Klaus F. Odenwälder on

Contract Management, Processes and Tools in Outsourcing at Contract Start

The market is full of all types of service offerings and software tools for managing contracts. The offers can be confusing, and no one meets all needs especially when it comes to outsourcing. What suits you best in the initial outsourcing period? And how effective can consultancy services and software tools be during this time?

What to do first: Decide on Processes or Tools?

Often management considers tools as a silver bullet that magically will make complex outsourcing management processes and its alignment disappear. We frequently observe that companies fall into the trap of trying to implement the "ultimate solution" across all aspects of contract management and governance processes and dilute the management energies that should be focused on a healthy client-provider relationship.

We believe that it is better to get the management basics in place before embarking on elaborate tool implementations. Outsourcing clients should focus on transition and contract management processes as well as governance at contract start. In every outsourcing environment, governance and processes should come first even if the future mode of operation (FMO) will be reached well after transition close-out. Once the environment and processes are well managed and stable, tools can be successfully applied to further improve the effectiveness and efficiency.

Does this mean you should not use or implement tools at contract start? Not at all! ODENWÄLDER CONSULTING suggests a practical approach, born from years of experience in this field. We advocate to rely on easy to use tools in an incipient outsourcing relation.

The important things occur at contract start

Implementing contract management processes requires experience. Being able to track the parties' contractual obligations is vital. The Contact Management and Transition Team need the contract language translated into clearly defined deliverables and easily accessible reference material as soon as possible. Therefore the early availability of a comprehensive contract analysis represents a key asset and prerequisite for a successful outsourcing.

Deploying the right experts who have the skill and experience to perform a comprehensive contract analysis saves time and money. Experienced experts can do it faster and at higher quality than most clients can do internally or offshore. What is not done well at the beginning is much more cumbersome and costly to correct in the aftermath.

> **Consider this:**
>
> Know your contract and obligations right from contract start and reinforce deliverables ownership and responsibilities before you think of processes and tools.
>
> Focus on making processes operational and running. If processes are ill-defined, a process supporting tool will only electrify the chaos.
>
> Use tools you have already deployed to start with. Nobody is perfect! This applies to tools too.

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So what is recommended?

There are several key areas to manage on Day One: deliverables, roles, responsibilities, service levels, governance boards, service continuity, etc. Too often, the focus is on service operations while the other areas get neglected e.g. obligations that are to be performed by both parties under the agreement.

Managers new to outsourcing are often put off by the size and complexity of an outsourcing contract, which can run to thousands of pages. They do not have the experience nor the time to analyse the contract and to extract all contract obligations.

ODENWÄLDER CONSULTING can provide your company with a comprehensive contract analysis shortly after contract signing. A professional contract analysis improves and secures the client's control over the outsourcing service provider. It puts the client on equal footing when it comes to contract knowledge and deliverables management, since outsourcing clients often do not have the breadth of experience the service provider has.

ODENWÄLDER CONSULTING favours a simple solution with existing tools for managing contract obligations. Our experts analyse the contract and document the contract obligations and deliverables in spreadsheets that gets the job done in conjunction with calendar functions in Outlook. It is low cost, low risk, and allows the client to remain focused on keeping control over the contract and its deliverables. Our emphasis is on operational processes not on tools.

The contract analysis spreadsheets enable the client team to manage the daily, weekly, monthly and periodic deliverables that were included in the contract to ensure value and quality of the services. With a disciplined contract deliverables tracking process and a stringent calendar management, nothing that was promised in the contract by either party will be forgotten.

Contact **ODENWÄLDER CONSULTING**

Dr. Klaus F. Odenwälder has over 20 years of experience in various outsourcing functions for IBM and more than 10 years as Project Team Leader and Contract Manager in new IT outsourcing deals. Dr. Odenwälder worked with a large variety of international outsourcing clients from SMEs to 'mega-deals'.

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Consider this:

Rely on experienced professional experts to perform the contact analysis.

Efficient tracking and monitoring requires to differentiate several kinds of obligations.

A contract analysis should distinguish and compile:
> Contract deliverables with due dates

> Recurring events and obligations

> Milestone dates

> Conditional and event driven obligations

> Contractually required roles

> Contractually required boards and
   meetings

> Documentation obligations
   e.g. procedures manuals content

> Reporting obligations

> Contract references to service baselines
   (scope, SLA, resource volumes)

> Rules of conduct conventions

> Process relevant contract clauses