

Procurement White Paper

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Best practice procurement – a whitepaper from Four Business Solutions

Best practice

Procurement professionals like you really have your skills put to the test. Being responsible for ensuring your organisation gets the right product or service at the best price is a considerable responsibility, and integral to business success. Constant evaluation of current methods is important – especially in this age of digital transformation. If you hone the following aspects of your procurement policy, you can make all the difference to your procurement success.

- **Planning**
The right forward planning should cover: rationale, budget approval, review of all applicable laws and regulations, identification of all relevant personnel, co-ordination of all-acquisition steps and compliance requirement, and managing the purchase, post acquisition.
- **Research**
Detailed market research will help you find the right suppliers and vendors for the products and services that you need. Flesh it out with research into their full capabilities, pricing and past performance info, including references.
- **RFP preparation**
Your request for proposal should include:
 - organisation background
 - roadmap for the next 24 months
 - current state/situation and preferred state
 - key dates (release date, questions due date, deadline, anticipated contract award date, and more)
 - Ts and Cs, clauses and payment terms
 - any other info relevant to the service you seek.
- **Selection process**
 - review and compare responses from vendors, rate qualifications
 - compare pricing, and evaluate how well they meet your terms and conditions
 - involve your key stakeholders in your decision-making process to negotiate the final award terms.
- **Monitor performance**
 - Now that your purchase is complete. You need to have a plan to measure performance. It's important to set reminders to check in on key contract and performance terms, and to set tasks to check budgets, rebates, volume discounts, milestones, and options to cancel and/or renew favourably.
 - Involve other departments so how many credit notes are processed, how accurate is the invoicing, how do their telephone responses look and are their delivery drivers punctual.
 - Share the KPI's with the suppliers.

- **Close out**
 - Once the term is complete and the contract is concluded, ensure you close out properly. This might include items to be returned, exit interviews to be held or inspections.

Protect your profits

Heard of tail spend? Generally speaking, it covers spend within an organisation that isn't strategically managed. The percentage of total procurement spend that tends to be strategically managed is 80%. The rest generally falls to HR, sales and marketing, finance and IT who often don't have rigorous procurement processes because the size of their purchases is typically low.

The lack of monitoring for these purchases can be problematic – anyone with authorisation to spend can engage new suppliers held to little scrutiny. Without this scrutiny you can't be sure your company is getting the best price. And often the selection of supplier is based on an existing relationship – understandable but if you don't vet your suppliers thoroughly, you might expose your business either to unnecessary risk or compliance issues, which might damage your company reputation and compromise future relationships.

Tail spend can easily get out of control when you have far too many suppliers, add new ones frequently, and increase the number of purchases that aren't strategically managed. You don't need to apply rigorous procurement processes to every purchase but setting standards for selected vendors under a certain price point will ensure you don't decimate your profits with unnecessary tail spend. Best practice includes benchmarking to ensure that your suppliers – no matter the small size of the purchase – are continually providing value to your organisation. Any measure you take to mitigate risk and keep your costs low will ultimately benefit your bottom line.

The rise and rise of business process automation

Statistics suggest that around 12% of a company's total annual costs are used for repetitive administrative tasks and contract management. In addition to improved workplace processes, significant savings can be made as businesses embrace technology-enabled automation or business process automation (BPA). Spend on BPA is increasing exponentially, and many businesses find that its adoption frees them up to focus on the research, strategy, and development needed to put them at the forefront of their industry.

Software is key to BPA and at its heart is contract management software, a program or set of programs that manage the contract lifecycle from inception to implementation to completion to renewal. Finding efficiencies is the Holy Grail for most businesses – research has shown that inefficient contract processes can result in significant losses on the value of any given deal. Contract management software means that companies of all sizes can immediately start to find these efficiencies by automating the drafting, management and tracking of contracts.

Why you need a cloud-based database

Contract management is an essential part of any business, but to put it bluntly, managing contracts without a contract database can be time-consuming, tedious and downright painful. If you're a procurement professional, chances are you're mired in lots of different contracts with suppliers, partners and service companies. The use of a cloud-based contract database can enable enterprises like yours to lower costs, increase profitability, improve compliance, mitigate risk and save time. Contract management software maximises procurement productivity by reducing the amount of time you spend searching through spreadsheets or shared drives, freeing you up to actually help your organisation grow the business.

Harnessing the latest technology to unlock the real value of procurement

Against a landscape of increasingly complex challenges and arduous competition, procurement is taking centre stage. No longer simply focused on transactions and supplier management, procurement is becoming more closely aligned with strategic business direction. And this sea change comes at a time when procurement professionals within every organisation face increasing responsibility, decreasing resource and an expectation to provide more and more value.

Streamline operations

With a backdrop like this, what's the first thing that procurement professionals must consider? They need to streamline ongoing operations and day-to-day tasks to free themselves up to engage fully with the strategic objectives of the business. Historically, procurement professionals have focused on supplier management – looking after contracts, negotiating deals and managing

supplier performance, alongside the heavy administration required for smooth procurement operations, inclusive of documentation and analysis. All of these key tasks remain important – supplier obligations must continue to be honoured, disputes managed, and continuous improvement sought on both value and performance. Contracts are at the heart of procurement – even more so amidst this changing landscape and the pressure to maximise contractual benefits has never been greater.

Strategic contract management

Strategic contract management takes procurement beyond a purely cost focus. It enables improved risk management, compliance, supplier incentives and all-round performance. Harnessing the latest procurement technology is the route to improved contractual fulfillment, overall performance, and transition management. Alongside a considered strategy and carefully selected suppliers, contract management software can help streamline supplier management, reduce costs, save time, save money and unlock the true value of data.

