



## **The Right Contract Management Tools = Bottom-Line Savings**

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As a result of increased competition and changes in the business environment, corporate CEOs and CFOs are laser-focused on reducing their total cost of ownership of contract and program management spend in order to stay competitive.

Bottom line: The “old school” approach to how companies previously managed contracts is now being challenged, and for good reason.

Duplication of functions, lack of efficiencies, and non-integration of contract management systems are driving up costs that could have otherwise been avoided. As a result, companies need to establish more efficient means of managing their contracts, and to do so at *significantly* lower cost.

**Contract Visibility = Bottom-Line Savings**

There is a lack of visibility into contract and performance information within a company.

This void is causing the business to spend more in operational support and is a significant contributor to profit leakage resulting from poor performance.

This poor performance may have been avoided if subject to early warning notifications.

Admit it, as a contract manager in this day and age, you have most likely been directed to use multiple off-the-shelf, customized in-house spreadsheets—or even Word-document-based tools—to try and manage your company’s contracts from “cradle to grave”—i.e., from the proposal stage, through deal execution, into ongoing contract performance, and ultimately contract closeout. Unfortunately, at least in my experience, company data infrastructures are typically comprised of a varying number of “tools” that are often standalone, nonintegrated systems that do not communicate with each other.

This environment requires contract professionals to input data into multiple systems, often in different formats. Because these systems are nonintegrated, they lack the ability to aggregate data quickly and efficiently for reporting and analysis.

Often, executives are in urgent need of customer-specific contract information, requiring contract personnel to drop everything in order to quickly respond under demanding timelines. Think about how many times you have been asked to generate a report that required data which:

- Did not exist,
- Was not available, or
- Was in a nonstandard format.

How many hours, or even days, of effort did it take to get this data prepared and ready, with the same request being repeated to you over and over again?

This problem is further compounded by the fact that all contract management–specific data does not *solely* reside within a company’s contracts organization. Contracts touch and require input and outputs from many other supporting organizations, such as those which handle the company’s other functional specialties, including:

- Project management,
- Finance,
- Legal, and
- Service delivery.

The problem is compounded further when more and more core contract management functions—e.g., change management, deliverable management, document management, risk management, workflow processes, performance management, proposal management, financial management,

and regulatory compliance—do not exist within an integrated system or are not communicated with supporting organizations.

Companies need “Business Intelligence” From Contracts and Their Sibling Supporting organizations.

*Business Intelligence –*

“The methods and technologies that gather, store, report, and analyze business data to help people make business decisions.”

– *Dictionary.com*

Since contract management–specific data touches more than just the contracts organization, would it not make sense that the same tool used by the contracts organization should also be used by its sibling supporting organizations? The use of one integrated contract management system tool creates much-needed visibility for contract management–specific data, which directly impacts bottom-line savings (see **FIGURE 1** below).

## Figure 1

**Contracts and Sibling Supporting Organizations + One Integrated Contract Management System Tool = BOTTOM LINE SAVINGS**

The core purpose of a contract management system is its reporting. Collecting and aggregating data without meaningful reporting to the requesting organization is meaningless. Therefore, an integrated contract management tool needs to address reporting to the various supporting organizations in an integrated and relevant manner.

Often, we fail to look at contract management as a core contributor to business intelligence. Contract information is embedded in almost every function of the business, yet despite this fact, corporate business systems fail to integrate and report on contract management business intelligence in a proper and useful manner.

For example, in my experience sitting in on numerous project and program reviews, when critical contract management functional information is not properly reported, it is typically because of:

- A lack of availability for such data, or
- Such data is not viewed as “materially relevant.” See **Figure 2** below.

## Figure 2

Typically Underreported Contract Management Business Intelligence Data Elements That Directly Impact Project/Program Profitability:

- Proposal status inclusive of Task Orders (wins, losses, stage of development)
- Deal shaping and exception monitoring
- List of open deliverables
- List of deliverables by risk type
- Upcoming deliverables due dates
- Deliverables not submitted and deemed late
- Deliverables that have been submitted but not accepted
- Subcontractor performance by rating
- Open risks and issues
- Severity of risks and issues by rating
- Open change orders by dollar value
- Client performance rating on contract & task order
- Contract / task order period of performance
- Contract value and funding consumption

### Subcontract Visibility = Bottom-Line Savings

Another core component of the contract management system should be visibility into Contractor Purchasing System Review (CPSR) requirements.<sup>1</sup> Many companies do not have a standardized and integrated process for complying with CPSR requirements. The CPSR is more than just a part of the pre-award selection process; it also addresses post-award subcontract performance.<sup>2</sup>

The sole reason so much emphasis is required for documentation of vendor selection is to facilitate the achievement of proper subcontract performance. Poor performance of subcontractors can significantly affect a prime contract's profitability and severely damage a prime's reputation.

### FAR Visibility = Bottom-Line Savings

FAR Part 52 contains 636 individual requirements<sup>3</sup>—An overwhelming number to master...even for FAR aficionados.

Government contracts, as we all know, are subject to the *Federal Acquisition Regulation (FAR)* and other agency specific supplements. Compliance with the *FAR* is not just prudent, but a *mandatory* obligation.<sup>4</sup> Failure to comply with the *FAR* can have *severe* consequences, and can

be quite costly. Therefore, having visibility into which contracts contain certain *FAR* clauses or provisions is critical.

We have all participated in a management data call requesting contract personnel to sift through a labyrinth of contracts in order to comply with executive management's demand for information. Access to an integrated contract management system with access to the *FAR* can save hours and days of resource time and provide immediate business intelligence to management.

### **Conclusion**

Visibility through an integrated contract management system that provides access to core contract management business intelligence to contracts and support organizations saves money, creates enormous efficiencies, and promotes growth and opportunity for businesses. *CM*

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### **Endnotes**

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<sup>1</sup> See *Federal Acquisition Regulation (FAR)* Subpart 44.3, "Contractors' Purchasing Systems Reviews."

<sup>2</sup> In fact, the *Defense FAR Supplement (DFARS)* outlines 24 requirements for compliance with the CPSR (DFARS 252.244-7001(c)).

<sup>3</sup> Note—there are 636 *FAR* requirements identified in CMaaS' *FAR* Collaborator tool.

<sup>4</sup> See J. Scott Nicholls, "FAR Compliance is *Not* Optional," *Contract Management Magazine* (March 2017).