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GLOBAL SOURCE-TO-PAY SOFTWARE SOLUTIONS

# Procurement Experts Outlook 2018



## FROM THE EDITOR'S DESK

Dear Colleague,

Over the years businesses have changed and so has the roles of different departments within them. A business in 2018 is more than ever exposed to a myriad of complex issues revolving around cost savings, operational efficiency and obtaining a competitive edge through available data and human resources. This calls for procurement function to realign itself with the organizational goals. It is exciting time ahead for procurement professionals because the functions role within the organization is shifting from being a support function to a strategic one, which adds value to the organization and is not just a cost-center.

To help you traverse this path Zycus brings to you 'Procurement Experts Outlook 2018' presenting articles from 8 leading industry thought leaders on the most sought after question - What should be the role of Procurement in 2018?

What we figure out from the book is the single sharp focus of these leaders on adding value and this pursuit of additional value comes in varied forms. The call of the hour for companies looking to transform their procurement processes or keep their status quo as the best-in-class companies is to strike a fine balance between technology, processes and people.

We would like to take a moment to thank all the industry thought leaders who took time out of their schedule to share their outlook with us. We also hope that as a reader you will find the book informative and useful. To share your feedback or to feature as a contributor in our next edition of the book feel free to drop us an email at [research@zycus.com](mailto:research@zycus.com)!

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# Afzal Nasser

**Vice President - Global Procurement,  
Belden**

Afzal Nasser is the Vice President of Global Procurement for Belden. (Belden Inc. designs, manufactures, and markets signal transmission solutions worldwide.)

In his current role, he is responsible for strategic sourcing on over \$400M of indirect spend worldwide. In just two years, Afzal's organization not only saved 8% on controllable spend but is also leading a transformational Global Procurement Solutions project. Before joining Belden, Afzal has held a variety of positions as lead finance in the Manufacturing, Pharmaceutical, and Financial service industries. Afzal has a successful track record of transforming teams by implementing lean principles and executing on both short and long-term goals. He has an undergraduate Finance Degree from TCNJ and an M.B.A from Centenary College.

## 2018 CALLS FOR TEAMS WITH STRATEGIC MINDSET

We're living in a digital age. Technology is prominent in every aspect of our lives, in every industry and every function; procurement is no exception. To stay relevant and remain competitive, businesses need to change with the times - shifting from manual management of upstream/downstream procurement activities to more automated, technological solutions that give greater visibility and help us drive productivity. Productivity expectations and targets will continue to grow, especially as shareholders expect organizations to outpace their peers both commercially and operationally. Teams must learn how to be innovative and creative in their supplier management approach to drive additional value. To do this, technology has to be part of the equation for driving and sustaining results.

But technology is only as good as the processes and people that support it. Standardization is of course key, but as we embrace technology it will be perhaps most important to cultivate teams with strategic mindsets. We need teams that are thinking creatively, proactively managing our supplier network, and nurturing the relationships we have with our business partners. It's a delicate balance - and it's one that I know I'll be focused on in the year ahead.



# Tim Cummins

CEO,  
IACCM

As CEO of IACCM, Tim works with leading corporations, public and academic bodies, supporting executive awareness and understanding of the role that procurement, contracting and relationship management increasingly play in 21st century business performance and public policy. Prior to IACCM, Tim's business career has involved multiple industries and included executive roles at IBM. Tim's writing is extensively published and he has acted in an advisory capacity to government bodies as well as many of the world's largest companies.

## PROCUREMENT : CREATING A NEW FUTURE

In 2018, it will become increasingly obvious that many of today's Procurement jobs will disappear. For those that remain, the focus will rapidly transform from compliance and savings to creativity and value. That shift will create exciting opportunities, but also place challenging demands on current skills and capabilities.

For the last 25 years, organizations have focused on driving internal efficiencies and standardization through the implementation of enterprise systems. This was a golden era for Procurement since the introduction of standards enabled large-scale outsourcing of production and processes, driving rapid growth in external spend. Networked technologies opened global markets, creating an unparalleled level of competition and a shift in power from the supplier to the customer. Businesses competed on cost, resulting in an urgent need to 'professionalize' buying. These forces were accompanied by an enormous increase in regulation, which in turn drove a need for increased supplier oversight and compliance.

