Top Metrics for Measuring Procurement Performance

- Top Metrics for Measuring Procurement Performance
- What’s Next for World-Class Procurement
- Strategic Performance Metrics for Purchasing and the Supply Chain
- Metrics for Purchasing: A Framework that Works
- A Balanced Scorecard for Procurement
- Understanding Spend Perks Up Procurement Performance
How are we doing? No one likes performance reviews, but everyone appreciates their value in managing talent and negotiating salary. In procurement and sourcing, performance reviews also shed light on how suppliers are doing at cost, quality, delivery, service and other metrics. Ultimately, performance reviews and the metrics that go into them help procurement demonstrate its growing value to the organization.

That’s why Tamr and My Purchasing Center are partnering to bring you some of the best information published on procurement performance metrics in a new guide. We selected these articles so that you can benchmark what you’re doing in your organization with what procurement experts are advising. From them, you’ll learn how your team is faring, and you can use the information to help promote procurement internally.

Our guide, Top Metrics for Measuring Procurement Performance, begins by setting the bar high with a preview into what’s next for world-class procurement. It looks at strategic metrics and discourages use of tactical metrics, and includes a framework that works and a primer on developing a balanced scorecard. Rounding out the package is an in-depth interview with Nidhi Aggarwal, Product and Strategy Lead at Tamr. In the article, Aggarwal introduces Tamr and its solutions for procurement. She makes a connection between procurement having a clear picture of spending, procurement performance and the value that adds to the organization. And she shares why she thinks procurement can be “a sexy job” if leaders embrace more analytics.
What’s Next for World-Class Procurement

By John Hall

World-class procurement organizations have become good at cutting costs and notching purchased cost savings while proving their value nearly tenfold over the past three years – so good, in fact, that they have peaked in the most fundamental metrics of purchasing. With nowhere to go but up, these best-in-class entities are poised to raise the bar even more by enhancing their value to top management with expertise and market intelligence, managing risk and forging far more meaningful supplier relationships, according to a new study by the Hackett Group.

In its report, “Characteristics of World-class Procurement Organizations in 2014,” the firm asserts that the value proposition of procurement is evolving. “Cost savings aren’t going to go away as a measurement of what’s expected of procurement,” Patrick Connaughton, Senior Research Director, tells My Purchasing Center. “And for non-world class organizations, there still is a lot of room to improve and grow. ‘Among world class procurement organizations, there’s this fascinating dynamic fueled by recessionary pressures that led them to drive significant cost savings,” he says. “Those are starting to recede now, so they have to do something to keep their momentum. It’s not that we’re saying cost is no longer king, but it’s important they focus on other areas. A lot of our clients are embracing this message.”

Mark Trowbridge, Principal, Strategic Procurement Solutions, LLC, agrees, acknowledging that the Hackett study ‘reflects some trends I’ve seen with the client organizations with whom we work.’

The study is a profile and analysis of the gap between world-class and typical procurement organizations, based on an evaluation of more than 100 in-depth benchmarks Hackett Group has performed at large companies over the past few years.

Tapped Out on Cost Reductions?
The adage “doing more with less” is quite evident at top-performing procurement divisions.

In its analysis, Hackett finds that world-class procurement organizations spend 20% less (up to $6 million in cost savings for the typical large company) and have 27% fewer full-time-equivalents (FTEs), while generating more than double the purchased cost savings of typical procurement organizations.

Such assertions echo what My Purchasing Center reported recently in its jobs forecast, which found that procurement organizations will be called upon to assume broader responsibilities with fewer resources and leaner budgets and possess or develop 21st century skills to keep their companies viable and strong. Hackett Group
earlier polled top procurement executives and discovered that most are working today with a mandate to grow enterprise revenues by nearly 7% with virtually no bump from within; both procurement staffs and budgets for 2014 are expected to grow by less than 0.1%, according to Hackett group’s 2014 trends survey.

Moreover, as Chris Sawchuk, Principal Global Managing Director and Procurement Advisory Practice Leader for Hackett, tells My Purchasing Center, top organizations seem to be focused more on maintaining cost levels while using revenue growth to improve margins. Over the past year, reducing costs has dropped precipitously (52%) as a priority among purchasing execs, according to the firm’s earlier polling.

