

At a Glance

- **Industry:** All Sectors
- **Application:** Procurement Contract Management
- **Timeline:** Three Days
- **Results:** A high-level report analysing the company's downstream Procurement activities – contracting processes, performance measurement and compliance monitoring, as well as identifying areas of potential over spend and savings.
- **Price:** £1,750 plus VAT, excluding expenses

Procurement Contract Management Health Check



Health Check Overview

Procurement Management is a crucial area for any business and is often the fastest opportunity to directly improve profitability. But does the performance always hit the bottom line?

The focus on improving upstream procurement activities such as sourcing over the last 10 years has raised expectations for procurement to deliver annual savings. The reality in many companies is that even procurement confirmed savings do not hit the P&L account as forecast, thus missed targets and lower future targets. So why does cost leakage occur in companies post contract signature?

The most comprehensive study on Supply Chain Compliance between 2006 and 2009 across manufacturing, high tech, retail, oil and gas, etc., identified non-compliance in the supply chain as a major business issue, having a negative impact on financial results, supplier relationships, and regulatory risk. The average percentage of supply chain transactions that are compliant is only 65% rising to 93% for best in class.

There are 2 areas of supply chain non-compliances:

1 – Internal Non-Compliance to Procurement Plans –

Procurement defines a strategy and structure frame contracts with suppliers that reflect this strategy and maximise the value for the company. However, if those responsible for buying do not adhere to this strategy it introduces non-compliance and additional cost.

2 – Supplier Contractual Non-Compliance - Suppliers that simply do not follow the contract and therefore have higher invoices than stated in the contract. This is not uncommon and occurs because of:

a) Complexity – The contract on pricing alone can include terms related to volume, tooling amortisation, development costs, productivity, material indexes, currency, delivery locations, lead time and historical performance indicators.

b) Volume – For example, if a company had 100 suppliers with 4 contracts each, with 10 key compliance points per contract

and 12 deliveries p.a. this would mean 48,000 compliance checks p.a.

c) Fragmentation – The accountability of contract management and downstream compliance is fragmented in many companies between procurement, operations, legal and finance.

Health Check Benefits

A clear benefit of undertaking this health check is to provide you with an indication of the level of non-compliance within your procurement activities, opportunities to recover non-compliances and areas of improvement. The information provided will enable management to make intelligent and informed decisions on the way forward. The recovery of overspend can be between 0.5% and 5.0% of budget.

Prerequisites of Health Check

To facilitate this analysis within such a confined period of time (three days), there are a number of things we require before the start of the engagement:

- A named senior management sponsor
- An outline of the procurement organisation
- Annual purchasing spend by supplier and contract
- Top 10 purchasing contracts by spend, plus 5 large service contracts including telecoms and electricity.
- Purchasing records, e.g. purchase order spreadsheet
- Current Contract Management Process
- Agreement with a signed NDA

Price

A fixed cost of £1,750, excluding VAT and expenses. This provides for no hidden surprises.

Further Information

Please contact us:

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