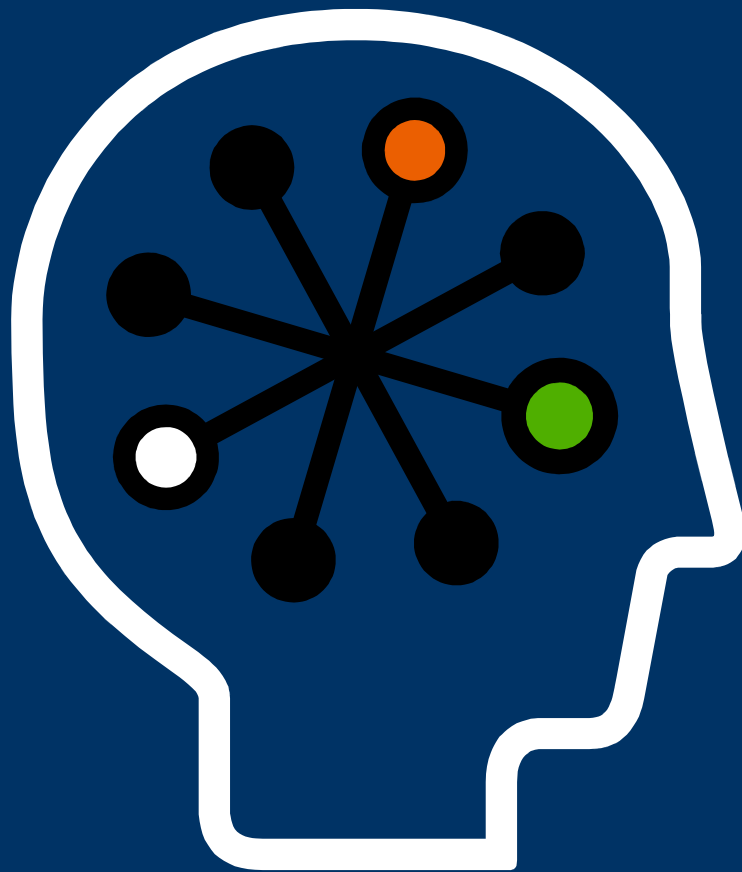




Contracting Blues – CMMI-ACQ Clues!

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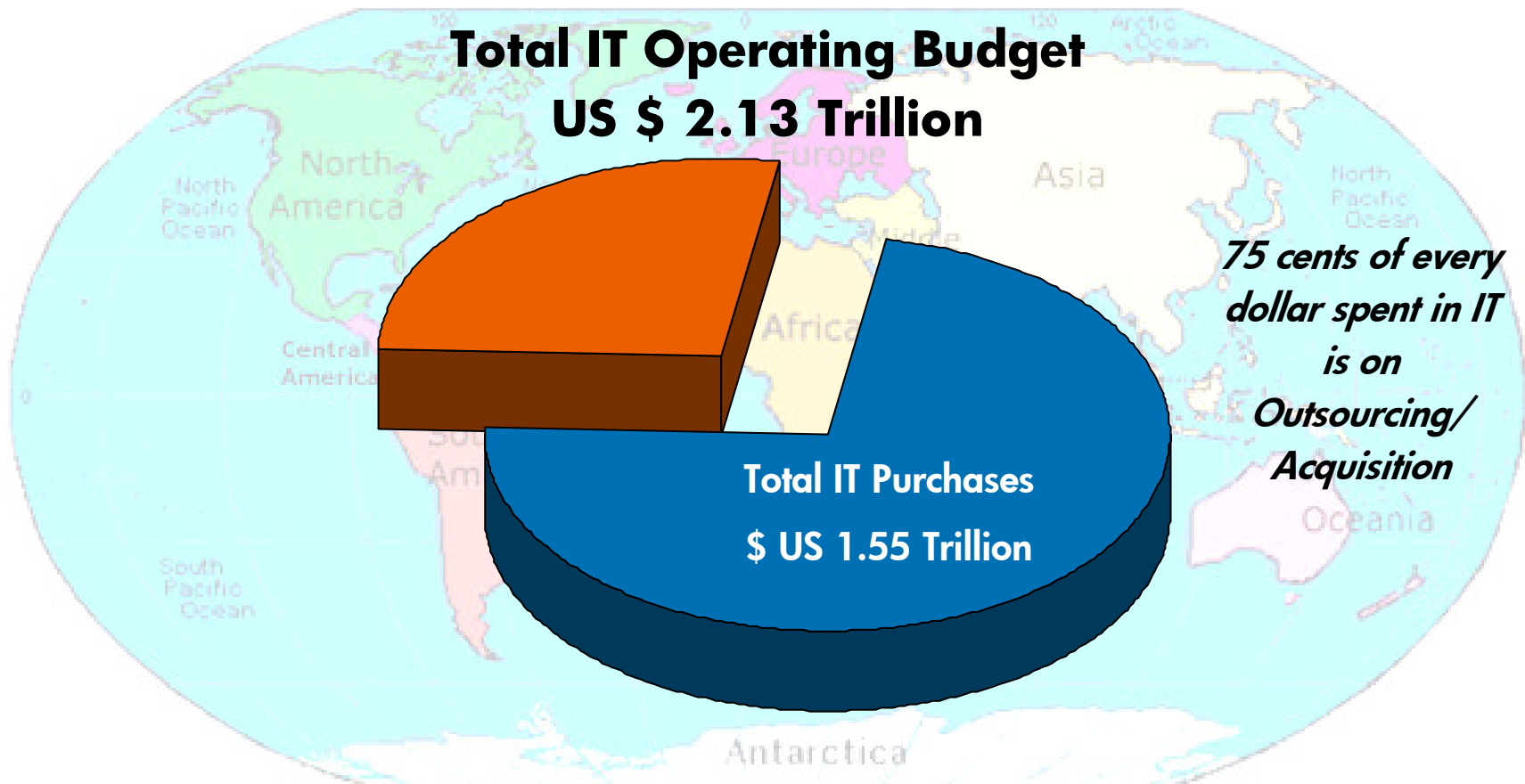
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Technology for better business outcomes

