

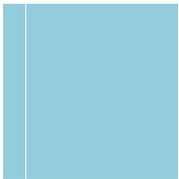
# LEADMARK

contracts collaboration control



## Managed Governance Services

*effective sourcing governance, underpinned by  
powerful collaborative software*



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## 1 Introduction

Governance is an essential part of outsourcing. It enables companies to realize the value from sourcing relationships, while reducing risks and costs.

While many companies are continuously developing and refining their outsourcing capabilities, they still struggle to get the business results they desire from their outsourcing engagements. One of the principal reasons for this is that customers too often “go through the motions” when it comes to outsourcing governance. Thus, while standards and procedures are defined, there are still major gaps between what is desired from the outsourcing relationship and the value ultimately realized.

It usually takes 1 to 1,5 years to set up an effective internal governance function, often with the support of external consultants. Staff augmentation, however, can become very costly and problematic when it transforms into a permanent operating model – often resulting in significantly higher labor costs and diluted supplier accountability. This is why companies show a growing interest in Managed Governance Services to quickly and efficiently improve their sourcing governance capabilities.

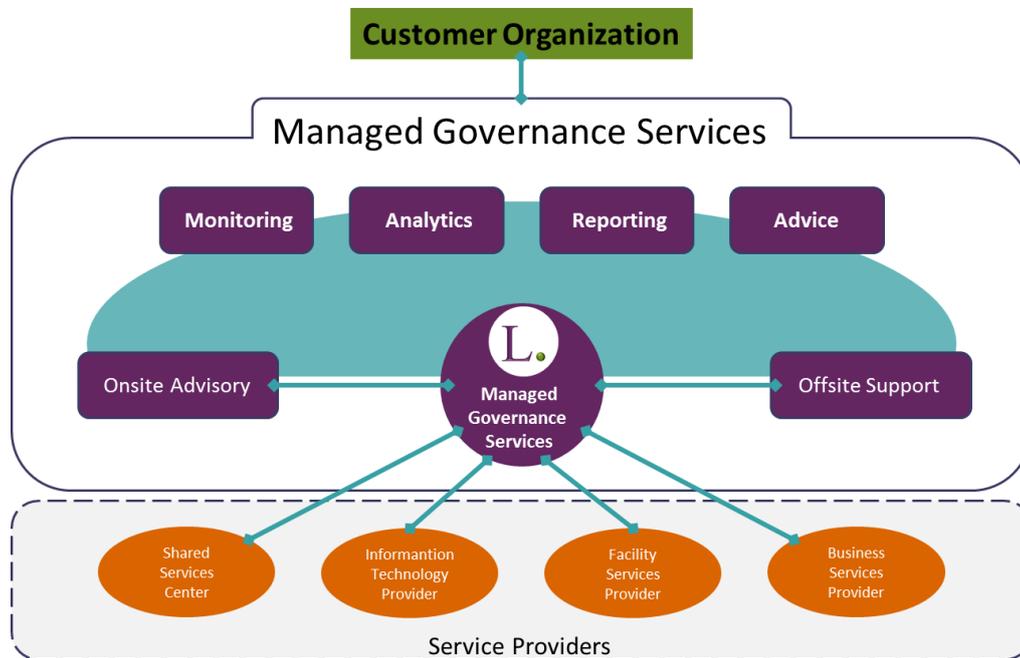
## 2 What is Managed Governance Services

Managed Governance Services remove the burden of non-core governance functions from customers, enabling them to focus on more critical activities and strategic decision-making, instead of time-consuming data crunching. Managed Governance Services offers organizations many advantages in terms of flexibility, agility and the potential to realize significant cost savings. It also enables organizations to easily increase the number of suppliers, contracts, working relationships that need to be managed and governed.

Leadmark Managed Governance Services leverages a powerful combination of people, processes and technology to support the six key areas of shared services and outsourcing governance. Leadmark manages these areas on behalf of its customers, delivering timely, accurate and insightful information to help customers to manage and drive value from their full portfolio of service arrangements.

- An offering that provides immediate access to effectively skilled people, without training or tooling investments.
- Third party validation of contract compliance and performance assessments.
- A structured and consistent way to maximize value realized from sourcing arrangements by steering on key values and risks.
- A strong combination of people, processes and software to enhance governance capabilities and drive value from sourcing initiatives.
- A cost-effective way to have access to powerful governance software without costly and lengthy implementation projects or spending time trying to get existing software to work.





