



corcentric™

Building Infrastructure Strength for Future Growth

How to address project and change management now to create a resilient and robust organization for tomorrow

RECENT MONTHS HAVE CLEARLY DEMONSTRATED THAT BUSINESS IS ALWAYS VULNERABLE TO FORCES THAT ARE OFTEN OUTSIDE OF THEIR CONTROL. BUT IT DOESN'T MEAN THEY DON'T HAVE CONTROL TO PREPARE FOR SUCH EVENTS.

This white paper will address key projects and initiatives that procurement organizations can take on to improve internal operational and organizational processes and procedures. The first point to consider is how much value an internal project brings to a company. If all of an employee's time is considered overhead and they never work on any client or customer-facing initiatives, it becomes much more difficult to determine the return on that investment. Every organization understands the importance of having such people on staff. IT, HR, and Accounting are typical departments where the time dedicated to the job is nearly 100 percent internal focused.

On the other side of the spectrum are the employees who directly work with or for clients or customers. Whether in sales, manufacturing, or engineering, most of the time spent by those team members is focused on products and services directly tied to a client or a customer. If an employee's time can be attributed to a product, service, or a specific job, then it becomes easier to determine profitability and the success of those work streams.

So what happens when there is a temporary situation where those employees no longer have sustainable work coming in? What happens when there is a lack of product getting sold, no new clients coming in, the economy is in a tailspin, or there is a global pandemic nearly shutting down the entire global supply chain?

Companies should always have a strategy in place to navigate unexpected economic fluctuations due to industry uncertainty, national policies, or global calamities. When a crisis strikes, leadership can then pivot to those internal projects that are very important to a company's overall efficiencies and ultimate successes but often get left on the backburner due to the more immediate needs of clients and customers. The ability to reapportion project downtime by tackling those internal tasks or procedures that are often overlooked could be the key to a company's survival when the work begins to pick back up.

A strong change management process is key for any organization to navigate corporate evolutions that arise – both planned and unforeseen. Change management provides the processes, tools, and techniques that guide leadership and employees through

shifts in responsibility, while also fostering the productivity the organization requires to achieve business outcomes. When the organization needs to adjust how work will be done, change management focuses on how to help employees embrace, adopt, and utilize changes in their day-to-day work.

Following are **6 ways** a company can use downtime to impact the greater good of the organization and position themselves to be a better, stronger company when the work picks back up.

1. Cultivate Supplier Relationships

A critical component to any company's success is its ability to maintain strong working relationships with suppliers and vendors. This may sound like an obvious statement but, oftentimes, both sides of the partnership become complacent in their processes. While everything appears to be fine (if it's not broke, don't fix it), opportunities to improve the relationship can be overlooked.

Examples include streamlining processes or procedures and adjusting costing models that could ultimately save money. Those responsible for managing the relationships with suppliers should always be looking to challenge the status quo.



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ENGAGE IN PROCESS MAPPING WITH KEY SUPPLIERS

Engaging a key supplier in a process mapping effort can be a very powerful method for improving business performance and also increasing the valuable contribution of that key supplier. Process Mapping is the technique of using flowcharts to illustrate the flow of a process, proceeding from the most macro perspective to the level of detail required to identify opportunities for improvement. Process maps can be applied to anything from the journey of an invoice or the flow of materials, to the steps in making a sale or servicing a product.

SIPOC (A Six Sigma Tool)



Suppliers



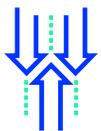
- List all the suppliers of the identified inputs
- Examples: Upstream Process, Vendors, Internal/External



Input



- List all the inputs of the process being evaluated
- Examples: Raw Data, Raw Materials, Requirements, Changes



Processes



- Start here with a high level process map



Output



- List all the outputs of the agreed upon process being evaluated
- Examples: Reports, Products, Service, Raw Data



Customers

- List the customers who receive the outputs of the process. If the customer is a downstream process, make the outputs of this process match the inputs of the downstream process
- Examples: Downstream Process, Vendors, End User, Internal/External

Mapping helps address questions related to individual and team performance, quality of work life, and work design.

