THE ESSENTIALS OF CONTRACT MANAGEMENT
CONTENTS

INTRODUCTION ................................................................................................................................. 3
WHAT IS CONTRACT MANAGEMENT? .............................................................................................. 4
THE CONTRACT MANAGEMENT LIFECYCLE .................................................................................. 6
WHAT IS THE ROLE OF A CONTRACT MANAGER? ......................................................................... 7
WHY IS IT IMPORTANT TO MANAGE CONTRACTS? ...................................................................... 9
WHY DO SOME CONTRACTS FAIL? ................................................................................................ 10
HOW TO MANAGE CONTRACTS SUCCESSFULLY ................................................................. 14
  Critical Success Factors ............................................................................................................... 14
  Things to Avoid ............................................................................................................................. 17
  Warning Signs of Contract Failure .............................................................................................. 18
  The Essentials of Good Contract Management ........................................................................... 19
Conclusion ......................................................................................................................................... 25
INTRODUCTION

Contract management is a process that all staff who are involved in tendering for goods, services or works must incorporate into their daily routine in order to ensure that they get the desired outcomes from a contract and that relationships run smoothly between the Service and its Suppliers/Contractors. The aim of this document is not to be a sole resource for how best to manage a contract as contract management is an ever-evolving process that is constantly changing and adapting to the perceived or predicted needs of your specific contract so you will never follow exactly the same process twice. Instead, this document is aimed at setting out the key essentials of contract management which will enable you to develop, in conjunction with other sources, your method of contract management.

Amongst other things, this guide will cover the following aspects:

- Managing the service delivery
- Managing the supplier relationship
- Contract administration
- Seeking performance improvements and innovation
- Managing changes
- Encouraging innovation
WHAT IS CONTRACT MANAGEMENT?

Contract Management is a process that enables both parties (the Service and the Supplier/Contractor) to ensure that a contract fully meets their respective obligations as efficiently and effectively as possible, in order to deliver the business and operational objectives required from the contract as well as providing value for money.

A contract is a legally binding agreement between two parties, it can be as simple as buying something from a shop – you place the order and the shop provides the goods, or it can become progressively more complex. Essentially the two sides to the agreement are the offer (returned tender) and the acceptance (preferred supplier’s submission).

The main aim of contract management is to ensure that both parties to a contract meet their obligations in order to deliver the objectives required from the contract and build a good relationship between customer and supplier/contractor. It also ensures that the supplier is paid in a timely manner, is consulted with on any variations of the requirements and is still able to make a reasonable profit from the relationship.

The latter part of this statement may seem strange as until recently it was always seen as being more beneficial for the customer to obtain their requirements as cheaply as possible. However, as procurement has evolved in recent years and you will no doubt have heard the phrase ‘Best Value’, MEAT (most economically advantageous tender) and “Whole Life Costing” being used. These phrases refer to the fact that cheap does not always mean best and it is essential to look at the lifetime costs of a product/service as well as taking quality aspects into consideration when making a purchase.

Because of this change in attitude a key element of contract management is to ensure mutual benefits to both parties involved in the relationship as this in itself can prevent other problems from occurring as a result of low quality goods etc meaning a saving of time and money later in the process simply by not always going for the cheapest product / service on the market. Contract management continues throughout the life of a contract and involves proactive management to anticipate future needs as well as reacting to situations that arise.

The process of contract management evolves in accordance with changing requirements and circumstances. Some contracts for example need very little management as they almost manage themselves, but other contracts (not necessarily high value / complexity contracts) need much closer scrutiny to ensure that they
are kept on track and on time etc.

So who undertakes contract management? The simple answer to this is anyone involved in the delivery of a contract; from the staff reporting that a delivery was made on time through to the people having the strategic meetings that relate to the future requirements of the contract; because without the input of all these stakeholders the contract cannot be managed properly. In essence though, contract management can be broken down into three distinct areas:

1. **Service delivery management** – which ensures the services / goods are delivered to the agreed timescales, levels of performance and quality.

2. **Relationship management** – ensuring an open, trusting and constructive relationship is maintained between both parties.

