Your complete guide to Contract Lifecycle Management
Your complete guide to Contract Lifecycle Management (CLM)

01 Contract initiation
02 Contract negotiation
03 Contract execution
04 Contract start-up
05 Contract operation

5.1 Control contract changes
5.2 Track obligations compliance
5.3 Check supplier performance
5.4 Perform periodic reviews

5.4.1 Review user satisfaction with supplier
5.4.2 Review contract relevance
5.4.3 Review regulatory environmental changes
5.4.4 Review contract benefits realisation and value for money
5.4.5 Review continuous improvement and innovation
5.4.6 Review supplier benchmark

5.5 Address issues
5.6 Resolve disputes

06 Contract renewal
07 Contract close-out
08 Useful document templates
Welcome to the Gatekeeper guide to Contract Management.

Whether you’re an experienced practitioner or completely new to CLM, this guide will offer you insight, practical advice and free templates to help you manage your contracts effectively.

After all, the future success of your business depends on realising the value that’s captured in its contracts. From supplier agreements to employee documents, everywhere you look are commitments that need to be met for your business to succeed.

Keeping track of all these details can be complex so we’ll break it all down for you and give you checklists to follow, as well as other actionable tips.

And don’t worry, you’re not expected to complete every task for every stage, particularly if contract management isn’t your full-time role.

However, when you have specific questions or come across something new, you should be able to reach for this guide and find some answers.

So, first things first...
A contract typically passes through a number of stages during its lifetime: from initiation and negotiation to execution and start-up, through the operational period, to renewal or close-out.

The type of contract and the nature of goods or services it covers will determine what sort of management activities might be needed at each stage.

How a company is organised will also determine which departments or individuals are responsible for what activities at each stage.

Contract Lifecycle Management from a buyer’s perspective is the process of defining and designing the actual activities needed in each stage for any specific contract, allocating ownership of the activities to individuals or groups, and monitoring the performance of those activities as the contract progresses through its lifecycle.

The ultimate aim is to minimise surprises, ensure the contracted goods or services are delivered by the supplier in accordance with the contract, and realise the expected business benefits and value for money.

The diagram below outlines all the stages of the contract lifecycle and the activities required at each of those stages.
Now, if you’re not a full-time contract manager, that’s probably going to look like a lot of work to fit around your day job.

Don’t worry, we realise that you may not have the time to follow the whole process to the letter.

This is why we’ll provide you with an action plan for each of the above stages as well as useful templates, which you can tailor to your business so they match your structure, personnel and processes.

Once you’ve got a good understanding of the overall process and what’s required, you’ll be better equipped to dip in and out of the guide as needed.

While many activities can be automated through the application of Contract Management software, even a mostly manual approach will improve the likelihood of better contract outcomes and more benefits over not doing CLM at all.
Contract Initiation

A procurement event starts with a business need. That need could be anything from finding larger office premises to requiring external support for marketing activities.

The need has to be clearly described and documented before you go out to market to find a supplier for the goods or services. This will give you the framework from which you can evaluate suppliers.

More often than not, a contract will be required between a buyer and a supplier to govern how the goods or services are obtained. If your business has dedicated CLM staff then they should be invited as early as possible to participate in planning for any new contract, and should help develop the specification of all stakeholders' requirements.

They can also help by reviewing existing contracts and suppliers to see if a potential solution already exists within the roster of vendors.

If your business doesn't have dedicated CLM staff then it will be down to non-specialist employees to ensure that the specification covers all aspects needed for the ongoing management of the contract.

Often, these employees will be the intended users of the goods or services as they will have the clearest understanding of what's required. However, since they will likely have limited experience of managing procurement processes, it's always advisable to have these documents reviewed by somebody senior in the business.

This step of the process may also include the use of what's known as an RFx, which is a catch-all term describing “Request for Information”, “Request for Proposal”, “Request for Quote” or “Request for Bid” (RFI, RFP, RFQ, RFB). It effectively describes the process by which you, the buyer, go out to market to find a supplier for the goods or service that you need.

This process will likely result in several different suppliers submitting their responses and pitching for the contract.

Key Tip

Candidate suppliers (even if there is only one) should not be advised if other suppliers are participating in the procurement event, if they are on the shortlist, or if they are the preferred supplier.

