

What is Contract Management?

Contract Management can be summarised as the process of systematically and efficiently managing contract development, contract entry (including transition if required), execution and commercial contract management for the purpose of maximising, financial and operational performance whilst minimising risk.

“The planning, monitoring and control of all aspects of the contract and the motivation of all those involved in it to achieve the contract objectives on time and to specified costs, quality and performance.”
Source: International Association for Contract and Commercial Management.

SDS as a contracting authority has obligations to meet during the contract lifecycle : “Contract Management and Supplier Relationship Management is the process and methodology which ensures that both parties (SDS and external providers) to the contract fully meet their obligations as efficiently and effectively as possible – in order to meet the Business and Operational Objectives required from the contract”.

Importance of Contract Management – the fundamentals.

Effective contract management is essential to ensure that SDS’s Business Objectives are met since 70% of SDS’s Financial Resources are used to procure service delivery requirements from external third parties.

There are a number of fundamentals which require to be addressed:

1. Contract Administration
2. Risk Management
3. Managing Supplier Relationships
4. Performance Measurement and Management

SDS Contract Management Lifecycle

1. Implementation	-Clearly defined statement of requirements -Contract implementation -Governance
2. Management	-Monitor schedule of work/service delivery -Contract Administration: maintain accurate contract documents and records, establish contract procedures and forms -Contract Change Management -Finance – cost management and payments -Provide Management Information /reports, clarify -Roles and Responsibilities
3. Performance	-Monitor supplier activity/reports -Resolve problems – team approach -Performance review meeting -Continuous Improvement/ Efficiency -Innovation/Solutions -Monitor Benefits -Optimise Price, Cost & Value -Work with Service Manager to ensure customer/user requirements are met (feedback) -Risk Management
4. Relationship	-Mutually Beneficial -Market Intelligence/Benchmarking -Involvement/collaboration/ teamwork -Information sharing
5. Exit	-Strategy -Handover -Governance

Key Performance Indicators

A performance indicator or Key Performance Indicator is a type of performance measurement.

Selecting the right KPIs is of paramount importance to drive positive behaviours of third party providers / suppliers to deliver the service. Mis-aligned or incorrect KPIs can lead to difficulties in the delivery of the core service required.

“What is important” depends on the Department / intelligent internal customer who is responsible for the out sourced service and for measuring the performance.

Key Performance Indicators in practical terms and for strategic development are objectives to be targeted that will deliver greatest value to the business.

SDS approach to Contract Management and Supplier Relationship Management

SDS operates a devolved model for Contract Management. This is based on proportionality and risk management. All central contracts which have an aggregate value greater than £150,000 have a designated Contract Manager within the business area. Other lower value contracts require to be reviewed to determine their criticality through effective risk management. If such contracts are deemed to be high risk and business critical there will be a designated Contract Manager.

SDS uses the Kraljic model to help assess the risk. This is done by reviewing supply risk and supplier importance or criticality.

SDS Contract Management Plan

The SDS Central Procurement Team in partnership with the business area will work up a Contract Management Plan. The Contract Management Plan will cover the essentials to ensure a virtuous Contract Management Lifecycle:

- Schedule of Suppliers meetings
- Communications Plan from the internal intelligent customer to key stakeholders
- Contract Objectives
- Benefits Realisation Plan
- Mobilisation Plan / Contract entry with timeframes
- Key Performance Indicators / Management Information Reporting
- Contract Variation Process
- Escalation process / procedures
- Opportunities for Continuous Improvement / Service Improvement / Innovation
- Exit Plan

Management and Measurement of the Contract

Balanced Scorecards are used across SDS to measure the key deliverables from contractual obligations. There are now a range of measures which require to be reported on following the introduction of new procurement legislation and statutory obligations.

Balanced Scorecard



Further Information

There are various sources of useful information on contract management.

Further information can be found at:

<https://www.cips.org/en/knowledge/procurement-topics-and-skills/developing-and-managing-contracts/contract-management1/#tabs-2>

<http://www.iaccm.com/iaccm-assessments>

www.scmg.co.uk/cmb/

http://gartnerinfo.com/futureofit2011/MEX38L_D3%20mex38l_d3.pdf

https://www.nao.org.uk/wp-content/uploads/2016/12/Good_practice_contract_management_framework.pdf

http://www.audit-scotland.gov.uk/docs/central/2015/nr_150618_ict_contracts.pdf

<https://www.procurementjourney.scot/route-3/route-3-contract-supplier-management-planning-governance>

Further Guidance Notes will be published on :

1. Benefits Measurement, Tracking and Realisation
2. Supplier Relationship Management

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