

Supplier Governance

ABSTRACT

Large corporations perform supplier governance for complex services in silos – segregated by department, contract, geography or type of service. Existing governance processes are largely manual, often performed by understaffed organizations that lack governance training and the required tools. Organizations use incompatible systems for managing contracts, service delivery, projects, invoices and risk.

This fragmented approach and the underlying lack of integration between these disparate systems result in significant loss of the value expected from supplier partnerships. In response, SirionLabs has built an end-to-end SaaS platform that enables buyers and sellers to drive significantly higher value. This supplier governance platform, Sirion:

- Enables management of all key supplier governance disciplines (contracts, performance, finance, relationship and risk) on a single integrated platform;
- Provides configurable workflows for all key processes within each discipline and automates high-volume activities like performance and invoice validation; and
- Delivers advanced analytics and predictive insights in client-supplier relationships by normalizing the heterogeneous data with the help of smart taxonomies.

Transform Supplier Governance and Drive Higher Value from Partnerships

SIRION | THE ENTERPRISE CLOUD FOR SUPPLIER GOVERNANCE

PROBLEM

Most companies outsource services to third-party suppliers to save costs and improve productivity. They also manage the suppliers internally notwithstanding the supplier-centric informational asymmetry inherent in the relationship. Many use a reactive, ad hoc approach to manage suppliers and lack the ability to actively manage the gap between expected (contracted) and delivered (performance) value.

A comprehensive survey of more than 100 such outsourcing arrangements at Global Fortune 2000 companies conducted by a leading research organization between 2007 and 2012 concluded that there is a median value erosion of up to 20% of the annual contract value (ACV). The study found that this value leakage comprised two principal components:

- 8%-12% of 'hard' value leakage, comprised primarily of invoicing errors, unrealized discounts and earnbacks;
- 7%-8% of 'soft' value leakage comprised of unrealized performance gains (e.g. not meeting contracted service levels).

In addition to this documented value leakage, we observed significant relationship value erosion between suppliers and their ultimate clients, i.e., the client end-users, arising from unmet business expectations.

Complex sourcing arrangements combined with manual governance make it impossible for organizations to stop the value leakage.

The complexity of sourcing arrangements further increases with multi-sourcing and cloud computing. Strategic sourcing contracts are complex, multi-layered agreements containing many discrete, time-bound commitments. These commitments are obligations that buyers and sellers must understand to drive 100% value realization.

The surveyors identified three primary addressable causes for this value leakage:

- Inability to set the right foundation for monitoring supplier performance by breaking down these complex service contracts into their constituent obligations and making them the focus for performance monitoring;
- Lack of real-time visibility into supplier performance at this granular obligation level and the resulting inability to audit supplier invoices against them; and
- Inability to make meaningful comparisons across suppliers, regions and functions or to drive historical or predictive analytics by mining the 'big data' arising from supplier performance due to the heterogeneity of nomenclature.

The current supplier governance marketplace can be divided into two broad overlapping categories:

- Manual onshore and offshore managed service solutions combined with limited technology integration.
- Software products designed to partially automate or aid certain manual processes or focusing on sub-optimum subsets of the sourcing lifecycle.

Additionally, organizations must contend with a large number of amendments that have to be managed for risk, relationship and performance management.

Today, where governance is performed, the function is often understaffed and processes are weak, absent, or not followed. It focuses on manual data collection, validation, and basic retrospective reporting of supplier performance, rather than risk, relationship, and performance management. Retrospective data is obtained from a host of incompatible systems (CRM, ERP, and VMS) and a myriad of spreadsheets and as a result, a full view of the process and deliverables is missing. At best, only partial, after-the-event views are available to subsets of an organization.

The role of software in governance today is largely limited to aiding manual validation processes and managing islands of information.

These software products do not automate the manual processes and lack proactive data mining, real time analytics, and risk and relationship management through an integrated complete end-to-end solution.

It is striking how the lack of a comprehensive, and integrated technology platform depicts a unifying theme across all these causes and offers us the possibility of significantly arresting value erosion.

EXISTING SOLUTIONS

None of the solutions available in the marketplace today offer companies an integrated supplier governance solution combining a comprehensive software platform capable of advanced analytics with a managed service. Existing solutions in the market do not offer companies the flexibility to combine technology with managed services designed for their particular environments.