### 3 When is Managed Governance Services relevant

To make sure that outsourcing brings the intended value, organizations require a governance function that oversees and drives their engagements. This is essential for every type of sourcing arrangement, but is even more critical in complex multi-vendor environments. The governance function needs to make sure that performance is at the agreed service levels, risks, issues, change and disputes are managed effectively, that you get what you pay for and that it all fits with the business case.

Managed Governance Services can be relevant in a number of situations:

- When organizations need to set up a governance function and don't have the experience, the time or choose not to build this capability from scratch within their own organization.
- When it is more cost-effective to have a 3<sup>rd</sup> party provide a turn-key solution than to build an internal team and procure underpinning software.
- When organizations have a governance function that focuses on a limited set of critical contracts and choose not to spend much time of less strategic contracts.
- When organizations have a governance function that wants to focus on most value adding or strategic activities and choose not spend much time on routine or administrative work.

## 4 How it works

Outsourcing governance functions typically deal with three types of activities: Routine, Consultative and Strategic.

On average some 50% of the work is administrative or routine, like performance and financial reviews, following up or chasing actions, gathering data or writing reports. Another 42% of the time goes to ‘consultative’ work, such as analyzing reports and trends, discussions and negotiations, both internally and with the supplier. The last 8% of the time is spend on strategic activities, including business alignment, scope definition, vendor selection, contract renewal and relationship management.



Typical outsourcing governance efforts  
(Routine, Consultative, Strategic)

Leadmark’s Managed Governance Services takes primary responsibility for the bulk of day-to-day routine and consultative work. This allows customers to retain overall accountability for its sourcing arrangements and focus on key functions such as business alignment, decision-making, approval authority, and relationship management. Managed Governance Services provides the necessary inputs and support that drive effective governance.

Leadmark’s Managed Governance Services focuses on routine and ‘consultative’ work which includes monitoring, analytics, reporting and advice for each of the key governance functions.

- Performance Management
- Financial Management
- Contract Management
- Change Management
- Risk & Issue Management
- Relationship Management

Governance function	Examples of MGS tasks & activities
<b>Performance Management</b>	Tracking and monitoring of supplier performance against contractual obligations. Calculation of performance credits based on service level performance and contract pricing and incentive model.
<b>Financial Management</b>	Business case tracking and financial tracking of contracts and service providers. Verification and advising on payment of charges, prices and volumes. Provide forecasting assistance and advising on cost saving opportunities.
<b>Contract Management</b>	Administer contracts, contract changes and related documentation. Provide contract interpretation/advice. Provide a common repository, version control and role-based access to documents.
<b>Change Management</b>	Workflow-enabled contract/service agreement change management including creation, amendments, internal/external review/approval, and resolution. Provide support in contract drafting and formal communication.
<b>Risk &amp; Issue Management</b>	Periodic risk assessment and ongoing tracking of mitigation actions. Monitor/track issue resolution and provide guidance and support on escalations and dispute resolution.
<b>Relationship Management</b>	Prepare agendas, take minutes and track actions, develop materials and follow up on actions and decisions. Report, analyze and advice on overall performance and value realization. Have periodic meetings with suppliers.

By leveraging a combination of on-site advisors, specialized off-site support and TRAC governance software, Leadmark offers a smart, transparent and cost-effective way to optimize governance functions, improve collaboration and maximize value from outsourcing arrangements consistently across suppliers. TRAC is Leadmark’s proprietary online governance software system, supporting all key governance processes.

Managed Governance Services by Leadmark are no black box. Our proprietary TRAC governance system is used to support all processes and capture all information. This enables you to have, always and at any time, real time visibility on all aspects of the agreement. This includes, contract changes, service performance, risk- & issues, financial performance, meeting minutes, actions and decisions. Next to real time visibility, we provide balanced score card type of reports, including trends and analyses, to effectively steer the arrangement.

