



Contract Obligation Management

Service Description

Contract Obligations Management (COM) is a highly beneficial service that helps you define what is required to effectively govern your contractual obligations throughout their lifecycle – from contracting to renewal, through delivery and governance. The service provides the insights into what is required to be extracted from your contract(s) to ensure that the services delivered are tracked and managed effectively throughout the whole contracted period.

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Service Description

A contract is a binding agreement entered into between two or more parties. ... This agreement sets out the terms between the parties and the obligations to which they **will be legally bound**. To ensure obligations are met organisations need to translate contractual obligations to trackable project and delivery metrics. In large, complex projects, managing risks and safeguarding the value of the business case is of the essence. The optimal way to realise both is through contract obligation management.

But this is easier said than done. Hummingbird's consultancy services provide the expertise necessary to aid you in addressing contracted obligations through to manageable and meaningful metrics tracked and traced in project and service delivery, enabling your investment projects to succeed. In addition, the service enables your business to establish a robust framework in order to achieve a higher maturity level that will in turn significantly improve governance, compliance and the success of future projects.

Contract Obligation Management (COM) is a relatively new discipline that helps organisations to reduce the complexity of large projects by ensuring that alignment between contracts and delivery is absolute.

Consider the following figures from the International Association of Contract and Commercial Management (IACCM). While 25 percent of global GDP is generated through projects, only 40 percent of projects are delivered on time and on budget, with 44 percent failing to deliver on their original strategic initiative.

Fewer than half of organisations achieve "Obligation alignment" between their executed projects and their overall organisational strategy. In other words, the wedding bells are ringing, but the marriages are struggling. This is because it can be tremendously complex to deliver a contract, especially big projects which by definition are complex.

From working with our client's, the below issues are what Hummingbird is focusing on address:

- The need to specifically track contract content/obligations against delivery: Pricing, KPI's, SLA's, Milestones and all other metrics contracted.
- Review and resolve the lack or inability of Management of contracts in respect to the lifecycle – expiry, addendums, additions, change controls (No single database or repository to store and search for contracts, changes and/or amendments)
- Resolve the Inability to track or enforce contract compliance (performance or pricing)
- Traceability to resolve excessive cycle times, inefficiencies and/or bottlenecks – costs management against contracted obligations
- Failure to leverage volume rebates or negotiated terms, increasing total cost of ownership
- Inconsistent and/or incorrect use of terms and conditions, impacting the ability to track and manage exposure effectively
- Noncompliance with laws and regulations in respect to obligations that are to be met by the supplier
- Services/goods purchased not aligned with company objectives
- Lack of governance and compliance, the support of the necessary internal review or approvals through project delivery

"Our Goal is to provide organisations with the methodology, knowledge, and capability to improve the management and tracking of contracted obligations throughout the delivery lifecycle. Through our assistance, our clients achieve increased contract compliance, improved delivery management, higher degrees of cost management reducing total costs, real time tracking of actual performance measures through delivery, reduction in cycle times and administrative costs."

Customer Scenarios

Contracts

In order to manage your projects as a whole and therefore prioritise effort where needed, you need to understand the status of each in a clear, consistent, and quantitative manner. This brings with it a number of consistency challenges centred around the fact that you may have multiple project managers delivering these projects, using multiple vendors/partners, across multiple projects and multiple contracts.

In order for you to manage your project portfolio you need clear measures and metrics on all your projects, that have solid traceability back to the contracted obligations. There needs to be a focus on quantitative¹ rather than qualitative² information. Having the right tools and processes is key in achieving the consistent and quantitative reporting that you need.

¹ Simply means something that can be measured,

² measured by the quality

Managing a Range of Projects

When an organisation is trying to run multiple projects focused on different tasks, ranging from business processes to IT infrastructure, there is a need for a consistent approach applied across all the projects. A framework with clear processes from contracting to delivery – structured obligations, Methodology, phases, requirements, and gate reviews which will guide all your projects to a successful conclusion by providing a consistent and appropriate structure to deliver within. A framework tailored to your business is therefore at the core of delivery success.

The Right Tools for the Job

Your procurement team / contract managers are driving procurement and contracting, your project managers are the ones driving delivery of your projects. How they plan, monitor, communicate and manage between them is critical to the success, along with the right tools for the job to ensure that at initiation of a project and the obligations are full translated to ensure traceability. If project planning, budget monitoring, project reporting and issue management tasks are controlled manually, the project manager can end up spending a significant amount of time filling in spreadsheets, writing reports and essentially translating emails, metrics in multiple spreadsheets and legal documents rather than managing projects. The right tools will significantly reduce this overhead, ultimately enabling your project managers to be more efficient and ensure compliance and traceability back to the contracted obligations.

