

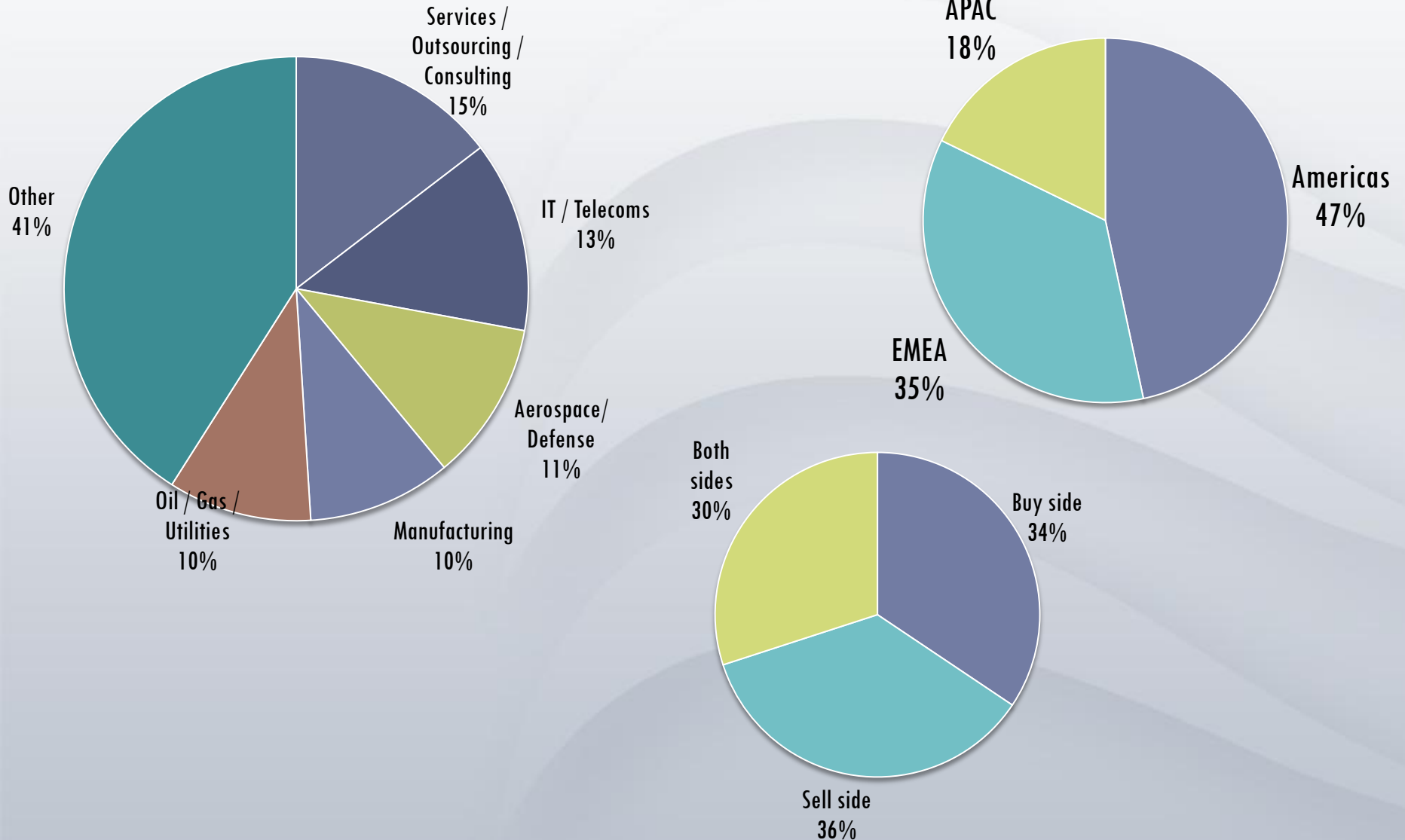
# **The Value of Contract Management**

## **Return on Investment – Survey Results**



