



## Introduction

Firstly, I would like to thank you for visiting our website and downloading this document. By getting this far I would hope that you are interested in making improvements to your organisation's contract management and reaping the many benefits that will come your way as a result.

To move this idea forward it is very likely that at some point soon you are going to have to develop a business case that demonstrates a compelling return on investment.

I sincerely hope the information below will help you get you to that point.

If you need any further help or would like a demonstration of how our software will help you achieve the benefits you are looking for then please don't hesitate to [contact us](#).

Kind regards

Noel Green

Founder

ContractsWise Limited

## What do we mean by contract management?

A lesson we learned very quickly is that contract management can mean different things to different people. We would recommend that your business case includes early on a statement that defines what you mean by contract management.

Our solutions support the actions that are necessary following the award of a contract to ensure that it delivers the outcomes that are expected of it both from the outset and over the life of the contract during which time it is quite possible that the required outcomes will need to change.

Contract management is most frequently discussed in terms of purchased services, goods or works but the principles involved are equally valid from the sell-side as well as the buy-side.

Although we have already identified that we are focussing on managing contracts post award, I believe it is important to recognise that contract managers have an important role to play in establishing a workable and



achievable contract during the procurement or selling process. Even the best contact manager is going to struggle to make an unachievable contract a success.

## Why is contract management needed?

The International Association for Commercial and Contract Managers (IACCM) which includes half of the global Fortune 500 companies has conducted research which shows that unmanaged or poorly managed contracts on average are costing the equivalent of 9% of revenue!

There is other research evidence to show that the gains achieved during the procurement process can be quickly and easily lost through the lack of adequate contract management. Alvares and Marsel put a figure of 75% of benefits are lost within 18 months to this.

Similarly research (see Aberdeen Research, UK National Audit Office) has shown that unmanaged contracts or poorly managed contracts lead to significant unplanned costs, bad performance, contracts which have become unfit for purpose and an increase in delivery risks.

To flip the coin and show a more positive aspect, good contract management provides the opportunity to improve contract performance and increase value for money and achieve results beyond original expectations.

## What are the business case benefits?

The achievable benefits will of course vary from organisation to organisation and a benefit that is seen as critical to one organisation may be seen as relatively insignificant to another. However, the potential benefits are many. Here is a list that you can build into your own business case. It wouldn't surprise me if you were able to add one or two of your own. If you do then we would be delighted to hear them.

We have concentrated this list to the achievable benefits from managing contracts. Our software solutions are cloud based and there are numerous benefits of adopting cloud based solutions and you'll be able to find these following a quick internet search or talking to your ICT team.

Benefit	Notes
Avoid unplanned costs	Do you have any in-house examples? Consider quoting costs of correcting a problem created by supplier or customer actions that could have been avoided or prevented. Research has shown that the unplanned costs of unmanaged contracts averages 17% of the contract value.

Never miss a contract renewal or termination opportunity.	Many contracts, particularly in ICT and facilities require a notice of termination months before the contract end date. Missing that notice period could mean committing to a contract for another 12 months when the contract is no longer needed. Or having a contract for another 12 months when you know a better value alternative is available. We have seen numerous examples of both. What is the potential cost to your organisation of failing to cancel or renegotiate a contract?
Realise planned cost savings or revenue improvements.	Is your company or departmental budget reliant on achieving savings created through procurement or a major transformation project or a new customer initiative? Are those benefits guaranteed without having to manage a contract or contracts? What percentage of the budget is at risk?
Reduce administration time	How much time is wasted looking for contract information? How much time is wasted having to redo work because the latest document template was not being used?
Reduce document storage space	Can the space used up for hard copy documents be better utilised or can storage costs be reduced?
Improve supplier and customer relationships.	Supplier and customer relationship management falls within the overarching umbrella of contract management. Sharing information, goals and objectives can all lead to significant financial and service quality improvements and efficiencies. Consider the administration and legal costs that could be saved. Consider the benefit of retaining a customer/supplier versus the cost of finding a new customer/supplier. What would be the value of reducing a price increase or achieving a contract extension?
Implement continuous improvement	Contract management done properly is the ideal mechanism to identify ways in which contract performance can be improved. Can you quantify what even a small increase in Key Performance Indicators would mean to your business or service objectives?
Reduce risks	Contract management will help you mitigate existing risks, identify new risks more quickly and more quickly identify that risk events have happened. Can you quantify the potential financial impact of a low, medium and high risk event happening?
Improve compliance	An element of performance measurement can include monitoring compliance with statutory and internal rules and processes. Consider the potential cost of the outcome of non-compliance. Consider the potential positive impact on insurance costs.
Reporting contract performance	Contract management has historically struggled to achieve the attention at senior

	levels that its impact on an organisation deserves. Presenting performance and risks in an easy to read dashboard will enable greater interaction with senior managers and audit teams. A view of how performance and risk has improved over time will help demonstrate the worth of contract management.
Reduction in errors	Errors are costly, reduce efficiency and productivity and are harmful to reputations. Tracking performance, engaging with stakeholders are great tools for identifying and minimising errors. Consider the financial impact of errors in your organisations and the positive contribution made by reducing those errors.
Due diligence	A new benefit that has been highlighted to us by legal firms is that being able to show you have control over your contracts makes a big difference to any due diligence audits and will increase the value of your company accordingly.

## Project implementation

Although our systems are very easy to use and implement there are some foundations that need to be laid beforehand and it is good practice to highlight these in your business case.

### 1. Who is going to take ownership of managing the contract?

However good our systems are they cannot manage a contract for you. They will provide fantastic information, generate reminders and automate processes but at some point an individual is going to have to take action based on the information presented to them. The answer to this will depend on the structure, capacity and capability within your organisation. Likely options are:

- The contract owner (could be the budget holder)
- The contract manager (not necessarily the contract owner but has been allocated responsibility for managing the contract).
- Procurement team (the required skills to manage a contract may exist here, particularly but not necessarily limited to buy side contracts)
- Account management team (the required skills to manage a contract may exist here, particularly but not necessarily limited to sell side contracts)



## **2. Do you need to build contract management skills?**

If the capability and capacity does not exist within the organisation you will need to consider buying it in on a temporary or full time basis and/or upskilling existing staff.

In order to address this issue we have developed a contract management e-learning module designed to build skills and awareness for both contract managers (or those taking responsibility for managing contracts) and contract stakeholders. More information is available [here](#). The cost is only £30 per learner with discounts for bulk purchases and subscribers to [ECMS](#).

Also you may wish to consider talking to the Chartered Institute of Purchasing and Supply (CIPS) and the International Association for Contract and Commercial Management (IACCM).

## **Systems integration**

You need to consider what the real benefits of system integration are. There is often a school of thought that says that our systems must be fully integrated which translates to "we need a single system that will do everything".

I would ask that you really consider the implications of this approach. These days it is very simple for different systems to talk to each other and as a result you can go for "best of breed" in specialist functions. Is the best e-sourcing system the best at managing contracts post award? Is the best P2P system the best at managing contracts?

How much time and effort is really being saved by having a single system? And does that outweigh the benefits of having the best systems?.

Here is a really interesting article published in Computer Weekly arguing that users of cloud based systems are better off with a "light touch" approach to integration, allowing the cloud application to operate on a standalone basis as much as possible, only connecting with in-house systems when necessary.

<http://www.computerweekly.com/news/2240232343/Application-integration-demands-a-light-touch-in-the-cloud>

For help and advice on contract management systems and implementation please contact us.