Spend Matters™

Defining the Next Generation Source-to-Pay Platform

By: Jason Busch, Founder and Head of Strategy, Azul Partners, Inc., Spend Matters and

   Michael Lamoureux, Research Consulting Analyst, Spend Matters

This content originally appeared on Spend Matters. It has been reprinted with permission for Determine. You can read the original piece at www.spendmatters.com.

In the earlier parts of this series examining the intersection of procurement suite and platform capability, we set the stage by first arguing that suites represented a move away from point-based, "best-of-breed" solutions to process-based suite solutions. Yet we also exposed the cracks in "suite" armor. There's no question a standard procurement suite can help organizations overcome basic data management nightmares, process inefficiency and visibility gaps that were common when procurement was trying to support its processes.

But a suite does not go far enough. In particular, without a platform approach, procurement will never have visibility into wider enterprise needs and will, at least sometimes, be stuck in reactive mode when new requests come in.

Further, procurement can be limited by the workflow capabilities of suites. Granted, while suites can be effective for indirect consumables, services or direct materials, they are often inefficient (or lacking) when it comes to supporting other categories and the intersections of categories together. Moreover, suite support for post-procurement project support (e.g., MRO, organizational consumables or assets) is incomplete at best when other systems are involved.

In short: This is why platforms are needed. Be sure to read Part 1 and Part 2 in this series for a full recap.

Enter Platforms: Use Cases and More
A platform brings the foundations to conquer these problems. Specifically, a cloud-based platform that is workflow-driven, process-oriented, open by design and easily extensible is key to supporting the types of expectations procurement must meet today. In other words, a suite-based platform must combine source-to-pay application capability with an enterprise business software framework that allows procurement to support not only its own processes but that of its stakeholders too.

But what does this look like in practice when it comes to what a platform must support? Let's examine some specific use cases.

Flexible Full Source-to-Contract Support

All sourcing projects require RFX, proposal comparison and analysis, award and contract. Some require e-auction and others require decision optimization. Basic commodities will only require quotes while more advanced services requirements will require full proposals, and new suppliers will have to answer information requests (but not existing one).

The takeaway: A platform needs to be able to adapt to the category, the strategy, the supplier and even particular line items.

Configurable Procure-to-Pay Functionality

Once procurement makes an award decision and signs a contract, actual buying needs begin and the products and services can then be "requisitioned" against:

- Sometimes purchase orders will need to be sent out on a regular basis
- Other times shipments will be automatic based on schedules in the contract
- As an alternative scenario, invoices may even come in for requests and change orders made by category managers without any advanced notice being given to procurement
- Sometimes requests will even be routed through procurement, which will then need to create an off-contract purchase order to track the need

And these are just some scenarios! In the energy and process industries, for example, field tickets can serve as both an invoicing and requisitioning tool.

As a result, it will come as no surprise that procurement needs a configurable and flexible model that can support the requisitions and purchase orders for goods and services receipt, invoice acknowledgement and matching process that can adapt to the category, product or service and type of buy.

Solutions must also integrate with contract management solutions, catalog management capability, contingent labor capability and other modules and functions that have data related to the products and services required by the organization so that procurement can properly track, verify and analyze purchasing patterns over time.

The takeaway: A hybrid suite-platform model can handle this level of flexibililty while also integrating into other systems to support use cases that only different and specialized applications can enable.But what is this platform? Before we could answer this, we first had to define where suites break down.

Customizable Supplier Relationship Management

Procurement involves more than just obtaining products and services. It's also increasingly about managing supplier relationships, especially for strategic products and services.

Supplier relationships start at the first contact with a supplier (even if that supplier isn't chosen to supply products or services for years). It continues until either the supplier or the company goes

out of business. Even after the last active contracts ends, there is still support, warranty service and engagements to prepare for future RFXs and procurement projects.

