



The Outsourcing and Insourcing Advisory Firm

Complex Contracting Challenges

Meeting the Demands of Managing Today's Strategic Relationships

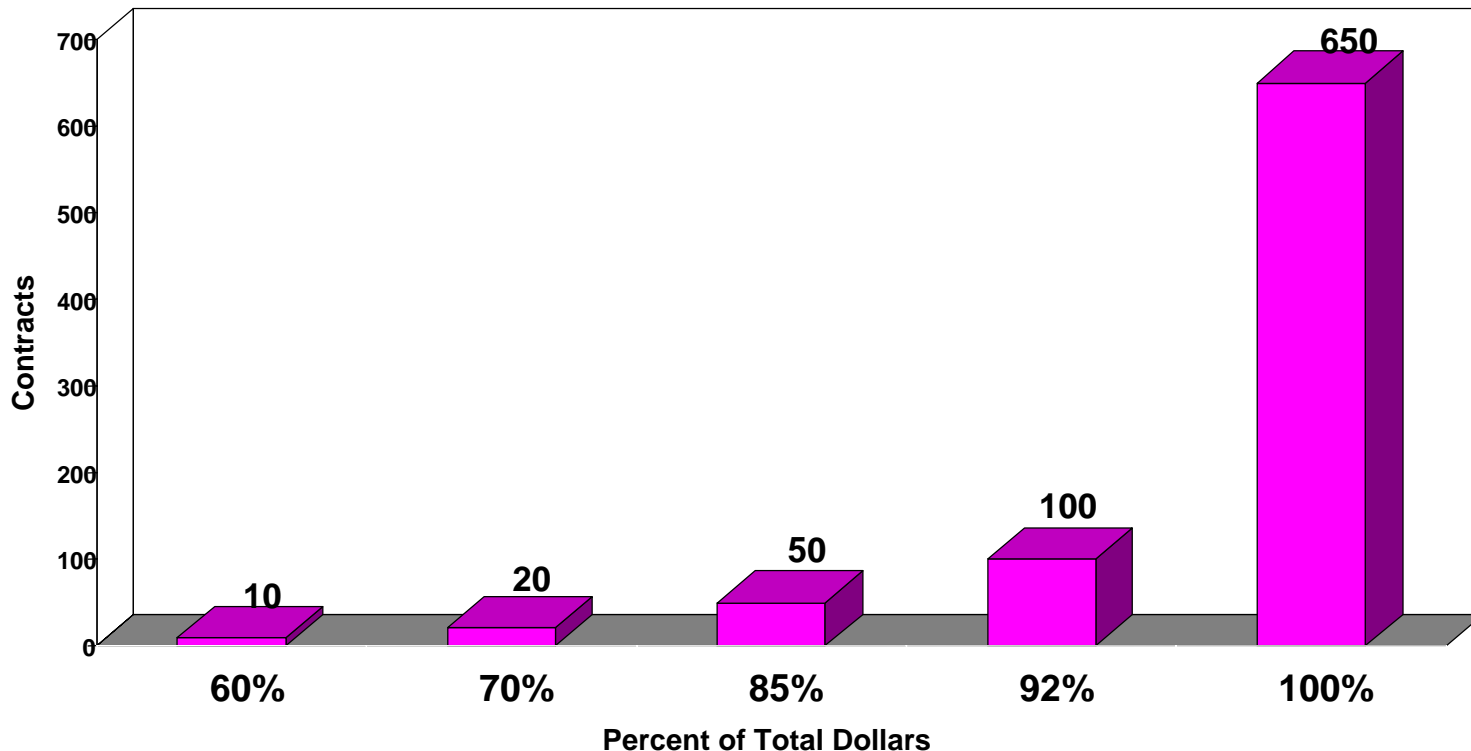
IACCM Americas
Conference
San Diego
April 2006

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- > **Background**
- > **A Streamlined Global Contracting Environment**
- > **An Effective Multi-Supplier Governance Model**
- > **A Strategic Supplier Program as a Key Foundation Element**
- > **Conclusion**