Topics to be covered

- Background
 - Global IT Industry
 - Why outsourcing is important?
- Contract Management Life Cycle
- Contract Management Challenges
- How does CMMI-ACQ Process elements helps address contract management challenges

Global IT Industry



Source: Forrester Survey 2007

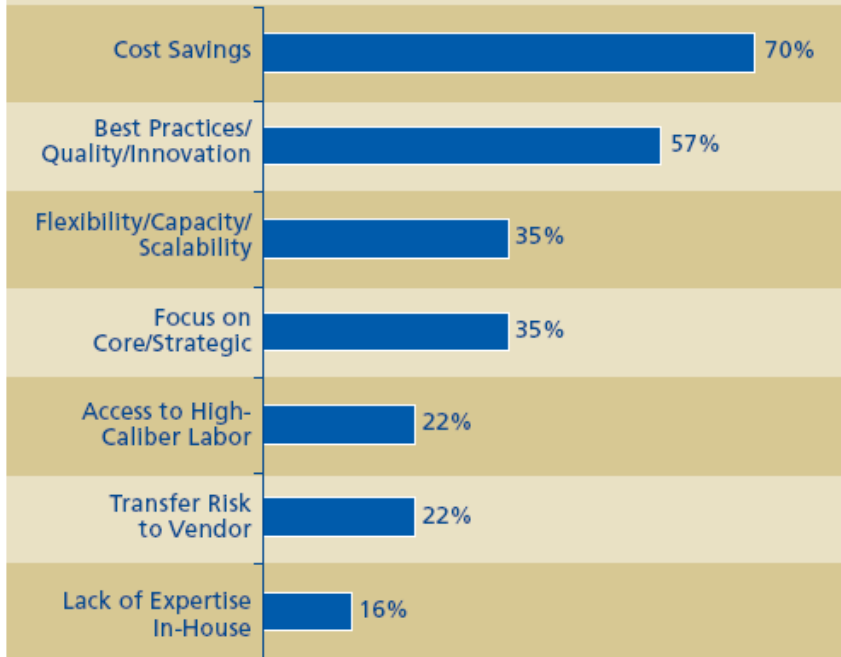
Background - Outsourcing

Top reasons why CIOs Outsource

In Real World, Outsourcing Frequently Fails to deliver its promise

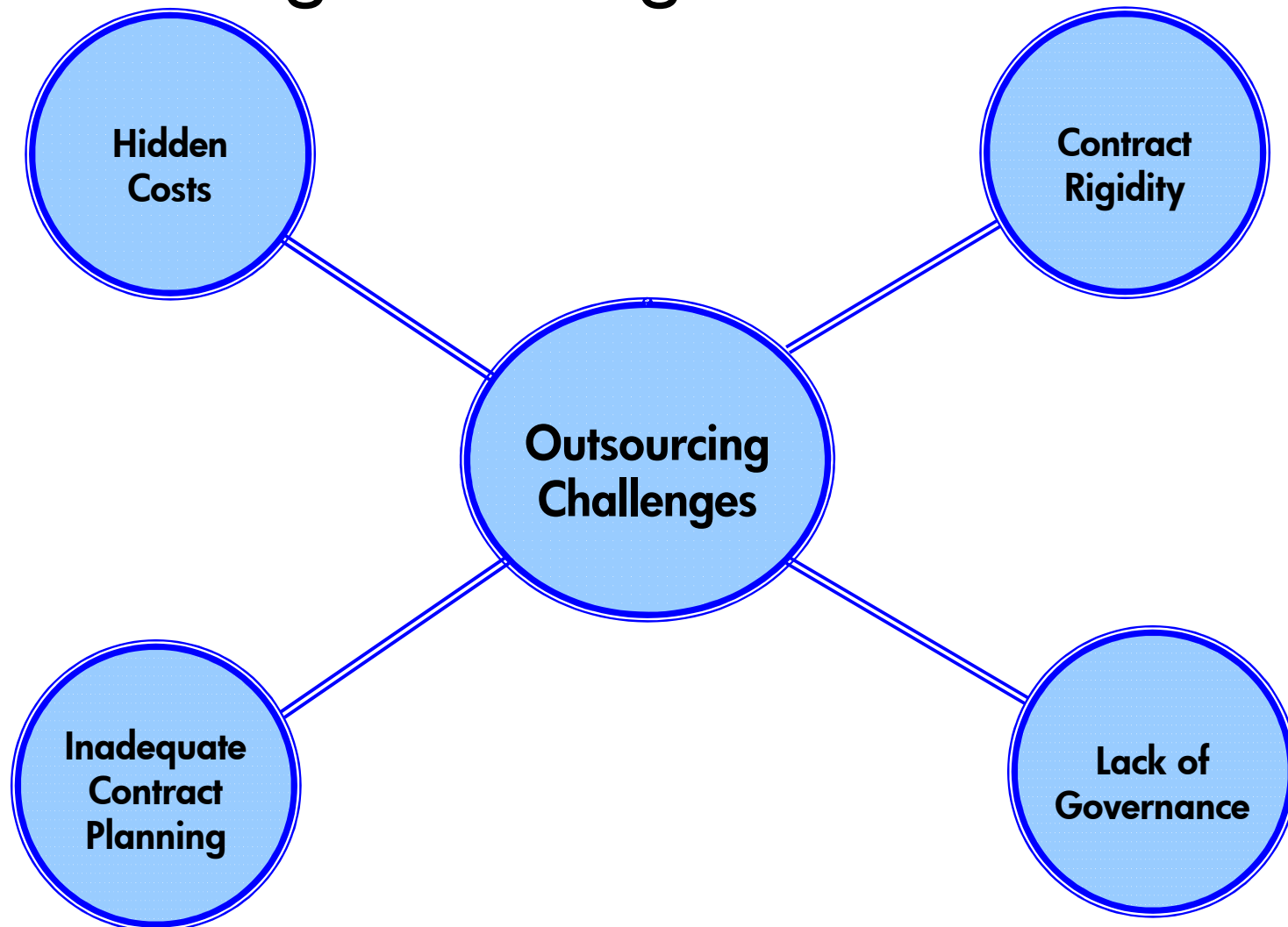
The Rationale for Outsourcing Is at Odds with Market Experience

Each participant named at least one of the items below as a major driver of the outsourcing decision

