KODIAK HUB

ProcureTech

ELEVATING PERFORMANCE:

Strategies for enhancing supplier performance across the lifecycle

“Procurement is drowning in information, but starving for knowledge.”

— MALIN SCHMIDT, CO-FOUNDER AND CEO, KODIAK HUB

Foreword

The last few years have witnessed – with the rapid developments of data tools and technologies, and the transformative AI boom – intelligence increasingly being held as the critical competitive advantage for procurement.

The ability to utilise data to its full advantage is one of the biggest topics in procurement right now. As decision intelligence informs better, faster and more impactful decision-making, there are no prizes for guessing why.

However, procurement often fails to recognise that the weakest link in the supply chain represents the single greatest threat to customer value.

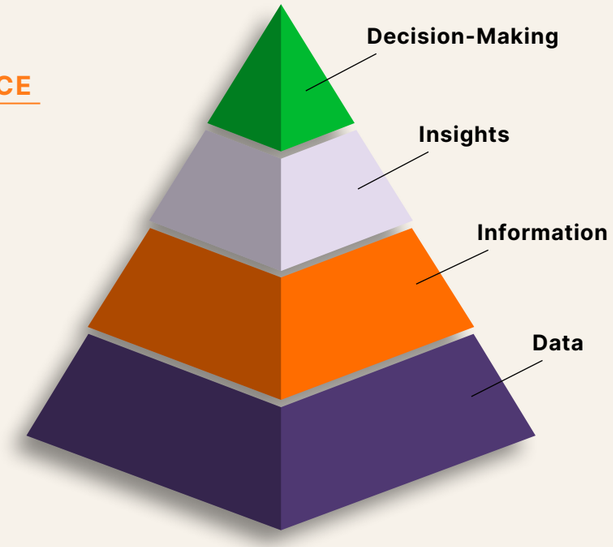
By embedding supplier intelligence across the supplier management lifecycle, procurement can unlock greater process efficiency, minimise risks and reduce the total cost of ownership, while facilitating greater innovation (across all parties). This enables procurement to optimise the business and its opportunities, and continuously improve the products and services that end customers demand.

This research explores how global procurement teams are using supplier intelligence. We have shared the findings of the latest research conducted by ProcureTech, in which we gauged and assessed the state of supplier intelligence, as shared by 100 procurement leaders.

These findings demonstrate a significant gap between what the function wants to achieve with supplier intelligence, and the current lack of strategic, targeted strategies or investments. While the high performing respondents make the benefits of supplier intelligence apparent, there is a clear, pressing need for precise data-driven supplier lifecycle management and supplier relationship management strategies.

What is supplier intelligence?

THE INTELLIGENCE HIERARCHY



- **Data** forms the foundation of the hierarchy (where it often exists as single siloed data points).
- Then, in the second layer is **Information**. Information gathers all these individual data points into a centralised ecosystem, which gives you a clearer idea of what is happening across your entire operations.
- Above this sits **Insights**; the insights you gather and analyse from your data based on your own experience or subject matter expertise.
- Finally, you have **Decision-making**, which are the ways you act upon those insights.

Supplier data can be used across the supplier lifecycle, in every single step from supplier onboarding to maintaining a solid, mutually beneficial relationship into the future.

However, as the famous Peter Drucker quote goes, “If you can’t measure it, you can’t manage it.” In this instance, if you’re not managing performance in your supply chain, then you won’t be able to manage (and so improve) your own performance.

An absence of data intelligence and utilisation means far too many procurement companies are going into the future blind. Procurement is often left to draw manual conclusions through unclean data, rather than having automated insights pre-built and off-the-shelf. With advanced supplier intelligence in place, this information can be used by procurement to gain critical insights and make informed, reliable, faster and hugely beneficial decisions.

WHAT DOES BEST-IN-CLASS SUPPLIER INTELLIGENCE LOOK LIKE?

Best-in-class supplier intelligence can be understood as the triangulation of the following:

- **Understanding what data and intelligence you need from each supplier, at each stage**. For example, when you're selecting a supplier, you will need data to confirm that they are financially stable, aligning with ESG standards, etc.
- **Understanding the prerequisite for the future delivery of each supplier**. This gives you intelligence around the supplier's mode of operating at a far deeper level (beyond simply their certificates and code of conducts).
- **Working with your supplier to understand the actual quality and reliability of their delivery**. You will need to use this information to evaluate how you assess suppliers, including comprehensively monitoring their delivery quality.

Not only do procurement and supply chain teams need to implement specific scopes for each step of this lifecycle, but also specific segmentation criteria for the supplier base.

If you attempt to gather all data about the suppliers during every single step of the supplier management lifecycle, this will become an unmanageable process. You risk supplier fatigue, and you will not have enough time and resources to unlock valuable insights at the right time (or as the relationship progresses).

So, in addition to gathering the specific intelligence that you need to make a wise decision at specific points in the lifecycle, you should also tailor the type of intelligence that you need to each organisation within your supplier base. This should align with the tiering of your suppliers. For example, having a different approach for your strategic suppliers compared to your tactical suppliers, and your managed suppliers versus unmanaged suppliers.

Segmentation can also go beyond performance, to adjusting your approach based on the level of maturity that a supplier has on a specific topic or a specific spend category. Then, you can collaborate with them to help them advance in key areas, to the benefit of both parties. After all, if your suppliers don't understand what you're asking of them, then they won't be able to engage in this initiative, or provide you with meaningful information.

TRANSFORMING PROCUREMENT PERFORMANCE

The procurement performance benefits to be gained encompass continuous product and service improvements; greater process efficiency; lowered total cost of ownership; and increased innovation.

These advantages illustrate the need for procurement to recognise its supply base as an extension of the products and services that it brings to the market. This means that the weakest link within the supply chain represents the primary risk or performance obstacle, hindering the organisation's own products and services. Therefore, the relationship with the supplier has to be as strong as possible.

Yet, there are countless pitfalls that we see organisations succumbing to on an almost daily basis. This includes major companies facing issues with labour rights violations and environmental malpractice, as a result of unnoticed flaws in their supply chain.

Then, there are the risks that come when organisations don't have the ability to be flexible. For example, when a new consumer product trend emerges, if you don't have the right level of flexibility, trust and communication within your supplier relationships to respond to it, then they are not going to be able to adjust early enough for you to cater to that trend. Therefore, you won't be able to deliver an adjusted product to match the trend. You will quickly lose market share, as your customers go elsewhere.

DEFINING SUPPLIER PERFORMANCE

Supplier performance measures vendors' effectiveness in meeting (and preferably exceeding) the expectations of a customer and the market. High supplier performance contributes not only to operational efficiency and cost reduction for the company, but is essential for a company's reputation, brand image and its competitive strength.

The **performance areas** that drive business success range from suppliers' proven ability to deliver the goods and services on time with the right quality at the agreed price; their ability to be flexible, agile and a problem-solver for the company; their level of innovativeness; and their power to drive improvements. In today's market landscape, supplier performance measures must also entail their ability to consistently reduce their negative impact on people and the planet: climate footprint, resource consumption, material inefficiency, and so on.

This is a key example of supplier intelligence as an enabler of more partnerial supplier governance, focusing on performance management, shared success and innovation.

An organisation can transform its procurement and enterprise performance through the development and application of supplier intelligence throughout the supplier lifecycle.

The most common supplier intelligence pitfalls

A HEIGHTENED DEPENDENCY ON AI

Within the next few years, almost all procurement teams will be utilising AI.

In the context of supplier intelligence, AI can help procurement to analyse this information and gain insights far more efficiently. However, AI often needs the input of human intelligence to provide the actionable outcomes that are required to close the circle.

GenAI for instance, can dramatically increase the efficiency of your communication with suppliers. One example includes asking GenAI to create a framework for presenting a sustainability report for your suppliers.

However, procurement needs to understand the exact scope of these technologies, while being very mindful of their limitations and potential. After all, the real value of supplier intelligence lies in the actions that you take after you have gained dependable, accurate insights. AI is an assistant to supplier relationship management, which needs to be combined with human intelligence and strategic thinking.

While AI can deliver (and indeed is delivering) impressive benefits for supplier relationship management, this is just one component of its value. It is its combination with human intelligence that forms the core of this approach, due to the empathy, innovation and collaborative partnering that only humans can achieve (bringing the 'Relationship Management' to 'SRM').

HIGH VOLUMES OF LOST DATA

Every day, procurement teams are 'losing', and not using, huge swathes of data, because procurement has a narrow view regarding what data is 'valuable'.

Data has a far broader reach than our conventional understanding of standard data types, encompassing a much wider range of interactions and relationship touchpoints.

Unstructured in-company data (or data generated in collaboration mode) is an untapped source of high quality data. These types of data sources – if utilised properly – significantly increase the robustness of supplier intelligence.

For instance, data includes information gained from visits to the factory floor, store front, bank branches, warehouses, or from conversations had with people during an audit. Or, data can be gathered from collaborations with the supplier (how quickly did they respond to a claim? In what ways did they engage in an improvement project?).

Using surface data in isolation will never provide you with these insights, but expanding the data types that are deemed to be useful will offer new indicators, and (while they are more challenging to attain) give you a far greater degree of insight into your suppliers. This is often characterised by a shift from just structured data to unstructured data sources, too.

EXCESSIVE TRUST IN ONLY 'OFFICIAL DATA'

Official data is rarely going to capture a suppliers' operations in full. This data is – to a greater or lesser extent, depending on the supplier – often strategically engineered to demonstrate the value and efficiencies of the supplier. Procurement teams often place too much weight on this 'official data' because it's all that they have to go off for baselining (typically due to time constraints).

The data that is more interesting, and usually offers the greatest insights, is the data that only appears through your close collaboration with the supplier and its suppliers. Although this shouldn't be used in isolation, it is an important part of the data puzzle.

It unlocks a far more accurate and reliable indicator of whether the supplier can deliver into the future. Then together, you can move beyond working with the data of 'what is', to working with data to determine 'what could be.'

AN ABSENCE OF SUPPLIER ENGAGEMENT

One of the biggest obstacles to achieving strong data supplier intelligence capabilities is supplier engagement. So, how can we overcome that?

It all comes back to effectively developing trust and collaboration with your suppliers. Both parties have a shared interest in the relationship and its success. If the supplier can clearly see what the purpose of the data is, how it can benefit you, and what's in it for them, they are far more likely to share it with you.

Correctly leveraging the negotiation power of the strategic buyer offers untapped potential to capture high quality data.

Repeatedly, ProcureTech has found that, when engaged in the right way, suppliers are prepared to invest heavily in data and the capabilities required to improve it across the supply chain.