## The end of an era

But for two primary reasons, this era is fast coming to an end. First, the opportunities for negotiated savings are reducing and lack credibility. Organizational performance increasingly depends on the development of sustainable and differentiated supply networks, demanding sophisticated market analysis and collaborative supplier relationships. The success of Procurement will be measured on outcomes, in particular its contribution to:

- **Value**
- **Integrity and reputation**
- **Competitive difference**

To secure and demonstrate these benefits, the focus of Procurement will steadily shift. Already, in many industries, the level of spend on services has outstripped spend on products, resulting in a need to monitor and oversee the quality of performance. The pressure for innovation requires not only a closer relationship with suppliers, but also a more creative interface with the market.

At the same time as these trends are emerging, new technologies are starting to disrupt traditional ways of working. Bidding and selection processes are rapidly becoming automated through the use of artificial intelligence and blockchain. In one recent example, a government agency cut the cycle time for contract award from an average of 110 days to 5 days - and eliminated over 80% of the workload. This and other pilot programs show that speed, accuracy and objectivity are in most cases enhanced through the use of machines. 2018 will see the beginning of a wave that steadily replaces the bulk of today's repetitive Procurement jobs.

## So where to focus?

A challenge for many Procurement groups is the absence of strong and influential leadership. That is why many top jobs in Procurement are being taken by people without a background in the profession. That trend is likely to continue in 2018 as the role of practitioners shifts from transactional and operational tasks to more strategic and higher value activities. Specifically, there will be greater focus on market analysis and management, identifying sources of superior supplier performance or of innovative solutions that generate competitive advantage.

At the other end of the lifecycle, Procurement will also take far more responsibility for ensuring supplier performance. This means more resources applied to supplier relationship and performance management and contract management. Sometimes those resources will be performing the relevant tasks, but often they will be working to support others through knowledge transfer and the availability of effective tools.

Today's Procurement processes and behaviors frequently lead to sub-optimized results. New technologies will enable a transformation. While this will take several years to become apparent for many, for others it is already occurring. 2018 will be the year in which the nature of the change becomes evident and when those who want a continued role will start to refocus their efforts.



# Bill Michels

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The Chartered Institute of Procurement & Supply (CIPS)

Bill is currently the VP of Operations, Americas, for CIPS after being CEO of Aripart Consulting (which he founded) after more than 23 years at ADR North America.

Bill is a sought-after speaker and writer with many publications, including co-authorship of the book "Transform Your Supply Chain" and numerous published articles. Bill has a B.S. in Business Administration from Rochester Institute of Technology and an MBA from Baldwin Wallace University. He has FCIPS, CPSM and C.P.M. certifications.

## 5 CHARACTERISTICS THAT DRIVE HIGH-PERFORMING TEAMS

One key feature of a Chief Procurement Officer is the ability to build and sustain high performing teams. Recruiting the right talent, developing both the capability and competence are a good start. The team must also be capable of delivering cost improvement, value, innovation, revenue opportunities and manage risk to being recognized as a top quartile company.

In addition, the team must be able to build fact based sound financial proposals for managing strategic categories and driving organizational change. Any top-class team will have advanced negotiation capabilities to work with internal and external stakeholders. Based on my personal research there are five characteristics that can be found among the high performing teams in best class companies. The five characteristics are:

1. **Clear responsibility, authority and accountability** must be assigned to the team. The team with responsibility and accountability is likely to fail if they lack the authority to act.
2. **Vision, mission and alignment to the business plan** is a core criterion for success. If a team doesn't have a charter with an agreed mission, the team will operate like a rudderless ship. It's essential that the team works hard at the front of a project to understand the vision for the project, mission and joint goals. As part of the alignment of the business plan, the team must also understand how to measure its own performance and the success of the program.
3. **Management awareness and commitment** to the team. One of the key elements for high-performing teams is the selection of team members. In today's business environment when everybody is extremely busy, it's essential for management to make a commitment of resources to the project. One other essential element is that the team success or failure reflects on the individual's performance.
4. **Funding** is always an issue when it comes to cross functional teams. I've seen teams struggle and fail when "who is paying for the project?" is unclear. Travel always seems to be a contentious issue when it comes to teams, especially if it's global travel. One way to be successful is to create a budget upfront or agree with key line managers how much travel is involved and what time constraints will

be placed on their department resources for this project. By addressing this issue at the start, team and project leaders can be assured that it won't be an issue later in the project at a critical point.

