Solving the Procurement Data Dilemma

Research-based study into the challenges and opportunities associated with supplier data in large organisations.

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Foreword

by Costas Xyloyiannis, CEO of HICX

Procurement is not taking supplier data seriously – and that's causing damage both to businesses and to those making careers for themselves in the field. Just how much damage – and where it's being inflicted – is exactly what we wanted to uncover in HICX's recent survey.

For a start, many believe their supplier data is good quality, with 38% of respondents describing it as 'perfect/almost perfect.' This can mean only one of two things: they're well on their way to data excellence, or they're labouring under a dangerous false sense of security. So which is it?

That's the question that lies at the heart of this report. It explores how businesses' lack of oversight of their supplier data is clouding their judgement of its quality and the unseen costs that come as a result. We explore what systems organisations are using to capture and process this data, and just how many are using systems that are not fit for purpose when it comes to master data management – a cornerstone of data quality and a pre-requisite for digital transformation.

As we have seen, many businesses are still grappling with digital transformation in their efforts to become more agile and productive. This survey underlines how procurement can – and indeed should – play a major role in these initiatives.

However, they need to look beyond efficiency and spend reduction, and promote the importance of supplier data for innovation. As part of this process, they'll need to take ownership of supplier data that intersects with a range of business functions. Only then can they begin to properly address quality and governance issues, and improve procurement's position within the business hierarchy.

The perception of procurement internally can make it easier or harder to convince other stakeholders of the return on investment of strong supplier data management.

What was particularly intriguing was that respondents to our survey told us that one of the key barriers to data excellence was the fact that improvement projects are rarely prioritised over other initiatives. This suggests that procurement has not yet properly communicated the financial cost of poor data quality to other functional leaders.

Furthermore, they also need to look at the bigger picture when it comes to the benefits of strong supplier data management.

Respondents to our survey ranked risk reduction and mitigation as the biggest benefit – and this is clearly important. But so too are more strategic goals such as becoming customer of choice for key suppliers, and how supplier data can support digital transformation efforts.

In the closing piece, we analyse how procurement can extract all the necessary data from suppliers during the onboarding process and why a centralised approach is essential for good data governance. If procurement gets this right and addresses the other issues covered in this report, they might just be able to solve the data dilemma, and deliver the kind of business benefits that will win them ongoing respect and support from the leadership team.

> "Respondents to our survey told us that one of the key barriers to data excellence was the fact that improvement projects are rarely prioritised over other initiatives."

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Out of Sight
Out of Mind

While procurement professionals are satisfied with their supplier data, many could be overlooking problems – with potentially serious consequences.

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Senior procurement professionals seem to be happy with the quality of their supplier data. But is a lack of oversight blinding them to issues in the supply chain?

Many businesses could have serious issues lurking in their supply chain – and may not even realise. At least, that's what the results of a recent HICX survey of senior procurement professionals seem to indicate, finding that 89% of respondents don't have total oversight of their supplier data.

At the same time, 62% of respondents describe their data as "good quality", with 38% rating it as "almost perfect". Relative to organisations of a similar size and industry, 20% also believe the quality of their supplier data is best in class, with a further 53% claiming it is "very good, in the top 20%" compared to peers. Yet 55% of respondents who say their supplier data is best in class also admit they have only a moderate level of insight into their supplier data.

These results seem pretty contradictory. If you don't have good oversight of your data, it seems unlikely that you'll know whether it is good quality or not.

And how can 53% of respondents all be in the top 20% for data quality?

Changing perceptions

Nic Walden, a senior advisor in The Hackett Group's procurement advisory program, says that differing definitions of what constitutes supplier data could influence procurement's perception of its quality. "To a certain degree they'll have a view on what they're buying and who from," he explains. However, while they might have basic purchasing and finance information covered, there could still be lots of gaps and holes in the data. "Do you have a view on who your critical suppliers are?

And do you have a view on what your exposure is to specific points of failure in the supply chain?"

Another explanation for the survey results is that a lack of oversight of supplier data has led to overconfidence in its quality.

Procurement can't see any problems with the data, so they assume there are none. But hubris of this kind is often punished by events – especially unforeseen ones.

"Supplier analytics are certainly the fuel that powers procurement decisions, and without this, organisations could lose the ability to be agile and flexible."

Wayne Lewis, sector head of Procurement at Imagile Professional Services

89%

of total respondents say they do not have total oversight into their suppliers

55%

of respondents who say their supplier data is best in class say they only have moderate oversight into it

That description applies in the case of COVID-19. Even though experts on pandemics have long argued that a crisis of COVID-19 proportions was inevitable in a globalised world, few businesses went into 2020 expecting lockdowns and huge economic upheaval.

Yet here we are. If you don't know who is supplying what to whom, whether they're still capable of doing so during a global crisis, or even where they're based, it's impossible to assess the true impact of an event like COVID-19. And if you can't assess its impact, you've got very little chance of responding to it effectively.

Take demand planning. When a crisis hits, all the usual sourcing plans and forecasts fly out the window. Normal communication channels are also flooded with phone calls and emails.

If poor oversight of supplier data means you don't even know which ones you should be talking to, you're already at a major disadvantage.
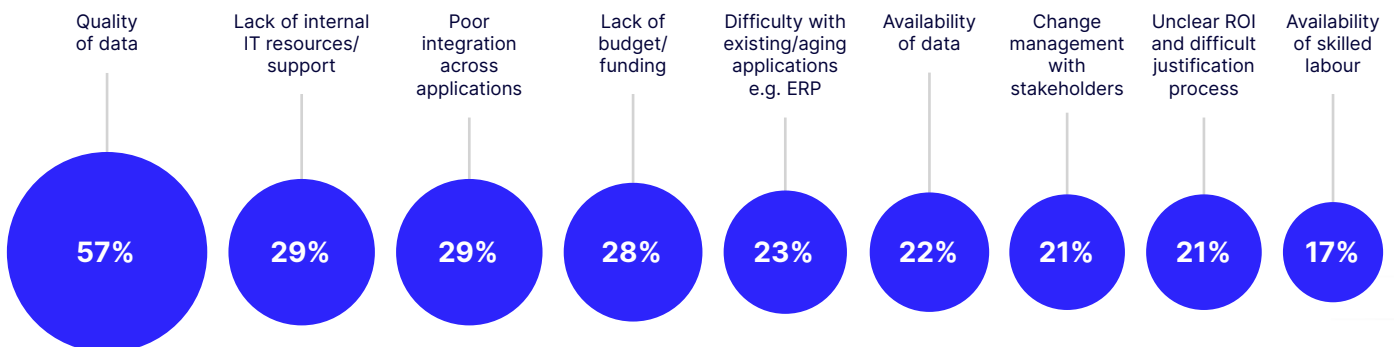
Poor oversight of suppliers in high-risk geographic areas could also lead to serious delays in production. This not only has knock-on costs for the business: it also means suppliers may fail to uphold their contractual obligations to deliver goods and services because of their own financial or operational issues.

Need for collaboration

Effective collaboration in response to a crisis like COVID-19 is hard to achieve on appropriate terms without supplier information, says Daniel Milnes, partner specialising in governance, procurement and information at Forbes Solicitors.

"Suppliers should not be improving their position at the expense of buyers, where a collaborative response is the objective," Mr Milnes says.

Barriers to the effective application of digital technology in procurement

Quality of data	Lack of internal IT resources/ support	Poor integration across applications	Lack of budget/ funding	Difficulty with existing/aging applications e.g. ERP	Availability of data	Change management with stakeholders	Unclear ROI and difficult justification process	Availability of skilled labour
57%	29%	29%	28%	23%	22%	21%	21%	17%

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What's more, you may need to urgently onboard alternative suppliers, particularly if you're rapidly switching production to a new product line or need to secure personal protective equipment (PPE). But if you don't know precisely who is already supplying you with what, how will you even know what you lack? And how can you tell which of your existing suppliers could help with a new product line?

