

# Getting well connected

Global e-procurement systems can bring significant benefits and technological headaches. Emma Clarke speaks to one company providing the technology to a multinational user

**Over the next two years companies are expected to double the amount they spend on low-cost country sourcing, according to the Aberdeen Group.**

While the lure of cheaper sourcing is huge, it does raise technological challenges. To meet these, many firms are developing single e-procurement systems to use for all their sourcing, wherever it comes from. But it isn't straightforward. Purchasing materials, goods or services from multiple regions using standard tools and methods requires the identification, evaluation, negotiation and configuration of a firm's worldwide supply chain. Nonetheless, the benefits can be huge. Consolidating spend analysis and procurement data on a global level can cut costs by up to 35 per cent and reduce risk.

The Aberdeen research also revealed that firms practicing global e-procurement experience greater savings, more controlled spending, increased compliance rates and better supplier integration.

Pharmaceutical firm GlaxoSmithKline (GSK) is one of the firms taking this approach. It manages about 7 per cent of the world's drug market and has more than 100,000 employees. Expanding e-procurement globally was a logical next step for us, says Gregg Brandyberry, vice-president of procurement. We're moving into another phase of our procurement evolution. It involves instituting a global content management strategy to gain greater efficiencies and savings.

GSK first centralised its global purchasing process through internal systems and external purchasing agents. To achieve this, the company integrated Ariba Buyer software with a SciQuest system to allow its 18,000 users to access about 200

suppliers. The e-procurement platform contains more than 2.1 million items, representing in excess of 90 per cent of GSK's total laboratory spend.

Behind GSK's decision to expand its content base was the desire for a common supplier content aggregator - in other words, the capacity for users to search and order from a single centralised place on the system. But such a transition can have teething problems. Overhead costs were a factor.

During its US and UK implementation, it understood the challenges and overhead costs involved. GSK required as few interfaces as possible between the company and its suppliers to manage its content base. Chris Kiernan, GSK's director of e-procurement, explains that the SciQuest system reduces IT participation by reducing the number of these interfaces.

Firms with global operations also face the challenge of different purchasing systems, says Suzanne Miglucci, vice-president of marketing and strategic alliances at SciQuest. By implementing a single system, they can take a world view of their spend, regardless of whether disparate ERPs are being used.

There are additional benefits, she adds. By rolling up worldwide spend data for suppliers, organisations can often take advantage of significant volume discounts and service-level agreements.

"Segmenting suppliers geographically makes it easy to see what an organisation spends by region. In turn, considerable spend in a given region may justify supplier discount requests. A global system can also allow organisations to gain a foothold in emerging markets by identifying low-cost and reliable regional suppliers."

This type of system provides a uniform way for an organisation to roll up data for overall spend. Miglucci explains: Global reporting creates actionable data that enables companies to make better business decisions. With procurement driving the revenue-generation, pockets of inefficiencies become visible and strategic sourcing initiatives can be leveraged to gain greater savings.

GSK expects to see direct results from its effort to expand content at its site in Verona, Italy used by the company to pilot the system. The company expects increased user adoption and significantly reduced processing costs resulting from reliable and more accurate catalogue information.

"Our users will be able to easily access a wider variety of product information," says Luca Guzzabocca, director of procurement for GSK Italy. "Contract compliance is expected to increase and our requisitioning cycle time should be greatly reduced due to more efficient purchasing processes."

## What to consider

### Does your e-procurement environment allow for localisation?

An important thing to take into account is adapting your e-procurement systems to accommodate localisation. Can users, suppliers and vendors work in multiple currencies? Can your e-procurement system function in multiple languages? One of the challenges GlaxoSmithKline faced was ensuring multiple tongues and scripts with non-Roman characters could be deciphered and translated. The ability to handle catalogue pricing in multiple currencies was another major consideration. GSK found it could cut costs by translating code to multiple languages in batches, rather than translating and entire system into one language and then repeating the process.

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## **Does your e-procurement environment allow for organisation-wide user adoption?**

One of the biggest challenges faced after implementing any type of e-procurement programme is getting staff to use it. From a global standpoint, some of the best ways to do this include introducing promotional programmes, self-paced and contextual training options as well as hands-on learning or web-based training in local languages. GSK's Brandyberry recommends ensuring an organised plan is in place prior to the globalisation process. This requires due diligence, researching and asking for reliable references.

"Don't be afraid to ask questions to avoid any surprises during implementation," he says.

## **Does your e-procurement provider offer global managed service and support?**

A quality service and support programme is more than just managing a box and maintaining system uptime. It should be about managing the overall integrity of your procurement environment at all times. Routine upgrades, seamless repetitions, and training should be integral parts of a quality managed services programme that will help ensure your global procurement success. Consider mirrored positions on both sides to help manage different parts of your globalisation project, recommends Brandyberry. All parties involved, including the provider, global headquarters, and the foreign site, should have an overall product manager, supplier product manager, technical manager, and a business owner, such as a director of procurement, to ensure all aspects run smoothly.

"Executive buy-in and constant communication is crucial to your project's success."

## **Are you confident that you have addressed other challenges and risks presented by a globalised procurement system?**

In addition to the basic language and cultural differences, there are many other considerations that need to be taken into account. These include time zone differences, intellectual property protection, currency fluctuation, and the possibility of geo-political unrest in certain areas of the globe.

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