It is clear that no existing solution addresses large complex, high-volume, multi-supplier outsourcing environments at a platform level that encompasses the entire lifecycle of supplier governance from contract execution (post-signature) to fulfillment and project completion.

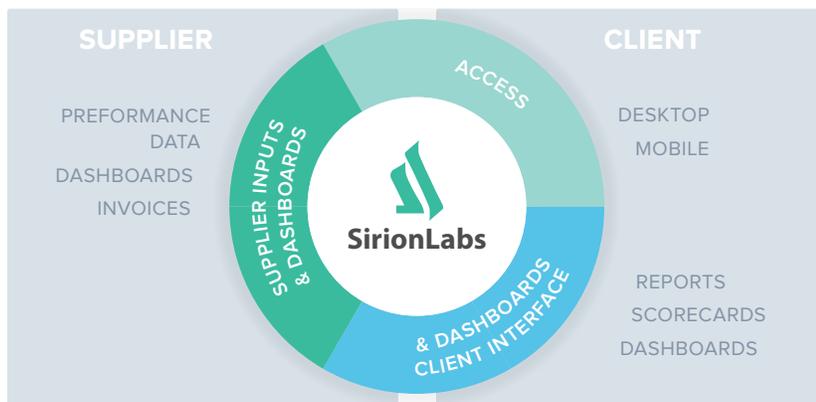
In addition to limited functionality present in existing products, future systems designed for supplier governance automation must normalize supplier performance data for executive reporting and providing predictive insights into supplier performance.

PLATFORM ARCHITECTURE

SirionLabs is transforming the world of supplier governance through its revolutionary product – Sirion. It is designed specifically to close the gap that exists in the market. Sirion combines and radically extends the functionality of several existing complex applications that individually are extremely demanding in storage, exception workflow, error management, and computational requirements.

By leveraging Sirion, companies will be able to:

- Manage the entire lifecycle of supplier governance on a single integrated platform,
- Stop value leakage anywhere from 15% - 20% of Annual Contract Value (ACV),
- Reduce on-going governance and application support and maintenance expenses by over 25%, and
- Deliver a higher level of service to their end-user community.



BUSINESS INTELLIGENCE

- Descriptive Analytics
- Predictive Analytics
- Data Mining / Data Aggregation
- Data Mapping and Normalization Engine
- Data Modelling
- Investigative Analytics
- Prescriptive Analytics
- Drill down up to transactional data
- Dashboards and Scorecards
- Standard and Custom Reports

SOURCING GOVERNANCE MANAGEMENT

Contract Authoring

- Clause Library
- Template Library
- Authoring Workflow
- e-Signature

Contract Management

- Document Repository
- Obligation Capture
- Document Change Management
- Contract Interpretations

Performance Management

- Service Level Management
- Obligation Compliance
- SOW/WO/PO Management
- Credits & Earnbacks

Financial Management

- Invoice Auditing
- Spend Pool Management
- Financial Analysis and Planning
- Value Assurance

Relationship Management

- Governance Forums
- Issue/Action Item Management
- Governance Process Health
- Survey Management

Risk Management

- Policy Compliance
- Regulatory Compliance
- Supplier Audits

ENABLING APPLICATIONS AND INTEGRATION

- Document Viewer
- Reporting & Search Engines
- Meeting Planner / Calendar
- Audit Logs
- Cloud Deployment
- Configuration Engine
- User Management / Secure Access
- Smart Apps (iPhone, iPad, Android)
- Integration with ERP, CRMs
- Proprietary Systems, Fileservers, etc.

CONCLUSION

Sirion automates many of the traditional governance processes end-to-end and introduces a real-time data driven analytic layer allowing organizations to redirect focus to supply chain value, risk and relationship management while reaping productivity gains, improving performance visibility, and forecasting expected outcomes.

ABOUT SIRIONLABS

SirionLabs is the leading enterprise SaaS provider for post-signature contract management. The Sirion platform significantly reduces the cost of supplier governance by automating complex procedures across key governance disciplines of contract, performance, financial, relationship, and risk management. Advanced process automation cultivates trust, transparency, and authenticity in sourcing transactions and strengthens buyer-supplier relationships, reduces value leakage, and deepens performance insights.

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