



Outsourcing Support Services Contract Terms and Conditions Evaluation Tool – Preview Deck

Outsourcing Support Services (OSS)

Contract Terms and Conditions Evaluation Tool

Overview of tool

Contract Terms and
Conditions
Evaluation Tool



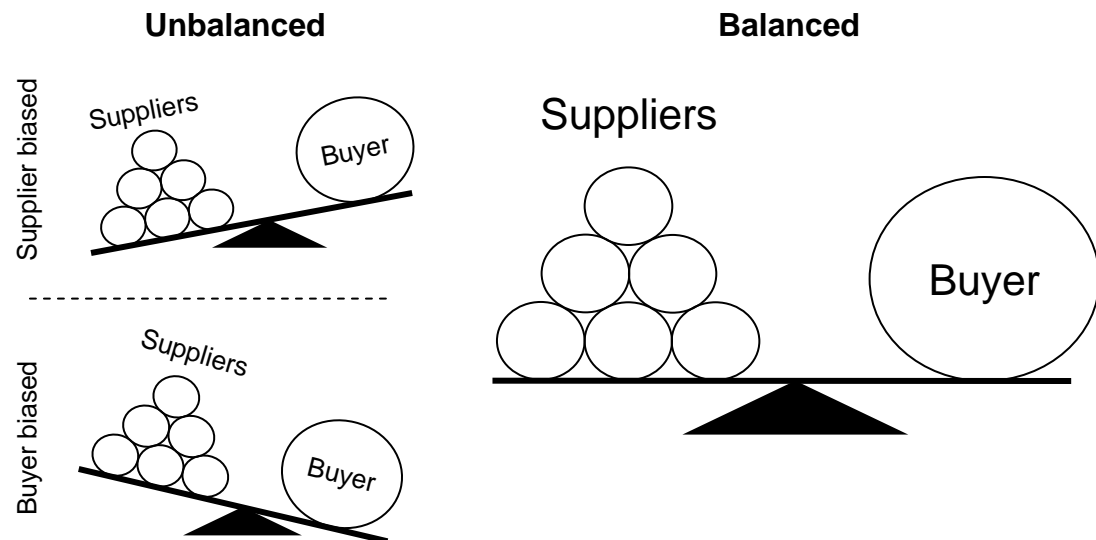
Objective

This tool will help your company evaluate third-party contracts by 1) providing a summary of 31 key contract terms and conditions, 2) providing a scoring mechanism to determine if contracts are buyer or supplier biased, and 3) suggesting new contract positions to better balance the interests of all involved

Key benefits delivered via the contract terms and conditions evaluation tool

- The tool provides a wealth of information related to third-party contract terms and conditions
- Helps managers define which contract terms are most important to their business unit and to the enterprise
- Helps to initiate discussions around risk exposure and risk mitigation techniques
- Helps to determine where and how you can create leverage via the contract
- Provides specific contents in terms and conditions to help your team craft a more balanced contract

Unbalanced contracts are rarely signed and often result in poor or overpriced service; balanced contracts provide an appropriate amount of tension between the parties, resulting in a sustainable, long-term relationship



Contract Terms and Conditions Evaluation Tool

Content highlights: Terms and conditions covered

Contract Terms and
Conditions
Evaluation Tool



- Includes 31 of the most critical contract terms and conditions your organization needs in its outsourcing contracts
- Allows your team to know the market expectations and be confident in its negotiation positions

The 31 terms and conditions are organized into eight distinct groups

Termination

Details how to best evaluate your termination for cause, termination for convenience, flexibility of extension of termination, and change of control terms

Rights of recourse

Details how to best evaluate your limitations of liability, indemnification, and insurance/performance bonds



**Includes 31
detailed
contract terms
and conditions**

Service performance

Covers issues related to satisfaction surveys, warranties, service levels, service credits, and root cause analysis

Contract Terms and Conditions Evaluation Tool

Content highlights: Evaluation tool

Contract Terms and
Conditions
Evaluation Tool



- Leverages “on-the-ground” perspectives; based on client experience (1000+ projects; 16+ years of experience)
- Fact-based insight generated from hundreds of Buyer and Supplier negotiations. Includes input from Everest’s negotiation subject matter experts and internal and external counsel

Definitions

- Provides detailed description of each term including suggested content to improve the term

Scoring guide

- Simple and easy to navigate, each term is measured across a 1 to 5 scale
- Content rated 1 and 2 is supplier biased while content with a rating of 4 and 5 indicates buyer bias
- Content rated a 3 is balanced

