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Creating Leverage From Lethargic Systems

Exploring the Root Cause of eProcurement Project Failure and What Can Be Done About It

People matter, results count.

Procurement Tech Investments: Creating Leverage

When it comes to procurement systems implementations, mid-sized and large companies often fail to hit even conservative return on investment (ROI) estimates, often after having invested heavily in procurement initiatives. Many have hefty technology deployments and burdensome change management processes involving their internal and external stakeholders. Something is clearly not working.

We're increasingly seeing low usage and adoption of technology as the most common causes of failure, despite exhaustive investments. The list of complaints from the typical user is long:

- There are only a few suppliers with rich content and catalogs available
- Systems are clunky and complex, which indirectly leads to (unintended) increases in maverick spend
- The CPO and procurement leadership find themselves stuck with low contract compliance, low spend visibility and spend capture, low automation rates, and low productivity– both in the procurement organization and among thousands of users

With this new generation of "green screen-like" systems, procurement is perceived as creating a hassle for the organization, instead of a solution that enables positive benefits through new technology. This perception ends up creating negative results for all stakeholders. Rather than steering procurement strategically, CPOs must go on the defensive, spending too much of their time policing the organization and struggling with a lack of process compliance and transparency.

More often than not, it's leadership complacency that leads to this state. Effective leaders need to take action; otherwise their providers will do it for them. As Spend Matters Chief Research Officer, Pierre Mitchell, observes, "If you don't proactively manage your procurement information supply chain, it will end up managing you, and given the importance of information, knowledge and intelligence to procurement, you can't let that happen and have IT and its incumbent vendors dictate how you will accomplish your functional and business objectives."

To reach these business objectives and overcome the many hurdles, we must dig deeper and explore the root causes of systems failure in the first place. Here are a few reasons we repeatedly and consistently hear from CPOs and CFOs:

- **A failure to focus on the technology set-up when starting a procure-to-pay project.**
  In this case, the IT department (along with the procurement and the finance departments) need to truly understand the new technology and its capabilities – not just on paper or in a price sheet. Far too little time and effort is spent on getting to know the possibilities of functional configuration (with the benefits of licensed and partner systems) and what the specific gaps are that need to be covered by customizations. Lesson: jumping to overt customization should be a sign, like dark birds in a Hitchcock movie.

- **Supplier content activation failure**
  Could you imagine shopping on Amazon without product titles or prices? Of course not. Despite huge efforts in creating catalogs, content activations often fails due to an unconsolidated supplier base and unprepared and potentially understaffed procurement departments with limited knowledge of what to expect from suppliers and their capabilities when requesting catalog content. A number of online retailers do this for us in the consumer world. Now is the time to move that very same approach into B2B. Lesson: Supplier content activation matters as much as the systems it is connected with.

- **Implementing a mish-mash of overly ambitious procurement and AP processes for all users.**
  When implementing a new technology, you normally want to capture your own processes as well as incorporate some

more advanced processes and validations into existing ones in order to drive improvements and gain more control. This often leads to more complex procurement and AP processes and to a more complex system set-up. Lesson: implement leaner processes, taking the different needs of user groups into consideration.

- **Huge change management efforts with limited effect.** Historically, communist countries spent an inordinate amount of time on parades. But the change management activities necessary to force the troops to march in sync by the thousands did little to prepare them for actual battle, or put bread on the store shelves. Likewise, training all users in the complex processes and use of the eProcurement platform with limited catalog content is cumbersome and often only a one-time effort during the project, rather than a sustainable process. As a result, users are unhappy and you are faced with increased maverick buying and low compliance with contracts and processes. Lesson: don't create your own Eastern Procurement Bloc with wild change initiatives decoupled from reality.

- **Integrations with multiple internal ERPs and suppliers are cumbersome and lengthy processes that involve a lot of IT resources.** Of course this makes rollouts difficult and leads to high maintenance costs over time. In addition, there tends to be a lack of ownership for these interfaces after project completion. Lesson: put the burden (and responsibility) on external sources, and minimize the tight coupling of all aspects of systems.

If you've been around P2P systems environments long enough, we're sure that you recognize at least one of the above challenges from your everyday professional life.

