

I. Course Summary and Objectives:

Simply put, contracting deals with making and managing commitments and promises. Most of the contracts negotiated in any organization are done specifically by the stakeholders. There is a lack of well-defined processes to guide the formation and governance of these contracts. In fact, contract formulation is often mired by myopic parochial interests and the prevalence of these attitudes lead to suboptimal results as the contracts are hardly ever conceived and administered on a holistic basis. The thrust of conventional contract management appears to be enforcing compliance or saving costs – with value addition being given a step-daughterly treatment. This conventional view is rather confrontational when in fact it should be conducive to forming and managing business-critical relationships. The problems with the conventional point of view are evident in the struggles faced in the outsourcing sector where an increasing push has been made towards a more service-based orientation. While success in such settings depend on a networked economy of a variety of resources, capabilities to manage the linkages between such resources – a.k.a. contract – are clearly lacking. In the current fast-changing global economy, in order to create business value, a contract must be able to accommodate changing market conditions while still permitting appropriate reviews to incorporate any necessary changes in relation to the vision and capabilities of the firm.

In addition to a lack of holistic approach in creating a contract, contract managers often “inherit” multi-year contracts which have survived personnel and clause changes. The ability to consistently follow a well-thought-out contract management process is necessary from the acquisition phase of the contract all the way to contract closure. In order to understand contract management, we will address the following specific questions, among others:

1. **The different forms of contract:** When is each type of contract used? What are the strengths and weaknesses of each type of contract? Who holds what type of

power in each type of contract? What are the incentive issues in each type of contract?

2. **Enterprise contract management:** What is the contract life cycle? What are the challenges in the contract life cycle?
3. **Key economic principles:** How do issues such as network externality and information asymmetry affect contract management?
4. **Contract negotiation:** What are the golden principles of negotiation that lead to a better contract administration? How to set up the negotiation process to yield better outcomes for all parties?
5. **Partnership versus Competitor Paradigm:** What are the predominant types of market relationships? How does competition color each of these relationships?

II. Course Pedagogy:

- (1) **Contemporary selected readings** from the Harvard Business Review (HBR) and MIT Sloan Management Review (SMR). These journals have stimulating articles from leading academics and business practitioners in every field of management.
- (2) **Case studies.** Published by Harvard.

III. Course Materials

A. Required Reading Materials:

- **Transaction cost**
 - Frank A.G. den Butter and Kees A. Linse, “Rethinking Procurement in the Era of Globalization”, SMR, Fall 2008.
- **Social contract**
 - Ron S. Fortgang, David A. Lax and James K. Sebenius, “Negotiating the Spirit of the Deal”, HBR, February 2003.
- **Negotiations**

- David A. Lax and James K. Sebenius, “3-D Negotiation: Playing the Whole Game”, HBR, November 2003.
- Deepak Malhotra and Max H. Bazerman, “Investigative Negotiation”, HBR, September 2007.
- Jeff Weiss, Aram Donigian and Jonathan Hughes, “Extreme Negotiations”, HBR, November 2010.
- **Managing contract manufacturers**
 - Benito Arrunada and Xose Vazquez, “When Your Contract Manufacturer Becomes Your Competitor”, HBR, September 2006.

B. Case Studies:

1. **Dry Goods**, (Source: Harvard, Topic: Contract manufacturing, Product Number: KEL509-PDF-ENG)
2. **When Outsourcing Goes Awry**, (Source: Harvard, Topic: HR contracting, Product Number: 95309X-PDF-ENG)
3. **Vendor Partnering: Important Considerations When IT Outsources IT**, (Source: Harvard, Topic: Vendor management, Product Number: 3028BC-PDF-ENG)
4. **IEC in Sports**, (Source: Harvard, Topic: Risk analysis in contracting, Product Number: W11652-PDF-ENG)

Grading

In-class Case Presentation and Other Exercises (Combination)	30%
In-class Final Exam (Individual)	40%
Take-home Case Analysis (Team)	20%
Class Participation (Individual)	10%

Take-home case analysis: Completed analysis is due by October 15, 2017 midnight EST.

This is a hard deadline and all submissions after that will be allotted a grade of zero.

Since this is a required MS course, S/U or P/F grading is not permitted if you are using it in the option or as part of your MS work. Final grades will be given in the form of A, A-, B+, B,

B-, etc. Incomplete grades will only be considered for extenuating circumstances. You must be passing the course, as evidenced by your work, to receive, via written (typed) request, an "I" grade.

Academic Integrity: Please make sure that you follow the rules regarding plagiarism in all your submissions, i.e give COMPLETE citations. If you are using someone's words verbatim, then use quotation marks around the quote and identify the page number of the citation. If you wish to double check, there is a free software called Turn-it-in which is available at www.turnitin.com.