

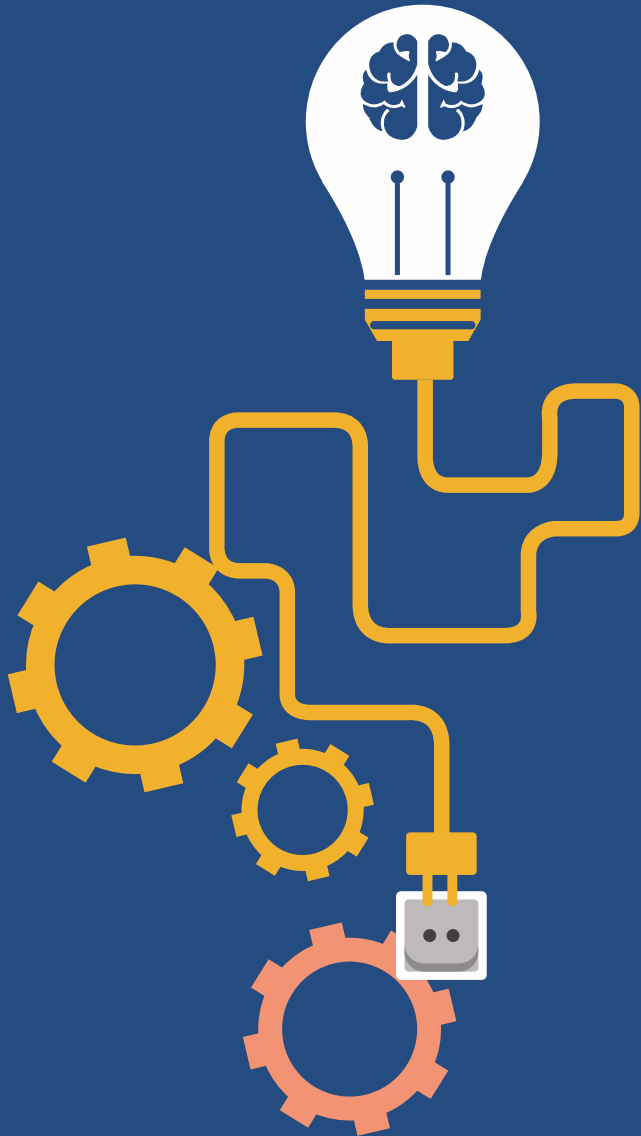
INTEGRATED SOURCE-TO-PAY TECHNOLOGY: **Imperatives for the Government** **Organizations in ANZ**



ZYCUS

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EXECUTIVE SUMMARY



Government expenditure constitutes a major part of a country's economy. The countries in the ANZ region, Australia and New Zealand, give special importance to government spending. In Australia, the ratio of government expenditure to gross domestic product (GDP) was estimated to be 36.72 percent as per the data published by Statista.com. For New Zealand, this same ratio was about 37.17 percent in 2019.

For both, Australia and New Zealand, the said ratio is projected to remain well above 35 percent through 2024. Considering that in 2020, Australia's GDP will be US\$1,423.4 billion and that of New Zealand as US\$216 billion, their spends may amount to US\$526.09 billion and US\$80.33 billion, respectively.

Being citizen-centric

Clearly, the ANZ region places crucial emphasis on government spending. These governments spend huge dollars on a range of aspects including law and order, administration, infrastructure, utilities and resources, and citizen-targeted services, to name a few. Given this scenario, the procurement function gains a special significance as every dollar spent not only goes towards building the economies of these countries but also directly impacts the quality of life of the citizens in this region.

This white paper explores how the procurement officers working in the local government departments and agencies in ANZ can adopt a strategic sourcing approach to achieve their citizen-centric and organizational objectives. It examines the role that technologies such as Contract Management, eSourcing, Spend Management, etc., play in helping government bodies ensure that public money is utilized optimally with a long term vision of deriving citizen-value.

The last three years have been exciting for the government chief procurement officers (CPOs) and the government suppliers and service providers in the ANZ region. Starting with Australia's 'Government Procurement (Judicial Review) Act 2018' that came into force in April 2019, the government procurement policies and practices of the region have been witnessing significant changes.

Under the Act, the Federal Circuit Court of Australia and the Federal Court of Australia can grant injunctions and compensation payments wherever commonwealth agencies are found to have breached the Commonwealth Procurement Rules (CPRs). Similarly, a few new requirements for government procurement have also been implemented recently in Australia that are set to impact government departments, agencies, and the tenderers, especially with foreign stakeholders and affiliations.