Contract Management Definitions

Contracts	Contract Lifecycle Management (CLM)	Contract Obligations Management (COM)
<p>Contracts are the currency of your organization – they govern your company's relationships, its obligations to its customers and employees, and the deliverable it expects from its business partners and vendors. They directly impact an organisation's profitability and risk profile – and must be created, negotiated, and managed efficiently and effectively.</p>	<p>Contract Lifecycle Management (CLM) is the management of the entire lifecycle of the contract. It begins with the creation of the contract and progresses through to negotiation, signature and ongoing contracted commitments. Once signed, key elements of the process include identification and management of important contract terms, contract renewals and terminations, tracking and management of spending, and compliance and obligation management. The process is essential for organisations who sell & buy goods and services.</p>	<p>The Obligation of contracts refers to the legal duty of contracting parties to fulfill the promises specified in their contracts. If the obligations of a contract are in question, a person's reasonable capacity to perform or refrain from performing the required task will be taken into consideration.</p>

Key Features

Hummingbirds Contract Obligations Management service provides an objective, current-state assessment of your contracts management from the initiation of a contract through to delivery of the contracted services, by detailing and work flowing the way the contract is managed, the contractual obligations and the governance.

Through this process a GAP analysis and recommendations are created to support enhancements to the contract management capability and the delivery obligations management within your delivery services. A key output is to determine how contractual obligations are extracted and managed through the delivery, the ongoing governance and compliance of those obligations and the reporting and analysis for performance measurements.

This service provides you with the end-to-end evaluation of your Contracts to Project services management. It will enable you to install rigour, enhances performance, optimises the way your business delivers contracted obligations and realigns your business strategy to delivery...

Figure 1
Contract obligations



The following are the phases that the Contract Obligation Management service delivers:

Current State Assessment

In order to understand what you need; the initial part of the engagement is an assessment of where you are now. We achieve this through workshops designed to develop a detailed understanding of the maturity and issues of your contracts management through to Projects delivery. This review focuses on your organisations, processes, tools, and the project portfolio management. We then apply our knowledge of best practice and our world-class experience to provide you with improvement recommendations and an action plan.

The assessment phase focuses on the following:

- Introduction of Contract Lifecycle Management concepts
- Capturing the Business current state workflows, governance, compliance and reporting. (Business Requirements)
- Detailing the Benefits of Contract Obligations Management (COM)
- Review of the Projects Delivery management in respect to contracted obligations and reporting
- Translate the business process against your specific system requirements (Current state processes, tools etc. that is in place to manage deliverables, performance measures etc.).
- Capturing the business process and critical requirements for Monitoring of contracts and content management from a Legal, financial and strategic stance. (Risk Analysis)

Improvement Recommendations

By analysing the output of the workshops, we can build a picture of the current state of your business Contracts management and delivery reporting and where your key pain points are. Based on this, we then apply our knowledge of best practice in order to design optimal solutions to your issues. This is then documented in our final report, together with a plan for implementing the improvements.

- Gap Analysis within the processes
 - Business requirements being meet
 - Contracts to delivery process mapping
 - Risk analysis
 - High-level financial analysis (Existing contract to delivery traceability analysis)
- Provide analysis and recommendations

On request, we can additionally define and implement a tailored governance and control framework with a supporting project and portfolio management platform that provides organisations with exactly what they need to increase the effectiveness of Contracted obligations through programme and project delivery while giving greater visibility to senior management on the status of any 'in flight' initiative.

- **Solution Support:** Support clients in the implementation of a COM solution
- **Processes and Procedures:** Detailing how contract deliverables and KPI's for delivery are extracted and passed to delivery for tracking and reporting processes and procedures
- **Reporting and Governance:** Detailing how contract KPI's are reported against the contract for performance analysis and meeting contract metrics (SLA/OLA's etc.)

Service Dependencies and/or Related Services

Hummingbird services are designed to be both flexible and modular in order to promote tailored solutions which directly meet customer requirements. As part of a Hummingbird solution several services may be related or even dependent on one another to achieve the customer's desired outcome. Where solutions are created to meet a specific purpose, it is essential that all scenarios are considered relating to failure conditions of each service so that other services which may be dependent continue to function.

Recommended Specific Considerations

The following are recommended for specific consideration as part of a solution involving this service:

- The size of the customer's business
- The number of Vendors/providers the business is managing
- The complexity of services the business delivers

Customer Responsibilities

Where Hummingbird's service is dependent on customer involvement the extent of that involvement is listed below:

- Provide a list of key stakeholders and their availability for our workshops

- Provide a current overview for each of the following questions:
- Change execution capability, including processes, procedures, and document templates
- Pain points surrounding Contracts management and programme or project execution
- Management tooling in place
- Compliance and regulatory requirements

Management Scope

Specific Inclusions and Exclusions

This description defines what is included as part of this service. Items not specifically mentioned in this description should, in the interests of clarity, be assumed to be not included.

Hummingbird will:

- Organise and conduct workshops with your key stakeholders to perform a current state analysis
- Provide a completed Analysis Workbook
- Review processes, procedures, operating framework, document templates and management tools
- Organise and conduct review meetings to discuss our findings with you
- Provide a final report with our recommendations

Hummingbird will not:

- Remediate the issues found as part of this engagement
- Define and implement a tailored governance framework with a supporting management Platform to increase the effectiveness of program and project delivery whilst providing greater visibility to senior management on the status of any 'In Flight' initiative(s).

Pricing Structure

The following describes the items that will be seen on a quote or service order relating to this service and the structure of those items in building this service.

Price on request

Contract Obligations Management Service

The specific service lines are:

- Contract Obligations Management Service - Small / Medium Business
- Contract Obligations Management Service - Large Business

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