

Improving Contract Management: Applying Contract Leadership®

Insights into contract management skills and a new approach to managing the organisation's most important contracts.



This knowledge paper is supportive of Procurement professionals operating at operational level of the CIPS Global Standard



CIPS members
can record
one CPD hour

Improving Contract Management: Applying Contract Leadership®

Background/Introduction

Numerous media reports over the years have highlighted problems with contracts in both the public and private sectors. Generally, organisations are sufficiently competent at managing the initial phases of the procurement cycle. However, given the number of high-profile contract issues that arise, perhaps current post-award practices are insufficient to cope with the complexities and rigours of the modern world. The post-contract award phase (ie contract management) has become even more important in recent years as organisations have become increasingly dependent on suppliers for the delivery of goods and services.

Since the end of 2017, I have gathered data to meet three key objectives:-

1. To identify competencies for highly effective contract managers.
2. To ascertain the necessary level of preparedness of contract managers to undertake their role effectively.
3. To identify new frameworks and techniques to improve the management of the most important contracts.

Skills

I have gathered data from numerous experienced contract managers, evenly divided across the public and private sectors. The first phase of data gathering was 2017/2018 and the second phase was 2019. Phase three will take place 2020/2021. In the first phase, I asked about their first year as a contract manager - 82% of respondents stated that they during this period they received no formal training at all, yet all were involved in managing contracts, by the end of their first year in role, of substantial value. A further 8% stated that they only received unstructured 'on-the-job training'. In other words, 90% received no formal training at all within their first 12 months in post.

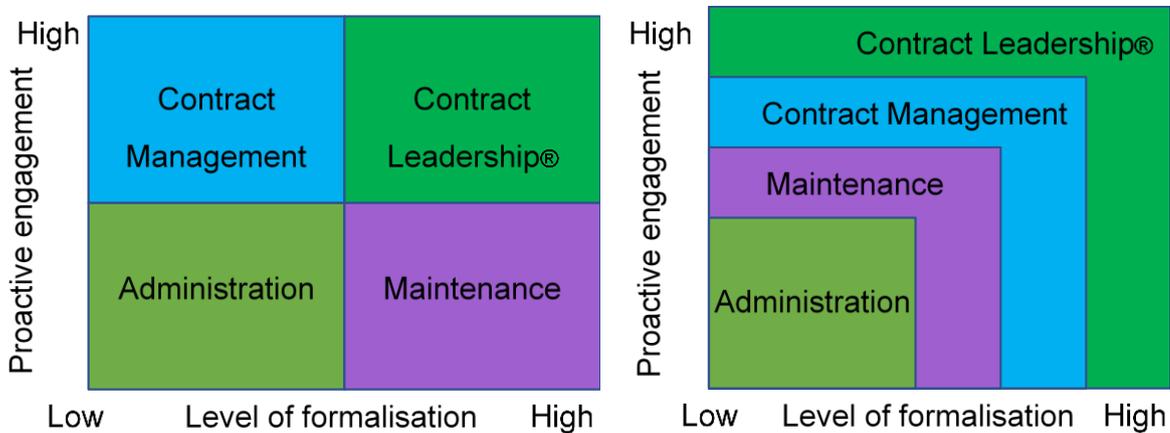
In addition to ascertaining the levels of preparedness of those new to contract management roles and their experience of initial training programmes, the research has also attempted to identify the key skills considered necessary to deliver enhanced value through a more proactive approach to managing contracts. While one might have expected some variations in views from public and private sector employees, the results did not identify any significant difference.

Table 1. Top Ten Skills

Skill
1. Understand contract terms and conditions
2. Negotiation tactics and planning
3. Soft skills (influencing, persuasion, etc)
4. Risk management
5. Financial analysis
6. Handling conflict situations and dispute resolution
7. Managing internal stakeholders
8. Understand the fundamental principles of contract law
9. Creating a performance framework for suppliers
10. Relationship management

The table is based on the most recent data gathered/analysed which was in 2019. The only change, compared to the 2017/2018 data, was the entry of ‘Financial analysis’, which previously ranked 11th and so did not make the Top Ten. ‘Strategic thinking’, previously ranked 10th, fell out of the Top Ten to make way for financial analysis. Maybe the reason for increased focus on financial analysis was the collapse of Carillion in January 2018, which had a significant impact on the contracting world.

Implementing Contract Leadership®



Source: Colin Linton

Given continuing contract management shortcomings, I considered why existing tools and models were proving in some cases to be inadequate. Half of the Top Ten skills are ‘soft skills’, emphasising the importance, in contract management, of relationships and engagement levels. But, of course, this does not apply on all contracts. Some contracts need simply to be set up on the system or database and no (or low) engagement is required. I also considered the term ‘contract management’ itself.

Some contracts require a higher level than just management, hence the term 'Contract Leadership' which should apply where high levels of engagement are required.

The start point, as always, is to determine the profile of the contract. The matrix above (left) shows the broad approach to profiling. In reality, however, the approach is often not so clear-cut, for example some contracts which have a low level of formalisation may still be incredibly important and therefore require high levels of proactive engagement, ie contract leadership (per the matrix above right).

Not all contracts require leadership. Indeed, not all contracts require management. But the first step in figuring out what is needed is to ensure that all contracts are properly recorded (administration). For some contracts, this is all that is required. Others will change, over the contract term, and will therefore require ongoing maintenance, but little effort in terms of proactivity. For those that require proactive engagement, while remaining relatively static over their term, conventional contract management techniques will be sufficient. For more complex contracts, where change is a regular occurrence and formality vital, and where continual engagement (with stakeholders internally and externally) is needed, a contract leadership approach should be adopted. People involved in these latter contracts should be skilled to the highest levels across all the competencies identified in Table 1 above.

So, what is the difference between contract leadership and contract management? Contract leadership requires the highest level of proactivity with all relevant stakeholders. The contract leader takes ownership of the contract, collaborating closely with the supplier. Potential issues are identified as soon as they arise and are dealt with promptly, before they become too serious. The contract leader has a high level of interpersonal skills and uses emotional intelligence to manage relationships and drive value. Contract leaders have thorough market knowledge and can quickly recognise the potential impact on contract delivery of any changes that arise within the market. Contract leaders are comfortable dealing with conflict situations and have a wide range of skills to help them do so. These people are credible leaders both internally and externally.

Conclusion

Ultimately, the findings of my research suggest that there is still more to be done to provide training and support to staff who manage contracts and suppliers. Whilst it is feasible for people with no or very limited experience to succeed from the outset in dealing with significant contracts, the potential risks for the organisation are very high. Certainly in these circumstances training should be a high priority. The contract management phase of the procurement cycle has potential to add significant value, but of course the flipside is also true if contracts are not managed correctly. Conventional approaches to contract management will continue to be sufficient for some areas of expenditure, but the most important contracts need more than just 'management' in today's world. These most important contracts require 'contract leadership'.

About the Author

Colin Linton MRes MBA PGCHE DipM DipFS FCIB FCIM FCIPS FCIEA FHEA FInstLM is an academic and trainer in procurement, finance and marketing. His initial research contributed to a Masters in Research at the University of Leicester and is now part of an ongoing programme of data gathering and analysis. Contact him at: colin.linton@gideasolutions.com



[LinkedIn](#)

Copyright

This research is the property of Colin Linton (a Director of Gidea Solutions Limited). Similarly, Contract Leadership® is a registered trademark and is owned by Gidea solutions Limited. The research and trademark may be used for academic non-revenue generating purposes provided they are clearly attributed to 'Colin Linton'. However, they must not be used for any other purposes without the prior express written permission of Colin Linton (email address as above).

