Understanding Integrated Suites: The Example of E-Sourcing

By Constantine Limberakis, Kurt Albertson and Jeff Gibbons

Executive Summary
Procurement organizations are moving in substantial numbers to implement integrated technology suites in areas like source-to-contract and purchase-to-pay. A new generation of technology has made it possible for these technologies to move to the cloud, simplifying maintenance and administration. A recent Hackett Group study analyzed the use of e-sourcing suites to uncover trends, benefits and drawbacks to unifying these processes in one solution. For organizations already invested in optimizing sourcing execution efforts, the arguments for moving to an integrated suite are compelling.

Procurement technology providers today offer cloud-based integrated suites that package functionality across both upstream (source-to-contract) and downstream (purchase-to-pay) processes (Fig. 1). This is reminiscent of the way traditional enterprise resource planning (ERP) platforms historically combined business systems and processes in a single data model. By providing a common platform framework for system configuration, data management and process workflows, integrated procurement suites offer a way for procurement organizations to deploy technology as part of their digital transformation strategy.¹

The trend toward deploying integrated suites is a hot topic in procurement. While most organizations still rely on an ERP or a hybrid of source-to-contract or purchase-to-pay solutions, data collected from The Hackett Group’s Integrated Suite vs. Best of Breed study (2018) reveals that organizations are moving toward a single, integrated suite for source-to-pay functions (Fig. 2). However, given the differences between upstream and downstream processes, more organizations appear to be choosing to consolidate functional areas logically, such as purchase-to-pay or source-to-contract, over moving all functions to one source-to-pay provider.

¹ 88% of respondents to our 2018 Key Issues study expect to have one or more cloud-based/SaaS applications within the next two to three years.
### FIG. 1  How upstream and downstream processes fit across source-to-pay

**Supplier lifecycle management**  
(*Supplier master data, performance and risk)*  
Track performance, assess and monitor risk, aggregate third-party intelligence on suppliers, maintain master data, provide real-time insights, integrate to PLM, ERP and suppliers.

<table>
<thead>
<tr>
<th>Automated spend analysis</th>
<th>E-sourcing</th>
<th>Contract lifecycle management</th>
<th>E-procurement</th>
<th>Services procurement</th>
<th>E-invoicing/e-payables</th>
</tr>
</thead>
</table>
| • Identify category opportunities  
• Aggregate and report on enterprise spend  
• Cleanse and rationalize spend data | • Define requirements/aggregate demand  
• Conduct RFx  
• Evaluate suppliers  
• Optimize bids  
• Conduct e-auctions | • Create and store contracts  
• Maintain standard templates  
• Manage negotiation workflow  
• Alert on milestones | • Maintain e-catalogs  
• Search approved suppliers  
• Punch-out to supplier catalogs  
• Create requisitions | • Manage requisition workflow  
• Benchmark rates  
• Maintain service agreements  
• Track time and approval workflow | • Input/upload invoices  
• Match invoices  
• Manage discrepancy resolution  
• Approve payments |

![Upstream procurement](source-to-pay1_upstream.png)  
![Downstream procurement](source-to-pay1_downstream.png)

Source: The Hackett Group

### FIG. 2  Source-to-pay technology approach

**Percentage of organizations**

- Hybrid approach: ERP solution combined with best-of-breed/modular solutions for either upstream or downstream functionality  
  - CURRENT: 43%  
  - PLANNED: 37%
- Multiple best-of-breed solutions approach for upstream and downstream  
  - CURRENT: 27%  
  - PLANNED: 19%
- Existing ERP solution for all processes, with limited exceptions  
  - CURRENT: 14%  
  - PLANNED: 11%
- No strategy  
  - CURRENT: 10%  
  - PLANNED: 8%
- A single provider (i.e. non-ERP) to support end-to-end processes, with limited exceptions  
  - CURRENT: 6%  
  - PLANNED: 24%

Source: Integrated Suite vs. Best of Breed study, The Hackett Group, 2018
Expanding Traditional E-Sourcing Execution Capabilities

As organizations decide whether they prefer multiple systems or a single-suite solution to manage procurement, one area where the move to integrated suites is having a large impact is e-sourcing. For organizations already invested in optimizing sourcing execution efforts, the rationale for moving to an integrated suite is compelling.

