as liability vis-à-vis sudden or emerging events, as well as contract expiration dates, and allow you to take the recommended course of action. Although a majority of Best-in-Class CPOs and procurement teams deploy contract repositories, all maturity classes should also prioritize further adoption of contract repositories to help them gain greater visibility into compliance, performance, and risk.

Gaining visibility into “downstream waters” is just as important for organizations getting started with a transformation project. For instance, if there are issues with eProcurement systems – e.g., suppliers are not enabled on a system, or buyers do not have access to the full array of a supplier’s offerings – then usage will be low and the value of the system will not be maximized. Your organization also needs to have visibility into the accounts payable side of
the house, as it is the second “P” in the P2P value chain. You need to understand whether your vendors are being paid on time, early or late, as this can impact your supplier relationships and adjust the value that they can expect to realize from the arrangement. It is not enough to conduct a sourcing event, sign the contract, and buy against that contract; your procurement organization needs to be in lockstep with AP and Finance in order to ensure that the value chain is linked and realizes maximum potential value.

**Tip #5: Engage key stakeholders early and throughout the process**

Lastly, your CPO needs to engage key stakeholders throughout the process of selecting and implementing technology adoption for the procurement team. Because procurement’s reach continues to extend throughout enterprises, where possible, it is sensible to align processes and systems with other key stakeholders, like IT, legal, operations, and sales. Otherwise, you risk placing procurement back into silos where your processes and systems are not compatible with other constituent departments, thereby increasing bureaucracy and frustrating speed and efficiency. The same can be said for engaging strategic suppliers early on in the technology selection process, as their systems may or may not be compatible.

Fortunately, some solution providers offer open APIs that provide for customization and the adoption of best-of-breed solutions on established platforms, even if that solution is foreign to that platform. But it would be beneficial to understand what your options (or limitations) are for technology adoption prior to embarking upon such an endeavor. Engaging with key constituent stakeholders can mitigate the risk of implementing a system or process that is wholly or partially incompatible, and can even drive the discussion of adopting an enterprise-wide solution or solution suite that suits everyone.

**Conclusion**

Technology implementation can be an overwhelming and long-term process even for mature procurement teams. With so many valuable source-to-settle systems and tools to choose from, take a holistic view and carefully consider options before pushing play. You need to engage with and consult the right stakeholders early in the process and ensure that your workforce, budget, and enterprise needs are best suited for a given technology or suite of solutions. In making your selections, prioritize gaining visibility into key parts of the source-to-settle process, as well as supplier enablement for fast and effective business relationships.
Appendix

About The Authors

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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 200 times in seven 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.
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About Ardent Partners

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