



CONTRACT MANAGEMENT AND SUPPLIER PERFORMANCE

Presented by: The Procurement Unit

CONTRACT MANAGEMENT

WHAT IS CONTRACT MANAGEMENT?

“Contract Management is the effective and efficient monitoring of procurement contract activities to ensure that goods, works and services are delivered in a timely manner, at the agreed cost and to the specified requirements”.

(OPR Guidelines Management & Monitoring of Procurement Contracts)

CONTRACT MANAGEMENT

It is essential that the solicitation document includes language that will facilitate management of the contract, the terms and performance metrics.

CONTRACT MANAGEMENT

At a minimum, contract management involves:

Contract Administration

Tracking and monitoring performance

Effective communication and collaboration

Managing relationships

Managing payments

Managing problems and issues

Risk Management

3 LEVELS OF CONTRACT MANAGEMENT



ROLE OF THE CONTRACT MANAGER

CONTRACT MANAGEMENT

- Monitor and measure outputs/outcomes
- Analyze reporting
- Organize contract administration and record keeping
- Prioritize risk management
- Report to Management, Legal or Procurement Unit
- Control payments for successful delivery
- Provide relationship management
- Control changes and control variations

CONTRACT MANAGER - WHO IS BEST SUITED?

- Technically sound/subject area expert
- Designated with the responsibility and authority to manage the contract
- Understands the need to be met (from User Department or PEA)

CONTRACT MANAGER - WHO IS BEST SUITED?

- Understands the contract and the metrics to be measured
- Effective Communicator – to manage and ‘massage’ the relationship with contractor
- Understands risk management and options for redress and escalating matters (legal, procurement, logistics issues)

MONITORING AND ASSESSING CONTRACT PERFORMANCE

CONTRACT MONITORING

Monitoring contract performance is a key function in the contract administration process to make sure that all involved parties are performing their duties in accordance with the contract.

CONTRACT MONITORING

What is Monitored?

- Supplier/Contractor's execution of contractual obligations as per SOW/SOS
- Identification of any problems or deficiencies as per the Statement of Requirement
- Remedial actions taken where necessary
- Interpersonal skills and relationships of contractor resources
- Failure to meet terms and conditions
- Costs

CONTRACT MONITORING

Expectations should be established so that the Contract Manager and the Supplier/Contractor understands:



