



STICKING TO THE DOTTED LINE

Abstract

Often, signing on the dotted line of a contract is celebrated as the end of a long, arduous negotiation journey. Less acknowledged in most organizations however, is that, it is also the beginning of another journey in which sticking to the contracted terms assumes greater importance for the bottom line. This case study details how Infosys BPM helped a large communications major institutionalize strict contract compliance processes and gain hard savings of \$11 Million.



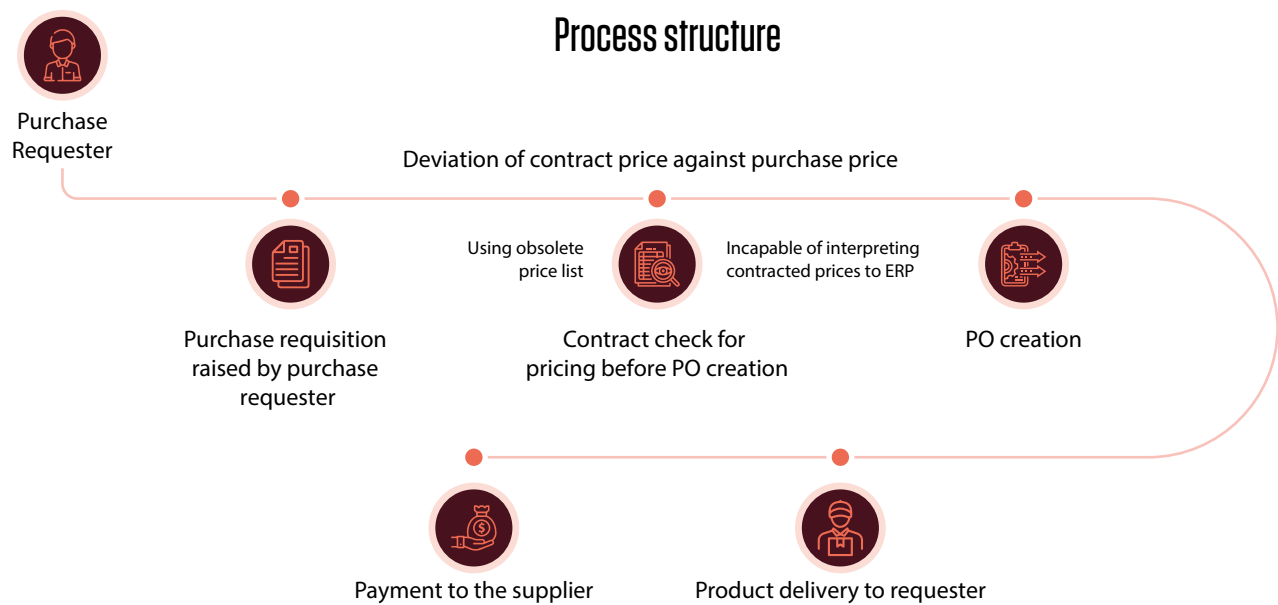
Infosys BPM's client is among the largest communication technology companies in the world connecting millions of people, companies, and communities. Using award-winning networks and powerful technologies, the company has made several breakthroughs in interactive entertainment, digital media, the Internet of Things, and broadband services for customers.

Collaborations, contracts, and compliance

While collaboration is key for any organization looking for growth and expansion, its effectiveness depends on guiding principles and ground rules being mandatorily followed by all the parties involved. Thus, to make collaborations work better, simpler, and more transparent, the negotiated and agreed-on terms are typically pinned down into a contract. However, it is an organization's processes for managing these contracts that are crucial to rightly determine stakeholders' relationships, the scope of work, and other binding terms and conditions. Despite its relevance though, this element of contract management often receives less focus than ideal, and as a result puts contract compliance at stake.

This situation of less-than-ideal contract management processes was true for Infosys BPM's client as well which could be attributed to several factors. It had a substantial amount of annual network spend with a significant part of the procured components subject to extreme market price volatility. Due to this, the client frequently had to renegotiate the prices of these components with its top strategic suppliers, leading to the subsequent execution of new contracts and amendments. Further, being formed through the acquisitions and mergers of several companies, the client was operating multiple enterprise resource planning (ERP) systems.

These challenges were causing significant spend leakage. With the lack of ERP integration, the client's sourcing and procurement teams were working in siloes. The same products were being purchased at different price points, that showed significant deviation from contracted prices. Further, the client's contract repository lacked the technology to track these deviations in terms of contract pricing and interpreting special clauses, and it was using obsolete pricelists resulting in the creation of purchase orders with incorrect prices.



Faced with these challenges, the client brought Infosys BPM on board to support the transformation of its sourcing and procurement activities.

Analytics, strategy, and synergies

Infosys BPM immediately deployed an analytics team to study the client's contract management processes. The team began investigating the cases of incorrectly priced purchase orders (POs) and was able to identify a significant number of anomalies during the PO creation process, which were causing the divergence from the contracted prices.

After all the anomalies were identified and analyzed, the team prepared an annual game plan for the client that involved selecting only 6 to 8 suppliers each quarter as the top strategic suppliers. Developing this new plan necessitated the colossal task of analyzing all existing supplier contracts to identify the spend leakage, and investigating aspects such as contract status, contract validity,

and pricing clauses. After this, the team vetted the identified suppliers with the client before approaching and finalizing on a shortlist. Because contracts with top strategic suppliers would involve purchases in sizable quantities, the team examined various pricing structures for their relevance to the client's situation and found three of them suitable:

- **Tiered pricing by volume:** The pricing discounts offered were directly proportional to the volume of purchases. Purchase volumes were categorized into pricing tiers with greater discounts offered at the higher levels of purchases.
- **Tiered pricing by spend:** Similar to tiered pricing by volume, this pricing structure offered larger discounts for

greater spends. As the client's business with the supplier increased, the supplier was obliged to offer continuous improvement in terms of pricing, either on a monthly or an annual basis.

- **Single price point:** These kinds of contracts referred to a single price point irrespective of the volume and the spend made against the supplier

Apart from helping finalize the top strategic suppliers, the Infosys BPM team also highlighted several gaps it had identified and recommended that the client move towards having one ERP and work toward synergies. Additionally, the team suggested making the buyers or PO creators as the primary owners for the list of suppliers, so that they could maintain an always-updated pricelist.

The outcomes of compliance

Infosys BPM's contract management analytics team helped ensure pricing compliance for contracts that comprised billions of dollars' worth of business in the network category. As an outcome, the client gained hard savings of \$11 Mn as well as standardized sourcing and procurement processes across business units.

The team's expertise also enabled the client gain fresh perspectives in terms of contract compliance, spend leakage, ERPs and contract database integration. These new perspectives enabled the client to efficiently manage the pricelist, reduce spend leakage, and eliminate working capital outage.

The success of the partnership with Infosys BPM has encouraged the client to extend the contract compliance initiative onto other spend categories as well. It just goes to prove how procurement can play a tremendous role in underscoring the importance of contract compliance in delivering tangible business outcomes.



For more information, contact infosysbpm@infosys.com



© 2021 Infosys Limited, Bengaluru, India. All Rights Reserved. Infosys believes the information in this document is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of other companies to the trademarks, product names and such other intellectual property rights mentioned in this document. Except as expressly permitted, neither this documentation nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, printing, photocopying, recording or otherwise, without the prior permission of Infosys Limited and/ or any named intellectual property rights holders under this document.

[Infosysbpm.com](https://infosysbpm.com)

Stay Connected