The new policy changes have ensured that the government organizations give equal treatment to tenderers and not prevent any tenderer from participating on the basis of its foreign shareholding or due to its products originating in other countries. They take an open approach for all relevant procurements. Moreover, tenders do not provide any undertakings indicating the use of local material or domestic supplier.

CHAPTER 1 GOVERNMENT PROCUREMENT IN ANZ: THE STORY SO FAR



Did You Know? **\$64.5 billion**

The total value of tenders issued by the Australian government on AusTender in 2018-19

Developments in the Kiwi country

Some rapid changes have taken place in New Zealand's public procurement space in the recent past, starting with the government's setting up of a dedicated digital marketplace for public procurement. Providing opportunities to local, New Zealand-based suppliers, who earlier found it difficult to win tenders, the marketplace is aimed at reducing the obstacles in the procurement process and automates it.

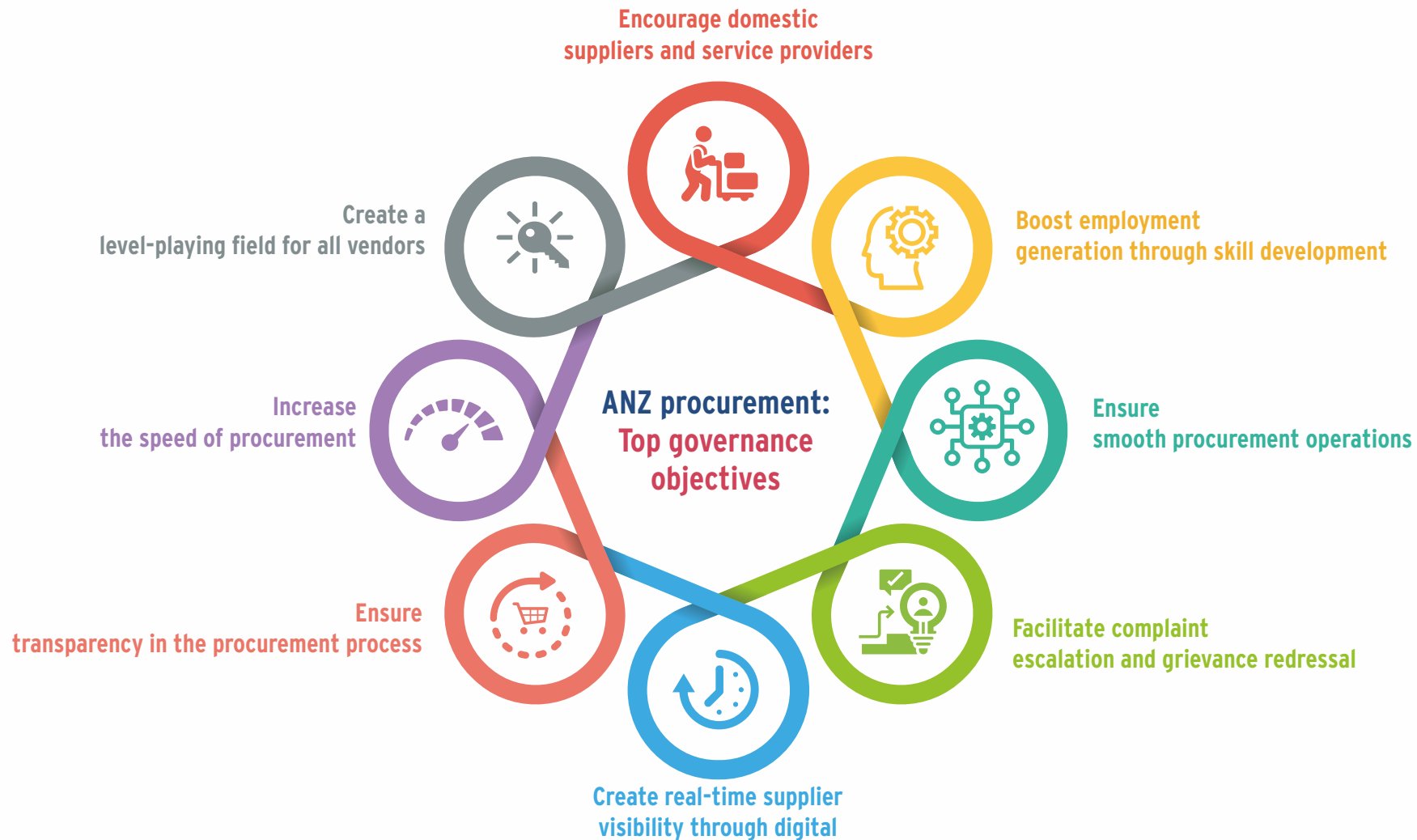
Late last year, New Zealanders also saw coming into effect of The Rules of Procurement (NZGP: 4th Edition). Besides creating opportunities for the local businesses and improving the condition of workers in New Zealand, the new rules focus on supporting a wider social, economic, cultural and environmental outcome. They also are in line with the government's mission of achieving a reduction in waste by the end of the year 2020.