The supplier's perception that there is competition and that their offer may still be under consideration provides negotiation leverage to the buyer.
Your 10 Point Checklist for Contract Initiation

The high-level activities involved in initiating a contract include:

01. Prepare procurement specification based on identified need, develop the sourcing strategy

02. Select and contact candidate suppliers, determine level of interest, obtain signed mutual NDA

03. Review specification, add any missing elements needed for operational contract management

04. Establish procurement timetable, prepare and review an RFx, assign bid evaluation team

05. Assign a weighting to each requirement, devise bid evaluation method, prepare bid scoresheet

06. Issue RFx to interested candidate suppliers, respond to questions, issue any updates to RFx

07. Review received bids, raise and resolve any issues, attend supplier presentations

08. Evaluate and score each bid, normalise scores where necessary, summarise and compare scores

09. Identify shortlisted suppliers, advise them of any final bid concerns, request best and final offer (BAFO)

10. Evaluate / negotiate BAFOs, identify but DO NOT NOTIFY the preferred supplier
Contract Negotiation

Negotiation of contracts is a specialist skill, generally acquired through training and experience. Here we lay out what you should be looking to achieve in the negotiation phase of the process.

With the preferred supplier(s) identified, a detailed review of their concerns with the buyer’s contract or the buyer’s concerns with their contracts is needed. At this point the buyer should send their responses to the relevant suppliers.

Thereafter, all negotiations should ideally be conducted at face-to-face meetings to attempt to reach a consensus on all disputed terms. If possible, these meetings should include representatives from both sides who have the necessary approval authority to agree concessions and to sign off. This will reduce the chances of delays.

The desired outcomes of contract negotiation are:

- A fair and balanced contract that will deliver the desired results
- Clear allocation of responsibilities for the outcomes
- Appropriate measures of the success of those outcomes
- Effective remedies that will adequately motivate the guilty party in the event of unsuccessful outcomes.

In some cases, time limits may be established to reach agreement after which negotiations may be discontinued with one supplier and commenced with the next preferred supplier.

After agreement on the terms and conditions has been reached, a final test must be conducted to ensure that the negotiated contract accurately reflects the deal agreed to during evaluation of the winning supplier's best and final offer.

Once confirmed, the successful supplier can be formally notified about the awarding of the contract, and the unsuccessful suppliers can be notified and offered a debrief of the issues with their bids.

“Remember, once you’ve established a need for your business, every day that you don’t have a supplier in place is a day you’re not meeting that need or deriving the intended benefits.”
## Your 10 Point Checklist for Contract Negotiation

The high-level activities involved in negotiating terms and conditions of a contract include:

<table>
<thead>
<tr>
<th>Step</th>
<th>Activity</th>
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<tbody>
<tr>
<td>01</td>
<td>Review any contract provided by preferred supplier, identify issues, specify alternative text</td>
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<tr>
<td>02</td>
<td>Review any supplier concerns with buyer’s contract, prepare responses for supplier’s consideration</td>
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<tr>
<td>03</td>
<td>Prepare negotiation strategy covering optimum, acceptable, fall-back and walk-away positions</td>
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<tr>
<td>04</td>
<td>Advise supplier about issues with their contract or responses to their concerns about buyer’s contract</td>
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<tr>
<td>05</td>
<td>Conduct face-to-face negotiations with supplier, obtain internal approval for proposed concessions</td>
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<tr>
<td>06</td>
<td>Restart this stage with next preferred supplier if negotiations cannot be concluded in timely fashion</td>
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<tr>
<td>07</td>
<td>Check that final contract reflects the agreed BAFO, and meets all manageability requirements</td>
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<td>08</td>
<td>Prepare a summary of each side’s rights and obligations, obtain supplier’s sign-off on the summary</td>
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<tr>
<td>09</td>
<td>Formally notify the successful supplier of the award of the contract and advise about the next steps</td>
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<tr>
<td>10</td>
<td>Notify other shortlisted suppliers, offer / conduct debrief of bids when requested</td>
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Contract Execution

Execution of a new contract can be a minor administrative event or a big deal, depending on the nature and value of a contract and where it is to be signed.

It’s usually best practice for a new contract to be approved and signed by different people. This reduces the chance of unfavourable contracts being agreed and the risk of any fraudulent activity.

The value of the contract may be a factor in deciding who those people should be, and in determining the nature of information that should be presented to them to enable a clear understanding of what they’re being asked to approve or sign.

Despite the growing use of electronic signing technologies, there may be legal restrictions on the use of such technologies in some countries or under certain circumstances. The signing requirements of both buyer and supplier should be ascertained and not assumed, to minimise any delays in concluding the procurement event.

