

Win in the flat world

Supplier Collaboration: The new Mantra in the world of ERP

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This paper discusses how online supplier collaboration is enabled through the Oracle e-business suite. The recipe for any successful package implementation contains the following key ingredients:

- *Business need and business case for online collaboration*
- *Implementation considerations and approach*
- *Product functionalities that help derive business benefits*
- *Real-life experiences*

Hence, in this paper, we have attempted to provide the right mix of these ingredients and inputs for successful implementation.

The primary focus is to discuss the approach, the business benefits achieved through this process. These are based on real life examples and success stories of the authors that have been involved in this area. In the process of describing the business benefits, some of the functionalities of the module could be picked up as examples. This paper does not intend to be only a functionality listing, as there are other documentations that will explain these in more detail. At the end, we will also briefly discuss the implementation approach and its challenges.



Overview

Supplier Collaboration is a movement kick-started after “Customer Satisfaction” saw all the focus for the past decade. Now, supplier collaboration provides better management of the processes with/ to the supplier. Oracle e-business suite addresses the gambit of supplier collaboration, in order to enable a true hand-shake with your suppliers through iSupplier. This paper highlights the approach that needs to be taken, the different parameters that need to be considered, the challenges in the process, and the way to achieve the desired business benefits through supplier enablement.

Need for Supplier Collaboration/ what's critical

In today's fast evolving world of opportunities, collaboration with the supplier is becoming more and more important to ensure a smooth supply chain process. Although there are several reasons for the buyer/ supplier to collaborate online, below are a few critical ones:

Reduce Transactional and administrative cost

Pressure to reduce cost and volatile market conditions often requires ongoing changes and negotiations related to pricing, shipment schedules or item obsolescence. The speed at which different partners in the supply chain react to an event is directly related to the speed at which information gets communicated and absorbed between the partners. Traditionally, buyers/ suppliers used telephone calls, fax, prints, or simple e-mails for such collaboration. However, connecting with a wide range of suppliers, with different technical capabilities, is often inconvenient. Using automated communication channels, like EDI or XML, have their inherent issues and prove cost-effective only when the suppliers agree to exchange large volume of data on a regular basis.

Supplier Self Service and empowerment

The need to improve order fulfillment rates has made buyers think about empowering suppliers with better real-time visibility to procure to pay processes and data elements. This allows them to plan their capacity and production accordingly.

Streamline business processes

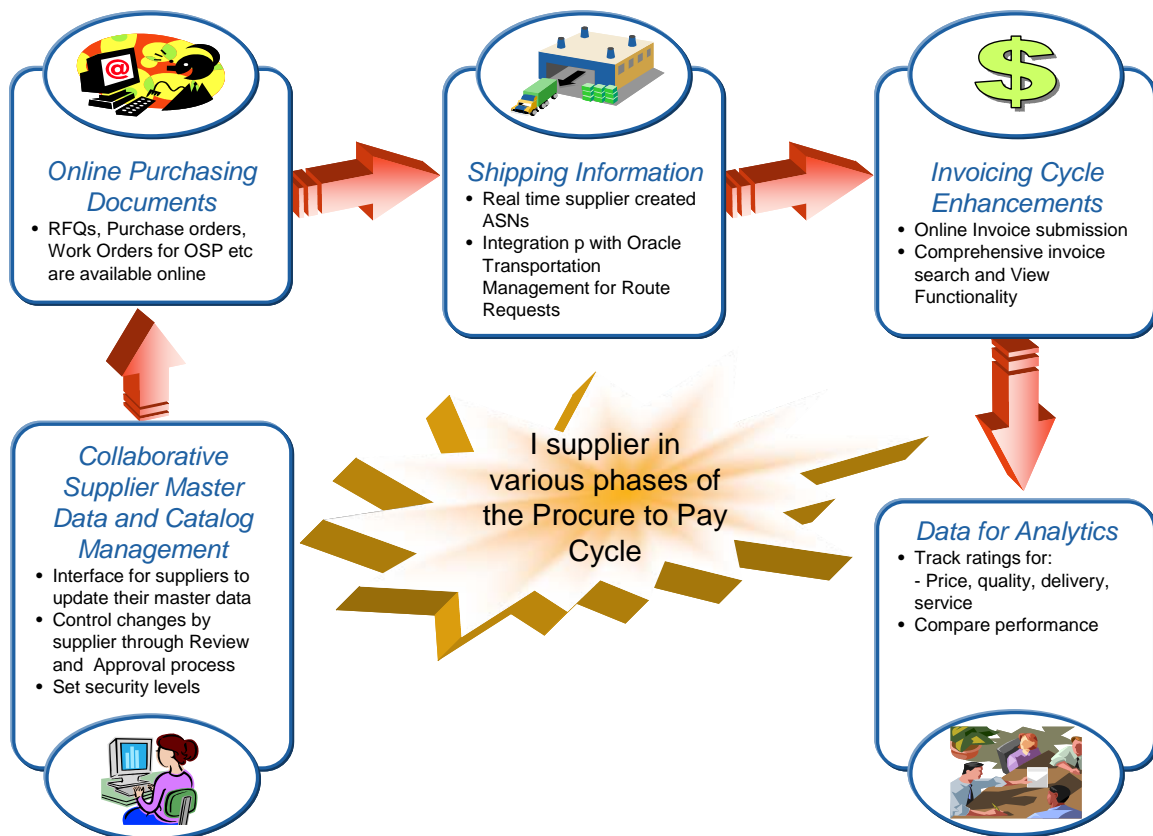
Supplier online collaboration brings efficiencies in the business processes by making use of two important principles:

