# Essential Guide
to Supplier Management

TRADESHIFT®

Overview

Managing suppliers can be a major pain point for businesses of any size. But consider how complex these relationships get as a business scales to enterprise level. There can be hundreds or even thousands of suppliers in the mix and all of them have to be vetted, secured and processed.

It's a full-time job to be sure, typically requiring considerable staffing and resources. Surprisingly though, supplier management remains underaddressed in many large companies. Let's examine the four biggest challenges and potential solutions.
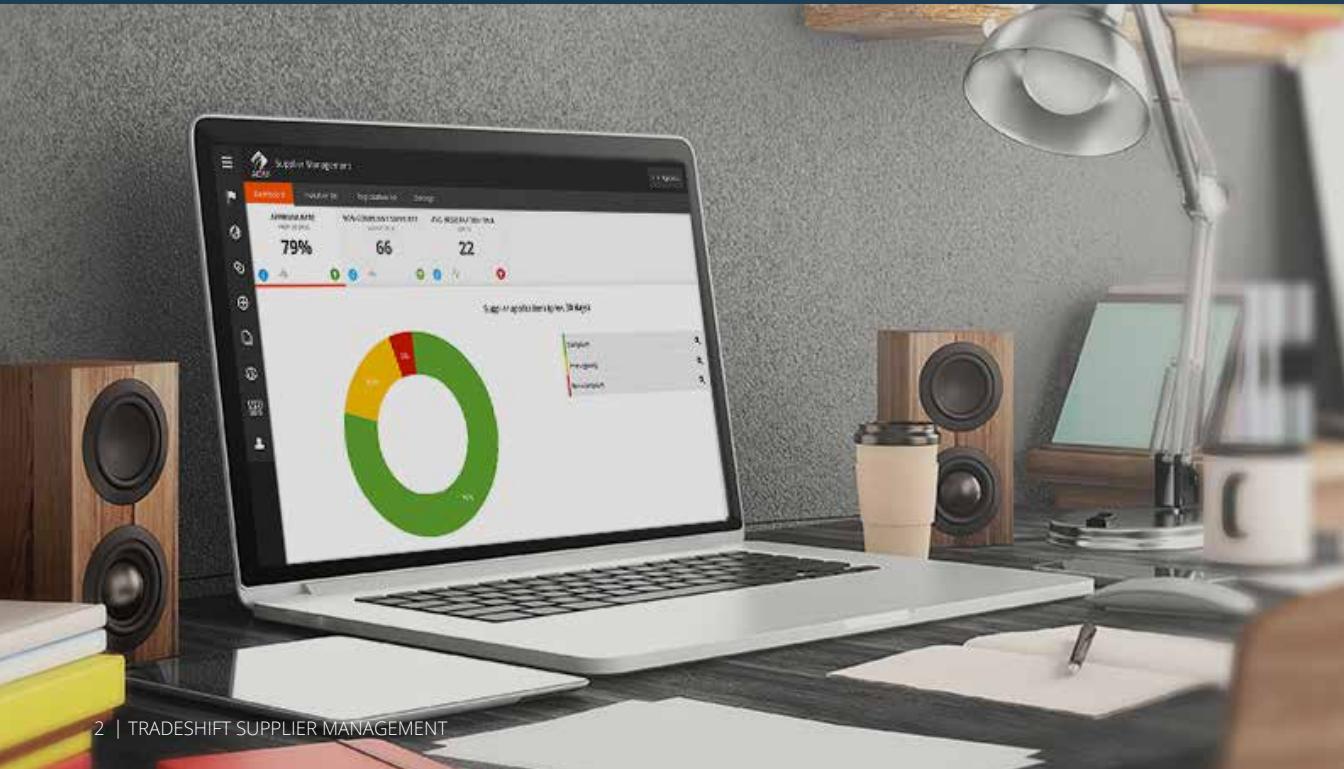
Challenge 1: Cyber security

By the nature of the relationship, your suppliers will have access to sensitive information, maybe even internal data. This means you need to be able to trust your suppliers to process and handle data as well as deliveries—nerve-wracking to be sure.

Internally, your supplier data could also be vulnerable due to apathetic employees or outdated supplier management software. One solution to both of these problems is to move your supplier management into the cloud. Aside from the convenience offered by cloud-based solutions, they generally provide more stringent security measures and transparency than legacy systems. In fact, QuoteColo reports that 94% of managers agree that their security has gotten stronger with cloud applications.

Security is one of the main business requirements of any cloud-based company. Because of the brutal nature of competition in the space, slip-ups are not an option. Typically, cloud-based companies offer stricter access requirements, better physical security and a robust threat-assessment model.

Best Practices for Ensuring Cyber Security[1]

Possible in the Cloud?	Yes
Set up automatic routing to authorized personnel	Yes
Centrally maintain enterprise-wide supplier master file	Yes
Establish a supplier web portal for potential supplier self registration	Yes
Automatically route supplier selection for review	Yes

[1]The Hackett Group, Supplier Management Introduction 2013

Challenge 2: Suppliers experience limited value, or even incur costs, when using your current tools

Many companies are still living in the dark ages of managing suppliers via email with a spreadsheet attached. But even those with a tool in place may not be getting the expected benefits. If your supplier management tool costs your suppliers money or excess time, they're less likely to use it. A lot of suppliers may view AP automation systems as overhead or even duplicating what they already have. Ultimately, any additional cost to your suppliers in time or money will be passed on to you.