Getting from Initiation to Execution may have been a long, tedious process, so it can be worth the effort to record any lessons learned for consideration during future procurement events.

Similarly, tracking which of the buyer’s standard contract terms are most often challenged by suppliers may allow modifications to improve acceptability, with the consequent reduction in the time taken to negotiate and conclude future procurement events.
## Your 10 Point Checklist for Contract Execution

The high-level activities involved in obtaining contract execution include:

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<thead>
<tr>
<th></th>
<th>Activity</th>
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<tbody>
<tr>
<td>01</td>
<td>Update any business case document with changes resulting from proposal / contract negotiations</td>
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<tr>
<td>02</td>
<td>Document any outstanding matters agreed to be resolved following contract execution</td>
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<tr>
<td>03</td>
<td>Prepare a deal summary / contract approval request, obtain sign-off from all key stakeholders</td>
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<td>04</td>
<td>Ascertain number of hardcopy and/or electronic contracts needed by buyer and supplier</td>
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<td>05</td>
<td>Determine buyer staff who can approve and who can sign the final contract documents</td>
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<tr>
<td>06</td>
<td>Send electronic copies of all applicable documents to designated approver(s)</td>
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<tr>
<td>07</td>
<td>Send approved contract documents to designated signer(s) for printing as necessary and signing</td>
</tr>
<tr>
<td>08</td>
<td>Send signed contract documents to supplier electronically and/or physically as necessary</td>
</tr>
<tr>
<td>09</td>
<td>Log all changes made to buyer’s standard contract terms to allow tracking of supplier resistance</td>
</tr>
<tr>
<td>10</td>
<td>Document any lessons learned from Initiation to Execution, develop a draft contract management plan</td>
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Contract Start-up

Operational contract management cannot properly begin, and will not succeed, without a detailed understanding of a contract. It sounds simple, but you’d be surprised at how often this stage gets skipped as people rush to get a contract moving.

Neglecting this stage can result in significant issues down the line, particularly when it comes to renewal or disputes.

In this foundational stage, key information needs to be discovered or prepared to provide a clear understanding for all relevant parties. The people that have negotiated a contract may not be the people working day to day with the contracted good or service and all must be provided with a clear understanding of their responsibilities.

This information includes details about the obligations and rights of the buyer and the supplier, how to track compliance with those obligations, events that get triggered by date or circumstances, outstanding matters that must be resolved as soon as possible after execution, any limits on usage of the contract, and so on.

Starting a new contract requires a range of activities to:

- Document the key features of the contract;
- Promote awareness and facilitate understanding of the contract with key stakeholders;
- Obtain commitment to the roles and responsibilities involved in ongoing management of the contract;
- Prepare various business and technical systems for dealing with contract transactions and events.

Heeding the documented lessons learned from other contracts is strongly recommended, as is close attention to the transition-out obligations and activities of any supplier whose contract is being replaced by the new contract.

You don't want to end up with overlapping suppliers for any longer than might be necessary. You also want to give the new contract the best chance of success.
Your 10 Point Checklist for Contract Start-up

The high-level activities involved in obtaining contract start-up include:

01 Review any transition-out plans related to an earlier contract being replaced by this new contract

02 Finalise any draft transition-in plan, including any outstanding issues needing resolution

03 Complete any draft contract management plan or prepare and agree the plan with key stakeholders

04 Prepare a plain language contract summary, highlighting any contract usage constraints

05 Prepare a contract risk register identifying moderate to highly probable risks and mitigation strategies

06 Prepare a specification stating how and when to check compliance with each contractual obligation

07 Prepare and issue communications about the new contract to key stakeholders

08 Register the executed contract and associated documents in applicable systems and repositories

09 Establish workflow to alert key stakeholders about approaching contract key dates and events

10 Monitor and participate in any transition-out and transition-in plan activities
Contract Operation

Ok, so your contract’s up and running. Now what?

Whatever you do, don’t “set and forget”. If you go back to the initiation phase, you’ll remember that the contract came into being because of a business need. It’s unlikely that the business need is going to be met on day one of the contract, so you need to continue to monitor its progress throughout its duration to make sure its value is realised.

Unlike the other stages in a contract’s lifecycle, the Operation stage lasts for most of the contract term and potentially involves a greater number of activities, grouped as described below.
Control Contract Changes

There are lots of potential reasons why a contract might need to change within its duration. Changes in requirements, business conditions, the regulatory environment, economic trends, and technology can all necessitate a change in a contract.

