

7 Ways to Improve Your Sourcing and Procurement Process in 2022

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What are sourcing and procurement? How are they different?

If you think sourcing and procurement are synonymous with each other or a layman's terms for talking about getting supplies for an organization, we're sorry to burst your bubble. Sourcing and procurement are vastly different.

Before you procure, you source.

Sourcing is the stage where an organization's needs are identified, quality and quantity metrics are defined, supplier research is done, and the vetting process happens to choose the ideal suppliers that fit the bill. It is an essential step to lay out the company's objectives and the non-negotiables when it comes to the story a brand wants to convey through its product quality.

Procurement begins after a signed contract.

The steps that come after sourcing are referred to as **procurement**. That is, the process of purchasing goods or services from a supplier. These suppliers are the ones who were vetted in the sourcing process. Procurement helps in streamlining an organization's production process while saving costs,

saving time, and ensuring top-notch product quality. All this while building a strong supplier relationship.

Want an example of how procurement can impact your organization's bottom line and revenue? Imagine there's a late shipment or faulty inventory, now imagine how that can affect your workforce productivity.

While perfect sourcing and procurement processes are a myth. Improving their efficiency is a great place to start.

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Every organization wants to produce more at a low cost while maintaining excellent quality. Here are some tips to introduce efficient sourcing and procurement processes that help boost productivity and increase efficiency.

The Strategic Sourcing Process



Caption: The ideal Strategic Sourcing Process

1. A better procurement process starts with strategic sourcing

Rather than focusing on just the cost of a product or service, strategic sourcing is an outlook that focuses on the overall value delivered by a vendor. This this could include elements like having good communication and being highly collaborative.

Just as sourcing helps organizations assess their objectives, strategic sourcing ensures organizations stay true to their 'big picture' vision. Apart from enabling you to build a long-term relationship with vendors, strategic sourcing also helps you in cost savings, reducing risk, and enabling innovations. To help you with the how, here's a mnemonic reference on what the process of strategic sourcing looks like:

2. One place for all information - Centralization

Wouldn't you agree that time flies when you're trying to find a vendor's information but you don't know where it's stored? That's why during your sourcing process, the first priority is to organize information. Scattered data is a big red flag be it inventory details, vendor information, or accounts payable. Centralizing information in one place makes procurement more accessible and thereby efficient. In this way, centralizing information is key to making crucial procurement decisions efficiently and effectively.

3. Expand your network

Great things happen when you partner with the right professionals. Since the sourcing and procurement processes are quite complex with multiple layers, having a team outside your organization helps to have a different perspective on procurement decisions like which procurement process works best for your business. Would automation help? What sourcing should be prioritized? How can you make the process simpler?...you get the gist. Instead of you having to spend time on the nitty-gritty, consider outsourcing the decisions by partnering with a team that lightens the load and helps you upgrade your sourcing and procurement process.

4. Tech-proof the process

There's no secret that technology's impact on modern-day sourcing and procurement process is huge. Be it sourcing suppliers, digital contract management, or reviewing and approving orders - ensure to lace your operations with the right technology. Integrating intelligent software solutions helps companies to leverage valuable data, build transparency across processes, track spending, and drive operational performance.

For instance, team members across verticals can view purchase orders, technical specifications, and vendor lists, thereby increasing supply chain visibility. Technology isn't just limited to helping organizations get the right data. Technology also helps keep track of the capital spent and helps decrease Maverick spending which could lead to a damaged bottom line.

5. Data speaks, pay attention

Build data dashboards that help your team look at real-time supply chain data in a digestible format. With a clear data dashboard, you'd have more clarity on the pricing, budget, and products to source, as well as a better capacity to build a strong relationship with your vendors. Having access to real-time data also makes it convenient to optimize inventory and establish feedback loops on where to improve, where to spend more, and where to reduce costs. Data helps interpret the 'what's going on' easily and helps you to build a strategy that makes sourcing and procuring more effective.

6. Automate the game

Be it manual invoice management, placing repeat orders, or centralizing information – while important to the organization, these tasks are monotonous and cumbersome. Save a significant amount of time and money by automating these repetitive workflows. Automation software like Kissflow Procurement Cloud and TYASuite, are advanced enough to extract data, structure them, move them into files and folders, interpret text, engage in conversations, and more.

Integrating solutions like these should help reduce human error and bring more consistency throughout your sourcing and procurement cycle. Since you automate menial tasks, there's more time for your team to focus on nurturing vendor relationships and adding value to the overall growth of the organization.

7. Cost reduction isn't the only objective

When it comes to sourcing and procurement, having cost reduction as the only objective is a myopic attitude and can put your business in a dangerous position. Markets are continuously pivoting, you need to be strategic with sourcing and procurement. What if you choose a vendor for their lower costs but they are unable to adjust to the last-minute changes in demand for your product?

That's why strategic sourcing and procurement are more than cost reduction. It is about building a supply chain that is reliable and scalable. Improving sourcing and procurement can sometimes involve giving your teams enough time to focus on value-add activities and building resources to innovate.

With its vast vetted network and intelligent platform, Gembah can help you to upgrade your sourcing and procurement process by matching you with ideal manufacturers from anywhere around the world.

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