Tips for Good Contract Management to Drive Success in Major Projects

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Many of resources refer to the importance of not only entering larger contracts in the right way but also the equal, if not greater, importance of managing these contracts and the providers they are with once they are in place.

All too often, once signed, an agreement will be consigned to a dusty shelf in a back-office filing room, forgotten, for all intents and purposes, only to be referred to as a last resort if things go badly wrong.

Of course, time and resources need to be allocated or re-channeled if this is to change. Still, when weighed up against the potentially devastating consequences of a poorly managed contract, this is a worthy investment.

Backed up by years of experience in large contract relationship management, my philosophy is that a contract should be treated as a 'living thing'. It should be used as an ongoing guide to remind all parties of the requirements, deliverables, roles, responsibilities, and obligations they entered into this 'marriage' to undertake and to be held accountable for.

And, as a living thing, it should also adapt to the realities of its circumstances, though any change must, of course, be managed safely and under strict and agreed guidelines.

Tips for Good Contract Management

How do you prepare things properly for good contract management, and what are some of the critical things to keep on top of when running a larger, live contract?

Well, I haven't got the space to give a definitive treatise on the entire subject of contract management, but here are a few hints and tips aimed at helping you to prepare the ground well and to successfully oversee your large contract relationship:

01   **Give contract management the priority it deserves:**

Do not treat contract management as a last-minute add-on activity. Design it into your strategy from the start of your procurement. Make sure that appropriate, adequately funded resources are secured and involved right from the beginning of the process if possible, keeping in mind the reality that a strong client-side contract management function can cost between 5-8% of the total contract spend.

Planning should be detailed to ensure continuity of involvement, and an effective handover strategy should be in place if a vital individual decides to leave the project or the organization. This should be supported by developing a detailed knowledge base around the development and adaptation of the contract up to, during, and beyond its signing. *And don't forget – this commitment has to be maintained for the entire life of the contract!*

02   Develop robust document storage and sharing facility:

Right from the start of your procurement, ensure there exists a shared facility for document storage, and pay careful attention to document identification and versioning. When you get to the contract signature, you will need to create a definitive library of master documents, including all those things that are material to the contract.

Obvious candidates are your requirements documentation, the winning bidder's tender (complete with all supporting clarifications), the contract itself (and all its supporting attachments), your final evaluation records, plans, logs, minutes, and all other material communications so that these can be quickly referred to in the future if necessary.

Be careful to ensure the privacy of internal or sensitive documents while at the same time being prepared to share relevant information with the provider. This paper trail may be vitally important one day if things go off course and there is a dispute over who said what and when.

03   Design key post-contract information flows between you and your provider:

During the procurement, it is essential to build in obligations to give you the right level of visibility, accuracy, and granularity on all the information you need in order to effectively manage the contract.

For example, open-book accounting is often an obligation in larger contracts, but equally often, when the client sees the data, it is 'opaque', and the provider's actual costs and margins can be complicated to identify.

To try to avoid this opacity, set out clear heads of expenses that must be produced, including any hidden overheads or intra-provider cross-charges. Build in the obligation to be able to see and audit open-book information at reasonable intervals.

04 **Careful consideration should go into invoice designs:**

Following on from the importance of information visibility above, it's only right to point out that accuracy is just as important. Poorly designed invoices that encourage, or at least don't deter; ambiguous entries can cost thousands of hours of wasted client-side admin time over a large, long-lived contract!

A little consideration for the ways in which invoices could be arranged to account for known or expected factors could make all the difference.
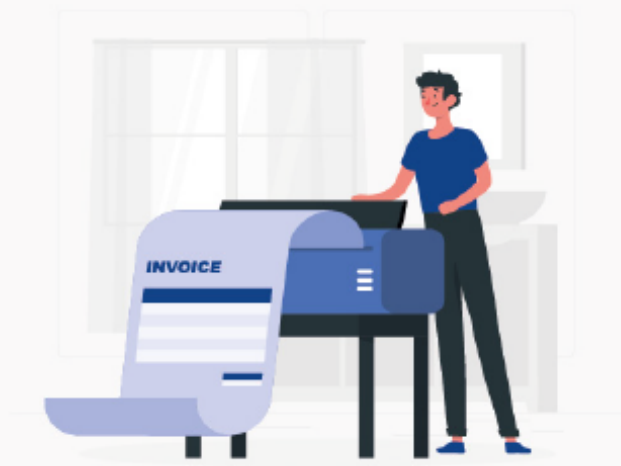
05 **Ensure that appropriate management provisions are included in your contract:**

It is essential that these provisions, processes, and tools are embedded for the duration of the contract. Keep the level of contract management proportionate to the scope and complexity of the deliverables or the services. For example, an outsourced ICT contract likely warrants much broader and deeper attention than, say, a commodity supplies contract.