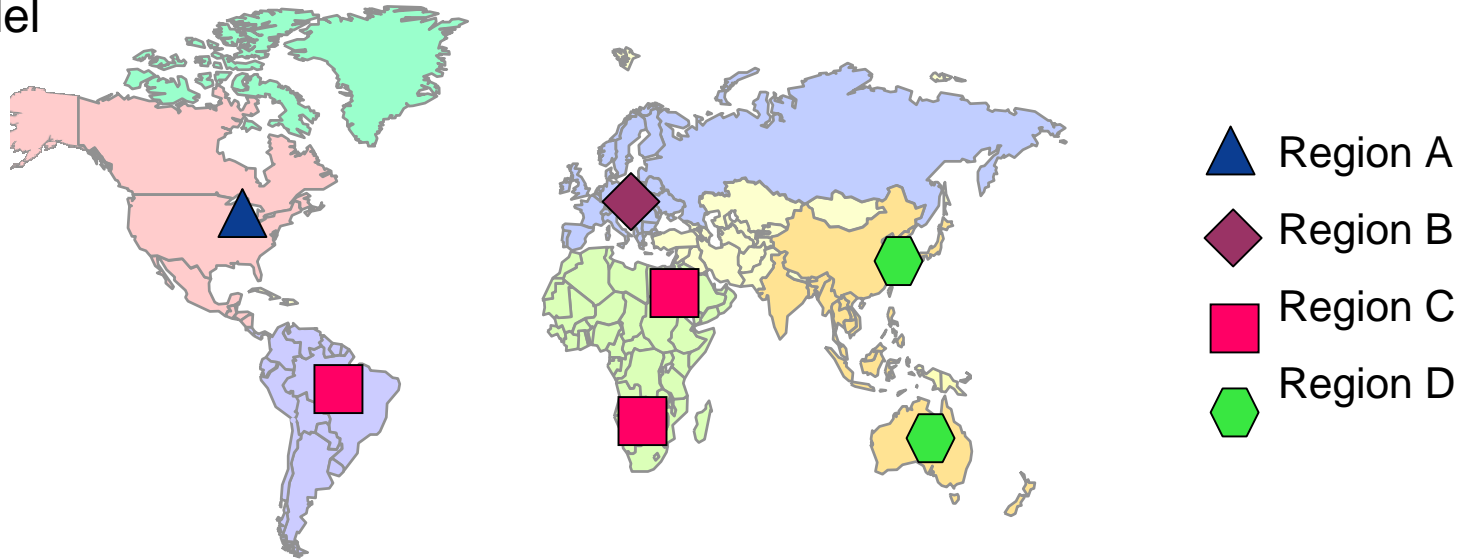
Complexity is Pervasive

- > Few or many countries worldwide
- > Small and large environments
- > Partially and fully outsourced environments
- > Typical IT contract spend distribution

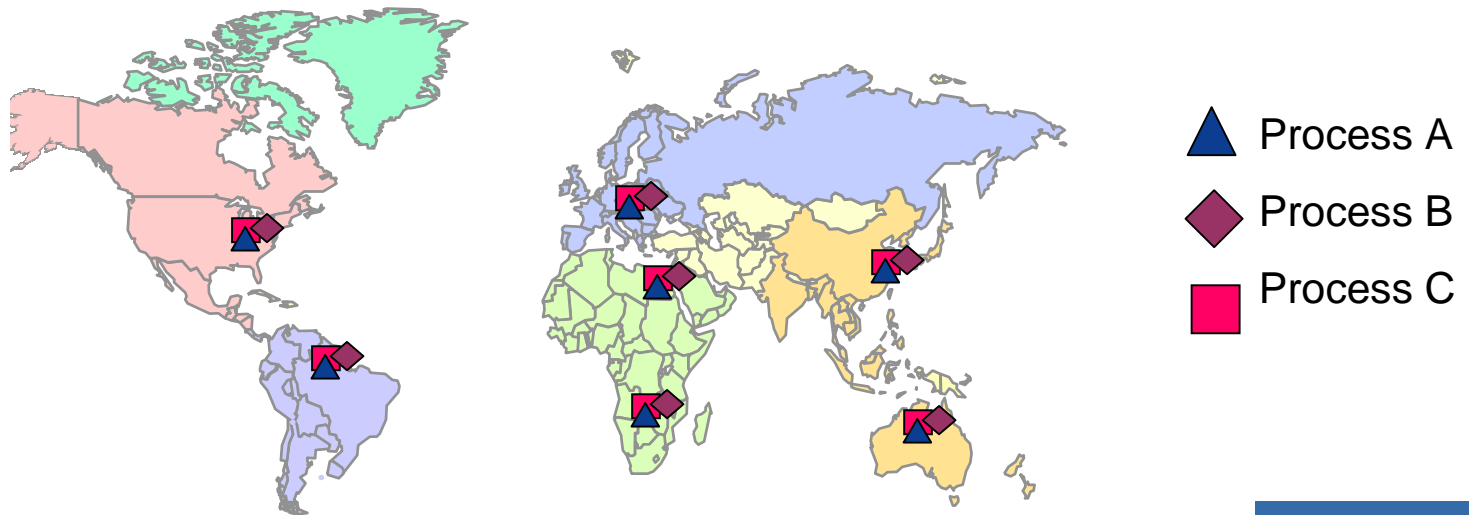


We are Transitioning from "Think Global, Act Local" to "Global Collaboration"

Previous Model



Next Generation Model – Global Process Focus



Global Collaboration

In sourcing terms this means a transition from “Global Volume and Relationship Leverage” to “Outsourcing of Common Processes Globally”

The real change is true economic leverage of common global processes in an environment of co-opetition