International Association for  
Contract and Commercial Management

# Demographics

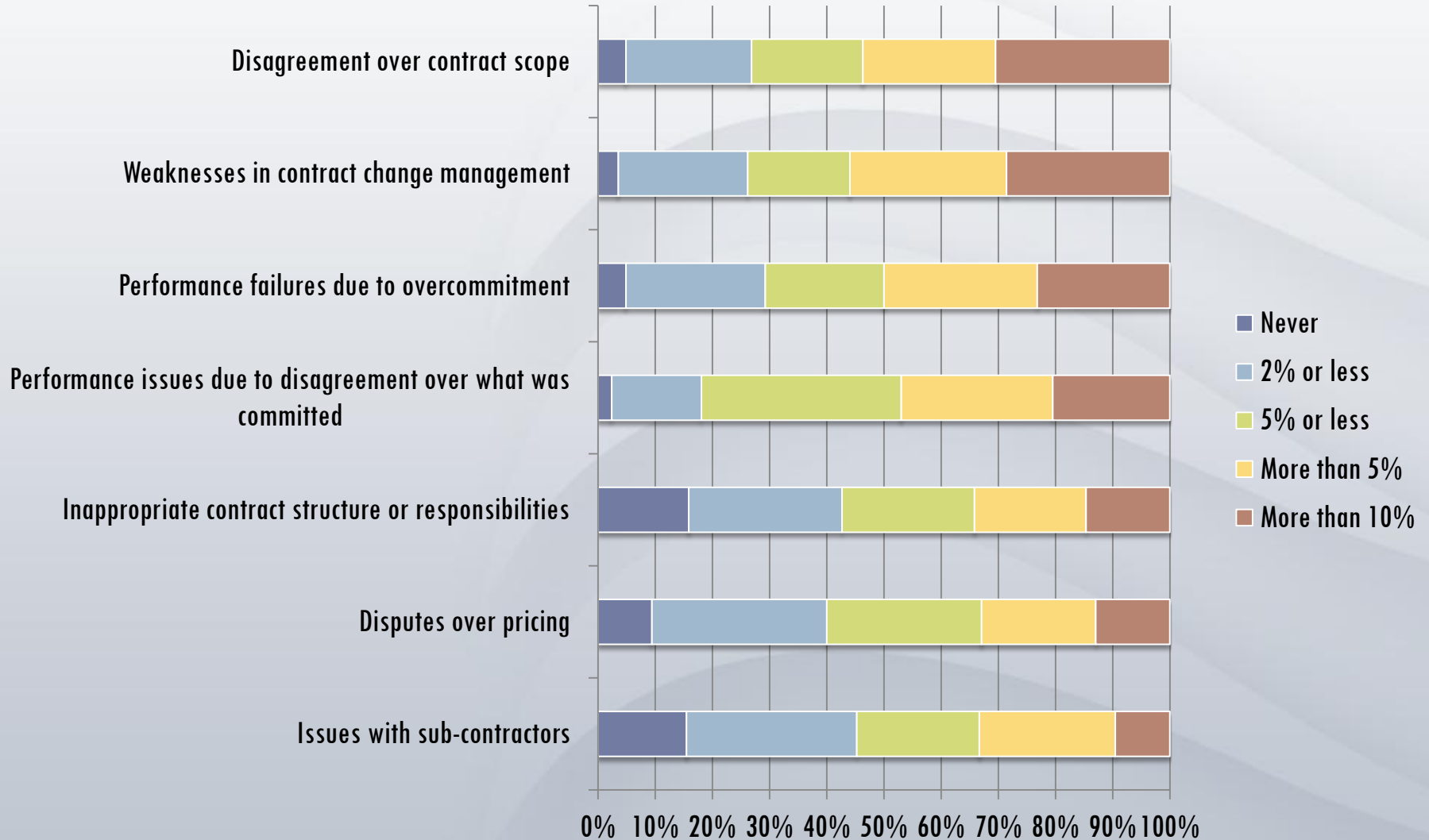


