Effective Contract Management

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Musings of a past CIPS President

NEPO case studies

Reflections and suggestions
NEPO Services

- Category management
- NEPO Portal
- Supplier development
- Capability development
- Spend analysis
Category Management

1. Mobilisation & Launch Team
   - Gather Internal & External Data
   - Define Sourcing Strategy
   - Negotiate Contract
   - Engage stakeholders

2. Gather Internal & External Data
   - Analyse Data & Generate Options
   - Develop & Approve Strategy
   - Plan & Implement Strategy

3. Analyse Data & Generate Options
   - Conduct Relevant Analysis
   - Develop Sourcing Strategy
   - Engage stakeholders

4. Develop & Approve Strategy
   - Identify User Needs
   - Plan & Implement Strategy
   - Manage Suppliers

5. Plan & Implement Strategy
   - Analyse Data & Generate Options
   - Develop Sourcing Strategy
   - Engage stakeholders

6. Manage Suppliers
   - Mobilisation & Launch Team
   - Gather Internal & External Data
   - Analyse Data & Generate Options
   - Develop & Approve Strategy

- Create and sustain momentum
- Engage and enthuse key stakeholders
- Ensure consistent level of Category Management Process understanding
- Define the short-term action plan and governance structure for the team
- Develop a detailed understanding of the goods/services bought
- Clarify business requirements
- Research the market dynamics
- Research key suppliers within the market, including potential new entrants
- Assess data gathered and develop strategic sourcing options in alignment with the business requirements and objectives
- Identify key drivers of the strategy and critical success factors
- Prioritise options and further develop category and supply market knowledge based on priority list
- Evaluation of the strategic options
- Develop a sourcing strategy bringing together the various options into a workable solution
- Establish firm category targets and associated benefits (financial and non-financial)

- To collate and analyse information on supplier performance taking action as appropriate
- Establish the appropriate governance structure for the implementation of the sourcing strategy
- Ensure correct resources and team structures are in place to manage implementation
- To ensure correct suppliers are selected and that an appropriate contract framework/SLA is established
- Monitor the supply market and new developments
- Sourcing strategy maintenance and review process
- Establish the appropriate governance structure for the implementation of the sourcing strategy
- Ensure correct resources and team structures are in place to manage implementation
- To ensure correct suppliers are selected and that an appropriate contract framework/SLA is established
Priority Areas

- Energy
- Construction
- Social Care
- People (temps and consultants)
A wide range of contracts

- Washroom supplies
- Food
- Travel
- Office supplies
- Liquid fuels
- Library books
- Horticulture
- Manned guarding
- Vehicles
- Rock salt
- Recycling
- Sports equipment
- Catering consumables
- Furniture
- Insurance
- Paper – printing & specialist
Supplier Development

- Focused on SME’s
- Training in tendering
- Project engagement
- With CIPS?
Brief History

Overseas sourcing – reliability and quality
Failing suppliers
Chasing supplies
Managing software developers

Advertising performance

Outsourcing print supply chains

Photocopier salesmen
Save the planet

Win influence

Motivate the profession
Before and After

Easton on the Sea
Why is Contract Management

- Fashionable?
- Unfashionable?
- Unfathomable?
- The next big thing?
Fashionable

- National Audit Office
- A source of new consultancy
- Presents real:
  - Opportunity
  - Risk
  - Challenge

And an OBE
Unfashionable

- Time/priority?
- Crisis driven
- Power diffused
- Information poor
- Others better placed
Unfathomable

- Who likes KPIs
- Who designs KPIs
- Who reads KPIs
- What gets measured gets done zzzzzzzzzz?
How influence changes

Who has strength when?

- Business Case
- Specification
- Tender
- Negotiate
- Award
- Pay
- Manage Contract
**Energy**

£90m spend, 8,000 sites, 2 suppliers

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Risk</th>
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<tbody>
<tr>
<td>- Flexible purchasing when the market is right</td>
<td>- Falling demand</td>
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<tr>
<td>- Sharing market and trading knowledge</td>
<td>- Service to thousands of customers</td>
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**Opportunity**

Generating, renewables and efficiency
Food

£25m spend, dairy, meat, fish, frozen and grocery for schools

Opportunity

- Sustainable supply chains
- Quality improvement

Risk

- Supplier failure

Change Challenge

- School food policy
# Contingent Labour

Continuing spend on temps and professional services

<table>
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<th>Opportunity</th>
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<tbody>
<tr>
<td>Faster process</td>
<td>Legislation</td>
</tr>
<tr>
<td>Price reduction</td>
<td>Process</td>
</tr>
<tr>
<td>Local supply chain</td>
<td></td>
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<tr>
<td>Performance M’m’ment</td>
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<table>
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<tr>
<th>Change Challenge</th>
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<tr>
<td>New approach (NEPrO), retender (Agency)</td>
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Supply Chain
## Construction

