

The Rise of the Platform is Procurement's Future

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Introduction

Many of us here at Spend Matters are getting sick and tired of hearing “platform-this” and “platform-that.” We’re sure you are, too. Part of the problems is just semantics.

In reality, many “platforms” aren’t really platforms at all. As recently [pointed out by Andrew Karpie](#), lots of tech vendors just label their solutions as “platforms” for marketing purposes.

This begs two questions: What really is a platform, and why are software companies pulling the proverbial wool over eyes?

Defining a platform is tricky because, as one of the co-authors of this piece pointed out in a recent [series over on Sourcing Innovation](#), the term could imply hardware or software. When we’re talking software, it represents an enterprise application layer or a software layer specific to a well-defined business process. Moreover, a platform may or may not be tied to a delivery methodology, such as on-site, hosted ASP or cloud.

In general, the platform concept centers on building technology ecosystems that allow all participants to more easily “plug and play” new capabilities, apps and value-added services on top of core functionality. For example, Apple iOS and Force.com are both platforms.

Got it? We admit: It’s not as simple as it seems.

Beyond the Platform In Concept: Extending Procurement Technology Suites to Platforms

Technology suites can become platforms. And there’s a reason they should. Let’s trace the evolution of this and answer the question, “Why?”

Procurement technology suites solved many of the problems with standalone modules in terms of data management nightmares, process inefficiency and visibility gaps that were common with first generation

“best-of-breed” modular procurement solutions (e.g., standalone e-sourcing, contract management, analytics, supplier management and e-procurement). But many mature organizations have found that even suites are not enough if they do not connect into larger enterprise processes and support the stakeholder organizations that procurement needs to work with – let alone unique supplier processes. This is where platforms come into play in procurement technology, specifically source-to-pay (S2P) platforms. But what is a platform in this context? Obviously it's more than just an integrated suite, but how much more? To answer that, we have to define where an average procurement technology suite begins to break down for a best-in-class procurement organization.

1. Future Needs Visibility

Procurement organizations are “tapped” for two different reasons today:

- The business typically only engages centralized strategic procurement organizations when something is needed soon or now. For example, when engineering has decided it needs a new component; legal needs a new discovery service; HR needs a new contingent labor contract; or marketing needs a new agency or print center. And everything is usually needed ASAP.
- Tactical procurement typically gets engaged when a requisition comes in, either for a new product or service or to refill inventory levels and an RFQ process is needed. Yet if procurement could insert itself earlier, it could be significantly more effective. As an example, if sourcing teams could get plugged into new product development (NPD) initiatives, the inventory management system (IMS) and the HR system, they could see when engineering is considering designs that would require new components, when requisitions are likely to come in (because stock is depleting faster than expected) and when HR is getting more labor requests than usual or new categories of requests and may need to negotiate a new deal.

Visibility can enable procurement to not only prepare for such projects but also to help them approach the different stakeholders proactively and plan properly scoped engagements to drive to the best value outcome at the right time. Granted, one-off projects like legal deciding it wants a new (e-)discovery service or marketing a specialized creative agency in a new geography will be harder to predict. But even in this case, it is still easier to manage on an exception basis when these unpredictable one-off projects become less frequent.

The takeaway: Because key organizational systems are not connected, and key data not input and tracked, by a traditional S2P suite, sourcing and procurement are always more reactive and tactical than proactive and strategic. Platforms can change this, provided they are integrated with the rest of an organization.

2. Workflow

Most suites are not configured to support only a certain type of spend (e.g., direct materials, indirect products, services, etc.). Organizations also configure them to support a specific type of workflow that is, in many cases, the typical workflow of other similar customers who have bought into the provider's suite – based on the configuration process brought by the provider or a third-party consultant.

While this will more or less work for organizations that have similar types of spend and use similar

processes to manage that spend, it will not work for everyone, as many organizations use processes tweaked to their needs, and even if it works for the majority of spend, it does not mean it will work at all for the remaining minority of spend. Given how tail spend can compromise such a large percentage of spend – and overspending in the tail often in the 15% to 30% range – a leading organization needs a solution that covers as close to 100% of spend as possible.

But when it comes to trying to manage different categories of very distinct spend -- direct, indirect, services, MRO, etc. – there is no one-size-fits-all solution, and definitely not one-workflow-fits-all approach. Most tech vendors have typically built their suites around a well-defined workflow for a particular kind of spend. This can make it challenging to adapt suites to still critical categories.

Platforms, on the other hand, can support the integration of multiple modules configured to appropriately attack a specific category of spend and define workflows around those categories. Consider how this can work in practice:

- A Contingent workforce management module can be integrated and when the requisition is for an on-site service need, it can be triggered instead of the e-catalog to help procurement help HR obtain the right temporary service.
- If a new product is a custom-configured electronics device that uses standard parts and services, a bill of materials-based cost analysis module can be triggered instead of the traditional RFX to help sourcing understand what suppliers could be invited based upon compatibility requirements, production methodology requirements and cost considerations.

The takeaway: Platforms can leverage suite workflow and sit on top of it and direct users to the right application, while then “plugging” master data, permissions and other process related information back into all key source systems.

3. Post-Procurement Project Support

Procurement does not just buy stuff that goes into a product or service that will be for sale. Some products are bought for use and other products and services are bought to support the organization. Yet procurement still needs to manage this latter category of products needs beyond the acquisition. High valued products (e.g., machines, vehicles, etc.) need to be tracked and maintained, as they are valuable balance sheet assets, as do intangible products such as software licenses and IP licenses, because even when not used, they can be sold at value.

In reality, few procurement suites today capture the necessary data to properly define an asset and catalog it in an asset management system, and then push that data to such a system, ensuring that valuable assets don't go overlooked (and then leave as five-fingered severance with a disgruntled former employee).

Yet platforms can solve the problem. For example, if an organization manages its own transportation fleet, either for inbound, outbound or point-to-point distribution, a platform can help capture the necessary data to help an organization not only feed its FMS module or solution appropriately but accurately track the costs of maintaining its own fleet so that regular reviews can be made of internal

The takeaway: A platform can help overcome post-project suite deficiencies and enable the organization to integrate procurement activities seamlessly with other key enterprise processes (whether part of procurement or related to it) in a manner that maximizes efficiency, effectiveness, sustainability and overall value.

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