Leveraging Supplier Management Platforms for Multiple Goals: Risk Reduction, Supplier Diversity and CSR
The Rise of the Supplier Portal

Ever since the advent of eProcurement going back to the early days of Commerce One and Ariba, organizations have spent countless hours investing in ways to more efficiently collect information on their supply base and on-board suppliers more quickly into transactional systems. Gathering basic corporate information and parentage; creating lists of key supplier contacts (names, phone numbers, addresses, e-mails); validating banking, tax and financial details (e.g., accounts, taxpayer identification numbers (TIN), etc.) – these types of tasks have always “gone with the territory,” so to speak, when it comes to getting suppliers up and running with your business. Even before the advent of eProcurement, companies had to carry out many of these efforts – some did not, mind you – albeit often on a completely manual basis.

The advent of supplier portals and basic on-boarding tools often made these processes much more efficient while reducing the time to achieve ROI for purchase-to-pay tools in general (i.e., the more quickly you could bring suppliers online, the faster requisitioners could start using the system for a greater percentage of their spend, versus relying on off-line processes and potentially making maverick purchases). But perhaps more important in the context of overall supplier management, these capabilities also opened many companies’ eyes to the potential of these systems in general. It was not long before organizations began to leverage supplier management tools in other areas, extending the capability of original portals, registration and on-boarding tools to support other tasks.

Towards a Broader Use Case

After the initial eProcurement and on-boarding wave, many companies set out to automate a range of other, often manually driven supplier registration and management processes (e.g., supplier diversity programs). Typically, these organizations were what marketing people considered “innovators” or “early adopters” – companies that tend to use technology ahead of the majority of the market, before a particular application or capability has become standard issue within an industry. These pioneers sought out a range of capabilities to support different initiatives. Incidentally, the providers of supplier management capabilities in these other areas nearly always opted to focus on delivering solutions that targeted a single functional need rather than a broad set of supplier management challenges.

Still, the basic requirements were often quite similar to the capabilities companies needed to on-board suppliers for eProcurement. These often included:

- Supplier portals for basic registration and as a single location to manage a profile and related information
- Supplier self-service as part of a portal capability, enabling suppliers to access and update information online themselves rather than having to call a supplier management team member at the customer
- Workflow and process management tools that, at their most basic level, enabled procurement teams to route requests and automate registration and information gathering processes, manually intervening by exception rather than for each and every item requiring attention
- Data enrichment capability that provided additional information and validation outside of just supplier provided information (e.g., confirming diversity status or TIN look-ups)
• Surveying capability to enable procurement and other teams to request additional information from suppliers in an automated manner
• Integration into third-party systems (e.g., eProcurement, ERP, badging/credentialing, etc.)
• Internal portal/dashboard views of supplier activity, ideally customized based on role, function, etc.
• Reporting and visualization capabilities that provide standard reports

At the time, more advanced supplier management tools targeted at a specific type of initiative often included additional collaborative capabilities, including supplier score-carding, additional data enrichment (i.e., from multiple sources), analytical/scoring/predictive capabilities and performance management. But vendors designed these additional capabilities primarily to support a single overall objective – or two closely related objectives – nearly all of which fell into the following six areas at the time:

• General on-boarding (for eProcurement systems and otherwise) and registration
• Supplier diversity (and multi-tier supplier diversity management)
• Supply risk management
• General supplier performance management
• Supplier development and quality
• Supplier compliance (to regulations, company requirements, etc.)

These areas continue to comprise the majority of supplier management automation efforts today. Yet the big difference in the market is that companies are now beginning to turn to solution providers to support a range of individual initiatives and are starting to do so as part of a single, more integrated supplier management effort – rather than as silo-driven practices and technology deployments.

Targeted Supplier Management Capabilities
Go Broad

Factors to consider when making supplier management platform decisions
• How effectively does your firm address supplier management today as a business issue?
• Complexity, composition, size, location of supply base
• What is the scope of technology deployment at your company?
• How well has your organization driven adoption with current purchasing and supply management solutions?
• How proactively has your firm addressed supplier problems to date?
• Does your firm have supplier management related KPIs and are they visible to senior management?

