

# Supplier Information Management

Part 2: Essential Steps For Implementation



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# Introduction

## Objectives and outcomes to foster collaboration

As we determined in Part 1, many large organizations are facing challenges when it comes to managing their supplier data and a robust data governance structure needs to be defined as early as possible, in order to ensure that the supplier master data management project will be successful and that data will be handled correctly and accurately on an ongoing basis in the future.

### Points of failure

Many supplier master data management or governance projects are unsuccessful because of a failure to separate an evaluation of the system and an evaluation of the data. System and data are not the same, and a good system can fail because of bad data. The problem is how people interact with the systems, not the systems themselves. So how do we ensure that we can set both people and the systems up for success?

### Beyond theory, into practice

Part 2 in our series of papers turns its attention to that question. Here, we go beyond just looking at the theory of data governance and data stewardship, and address what it means in a real business context when it comes to fulfilling your SLAs and helping your internal customers to operate more efficiently, explored in three sections:

1. Defining the desired business outcomes
2. Clarifying the project objectives
3. Creating a plan for overcoming challenges

### Collaboration across the enterprise

Without well-defined business outcomes and quantifiable objectives, colleagues outside Procurement will not comprehend the wider importance of the project. Any issues will be left to Procurement to solve because they will be seen as the 'owners' and operators of the system, rather than the implementation being approached as a collaborative effort across teams aiming to avoid issues arising in the first place.

The bottom line is that you cannot complain about data quality if you are not willing to invest in all three pillars: the people, the processes and the technologies required.

# **Chapter 1:** **defining the desired business outcomes**

There is immense value in undertaking supplier master data management (SMDM), but it still needs to be defined and articulated in terms of real business outcomes. Business outcomes relate to benefits that either your division, the wider company or external parties will experience as a result of the implementation of the project.

## Avoid creating another silo

Step one is to accept what the real problem is and be clear that to solve it requires all stakeholders to be involved and not just siloed within the data, IT or procurement function. Roles and responsibilities will define who does what, but everyone has to be involved and input in some way, otherwise it just creates another silo.

Any system which is put in place – unless it is built on top of data which provides a shared understanding – ends up becoming a silo over time.

- Quicker time to insights, with a single point of control and accurate decision making
- Create alignment across functions and systems
- A better reputation among suppliers, supporting the aim to become 'customer of choice' for suppliers
- Improved supplier lifecycle management

## Examples of business outcomes

In terms of supplier master data management, examples of business outcomes with this implemented might be:

- Faster supplier onboarding process with increased accuracy
- A decrease in costs, while supporting improved risk management
- Ensuring compliance with regulations in different geographies
- Being able to manage global level data and local level requirements

It is worth revisiting our value levers diagram from Part 1, with example outcomes listed on the right, aligned to strategic sourcing value, demand management value, processing efficiency value and finally supplier relationship management value:

