


The ultimate finger on the pulse

By Richard Savage  21st August 2017

Richard Savage looks at why intuitive, cloud-based systems are the future of contract cost and performance management.



Our world is becoming a digital one, where global supply networks are commonplace and competition is fierce. Suppliers are beginning to realise that service performance is a key factor in winning business and optimising service profits.

But measuring SLAs is not the only aspect of providing good service. To truly deliver contracts successfully in the modern age, supplier partnerships need a new multi-faceted approach that provides a transparent, cost-effective and high quality service.

And of course buyers – the clients – are rightly demanding more clarity and transparency in service-based contracts, and expecting suppliers to deliver performance metrics as part of the service agreement. The true cost of contracts is under increasing scrutiny as everyone seeks to cut costs and minimise waste across the board.

The trouble is that effective supplier and contract management takes time – time that no longer exists, and resources that are often far beyond the human brain alone. Managers therefore need digital tools and automated systems that can seamlessly link contract data to delivered performance, with trigger alerts and management dashboards. They need systems that provide appropriate management information, metrics and alerts to determine where key business value and risk lies in contracts.

Rising to the challenge

More and more businesses are moving their digital assets to the fast-growing cloud services market and embracing new outsourcing options so they can focus more on their core skills. This is creating a need for new, and more sophisticated, IT skills and tools. Companies embarking on this digital journey will at last be able to spend much less time managing their IT assets and put all their resources into what they should really be doing – managing supplier contracts and service agreements.

Many large companies already have dedicated supplier or contract departments, but the cost and quality of the supplier/service management tracking they can deliver varies greatly. Very few organisations have a systematic and structured way of collecting and reporting performance information and actively managing events during a contract lifecycle.

I recently met a large supplier who had a team of five people measuring and reporting on SLAs for just one contract! Although this was an impressive unit managing lots of service data, it was only measuring one aspect of the service – nobody seemed to be tracking other key aspects of service delivery. If it was tracking them, it wasn't easily visible to all the contract stakeholders.

This scenario is commonplace. Many companies running service contracts struggle to deliver effectively because of the sheer quantity of elements they need to manage. Their paper contracts are filed away, data is kept on spreadsheets and isn't up to date, and there is no simple way of reviewing contract status or renewal dates, which can be very costly if they roll over without review. Nothing links up, nothing is secure and key aspects are easily overlooked. There is a real pain factor here that many companies will relate to.

Research carried out by e-procurement provider [Wax Digital](#) reveals that UK businesses are realising that formal procurement isn't just for large organisations and that any business that wants to control spend, improve its supplier performance and eradicate slow admin-heavy processes can benefit from the adoption of a more professional approach to procurement.

Finding a better way

Organisations need to be more rigorous in putting information about contracts into intelligent systems, to get an effective diagnostic assessment of contract performance that helps to manage risk and value. A belief that it's all down to the client to manage supplier performance needs to be challenged – suppliers can manage their delivered performance data in a shared system, provided this is done in a structured, evidence-based and transparent way.

The solution to this challenge is undoubtedly in the cloud, using an automated system that can totally monitor service agreement performance and cost, and present all the information in an easy-to-use, single-view dashboard.

Most contract management systems are merely repositories for information, but there is clear demand now for a dynamic, intuitive, intelligent system that is able to bring all these elements together, continuously capture and analyse performance and cost, show how multiple contracts are linked and provide real-time data throughout the entire contract lifecycle. It's the missing piece of the jigsaw!

In the modern world of work many people work out of the office, remotely, and often in the field. So they need to be able to access hard data wherever they are, presented in real-time in a flexible one-view format, such as a computer screen, laptop or smart phone.

Staying in touch

Contracts ebb and flow continuously, which means a management system must also be flexible, almost organic in its nature - able to adapt, grow, and constantly assess and analyse. Poor performance or overspend must be identified and rectified quickly to get costs back on track. It's a bit like a contract 'doctor', always giving your business a check-up and keeping it in the best of health.

Contracts are not just about procurement, they need to link Executive, Operations, Management, Finance and the suppliers too. All these departments need to be able to access the information as a single, transparent version of the truth, at any time of day.

This kind of intelligent platform can also interact with other systems to share data, whether it's pulling information in from other systems or providing information to/through other third-party systems.

The overall benefit of an automated contract management system is a massive ROI; there is no waste or guesswork because there is total visibility for everyone at all times, so informed decision-making becomes easy. If you assume your contracts are managing 85% compliance against SLA today, an automated system can improve this figure to 99%, which is worth £1.4m for a typical £10m contract business.

For suppliers, an automated system means they can respond quickly to customers' needs, control spending, retain contracts and boost their competitive edge to win new business.

And for clients, whose supplier spend is often 40% of their total budget, an automated system offers significant benefits with little cost, and provides a much more collaborative and efficient process of managing supplier spend and performance.

This is the future of contract lifecycle management. It's the ultimate finger on the pulse and everybody benefits.

*Richard Savage is Chief Technology Officer at **Contract Sentinel**.*