The contract requirements that will be monitored



The evaluation criteria for each contract requirement

CONTRACT MONITORING

Contract Management Tools

Site Visits

Periodic Business
Reviews

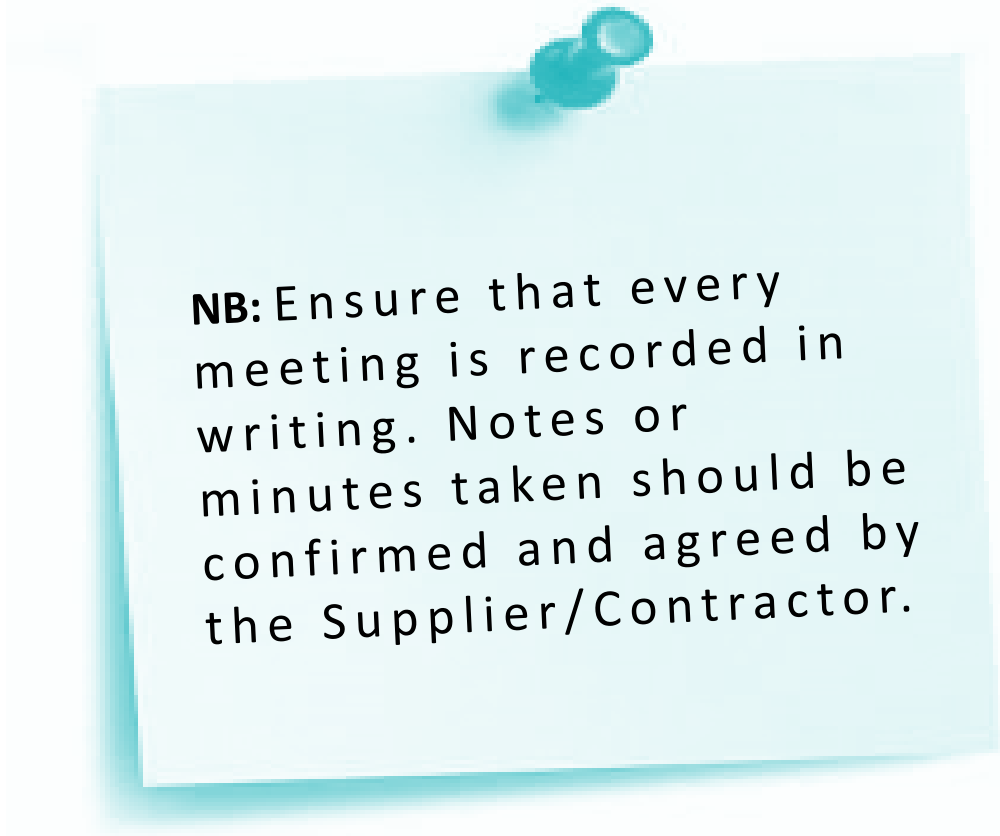
Desk Reviews

Expenditure
Document Reviews

CONDUCT STATUS MEETINGS

Review meetings should be held to discuss:

- Key performance indicators
- Milestones
- Progress
- Achievements
- Changes
- Issues



NB: Ensure that every meeting is recorded in writing. Notes or minutes taken should be confirmed and agreed by the Supplier/Contractor.

SUPPLIER PERFORMANCE MANAGEMENT

WHAT IS SUPPLIER PERFORMANCE MANAGEMENT?

Supplier Performance Management (SPM), is the practice of monitoring and analyzing the quality, performance, and reliability of your suppliers.

www.purchasecontrol.com/blog/vendor-performance-management

It helps to measure, rate, or rank suppliers on a continuous basis

CREATING SUPPLIER PERFORMANCE MEASURES

Supplier performance measures helps to determine whether suppliers/contractors are doing their work as expected. They can be used to measure the delivery of goods, services or works.

Measure must be:

S – specific

M – measurable

A – attainable

R – realistic

T – time based

PERFORMANCE ASSESSMENT

Establish Key Performance Indicators

The Key Performance Indicators (“KPIs”) to be measured in the contract should be identified before the contract is signed.

Both parties will need to agree:

1. What KPIs will be measured?
2. How they will be measured?
3. Who is responsible for tracking performance and how frequently?

This should be incorporated into the contract.

