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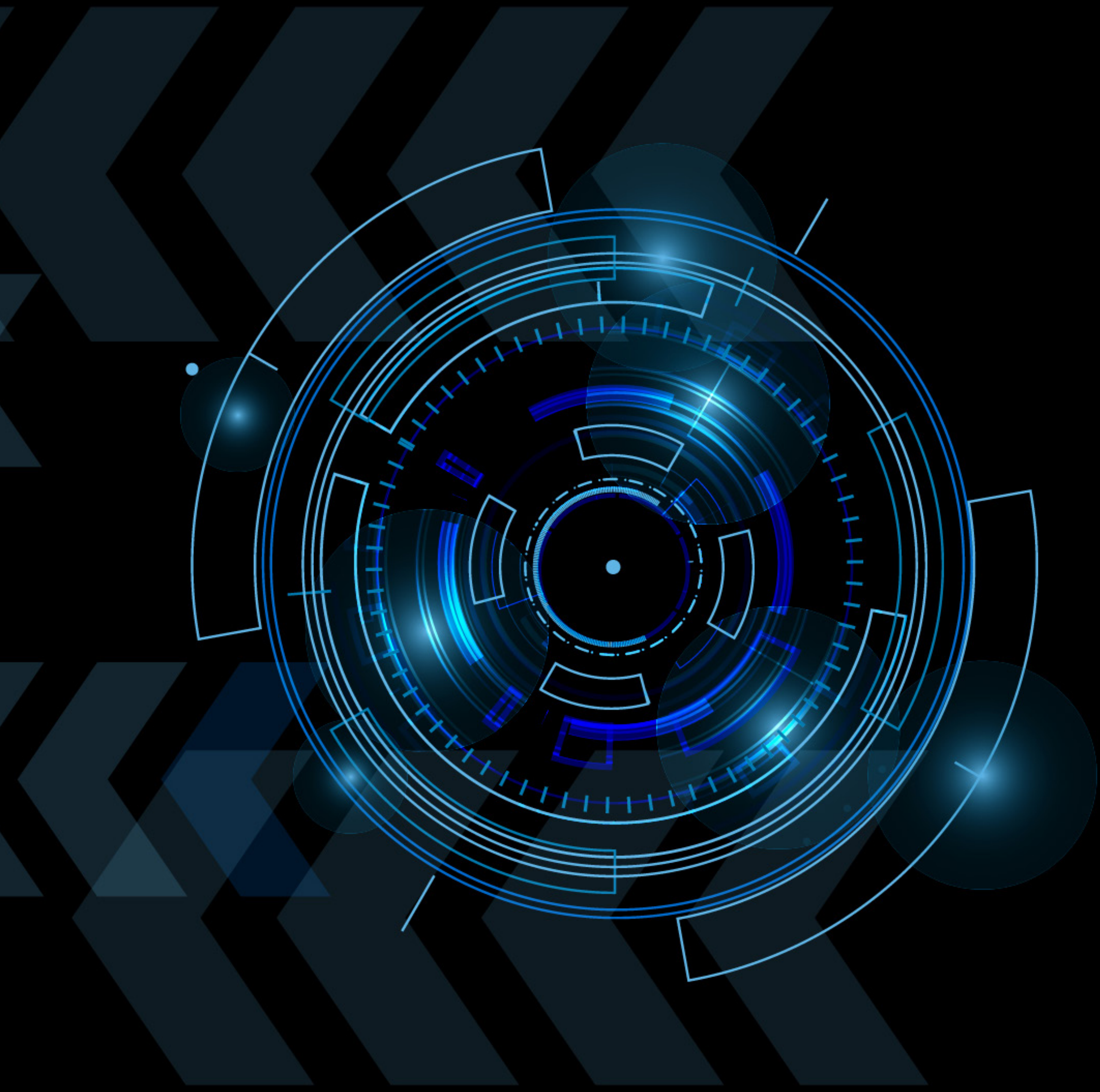


The Value of Post-Award Contract Management

According to the recent World Commerce and Contracting Association/Deloitte survey When Technology Meets Humanity: The Future of Contract Management, almost 70% of the costs and time associated with contract management are incurred post-award. Implementing a comprehensive contract management strategy can recognize that the true value of a contract is won or lost in its performance, not in its negotiation.

