



CRM, S2C AND P2P:

The Biggest Gap Left by your CRM, S2C and P2P Platform

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Introduction

Large and complex deals worked on by matrix managed multi-party teams are often surrounded by a myriad of tools. However, it's common that a high percentage of platforms are aligned to departments and functions, and not necessarily teams. Typically, the end-to-end process needs to cross boundaries between departmental functions and depending on how well defined the operating model is, this interdepartmental boundary could be a crack or a chasm. How does a team of this nature operate in conjunction with a time-bound contract with a complex deal scope? Bridge the gap!

What are CRM, P2P and S2C?

Customer Relationship Management (CRM) has often been closely associated with sales and marketing teams from a variety of sectors and verticals used to manage, as it states 'customer relationships'. Directly adjacent to this on the other side of the metaphoric table are all those procurement platforms. Both manage Suppliers that are typically associated with what tech research companies refer to as technology quadrants (guess who that is!) or in the past waves (guess who that was!) as Procure to Pay (P2P), Source to Pay and Source to Contract (S2C) platforms have a different focus and feel to CRM.

So, before we dig any further into this challenge and the overall gap, it is probably best that we classify each of the above acronyms which can be defined in the following ways;

CRM stands for Customer Relationship Management. It's a technology used to manage interactions with customers and potential customers. A CRM system helps organisations build customer relationships and streamline processes so they can increase sales, improve customer service, and increase profitability

P2P stands for procure-to-pay (P2P) process combines a company's procurement and accounts payable functions usually in Finance. The process starts when the need arises for goods or services and ends with the payment for those goods or services. It covers requisitioning, purchasing, receiving, paying for, and accounting for goods and services. Throughout the process, cost savings and value creation are prioritised.

S2C Source-to-contract (S2C) refers to the collective set of procurement processes adopted when sourcing products or services. S2C technology improves agility, visibility and business continuity for procurement teams.

You will notice that all three are very short or non-existent when it comes to managing a Customer or Supplier once engaged or in the life of the contract. Even though ironically this is the largest amount of time you spend working with. We only assume that there is an expectation that this gap could be picked up by Project Portfolio Management products such as Microsoft Project.

It is largely universally accepted that the procurement life cycle is one of the go-to frameworks for looking at the required processes and picking technology around the entire function that covers source to contract and source to pay. However, when we look under the guise of successful management of a contract post-signing it almost falls apart and fails to deliver ongoing value. As such, all three platforms are very limited in terms of what they can actually do for us in a contract delivery benefit realisation sense.

A lot of the time, these acronyms are defined and used by tech companies to sell products but don't actually help with the discipline's most significant challenges.

Typical Operating Models & Further Fuel to the Fire!

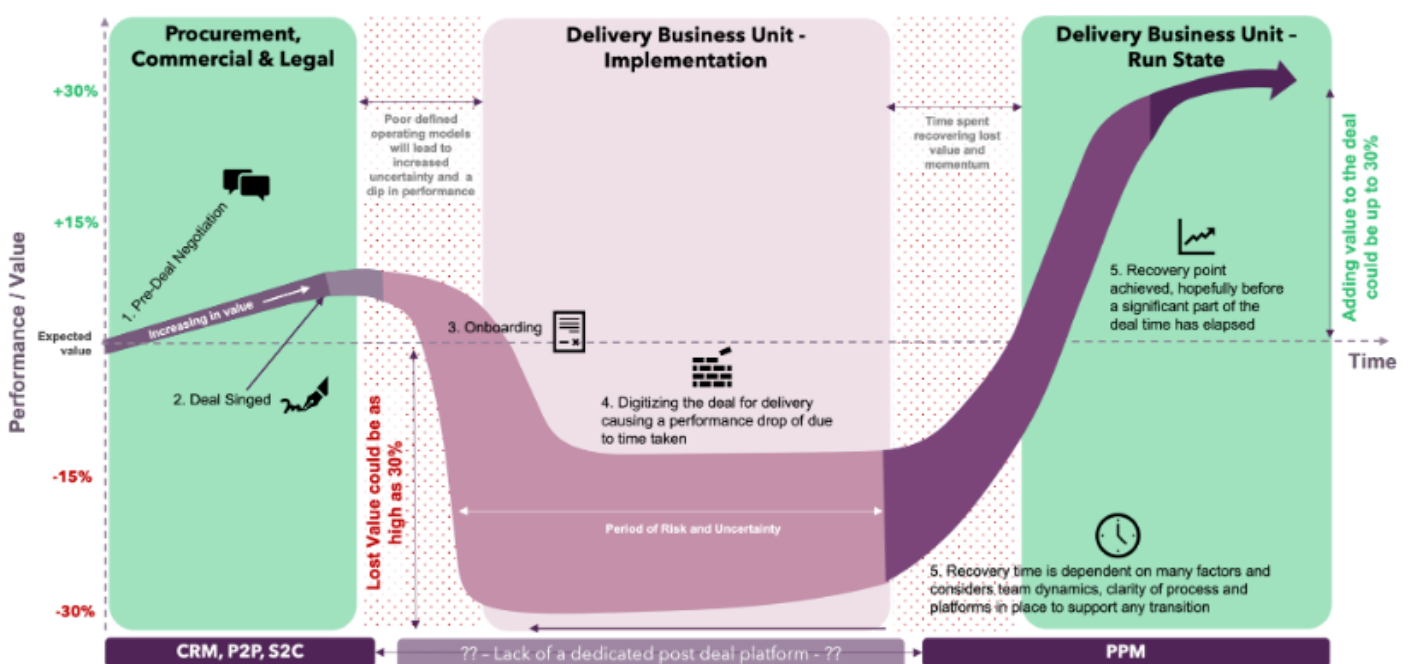
What happens in most cases is that at the time of deal signature there is some kind of transition between departments when the lifecycle changes. Let's unpack this a little bit more:

