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Optimize Indirect Procurement with Smarter Contract Management

eBook

With markets growing more competitive and inflation driving up operating costs, organizations across sectors are under pressure to tighten their expenditures and improve margins. In response, many have turned their attention to strengthening indirect procurement, an often overlooked and under-managed function that can represent a substantial portion of operating expenses and present untapped opportunities for efficiency.

Indirect procurement—also known as indirect spend—includes goods and services that support business operations but aren't directly tied to core offerings. Purchases within this category can range from utilities and outsourced IT management to travel and office supplies.

This broad scope and fragmented nature often create unique challenges in managing indirect procurement. Dealing with multiple business owners and rogue purchasing can lead to a lack of visibility and increased risk.

While direct procurement (goods and materials that go directly into producing a product) has always been on the radar of procurement teams, three key indirect procurement trends require a closer look for their greater efficiency and cost savings:

1 Macroeconomic forces

As economic uncertainty persists and inflation eats into profits, organizations are looking to control costs across all functions. Because indirect procurement accounts for such a large portion of expenditures, streamlining management and identifying cost-saving opportunities in these categories offers substantial opportunities to cut costs and boost bottom lines.

Nearly half (49%) of executives singled out inflation as their top procurement risk—a sharp rise from just 20% in 2023.

Source: The Economist

2 Changes in business models and practices

Growing reliance on third-party outsourcing (e.g., IT management) and subscription-based services such as software platforms and cloud services drives substantial increases in contract volumes and spending across indirect categories.

SaaS spend is projected to grow 20% in 2024, while investments in generative AI and application modernization are set to push public cloud services expenditures by 20.4%.

Source: Gartner

3 Increased risks

Increased spending in indirect categories adds complexity to contract management and supplier oversight because these outsourced services must be monitored for performance, compliance, and ROI. Since indirect purchases occur across multiple departments and a broad range of suppliers and often involve intangible inputs, companies are seeking to improve visibility and oversight of these transactions to better control costs and minimize regulatory and operational risks.

70% of C-level executives cite legal and regulatory non-compliance as a key external risk.

Source: The Economist

The net result? A greater focus on the costs and risks inherent in indirect procurement contracts – and having the right tools and insights to manage the agreement processes effectively. Forward-thinking organizations are deploying digital technologies such as contract management tools and spend management software to enhance cost efficiency, reduce risks, and ensure that every purchase aligns with their strategic objectives.

Out of sight, out of mind: Why managing indirect procurement is so challenging

As indirect procurement grows, so do the challenges in managing it. From inconsistent procurement methods to siloed data, organizations frequently struggle to maintain visibility and control over non-core expenditures. A lack of standardization complicates negotiations and exposes companies to missed savings opportunities and compliance risks. This gap in oversight leaves procurement teams vulnerable to inefficiencies and lost value. Combined with the following challenges, it creates a breeding ground for risks and cost overruns:

1 Decentralization and complexity

Indirect procurement is, by nature, often decentralized, with contracts scattered across systems and functions that often don't communicate with each other. Moreover, many of these contracts aren't negotiated or even managed by procurement departments—e.g., the CIO takes care of IT services contracts, the human resources team makes decisions on employee tracking software purchases, and the facilities manager negotiates contracts with maintenance services providers. Fragmented agreement management and negotiation create misalignment, with each department prioritizing its own needs instead of the organization's overall goals. When everyone negotiates in silos, opportunities for cost savings, bulk discounts, or standardized terms that could benefit the entire business are missed.

Only 31% of business leaders surveyed by Docusign said their organizations had a centralized, searchable contract repository.

Source: Deloitte & Docusign

2 Large transaction volumes

Small, regular purchases can quickly add up to an overwhelming volume of invoices, purchase orders, contract renewals, and payment terms. But, without the right systems, managing and analyzing all these purchases becomes an administrative nightmare. For starters, manually collecting, cleaning, and consolidating large volumes of data is a cumbersome and error-prone process that rarely yields actionable insights. Duplicate entries, missed data points, and inaccuracies proliferate, adding up to a skewed picture of indirect spending across the organization. As organizations scale, these issues snowball into a chaotic system that's blind to overspending and hinders growth and effective decision-making.

"Calculating compliance rates for hundreds of individual terms and conditions can be an extremely time-consuming task. So, quite often, companies won't have accurate data on how well their suppliers are adhering to agreed-upon terms."

John Dougherty
Head of Manufacturing for the Americas
ServiceNow

Source:
Deloitte & Docusign

3 Fragmented agreements processes

Without a standardized process, agreement creation, review, and management will vary based on who or which department is handling the negotiations. For instance, one department might use formal RFP processes and negotiate detailed contracts, while another may rely on more informal agreements and verbal commitments. This irregularity creates a host of challenges.
First, it complicates contract retrieval and review, as key details like pricing, terms, and renewal dates may not be easily accessible or uniformly documented. Second, varying terms, conditions, and compliance requirements make it difficult to enforce company-wide policies and increase risk and revenue leakage. Also, legal departments, procurement leaders, and other stakeholders face higher administrative loads as they have to manually track and audit agreements across systems.