- Let the party closest to the information initiate a transaction (self service), which will result in the elimination of redundancies and errors in the supply chain transactions. Thereby, each party spends less time and effort on non-value added activities and benefit from the collaboration.
- Have a single source of truth, i.e. to enable the buyer/ supplier to look at the same data, instead of them maintaining their own sources of truth.

IT product vendors have aptly identified this opportunity, and leveraged internet as a platform to provide the buyer/ supplier with a web-based collaborative tool. This provides immediate real-time access to supply-side transactions and other relevant information. Online collaboration thus brings about a win-win situation for both these organizations.

iSupplier enables the process of collaboration – a brief/ Right Solution Components

Oracle iSupplier is a product that enables organizations to collaborate online with their suppliers. iSupplier is a holistic module. Once you setup your infrastructure for enabling suppliers to log into your system to access data specific to them, you can enable different functions for online collaboration, based on your speed and readiness. We will now talk about some of the solutions components that enable this effective hand-shake, providing the requisite benefits for both the supplier and the buyer organizations.



1. **Prospective Vendor Registration:** Exposing yourself for supplier self registration, i.e. allowing new organizations to partner with you in the supply chain.
2. **PO Communications with supplier** – The supplier can view and acknowledge purchase orders on the portal. They can also request for changes in the purchase orders. The change requests can be accepted or rejected by the buyers. The Purchase Order

Revision history interface provides a summarized list of changes that the purchase order has gone through. This allows the supplier to view the PO in a printable format, thus reducing the cycle of communicating the PO via any other channel like print, fax, or e-mail.