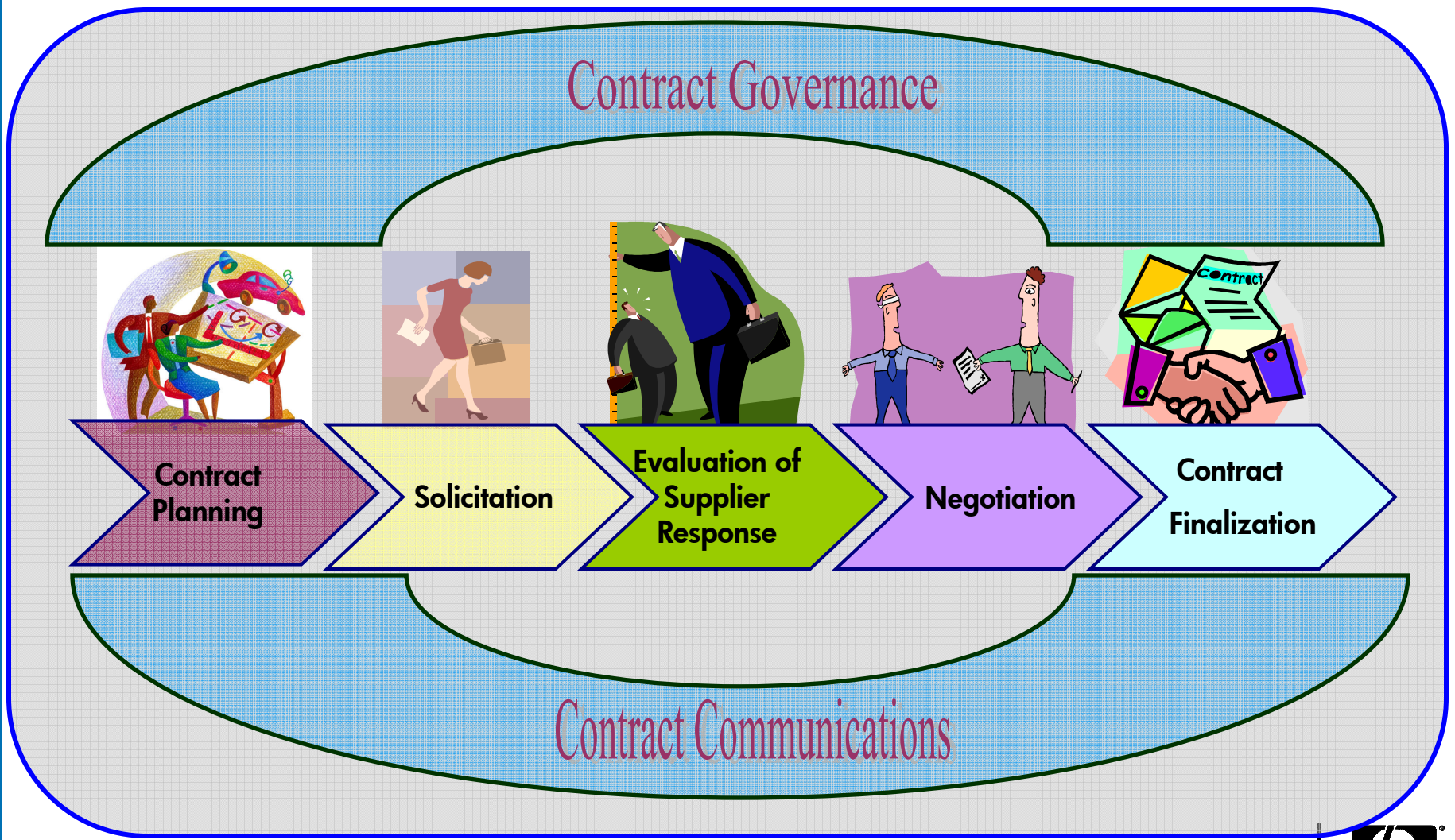


*Participants were not limited to one answer
Source: Deloitte Consulting Outsourcing Study, October-December 2004

