

Quo Vadis?

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Quo Vadis?

“Where are you heading?”

Quo Vadis?

“Where are you heading?”

“Where are we heading?”

Contracting, Contract Formation, or Negotiations – Does it make or destroy relationships?

Good contracting increases the probability of successful transactions and projects.

Best practice contracting provides a strategic competency to drive quality and integrity in trading relationships, defining and testing the alignment of your business with that of your trading partners, driving sustainable innovation and change.

Contract Management is Challenging



Multiple stakeholders

Different data

Conflicting pressures

Complex processes & handoffs result in:

- delays
- unauthorized or poorly defined commitments
- lost deals
- disputes

Competing Interests

Buyers

- Number of suppliers
- Incented on YOY cost savings
- McKinsey: “Price is everything!”
- Keep it impersonal
- Buyer be the focal point
- Sellers are *#@\$%!s

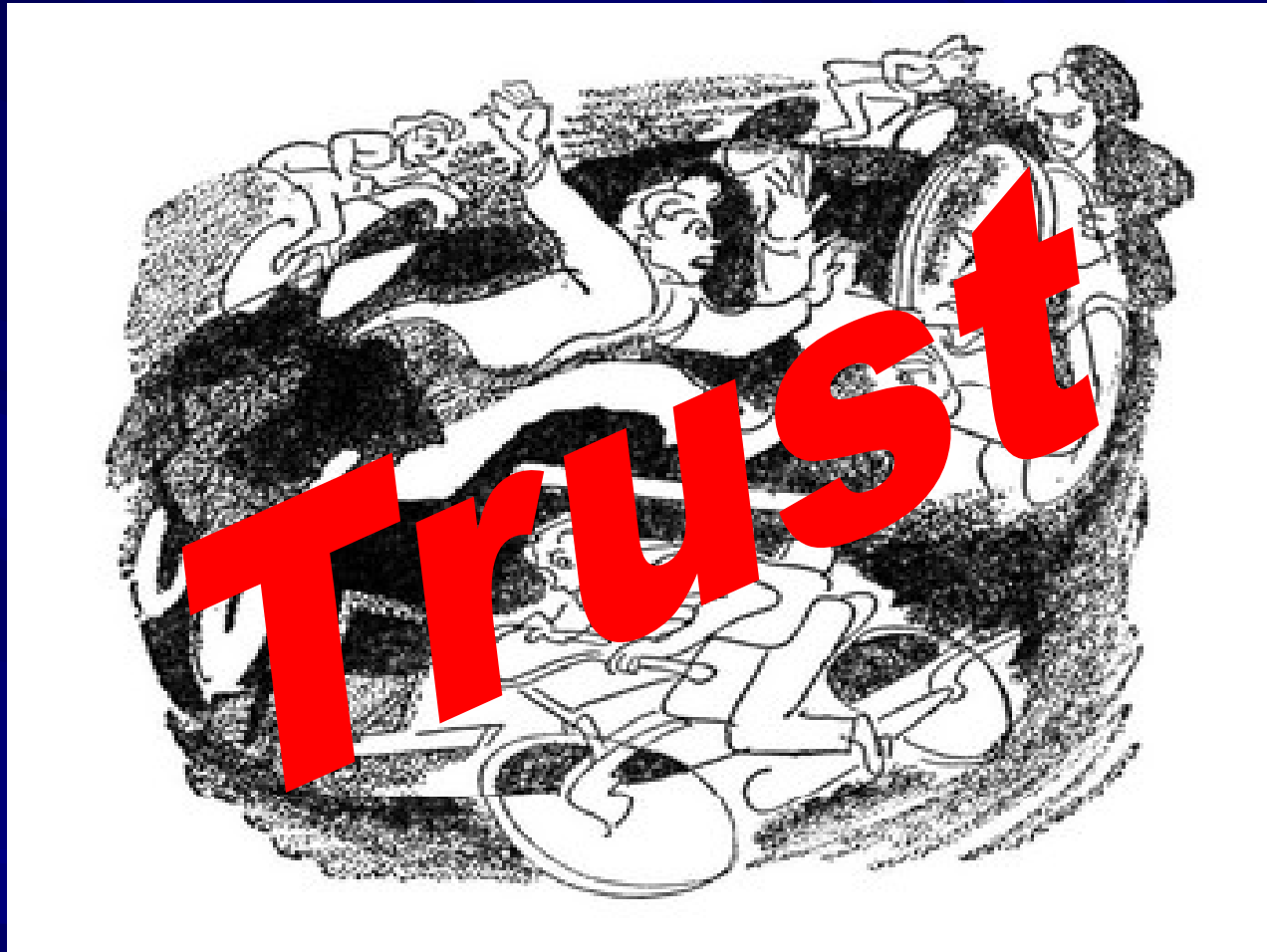
Sellers

- Number of customers
- Incented on top line revenue growth
- Value selling: “Price is irrelevant!”
- Build relationships
- Get to the end-users!
- Buyers are liars!

“We want collaboration ... but, on our terms”

- Risk allocation seen as faster, simpler than risk management
- EITHER Legal don't trust or empower Procurement; OR Procurement engages too little, too late
- Contracting practices and strategy poorly defined
- Contracts become an obstacle, negotiations turn negative, post-award marked by claims and disputes

Disruptive innovation



Destructive contention

Common Interests

- Requirements are clearly defined; agreement within and without ...
 - Performance or execution is flawless
 - “Supplier keeps its promises!”
 - Consistently exceeds expectations
- Contract reflects relationship of trust – good balance between managing change and covering contingency
- Fair price paid for what is delivered
 - Isn't always low price; rarely is ...
- Understanding of business drivers
 - What is important and what is not; joint planning for future
- Flexibility and innovation
 - Brings solutions, not excuses

Contracting: Need And Opportunity

- The 'spiky world' is here to stay - and the pace of change will continue to increase
- Fragmenting organizations and shifting relationships cause fear and uncertainty
- Differing levels of risk tolerance create growing conflict between the agents of control and the agents of innovation
- **The challenge for contracting: Balancing the opportunities of change with the risks of uncertainty, in an environment where execution increasingly depends on contracted relationships**
- **Our roles must become one of reconciliation - *defining and managing a governance framework for interactions – and leadership of change – ensuring efficiency and effectiveness in the construction and management of business relationships***