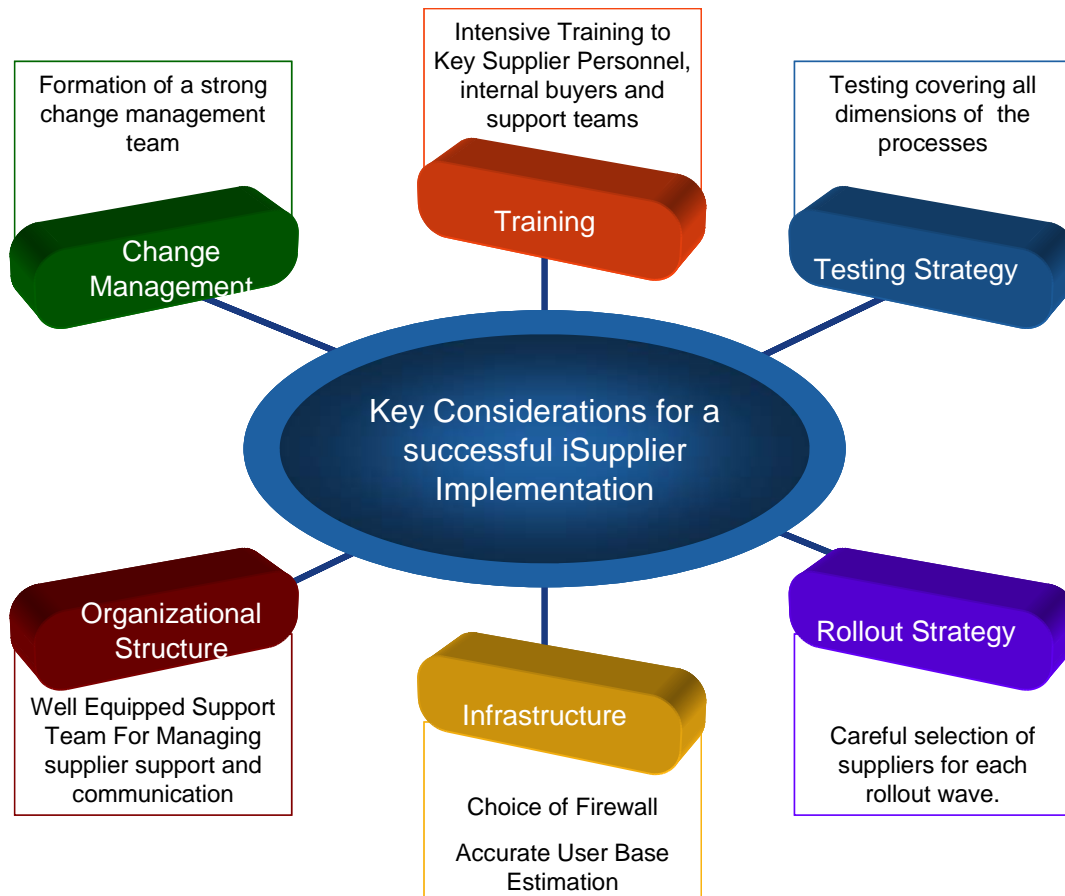
3. **Collaborative catalog management** – This is the key is to utilize the catalogs that a supplier would have already hosted on his website with company specific rates. Even if suppliers do not have the infrastructure to host their own catalogs, this process enables an internal catalog to be defined within the buyer's system that can then be maintained by the supplier. Internally, buyers can periodically update the catalog, based on updates received from the suppliers. This process allows graphics of the items to be loaded, so that the requisitioners get a visual feel to help them select the items to be purchased.
4. **Invoicing cycle enhancement through online collaboration:** iSupplier provides the user with capabilities to submit invoices over the iSupplier portal. Comprehensive invoice search and view functionalities allow the suppliers to view the status of invoices submitted by them at any point of time. Since the invoice creation is basically a 'flip' of the PO, the rate information is directly fetched from the PO. This reduces errors in the invoicing cycle.
5. **Viewing of Payments:** The ability to view all scheduled payments and payments done on a PO is a useful feature. This frees up significant time and effort spent by the buyers in answering ad-hoc payment related queries from the supplier.
6. **Online Sourcing** – Enables the suppliers to conduct online negotiation with the buying company. Also, auctions can be hosted on sourcing and suppliers can submit online quotes. This process helps in documenting the entire process, which in traditional processes/ systems would have been done through paper or e-mail. Hence, even though the data is archived, it will not be readily available for future use.
7. **Data for Analytics** – Spend analysis forms the backbone of strategic sourcing. Allowing most of the data and transactions to flow through the system, helps provide data for analytics.
8. **Inbound logistics management** By integrating Oracle Transportation Management with iSupplier, routing requests can be submitted by suppliers.
9. **Better management of shipment information – as real-time as necessary:** The suppliers can create Advanced Shipment Notifications (ASN). iSupplier provides the supplier with the capability to view other shipment related information, such as Receipts, Returns to Supplier, On Time Delivery performance, etc. This real-time availability of shipment information provides a view of in-transit shipments to the buyer, which can be invaluable in today's world of constantly fluctuating production schedules.
10. **Work Order Communications with suppliers** – Suppliers carrying out Outside Processing (OSP) activities can view and update the status of work orders on the portal. The buyer can view the status of work in process. This provides the buyer with a seamless view of the supply chain, aiding better decision making.

11. **Access to Inventory and Planning information:** The isupplier provides the capability to share inventory and planning information with the supplier. They can view the on hand availability, min and max values of the VMI items that they supply, maintain order modifiers, and maintain their capacity availability,
12. **Collaborative supplier master data:** Isupplier provides the suppliers with the capability to register, maintain and update their profile through a self service interface. This includes details like address, contacts, Bank Accounts, Diversity information, etc. This helps manage the data closer to the source (the supplier). Any data change made in this section needs to be controlled, and has to pass through review and approvals in the buying organization.