On the sourcing side, when looking for a supplier Procurement teams use P2P and S2C platforms and once the contract is signed, apart from some metadata onboarding taking place at best, the lead typically switches from the Procurement / Legal side to the Business Unit that owns the contracted product or service to run the delivery element. In most cases, there is no well-defined way to execute this seamlessly from a contractual document to something that can be managed through delivery. Yes, there are tools that focus on contract compliance, but once that's measured the void is felt and often most are left with a really large spreadsheet to make into a single monster project Gantt chart or a series of disconnected smaller ones with slide packs filling the gaps and

expected to connect the dots. Whereas on the supplier side, when obtaining/securing a new customer, the Commercial and Sales teams with the help of the Legal team draft and agree on the final and signed contract. It's at this point that Service/Product Delivery or Customer Success are involved to deliver against the agreed scope, again during this transition there is little to no support from any CRM product, arise the spreadsheet, Gantt, Slides monster once more!

There have been many studies on this but essentially the impact of this being undertaken sub optimally **could erode the deal value by up to 30%** and equality a really strong focus could increase deal value over its lifetime by 30% or more.

The diagram below shows the potential broad drop off in value if the processes and effective inter-departmental operating models are not in place resulting in increased spend and loss of revenue the longer it remains which could easily be plus or minus 30% of the Spend Under Management (SUM).



Source: Brooklyn Solutions, 2022

Challenges that remain unanswered

Expecting that you manage a complex deal run over multiple years that has been managed to a complex set of regulatory and governance structures is simply beyond the capabilities of a generic Project Portfolio Management (PPM) platform, however good they are. These platforms have some useful capabilities but lack the context of the overall discipline and what needs to be achieved to drive the desired business outcomes.

If we break the context down into six key areas where they are significant challenges that this approach or using this lifecycle has never addressed, what does it look like? What questions does this leave you with or where does a CRM, P2P and S2C leave you wanting in this regard.

1. How do I govern the contract effectively?
So I've got all these customers and suppliers in these groups, what does effective governance look like? Who should be involved, and what do we need to cover?
2. What makes a good relationship and what allows you to collaborate with your supplier or vendor in a strong, repeatable manner that's understood well by all the parties involved.
3. What constitutes strong contractual management? What does that actually mean? When you execute a contract and need to manage down to the component parts of what they represent. What does this actually mean and what capabilities are required to do that?
4. How do you initially identify and mitigate the risk that is inherent due to the situation, the type of contract as well as the risk of doing business with that specific supplier or customer as well? How do you understand when risk

is materializing or crystallizing and what to do about it? What is risk Landscape versus risk stock?

5. How do you easily demonstrate compliance against your contract? Are you compliant with your contract? Is the contract itself compliant and is it running in a compliant manner? What does this all mean?
6. Finally, what activities can you undertake with your supplier and your partners to accelerate delivery and add more value?

So there are six of the more obvious challenges that the procurement or CRM lifecycles and platforms have never really addressed or never really help you with. Other than just providing a placeholder that represents IN LIFE activity that could take place across the function at that time.

When you consider that most deals range from anything from a year or up to 10 years in length perhaps you can start to appreciate that P2P, S2C and CRM platforms fall someone short of what is really the most important aspect of why you engaged that supplier or secured that customer, to begin with, to actually deliver what was contractually agreed to in the first place, effectively and successfully!

How to begin addressing the gaps

We have highlighted six challenges that are regularly experienced in the customer - Supplier management context that CRM or procurement related platforms and associated lifecycles do not really ever touch upon or address.

So for these challenges, it is common to have questions, how do I effectively govern what makes a good relationship and a strong collaboration? What constitutes a strong contract or management? How do I identify and mitigate risk? How do I easily demonstrate compliance? And what activities can you undertake that will add value? What are they, what are those challenges and how do you address them?

1. Governance

If we look at this in an approach that helps you move from the previously articulated challenge in this first instance, how do I effectively govern to instead thinking about building a properly defined set of activities as policies designed to help how you manage customers/suppliers that are influenced by both your internal organization and external customers, stakeholders and perhaps regulators, defining the processes that underpin these policies, which can be measured and scores consistently through key metrics by using a repeatable framework to manage the performance of your, customer or suppliers against.

