

Rising to the Challenge

How an Outcome-Based World is
Transforming Procurement

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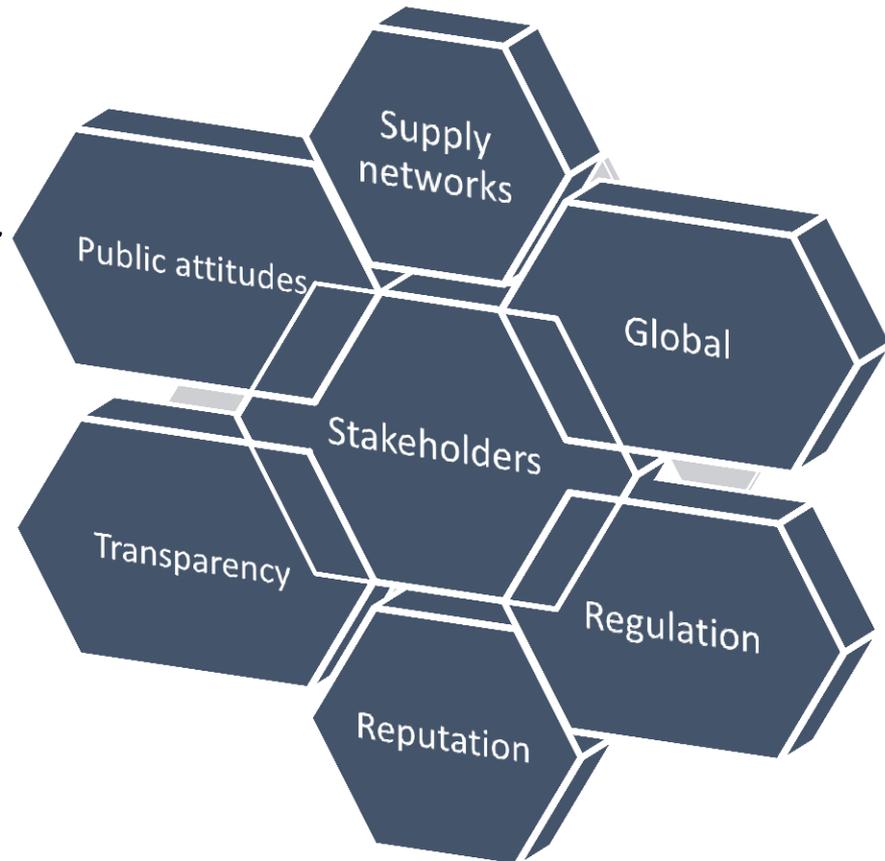
Why are we having this discussion?

- Procurement is under pressure to deliver more value
- Today, an average of 35% of contracts seriously under-perform
- This has massive economic impact
 - Cost
 - Time
 - Quality



A more complicated environment

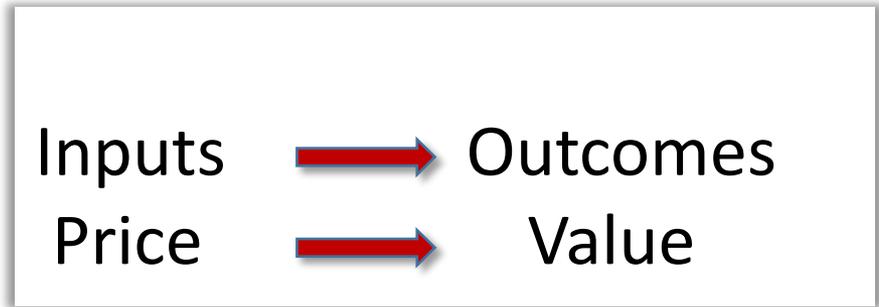
Where does Procurement responsibility begin and end?



