

The Supplier Information & Performance Dossier



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Why is Supplier Management gaining Focus?

In the current market scenario, with the economy slowly recovering from the financial crisis, the time demands greater scrutiny throughout the multi-tiered and extended supply chain. Some companies are beginning to pay more attention to issues, such as supplier financials and inventory management, to improve working capital, while others are going beyond short-term considerations. Some companies are using this opportunity to better understand their supply chains, with a view to enhancing their fundamental strengths and addressing weaknesses that might have been overlooked earlier (Read: [Coke, Nike Call Climate Change 'Commercial Threat'](#)).

With the procurement world talking about the news over supplier failures (Read: [Ford USA Maps its Global Supply Chain](#), [Coke Reducing carbon in distribution with their suppliers in France](#), etc.), supplier innovation, supplier relationship management, conflict minerals rule etc., it is hard to ignore the fact that suppliers are an organization's partner in success or failure.

Another important aspect, which organizations need to focus on, is getting the attention of their suppliers, or to become the 'customer of choice' for their key suppliers. It is a two-way street, when an organization appreciates their suppliers' role in their success, the suppliers, in turn, value this partnership.

This whitepaper elaborates on the Best Practices that drive Supplier Management and on how technological processes aid their implementation. At Zycus we broadly segment Supplier Management into two parts - Supplier Information Management and Supplier Performance Management. Therefore, this whitepaper will discuss the importance of Best Practices for each of these two functions of Supplier Management.

Fact Sheet

According to a study done by Hackett Group in 2013, 64% of the participating organizations mentioned Supplier Relationship Management as 'major' or 'critical'. Another 56% of the organizations mentioned Reducing Supply Risk as 'major' or 'critical'.

In a recent paper titled 'Putting the Supplier at the Heart of Procurement', Peter Smith, Managing Director, Spend Matters, UK / Europe mentioned that, "the time may have come for procurement executives and organizations to put Supplier Management at the heart of their strategy"

Supplier Information Management

Supplier Information is often scattered throughout different parts of the organization according to its importance in various departments.

Supplier Information Management (SIM) technology allows an enterprise to aggregate, collect and maintain the information from all distribution systems within the organization and to also get all the relevant information from the supplier in a standardized and centralized repository. This enables the organization to have a consolidated view of supplier data, process status and relationships.

A. Importance of Supplier Information Management

Supplier Information is important as it is used by the organization for the following reasons:

Communication and Collaboration: Communication with suppliers can be leveraged for putting collaborative efforts into the new product development stage, where suppliers' knowledge and insights into raw materials and markets can become an invaluable asset.

Capability Assessment: Information regarding the nature of manufacturing methods, machinery and capacity available, certification, insurance documentation and the like help in the capability assessment of suppliers to meet existing and future demands.

Risk Assessment: Information about supplier performance in terms of delivery and service, coupled with external intelligence, such as financial scores, balance of trade, news and events, help in assessing the risk of dealing with a particular supplier.

Best Process

- Assign a cross-functional team to lead the Supplier Management program; program sponsor should be the executive that oversees the area of greatest risk.
- Develop and test business continuity and crisis management processes including all preparation, response, and recovery activities.
- Supply risk is a moving target - you cannot "set it and forget it"

B. Best Practices in Supplier Information Management and How to leverage them using Technology

In the recent webinar on '[How I Met Your Supplier: Best Practices in Supplier Management](#)' conducted by ISM, Ardent Group and Zycus Inc., Andrew Bartolini, Managing Partner and Chief Research Officer, Ardent Partners in January 2014, mentioned the following Best Practices for Supplier Information Management that must be adopted by all organizations:

Sr. no	Best Practice	Technology Enablers
1	Centralize and standardize the collection and management of all key supplier information.	Supplier Information Management (SIM) ensures that all supplier information is gathered, captured and updated in appropriate procurement and accounts payable systems. SIM also makes centrally updated Supplier Information available to all concerned stakeholders. This helps in easy and quick decision making and reduces operational cost.
2	Improve supplier communication so that supplier collaboration can be initiated.	Zycus' Supplier Information Management (SIM) Solution has a central repository for all supplier information including information regarding their area of expertise, niche capabilities, etc. within the Supplier Portal. This information, being centrally available, can be used by concerned departments to initiate specific communications for collaborative efforts.
3	Make a supplier's ability to be "on-boarded and enabled" part of the sourcing decision.	A unique feature of Zycus' Supplier Information Management (SIM) solution is enabling faster supplier on-boarding by providing ready access to third-party information. This is achieved by having third-party information integrated into Zycus' SIM module. Third party integration with organizations, such as Ernst & Young, Dunn & Bradstreet and Equifax, provides real-time authentication of Credit & Risk information, Parent-Child linkages, Supplier Evaluation Scores, Supplier Risk Analysis, etc. that help enhance the existing supplier records.
4	Integrate third-party information sources	
5	Carry out a comprehensive Supplier Audit	SIM ensures that only those suppliers are chosen or preferred who match the specific requirements with respect to the products and services of the organization.