The New Environment Requires Four Fundamentals to be in Place

1. **A streamlined global contracting environment**
 - **Contracts aligned with strategy**
 - **Utilized to help drive internal and external behavior**
 - **Aligned worldwide**
 - **Effective and efficient execution**

 2. **An effective multi-supplier governance model**

 3. **A strategic supplier program as a key foundation element**

 4. **Standardized environment**
 - **Documents**
 - **Processes**
 - **Governance**
- } Embedded
Throughout**

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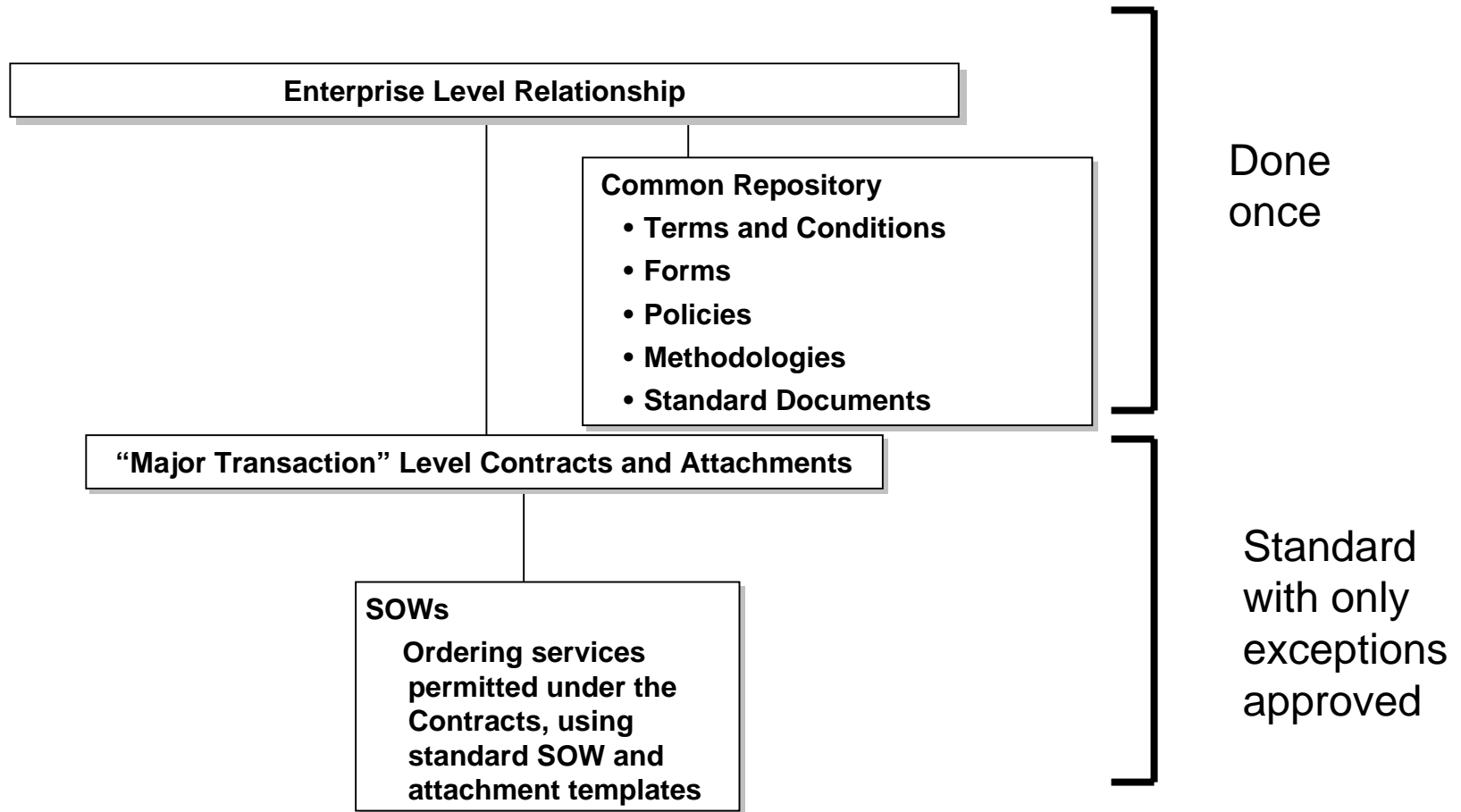
A Streamlined Global Contracting Environment

Contracts become a tool, not an inhibitor, if:

- > We actively identify, understand and translate Business Intent into contracts**
- > Have a process to ensure contracts adhere globally to the Business Intent**
- > Regularly test for, measure and enforce adherence**
- > We actively involve suppliers in the process design**

