

Procurement & Technology: The Road Less Travelled

by Mickey North Rizza

A few weeks ago a former employee from my practitioner days called to catch up. Our discussion was fun and included a few memories of days gone by and how those days have led us both to our current career paths. In the discussion, this employee said to me, 'you know I still find it odd that no matter who I work for, selecting and bringing in technology is still a functional or IT decision and not necessarily a business strategy decision.' Obviously this led to her sharing a story regarding two recent technology selections.

Automation At Last

The company is a large \$6B business with a decentralized procurement team that is quickly becoming center led. The team needed software to bring it into this century. Because spend needed to be identified, an increase in savings was required and more stakeholder engagement was needed, they selected the upstream suite but initially turned on spend and sourcing. Contract management would be turned on later, they said, along with the supplier performance section. About two months into the technology implementation the company ran into a supplier issue when a supplier failed to produce enough components and ultimately declared Chapter 11 bankruptcy. Unfortunately it was the only supplier the company had for this particular component. As you can imagine the company went through the normal gyrations of pulling their tooling and looking for a new supplier who could quickly come up to speed. While this was a lesson in risk management, it also became a lesson in terms of technology planning and strategy.

What Comes First?

The procurement technology chosen first was to satisfy the business need of more spend under management and more cost savings. Unfortunately because there was no visibility into the spend or the supplier data, the suppliers' poor performance became a financial nightmare for them all. The company was so impacted by the supplier downfall, their board decided they needed a supplier performance management system. The IT team purchased another system while procurement solved the current business issues and continued with their spend and sourcing implementation. Unfortunately the first technology system isn't the same as the second technology system. The second technology system is a stand-alone system that does not tie into external feeds well, has a much lower ROI and was much more costly than the original technology suite system. The spend and sourcing solution suite had all the functionality required for supplier performance, but it wasn't communicated to the rest of the organization. Now the business has integration issues and is spending more money to solve a problem. Procurement, IT and the rest of the functional stakeholders in the business missed out on putting together a full business strategy aligning and integrating the business needs, a technology implementation roadmap and a communication plan so the business could come together with a sound plan. This strategy may or may not have included supplier scorecarding up front if the need had been identified as an issue either by procurement or other stakeholders such as supply chain. The important point is when tragedy struck, the business could coordinate efforts proactively vs. working in silos reacting to the situation.

Strategy vs. Tactics

I asked my former employee how much it was costing them for the two implementations, supplier risk issue resourcing effort and profitability. Her response initially wasn't about money, it was about the value they were losing because now they had two installations, even less resources and both implementations were becoming stalled because they didn't strategize and align as a business team.

Her largest concern was no value was going to be captured because they had taken different roads vs. walking together down one road. Her final comment was, 'businesses need to understand that selecting and implementing the right technology and in the right order is a strategy, not a tactic for automation.'

As her former manager I suggested she open up the lines of communication and become more aligned with the business strategy instead of solving one problem at a time. She told me her first lesson was becoming aligned with IT and the overall business strategy so success could occur. For me, this was another lesson for Procurement – how to take the road less travelled.

ISM & EMSDC R.O.A.R. Conference Article Summary

On Wednesday, September 20, 2017, ISM participated in Eastern Minority Supplier Development Council (EMSDC) – 2017 Return on all Relationships (R.O.A.R) conference at the Sofitel Hotel in Center City Philadelphia as a seminar sponsor.

The annual event brings corporate partners and diverse businesses together to focus on business development and building strategic relationships. The purpose of the conference is to build on their pillars of business as it relates to certifications, development, connection, and advocacy for leveraging direct and indirect relationships for long-term business partnerships. This year's conference goal was to look more closely at how EMSDC can build ecosystems of entrepreneurs that are ready to meet the short-term and long-term needs of the supply chain. The conference draws on the power of relationships to influence and impact the growth of diverse businesses.

Lifetime member of ISM, Mr. James Haile, presented on "Does Supplier Trust Improve Recovery from Supply Chain Disruptions?" this corporate workshop defined the meaning of trust, how to create an environment of trust between your company and your suppliers. Topics discussed were managing trust via emotional control and building a healthy supplier relationship process.

In addition, ISM had an information table present at the event, to bring awareness of the Philadelphia chapter and membership.

Great event to connect and educate by bringing awareness of supply chain and supplier diversity practices to all industry professionals.