Supplier Performance Management

Supplier Development is a bilateral effort by the buying as well as the supplying organizations in order to jointly improve the supplier's performance and/or capabilities in areas such as cost, quality, delivery, turnaround time, technology, managerial capability and financial strength. Supplier Performance Management is a business exercise performed to measure, analyze and manage the performance of the suppliers in an effort to reduce costs, mitigate risks, and drive continuous improvement for ensuring a sustainable supply chain.

A. Importance of Supplier Performance Management

Supplier performance management can help companies have better visibility into supplier deliverables. Scorecards can also help companies to develop their suppliers and help them overcome their weaknesses which would help both companies. To achieve this, organizations need to adopt a Supplier Management collaborative platform for defining key performance indicators (KPIs), capturing data inputs, setting stakeholder surveys and balanced supplier scorecards

Some of the benefits of using a Suppliers Performance Management System are:

Develop Strategic Relationships:

Supplier Management enhances strategic supplier relationships and the enterprise's ability to strategically plan for the longer term. Based on the scorecards, organizations may execute supplier development programs which can help the organization to improve supplier performance, product/service quality, reduce cost and attain higher value from the suppliers. Procurement can thus leverage and enhance strategic supplier relationships.

The seven supply chain and risk enablers of maturity

- Risk Governance
- Flexibility and redundancy in product, network and process architectures
- Alignment between partners in the supply chain
- Upstream and downstream supply chain integration
- Alignment between internal business functions
- Complexity management / rationalization
- Data, models and analytics

Supplier Benchmarking:

Supplier Performance Management allows the organization to benchmark their suppliers against their industry peers, enabling the organization to make informed decisions. This also helps the organizations to identify areas where the company may want to support the supplier in order to achieve improvement over time.

Risk Reduction:

Supplier Scorecards help to understand the suppliers' capabilities and thus avoid costly and potentially devastating supply disruptions. The scorecards also capture performance trends of the various suppliers that may be mapped against the competitors and can also help analyze future risks!

B. Best Practices in Supplier Performance Management and How to leverage them using Technology

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Sr. no	Best Practice	Technology Enablers
1	Establish clear communication with suppliers and stakeholders around the evaluation process, criteria and timing	Zycus' Supplier Performance Management (SPM) Solution helps provide clear communication with suppliers regarding ratings, scores and KPIs, once they are internally decided. This is done through a pre-specified workflow which captures all historic data and communications. The suppliers can view the KPIs used for benchmarking and their scores against the respective KPIs, thus ensuring a transparent performance management process.
2	Develop standard supplier surveys and scorecards that track performance and enable bench marking across the supply base	Zycus' SPM solution has a pre-populated KPI template library which contains industry specific KPI surveys. These may be used to answer the frequently asked questions, eliminating the need to run custom surveys. Furthermore, these KPI results can be made visible on a dashboard for a comprehensive analysis of supplier performance. With SPM, organizations can benchmark supplier KPIs against their industry peers so that the organization can make informed decisions. This helps organizations in identifying areas for supplier development programs.

Sr. no	Best Practice	Technology Enablers
3	Set alert triggers and implement strong “course correction” measures as needed	Zycus' Supplier Performance Management (SPM) Solution has capabilities for both Automatic and Manual Alerts according to requirements: Automatic Alerts get triggered when a supplier's score gets below a pre-specified threshold (red region) Manual Alerts can be set for fixed time periods, as required
4	Develop a robust identification and assessment process which focuses on an all-inclusive definition of supply risk that includes all relevant types of risk, such as financial, operational, reputation, regulatory, business, political, etc.	Zycus' SPM Solution enables the organizations to mitigate the business risk associated with the extended supply chains by providing third party integration (through SIM) and a robust scoring process for assessment of capabilities. This is especially important in the current market scenario wherein, due to globalization, organizations have increasingly started sourcing from suppliers in low-cost countries for better prices. Furthermore, Zycus' Supplier Performance Management (SPM) Solution helps organizations enhance the strategic supplier relationships and the organization's ability to strategically plan for the longer term by providing relevant scoring methodologies that help organizations determine areas where they may wish to extend support to their suppliers for improvements.

