Collaboration:
Why it matters, when it matters and what it means
Tim Cummins, April 2015
INTRODUCTION

Competing on outcomes and outputs
Traditional management systems are based on functional specialisms, designed to manage risk and opportunity through a process of ‘creative contention’. However, they are proving unable to cope with the speed of change and the extent of uncertainty.

- Too slow
- Too reactive to change
- Too focused on ‘rules’
- Too adversarial
THE RESULT

1. Lack of clarity on scope and goals
2. Commercial team involved late
3. Adversarial approach to negotiations
4. Protracted negotiations
5. Negotiation focus on risk allocation
6. Relationship lacks flexibility, governance
7. Contracts difficult to use or understand
8. Poor handover to implementation
9. Limited use of contract technology
10. Weak post-award process governance

Average value erosion 9.2%
BUSINESS NEEDS

Agility

Risk competence (risk as an opportunity)
BUSINESS NEEDS

- Lifecycle oversight and change management
- Risk competence (risk as an opportunity)
BUSINESS NEEDS

Lifecycle oversight and change management

‘honesty and integrity’

Risk competence (risk as an opportunity)

FINANCIAL TIMES

“Captains of industry” laud honesty and integrity in companies

Honesty and integrity are the two most important values upon which a company, according to some industrial and financial bosses, should be based.

“Honesty and integrity are far more important than the quality of a company’s products and services,” said Matthew Demont, director at Ipsos Mori, the polling company that questioned more than 1,000 company chairs and chairmen from top UK industrial and financial companies.
BUSINESS NEEDS

Sophisticated (competency-based)
Dynamic compliance and sensitivity ('honesty and integrity')

‘Captains of industry’ laud honesty and integrity in companies
Sarah Gordon, Business Editor

Honesty and integrity are the most important values upon which to judge a company, according to some of the UK’s top industrial and financial board members.

“Honest behaviour counts for even more than the quality of a company’s products and services,” said Matthew Chatterton, director at Ipsos Mori, the polling company that questioned more than 100 directors and chairmen from top UK industrial and financial companies.
BUSINESS NEEDS

Proactive empowerment
segmentation and selection

Collaboration with trading partners
Indicative questions we are receiving from member companies regarding executive demands for improvement and more holistic performance insights

• How does our contracting performance compare with others in our industry?
• What is the economic impact of different contract models or terms?
• What are the relative probabilities of risk and do our contracts reflect them?
• Do major projects have a higher failure rate and what are the causes?
• What are the best models for performance-based contracts?
• Who are our contracts designed for and to what purpose?
• What percentage of our contracts under-perform – and why?
NEW MODELS

What are ‘leading practices’?

• Shift in risk management focus
  – consequence to likelihood
  – leading to revised agenda for negotiations

• Relational / outcome based contracts
  – new models that drive improved performance
    (our research report indicates almost 50% reduction in ‘failed contracts’)
What are ‘leading practices’?

• Agile contracts

• User-based process and contract

• Contracts as a source of business intelligence and brand reputation
WHERE IS ‘BEST PRACTICE’ヘADED?

- New thinking by Law Schools
- Contract management as a source of ‘measured value’
- ‘The virtual reality contract’ (initiative with UK Government and European Commission)
- Industry standards (IACCM coordinating Legal working groups seeking to eliminate inefficiencies of today’s contract models)
- Artificial Intelligence (companies like IBM and SAP, plus some law firms, starting to implement AI within contract and legal management systems)
LEADERS IN VALUE-DRIVEN TRADING RELATIONSHIPS

- Forums and networking
- Training and certification
- Research and advisory
- Skills and knowledge
- Online Learning

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Any Questions?