Implementation considerations/ the right approach

Installing a product alone will not help an organization in achieving the benefits from the functionalities in that product. The right implementation approach and considerations in the implementation are also key ingredients in the process.

Here, we look at the challenges and considerations that one should keep in mind during the implementation of iSupplier to enable the most effective online collaboration with the suppliers.



1. *Selecting the right infrastructure for enabling suppliers into your network from the internet:*

Right infrastructure for a successful Supplier Collaboration is generally secure and scalable.

- Though supplier online collaboration has many benefits, exposing the organization information over the internet to the suppliers increases the risk of intrusion and adds to the risk that your system can be attacked. The typical response to mitigate this risk is to use multiple firewalls to form a DMZ zone. There are a variety of system configurations supported by Oracle for external access that are documented in Note: 287176.1, available on metalink.
- It is important to have a fair idea of the expected number of supplier and internal users, before iSupplier is exposed to the world. It is advisable to expose the system in a phased manner so that infrastructure can be suitably tuned and expanded, without compromising the availability of the system.

2. *Enabling the right organizational structure for successful support and communications:*

Having the right organizational structure or a support mechanism is important for timely acceptance of the new system. This becomes more important in the collaborative world as a new system is exposed not only to the internal world, but also to the suppliers. A team needs to be identified internally, and they should be equipped to help out the suppliers with right answers. The failure to do this may discourage the suppliers to use the system effectively.

3. *Open communication and coordination with the internal change management team:*

The internal change management team has a tougher task at hand in a collaborative suite like iSupplier. The change has to be managed not only internally, but also externally. Merely hosting a training catalog at the company portal may not be sufficient. The internal team should be trained not only as internal users, but also when placed in the supplier's shoe. The team should know what is available for the supplier to view and transact and the degree to which the supplier is empowered, so that queries from the suppliers can be minimized. This can be achieved only when the change management team is involved during the implementation life-cycle, mainly during the System Integration testing and User Acceptance testing phases.

4. *Proper involvement and training for the supplier during the course of implementation:*

Again, hosting a training manual at the company portal may not be sufficient to encourage the suppliers to use the new system. The benefits of the module can be reaped only when key suppliers (suppliers with whom the number of transactions are high) are confident to use iSupplier. Investing in a few hours of training sessions for the suppliers should not be treated as an expense. It is an investment with a quick Return on Investment (ROI).

5. **Right testing and roll-out strategy to fit your business:**

The transactions performed by the supplier over the internet have limited visibility and a low monitoring mechanism. Therefore, testing becomes a very important part of iSupplier implementation. Service providers need to ensure that the system works in the intended fashion for the supplier and for the internal organization. Once the system is exposed to suppliers, there are limited options and external constraints that make the debugging process difficult and time consuming.

Similarly, any organization implementing iSupplier needs to have a clear strategy for enabling suppliers for iSupplier. A big-bang approach is generally not preferable because of the following reasons:

- Risk of degradation in system performance due to the failure of infrastructure to meet the load.
- Potential hike in supplier calls and clarifications post go-live, delaying the stabilization and usage of the new system.

6. **Selection of the initial set of suppliers for roll-out:**

As discussed above, it is better to enable iSupplier in a phased manner. So what should be the criteria to select the list of suppliers that should be given the chance first? There can be multiple parameters like – number of transactions (PO, Invoice, etc.), urgency of procurement (suppliers providing critical items), Spend Amount with the supplier, etc.

7. Terms and conditions for the usage of iSupplier need to be communicated to suppliers. This ensures that the information is viewed and actions adhered to within the legal framework of the supplier and buyer relationship

Making it Pay - Business benefits

Online collaboration is not a recent mantra for nothing. Business organizations and suppliers see a lot of benefit in going for an online collaboration tool. It's a mix of process streamlining and technical benefits that are derived through this process.

