

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.

Quickfire Guide

Quickfire Guide

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 CSM?

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.

Please go to the [Roles and Responsibilities](#) station for more information.

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 judgement 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/re-prioritising responsibilities and eliminating non-value add activity.

Segmentation

Quantification / segmentation is the most accurate methodology of estimating the resource required to manage the contract / supplier portfolio. Applying this methodology allows you to allocate limited resources where they are most needed and helps target best value improvements. 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

Please refer to the [Segmentation station](#) for guidance

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 the care and support for an individual is achieving the desired outcomes.

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.
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Kraljic Matrix - Contract Management Supply Position Tool

The Kraljic Matrix - Supply Management Positions Tool, which can be found at the bottom of the page, allows you to record all CSM activities for each segment. There are some examples pre-populated in this document which can be deleted/amended as required and to suit your organisation.

The output from the Resource Planning Tool can be input into this 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.

For further guidance on Segmentation, please visit the [Segmentation station](#).

Any documents you need are listed below

[Business Case](#)

(file type: docx)

Kraljic Matrix - Supply Positions Template

(file type: docx)

Resource Planning Tool

(file type: xlsx)