To explore the strength, or absence, of current supplier engagement, ProcureTech gathered data from 100 procurement leaders, to determine their use of supplier intelligence and how they manage their relationships with suppliers to deliver high performance.

Reimagining supplier relationships

7% Just 7% of respondents are using decision intelligence within supplier lifecycle management, making this a massive untapped opportunity for procurement.

By far, the highest proportion of respondents (37%) are analysing supplier performance data on a monthly basis. **37%**

53% 53% of respondents name ‘improving environmental and social impact’ as a business and procurement priority. This represents a marked increase from the previous year.

56% are engaging in collaborative problem-solving with their suppliers; a trend which is only set to grow. **56%**

72% 72% of respondents state that supplier performance data has unlocked improvements in supply resilience.

100% of high performers are using a minimum of three tools to integrate performance data across the supplier lifecycle. **100%**

78% 78% of high performing organisations state that supplier performance data has had a high or extreme impact on supplier experience or collaboration.

“Supplier intelligence equips procurement with a 360-degree view, giving teams a degree of insight that unlocks unparalleled transformative value.”

Lance Younger

CEO, PROCURETECH

How procurement is using supplier performance intelligence

Procurement's priorities

Interestingly, this year's trends remain **extremely consistent with procurement's 2023 priority rankings**.

Over two thirds of respondents (68%) named optimising cost and cashflow as a leading priority. This was shortly followed by strengthening supplier or partner collaboration (55%) and improving environmental and social impact (53%).

In previous ProcureTech research, respondents ranked optimising cost and cashflow as their top priority (90% selected important or higher), and improving environmental and social impact was classed as important or higher by 88%.

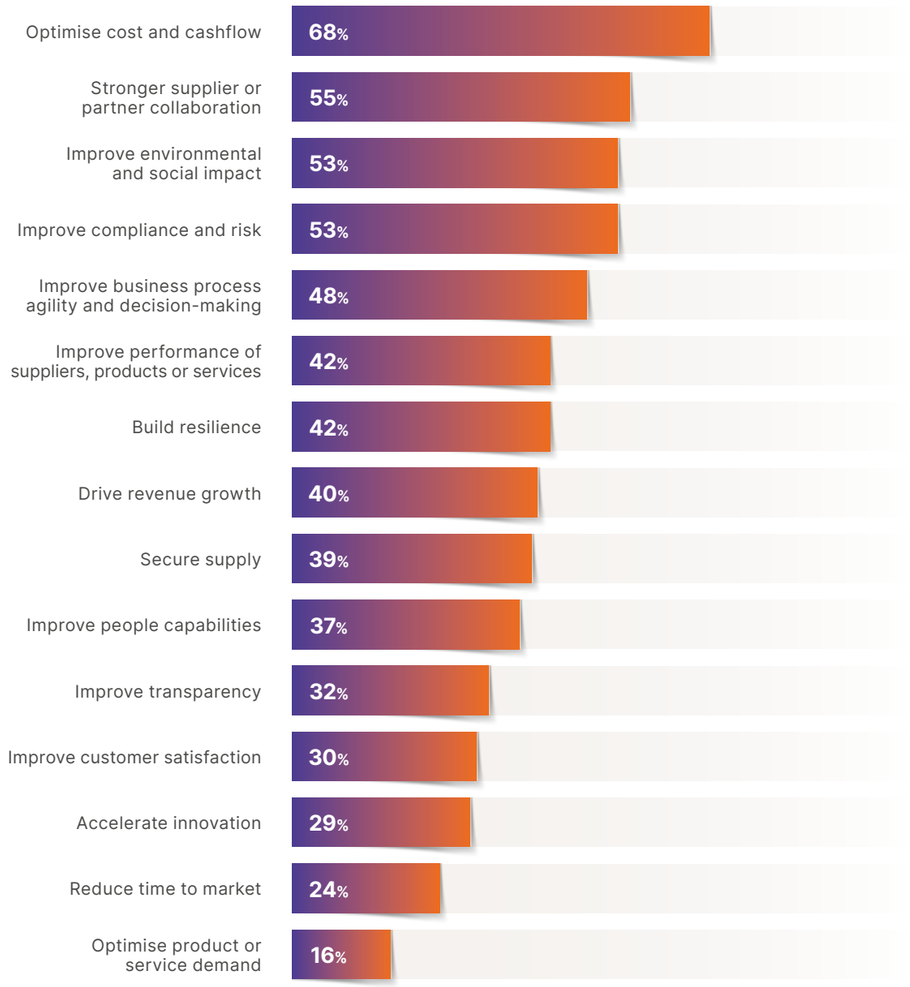
The **greatest discrepancies lie in securing supply and improving transparency**. While these were the second and third top priorities for procurement in 2023 (with 89% and 88% classing them as important respectively) these two don't reach the top half of procurement priorities in 2024. This speaks to a **period of relative stability** after the pandemic, and is potentially indicative of procurement's **short-term memory**.

It is largely unsurprising to see optimising cost and cashflow rank as the top business priority. When there is a need to raise profitability (which is particularly prevalent during during inflationary periods and in the current macro-economic conditions), it's expected that procurement gets pushed to deliver here. In fact, **all priorities can be seen to reflect the increased regulations and commercial pressures of recent years**. Rather than necessarily a set of priorities that will lead to high performance, these results can be understood as an insight into a **hierarchy of procurement's current list of concerns**, and how these concerns are shaping agendas.

A more surprising response to this question was the proportion of respondents naming **Environmental, Social and Governance (ESG) as a priority** (53%). This shift in priorities goes against many of the defining goals of procurement (up until this point). Typically, it's a hard sell to invest in something that has no cash incentive behind it (particularly amongst shareholders). Focus is instead directed to the bottom line, becoming more agile, compressing margins, and maintaining profit margins. However, we're seeing more and more organisations establish ESG pillars that span their entire operations. As consumers become increasingly environmentally conscious (and demonstrate willingness to exert buying power over the brands they buy from), **organisations are facing high pressure to demonstrate improvements in this area**.

As a priority for just 37% of respondents, **improving people capabilities is a surprisingly low concern**. If you upskill your people and give them the right capabilities – AI and its optimal usage being a prime example – then they can deploy them within the workplace, and many of the other priorities within procurement become more attainable.

WHAT ARE YOUR OVERALL BUSINESS AND PROCUREMENT PRIORITIES?



By giving procurement the skillsets required to leverage new technologies, other benefits can be accelerated. However, these results seem to indicate that this 'full circle' approach (and the value of moving away from cost-cutting measures, towards longer-term investments) is not yet being realised.

53%

NAME ESG AS A PRIORITY

Driving supplier collaboration and improvements across the lifecycle

Although the results don't present any major surprises, it is **extremely positive to see that high volumes of data are being used upfront in the end-to-end process**.

We would expect to see such a high percentage of respondents using supplier performance data in the category strategy (59%), pre-qualification assessment (47%), initiate and monitor supplier collaboration (40%), and contract negotiation (38%) stages.

In 2023, when asked about the importance of digitisation in achieving key procurement objectives, it was clear that data and digital technologies have a pivotal role to play. In fact, 88% of respondents said that digitisation is important for stronger supplier or partner collaboration, and 88% said the same for improving the performance of a supplier.

Supplier collaboration is a priority among respondents, with **performance data being used to drive collaboration across the lifecycle**. In fact, a high proportion of respondents are facilitating improvements by initiating and monitoring supplier collaboration (40%) and corrective and preventative actions within audit management (41%).

This trend of strengthened collaboration is furthered by the survey's high performers, who are using supplier performance data more frequently across the board. 89% of high performers are using supplier performance data in category strategy and goal-setting, and 78% in supplier pre-qualification assessments. Furthermore, 44% are using this data for initiating and monitoring supplier collaboration and improvement actions.

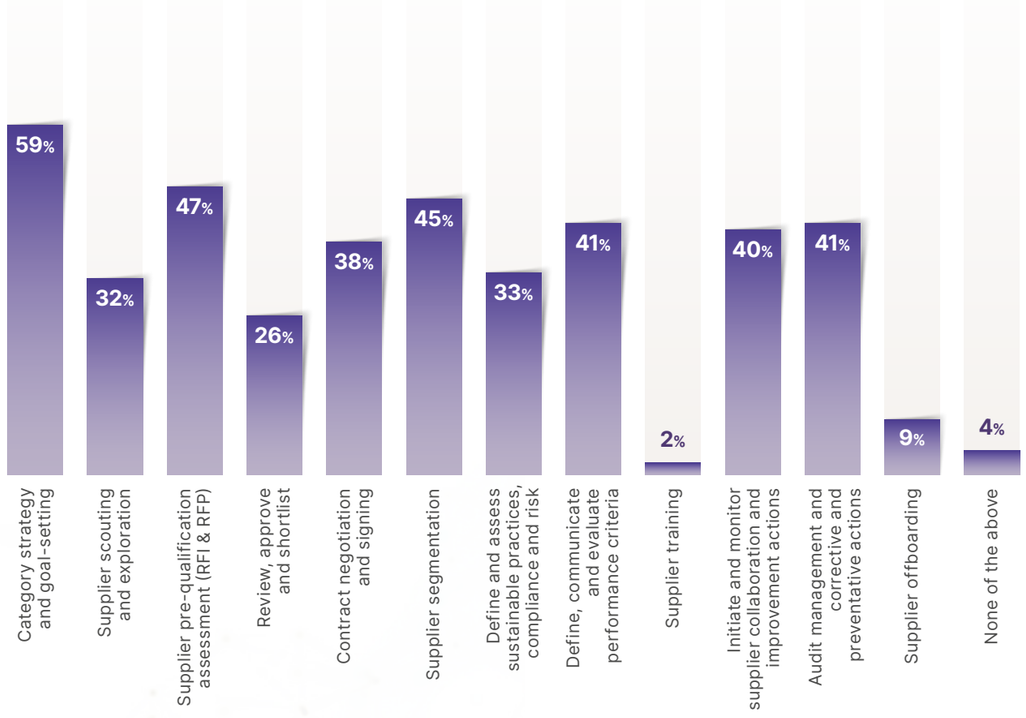
Supplier training is an area that we would expect to grow in the coming years, as procurement's perception of supplier relationships develops.

In some cases, suppliers require some training (especially on topics that are either niche to your company, or for newer fields, such as measuring carbon footprint). Responses show that, broadly speaking, companies are not used to providing their suppliers with training. This is, however, an area of collaboration that is becoming increasingly important as procurement's sphere of responsibility continues to expand (particularly with small suppliers).

40%

ARE INITIATING AND MONITORING SUPPLIER COLLABORATION

AT WHAT STAGE IN THE SUPPLIER LIFECYCLE DO YOU USE SUPPLIER PERFORMANCE DATA TO DRIVE SUPPLIER COLLABORATION AND IMPROVEMENTS?