# What is the scale of loss?

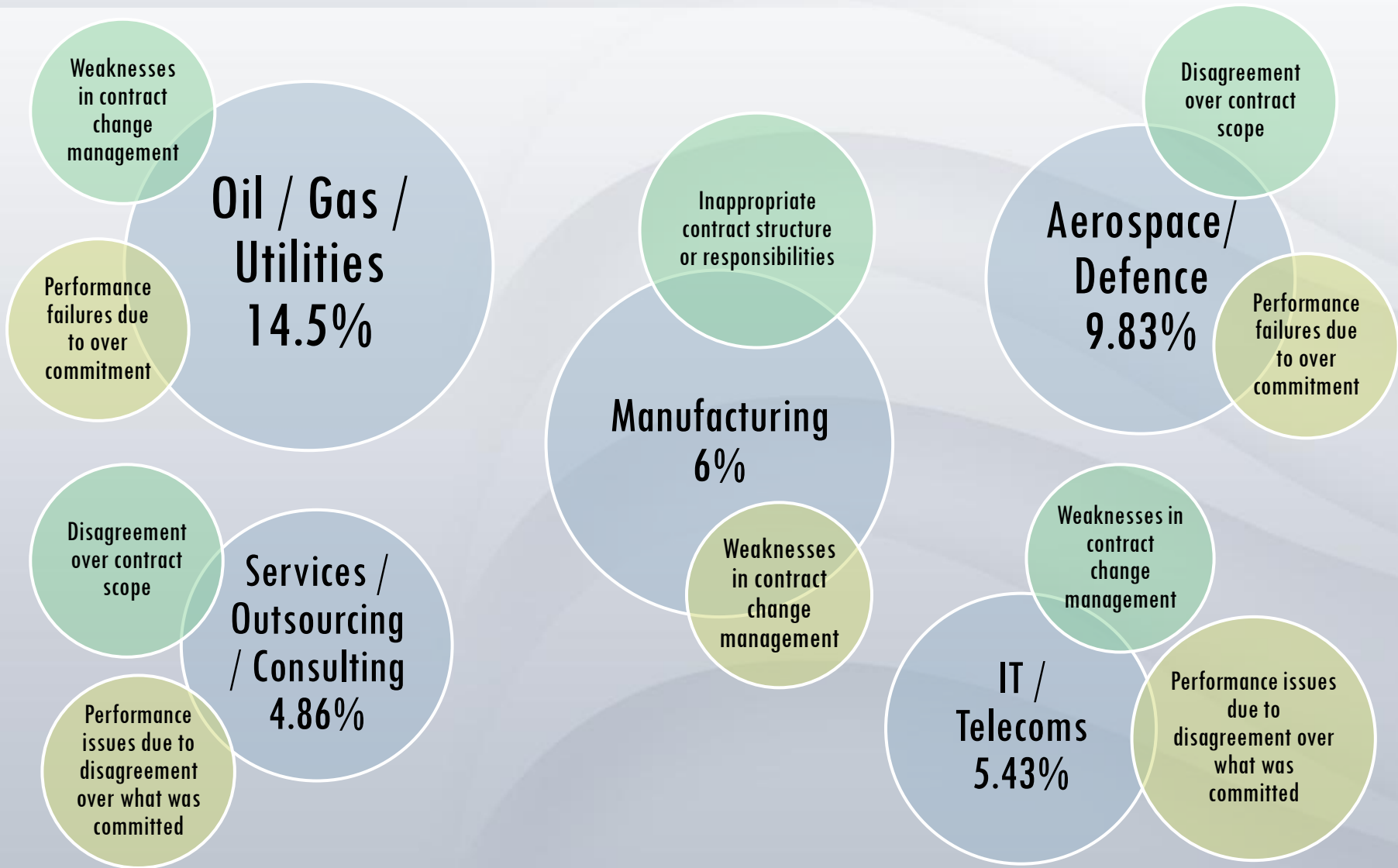
**9.15%**

**is the average impact to bottom-line performance