

Source-to-Contract assessment tool



A practical first step to assessing your Source-to-Contract process

Whether your organization is experiencing growth or any type of business change, you might be thinking it might be time to improve your sourcing, supplier management and contract management processes.

The first step in making a shift to your Source-to-Contract processes is to assess where you are.

Do you sense that those processes may be wasting precious resources (time, money, talent) because they are not as effective or efficient as they should be?

If you have, in fact, come to the conclusion it's time to transform what many call the Source-to-Contract (S2C) process, you may be wondering how you can go about doing that.

As you know, before you can improve any business process you need to have a clear picture of:

- 1. The goals of the process.**
- 2. How it works today.**
- 3. How it is currently performing against the goals.**
- 4. What sub-optimal performance is costing you.**
- 5. How more integrated technology improves your process and impacts your bottom-line.**

This guide will help you take a basic, look at things in a way that will tell you why they need to be improved, in what ways they need to be improved, and what types of bottom-line impacts you can expect if you make improvements.

Using this guide, you can probably do your assessment in one hour if you are already familiar with how your current process works.

If you are not familiar with how things work today, you can use the tables in Step 2 to ask questions. That may take an afternoon, or maybe a day, or maybe a few hours spread over a week. In any case, it will be well worth it.

So...lets get this done!

Step 1: Setting your goals

This section is for listing out your goals. Use the notes area to jot down any additional points you want to remember about each goal – like why it's so important in your particular situation.

Checkpoint:

Note the importance of that last goal – much time, money and talent is wasted in many organization's Source-to-Contract processes.



Process goals	Notes
Ensure that your organization has ready access to a base of qualified, best-value suppliers that can meet current and anticipated needs, and be able to quickly identify qualified suppliers when new needs arise.	
Help your organization get the most value for goods and services it routinely buys by establishing best-value supplier agreements across as many appropriate categories as possible; routinely retest the market.	
Help your organization get the most value for large and small one-off purchases and projects by equipping cross-functional teams to quickly and effectively execute appropriate types of sourcing events for all types of goods and services.	
Minimize the risk of disruptions, expense or reputational damage due to supplier non-performance or non-compliance.	
Maintain continuous, organization-wide visibility of supplier contracts to monitor coverage and compliance, and to ensure no unwanted auto-extensions or terminations occur.	
Ensure that best value suppliers and contracts are always clearly visible to the organization at non-compliance.	
Maintain the highest ethical standards by consistently performing all supplier interactions fairly and transparently.	
Make the most of your organization's available procurement talent by consistently performing all of the above in a highly efficient manner.	
Build and maintain a reputation with suppliers for being highly value-conscious, but still "easy to do business with".	

Step 2: How it works today

This is a very important step, but it will be easy and kind of fun. Use the 'maturity level' tables in this section – one each for sourcing, supplier management and contract management – and in each table, take a highlighter and simply highlight all of the statements that come closest to describing the way things currently work.

Checkpoint:

Step back and look at your marked-up tables:

- 🕒 Everything that **IS HIGHLIGHTED** in columns 1 and 2 represents a problem that should be addressed – things that are currently having a negative impact in terms of performance against your goals.
- 🕒 Everything that is **NOT HIGHLIGHTED** in columns 2 and 3 represents an opportunity to do things better – things that will have a positive impact on performance against your goals.