This requires integration with a supplier portal (or, as the case in companies that have multiple solutions, multiple portals) where a supplier can self register, define its products or services, answer category or material specific questionnaires, provide insurance certificates and certifications and anything else the buyer needs to properly assess whether a supplier should be invited for an event. Further, when a supplier gets an award, its team needs to be able to log into a portal to see their orders, submit invoices, answer RFXs, raise issues, respond to issues, accept and take corrective actions and collaborate on development and innovation projects. In addition, strategic suppliers need to see their performance scorecards, which are built up objectively over time from hard metrics (on-time delivery, invoice accuracy, etc.) and softer surveys (sent out quarterly or annually) and also rate the buyer on its hard and soft performance.

The takeaway: Platforms can create a "virtualized" portal of portals — a single source to manage, capture, update and share, if desired, new and updated supplier information or information that suppliers require. Platforms can also manage master data to support supplier inquiries and application needs regardless of how (and where) the information is accessed.

Program and Project Documentation and Enablement
Many suites overlook program and project management. But one key to procurement success is capturing the knowledge that allows junior and intermediate buyers to select the right strategy for each category, the right categories for sourcing at any particular time, the right stakeholders to include on the cross-disciplinary teams, the budgets to track against and other key factors that have a great influence on sourcing project success.

Another key to success is making sure procurement projects are carried out according to a specific plan. For example, proper research must be conducted, critical milestones hit, necessary artifacts created and obtained, key stakeholders included at the right time and all of the relevant factors considered in each analysis.

Enabling such a scenario requires good procurement project management, which is another element missing in many conventional procurement suites built on a single workflow (with implied project management).

The takeaway: Platforms not only bring singular workflow but also the ability to integrate workflow into broader activities, applications and projects — and empower a team with information and guidance regardless of which solution they are "logged into" at the time.

Managing the Buying of Services: Contingent Labor and Beyond Contingent Labor Management
As more and more business functions get outsourced, and more and more tactical functions are re-assigned from full-time staff to non-employees, more and more external services are purchased, and contingent labor gets brought into the business.

This is both empowering (from a talent and flexibility standpoint) and dangerous (from a compliance and risk one). Without specific capabilities to enable the contingent supply chain, key background checks may get missed, specific documentation may remain non-existent or incomplete, rates can vary dramatically, and performance at best tracked in silos (if at all).

This creates liability to the organization if individuals without proper certifications or clearances are hired, if proper forms are not filled out and submitted to government agencies or proper taxes are not paid and submitted. It also creates overpayment risk if rates are not checked and analyzed, invoices are not verified and bids for standardized services not collected.

Further, if procurement does not track specific performance metrics to help ensure a resource is not costing more money than necessary or delivering the value expected overtime — or that a resource remains in compliance — then it has opened itself to further price, compliance and different risk factors.

Enabling this level of capability requires specialization. An e-procurement solution alone won't begin to address even half these requirements. Rather, specialized contingent labor solutions must step into place and ideally must be integrated into an overall procurement platform to manage and track risk from a centralized vantage point.

The takeaway: Platform approaches can integrate source-to-pay capabilities with specialized services procurement and contingent workforce solutions, providing the ability to manage and track, on a fractal level, everything from overall supplier management to individual contractor onboarding, cost and performance.

Adding it Up: Why Platforms Will Rule the Procurement Day
In other words, supporting modern use cases for source-to-pay scenarios requires more than just meshing together source-to-contract and procure-to-pay suite functionality.
Rather, procurement must now provide support across the strategic sourcing and buying lifecycle. Procurement must now integrate supplier management, labor management, project and product management, inventory management, asset management, MRO, manufacturing — to name just a few adjacent areas — and other activities if it's to deliver on its mission.

And this is where platforms will soon rule the procurement day — by necessity, not nicety.

Determine is a global provider of industry-leading source-to-pay and contract management cloud solutions that help organizations proactively eliminate risks, cut costs and save money. If you're interested in Determine products for your company, email us directly at sales@determine.com or call 1.877.806.1932. Determine is a global provider of industry-leading source-to-pay and contract management cloud solutions that help organizations proactively eliminate risks, cut costs and save money. If you're interested in Determine products for your company, email us directly at sales@determine.com or call 1.877.806.1932.