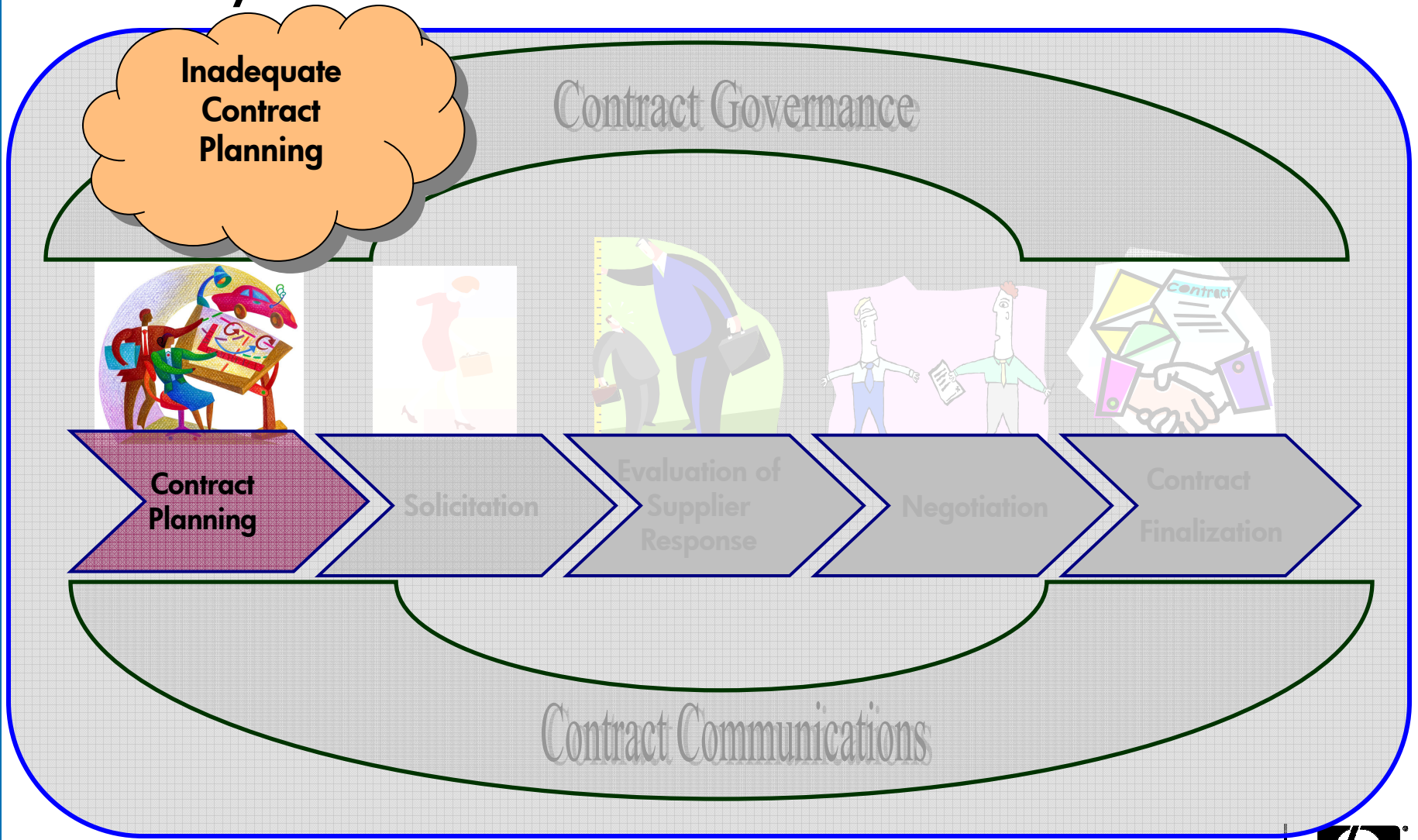
Outsourcing Challenges



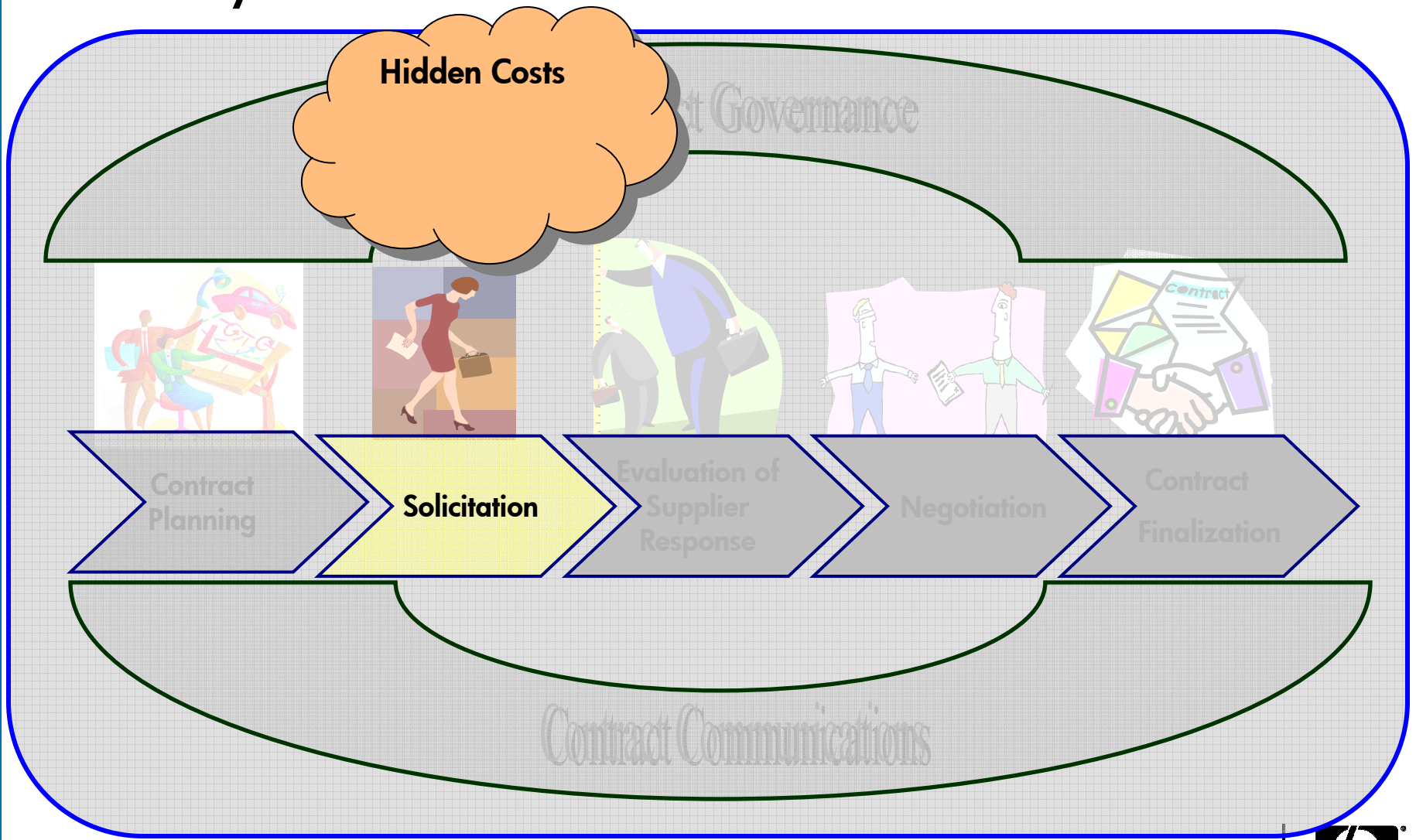