that results from weaknesses in contract management**

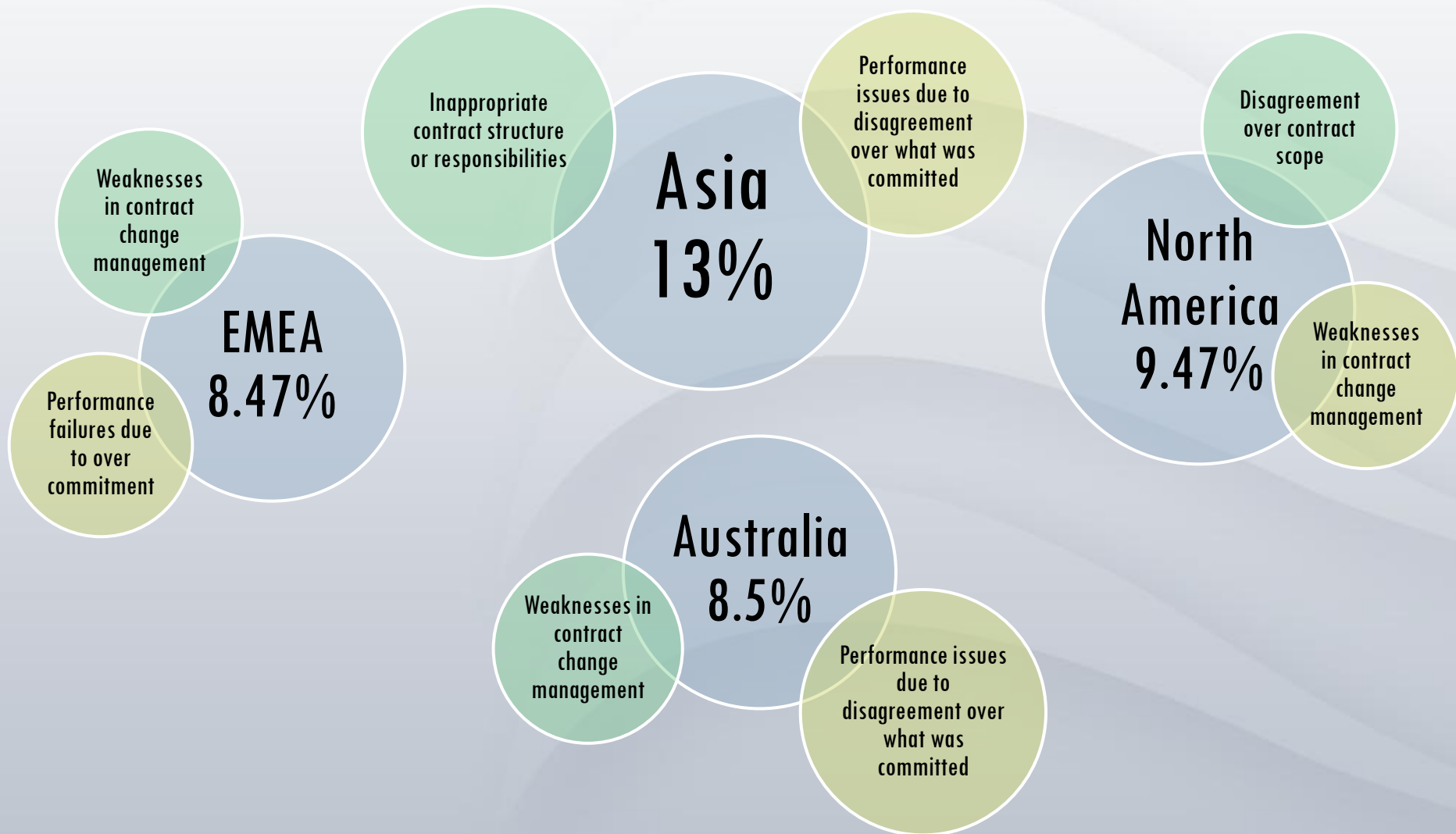
# What are the major causes?