In its new study on world-class procurement organizations, Hackett also finds that top-performers generate purchased cost savings equal to more than nine times the cost of procurement – an impressive return on investment (the ratio of total purchase cost savings to the total cost of procurement) few other internal divisions can boast and more than double the ROI generated by typical companies. According to the firm, such impressive gains are evident at firms where “goals are aligned and procurement is viewed as a valued business partner.”

The not-so-silver lining, however, is for the first time in years, the ability of world-class procurement organizations to generate savings declined dramatically in 2014, dropping by more than 17% and returning annual savings levels to only slightly above pre-recession benchmarks. Meanwhile, “typical” procurement organizations are playing catch-up on ROI, and are expected to continue improving with single-digit increases through 2015.

How important is ROI with procurement organizations? “Because procurement tracks and is measured by savings, one is able to make these kinds of statements about ROI,” Connaughton adds. “A lot of organizations aren’t measured that way with the exception of sales. ROI is a good metric but again, it only factors in cost and savings. Top performers are beginning to explore more powerful tactics that demonstrate their value even more.”

Cost of Success

Leading procurement organizations last year reduced their labor, outsourcing and technology costs by 1.6%. But such extreme lean performance has exacted a toll, says Connaughton at Hackett. “When we talk about world class being ‘too lean’ in this context, what we track is the cost of procurement operations as a measurement of success or how efficiently they are able to run their operation. What we see with world class is the cost of procurement has pretty much leveled off, where world class organizations aren’t able to squeeze much more out in terms of cost savings for their own operations.”

Observes Trowbridge: "Top executives like CEOs and CFOs are changing their perspectives on the value-add of procurement. They’ve seen big savings coming from sourcing different spend categories, but at a certain point,
they come to realize that the benefits of the strategic sourcing methodology are starting to tap out. Many are now looking to their procurement organizations to focus more deeply upon supplier relationship management, innovation in product design, and other things they haven’t explored deeply before.”

**Raising the Stakes**
What’s next for world-class procurement organizations that are close to maxing out on cost reductions and ROI?

As top-performing procurement teams continue to influence a greater portion of their companies’ spend, they are assuming more visible roles in corporate strategies aimed at generating new revenue streams and growing business. Sawchuk recently told My Purchasing Center many are engaging in innovative thinking and even deeper supply base engagement to facilitate things like better data and faster drawing board-to-market product introductions.

As Hackett asserts in its new report, world-class procurement organizations are enhancing their value by tearing down conventional “geographic, information and process boundaries.” This so-called “borderless” approach includes “optimizing the service placement model globally, embracing analytics to gain new insights, and extending process transformation beyond the enterprise to include suppliers.”

The firm identifies five key areas where world-class organizations are adopting procurement strategies to differentiate themselves: Being a trusted advisor to the business; driving suppliers to innovate; providing analytics-backed insights; protecting the business from risk and employing an agile approach to staffing.

Here’s a look:

**Becoming trusted advisors.** Hackett finds in its new study that as much 50% of all world-class procurement organizations are highly engaged in their companies’ planning and budgeting process – a feat that elevates their intrinsic value to top management. To get there, they have had to move beyond “buying facilitators” to resources that top execs can turn to for strategic direction. In the process, they are becoming trusted advisors – “valued partners instead of just gatekeepers or administrators,” as the firm notes in its report.

The road to being trusted advisors entails being viewed as more than just the organization that buys and saves money. And it’s not necessarily an easy leap for even the top performers, who need to create an environment of trust and respect for certain stakeholders who have been somewhat unreceptive to engaging procurement on such issues in the past.

**Providing insights.** No one understands a company’s supply markets better than procurement, but underperforming organizations often fail to sell that message to top management. As the top performers become more engaged in planning and budgeting, they are able to provide analytics and on-demand “predictive insights” on supply markets and “turn data into actionable knowledge” – a valuable commodity, according to Hackett.
For example, 90% of the time, world-class procurement organizations have critical intelligence at hand – twice as often as so-called “typical” companies – and are able to produce it in a standardized way through a single point of contact.

