

Don't Punish Non-Compliant Spenders, Guide Them to Preferred Supply Channels

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Spend Matters welcomes a guest post from Pierre Mitchell, "Chief Procurement Research Officer" at The Hackett Group. He can be reached at [pmitchell \(at\) thehackettgroup \(dot\) com](mailto:pmitchell@thehackettgroup.com).

Translating hard-fought negotiated savings into realized savings through contract compliance and P2P transactional compliance can be a difficult task. Doing so while creating an intuitive and compelling experience for requisitioners can be even more daunting. This will obviously require more than a by rote "drive-by sourcing" event and resultant contract thrown over the wall into a poorly designed and automated P2P process/system. Requisitioners who are not able to easily find what they're looking for (and then get hand-slapped when they bypass preferred vendors) are not exactly going to have a delightful experience with procurement's designed buying process. As procurement organizations, we have to make it easier for them to do the right thing and guide them to such '*preferred supply*'. By this term, I mean:

- **Preferred suppliers** — What products and services can be bought from whom and by whom? This is not simply an approved supplier list, but a preferred supplier list with a sense of overlaid business rules based on role, dollar amount, category/supplier, item, etc. There is a certainly a balance here between the compliance benefits of controls versus the 'cost' of the controls (which includes requisitioner dissatisfaction and opportunity cost of their time)
- **Preferred buy-pay 'channels'**, (i.e., workflows and supporting systems). There should only be a handful (and three-way match should not be the default choice) of these, not hundreds like many companies have, and they should be optimized to support the nature of the spend category and not just the dollar amount. We have a lot of research on this, and our transformation business does a lot here. I think of it as turning the out-of-control "transactional job shop factory" into lean (and nearly lights-out) flow lines.
- **'Supply' beyond the catalog.** 'Preferred supply' can certainly take the form of a catalog or an item master for inventoried items, but, it can also mean guiding the requisitioner to the category manager or an internal-external 'marketplace' for finding a temporary worker/contractor.

If you can automate this upfront 'triage' process that determines the requirement, you can start to failsafe the subsequent process to guide the process to not just a catalog, but also to a 'buying desk' for tactical sourcing work (e.g., based on rules for certain categories and dollar amounts) and even back into the strategic sourcing process if appropriate.

This is where technology comes in.

Companies have talked about creating an Amazon/Google-like experience for at least a decade,

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and the technology is finally starting to catch up. ERP vendors and best-of-breed vendors alike have started to revamp their interfaces. New application vendors like Coupa (simple cloud-based application for indirect procurement) or Hubwoo are popping up, but for large organizations with ERP/Ariba/etc., then a 'surround strategy' is needed. Jason has written about this [here](#). Some have used 'component vendors' such as Vinimaya to do things like build 'virtual catalogs' for goods (and services — albeit less successfully) — independent of where the supply/content resides. Vendors like Simplifying IT or BuyerQuest are definitely worth an 'art of the possible' demo as they provide simpler consumer-like user interface 'skins' on top of existing ERP products versus the non-intuitive professional buyer screens of the ERP vendors. Of course, how long they'll remain viable remains to be seen, especially since SAP has just displayed a prototype of its own consumerized UI 'skin' at Sapphire (Jason just wrote about this [here](#)).

But, what makes someone like Google great is not the simple UI, but what lies underneath. If you really pay attention to Google search results, you will be awed and frightened by the increasing precision by which they know who you are, where you are, and what you're likely looking for. Interestingly, the pattern matching algorithms used by these B2C sites are not dissimilar to the auto classification technology used by some spend analysis vendors. In fact, Zycus has a product called *AutoClass Live Connect* which does real-time auto classification to let the user confirm the appropriate spend category, which can then be used to help guide that requisitioner to the preferred supplier and the preferred buy-pay channel. This is what makes the technology powerful — not just a slick consumerized UI.

That said, I'm glad the big vendors are finally starting to work on this problem in earnest. It's been a long time coming.

For practitioners, even if you're not ready for this advanced "guided buying" scenario, you should still be working on the underlying components: contract repository, category taxonomy (and associated rules and cross-references to suppliers, staff, items, supply locations, etc.), approval workflow, corporate intranet environment, tactical sourcing process, etc. You should work alongside IT as best you can to address any perceived stakeholder gaps that exist (which you know because you've asked, right?).

Closing those gaps will improve contract compliance, increase client satisfaction, and send more savings to the bottom line.

For those of you who have most of this in place, the guided buying environment is really the "last mile" that is needed to close the gap from the first step in the P2P process (i.e., "identify need for goods and services") to the last. Done right, you'll be able to improve your "Perfect Purchase" performance (I'll discuss this in a future post), and it's a good vision to articulate and work toward.

How about it, practitioners? Are you working toward this vision of guided buying to preferred supply? Are you doing anything interesting here? Conversely, what's the biggest challenge you're facing in building it?

By the way, I posted this same post in our practitioner-only [LinkedIn community](#) if you'd like to share your thoughts in a more "intimate" setting.