The provisions within the contract may range from routine del ivery or service management meetings to testing for the best value and also special arrangements for dealing with underperformance, disputes, and so on.

Model contracts can be helpful, as they often cover a lot of this ground, but get your legal and procurement advisors to check that adequate tools exist within these contracts to monitor and assure **'normality'** at the same time as providing measures for when things don't go according to plan.

06   Produce a contract user's guide to clarify understanding of complex contracts:

If possible, get the legal team to draft a 'Hitch-Hikers Guide' to your finalized contract, explaining in lay terms how to navigate what's in there and what provisions and mechanisms exist within it to support its ongoing management.

Especially ensure the workings of any KPIs, SLAs, or Service Credit regimes are all clearly explained. Contracts can be or become incredibly complex documents.

Therefore, to ensure that everyone understands their roles and responsibilities, to allow for simpler handovers, and ensure clarity in all known situations, a simplified version should be created.

07   Create and maintain a timeline of decisions made on a project:

On the run-up to contract, gather together all the relevant information about contract governance structures, meeting attendees, roles, and responsibilities and save this – but keep it all updated if things change.

Create a calendar for things to be done routinely, such as service/project and contract management meetings, progress or KPI reports to be produced, information to be disseminated before/after meetings, and so on.

This gives a useful framework against which to plan, resource, and manage the contract in an ongoing way. Some activities may be aperiodic, such as contract breakpoints or open-book reviews, and planning for these must be done well in advance. Make a list of any activities or processes which are **'on-demand'** – such as benchmarking or market testing – as opposed to regularly occurring.

Ensure these processes are clearly documented as they may not be invoked until some time after the contract has been signed, and those involved in the original procurement have long since moved on.

08   Recognize the importance of identifying and addressing issues and problems early :

This is not to say clients should be obsessive, hawkish watchers of KPIs, statistics, and figures – waiting to pounce at the first out-of-tolerance event. To do that often creates an environment where the statistics become more important than whether the causal factor got understood and resolved expeditiously.

That said, if a genuine issue or persistent problem presents itself, it is best to confront and deal with it rather than defer and hope it will go away. The longer things are left, the harder they usually become to deal with later on. This applies to both the delivery of the contract and the relationships around it.

09   Behaviors must be managed carefully and issues escalated under strict and agreed guidelines:

Some contracts become troubled simply due to personality clashes. At all times, we should be striving to maintain good working relationships, build trust, and show respect between parties. If these do not exist, behaviors are likely not to be synergistic, and desired outcomes are less likely to be achieved. If there are relationship issues, deal with them.

This can be made easier if escalation mechanisms are agreed upon before the contract is signed, for example, providing the client with a means to require the replacement of uncooperative or underperforming provider staff.

That said, the client must always be careful not to 'wade in' and take over the direction of the delivery/service. That behavior relieves the provider of crucial legal obligations under the contract and must be avoided where possible.

The ultimate goal has to be to achieve delivery as per the contractual obligations through a professional, trustful, and mutually beneficial client-provider relationship.

10   Finally, be consistent and 'correct' in your approach:

Know what obligations the provider has under the contract and ensure they uphold and deliver according to them. Allowing material concessions here and there can be a bad habit to get into, especially if done informally. This route often turns out to be a **'one-way street,'** with converse favors not necessarily flowing back in the client's direction.

If something material needs to be conceded (or changed), try to ensure there is some formal record of it that sets down the reasons and the applicable duration of the circumstances under which arrangements will revert to the previous status quo. Likewise, be watchful and careful around change controls.

Change control scope-creep can be fairly common (and expensive). Check that these are necessary, valid, and not actually being done to deliver things that are already within the contract's scope!

Conclusion

Contracts should not be considered as just being there to permit the start of a project and refer to when things go wrong. They should be monitored against, updated, and maintained, adapted to meet the changing needs of the parties and the circumstances surrounding the project.

They can be used as effective mechanisms for keeping projects on track. And, though you cannot guarantee that if you ignore the ten crucial tips above that, your project will fail or that if you follow them to the letter, your project will succeed, following them will undoubtedly move the odds in your favor by guiding everyone to pull in the same direction.

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