Contract Management Life Cycle



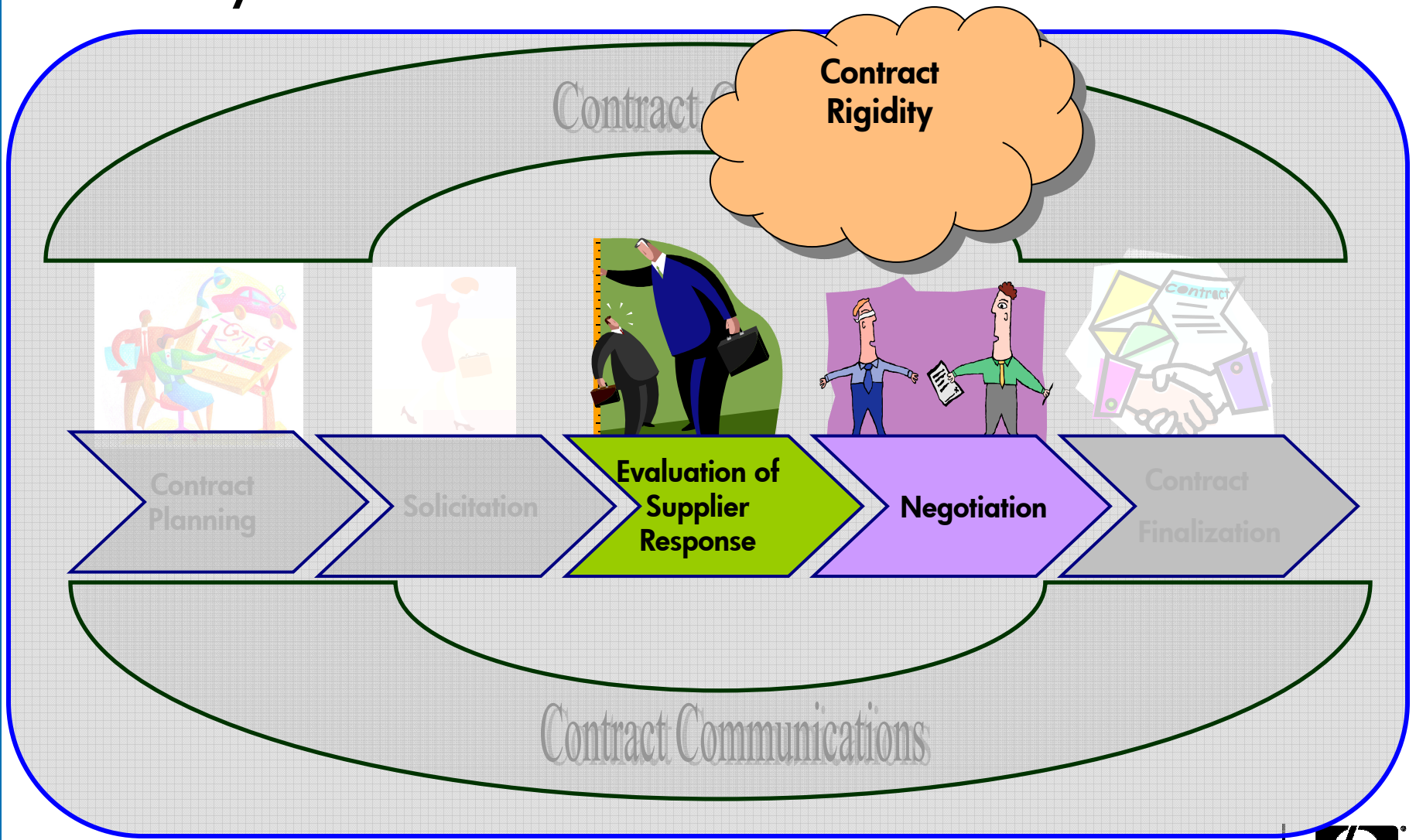
Challenges in Contract Management