

Your Guide to Supplier Management



Introduction

Managing supplier relationships and risks is one of the most challenging yet opportunity-rich areas for procurement teams to optimize.

In a recent survey by Harvard Business Review Analytic Services, nearly all respondents agreed that supplier management was critical, while only 21 percent reported having strong data-analysis capabilities for supplier information.¹

This gap represents a challenge that many procurement teams face: insufficient data that adversely affects supplier management. So what's the best way to solve this? By fortifying their business with a robust, cloud-based system for supplier management.

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Critical suppliers are deeply integrated with day-to-day operations, and it is the successful management of these suppliers that delivers a competitive advantage leading to greater business impact.¹

**Harvard Business Review Analytic Services:
A New Paradigm for Procurement**



Why is supplier management a challenge for businesses today?

Making sure everything goes smoothly in procurement—from RFx to contracting, to payment and evaluating supplier performance—has never been easy. Often, teams must contend with extensive email chains, manual data collection, and limited resources. For many organizations, supplier data is locked in separate systems across procurement, legal, IT, and finance teams, not to mention business stakeholders. When it comes time for procurement to evaluate its vendor partners, the team can lose time tracking down and consolidating disparate information before making informed decisions.

Harvard Business Review Analytic Services¹ reports that 92 percent of surveyed executives classified the digital maturity of their company's sourcing and supplier management processes as less than best-in-class going into the pandemic.

This lagging digital maturity has resulted in:

- 1 Prolonged procurement cycles
- 2 Inefficient manual processes
- 3 Stilted collaboration with suppliers
- 4 Siloed data and inaccurate reporting
- 5 Decreased stakeholder engagement

As enterprises plan for the future of work, digitizing sourcing and procurement operations will be essential in driving success for the organization.

According to Harvard Business Review Analytic Services:

- 60 percent of surveyed business leaders are fast-tracking plans for digital acceleration¹
- 4 out of 10 report that supplier management is not part of their planning, yet nearly all executives surveyed agreed that it should be¹
- Only 21 percent have strong data analysis capabilities for supplier information²

With increasingly complex supply chains, procurement teams need the ability to drill down into their supplier data and understand their partnerships beyond their first-tier vendors. Add in the complexity of regional legislation and compliance regulations, and you've got a real challenge on your hands.

Whether it's maintaining up-to-date supplier information, complying with human rights regulations³, or staying on top of data protection legislation such as GDPR, the costs associated with penalties and interest for noncompliance can significantly impact the financial health and perception of your organization.

The alternative—a connected sourcing and supplier management system—helps to:

- Simplify processes and drive savings
- Ensure greater data accuracy
- Strengthen collaboration and stay in lockstep with suppliers
- Maintain compliance
- Manage supplier-related risk

Why supplier management matters.

Disparate systems and limited access to supplier data hinders procurement teams from acting as truly strategic partners to the business. To better collaborate across the enterprise with finance, IT, HR, and legal departments, procurement would benefit from a centralized cloud system to easily access supplier data, evaluate performance, and deliver better business outcomes. When teams can effectively manage supplier relationships, they are able to plan strategically and help drive innovation.

The world is evolving fast. With an enterprise procurement solution, your business can adapt to what's next. Workday provides capabilities that offer real-time insights into your suppliers and their financial impact to drive your business forward, faster.

The top drivers for adopting a supplier management system:

Increasing enterprise-wide visibility: Gain complete visibility into your supplier relationships with the ability to drill down into supplier performance criteria such as data security, risk, compliance, and more.

Enhancing collaboration: Allow procurement teams, finance, and IT to easily access a centralized hub for easier collaboration with suppliers and real-time insight into back-up suppliers.

Boosting process efficiency: Advanced automation capabilities help to track, report, and analyze supplier performance, giving teams real-time data to drive strategic decisions, negotiations, and stakeholder success.