Due to diminishing returns on sourcing activities over time, many who were successful with e-sourcing in the past now have hit a ceiling on savings from sourcing efforts related to RFPs or reverse auctions. At the same time, early adopters of e-sourcing are finding their current solutions are outdated, limiting adoption. The less-desirable user interface (UI) and user experience (UX) of the older solutions also cannot be properly integrated with other upstream or downstream areas to improve wider sourcing execution efforts.²

For years, traditional e-sourcing tools have been transformational for organizations due to their ability to improve sourcing efficiencies and savings recognition that would otherwise be conducted on spreadsheets. In this regard, e-sourcing software provides significant value to the sourcing execution process, with average benefits that include a 29% increase in the total number sourcing events per year, a 13% reduction in total cost of sourcing, and a 12% increase of recognized savings (Fig. 3).³

**FIG. 3 Benefits of e-sourcing**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce total sourcing cycle time by:</td>
<td>30%</td>
</tr>
<tr>
<td>Increase the total number of sourcing events per year by:</td>
<td>29%</td>
</tr>
<tr>
<td>Increase the percentage of recognized savings by:</td>
<td>12%</td>
</tr>
<tr>
<td>Reduce the total cost of sourcing by:</td>
<td>13%</td>
</tr>
<tr>
<td>Increase the use of standard templates by:</td>
<td>46%</td>
</tr>
<tr>
<td>Reduce data collection errors by:</td>
<td>35%</td>
</tr>
</tbody>
</table>

Source: Sourcing Cycle Time and Cost Measurement study, The Hackett Group, 2017

However, e-sourcing solutions are usually focused on specific sourcing execution elements such as RFx and e-auctions.⁴ Some of the pitfalls of focusing only on sourcing event creation and bid analysis include:

- Conducting supply base/market analysis takes longer when supplier and contract data have to come from separate systems.
- There is no ability to go beyond basic supplier management requirements for creating supplier profiles related to sourcing identification efforts.
- Only contract header information gets pushed to a third-party contract management system post-award.


⁴ Due to a perceived lack in capability from traditional e-sourcing providers, niche sourcing planning and optimization solutions evolved for evaluating large bids and what-if scenarios in direct spend areas such as transportation and logistics.
**Sourcing execution defined**
The Hackett Group’s process taxonomy breaks sourcing execution into two areas:

- **Requirements definition and supplier bidding:** The process of identifying, validating and selecting suppliers for direct materials, indirect materials, and capital goods and services.
- **Sourcing execution, negotiation and supplier contract creation:** The process of negotiating terms, delivery, price and quantities with suppliers.

**Supplier discovery technology improves sourcing execution**
When used by sourcing staff and internal stakeholders, supplier discovery technology can reduce average cycle times for various parts of the sourcing processes. For example:

- Identifying system-recommended suppliers (based on pre-defined criteria and past preferences): 31%
- Filtering and searching supplier list by specific product/service requirements: 25%
- Viewing buyer organization rankings and feedback on suppliers: 22%

Source: Sourcing Cycle Time and Cost Measurement study, The Hackett Group, 2017

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**A Shift from E-sourcing to Full Source-to-Contract**
Today, either by way of technology innovation on a native code base or through acquisition of additional technologies in specific upstream functions, e-sourcing has evolved and now encompasses the wider source-to-contract process as part of an integrated suite.

**FIG. 4 Sourcing execution processes in source-to-contract**

In this regard, integrated suites facilitate improved strategic sourcing by better addressing the supporting activities in the source-to-contract process (Fig. 4), such as:

- **Requirements definition:** Integrated suites can improve access to internal supply and third-party market analytics (e.g., category-specific data sets, index data) to profile current demand as part of spend and supply base analysis.
- **Supplier identification:** Integrated suites can provide supplier discovery capabilities for identifying new and potentially untapped supplier sources to meet business requests or other corporate requirements (e.g., small business, supplier diversity, risk or sustainability).
- **Supplier certification:** Integrated suites with supplier lifecycle management (SLM) can improve coordination of program-managed supplier certification, risk and qualification activities for key stakeholders, whether performed before or after sourcing execution process or downstream as a part of purchase-to-pay.
- **Contract creation:** Expanding capabilities in contract creation (to accommodate contract and compliance management that includes full creation of greenfield contract language) allows for significant negotiations and modifications in contract language, and management against government and regulatory oversight.