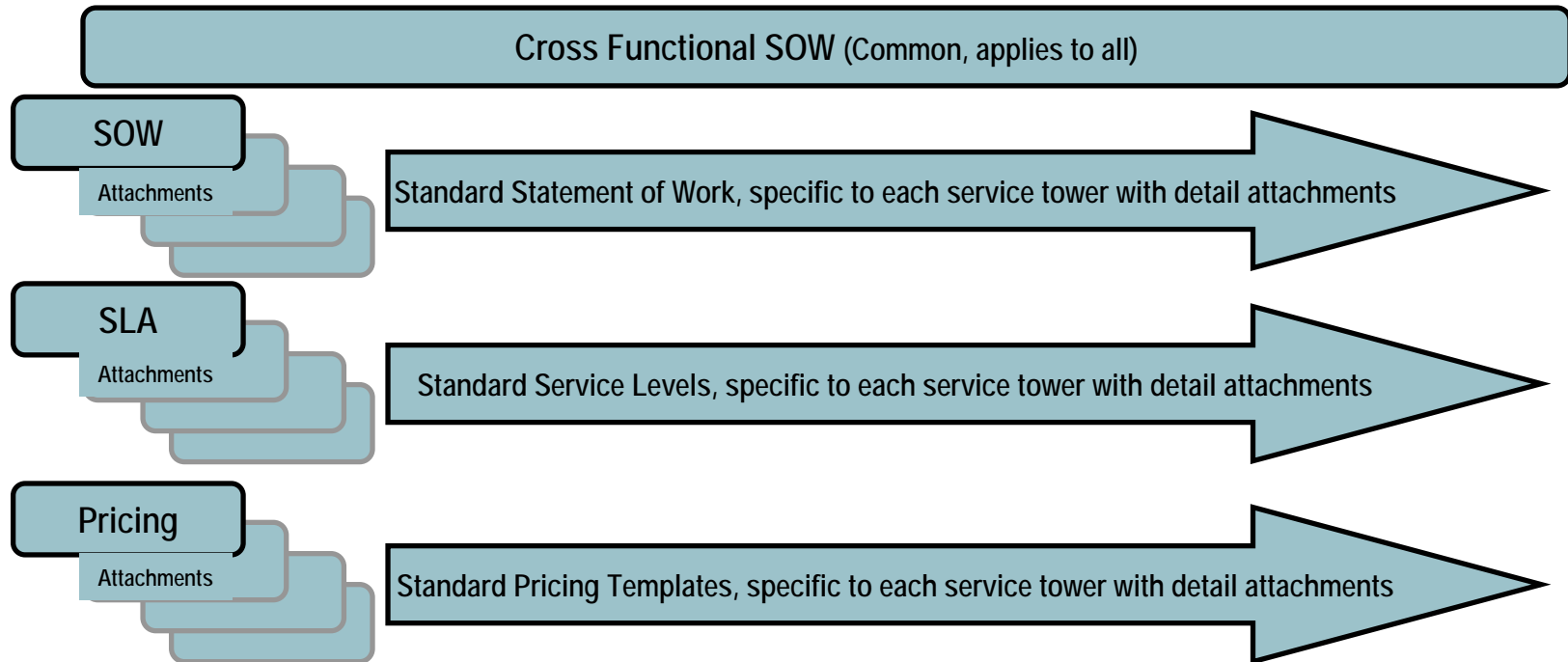
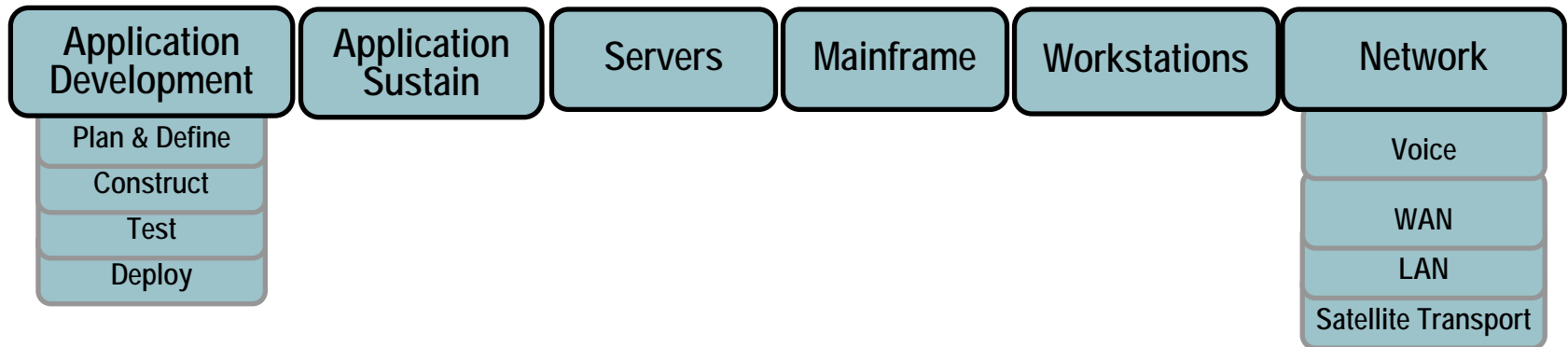
The hidden value of effective contract management is internal discipline