5. **Reward and recognition** is an essential part to assuring team success. Many team members are working on projects in addition to their regular workload. When a team is successful, it's the responsibility of management to recognize their contribution to the business and develop some simple reward as a token of appreciation.

While many companies have a long way to go in the creation of top level teams, there is little doubt that building a frame work with these 5 criteria will go a long way to helping the team performance.





# Jon Hansen

Editor and Lead Writer,  
Procurement Insights

As Editor and lead writer for the Procurement Insights Blog, Jon Hansen has authored seven books on subjects as diverse as supply chain practice, public sector policy, emerging business trends and social media.

A two-time Ottawa Finalist for the Ernst & Young Entrepreneur of the Year Award, Jon is also the host of the highly acclaimed PI Window on The World Show on Blog Talk Radio, which has aired more than 800 episodes since its initial broadcast in March 2009.

## HOW DO PROCUREMENT PROFESSIONALS REMAIN RELEVANT IN 2018?

When it comes to questions of continuing relevancy I am reminded of an interview I did not that long ago with the new Country Head for a major IT solution provider.

Specifically, his comment that he has enough history with the company to appreciate it's heritage, but not too much history to lose sight of the fact that responding to the changing needs of the company's clients is what matters the most.

I found this to be a very interesting response because, within the context of his words, he had struck a balance between leveraging past successes without forfeiting future goals.

Within the procurement world, it is very easy, in fact convenient, to fall into the trap of doing the things we do because we have always done it this way. It doesn't help, when senior management confines the performance motivators as I call them to a narrowly defined scope of functions that are meant to drive static metrics such as cost avoidance or best value purchasing. What this disconnect means is that procurement professionals have to be willing to step up and take risks regarding the introduction of new and innovative ways to deliver strategic value that is commensurate with how the market - and more specifically, client needs are evolving.

For some, this is “easier said than done” given that my job isn't the one on the line when I offer what they consider to be both reasonable but radical career advice. To a certain degree, I guess those of us who are no longer practitioners could be considered Monday morning quarterbacks. However, this does not change the fact that if procurement professionals are not willing to step up to the plate someone else will. It is a simple matter of filling the vacuum between supply and demand.

The market and more specifically clients - both internal as well as external, are operating in a new globalized reality where digitization and the emergence of viable IoT solutions are creating demands that are no longer addressable through overly simplistic and outdated financial measurements. Value, as it turns out, extends well beyond dollars and cents.

Unless procurement professionals understand what these new “values” are and how they can leverage emerging technologies and new relational practices to help their clients to achieve them, the relegation to a footnote profession is inevitable.

In allowing this to happen, procurement professionals will come full circle to that point in time when, according to Mena, Van Hoek, and Christopher “executives used to think of procurement as the place you send staff away in order to never see them again.”

Ultimately, the question that procurement professionals must ask (and answer) is this; What is it that I have to do to be “seen” as relevant to my clients? Within this answer, procurement will find the key to ongoing relevancy and future success.

## Here are a few tips for modern procurement professionals to start the process towards continued relevance in 2018;

- Move from being transactional to relational. Becoming relational means that you move from an adversarial to collaborative interaction with suppliers viewing them as partners as opposed to only sources of either products or services.
- Become strategic as opposed to functional. A 2007 CPO Agenda Roundtable of senior executives assessment that one strategic thinker is better than ten buyers still holds true today. In other words, look beyond the narrow confines of the traditional job description to find new and unique ways to add greater value to others.
- Understand your organization's culture and recognize that your performance is just one part of your value equation. In other words, just doing a good job is not enough, you have to sell yourself and what you can bring to the table to senior management.
- Recognize the fact that as we make the transition towards a digitized world, we are entering a period where there is a significant and growing talent gap. By upgrading and expanding your knowledge and expertise accordingly, you will create a demand for your services.
- Finally, see yourself as an independent business or contractor and adopt an entrepreneurial mindset in which your employer becomes your client.



# Paul Stasko

Director, Supply Chain Management,  
Curtiss-Wright Corporation

Paul Stasko is the Sr. Director of Corporate Supply Chain for Curtiss-Wright. He has been working in Supply Chain for the past 14 of his 31 year career. Prior to working in Supply Chain, Paul held technical and management roles in operations, all with Westinghouse / Curtiss-Wright in Cheswick. In his current role, his team is chartered with bringing benefits of centralized procurement to a decentralized business model.