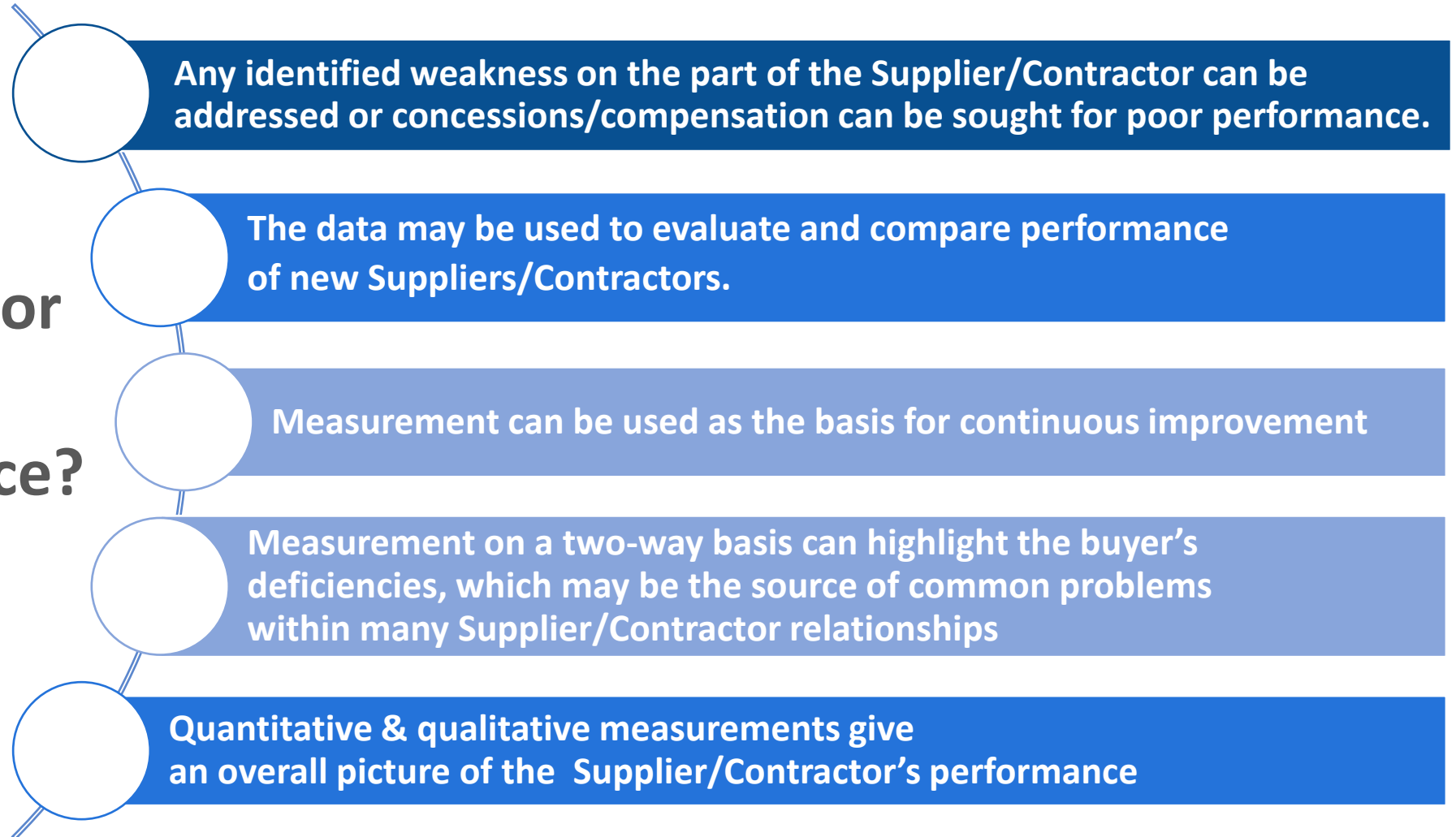
Source: OPR Guideline,
Management and Monitoring of
Procurement Contracts

EXAMPLES OF KPIs and MEASUREMENTS

KEY PERFORMANCE INDICATOR	KPI MEASUREMENT
Quality, performance, conformance or compliance	<ul style="list-style-type: none"> • Percentage or volume of rejects and returns, errors or scrapped items delivered • Number of user complaints or returns • Certification standards maintained (ISO 9000,14001)
Timeliness/Delivery	<ul style="list-style-type: none"> • Frequency or percentage of late, incorrect or incomplete deliveries • Percentage of on time in full (OTIF) deliveries • Range of acceptable schedule variance (deadline +/- x hours or days)
Cost Management	<ul style="list-style-type: none"> • Value or percentage of cost reductions obtained • Number of cost reduction initiatives or implemented • Percentage range of acceptable cost variance from budgeted cost
Resources	<ul style="list-style-type: none"> • Minimum number of staff or resources of specified grades to be allocated to the project
After Sales Service	<ul style="list-style-type: none"> • Promptness in responding to enquiries and problems • Promptness in resolving issues/ breakdowns

PERFORMANCE ASSESSMENT

Why monitor and assess performance?