Such changes should be achieved on a timely basis by mutual consent, and through a formal change control process. Preferably, this process will be documented in the contract and will deal appropriately with both material and trivial changes.

If it’s not documented in the original contract, one of the first changes that might need to be made is to add clauses around the change process.

Your 10 Point Checklist for Controlling Contract Changes

The high-level activities involved in handling contract changes include:

01. Discuss with the requester the reasons for a change, its timing and likely consequences
02. Formulate and agree the proposed changes, any implementation work and/or costs required
03. Prepare a contract change request and submit to appropriate internal and external approvers
04. Obtain change approval/rejection advice and inform supplier/stakeholders as necessary
05. Update all applicable contract documents and the contract change register on change approval
06. Submit contract amendment documents to appropriate signatories
07. Distribute signed copies of amendments or other updated documents as necessary when received
08. Advise key stakeholders and/or users about the nature and implications of the approved change
09. Maintain awareness/oversight of the change implementation work as necessary
10. Ensure that the agreed change is correctly implemented in practice where applicable
An obligation is a requirement, a bond, a promise; something that must be done.

A contract specifies each party’s separate and joint obligations. Ensuring such obligations and commitments are adhered to is critical to getting the desired contract outcomes.

Again, this is a part of the process that can get lost, particularly as a contract matures and stakeholders get new priorities or move on to different roles.

It’s usually best to track these obligations in a formal way to make sure they’re recorded and allocated correctly. This will also cover deadlines and therefore whether obligations are being met on time or are overdue.

It’s also key to track who specifically is responsible for ensuring the obligations are met. As mentioned before this may be required to change as people move roles.

Starting a new contract requires a range of activities relating to:

- Contractual terms and conditions
- Events and dates
- Laws and regulations
- A party’s internal directives and policies
- Jointly agreed processes
- Formal standards
Your 10 Point Checklist for Tracking Obligations Compliance

The high-level activities involved in a compliance assessment include:

01. Advise compliance checkers of the scope and timing of an approaching assessment

02. Collect and distribute any information necessary for assessing obligation compliance

03. Review the performance of each obligation that needs to be checked during the assessment

04. Issue any required notice to supplier about actual or impending non-compliance

05. Respond to any notice from supplier about buyer’s actual or impending non-compliance

06. Determine the cause and impact of any actual or impending non-compliance

07. Agree an approach to deal with any such non-compliance and prevent its recurrence

08. Update the contract documents as necessary to improve compliance achievement

09. Revise the applicable obligation compliance specification as required

10. Advise key stakeholders about the outcomes of the compliance assessment
Regular monitoring of supplier performance is recommended to ensure that what has been agreed gets delivered.

This checking plus reporting by relationship management staff can be combined with user satisfaction survey results to provide a basis for agreeing remedial action with the supplier.

Such action may involve changes to processes, contract terms, service levels, fees etc.

Your 10 Point Checklist for Checking Supplier Performance

The high-level activities involved in a supplier performance check include:

01 Review supplier’s recent operational performance, against any agreed service levels

02 Obtain key stakeholder input on the quality of the recent relationship with the supplier

03 Derive an overall view of supplier performance from all the information collected

04 Determine how supplier’s latest performance check compares to earlier assessments

05 Discuss causes of any current underperformance and undesirable trends over time with supplier

06 Advise key stakeholders of the latest assessment outcome and any corrective actions needed

07 Advise contract owner of contractual rights regarding significant supplier underperformance

08 Issue any required notice to supplier in response to a poor performance assessment

09 Agree any required remediation plan with supplier, and implement the plan under change control

10 Update the contract documents as necessary to minimize recurrence of such underperformance
Perform Periodic Reviews

For any contract with a term of 12 months or more, it is worth periodically checking for any circumstantial changes that could affect the contract’s ability to deliver the expected benefits.

These changes may necessitate updates to the contract, or to the expectations, processes or behaviour of the supplier or the buyer.

Here, we lay out some key areas for the reviews to focus on and what you should be looking for in each case. These review processes have widespread applicability across most contracts.
5.4.1 Review User Satisfaction With Supplier

The human element can never be underestimated when it comes to contractual success.

“Business relationships will almost always involve key personnel from both sides and, put simply, it’s better if they get on with each other.”

Equally, if the key contact on the buyer side is dissatisfied with the supplier then it can be very difficult to generate the benefits from the contract.

That said, mistakes will happen so the supplier’s ability to recover from service deficiencies, and to reduce error levels in general, also plays a part in satisfaction levels.