Risk protection. A healthy and vibrant supplier network and business continuity go hand-in-hand. Some procurement organizations take their eye off the ball. World-class organizations don’t, according to Hackett. In fact, the firm has found that formal and “broadly-applied” risk assessment strategies increase procurement organizations’ ROI by 25% or more.

Driving supplier innovation. Forging strong supplier relationships come naturally to world-class organizations. Hackett group expects those relationships to become even more critical in the years to come.

The “marriage” involves close collaboration on cost reductions and “out of the box” thinking. The term “innovation” is a common theme today when it comes to supplier relationships. “The value of supplier innovation is impressive, and supports the shift many of my corporate clients’ sourcing organizations are making toward supplier relationship management,” Trowbridge tells My Purchasing Center.

Connaughton says he has seen a key shift in priorities just from 2013. “In every one of our annual key issues reports, we ask for procurement’s top five priorities. For the past few years, the top ones have been cost reductions and savings, but now, we’re seeing the number-one priority shift to expand procurement’s influence and start innovating,” he says. “These kinds of terms are beginning to creep into the procurement language, so that’s exactly what we’re seeing and were hoping to see for a while. We really see the data supporting it.”

Top-performing procurement organizations today are “formalizing the innovation life cycle, from idea formation and evaluation to development, productization, and continuous improvement,” Hackett Group’s new study reveals, adding that top-quartile companies now drive more than twice as much incremental revenue as typical companies through supplier innovation efforts.

Agile staffing. Much is now being written today about the quality of “talent” inside procurement organizations. Recruiting, grooming and retaining talent often distinguishes top-performers from the rest of the pack. In fact, Hackett research finds that top-performing procurement organizations tend to invest twice as much in training hours and are three times more likely to have retention plans in place for those employees with “critical” skills. Such investments are one reason why leading procurement organizations can accomplish more with fewer people than typical ones, the firm notes.

The level of “agility” depends on the organization’s willingness to outsource certain non-essential functions and take a macro approach to managing staff resources by shifting from individual talent management to knowledge management. It’s unlikely top-performing organizations will go on a hiring spree to fatten up rail-thin staffs. They just will be hiring smarter.

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Many purchasing organizations struggle with the appropriate metrics to use. They often neglect strategic metrics and favor more tactical and transactional ones. This type of approach just encourages a stereotypical view of purchasing that is traditional and bureaucratic. Emphasizing strategic metrics encourages a different image of purchasing and, more important, strategic-like behaviors by purchasing professionals.

One key strategic metric is the number of supplier alliances. These should be not many, and ideally be limited to suppliers that have a key impact (significant dollar spend percent) on your total cost of goods sold. Often 20% or fewer of your suppliers account for 80% of the spend. The emphasis should be on suppliers that can differentiate you or give you a distinct competitive advantage. Characteristics of such alliances should include long-term evergreen contracts, participation in new-product design sessions, joint process improvement efforts, exchanges of executives and cycle-lead time reduction.

Another measurement should be the number and percentage of suppliers that are certified: ISO 9001, ISO 14001 etc. These are not guarantees that a supplier is perfect, but they do indicate that they are pursuing excellence and at least have an understanding of their processes and how they perform their work. This is a significant first step in any joint supply chain process improvement effort. If the supplier is dedicated to its own program of process improvement via Lean or Lean Six Sigma, joint cooperative ventures are more likely.

Besides purchasing having its own mission and vision statement that aligns with the corporate plan, leading-edge purchasing departments should have their own five-year strategic purchasing plan. Elements of this plan should include all future initiatives, projects, metrics, goals and resources needed.

A noteworthy area to include in the plan is professional development. Purchasing team members should be encouraged to get professional certification, become industry, not just materials experts, and improve their overall knowledge of the business. The most vital area, that is often neglected, is getting more knowledge of what is critical to the paying customer of your product or service. Purchasing professionals should have close ties with sales, marketing, marketing research and shadow them on customer calls.

Another strategic measure is to have a sourcing methodology and to constantly update it based on market and global conditions. A critical aspect of this methodology should be sourcing with cross-functional teams, use of the Porter five forces model when appropriate, and high visibility along with transparency during the selection.