After a period of approximately five years beginning in 2003, technology vendors began to investigate the prospects of extending their targeted capabilities into other areas. For example, Aravo Solutions, which originally began as an on-boarding, content management and registration toolset to enable eProcurement implementations (usually Ariba programs), began to offer expanded capability in corporate social responsibility (CSR) and other related areas. AECSOFT and CVM Solutions, both of which initially focused on supplier diversity as a core capability, expanded their offerings and targeted other enablement and enrichment areas (e.g., general supplier portals). Open Ratings, which had previously focused on supply risk management as a component of supplier management, would become part of D&B’s Supply Management Solutions Group, and began to expand
The supplier management marketplace evolved from a number of distinct solution areas

The origins of the supplier information management marketplace started in a handful of distinct areas:

- Supplier on-boarding (i.e., the need to efficiently electronically enable suppliers for eProcurement and invoicing)
- Supplier portals (i.e., basic portal capability designed to capture supplier information for a range of initiatives: eProcurement, supplier diversity, green/CSR, e-sourcing, etc.)
- Supplier performance and quality management (i.e., tracking both qualitative and quantitative supplier performance metrics such as on-time performance, escapes, PPM, etc.; surveys such as ISO, QS, TS to qualify suppliers and ensure claimed credentials were real)
- Supply risk management (i.e., the monitoring of supply risk factors including financial data, operational data, compliance information, etc.)
- Spend visibility/supplier enrichment (i.e., creating a common – or virtual – vendor master with detailed and accurate information into spending data to drive sourcing strategies)

Some even began to consider the notion that a supplier management framework could serve as a virtual vendor master of sorts, gathering and updating information across a range of source systems, including multiple ERPs, eProcurement, etc.

Advanced organizations building this level of insight began to experience a shift in overall supplier oversight from a mindset of visibility to one of transparency. Spend Matters interviews with practitioners and advisers suggests that transparency occurs when a company shifts its emphasis away from one-time, or single-area efforts toward a broader and sustained focus on fostering its own philosophy within its supply base. While technology is essential to building supplier transparency, our experience also suggests that it is essential to acknowledge the importance of supporting such efforts with actual on-the-ground resources (or virtual resources) as well. Ramping up in-country resources from the standpoint of supplier development and auditing is important as part of these efforts, unless an organization works with a local supplier development partner (e.g., Achilles Group) on the ground.

From Supplier Visibility to Transparency

Similarly, performance-based transparency comes not just from investing in the right systems and processes to identify, track, measure, and report on a specific set of metrics, but also from fostering a culture of metrics-driven accountability and expectations. In this regard, performance transparency goes far beyond simply keeping and using a supplier scorecard (however, it does require quantifying and tracking metrics such as quality, PPM levels, escapes, on-time performance, SLA adherence, etc.).

Companies that choose to focus on supplier-performance transparency are not afraid to discover things that most teams in traditional procurement organizations would rather not (because of the work involved in further analyzing and correcting issues that might not have a sufficient near-term impact to warrant the effort under a traditional operating environment). As
a result, a culture of supplier-performance transparency requires a significant commitment to building and fostering a relationship based on communication and continuous improvement, and to investing time and effort to identify, address, and resolve key indicators (i.e., future issues) as early as possible.

Companies that invest in performance transparency often have separate supplier development budgets and resources designed to develop and work with suppliers. These groups might focus on lean supplier development activities or other types of initiatives, but in all cases, the output is a development activity rather than just a vendor-management report or one-way corrective-action request. A commitment to embracing performance transparency is a commitment to treating suppliers as partners.

Quite often, organizations link performance transparency programs with broader financial and business transparency initiatives so that they may identify at-risk suppliers. They can then take action as early as possible to develop a supplier, or to develop alternative options. From a systems perspective, companies that invest in performance transparency often rely on a combination of capabilities that supplier management tools can provide.

In a forthcoming research brief in this Spend Matters Compass series exploring supplier management, we will examine these more advanced integrated capabilities in more detail – and the potential benefits of a single supplier management platform to handle all suppliers facing non-sourcing and non-transactional activities. The rest of this paper will explore how companies can use supplier management platforms to support efforts in core supplier management areas and the benefits of automation. We will start with perhaps the most widely deployed set of supplier management capabilities (in the United States, at least): supplier diversity.

Supplier Management Spotlight: Diversity, Risk Management and CSR

Supplier Diversity

Background and Users:

Most private sector organizations track diverse suppliers in North America for one of two reasons:
1. For Federal reporting and compliance purposes
2. To develop closer ties to the communities in which they do business

Even though most “power” users of supplier diversity solutions are limited to a handful of supply diversity professionals within a procurement organization, there is often a broader set of individuals that require access to supplier diversity reporting information. Prior to the advent of supplier diversity applications and data enrichment, tracking vendor diversity was a largely manual effort, often dependent on self-reported supplier information. In contrast, supplier diversity solutions provide validation capability, in addition to a much broader range of benefits.