The frequency of supplier performance data analysis

Monthly is the most common frequency for supplier performance data analysis, (cited by 37% of respondents), while **11% analyse the data on a more frequent basis**.

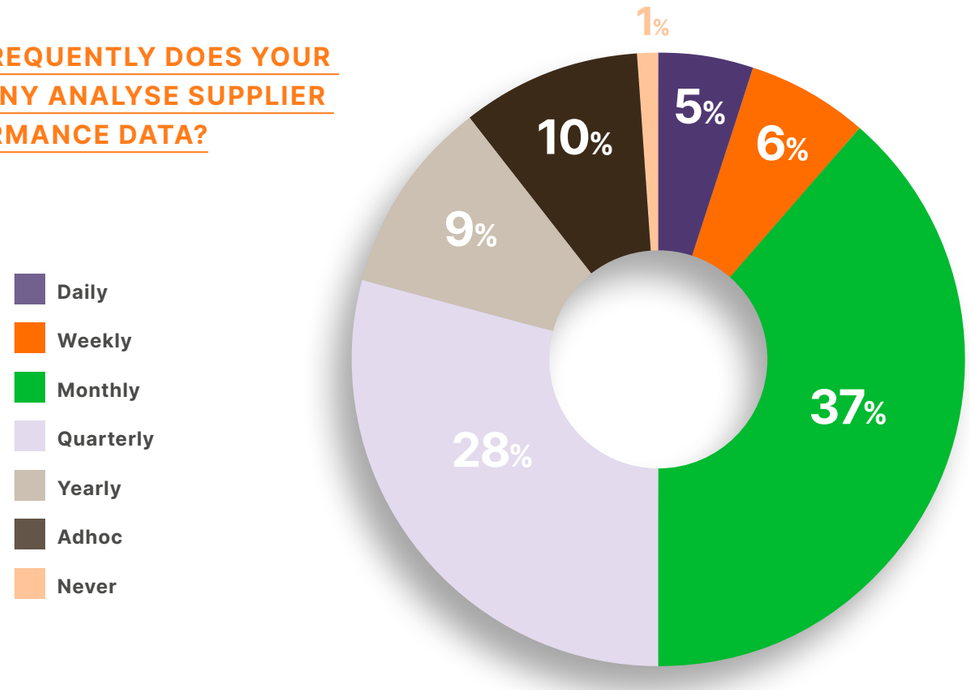
56% of high performing organisations are conducting monthly analyses. In fact, the overwhelming majority (78%) of high performers are analysing supplier performance data on a monthly or more frequent basis.

Although many organisations think that they need to analyse these data sets on a daily or weekly basis, in reality this is rarely necessary (except for a few specific data sets or supply chains). For example, while daily analysis isn't necessary for price data, daily analysis of delivery data is recommended.

9% of respondents state that they analyse supplier performance data on a yearly basis. In the majority of cases, this will be because the procurement team is using this data for an annual performance review of the supplier. This suggests that there is **still a high proportion of procurement teams that are not reviewing their suppliers on a more frequent and proactive basis**. However, although this would mean they are stuck at a low level of ability, this is still a far better alternative to 'never'.

Meanwhile, 10% of respondents are opting for an 'adhoc' basis, which is considerably more problematic. For these organisations, their supplier performance data analysis is most likely to be unstructured, and not part of a supplier relationship management programme. Or alternatively, this is undertaken in the event of an emergency, where the analysis is required in order to fix a problem.

HOW FREQUENTLY DOES YOUR COMPANY ANALYSE SUPPLIER PERFORMANCE DATA?



Although some may argue that this is actually a strength (as the organisation has enough agility to provide this key data quickly), **a far greater level of resilience and agility can be gained by implementing a more structured approach**.

Interestingly, 1% of respondents 'never' analyse their supplier performance data. This demonstrates a function-wide understanding of the value of supplier performance data analysis.

This forms part of a strong, consistent trend in procurement. In research conducted by ProcureTech in 2023, 81% of respondents stated that they plan to increase their engagement with their suppliers in the next two years. Comparatively, 0% of respondents stated that they plan to reduce their supplier engagement, and 18% are leaving their level of supplier engagement unchanged. With such a low proportion of this year's respondents analysing data yearly, adhoc or never, there are strong indications that organisations are progressing towards this goal.

1%

'NEVER' ANALYSE THEIR SUPPLIER PERFORMANCE DATA

The maturity of procurement's supplier data

Supplier intelligence foundations are being more extensively applied across procurement, and the integration of data across multiple sources will continue to be imperative for procurement leaders.

Approaches for integrating supplier performance data

Data analytics tools (used by 75% of respondents) is the most common single method for integrating performance data, but **the majority use a combination of these methods**.

38% of respondents use both data analytics tools and Enterprise Resource Planning (ERP) systems; and 22% use data analytics tools and supplier relationship management software in combination.

27% of all respondents use three or more methods within their organisation, and 100% of the highest performing organisations use a minimum of three methods. This demonstrates that high performance cannot be achieved with just one solution; **organisations need a whole ecosystem to undertake supplier performance management correctly**.

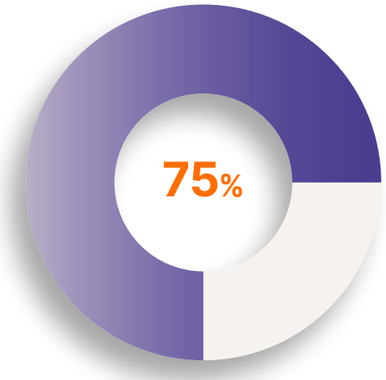
Data analytics tools are the most commonly deployed by a considerable margin (27% more than ERP systems, the second highest-ranking method). But, it is interesting to see how many respondents are using data from ERP systems (48% of respondents). This approach is less widespread because organisations have to integrate data into an ERP system, and traditionally this is a difficult process to complete. As a result, organisations often bypass this step by using data that is easier to gather (through surveys, for example), rather than using the ERP system as a source of logistics data or delivery data.

In order to gain data this way, organisations have to commit to a degree of investment, as working with an ERP system usually requires some level of integration and training within procurement (to understand how to correctly structure or extract the core data). As a result, this is **indicative of a positive trend within procurement, towards a greater valuation of supplier performance data**. It also demonstrates an understanding of where to get high-quality live data from, the correct steps to take, and a willingness to invest.

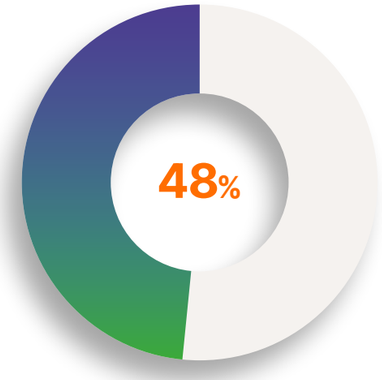
For the organisations that are using ERP systems, it is likely that they are using this method across all capabilities. This goes beyond procurement, to encompass supply chain and potentially manufacturing. In combination, this approach gives an organisation an in-depth insight into product quality, delivery times, and so on.

However, just 29% of respondents are using third-party data sources to integrate supplier performance data. Although third-party data sets are not usually used to extract performance data, these can be used in examples such as financial credit ratings or risk-related sustainability metrics. These are core, holistic parts of supplier performance, which are rising in importance.

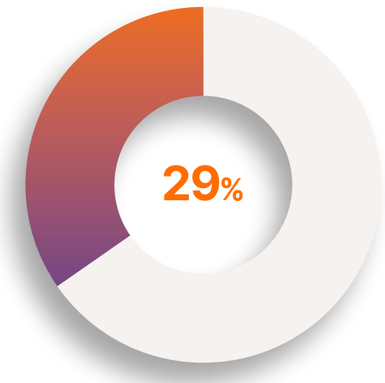
WHICH METHODS DOES YOUR COMPANY USE TO INTEGRATE PERFORMANCE DATA THROUGHOUT THE SUPPLIER LIFECYCLE?



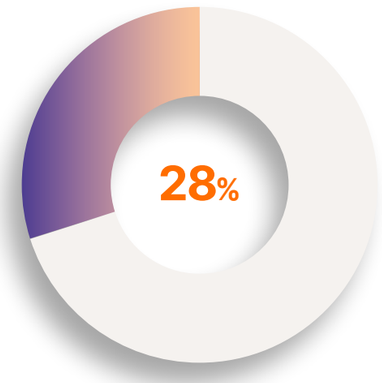
Data analytics tools (Power BI, Excel, Qlik, etc)



ERP systems



Third-party data sources



Supplier relationship management software

Taking the example of sustainability mandates, if organisations don't manage this appropriately, then it quickly becomes a critical risk. As a result, far more organisations are challenging suppliers on whether they have reduced their carbon dioxide emissions this year (for example). Then, they are using this as a basis to measure how well a supplier is implementing their requests, and determine whether their suppliers are really performing.

100%

OF HIGH PERFORMERS USE AT LEAST THREE METHODS

The level of supplier lifecycle data

In research conducted by ProcureTech last year, 8% of procurement professionals had implemented decision intelligence. Interestingly **improvement has not been achieved**, with just 7% of procurement professionals reaching this level in 2024. This gives an important insight into procurement's current decision-making capabilities.

It is positive to see that 45% of respondents are successfully using data to the level of data analysis. Likewise, while 56% of high performing organisations are at Level 3, 22% have successfully reached Level 4.

Companies clearly understand that this is a valuable investment to make – and are keen to increase their focus on this area – but even with the best architecture in place and every data point gathered, what are companies doing with that data? **This is the next step that is, currently, absent amongst the majority of respondent organisations**.

Without decision intelligence, procurement is unable to act on supplier data in a smart way. As you go through a supplier management cycle, you need to assess your suppliers against the agreement and their ability to match it. However, if you don't have data that you can act on within that loop, then you've got no means to improve the relationship.

Without the insights unlocked by decision intelligence, procurement has no way of identifying the best actions to take. As a result, **poor decision intelligence either equates to poor actions and flawed executions, or unintelligent executions** (i.e. actions are being taken just because they 'feel' right, as opposed to these being the factually correct next steps).

Although there is a reasonably high level of maturity among respondents, 7% is a low number for organisations operating with any form of decision intelligence. This means that, **although organisations have the data, it remains very transactional**.

On the whole, decision intelligence is a very unexplored area, and few organisations have the ability to be able to take this data and say, 'So what?'. There is an extremely high level of potential here; many organisations have all the tools in place, and are now starting to explore different opportunities to use them.

For organisations looking to achieve that next evolution of supplier lifecycle data, there are a number of key points to consider.