PERFORMANCE ASSESSMENT

Key Contract Performance Metrics

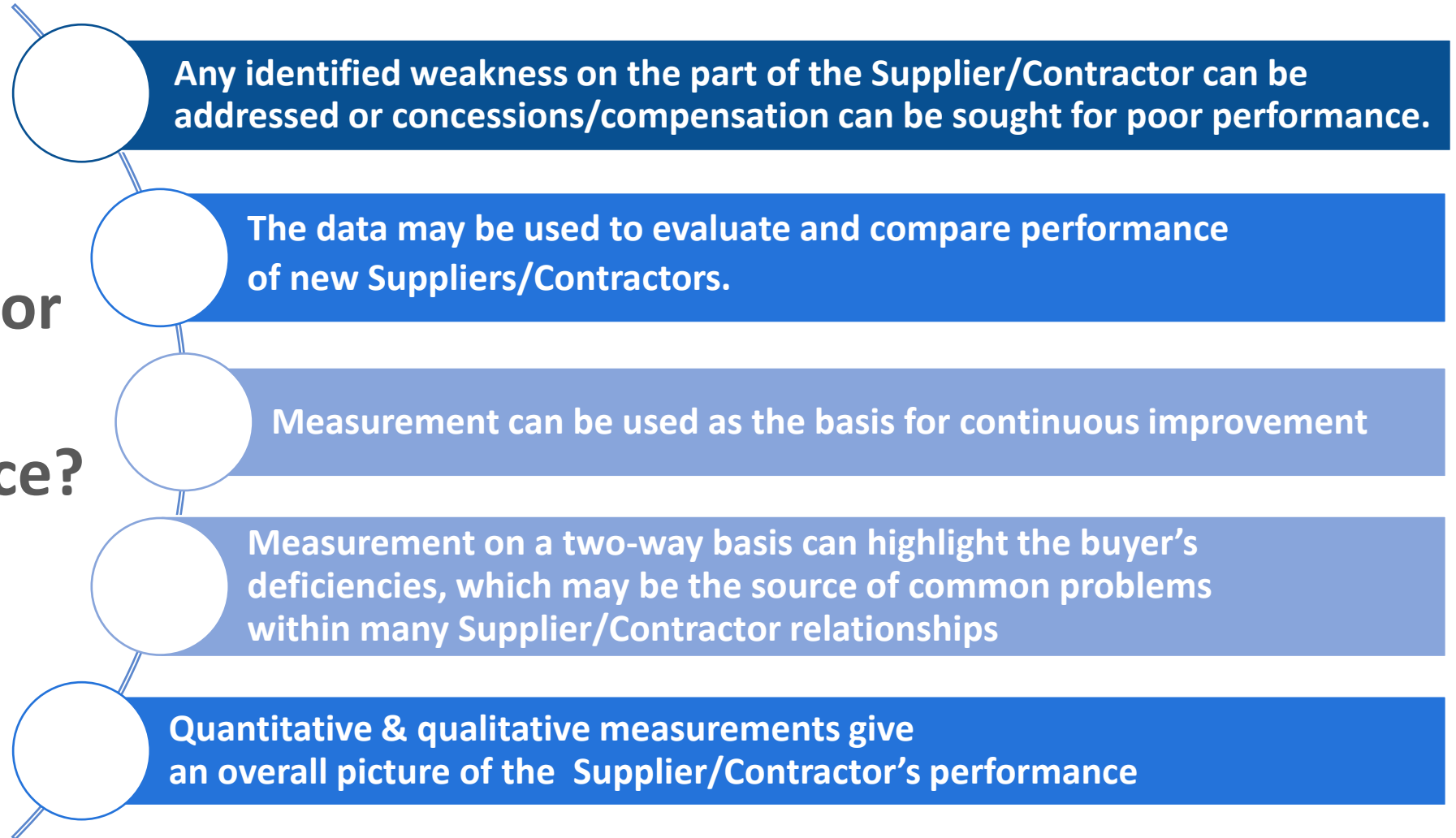


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PERFORMANCE ASSESSMENT

Why monitor and assess performance?