Ideally these strategic metrics should be put on a corporate dashboard to be seen by all employees. Strategic metrics should also be the catalyst for developing a balanced scorecard for purchasing. Unfortunately purchasing often neglects strategic metrics and focuses of fire-fighting and tactical metrics. Strategy always trumps tactics and strategic metrics need to become a valued tool for all purchasing organizations.
Strategic Performance Metrics for Purchasing and the Supply Chain (cont.)

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A 19th century quotation from Lord Kelvin, who was an Irish-born British engineer, is still valid today: “If you cannot measure it, you cannot improve it”.

Metrics are developed in each field in order to help measure performance of a current situation. The metrics are the key elements of KPI – Key Performance Indicator.

This is also applicable to Purchasing with the objective to improve work processes, programs, methods, or employees who are producing results that are effective and efficient. And for sure the most important metric in Purchasing: Savings.

From Wikipedia we have very good questions if you do not have metrics in place:

- How do you know where to improve?
- How do you know how you compare with others?
- How do you know whether you are improving or declining?

A suggested framework relies on the main activities in Purchasing: Client, Supplier and Sourcing; and, transforming the KPI results into scores.

Depending on each Purchasing organization and their respective objectives, you may prepare a Balanced Scorecard from each activity. It is not practical to measure and track everything; however you may select different metrics from each activity to build your Balanced Scorecard.

Client refers to the business or function you buy products or services for. Some metrics for Clients are: Service Satisfaction Level, Risk Level and Time to Protection, and Purchasing Benefits. ROI (Return on Investment) may be also included (see below).

Satisfaction Level can be achieved by survey to measure how satisfied your Client is with your services. Purchasing Benefits are savings/avoidances (see details below) that you generated to them. It can be in total dollar and also as total dollar divided by addressable spend, so it gives the effectiveness of your sourcing projects in percentage.

In terms of Risks, you can measure different kinds of risks and their respective drivers as described in my article “Risk Management - A comprehensive view for Purchasing”.

For each KPI, you create a scale, and this scale is aligned to a score from 0 to 100.

Suppliers

Several articles have been written to describe different ways to create a Supplier scorecard. I think the most important of these is the framework of performance metrics that is able to be aggregated to be comparable between suppliers, but also able to drill-down specific aspects of supplier strengths and weaknesses.

First you create five dimensions which can be applicable to any supplier from Raw Materials, Logistics, Packaging to MRO (Maintenance Repair Operation). The five dimensions can be: Quality, Financial, Technology, Risks and Services.

For each dimension you may have specific KPI related to...
Metrics for Purchasing: A Framework that Works (cont.)

- Top Metrics for Measuring Procurement Performance
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- A Balanced Scorecard for Procurement
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the dimension, and these KPIs must attend the Client’s needs. For example, for Quality you may include: On-time delivery, percent of correct product quality, invoice accuracy, etc. For Financial you may include: Price competitiveness, revenue generation, cost reduction initiatives, etc. For Technology you may include: New products, process improvements, market leadership, etc. For Risks, you can see the article mentioned above. And for Services you may include: Emergency orders, service level, technical assistance, etc.

For each KPI, you create a scale, and this scale is aligned to a score from 0 to 100. Each time these KPIs are measured, quarterly or yearly, you have a score that can reflect the supplier performance in that period. You can also sophisticate the model by imposing different weights for each KPI as well as different weights for each dimension. By doing this, you are able to aggregate all KPIs into one final score.

The final score for each Supplier in each period reflects the overall performance and is comparable between suppliers and allows you to check the evolution of each one.

Sourcing

You are able to measure and track the efficiency and effectiveness of your organization by having the appropriate metrics.

First you need to define your spend which can be the total spend for the company, or managed spend (how much Purchasing manages). From total spend or managed spend, you measure addressable spend (or sourced) each year.

Efficiency can be measured by Spend per FTE (Full Time Equivalent), so you can compare yourself with other companies as to how efficient you are in managing your spend. Another metric may be Addressable Spend per Total Spend. As you have contracts in place, you do not need to source everything in every year, so the Addressable Spend is the amount you sourced each year.