But What Can You Do About It?

We've gathered three suggestions that can drive success for your eProcurement initiative. Don't laugh – you can actually take advantage of all the good stuff you've already invested in…and we'll prove it.

Make it easier for casual users to comply, rather than not comply, with the process.

Easier said than done, right? Well, yes, if you think about it in a non-ERP way. Not all eProcurement system users have the same needs, motivation, or level of knowledge. On average, 60-80% of users are casual, purchasing 1-5 times per month. They just want to get what they need more or less instantly and effortlessly without any "bureaucratic" hurdles. In their personal lives, these users are accustomed to buying from online shops and receiving their products within 24 hours, which now implicitly sets higher expectations when purchasing in the professional environment. By adapting the professional eProcurement system to the private online shopping experience, casual users find it just as intuitive.

On the one hand, this adaptation requires the same type of usability found in the consumer world – think UI look and feel, content richness, number of clicks similar to B2C online shops, limited data input requirements, etc. Get it wrong and you create a nightmare of extra steps and additional (new) problems. Several of our customers confirmed that the selection of a G/L account by a casual user always needed to be re-checked by someone from the controlling department later in the process to secure the quality of the coding, effectively doubling work and reducing user adoption. Why? Casual users looked for "workarounds" to avoid searching for the correct G/L account. While the intention was to create a fully coded purchase order right from the start, this process did not take the users and their knowledge into consideration. The result? An unhappy user base with decreasing process velocity and productivity.

On the other hand, a fast and transparent approval process secures a timely delivery of the ordered goods and services and avoids queries to the procurement department and frustration for requisition managers. But gaining this speed and transparency requires:

- Avoiding a complex, multi-step approval process that might allow for maximum control upfront, but takes time. A streamlined process can avoid manual approval steps and provide automation within certain thresholds and categories; exception reports can be used as a downstream control mechanism.

- Approvers are supported with an easy-to-use approval functionality that works anywhere, anytime. In bestcase scenarios, it also works offline and provides a sufficient but balanced degree of information and transparency. Note: Approvers are mostly casual users, even though the frequency of their usage might be higher than that of casual requisition users.

The lesson learned is that advanced frequent users and professional buyers need richer functionality than what is typically provided in a B2C online shop. They do purchasing as part of their daily job, often for several other employees and/or cost centers, in order to refill inventory, add additional information or work as a controlling function in the procurement process. These users are trained in complex processes and desire a unified interface where they have a complex functionality available to perform their tasks with visibility of their department's core performance.

Imagine putting a new consumerized "skin" on top of your eProcurement system catering to the needs of casual users. Let's face it – placing a PO directly into, for example, SAP SRM, Oracle EBS, SAP MM or even NetSuite's Cloud ERP, does not provide end users with a great experience. The new "skin" however, is friendly, streamlined, and requires no training – it hides complexity and still allows you to leverage investments in the back-end processing tool for more advanced and professional users. If you have a blended eProcurement and ERP environment, it is important to know that the skin is ERP-independent. You can get the same outputs, control mechanisms, and reporting, regardless of regional or local differences in the back-end infrastructure.

When you go to Amazon and shop from non-Amazon suppliers, it's still Amazon (at least the Amazon shopping experience – fulfillment can be another story). The same should apply for you. We've observed that adding a skin can quickly increase compliance rates from 60% to 91%, and result in a swift 10% increase in realized procurement savings.

Adding a skin can also reduce the number of support tickets by 75%, simply by enhancing the infrastructure investments you´ve already made. Finally, this approach enables end users to go mobile, empowering the diverse and distributed workforces in many modern organizations. A recent before-and-after comparison from a large organization, having deployed a skin on top of its eProcurement system, shows that approximately 80% of the mobile user-group adopted the technology and chose to create their POs on the go with the skin using a slate or touch device.

Rich catalog content matters

From customer to customer, we observe that in order to boost user adoption and the percentage of no-touch POs, rich catalog content matters. Rich catalog content makes it easy for casual requisition managers to easily find and order the necessary goods and services – in just a few clicks and without involvement of the procurement department. It's also a pre-requisite for automating procurement and AP processes as it enables the automated determination of cost objects and approval workflows.