Whether as part of a broader supplier management solutions portfolio or as a stand-alone toolset, supplier diversity technologies provide a range of automation benefits. These include:

- Supplier portal and nomination capability for supplier self-identification and registration (many companies have supplier diversity landing pages on the Internet that direct companies to nominate themselves for the chance to win business, either directly or as a sub-tier supplier)
- Validation capabilities that confirm the minority status of an organization based on third-party certifications (this may include the direct uploading and validation of diversity certificates/certifications or a validation via an online call into a third-party validated database)
- The ability to monitor supplier diversity on a multi-tier basis. This capability is often essential in the case of government reporting, but companies often find use for it when it comes to calculating diversity spend and diversity spending goals and measurement in general
- Delivering compliance reporting and analysis for internal stakeholders and outside parties
- Supplier search to identify new sources of diverse suppliers
- Supplier development and performance management tools to improve the performance of minority, small business and women-owned supply bases

**Enabling Technology Capabilities**

- Registration/portal
- Supplier self-service (via portal, e-mail and other mediums)
- Document and Certification Storage and Management
- Database/repository (internal) and potentially third-party database search
- Monitoring
- Multi-tier visibility and reporting capabilities
- Workflow and integration
- Score-carding and performance management

**Supplier Risk Reduction and Risk Management**

**Background and Users:**

Companies typically deploy supply risk management tools in a first wave initiative to mitigate the potential for supply disruption due to supplier financial and operational viability. However, organizations often find that broader, more complete supply risk management programs take into account a more diverse group of risks, and hence their enabling technology must as well.
The types of supply risk that companies typically try to proactively identify, mitigate and manage include:

- Supplier financial viability (and related operational viability) due to bankruptcy, declining balance sheet health, ability to meet obligations in a timely manner, etc.
- Supplier quality and performance risk (related or unrelated to supplier financial viability); metrics for consideration often include on-time performance, SLA adherence, escapes, PPM, etc.
- Brand and reputation risk based on supplier contract and related compliance activities (e.g., ingredient/part traceability)
- Regulatory and related non-compliance including watch lists, environmental and related regional requirements (often examined on a per-country basis) including government control lists, debarment, etc.

Outside of supplier management tools, which track supplier-level information rather than the more granular item-level cost-build-up details, organizations often strive to manage a range of other risk factors that may include:

- Currency risk
- Commodity risk
- Demand risk
- Inventory risk
- Total cost risk factors (e.g., logistics, tariff, duties, etc.)
- Banking/credit risk
- Fraud
- Country risk

**Enabling Technology Capabilities**

- Registration/portal
- Supplier self-service for responses and self-reported ratings
- Data integration (internal systems, third party information)
- Monitoring
- Data analytics and predictive scoring
- Multi-tier visibility and reporting capabilities
- Workflow and process management
- KPIs and score-carding capability
- Embedded templates, questionnaires (e.g., quality certifications)
- Country risk analysis

**Corporate Social Responsibility**

**Background and Users:**

Every quarter, corporate social responsibility (CSR) ranks higher as a concern and focus area for procurement and supplier management groups. Companies pursue supply chain CSR programs for a range of purposes, including but not limited to:

1. Cost reduction (e.g., packaging)
2. Emissions tracking and monitoring (CO2)
3. Supply chain traceability
   a. Safety and quality
   b. Avoidance of “conflict” items such as conflict minerals
   c. Certification that products do not contain restricted or hazardous substances

4. Regulatory requirements and reporting

5. Diversity goals

6. Overall company reporting and measurement (e.g., annual report)

When it comes to supplier management and CSR programs, organizations often require a range of team members to collaborate on a common platform or in a common environment, depending on the specific initiatives. Team members may include: procurement, operations (supply chain), legal, finance, HR, line of business, internal audit, etc.

CSR supplier management technologies must not only enable traceability across supply chain partners but should also include collaboration (both internal and external) capabilities as well as the ability to provide full documentation and reporting of programs.

Enabling Technology Capabilities

- Registration/portal
- Supplier self-service for responses
- Data integration (internal systems, third-party information)
- Multi-tier approvals, workflows
- Multi-tier visibility and reporting
- Document and certification storage and management
- Workflow and process management
- Full audit trails and process auditability
- Score-carding capability and vendor collaboration/development
- Embedded templates, questionnaires

Forthcoming Research in the area

Throughout 2010, Spend Matters Compass Series research on supplier management will continue with the publication of three additional research briefs:

- Supply Risk Management – The Technology and Content Landscape
- Beyond Basic Score-carding – Supplier Development Strategies to Drive Competitive Cost and Risk Advantages
- Suite vs. Best of Breed Capabilities – Comparing ERP and Spend Management Platform Providers to Best of Breed Supplier Management Tools

For additional research and past product reviews on supplier management technologies and solutions, we would also encourage you to search based on initiative, vendor or desired capabilities on www.spendmatters.com.
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