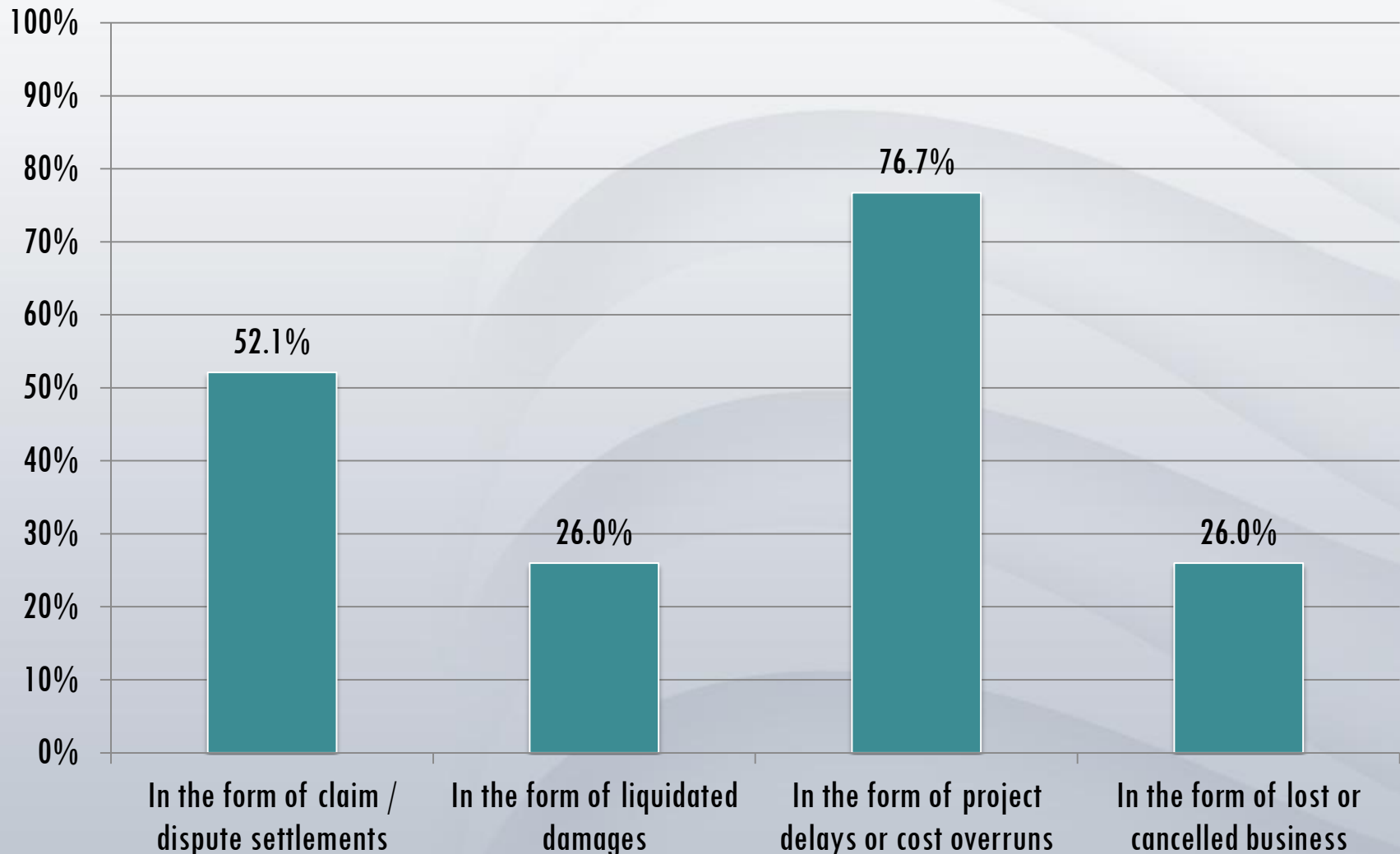
# What is the industry variation?



