

## Legislating for Success©

*Authored by: Nick Andrews (EightyTwenty Insight)*

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### *The Inadequacy of Traditional Service Contracting*

Over the past 20 years there has been a wholesale transformation in the business services landscape which requires a total rethink of the contractual and commercial relationship between providers and their clients. Despite this, the processes and behaviours around contracting for services (commitment management) have evolved little since commercial contracting began. Projects that fail to meet expectations or Business Case thresholds still far outnumber the true successes and the industry needs to look carefully at the root causes of this.

At EightyTwenty Insight we believe there are a number of reasons that have led to the service contracting approach becoming out of date and no longer fit for purpose. Tradition and culture, a 'over-use' of terms like 'partnering' and advisors / lawyers who see their role as risk managers and not as being responsible for successful outcomes. So the approach is still steeped in mistrust, arms-length relationships and a tendency to focus on failure events and penalties. Invariably this leaves insufficient time or resource to focus on successful outcomes, innovation and

value or build relationships and practices that maintain them at the optimal level (collectively we call this **Legislating for Success©**).

### *The wind of change in commitment management?*

Although the problem, and solution, may appear obvious it has, until recently, bordered on procurement and legal heresy to suggest taking a different tack. This attitude is now softening with some of the more enlightened Associations and Law Firms openly advocating a more sophisticated and workable approach which we fully support. This involves a re-prioritisation of time, budget and resource away from 'boiler-plate' and infinitesimally unlikely what-ifs and towards the commercial, behavioural, organisational and relational issues which are where the real value and risks lie.

However, although there is widespread acknowledgement from the client community and strong advocacy from the some of the most experienced and eminent professions, we are still only seeing a small minority adopting the new approach. We believe this will

change dramatically as the successes start to show.

### ***The Legislating for Success Approach***

There will always be a need for traditional clauses such as Limitations of Liability and Intellectual Property Rights but, with few exceptions, there are accepted industry norms for these which can, and should, be adopted from the outset. Equally it is right to use the contractual process to drive service performance but the traditional way has been to focus mainly on penalties and service credits alone. This will do little to encourage providers to deliver better than minimum service and innovation and does little to help build a lasting relationship.

Although there is now a plethora of service providers to choose from, the complexities around matching scope, geographies, language, capacity, price and technology will narrow the choice considerably. The majority are just as committed to a successful outcome and

capable of bringing innovation and value if challenged and incentivised to do so. Sophisticated commitment management starts with a rethink on allocating resource with a heavy bias towards focussing on the things that are success-orientated.

These include:

- ✓ Relationship management and governance (tailored to fit each supplier);
- ✓ A mutual understanding of corporate objectives and constraints;
- ✓ Performance Incentives and reward structures;
- ✓ Change management and transition;
- ✓ Transformation planning and execution (with emphasis on retained organisation); and
- ✓ Key (critical) performance indicators and measurement.

This approach is far more likely to result in a successful outcome.

### **About EightyTwenty Insight**

EightyTwenty Insight, the sourcing advisory company, creates business value through delivering innovative sourcing solutions on behalf of its clients. It is renowned for being:

- Strategy-led: starting with the end in mind.
- Expert-driven: lean, fast and focussed on what matters.
- Methodology-enabled: but not prescriptive.
- Enabling & empowering: by transferring knowledge, skills, tools & methods.

We understand the pressures organizations face today and the importance of a tailored approach - one that builds lasting relationships and works with your team to provide the best solution. EightyTwenty Insight was formed to provide this more sophisticated approach. We provide sourcing advice to the public and private sectors across all process areas including human resources, information technology, finance & accounting and procurement.

With EightyTwenty Insight, organisations (multinationals, nationals, public and private) are able to navigate their way through market diversity, a crowded set of providers and the complex delivery models available to them. EightyTwenty Insight prides itself on its expert staff, the experience-rich methodology it uses, our ability to think about tomorrow's needs as well as today's and the empowering way in which it transfers knowledge and skills to its clients.

### **Contact Details**

For any questions in relation to this paper, please contact:

Mr Nick Andrews  
EightyTwenty Insight Ltd  
New Broad Street House  
New Broad Street  
London EC2M 1NH

Tel: +44 (0)845 680 0201  
Mobile: +44 (0) 7899 067 917  
Email: [info@8020i.co.uk](mailto:info@8020i.co.uk)  
Web: [www.8020i.co.uk](http://www.8020i.co.uk)