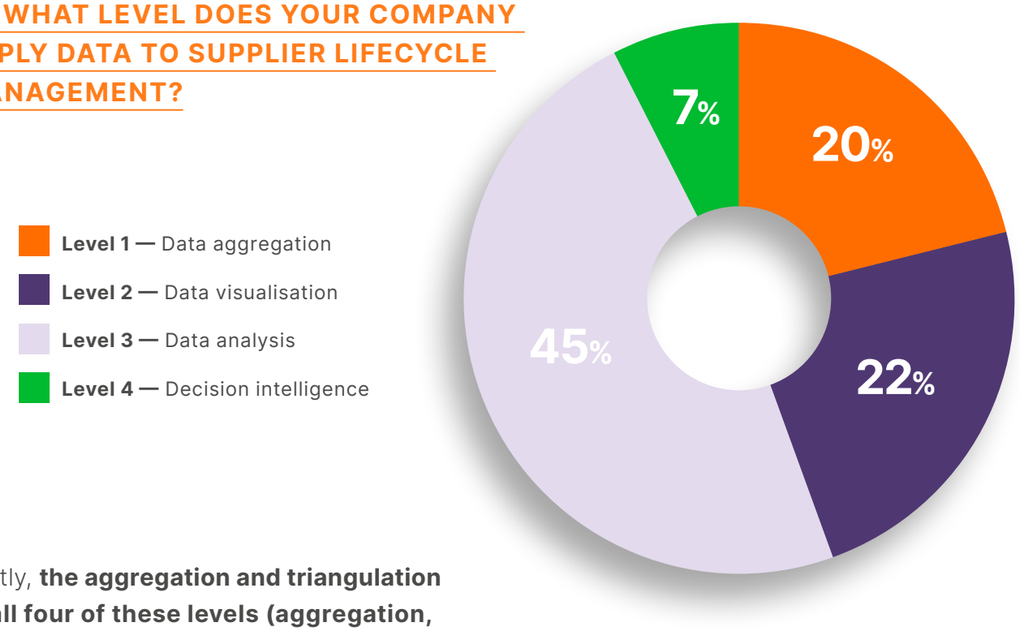
Data aggregation: The collection and matching of different data sources (such as POs, prices, invoices and contracts).

Data visualisation: Creating dashboards that give procurement visibility into the insights provided by data. This is critical for category managers when shaping each category strategy (for example).

Data analysis: Gaining information – and creating conclusions – from the purchasing and supplier data that is available.

Decision intelligence: Making informed data-driven decisions, and strategically using data (alongside technologies like AI) to make accurate predictions.

AT WHAT LEVEL DOES YOUR COMPANY APPLY DATA TO SUPPLIER LIFECYCLE MANAGEMENT?



Firstly, **the aggregation and triangulation of all four of these levels (aggregation, visualisation, analysis and intelligence) will provide robustness to your strategy**. But, decision intelligence without data quality is not productive. Although there is huge potential for insights here, this is also an area that requires you to be smart in your approach.

After all, you cannot have 100 different data points to analyse every time you want to make a decision; all this achieves is creating a lot of noise.

Key enablers for decision intelligence

The majority of procurement's key enablers are still among the more basic, immediate approaches. In these early stages of supplier intelligence, teams are right to prioritise these enablers, because they represent the foundational elements of the capability (whether it be establishing the foundational data infrastructures, training teams with core skills, or establishing cross-functional working practices).

Although these are the right elements for the majority of respondents to be focusing on, more advanced data intelligence management also requires the acquisition of data from external sources, and the creation of data citizens.

JUST **8%**

ARE RECRUITING NON-PROCUREMENT PEOPLE

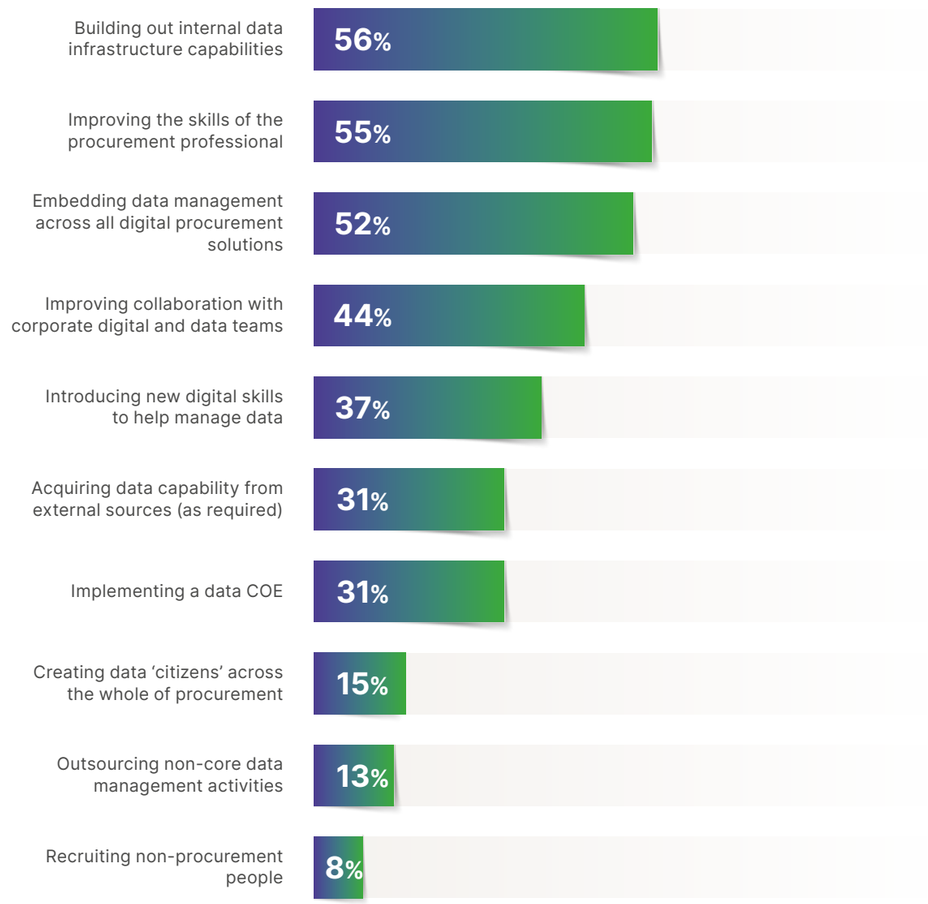
The leading enablers of performance data and intelligence were identified as building out internal data infrastructure capabilities (56% of respondents), improving the skills of the procurement professional (55%) and embedding data management across all digital procurement solutions (52%).

The fact that organisations are not outsourcing non-core data management activities (selected as an enabler by just 13% of respondents) emphasises both the importance of data for organisations, and the fact that **most are still building out their core functionalities** and, therefore, are not looking to outsource this activity.

The low level of recruitment of non-procurement people (8% of respondents) could be interpreted in one of two ways. Although it may be because respondents are strategically concentrating on upskilling procurement, it could be a **warning that organisations are missing out on an opportunity to harness the insights of cross-functional and analytical talent**.

The advantages to gain by enlisting non-procurement people include having risk teams ensure more accurate interpretations of supplier management risk data; sustainability teams successfully identifying and interpreting ESG data; and technical teams ensuring the optimal analysis, configuration, crunching, aggregation and manipulation of data, which could include designing best-fit prompts for AI.

WHAT ARE THE KEY ENABLERS OF PERFORMANCE DATA AND INTELLIGENCE?



In the case of high performers, these enablers shifted to place more focus on upskilling and collaborating. 67% of high performers class 'improving the skills of the procurement professional' as a key enabler, and 56% say the same of 'introducing new digital skills to help manage data'.

“Robust and reliable supplier intelligence is the bedrock of supply chain resilience and predictability.”

Malin Schmidt

CEO AND FOUNDER,
KODIAK HUB

How performance data is driving supplier collaboration and improvement

Companies are using performance data to drive critical improvements in their supplier relationships.

The strategic use of supplier performance data is facilitating greater supplier collaboration; determining corrective actions to take; and securing overall improvements in supplier performance.

Leveraging performance data in corrective actions

Not only are respondents leveraging performance data to a high overall degree, but these metrics are mostly being used in issue resolution and quality and performance management.

There is a strong link between collaborative problem-solving, setting performance improvement plans and running innovation projects. This is because the other areas – issue and KPI monitoring, managing risk and action planning – are more reactive, more responsive, and represent a 'just-in-time' approach. In comparison, these three areas are more proactive.

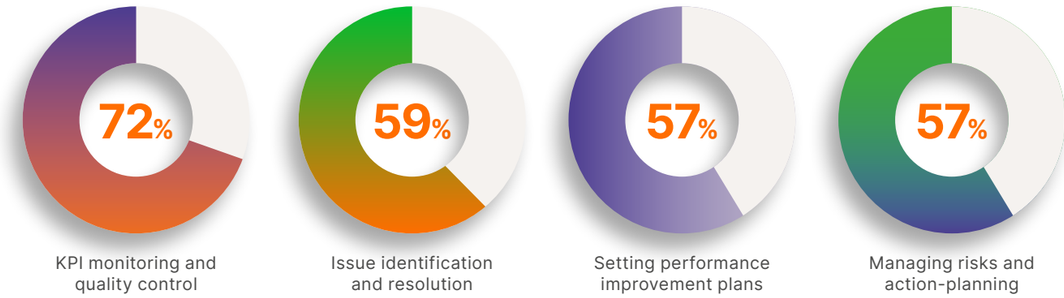
56% and 57% of respondents are investing in collaborative problem-solving and setting performance improvement plans, demonstrating a **positive trend towards proactive thinking and investing in long-term, strategic initiatives**.

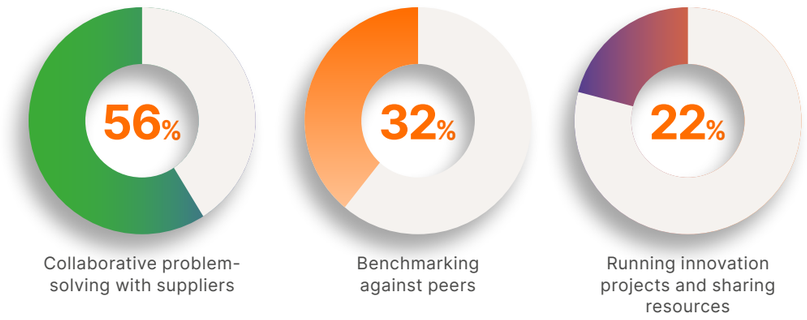
Running innovation projects is markedly lower than the rest of the approaches cited (deployed by just 22% of respondents). **Typically, there is more of an emphasis on 'business as usual' than future-thinking initiatives**.