**Expanding to Support Wider Upstream and Downstream Capabilities**
The development of integrated suites on cloud-based platforms also brings the promise of reducing wider data and process-related operational challenges in managing wider upstream processes related to supply base management, operations and compliance requirements (Fig. 5). For instance, an integrated suite offers a common framework for system configuration that facilitates linkage between data management, process workflows, sourcing, supplier management and contract management data processes. Using standard, administrator-led configuration as part of the suite provides the potential to enable more complex workflows based on interrelated data, metadata and supply-base documents.
Further, integrated suites offer the potential to improve management of master data related to supplier, contract, item and article masters. Use of MDM is traditionally accompanied by both inaccuracies and inefficiencies in areas like supply analysis, supplier certification and onboarding, contract authoring and negotiation, and compliance management, due to use of internal data silos or "lakes, and other barriers to collaboration, efficiency and visibility. By using a common data model, integrated suites provide an impetus to harmonize information that was traditionally spread out across systems (MRP, ERP, spreadsheets) and departments.

Capabilities enabled by an integrated suite approach across wider upstream procurement areas include:

- Advance notice of certifications or requirements that may expire prior to a sourcing event.
- Improved efficiency and reliability in vetting suppliers invited to a sourcing event (like an RFx) or by linking supplier performance and risk scores to a supplier profile.
- Establishing sourcing-award criteria such as supplier bidding details, and supporting documentation that integrates and is linked to contract information in the system during contract creation.

The development of cloud platforms as part of open integration architecture, combined with improvements in supporting capabilities around supply analytics, market analytics and emerging technologies (e.g., AI, RPA), is incentivizing the expanded use of integrated suites (Fig. 6). While procurement technologies that enable source-to-contract and purchase-to-pay processes have evolved separately, integrated suites provide a basis for improving decision-making by making it possible to add capabilities applicable to the wider source-to-pay process. This can happen either by integrating different suites or by providing all source-to-pay functionality in a single solution suite.
Benefits of Integrated Suites for Upstream Procurement

Based on improvements made using cloud-based technology, upstream procurement is benefiting today from the integrated suite approach. To better understand the value drivers of integrated suite technology, The Hackett Group’s Integrated Suite vs. Best of Breed study looked at the benefits most frequently claimed by respondents.

Over 50% of the respondents credit integrated suites with helping them improve spend under management/influence (71%), along with increased sourcing productivity (68%), process efficiency across spend categories (62%), improved contract compliance (59%), improved third-party management (57%) and integrated master data across systems (53%) (Fig. 7). Moreover, respondents using only one provider for source-to-contract achieved an average of 22% improvement in efficiency in sourcing execution process cycle time.

**FIG. 7 Benefits of using a single provider for source-to-pay processes**

<table>
<thead>
<tr>
<th>Percentage of organizations</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved spend under management</td>
<td>50%</td>
<td>21%</td>
<td>71%</td>
</tr>
<tr>
<td>Increased sourcing productivity</td>
<td>54%</td>
<td>14%</td>
<td>69%</td>
</tr>
<tr>
<td>Process efficiency across spend categories</td>
<td>51%</td>
<td>11%</td>
<td>63%</td>
</tr>
<tr>
<td>Improved contract compliance</td>
<td>47%</td>
<td>15%</td>
<td>62%</td>
</tr>
<tr>
<td>Improved supplier selection/third-party management</td>
<td>48%</td>
<td>9%</td>
<td>58%</td>
</tr>
<tr>
<td>Integrated master data across systems</td>
<td>41%</td>
<td>12%</td>
<td>53%</td>
</tr>
<tr>
<td>Managing complexity of supplier selection/qualification</td>
<td>43%</td>
<td>9%</td>
<td>51%</td>
</tr>
<tr>
<td>Better pricing and forecasting</td>
<td>38%</td>
<td>9%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Source: Integrated Suite vs. Best of Breed study, The Hackett Group, 2018
Current State of Integrated Suites

To better understand the strategy and use of integrated upstream suites, we asked how procurement organizations are addressing integrated suites in their broader technology strategy. While integrated suite providers offer several solutions with a common user interface and solution platform, not all technologies provided in the solution suite are used (Fig. 8).