Already, these efforts seem to be showing a positive impact on suppliers in New Zealand. According to 'New Zealand Government Procurement Business Survey 2018' by Hina Whakatutuki (Ministry Of Business, Innovation & Employment, New Zealand), the rating by businesses of the overall quality of government procurement improved from 15 percent in 2015 to 34 percent in 2018.



A few significant trends

As seen above, the government procurement space in the ANZ region is undergoing some rapid changes. A closer look at the changing scenario in these two countries reveals a few common points. For starters, the governments in the region are looking to create systems that promote domestic businesses. The other key objective appears to be the development of essential skills to generate employment opportunities for citizens. The policy frameworks and technology platforms are also targeted at, among other things, providing equal opportunities to all.



Greater transparency, automation and smooth operations can be seen as the overall goals of such policy changes and initiatives taken by the two governments. In addition to issues that can be resolved through policy moves, there also are some operational challenges faced by the government chief procurement officers in the region.

In the next chapter, we will examine some of the top operational challenges that government transformation officers face and the suitable approaches that organizations can adapt to satisfactorily deal with those challenges.

CHAPTER 2

NAVIGATING THROUGH CHOPPY WATERS



The years 2018 and 2019 had been tough for country-governments worldwide. This was a time when the global economy slowed down. The sluggishness prevailed for several quarters, affecting international trade. The year 2020 is expected to witness a moderate rebound and a sustained growth in 2021. This may be good news for country-governments as it indicates growth in country-GDPs too.

However, it may pose some new challenges to the government CPOs from the ANZ region. As the global economy experiences a turnaround in fortune, it may result in a rise in pricing of goods and services, leading to a corresponding rise in costs for government departments and agencies. Let's examine some of the common operational issues faced by government IT heads.

Compliance

When it comes to government organizations, procurement is all about compliance. The government procurement officers have to abide by a range of laws and policy guidelines every time they select a vendor or sign off a contract. In addition to the basic rules related to quality, austerity, anti-corruption, fraud prevention, and financial prudence, they have to follow broad objectives such as promoting local business, ensuring employment generation, providing incentives to businesses owned by physically challenged entrepreneurs, and so on. Lastly, they also have to comply with the laws aimed at protecting the privacy and security of citizen data.



Managing suppliers

Most organizations have clearly defined objectives of supplier relationship management. However, maintaining good relationships with suppliers and service providers can be a tricky area for government procurement officers. While not establishing deep ties with suppliers (and service providers) may mean losing out on the quality-benefits, too much of it may attract accusations of favoritism.

To protect its own interest, a government organization must know its suppliers. Better suppliers, for instance, can be compared based on how much you spend on them. Who are those 20 percent suppliers that you direct your 80 percent spends to? Or, is there any wasteful duplication in your cross-department ordering? Creating a centralized and easily accessible database of supplier information with end-to-end visibility can provide insights to help you make the right decisions without delays.

Lastly, government departments face difficulties in finding the right supplier partner(s) and assessing their performance on a regular basis. A solution that incorporates all the relevant selection criteria such as proximity, minimum order quantity, storage and handling capabilities, delivery support, quality assurance, payment terms, RMA policies, and references and recommendations, can prove immensely useful in this respect.



Technology obsolescence

Although most government bodies in the region have capable officials with sound domain knowledge, procurement can be a complex exercise. While planning for procurement of technology products, for instance, obsolescence can become a serious issue with products being ordered turning out to be obsolete by the time their delivery takes place.

Get the most out of your suppliers: How to

As a significant challenge in public procurement contracts, the government procurement officers find it difficult to make every dollar count once a contract is awarded. Constantly assessing the performance of the supplier against predefined quality standards is not easy even as mandatory. For instance, in New Zealand, the contract managers in All-of-Government contracts need to monitor supplier performances against Service Level Agreements (SLAs) and also manage supplier-audits, contract extensions, and renewals.