Benefits include:

- scalable software – companies can choose options customised to their size and preferences
- automatic data population within templates – no more manual entry
- improved visibility with ad hoc reporting capabilities
- streamlined information exchange – a central hub to manage all negotiation processes with versioning, electronic approvals, e-signatures, and audit logs
- an accessible library for storing standard procurement guidelines – it's easy for everyone to follow consistent procedures, which in turn reduces risk and boosts compliance
- maximised contract performance with the use of evaluation metrics and scorecards
- improved collaboration – users can submit and accept requests for contracts and keep track of activity to stay up-to-date with contract status and latest updates
- standardised clause usage – includes a library of approved legal language which can be quickly copied into templates/new contracts
- improved document security – controlled document access, with the use of check-in and check-out tools
- a secure repository – with contracts, RFPs, and other related documents all in one place saves time, makes searching easy, ensures proper versioning control and tracks changes

- automated alerts – help with managing timelines and handling large numbers of RFPs and contract renewals at the same time
- speedy e-signatures – you can send an agreement out for signature and receive the signed version back within minutes
- smart tools and templates – offer a number of different contracts, with a range of correct template and clauses according to predefined preferences.

Choosing the right contract management software

Today any contract management software worth its salt will harness the best of AI and SaaS to ensure the fastest route to ROI. Automation is key – enabling supplier management, assessment and reporting, it helps shine a light on the true procurement picture, highlighting any shortcomings and identifying opportunities that might otherwise remain under the radar. The software is becoming increasingly sophisticated and any leading procurement software platform will support:

- requisition management
- e-procurement
- supplier management
- bid management
- e-sourcing
- contract lifecycle management
- asset and purchase order management.

Despite its increasing sophistication, the right procurement software will be simple, quickly configurable and user-friendly.

What advantages does AI bring?

When it comes to procurement, the key advantage that AI brings is automation. Automation helps procurement professionals reduce time spent on routine tasks, freeing them up to focus on strategy and procurement analysis. AI also improves data reliability by reducing or eliminating incomplete and fragmented data. When VISDOM – a visualisation tool that generates rich visualisations of live data – is also incorporated into the software, it helps procurement professionals eliminate hours of dreaded contract review and analysis, identifies proactive opportunities for improved purchasing, and enables more complete risk management. Smarter

procurement processes backed by leading contract management software and AI reduce supply chain disruption, compliance issues, and fraud. You'll gain better visibility of your contracts and will be able to easily determine goals for the future based on real-time results.

Compliance and the contract

In these post GDPR days, compliance is centre stage. Which doesn't necessarily make it any easier to manage. When important terms and clauses are buried deep within a contract, you can easily miss something vital, which can mean more than hefty fees. A lost reputation is difficult to recover and can result in significant loss of business. So compliance is king. And there's no surprise to find that the right contract management software can make all the difference.

Contract Insight contract management software from Four Business Solutions takes care of every aspect of your contract lifecycle – not just compliance. Key features include:

- user dashboards for contract compliance

The dashboard is located on the home screen and is a configurable part of the software. The user controls the info which is immediately visible on login – according to their key criteria you select the apps relevant to you – for example it could be calendar dates, task dates, customised reports with critical up to date info, graphs and charts. And the admin can set specific dashboards for each user to keep them accountable for the contracts that they manage.

- Task approvals

Task approvals help manage internal contract compliance by sending reminders about key dates. Missing important deadlines on your contracts can be costly – for example if you miss a cancellation date and go for an auto-renewal that you simply don't need. Automated notifications can help keep unwanted costs and potential litigation at bay. You can also create tasks on the fly or ensure that they are triggered based on the predefined business rules. Task alerts can be emailed as well as appearing as calendar notifications.

- Record monitoring with workflow

The option for contract workflow is another great solution which will help you keep your contracts compliant. You define the contract workflow according to your selected criteria with as many steps as you need for each particular contract workflow. The system will send out alerts to the users about their assigned tasks. When workflow is automated in this way, you'll cut across the maze of people and tasks usually associated with your workflow – simplified by the system, you 'll virtually eliminate human error.

- Emailed reports

You can define which reports you want, how often you want them to be emailed and you can ensure all relevant stakeholders get information relevant to their active contracts.

This means that they can view relevant data without logging into the system – this and the fact that you're not clogging up their inbox with irrelevant facts and figures will keep procurement's popularity high.

- Onscreen validations

Onscreen validations play an important role – appearing on the top of a contract details screen they bring missing or required contract info to the attention of the user. They can also be used to bring older contracts up to date and are a useful tool, which keeps compliance high and avoids potential problems during an audit.

Contract Insight for all-round procurement compliance

Managing contract compliance becomes easier with the right tools. Contract Insight provides procurement professionals with user-friendly, configurable contract management. These tools help users stay on track of their contracts and take the necessary steps required for any legal agreements.

Four Business Solutions

Four Business Solutions helps small and multi-national organisations enrich the way they work. From supply chain to procurement and contract management, we have decades of experience helping companies forge ahead in the global market. If you'd like to find out more please call John O'Brien at Four Business Solutions on 0800 6250 025 or email john.obrien@four.co.uk.

John O'Brien is the CEO at Four Business Solutions, global business consultants and software integrators providing business processes improvements in Finance, Supply Chain & Operations, across a broad range of industries.