Ridged but Flexible Document Standards are a Necessity



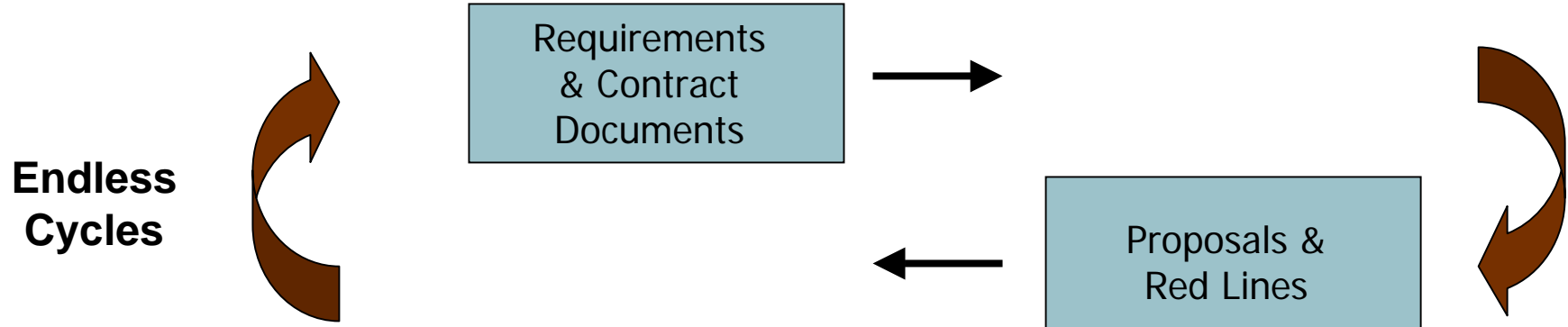
Engineer out complexity, inconsistencies and duplication of effort for both sides

The Value of Modular, "Off-the-Shelf" Construction of Contracts



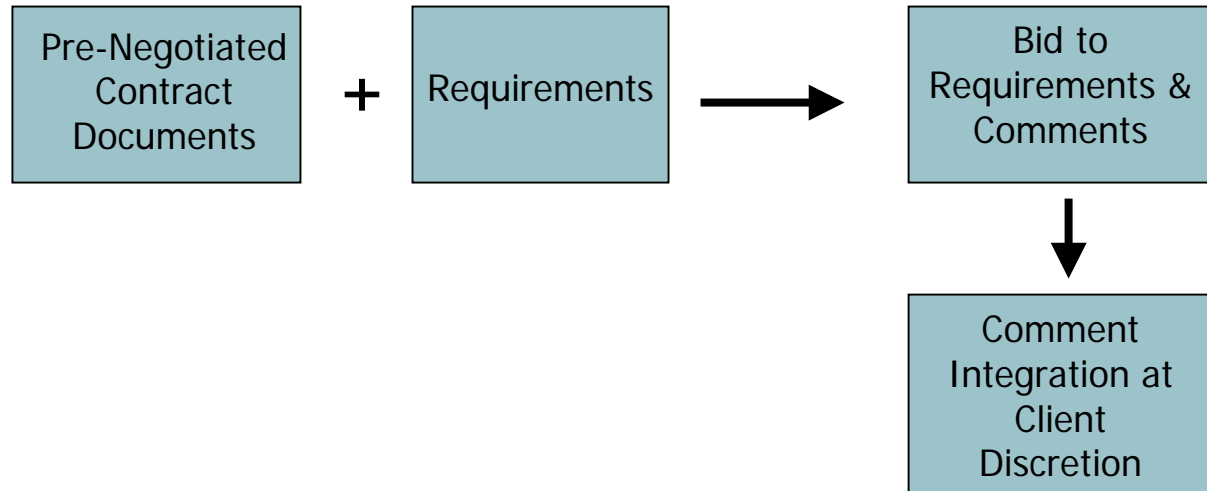
A New Results-Focused Negotiation Process

Old Approach



New Approach

Single Cycle



What Results Should You Expect from Your Contracting Group?

Recent Projects yielded the following:

- > **Lead Time reduction** - 60 to 70%
- > **Reduction in Paper (effort)** - 40%
- > **Contracting Management Cost** - 40 to 45%
- > **Fewer than four deviations from standard documents per major agreement**
- > **Reduction in pursuit cost** - 15 to 30%