A range of additional methods can be employed to get the most out from your suppliers. For example, some vendors provide early payment discounts. Once budgets are approved, these can be bartered to obtain some extra services. Similarly, instead of ordering from multiple vendors, organizations can get benefitted by ordering from a few vendors to get deeper discounts and extra services. An integrated source-to-pay solution can incorporate all such good practices and conditions that benefit government organizations in the ANZ region.



Managing risk

As mentioned above, in addition to its citizen welfare objectives, governments are also guided by the need to protect their budgets from price volatility risk. The government transformation officers have to ensure that goods and services are procured in a clean and transparent manner without leaving any scope for corruption. Lastly, the government bodies have to deal with other risks such as those related to market volatility, scams, and quality considerations.

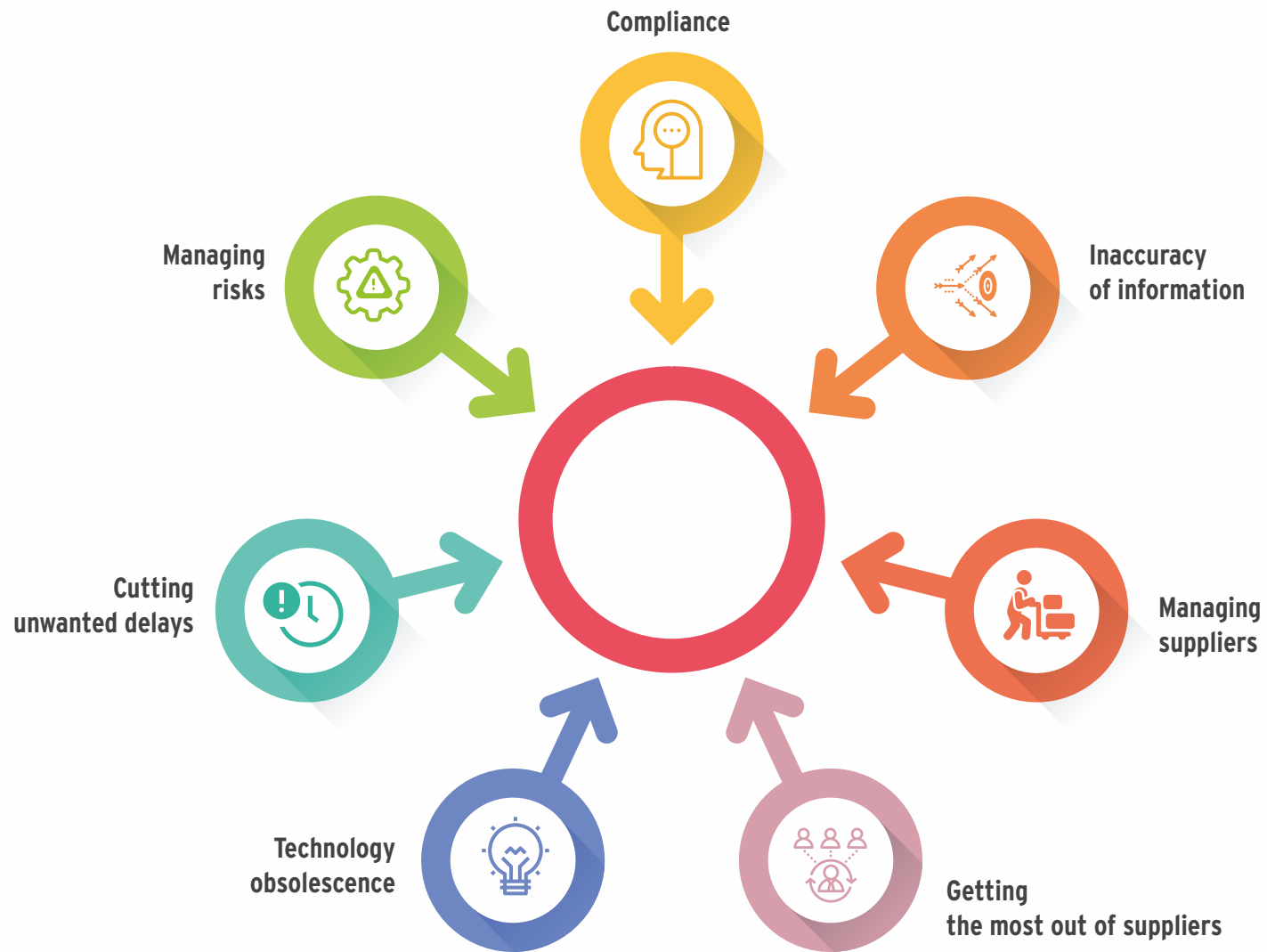
Cutting unwanted delays

In addition to the time involved in the tendering process, the government organizations in the ANZ region are beset with procedural delays. Delays may arise from aspects such as finalizing the technical specifications for items being ordered, vendor evaluation process, deal negotiation delays, those due to decision-making hierarchies, etc. The exit of key officials may also result in a delay in completion of government procurement procedures and processes as per schedules.