3. **Contract administration** – involving the formal governance of, and variations to, the contract.

All of the above tasks can be undertaken either by delegating a single person to perform all 3 aspects of the role, or by assigning a team to the job who will manage the different aspects separately. The option you choose will be greatly dependent upon the complexity/size of the contract and the resources available for its management.
E-CONTRACT MANAGEMENT

The Bravo e-contract management system is the Welsh Government’s central electronic storage repository for contracts which is provided free of charge to Welsh Public Sector organisations as a module from its Xchange Wales electronic procurement programme.

It enables end-to-end contract management to include storage of all contract documentation (terms and conditions, pricing schedules, contract details, service level agreements, minutes of contract review meetings, contract variation documents etc). The system is also able to manage supplier performance as Key Performance Indicators relating to specific contracts can be tracked and contract alerts can be set to warn of scheduled contract review meetings.

The functionality of the system includes:

- Repository of organisations’ contracts and related documentation
- Contract data reporting
- Automated alerting for buyer/supplier community
- Key performance indicator tracking and reporting
- Sub-contractor visibility
- Audit trail and secure communications record
- Pricing records and contract variation management
- Automated conversion from e-tendering award to contract
- Upload of existing legacy contracts
There are numerous advantages of using the e-contract management system, including:

- Single repository/database of all contract related documentation, linked to the tender for full end to end process reporting and audit trail
- Supplier KPI tracking for improved performance over the contract life
- Alerting for conducting contract reviews and expiry warnings
- Fully integrated with eTendering for ease of buyer / supplier use and deployment
- Reduced risk through improved compliance

N.B. It is essential that the Bravo e-contract management system is kept fully updated at all times by the nominated people from each Service. All sections must be completed fully and all documents relating to the contract should be uploaded to the relevant document repository area to ensure a full audit trail of each contract. If Bravo e-contract management training is required please contact your respective procurement department.
THE CONTRACT MANAGEMENT LIFECYCLE

The lifecycle begins with deciding upon the procurement strategy i.e. how will the goods or services be procured. Once the service is acquired, a period of transition leads into contract management. There is an on-going analysis of business needs, to routinely ensure that the service provides what the business really needs.

When the contract ends, for whatever reason, the re-competition process includes a re-examination of business need, the performance of the existing arrangement, any new requirements, and the options for sourcing.

Information from this stage will feed back into the procurement process of acquiring a new service: a process that mirrors the original acquisition but with the benefit of all the lessons learnt from acquiring and managing the previous contract.
WHAT IS THE ROLE OF A CONTRACT MANAGER?

The role of a contract manager is to ensure that the day-to-day workings and requirements of the contract in question are maintained without noticeable problems occurring. This is usually achieved by some key actions as follows:

✓ Ensuring that everyone involved in the contract knows what they need to be doing and when they need to be doing it.

✓ Monitoring the performance of the contract against predetermined criteria – Key Performance Indicators (KPI’s). KPI’s are normally set at the outset of a contract and should be monitored regularly to ensure that performance expectations are being met. Where there are formal agreements on service levels there is often a need for some flexibility, especially in the early stages of an agreement:

  o Each party’s requirements must be reasonable – neither the customer’s business nor the supplier will meet the highest standards overnight
  o Each party’s requirements need to be realistic – in terms of technology, organisational capability, and cost
  o Exception procedures must be catered for – neither customer or supplier can be expected to meet the requirements under all circumstances
  o There should be a mutual understanding of required service levels – both customer and supplier must be aware of the other side’s benefits, costs and risks associated with meeting or not meeting a service level.

✓ Ensuring optimum communication levels are maintained between all concerned.

✓ Organising regular contract review meetings and not just calling meetings when things are going wrong!

✓ Working with the supplier to ensure on-going improvements and innovation in service provision.
✓ Managing any changes/variations to make sure they do not detrimentally affect the contract.