As the trend toward outsourcing continues to grow, treating key suppliers as business partners becomes far more important to a successful enterprise value proposition. Top suppliers want to come to the table with a “help me help you” partnership philosophy.

Once a company has created a process map for all suppliers in a specific category, it becomes easier to see where supplier redundancy occurs and where there are opportunities for supplier consolidation. Companies should also use this exercise to identify the strengths and weaknesses of their suppliers and determine if the correct relationships are in place. Just because a supplier can do something, does not mean they should do it. Conversely, you might have suppliers capable of doing great things for the company that you may not have been aware of. Process mapping will help to identify those potential services or offerings. The goal is to make sure you have the right suppliers in place performing the services they excel at.

2. Assess Inventory Management

Manufacturing companies often look for the best time of year to perform in-depth inventory counting and reconciliation. For most, the holidays are the best time to do so. For others, whatever slow season makes the most sense will often get utilized. Performing a full inventory check is time-consuming, but necessary. Ensuring the accuracy of the inventory management system is critical when planning production for the future. When a count is off, the risk of not meeting a customer’s needs increases. It’s critical to identify the best time to review minimum stock levels, simplify the reordering process, and look at ways to automate processes. In the future, this downtime filler could be

a thing of the past. Businesses utilizing automatic identification and data capture (AIDC) asset tracking processes are able to reduce the frequency of manual inventory counts and save substantial labor hours. That will help free up time to tackle some of the other projects suggested here. Essentially, the next time inventory is conducted, use it as a benchmark and then utilize process improvements in order to track enhanced efficiencies.

ABC ANALYSIS

When it comes to stock or inventory management, ABC analysis typically segregates inventory into three categories, based on its revenue and control measures required:

- A is 20% of items with 80% of total revenue and requires tight control
- B is 30% items with 15% revenue
- C is 50% of the things with least 5% revenue and indicates more most liberal treatment

The numbers of any particular company may be different but have a similar distinguishable pattern. An ABC analysis aims to draw managers’ attention to the critical few (A-items) and not on the trivial many (C-items) and focus inventory control efforts on those particular items where management will have the most significant effect.

Once an ABC Analysis is complete, companies can use this data in supplier negotiations. When it’s all about getting the category A products sourced, it is understood that 70 percent to 80 percent of the money is about to be invested in those suppliers. Negotiation is a must. There are chances when a supplier might make a nod to your offer, but do not back off. You can still make offers like reducing the down payment, providing free shipping, etc. Your goal should be a win-win for both yourself and the supplier.

3. Supply Chain Reconfiguration

The supply chain consists of many elements and it is critical that they are working in concert with each other. Strong communication between departments becomes essential to the success of supply chain operation. For example, the procurement and logistics teams must work together to achieve their goals. Typically, procurement's mandate compels it to pursue the lowest possible price. The logistics function, concerned with the entire supply chain, is evaluating the best possible price, which includes factors beyond the actual price tag, such as end of day pick up time cut-offs, delivery times to top-tier customers, and damage rate. Departmental synergy between procurement and logistics is a must when a company seeks to evaluate their supply chain and reconfigure for optimal operation.

CENTRALIZED VERSUS DECENTRALIZED WAREHOUSING ANALYSIS

In the centralized distribution model, operations are typically limited to a "central" location. If there is more than one hub, the locations may be geographically spaced to handle East Coast and West Coast time zones or area-specific product lines.

When a business moves into a decentralized distribution model, the product moves further away from the key stakeholders at the "central" corporate office and closer to the end customer. While this can be accomplished through self-owned warehouse and logistics, a managed decentralized logistics network is far more agile than the alternative. Industries more primed to take advantage of decentralized supply chains are e-commerce, service and repair, pharmaceuticals, medical devices, and just-in-time inventory.

By applying a hybrid model that blends centralized and decentralized supply chain methodologies, a business can enjoy some of the advantages of each while mitigating the negatives. The idea of a hybrid supply chain, although may be an easier sell to a leadership team that favors a centralized or a decentralized logistics solution.