Any areas of dissatisfaction, and the consequent opportunities for improvement, are typically discovered by survey of some key direct and indirect users of the supplier services.

The survey should be conducted as often as necessary to ensure that low satisfaction is detected and effectively addressed before irreparable relationship or business damage is caused.
Your 10 Point Checklist for Reviewing User Satisfaction With Suppliers

The high-level activities involved in undertaking a user satisfaction survey include:

01. Establish / review and update the objectives of a new / repeated survey
02. Agree on the matters to be covered by the survey and the method for conducting it
03. Determine the target audience for the survey and identify proposed participants
04. Prepare / review and update the questionnaire for a new / repeated survey
05. Conduct a trial run of a new survey and finalise the questionnaire using feedback and findings
06. Issue the final survey to participants, monitor returns and encourage timely completion
07. Analyse and summarise survey results, derive overall satisfaction level and highlight key issues
08. Discuss survey results with supplier and agree on actions needed to improve satisfaction levels
09. Implement any agreed actions under change control, monitor progress and check outcomes
10. Update the contract, documentation, processes and so on as necessary
As discussed in our chapter on contract initiation, in the beginning, there was a business need. The need would have been based on identifying where the business intended to go, the state of the market the business operates in, the size of the business and numerous other factors.

Potentially, all these factors have the capacity to change over time and render the contract more or less relevant than at the outset.

Such changes may affect the relevance of a range of contract elements, limit opportunities for enhanced innovation or greater efficiency, or result in an undesirable amount of friction with the supplier.

As a result, changes to the contract and its associated documentation and management processes may be necessary to establish relevance for current conditions.

A review should be conducted either on a regular basis as specified in the contract management plan or when indicated by monitoring systems, depending on the particular aspect of interest, which may include:

01 The ongoing applicability of fundamental assumptions driving the contract

02 Changes to the buyer’s requirements, strategies or countries where the contract is used

03 Changes to the supplier’s products or services, pricing options, or other contract terms

04 The ongoing validity of the contract risk profile and associated mitigation approaches

05 Any difficulties in complying with the supplier’s operational processes

06 The ongoing suitability of the supplier performance measures and penalties

07 Any impediments to incorporating innovations, efficiencies or cost avoidance measures

08 Any increase in the level of disputes or relationship issues with the supplier

09 The impacts of major geo-political or economic dislocations and disturbances

10 Any generally limited contractual flexibility to deal with change or the rate of change
Your 10 Point Checklist for Reviewing Contract Relevance

The high-level activities involved in undertaking a contract relevance review include:

01 Assess monitoring systems / contract management plan to determine nature of review needed

02 Establish review objectives, scope, timing, method, key stakeholders and information providers

03 Inform all key stakeholders and information providers about review scope and timing

04 Obtain and analyse information relevant to the review, summarise key issues to address

05 Identify where changes may be needed in the contract, related documentation and/or processes

06 Describe each proposed change, prepare draft contract amendments as needed

07 Agree with relevant stakeholders on the nature and content of proposed changes

08 Discuss review outcomes and proposed changes with supplier, agree on actions needed

09 Implement any agreed actions under change control, monitor progress and check outcomes

10 Update the contract, documentation, processes and so on as necessary
At any time, somewhere in the world where the buyer has operations, changes to a country’s regulatory environment may be in planning or in progress.

The scope of change may range from minor amendments to existing legislation to completely new laws needed to deal with emerging services not anticipated by any existing regulations. Such changes may increase or decrease to varying degrees the regulatory compliance burden on the buyer or its suppliers, and may need to be reflected in contractual terms for certain products or services within prescribed time frames.

In exceptional cases, either the buyer or a supplier may decide that it makes better business sense to terminate an affected contract than try to achieve compliance with the new regulatory environment.

### Your 10 Point Checklist for Reviewing Regulatory Environment Changes

The high-level activities involved in conducting a regulatory environment changes review include:

1. **Assess legal / supplier advice** about the nature, implications and timing of any regulatory changes
2. **Identify all contracts** potentially affected by the regulatory changes
3. **Design an approach for revising contract terms to achieve compliance with changed regulations**
4. **Update any affected clauses in master clause libraries used to construct new contracts**
5. **Discuss the situation with contract owners and suppliers, decide on an approach per contract**
6. **Prepare changes to the contract, its related documentation and processes as necessary**
7. **Design any modifications to associated internal business practices and processes**
8. **Update the contract, its related documentation and processes as necessary**
9. **Implement any required changes to business practices and processes, train affected people**
10. **Continue with section 07 Contract close-out activities for any contract that is to be terminated**
Review Contract Benefits
Realisation and Value for Money

This is another crucial, and often overlooked part of the contract management process, particularly if you don't have dedicated CLM staff to oversee the process.

