

# Connecting People, Process and Technology Effectively

The Future of Procurement



Since 1994, when ReadyTech (then Open Windows) released the first commercial off the shelf solution in Australia for Contract Management we have continued to innovate in the development of leading digital procurement / contract processes.

Our modular procurement approach, originally purpose-built for Government process automation, has focused on developing end-to-end integrated solutions from forward procurement and category planning through sourcing and full contract lifecycle management.

We provide continuous improvement capabilities through contract and supplier 'lessons learned' so that procurement is better positioned to negotiate more effective contracts next time around. In the middle, we provide functionality that builds valuable supplier operational & financial performance and risk profiles that our clients use to make informed Procurement decisions as well as leading to faster time-to-contract.

We strongly believe the future of procurement needs 'Best-of-Breed' systems such as Ready Contracts (powered by Open Windows software). This is backed up by recent Gartner Group research showing that most organisations are looking to implement best of breed systems in this space. Furthermore, the Hackett Group published research in 2021 and found that Digital World Class procurement organisations are operating at 25% lower cost than typical procurement organisations (i.e., peers), with a 33% productivity advantage.

But their advantage is not just about cost. They are also able to deliver higher-value services – for example, better stakeholder engagement, supplier relationship management and product innovation.



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According to the Hackett Group, Digital World Class procurement organizations enjoy a 2.5-times return on investment (ROI) advantage over their peers and are 85% more likely to be viewed by stakeholders as taking a proactive approach to supply risk mitigation, which is increasingly critical to doing business. Ten years ago, the IACCM's research found that poor contract management was costing organisations 9.2% of annual revenue. However, much of this corporate waste goes unchecked and is often hidden from view of the executive.

This continues to happen 10 years later and it's no surprise that many organisations today (and no doubt, in the future) continue to suffer the symptoms of poor contract management. When you look at their approach, they're typically experiencing huge expenditure on their corporate ERP system, which often doesn't cater for end-to-end Procurement and Contract Lifecycle Management, or only as an after-thought. There's no surprise that Gartner's research shows that most organisations are planning to implement best of breed systems like Ready Contracts to cover this major gap in digital processes.

Therein lies the future of procurement for many large organisations. We're talking about a complete transformation that will see People, Process, and Technology working in concert to deliver substantial value to an organisation. And it's not just about reductions in significant hidden corporate waste associated with disparate procurement process and poor contract management, but in seeing Procurement elevate to a strategic business enabler across the organisation.

Our technology is designed to underpin 'the transformation,' but achieving the desired outcome means a major investment in PEOPLE and PROCESS

with strong executive leadership, buy-in, and commitment to a transformational procurement strategy that absolutely recognises the criticality of ensuring its people and processes are ready to implement the enabling technology. Without this, such an undertaking will only achieve moderate results at best. We often see organisations where their people have not been educated and trained in best practices and are therefore not equipped to make good decisions. Examples come to mind:

**Mismanaged Contract Variations** – a senior information manager made a rash decision (against the advice of consultants) to remove the management of contract variations from the Procurement / Contract management team and the Procurement system because they believed this was strictly within the domain of the Finance department and their Finance system. Unfortunately, the finance team had no practical knowledge and understanding of the operational performance aspects of the Contracts and specific Supplier relationships. As a result, a finance-focused approach to variations meant that the operational aspects of the contract deliverables and supplier relationships were no longer being managed, resulting in high levels of over-spend and reduced supplier compliance.

**Poor Supplier Performance management** – The procurement department of a Federal Agency was ignorant of the importance of managing and measuring supplier performance on contracted deliverables. Four years into a five-year contract, a new manager organised an audit, which found that the supplier had failed to deliver \$200,000 worth of services per year.

**Computerising manual forms-based processes** – a government-owned corporation insisted on

“Evidence of poor decisions and processes even though the technology was available to assist.”



computerising their existing manual forms-based processes into a powerful Procurement workflow engine. This was against the advice of the implementation experts, which was to redesign and optimise processes to take advantage of the system's capabilities. E.g., eliminate forms with signatures because the online approval transaction by the authorised user is legally sufficient for audit purposes. The result was the implementation of overly complicated processes, which became impractical for users to do their job productively and affected system uptake.

[A recent Audit Report \(May 2022\)](#) – The audit found evidence of poor decisions and processes even though the technology was available to assist. They found:

- People had not adequately planned their contract management
- People had not clearly defined and documented roles & responsibilities or expected project deliverables
- People had not undertaken enough (or effective) stakeholder consultation
- People could have avoided unnecessary variations and promoted effective project delivery by appropriately defining deliverables before awarding contracts.
- Issues with the processes for approving some contract variations
- Internal control weaknesses and limited oversight and guidance

The future of procurement must be focused more and more on world class digital procurement processes.

However, it must start with Procurement Strategy strongly backed by the executive with commitment

to ensuring people are prepared and ready for transformation. A business case must be built that includes the necessary analysis into its current processes, which identifies corporate waste so that a case for change to digital processes is clearly justified.

The case must also recognise the opportunity for Procurement to contribute value to the organisation in terms of increased competitiveness, quality, service, and risk reduction. The future of procurement is about strategic business enablement, an organisation's secret weapon if you will, where commercial business units rely on procurement to help them deliver goods and services to their customers in a much more agile and competitive environment.

Procurement is therefore not just about acquiring goods and services, it is fact, very much about enabling better customer service. Digital processes offered by Ready Contracts now and in the future, will continue to focus on enhancing those processes so that procurement staff transition from a reactive environment to a proactive environment. In such an environment, their time is largely spent on strategic high value activities as opposed to non-strategic administrative / low value activities.

Let the system, i.e. the digital end-to-end processes, do the heavy lifting in relation to administration (i.e. managing data and generating reports and analytics) so your team can manage by exception and focus on strategic supplier relationship management, contract operational performance, spend management, and high value procurement process management underpinned by an optimised library of contracts, panel contracts, pre-approved quality suppliers, and valuable supplier performance history profiles.





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