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| <p>Process Streamlining</p> <ul style="list-style-type: none">• Online collaboration for more streamlined communication• Save buying organization time and effort as the onus of maintaining supplier data rests with the Supplier | <p>Better Data Management</p> <ul style="list-style-type: none">• Suppliers enter and maintains master data this. This reduced data entry errors• Invoice data is better because information is defaulted from source PO• Better quality of data leads to more effective Data Analysis | <p>Reduced Cycle Time</p> <ul style="list-style-type: none">• Increasing transparency of receipt and invoicing information helps reduction of cycle time• Faster Issue Resolution• Aids buying organization to earn more early pay discounts | <p>Better Contract Management</p> <ul style="list-style-type: none">• Single view for all contract related information including drawings, attachments etc.• Instantaneous communication of PO/Schedule changes. |
|--|---|---|--|

1. Reduced payment cycle time due to better transparency of receipt and invoicing information to the buyer and the supplier, resulting in faster issue resolutions, if any.
2. Better management of master data as the master data like address details, contact information, bank account information, supplier diversity classification, etc. can be managed by the supplier. This reduces data entry errors.
3. By passing on the onus of master data management to the suppliers, buying organization's purchasing, strategic sourcing and payables departments can focus on more value-add activities.
4. Streamlining of sourcing processes through online collaborations.
5. Better contract control.
6. Suppliers who do not have the necessary infrastructure can still automate processes on the organization side, enabling faster payments
7. Better invoicing data, owing to the information being defaulted from the source PO. This reduces the errors related to wrong quantity being invoiced, wrong reference PO number or line number, etc.
8. Better data for analytics, such as Spend analysis and supplier performance.
9. Enables organizations to focus on increasing its performance in terms of earning more early-pay discounts, due to reduced errors in invoicing and reduced cycle time for the same.

Some experiences of iSupplier implementation

Common challenges faced in implementation of online collaboration tools (with focus on oracle iSupplier):

1. Granting secure access to supplier users:

Companies generally have their own web-based single sign on solutions, like Novel, iChain, etc. The challenge with such implementations is to continue using these applications as a bolt-on to the iSupplier authentication system.

2. Granting the right kind of access to right kind of supplier user:

Supplier user's access to transactions can be controlled at the Operating Unit Level, Supplier Level, Supplier Site Level, or Supplier Contact Level. The right kind of access to the right kind of supplier user is very important to ensure that only authorized people have access to the required data. There is a trade-off between the level of security restriction and maintenance of supplier user.

3. Organizational re-structuring:

Re-aligning the organization structure with the need of supplier relationship management is critical to get maximum benefits from the iSupplier implementation. Depending on the volume of the suppliers, it might be better to have a dedicated shared supplier management group. This is a better option than sharing supplier management across different departments like strategic sourcing, purchasing, supplier diversity, accounts payables, e-commerce initiatives, Supplier Performance measurement, etc.

4. Getting suppliers to work in tune with the identified process:

iSupplier implementation involves bringing the supplier onboard the new system and encouraging them to use the collaborative system as per the processes identified and defined by the buying organization. Why would a supplier ever do that? Hence, it is important to communicate with suppliers and train them so that they can identify the benefits of the collaboration without any resistance.

5. Audit procedures around managing of user data:

Supplier access to iSupplier can be a joint collaboration. The supplier contacts can initiate user creation, which can then be authenticated by the buyers. This can be of great help to companies that deal with a lot of suppliers (typically managed centrally, in this case, this responsibility needs to go to the supply services group).

6. Bringing together all other mechanisms for more automation in processes (ability to view printable PO formats online, etc) and the technology behind the same:

Suppliers get a single window view to look through all the purchasing and associated documents (attachments on drawings, etc.), compared to the usage of other technologies like Fax, XML or EDI where attachments would need to be communicated separately as compared to the PO document itself.

Fast Forward – into the future a SUMMARY

Supplier collaboration through iSupplier module of the Oracle e-business suite is a win-win situation for the company as well as the supplier. As discussed above, the supplier is able to track the status of various documents in the system, without having to call anyone within the organization. Also the lead time for the approval of Invoices is reduced, increasing the chances of paying the supplier on schedule or taking advantage of the early pay discounts.

Hence, online supplier collaboration is a process that needs to be adopted by every organization that is dealing with a substantial amount of medium to small suppliers, who lack the infrastructure for internal automation of processes.

If the challenges are kept in mind and tackled at an early stage of the project, there is no reason why every organization which goes down the path of supplier collaboration should not derive maximum benefits.

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