Don't wait until the contract nears its completion or renewal date to see whether it's delivering the expected benefits. By then it might be too late.

Reviews should be conducted regularly during a long-term contract, and as the contract approaches its expiry or renewal date. This review may make use of the findings from other periodic reviews of the contract that touch on matters useful for this review.

By doing these reviews, you give the contract and your business the best chance of success.

What are the common reasons a contract may not be delivering the benefits expected?

01 Unrealistic buyer expectations / targets
02 Inadequate benefits realisation / value for money tracking processes
03 Changes to business needs and / or the business / regulatory environments
04 Supplier service underperformance or capabilities overreach
05 Non-compliance with obligations by buyer and / or supplier
06 Unresolved issues or disputes between buyer and supplier
07 Unsatisfactory relationship with the supplier
08 Ineffective / non-existent contract governance or contract management practices
09 Ineffectual / superficial continuous improvement or innovation efforts by supplier
10 Lower usage of supplier's services than planned or paid for
Your 10 Point Checklist for Reviewing Contract Benefits Realisation

The high-level review activities involved in conducting a contract benefits realisation / value for money review include:

01 Agree a review plan scope and timing with key stakeholders and designated reviewers

02 Review the current business case baseline data, expectations and assumptions

03 Obtain the current financial data needed for the assessment

04 Assess the level of benefits realisation versus expectations

05 Calculate value for money received from the contract

06 Determine root causes for benefits realisation / value for money lower or higher than expected

07 Agree and implement any plan needed to improve benefits realisation / value for money

08 Adjust the business case baseline data, expectations and assumptions as necessary

09 Vary the contract, documentation, processes and so on as necessary and as agreed with supplier

10 Update the lessons learned register as applicable
A contract with a multi-year term should ideally oblige the supplier to undertake continuous improvement / innovation measures for the benefit of at least the buyer but hopefully for the supplier as well.

No business or service offering should be standing still over a long period, particularly with the current pace of technological change.

"While continuous improvement means doing the same things better, typically by a series of incremental changes, innovation means doing the same things differently, typically by a step change using a new approach."

The obligations should be described in terms of measurable deliverables in accordance with an agreed improvement plan, with appropriate responses for non-compliance or under-achievement.

Areas of friction or operational difficulty between the buyer and the supplier can be painful but may also provide some pointers since potential innovations could be proposed in the context of the situation.

Time needs to be set aside regularly for both teams to think about potential ideas, review industry conditions, take input from best-practice think tanks and the supplier’s experience in other engagements, and prepare proposals that the leadership teams can evaluate.
Your 10 Point Checklist for Reviewing Continuous Improvement & Innovation

The high-level activities involved in a continuous improvement and innovation review include:

01 Obtain supplier’s report on outcomes of the improvement plan since the last review

02 Assess tangible or qualitative evidence of all claimed improvements

03 Agree with supplier about the level of value received from all agreed improvements

04 Evaluate the impact of buyer’s rejection of improvement ideas on the level of value received

05 Determine root causes when no or low value received despite adherence to plan

06 Identify any ‘pain points’ that could be dealt with by the improvement process

07 Brainstorm new ideas for improvements or innovation with stakeholders, users and supplier

08 Assess the suitability of new ideas for inclusion in the improvement plan and set priorities

09 Update the improvement plan as needed, with a focus on the greatest opportunities

10 Update the contract, its associated documentation and processes as needed
Question - how do you know if your long-term supplier is still competitively priced?

“With changes in technology and markets regularly being disrupted by new entrants, it’s recommended that you conduct a benchmarking exercise at least once during the lifetime of long-term contracts.”

The review should check if supplier pricing is market-competitive, aligned with evolving market conditions and if its customer-facing business processes are consistent across the market.

The review can end up working in a couple of ways:

01 It might highlight that your existing supplier is no longer offering a competitive package in comparison with the market. In which case, you can begin discussions with them for remedial action or explore other options in the market.

02 Alternatively, it might highlight that your existing supplier is providing an excellent service at a competitive price, giving you the confidence to renew or extend the existing contract.