2. Relationship Management

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3. Contract & Commercial Management

How to move from what constitutes strong contractual management? Understanding What is performance management in a contractual sense? How do you track the performance of a contract? How do you define standards for that? And what do you look for and how do you measure that? Essentially breaking down a commercial agreement into a series of streams to manage it against is a good place to start, programmatically deconstructing it in things such as key terms and rights, contract compliance and standards, obligations that all parties are bound to manage, inherent risks or those risks associated with the contract its self. As well as key metadata to help manage the deal such as names, places, addresses, organisations, dates etc. This, in essence, reverse engineers the legal language into a set of S.M.A.R.T objectives, if you are unable to do this the quality of the contract needs to be questioned.

4. Risk Management

How does one identify and mitigate risk in a classic risk management sense, not only at the beginning of the due diligence cycle that's conducted by running a risk assessment process against the new customer/supplier that you're bringing on and the new contract is signed, but then ongoing risk management throughout the life cycle. How do you refresh that

periodically? What's the overall risk score associated with the customer / Supplier or deal at a holistic level ie all risks combined into a collective risk landscape and how does this change over time, how it evolves is fluid and far from static so why so often is it only measured once at the start of a multi-year deal and never again is possible the biggest risk in of itself!

5. Compliance & Regulation

How do you easily demonstrate compliance? Well you need to first understand the regulation that you need to comply with, be that internal, or external, and that should be defined in your policy, but then how you define them, how you regulate against it, or how you perform against it that needs to be looked at slightly differently in a set of reports that says, are you meeting the policy standards that are derived from the internal and external regulator more often than not. It's the detail around the processes that underpin each policy and what evidence trail do then need to leave that can later stand up to random interrogation ideally with minimal effort.

6. Collaboration & Effective Communication

And then finally, what activities can I undertake that will add an accelerated delivery or add value in this case? So what is collaboration? What does that look like? And what is value creation? How do you do that with your customers or suppliers? How do you, how do you have the discipline to stand up to drive collaboration? Do you cover things like joint account planning? Do you sit down with them periodically and review each party's strategy and here you can help with each? Not just in a meeting context around contractual performance, but more partner alignment and what they're up to, what you're up to. Maybe

there's a natural opportunity to collaborate and innovate together. Leveraging the capabilities of each firm, which will be different. Otherwise, you really wouldn't have chosen them as a supplier if you had those skills in house. You do different things to them. They do different things to you, but when coming together, you may have an opportunity and a business advantage that is yet to be recognized.

So those are the six customer-supplier management capabilities that you require to manage your contracts and your suppliers effectively. Albeit often referred to with slightly different terminology these are foundational capabilities of customer-supplier deal management. If you do them really well, on a regular basis and with a regular cadence, getting consistently right over an extended period of time, your contracts and vendors will end up performing for you much better than if you didn't.

Surely that's worth a possible 30% increase in total contract value which will only cost a fraction of that to put in place. Making for an astounding ROI.

VendorOps Management Framework & Community

VendorOps is a framework and community uniquely focused on post-contract deal management. An approach that looks at a deal in a 360 degree way brings together multi-party teams setting this up for success in a repeatable and scalable manner.

Post contract management best practices align well with the standard process centres of the VendorOps discipline framework and community of which there are four;

Relationship & Collaboration

Building a relationship from pre-contract and maintaining this throughout the lifecycle of the engagement is a cornerstone of successful customer-supplier outcomes, without this, there can be no basis of trust nor can there then be any meaningful collaboration from which value can be derived on an ongoing basis. - Associated Capabilities & Benefits: Automated Business Reviews, Supplier Collaboration Workshops, Joint Account planning, Innovation Partnerships, Relationship Maps, Performance TreeMaps

Contract & Commercial

Terms and boundaries need to be agreed upon, in the same way, that scope must be defined for a project so that benefits can be recognised. It is, therefore, essential that any contractual arrangement is broken down into what will be undertaken, by whom and the value people are willing to exchange for each phase. - Associated Capabilities & Benefits: Contract Digitisation, Ai powered Key Meta Data Extraction, Obligation Management, Contract Change, Contract Compliance.

Risk & Issues

Due diligence is the most common and largely risk-focused process that most people are familiar with. It is essential within any relationship, initially at the forming stage and then on an ongoing basis, that the risk of being involved or associated with this organisation is measured against the chance of the perceived benefits being recognised. Are we ok buying this product or service from this organisation and do we accept the risk in doing so? - Associated Capabilities & Benefits: Due Diligence, Risk Assessment, Inherent Risk Questionnaires, Controls Effectiveness, Risk Appetite, Risk Curation, Issue tracking

Policy, Regulation and Compliance (Internal & External),

In any organisation, there is an expectation internally that there is a repeatable governance structure applied and reported on for most, if not all, commercial engagements. These can differ based on value, but there is typically a minimum standard. This can also be widened to encompass the increasing chance that you are today in an industry that is getting more regulated by external bodies on how you manage your customer-supplier arrangement. Executing and reporting on these standards, whether derived from an external body or internal standard, is key to any organisation's success. - Associated Capabilities & Benefits: Customer-Supplier Policy Compliance, Governance Structures, contract compliance, Audit log reporting, semantic search.

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