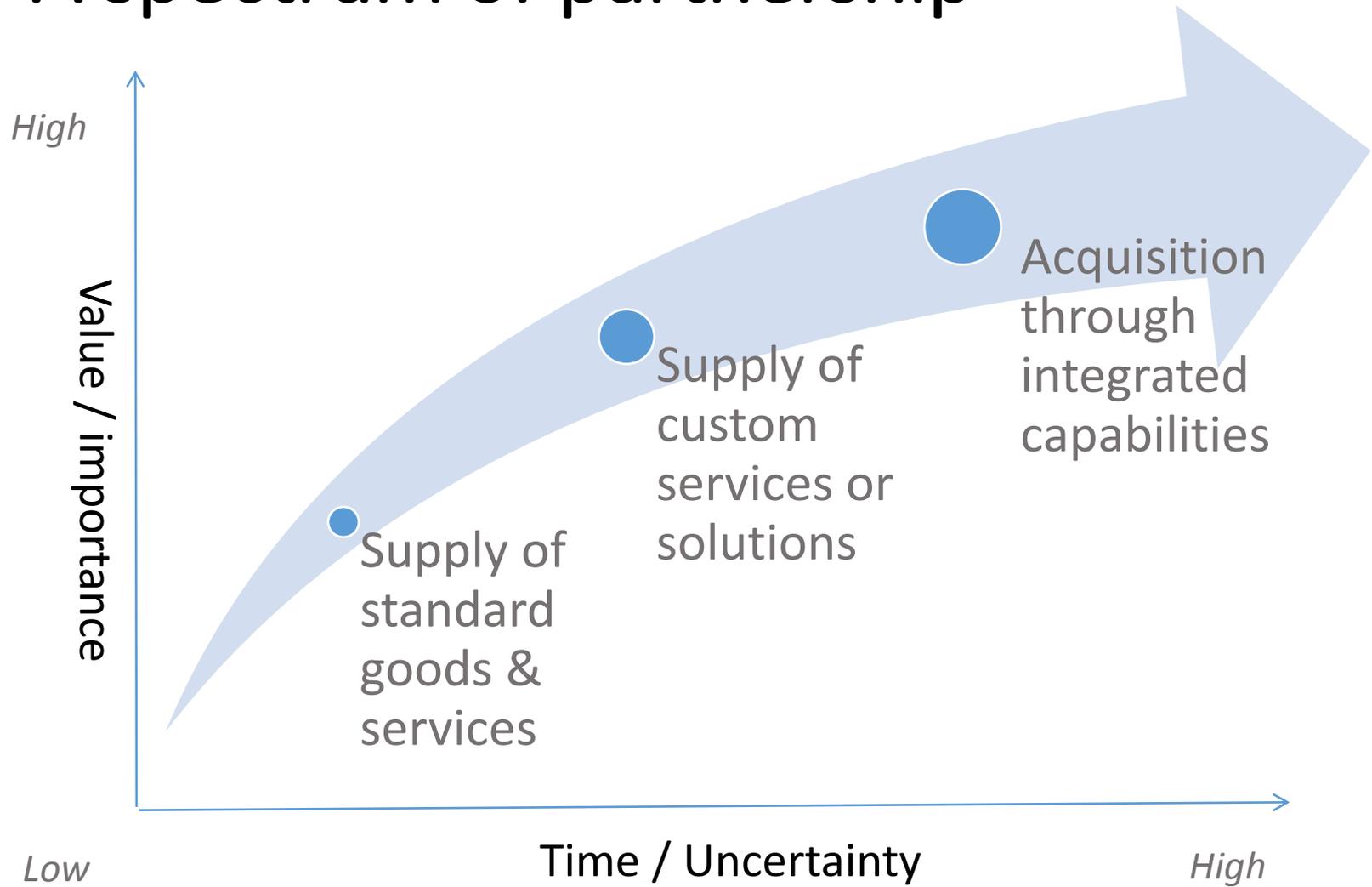
New attitudes and expectations



Supplier at risk for
outcomes

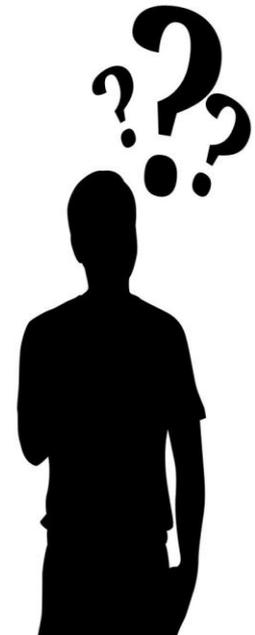


A spectrum of partnership



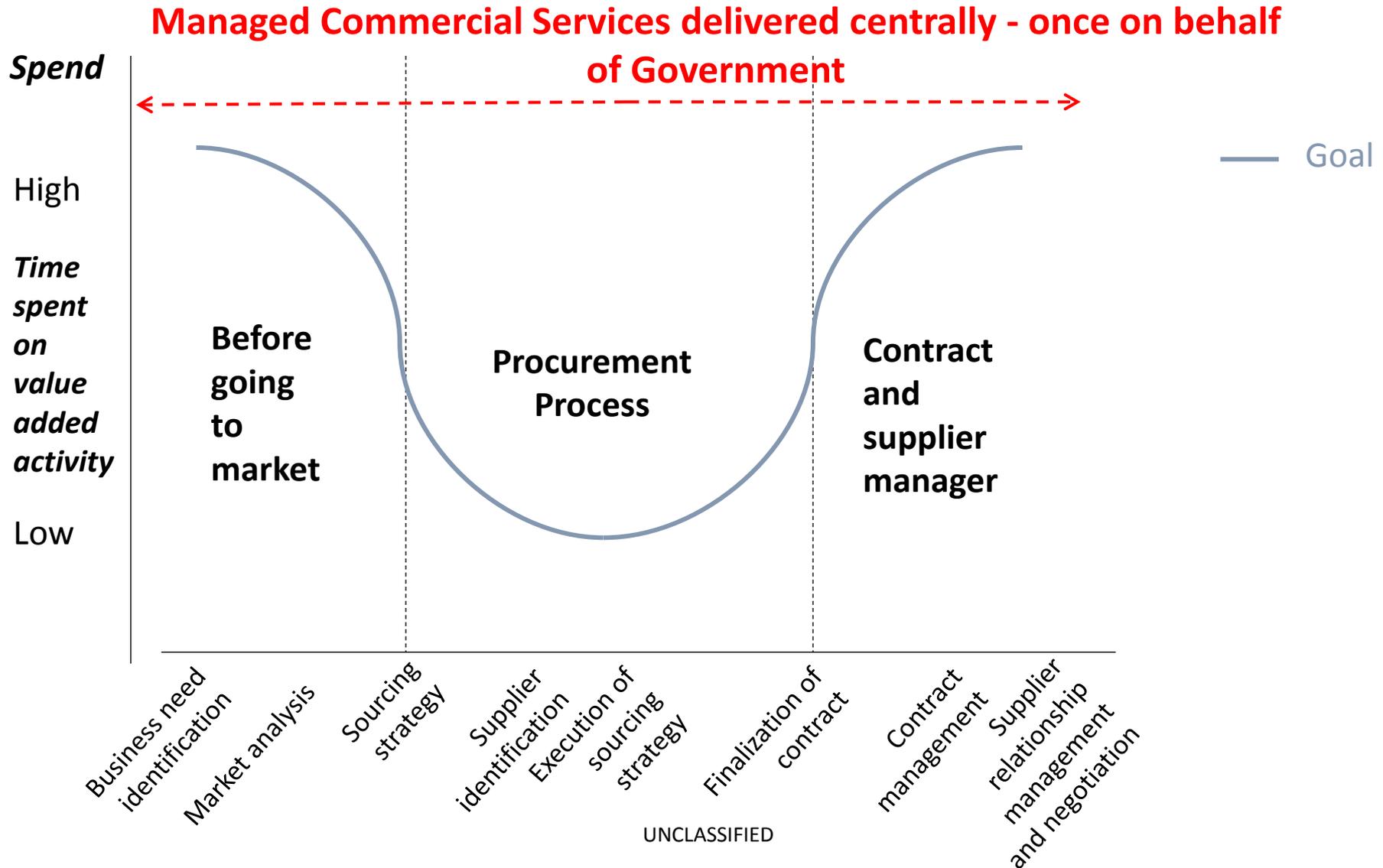
Confused responsibilities

- Establish technical and commercial requirements
- Define type of relationship and agreement
- Select appropriate terms and conditions
- Plan and conduct negotiation
- Oversee transition
- Manage performance
- Ensure governance
- Plan exit or migration to new supplier
- Learn from experience



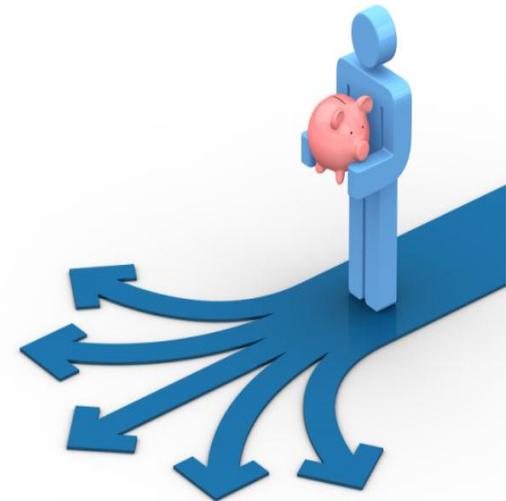
UK Government perspective:

The new DNA for commercial activities

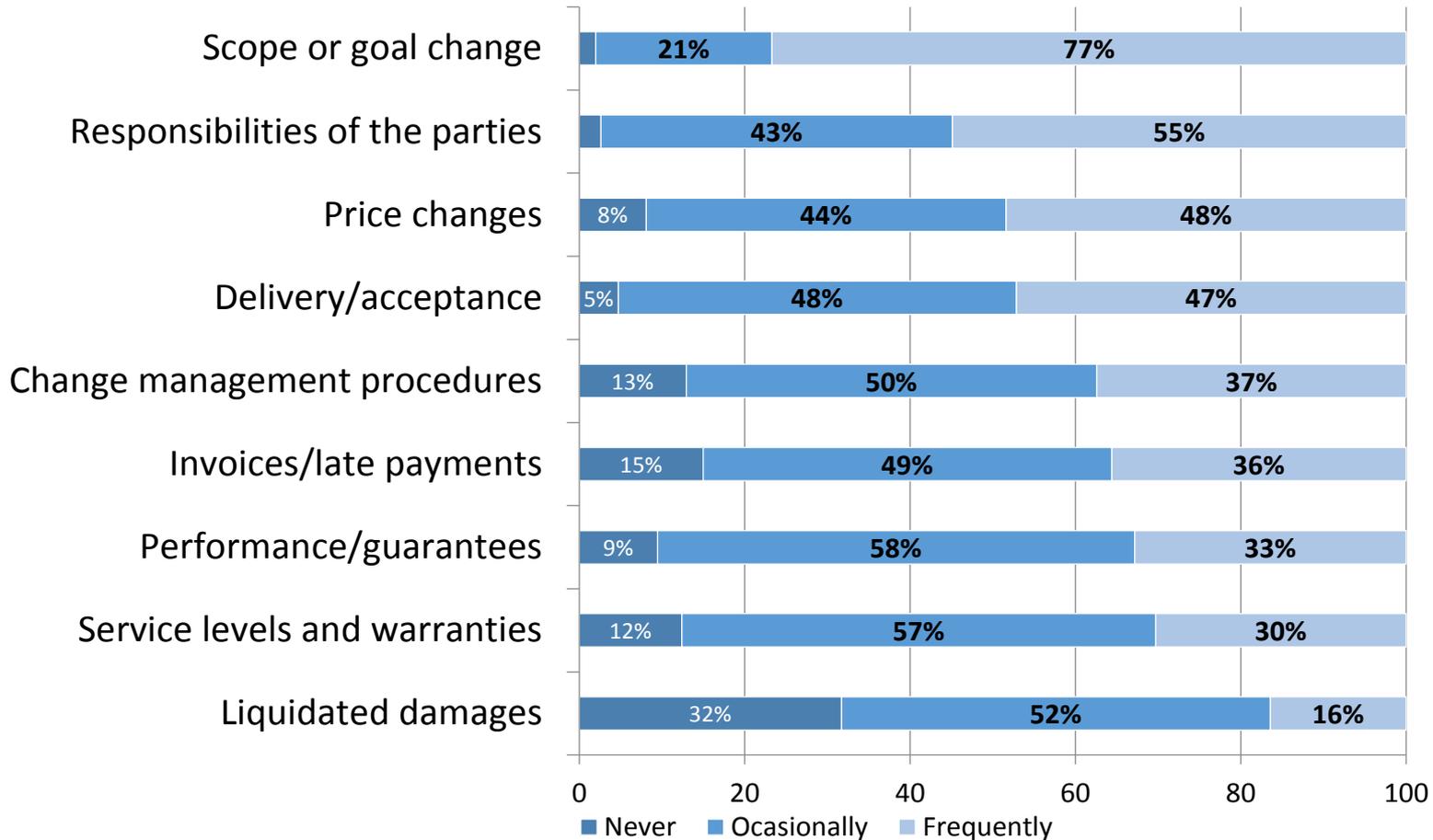


Where will Procurement play?

- ‘Lean’ is about quality – reducing errors
- Driving improved supply outcomes requires:
 - Insight to what goes wrong
 - Tools, systems and skills to support the emerging business environment
 - Revised process and accountability for success



What goes wrong?





Only 16% feel that the contracting process consistently achieves a positive impact on the supply relationship.

- **Failure to establish or communicate clear objectives** is a major issue that undermines performance.
- **Late engagement of commercial resources or poorly judged use of industry standards** contribute to risk-averse contract terms that distract from establishing key performance criteria and processes.
- **Problems with defining project scope** cause subsequent disputes and disagreements over change management, charges and payment.
- **The use of traditional, legally-driven documents** renders contracts of little practical use to delivery teams, undermining their primary value as instruments of communication and understanding.
- Few organizations make effective **use of past contracts as a source of learning**. Procurement contracting is especially weak in this regard.



DISCUSSION

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