## THE POWER OF SPEND ANALYTICS IN PROCUREMENT

Forty years ago, manufacturing businesses were vertically integrated. Suppliers were used for raw materials. The “value add” all happened in the business. Today, manufacturers know their core competencies. For the process and parts outside of the core competencies, they look to the supply base to make them more competitive. Because of this evolution, Procurement went from a back office function to part of the business strategy.

Outsourcing alone is no longer enough. We need to create strategies around our sourcing to optimize it. Spend analytics is the window into strategic sourcing. Spend analytics starts with creating a “spend cube.” A spend cube a multi-dimensional database that includes the spend category, supplier, business units / location and how much was spent. Using that spend cube to create an ABC Analysis determines what categories play into the sourcing strategy for the greatest impact.

The first step in strategic sourcing is to use the spend cube is used to create an ABC analysis. An ABC Analysis is a Pareto that identifies where the money goes:

- **“A” Spend categories consume 80% of the spend and typically are 5% of the transactions**
- **“C” Spend is typically referred to as tail spend. It represents the bottom 5% of the spend dollars, but consumes about 80% of the transactions.**
- **“B” Spend is the 15% of spend and transactions in the middle**

The “A” Spend is where strategic sourcing has the greatest impact. This is where powerful sourcing strategies should exist - supplier partnerships, reverse auctions, bundled RFPs, expressive bidding, cost regression analysis, global sourcing, linear performance pricing, etc.

Strategic sourcing takes time. Buyers have to deal with 80% of the transactions that only represent 5% of the spend dollars (the dreaded tail spend). This keeps them from working on where the money is! That is why a “C” spend strategy is so critical to the overall success of a sourcing strategy.

The first step on creating a “C” spend strategy is to do an ABC Analysis on the tail spend from the overall analysis. Yep, an ABC analysis of a subset of the original ABC Analysis! Using spend analytics, the sourcing team can quickly see how many suppliers are being used to buy the same category across the enterprise. Then sourcing events, like bundled RFPs or reverse auctions can be used to rationalize each of the top tail spend categories into focused corporate agreements.

The second step in a tail spend strategy is to put Procure-to-Pay (P2P) automation in place leveraging the corporate agreements as catalogs. End users can select what they need from pre-negotiated agreements in an on-line catalog environment. This meets the goal of taking the Buyer out of the process while still driving savings. Buyer value is contributed during the sourcing events and agreement negotiations. Buyers still have supplier management responsibilities, but are no longer involved in all of the enabling transactions, freeing up critical Buyer capacity for strategic sourcing.

Another critical role of analytics is identifying the spend that is targeted for the three bids and a buy tactic. Most “B” spend would fall into this category, along with “A” Spend that is not under a strategic sourcing strategy. In the future, this spend could be targeted for RPA (Robotic Process Automation). A software 'robot' is an application that replicates the actions of a human being interacting with the user interface of a computer system. For RPA to be effective, the candidate process needs to be: 1) Manual, 2) Repetitive, 3) Rules Based, which is a perfect replacement for three bids and a buy. RPA will free up additional critical Buyer capacity for strategic sourcing.

Technology and automation is changing the roles of Buyers now and in the future. The role of the tactical Buyer will be minimized and the need of a professional Category Manager will become more critical to the overall strategy. Spend analytics will be even more essential in strategic sourcing; not just to find the targets, but in freeing up capacity to address strategic opportunities.



# Robert Walker

Manager, Business Systems,  
Qualcomm

Rob has nearly 20 years of success in full procure-to-pay cycle for diverse industries of financial, retail, and manufacturing. Rob is well-versed in all facets of Procurement, eProcurement Systems, Spend Analytics, Supply Chain, & Logistics.

This article has been co-written by Julia NG, Senior Financial Analyst at Qualcomm Inc.