Sourcing - current process maturity

Characteristics	Level 1 - Ad-hoc	Level 2 - Basic	Level 3 - Structured	Level 4 - Integrated
Process ownership	Departments or individuals.	Procurement-assisted ('pulled in').	Procurement-led (actively involved).	Center-led (enterprise and procurement executives).
Primary objective	"Just buy it".	Reduce cost.	Maximize value.	
What sourced	Select capital items; large projects and maybe a few major categories.	Most capital items and projects; some major categories.	Most capital items and projects; most major categories, including more complex services, etc.	Nearly all capital items, projects, categories and spot purchases.
Sourcing events	Run by departments with nominal procurement involvement. Inconsistent process. Process and status not visible outside department.	Run mainly by departments with procurement doing just Ts and Cs after selection. Process somewhat standardized via guidelines. Process and status not very visible.	Run collaboratively by procurement and department. Process standardized via work ow; repeatable. Process and status visible via electronic tracking.	Run collaboratively by procurement, dept. and cross-functional category teams. Process standardized via work ow templates per event type; ability to do multi-stage. Process is fully transparent.
Requirements creation	Manual; paper documents; no set format. Requirements generally collected only from within department; possibly with some help from procurement if mandated.	Some RFx document templates established for select types of major purchases. Procurement manually receives requirements from department and experts.	Increased range of RFx and simple quote document templates for most types of purchases and categories. Collaborative requirements creation via work ow across procurement, dept. and experts.	Full range of RFx, simple quote and eAuction templates to support nearly all types of purchases and categories. Collaborative requirements creation via work ow across procurement, dept., category teams, legal, etc.
RFx publishing	Paper or PDF document. Manually mailed or emailed to select potential suppliers.		Electronic documents and response forms. Posted to online private or public portal(s) for visibility by many potential suppliers.	
Budget management	Received by mail or email. Manually evaluated - typically in a meeting; takes considerable time. Often very subjective with little explanation.		Uploaded on portal by supplier. Evaluated quickly by all stakeholders via workflow.	
Contract award	Contract documents manually developed after award. Manual, often inconsistent, communication to participants		Contract documents and master files automatically derived from RFx documents with scanned	

Vendor/Supplier management - current process maturity

Characteristics	Level 1 - Ad-hoc	Level 2 - Basic	Level 3 - Structured	Level 4 - Integrated
Process ownership	None – departments, procurement and AP all use different information and perform own communication.	Separately by procurement and financial managers.	Jointly by procurement and financial executives with clearly defined ownership of various information elements.	
Supplier communication	Exclusively mail, email, phone.		Largely via supplier portal.	
Supplier records	Thousands added over time; many for one-time purchases; many for same categories.		Rationalized.	Rationalized and managed for proper category coverage.
Supplier information	Various aspects of supplier info held in purchasing and AP systems; department files. Information is duplicated and sometimes conflicting.		Central supplier directory with basic information; duplicates eliminated.	Central supplier directory with full information and categorization. Most profile info maintained directly by suppliers.
Supplier recruiting	Ad-hoc, manual outreach only. No registration process until PO sent or invoice received.	Some manual outreach programs via mail/email. Little or no pre-PO registration process.	Outreach with automated mail/email that directs new suppliers to online portal. Supplier self-registration on portal based on a) outreach program, or b) supplier's own business development.	
Supplier qualification	Inconsistent process, information and criteria. Manual questionnaire creation, if at all. Often subjective evaluation.	Somewhat consistent process, information and criteria. Questionnaire document templates; manually sent. Some objective scoring; manual.	Standardized process, information and criteria per supplier type Electronic questionnaire creation and management Questionnaires posted and responses submitted online. Automated objective scoring and ranking with documented subjective evaluations.	
Supplier adoption	Supplier information manually added to various systems by procurement and finance (usually to fire-fight a pending invoice). Supplier inquiries by phone and email (especially AP).		Suppliers load profile information and catalogs via portal; automated update to other systems as needed. Supplier self-service account evaluations.	
Supplier appraisal	Inconsistent, manual appraisal and review process.	Automatic reminders for periodic appraisals (e.g. stakeholder satisfaction and performance) and reviews (e.g. re-verify insurance or certification).	Automatic reminders for periodic appraisals (e.g. stakeholder satisfaction and performance) and reviews (e.g. re-verify insurance or certification).	

