

# INNOVATIVE MECHANISMS IN CONTRACTS AND LEGAL DOCUMENTS



## INDUSTRY CHALLENGES

Lifecycle costs and benefits are increasingly being assessed and TOTEX is becoming more significant.

Collaborative relationships are also seeing longer contract durations and the need to overcome the barriers to lifecycle contractual innovation is growing.

The risks associated with innovation must be addressed and managing this risk is also a key requirement.

## THE SOLUTION

Contractually there is a limited window of opportunity to innovate. The ability to innovate can almost cease entirely at the point of contract execution.

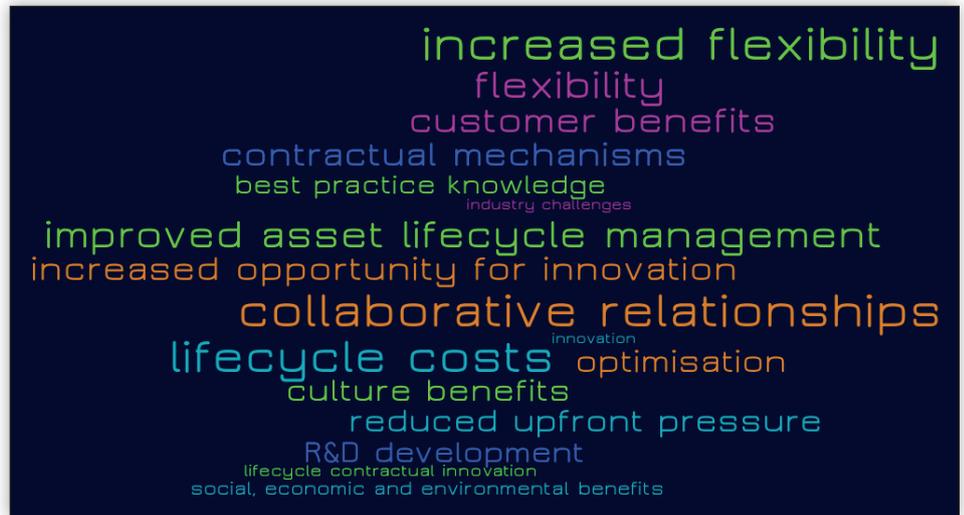
The solution to this challenge is to develop contractual mechanisms which allow for innovations to be introduced throughout the full lifecycle of a contract and thus removing the current bottleneck.

Mechanisms applied could be a combination of pain / gain mechanisms offering penalties or rewards to incentivise innovation, mandated requirements, Key Performance Indicators (KPIs) surrounding innovation, innovation weighted procurement scoring and adjustments in specifications.

## CUSTOMER BENEFITS

The advantages of increased opportunity for innovation are numerous. Reduced upfront pressure to innovate removes the requirement for hasty decision making which can result in errors. In addition, increased flexibility allows for social, economic and environmental benefits to be maximised. This flexibility also ensures the customer is not locked into dated technologies and processes.

Further benefits include improved asset lifecycle management and optimisation and the option for R&D development to be engrained within projects and the associated culture benefits this provides.



## CURRENT STAGE OF DEVELOPMENT

A white paper is currently being developed which recommends and advises how innovation promoting contractual mechanisms can be adopted. Concurrently, best practice knowledge is being advanced. Further to this, Costain is managing a programme of improvement regarding the development of progressive contractual terms.

## CONTACT

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