Ensuring information accuracy

Capturing the exact requirements of different functions and teams can be a difficult task susceptible to errors. If a government organization orders goods based on inaccurate data it may result in unwanted consequences. While ordering less may hamper productivity, excess ordering may lead to wastage of precious resources for the government.

PROCUREMENT CHALLENGES OF THE GOVERNMENT ORGANIZATIONS





Getting started

The country-governments in the ANZ region are looking at using digital technologies and tools to address some of these issues. In this regard, a key technology of spend management can prove immensely beneficial to the government organizations looking to overcome these issues. An ideal approach in this regard may be investing in class-leading integrated source-to-pay software that incorporates the advanced technologies such as spend management, contract management and supplier management.

In the next chapter, we will explore the key advantages that such a platform can bring to government organizations in the ANZ region.

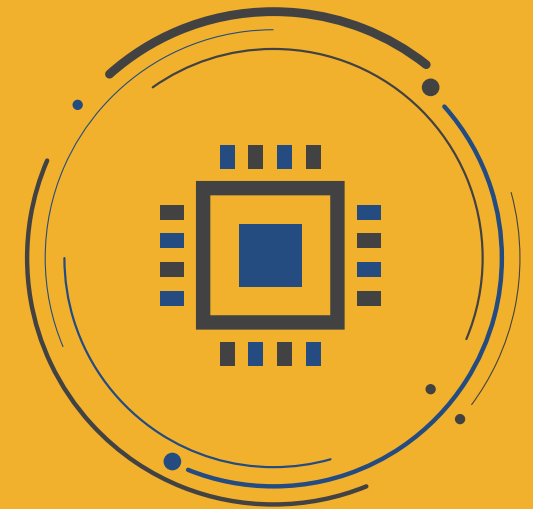
Procurement as a process may not be too different in a government or a corporate setup. However, the objectives of procurement are different for both these types of organizations. Typically, the local government procurement officers have a few broad objectives in mind when signing off orders. These are compliance, austerity, cross-department synergy, and citizen-friendly governance.

A technology solution must help an organization to meet these broad objectives while addressing a few specific challenges it faces. Integrated source-to-pay may be seen as the foundational technology that scores well on all these counts. Let's examine what integrated source-to-pay can assure a government IT head a little more in detail.

While signing off contracts, the local government procurement officers in the ANZ region are guided by objectives such as compliance, austerity, cross-department synergy, and citizen-friendly governance

A world-class integrated source-to-pay software solution incorporates a range of technologies. Some of these technologies it covers are contract management; spend analysis, eSourcing, supplier management, financial savings management, and procure-to-pay. From a government organization's perspective, it can deliver the following advantages.

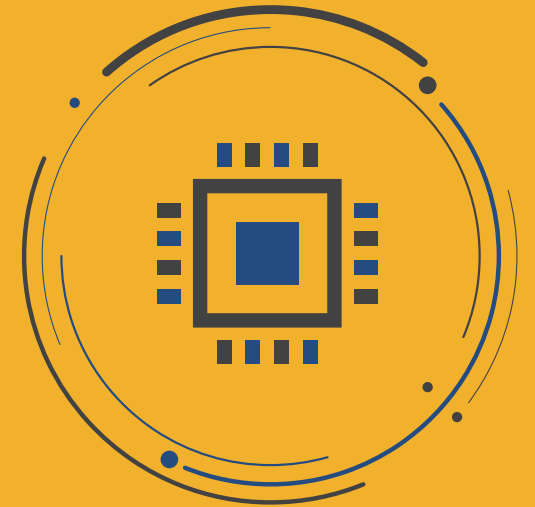
CHAPTER 3 THE TECHNOLOGY FOUNDATION



Meet your austerity goals

The government IT heads in the ANZ region are guided by, among other things, certain austerity goals where every opportunity must be grabbed to save money for the exchequer and every dollar spent must count. A good integrated source-to-pay solution incorporates a strong financial management module to help these officials to track their savings across parameters like departments, time, savings type, and (citizen) impact type.

