AVEVA

AVEVA™ Contract Risk Management for owner operators

Gain complete control of contracts for complex projects and enterprise project portfolios

AVEVA Contract Risk Management is a contractual risk management solution in the cloud that reduces cost and schedule overruns on capital expenditure (CapEx) intensive projects and organizations. AVEVA Contract Risk Management governs administrative processes through the pre-award and post-award phases of contract administration. AVEVA Contract Risk Management connects all stakeholders inside and outside the business via the secure cloud-enabled collaboration platform, AVEVA™ Connect, to ensure that you perform your contractual activities at the right time with the right people.

The analytical platform provides oversight of commercial activities across the organization with drill-down insights by company division and function, by asset, or individual contractor. These insights provide contract and procurement teams a toolkit to govern change, control costs, mitigate delays and bottlenecks, reduce costly claims, and schedule overruns.

AVEVA Connect is a fast, flexible, and secure way to increase business agility and make sure all your teams are working with the same data.

Business challenges

When you begin industrial CapEx projects, you know that the lifecycle of a contract goes far beyond contract signing and scope agreements. Change during a project is not just common – it's inevitable. It's important to take control of all changes and decisions as you comply with contractual obligations. If you cannot manage change, you may experience project delays, unexpected costs, and misunderstood scope. This can ultimately lead to business-critical challenges:

1. **Poor project delivery:** You may execute projects using disparate solutions for engineering, materials, contracting and construction management.

2. **Uninformed decision making:** Change is inevitable throughout the project phase and can drive up costs and schedules immensely. Despite this, most project teams loosely manage their change management process, and approve or deny change requests based on a poor understanding of how those changes will affect the project. This creates a breeding ground for poor project outcomes and leaves teams pointing fingers to defer the blame.

3. **Contracting teams are under increased pressure:** As the construction industry faces skill gaps due the changing workforce, contracting and procurement teams share similar challenges. A lack of trained employees leads to risks for organizations. As businesses execute projects across the globe, they require governance and ample oversight that is traditionally only provided by the most experienced personnel.

4. **Claims and disputes:** On average, 9.15% of project cost[1] leaks occur because of poor change management and unplanned legal costs resulting from dispute escalation. Inefficient contract administration and payouts of penalties due to breaches in contractual obligations can not only lead to cost overruns, but also have a major impact on projects and future business relationships.

A reliable central contract management system that is trusted and used by all parties gives you complete control of a project. From enforcing processes to promote best practices, to improving working relationships, contract management also helps owners maintain oversight of key contractual obligations.

How prevalent is the problem?

98% of mega-projects are delivered late and 80% are over budget due to poorly managed risk, uncertainty, and scope changes throughout the course of the project.*

- 56% of project owners link overruns to lack of effective change control**

- 64% of project overruns are due to untracked scope changes**

- 38% of owner operators blame overruns on inadequate governance in contract management**

- 7.1% is the average amount of transactional (non-productive) waste attributed to claims defense on a project ***

*Source: McKinsey – The Construction Productivity Imperative
**Source: IACCM – The Value of Contract Management
***Source: CII – Main Sources of Transactional Waste

[1]Source: International Association for Contract & Commercial Management (IACCM)

AVEVA Contract Risk Management's key benefits for owner operators

Centralized contract register

Some of the biggest decision-making errors, which often result in avoidable project costs, are associated with a lack of awareness of contractual terms.

AVEVA Contract Risk Management mitigates this common issue by providing an online contract register that takes intelligence beyond file shares and SharePoint folders:

- Store signed contract documents in a smart digital contract dashboard that holds a digitized format of the key milestones, obligations, and financial foresight for financial commitments and expenditures.

- Link contracts to the tendering process they originated from to ensure full traceability from the current state of the contract back to its original draft.

- Organization framework (master service) agreements provide governance so projects and departments use validated suppliers and take advantage of preferred rates and bid evaluations.