In terms of operational, you may measure the efficiency as number of Purchase Orders (PO) per FTE, or number of invoices/FTE, percent of order to ship on time, etc.

Another measure of efficiency can be the organizational cost divided by the Purchasing Benefits you generated, so it is a kind of ROI (Return on Investment).

For effectiveness we may have two metrics: Price Competitiveness and Purchasing Benefits. For Price Competitiveness you can compare your prices versus published market prices from ICIS, IHS or YQ Matrix.

For Purchasing Benefits, we include Savings, Avoidances, Capital and Working Capital Savings as well as Revenue Generation. The effectiveness of your organization can be measured with Purchasing Benefits per Addressable Spend, so this percentage shows how effective you are in your sourcing projects. According to AT Kearney, in 2011 the first quartile effective Purchasing organizations achieved 8% Purchasing Benefits.

Balanced Scorecard

You may select some KPIs you defined for each activity and construct a Balanced Scorecard which reflects the entire Purchasing. As described in the activity Supplier, you can define different weights for each KPI as well as
Metrics for Purchasing: A Framework that Works (cont.)

- Top Metrics for Measuring Procurement Performance
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- Metrics for Purchasing: A Framework that Works
- A Balanced Scorecard for Procurement
- Understanding Spend Perks Up Procurement Performance

different weights for each activity. By doing this, you are able to aggregate all KPIs into one final score and be able to track the Purchasing evolution as a whole.

**Take Away**
Certainly I did not list all potential metrics available for efficiency and effectiveness in Purchasing; however this may help you to think about a framework of metrics to be used in your organization according to your objectives and Client’s needs.

The mantra “metrics drive behavior” is true. So, depending on the objectives of your Purchasing organization you can build your Balanced Scorecard using the metrics which will drive different behavior from your organization.

Are you measuring what you can improve to drive the appropriate behavior?

**References:** Procurement Strategy Council, AT Kearney, CAPS Research, KPMG, Institute for Supply Management, ICIS, IHS, YQ Matrix, Michigan State University and University of Pennsylvania.

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A Balanced Scorecard for Procurement

By Santosh Nair

Ask five CPOs to rate the effectiveness of their procurement functions and you’ll probably end up with five different answers. Not just differences across competency levels but also in the types of competencies they measure and how they define them. And there will almost always be a disproportionate focus on annual cost savings, with less importance given to other performance indicators.

A different approach to measuring and managing procurement performance is to use the Balanced Scorecard approach. I’ve worked with several CPOs in deploying this solution and the results were simply transformational. The Balanced Scorecard is a performance measurement framework that adds strategic non-financial performance measures to traditional financial metrics and provides a more ‘balanced’ view of organizational performance. On the supply chain side, here’s a macro approach to deploying a balanced scorecard:

• Define the organizational objectives very clearly and identify the metrics currently being measured
• Conduct a brainstorming session (possibly facilitated by a 3rd party) on what metrics truly matter in the context of your organization. This has to be tempered with senior management expectations and priorities
• Some areas to consider for metrics are internal customer satisfaction, supplier relationships, financial performance and talent management. Within each area, more specific metrics can be identified

• Not all metrics are created equal. Decide the top five that truly move the needle of organizational performance
• Define each metric, establish a baseline and identify targets based on industry benchmarks
• Filter these down in terms of individual goals and establish processes to measure these on an ongoing basis
• Set up monthly review meetings to track progress and corrective actions

Deploying this approach shifts organizational focus (resources, processes, systems) towards activities that truly have an impact. The scorecard helps steer the ship in the right direction. Some metrics to consider as part of your scorecard are shown below:

• **Spend** - purchasing budget as a % of total purchasing spend, total purchasing spend per purchasing employee, on-contract spend as a percent of total spend, % of spend under Supply Chain Management, diversity supplier spend

• **Savings** - total savings achieved, total savings as a percent of purchasing spend, total savings per purchasing employee, supply chain department ROI (Return on Investment) on cost

• **Suppliers** - total suppliers, active suppliers, active Suppliers per million $ of spend, spend with strategic suppliers as a percent of total spend, other supplier relationship and risk metrics
A Balanced Scorecard for Procurement (cont.)