Savings, leading contracting practices are assumed

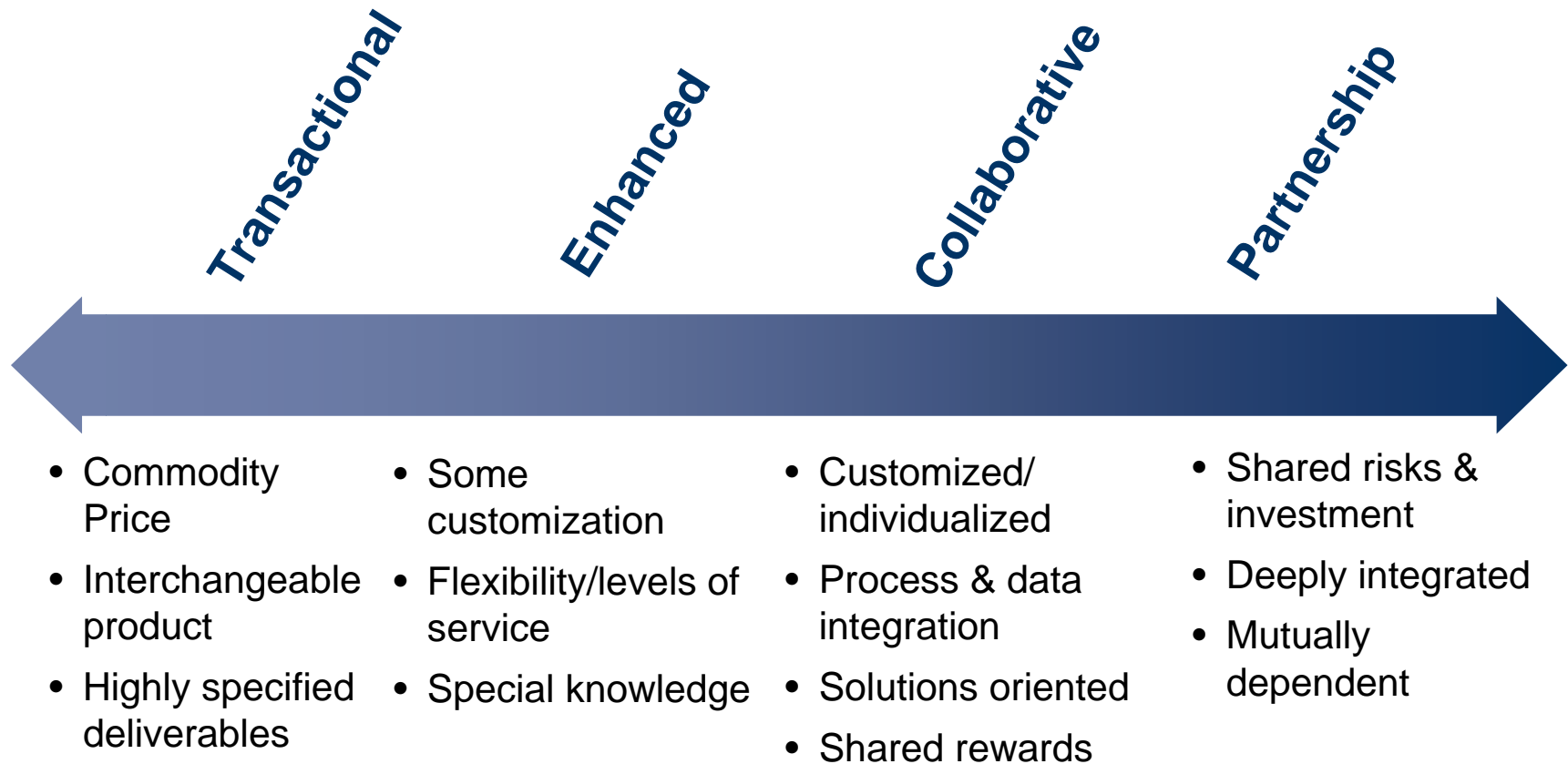
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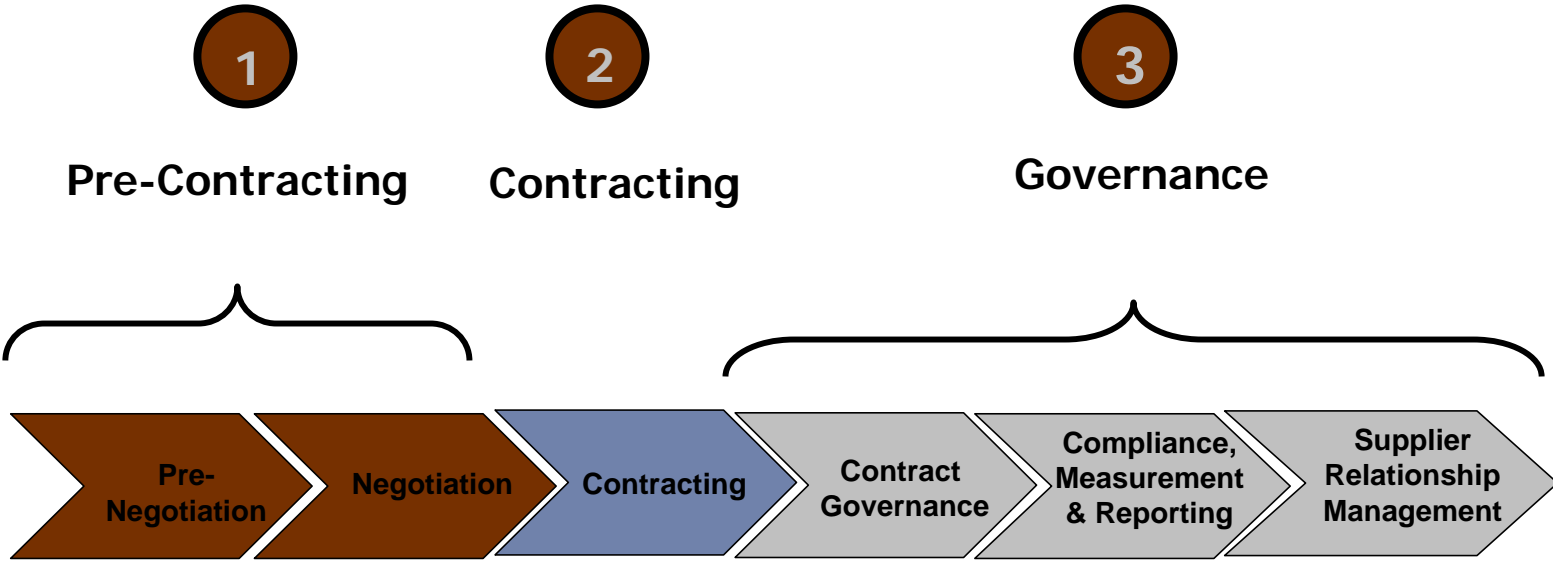
An Effective Multi-Supplier Governance Model