Contract management - current process maturity

Characteristics	Level 1 - Ad-hoc	Level 2 - Basic	Level 3 - Structured	Level 4 - Integrated
Process ownership	Departments or individuals.	Divisional managers.		Enterprise executive.
Contract format	Paper in filing cabinets.	Scanned documents in repository.	Basic contract master file with attached docs.	Comprehensive contract master with templates per type and attached docs.
Location of contracts	Multiple departments and locations.	Contracts centralized by division.		All contracts centralized for enterprise.
Contract monitoring	Informal, unstructured, ad-hoc.	Manual; limited to critical contracts and basic elements only.	Automated event notification for all contracts, but limited to basic elements (e.g. expiration).	Automated event notification for all contracts and all key elements (e.g. compliance, satisfaction, expiration, etc.)
Integration with P2P process – pricing and terms	None – not visible to purchasers within P2P system.	Requires purchaser to search for contracts and manually apply pricing, etc.	Contract referenced from items; purchaser must manually apply pricing, etc.	Automated integration with catalogs and punch-outs; proper pricing automatically applied based on item, quantity, etc.
Integration with P2P process – scheduled payments	None – payments must be manually scheduled and input to P2P.		Possibly automatic notification of payments based on schedule; manual input to P2P.	Automatic generation of scheduled payments directly into P2P based on schedule.
Integration with P2P process – activity capture	None; no activity capture.		Limited: e.g. only total quantity or value ordered inquiries via portal (much fewer calls to AP).	Extensive: quantity and value ordered; quality, delivery and invoice accuracy; etc.
Searchable information (e.g. for spend analysis, consolidation, etc)	None (documents only).	Limited and manually maintained data (e.g. spreadsheet of critical contracts).	Standardized across all contracts, but limited data and inconsistent maintenance.	Consistent and comprehensive data for all contracts with appropriate data per contract type.

Step 3: Understanding how you are performing



Now that you have a better picture of what you are doing – and not doing – today, you can roughly rate your performance in key areas. Use the 'current performance' tables in this section – one each for sourcing, supplier management

and contract management – and just use your highlighter again to mark what you feel is the word that best represents your organization's current level of performance in each area on each of the tables.

Checkpoint:

Step back again and look at the marked tables. Basically speaking, if there is more highlighted on the left than on the right, you have a good opportunity to make a positive bottom-line impact by improving your Source-to-Contract process.



Sourcing - current process performance

Performance area	Level 1 - Ad-hoc	Level 2 - Basic	Level 3 - Structured	Level 4 - Integrated
% Spend a formally sourced	Very low.	Low (high ticket only).	Moderate (major categories).	High (include 'tail-spend').
Savings realized per event	Hard to say.	Relatively low.	Moderate.	High.
Risk of poor selection	Very high.	High.	Moderate.	Low.
Risk of poor fit to actual needs	Very high.	High.	Moderate.	Low.
Cycle time	Very long.	Long.	Moderate.	Short.
Administrative time	Very high.	High.	Moderate.	Low.
Transparency of process	Very low.	Low.	High.	Very high.

Vendor/Supplier management - current process performance

Performance area	Level 1 - Ad-hoc	Level 2 - Basic	Level 3 - Structured	Level 4 - Integrated
Supplier Information completeness, accuracy and accessibility	Very low.	Low.	Moderate.	High.
Ability to quickly identify suppliers for a new need	Very low.	Low.	Moderate.	High.
Supplier on-boarding speed	Not applicable.	Moderate (but little info).	Moderate.	Fast.
Exposure to supplier risk due to non-performance or non-compliance	Very high.	High.	Moderate.	Low.
Administrative effort in procurement and AP	Very high.	High.	Moderate.	Low.
Supplier relationships	Poor.	Moderate.	Good.	Very good.

Contract management - current process performance

Performance area	Level 1 - Ad-hoc	Level 2 - Basic	Level 3 - Structured	Level 4 - Integrated
Lost (unrealized) savings opportunities due to off-contract buying	Very high.	High.	Moderate.	Minimal.
Unnecessary cost from unwanted contract renewals (could have been canceled or re-negotiated)	Very high.	High.	Moderate.	Minimal to none.
Exposure to risk from supplier non-compliance with contract terms (e.g. pricing or insurance)	Very high.	High.	Moderate.	Minimal.
Exposure to risk of loss of coverage or service due to unexpected contract expiration	Very high.	High.	Moderate.	Low.
Administrative costs	Very high (paper handling).	High.	Moderate.	Minimal.
Realized savings from contract consolidation and rationalization	Extremely low.		Moderate.	High.