## 5 Benefits of Managed Governance Services

Leadmark's Managed Governance Services captures contract value, manages risk and takes the burden of non-core governance functions off of its customer's plate, enabling them to focus on more strategic decision making, versus time-consuming administrative and routine work. Managed Governance Services leverages a powerful combination of people, processes and software to support the six key areas of outsourcing on behalf of the customer. Managed Governance Services offers customers:

- **Speed:** The ability to quickly start-up a professional governance support solution to address sourced services contracts.
- **Control:** Full insight and control over the work, priorities and output, with guidance from Leadmark's advisor and information from the offsite support team.
- **Cost efficiency:** A lean, agile and variable cost sourcing governance capability.
- **Flexibility:** A periodic sourcing control plan to set objectives and priorities to address changing circumstances.
- **Scalability:** Wax and wane efficiently with changing sourcing governance needs.
- **Focus:** Focus on high value activities, while maintaining governance discipline and meeting reporting requirements.

## 6 Business Principles

As a provider of Managed Governance Services, Leadmark acts on behalf of the customer on contractual relations / service arrangements held by the customer. In this relationship we regard the level of trust as the greatest determinant of long term successful collaboration. We understand that trust can only be given when trustworthiness is demonstrated on an ongoing basis.

To be a trusted partner, Leadmark applies the following principles:

- **Focus:** We understand the needs of the customer and put their interests first
- **Collaborative:** We work in close cooperation with our customer and provide full transparency
- **Competence:** We are experts in our field and work in a professional manner
- **Reliability:** We are transparent in what we do and keep our promise
- **Honesty:** We are open in our communication and don't hide or conceal things

## 7 What do we need to get started

To ensure that the MGS team can start adding value from day one, there are the customer specifics we need to know from you ahead of starting the service.

### People

- The current governance function structure, team composition, roles, responsibilities and authorization charter from both the customer and supplier side.
- The internal organization relationship structure with the various stakeholders. (business, procurement, audit, finance, legal)

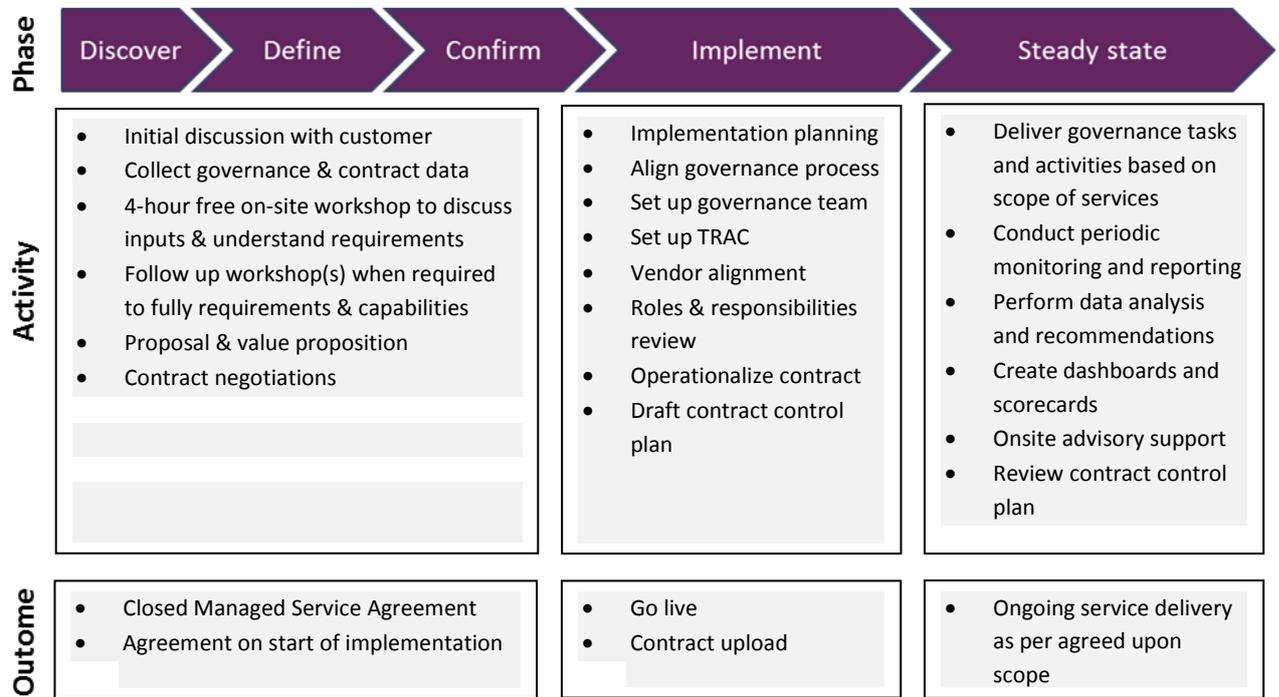
### Contract data

To set up a successful Managed Governance Services arrangement it's essential that Leadmark has good understanding of the current state and challenges of the existing outsourcing contracts and relationships.