CENTRALIZATION POSITIVES

- Fewer locations make the standardization of systems and processes through the business easier. Company culture is easier to foster and maintain in a single location.
- Management has faster visibility to a product when there is a concern since everything is often located in the same building.

DECENTRALIZED POSITIVES

- Each node of the supply chain can be tuned to that specific area's demand to best serve the customer base. Product levels can be distributed to locations across the country based on the volume of orders in that area.
- Customers with critical need may have the option of will call or same-day delivery with moderate cost. For example, a customer may be able to order an item and pick it up in the same day.
- The ability to test systems, products, markets, and suppliers on a small scale before rolling out to the entire organization can lead to better data-driven decisions.

HYBRID POSITIVES

- Standardization of systems and processes is easier. Company culture can be fostered and maintained in a single location.
- Leadership has the ability to locate products quickly if there are concerns about inventory status or reliability.
- The additional locations can be stocked to that specific area's demand in order to better serve customers. Products can be distributed to locations across the US based on the volume of orders.
- Customers with critical needs may have the option of will call or same-day delivery with moderate cost.
- The decentralized locations will grant the ability to test systems, products, markets, and suppliers on a small scale before rolling out to the entire organization.
- Bargaining power with suppliers can be maintained by shipping in bulk to a single location.

ORGANIZATIONAL RECOMMENDATIONS FOR PROCUREMENT

1. Align with the strategic goals of the organization
2. Consider the sourcing profiles and nuances for all categories
3. Understand each business unit and stakeholder requirements
4. Provide visibility to the entire organization and share best practices across categories and business units
5. Leverage data analytics and tools to identify, roadmap, and execute on actionable sourcing strategies that would maximize value with minimum stress while adequately generating reports
6. Enable organizational culture, in which all sourcing activities are centrally led and reported into but execution and tactical deployments are category driven and left to the sites and business units.

Such steps enable volume consolidation with a healthy supply base balance that supports local or regional concerns. Corcentric defines this approach as center-led procurement. The objective should be to build a center of excellence that entails a much more comprehensive structure, one that leverages the blessings of data management, as much as it does cultural alignment or category management modeling. Center-led procurement maximizes savings without causing disruption. It enables superior supplier relationship management, aligns the businesses to the strategic goals of the organization, and provides key insights and visibility into the organization's purchasing behavior.

If a company is under the assumption that the only options for warehousing are either centralized or decentralized, they should look deeper into the center-led (see sidebar) or hybrid models. The best center-led procurement organizations concentrate on defining strategy and policy, as well as applying best practices to both direct and indirect procurement. They mostly employ a category management structure that supports the rollout of their directives to business unit and regional levels. Hybrid models adopt a pick-and-choose approach to procurement, with a central leadership structure supported by local managers with some degree of autonomy. The most effective center-led systems maximize communication along the organizational chart to ensure core standards are maintained and aggressively take advantage of technology to facilitate those goals. An organization must be prepared to take action if change is the best option. If it is determined the center-led model works best, it is incumbent on Procurement to gain the necessary buy-in and resources to make the change.

4. Introduce Automation

What are some of the key ways automation can help modernize a company's way of doing business?

- Increase productivity and client satisfaction
- Improve management accuracy and lower turnover time
- Drastically lower risks
- Facilitate marketing of high-performing business to larger clients
- Decrease environmental footprint and eco-compliance
- Reduce human error and increase efficiencies
- Gain competitive edge
- Generate agility to react better and faster to upcoming threats
- Enhance company culture by bringing people together

Automation within an organization has become the primary strategy to ensure the realization of departmental productivity and financial goals while maximizing customer service levels.

ACCOUNTS PAYABLE AUTOMATION

Automated AP processes mean you are extracting invoice data, classifying documents, matching invoices with purchase orders and receipts, assigning GL distribution codes, and posting and archiving invoices – all quickly, automatically, and with benefits like great labor cost savings.

When a company is able to convert their process to an automated AP system, they are not only able to save money on labor costs, they are also able to increase productivity, improve cycle times, have fewer payment errors and take advantage of more early pay discounts.