Benchmarking against peers is being conducted at a surprisingly high rate (despite still being one of the lowest-ranking actions, undertaken by 32% of respondents). **Organisations don't often benchmark against their peers**, so this demonstrates a level of maturity amongst respondent organisations. There is a growing tendency – particularly among larger companies – for procurement to conduct more comparisons against peers, in order to determine how the organisation is progressing, what it is doing first (or last), how different initiatives are being deployed, and so on.

If your organisation has the necessary data to be able to support that understanding, **it tends to facilitate richer conversations with your peers**. It enables you to talk about qualitative, specific and 'real' challenges that your organisation is facing. As a result, gathering the necessary data to conduct benchmarks against your peers will actually drive better outcomes for the business overall. This is an investment that we are seeing more high performers undertake, with 44% stating that they are leveraging performance

IN WHAT WAYS DOES YOUR COMPANY LEVERAGE PERFORMANCE DATA TO IDENTIFY AND IMPLEMENT CORRECTIVE ACTIONS IN SUPPLIER RELATIONSHIPS?





data to benchmark against their peers. However, there are still ample opportunities for development in this area.

High performers evidently see the value of performance data within supplier relationships. Although they are the less proactive approaches (compared to strategic long-term initiatives), it is still promising to see that 100% of high performers are leveraging these metrics for KPI monitoring and quality control, 89% for managing risks and action-planning, and 67% for issue identification and resolution.

56%

ARE INVESTING IN COLLABORATIVE PROBLEM SOLVING

Supplier relationship improvement strategies and initiatives

Any organisation that is not using performance data in regular performance feedback sessions is at a poor level of SRM. In fact, **their ability to perform as an organisation will be compromised as a direct result**. Therefore, organisations should be working to make their performance feedback sessions and cross-functional feedback as data-driven as possible, and fixing this as a top priority for the year ahead.

Conducting regular performance feedback sessions (59%) and gathering cross-functional stakeholder feedback (56%) are standard practices within procurement, and a relatively high proportion of respondents are conducting these strategies.

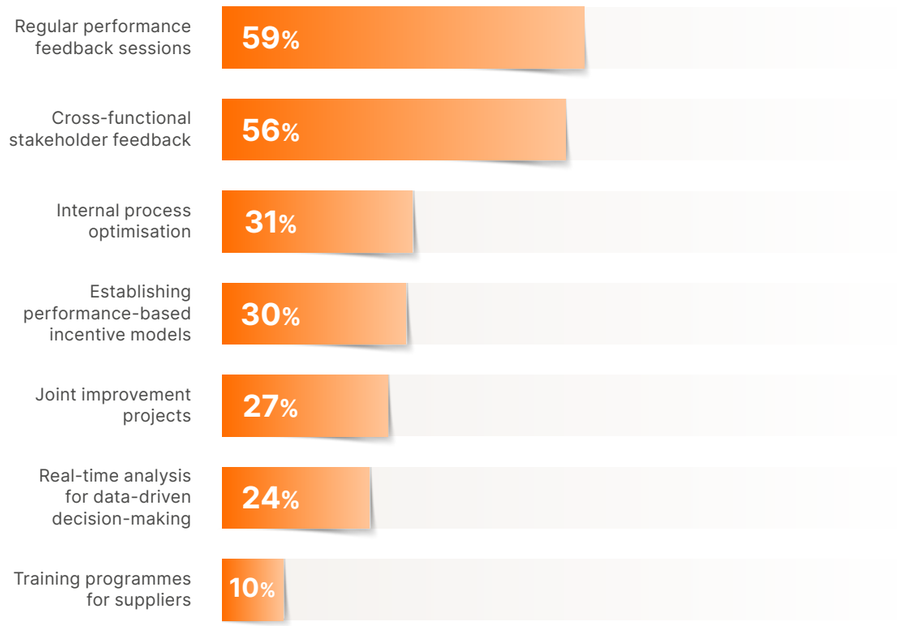
In the future, we expect that there will be **both more availability of data and more access to data**. This will give procurement teams the ability to analyse supplier data on a more frequent basis. In turn, this will drive a rise in all of these strategies and initiatives, all of which we predict will increase over the coming years.

Yet, it's important to recognise that, although it is easy to envision a future process in which you establish performance-based incentive models, conduct internal process optimisation, or write down 'real-time analysis for data-driven decision-making' as a target for the coming years, **it is very difficult to actually deliver against these strategies**.

An organisation that is deploying real-time data analysis, using data intelligence to improve the performance of its suppliers, then linking these insights to strategic incentive models, **represents an absolute best-in-class approach, and is at the very top of the pack**.

So, while we would absolutely expect organisations to be conducting regular performance feedback sessions (using data intelligence), deploying these initiatives in a sophisticated, unified strategy is an approach that we wouldn't expect procurement en masse to currently have. But, this should certainly be an ambition that it is striving for.

WHAT STRATEGIES AND INITIATIVES DOES YOUR COMPANY EMPLOY TO CONTINUOUSLY UTILISE PERFORMANCE DATA FOR IMPROVEMENTS IN SUPPLIER RELATIONSHIPS?



These results are a promising indication of what's to come. The degree to which procurement is already conducting advanced, performance-based initiatives clearly demonstrates the value of data for improving performance.

As is to be expected, the survey's high performers are deploying these strategies and initiatives to a much greater extent. In fact, in addition to the 78% and 67% that are using data in regular performance feedback sessions and cross-functional stakeholder feedback respectively, 44% are conducting real-time analysis for data-driven decision-making.

Furthermore, 56% of high performers are using data to establish performance-based incentive models and conduct joint improvement projects.

56%

OF HIGH PERFORMERS ARE USING DATA TO ESTABLISH PERFORMANCE-BASED INCENTIVE MODELS AND CONDUCT JOINT IMPROVEMENT PROJECTS

The performance and value of procurement

Supplier performance data is having a marked impact on both procurement's value and performance. Across the board, respondents reported **high levels of procurement improvement as a result of using supplier performance data**.

73% stated that supplier performance data has had 'some' a 'high' or 'extreme' impact on business credibility and engagement, 72% for improved savings performance, and 72% for improved supply resilience. While these are the highest-ranking areas of improvement, this is a trend that carries across the board.

Viewing these improvements in terms of the degree of extreme impact that supplier performance data achieved, procurement is finding that supplier performance data has the **most extreme impact on supplier experience and collaboration, and execution speed** (both selected by 7% of respondents). What's more, this is a trend paralleled amongst the high performers, with 78% stating a high or extreme impact on supplier experience and collaboration.

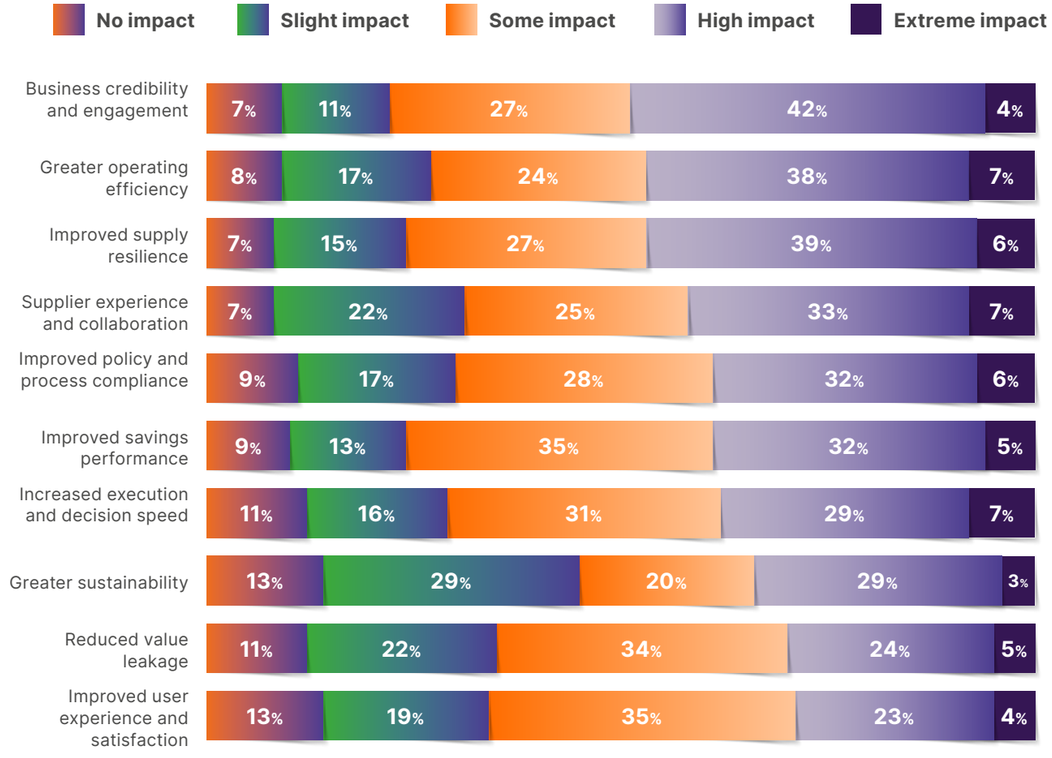
In supplier management, supplier experience is a huge trend. The benefit of improving supplier experience is that, if your supplier sees your working relationship as the one that gives them the best experience, then your organisation will become their **customer of choice**. In the event of a shortage in product or service supply, they will decide to give what they have available to the organisation that they have a better supplier experience and higher customer satisfaction with (over your peers).

As a result, procurement is investing heavily in ensuring that its supplier experience is optimal, and these results demonstrate that improving its supplier intelligence is one of the single most effective ways to achieve this.

73%

SAID SUPPLIER PERFORMANCE DATA POSITIVELY IMPACTED BUSINESS CREDIBILITY AND ENGAGEMENT

HOW HAS THE PERFORMANCE AND VALUE OF PROCUREMENT IMPROVED THROUGH THE USE OF SUPPLIER PERFORMANCE DATA?



Understanding and measuring supplier performance areas

SRM CONTAINS 8 CORE ELEMENTS THAT SHAPE SUCCESSFUL BUSINESS RELATIONS

There are 8 core elements that the leading enterprises aim to encompass in their approach to working with suppliers across their supply chain to achieve their priorities.

1. Commercial & Price Performance

Summary:
Typically the most important factor of performance, focusing on monitoring and optimising the financial aspects of the relationship. It ensures the supplier's pricing (negotiated at the point of sourcing) and billing (throughout the delivery of services and goods until the point of invoicing and payment) are both accurate and competitive for the entire length of the relationship.

