

## CASE STUDY

Global Healthcare Products Manufacturer

### **Implements Corporate Contract Management Strategy**

#### **Challenge**

As part of a global, multiple division initiative, this major manufacturer of healthcare products to both the life sciences and consumer products industries needed to ensure ongoing, efficient contractual and legal compliance.

#### **Solution**

A completely integrated client and Clarkston team was necessary to assess all divisions and to develop an understanding of the internal business drivers that contributed to their challenges and goals. The team analyzed the current contract management environment in order to:

- Create a long-term contract management strategy to improve policies, processes, and systems
- Improve organizational effectiveness and implement training tools
- Identify interim solutions and a short-term risk mitigation plan

#### **Benefits**

The client gained a better understanding of and developed best practices for government and commercial contract management across all global divisions. The contract management process assessment and strategy identified:

- Missing SOPs resulting in inefficient communications across divisions
- Lack of comprehensive policies for commercial contracting to address business and government concerns
- Contracting functions with minimal system support, as well as manual, labor-intensive processes

## Challenge

One of the greatest challenges facing a leading manufacturer of healthcare products for the pharmaceutical and medical device industry, was identifying and establishing best practices for contract management. Because the client consists of a large number of decentralized business operations in industry sectors that conduct business within commercial and government contracting, any deviation from published standards has the potential to create risk of non-compliance with legal and contractual obligations. The exposure for non-compliance could include fines, penalties, lost revenue, legal action, negative publicity, and in the worst case, debarment.

The client's business practices and procedures vary across sectors, as well as within sectors across its divisions; therefore, identifying best practices from individual divisions that could be transferable across divisions and sectors was significantly complex. Additionally, the client operates in an environment containing multiple systems, including packaged enterprise resource planning (ERP) and custom designed solutions that serve individual divisions. Thus, a deep understanding of both policies that govern the business operations, as well as expertise within various systems that were being used to gather, analyze, and disseminate information related to contract performance and compliance, was required.

Beyond the cultural issues, it became clear that since most divisions had been working with their existing systems for such a long period, each felt that they had things well under control, and that there was little need to consolidate and/or collaborate across divisions and sectors.

## Solution

In order to ensure ongoing, efficient contractual and legal compliance, the client undertook the initiative to design, develop, and implement contracting processes. The objectives of the project were to:

- Assess the current contracting environment.
- Create long-term contracting strategy.
- Identify interim solutions and a short-term risk mitigation plan to prepare for the long-term strategy.

Over the course of the project, the client identified four key areas for improvement:

- Policies
- Processes
- Systems
- Organization and training

While adequate policies existed in some critical areas of government contracting, other government areas lacked formal policies. Few policies existed in the commercial contracting area, and they were not comprehensive enough to address all business and government concerns. Additionally, the team found that a number of formal standard operating procedures (SOPs) existed in contract administration in both the commercial and government areas. Other process components, including commercial offer development and contract term compliance had limited, if any, process guidance. Furthermore, many of the contracting functions had minimal system support, and numerous functions, including government pricing calculations, relied on manual and labor-intensive processes.

Although some of the government contracting training practices represented best practices, non-conformity and a lack of SOPs resulted in inefficient communications across divisions, all of which were identified as contributing to a low tenure and high turnover rate in many contracting areas.

## Benefits

Strong commitment from executive management at the client was key to the success of this project. In spite of frequent challenges and resistance to change, the team was dedicated to improving the operating environment, thus helping ensure a positive outcome. A totally integrated team dedicated to this project, comprised almost equally of client employees and consultants, was critical for maneuvering through the divisions, and developing a complete understanding of the internal business drivers that led to their current environment. Both internal resources and the consultants supporting the project brought deep subject matter expertise and a perspective of industry best practices. With contract management best practices

in place, the client is able to prevent non-compliance and assuage against potential risks.

### **Company Profile**

The client is one of the world's most comprehensive and broadly based manufacturers of healthcare products for the pharmaceutical and medical devices and diagnostics markets. The company has a large number of operating companies in several countries around the world.

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