Even when the world isn't in crisis mode, a lack of oversight of supplier data can hamper digital transformation efforts. "In my opinion, trusted supplier information is one of the most critical assets of any procurement organisation," says Wayne Lewis, sector head of procurement at Imagile Professional Services, an asset management consultancy. "Supplier analytics are certainly the fuel that powers procurement decisions, and without this, organisations could lose the ability to be agile and flexible, especially if there is potential for supply chains to become overrun and inefficient."

Set up to fail?

Problems often occur at the onboarding stage, before being compounded by poor data governance processes. Procurement teams may collect lots of data and information from suppliers as part of the due diligence process, for instance, but then store it in an isolated legacy system, or even email, Word or Excel files.
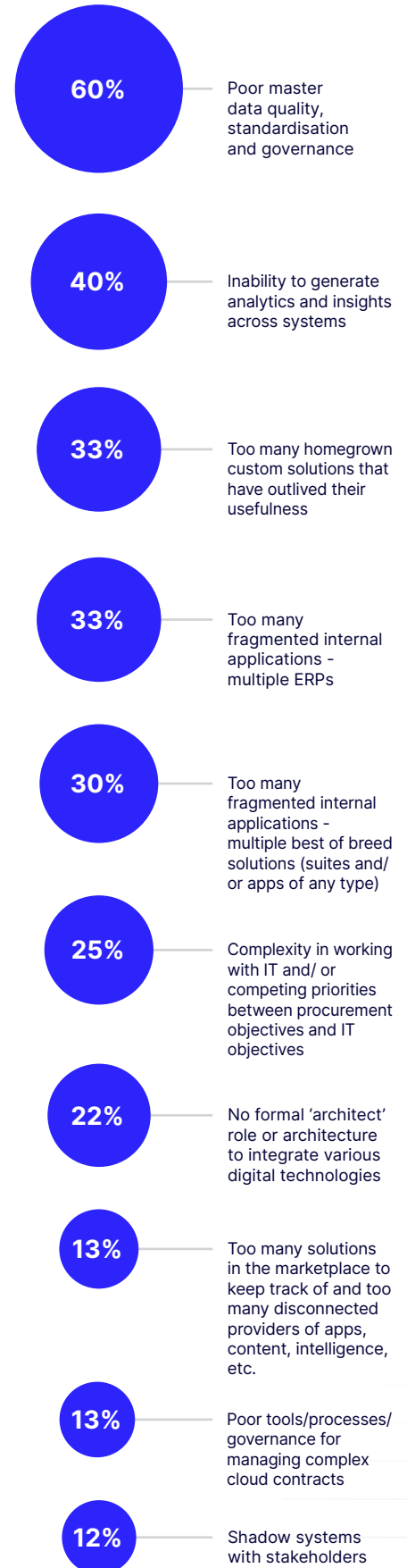
"Once you decide to go forward with a supplier and enter into a contract with them, it's often the case that that data is never looked at again, or certainly not maintained over time," says Mr Walden.

Carelessness when entering data or a heavy reliance on historical information can also compromise supplier master data. Even if such problems are limited, they can still undermine global data quality and lead to inaccurate reporting, which could expose the business to financial penalties. Without proper oversight, reports may also take longer to compile, hurting business agility and flexibility.

In fact, incorrect or corrupt data can actually halt a production plant or prevent the delivery of certain supplies. "This does happen and obviously it's really urgently addressed," says Mr Walden. "But it creates a cost." He also points to a potential failure to complete customer orders thanks to corrupt data in the system.

So while chief procurement officers (CPOs) that lack oversight of their supplier data may nevertheless believe that it is good quality, unforeseen issues in the supply chain could quickly prove them wrong. But by tackling the oversight issue and driving good data governance across all business functions, they can ensure they're well prepared for whatever comes next.
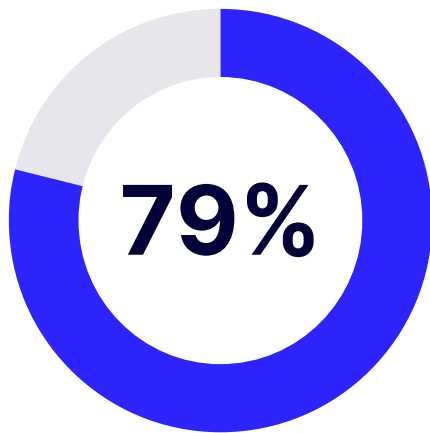
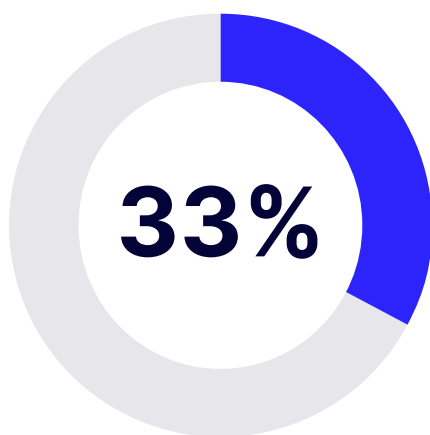**CPOs' biggest challenges for mastering Digital complexity**

60% Poor master data quality, standardisation and governance

40% Inability to generate analytics and insights across systems

33% Too many homegrown custom solutions that have outlived their usefulness

33% Too many fragmented internal applications - multiple ERPs

30% Too many fragmented internal applications - multiple best of breed solutions (suites and/ or apps of any type)

25% Complexity in working with IT and/ or competing priorities between procurement objectives and IT objectives

22% No formal 'architect' role or architecture to integrate various digital technologies

13% Too many solutions in the marketplace to keep track of and too many disconnected providers of apps, content, intelligence, etc.

13% Poor tools/processes/ governance for managing complex cloud contracts

12% Shadow systems with stakeholders

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For for **Purpose**

To ensure data quality, procurement must embrace the master data management approach.

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Data quality is the biggest obstacle to digital transformation in procurement. To overcome it, procurement leaders need better master data management (MDM): the technology-enabled approach that aims to ensure uniformity, accuracy, governance, consistency and accountability of data.

79%

of total respondents are using ERP systems or P2P/ SPS suite to improve their supplier data

33%

of CPOs say their biggest challenge for mastering digital complexity is too many fragmented internal applications - multiple ERPs

According to the Deloitte Global CPO Survey 2019, by far the biggest barrier to the effective application of digital technology was data quality, notching up 57% of responses.

Many CPOs are still dogged by data complexity: improving MDM could be one of the best ways to address this, said Deloitte.

Research by HICX offers further insights into this problem. It showed that 79% of procurement and IT leaders plan to use systems that are unfit for managing supplier data. Of those, 55% plan to use Enterprise Resource Planning (ERP) systems, while 24% are opting for purchase to pay (P2P) and source to settle (S2S) solutions.

Anthony Payne, chief marketing officer at HICX, explains that ERPs are primarily designed to manage transactions like invoice payments and financial records. "They are not well-equipped to be the master system of record for supplier data, not least because they only hold a subset of data related to each supplier."

What's more, many ERPs aren't designed to manage data across multiple systems, leading to inconsistency and poor integration with other systems, adds Mr Payne.

To integrate data, you need a separate MDM system whose job is to own a data record, manage it, and make changes across systems.

"It is not typically possible to understand areas like risk, compliance, and supplier relationships from ERP data," he says. "Only by implementing a supplier-focused MDM solution – usually referred to as supplier information management (SIM) – can businesses get a complete, data-driven picture of their relationship with suppliers."

SIM solutions also lay the foundation for more advanced data techniques and for better supplier relationships, increasing the chances of becoming a "customer of choice", which ensures access to the supplier's best people and latest innovations.

"All these things are built on a master data foundation – if a supplier doesn't like dealing with you because you don't pay invoices on time, or they have to fill in the same information repeatedly, you will not be a customer of choice," says Mr Payne.

On the other hand, the lack of a SIM solution could lead to bad data, causing inefficient processes, missed cost reduction opportunities and damaged supplier relationships.

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Omera Khan, professor of supply chain management at Royal Holloway, University of London, says too few organisations appreciate the costs of incomplete, out of date, or low-quality supplier data. If they realised their vulnerabilities in fraud, compliance, supply chain risk and purchasing performance, more would invest in better supplier data management, she believes.