PERFORMANCE APPRAISALS

- Throughout the performance of the contract the Supplier/Contractor should be appraised of their performance which should be documented accordingly and communicated to the Supplier/Contractor appropriately.
- The **Supplier/Contractor Performance Evaluation Form** can be used as a tool to document these assessments.

PERFORMANCE APPRAISALS

Who should prepare these appraisals?

The Contract Manager in collaboration with the Procurement Executing Arm (PEA) will be responsible for completing the Supplier/Contractor Performance Evaluation Form.

Upon completion, the form should be forwarded to the Procurement. The form will either be filed by the Procurement Unit or forwarded to the CPC for further action where necessary.

When should appraisals be conducted?

Appraisals can be conducted weekly, monthly or quarterly based on the duration of the contract and project milestones.

CONTINUOUS ASSESSMENT & REPORTING

Reports should be prepared to not only document the problems experienced throughout the performance of the contract, but also accomplishments.

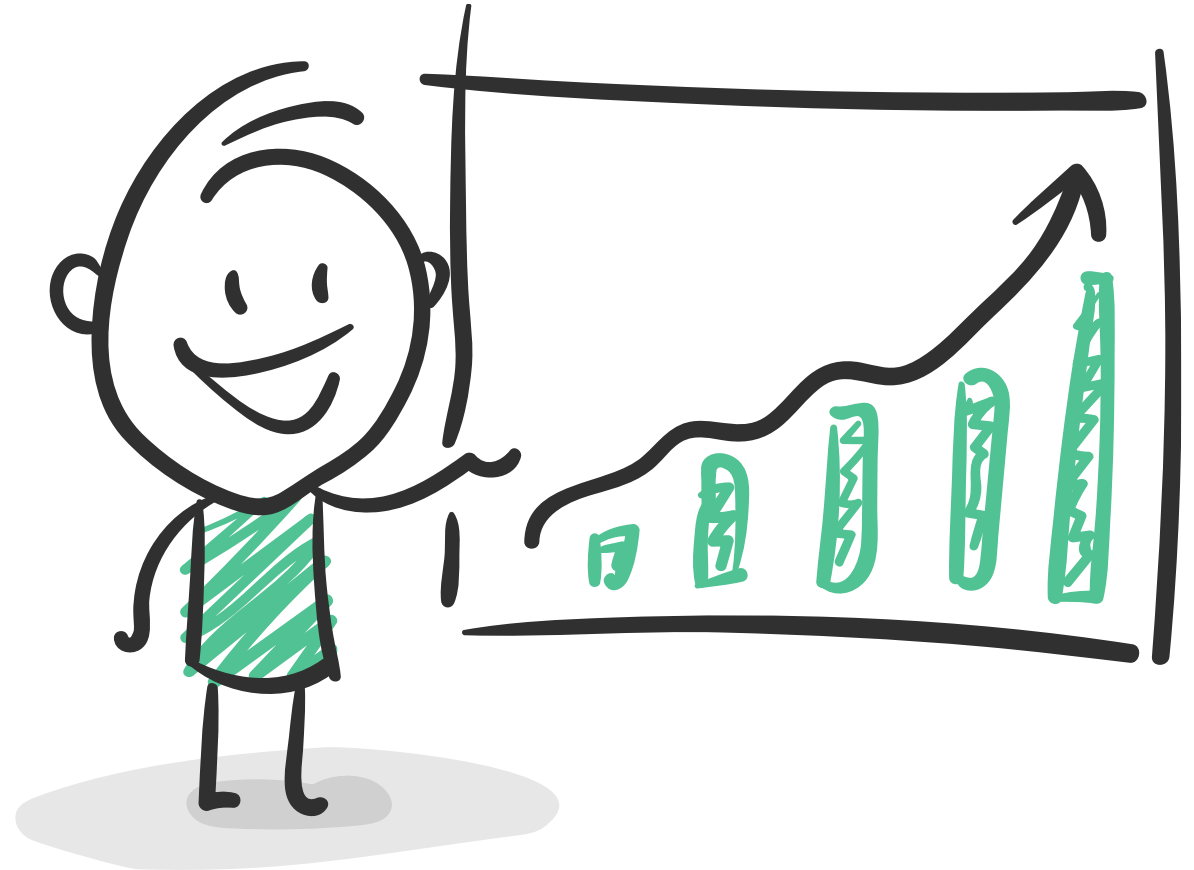
Suppliers/Contractors should be commended for good performance throughout the contract.