Improving compliance: Document complex regulatory changes locally and globally. Increasingly, businesses must manage routine changes in global regulations that require procurement teams to maintain up-to-date and accurate data on their suppliers through every link in the value chain.

Accessing real-time data from anywhere: Analyze historically rich supplier data with advanced analytics software to improve insight into business operations, while at the same time providing procurement with actionable insights that empower strategic business partnerships within the business.

Reducing costs: Financial pressure will continue to drive the need for a more reliable, manageable, and scalable supplier management system that aids in offering more predictable operating costs.

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Workday Strategic Sourcing enables end-to-end supplier engagement, where you're not only being more efficient, but can also tap into that single source of truth for a powerful compliance audit trail.

Harry Lund

Senior Sourcing Manager, Information Technology,
Biogen

Seven Steps to Mastering Supplier Management

STEP	HOW TO GET IT RIGHT	PRO TIPS
1 Build a single source of supplier data.	<p>Start by collecting and aggregating all available supplier data in one place. Then, determine appropriate tiers for organizing your vendors. Your most critical or strategic vendors should fall into the top tier, also known as a “high-touch” tier, and vendors in the long tail of spend will likely fall into the bottom tier. Taking the time to compile and analyze this supplier information at the start of the process helps set your supplier management process up for success.</p>	<p>When sorting vendors into tiers, it’s helpful to consider whether the vendors:</p> <ul style="list-style-type: none">• Occupy a large amount of spend• Possess sensitive data• Provide critical IT infrastructure• Are customer-facing• Have high business impact• Provide services that are critical to the day-to-day operations of the business
2 Create vendor risk categories.	<p>After aggregating supplier data and determining vendor tiers, work with domain experts in compliance, finance, operations, legal, and IT to understand all supplier-related risks that must be monitored. Once you establish all risks and scoring criteria, build out your supplier scorecard with weighted categories to better understand risk and performance. While creating categories, you can also include mandatory fields such as proof of SOX compliance.</p>	<p>Potential supplier risk categories can include but are not limited to:</p> <ul style="list-style-type: none">• Cybersecurity• Financials• Business continuity• Disaster recovery planning• Operational risk• Compliance• Reputation• DEI initiatives• Litigation
3 Involve business stakeholders.	<p>For strong supplier performance and risk management, it is critical to involve business stakeholders early and often. For example, if you are reviewing a marketing technology vendor, be sure to involve your marketing colleagues who work most closely with the vendor and interview them to understand aspects of the vendor relationship that are going well as well as areas for improvement.</p>	<p>When working with stakeholders, be sure they provide as much supplier information as possible to lighten the load on your vendor partners.</p>

STEP	HOW TO GET IT RIGHT	PRO TIPS
<p>4 Collaborate with suppliers.</p>	<p>Work with your supplier partners to gather any data that your stakeholders did not provide. By working with an intuitive system, procurement leaders not only strengthen their supplier relationships, but also provide suppliers with a data-driven, collaborative review process.</p>	<p>With customized forms, you can communicate to your suppliers en masse and get the data you need faster.</p>
<p>5 Aggregate supplier scorecards.</p>	<p>Once you have all necessary supplier data, aggregate each vendor's individual scores for each evaluation category into overall risk rankings. Then you can sort your vendors based on their ranking to determine if any high-risk vendors need immediate attention.</p>	<p>Use scorecards to better understand potential risks when contracting with a particular supplier and how this supplier may be able to improve their score.</p>
<p>6 Lead metrics-driven conversations.</p>	<p>Establish an ongoing cadence for data-driven discussions with your suppliers using the scores from each risk or performance indicator category. With detailed insight into each aspect of supplier performance, you have the information you need to drive innovation and supplier performance.</p>	<p>Bring your supplier scorecards to the conversation to discuss how the supplier is excelling and identify categories for improvement.</p>
<p>7 Iterate your process.</p>	<p>As enterprises grow, their processes must remain flexible enough to adapt to the changing business landscape. A digital supplier management process ensures that your team can iterate when needed without missing a beat.</p>	<p>One way to iterate is to decide when and how your suppliers will be reviewed. For example, some companies choose to review their tier-one suppliers annually and their tier-two suppliers every other year.</p>



Workday supplier management in action.