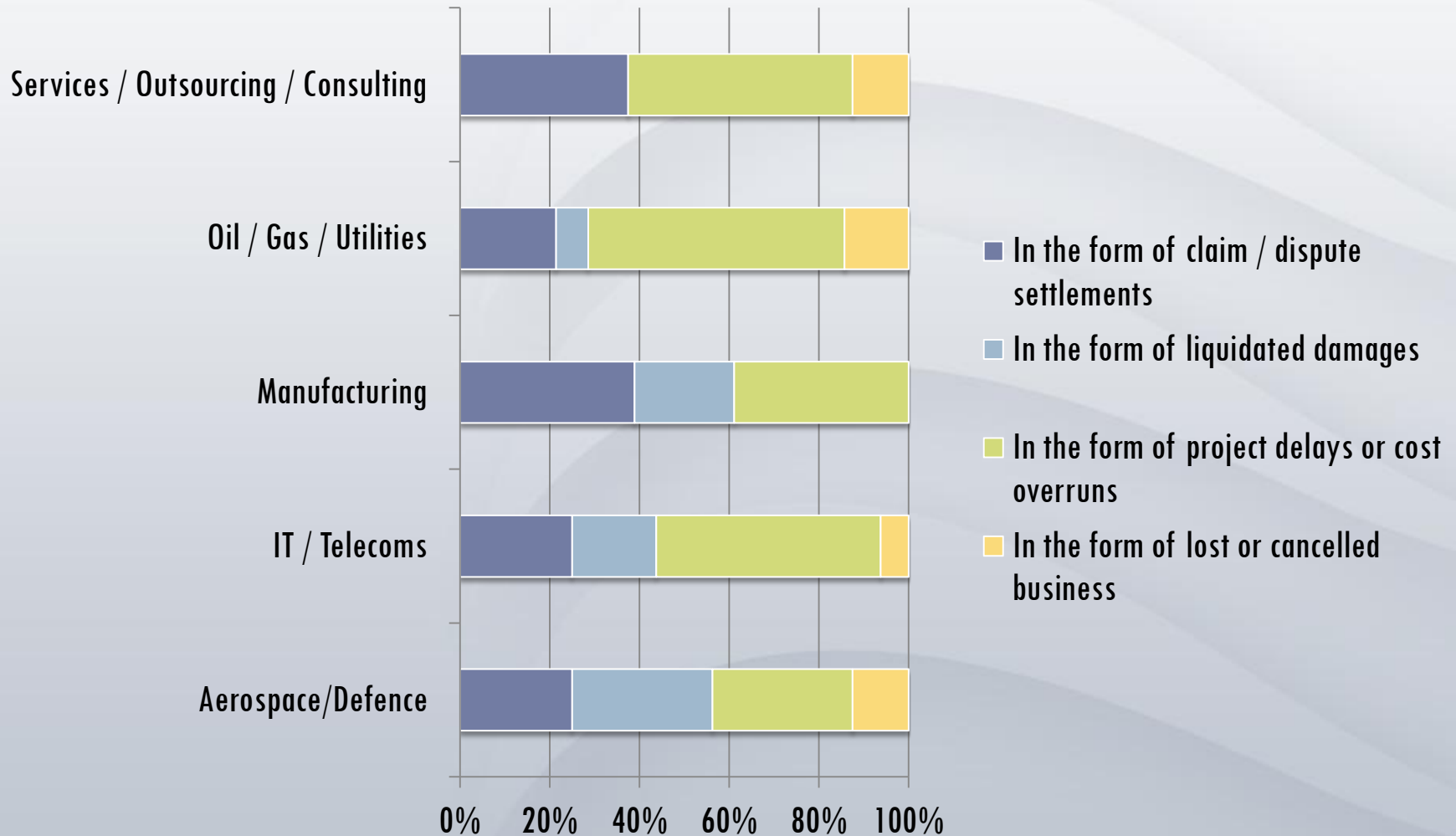
# Does geography make a difference?