While providing function-specific views of individual projects and the associated savings, it allows them to map potential (projected) savings to budgets. The contract management modules of a good integrated source-to-pay system come with features such as immaculate audit trails and version management. These tools help government IT heads with side-by-side version comparisons during negotiation phases and curb maverick spending easily.



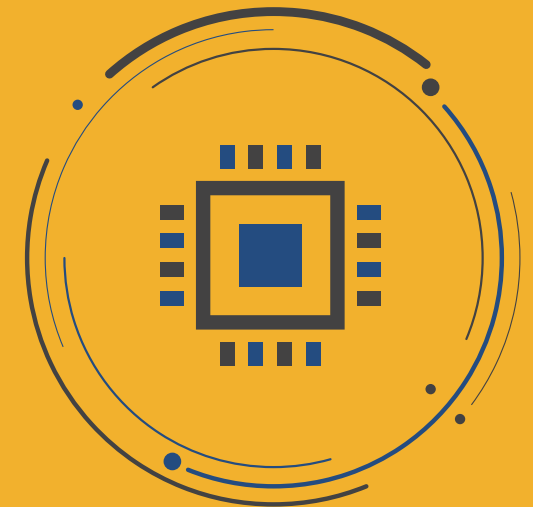
Supplier management benefits

As a policy, the governments in Australia and New Zealand want to ensure that the government departments and agencies award contracts to their suppliers without bias and maintain good relations with them. A good integrated source-to-pay solution can help them achieve these objectives easily. With such a solution, they can create self-service portals bringing all suppliers onto a single platform. This way, government organizations can simplify their one-to-one as well as one-to-many communication with suppliers. They can employ communication options such as Email or SMS in an automated fashion. The solution can also encourage collaboration amongst suppliers by facilitating intra-community conversations through the portal.

The industry intelligence features of an integrated source-to-pay solution can help government CPOs to monitor supplier performance, keep supply-risk under check, and reward the best performers. The officials can streamline activities like invoicing, PO issuance, payments, etc. by using such a solution.

The top officials working in government organizations are usually overloaded with a host of responsibilities. Besides meeting the underlying core governance and citizen welfare objectives while signing every project, they have to consider aspects such as environmental and policy compliance, risk mitigation, and transparency. Given these pressures, ensuring that every procurement deal is well-negotiated and works in the full interest of the government becomes a challenge.

The modern integrated source-to-pay solutions come handy in this regard. These solutions assure pre-negotiated discounts from suppliers across various categories including (but not limited to) car rentals, supplies for research labs, office equipment and consumables, manpower, etc.

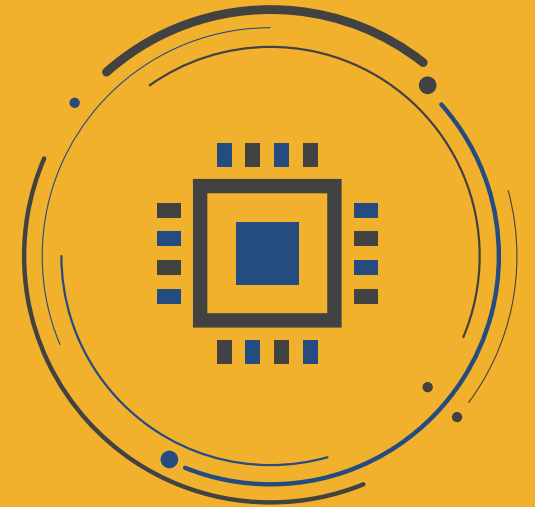


Automate contract management for enhanced value

With hundreds of contracts being signed on a regular basis, managing procurement contracts can be a cumbersome task for the government CPOs. Ensuring that vendors fulfill their contractual obligations without quality compromises is another tough task. A nearly non-stop tendering and ordering can make it further difficult to monitor and enforce contracts.

Given these challenges, an integrated source-to-pay solution can be of immense value to government departments and agencies from the ANZ region. An integrated source-to-pay solution simplifies a chain of processes such as contract creation, authoring, and negotiation, and mitigates risk by helping the organization to comply with regulatory provisions. It assists in managing contract lifecycle-end-to-end!