FIG. 8 Upstream solution areas by approach

When organizations choose not to use all the solutions in a suite, it may be due to alternative options with better functionality or the lack of mandate to use one solution for every process area. Or, the integrated suite provider may have given the organization a new module, e.g., supplier management or contract management, at no cost as a marketing hook. This is possibly why 49% of e-sourcing solutions in use are part of an upstream suite. This exceeds contract lifecycle management (CLM), where a large percentage of solutions are standalone. Since CLM may cover both buy-side and sell-side contracts as part of an enterprise solution, it also has one of highest rates of usage as a standalone solution.² Spend analysis and supply analysis, also widely used in standalone configurations, are often part of wider enterprise deployments for business intelligence (BI). Furthermore, data-intensive areas related to supplier information and supply-master data management frequently use ERP as the MDM backbone.

User Perspective on Integrated Suites

In an increasingly competitive global marketplace, procurement organizations face more pressure to identify new sources of savings, ensure compliance and mitigate risk. To help, sourcing and procurement professionals are looking for sourcing technology that goes beyond traditional e-sourcing capabilities. They want a unified, end-to-end technology suite that incorporates fresh, forward-looking UI/UX approaches that extend into wider source-to-contract areas for improving supplier discovery or contract compliance. As more technology moves to the cloud, an integrated suite strategy lets organizations take advantage of the latest capabilities and enhancements in ease of use, integration and technology innovation.⁶

⁵ Buy-side contracts are created as part of supply management or source-to-pay activities. Sell-side contracts are created as part of revenue management or order-to-cash activities.
However, integrated suites should be considered within the broader context of how the business will be affected by the transformation associated with the technology (Fig. 9). Procurement organizations are rightly wary about how well new source-to-pay technology will accommodate digital transformation requirements. Further, 60% have doubts about whether they will be able to seamlessly integrate these suites with the company’s ERP. While concerns over ERP integrations exist, integrated suites still offer more potential for innovation than traditional ERP solutions.

**Conclusion and Recommendations**

Our experience with clients and technology providers has uncovered success stories but also failures from moving too fast to adopt new procurement platforms. Overall, the advantages of moving ahead over holding back include having a single provider and potential reductions in the cost of maintaining and managing the technology. Particularly as it relates to cloud solutions, organizations are relieved of the need to make costly updates as new versions become available. However, if the solution chosen does not match procurement’s requirements, functionality may be restricted. For source-to-contract, this may limit sourcing optimization potential; further contract management functionality for authoring or managing deeper industry/compliance requirements may suffer.

As procurement organizations consider replacing their existing systems with newer, cloud-based platforms (as part of their functional digital transformation), they must decide how much functionality can be consolidated safely and effectively onto fewer platforms, or even a single platform. These decisions need to be made within the wider context of the enterprise’s overall digital transformation goals. Procurement must also consider the strength of its working relationship with the IT organization when it comes to integrating new technologies.

**Related Hackett Group Research**

Procurement Value: Moving Beyond Price Savings Toward Strategic Value Recognition, February 2018

The CPO Agenda in 2018: Expanding Procurement’s Influence Through Change and Innovation, January 2018

Six Critical Skills for Procurement to Succeed in a Digital World, September 2017

Digital Transformation Reduces Strategic Sourcing Costs and Cycle Times by 30%, April 2017
About the Advisors

Constantine Limberakis
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In his current role, Mr. Limberakis leads the development of intellectual property and research relating to procurement and supply chain. He has over 15 years of experience in supply management, having worked in a variety of consulting, product development and market research jobs. Mr. Limberakis was recognized by Supply & Demand Chain Executive magazine as one of its “Pros to Know” in 2013 and 2015. Areas of procurement-related expertise include strategic sourcing, contract management and supplier management.

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Principal & North American Procurement Advisory Practice Leader

In his current role, Mr. Albertson advises leaders of Global 1000 organizations on procurement and purchase-to-pay strategy, process, technology and organizational issues, conducts research to promote thought leadership, and leads client events promoting world-class performances, best practices and peer-to-peer learning. He offers a blend of consulting and industry experience, having served a wide variety of clients across many industries.

Jeff Gibbons
Principal, Strategy & Operations Practice

Mr. Gibbons has nearly 15 years of consulting experience, during which he has specialized in helping clients identify and implement measurable operational improvements. He has led engagements in procurement transformation, business process reengineering, e-procurement tool selection and implementation, organizational design, spend analytics, supplier relationship management and strategic sourcing.