The benchmarking process itself can be complicated and time-consuming so you may wish to consider using an external consultancy for the work. They will have the experience and the methodology to provide a thorough view of the market. However, this will really only make financial sense for large value contract, or for a combined number of smaller contracts.

Where benchmarking consultants can also help is with offering advice on how to deal with a supplier to address any comparative shortcomings and to assist with, or conduct on the buyer’s behalf, negotiations with the supplier for a better deal. The benchmarker’s costs are usually shared equally between the buyer and the supplier if the benchmarking options and frequency are prescribed in the contract, otherwise the buyer will typically pay all such costs.
Your 10 Point Checklist for Reviewing Supplier Benchmarks

The high-level activities involved in a supplier benchmark review include:

01 Define and agree with supplier on benchmarking scope, timing and level of supplier participation
02 Establish the competitive pricing parameters to be used, if not specified in the contract
03 Engage an appropriately qualified and experienced independent benchmarker
04 Ensure the benchmarker is able to readily gather all required data from buyer and supplier
05 Review the report with the benchmarker on receipt, plan supplier negotiation strategy as needed
06 Advise key stakeholders of the benchmarking outcome and proposed improvements approach
07 Agree with stakeholders and supplier on the improvement actions, sequencing and timing
08 Update contracts, related documentation and processes as necessary
09 Implement agreed adjustments and corrective actions as per the timetable
10 Track achievement of improvements, manage any deficiencies through formal channels
5.5 Address Issues

Contracts aren’t always plain sailing. There are many potential causes of friction between buyers and suppliers over the course of a contract, particularly if it is a long-term one.

An issue is generally a smaller scale problem that should be able to be addressed in a straightforward manner.

For instance, issues may be related to:

- Different interpretations of a contract condition
- Non-compliance with respect to the contract
- Undesired behaviour
- Detrimental effects of some unexpected external event

Clear procedures for raising and handling such issues should be established in anticipation of their appearance. The primary objective is to ensure that issues are recognized and then resolved quickly and effectively.

If left unresolved, minor issues may damage the relationship while a major issue may be escalated to a dispute.
Your 10 Point Checklist for Addressing Issues

The high-level activities involved in addressing issues include:

01 Log the details of each potential or actual issue as soon as it is recognised

02 Formulate and agree on a resolution approach and any costs required

03 Manage any contract change needed to resolve an issue by using a change request

04 Advise contract owner of any contractual rights regarding persistent unresolved issues

05 Issue any required notice to supplier in response to a persistent unresolved issue

06 Agree any required remediation plan with supplier, and implement by using a change request

07 Update the contract documents as necessary to minimize recurrence of such issues

08 Record issue resolution approaches in the issues log

09 Escalate any issues taking longer to resolve than expected or where reported resolution fails

10 Review the issues log and resolution progress regularly, highlight any trends for attention
Resolve Disputes

This is where it gets serious. The contract and the relationship are both at risk.

“A dispute is a significant difference of opinion or position between the buyer and the supplier that is clearly distinct from, and presents greater risk potential than, a simple issue.”

If left unresolved, a major dispute may cause an irreparable breakdown in the buyer-supplier relationship and threaten continuation of the contract. Similarly, a failure to properly manage minor disputes may damage the relationship and limit the benefits of the contract to each side.

It is important that any potential or actual dispute is recognized at an early stage and addressed as quickly as possible. An agreed dispute resolution procedure should ideally be included in every key contract.

Your 10 Point Checklist for Resolving Disputes

The high-level activities involved in resolving disputes include:

01 Log the details of each potential or actual dispute as soon as it is recognised
02 Obtain a clear understanding of the nature of the dispute, its causes and possible consequences
03 Handle the issuing or receipt of dispute notices as specified in the contract
04 Advise contract owner of contractual rights regarding disputes, and the agreed resolution process
05 Attempt to resolve the dispute informally by negotiation before any escalation
06 Activate any agreed dispute resolution process if negotiations fail to resolve the dispute
07 Agree an approach for implementing the outcome of the dispute resolution process
08 Manage any contract change to resolve a dispute by using a change request
09 Update the contract documents as necessary to minimize recurrence of such disputes
10 Record dispute resolution outcomes in the disputes register
Contract Renewal

Contract renewals are a massive opportunity to improve the terms of a contract and gain better value from supplier relationships. It’s such a shame that they get forgotten about so often.

So first things first, you have to record when renewal dates are and set reminders to make sure that they aren’t missed. That’s contract management 101.