4 Poor visibility into spend and agreements

Patchwork systems create blind spots that mask key opportunities for optimizing spending. Collaboration and communication become difficult without a centralized repository for agreements and procurement data. The results can be costly: missed deadlines, forgotten renewal dates, overspending, and a lack of visibility into critical contract terms and spending patterns. Furthermore, poor visibility means critical information about vendor performance, compliance, and relationships is scattered across the organization. With key data siloed across systems, decision-makers have a hard time assessing risks, evaluating vendors, and making informed decisions regarding contract renewals, renegotiations, or consolidations.

62% of organizations struggle to locate and access previously approved contracts.

Source: Deloitte & Docusign

5 Increased operational and regulatory risks

Relying on disparate systems to create, store, and review agreements introduces serious security risks. Multiple systems make it hard to ensure compliance, leading to agreements with outdated or incorrect legal guidelines. Multiple systems also create opportunities for breaches and regulatory violations and increase the risk of missing key contract clauses tied to regulatory requirements, like data privacy, safety protocols, or financial reporting.

Fragmented and outdated systems breed distrust in data quality and drive up administrative workloads:

54%

are still copying data into downstream systems by hand.

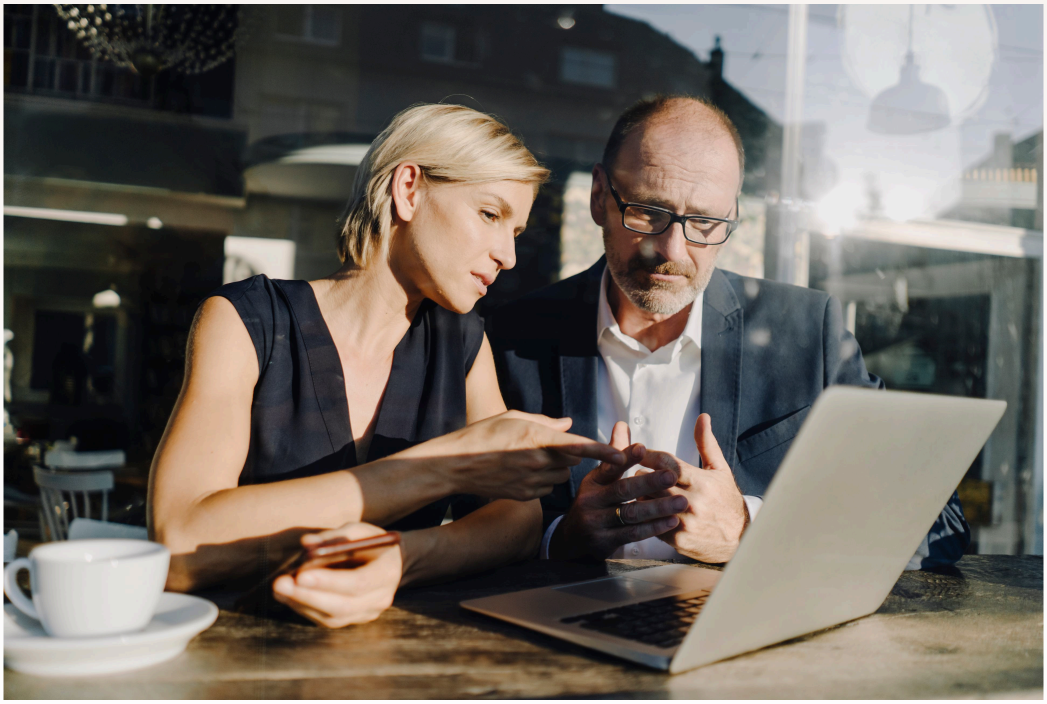
50%

are manually aggregating contract data scattered across different systems.

50%

are using spreadsheets to manage critical agreement data.*

Source: Deloitte & Docusign, *Docusign internal research



The high price of inefficient agreement management for indirect procurement

40%

of business leaders surveyed by Docusign admitted to missing out on potential growth opportunities (like renewals) or cost savings (such as volume discounts) due to their inability to extract value from agreement metadata.

Source:
Deloitte & Docusign

On average, procurement teams are missing out on over $1 million in savings because they're not fully capitalizing on contractual incentives.

56% of organizations report overpayments because they cannot find the latest approved vendor terms and rate cards.

55% of IT teams reported lacking tools to perform vendor assessments and track compliance and performance.

Source: Deloitte & Docusign

From chaos to clarity: Solving the indirect procurement puzzle with smarter agreement management

As the backbone of procurement functions, agreements offer a key area where digitization, automation, and standardization can unlock significant operational efficiencies and overcome challenges associated with indirect procurement—including fragmented data, inconsistent supplier relationships, and a lack of visibility into spending patterns.

