

# **Planning and Governance**

## **Why embed Contract & Supplier Management**

Persuading stakeholders to implement change can be difficult. This is particularly true if there are no absolute, cast-iron guarantees to support the proposal. Therefore you must consider how to show the potential benefits of an embedded Contract & Supplier Management (CSM) model.

The guidance below and the linked templates should help you build the necessary business case / justification.

## **CSM Benefits**

Cost savings, for both the supplier and your organisation could be a CSM benefit. Significant cost saving can be achieved through an increased and embedded focus on CSM.

## **Risks from Not Undertaking CSM**

Another approach is to consider the risks and missed opportunities of not focusing on CSM, for example:

- the cost of incident resolution activity / service failure
- poor supplier engagement / flexibility
- ineffective cost control
- confused / cumbersome communication channels
- uncertainty
- risk or reputational damage
- risk to service continuity
- lack of accurate Management Information (MI)
- missed (mutually beneficial) innovation / cost reduction opportunities
- missed employee development opportunities
- risk of substantial modifications to contracts

Consequently, CSM is unlikely to be effective unless the parties move from a transactional to a relational model. This could actively encourage and develop close

working relationships and resulting mutual benefit(s).

The success of the relationship between an organisation and suppliers/service providers depends on the extent to which there is:

- mutual respect and trust
- a joint understanding of the roles played and challenges faced by each partner
- openness and excellent communications; and
- a joint approach to managing delivery.

You need to build the relationship outside of the traditional constraints of a performance-based contract. A 'we are in this together' approach should be fostered. This will encourage open communication and maximise service and cost efficiencies.

## **How to implement and embed CSM**

Open or close

To succeed, build on small success: when a pattern of small successes has been achieved, proposing a more ambitious CSM plan becomes less daunting. This is because you have proven results to refer to.

Instead of leaping into the unknown, it becomes the expansion of an already successful process. Initial small successes are a recognised option to create awareness and buy-in for the larger initiative. Small projects are likely to be the best way to gain the support necessary for broader, organisation-wide embedded CSM model adoption.

The selection of small project(s) is important. It should be contracts or services not in crisis and which have scope for improvement. It is even better if it is a contract or service where stakeholders have voiced concerns or expressed a desire to seek improvements.

Once the contract/service has been agreed, a small cross-functional team should be created under a nominated contract manager who will own and manage the small project.

As laid out in more detail throughout the CSM guidance, the nominated cross-functional team should:

- Engage with the nominated supplier and have them create a reciprocal team
- Ensure clarity of roles and responsibilities within both the supplier and the buyer Organisation
- Agree desired outcomes, such as:
  - leveraging client and supplier expertise to drive cost and efficiency gains
  - improved Management Information (M.I.)
  - agreed KPIs and a formalised system of managing and monitoring supplier performance against the contract
  - identification of innovation / opportunities (within scope, not material change)
  - aggressive, but realistic timescales to ensure focus is maintained and commitments are delivered

Once the desired outcomes are agreed, your nominated contract manager should ensure maintained focus within both organisations until they have been achieved and delivered. The results should be used to demonstrate the untapped potential open to a focused CSM approach.

The Business Case Template, found at the bottom of this page contains some ideas you may wish to include and should help lay out the business case. Your Organisation may have a standard template to use.

## **Who has the Responsibility for C&SM?**

Open or close

Managing the supplier contractual relationship requires a discrete set of responsibilities and activities. As a result this should be the responsibility of a nominated member of staff. An organisation should consider how to ensure that:

- roles and responsibilities are clear
- the relationship is championed at senior levels in the Organisation and supplier organisations
- information sharing is encouraged
- concerns about relationships, from either party, can be discussed frankly

- the relationship allows for long-term strategic issues as well as day-to-day delivery issues to be considered

These considerations should be built into the commodity/service specification and/or the terms and conditions of the contract.

Your Contract Manager should be engaged early in the process. This will ensure they engage early with stakeholders and determine the appropriate contract service level requirements and Key Performance Indicators. Service level and KPI requirements should have been included in the tender documentation.

## **Care and Support Services**

Open or close

For **Care and Support Services** processes must not duplicate those of the Care Inspectorate.

The care manager is the role which has overall responsibility for ensuring that the totality of care and support for an individual is achieving the desired outcomes.