Life Cycle



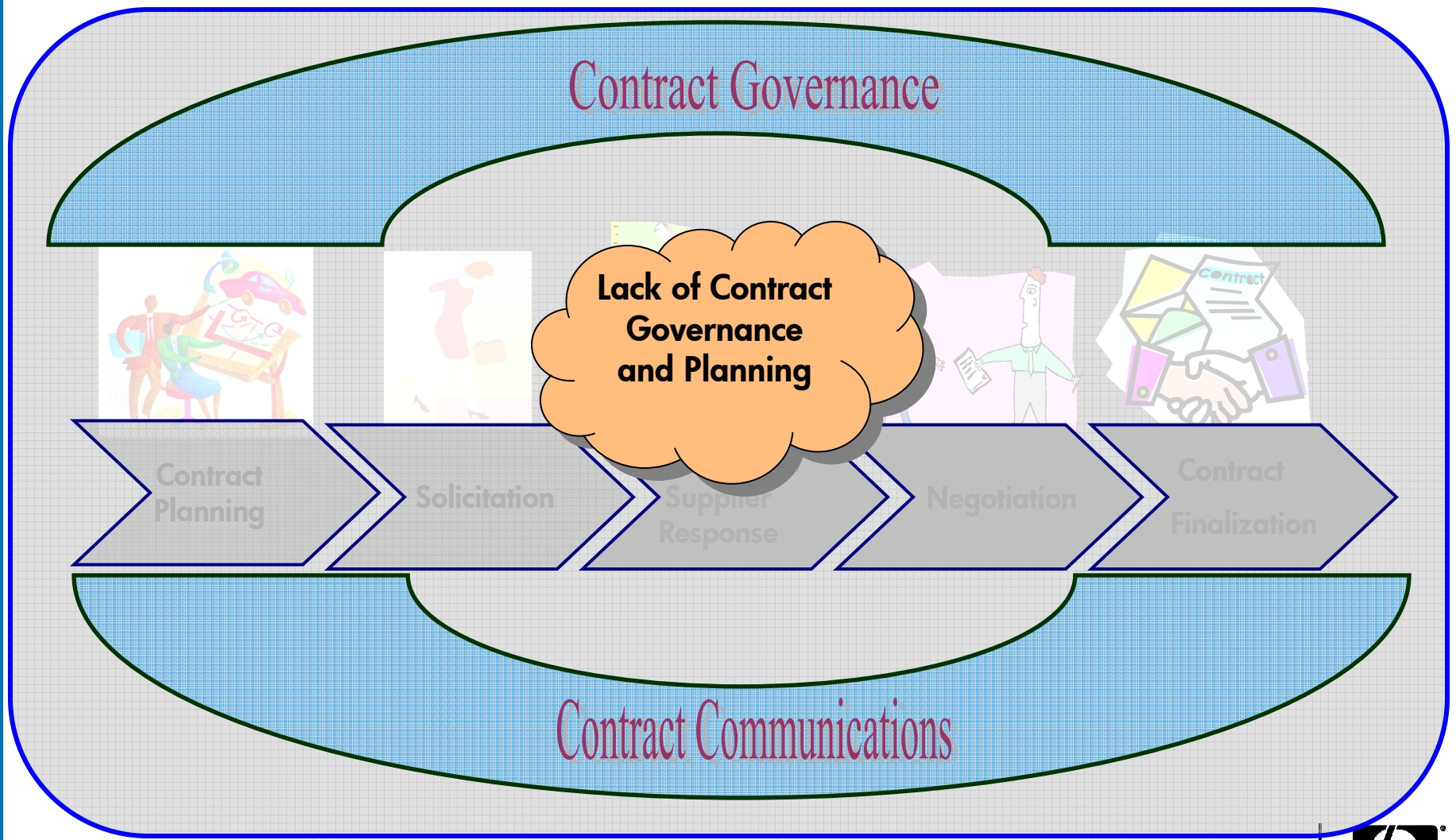
Challenges in Contract Management Life Cycle



