

ZYCUS

Ensuring Efficient Supplier Risk Management with Supply Chain Transparency





Introduction

The Global Supply Chain Institute defines Supply Chain Transparency as “The information communicated by a company to its stakeholders (consumers, shareholders, suppliers, customers, governments, and agencies) regarding the sustainability (health, safety, ethics, etc.) of the supply chain products, materials, supply systems (manufacturing, warehousing, transportation, etc.), and services.”

Being compliant with legal standards and ensuring an organization/department doesn't flout these standards is the call of the hour. With social media and word of mouth being the biggest influencers in today's times, organizations have to be extra careful when it comes to ethics and compliance. But sadly the condition is not that pleasant in the procurement field. When we consider visibility beyond the tier 1 supplier, then almost 65% of the procurement leaders feel they have a very little or no visibility. When we consider the entire supplier industry then only 6 % have full transparency and 27% have good transparency while the remainder has zero or no transparency.¹

In fact, according to a research done by Deloitte, an outstanding performer is 2.5 times more likely to have a completely transparent procurement system compared to their peers. This clearly states how important it is for everyone to get more transparent in the future to operate more efficiently.²



Risks Posed By Systems Which Lacks Transparency:



Communication gap between buyers and suppliers

When there is a lack of visibility of the process it often leads to communication gap. In procurement, it is typically between the supplier and the buyer. This can be something as simple as tracking the order while in other cases it may also result in delivery of a wrong product. This can happen when there is no feedback in the system and transparency is low. Such transactions not only result in loss of time and money but also strain the relationship between buyers and suppliers.

¹ Source: [Deloitte CPO Survey](#)

² Source: [Deloitte CPO Survey](#)



Inefficient Data Monitoring

One major problem that many organizations face these days is with data processing. They possess a massive amount of data but don't recognize what can be done with that data. This is primarily due to lack of transparency. Inefficient data monitoring results in the inefficacious working of the organization further resulting in the uneconomical use of available resources. It also increases errors as learning from past mistakes are minimal or zero. For example, supplier management gets affected if data handling is not efficient. This is because in such a system there would be no arrangement to segregate the reliable suppliers from the defaulters.



Lack of Accountability

When a process lacks transparency, there is a lot of confusion and dilemma within the system. Moreover, there is no clarity on what data is being entered or modified in the system. Lack of accountability primarily comes in the picture when the quality of goods or safety standards is compromised. One such incident occurred when a textile factory in Bangladesh caught fire leading to death of more than 1,000 factory workers making clothing for a Western retailer. These retailers were not aware that their supplier was supplying clothes produced from a factory based in Bangladesh.



Duplication

Duplication results in heavy losses, which makes it a major threat to any organization. One of the primary reasons why duplication occurs is due to lack of visibility. There is no platform from where one can oversee the purchase order (PO) and its live status when the traditional approach of procurement system is considered. Hence many a time the order is not closed properly which eventually results in duplication.



Unnecessary Expenses

When it comes to indirect spend, 20 percent of the company's total spend involves 80% of the suppliers. Duplication, frauds, inefficient working... all of these further lead to improper use of resources, ultimately resulting in additional expenses, expenses which could have been avoided ideally. Thus looking at the broader picture, lack of transparency eventually results in losses, both monetary and non-monetary. It also gives rise to corruption which adds to the woes of increased overhead.



Benefits of a Transparent Procurement System:



An End to Duplication

A major issue that many organizations have found in their POs is that many orders are not being closed properly. When an order stays open it results in duplicate payment which hurts the companies' financials with unnecessary expenditure. Nevertheless, this can be avoided with the adoption of transparent procurement policies, as it will bring more visibility in the system. Transparency will ensure more efficiency and effectiveness ultimately resulting in more saving.



Effective And Efficient Record Management

Record management is an area which is highly exposed to vulnerabilities. There is always a possibility of data being forged or modified. A transparent record management system ensures more reliable and efficient data management system as it is managed and organized by many people. Also, it can be viewed by many people. This can be comfortably compared to Blockchain technology which can be edited by few individuals but viewed by many.



Bulk Purchasing

In any organization, there is demand for different products in different quantity from various departments. If all these orders are placed separately by each and every department it will result in inefficient working. The reason being it will cost more, include a lot of paperwork and will be more time-consuming. But this can be avoided with a transparent procurement system as it empowers a CPO to make bulk purchases. It enables the CPO to club requests and POs from different departments into a single order, which eventually results in reduced order and transportation cost.