If you've ever signed up for a free 10-day trial and then forgot to cancel it, only to see an annual subscription fee charged to your credit card, you've fallen prey to the pitfalls of poor post-signature contractual obligations. Now consider the magnitude of similar failures over thousands of contracts, each worth many times as much as your new subscription. That's the risk businesses face every day unless they take the appropriate steps to manage their executed contracts.

According to the recent World Commerce and Contracting Association/ Deloitte survey *When Technology Meets Humanity: The Future of Contract Management*, almost 70% of the costs and time associated with contract management are incurred post-award. While the negotiation phases of contracting dominate most conversations about contracting, the key value-producing activities for contracts often occur post-signature, after the contract takes effect. Yet only 39% of organizations surveyed are focused on improving their post-award processes. And only 34% reported working to introduce more robust approaches to obligation management.

To avoid costly post-award contracting errors, organizations should consider implementing a comprehensive contract management strategy that recognizes that the true value of a contract is won or lost in its performance, not in its negotiation. Here are the key areas they should focus on.

The need for a holistic contract management strategy

Effective contract management strategies can drive value by involving stakeholders from across the business. Greater and broader stakeholder engagement can lead to better compliance, higher operational efficiency, reduced risks, and stronger relationships that promote growth.

But many organizations invest heavily in tools and technologies that focus on pre-award activities as if contract management ends with the signature. These approaches overlook the two critical buckets of post-signature activities: (1) legal compliance with notices, change orders, renewals, and amendments and (2) commercial obligations such as invoicing, discounts, and performance management.

The past two years have taught us that organizations cannot pivot unless they fully grasp their contractual obligations. As the coronavirus pandemic triggered shutdowns, shifted demand, and fragmented the supply chain, organizations urgently needed to better understand the status of their contract performance, clarify their rights and obligations, and amend their terms. Often, however, they were hamstrung in those efforts because they couldn't quickly access their contractual rights and obligations – or sometimes even the agreements themselves.

A robust post-signature contract management strategy accomplishes two key goals. First, it ensures compliance with contractual and regulatory obligations such as change-order and dispute processes, notices, renewals, amendments, and reporting. Second, it addresses financially focused activities and obligations such as performance, pricing adjustments, invoicing, and discounts. Tools that focus on post-signature management can also help businesses:

- » Adhere to production, quality assurance, packaging, and delivery requirements.
- » Resolve claims and disputes.
- » Measure performance.

Post-award contract management prevents the contracts' value from eroding over time. These three incremental steps can help your organization mature its contract management processes.

1. **Know what contracts you have and what they require**

2. **Develop a living understanding of the contract scope — and be prepared to enforce it**

3. **Mine contracts and relationships to assess their value**

1.

Know what contracts you have and what they require

Many organizations don't have a complete grasp of where their contracts are and what they say due to a shortsighted and outdated view of contractual data management that focuses solely on a contract's "four corners." To manage obligations effectively, businesses must go beyond their legal and commercial obligations to consider how their contracts interact with and inform their financial and HR systems.