Procurement professionals can leverage agreement management technology to address these challenges and optimize indirect procurement management strategies. Here's how:

Improving the contract management process can save some organizations upwards of

40%

Source: Deloitte

Overcome visibility and fragmentation with standardization and centralization

- **Simplify and standardize agreement processes and language** to reduce the inconsistencies that arise from decentralized procurement activities.
- **Leverage software tools that integrate seamlessly** for fast and accurate data exchanges across systems and departments.
- **Create an enterprise-wide repository for agreements** to eliminate silos and establish a unified platform to store and manage contracts across all functions and systems.

Automated risk assessment tools evaluate new supplier contracts against company rules, helping decision-makers spot unfavorable terms and other risks.

Source: Docusign

Enhance oversight and data management with automated tracking and alerts

- **Set up automated monitoring and alerts** for key contract milestones, such as renewal dates, payment deadlines, and compliance reviews.
- **Establish spending parameters and approval workflows** to improve oversight and reduce off-contract spending, unauthorized purchases, and duplicate orders.
- **Set conditional rules for agreement reviews with automated workflows** that trigger actions based on specified conditions, such as the review of non-standard terms.

90%

of participants in McKinsey's 2024 Procurement Executive Forum view digital processes to manage contracts and flag noncompliance and value leakages as business-critical.

Source: Mckinsey

Strengthen vendor and risk management with automated controls

- **Ease compliance monitoring and quality assurance with a searchable repository** of all your agreements accessible throughout your organization.
- **Embed risk management protocols into agreement workflows,** such as compliance requirements, performance benchmarks, and penalty clauses for non-compliance.
- **Secure consistency and compliance for all agreements with pre-approved clauses** that can easily be inserted into contracts to reduce the need for manual reviews.

AI can identify the presence or absence of relevant contract terms and empower businesses to hold non-compliant partners accountable through remediation, termination, or other negotiated rights.

Source: Docusign

Uncover insights, mitigate risks, and optimize processes with AI-powered capabilities

- **Automate extraction and reporting of agreement data** and save time versus manual reviews and analyses.
- **Extract and analyze key contract data points**—including termination and renewal dates, insurance and ESG clauses, and price fluctuations and rebates/discounts—to identify opportunities for cost savings and uncover trends in spending and supplier performance.
- **Use AI-driven agreement analysis to identify risks early in the negotiation process** and avoid unfavorable terms and noncompliance.

"Organizations leave so much money on the sidelines by providing services outside contract entitlements. Once that happens, recouping those earnings can be very difficult."

John Dougherty
Head of Manufacturing for the Americas
ServiceNow

Source: Docusign

Centralizing procurement agreements is essential for organizations looking to fully harness the power of AI-driven insights. AI can reveal opportunities to negotiate better pricing with suppliers, consolidate vendors, or benchmark performance against negotiated terms.

"Organizations are sitting on vast and valuable amounts of agreement data that few have the time to go through. Whether it's analyzing every transaction they've had with a given supplier or identifying patterns across multiple agreements, generative AI enables them to unlock insights that would be too time-consuming or complex to uncover manually."

John Dougherty
Head of Manufacturing for the Americas
ServiceNow

Source: Docusign

Better spend management starts with smarter agreement management

"Enterprise leaders across companies of all regions, industries, and sizes are looking for better ways to manage their agreements. To meet this moment, enterprises need to take a holistic approach to agreement management, considering elements such as technology, governance, and strategy to drive favorable outcomes."

Jonas McCormick
Principal
Deloitte Consulting LLC

Source: Deloitte & Docusign

Docusign is redefining how organizations unlock the full value of their indirect procurement agreements, transforming them into powerful assets that drive business forward. Our platform streamlines every step of the agreement process by digitizing, automating, and standardizing agreement processes with features like:

Centralized intelligent repository

A single, organization-wide source of truth to store, manage, and analyze agreements.

Seamless integrations

Connect agreement processes with essential business systems, ensuring agreement data flows effortlessly across platforms.

Customizable workflows

Modular tools and workflow design options to create agreement solutions that align perfectly with business needs.

Discover how Docusign can eliminate indirect procurement agreement roadblocks and drive smarter, faster results across your organization.

Learn how our own procurement team uses Docusign solutions, and get in touch today.

About Docusign

Docusign brings agreements to life. Over 1.5 million customers and more than a billion people in over 180 countries use Docusign solutions to accelerate the process of doing business and simplify people's lives. With intelligent agreement management, Docusign unleashes business-critical data that is trapped inside of documents. Until now, these were disconnected from business systems of record, costing businesses time, money, and opportunity. Using Docusign IAM, companies can create, commit, and manage agreements with solutions created by the #1 company in e-signature and contract lifecycle management (CLM).

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