## ACHIEVING TRUE SUCCESS WITH SAVINGS IN 2018

### Creating Single Source of Savings Truth

All Procurement or Source to Pay(S2P) teams have multiple responsibilities which differ between organizations. These responsibilities can range from sourcing & supplier risk management to managing early payment discounts. One responsibility all teams will address in 2018 is savings. Savings is only one piece of the value Procurement provides, however it is often used to measure success. A savings definition often differs by organization as well as departments within an organization. Achieving success with savings is more than reporting a number. Respectfully, true success with savings in 2018 is achieved when you report savings backed by Procurement, Finance and your internal stakeholder. A successful savings program can be achieved in 2018 by completing three important milestones: defining success, aligning your progress with stakeholders and providing unified reporting.

## Define success

Success should be defined early and agreed to by all parties involved. Do not under estimate the value of having finance or accounting support your savings program. Reporting your savings achieved with finance supporting your numbers can only strengthen your team's value proposition. The basic questions you should ask yourself as you start this process include: Does your organization have a standard baseline methodology? Standard savings definition? Multiple types of savings? How does your finance or accounting team view savings? Does your finance/accounting team require savings be aligned with P&L impact? A best in class savings definition should standardize what is used as a baseline, the types of savings (such as cost reduction or cost avoidance) and the calculation to determine savings. Tying the baseline to the budget /outlook goes a long way with improving credibility with your finance and accounting teams. Using the budget as your starting baseline builds a common foundation for both teams to work from.

## Stakeholder alignment

With clear definitions and expectations in place, best in class processes should include three main checkpoints: Baseline agreement, savings strategy, savings acknowledgement/approval. These guidelines tie finance or accounting to the start and end of each project life cycle. Additionally, this allows the business/functional stakeholder to focus on the strategy used to achieve the savings. A natural outcome from each checkpoint is alignment on the building blocks of a savings calculation. Each stakeholder has a chance to take ownership of their piece of the savings project. Capturing documentation and approval

documentation from each check point is a must have. Savings projects often span months of work and keeping clear documentation of decisions will streamline the year end reporting process.

## Reporting

Providing reporting for a best in class global savings program is not an easy task. Reporting your achievements requires a strong analytical skill set and easy access to back up documentation. Consider leveraging technology solutions to assist with this requirement. An application allowing cross functional access to the savings project pipeline with some standard reporting is invaluable. Using technology to track project timelines, capture approvals and back up documentation encourages accountability and transparency in your reporting. An easy way to improve your approval/audit process is the creation of standard templates, or documentation check lists. As time passes or team members change, your information repository helps eliminate last minute disputes.

Success in 2018 requires a solid plan for success and supporting cross functional teams of procurement, finance/accounting and your business stakeholders. Technology or software applications alone cannot build a best in class savings program; however, it can provide a much-needed platform to build on. After taking the time to define success find a solution to ensure your formula for success is followed. Minimize the effort required to manage your savings program and repurpose that effort into achieving your goals.



# Robert Handfield

**Distinguished Professor of Supply Chain Management,  
North Carolina State University**

Rob Handfield is the Bank of America University Distinguished Professor of Supply Chain Management at North Carolina State University, and Executive Director of the Supply Chain Resource Cooperative. He is also on the Faculty for Operations Research Curriculum at NC State University. Handfield's blog "Supply Chain View from the Field" is one of the most widely read supply chain blogs, and he has published hundreds of articles and more than a dozen books on supply chain management.

## THE NEW ERA OF REAL-TIME PROCUREMENT

With 2018 approaching let's reflect on the new capabilities required to be able to work with the evolving imperative of real-time data. Two key concepts reflect the core elements of real-time procurement across supply chains. Velocity is the ability of an organization to flow working capital rapidly from suppliers through end customers. Working capital is generally in the form of inventory, which is an asset that doesn't produce any revenue or cash. Thus, the object of the real-time supply chain is to achieve velocity in every aspect of how companies run their business. Real-time data in the supply chain provides support to purchasing and materials managers who make a number of important decisions, including the following:

- Tracking and monitoring inventory;
- Determine the volume and mix of product to schedule for delivery from suppliers;
- Scheduling incoming material and communicating with suppliers;
- Establishing the time and modes of efficient, responsive transportation providers for inbound and outbound shipments,
- Establishing how to move product through global logistics systems.

