

Overcoming the challenges of contracts management

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Introduction

Why is the contracts management burden so high?

Even if your organisation has rationalised its supplier relationships, it's likely that you will be using more equipment than ever. Mobile phones, company cars, photocopiers, vending machines, IT infrastructure and water coolers all have suppliers and they all have contracts.

There are of course also numerous providers and contracts for a whole range of other products and services, from raw materials suppliers to the company that hosts your website.

It's clear that managing all of these contracts is in itself a huge challenge for any business. And quite apart from the admin burden, the complexity presents all kinds of risks, from compliance issues to the danger of automatically renewing contracts without renegotiation or re-tendering.

About this article

Over many years of developing and installing document management software, our clients have told us about the challenges that having numerous contracts with suppliers presents. This led to IPC Group creating our specialist contracts management system.

To help clarify the issues that the system has been developed to address, I have written about common scenarios that organisations - perhaps like yours - may face.

I've presented three themes taking you through the contract lifecycle, each one with crucial questions and some thoughts on how a dedicated contracts management system can resolve the challenges.

1. Setting up new contracts

Is it easy to see which is the latest draft of a contract?

I recall a situation where an export director went to a meeting for contract negotiations. Unfortunately, some revisions to the contract discussed by his colleagues were still sitting on someone's desk because there wasn't a system for updating the draft contract in a central place that everyone could access. The result was a worse deal on the day: not good for the atmosphere at the next board meeting.

Too often, paper files are held in individuals' offices or departments instead of a central file. Even where electronic copies are held, without central storage and version control tools it's extremely difficult to keep track of things in an efficient way.

Having central access to all contributory papers - including all email exchanges and attachments - is essential where a number of parties are working on the same project negotiation. It's also vital that there is a system for version control so that everyone can see what changes were made, when and by whom.

>> Electronic document management, central contract draft storage and version control tools are essential. This is how those 'small' changes to contracts that cost you dear if they are not spotted can be picked up. These tools also ensure an audit trail is in place if it's needed later on.

Do you rely on spreadsheets too much?

Spreadsheets are fine for small businesses maybe, but pretty soon their limitations are exposed. They rely on spreadsheet owners keeping them up to date and people around the business feeding in relevant information.

Spreadsheets also either need to be distributed regularly or stored on a central server, and either way things get messy if multiple people are updating them - especially if they are not regular Excel users.

>> It isn't easy to keep spreadsheets maintained with accurate information: this is too big a risk when numerous contracts and large sums of money are involved.

Is there a failsafe system for checking with the legal people?

In this increasingly litigious world, the basis for most agreements will be a contract, so each side's interests are protected. But in reality are they? How often have the relevant legal or compliance people (internal or external) got involved in contracts later than should have been the case, or worse still, not at all?

There should be no excuse for missing legal intervention at the right stages, but without a system and tools in place this is often what happens.

>> The legal process may be a pain, but it is essential and attention to detail is what matters in court should supplier relationships go wrong.

2. Maintaining contracts

Is there a system in place for checking supplier performance?

Careful negotiations are often forgotten after the 'ink is dry' on contracts. But when a supplier falls short of delivery standards, shouldn't you know about it and act quickly?

Having an automated system of alerts will ensure that terms and conditions are revisited and checked against actual performance at the right intervals.

>> Although supplier performance is monitored every day to some extent, without a scheduled review it's likely that poor performance will often go unchallenged.

Are all parties informed about any changes to contract terms?

Sometimes contracts are changed or renewed without letting everyone involved know. This can create problems if users are unaware of changes to the service levels they can expect, and especially if Accounts are unaware that details such as a monthly leasing price have changed.

>> A workflow tool within a contracts management system ensures that all the right actions are flagged and recorded.

3. Contract renewals

Do you know about review dates only when it's too late?

With many contracts running at the same time, but all coming up for renewal separately, it's practically impossible to ensure that each one is properly reviewed. By the time the renewal papers come in, it's often too late to re-negotiate or look for a new supplier.

Everyone has a horror story about missed renewal dates, like the company who missed a property lease renewal deadline and were tied in for another seven years, or the price review date that was missed so that rates went up automatically by 8% above RPI.

>> Contracts management systems let you set reminders to automatically remind the right people in plenty of time.

Can you easily find old quotes?

Having quick access to all documentation - including from the pre-contract stage - is also something worth considering. It's often useful to look back at quotes and specifications that other suppliers gave, either to include them in a new round of tendering if you are not happy with the current supplier, or for compliance reasons during an audit.

>> A comprehensive contracts management system creates an indexed archive of documents that saves time later on, and that lets you respond to compliance demands.

Summary

Moving away from a paper-based process, or one based on email attachments and storage on individual PCs, to an electronic system that allows proper control is a sensible investment that can repay itself over and over.

IPC Group's contracts management system provides the answer, giving you a single, central system that addresses all of the issues discussed in this article.

The system can be tailored to fit your business processes and naturally has all the right levels of access security.

For more details of IPC Group's contracts management system, or to request a 30-minute in-person or online demo, please visit <http://www.ipcgroup.co.uk/contracts-management-system.html>