✓ Managing Risks relating to the contract including the following aspects:

  - Lack of capacity
  - Key staff on the supplier side being redeployed elsewhere thus eroding the quality of service provision
  - The supplier’s business focus moving to other areas after the contract award
  - Reduction of added value for the Service in the arrangement
  - Supplier’s financial standing deteriorating
  - Demand for service much greater than expected and supplier unable to cope
  - Demand for service too low resulting in economies of scale being lost
  - Service obliged to make demands that cannot be met e.g. in response to changes in legislation
  - Force majeure (factors beyond the supplier’s control that disrupt delivery e.g. natural disasters)
  - Fundamental changes in the customer’s requirements, perhaps as a result of changes in policy, make the arrangement a higher or lower priority or change the level of demand for the service
  - The customer’s inability to meet their obligations under the contract.
WHY IS IT IMPORTANT TO MANAGE CONTRACTS?

Contract management is most commonly associated with the provision of a service, and since service contracts will inevitably change over the lifetime of the contract the process of adapting the contract to meet those ever changing needs has to be managed to ensure value for money and that ultimate control of the process is maintained. It should always be remembered that, unless specified in the contract documentation at the procurement stage, the service provider is only responsible for delivering the service as agreed at the initial set-up of the contract. Therefore if the requirements of the contract change, it is the responsibility of the Service to check that services are being delivered as agreed and that they continue to meet the changing demands of the business. There are also a number of advantages to effectively managing a contract including:

- Early warning and therefore rectifying of disputes, performance issues and other similar problems before they escalate.
- Minimisation of risk.
- Improved control and quality of the service provision.
- Full awareness, by all parties, of their role and function within the contract.
- Maintenance of a high quality supplier / contractor / organisation relationship.
- Ability to develop innovative proposals by working closely with suppliers.

There should never be an occasion upon which a contract does not encompass at least some form of each of the three areas of contract management listed previously, as they are an essential part of the contract’s successful delivery. There should also always be some degree of contract ownership by senior management (i.e. a ‘Contract Owner’) as well as an adequately resourced contract management team which sets out clear accountability levels for the contract, ensuring the contract is given the correct amount of attention and resources to keep it running smoothly. These are key foundations for successful contract management. However, whenever the service to be provided is complex, of a high value or risk or it regards a particularly controversial area, stringent contract management terms must be written into the contract to ensure the risk of any problems occurring during the life of the contract are negligible.
WHY DO SOME CONTRACTS FAIL?

Some of the key reasons for contracts failing are as follows:

- Supplier and/or Service contract compliance unsatisfactory, leading to end user dissatisfaction

- Menial day-to-day problems not being dealt with thus escalating to the upper end of the dispute resolution scale – could lead to legal action being taken

- Predicted contract spend escalates beyond the budget due to spiralling costs

- Supplier/contractor dissatisfaction at the lack of predicted work requests due to off-contract spend – may lead to the supplier/contractor pulling out of the contract due to financial implications

- End user complaints being ignored – resulting in them refusing to use the contracted supplier/contractor

- Poorly drafted contracts

- Inadequate resources assigned to contract management

- The customer team does not match the supplier team in terms of either skills or experience (or both)

- The wrong team are put in place, leading to personality clashes

- The context, complexities and dependencies of the contract are not well understood

- There is a failure to check provider assumptions

- Authorities or responsibilities relating to commercial decisions are not clear
✓ A lack of performance measurement or benchmarking by the customer

✓ A focus on current arrangements rather than what is possible or the potential for improvement

✓ A failure to monitor and manage retained risks (statutory, political and commercial).
HOW TO MANAGE CONTRACTS SUCCESSFULLY

Contract Management as a process needn’t be overly complex. All that is required to undertake this process effectively is to be aware of the key factors that need to be considered and those that may be encountered along the way. This section will highlight what you need to consider, what to avoid, and what to look out for in order to ensure that your contract is managed effectively and efficiently thus delivering the service to the standard that you require.

The foundations of successful contract management are set out during the entire procurement process and long before the contract is put out to tender, NOT (as some people may think) after the contract has been awarded.

There are a number of critical success factors that form the backbone of effective contract management without which the process and most likely the contract itself are doomed to failure before the contract has even been awarded.