Another benefit of SIM is speed of response to supply chain disruption. "Many organisations respond slowly because they don't have accurate data about suppliers' factory locations or product attributes," adds Ms Khan. "They don't know anything about suppliers' suppliers. This slows them down when mitigating disruption."

Attitudes towards software for improving supplier data

55%
Using ERP system to manage supplier data

24%
Using P2P / S2S suite to manage supplier data

7%
Implementing a supplier information management (SIM) software

14%
Implementing a company-wide master data management (MDM) solution

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A Seat at
the Table

Procurement specialists should tap the potential of supplier data projects, both for their companies and their profession.

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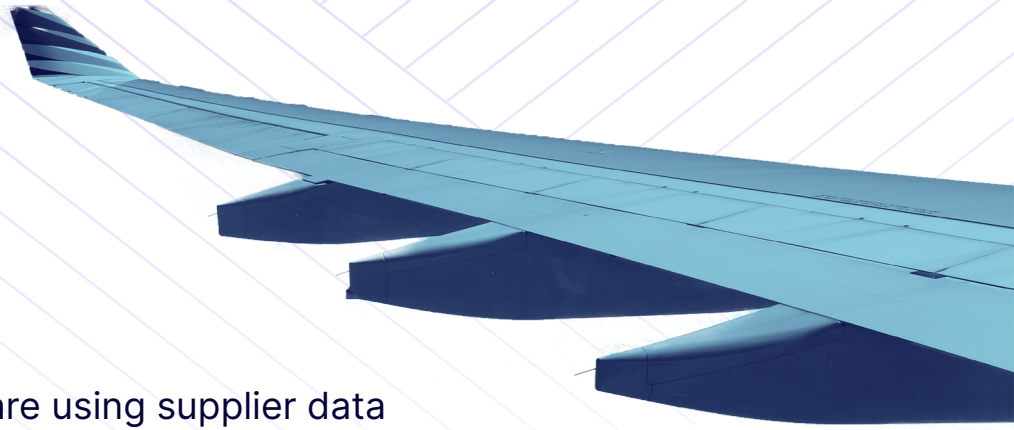
Top procurement leaders are using supplier data projects to transform perceptions of their function and gain more influence. However, much more can be achieved.

The last five years have brought an ability to control and work with data that helps procurement move from a back-office activity to a frontline business partner, enabling business strategy, reducing risk and increasing innovation.

But many procurement leaders have yet to fully grasp this opportunity. For example, respondents to a survey by HICX cited efficiency (45%) as the top way to measure return on investment (ROI) for data solutions. While this is critical, it is surprising that so few procurement leaders looked to more strategic goals – for example, just 11% said improved competitive position was the most important ROI.

With the Coronavirus pandemic causing many companies to re-evaluate their supply chains, now is the ideal time to become more involved in strategy. Cost reduction and efficiency will certainly help companies face the challenges of the pandemic, says Costas Xyloyiannis, CEO of HICX, but procurement leaders need to think beyond these.

"Instead, they must make supplier data a foundation for digital transformation across the business and with suppliers," he says.

As well as supporting strategic goals, this transformation can help procurement drive innovation in supplier relationships.

This is a top benefit of strong supplier data management, according to 55% of respondents. It is becoming increasingly imperative as the pandemic reinforces CPOs' need to collaborate with all their suppliers – to react quickly to demand changes, build resilience and efficiency and prepare for recovery.

"Organisations perennially miss the untapped potential of their extended supply chain through adversarial, competitive relationships, rather than collaborative, value-creating ones," says David Ford, global head of procurement at Freshfields Bruckhaus Deringer.

"We have to work in an agile manner with suppliers who are willing and able to reciprocate and invest."

For example, imagine a large consumer goods firm that has a demanding relationship with a supplier. The supplier – a multimillion company by revenue in its own right – has 17 staff working on the account, making it expensive and time-consuming to manage.

With strong supplier data, the CPO can find ways to simplify this relationship: for example, by cutting back on the amount of information that needs to be entered manually, making it easier and more efficient for the supplier to manage.

The large firm will then be more likely to become a customer of choice, gaining access to the supplier's best talent and innovation.

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Pandemic acceleration

Omera Khan, professor of supply chain management at Royal Holloway, University of London, agrees that the pandemic is accelerating the need for such a transition.

"Post COVID-19, an organisation procuring for cost will be out of touch with reality," she says. "Procuring for resilience and continuity of supply has become crucial."

During the crisis, thousands of organisations found themselves with unfilled purchase orders, Ms Khan continues. "Low-cost suppliers are pointless if they cannot supply you," she says. "Finding lowcost stationery suppliers won't gain them a seat at the top table, but negotiating transformational strategic deals with innovative suppliers will. How many CPOs are even looking for innovative suppliers?"

Mr Ford says the world today is more disunited than at any time he remembers, a state that is only being accentuated by COVID-19. Organisations will need to do more with less, he says. Procurement needs a strategic approach to build the right relationships, ditch the wrong ones, and improve those that are necessary but challenged.

"My function's strategy is to automate administrative procurement tasks, then develop people's roles to focus on strategy and value creation – not just cost control and reduction."
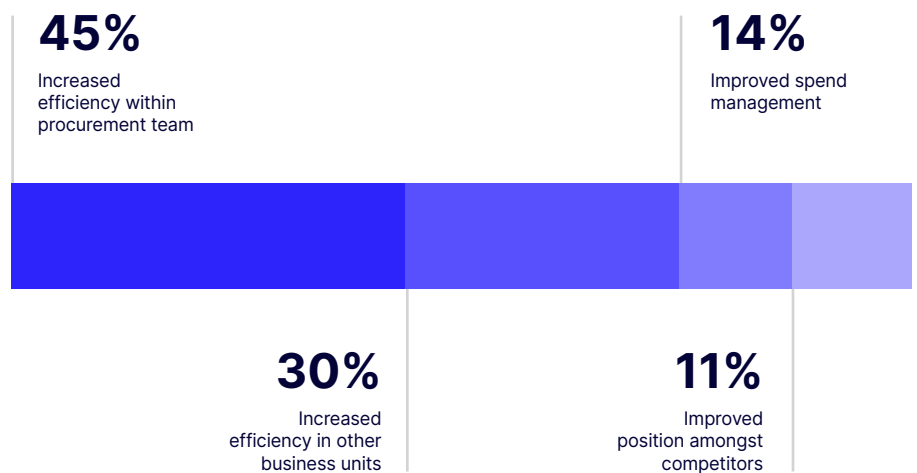
Procurement professionals need to become commercial experts and consultants, Mr Ford continues. They must demonstrate a forensic interest in their stakeholders' needs, he says, proving how the function's expertise, deep understanding of markets, and awareness of an organisation's leverage can deliver their goals more rapidly and efficiently.

"That gives procurement the right to challenge more, and to collaborate with strategic suppliers to accelerate transformation and delivery," he argues.

Wider role

Malcolm Harrison, group CEO of the Chartered Institute of Procurement and Supply (CIPS) and a former CPO, says the modern boardroom is wrestling with some of the most difficult challenges for a generation, with many changing the way they operate. CEOs are looking to procurement to protect businesses from risk and the types of disruptions that have recently occurred, ensuring supply chains are resilient, sustainable and ethical. "Good procurement professionals understand the businesses they work for, the strategic goals and how their contribution can make things happen with a 'business first, function second' approach," he says.