- The digital contract has embedded intelligence to help administrators ensure that contractor insurance, bonds, and guarantees are in place. Digital contracts make obligations visible to the responsible parties so they can plan events like renewals with plenty of lead time.
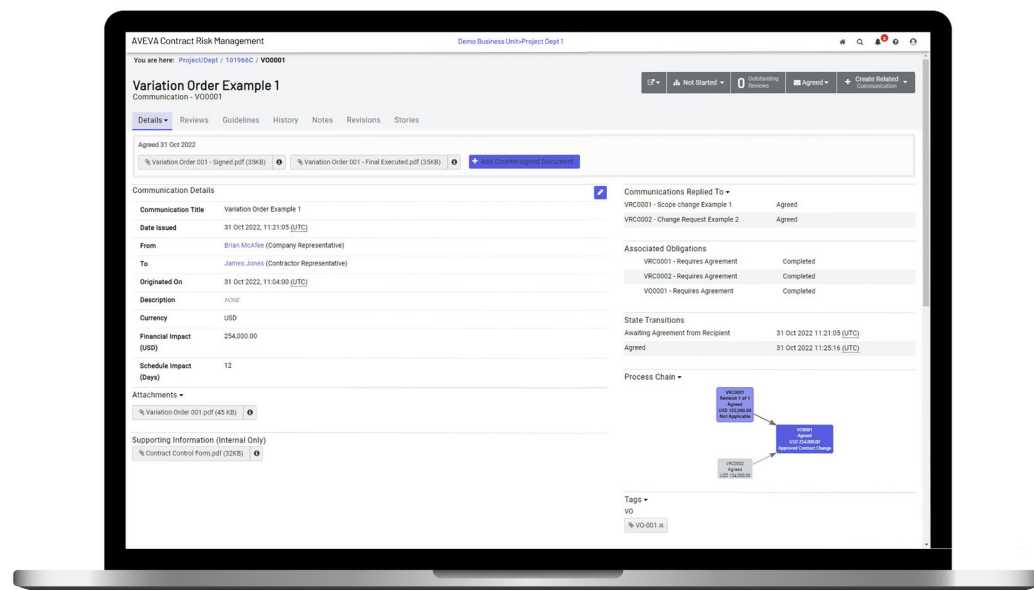
- Complete audit control makes it easy to detect who made changes when, so all the events leading up to changes are traceable. Associated communications, reviews, and decision stage gates are all accessible within the same platform.

- By hosting AVEVA Contract Risk Management in the common cloud platform, AVEVA Connect, you can gain faster, more flexible, secure access to the contract register for all parties, limiting both errors and spiraling costs.

Controlled change management

Change is inevitable, but manual, disconnected, and undefined processes or governance mean the commercial impact of each change doesn't always surface until the opportunity to correct it has already passed.

With AVEVA Contract Risk Management's capital-project-centric platform, project teams can:

- Take control of changes. Manage potential, pending, and approved changes by alerting users to identify and act on change long before a commitment becomes a burden to the project.

- Reduce the likelihood of over-commitment with timely notifications when changes occur so users can review and approve them.

Mitigate or defend against potential claims. AVEVA Contract Risk Management provides early indicators for contract administrators and project teams when they have contractual obligations to fulfill, or when risks develop during a project. Examples of obligations monitored within AVEVA Contract Risk Management include:

- Requirements for a contractor to submit monthly progress reports.

- Requirement for a contractor to respond to technical deviation requests within a defined timeframe.
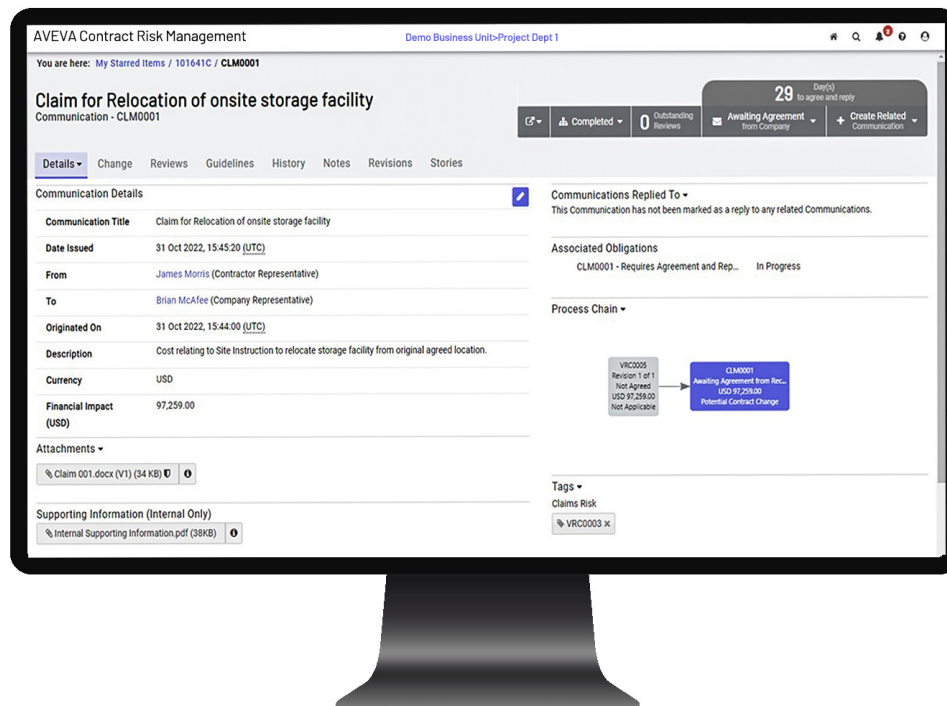
Review and approve scope changes and recover change-related costs to comply with the terms and conditions set out in the contract.

