

Source-to-Contract: Five Key Challenges Procurement Leaders Face in a Crisis - And how to solve them



Procurement leaders: Protect your organization's operations and control costs with a streamlined, robust, and agile Source-to-Contract (S2C) process.

In the age of social distancing, software solutions for personal and business use have become more important than ever. Many now depend on technology to maintain business continuity, keep dinner on the table, and even educate their children, all with the universal goal of flattening the curve of COVID-19.

Unlike the financial crisis of 2008, an organization's timeline for response and recovery is based largely on geography (lockdown/travel regulations) and the nature of their industry. With some countries beginning to re-open society up again and others enforcing tighter lockdown regulations, industries are affected differently. Some industries are operating at full or increased capacity, while others are at a complete standstill.

Similar to the 2008 crisis, revenue generation in most sectors has been severely impacted, leaving it to other business functions to protect their organizations' very survival. Finance is often leading the charge to reduce costs by furloughing employees where possible and cutting back on non-essential products and services.

Procurement's time to shine again

With the unparalleled impact on the global economy and business ecosystems, we see a reliance on key people and departments to navigate organizations out of this crisis. Being able to maintain reliable delivery of products and services once safety permits is a primary objective for most organizations. That means it is again procurement's time to shine.

It falls on procurement to manage supply chains to minimize the impact of disruption and to protect business continuity. That means extensive supplier evaluation and, where necessary, replacement of incumbent suppliers who are over-priced, under-performing or simply no longer the best fit in these unforgiving market conditions. [Do you have the right S2C tool?](#)

But the COVID-19 crisis poses challenges at an unprecedented scale and one challenge in particular never before experienced: Entire organizations working remotely.

With operations shifting to a remote work environment, manual processes severely limit procurement's ability to be agile in a rapidly changing environment. Procurement leaders need to be able to increase their team's efficiencies to drive cost-savings, find alternative suppliers and renegotiate terms with suppliers that will bolster long-term competitive advantages.

Don't fall behind from being a procurement technology laggard

Slow technology adopters who are still in early stages of digitizing their procurement processes are at serious risk of losing market share to more mature competitors because they are unable to adapt to rapidly changing circumstances. Procurement is a key business function where the contrast between the digitized and manual is stark. An essential component of maintaining an agile procurement team is the ability to act fast.

While no organization is looking to spend money at a time of such economic uncertainty and poised on the cliff of global recession, one thing is certain: there is no going back to the "old way" of doing things. This is the new normal! Investments in technology that can achieve mission-critical objectives could make the difference between those who, in terms of market position, climb up the ladder and those who slide down the snake.

The answer to this new world of high uncertainty and remote work is cloud software technology that gets procurement teams up and running fast while adhering to compliance protocols.

Here are the immediate actions procurement leaders must take:

- 01 Identify and understand supply chain disruption:** Procurement must have its finger on the pulse of its supply chain to fully understand the changing levels and areas of disruption in order to identify supply chain gaps and understand how it impacts operations.
- 02 Find, evaluate and approve new alternative suppliers:** Plug identified supply chain gaps with new suppliers fast.
- 03 Negotiate effectively with minimal leverage:** It is a seller's market in many cases and suppliers are in a strong position to dictate terms and pricing.
- 04 Fast-track contract management:** Protect the organization without causing a delay in the ability to deliver.
- 05 Streamline remote project management of the entire S2C process:** Build in new COVID-19-specific operating procedures, processes and best practices while maintaining communication and visibility among all stakeholders.

In order to address the challenges listed above, digitizing the upstream procurement function will help maintain business continuity and ramp up or resume trading when markets normalize. The process is shown in the diagram below.

S2C versus COVID-19

Build in new COVID-19 best-practices to existing processes, drive and monitor projects remotely



[Join our webinar here](#): Learn how to tackle COVID-19 using S2C Procurement Software

What is Source-to-Contract technology and how is it used?

Source-to-Contract (S2C) technology facilitates the upstream procurement process by standardizing and automating sourcing activities such as contract management, spend analysis, supplier relationship management, eAuctions and RFx.

[Learn more](#)

Below are detailed actions that procurement leaders must take in response to the COVID-19 crisis and how S2C technology can provide streamlined solutions.

Action 1

Identify and understand supply chain disruption

When the crisis began in January 2020, only organizations with supply chains heavily dependent on China were severely impacted by COVID-19. But with the spread across continents, supply chains around the globe are impacted to varying degrees. Whether it is a direct or indirect category, a service or a product, a local or global supplier, a supplier or a supplier's supplier, the vast majority of organizations in your supply chain and their ability to deliver have been impacted.