## **Resource Planning**

Open or close

Determining the resource required to manage the contract portfolio/supplier base is not an exact science. Very often it is subjective.

Any organisation planning to transition Contract and Supplier Management responsibilities to an embedded CSM team, must estimate the resource required. You should invest time too realistically and pragmatically plan required resources.

Some resource planning options are laid out below.

## **Estimating Work Required**

Resource planning for a new CSM team often depends upon the judgment of an experienced manager. You should provide enough information for an experienced manager to make an initial estimation of the extent of work required i.e. to manage

the volume of Leverage, Routine, Strategic and Bottleneck suppliers.

A decision may be made to start with a small selection of critical and/or problematic suppliers. Then you may gradually incorporate more contracts/suppliers with additional resource coming on board as appropriate.

The Resource Planning Tool, found at the bottom of this page, is taken from a particular Scottish public sector organisation's successful proposal to transition from a traditional 'let & forget' model to a CSM model (and is indicative only). For the avoidance of doubt, this organisation absorbed the workload into the existing headcount by reallocating/reprioritising responsibilities and eliminating non-value add activity.

### **Quantification / Segmentation**

Quantification / segmentation is the most accurate methodology of estimating the resource required to manage the contract / supplier portfolio. It is however, still an 'estimation' as many factors can affect the resource requirements, such as:

- organisational / process maturity
- employee capability
- supplier performance / capability / flexibility

## **Assess the Potential Level of CSM Required**

You need to identify the strategic positioning of your contract. The Strategic Positioning Tools found in the [Develop Commodity/Service station](#) can assist you in doing this.

Regardless of how formal a commodity/service strategy is, or is not, there is always thought and decision making on:

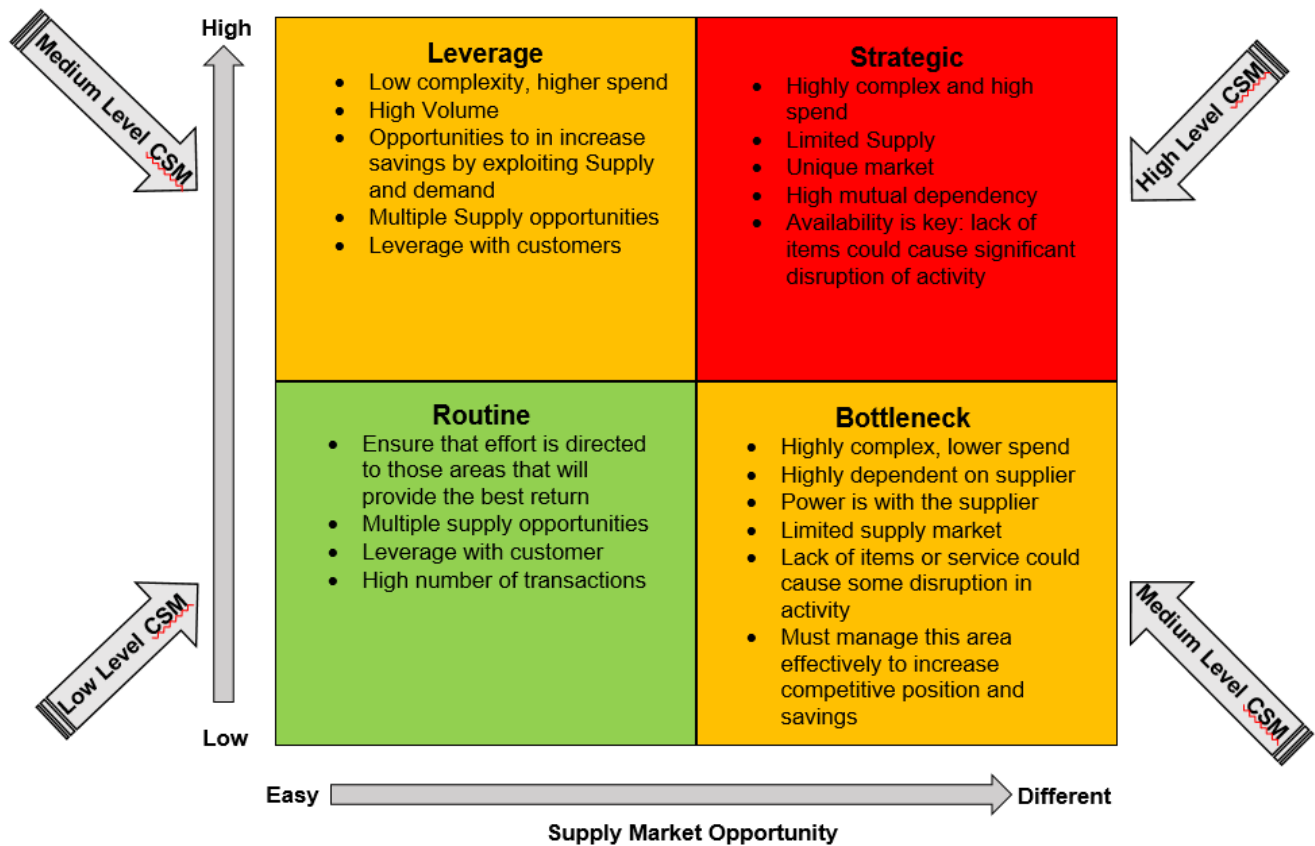
- how the contract or agreement will be set up,
- who the potential supply base is, and
- what the desired outcome is.

