If you want to change how you monitor supply chain performance, you need first to be able to see it

SPEND MATTERS BRAND STUDIO

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For every organization, in every industry, from manufacturing to services, there's likely to be a supply chain that is critical to the business's success. Even with the most proactive management, in today's changeable world risks can have a very negative impact on your business. So, ultimately, to make your business more secure, it's in your interest to monitor supply chain performance. And not just with an eye on a single area that might be underperforming, but on the whole of the supply in your chain.

The economic and geopolitical landscape today is making those risks more of a threat than (almost) ever before. The invasion of Ukraine, the Covid-19 crisis, commodity scarcity, transport congestion, the Suez Canal blockage, and more, have all shown how unforeseen events can accentuate our supply chains' vulnerabilities. It's as important now as it's ever been, in fact probably even moreso, to monitor current performance, so that you can improve future performance. The problem is that most firms struggle reliably to see even six months ahead.

To get those insights, you need visibility, and to get that visibility you need data.

To give us some first-hand insight into these issues, we talked to Sam Clive, Head of Presales at Rosslyn, long-standing spend and procurement **analytics experts**. Sam is in the fortunate position of being directly exposed to customers' daily challenges across a broad range of industries, so he gets to appreciate and understand what companies are up against. He speaks daily with the key people on the front line about their projects, what they are trying to achieve in procurement and the problems and risks they are facing, which usually, in his experience, come down to lack of visibility.

Why are firms struggling with visibility right now?

"I just can't state enough, that the last two to three years have been the most destructive most of us have probably ever dealt with in our lifetime," he says. "The problem is exacerbated by the cadence: so many events have happened one after the other; it's basically been relentless. And companies are still feeling the after-effects of those events, like lockdowns, product shortages, driver shortages and rocketing prices, particularly on the supply chain and procurement. It's going to be a while before we understand what the long-term effects of the war in Ukraine will be.

"While we do have experience of world events, WWII for example, and how they've impacted business, the difference now is that we work in a globalized world. Your supply chain is no longer the people around the corner, or businesses in your country — you're relying on businesses from across the world. So, when crises like the global pandemic happen, there's no two ways about it, you are going to be affected."

Of course, it's much more efficient to have a global supply chain, bringing more choice of cost-efficient suppliers. But at the same time, it becomes even more difficult to manage, because you are dealing with multiple time zones and localized regulations. The pandemic is a prime example of this, where every country has had different restrictions and different lockdowns at different times.

"It caused chaos," says Sam. "So, the main pain point for procurement right now is that visibility is unstable."

What are the challenges you are hearing from your customers?

"We hear over and over again that the number-one pain point is still visibility of data and information.

"No amount of technology could have predicted what the last three years have brought. But those organizations that had good practices and good visibility of their data in place, have been able to react and adapt much more quickly than those organizations that scrambled to understand just how much trouble they were in, and just how much strain was being placed on their supply chains, and where.

"Having good visibility doesn't stop the challenges of course. But it puts you in a better position to react to them – which comes down to agility.

"A lot of procurement teams tell us that they are leaned upon as a single source of truth. The business comes to them with requests for data and information from across different business units. But they struggle to access that critical information in a consolidated way -- so visibility and accessibility are still the biggest challenges."

As the amount of data grows exponentially, bringing it all together in a way you can actually use it, is going to be an ongoing problem that needs to be continuously addressed.

Is that where technology comes in?

"Yes," he says, and gives an example from one of his customers in the passenger transportation industry. "They had to basically shut up shop overnight when Covid-19 struck. With almost no-one being able to travel or move about it could have devastated their business. But they took a forward-thinking approach. They wanted to ensure that the SMEs they were working with were still going to be there after the pandemic, so they looked at things like payment terms and tried to adjust them to be as favorable as possible for SMEs, to make sure they were paid on time, if not early. To offset that, they did the opposite with some of their biggest suppliers and pushed out the payment terms. It was being in possession of visibility that enabled them to understand who might need the more assistance, who might get into the most trouble, and who might be a candidate for offsetting the risk – and it worked."