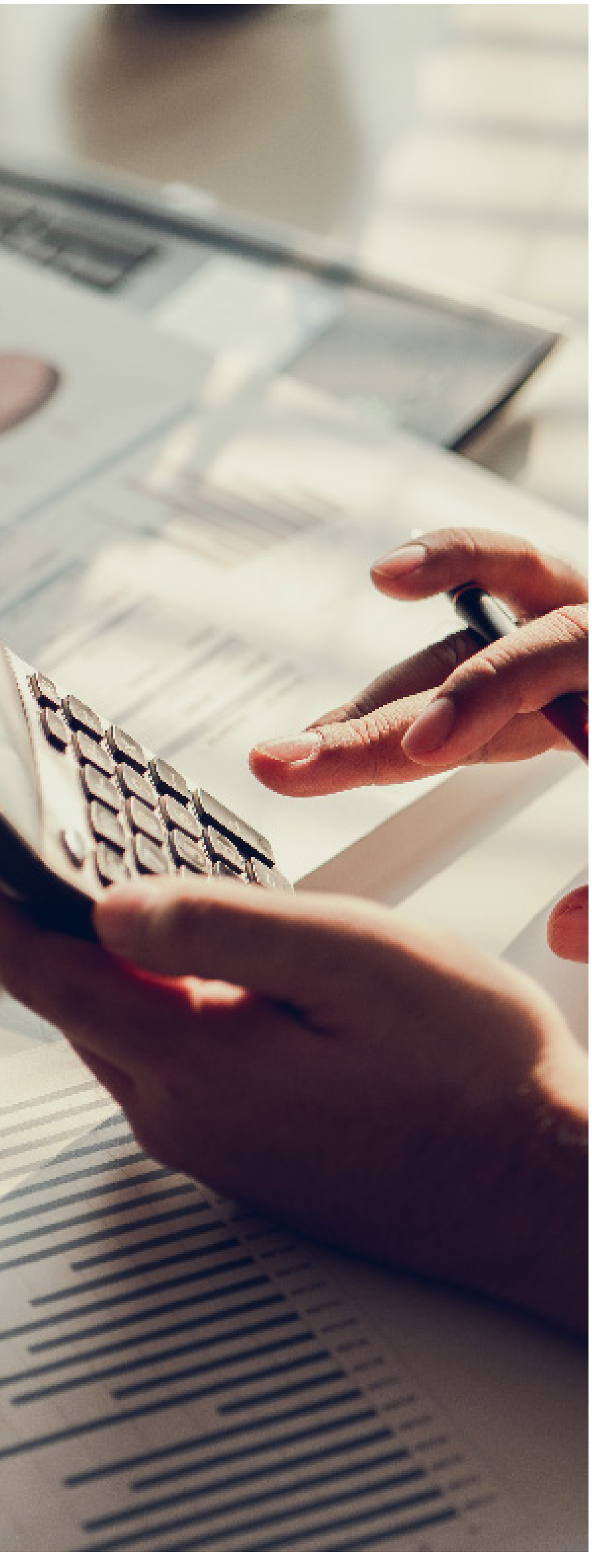
For example, many companies track the end dates of their contracts but fail to monitor the notice period required to terminate an agreement or discontinue an auto-renewal. As a result, they may be stuck paying for something they don't use. Consider reframing your view of contracts as assets that can generate profits – but only if they are tracked correctly.

2.

Develop a living understanding of the contract scope — and be prepared to enforce it

Most contracts recognize that projects, relationships, needs, and wants will shift over time and include clauses that address how to handle those changes. But the people who negotiate these terms usually aren't in charge of enforcing them. As a result, companies may default to creating change orders without first checking the contract terms.

While it may seem easier and safer to issue a change order for every change, that approach can have costly consequences. For example, you may pay for something twice, recover too little for a missed deadline, or ruin a mutually beneficial business relationship. Instead, ensure you understand the scope of each contract and implement processes to detect contract thresholds that trigger a change in posture.



3.

Mine contracts and relationships to assess their value

The World Commerce and Contracting Association/ Deloitte survey shows that only a third of companies measure the financial impact of their contracts on their business. Only about one in five attempt to calculate the costs and benefits of contract management.

Routinely examine your contracts and contractual relationships to assess whether you are overspending or being underpaid for your performance. To do so, set meaningful post-signature key performance indicators to measure productivity and revenue. These KPIs can help you avoid:

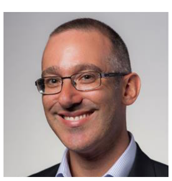
- Invoicing errors.
- Paying for unachieved service levels, deliverables, or outcomes.
- Buying unnecessary or duplicative goods or services.
- Maxing out earned credit or negotiated discounts.
- Failing to bill for required and delivered work.

Measuring KPIs can also help you reduce compliance risk and administrative burdens, improve monitoring of existing service-level agreements, and enhance the value proposition of third-party relationships.

Taking a more proactive stance toward your entire contract portfolio

Although post-signature contract management requires an investment of time and resources, it can pay hefty dividends in enhanced profits and reduced losses. Contract management can also reduce revenue leakage by improving invoicing and change-order practices and ensuring that you hold your business partners accountable for their promises.

Best of all, when organizations begin to view their contracts as strategic business assets rather than as a source of frustration, they can mine them for data that may help them manage risks, strengthen compliance, gather insights into performance, improve business outcomes, and generate higher profits.



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