A straightforward way of assessing the potential level of CSM required is to consider the:

- value (both monetary and importance to the organisation) and;
- risk (also considering diversity of supply base and reputation) of the contract/agreement.

## Segmentation Tool

Please find below the Segmentation Tool document at the bottom of the page. This segments the contract portfolio into four categories (Leverage, Strategic, Bottleneck, Routine), which will allow an organisation to estimate the extent of work involved in managing each category.



Level of Contract / Supplier Management	Aim	Characteristics
Low Level	Ensure continuity of supply and risk awareness	<ul style="list-style-type: none"> <li>• Low value low risk</li> <li>• This can cover procurements that are non-business critical and/or have an abundant supply base, and also Procurement Journey Route 1 contracts.</li> <li>• In general, content management of these agreements will include gathering management information, monitoring trends, and maintaining awareness of key category risk.</li> <li>• Ensuring Compliance to the contract by managing the delivery of the contract using four high level indicators i.e. cost, quality, delivery, service. This may be through customer survey where the questions can be categorised using the 4 level indicators mentioned above.</li> </ul>
Medium Level	Ensure continuity of supply, value for money, risk management and supplier performance. Seek supplier development where possible. Retain/ gain market knowledge.	<ul style="list-style-type: none"> <li>• Procurement Managers shall ensure continuity of supply and value for money through on-going effective contract management.</li> <li>• Typical contract management activities and tools include supplier review meetings, use of KPI's, user feedback gathering, reviewing spend data, benchmarking costs, market intelligence, elements of Supplier Health Check and use of a Risk register.</li> <li>• These contracts could be where there is abundant supply and therefore a chance to improve price ("Leverage"), or limited supply of a not critical/high cost item which needs management to maintain consistent supply (Bottleneck"). This should expand on the four high level indicators and holding a minimum of one performance review meetings per annum.</li> </ul>
High Level	Ensure effective contract delivery and supplier performance, risk management and maximisation of supplier and market development opportunities.	<ul style="list-style-type: none"> <li>• Contracts that have high value and/or high risk will be managed strategically to ensure effective service delivery.</li> <li>• Through strategic contract management opportunities for supplier development an greater market knowledge can be identified. This will include managing the performance of the contract and the supplier using the full balanced scorecard and using the foundation of Medium Level contract management.</li> </ul>

## Scorecard

Please find below the Full Balanced Scorecard. The balanced scorecard can be edited to suit the commodity/service area.

## Resource Planning Tool

The Resource Tool, which can be found at the bottom of this page, can be used to help you estimate the amount of resource required for your contract management needs.