CPOs' biggest challenges for mastering Digital complexity

45%
Increased efficiency within procurement team

14%
Improved spend management

30%
Increased efficiency in other business units

11%
Improved position amongst competitors

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Digitisation supports this transition in many ways, says Mr Harrison. Efficiency is a driver for supply chain digitisation, something that is supported by CIPS research, he says.
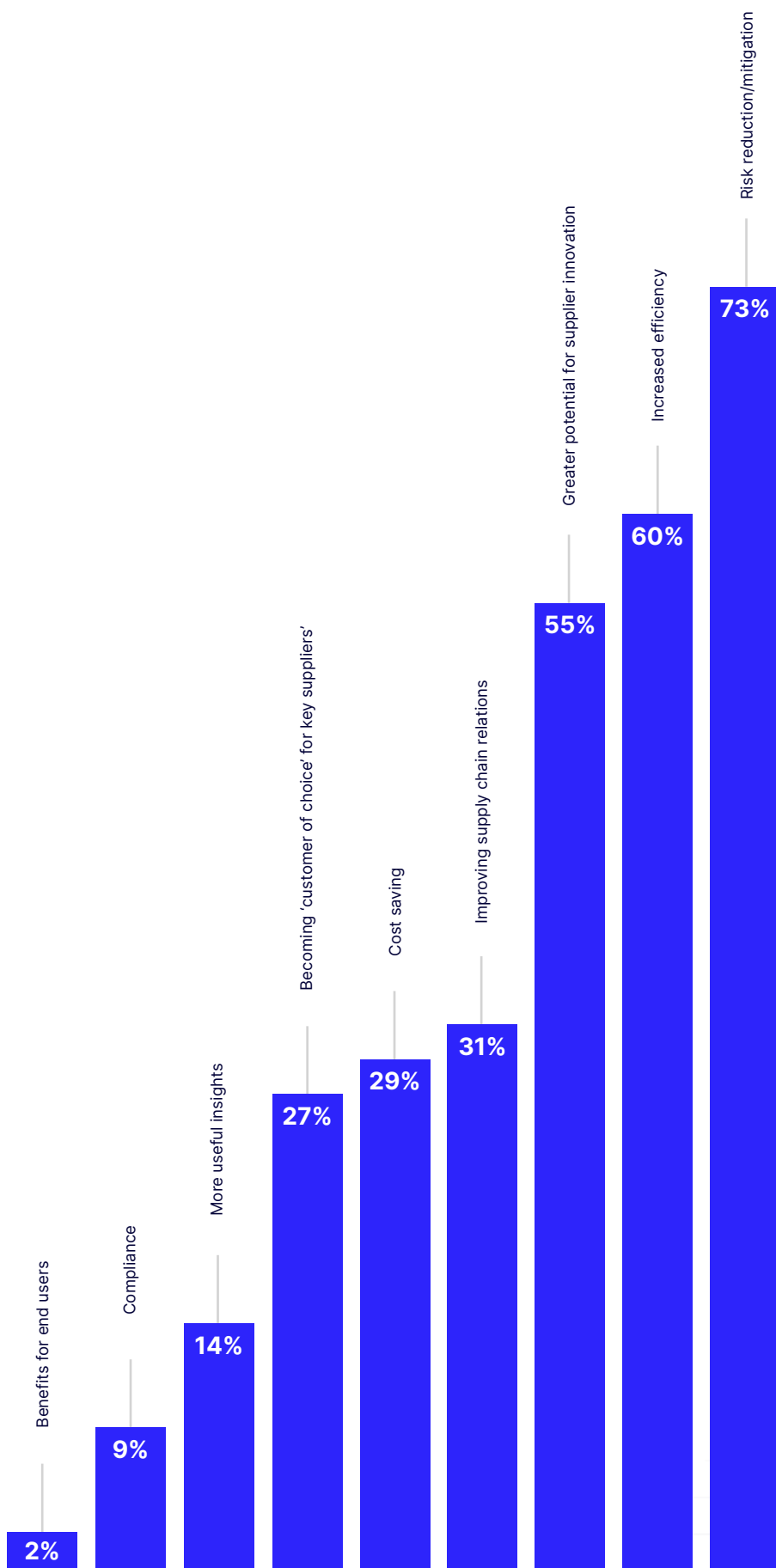
"But there are other important benefits of developing smart and connected supply chains," he argues. "It's about getting faster, more accurate data, which improves organisational performance by offering real-time capability, agility and transparency of your entire supply chain."

In addition to supporting innovation, this helps in areas such as sourcing sustainable products and eliminating modern slavery. It can also help procurement see how suppliers are performing – and spot weaknesses in contracts.

To gain more influence in organisations, procurement professionals must change their skillset and outlook, says Harrison. "Connecting what procurement does to business strategy, and linking this across functions, means a win for all, and I see that more and more," he says. "This is best achieved by procurement leaders who have cross-functional experience; broader leadership capabilities; and credibility with internal colleagues. Procurement can best serve an organisation by offering a mix of technical and soft skills."

Such comprehensive transitions can unlock the full potential of procurement, helping it gain a long-deserved seat at the top table.

Benefits of strong supplier data management (ranked top 3)

Category	Value
Benefits for end users	2%
Compliance	9%
More useful insights	14%
Becoming 'customer of choice' for key suppliers'	27%
Cost saving	29%
Improving supply chain relations	31%
Greater potential for supplier innovation	55%
Increased efficiency	60%
Risk reduction/mitigation	73%

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Taking Ownership of Supplier Data

Supplier data management is often spread across business functions. Procurement can take the lead, without treading on any toes.

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Supplier data intersects with many different business functions, but who has ultimate responsibility for its quality?

Most businesses expect their departments, teams and individuals to know when to take ownership of a problem and when it is beyond their remit. But for many procurement teams, this distinction is muddied by the sheer range of business functions that intersect with suppliers.

In total, 87% of respondents to HICX's survey of senior procurement professionals said supplier data management is often spread across procurement and other functions. What's more, 78% told us that the fact that procurement doesn't own supplier data end-to-end makes problems more difficult to address, with 24% strongly agreeing with this statement. So how should procurement tackle this issue?

Collective responsibility

First, it helps to understand why ownership of supplier data is often spread across different business functions. "Within our own organisation, if I asked myself who owns the supplier relationships in our business, a number of functions and business areas would come to mind," says Wayne Lewis, sector head of procurement at Imagile Professional Services. He points to operational staff, who interact directly with suppliers; the legal department, because it advises on contracts;

governance gatekeepers, because they oversee the compliance of suppliers' products and services in critical areas of the business; and project teams, because suppliers might contribute a vital element of a customer service or product.

"The truth is that they might all have responsibility at key stages of the supplier management lifecycle," says Mr Lewis, meaning "there is arguably a collective responsibility to realise the quality, compliance, efficiency and value benefits of proactive supplier management across all levels of a business."
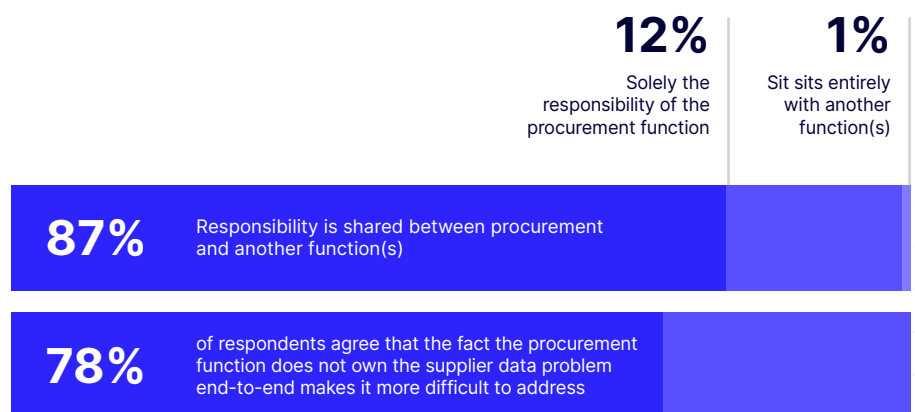
This works so long as everyone is clear on their individual responsibilities and how they intersect with those of other business functions. But what if vital information becomes siloed in one department?

For example, operational and finance teams may be unaware of the checks and balances built into a contract, so fail to use them to address issues with suppliers, says Daniel Milnes, partner specialising in governance, procurement and information at Forbes Solicitors.

"In a bad case, the buyer might have a valid contractual basis for withholding payment or obtaining recourse based on facts known to the operational function, which is not recognised, resulting in payments being processed by the finance function as a matter of routine."

Dividing data ownership between different areas of the business can also lead to duplicate entries in master data. One-time suppliers, or suppliers that are no longer relevant to the department that contracted them, may remain on the system if no one takes the lead on data governance, leading to a fragmented or inaccurate picture of critical suppliers across the organisation.

