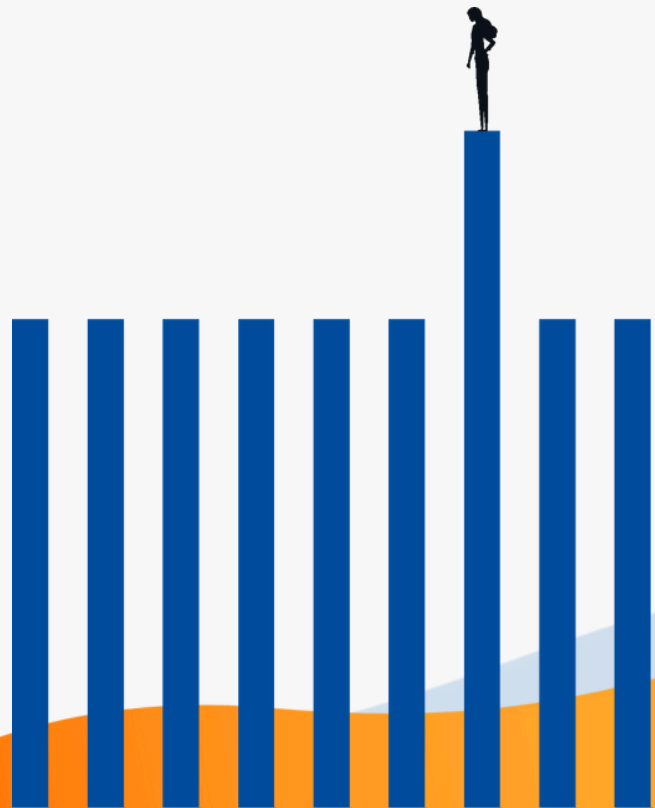


Data—Not Documents—as
**THE BASIS FOR
IMPROVED
BUSINESS
OUTCOMES**



Many procurement teams create and manage supply relationships as one-offs. There is no coordination of contract terms, agreement structure, or project timing.

The transactions associated with each supplier create significant amounts of data—so much that it is unrealistic to manually track all that information for use in support of business decisions.

A manual approach to spend management is no longer sufficient for modern competitive businesses. Leadership teams (and the procurement organizations that empower them) can't just think about and analyze data within relationships and agreements. They need to strategize and optimize across them.

In this paper, Art of Procurement partners with SimpliContract to envision an approach that supports improved business outcomes by placing data—not documents—at the center of third-party spend analysis, supplier management, and decision-making.

Turning from the Past

Procurement's extensive data management needs have historically gone unmet. This limits their involvement in supplier management to sourcing and negotiation, denying the entire company the opportunity to benefit from additional analysis and increased transparency, both of which open the door to expanded business impact.

The time has come to lead a shift from document-contained data management to an approach that allows procurement to be more proactive in unlocking the data to drive value across all categories of third party spend, inform strategic business decisions, and connect the organization by breaking down technical and organizational silos to allow for greater innovation and collaboration.

When procurement cannot access key data, they are unable to gain deeper insight, realize incremental savings, or drive continuous improvement. Only by establishing a strong data foundation, one that allows the company to 'see' and analyze across contracts, geographies, categories, suppliers, and business units, can procurement gain a 360 degree view of their commitments and liabilities and create a competitive advantage that achieves strategic enterprise goals.

Driving Decision-Making Through Data

At any given moment, companies manage thousands of suppliers. The volume of data associated with those agreements is staggering, and it is often text based and unstructured. Too often, procurement attempts to manage third party data by focusing on contracts rather than the data itself. Contract management structures that separate key business information from the document format combat this issue, creating a master data set that procurement can use to inform analysis and strategy formation.