In addition to the benefits listed above, taking the time to commit to a fully automated AP process will also allow a company to keep the AP process in-house. There will be no need to outsource operations, thus supporting job retention. By utilizing AP automation, a company enables employees to be as efficient as possible and to strengthen their impact on the company.

AP AUTOMATION BENEFITS

Up to **3.4X**
More Touchless Processing

Up to **6X**
Lower Invoice Processing Cost

Up to **57%**
Lower Invoice Exception Rate

Up to **3X**
Faster Invoice Processing Time

5. Employee Training

When client or customer work slows, internal training can be a great way to keep employees engaged in their job and company. A key piece to internal training is gaining buy-in from employees. Some are willing to learn as much as possible, others will look at it as a chore or as something unnecessary for their job. Communication is crucial to convey the positive attributes of internal training and how an employee's participation in the training will benefit their career path within the organization.

KEY BENEFITS OF INTERNAL TRAINING

- Improved employee performance
- Improved employee satisfaction and morale
- Addressing weaknesses
- Increased productivity and adherence to quality standards
- Increased innovation in new strategies and products
- Reduced employee turnover
- Enhanced company reputation and profile

When it comes to training, companies can think outside the box by promoting expanded skill sets and convenient delivery systems. Data analytics, new technology, presentation skills, public speaking, negotiations, crisis management, other company operations, etc., are all concentrations that increase the value of the employee.

In terms of delivery of training, there are multiple innovative methods that can keep employees engaged:

- eLearning
- Virtual instructor-led classroom
- Webinar
- Job aids

- Infographics

PROJECT MANAGEMENT TRAINING

Project management training can help bring into focus the larger picture of why a company does what it does. It can help to define all the complexities that go into a project and allow employees to better understand the arc of decision making.

Project management training courses provide competitive advantage for the company and the employee, including the development and success of project goals; advanced industry education; effective implementation of essential phases throughout the project's entirety; and a realistic defining of project duration and budget. Successful development and delivery of training programs also facilitate a structured approach to project delivery and work packages, as well as effective management of changes in project objectives and scope.

Employees are able to apply newly gained knowledge to refresh company policies and procedures around clients, projects, goals, processes, etc. It's a win-win for the organization and its people.

Additionally, there are opportunities to then dive deeper into the broader scope of project management and how its many facets can be defined for the organization. For example, distinguishing the difference between project management and change management can help to foster integration between the two.

Although project management and change management disciplines are often viewed as separate and unequal components, assimilation between the two is imperative for project success

An important first step is to understand the roles of both the project manager and the change manager and where their responsibilities converge and, at times, collide.

- According to the Project Management Institute (PMI), a project manager is accountable for the success or failure of a project. They are responsible for the planning, execution, and close of the project. Further, the project manager must manage teams, ensure progress, and motivate project team members. It's up to the project manager to make sure that project goals are in alignment with key stakeholders.
- According to Prosci, a change manager facilitates the desired outcome of projects/change initiatives by working with employees. This person focuses on meeting objectives on time and on budget by increasing employee adoption and usage, which could include changes to business processes, systems and technology, job roles, and organizational structures.

Integrated approach ensures project benefits are fully realized by utilizing the strengths of both project management and change management disciplines, including:

- Enhanced employee and leader engagement
- Increased sustainability of the change enterprise-wide
- Realization of your people ROI for the project
- Avoidance of change saturation across an enterprise
- Measurement of an organization's change tolerance

An organization requires strong project management and change management to reinvent and grow. Both are crucial for the success of an organization. Without strong project management, organizations will not be able to release new products in the market nor bring about internal changes. Without strong change management, organizations cannot

survive in the ever-changing competitive business world.

6. Optimize, Organize, and Design

When companies expand over time, it's easy to just add on piecemeal to handle that growth. Those adjustments may work in the moment but as growth continues and operations begin to change or shift, how many times are those added processes and procedures revisited? An organization may not want to look at ways to become more efficient or effective because what they have in place still works. Those companies are in jeopardy of quickly falling behind the competition. However, if a growing company is willing to peel back the layers of the onion periodically and look at ways to optimize, organize, and design their entire operation as growth occurs, it becomes much easier to make adjustments along the way.