CONTINUOUS ASSESSMENT & REPORTING

GOOD PERFORMANCE:

- Documented for auditability
- An effective motivator to the Supplier/Contractor to maintain for the duration of contract.
- Record can be referred to for future selective tenders



CONTINUOUS ASSESSMENT & REPORTING

POOR PERFORMANCE:

- Gives Supplier/Contractor opportunities to rectify performance issues before taking drastic measures that will ultimately delay completion
- Supplier development and continuous improvement
- Can be used as a basis for deciding not to invite Suppliers/Contractors for upcoming procurements, to renew a contract for a second term, and to decide on suspension/ blacklisting (approved prequalified listing)



DEALING WITH CONTRACT ISSUES



Contract management planning should include agreement on the procedure to follow to resolve disagreements between parties.

CONTRACT ISSUES



The Campus Legal Office should be contacted when contract issues arise

DEALING WITH CONTRACT ISSUES

There should be an agreed procedure for escalating the concern to a higher level of authority.

The parties must not allow disagreements and disputes to prevent the implementation of the contract.

Parties must commit themselves to the amicable resolution of the inevitable disputes that will arise between them.

Contract claims and disputes cannot be avoided entirely, but they can be resolved efficiently, timely, fairly, and without rancor and litigation



DEALING WITH CONTRACT ISSUES

It is important to keep record or log of all issues raised and discussed. The record should address the following at a minimum:

The issue

Date raised

Raised by whom

Person to resolve

Date escalated

Who it was escalated to

Resolution

Date resolved

CONTRACT CLOSEOUT

The objective of the close-out phase is to ensure that The UWI is satisfied with the delivery of the goods, works, materials and services that were procured.

CONTRACT CLOSEOUT



A contract may not necessarily be considered as concluded when the actual physical work has been completed or the goods delivered.



The true end of the contract may be the end of a warranty, retention or defects liability period or completion of all legal, administrative and managerial tasks.



Upon completion of the contract, the Contract Manager is required to prepare a **Supplier/Contractor Performance Evaluation Form** that would summarise the overall performance of the contract.



Additionally, a **Contract Completion Certificate** may be completed and issued to the Supplier/Contractor as proof of having completed the contract.

CONTRACT FILE MAINTENANCE

Documenting and maintaining a contract file are good practices to ensure:

- The delivery is in line with the contract requirements, and
- Issues are addressed timely.

All contract performance issues should be properly documented and included in the official contract file.

CONTRACT FILE MAINTENANCE

The contract file should contain the essential record of contract award and performance as follows:

1. Pre-award documents

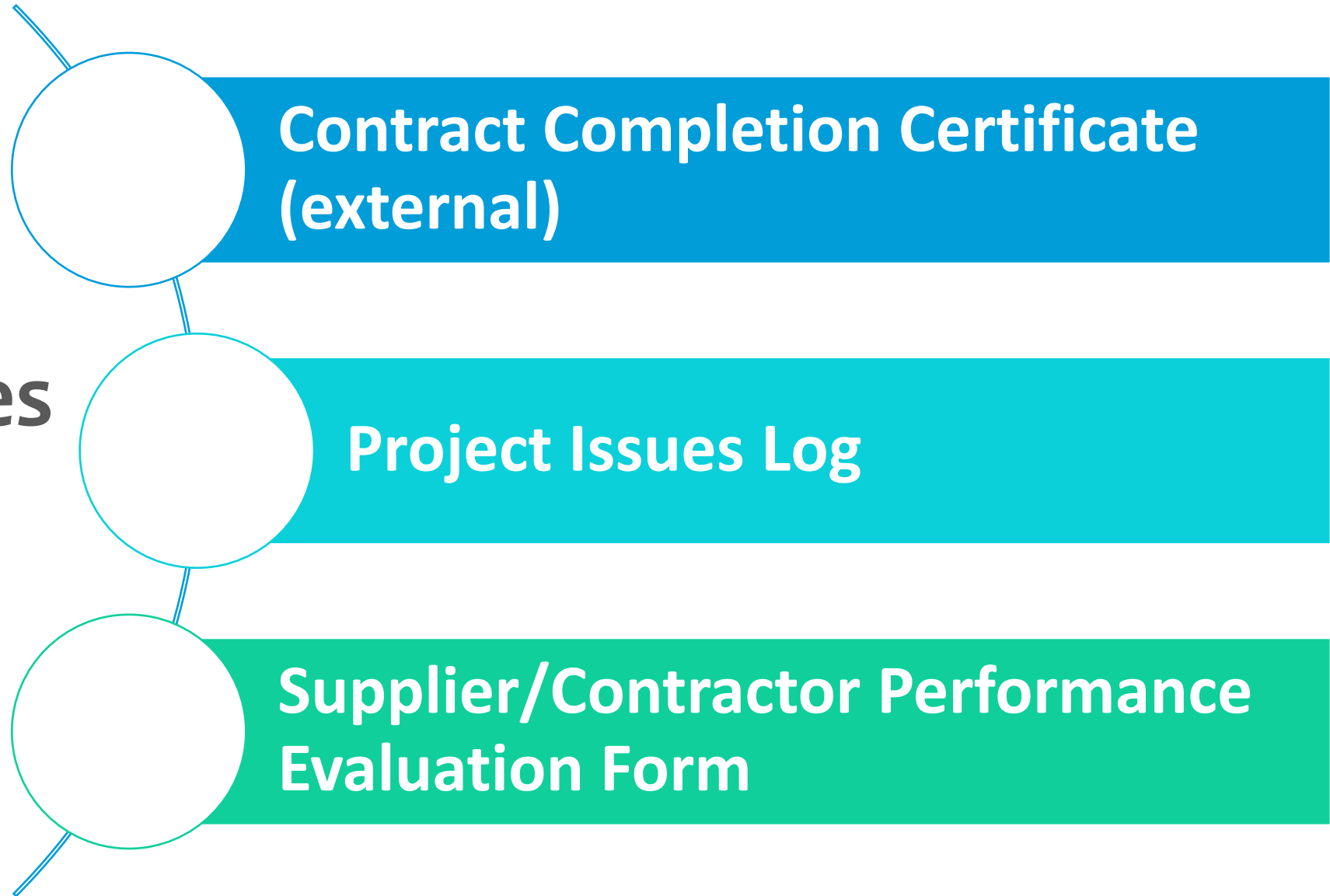
- a. Solicitation document
- b. All responses to bids or proposals
- c. Copy of the contract, including all attachments and amendments
- d. General Guidelines – Management and Monitoring of Contract Activities

CONTRACT FILE MAINTENANCE

2. Post-award to contract closeout documents (Contract Administration Documents)

- a. Copies of all correspondence with the supplier/contractor
- b. Notes from all meetings and verbal communications
- c. Documentation of performance issues/complaints, Notice to Remedy
- d. Contract amendments/Variations
- e. Documentation of deliverables
- f. Payment records
- g. Contract closeout documentation

Templates



NEXT ON THE TRAINING SCHEDULE

Introduction Module - Procurement Training



Module #2 - Procurement Planning and Solicitation



Module #3 - Evaluation and Award



Module #4 - Supplier Performance Management & Contract Management



Module #5 - Procurement Reporting and Records Management

The word "QUESTIONS" is centered in a large, white, 3D sans-serif font. It is surrounded by a cluster of overlapping squares in various shades of blue and green. The squares vary in size and opacity, creating a dynamic, layered effect behind the text.

QUESTIONS