**Critical Success Factors**

- **Be Prepared!** – If you don’t know EXACTLY what you want you will not be able to write the specification and you won’t know whether or not your requirements have been met or not. An accurate assessment of needs helps create a clear specification. Effective evaluation procedures and selection will ensure that the contract is awarded to the right provider.

- **Prepare a Comprehensive Output-Based Specification** – The reason for this is simple, “If you don’t state that it needs doing, how can you expect it to be done?” Your specification should state exactly what you expect from the goods or services that you are procuring and should include delivery lead-times, quantities, delivery or service provision locations, what you expect the goods/services to do for the Service, any standards/regulations that have to be met etc.

- **Getting the Contract Right** – The contract sets the relationship between the Service and the supplier/contractor. It **must** include the necessary procedures for the provision of information, value for money, quality/improvement standards and dispute resolution. The terms of the contract should include an agreed level of service, pricing mechanisms, provider incentives, contract timetable, means to measure performance, communication routes, escalation procedures, change control
procedures, agreed exit strategy and agreed price-break options, and all the other formal mechanisms that enable a contract to function. Managing a contract without such standards in place will be very difficult as there will be nothing to measure the contract against.

- **Involve the Contract Manager from the Outset** – You should never tender for a contract then ask someone who was not involved in it to manage it. This will simply lead to a reactive management style that deals with problems as and when they come to light rather than working proactively with the supplier to identify any potential problems before they arise and putting measures in place to prevent them happening. The person who will be charged with managing the contract should be involved in every stage of the procurement process for the contract so that they know exactly what is expected from the contract.

- **Choose the Right Supplier** – This may seem obvious but so often it is not taken into account. When evaluating tenders it is essential that the evaluation criteria set at the outset are such that they will get you the best supplier for the job.

- **Identify, Allocate and Manage the Risks** – All too often people think “that will never happen…” but where a contract and more importantly public money is concerned, those “…never happen…” situations invariably find a way of happening! So prepare a contingency plan and make it someone’s responsibility. No one wants to be the reason for a contract failing so if risk management tasks are assigned to people you can guarantee they will make sure that it isn’t their risk that makes the contract fail!

- **Contract Administration** – The performance of a contract cannot be monitored effectively unless each side knows what is required of them and how it will be monitored.

- **Relationship Management** – Meeting the legal obligations of the contract’s terms and conditions is obviously a major part of a successful contract but just as important is maintaining mutual trust, transparency and ensuring open communication channels, all without which a contract is destined to fail.

- **Continuous Improvement** – This can be ensured via a number of different routes, whether it be lowering of prices as the amount of service required increases, or improving the quality or effectiveness of the service by stated levels over a period of time.
Knowledge of the Contract – This is ESSENTIAL. Anyone involved in the management of a contract, MUST know the requirements of the contract in detail. This is essential if they are to understand the implications of problems (or opportunities) over the life of the contract.

Flexibility - Management of contracts usually requires some flexibility on both sides and a willingness to adapt the terms of the contract to reflect a rapidly changing world.

Change management. Contracts should be capable of change (to terms, requirements and perhaps scope) and the relationship should be strong and flexible enough to facilitate it.

Proactive Response – Effective Contract Management should always be Proactive. If things become reactive this should be seen as a warning sign that things are starting to go badly wrong!

ALWAYS have an “Exit Strategy” – If after taking every conceivable precaution to prevent a contract failing things still go irrevocably wrong, never let yourself be caught in a “…We don’t have a choice…” situation. Always have a contingency option available and a way of legally exiting the contractual arrangement.

Single business focus. Each party needs to understand the objectives and business of the other. The customer must have clear business objectives, coupled with a clear understanding of why the contract will contribute to them. The supplier must also be able to achieve their objectives, including making a reasonable margin.

