



# **IN** **SIGHTS**

**September 2020:  
Successful procurement organizations - that  
is the decisive core competence**



*Our publications regularly deal with how successful procurement organizations tackle and master challenges and what resources are needed to do so. In this context, we repeatedly point out the considerable importance and the essential contribution that efficient supplier management makes in this context.*

## **Supplier management as a central success factor**

Mastering the dynamics of the legal framework (most recently e.g. DSGVO, currently the German Supply Chain Act) is currently only one of the major challenges facing modern procurement organizations. The identification and management of the relevant economic, ecological and social business risks is another permanent challenge.

Last but not least, the permanent pressure to succeed on procurement is also evident in the day-to-day race for the value contribution of procurement to corporate success.

## **High proportion of purchased value added - competition no longer among suppliers, but among their supply chains**

The share of purchased value added and system suppliers is greater today than ever before. The real competition is therefore no longer between the individual supply partners, but between the supply chains of the respective companies.

For example, MCC Smart contributes less than 10% of the value added in the „Smart“. As a further example, Audi AG has established over 90% just-in-time deliveries in individual plants. The picture becomes even more vivid when one looks at the development of production structures in the history of VW Golf production. While the Golf's Series III still required around 64 bought-in parts for its front end, the Golf IV only requires 35 parts.

The selection and correct handling of suppliers are therefore crucial to the success or failure of a producer. And the central core competence that must be mastered in order to succeed in all the above-mentioned disciplines is supplier management.

## **Optimizations in supplier management - increasing efficiency to specifically enhance quality**

The decisive question in this task as well is first and foremost: Am I doing things right so that I can do the right things? In other words: Do I have sufficient capacity to systematically carry out the activities that are valuable and critical to success?

The answer to this question seems trivial, but it is regularly complex and the content of cross-functional projects. After all, evaluating the quality and efficiency of the individual sub-processes in supplier management is a question of perspective and experience.

## **Evaluation of process optimizations according to profitability**



In our everyday consulting work, we often experience cases where procurement organizations have pushed ahead with digitization and automation, but the use of the sometimes very expensive solutions leaves a lot to be desired and does not produce the desired effects.

The following questions, among others, must be answered in detail and concretely at the very beginning: How can the sub-process (e.g. onboarding of new suppliers, contract database, etc.) be made more efficient and automated, even with a small budget? What solutions and market partners are available? How profitable is such an optimization in my procurement organization actually below the line?

The targeted automation/digitization of the less value-adding and administration-oriented activities is the basic requirement here as well. From the identification of these sub-processes to market knowledge with regard to digital solution partners, this step already requires a well-filled toolbox for implementation.

## **Focusing on the value-adding sub-processes through freed-up resources**

If the relevant non-value-adding processes are adequately supported, the focus can be directed to increasing the quality of success-critical activities.

The topics and tasks can be manifold. For example in the improvement of the supplier selection process. Decisive are the questions about the overall goal, the essential characteristics and according to the sourcing strategy in the product group.

Another highly topical task that is closely linked to supplier qualification is the installation of an appropriate risk management system to identify, evaluate and manage economic, ecological and social business risks - at company, country and commodity group level.

Of course, the question of efficiency also plays an important role here, and there are numerous tools and service providers that can offer considerable added value.

But the basis of risk management is and remains the internal formulation and definition of the decisive evaluation questions and criteria as well as the sources for their answer or classification. Only on the basis of the results of this internal process and the involvement of various departments from procurement to sales can the added value of tools and services that may increase efficiency be assessed in a reliable manner.

Once again it becomes clear that skill set, tool box, market knowledge and experience in managing cross-functional teams play a critical role in the implementation of such a project.

## **Are you on the way to sustainable supplier management?**

Whether you need support in setting up and expanding your management approach or in selecting and implementing digital solutions in this area as well, we at ADCONIA will be happy to assist you with our expertise in the areas of supplier management, digitization and data transparency.

Please contact us!

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