# How do losses manifest themselves?

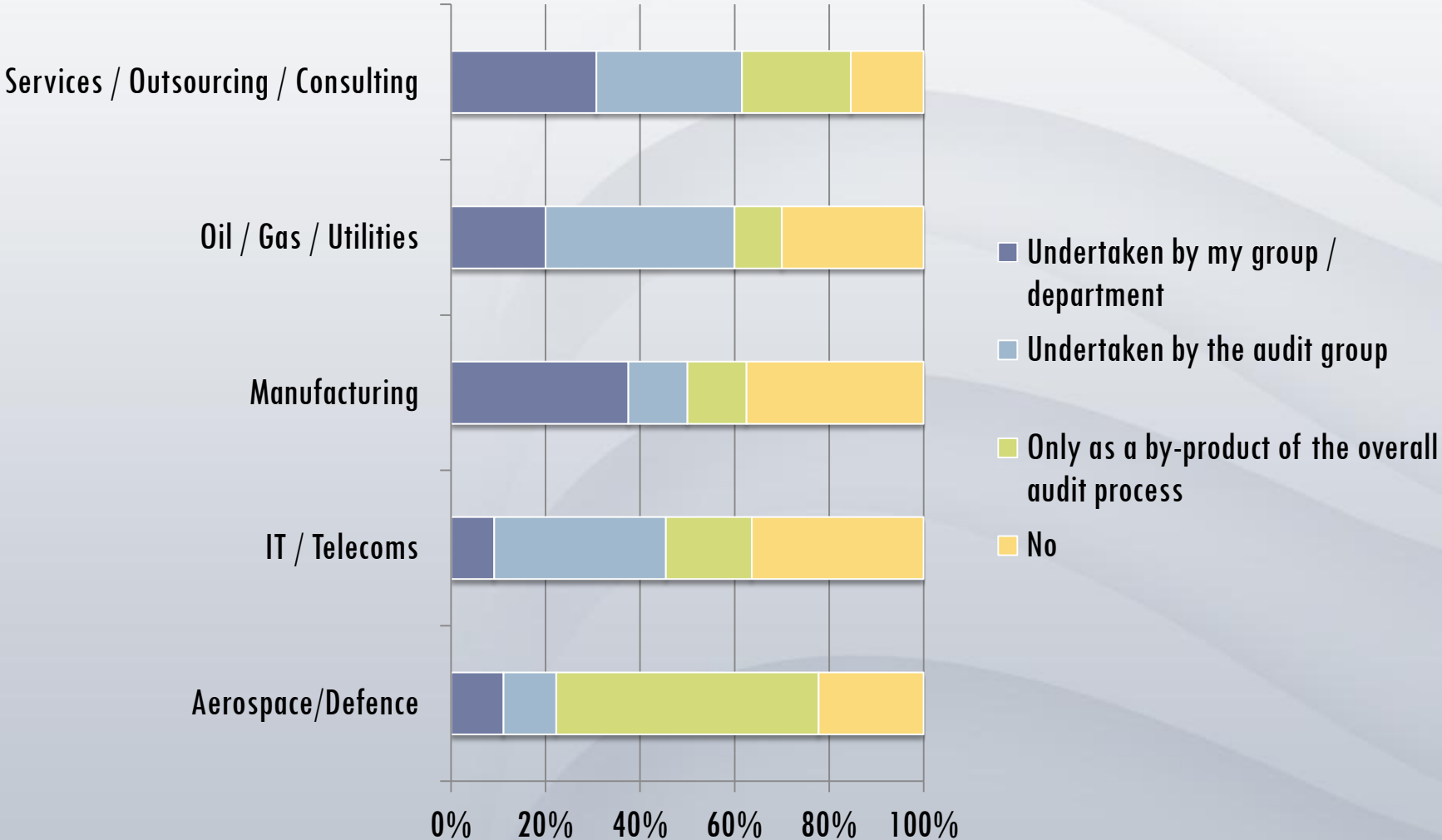


# How do losses manifest themselves?





# Is there measurement of losses/capture of data?



US Wasted \$30bn on Contracts  
(Associated Press, August 2011)

President Calls For Improved Contract Management  
(Wall Street Journal, April 2009)

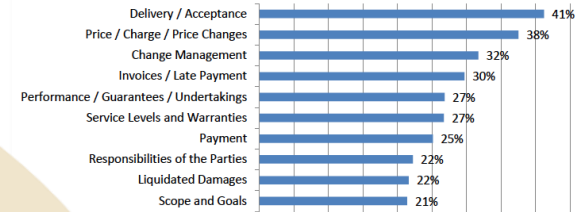
Audit Office condemns shortfall in commercial skills  
(The Times, November 2010)

Businesses take on unacceptable risks  
(Financial Times, January 2010)

Outsourcing failures due to poor contracting  
(The Economist, October 2009)

### IACCM Top Negotiated Terms 2011

During the post-award phase of contract performance which terms are the most frequent source of a claim or dispute?



70% of troubled projects result from commercial issues

Coherent programme of focused improvement actions with metrics to better understand impact

Evidence based trade-off and business case for improved contract management

#### Consequences on client & supplier

- Anticipated saving not achieved
- Cost over-runs
- Price uplifts to compensate
- Increase in defect levels

#### Consequences on performance

- Cost of 'poor' contract management 9.15% (average across sectors)
- Best performing – outsourcing sector (4.5%) – extensive investment in contract management

#### IACCM next phase

- Create methodology and framework to better understand the figures
- Collaborative approach with selected corporate members to test applicability

Knowledge to date  
Direction of Travel

### IACCM Future of Contracting Study

- ▶ **Two-thirds** expect growing focus on financial and economic impacts
- ▶ **9 out of 10** expect rapid growth in the impact of technology
- ▶ **Four-fifths** see need for greater collaboration and that negotiation will be more of a 'continuum'
- ▶ **7 out of 10** expect 'the relationship' will integrate more closely with 'the contract'
- ▶ **Three-quarters** recognise that commercial skills must improve through 'greater professionalism'
- ▶ **85 percent** agree that the process must become more holistic

# What questions should CM groups be asking?

- Are you under pressure to demonstrate functional value and contribution?
- Have you considered collecting data regarding weaknesses in your contracting process?
- Might you use the data from this research to generate management interest and awareness?