This list is far from exhaustive and the lengths you go to will vary depending upon the complexity and type of procurement undertaken.
**Things to Avoid…**

Unfortunately there are a number of reasons why organisations fail to manage contracts successfully, leading to an array of detrimental effects ranging from non-delivery of the service required to delivery of a different service altogether at an unanticipated price. Some of the main reasons for this happening are:

- **Poorly Drafted Contracts** – The management of a contract is only as good as the contract itself so a poorly drafted contract will result in poor contract management. Poorly drafted contracts can simply occur as a result of the exact requirements of the contract not being known at the outset or from a badly written specification.

- **Inadequate Resources** – This is all too apparent in smaller contracts as it is deemed to be a simple or less important job, which is all too often overlooked.

- **Lack of Contract Ownership** – This does not become a problem until the contract goes wrong; at which point no one wants to be responsible for it so it continues to fail until someone steps in to claw back what they can of the contract and has to “…make the best of a bad job…” This should never be an option. If a contract is to be tendered it must have an owner.

- **Misunderstanding the Requirements** – If the context, complexities and/or the dependencies of a contract are misunderstood it is impossible for them to be effectively managed by anyone. If the requirements, no matter how complex, are not clearly defined then it should not be tendered until they are.

- **Lack of Performance measures / Benchmarking** – If you have nothing to compare the performance of the contract to, how can you monitor whether the supplier is performing to the standard required. This is not necessarily obtained from a previous contract as new/unique contracts can have benchmarking criteria established in the contract documentation prior to going out to tender and suppliers can then be monitored against these. Remember…”**How do you know where you’re going to, if you don’t know where you’re starting from?”** It is essential therefore that you maintain a robust audit trail of all contract performance issues within the Bravo e-contract management system.
Warning Signs of Contract Failure…

There are usually warning signs in any contract when things are starting to go wrong. They can come from both internal and external sources and may not be anyone’s fault but are simply a result of an unforeseen change in the requirement or legislation etc. Nonetheless, if a contract manager is aware of these warning signs it is far easier for them to adapt to and correct them before the contract goes too far off track. However, the contract manager’s ability to do this is highly dependent upon the risk management processes put in place prior to tendering the contract. The main signs to watch out for during a contract’s lifetime are:

- **The Supplier Having to Take Control of the Running of the Contract** – This can happen for a variety of reasons but it will usually happen to prevent the supplier from suffering financial losses. If this occurs the decisions made to keep the contract on track will most likely be unbalanced and highly unlikely to be beneficial to the Service.

- **Untimely Decision-Making** – Badly timed decisions will seriously affect the smooth running of the contract and are likely to be linked to a reactive as opposed to proactive management style.

- **Lack of Integration** – The occurrence of new processes not integrating with existing ones are a warning that the process is being inadequately managed and as such corrective measures should be taken immediately to prevent any further problems.

- **Missed Opportunities** – If opportunities to improve value for money and/or performance are being missed, this is another sign that the management of the contract is reactive instead of proactive and denotes the onset of further difficulties.

- **Communication Breakdown** – If communication problems are becoming more frequent and disputes are being escalated further up the chain of command, then contractual failure is imminent, as this is a sign that staff on both sides of the relationship are unclear as to the protocols and requirements of the contract. The best remedy would be to call an immediate meeting of key decision makers involved in the contract to establish the perceptions of the contract and the current problems being faced and to determine an amicable way forward to remedy the situation.

- **Lack of Progress** – Progress is slow or there seems to be an inability to move forward.
The Essentials of Good Contract Management…

In order for your contract to be successfully managed the process relies heavily upon a number of key essential tasks that must be undertaken, maintained and monitored throughout the lifetime of the contract. The overriding principle of any contract is to achieve value for money, mainly via the accurate assessment of service requirements, a clear specification, effective supplier selection procedures, active supplier relationship management and the monitoring of the contract's risks, performance and effectiveness. The following should also give you a substantial basis upon which the aforementioned tasks can be performed effectively.

✓ Managing Service Delivery – This key area deals with ensuring that the agreed services are being delivered to the agreed standards of quality, performance and price.

A common misconception in this area is that service delivery management only involves monitoring the supplier’s performance and quality aspects. However, if this is all that is monitored the agreed prices particularly if obtained over a long period via a large number of small orders, can quickly become higher than stated under the terms of the contract without anyone noticing. Remember that optimum value is achieved when adopting a Price/Quality evaluation strategy at the contract award stage.

