



Organizing to Maximize Contracting Effectiveness

- Robert Henry

Abstract

In today's competitive business world legal teams are under increasing pressure "to do more with less". In many organizations lawyers spend a significant amount of time negotiating and approving supplier and client contracts. This carries a cost of not focusing their time on more strategic work. This paper proposes a comprehensive approach to improving contracting efficiency and effectiveness. From an organizational standpoint consideration is given to establishing a contract center of excellence which consists of contract management professionals, well defined processes, automation tools, and third party services. Establishing such a center will raise client satisfaction and reduce cost.

Challenge

Every part of the modern organization is being called upon to “do more with less,” including legal and its key client groups like purchasing. Better technology, process and resourcing models can help companies find “lost” revenues, reduce vendor costs, improve quality, reduce cycle time and save money on fees. However, most legal-related processes tend to be individual-oriented, deadline-driven and rarely have the luxury to “change the tires on a moving bus.”

Solution Strategy

To enable legal teams to provide better client service, leverage highly skilled personnel and provide better overall service some companies are establishing a lower cost global Center of Excellence (“COE”), or also referred to as Contract Management front/back office, to negotiate and administer contracts, connecting key functions with “managed services glue”. This function typically reports into Legal or Procurement either on a solid or dotted line basis. By establishing a COE a significant amount of work is taken “off the plate” of legal so that they can focus on more strategic work. Our experience indicates that the cost of contracting can be reduced by as much as 30% and also improve client satisfaction.

By integrating a COE with a collaboration platform like that used at Cisco [1], companies can get immediate benefits from a legal process outsourcer while the “rules” are being codified, and maintain long-term quality, transparency and flexibility.

Success Factors

A high performing COE is built around best practice processes, staff with the right skill set, automation tools, third party services and a culture of high quality. The organizational structure and assignments are aligned to stakeholder requirements to establish accountability, and the COE role is well understood across the company.

Other Considerations

- The interface with legal is critical. Establishing pre-approved “fall-back” clauses in the form of a playbook reduces the amount of time expended by both legal and the COE discussing revisions that are recurring in nature. Legal also needs visibility on the status of contract negotiations.
- The COE, Legal, and other internal stakeholders must have access to contracts and supporting documentation., A data repository which stores executed contracts along with associated documentation, SOW’s, NDA’s, etc. is a requirement. The repository can be designed as a module within a knowledge or contract management system which has broader capabilities- collaboration, dashboards, reporting, and alerting (i.e., contract renewals). A full featured contract management system can also be considered to streamline contract negotiation and approval workflow.
- A self- service portal which allows internal stakeholders to request a contract, view status, set a priority level, and view status. Incoming contract requests are assigned to a contract manager and prioritized so that urgent and strategic transactions are handled appropriately.
- End-to-end contract processes must be well documented and adhered to, but the right COE model enables enough flexibility to make things work. Periodic self-audits should be conducted to assure compliance.

Organizational Models

The structure of this function will vary depending on the nature of the business, geographical spread, and philosophy of the company. Here are a few examples of organizational structures that can be considered:

- Central site which supports the local region and sets contracting policy and standards for the company. Regional sites provide all contracting services for their geographical area.
- Central site to support all operating areas. A limited amount of local support is provided in the form of company employees or a third party service provider (LPO) to address local law and business practices.
- Split the COE responsibilities between a front office which is client/supplier/stakeholder facing and a back office for all administrative duties. A third party services provider (LPO) should be considered for the back office work.

More on Partnering with a Third Party (LPO)

Third party providers offer another level of leverage to a contracting organization by augmenting the COE staff. LPO's provide scalability (on either a project or recurring basis), labor arbitrage, well defined processes, skilled resources and SLA commitments. Organizations have found value by securing third parties to:

- Negotiate low value and high volume contracts.
- Abstract and upload digitized versions of executed contract documents and relevant correspondence and approvals.
- Maintain the contract or knowledge management system-documents, tasks, etc.
- Respond to external stakeholders for interpretations, research, contract retrieval, and system support.
- Manage contract renewals, obligations, reporting, or other trigger events.
- Create contract clause playbooks and standard agreements.

Implementation Steps

The first step is to select a leader that will put the right culture in place – a client service orientation, sense of urgency, process orientation - and has already established credibility within the company. Next, the leader must meet with internal stakeholders to assess their level of satisfaction and sell the mission of the COE. A small group of contract managers that share the mission must be recruited to prove that the model works. Initially lawyers and stakeholders will be skeptical.

With leadership in place, processes and systems are required to enable team growth. As part of this exercise, it is very important to define what work will be retained by the legal team. Hiring a consultant will accelerate implementation by mapping current and future processes, organizational design, and tool selection. Finally, to scale the work output a third party legal provider should be selected to augment your staff, respond to peak workload, and handle some of the more repetitive administrative duties.

In summary, executive management teams are requesting that the legal department reduce their cost base, provide a high level of service, and bring more work in-house. A COE will free scarce legal resources, reduce the cost of contracting, improve client satisfaction, and contribute to the bottom line through negotiated cost savings and realization of revenue on a timelier basis. IACCM has recently found that effective contracting can increase the bottom line by 9% [2]. Industry experience, including my own, has seen productivity improve and cycle time reduced by as much as 25%. For these reasons executives are viewing a COE team as a way to achieve more effective contracting which in turn creates a competitive advantage.

REFERENCES

- [1] Renee Dankner, Principal and General Counsel, Copyright©2012 Legal Executive Leadership, LLC (permission obtained) – See [PDF](#)
- [2] IACCM Webinar, Tim Cummins, May 2012

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Bob has over twelve years of experience leading contract management teams for Global 1000 companies. He currently leads the Infosys LPO Contract Management portfolio and has consulted with a large number of clients on reducing contract cycle time, risk management, contract compliance, and tools.

Prior to Infosys, he worked with companies such as British Telecom (BT), Alcatel Lucent and Ciena. In this role, which reported into the General Counsel, he was directly involved with contract negotiations, establishment of best practice processes; integration with business units, finance, operations, and sales; dispute resolution, automation, and contract administration.

Bob holds a bachelor's degree in Science from Illinois Wesleyan University and a master's degree in Business Administration from DePaul University.

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