Ownership of supplier data management

12%
Solely the responsibility of the procurement function

1%
Sit sits entirely with another function(s)

87% Responsibility is shared between procurement and another function(s)

78% of respondents agree that the fact the procurement function does not own the supplier data problem end-to-end makes it more difficult to address

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Unified approach

One solution is to create a single, unified environment for supplier data that is connected to all of the business's essential systems. This can help to tackle data silos and ensure that different business functions have all the facts they need to make strategic decisions.

"We're moving away from a world where everyone's been operating in their own silos towards one where processes are more joined-up across the organisation, and even joining buyers to suppliers," says Nic Walden, a senior advisor in The Hackett Group's procurement advisory program. "That means we need to adopt new ways of working. We need to be more collaborative … and organisations need to see the value in having quick access to high-quality master data."
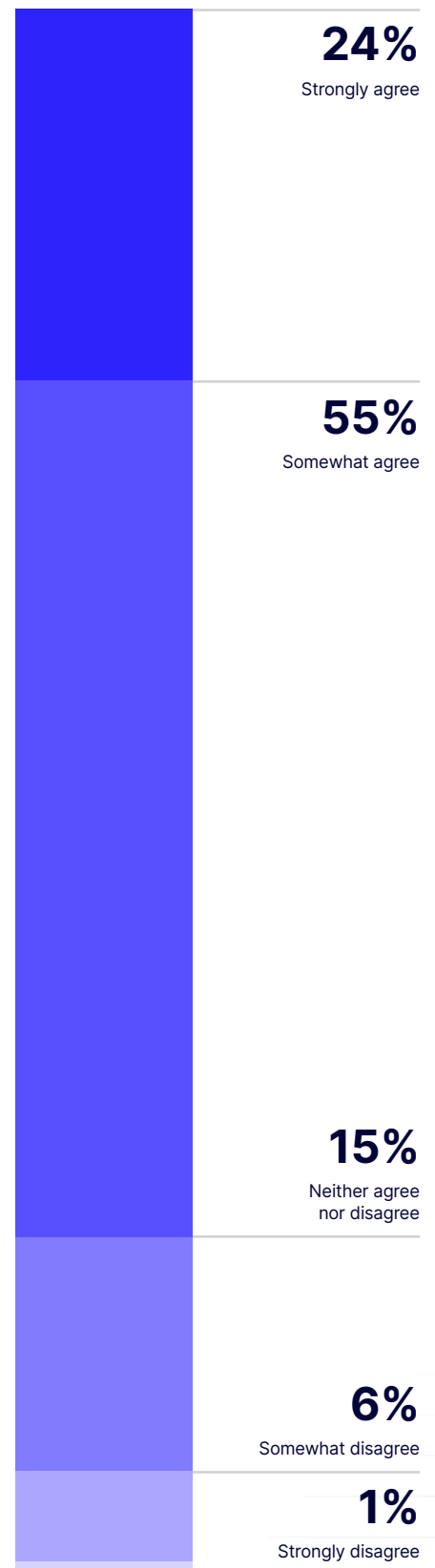
To avoid treading on any toes, procurement could focus on how to provide other business units with actionable insights that will add value to their strategic decision- making processes.

"For instance, procurement can create models that track available stock and inventory across dozens of internal warehouses, reseller and supplier hubs," says Evan Quasney, vice president of the global supply chain LOB at Anaplan.
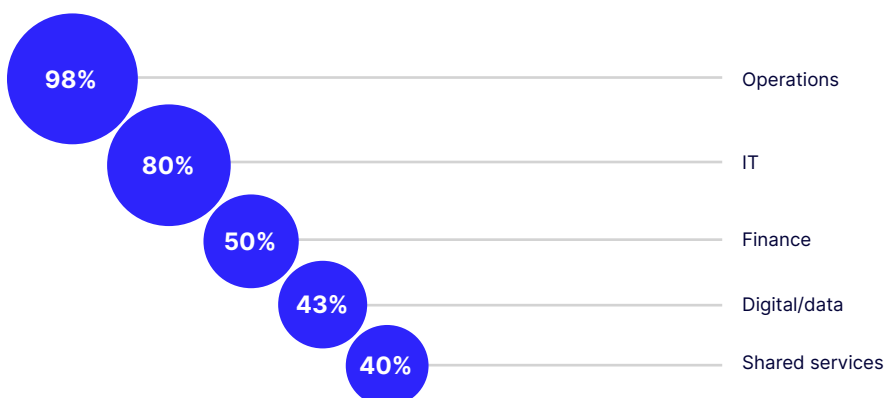
"These real-time views will make it easier for HR to ensure teams are staffed appropriately, will enable sales teams to develop realistic deal terms and will arm finance leaders with a clearer picture of cost and revenue projections. This level of collaboration will strengthen relationships with other functional leaders and positively position procurement as a strategic partner internally."

According to HICX's survey, just 12% of respondents say supplier data management sits solely within the remit of the procurement function today. But with a collaborative mindset, support from the C-suite, and an appetite for driving data governance across the organisation, there's no reason why procurement can't take the lead on turning supplier data into a true strategic asset.

Agreement that the fact the procurement function does not own the supplier data problem end-to-end makes It more difficult to address

24% Strongly agree

55% Somewhat agree

15% Neither agree nor disagree

6% Somewhat disagree

1% Strongly disagree

Functions that have ownership of supplier data management

98% Operations

80% IT

50% Finance

43% Digital/data

40% Shared services

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How to Sell
Data Excellence

The Coronavirus pandemic has highlighted the importance of data excellence projects, which can boost supply chain efficiencies and reduce risks.

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While data excellence projects have grown in importance in recent years, cultural barriers have hindered take-up in some firms. However, the Coronavirus pandemic is blowing these barriers away, with board members re-evaluating their procurement processes.

A data excellence project involves giving one individual or function responsibility for governance and strategic coordination of data between systems and departments.

This allows project goals to align with business strategy, prevents the creation of silos and helps ensure that the data entering the system is clean.

The growing importance of the issue is shown by the 2020 HICX survey, which found that 22% of procurement leaders are either planning or implementing a supplier data project, while a further 40% are exploring approaches and outlining strategies. However, 40% of respondents have no plans to improve supplier data over the next 12 months, even though most of them need to.

Improving priorities

The biggest obstacle to data projects – cited by 62% of procurement leaders – has been their relatively low priority when compared to other business initiatives. Additionally, 58% cited a perceived lack of return on investment.

These findings highlight a lack of buy-in among some executives for data excellence projects just before the COVID-19 outbreak. However, the pandemic has starkly outlined the costs of poor data.
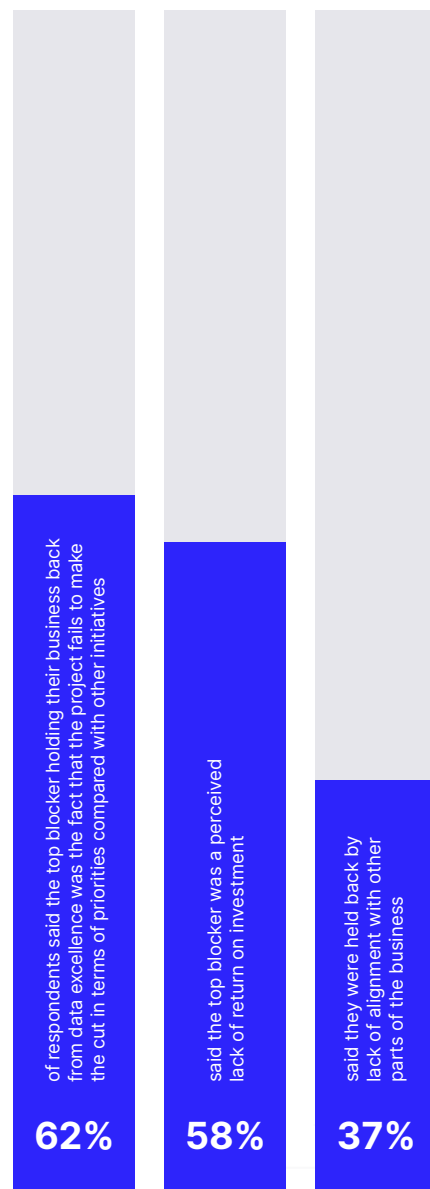
For example, many companies have been keen to contact suppliers to discuss terms or ensure resilience since the outbreak, but have been hampered by poor or out of date information in their systems.