At a rapidly scaling financial services company, efficiency and flexibility are essential when managing supplier risk. That's why the procurement team chose Workday Strategic Sourcing to gain deeper insights into its suppliers' performance and strengthen its vendor relationships along the way.

Before taking its supplier management processes digital, the procurement team tracked supplier risk and conducted reviews manually using slide decks that required constant updating. Historical performance was difficult to assess and mandatory compliance documents were often locked across disparate systems.

Additionally, missing supplier information was manually collected and required wading through lengthy email chains, running the risk of losing critical data. As the company scaled, the procurement team knew it needed to implement a formal process for managing its vendors' risk and performance.

With Workday Strategic Sourcing, this leading financial services company was able to create a holistic supplier management strategy. After consulting with its legal, IT, and compliance teams, the procurement team created customized categories to score its suppliers. Using available information, the team reverse-engineered its existing supplier risk management process and digitized it in the Workday system.

Today, the procurement team—as well as its stakeholders and executives—has complete visibility into supplier risk and performance. Procurement has also augmented its digital scoring process with an additional employee survey in order to collect a more subjective Net Promoter Score (NPS) regarding supplier relationships and performance.

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In a rapidly scaling company, it's essential to have the ability to quickly shift your processes as the company grows. With Workday Strategic Sourcing, I can easily make changes to our system that are in effect the next day.

Vice President of Procurement at a Financial Services Company



How Workday simplifies the supplier management process.

When an organization has a single source for supplier data and connects the procurement and supplier management processes, the procurement team can more easily strengthen relationships, drive cost savings, and enable the entire organization to scale and support the growth of the business.

Workday Strategic Sourcing can benefit your entire organization by:

- Driving efficiency with a secure, intuitive user experience that connects procurement to its supplier data and empowers the team to take action.
- Providing sourcing teams with the tools and insights that enable data-driven performance evaluations and supplier relationship management.
- Opening up strategic conversations between procurement and suppliers to help drive innovation and improve enterprise performance.
- Giving procurement the ability to shift from a transactional organization to a more strategic role that can more strongly support evolving business initiatives. Workday provides key supplier performance metrics, such as cybersecurity scores, compliance, and business continuity scores, enabling procurement to monitor the business impact of its enterprise suppliers.
- Allowing procurement to better partner with finance, IT, legal, and executive stakeholders by providing complete visibility into historical supplier performance data.

No matter your current technology landscape or supplier management maturity, staying competitive means balancing the complexity of a multitier supplier ecosystem with wider business objectives—and procurement plays a pivotal role in these demands. Innovative technology delivers not only a more accurate and compliant supplier management process, but also powerful insights into the financial impact of suppliers to empower better business decisions

Workday provides a single system with an intuitive user experience and a seamless supplier management process, giving your team the flexibility, control, and insights to make procurement an even stronger partner to the business and deliver better business outcomes.

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We're looking at how we can use Workday Strategic Sourcing in new processes and in new ways. We now have the capacity to serve more teams across the organization and identify new opportunities to save and drive the business forward.

Kellee Garcia
Center of Excellence Manager, Global Strategic Sourcing,
VMware

Endnotes

¹ Harvard Business Review Analytics Services: A New Paradigm for Procurement
https://forms.workday.com/en-us/whitepapers/a-new-paradigm-for-procurement/form.html?step=step2_financial

² Managing Procurement Risk: Organizational Agility for a Changing World
<https://forms.workday.com/en-us/reports/managing-procurement-risk/form.html>

³ How New Human Rights Legislation Impacts Global Procurement Leaders
<https://blog.workday.com/en-us/2021/how-new-human-rights-legislation-impacts-global-procurement-leaders.html>



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