## Contract Management Supply Position Tool

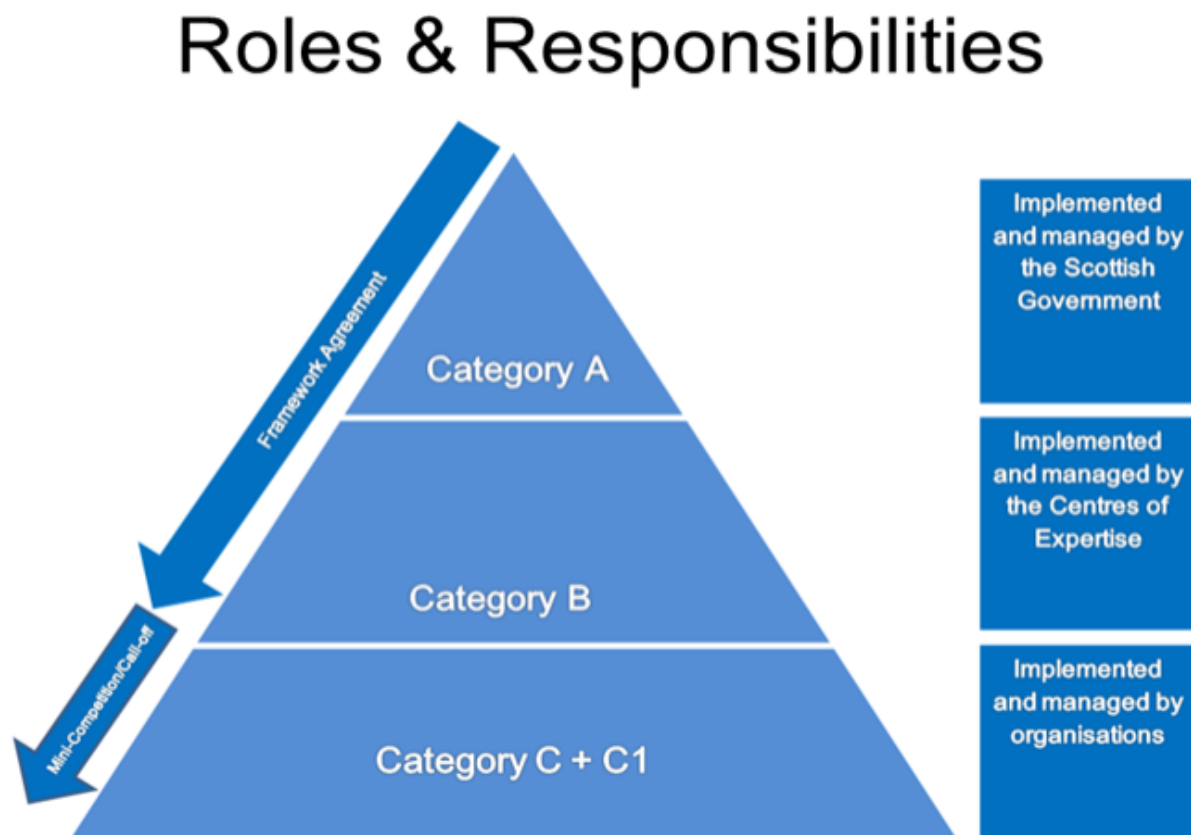
Please find below the Contract Management Supply Positions Tool. This document helps you segment your contract portfolio into four categories (Leverage, Strategic, Bottleneck, Routine). This will allow your organisation to record the extent of work involved in managing each category. This includes frequency of performance review

meetings and frequency of Management Information, etc.

This tool will provide an estimated resource calculation. There is a natural tendency to over-estimate the work required and it is important to avoid this by being as pragmatic as possible. It is worthwhile comparing/collaborating with a similar organisation which has a more mature CSM operation. Especially where an organisation lacks the experienced managerial staff required to make informed judgements. This collaboration will allow your organisation to benefit from the mature organisation's experience. You will factor in distortions such as the learning curve they experienced on the journey towards maturity.

## Roles and Responsibilities

Category A, B & C Ownership:



## Roles and Responsibilities

Open or close



# **Contract and Supplier Management Ownership and Approval**

## **Organisation's Board / Senior Management Team**

Board / Senior Management sponsorship is critical to the success of an embedded Contract and Supplier Management approach.

The Board / Senior Management Team should take the ultimate strategic ownership of business critical strategic supplier(s). They should be fully committed to improving contract performance collaboratively with those suppliers.

## **Contract Manager/Contract Management Officer**

Every contract should be managed by a nominated member of staff ('contract manager/contract management officer'). In a collaborative setting, organisations should determine which organisation will take the lead in managing the contract. An organisation should ensure that there is clarity about the distinction between:

- contract management (the responsibility of the organisation)
- service management (the responsibility of the supplier)
- Care and Support Services, the role of the care manager (who has overall responsibility for ensuring that the totality of care and support for an individual is achieving the desired outcomes).