REORGANIZE THE WAREHOUSE

Deciding how to design a warehouse layout is a step of vital importance—it can make or break the productivity, safety, and overall success of a warehouse. The layout of your warehouse needs to maximize available space, allow for limited travel time, provide easy access to product, and create a safe work environment. While it can be challenging to design a layout that fits all needs, proper analysis of business objectives and practices, as well as a dedication to safety and a cultivation of productive procedures, can help you come up with a design that is optimal for success.

From receiving to storing to shipping, the layout and flow of your warehouse will determine in large part how well your business operates.

Following are 5 warehouse organization tips to get your warehouse in order and improve the speed and efficiency of your employees:

1. Re-evaluate your warehouse layout design

Keep the following design elements in mind when planning (or updating) your warehouse layout:

- **Flow** – meaning the uninterrupted movement of materials, people, and traffic within your building
- **Accessibility** – meaning every product and all products on pallets should be accessible by everyone, usually without the need to move one product to get to another
- **Space** – meaning the maximum warehouse space you can afford, taking into consideration storage, stock, offices, working areas, empty pallet storage, battery charging, etc.

2. Use warehouse racking organization

Warehouse racking organization is a method of storing your inventory vertically instead of horizontally, such as on pallet racks. This is a cost-effective way to maximize your warehouse space if you carry a lot of inventory or if you have a small warehouse and can't afford to buy more space.

3. Use ABC Analysis to set up warehouse inventory

ABC Analysis of inventory is a method of sorting your inventory into three categories according to how well they sell and how much they cost to hold:

- **A-Items** – best-selling items that don't take up all your warehouse space or cost
- **B-Items** – mid-range items that sell regularly but may cost more than A-items to hold
- **C-Items** – the rest of your inventory that makes up the bulk of your inventory costs while contributing the least to your bottom line

4. Label warehouse inventory

Your employees shouldn't have to rely on memory when searching for items in your warehouse. Every SKU in your inventory should be clearly labeled for easy identification. Keep your labeling consistent for every item (i.e., always label the bottom right corner of boxes) and include all the necessary information on every label, such as:

- Product name
- SKU
- Color
- Size
- Date

5. Make receiving inventory easy

Receiving inventory effectively is one of the key warehouse management tips because it sets the tone for the rest of your warehouse and inventory processes.

Here are a few ways you can improve inventory receiving:

- Optimize your receiving space by providing the proper tools and enough space to allow your employees to sort and store incoming inventory.
- Keep your receiving space clean and organized by removing clutter and putting every tool away after using it.
- Track inventory in real-time by implementing a perpetual inventory system, in order to reduce miscounts, missing inventory, and incorrect shipments.

- Monitor quality control by hiring a quality control manager to watch for mistakes, point out problematic procedures, and reduce the instances of inventory damage.
- Unload received inventory quickly and safely by using the appropriate machines (i.e., forklifts and conveyor belts) and following clear safety procedures.
- Avoid shipping the wrong items to your customers by verifying the goods received using metrics, such as the description of goods, product code, batch tracking number, etc.

A well-run and well-organized warehouse is a critical function within a company's sourcing and procurement management efforts. While there is a direct relationship between procurement and supply chain management, the two functions are not interchangeable.

Procurement is the process of getting the goods and materials your company needs, while supply chain management is the process of transforming those goods into products and distributing them to customers as efficiently as possible. Warehouse operations are often where these two practices cross paths, so this pivotal business operation requires the most efficient and well-run systems.

CONCLUSION

It's easy to become complacent in the way your company does business. If the company is turning a profit, employees are perceived to be happy, and suppliers and clients are limited in their complaints, then why spend the time to self-evaluate and make potentially disruptive changes? Times will change. Industry will change. The world will change. Preparing your company to have the structure in place to withstand economic downturns or extreme cases like global pandemics will allow for a quicker rebound when those crises are over. More importantly, a company's ability to find ways to improve and evolve, no matter what the global economy indicates, will be a critical measure for your company's future.



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Procurement and Finance Solutions

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