EVALUATION CRITERIA	WEIGHT	RAW SCORE	WEIGHTED SCORE	RATIONALE FOR THE SCORE	GAPS REQUIRING CLARIFICATION
TERMINATION FOR CAUSE					
	20%	5	1.0		
Definition / clarifying data					
Business meaning		1) Sets out the conditions under which the Buyer can terminate the contract for supplier poor performance or supplier’s material breach of the contract (e.g., failure to meet critical deliverables). 2) Ability to address material breaches in a timely manner and seek alternatives to supplier in the event of a breakdown in the relationship (e.g., loss of confidence in supplier). 3) Term should also include a “ Disengagement entitlement ” that gives the Buyer the right to acquire assets that the supplier uses to provide services. These assets include 1) supplier IP, 2) supplier owned assets, 3) assets bought by both the buyer and supplier, and/or 4) procedures manuals and other relevant operational documentation necessary for a successor supplier or the Buyer itself to perform the services.			
Everest suggested content		Details the specific conditions and applicable fees for either the Buyer or supplier to optionally terminate services for cause.			
Benefit to Buyer		Allows Buyer to avoid having to sue the supplier (for breach) in order to terminate the contract. Encourages the supplier to continue (or at least maintain) investment in service delivery (e.g., drives a reduction in frequent failures of critical service levels).			
Rating: Scale of 0 to 5 (0= term non-existent, 1= high supplier bias, 3 = balanced, and 5= high buyer bias).					
	1	1) Term does not allow for any conditions through which the Buyer is legally able to terminate the contract and/or the Supplier has egregious “cure” period of 6 months or greater. Where cure period is defined as the period after which the supplier has continued poor performance or a material breach in contract. 2) Disengagement entitlement: Contract provides the Buyer no rights to receive or acquire Supplier assets used to deliver services.			
	2	1) Supplier allows for some conditions through which the Buyer can legally terminate the contract. The conditions are either vague, difficult to verify, or are not material. Supplier may have contracted for a “cure” period that exceeds the Buyer’s acceptable “cure” period (typically one to two months). 2) Disengagement entitlement: Contract provides Buyer some rights to receive or acquire assets used by the supplier to deliver services. The assets may not be material or may be priced significantly above book value.			
	3	1) Supplier has documented in the contract the material conditions through which the Buyer can legally terminate the contract. Buyer understands the conditions. Additionally, the supplier has established an acceptable “cure” period of between one and two months and has agreed to rectify the breach of future conditions before this time period expires. 2) Disengagement entitlement: Contract provides Buyer rights to receive or acquire assets used by the supplier to deliver services. The assets available for acquisition are material to service delivery and are priced at or just below book value.			
	4	1) Supplier has clearly documented and stated in the contract material conditions through which the Buyer can legally terminate the contract. The Buyer understands the conditions and would be able to quickly verify any breach in these conditions. Additionally, the supplier has established an acceptable “cure” period of less than two months. 2) Disengagement entitlement: Contract provides Buyer rights to receive or acquire assets used by the supplier to deliver services. The assets available for acquisition are material to service delivery and are priced at or just below book value.			
	5	1) Supplier has clearly documented and stated in the contract material conditions through which the Buyer can legally terminate the contract. The Buyer understands the conditions and would be able to quickly verify any breach in these conditions. Additionally, the supplier has established a “cure” period of less than a month. 2) Disengagement entitlement: Contract provides Buyer rights to receive or acquire assets used by the supplier to deliver services. The assets available for acquisition are material to service delivery and are priced at or just below book value.			
Additional commentary					
Suggested rating	3 or 4				
Rational for suggested rating	It is critical that the Supplier understand that continued services are not guaranteed. The Buyer is left exposed to poor service quality, underinvestment, and/or lack of innovation if this condition is not structured appropriately.				
Typical supplier position	1) Supplier only agrees to partial termination. 2) Supplier may try to negotiate at least a 30 day period to fix the problem or “Cure” before termination right arises. 3) Supplier may reject obligation to pay for third party that the Buyer brings in to correct problem that the Supplier couldn’t fix. 4) Best for Buyer if terms are negotiated before services begin.				

Each term or condition is defined by 3 stages of assessment

Supporting material

- Includes a suggested rating and a detailed explanation for this suggested rating
- Typical Supplier positions are provided in the additional details section

Document summary and pricing

Contract Terms and
Conditions
Evaluation Tool



Product ID	Title	Price
EG-80-000	Contract terms and conditions evaluation tool	US\$999

All 31 terms and conditions are covered in this single Excel file

Contact information



Headquarters:

13455 Noel Road, Suite 2100
Dallas, TX 75240
Tel: +1-214-451-3110
Fax: +1-214-451-3001
info@everestresearchinstitute.com

Other Locations:

Canada
canada@everestgrp.com

Australia, Asia, and Africa
australia@everestgrp.com

India
india@everestgrp.com

United Kingdom
unitedkingdom@everestgrp.com

Benelux/Amsterdam
benelux@everestgrp.com

Order today to capture more value from your current or upcoming outsourcing initiatives.

For more information: +1-214-451-3111 or info@everestresearchinstitute.com

About Everest Research Institute

Everest Research Institute serves as a central source of independent and objective strategic intelligence, analysis, and actionable insight for leading corporations, suppliers, technology providers and investors in the global outsourcing and offshoring marketplace. As the research arm of Everest Group (www.everestgrp.com), the Institute addresses both business process and information technology sourcing topics, providing the global outsourcing and offshoring community with information that empowers highly productive, sustainable sourcing strategies and relationships. The Institute's wealth of knowledge and experience provides unique perspectives into today's marketplace and the competitive edge required to take advantage of emerging opportunities. Please visit www.everestresearchinstitute.com for more information.