Scenario:
A common price issue is suppliers over-invoicing customers against purchase order commitments. For example, large suppliers that have numerous functions depend on effective cross-functional communication between sales, inventory and accounts receivable, to ensure the order is filled, product delivered and cash received. AR may assume that whatever is on the purchase order automatically gets invoiced. However, a multitude of issues may have occurred (such as inventory shortages preventing shipments, or damaged/faulty stock getting returned) that impact the number of units received and consumed by the buying organisation.

There are multiple ways to resolve this, but the point is, there is a delta in product expected and in the cost impact to resolve. So, if you extrapolate this scenario (where orders or invoices are inaccurate, this can signify large scale wasted costs.

Additional scenarios to consider when monitoring commercial and price performance include:

1. Tracking and analysing supplier pricing over time, to ensure competitiveness and identify opportunities for cost savings or negotiations.
2. Monitoring supplier compliance with agreed-upon pricing terms and conditions in contracts.
3. Benchmarking supplier pricing against market rates and competitors, to ensure fair and reasonable pricing.
4. Evaluating total cost of ownership, including factors like shipping, quality and lead times (not just unit pricing).
5. Negotiating and realising volume discounts, rebates or other incentives (based on purchase volumes or the longevity of the relationship).
6. Collaborating with suppliers on cost reduction initiatives, through methods like value engineering, design changes or process improvements.

By measuring this performance area:
Supplying organisations and buying organisations will strive to better collaborate on the goods or services ordered, received, and paid for.

Strong commercial and pricing performance management helps control costs and improve profit margins. So, the aim of these efforts will be to maximise value for money, by ensuring competitive market pricing, enforcing contractual pricing agreements, and jointly working on cost optimisation opportunities, including minimising cost risk across the supply chain.

2. Quality Performance

Approaches to managing quality performance will differ across industries, and between orders that are products or services. Regardless, quality performance measurement is rooted in whether what has been supplied matches the expectations of the buying organisation. Quality is typically measured at the point of receiving the goods or services and fed back into corresponding teams to assess other material impact, such as delivery or cost. Product quality, for example, typically needs to meet the specification of design, whereas service quality usually takes the form of milestone completions.

Example scenario:
In an engineering context, when creating a new vehicle model, manufacturing the cars is a process that can be standardised over the life of the vehicle programme. However, within the first year there is typically a lot of back-and-forth over the specific design parts – and the supply of these parts to the required specifications – that need to be assembled on the vehicle. If a part is faulty by design, or poses a risk to human life, the cost of re-designing and manufacturing parts already on the road that need to be recalled can be extremely costly.

However, when working with new forms of innovation and managing the ongoing cost pressures that suppliers face, this tends to be a performance area that is easily overlooked (particularly due to the speed-to-market demand and lack of overall regulation). As a result, this further increases the need for quality controls.

So, organisations implement methods and metrics to evaluate quality:

1. **Defect rate** – the percentage or number of defective items received from a supplier out of the total units delivered. A high rate indicates quality issues that need to be addressed.
2. **Rejected lots** – closely related to this is tracking the percentage or number of entire lots or shipments that are rejected due to not meeting quality specifications. This highlights more severe quality lapses.
4. **Customer complaints, returns or warranty claims** – related to a supplier's products or services. This can signal quality problems that made it through to the end user.
6. **Delivery** – whilst not a direct measure of quality, on-time delivery performance can indicate issues in the supplier's production processes or quality control that lead to delays.

By measuring this performance area:
Typically, procurement teams have contractual quality KPIs in place for goods and services. However, effective quality measurement requires close collaboration with suppliers, the sharing of data and feedback, and implementing corrective actions or continuous improvement initiatives when quality issues arise. This proactive approach to supplier quality management can strengthen the supplier relationship and ensure consistent quality of inputs, which are critical for the buying organisation's own products and services.

3. Supply Chain & Delivery Performance

Delivery is typically managed on the nature of need, and what the input of the good or service being received is a result of. Usually, delivery is measured at the point of receiving the goods or services and fed back into corresponding teams to assess other material impact, such as cost. If you need a good or service for just-in-time manufacturing, its delivery is extremely important. Meanwhile, the delivery for general business operations is less scrutinised, unless there is material cost impact.

Example scenario:

The recent semiconductor shortage – caused by a huge spike in demand and a series of major events, namely a shortage of containers globally and the Suez Canal crisis – is a prime example of when flaws in approaches to supply chain and delivery create a huge impact.

Facing overwhelming demand, supplying organisations had to prioritise which buying organisations would receive their deliveries first. Customers that offered the best supplier experience received their products first, whilst others fell by the wayside.

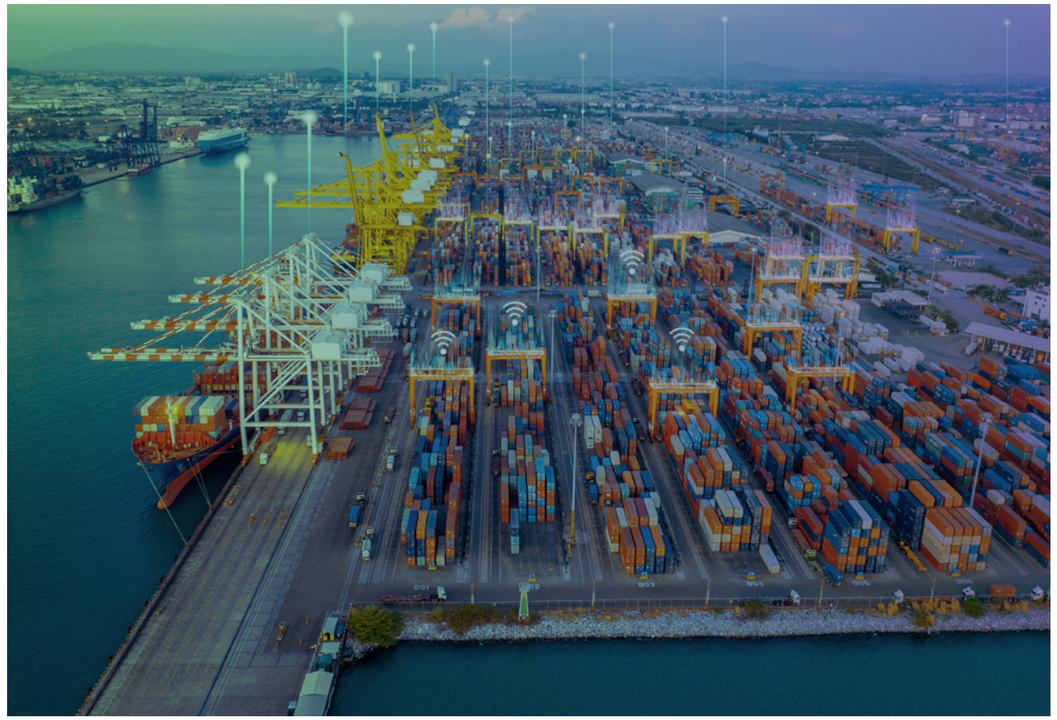
‘Customers that offered the best supplier experience received their products first, whilst others fell by the wayside’

Dependent on these semiconductors, countless organisations’ products sat unfinished in manufacturing facilities, unsellable and delayed in their delivery, resulting in stagnant growth.

Delivery impact is even greater for manufacturing organisations operating with a just-in-time methodology. With this approach, when a product reaches the production line, it’s just ahead of assembly (designed as such to avoid inventory costs). Consequently, when a product is late, it can have an even greater cost impact. As such, a company with lean manufacturing processes may prioritise on-time delivery and perfect order rates, while a company with fluctuating demand may emphasise delivery flexibility.

Organisations can evaluate delivery through the following methods and metrics:

1. **On-time delivery rate** – the percentage of orders or shipments received from the supplier on or before the agreed delivery date. A high on-time delivery rate indicates reliable and consistent delivery performance.
2. **Lead time** – the duration between placing an order and receiving the delivery. Monitoring lead times can help identify potential delays or bottlenecks in the supplier’s processes.
3. **Perfect order rate** – combines on-time delivery with other factors like complete shipments (correct quantities) and order accuracy (no defects or damage). It provides a comprehensive view of the supplier’s ability to fulfil orders flawlessly.
4. **Delivery flexibility** – the supplier’s ability to accommodate changes or rush orders, reflecting their responsiveness and agility in meeting dynamic demand.



By measuring this performance area:

The effective management of supply chain risks and delivery performance requires close collaboration with suppliers, data and feedback-sharing (for proactive management), and implementing corrective actions or continuous improvement initiatives when delivery issues arise. It’s also important to align delivery performance metrics with the specific needs and priorities of the business. By consistently measuring and managing supplier delivery performance, companies can identify and mitigate risks, improve supply chain efficiency, and foster stronger, more collaborative relationships with their suppliers.

4. Collaboration Performance

Collaboration is not often a measured metric of performance, but more commonly a by-product of definitive performance measurements and goal-setting for the relationship.

In this modern world, the pursuit of strengthening collaboration is largely dependent on the suite of technologies that an organisation has implemented. However, procurement's technologies are often very outdated and lack intelligence, which prevents effective or streamlined collaboration.

The business communication tools used today are incredibly intelligent, and becoming so intuitive that they are outmatching their counterparts' design (specifically for supply chain and procurement use cases).

Example scenario:
Using the semiconductor shortage example above, communication from direct or supporting suppliers was severely delayed, either at the time of delivery or (in the worst cases) when the goods were expected to arrive. Furthermore, notifications were often sent by email, which can easily go unnoticed. This impacted supply chains greatly, leaving little time to activate contingency plans and sort out new suppliers or new methods of transportation.

Whilst not a common area of definitive performance standards, organisations can begin to think about the following metrics for supplier collaboration:

1. **Information-sharing** – and evaluating the extent of sharing operational data, forecasts, and other relevant information between partners.
2. **Decision synchronisation** – assessing the level of joint decision-making, aligned objectives, and coordinated planning processes.
3. **Incentive alignment** – measuring the degree to which incentives and risk/reward sharing mechanisms are in place to promote collaborative behaviour.
5. **Proven ability for strategic alignment** – assessing the alignment of strategic goals, vision and long-term plans between partners.

By measuring this performance area:
Collaboration crosses all other functional relationship and performance areas. It can prove extremely positive when executed at a high level, and drive improvements across all functions of the business. Then in parallel, stronger collaboration also often spurs greater innovation opportunities, sustainability and performance. Plus, if you're not collaborating with your suppliers to understand the risks that are present, then you cannot effectively prepare for them.

It requires a structured process, validated instruments and close engagement with suppliers to collect data and feedback. It's also important to evolve the metrics as collaboration initiatives mature, starting with simpler indicators and progressively adopting more advanced measures of value creation and productivity.