“Managing Service Delivery” can be described as monitoring whether or not a service being provided is being delivered to the exact wording of the specification. This means that you need to be able to check two things:

- Does the service do what it is required to do, does it do it well and does it do it to the agreed standards and price?
- Are the costs of the service the same as initially anticipated?

However, monitoring this performance against the requirements of the contract can be problematic depending upon the detail and clarity of the specification relating to this process. For instance, it is easy to monitor whether a request for a temporary member of staff was filled but more difficult to establish whether the end user was happy with the staff member provided etc. It is therefore advisable to monitor this provision in terms of levels of satisfaction as opposed to number of times
requests were met etc. The Quality of a service provision can be measured in a number of ways though and this is just an example. Some other aspects that could be used are:

- Availability
- Capacity
- Accuracy
- Reliability
- Responsiveness
- Timeliness
- Flexibility
- Security
- Standards
- Usability
- Accuracy
- Auditability
- Satisfaction
- Cost checking can be monitored by verifying charges and placements made against those agreed under the contract

✔ Managing The Relationship – Before any contractual relationship can be managed effectively it is essential that adequate levels of communication are in place to allow for information to pass freely and quickly between the parties involved. Good communication routes can either make-or-break a contract. Many of the disputes relating to poor contract performance can be attributed to lack of communication at some level of the management structures of the two parties. This will also reinforce the mutual trust, understanding and openness required for the relationship to work to its anticipated level.

This aspect of contract management may seem a little unnecessary, as there is the misconception that “If the supplier wants our business then they’ll do what they’re told to do!” Taking this view of managing supplier relationship is simply an invitation to disaster. If you are in a situation where the contract is not going as planned and you need to bring it back on track, a supplier who you trust, and more importantly trusts you, will be far more conducive to the contract’s success than one who is constantly just doing as they are told.
The approach to managing the relationship will vary depending on the type of contract. There is no one style that is appropriate for every contract, or for every provider. For some non-strategic contracts, a more tactical approach may be suitable. For long-term strategic contracts, the emphasis on building a relationship will be much greater. In fact, the requirement for the original procurement may have been for a relationship enabling certain outcomes to be realised, rather than for a specified set of services to be provided.

✓ **Contract Administration** – This area of contract management relates to the actual mechanics of the customer/supplier relationship, the implementation of the procedures that define the boundary between them and ensuring the administrative and clerical operations run smoothly throughout the lifetime of the contract. The importance of contract administration should never be underestimated. Robust administration procedures in a contract guarantee that all parties involved have a clear understanding of who does what, when and how.

There are a number of elements to contract administration such as:

- Contract maintenance and change control
- Monitoring of charges/costs
- Ordering/payment and budget procedures
- Resource planning and management
- Management information reporting
- Asset management (if applicable)

Management information reporting is a critical aspect of the above and can be undertaken in innumerable ways. The key to undertaking this process effectively though is simple:

- Know what information you want to obtain and think about what you will do with it – it is pointless asking for information that you intend to do nothing with!
- How will you obtain it?
- How regularly will it be requested?
- How will it be analysed?
• **Seeking Performance Improvements** – For any contract undertaken for the Service there should always be, (and it should be written in to the contract to ensure that there is) scope for improving the levels of performance of both the supplier and the Service throughout the lifetime of the contract. Performance improvement must ensure mutual gain in the relationship for it to be fully integrated effectively into the service provided. There are a variety of ways in which performance improvements can be realised in this manner. It should also be remembered however that contract performance does not lie solely with the Service and the supplier; all too often contracts are written with pages of methodology statements as to how the Service will monitor the supplier’s performance and how the supplier will ensure it performs its function for the Service.

However it should not be forgotten that whilst you as a representative of the Service are monitoring the satisfaction levels of the Service’s end users (MAWWFRS staff) if the contract affects the citizens of Mid and West Wales, they should also be monitored for their satisfaction levels with the service provision by both the Service and the supplier. This information can be crucial in decision making as to whether to extend a new contract or how to improve a new one from the old and provides excellent benchmarking information.

