UNIVERSITY OF CAPE TOWN
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FINANCE DEPARTMENT
Unleashing finance expertise

A quick guide to
Post Contract Management

A reference guide to managing contracts and related activities.

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What is contract management?

Contract life cycle management is the process of systematically and efficiently managing contract creation, administration, execution and analysis for maximising operational and financial performance whilst minimising risk.

What does successful contract management look like?

- Arrangements for service delivery continue to satisfy both parties.
- Expected university benefits and value for money are achieved.
- Supplier is co-operative and responsive.
- Supplier understands their obligations.
- There are no disputes.
- There are no surprises.
- Professional and objective debate can be had over changes and issues arising.
- Efficiencies are being realised.

Why does it matter?

Adverse effects of poor contract management include but are not limited to:

- Poor supplier relations.
- Suppliers' failure to meet KPIs.
- Cost overruns.
- Deliveries outside of specification; and potential complete delivery failure.
- Missing opportunities to negotiate.
- Missing opportunities to receive rebate.
- Compliance risk.
- Protracted legal disputes.

Hence, good contract management is essential for good financial management and will contribute greatly to the effectiveness and efficiency of service delivery.

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High-level overview of activities

Contract management involves both pre-contract (upstream) and post contract activities (downstream). This is illustrated below:

Upstream (pre contract)

Good planning
Accurate assessment of development needs, and appropriate market research.

Comprehensive specifications
Good understanding and accurate description of requirements.

Right contract selection
Appropriate contractual mechanism, including T&Cs and allocaton of risk.

Careful supplier selection
With most appropriate attributes, capacities, and capabilities.

AWARD OF CONTRACT

Downstream (post contract activities)

Sound contract management plan
Practical, thorough plan that is proportional to the size, value, scope, and complexity of contract.

Proactive delivery management
Manage contract implementation systematically and with sufficient flexibility where required.

Good relationships management
Develop good communication, trust and understanding to ensure openness, accountability and trust.

Systematic administration
Full and accurate records to demonstrate efficient and effective delivery.

Ongoing monitoring & evaluation
Continuous objective assessment of effectiveness, efficiencies, impacts, risk, and value for money.

Mobilisation

Immediately following contract award and prior to the contract start date, mobilisation is a key phase in setting up project for success. Adequate time should be set aside for mobilisation activities in the planning and to make sure that the right contract management processes and relationship can be developed prior to the contract going live.

Procurement will assist by issuing Letters of Intent to assist parties to properly gear-up while the contract is being finalised. This will provide assurance to the vendor, for them to bring in the required resources and to place order for long lead materials.

University customers should consider how performance and a service may benefit from a phased introduction rather than a day one step change. If a phased introduction is required, this should be made clear in the procurement documents.

Effective CM

Not all contracts will be managed in the same way (see segmentation) however strategic contracts should be built on a robust contractual relationship overseen by an appropriately qualified contract holder with a clear operational understanding of the contract.

How a contract will be managed is a key strategic decision that needs adequate consideration early in the procurement planning process and will be reflected in the contractual agreement. Good CM will involve a wide range of activities, including:

- Understanding the practicalities of how the service is delivered.
- Oversight, approvals and/or governance across the contract lifecycle.
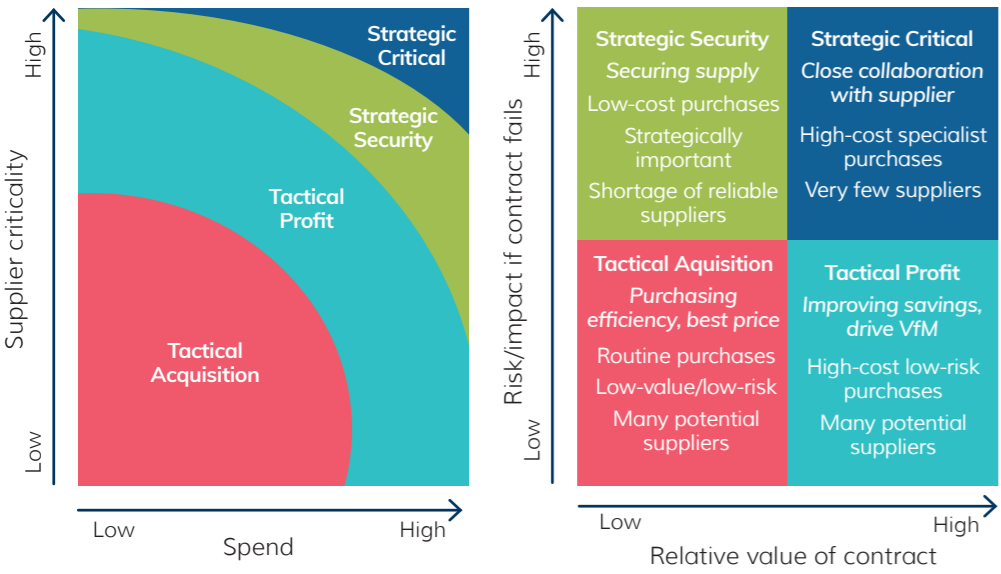
- Specification, preparing the business case and policy development.
- Managing scope creep and change requests.
- Oversight of day-to-day management including robust administration.
- Where appropriate conducting risk assessments and audits of work completed prior to payment.
- Effectively managing disputes and resolutions using appropriate contractual and non-contractual levers.
- Reviewing and managing performance in line with the stipulated contract deliverables.
- Maintaining strategic relationships

It is recommended that the most important contracts should be managed by an expert or accredited professional.