5. Flexibility & Agility Performance

Building on the areas outlined above, procurement professionals require flexibility and agility in their approaches, to ensure both buying organisations and suppliers can adapt to changing supply, demand and disruptions.

If a major risk arises, how successfully can a procurement department enable suppliers to pivot their approach? The rate at which flexibility and agility are required, again, will depend heavily on the products and services a supplier provides, and how critical it is to the business.

Example scenario:
Continuing with the semiconductor example, is your supply chain nimble and transparent enough to identify any areas where you are depending on just one or two suppliers? If so, have you 'stock-piled' enough product that your organisation can weather any unforeseen black swan events (such as a war breaking out, causing your suppliers in a specific country to go offline)? With increasing macro-economic tensions rising, it may be worth considering using the traditional hub-and-spoke model.

This is just one example, and there are numerous ways to stay flexible. Other examples of flexibility include:

Delivery flexibility
- Percentage of orders/shipments delivered earlier or later than the original due date, within an acceptable window.
- Supplier's ability to expedite or reschedule orders on short notice.
- Lead time variability (fluctuations in the time between order and delivery).

Volume flexibility
- Supplier's ability to handle fluctuations in order volumes.
- Range of min and max volumes that suppliers can accommodate.
- Ramp up/down times to scale production.

Min flexibility
- Number of different products/SKUs the supplier can produce without major changeovers.
- Ease of switching between product mixes for the supplier.

Sourcing flexibility
- Number of alternative sources/suppliers available for a component or material.
- Ability to quickly qualify and onboard new suppliers.

Technology adaptability
- Supplier's ability to integrate systems and adopt new technologies.
- Ability to provide real-time visibility into orders, inventory levels, etc.

By measuring this performance area:
Flexibility and agility metrics, surveys/assessments with suppliers, and qualitative evaluations during supplier audits or business reviews should mean buying organisations and suppliers benefit in tandem. An overall supplier flexibility/agility index can be derived by combining multiple relevant measures.

6. Innovation Performance

Innovation typically originates from three different channels: internally driven, supplier driven, and customer/market driven.

Firstly, internally (as the buying organisation) you can devise new hypothetical ideas and, depending on the product or service your business sells, you can validate them with your suppliers to test their feasibility.

Then, how often do your suppliers come to you with a new idea or product, to showcase any developments that they believe would be a good fit for you? Is it an innovation that will be exclusive to your organisation specifically?

Finally, customer driven innovation is typically a result of a new breakthrough happening in other verticals that can scale across all industries, particularly software technology.

Innovative thinking should go beyond your internal teams, and your suppliers should show enough commitment to your relationship that they are bringing new ideas to the table.

Best-in-class innovation is realised when all parties are involved, and considering all elements, from all angles.

Example scenario:
A recent innovation that is a breakthrough for all industry verticals is the development of GenAI. Currently, suppliers and buying organisations are both rapidly figuring out how to apply it to their products and services.

This is just one example, and it's important to note that not all products and services are expected to innovate at equal rates. However, successfully influencing the other layers requires measuring innovation across a number of different areas.

Innovation pipeline metrics:

- Number of new ideas or concepts jointly developed with the supplier.
- Number of new products, services or process improvements co-created with the supplier.
- Percentage of revenue from innovative offerings developed through supplier collaboration.

Innovation process metrics:

- Time from idea generation to implementation for collaborative innovations.
- Cycle time for joint new product/service development projects.
- Supplier involvement stage (e.g. concept, design, prototyping) in the innovation process.

Innovation capability assessments:

- Evaluating the supplier's R&D capabilities, intellectual property and technical expertise.
- Assessing the supplier's innovation culture, processes and management commitment.
- Reviewing the supplier's track record of successful innovations and continuous improvement.

Open innovation and knowledge-sharing:

- Frequency and quality of technical/knowledge exchanges with the supplier.
- Extent of sharing product roadmaps, market insights and future requirements.
- Willingness to grant access to facilities, labs or test environments for joint innovation.

By measuring this performance area:
Buying and supplying organisations can hold each other accountable for effective quantitative and qualitative measurement through collaboration, transparency and trust. It's also important to align innovation goals with the company's strategic priorities and have a structured process to convert ideas into value-creating solutions. By measuring innovation capabilities and outcomes, companies can identify opportunities, make informed decisions about where to invest resources, and drive continuous improvement with their most innovative suppliers.

'Innovative thinking should go beyond your internal teams, and your suppliers should show enough commitment to your relationship that they are bringing new ideas to the table'

7. Sustainability Performance

There are various buckets of sustainability, which organisations are beginning to gain awareness of and measure. In their broadest sense, they focus on two major areas: impact on the environment, and impact on its people. Specific targets will vary by organisation, and are again dependent on the products or services they sell and buy.

As a relatively new function for organisations and procurement, sustainability remains highly scrutinised by suppliers, who are being forced to change their ways of working at the expense of profits, and this is a trend which is only set to accelerate. As consumers become more savvy – and set leading sustainability standards as an increasingly high priority – procurement needs to understand sustainability performance in an extremely nuanced way.

Example scenario:
A common metric across many supply chains is the effort to reduce carbon emissions with not only direct suppliers, but also their suppliers. This is often met with resistance, as the measurement of this (especially in developing parts of the world) comes at a cost that most organisations are not willing to sacrifice, at least for now. Complex algorithms are being deployed to calculate manufacturing and logistics emissions, then this information is shared across digital platforms for a rough order of magnitude. Whilst this number gives a degree of confidence based on inputs, it is not 100% accurate. A similar outcome can also be seen in other core sustainability metrics.

So, in order to reduce the technological gap, organisations strive to track suppliers' efforts through other methods:

> 'Sustainability remains highly scrutinised by suppliers, who are being forced to change their ways of working at the expense of profits'

1. Supply chain footprints

- Mapping the environmental and social impacts across the entire supply chain, including upstream suppliers.
- Measuring metrics like carbon footprint, water footprint and other resource consumption at each tier.
- Reducing the number of hotspots and high-impact areas.

2. Supplier sustainability reporting and disclosure

- The quality and completeness of supplier sustainability disclosures and reporting.

3. The effectiveness of collaborative sustainability projects and knowledge-sharing

By measuring this performance area:
In addition to mitigating any unexpected risks or any hugely damaging occurrences within your supply chain, sustainability performance also enables procurement to strengthen its customer base and grow revenue.

By remaining a leader in this sphere, procurement can ensure that its organisation is one that customers remain loyal to, and that potential customers are increasingly likely to turn to you over competing products and services.

Examples of performance indicators include:

- Health and safety indicators (e.g. number of fatalities, accidents, sick leave)
- Diversity composition
- Environmental indicators (e.g. water, air, waste, energy)
- Education
- Energy efficiency
- Water use
- Ability to replace hazardous/toxic materials with less harmful alternatives
- Use of recyclable materials
- Waste reduction

8. Leadership & People Performance

Traditionally, procurement leaders have been judged on their ability to reduce costs. However, the scope of procurement professionals has evolved to more broadly focus on the areas listed above, all of which can inherently pose risk to the business. In turn, the same is also being asked of the supply base.

Strategic plans from procurement are now shaping up the targets of these performance areas and the frequency at which they need to be measured or assessed (based on the inputs from suppliers and considering the broader direction of the buying organisation at large).

Where relationships are considered critical to the supply chain, leadership will focus more time. The same can be expected from the supplier side, as they prioritise ensuring continuity of business and communication. Less critical relationships typically require less maintenance and a frugal approach to targets.

The overall performance of leadership and their teams requires a refocus, aligned to the business priorities through the supply chain. This refocus starts with ambitious goals and ends with a shift in behaviours, roles and ultimately recognition of the leaders and teams that outperform their competitors.

Example scenario:
Supplier business reviews with leadership typically happen on a monthly or quarterly basis (again, depending on the criticality of the supply to the buying organisation). The suppliers that are dependent on the business of the buying organisation (especially if they are a single customer, and therefore critical to their supply chain) should be exercising great willingness to collaborate and align strategic and operational goals, so that both organisations can strive to meet each other's expectations.

This is often more complicated than it sounds, as single customer suppliers typically have solved one use case, but have failed to scale into other customers', resulting in compressed margins from years of buying organisation pressure and, in turn, less funding for enabling new techniques or intelligence. In these instances, it becomes even more important for the buying organisation to collaboratively work with these suppliers, potentially co-investing, or finding new strategic ways for both organisations to meet their objectives in all other performance areas.

Whilst this is one scenario where leadership and people flexibility are essential, it's imperative that other qualitative measures are taken, to ensure a consistent approach from leaders and teams in the supply base and its relationships.

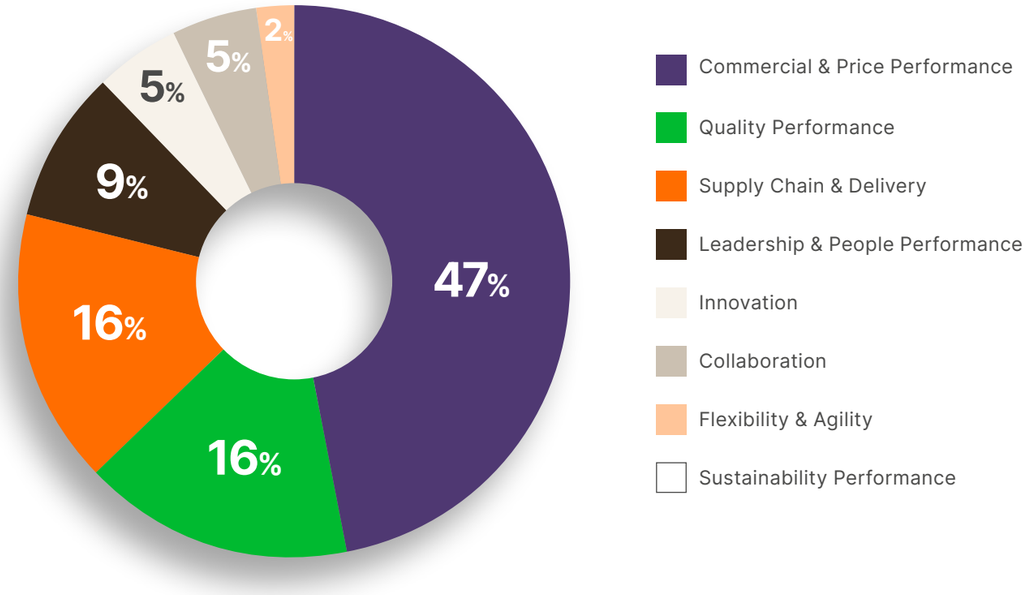
1. **Supplier relationship management competencies** highlight the importance of evaluating willingness to collaborate, top management commitment, openness to share information, and the level of trust and ease in day-to-day interactions.
2. **Collaboration level assessments** measure the level of collaboration achieved with key suppliers, such as joint continuous improvement programmes, co-development of products/services, or sharing of strategic plans. This can indirectly indicate the effectiveness of leadership (on both sides) in driving collaborative efforts.
3. **Relational competencies assessments** include evaluating competencies like leadership style, influencing skills, change management, and the ability to build personal relationships and empathise with suppliers.