Strategic Planning

A transparent procurement system results in more reliable data. It accredits the responsible individual to take more informed decisions. Being backed by reliable data makes the person more confident about the strategies he/she will be presenting. In addition, when that individual is asked about why spend had overshoot the allotted budget for a particular quarter, that person will be able to explain when and why. Furthermore, it enables the individual to estimate exact outcomes after implementation of a particular strategy.



Reduced Risks and Increased Savings

Exposure to risk is reduced drastically taking into account that the information is always visible to the concerned personnel. Also, reduced information gap helps in managing risks in a more effective manner. Reduced risks ultimately result in more savings. In fact, one of the results of avoiding duplication, bulk purchasing and strategic planning is increased savings. So greater the visibility of all the processes in procurement more is the saving opportunity available.



Ways to Achieve Transparency in Procurement



Implement Procurement Suites

A quick-fire way to get more transparency in the procurement system is by simply adopting the SaaS-based software solution. It can be a completely integrated Source-to-Pay suite or a stand-alone module. Transparency will increase with the number of process under procurement software suite.



Make Smart Supply Chain Arrangements

Smart supply chain arrangements here refer to the way the services offered by the supplier are packaged in a creative manner. Along with the usual requirements, the buyer must ask for value-added services like warehousing, inventory management, detailed reporting, quick responses etc. as part of the deal. Both the parties must bind themselves to a collaborative supply chain arrangement that is flexible and transparent.



Getting Everyone On The Same Page

A fundamental requirement to achieving transparency is ensuring that all the stakeholders including buyer and seller are on the same platform. Procurement suites prove to be useful tools in making this happen since they serve as a common platform that is accessible by everyone.



Incorporate robust governance

This is one of the most convenient ways to achieve the goal of transparency. And this can be adopted by any organization irrespective of their size. All that one needs to do is keep in touch with suppliers by having a periodic meeting. Reviewing them and carrying out their performance evaluation can be of considerable help to bring in more transparency.



Conclusion

“ Improved transparency of pricing, supplier locations and critical dependencies can help procurement functions deliver greater value. ”

- The Deloitte Global Chief Procurement Officer Survey 2018³

Transparency is one of the most discussed procurement trends in 2018 and that's definitely a welcome move for the industry. Now that it's a buzzword that has got everyone's attention, the way forward would be realizing transparency at granular levels and leveraging the advantages of technology for the same. One can neither neglect the risks posed by lack of transparency nor ignore the benefits a transparent supply chain can offer. Procurement leaders who want their teams to deliver greater value to the parent organization must treat transparency initiatives as a priority and be proactive in getting their suppliers onboard as well. A transparent supply chain can only be realized when both suppliers and buyers come together to bridge the gap in between them, striving towards the common goal of creating an ethical and sustainable supply chain.



³Source: [Deloitte CPO Survey](#)

About us

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, Financial Savings Management, Project Management and Request 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.



USA	:	Princeton: 103 Carnegie Center, Suite 201 Princeton, NJ 08540 Ph: 609-799-5664 Chicago: 5600 N River Road, Suite 800 Rosemont, IL 60018 Ph: 847-993-3180 Atlanta: 555 North Point Center East; 4th Floor, Alpharetta, GA 30022 Ph: 678-366-5000
UK	:	London: Kajaine House, 57-67 High Street, Edgware, Middlesex HA8 7DD, United Kingdom Ph: +44(0)1189-637-493
ASIA	:	Mumbai: Plot No. GJ-07, Seepz++, Seepz SEZ, Andheri (East), Mumbai - 400 096 Ph: +91-22-66407676 Pune: Pride Purple Accord, 1st Floor, Above Vijay Sales, Next to Hotel Mahableshwar, Baner Road, Pune - 411045 Ph: +91-22-66407676 Bangalore: MFAR Silverline Tech park, Unit No. 2, 3rd Floor, Plot No. 180, EPIP Area, 2nd Phase Whitefield, Bangalore 560066 Ph: +91-80-46737676 Singapore: 101 Cecil Street, #20-11, Tong ENG Building - 069533
AUSTRALIA	:	Melbourne: Level 9, 440 Collins Street, Melbourne VIC 3000
MIDDLE EAST	:	Dubai: Unit EX - 20 , Building No 12, Dubai Internet City, Dubai , UAE, PO BOX No. 73000