Real-time procurement data allows organizations to respond to events as they occur, not after the fact. The opposite of visibility is opaqueness, or the absence of visibility on what is happening in an organization's upstream and downstream networks. When individuals have visibility to events that enable decision-making velocity, minor problems and disruptions with suppliers are resolved more quickly and easily before they escalate into bigger problems. Examples of visibility include demand visibility, market visibility, and supply visibility. All three elements must be tied together, and procurement cannot operate in a vacuum that is separated from customer requirements. Speed of decision-making increases not just the flow of information, but also the flow of materials, shipments, production, and all activities in the chain. A metaphor is that of reducing friction, which increases flow, where friction includes all of the typical delays and problems that slow material flows and increase inventory. Examples include the multiple layers of approvals for purchase orders, delays in decisions when a forecast deviation occurs, or the lack of response when a major disruption shuts down shipments to customers. Friction can produce bottlenecks in production systems and shipments, which delays material and causes inventory to build up or shortages to occur. Examples include the Tianjin explosion, the tsunami in Japan, and the port closure in Los Angeles.

The emergence of real-time information that enables the instantaneous visibility of assets across multiple tiers in supply chains has only been realized in the last two years. Real-time data is enabled by the emergence of cloud computing and mobile devices, which creates "big data" technology platforms that process higher volumes of internal and external data from multiple sources.

Some organizations have invested in very expensive systems called "control towers" to manage their "big" data. This model is now being turned on its head. It is only when people on the ground can see the data, collaborate with one another, and resolve their issues through virtual, mobile data reviews, can problems be effectively resolved in a timely manner before they spin out of control. This phenomenon is so new (e.g. Flex installed its real-time Pulse Center in 2016) that it is clear that current managerial ways of thinking about real-time data have not caught up with the technological capabilities descending upon us!

For further reading, you can see my book "**The Living Supply Chain**".





# Kelly Barner

**Managing Director, Buyers Meeting Point  
Director of Intelligence, Palambridge**

Kelly Barner (MBA, M.S.) is the Owner and Managing Director of Buyers Meeting Point and the Director of Intelligence for Palambridge. She has worked as a procurement practitioner and consultant since 2003, and is the Business Survey Chair for the ISM-New York Report on Business. Kelly has co-authored three books: 'Supply Market Intelligence for Procurement Professionals', 'Procurement at a Crossroads', and 'Finance Unleashed: Leveraging the CFO for Innovation'.

## **2018 IS THE YEAR TO MAKE SECOND TIER SUPPLIERS A PRIMARY OBJECTIVE**

As procurement has become increasingly strategic, our purview has moved from the realm of purchasing oversight into full supply chain management. In most cases, we have already driven out the majority of the costs and inefficiencies associated with our direct (or first tier) suppliers. This means that in order to continue creating value - not to mention driving sustainability, risk management, and top line growth - the time has come to make a push further into the supply chain: working to reach our second tier suppliers and beyond.

As logical a strategy as this sounds, we do not have direct access to these second tier suppliers. For that, we need to change the nature of the collaboration and information exchange with our first tier suppliers. Fortunately, today's business climate is warm to the formation of expanded supply partnerships. The timing is perfect for procurement to work with our suppliers to improve the performance and value of their supplier relationships. Not only will this drive greater efficiency and open new opportunities for innovation, it will also allow procurement greater insight into supply chain risks.

The first step, of course, is to get those first tier suppliers on board. Starting the second tier effort with the right suppliers is key, as is the way procurement positions what we are trying to accomplish. Consider the following five recommendations for placing second tier suppliers into a primary role in 2018:

- 1. Start the second tier effort with pre-existing strategic first tier supplier relationships:** When a strategic relationship is already in place with a first tier supplier, procurement can accelerate the drive to reach second tier suppliers. In addition, there is a direct correlation between the characteristics of a first tier supplier partner and the potential to realize additional value by investing in the development of their supply chain.
- 2. Position your interest in the second tier as mutually beneficial:** Nothing will stop a second tier supplier management effort in its tracks faster than the implication that your procurement team can drive more value than their procurement team. Procurement's interest should be in hearing what additional value second tier suppliers can bring to the table, and how their contributions to our multi-tier effort might change if they had an increased understanding of their customer's customers.
- 3. Make second tier visibility the first priority:** The initial goal of a second tier supplier management effort can be looked at as simply finding out who your supplier considers their most strategic suppliers and how they manage those relationships. Once you've had that conversation, the timing will be right to have direct contact with those second tier suppliers.