Dispute mitigation and control

Compile a bulletproof paper trail and provide early detection of dispute and claim risks with automated processes. Owner operators and contractors can collectively limit non-productive time, mitigation costs, and avoid litigation.

AVEVA Contract Risk Management mitigates the escalation and impact of disputes through:

- **Early warning alerts of upcoming contractual deadlines:** Reduce the likelihood of contractor claims. Examples of monitored obligations might include safety, environmental requirements, timely responses to technical deviation requests, and milestones.

- **Early identification of potential disputes:** Take preventative measures when potential disputes arise. Monitor and receive reports of leading indicators such as an increase in the number of rejected or disputed variation requests, or the number of non-agreement requests for certificates. Get early warnings of claims you might expect in the future.

- **Better alignment and a trusted relationship between the contractor and their client:** Agree on contract management processes and procedures. When both parties use a single contract management platform they are guided by common methods and templates.
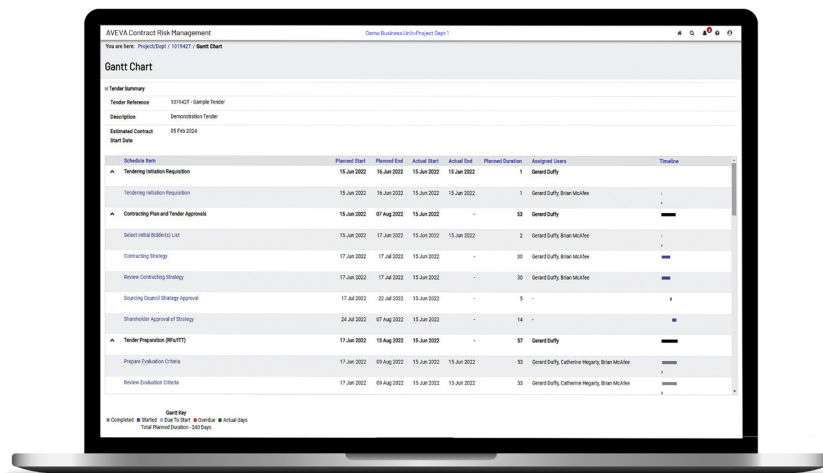
Trusted best practices and steadfast compliance

With built-in project execution best practices and process automation to steer contractor activity, AVEVA Contract Risk Management unlocks the opportunity to improve project performance and reduce the risk of cost overages and time lost in litigation. Reduce your dependency on individual contract managers to enforce governance and oversight over contractual procedures.
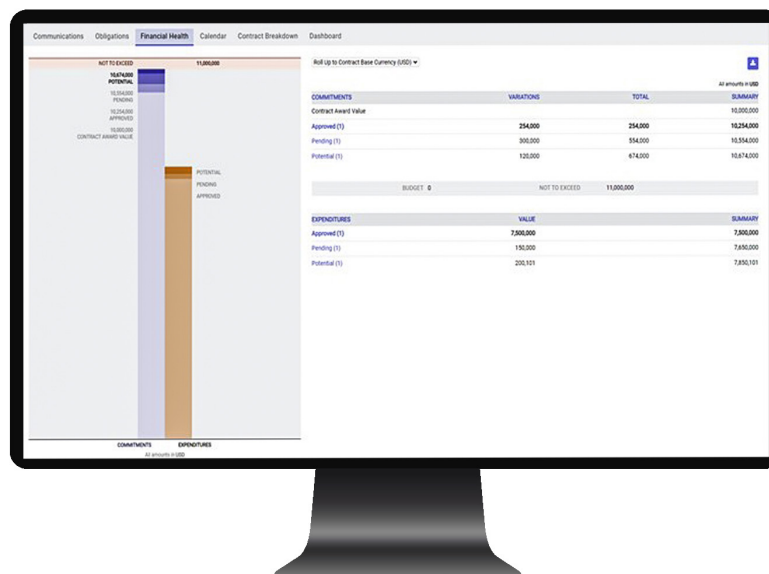
AVEVA Contract Risk Management gives teams the tools to:

- Use world-class contracting processes and enforce compliance and discipline in process execution. Measure contracting processes and create a culture of continuous improvement.

- Reduce risks of regulatory compliance challenges, such as non-compliance with government legislation. (For example, the United States Sarbanes-Oxley Act (SoX) can lead to fines of up to $5M and 20 years in prison for executives). Avoid risks through consistent adherence to approved processes during both pre-award and post-award phases of a project.

- Decrease labor hours and third-party auditor costs by demonstrating compliance with procedures through easily accessible, trusted, and complete information from a single source.

Data-driven trend analysis

Perform in-depth trend analysis on centrally stored and structured contracts, projects, and contractor performance data. Historical data in AVEVA Contract Risk Management's data warehouse can provide further insights, and analytic APIs allow users to export those insights to third-party business intelligence tools such as Microsoft Power BI.

AVEVA Contract Risk Management key features

Pre-award

- Manage the lifecycle of the pre-award tendering process with scheduling, process step workflow reviews, and approval stage gates.

- Use the included best-practice templates for tender processes, structures, and performance outcomes.

- Share key data and decisions securely with a secure tender (ITT, RFx) and bid management collaboration portal.

- Manage supplier sourcing and bid evaluations.

Post-award

- Maintain one centralized record of contracts, framework agreements, and call-offs.

- Use contract administration lifecycle management to oversee change, payment, claims, and disputes.

- Configure review and approval workflows.

- Create contract document templates with best-practice structures and auto-generated content.

- Use a secure collaboration portal for all contract-related administration communications, both internally and with subcontractors.

- Report financial health and receive an early warning for potential changes and pending contractual obligations.

- Manage contract obligations based on contract milestones and events.

Contractor management

- Register, qualify, and conduct performance evaluations on contractors.

- Get reports on contractor trading recommendations and performance across contracts.

- Use the contractor portal to self-manage information and collaborate on qualification, tendering, or contracting activities.

- Integrate with other master vendor databases.

Platform

AVEVA Contract Risk Management is a cloud-first solution built for data security and high availability to provide transparent, real-time collaboration in a shared environment. It deploys quickly to help you increase workforce efficiency and access data more easily for agile decision-making. You can also deploy on-premises in some circumstances.

- Provide teams with multi-regional and language support, single sign-on authentication, and modern web browser support.

- AVEVA Contract Risk Management includes best-practice workflows, reporting, and batch data uploading configurations.

- Securely authorize and revoke data access to various organizations for reporting functions, projects, tenders, contracts, roles, and disciplines.

- Delegate authority to support back-to-back working arrangements and assignment handover during leave.

- Record information in alignment with existing business processes. Set reference number standards, fields to capture, codifications, and version control.

- Conduct historical tracing and maintain visibility of all activity and changes to support compliance checks from auditors and regulatory bodies.

- Document template and reference libraries.

- Search system-wide, including the contents of documents.

- Manage and oversee individual activities.

- Customize automatic notifications of upcoming actions, key events, and milestones.

- Integrate with finance, cost, project, and document management systems through industry-standard API protocols.

- Configure reports for schedules, delays, bottlenecks, process deviations and non- compliance, decision-making, and approvals.

- Export data and project reporting to third-party tools, such as Excel and Microsoft Power BI.

For more information on AVEVA Contract Risk Management for owner contractors, please visit:
aveva.com/en/products/contract-risk-management

AVEVA Connect is our common cloud platform that drives business resiliency-enabling our customers to transform faster, reduce costs and easily scale up and down. Find out more:
connect.aveva.com

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