What kind of visibility does the CPO need right now?

"Risks are a constant. With the growing focus on sustainability and ESG at the moment, understanding your Scope 1, 2 and 3 emissions is becoming ever more important. You need to really understand how your supply chain is contributing to your own CO2 emissions.

"Also, if there's something we need to take away from the last few years, it's building better relationships with suppliers, understanding them and helping them through difficult periods so you can have a fruitful relationship down the line. Having access to clear data will help you better understand what those challenges are and could be, is incredibly important. That same data will help you understand your state of supply dependency, or whether your tail spend is under control, for example.

"But it's also important to remember that while access to data and therefore insights is a must for procurement, Procurement is basically becoming a melting pot for all of this data and information coming from so many sources, internal and external. From the CPO's perspective, it's their job to make sure it doesn't become overwhelming for the end users. Making sure your teams aren't overwhelmed by so

much data, means giving them the right tools to make sense of it, so they can react quickly when they need to, like our transportation client. And with the next big challenge for the human race being the environmental impact of our supply chains, of our business and of globalization, data is here to stay, and we need better ways to utilize it."

So, what consideration should the CPO be giving to technology? …

"As we know, technology should be used to streamline and improve, not be viewed as a golden ticket. Procurement is about continuous improvement: there's always another event, there's always another opportunity, or project -- the job is never done. Just like Procurement, where you are constantly having to make improvements, become agile and adapt to a new risk, so it is with technology. We, as a tech business, have to strive for continuous improvement, because there's always going to be a new data, a new piece of regulation, or a change that we have to adapt to and that we have to provide a solution for. So we are constantly innovating.

"For the CPO, the technology they are looking for must be easy to use: when it's cumbersome and frustrating it will get bypassed. The biggest irony, however, is that a lot of business software is just that. So, having visibility of data made simple, in a way that users can self-serve, is the answer to the end-user problem. Whether you're a CPO looking at the big picture across multiple sources across a globalized business, or a data analyst drilling into the lowest level of information, you want to be able to provide a platform that provides a view for all user types across the procurement team.

"But ultimately data isn't just something you just load and run with. Working with data is about getting the right people working on that data, the experts who understand the category, understand who the suppliers are, and understand the data -- that's where we see the most amount of success. It's a blend of technology with first-hand experience that gets the best results, that lets users get straight to the insight they need."

… and what challenges can the CPO expect to encounter?

"Being able to aggregate and understand data from different sources is probably the number-one challenge we hear from CPOs. Maybe they've got multiple ERP systems or multiple P2P systems that are all generating bits of data, and then overlay data from third-party sources and they have no way of consolidating that in a central location. They might even discover data they didn't know they had or hadn't foreseen.

"So you need to be able to bring all of that data together, and once you have that central visibility you are able to carry out supply normalization:

- You may have data from various geographies; they may have a relationship with the same supplier or a contract with the same supplier but with different terms and different prices. Ultimately a category manager needs be able to see that in order to normalize it and get a better deal for the business.

- Maybe you need to look at payment terms from across the businesses. We see organizations claim they have standard 60-day payment terms and when you look at the data it's everything from zero to 150 days. From a business perspective you need to standardize and make sure it's as structured as possible. But if the business does need that wide range, at least you have the data to back that decision.

"One of the biggest challenges we come across is that businesses just don't know what's happening in other parts of the business or in other locations. Once you begin to bring all of that together you start to get the insights you need. Whether that's into payment terms, on-time payments, low-value invoicing amounts, invoice rationalization to reduce the amount of invoices, how much of your spend is outside of contract or PO. All of these are opportunities you can use to really understand and improve your supply chain.

"To sum up — it's a continuous problem, and it needs continuous innovation. For every half a dozen projects you work on this year, a new crisis or a new piece of regulation will mean you've got half a dozen more to work on next year. But having visibility through technology, created by industry-experts, will make it much less of a challenge."

Spend Matters thanks Sam Clive and the experts at **Rosslyn** *for their insight for this Brand Studio article.*