Rich catalog content has several facets. To drive user adoption, it should mirror the quality of consumer web shops, i.e. contain pictures, have high quality descriptions, and show product and/or service bundles if required, as well as availability, delivery lead times, and ratings from other users. Descriptive keywords are essential to achieve the desired search results. To drive productivity in terms of touch-less POs and invoices, the content has to be categorized and enriched according to your specific requirements.

As the procurement department, your focus is on the selection of your preferred suppliers and the negotiation of product ranges and prices. To make these agreements operational, supplier networks provide all kinds of capabilities and services that suppliers need to deliver the content as private catalogs, either within web shops or via other call-off methods that satisfy timelines and defined quality specifications. Consider the following:

- Supplier networks drive scalability and efficiency for suppliers in terms of content provisioning to multiple customers, but also for order reception and order and invoice processing.
- With network models, suppliers can choose from a variety of options to connect to the network to reach all participating buyers.
- Buying companies benefit from fast supplier on-boarding and almost effortless content management.
- Supplier networks help secure the quality of the catalog content and other call-off methods offering services for suppliers, such as enriching their catalog content, categorizing it in the required taxonomy or providing training.

In a network approach, efforts are mainly driven by enriching the content with your own specific information to streamline and control the processing of orders and invoices. In addition, to efficiently manage the long tail of the requisition managers' needs and suppliers, some supplier networks offer the ability to order from "ready-togo" catalogs. Suppliers that have not gone through a negotiated sourcing process due to low spend volumes can be made available to casual users in the same controlled way as buyer-specific content. In essence, that means that you can also easily leverage the investments suppliers have made.

Supplier networks offer connectivity to the eProcurement systems of many ERP providers, catering to many companies all of which need integration within a complex and diverse IT landscape. They provide cloud-based services and integration that require very limited IT involvement on the customer side. Their business models are normally based on consumption-driven subscription fees.

Provide a help desk for ad hoc needs and more complex purchases

Rich catalog content secures touch-less processing of orders for procurement. In the case of electronic invoicing and automated matching, it also secures touch-less processing of invoices for the accounts payables department. But what about needs that are not covered by supplier-managed catalogs, such as ad hoc or onetime needs that require further specification or even interaction with the supplier?

Our experience suggests that what is most effective in this case is supporting casual and advanced users with centralized help desks. Just like the B2C environment in our private lives, these help desks provide how-to support for casual users and take care of ad hoc or project-related needs. This approach is also a cornerstone of making it easier for casual users to comply with the process rather than not comply.

Additionally, there are more tasks for operational procurement professionals, like performing product or service specifications and supplier communication, doing spot buys (i.e., for project related spend), as well as managing the long tail spend, such as through buyer maintained catalogs or ready-to-go catalogs provided by suppliers via supplier networks. Over time, centralized help desks will also be able to consolidate the supplier base, better understand the needs of requisition managers and gain improved market insight.

Centralizing such tasks in one or several (regional) help desks gives you the ability to define and operate tailored operational procurement processes by focused and specialized teams knowledgeable in the local and regional supplier market. This ensures high productivity within these teams and professional support and short purchasing lead times for the requisition managers.

Don’t Abandon That Shopping Cart Just Yet

Replacing your existing system is a lengthy and costly process – and it doesn’t even guarantee results. Why take on more risk when you can change the system you already have into a driver for compliance and spend management through user adoption? Imagine abandoning a shopping cart that you’ve been filling for three years, only to have to start all over again.

Yet we do need to fix what is broken. For example, it makes perfect sense that the right interface on top of an existing system will enable your users to easily perform their purchasing tasks, while still allowing advanced users to perform all their tasks, quickly and efficiently, in the same system. Integrating an add-on instead of a replacement is quick and easy, meaning that you don’t need to spend a lot of time or money putting it in place.

Leveraging the investments that your suppliers have made is a natural corollary to this. Connecting with a supplier network to access rich content and easy out-of-the-box connectivity is another driver for user adoption and compliance, while sharing the burden of maintaining catalogs and integrating exchange orders and invoices electronically

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