Procurement leaders now have an opportunity to start conversations around the topic. They can also highlight the many positive aspects. For example, data excellence enables procurement to increase efficiencies; comply with regulations that carry expensive fines; and reduce financial and reputational risks. It can also ensure suppliers meet qualitative, environmental and other standards. All of this can save lots of money and help show a clear return on investment.

Procuring for resilience

Richard Wilding, professor of procurement and supply chain management at Cranfield School of Management, says data excellence has become key to building supply chain resilience. The pandemic has exposed the vulnerability of global chains because of its disruptive effects on suppliers, he says. Procuring both for resilience and cost requires good data – knowing where the manufacturers are and how supplies flow through the chain.

"That helps specialists map risks and see whether they might need to procure more locally or to stockpile more inventory, for example," he says. "Since the outbreak started, I've been amazed at the calls I've had from major companies who didn't know where to look for resilience basics such as their supplier locations."

of respondents said the top blocker holding their business back from data excellence was the fact that the project fails to make the cut in terms of priorities compared with other initiatives

62%

said the top blocker was a perceived lack of return on investment

58%

said they were held back by lack of alignment with other parts of the business

37%

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Mr Wilding says the technology is available to help CPOs build a data excellence culture, but there have been obstacles around culture and people.

"Most of our research shows that the board's skills and culture are most often the stumbling block. These days, you need to understand data integrity, what data you require, and how to [use it to support strategic decisions]."

Procurement professionals must grasp the opportunity by learning to talk the language of the boardroom, showing how a project will help boost shareholder value.

"Some procurement functions have identified a 25% improvement in productivity by enhancing competitive strategy and customer value creation," says Mr Wilding. Data governance is another selling point. With rules such as the General Data Protection Regulations (GDPR) levying large fines for non-compliance, boards are starting to see the potential financial impact of holding poor data.

To sell the benefits to the board, procurement leaders should also highlight the longer-term potential. The pandemic will push us "five years further towards so-called supply chain 4.0", which will use technologies like the internet of things and artificial intelligence (AI) to improve procurement efficiency, says Mr Wilding.

Procurement can also support competitive advantage by providing customers with evidence of where goods are sourced and tracking environmental impact. All these things require a data excellence foundation.

Ending silos

Cyril Law, director of technology and data engineering at Engine Transformation, says some procurement teams have been too fragmented and siloed across disparate functions in an organisation.

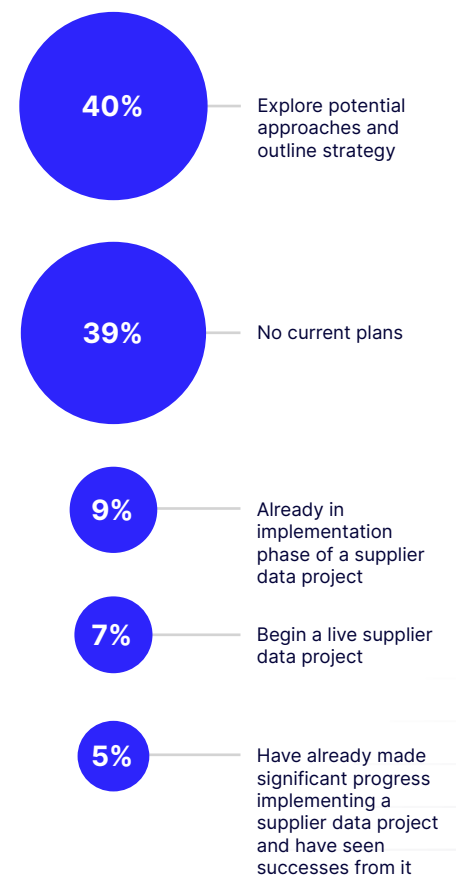"One organisation I worked for had three data centres and was buying IT equipment from three different suppliers," Mr Law says. "People want to control their domain and don't realise the benefits of centralising supplier information." However, a new breed of procurement managers is seeing the benefits of centralisation and persuading the board of these merits, according to Mr Law. That case will grow as the pandemic shines a spotlight on risk management and compliance issues.

"To be more persuasive, they have to define who their stakeholders are and what they want. Is it ensuring quality, price, compliance or innovation, for example? Then they must communicate how the project will deliver the ROI, and measure and report those metrics regularly."

"One organisation I worked for had three data centres and was buying IT equipment from three different suppliers. People want to control their domain and don't realise the benefits of centralising supplier information."

Cyril Law, director of technology and data engineering at Engine Transformation

Organisations' plans for improving their Supplier data over the next 12 months

40% — Explore potential approaches and outline strategy

39% — No current plans

9% — Already in implementation phase of a supplier data project

7% — Begin a live supplier data project

5% — Have already made significant progress implementing a supplier data project and have seen successes from it

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The Bigger Picture

Risk mitigation is a crucial benefit of supplier data management, but there are many other opportunities that shouldn't be ignored.

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Procurement leaders believe that managing risk is by far the biggest benefit of strong supplier data management. But they should be careful not to miss its other important gains, such as better alignment with business strategy and improved supplier relationships.

In a survey by HICX, 73% of procurement leaders ranked risk reduction and mitigation among the top three benefits of strong supplier data management. It was rated as the number one benefit by 40% of respondents, followed by increased efficiency, at 18%.

Risk mitigation is vital because bad data management can expose companies to dangers like poor supplier oversight, risk to supplier relations and inefficiencies.

But the HICX data revealed that procurement leaders may be overlooking more strategic benefits, such as innovating supplier relationships and becoming a key customer for important partners.

Supplier innovation was the top benefit of strong data management for just 9% of respondents, while becoming a customer of choice topped the chart for only 3%.

Unlocking opportunities

It is of course important for procurement leaders to focus on risk management, says Cyril Law, director of technology and data engineering, Engine Transformation. Strong data management is necessary to check that suppliers are complying with their contracts, for example.

"If they don't, it could risk a product recall with associated financial and reputational risks."

Supply chain disruption is also a risk, with many examples during the Coronavirus pandemic – for example, in yeast and flour supplies. There are many other examples from previous years, such as the dearth of certain car paint ingredients after the Japanese tsunami.

"Procurement leaders also need to manage risk by checking that their suppliers are sourced ethically and that they mitigate any geopolitical risks," adds Mr Law.

However, top procurement leaders are evolving towards partnering more with suppliers, so they can help them maintain quality and leverage their innovation and talent, says Mr Law.

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60%
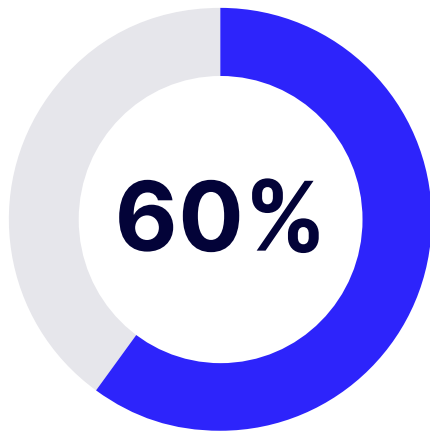
said increased efficiency was one of the top 3 benefits of strong supplier data management

Costas Xyloyiannis, CEO of HICX, agrees that the trend among top procurement leaders is towards partnering with suppliers.

"You can only squeeze suppliers so much," he says. "After that, the way to improve efficiency is to optimise supplier relations."

As an example, Mr Xyloyiannis says companies could reduce the amount of data that suppliers have to provide.

Another option is to adjust something further along the supply chain that helps improve supplier efficiency: for example, using more supplier-friendly designs.

Strong data management can enable such optimisation at scale, he says, a crucial consideration when companies have such high numbers of suppliers.