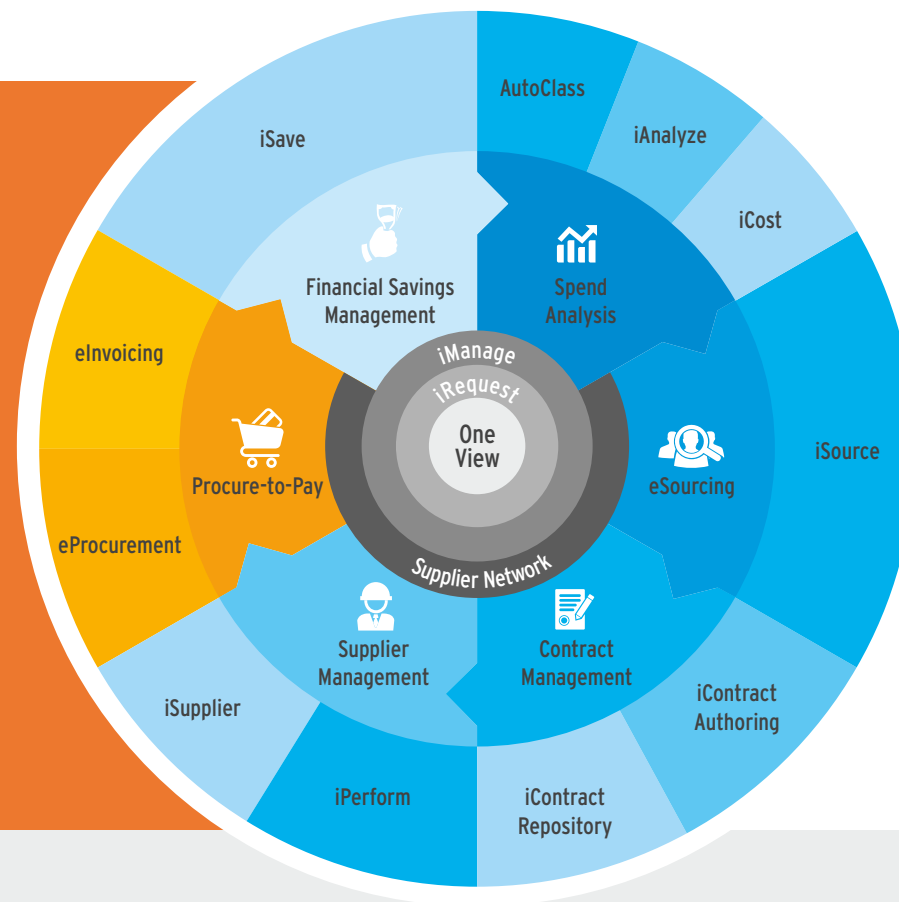
- 4. Think of the second tier as a stretch, not a leap:** Although procurement may talk about managing second tier suppliers, this does not imply a leap past first tier suppliers. The relationship becomes a three-way collaboration instead of a bypass. Unless procurement is looking into vertical supply chain integration, which is a completely different approach, we still need our suppliers to take full advantage of the capabilities their suppliers bring to the table. They translate the additional value of our second tier so that we can benefit from it.
- 5. Start small and focus on the ROI:** When procurement teams first gain access to their own first tier spend information, the race is on to bring as much of that spend under management as quickly as possible. With the second tier, however, the goal is to derive maximum value from additional information exchange, not to manage the entire second tier of the supply chain. Choose wisely about how many first tier (and therefore second tier) suppliers are even involved in the program at first. The numbers of companies to partner with will scale quickly!

Although efforts to manage second tier suppliers start with visibility, procurement should not make the mistake of thinking it will be a passive initiative. Start with visibility and move to action and collaboration as soon as possible to realize results before 2018's value window closes.

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Zycus is a leading global provider of complete Source-to-Pay suite of procurement performance solutions. Our comprehensive product portfolio includes applications for both the strategic and the operational aspects of procurement - eProcurement, eInvoicing, Spend Analysis, eSourcing, Contract Management, Supplier Management and Financial Savings Management. Our spirit of innovation and our passion to help procurement create greater business impact are reflected among the hundreds of procurement solution deployments that we have undertaken over the years. We are proud to have as our clients, some of the best-of-breed companies across verticals like Manufacturing, Automotives, Banking and Finance, Oil and Gas, Food Processing, Electronics, Telecommunications, Chemicals, Health and Pharma, Education and more.



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