- **Operational Metrics** - internal cycle time for req to PO, percent of purchase orders and releases received on-time, % of critical requests meet within one business day

- **Accounts Payable** - total invoices per accounts payable employee, total cost per invoice processed, percent of invoices processed through EFT and EDI, dollars saved as a result of discounts taken, percent of invoices processed via Web-based e-invoicing

- **Others** - compliance to safety requirements, average training spend per employee, metrics used to measure green purchasing initiatives

For more interesting thinking on procurement, visit the GEP Knowledge Portal.

GEP’s Santosh Nair has more 12 years of expertise in managing large scale procurement transformation engagements for Fortune 500 companies, including advisory and implementation services. He led several large-scale strategic sourcing and supply chain transformation programs, and most recently led the global procurement transformation engagement for one of the world’s largest pharmaceutical companies. He has also spearheaded several change management initiatives including post merger-and-acquisition integration and supply chain organizational redesign. Nair has an MBA from the Wharton School of Business and a Bachelor’s degree in Engineering. His areas of expertise include: procurement transformation, strategic planning and organizational design, business process improvement, operations cost Reduction, project and team management.
Understanding Spend Perks Up Procurement Performance

By Susan Avery

As procurement evolves from tactical to strategic so too the metrics leaders use to measure performance and demonstrate their value to the organization. Metrics more accurately reflect the job procurement is doing when the team has a clear understanding of spending.

But accurate real-time data has long been the bane of procurement leaders at large companies, especially those that have grown through acquisition. Procurement has progressed from its early tactical days, but many leaders still can’t see the entire spend picture.

The founders of a young company in Cambridge, Mass., have a solution. My Purchasing Center recently spoke with Nidhi Aggarwal, Product and Strategy Lead at Tamr, about the company, and its solutions for procurement. She shares how Tamr helps companies meet their toughest analytics challenges while improving procurement performance—in the eyes of suppliers, internal customers and top management.

Let’s begin with some background. Please tell us about Tamr. It’s a relatively new company based in Cambridge, Massachusetts, home of MIT which plays a role in its story, correct?

Tamr came out of research at MIT that began about five years ago with Mike Stonebraker who won the A.M. Turing Award in 2015 and Andy Palmer who was the co-founder of Vertica. They identified a problem: When anyone wanted to do analytics—and there’s so much talk about how analytics can drive value for enterprises—the time it took to actually begin doing analytics was unacceptable. As one of our customers noted, every time he asks a question, it takes eight months for the team to stitch together the data. If he changes the question slightly, they have to start over. That’s just not the speed of decision-making in today’s world. We can’t respond to questions using analytics that take 8-12 months “to stitch together.” A company changes in that time.

Mike and Andy saw a huge disconnect between the promise of the democratization of analytics, the value generated by analytics, and the ground reality of how much time people were spending doing analytics. Operating at scale in these large companies, there are so many disparate sources to bring together. Different business units are buying some of the same things from some of the same suppliers that have different legal entities or divisions resulting in a very fragmented spend. By bringing together the data, procurement can negotiate better prices and payment terms. These opportunities are lost because of the way companies deal with disparate data sources.

Will you tell us about Tamr’s products? What challenges are the founders and product developers intending to meet?

Tamr takes a machine-driven, human-guided approach to solve this problem. We believe it can be solved at scale, leveraging machine learning in a very intelligent way, bringing domain—procurement—experts, into the
Understanding Spend Perks Up Procurement Performance (cont.)

learning. The procurement experts don’t need to be data scientists or know statistics. Can they answer simple questions like “Is this part the same as this other part?” “Is this the same supplier as this other supplier?” This really leverages their domain expertise. They’re the only ones who have the answers to the questions. They train the machinery model, and can apply the models at scale to the problem of long-tail data sources.

A senior director of procurement wants to understand how many single-sourced parts they’re purchasing from risky suppliers. Today, they manually match together spend data from the ERP system, BOM data from the PLM and risk data from a third party. As I mentioned, each data source calls the same supplier something slightly different. It’s nearly impossible to do it this way. Existing solutions were developed for environments in which there are fewer data sources and people consuming the information. We’re not in that environment anymore. There are solutions able to automate data intelligently and at the same time keep human experts in the loop. Tamr automates the process of cleansing and merging disparate sources so business users can ask more questions.