Aside from costs, it's key to make onboarding your suppliers as seamless as possible. Start with making the request to get onboard your supplier management system firm, or even mandatory if you can swing it. Understand that the process of onboarding suppliers doesn't happen overnight, but if you set realistic goals that work for both parties, the ROI can be excellent.

The cost of poor supplier setup and onboarding can add up quickly. According to The Hackett Group, top performing companies pay 22% less on average for each new supplier they onboard. That's why it's key to have a supplier management tool that's easy for all your suppliers to quickly implement.

Some products boast features like "supplier matching," which will tell you how many of your suppliers are on the network. It sounds helpful in theory, but whether it's 10% or 80%, it doesn't matter if the remainder experience difficulty or barriers when onboarding. In fact, supplier matching is irrelevant when you're selecting a tool. The goal shouldn't be to choose the network with the most of your suppliers already on it, rather the one that will allow you to get 100% of your suppliers on it with the smoothest transition.

Challenge 3: Difficulty managing data

According to The Hackett Group, 68% of companies report that when it comes to supplier information, time spent managing supplier data is their biggest pain point. If you aren't sure of your supplier data or it's not up-to-date, then all the downstream processes such as purchasing and invoicing will suffer. Also, you won't be able to run accurate analytics on your suppliers. And if you can't analyze performance or you're not sure what you're getting, then how can you make effective business decisions? Or report to the board?

The process only becomes more exasperating if employees are managing the data manually. Consider the hours spent individually handling and responding to supplier invoices. At larger companies, this could be several full-time jobs. As you can see below, there is a stark difference between top performers and the rest.

Supplier Setup Process Cost ($) per invoice

Non-Top Performer	Top Performer
	22% lower cost
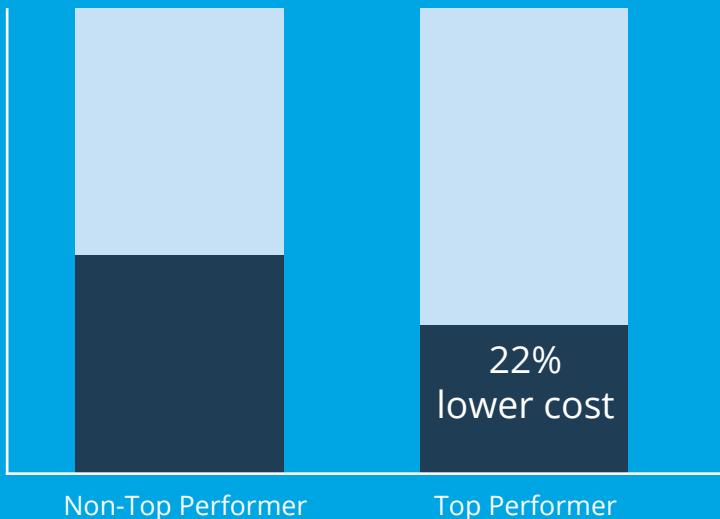
Challenge 4: Compliance risk

In addition to internal compliance, many industries tightly regulate the business practices of suppliers. Even in more loosely regulated industries though, consumers are demanding ethically sourced and manufactured products. This is doubly true if any of your suppliers are international.

In some industries, you may even be legally culpable for the actions of your suppliers. For example, if you sell a manufactured product, you could be responsible for any environmental or humanitarian lapses committed by your suppliers.

The Securities and Exchange Commission (SEC) puts it front and center on their website, "Enforcement of the Foreign Corrupt Practices Act (FCPA) continues to be a high priority." The last thing a business needs is to inadvertently find themselves on the wrong side of the SEC, facing a heavy fine because of something a supplier did. This is why compliance and transparency are crucial issues for supplier management. According to FCPA Digest, total FCPA fines levied jumped tenfold from $150M in 2007 to $1.5B in 2014. In a time of strapped government budgets and public opinion firmly opposed to any appearance of corporate largesse, expect these fines to keep coming – and getting bigger.

Our network of trusted suppliers makes it easier for you to do business.

Tradeshift recognizes these issues. That's why we've put all supplier master data, compliance, risk assessment and performance in one place. Plus, it's all on our cloud-based platform, so it can be accessed quickly and conveniently – from anywhere.

Achieve data harmony
Get live updates and accurate master data by connecting to Tradeshift's verified profiles.

Get end-to-end intelligence
Use trusted supplier data to make your source-to-pay process on the Tradeshift platform smarter.

Stay compliant
Respond to changing regulations for taxation, Anti-Bribery and Anti-Corruption, and trade sanctions by creating flexible programs.

Maximize trust
Monitor supplier risk by leveraging Tradeshift's network transactions, 3rd-party data sources and self assessment.

TRADESHIFT®

All your suppliers. All in one place.

Talk to us about how Tradeshift can help your business: 1-800-381-3585

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