- > **Clarity on supplier relationships**
- > **Governance as an integral part of a holistic sourcing process**
- > **All basic governance components are in place**
- > **A multi-supplier governance model is defined and established**

The Relationship Continuum

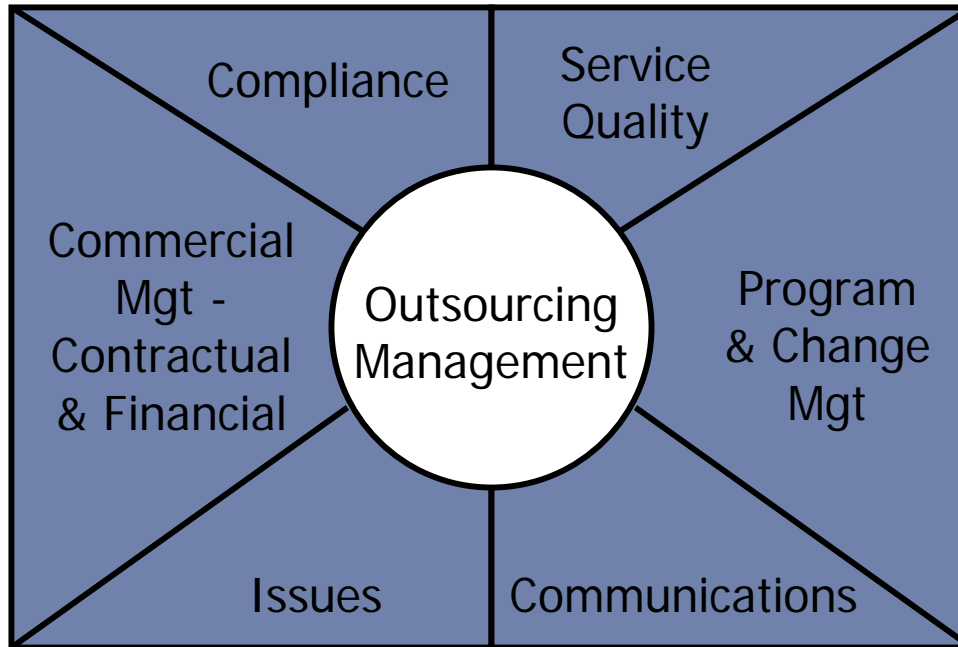


Governance as an Integral Part of a Holistic Sourcing Process



Helps reduce supplier's risk and buyer's price

All the Basic Governance Components are in Place



The better the governance environment, the better the teaming, risk management, performance and overall cost