The Contract Manager/Contract Management Officer should have the mind-set to exceed rather than meet required goals. They will, deal with a constantly changing set of requirements. They need excellent communication and stakeholder management skills. They should be the principal owner of the supplier relationship and contract performance. They will be responsible for business-to-business relationships, contract management performance and contract management competencies, including:

- monitoring contract and supplier performance against KPIs and other specified performance indicators (in partnership with contract management contributors and end users).
- monitoring 'take-up' and spend through the Framework or Contract

- managing any reactive/unplanned issues which arise in relation to the contract(s)
- communication of performance and efficiency gains as a result of MI analysis
- drafting and issuing supplier or customer surveys where appropriate
- chairing and managing performance reviews with the supplier. This includes end user feedback, and disseminating outcomes
- managing any major performance issues and complaints
- facilitating and championing supply chain innovation, continuous improvement initiatives and best practice
- managing Framework Agreement variations, and communicating outcomes
- managing the extension of any optional extension periods (and/or the re-tender process and the supplier Exit Strategy)
- providing guidance and advice to end users as necessary
- MI validation

## **Stakeholders / End Users**

Contribute to contract and supplier management process by:

- supporting and championing supply chain innovation, continuous improvement initiatives and best practice
- facilitating the validation of end user feedback on contract and supplier performance
- contribute monitoring supplier performance against KPIs and other specified performance indicators
- contributing to performance reviews with the supplier
- participating in the annual performance review
- operational management of compliance, supply, demand and payment at a local level
- managing supplier relationships relating specifically to operational issues
- providing contract/supplier performance data to contract management contributors
- referring supplier performance issues to the Contract Manager
- leading, supporting and championing supply chain initiatives

## Responsibility Summary Table

Activity	Board		Contract Manager		Stakeholder		End User		Supplier	
	Own	Support	Own	Support	Own	Support	Own	Support	Own	Support
Active sponsorship of C&SM initiative	✓			✓		✓		✓		✓
Agree KPIs / performance measurements			✓			✓		✓		✓
Monitor contract and supplier performance against KPIs and other specified performance indicators			✓			✓		✓		✓
Facilitate and champion supply chain innovation, continuous improvement initiatives and best practice			✓			✓		✓		✓
Analyse and communicate performance and efficiency gains			✓			✓		✓		✓
Manage supplier performance reviews and disseminate outcomes		✓	✓			✓		✓		✓
Manage major performance issues and complaints		✓	✓			✓		✓		✓
Manage minor performance issues and complaints						✓	✓			✓
Monitor 'take-up' and spend through the Framework or Contract			✓			✓		✓		
Ensure value for money		✓	✓			✓		✓		
Manage Framework Agreement variations, and disseminate outcomes			✓			✓		✓		✓
Manage the extension of any optional extension periods / re-tender process / Exit Strategy)			✓			✓		✓		✓
Compile, validate, disseminate Management Information			✓			✓		✓		✓
Operationally manage compliance, supply, demand & payment at a local level						✓	✓			
Manage supplier relationships at a senior level		✓	✓							✓
Manage supplier relationships at a local, operational level				✓		✓	✓			✓
Create and issue supplier / customer surveys where appropriate			✓			✓		✓		✓
Manage risk			✓		✓		✓			✓
Ensure service continuity			✓			✓		✓	✓	
Use incentives and sanctions appropriately			✓			✓		✓		
Provide guidance and advice to other parties as necessary		✓	✓			✓		✓		✓
Manage escalation process		✓	✓			✓		✓		✓

Quickfire Guide

Quickfire Guide

## Checklists for the Contract Manager

The Contract Management Guidance provides guidance to the Contract Manager around the following activities:

- Planning and preparation
- Managing service delivery
- Managing the relationship
- Contract administration
- Seeking improvements

**Any documents you need are listed below**

**Segmentation Categories**

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**Balanced Scorecard**

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**Business Case**

(file type: docx)

**CAT ABC Ownership**

(file type: docx)

**Contract Management Guidance**

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**Contract Management Supply Positions**

(file type: docx)

**Contract Management Template**

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## **Resource Planning Example**

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