Challenges in Contract Management Life Cycle



Challenges in Contract Management Life Cycle

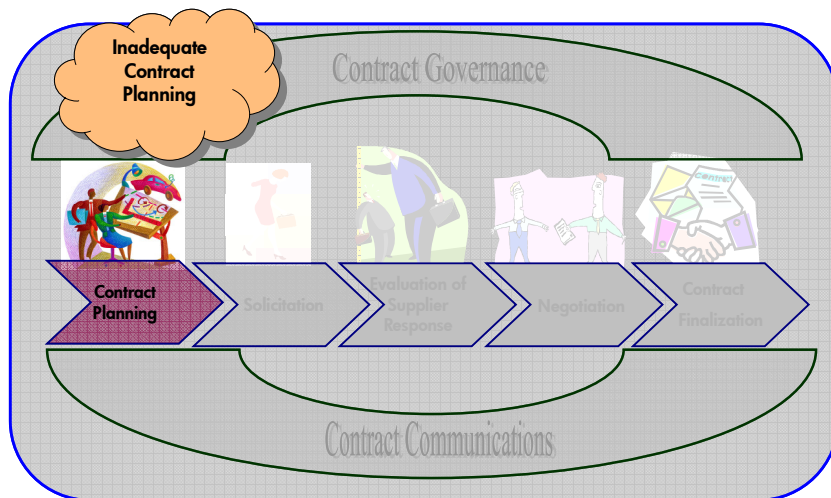


Challenge 1 : Inadequate Contract Planning

Challenge:

Contract Sign-off often take too long to go thru the contracting process. Inadequate contract planning often leads to the following:

- Contracting plans & strategies not clearly known and communicated to the suppliers
- Wastage of resources which Supplier plans to provide service as soon as the contracts are signed



How CMMI-ACQ helps?

Communicating with potential suppliers the forthcoming solicitation, including the projected schedule for solicitation activities and expected dates for responses from suppliers. This helps suppliers to plan their resources to be on board once contracts are signed

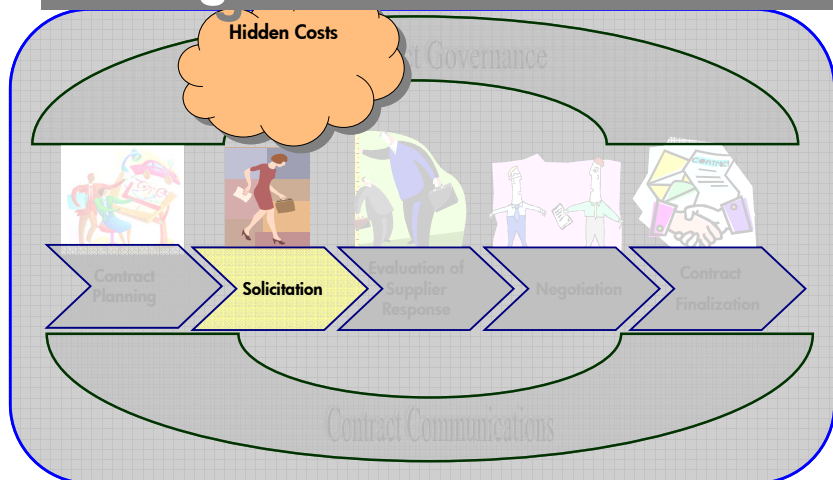
Reference: Solicitation and Supplier Agreement Development (SSAD) & Generic Practices

Challenge 2 : Hidden Cost

Challenge:

Often Acquirers miss to identify entire set of services to be outsourced. Hidden costs are associated with the services not appropriately covered in contract scope.

- Acquirer assumes certain services are included in the contract scope whereas supplier assumes the opposite
- Ambiguities in contract



How CMMI-ACQ helps?

