



Tame Maverick Spend by Embedding e-Procurement within Operations

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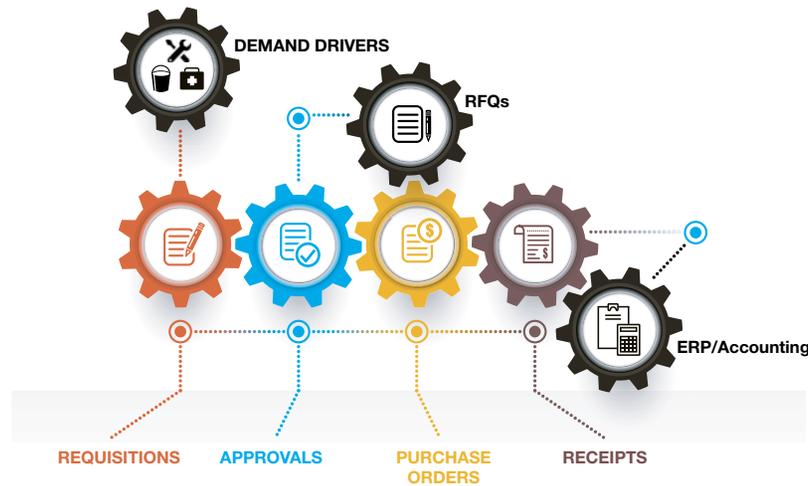
“To lead in the next normal, procurement departments need to transform how they operate and collaborate with internal and external stakeholders. Adopting an agile operating model could help procurement functions scale up or down quickly to respond to sudden supply challenges”

INTRODUCTION

Control and visibility over maintenance, repair and operations (MRO) and indirect spend are the next frontier of strategic procurement practices. MRO parts typically account for 3-10 % of overall procurement budget and are often overlooked as a savings opportunity. But MRO costs extend beyond purchase price when one considers the cost of idle assets waiting for out-of-stock parts and charges on rush deliveries.

Digitization of the Procure-to-Pay (P2P) process has introduced numerous e-procurement solutions that are designed to support procurement and finance practices but the key to success is having internal stakeholders follow those practices and use the e-procurement system. This can prove challenging when Operations, Maintenance and Inventory stores each have their own key performance indicators and operational systems, and adding another system for requisitions and purchase orders (POs) is perceived as an administrative burden.

The good news is that affordable and intuitive e-procurement can be embedded directly into operations workflows to encourage user adoption, optimizing efficiency and compliance along every step.



HANDLING THE NORM AND THE UNEXPECTED

Procurement is concerned with ensuring the organization has the right product at the right time at the right price. Accounting wants to ensure that disbursements are accurate and properly allocated. Operations needs to optimize assets and throughput by maximizing productivity and uptime.

Consider the opportunities for synergy where procurement is fully integrated with the drivers of purchasing. Indirect purchasing is driven almost entirely by maintenance, sanitation and safety activity. The work orders (WO) that drive this activity benefit from visibility into inventory to identify if necessary parts and critical spares are, or will be, available at time of work. Typical inventory management supports automatic replenishment but what if an unplanned repair requires a non-stock item? Nothing could be more unplanned than the pandemic which has disrupted min/max levels based on historical usage and driven unprecedented demand for PPE. To manage and control that unplanned spend, best practice is to purchase from a preferred vendor with pre-negotiated pricing. Therefore integrating an e-procurement solution with Computerized Maintenance Management System (CMMS) + Inventory seam-lessly enables all of these use cases with both automated replenishment and spot-buy compliance. Smart procurement ensures orders are made directly from approved supplier catalogs or sites while stopping rogue p-card or credit card purchases.

Making it easy for everyone to do their jobs, while getting the right product at the right price achieves all key stakeholder objectives, from the shop floor to finance:



Automated Requisition to Order

Remove bottlenecks with pre-defined approval workflows and one-click conversion from requisition to either Purchase Order or RFQ while providing full approval queue visibility to approvers and initiators.



Spend Visibility

Access Purchase Orders, RFQs and receiving confirmations from all operational locations, all in one system. Use historical buying data to identify spend consolidation opportunities and build leverage for supplier contract negotiations. To optimize visibility, look for a solution with flat monthly pricing and no user fees.



Point-of-Use Spend Management

Purchasing capabilities integrated directly at the MRO point-of-use simplifies user workflows while encouraging purchasing guideline compliance.



One Stop MRO Shop

Linking the “consume-buy-receive” cycle for MRO or any indirect spend in one application centralizes data and delivers one-stop ease-of-use to Operations. Look for opportunities to expand your shop with ERP integration to ensure all financial and asset maintenance is tracked seamlessly, from start to finish.



High Adoption = Compliance

An intuitive productivity tool helps to achieve Operational Excellence goals while integrating procurement rules for approval. Make it as easy as 1-2-3 by leveraging capabilities such as automated replenishment, spot-buy purchase orders from existing product databases, supplier e-catalogs or punchout to approved supplier e-commerce sites.

LINKING THE MAINTENANCE TO PROCUREMENT VALUE CHAIN

Optimizing MRO spend cannot be managed in traditional silos of Operations, Procurement and Accounting when activities are not interconnected. The term “supply chain” implies the need for linking.

Operations

Operations must be nimble to adapt to both planned and unplanned activities, be they maintenance or safety related. Easy shop floor access to inventory and timely spot-buy purchasing drives operational efficiency and purchasing compliance.

Procurement

Beyond controlling purchasing guideline compliance, Procurement activities need visibility into Operations to assess inventory quantities and utilization to optimally rationalize inventory across locations, track replenishment frequencies, and analyze spot-buy costs and orders. Insight into maintenance allows Procurement to know the lifetime cost of asset ownership giving them data to negotiate with Original Equipment Manufacturers (OEMs).

Accounting

Whereas receiving is the responsibility of Operations, Accounts Payable requires visibility to validate invoices, so having both teams use the same system just makes sense.



New processes and systems are challenging change management exercises. With COVID-19 already forcing business changes, layering new innovation needs to minimize disruption to be successfully accepted and adopted. Blending procurement with operations makes these new processes easier to absorb and integrate when there is a strong benefit for all participants.

CONCLUSION

A single system with a single data repository saves time and money throughout the maintenance to procurement value chain. Internal stakeholders are linked within the organization as well as to preferred and critical suppliers. Procurement systems that are embedded in Operations, rather than as sidecar, make for a win-win solution throughout the supply chain. Process efficiency becomes a focus and money spent on MRO is optimized, making Operations Management easier, not harder. Usability drives adoption which drives compliance.

Tofino was founded in 2008 on the belief that fully integrated intuitive e-commerce capabilities embedded with inventory and maintenance management creates value for each participant in the supply chain. Ensure your company has the right MRO at the right time at the right price. Tofino's fully integrated software suite is feature-rich while providing the option and flexibility to easily integrate with your existing ERP to ensure all data is available for financial reporting and analytics. Tofino's flexibility means you can also use your existing CMMS and integrate with Tofino's e-Procurement capabilities. We understand your choice should be complementary with existing solutions—evolutionary, not revolutionary—to speed adoption, buy-in, and ROI on the implementation.

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