The following table gives an overview of the type of data needed.

Governance function	Type of data needed
<b>Performance Management</b>	- Number of KPI's measured - Availability of validation data - SLA credit regime
<b>Financial Management</b>	- Types and volumes of work orders (products, T&M, services, etc.) - Number of invoices under each type of Work Order - Invoice validation process and invoice backlog / disputes
<b>Contract Management</b>	- Number of obligations - Number of financial elements
<b>Change Management</b>	- Number of planned contract changes (last year and planned for coming year) - Number of unplanned changes over the last 12 months - Average time to execute a change and implementation backlog
<b>Risk &amp; Issue Management</b>	- Number of identified risks and related mitigation actions - Number of issues and their status
<b>Relationship Management</b>	- Overview of governance meetings and their frequency - Overview of decisions and open actions - Planned / agreed reporting requirements

A typical Managed Governance Services lifecycle is as follows:



In case of multiple contracts being included in the MGS it is advisable to set up a transition plan to facilitate a controlled implementation and handover process.

## 8 Deliverables

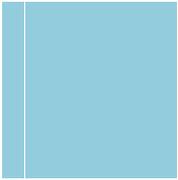
Outputs from the Managed Governance Services team obviously vary and depend on the agreed scope and deliverables. Below are some of the typical activities and reports we would deliver to manage the agreement.

Activity / Report	Description
Contract Health Check	An annual assessment of the quality of the contract including the customer's and supplier's perceptions.
Governance Health Check	An annual survey of both the client and the service provider on the status of the relationship and the perception of the performance and experience of the service provider
Governance meetings	Regular formal governance meetings with supplier to discuss performance.
Performance report	Period report of supplier performance including Leadmark's interpretation and advice on follow up actions
Functional meetings	Periodic meeting with supplier representatives to review performance, invoices, risk & issues, contract changes or other functional areas
Invoice report	Period invoice validation including Leadmark's interpretation and advice
Obligation tracking	Manage and track contractual obligations
Obligation analyses	Overview showing to what extent obligations are met in terms of time and quality
Spend analysis	Periodic (trend) report of spend per service type.
Change report	Periodic overview of contract changes and insight on contract impact
Risk & Issue report	Periodic overview of risks, issues and mitigation actions
Service request review	Analyze service requests against the contract and provide negotiation levers
Review quality framework	Review the supplier's quality and risk framework
Risk analysis	Recommend key risk indicators to manage, track and report
Risk & Issue reporting	Periodic overview of risks, issues and mitigation actions
Facilitate negotiations	Provide relevant inputs to negotiations and advice customer on position
Manage renewals	Keep track of contract terms and coordinate renewals

## 9 Pricing considerations

Pricing of the Managed Governance Services is based on the team and scope of work agreed. Typically prices are most influenced by the workload, timeline, the complexity of the agreement and the dynamics of the environment. During the initial phases of the engagement we will work with you to best shape and size the engagement and our team to meet your requirements.

The timeline and team size will be tailored depending on the level of involvement from your own staff in driving and delivering activities.



Leadmark is a Dutch private limited company. Please see [www.leadmark.nl](http://www.leadmark.nl) for a further description of its structure and services.

Leadmark is a company with a single focus – making it easier for clients to realize the value from their sourced service arrangements. Leadmark provides ready to use governance solutions that mobilize the people and organizations into an effective governance team quickly, whether contracts are just about to be signed or have been running for years. Leadmark offers solutions that focus on embedding critical governance processes and underpinning technology to improve transparency, responsiveness and ultimately value in the run stage of sourcing contracts. In cases where expertise and people are not in place, we can fill this gap as well. This communication contains general information only, and Leadmark is, by means of this communication, not rendering professional advice or services. Leadmark shall not be responsible for any loss whatsoever sustained by any person who relies on this communication.