Solicitation packages needs to be reviewed with appropriate Stakeholders to ensure scope coverage.

Involving the right people for review

Reference: Solicitation and Supplier Agreement Development (SSAD)

Challenge 3 : Contract Rigidity

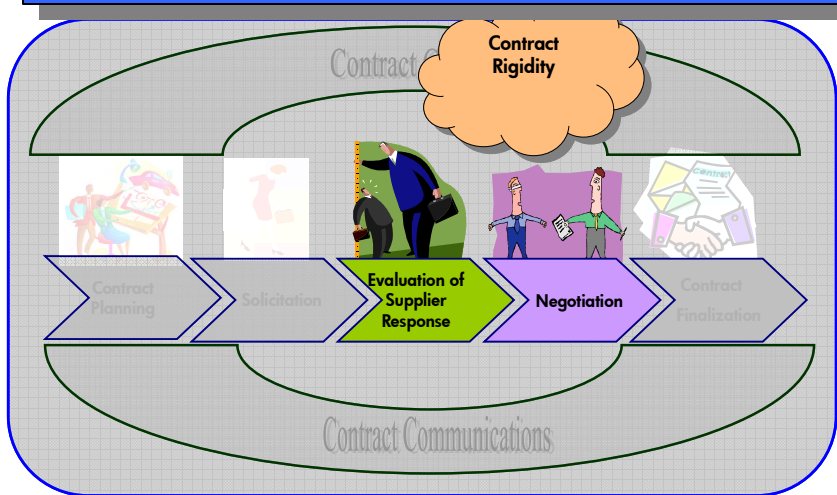
Challenge:

Often contracts are rigid as suppliers may choose not to accommodate changes without additional cost. This becomes more significant specially when there is a multi-year contract and contract does not react to the changes that acquirer needs to act based on their user requirements needs

How CMMI-ACQ helps?

Agreement should elaborate how scope changes and changes can be determined, communicated and addressed. It may be either a stand-alone agreement or part of a master agreement. This aspect should be considered during evaluation response and negotiation stages.

Reference: Solicitation and Supplier Agreement Development & Agreement Management



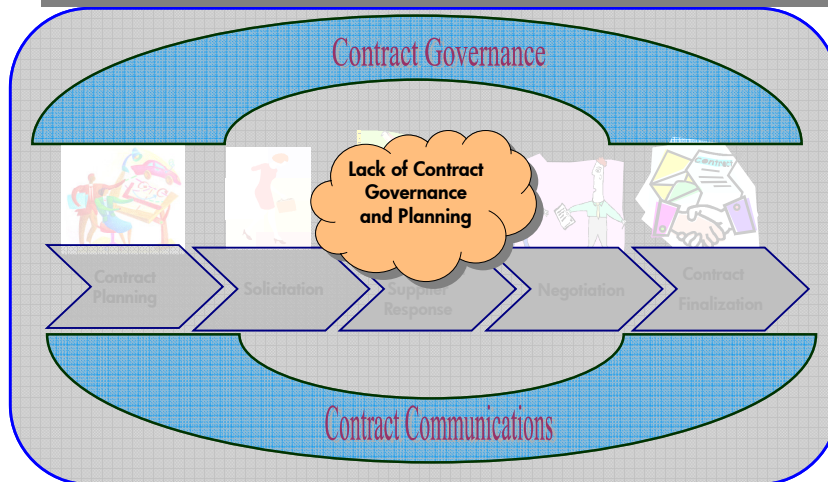
Challenge 4 : Lack of Contract Governance

Challenge:

Lack of Governance during the Contract Life Cycle such as:

- Improper communications
- Inappropriate document versions
- Inadequate reviews by Senior Management

Inadequate governance between supplier contracts in a multi supplier scenario



How CMMI-ACQ Helps

Adopting the generic practices of CMMI-ACQ such as Communication Planning, Configuration Management, Stakeholder & Senior Management reviews and process verification can help address the issues early and avoid any contract disputes.

Reference: Generic Practices

Acquirer and Supplier benefits

Supplier



- Focus on clear solicitation package and review with appropriate stake holders helps define the contract clearly, hence less ambiguity and less change requests. This helps **Acquirer** to avoid additional costs based on contract changes and helps **Supplier** plan their activities as scope is very clear.
- Following a structured contract change control process facilitates changes to contract in a planned manner. This allows the **Acquirer** to address the changes based on the user needs and helps **Supplier** to accommodate changes.
- Establishing the basic contract governance processes like communication planning, Configuration control, Stakeholder & Senior Management reviews and process verification helps address the issues early and avoid any contract disputes to both **Supplier and Acquirer**
- Early communication with potential suppliers regarding the forthcoming solicitation helps **Suppliers** plan their activities better in delivering the services



Acquirer

Summary

- Contract varies from
 - too casual to too formal
 - too small to too big
 - Single suppliers to multi suppliers
- Major IT contracts fall into the mid band
- CMMI-ACQ best practices can be adopted for better contract management planning and governance irrespective of the contract size (Scalability of CMMI-ACQ Model)

Acknowledgements:

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