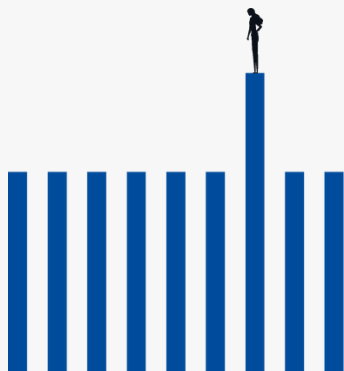
When procurement is dedicated to data-driven decision making, the information they need access to includes textual details, images, and tables all accessible via search and for analysis. The ultimate goal is to arrive at a place where procurement doesn't have to take any extra steps to connect their systems in order to synthesize this data. The technology they use must bridge existing front-end and back-end solutions so they will have the data they need right in front of them and can intuitively search through their entire supplier contract portfolio and get their jobs done.

Procurement should be able to run specific retrieval requests, such as: "Show me all contracts that have expired," "Pull pricing agreements for this specific spend category," or "Which supplier contracts include this clause..."

For procurement to make data a central focus, scalable processes and platforms are paramount. Teams will have to change the way they query data and adjust their overall approach to sourcing, supplier, and contract management.

From Negotiated Value to Realized ROI

Procurement must be opportunistic about the ROI associated with supplier partnerships. It is not enough to simply negotiate a set of terms and hope that the expected benefits come to fruition. Too many organizations keep suppliers at arm's length until a performance problem arises or a payment is missed. This distance leaves teams unable to benefit from the agreements they spent so much time sourcing and negotiating.



Instead, procurement leaders should take a more proactive approach, reaping the full benefits as long as a contract is in effect. Active partnerships allow both parties to grow; procurement can capitalize on specific terms and improve supplier performance, and suppliers can strengthen their relationship with the customer, knowing that there is evidence they have met or exceeded expectations.

For example, many contracts contain language about volume commitments. Procurement needs to track the specific dates related to those conditions, as well as actual purchase order details. If a contract includes terms about index pricing, they must be able to establish what the threshold is and know when it has been met. That same mindset applies to other terms such as rebates, incoterms, contingent liabilities, and more.

In order to help procurement benefit from those terms and incentives, all data related to the supplier must be far more integrated with downstream buying activity—even when it takes place outside of procurement.

Applying AI to Procurement Challenges

As procurement expands their use of technology to combat ongoing challenges, artificial intelligence offers teams a chance to gain the insights they need to inform more complex and strategic business decisions.

The most useful analysis is also typically the most comprehensive. A holistic view of managed spend requires data from every applicable source. However, analyzing such a large volume of data may hit the query limitations of commonly-used large language models. Procurement needs to access AI that can handle thousands of suppliers and contracts at scale, and the technology must be able to harness that data without having to use rigid workflows or mandatory fields.

Artificial intelligence provides the data layer that enables procurement to generate maximum value. AI can identify key risk factors more efficiently and effectively than is possible through manual reviews. It can flag unfavorable contract terms that go against standard playbooks and compare volume commitments against predefined benchmarks. These 'flags' allow procurement to reduce risk as much as possible. From there, they can further integrate AI into their existing tech stack to improve oversight and reduce rogue spending over time.

When procurement wants to learn from and find patterns among and across spend categories, they can leverage AI to automatically detect patterns and improve their approach in future supplier agreements. Procurement can use natural language search features to get answers from structured data via less structured questions—for example, asking the AI to produce a list of spend categories that have contracts attached to them.

All of this is fed by solutions in which the data models are hyper-localized and configurable based on the unique user experiences, allowing users to work in the systems they already use every day.

Conclusion

For too long, procurement has managed their work and therefore their data in a silo.

As procurement changes the way they leverage data to better inform business decisions, they must also address the way they approach spend, suppliers, and contracts. To that end, artificial intelligence offers procurement a path to more efficient decision making by putting data first, effectively expanding the queries that can be run.

Procurement data is already a rich resource. Today, procurement has the opportunity to tap into that data, make it accessible at every stage of the spend management process, and use it to drive improved business outcomes.