Step 4: Understanding the cost



Now think about what your current process is costing your organization. The lists of questions in this section – one each for sourcing, supplier management and contract management – will help you understand your costs.

Take at least five minutes with each question to think about each one. You won't be able to come up with a number for each question in just five minutes, but you may be able to roughly estimate the magnitude of the cost. At a minimum, you will start to get a sense of what the potential bottom-line impact would be if you really do improve your Source-to-Contract process. If other areas of cost in terms of time, money or talent come to mind, write them in at the end of the table.

Checkpoint:

Briefly note your thoughts in the space to the right of each question so you can easily recall them later when you are talking with others.



Sourcing - unnecessary costs of current process

Cost area	Estimated magnitude			Notes (e.g. estimated % of spend or time)
	Low	Medium	High	
Less than optimal sourcing event results due to narrow supplier participation				
Less than optimal sourcing event results due to difficulty being able to use best method for each type of purchase (e.g. RFX, e-auction, simple multi-supplier quotes)				
Less than optimal satisfaction of the organization's actual needs due to poor requirements definition and RFX creation process				
Missed savings opportunities from too many non-competitive one-off purchase decisions				
Missed savings opportunities from lack of capacity to perform more strategic sourcing events				
Lost procurement and organizational productivity from inefficient processes				
Cost of required administrative support				
Cost of negative impact on reputation due to inconsistent or non-transparent sourcing processes seen as unfair				

Vendor/Supplier - unnecessary costs of current process Continued

Cost area	Estimated magnitude			Notes (e.g. estimated % of spend or time)
	Low	Medium	High	
Non value-added procurement and AP staff time spent trying to manually maintain accurate, up-to-date supplier information (potentially duplicated in multiple systems/areas)				
Lost procurement and AP capacity due to incomplete or conflicting supplier information (e.g. tracking down missing or correct information)				
Mistakes made due to inaccurate supplier information (e.g. selection of unqualified supplier for a purchase)				
Lost capacity to create savings due to procurement staff time spent on inefficient supplier outreach, qualification, on-boarding and appraisal processes				
Cost of disruptions, delays, assumed liability or damage to reputation due to supplier non-performance or non-compliance because of poor or inconsistent supplier qualification and review processes events				
Inability to get best value offers due to poor supplier relationships				

Contract management - unnecessary costs of current process

Cost area	Estimated magnitude			Notes (e.g. estimated % of spend or time)
	Low	Medium	High	
Lost (unrealized) savings due to off-contract buying when a contract was available but purchaser was unaware of it or did not use discounted pricing				
Cost of un-needed or non-renegotiated contracts that auto-renew				
Lost (unrealized) savings that could be had from contract consolidation				
Lost capacity to create savings due to procurement staff time spent manually looking for, handling and/or monitoring contracts				
Cost of disruptions, assumed liability or damage to reputation due to missed reviews of supplier compliance with contract requirements (e.g. insurance, hiring procedures, etc.)				

You're finished!



Now that you are more aware of the strengths and weaknesses of your current process, you are well prepared to talk with someone about how to improve things. Consider Proactis as your partner in automating your Source-to-Contract process.

That's what we do – we help organizations all over the world positively impact their bottom-line by making their Spend Management processes more effective and efficient.

With the materials you've just produced in hand, we can together have a very meaningful and productive conversation about how we can help.

We can help you and your team:

- ① Develop a more complete business case.
- ② Help describe to the rest of your organization how important and valuable a good Source-to-Contract process is to everyone's success.
- ③ Develop a flexible, phased deployment plan that will deliver results at each stage.
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