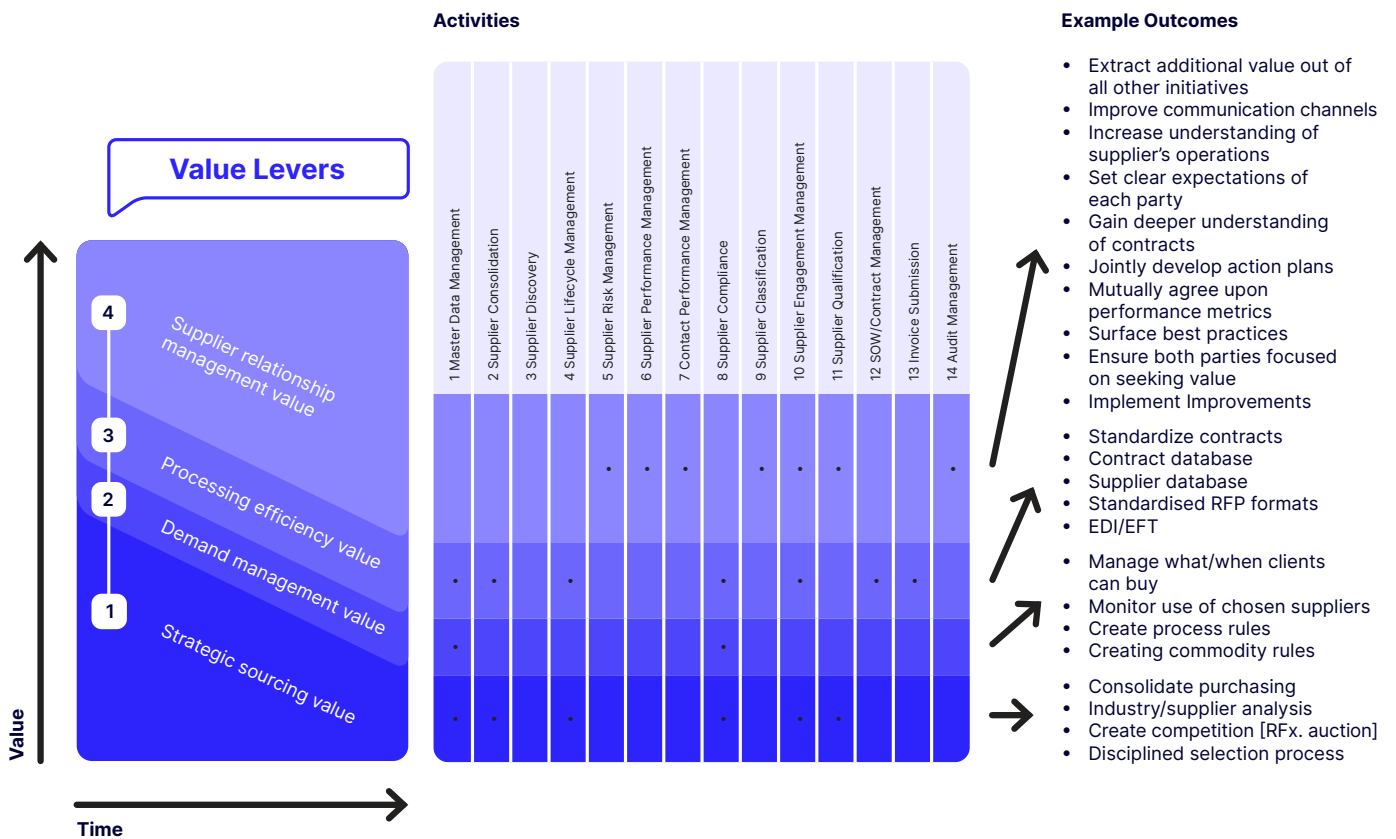


Figure 1: value levers, associated activities and example outcomes, as value moves from strategic sourcing to supplier relationship management over time, with examples of outcomes highlighted

## What to avoid

Understandably, the wrong approach can be taken at times, leading to failed implementations, often in situations where the focus is very IT centric.

A few of the most common cases are as follows:

- Talking in data or IT language, which will get your project siloed as a 'standalone'. The problem of engaging the true users of the data will not be solved.

- Being viewed as just another MDM silo which can connect the data, but nothing more than that. Master Data Management – whether that be customer, product, asset, supplier or any other domain – all have very different requirements, challenges and objectives.
- Failing to focus on solving the challenges faced by your business customers as they relate to supplier data. The answer to the business challenge is not an MDM system in itself.

# **Chapter 2:** **clarifying the** **project objectives**

It is important for the business, and stakeholders, to understand what success looks like, or be able to measure how well the project is delivering in terms of the desired business outcomes. These quantifiable clarifications should be defined and articulated for the benefit of the wider organization.

## Examples of objectives

These objectives might be aligned to the outcomes and include statements such as:

- Decrease time to onboard a new supplier from x hours to y hours
- Reduce time spent on data cleansing by x% in terms of FTE
- Reduce the average time it takes to publish insight reports by x% from the time of request
- Remove all duplicate data entries
- Ensure that 100% of suppliers have up-to-date compliance documentation
- Increased confidence in the quality of the information post-implementation (x% of end data users would say 'very confident' if asked, compared with x% before)

## Measuring and reporting on success

Most objectives therefore will relate to efficiency or quality of data metrics. It is important that these are agreed in advance and measured on an ongoing basis in order to be able to quantify the impact and continue to focus on further improvements and report these back to stakeholders.

It is also important, where possible, to find out the current performance of the enterprise against these metrics, so that the full impact of the SMDM project can be benchmarked and measured.



# **Chapter 3:** **plan to overcome** **challenges**

The real problem you are trying to solve is to **connect data creator with data user early in the process and on an ongoing basis as it becomes updated or changed**. This is about developing a shared understanding within the organization and within business units about how data is used (in the broader context) and providing a means for this shared understanding to evolve over time. It will never be possible to understand all possible uses at any given time. Rather, it's about establishing a process which allows this to evolve as part of day to day business workflows.

## Mapping out the use cases

It is when others interact with data that issues begin to arise, creating pain further down the line for business users and internal customers. A lot of the time, the users that create the data are not aware of how the data is going to travel through the business and get collated on its way to facilitating other uses, such as spend analysis, risk management, category management, performance management, and so forth.

Therefore, it is important to emphasize the following points:

- Only two moments matter in a piece of data's lifetime: the moment it is created and the moment it is used.
- The quality of data is fixed at the moment of creation.

- We don't judge the quality of data until the moment it is used.
- If the quality of the data is deemed to be poor, people typically react by working around the data or correcting errors themselves.