The criticality of the impacted suppliers or categories to your organization's operations is largely out of your hands. *What you can control as a procurement leader is how quickly and accurately your team can collect and analyze the data from your supply base to identify supply chain disruptions and key gaps.*

Manual Approach: The pain of email and spreadsheets for data collection

Identifying supply chain disruptions and key gaps means utilizing email and spreadsheets. This entails sending bulk emails to thousands of suppliers, asking each to complete an attached spreadsheet and submit via reply.

Even managed in the best, most efficient way possible, it still requires processing thousands of emails and collating all the data manually into one enormous spreadsheet – with huge potential for human error – while sorting, filtering, and creating pivot tables to gain insights. Some organizations are even managing this challenge via phone calls to suppliers and reporting back anecdotally to management!

S2C Solution: Make data-driven decisions with Cloud-Based Supplier Relationship Management

Issue one request to all, or sections of, the supply base for information on the impact of COVID-19 and their ability to supply and deliver products and services. Once the data is input by the suppliers, your team can begin analyzing supply chain disruption by business unit, country, category, or even drill down by category/supplier criticality where no alternative source is in place.

In fact, the data can be sliced and diced in any number of ways to gain a high-level overview and then drill down for a detailed understanding of the disruption. Moreover, suppliers are responsible for maintaining and updating their information and your team can make informed, data-driven decisions based on real-time data.

Further enrich your data with a spend analysis tool that uses predictive and trend-based analytics for enhanced reporting and increased visibility to understand disruptions within the supply chain.

Result: *Quickly identify the gaps in your supply base's ability to deliver now and in the short-term future, then prioritize mitigation efforts.*

Action 2

Find, evaluate, and approve
alternative suppliers

After identifying supply chain gaps, procurement must quickly find alternative suppliers that can meet the organization's requirements.

Depending on the nature of the category and the organization's approach to diversifying suppliers and mitigating risk, this can be a relatively quick process or a world of pain.

For example, if the product or service is a commodity, the primary provider may be impacted due to reasons specific to their circumstances (meaning that other suppliers within that category are less impacted) and the buying organization may have already approved doing business with secondary and tertiary alternatives. Getting those alternative suppliers to plug the gap will be relatively easy – you just need to understand their current capacity and distribute the extra business to them accordingly.

However, if the category is more complex, and/or single source with no approved alternatives and/or a heavily impacted category, then finding, evaluating, and approving potential alternatives will take more work.

Manual Approach: Avoid time-intensive legacy methods for searching for alternative suppliers

As the search for alternative suppliers begins by scrolling emails and shared folders to find relevant suppliers who have reached out in the past, so begins a lengthy process.

1. Outreach via email, issuing RFIs, RFPs, RFQs in the form PDFs and spreadsheets to a small shortlist of potential alternative providers.
2. Waiting for the suppliers to respond, chasing them via email and phone calls to ensure they have received the email, intend to respond and are progressing with their response.
3. Once received, the plethora of questions and comments from the suppliers must be answered, being careful not to accidentally communicate any sensitive data to others in the rush to get the process completed.
4. Responses must be manually scored, ranked by pricing, and calculated by quality/price interaction scores.
5. Then the suppliers are emailed with an update on whether they are disqualified, shortlisted, successful, or unsuccessful. A number of weeks into this process, it's probably time to send out another bulk email to all suppliers asking for updates to their COVID-19 disruption spreadsheet, which has to be manually processed and collated all over again.

S2C Solution: eRFx Technology streamlines the sourcing process and provides full visibility of real-time sourcing data

Category managers can reissue the last sourcing event your organization conducted for a given category with prefilled templates and questionnaires. All current and prospective suppliers registered against that category are invited to take part in the sourcing event with just a couple of clicks. Importantly, your team will have full visibility and immediate access to see all suppliers that have independently gone through your digital self-service SRM registration process.

After launching the sourcing event, category managers have full visibility of each supplier's progress, while also seeing actual responses and pricing in real-time. The purpose-built messaging functionality helps manage questions from suppliers while ensuring that sensitive data is not accidentally shared.

Auto-scoring and analysis functionality accelerates the evaluation process, highlights suppliers to be disqualified for not meeting minimum requirements, and ranks the remaining suppliers in terms of quality, pricing, and quality/pricing interaction scores.

Result: *The vendor selection and award processes are streamlined while managing risk, increasing visibility and improving compliance. Efficiencies result in across-the-board cost savings and quicker time to market.*

Action 3

Negotiate effectively with minimal leverage

Once your category managers have found suitable alternative suppliers to plug supply chain gaps, they need to quickly and effectively negotiate the best possible pricing and terms. Due to significant disruption in the majority of categories, suppliers will far often than not begin finding themselves in a position of high demand driven leverage which will lead to price increases and raises the potential for price exploitation.

Due to daily market volatility, even the most experienced category managers may not have an accurate idea of what the true market price is in most cases. In addition to this, they won't really know how much buying power they (or your organization) truly wields, as in many cases it will be a seller's market.

