



zerochaos

Customer:
**US Sales & Marketing Arm of
a Multinational Automaker**

Corporate Profile:

Founded in 1957
Over 6,000 Employees
Annual Sales \$2.3 Billion+

THE ZEROCHAOS THEORY:

An innovative contracts administration process

The ZeroChaos Theory Results:

By realigning the contract process, standardizing contract templates, utilizing our risk assessment methodology and leveraging our contract experts, ZeroChaos provided this customer with:

- Formal risk identification and mitigation
- Reduced project costs through more favorable and consistent contract terms
- Enhanced operational effectiveness and efficiency by managing contract volume spikes
- Decreased contract review and negotiation cycle times
- Greater transparency into contract review and negotiation process
- Improved contract resource effectiveness

Background:

The customer approached ZeroChaos to solve the governance and demand management needs of their contract review, negotiation, and approval processes. The transaction complexities (ranging in the hundreds of millions annually) cover a wide range of product and service acquisitions including; the purchase of software licenses, cloud services and professional services detailed under Statement of Work agreements.

The Challenge:

The initial discovery session revealed:

- ▶ **High-risk contract structures with potential losses of intellectual property**
- ▶ **Process redundancy and lack of flexibility**
- ▶ **Lack of Process and communication platform acceptance and training**
- ▶ **Limited process documentation or visibility**
- ▶ **Relevant reporting data identification issues**

ZeroChaos Solution:

By taking the time to understand the client's current processes and working directly with them, we were able create a solution that greatly exceeded their expectations. Highlights included:

- ▶ **Deployed flexible contract experts to manage volume fluctuations**
- ▶ **Optimal process workflows and supporting technology eliminated redundancies**
Standardized contract and notice templates and communication protocols
- ▶ **Instituted a contract quality assurance program**
- ▶ **Created standard reporting templates**
- ▶ **Developed process training manuals and guides**

The Results:

The positive results have allowed expansion from an initial technology and consulting procurement scope, to a companywide hub for a variety of contract types needing expert review, analysis, and negotiation.

- ▶ **Contract specialist advocates advising and enforcing client contracting standards and risk mitigation policies**
- ▶ **Scalable support module that aligns staff and pricing with required volumes**
- ▶ **Client visibility into contract requests and proactive issue identification**

“An average of 160 contracts are reviewed and negotiated monthly, over \$400M in spend annually.”

The Full Success Story:

In 2009, the client's procurement and technology departments approached ZeroChaos regarding the viability of performing contract governance and demand management services. The client was interested in outsourcing these services in order to improve the quality, cycle time, and risk prevention of their contract review, negotiation and approval processes covering a wide ranging of product and service acquisitions, including the purchase of software licenses, cloud services and professional services. As a trusted partner, they asked us to apply our expertise to create a contract governance and management solution to fit their specific business needs. Upon the completion of our initial discovery, it became clear that the following challenges existed:

- ▶ Risk identification, escalation and approval was done haphazardly leaving appropriate management out of the loop or uninformed of the scope of the risk.
- ▶ The client's staff felt they had limited visibility into the process. Specifically, they wanted to know where their documents were in the review/approval process including any issues causing delay and they wanted clear expectations on how long it would take to review and negotiate their contracts.
- ▶ Because of the process perceptions staff were circumventing the contract review stage, creating an inaccurate view of the volume of service and product purchases and the risks associated thereto, leaving the company vulnerable to unacceptable legal and business risks.
- ▶ The review, approval and negotiation process had changed significantly over time making all available documentation ineffective and out dated. Processes and procedures needed to be documented and reviewed for redundancies, effectiveness and business need.
- ▶ Almost no reporting existed; reports that were kept were manual and did not provide a holistic view of contract volumes, type of purchases being made and related spend.

How Success Was Achieved:

ZeroChaos conducted stakeholder interviews and workshops to review each of the steps in the contract review and approval process, identified gaps and redundancies and worked with the client to design our process, communication, and technology roadmap. A little over a year later, after additional customer feedback, a flexible customized program was rolled out at the client's corporate headquarters with remote workers available when demand exceeded onsite capacity, making it possible for them to manage their contracting needs and to understand their risk exposure. This Contracts Solution included standardized reports, operation manuals and training materials, updated workflows, contract and data quality service levels, formal escalation and risk management, demand management, and cycle time expectations and notices. By 2011, the Contract Solution team was processing over 2,000 contracts annually for spend in the hundreds of millions of dollars.

Game-Changing Results:

By 2013, the Contracts Solution was expanding to include marketing, real-estate, finance and construction contracts. The results were overwhelmingly apparent:

- ▶ Visibility into over \$400M in annual product and service procurement purchases
- ▶ An average of 160 contracts reviewed and negotiated monthly
- ▶ Successful implementation of cycle times metrics
- ▶ Millions in negotiated savings through rate and contract analysis
- ▶ Informed risk analysis, mitigation, and decision making
- ▶ Improved customer satisfaction and consistent service level adherence