“By setting reminders, you as the buyer can then have a degree of control over the renewal process. Otherwise, you might be caught unprepared if and when your supplier contacts you to discuss your renewal at short notice.”

Alternatively, contracts may be set to auto-renew or auto-cancel leaving you with potentially an unwanted cost or an unexpected gap in your supplier roster.

A contract approaching its expiry date should be considered for renewal if:

- There is an ongoing requirement for the goods or services
- The supplier’s service delivery performance has been acceptable
- There have been no insurmountable difficulties in achieving high levels of compliance with all obligations.
Your 10 Point Checklist for Renewing Contracts

The high-level activities involved in renewing a contract may include:

01 Determine if there is ongoing demand for the goods and/or services obtained under the contract

02 Check for any changes to the specifications of the goods and/or services, or the volumes required

03 Review supplier’s obligation compliance and service delivery performance

04 Identify all areas of concern with the supplier’s general behaviour that need to be addressed

05 Decide if the business is prepared to continue dealing with the current supplier

06 Assess ongoing relevance and general suitability of the contract terms

07 Formulate a contract renewal strategy based on the information collected

08 Issue a renewal notice, whether or not needed, in accordance with any specified notice period

09 Advise supplier about any requirements changes, problematic contract terms, or areas of concern

10 Continue with section 02 Contract negotiation activities to achieve contract renewal
Contract Close-Out

The end of the road.

When a decision has been made to not renew a contract approaching its expiry date or to actively terminate a contract for cause or convenience, a range of activities is required to properly plan and ensure a smooth transition-out from the contract.

It’s possible that a contract will simply be replaced by another similar one with the same supplier. However, these activities should still be carried out if possible.

Your 10 Point Checklist for Closing out contracts

The high-level activities involved in closing-out a contract may include:

01. Issue a termination notice, whether or not needed, before any specified cut-off date
02. Finalise any disengagement planning, with involvement of any replacement supplier as needed
03. Monitor and participate in any disengagement activities needed to transition-out from the contract
04. Return or destroy any confidential information as required by the owner of such information
05. Transfer any assets or intellectual property rights, and return any loaned items, as required
06. Finalise the details of any payments to be made to or by the supplier
07. Prepare and sign-off any contract finalisation paperwork, submit any final payments
08. Perform any other specific post-termination obligations
09. Update the lessons learned register for the benefit of all future contracts
10. Obtain a copy of any required buyer data held by the supplier, before the cut-off date
Useful Document Templates

We’ve created some simple, free Excel templates for you to download to help you manage your contracts more effectively. Our single spreadsheet contains 13 separate templates (listed below).


Contains the following individual templates:

01 **Contract Inventory**: record of basic details for every contract within your business

02 **Confidential Information Register**: a list of any confidential information disclosed by each party to a contract to the other party, allowing the required return or destruction of such information at the end of the contract

03 **Contract Change Log**: a summary of every change made to a contract with the agreement of both parties

04 **Contract Disputes Log**: a summary of every dispute notified by one party to the other party, and how any resolution was achieved

05 **Contract Events Calendar**: a list of contractually specified or manually derived events and their due dates

06 **Contract Issues Log**: a summary of every issue raised by one party with the other, and how any resolution was achieved

07 **Contract Lessons Learned Register**: a statement about something that went wrong / should have been done / could have been done better / shouldn't have been done with regard to a contract. Contains multiple keywords that will assist in the lesson being found by others

08 **Contract Management Plan**: a list of key activities to be performed in managing a contract and their expected due dates

09 **Contract Obligation Compliance Specification**: a description of an obligation and who owns it, where in the contract it can be found, how compliance can be checked, how often, actions to be taken for noncompliance

10 **Contract Risk Register**: a list of potential risks to a contract, their likelihood and impact, and mitigation strategies

11 **Intellectual Property Rights Register**: a list of any of a party's pre-existing IP that will be used by the other party, and any IP developed by the supplier for use by the buyer that must be transferred

12 **Loaned Items Register**: a list of any items that have been loaned by one party to the other party for the whole or part of the term, and which need to be returned at the end of the contract by the borrower

13 **Outstanding Matters Summary**: a list of all matters agreed by both parties to be addressed within a specific period after contract execution
This guide has been prepared by Gatekeeper to help you maximise the value you get from your business's contracts.

Gatekeeper provides cutting-edge Contract and Vendor Management Software for businesses of all sizes.

Manage sign-offs, renewals and workflows securely in Gatekeeper to drive down your costs and meet compliance requirements.

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