Face-to-face supplier negotiations is not an option due to travel restrictions and social-distancing regulations. Establishing true market prices in this climate will be tough even for the most skilled negotiators. To stay in business, your organization desperately needs to secure the key products and services it relies upon to fulfil customer orders, but equally, to stay in business, it cannot afford steep, unforeseen price increases, especially when revenue has taken such a hit!

Manual Approach: Lengthy supplier negotiations via email and phone

With face-to-face negotiations no longer an option in the short-term, multiple rounds of negotiations must take place over the phone, via video-conferencing and email. Although this is achievable, it is certainly not ideal. Manual negotiations are extremely time consuming and largely ineffective when it comes to mitigating against price increases and exploitation.

S2C Solution: Speed up negotiations and create a highly competitive environment with eAuctions

To successfully conduct price negotiations with suppliers, you need to ensure that you are making apples-to-apples comparisons, managing simultaneous discussions and providing all suppliers with the same information to create a level playing field. With electronic auctions or eAuctions, you can manage the most complex and challenging negotiations in a dynamic, real-time manner without you (or your suppliers) leaving the office.

It is a common misconception that eAuctions can only be used in a limited number of scenarios, or only within certain very simple categories. Any real-life negotiation scenario can be handled via eAuction and what's more, significantly more suppliers can be engaged in the process when compared to a traditional negotiation process, which results in significant cost savings.

Your category managers can create a highly competitive environment where suppliers compete against each other, effectively reducing margins to win your business. While savings can not be guaranteed in every scenario, eAuctions are a proven effective tool in helping buyers reach true market price. That said, in the current climate the main goal will mostly be avoiding steep price increases.

Result: *Reduce negotiation time from days to as little as a half-hour while securing the best pricing and terms to minimize price increases and eliminate the threat of potential exploitation.*

Action 4

Fast-track contract management

With the negotiation process complete and terms secured, your team needs to award the business to the preferred alternate supplier, and fast.

All the fat must be cut out of this final part of the process so that the winning supplier can deliver the product or service to your organization with minimal delay. But your organization needs to be protected with at least a basic contract, and in some cases SLAs, NDAs, and more will be required.

Manual Approach: Back-and-forth contract revisions prone to human error and manual signing

Manual contract creation, clause negotiation, approval and signature are time-consuming and prone to human error. The back-and-forth emails and red-line review process can go on for several rounds and include multiple stakeholders, often including legal, before it is time to sign the contract.

Even in the pre-COVID-19 days, this process was incredibly frustrating, disjointed, time-consuming, and admin-heavy. And now, with teams working remotely, the process is even more problematic. Furthermore, home offices may not be properly equipped to handle the process.

S2C Solution: Take control of Contract Management with pre-approved templates and a secure, streamlined and automated signing process

Streamline the process with contract template libraries and pre-approved contract documents for multiple category types. The category/contract manager can easily create a contract entry for a specific contract and supplier, automatically populate the data, then send one link to the online version of the contract to internal and external stakeholders to review, red-line, and comment, ensuring version control and keeping the process efficient.

Once the review process is finalized, an automated internal approval workflow kicks in, sending a notification for electronic approvals to each stakeholder sequentially (with a unique and secure login links) to approve, reject, or comment on the most up-to-date version of the contract.

With the approval process complete, an automated and secure eSignature workflow is initiated to all appropriate parties sequentially, who then simply click the "Sign" button to complete the process.

Result: *Digitize and streamline contract authoring, red-lining, approval and signature processes to increase visibility and ensure contract terms are being met.*

Action 5

Streamline remote project management of the entire S2C process

Your organization may have added new precautionary protocols for your remote working teams to follow. These protocols must be clearly communicated, made available to all relevant stakeholders, and most importantly, followed so critical steps are not missed. Managing a remote workforce poses a unique set of challenges.

Manual Approach: Lack of efficiency

Organizations without a digitized procurement processes will feel the pinch here. Aside from the time it takes to create new processes and procedures, along with getting internal buy-in, critical time is lost to following up on project updates and tracking progress on shared spreadsheets across projects. And at some point, the task becomes too big to effectively track without automated software.

S2C Solution: Cloud Software and integrated Project Management for the entire Source-to-contract process

Automated workflows are critical to managing remote teams and will ensure necessary steps are not missed. Team members must complete specific tasks or gain approvals in order to progress in the workflow.

Furthermore, the technology provides a helicopter view of all projects to monitor project status, gain stakeholder alignment, and streamlines communications to expedite approvals and grow your team's capacity.

Result: *Increased visibility into the status of each project means you don't have to constantly harass your procurement team for updates.*

Next Steps

The COVID-19 crisis has created a cascading set of challenges on businesses from disrupted supply chains to upending employees' daily lives and has laid bare the true cost of inefficient, manual processes. Now is the time to rewrite the playbook with S2C technology that will help your procurement team be more agile, improve visibility and protect business continuity.

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