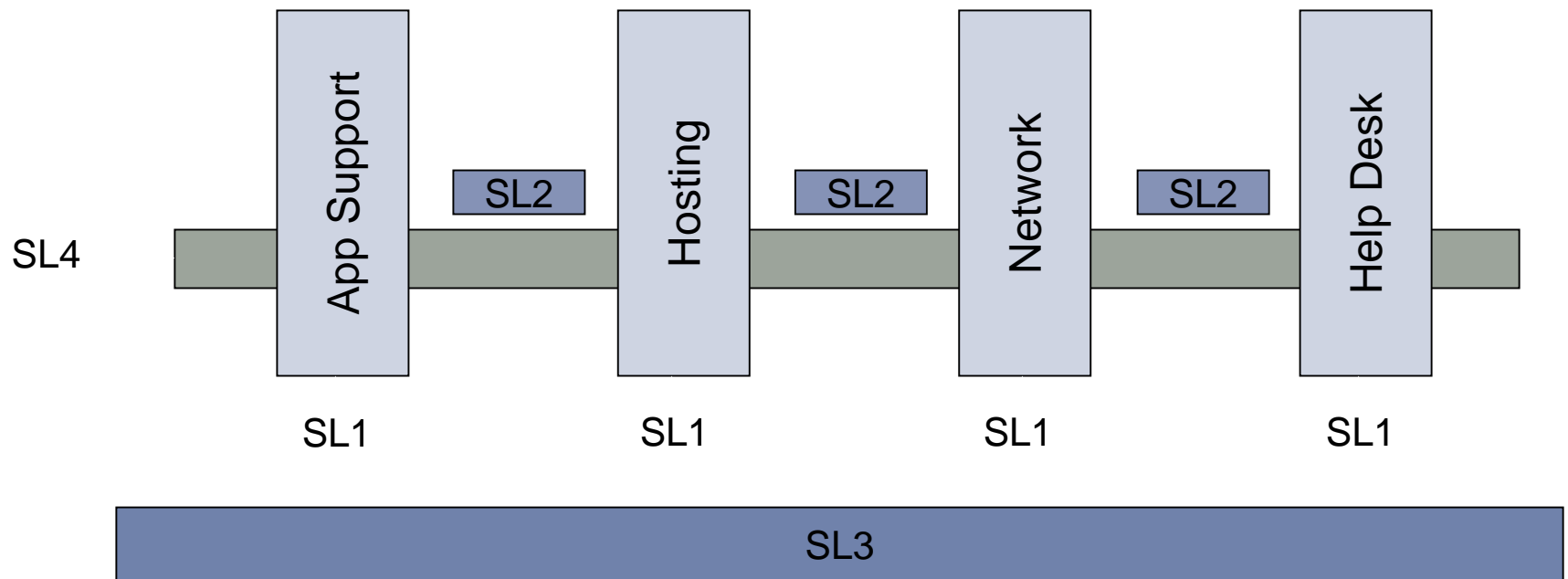
Holistic Approach to Governance

Governance Processes					
Service Quality Management	Problem Management	Change Management	Financial & Contractual Management	Compliance Management	Communication Management
Service Performance Management	Issue Management	Strategic Change Management	Contract Change Management	Regulatory Compliance	Customer Relationship Management
Stakeholder Satisfaction Management	Dispute Resolution	Request for Service	Invoice Verification and Payments Management	Internal and External Audit	Business Requirements Identification & Liaison
Service Knowledge Sharing	Emergency Management	Program Management/ Transition	Service Cost Allocation Management	Safety and Security	Corporate Communications Management
Root Cause Analysis		Demand & Consumption Management	Financial Benefits Realization Tracking and Lockdown	Data Privacy	Relationship Alignment Review
		General Risk management	Financial Performance Reporting	Other Policies and Procedures	3d Party Supplier Communications
			Benchmarking	Business Continuity Management	
			Asset Management		

- > **In a multi-supplier environment the service level methodology must:**
 - **Retain specific supplier accountability where possible**
 - **Enhance end-to-end performance incentives**
 - **Create incentives to provide inter-provider collaboration**
 - **Create levers to ensure compliance with process quality standards**
 - **Retain a thin layer of management**

It should be designed to facilitate suppliers working together for their common client

Multi-Supplier models contain four types of service levels:



- SL1: Component Level**
- SL2: Interface / Handoff**
- SL3: Collaborative Process**
- SL4: End-to-End**

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A Strategic Supplier Program as a Key Foundation Element

What is a Strategic Supplier Program?

A Program that:

- > Identifies, evaluates and selects preferred suppliers for each segment**
- > Builds consensus around sourcing strategies**
- > Objectively assesses supplier performance at regular intervals**
- > Assigns mentors to key suppliers to take responsibility for the relationship between a customer and its supplier**
- > Builds relationships with supplier senior leadership**
- > Creates a formal process to pro-actively deal with inadequate supplier performance**
- > Collects and analyzes sourcing data for objective decision making**

It Includes a Real Commitment to a Relationship Management Program

- > **Its effectiveness is judged by what you measure**
- > **It should measure the necessary elements *bilaterally* in each of the following categories:**
 - **Partnership**
 - **Process**
 - **Continuous Improvement**
 - **Performance**
- > **It differentiates between tough negotiations and good relationships which are not mutually exclusive**

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In Conclusion

- > **Traditional contracting models and methods will no longer suffice**
- > **Significant change in traditional contracting practices are necessary**
- > **“Over the fence” cost management will not get you there anymore**
- > **Contract Management Outsourcing – the New Frontier...**



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