If this sort of information is to be collected it should always be shared with the other party to ensure continued improvement, after all…”*How can you improve when you don’t know you’re doing anything wrong?!...”*

Of all of the methods available to a contract manager to ensure adequate performance in a contract the key ones are listed below to give an idea as to how they could be incorporated into your requirements and future contracts.

  o **Incentives** – With the right incentives performance improvements can be very easily realised, for example tariff reduction as the take up increases or opportunities for innovation in the Service delivery for instance sending reports electronically, instead of in paper format, straight from their systems reduces time and effort (and therefore costs) for both parties.
Continuous improvement – This will increase the quality of the service without increasing (or decreasing) the costs involved. This can happen naturally to a certain extent as both parties progress from the bedding in period at the start of the contract but continually striving for improvement throughout the life of the contract can improve a company's standing to other prospective clients/customers in terms of their performance under contractual arrangements. In other words more companies will want to work for an organisation that improves performance on their side of a contract than for an organisation who never meets its contractual targets on time etc.

Added Value – Service contracts can have added value capabilities built into them rather easily in terms of offering the suppliers/contractors the chance to bring something to the contract that was originally unforeseen but that will be genuinely beneficial to the organisation. If this method is undertaken however care must be exercised to ensure that EU procurement Laws are not breached by the essence of the contract being changed significantly by the take-up of the added value solution offered. It should be noted at this point that added value can occur at three levels i.e. business benefit, capacity/capability and economy, all of which can be extremely productive but may entail more changes/resources to implement than others.

Managing Change – This area of contract management ties in well with the seeking performance improvements section because for a contract’s performance to be improved, it has to change, and if this change is managed correctly it can result in a smooth transition through to a much-improved performance state. If not it can result in disaster.

There are a number of drivers for change throughout a contract’s lifetime, which can come from both internal and external sources. Change is not always the best thing for a contract though, particularly over the short term, and the implications of the envisaged changes must always be investigated fully before implementing them into the contract. Whenever there are overwhelming drivers for change in a Service contract (irrespective of their source) both parties must plan the implementation, the risk contingencies and
overall implications (both over the short and longer term aspects) of the changes on the contract in question. As a cautionary note however, the implementation of any changes to the contract must not distort the originally tendered scope of the contract. This could deviate from National and EU Procurement rules and as such could be in breach of procurement laws so could possibly mean that the contract would have to be re-tendered. If you are in any doubt about this particular scenario you must always obtain Procurement and Legal Advice on the subject before proceeding with the implementation.

Above all else though it is vitally important to remember that contract Management is, in essence, project management, as a contract cannot run unless the right people effectively and efficiently manage it at the right time, and to the right extent.

This can be best described as contract control, the concept of which is ensuring that vital information is obtained, by a person with the necessary authority to take corrective action, whilst it is still possible to do so. This cannot occur in isolation however, and in order to accomplish this there have to be clearly defined levels of compliance / non-compliance, schedules of information requests, milestones for progress monitoring and of course clearly described escalation procedures for the resolution of any disputes or problems occurring during the life of the contract.
Conclusion

In conclusion it must be said that contract management as a process will always encompass the same stages no matter what the contract being managed is. The methodology used for each contract however, and indeed by different people for the same contract, will vary tremendously. This is due to the need for this function to be highly adaptive as the people and requirements being dealt with each time will be different and so the approach used must also vary accordingly. There is no doubt that if you were to ask anyone who regularly manages a contract how to undertake contract management, they would primarily answer “that all depends on the contract!”, and for this reason alone this document cannot be viewed as a guide to “what to do” but more as a “Guide to what to ensure you include in the process”. This guide should be used therefore as a reminder of the key aspects to include in the management of your contract, whilst assisting you to look out for the signs of imminent contract failure.

If you have any queries or would like to arrange a contract management training session which can incorporate other procurement related issues if required, please contact a member of your respective procurement team.