Tactical Acquisition	• Review against quality & delivery on need basis • Quality, delivery, cost issues escalated with supplier as required • Day-to-day transactional focus	• As required • Day-to-day
Strategic Security	• Forward planning, setting strategy for relationship • Set Joint objectives • Executive leadership level interaction • 2-way supplier performance management framework & review meetings	• Quarterly review • Annual review
Tactical Profit	• Track & assess performance against objectives • Resolve performance issues, escalate if required • Develop & agree on development plans as required	• Biannual review
Strategic Critical	• Balance scorecard review of service • Address continuous service improvement opportunities • Focus on operational collaboration & initiatives • Manage any required changes to the contractual agreement	• Quarterly review • Annual review

Segmentation

The impact of the supply positioning in relation to the approach to contract management (CM) is described below.

	CM approach	Contract arrangements
Tactical Acquisition	• Minimum attention • Fixed price • Look to rationalise	• One-off contract or PO • Procurement Cards
Strategic Security	• Detailed CM plan • Ensure supply • Contingency planning	• Long-term contracts • Build reserve of stocks (where appropriate) • Consider alternatives to minimise risk
Tactical Profit	• Drive VfM • Use leverage through volume	• Short-term contract • Ongoing sourcing for competitive price
Strategic Critical	• Detailed CM plan • Closely manage supply • Balance cost control with managing risk	• Med/long-term contracts • Contingency planning

Changes to scope (scope creep)

A good scope change process involves the following steps:

1. Document the change request: Any change should be documented in a change request form that includes the details of the proposed change, the reason for the change, and the impact on the project timeline and budget.

2. Review the change request: The project manager should review the change request to assess its impact on the project timeline, budget, and other project requirements.

3. Determine feasibility and impact: The project manager should assess the feasibility of the proposed change and determine its impact on the project. This should include an assessment of the risks and benefits of the proposed change.

4. Communicate the impact to stakeholders: Once the impact of the proposed change has been assessed, the project manager should communicate the impact to all stakeholders, including the sponsor, project team, and any affected third parties.

5. Obtain approval: If the proposed change is feasible and has an acceptable impact on the project, the project manager should obtain approval from the sponsor or other relevant stakeholders.

6. Update the scope: Once the change has been approved, the project manager should update the project scope document to reflect the change.

7. Monitor and control changes: The project manager should continue to monitor and control changes to the project scope throughout the project lifecycle to ensure that the project remains on track and within budget.

Example of a balanced score card with KPIs:

KPI Area	KPI Description	KPI Measurement
1. Delivery a. On-time	Deliverables and outcomes on agreed dates	• On-time delivery, as contractually obligated, and mutually agreed
b. Documentation	Shared & communicated in line with expectations as agreed	• Deliverables uploaded when agreed • Supporting documentation uploaded
2. Support a. SLA performance	Successfully meets requirements as agreed	• No. of SLA breaches based on agreed limits
b. SLA documentation	Shared & communicated in line with expectations as agreed	• Deliverables uploaded when agreed • Supporting documentation uploaded
3. Quality a. Delivery quality	Delivery meets quality acceptance criteria	• No. of deliveries that have met acceptance criteria
b. Supplier personnel	Teams made up of members with relevant expertise including input from Subject Matter Resource	• No. of people proposed, rejected, replaced for not meeting expectations • Number of key project resources leaving & joining for the contracted services
c. Customer satisfaction	Level of satisfaction received	• Rating received
4. Partnership & innovation a. Relationship	Committed to building & maintaining effective relationships with senior executives	• No. of snr. exec no-shows in steering committee meetings • No. of dedicated supplier account management visits
b. Flexibility & responsiveness	Shows willingness & ability to respond to non-forecasted demand with timely response to sourcing requirements	• No.of requests met without raising CRs • Timely response to sourcing & ad hoc requirements
c. Continuous improvement & innovation	New and or Improved process, products & services for strategic decision making	• No. of accepted improvement & innovation recommendations • Adherence to supplier development plan
5. Governance & risk a. Governance	Adheres to supplier performance management principles. Meets governance requirements	• No. of missed input/output deadlines • Actions closed from review meetings • Disputes resolved amicably
b. Risk managment compliance	Adheres to risk managment requirements and mitigates risk using controls	• Project related and supplier related risks raised with effective mitigation plans
c. Contractual compliance	Meets legal requirements and statement of work specification	• No. of contractual breaches identified
6. Financial a. Invoicing	Compliant with time & quality for submission of invoices	• On-time invoices & supporting docs • No. of invoice errors identified
b. Cost transparency	Suppier cost breakdown	• Cost provided with detailed breakdown
c. Travel spend	Amount spent on travel	• Amount spent using qualified partner
d. Price reduction/ discount/savings	Consistently applied	• No. of instances and the amount • Volume discounts & other saving options
e. Penalties	Due to non compliance	• No. of instances and the amount
f. CRs & contract amendments	No. and value of CRs & contract amendments	• No. of CRs raised/contract amendments, value & scope of each