Case Study

Let us see how some of these Best Practices, enabled through Zycus' Procurement Automation Solution, proved to be beneficial for a \$3 Billion Dollar Cloud Computing Leader based in the United States and a \$400 Billion Dollar Oil Giant based in the Middle East, in the following Case study:

For ease of understanding, let us refer to the \$3Bn Global Cloud Computing Leader based in the United States as Company A and the \$400Bn oil giant based in Middle East as Company B. Both of these companies had common objectives and were facing similar challenges with respect to Supplier Management, i.e.:

- Management of supplier risk
- Strict regulatory laws and audit requirements to be completed within limited time and budget
- Lack of supplier validation and verification
- Long supplier audit process
- Lack of collaboration among internal stakeholders
- Lack of clarity in communication with suppliers
- Complex organizational hierarchy

The key point to be noted in this case is that, for company B, the cycle time for the supplier on-boarding process was as long as one year. The oil and gas industry generally has a very complex supplier on-boarding process. This is due to both internal and external factors:

1 The major external factors (external to the organization) that affected the supplier on-boarding process are:

- There are a large number of suppliers involved
- Companies have to comply with stringent federal and financial audit laws

2 The major internal factors (internal to the organization) that affected the supplier on-boarding process are:

- There are many stake holders for each project, and
- The approval processes are very long, making supplier on-boarding a serious challenge for company B.

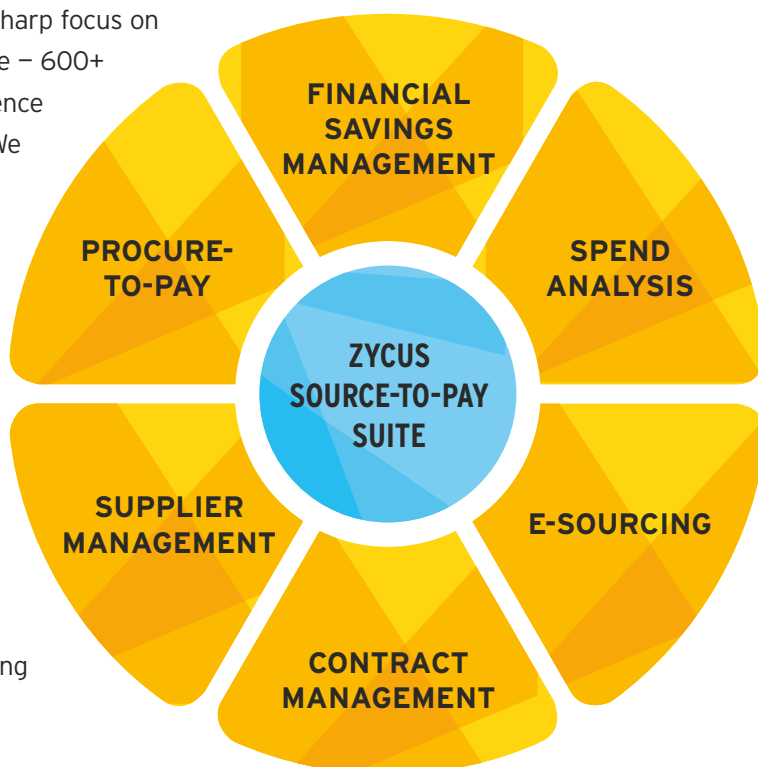
Zycus offered a unique way of implementation that was based on the objectives set by these organizations. Zycus' Supplier Management Solution automated the otherwise manual approach adopted for supplier verification and validation by establishing a workflow process to capture all the relevant information needed to audit the supplier before on-boarding. With out-of-the-box, built in third-party integration within the Supplier Information Management (SIM) module, the cycle time for supplier on-boarding was reduced from 52 weeks to 5-6 weeks.

Zycus' Supplier Performance Management (SPM) Solution also provided an intuitive graphical user interface which gave visibility into suppliers' performance. Supplier scorecards and trend analysis are made available on dashboards; these trends and scorecards help the organization to continuously analyze and take necessary steps for mitigation of risk in dealing with high-risk suppliers.

Zycus is dedicated to positioning procurement at the heart of business performance. With our spirit of innovation and a passion to help procurement create even greater business advantages, we have evolved our portfolio to a complete Source-to-Pay suite of procurement performance solutions which includes - Spend Analysis, eSourcing, Contract Management, Supplier Management, Financial Savings Management, and Procure-to-Pay.

Behind every Zycus solution stands an organization that possesses deep, detailed procurement expertise and a sharp focus on being responsive to customers. We are a large – 600+ and growing – company with a physical presence in virtually every major region of the globe. We see each customer as a partner in innovation and no client is too small to deserve our attention.

With more than 200 solution deployments among Global 1000 clients, we search the world continually for procurement practices proven to drive competitive business performance. We incorporate these practices into easy-to-use solutions that give procurement teams the power to get moving quickly – from any point of departure – and to continue innovating and pushing business and procurement performance to new heights.



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