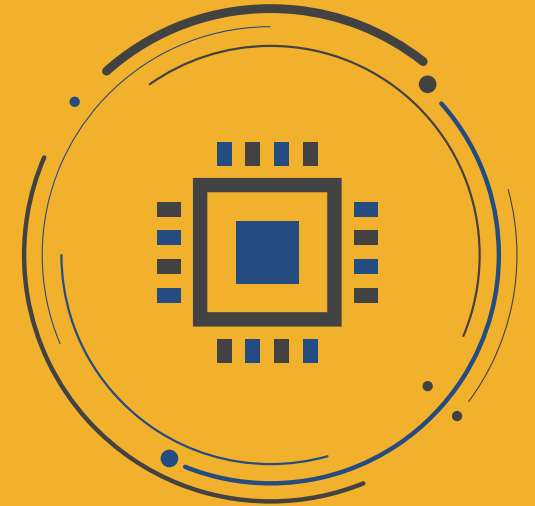
An integrated source-to-pay solution directly connects the procure-to-pay processes and procurement outcomes with contracts to ensure contractual terms are comprehensively adhered to. Lastly, by eliminating the manual processes, it also slashes down the time and costs involved in contract creation, signing, and enforcement for the government organizations.



Say goodbye to compliance worries

The government transformation officers in the ANZ region have to tread a tightrope while selecting vendors. The region's governments want to provide equal opportunities to all suppliers. As a policy measure, the transformation officers have to ensure that local suppliers and service providers are not left out during the tendering and bidding processes, but are rather provided due encouragement and support. At the same time, they also have to ensure that no preferential treatment is given to any particular supplier and that thorough due diligence is performed before onboarding every vendor.

By automatically fixing key performance indicators (KPIs) and appraising vendors against these, updating information in real-time, and issuing alerts and audit trails, and eliminating duplicate data entries and normalizing vendor data, an integrated source-to-pay suite can help the government transformation officers follow their regulatory compliance guidelines throughout the procurement process. The contract management modules of good integrated source-to-pay suites allow the government transformation officers to speed-boost their contracting processes while ensuring strict compliance across legal and regulatory systems.



CASE STUDY: ACHIEVING CITIZEN-CENTRICITY WITH SOURCE-TO-PAY, THE VICTORIAN WAY!



Australia's Victoria state government was looking for a reliable solution to help it streamline its procurement processes while adhering to the compliance norms.

After proper due diligence and vendor evaluation processes, it selected Source-to-Pay, an integrated source-to-pay suite from the globally acclaimed sourcing software expert, Zycus. The solution combined a range of technology modules such as Spend Analysis, Contract Management, Supplier Management, Financial Savings Management, Procure-to-Pay, and eSourcing.

The deployment delivered multiple governance-advantages to the federal state.

- ❖ Source-to-Pay ensures that suppliers have to mandatorily accept the code of conduct with respect to anti-slavery laws, utilization of sustainable resources, etc., during the supplier onboarding as well as participation phases
- ❖ The platform identifies whenever a supplier belongs to 'aboriginal tribes' so that they can be provided special privileges while awarding contracts
- ❖ Now the Victoria state government is able to monitor the hiring activities of its selected vendors so that the government's employment generation goals can be achieved successfully

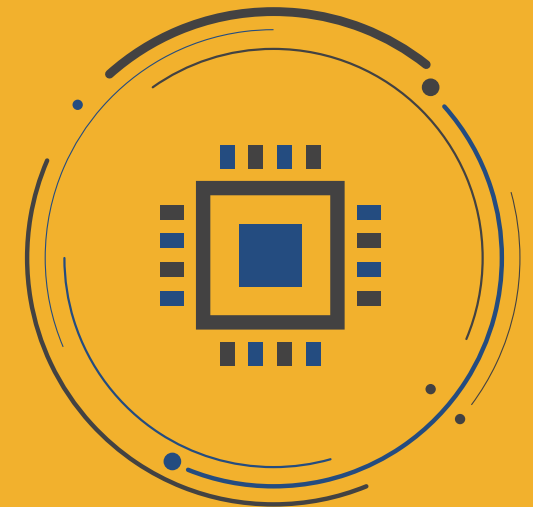
Streamline procurement—organization-wide!

The procurement processes in government organizations are ridden with challenges due to the absence of synergy across departments and functions. Lack of synergy often leads to off-catalogue buying by people in the organization, potentially resulting in dark-purchases. This may hamper the organization's productivity as such purchases can be off-standard even though they may be complying with internal procurement guidelines.

The procure-to-pay modules of the globally established integrated source-to-pay suite brands help the local government procurement officers assume complete control of buying by turning every purchase requisition into a competitive sourcing event. These solutions help them ensure that people in the organization are automatically guided to select goods or services only from the approved list of suppliers and route all requisitions to suitable procurement personnel.