As you know, our readers are leaders in procurement and supply management. Which of Tamr’s products would most interest them? For what applications?

Our product for procurement is called Tamr for Sourcing Analytics which is deployed at some of the world’s largest manufacturing companies. It connects to hundreds of sources at multiple business units and prepares the spend data using machine learning that business users can consume. Plus it automatically refreshes the data as it or the questions change.

Applications include generating a master list of every supplier across an enterprise, identifying discrepancies in payment terms or prices and providing supplier and category scorecards that include information about costs, supply chain and quality performance. Depending on the number of sources, we can get the company up and running within a week, providing analytics that show how they can save money between parts or suppliers.

What are some drawbacks to the way procurement is doing these things now?

Companies are leaving money on the table. Without spend visibility, they’re reacting to issues without understanding the big picture. They limit the number of ad hoc reports they generate because of the time it takes. By the time the report is generated, the opportunity is lost. Procurement teams limit themselves to the biggest opportunities. At one of our customer companies, procurement limited itself to analyzing spending on purchases of $500,000 or more. The team wouldn’t analyze receipts for purchases below this figure. Once they were able to unify the data and analyze it, they realized that 70% to 80% of their spend optimization opportunities was in the lower category of receipts.

And the benefits from using Tamr for Sourcing Analytics?

The biggest is procurement’s ability to leverage its full purchasing power. If you’re the CPO at a large company and you’re buying from a supplier and you don’t know that you’re buying from the same supplier across businesses, then you can’t have a conversation with the CEO of the supplier company. It’s hard to negotiate with scattered information. Information is the lifeblood of a negotiator. The information and a complete picture of the company’s
Understanding Spend Perks Up Procurement Performance (cont.)

spend is much more effective in negotiation.

Another benefit to having this data and working with cutting-edge analytics is that it helps elevate procurement’s position in the company. Instead of colleagues thinking that all procurement cares about is price, they’ll see procurement as a partner with valuable information on parts and suppliers.

The topic of this e-guide is performance metrics for procurement. How do you see Tamr helping procurement improve how it measures performance? Simply understanding how much spend procurement has under management is a challenge. With rough estimates, other functions may disagree over how much influence procurement really has on spend. Enabling companies to understand all their spend data makes it easy for procurement teams to quantify how much spend they’re influencing and have clear justification behind their answer. This ultimately helps procurement better understand the ROI it generates and increase this number dramatically because now they are able to better prioritize cost-savings initiatives.

Will you provide a glimpse into Tamr’s technology roadmap? To the extent that you can, will you share some things procurement can expect to see from the company in the months ahead? Absolutely. We use a lot of third-party data from sources like Thomson Reuters and D&B. We want to expand use of third-party data to enable new analytics around risk. Can we use geopolitical information? What’s happening with current events? Third-party data can be useful if matched with internal supplier and procurement data to give a better picture of internal and external forces that affect the supply chain. Also Tamr provides analytics out of the box. We want to add turnkey analytics so procurement leaders can identify more cost-savings opportunities.

What advice do you have for procurement leaders going forward?
Talent management is top of mind. Traditionally, job seekers have not viewed procurement as a sexy job. If procurement leaders naturally embrace more analytics, they can be part of that sexy data scientist and analyst world. I’m talking about procurement leaders and sourcing managers who do very exact analytics and on the basis of those analytics are able to drive value. If procurement leaders evolve the culture to promote these skill sets, they will be able to draw from a broader pool of talent, people who are actually excited about working with analytics.

Nidhi Aggarwal leads strategy and marketing at Tamr. Prior to joining Tamr, Nidhi founded Cloud vLab, makers of qwikLAB, a software-learning platform used to create and deploy on-demand lab environments. In the years before Cloud vLab, Nidhi worked at McKinsey & Company, advising Fortune 150 companies on Big Data Strategy. Nidhi holds a Ph.D. in Computer Science from the University of Wisconsin-Madison.