"This is even more important now the pandemic has shone a light on the trend towards more outsourcing, which increases dependency on suppliers," Mr Xyloyiannis notes.

Broader goals

Roy Williams, CEO of supply chain management consultancy Vendigital, says stronger data management projects have to deliver efficiencies to be signed off.

However, other exciting things should come from them. For example, they should support a wider transformation in digital approach, evolving from descriptive, to diagnostic, to predictive, before moving finally to AI.

Understanding the trends in your supplier base will help you describe, diagnose and then predict issues, says Mr Williams. For example, you can talk to suppliers about changing their capacity before a problem hits you.

Moving towards AI will also help you spot trends in the data that a human could not. It may show that you need to work with suppliers in a different way, such as taking on more of their risk so they can focus on efficiency.

Or you might predict that a certain product will become more important, so you need to work with the supplier to anticipate that and deliver it faster.

Alec McCullie, partner, digital transformation and AI at Vendigital, says good supplier relationships also help companies gain a more holistic, detailed and accurate view of their chain, which allows for better forecasting and inventory management.

"To do that, you need to build incredible trust with your supplier bank," he says. "Suppliers are often reluctant to share information freely due to issues such as intellectual property. But better data can help you build trust and become a client of choice, which goes a long way towards building that holistic overview."

Respondents who cited risk mitigation as a top benefit of strong supplier data management

40% — Number one benefit

73% — Among the top three benefits

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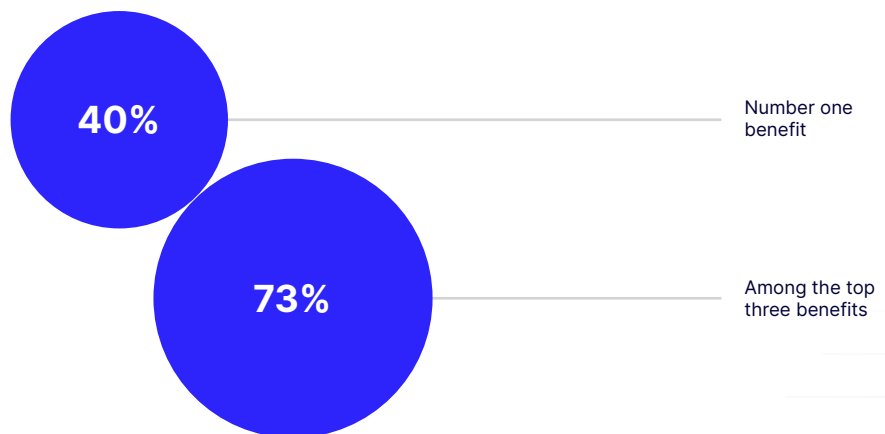
Tight Onboarding Beats Supplier Data Blues

By digitising their supplier onboarding process, procurement can boost quality, cut spending and seize a range of other benefits.

HICX

Digitised supplier onboarding helps procurement leaders meet the ever-increasing demands to reduce risk and improve returns in the supply chain. However, there is still ample room for greater digitisation in many companies.

In a survey by HICX, all procurement leaders said some of their supplier onboarding process was digitised, but less than half said it was fully digitised.

Better onboarding practices can support compliance efforts – for example, with anti-fraud and data protection regulations.

They also help ensure that suppliers meet internal standards in quality, environmental, social, governance and other factors. And they can reduce maverick spend significantly upfront.

Costas Xyloyiannis, CEO of HICX, says such risks could cost a company millions, while also holding the potential for reputational damage.

"But if you control the entry point of supplier data, you can ensure all the correct standards are validated from the beginning," he says. "Avoiding all these risks creates measurable returns on investment for projects that strengthen onboarding data."

Watertight onboarding

For a business to reach its potential, it must have excellent data. Watertight onboarding for all suppliers helps ensure this by using processes, tools and governance that take on each supplier with the appropriate level of compliance and risk assessment.

The approach must be flexible, however, because requirements can differ vastly between suppliers.

"Compare a florist and a uranium miner," says Mr Xyloyiannis. "Both supply an energy supplier customer, but they don't need the same level of compliance and risk assessment."

Watertight onboarding also means ensuring that other systems in the business – like ERP tools – can access and use supplier data, Mr Xyloyiannis adds. It also lays the foundations for other good outcomes, such as getting the best prices from suppliers, ensuring supply in difficult periods – and becoming a customer of choice.

> "Compare a florist and a uranium miner. Both supply an energy supplier customer, but they don't need the same level of compliance and risk assessment."
>
> **Costas Xyloyiannis, CEO of HICX**

HICX

Centralised process

One way to maximise onboarding efficiency is to centralise it. This can speed up the process and the time to market, while ensuring data governance, consistency, and enforceable standards. There is scope for improvement here, too: 60% of procurement leaders did not have centralised onboarding, according to the HICX research.

John Weber, director, supply chain at consulting firm Protiviti, says centralised onboarding has become even more important due to supplier disruptions caused by the Coronavirus pandemic. Companies might relax onboarding requirements to find new suppliers quickly, but a centralised process helps maintain standards by having one person or function accountable for all incoming data.

Many functions – from treasury to legal and accounting – will use the data, says Mr Weber. The person who owns the process ensures that all these groups have accurate, updated data and are using it appropriately, he adds.

"That helps avoid collecting unnecessary data. I recently spoke to a company that was collecting 300 bits of data. It only needed 180, but each department thought other departments used those extra bits."

Mr Weber is also a fan of digitised onboarding. "The best way to collect data is to have somebody else give it to you," he says. Leading companies use portals in which the supplier can input the data, allowing robots to collect and verify information, he says.

This also allows the company to add controls in certain areas: for example, withholding invoice payments if suppliers do not verify data.
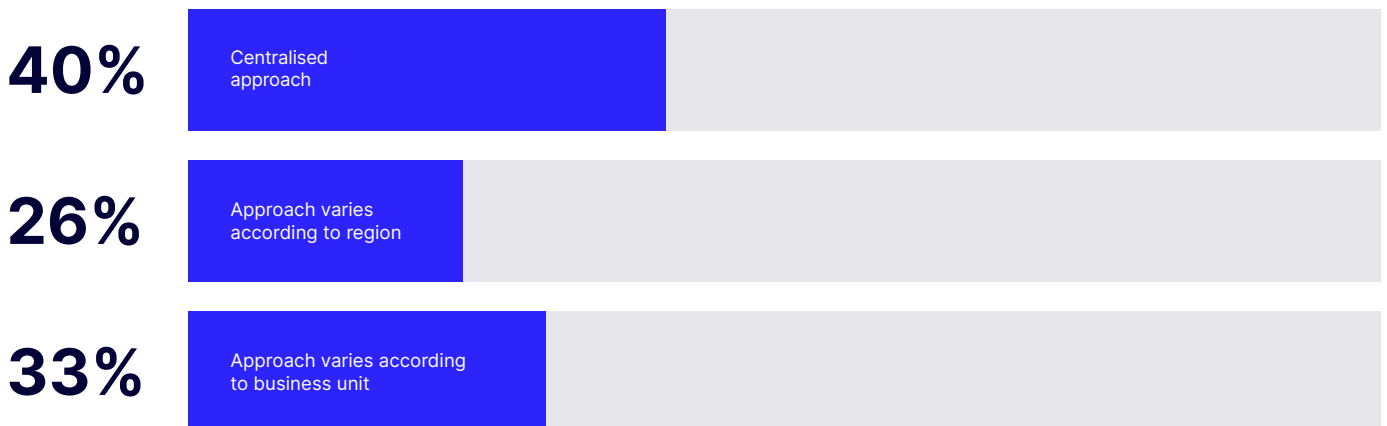
Chris Laws, UK head of product and strategy at Dun & Bradstreet, says watertight onboarding also means starting with clean supplier data and a master data environment.

"Do not rely on suppliers self-reporting," he says. "Use third-party data to verify information such as on money laundering, political exposure, sanctions, adverse media, human trafficking and exploitation."