Ensure citizen-centricity of projects

One of the primary objectives of government organizations is to make sure that every project contributes to achieving their citizen-centric and welfare objectives. Citizen-centricity can be achieved only when the right suppliers and service providers are selected. Only the suppliers who exhibit a zero-tolerance attitude to drop in quality standards must be selected.



CASE STUDY: AU POSTAL AGENCY TRANSFORMS SOURCE-TO-PAY PROCESSES WITH ZYCUS



A Melbourne-based Australian government-owned corporation that provides postal services both locally and internationally, as well as operating 6,500+ retail outlets in Australia, was looking for an integrated and user-friendly source-to-pay system that would help it accomplish a range of objectives.

The Challenges

The organization had multiple systems that managed its source-to-pay process resulting in lack of visibility and delayed insights into spend data. The existing systems called for a lot of manual intervention affecting the cycle time of sourcing events, contract & transaction processes. The user interface of these systems also was complex and there were challenges associated with compliance to procurement policies and high potential risk.

The Solution

The postal agency on-boarded Zycus for its source-to-pay system comprising a bouquet of technologies such as Spend Analysis, eSourcing, Contract Management, Supplier Management, Request Management, Project Management, and Procure to Pay. The system came with standardized processes and templates. With an agile approach with end-to-end, transparent global process visibility and it also packed consolidated supplier management and data governance. Zycus also exhibited responsive customer support to internal clients and an ability to deliver as per the agency's unique requirements.

Technology Outcome

The new system automated the entire procurement process delivering high efficiency and productivity. It offered immediate visibility into cost-savings and event statistics. The strict data governance capabilities of the solution ensured enhanced data stewardship, security, and business continuity around important contract documents.

With the integrated source-to-pay system from Zycus, the government agency could better identify new suppliers for informed decision making and improved its supplier risk management efforts. Lastly, with P2P technology of the solution, buying process became easy and compliant with all internal and external laws.



Solution Coverage

The organization-wide impact of the Zycus solution can be grasped through a few vital numbers:



of users for P2P solution



of suppliers on-boarded
till date



requisitions processed



touch points



present in Zycus iContract




managed using Zycus iManage



Orders processed



of purchase orders created



The eSourcing features of a world-class integrated source-to-pay suite help government transformation officers in many ways. They help them spot the right suppliers for negotiation and record the savings obtained in every negotiation round. The interactive 'what-if' evaluation and automated supplier ranking help them select the right supplier. eSourcing also assists the transformation officers in managing large sourcing projects that involve multiple stakeholders such as departments heads, ministry officials, politicians or even the representatives of specialist social organizations working on a not-for-profit basis.

As can be seen from above, the government organizations stand to derive real governance benefits by adopting modern integrated source-to-pay solutions. Identifying the right integrated source-to-pay solution brand and inducting the right partner to see them through the deployment process is a good starting point of any such initiative.

CONCLUSION

During the past few years, the government organizations in the ANZ region seem to be interested in turning their procurement functions supplier-friendly while promoting local businesses at the same time. As technology brings greater visibility and transparency in their procurement efforts, more and more suppliers are able to participate in the bidding processes, thus contributing to their country's economic growth.

The government organizations in the region can benefit from the advanced technologies of digitization such as artificial intelligence (AI), machine learning (ML) and robotic process automation (RPA). Top strategic sourcing software vendors such as Zycus incorporate these cutting-edge technologies in their products helping their government customers reap their true advantages. Going forward, the government organizations in the ANZ region can look forward to embracing tried and trusted strategic sourcing tools such as Source-to-Pay that leverage the technologies of digital transformation and achieve their governance and citizen-welfare objectives.



ZYCUS

Zycus is a leading global provider of complete Source-to-Pay suite of procurement performance solutions. Our comprehensive product portfolio includes applications for both the strategic and the operational aspects of procurement - eProcurement, eInvoicing, Spend Analysis, eSourcing, Contract Management, Supplier Management and Financial Savings Management. Our spirit of innovation and our passion to help procurement create greater business impact are reflected among the hundreds of procurement solution deployments that we have undertaken over the years. We are proud to have as our clients, some of the best-of-breed companies across verticals like Manufacturing, Automotives, Banking and Finance, Oil and Gas, Food Processing, Electronics, Telecommunications, Chemicals, Health and Pharma, Education and more.



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