'This refocus starts with ambitious goals and ends with a shift in behaviours, roles and ultimately recognition of the leaders and teams that outperform their competitors'

By measuring this performance area:
Buying organisations can expect to see higher levels of collaboration, suggesting strong leadership commitment. Furthermore, insights can be unlocked into the effectiveness of the organisation's leadership in fostering stronger teams and supplier partnerships, and the ability to cultivate an environment conducive to collaborative relationships.

The focus on supplier performance

ASSESS THE RELATIVE IMPORTANCE OF THE FOLLOWING PERFORMANCE AREAS [% OF RESPONDENTS RANKING EACH AREA AS THE MOST IMPORTANT]



The core performance areas of commercial, price, quality and supply chain and delivery performance remain key.

Respondents are focusing on quality and delivery; upstream metrics that have the greatest impact on cost. This is followed by more qualitative performance areas, with innovation, collaboration and sustainability having lower prioritisation.

This trend continues amongst high performers, with 67% considering 'commercial and price' to be their most important area of performance.

It is unsurprising that, in terms of its importance, commercial and price performance dominates. Yet even though respondents are demonstrating a focus on sustainability as a business priority, it is a stark statistic that **no respondents ranked sustainability as the most important performance area**.

STRIVING TOWARDS DATA-DRIVEN DECISION-MAKING

Decision intelligence offers huge potential for supplier relationship management. But, it is an area that requires a lot of care and careful implementation for it to be utilised safely and effectively (not only is decision intelligence without data quality completely flawed, but it is also very dangerous).

Decision intelligence requires procurement to understand and implement the following:

Comprehensiveness – a common mistake amongst procurement is that they believe that, to make a decision, every single possible question has to be asked of the data. But, having this perception actually just results in a lot of noise, and instead muddies the water.

Understanding how to use unstructured data – as it stands, most companies do not know how to work with unstructured internal data. This is a core challenge for procurement; determining how to gather, store, structure, categorise and use this extremely valuable data.

Capturing useful unstructured data – this is data that companies are investing countless hours and resourcing into capturing, but very few are successfully capturing it in useful ways. For example, unstructured internal data includes simple things such as an exchange in an email. This might say something extremely insightful about the supplier's ability to move quickly, or their willingness to be flexible, which would contribute invaluable data points towards procurement's ability to predict their future performance. But first, procurement needs to start recognising these underutilised sources of data, and identifying appropriate ways to incorporate them into their supplier intelligence initiatives.

In the face of all these critical requirements and responsibilities, it is to be expected that this is not at the forefront of procurement's agenda, yet.

But, with data and decision intelligence increasingly at our fingertips, **how can we expect these results to evolve?**

It is clear that companies understand that these are important metrics to have, and that they want to increase the frequency with which this data is gathered and used. But, even if the best architecture is in place and every data point is gathered, what are companies doing with that data?

That is what is currently missing in procurement's approach.

High Performers

WHAT ARE THE HIGH PERFORMERS DOING?
For the purposes of this research, we identified the leading 10% of organisations, as the 'high performers' of the pack. These are the organisations at the most advanced stages of supplier intelligence, who are utilising this data to the greatest advantage.

KEY FINDINGS AT A GLANCE:

- 100% of high performers are using three or more methods to integrate supplier lifecycle performance data
- 89% are leveraging supplier performance data for risk management and action-planning
- 78% state that supplier performance data has had a high or extreme impact on supplier experience or collaboration
- 67% host regular performance feedback sessions to improve supplier relationships
- 56% conduct joint improvement projects with their suppliers
- 56% are establishing performance-based incentive models with suppliers

HIGH PERFORMERS ARE INVESTING IN MORE ADVANCED AND COLLABORATIVE STRATEGIES TO DRIVE IMPROVEMENTS IN SUPPLIER RELATIONSHIPS.

78% of high performers are gathering cross-functional stakeholder feedback (compared to 56% of all respondents).

This trend is also present in the way that high performers collaborate directly with their suppliers, with 56% establishing performance based incentive models, and 56% conducting joint improvement projects.

In terms of determining corrective actions, 100% of high performers are using supplier performance data for KPI monitoring and quality control, 89% for managing risks and action-planning, and 67% for issue identification and resolution.

HIGH PERFORMERS ARE UTILISING MULTIPLE METHODS, TO INTEGRATE PERFORMANCE DATA ACROSS THE SUPPLIER LIFECYCLE.

Throughout the supplier lifecycle, high performers are using more performance data integration methods.

100% of high performers are using data analytics tools such as Power BI, Excel and Qlik. Plus, a far higher proportion of high performers are using third-party data sources (78% of high performers, compared to 29% of all respondents), and supplier relationship management software (67% of high performers, compared to 28% of all respondents). Meanwhile, 56% are using ERP systems (compared to 48% of all respondents).

Having a range of different methods available is of critical importance to high performers, as 100% are using three of these methods in combination. This clearly demonstrates that, in order to maximise the value of supplier intelligence initiatives, no one method is sophisticated enough to use in isolation.

HIGH PERFORMERS ARE SEEING MORE DRAMATIC IMPROVEMENTS IN THE PERFORMANCE AND VALUE OF PROCUREMENT, THROUGH THE USE OF SUPPLIER PERFORMANCE DATA.

With these extra investments in supplier intelligence (and the utilisation of more advanced approaches), high performers are witnessing far more pronounced improvements to their procurement processes.

The area where high performers are reporting the most benefits is greater operating efficiency, with 100% of high performers stating that supplier performance data is driving a high or extreme impact on efficiency (compared to 45% of all respondents).

Similar trends can be seen in:

- Improving supply resilience – 89% of high performers report a high or extreme impact (compared to 45% of all respondents).
- Supplier experience and collaboration – 78% of high performers report a high or extreme impact (compared to 40% of all respondents).
- Business credibility and engagement – 78% of high performers report a high or extreme impact (compared to 46% of all respondents).
- Greater sustainability – 78% of high performers report a high or extreme impact (compared to 32% of all respondents).

What next?

1. THINK BEYOND REACTIVE, TO PROACTIVE INTELLIGENCE EXCHANGE

The majority of companies are focusing on foundational supplier management, with more advanced and proactive approaches being far less common. In the majority of cases, data and information flows are one-way, with minimal collaboration or joint innovation. There is a huge opportunity for developments in strategic, proactive supplier relationship-building and more proactive data and intelligence exchange.

The 1×10×100 rule is a widely recognised principle in incident management. It emphasises the escalating costs associated with bad data quality.

- **1x:** The cost of preventing a problem.
- **10x:** The cost of fixing a problem that is found during an internal process.
- **100x:** The cost of fixing a problem that is found after it has been delivered to the customer, or has affected a prospective customer.

2. IMPROVE YOUR DATA INFRASTRUCTURE AND CAPABILITIES

Regular performance and cross-functional feedback are the highest employed activities for corporations. Respondents understand that these are important metrics to have, and want to increase the frequency of their usage. But, the majority are stuck in the data aggregation, visualisation and analysis stages. Furthermore, while the majority of respondents are now using data analytics tools, very few have the tools and solutions required to harness high quality data (there's a reason why 100% of high performers are using three forms of tools).

3. GOING BEYOND ARCHITECTURE, TO CREATING MORE TIME TO ACT ON DATA AND INTELLIGENCE

Even if your organisation has the best architecture in place and has secured every data point, what are you doing with that data? It's critical to recognise that improving your infrastructure is not all it takes. Although organisations collect high volumes of data, many are drowning in information, but starving for knowledge. Data in and of itself is not interesting unless you have the bandwidth, time, insight or context required to do something with it. If teams don't have the time or training to use the data correctly (or can only use it to look in the rear-view mirror) then your efforts will be completely stagnated.

4. MOVE FROM STATIC, REACTIVE ACTIVITIES TO COLLABORATIVE INTELLIGENCE APPLICATION

In the past, many companies gathered and used this data solely for the purpose of compliance reviews. Yet this approach is no longer sufficient. Rather than this tick-box approach of screening your ESG or risk (for example) once a year, best-in-class approaches require supplier intelligence to be implemented as a continuum in your daily operations. Marked performance improvements can be achieved through the early involvement of data intelligence in the supplier management lifecycle. But, you can't achieve that (even if you have a lot of data) unless you're making decisions based on that data. Across respondents, we're seeing that a lot of data is being collected, but very little collaboration or improvement is being done (beyond standard box-ticking performance reviews).

5. MAKE SUPPLIER NEGOTIATIONS MORE INTELLIGENCE AND PERFORMANCE FOCUSED

Due to the absence of complete supplier intelligence, organisations are largely going into negotiations blind. Negotiations without supplier intelligence are not fact-based; if there's any area where data should really demonstrate its high ROI, it's at the points where you're about to negotiate a contract. In fact, while strengthened collaboration and innovation are valuable long-term ROIs, this is a fantastic short-term ROI for supplier intelligence investments. So, would you rather go into negotiations blind, or with 360-degree vision?

6. SHIFT KPIS AND REWARD RECOGNITION MODELS FOR PROCUREMENT

Collaboration represents one of supplier data's most valuable long-term ROIs. However, will procurement ever reach a state where people are engaging in collaboration (except for solving a claim) if it's never rewarded? There is a tendency for procurement to focus on short-term and/or bottom-line benefits. A shift towards a long-term focus is needed, and this must be represented with changes in the ways that the function approaches KPIs and reward recognition. It's unlikely that most procurement teams are being rewarded for their contribution to these long-term ROIs (of greater collaboration and innovation with suppliers), and this is one of the root causes of procurement's stunted growth in this area.

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Kodiak Hub is an end-to-end supplier relationship management platform that leverages big data, smart automation and AI to drive precision in procurement and power in partnerships.

Its innovative cloud-based SRM software helps global procurement and sourcing teams to buy smarter, drive sustainable supplier relationships, and unlock value in global supply chains.

Kodiak Hub offers a modular suite of supplier relationship management solutions that teams can plug n' play to capture supplier data and information, spot supply chain risks, manage contracts, categories, documents and products, assess and audit supply chain compliance, evaluate and improve supplier performance and drive buyer-supplier innovation.

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