Data creators are not aware how data may be used beyond their use-case and invariably create it to fit their needs. As such, there is no data quality problem at the point of origin in the mind of the creator.

## Create Data

Supplier data is created throughout the organization in many systems

## Use (Analyse) Data

Knowledge workers and executives across functions and at all levels consolidate and analyse this data to make decisions

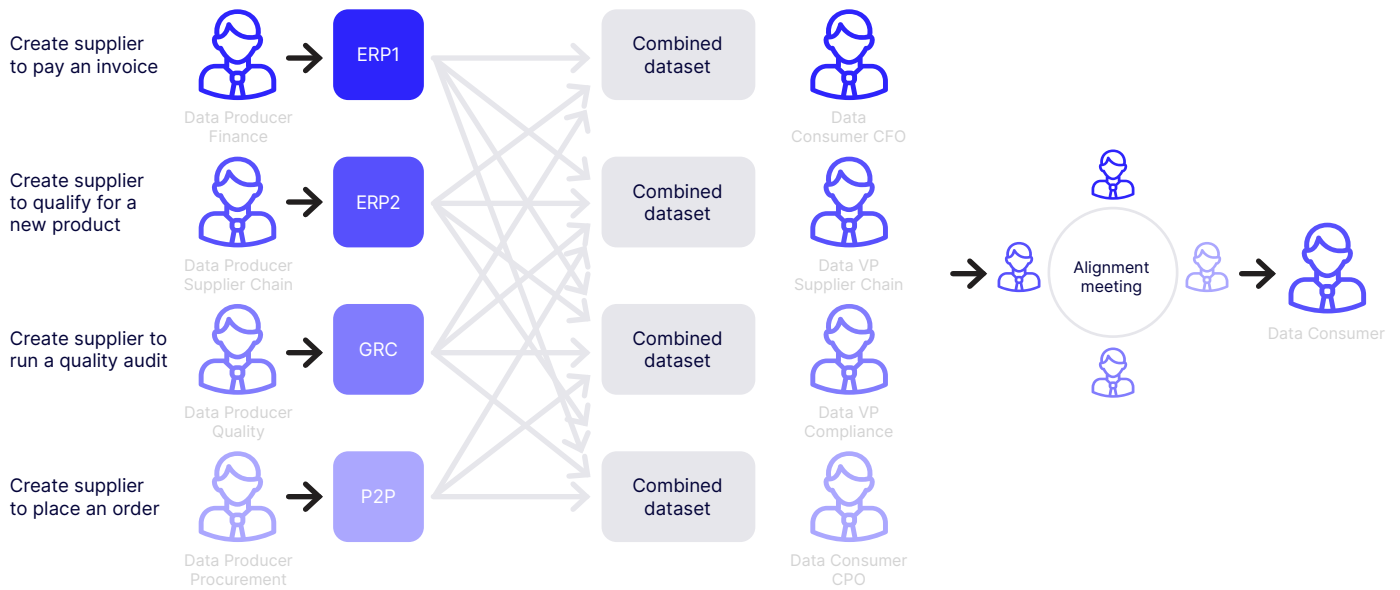


Figure 2: data flows in organizations from creation to usage

## It's an organization-wide challenge

If you really want to solve supplier data issues, then first you need to be clear that it's not a procurement, finance or IT-only challenge.

Suppliers are used by **everyone** in the organization and different stakeholders will have varying degrees of impact on supplier data. They might be involved in requesting suppliers, providing data for input, inputting the data, extracting it, analyzing it – or even complaining about the data.

Also, because we are talking about third parties that sit outside the organization, the supplier is also going to be impacted or impacting you and should be considered as a contributor here. Often, data changes are driven because of circumstances on the supplier side changing.

Even though there may be a lead function driving the project forward, to successfully implement any type of supplier master data project, you will need to engage the entire organization and understand that it's an enterprise-wide challenge. Otherwise, you risk just creating another silo.

# **Conclusion:** **building the** **right foundations**

## Checklist

The initial steps therefore are to create a plan which includes:

- An articulation of the proposed governance framework
- The desired business outcomes
- The objectives that are expected

Additionally, it is important to focus on how you can educate and improve the data literacy of business users and internal customers, bearing in mind that the system itself is not what's most important - it's fixing the issues that cause the supplier data problems that are faced by your organization.

Finally, one of the most valuable points to take from this, is that any MDM or governance projects that you undertake must have buy-in and contributions from different functions within your organization if you want to truly address the problems you're trying to solve. Simply labelling it as a task for the procurement, IT, or data function is going to make it more difficult to achieve any kind of success or long-term changes.

## Next steps: gaining sponsorship

Gaining sponsorship will therefore be crucial to securing the ongoing success of the project, as discussed in part three of this series.

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