A procurement team's workflow can often integrate third-party data using application program interfaces (APIs), says Mr Laws.
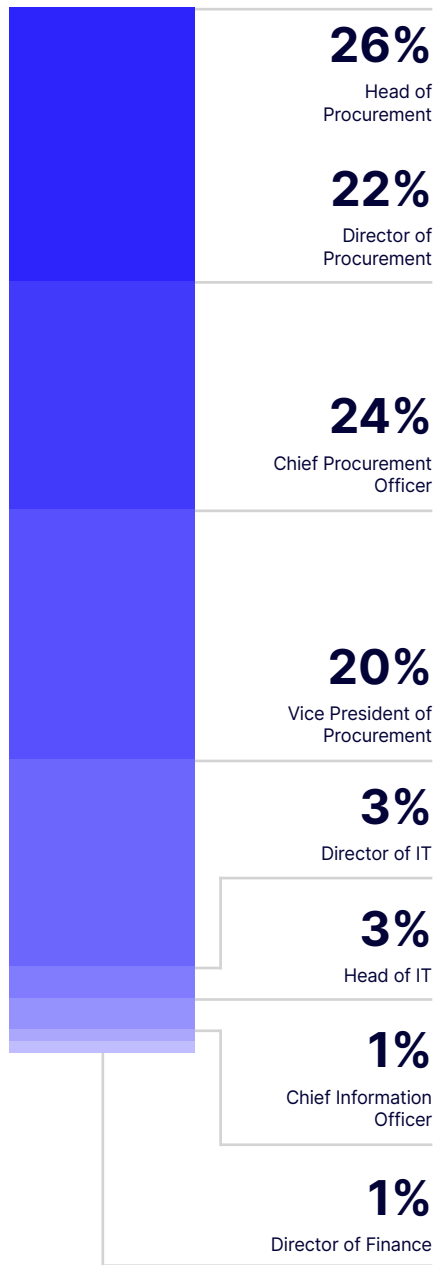
Such efficiencies can save companies vast amounts in reputational and financial damage, he says.
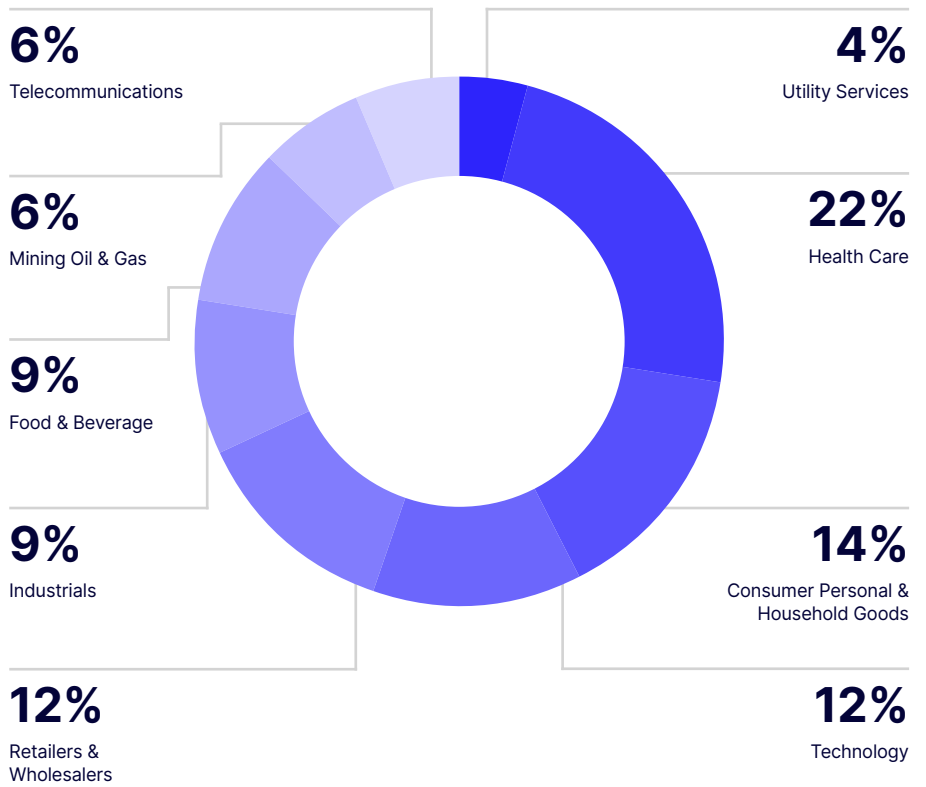
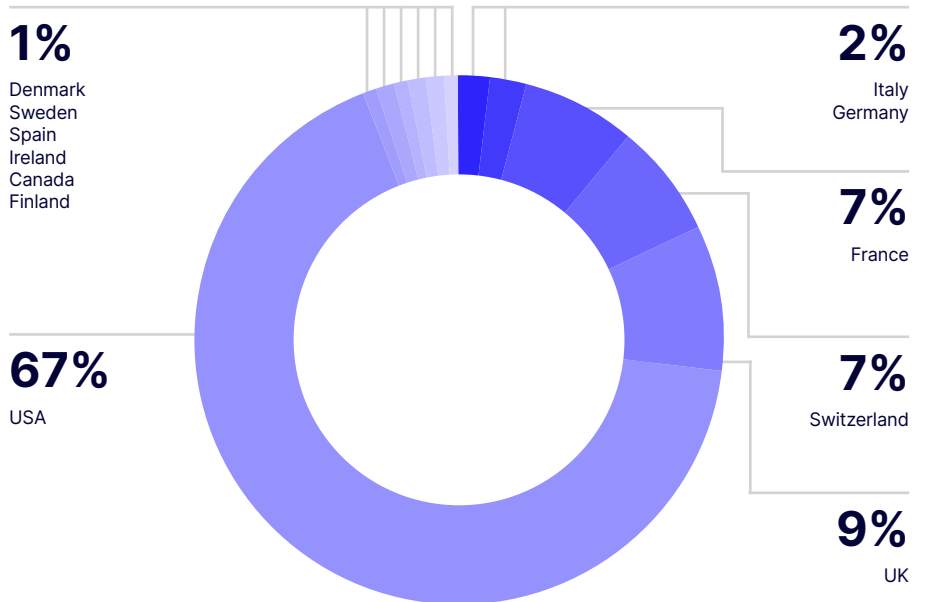## Organisations' approaches to onboarding new suppliers

40% Centralised approach

26% Approach varies according to region

33% Approach varies according to business unit

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Demographics

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Job title (or nearest equivalent)

26%
Head of Procurement

22%
Director of Procurement

24%
Chief Procurement Officer

20%
Vice President of Procurement

3%
Director of IT

3%
Head of IT

1%
Chief Information Officer

1%
Director of Finance

Sector of primary operations

6%
Telecommunications

6%
Mining Oil & Gas

9%
Food & Beverage

9%
Industrials

12%
Retailers & Wholesalers

4%
Utility Services

22%
Health Care

14%
Consumer Personal & Household Goods

12%
Technology

Country in which organisation is based

1%
Denmark
Sweden
Spain
Ireland
Canada
Finland

67%
USA

2%
Italy
Germany

7%
France

7%
Switzerland

9%
UK

Annual turnover

69%
More than $10bn

31%
Less than $10bn
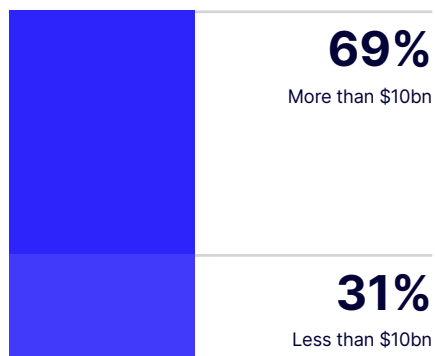
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HICX is the Low Code Platform for Supplier Management.
We enable business to find, maintain, and re-use trusted
Supplier Data and Information across their Enterprise, across any
spreadsheet, app or system. Our solutions enable your businesses
to be more reliable, flexible, and scalable. Building from a rock solid
platform of good quality data, we help businesses become digital
in supplier management, third party management, compliance and
risk, master data and finance management.

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