New area for NEPO, consultancy frameworks, Works tender

<table>
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<tr>
<th>Opportunity</th>
<th>Risk</th>
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<tbody>
<tr>
<td>Efficiency</td>
<td>Take up</td>
</tr>
<tr>
<td>Supply chain</td>
<td>Complexity</td>
</tr>
<tr>
<td>Quality improvement</td>
<td>Activity</td>
</tr>
<tr>
<td>Environment</td>
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### Change Challenge

- Launch and development of KPIs
Construction PI’s

Construction

- Local sourcing in the supply chain
- Sustainability – carbon reduction, landfill
- Employment and skills
- Economic impact
- Cost to budget
- Delivery to plan
- Quality
Rock Salt

Winter crises, single supplier

Opportunity
- Improve coordination
- Stock management
- New technologies
- A second mine....

Risk
- A good winter
- A very bad winter
- Supply disruption

Change Challenge
- A new mine
# Children’s Residential Care

New area for NEPO, new process for commissioning

## Opportunity
- Cross authority management
- New & improving places
- Price reviews

## Risk
- Shortage of places
- Poor provider buy-in

## Change Challenge
- Engagement, promote the process, KPI’s
Cascaded management?

Government Procurement Service

A Public Sector Buying Organisation
Such as NEPO

A local authority procurement team

Customers of the service

Supplier
Supplier Relationship Management

1: Review Current Strategy
2: Mobilise the SRM Team
3: Gather Information
4: Conduct Strategic Analysis
5: Develop the Key Supplier Strategy
6: Plan and Launch Strategy Implementation
7: Manage Strategy Implementation

SRM
- Maintain understanding of supplier profile and client business requirements
- Conduct Relevant Analysis
- Measure Supplier Performance
- Monitor Change initiatives
- Identify User Needs

Buyer:
- Portfolio Analysis
- Performance Scorecard
- Future requirements
- Current Initiatives

Supplier:
- Holistic Business Model
- Key Ratio Analysis
- Cost Models
- Market Analysis
- Business Strategy

Agree Strategy
- Governance Structure
- Strategy Goals & Objectives
- Business Case

Identify User Needs
- Supplier Vision
- Supplier Charter
- Key Stakeholder views

Measure Supplier Performance
- Event Monitoring plan

Suppliers:
- Strategy Goals & Objectives
- Business Case
ProSpend Data

Automated data loading, classification and enrichment routines

ProSpend Data

Spend Classification Rules

Contract Compliance Rules

Atamiser database

Spend, SME & Sector Classification Services

D&B Supplier Trade Data

Post Code File

Aggregation Routine

Atamiser Data Services

ProSpend Data

Spend, SME & Sector Classification Services

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Aggregation Routine

Atamiser data services

Strategic Analysis - Spend Analysis Flow Chart

Transaction Systems

ProContract (Contract Register)
Strategic Analysis Dashboard

**Contracts**

**Contract Compliance**
- % of Spend Under Contract
  - Proportion under contract
  - Last 4 Quarters; drill down for department-level report

**Contract Savings: Achieved**
- Savings Achieved in the Last Year
  - Sum of Annual savings based on last 365 (Thousands)

**Contract Renewals: Proximity to End**
- Number of Contracts
  - Proximity to end

**Contract Usage**
- Actual Contract Spend as % of Est. Value
  - % of Contract Used
  - Actual to-date; drill down for report

**Contract Savings: Projected**
- Savings Projected for the Next Year
  - Sum of FY2012 Savings (Thousands)

Click on a bar for a filtered report; or click on report heading for full report.
Introducing……

CONMAN

With added oomph
A changing world for CONMAN

- Declining spend in the public sector
- Increased scrutiny
- Outsourcing
- Policy change (esp. social care)
- Better information available – transparency
- Environmental risk:
  - Commodity prices
  - Supply disruption
  - Regulation
A 10 point plan for CONMAN

1. Manage risk
2. Acquire information
3. Build relationships
4. Get training and help train others
5. Take care of the supply chain and SME’s
6. And the environment
7. Continuous improvement
8. Uptake and compliance
9. Negotiate
10. Renewal beckons
What works for your organisation?

- Think about structure and culture
- Let and forget
- Devolve and support
- Centralise
- Segment by risk
CONMAN’s Business Case
Where next for NEPO

- Use our systems more
- Manage changing demand
- Find new value
- Be more systematic
ANY Questions