



Report on CONTRACT MANAGERS' PASA CONNECT ROUNDTABLE

9am, 4th June 2020 – online

Setting up contracts for KPI success

The PASA Connect monthly CONTRACT MANAGERS online Roundtable

The session started with a thank you and recognition of one-page mind-mapping kindly provided by Natascha Schaller at Cochlear when she attends PASA CONNECT Roundtables. A brief introduction of IACCM followed from guest expert – Jennifer Jarred, Director of Membership at IACCM

The principal topic for this week is **KPIs** – that is setting up KPI structures and frameworks for contracts success with more workable KPIs and performance measures.

An innovative idea at a resources company is **two-way KPIs** – several people mentioned on the call that they operate similar approaches. In this way both the buyer and supplier own KPIs to contribute performance to the contract. This also helps break down the **master/slave mindset** between buyers & suppliers; sometimes prevalent in very large organisations and public sector between stakeholders and vendors.

Moreover if **FOCUS = RESULTS**, people are more likely to perform if KPIs are well aligned to the project and not generic KPI structures for all contracts. **SMART KPIs** are more aligned to project success and can be dynamic and changeable. It also helps executive reporting to demonstrate relevance of the project to corporate strategy and goals.

“KPIs are about service delivery” said a senior contract manager, which means there should often be a link between **KPIs and SLAs on major contracts** – especially service contracts. And KPIs should be **KEY** and indicative of success and therefore relatively fewer KPIs are better than voluminous reporting.

Too many KPIs can also drag any executive review meeting down to operational levels. **Staying ‘big picture’** is more helpful and RAG reports (red, amber, green). All KPIs should be tiered towards the goals of the project and its success. This is also a principle of **AGILE CONTRACTING**.

Agile is about **keeping the OUTCOME in mind** at all stages for customer benefit. A useful mindset for project success.

With **many contributors to a project**, and its success, a tiered multi-faceted approach to contract management can help. Pyramid style management with communications and reporting structured in the same way can engage the whole wider team to the project’s success. This enables a more collaborative approach, and helps get the right information to the right people at the right level throughout the contract.

This also enables **real-time risk management**, avoiding risk registers staying “in the drawer” during a contract. This enables more proactive management – especially during a crisis.

A **more communicative contract management structure** enables change better. Certainly during a crisis when alternative or additional supply lines are needed at short notice.

An issue currently on construction contracts is the extra **volume of ‘claims’ for variations** and extra costs during the Covid-19 crisis. Many instances not envisaged by the contracting process. The contract is often a manifestation of the relationship with the supplier. Is the contract “for the marriage or for the divorce” of the parties? Sometimes some flexibility is a help in a contract.

Indeed, **which is more important – the contract or the relationship?** Or even the objectives of the contract maybe? NEED drives the need, ultimately. Some contracts are easily replaceable, not others. Construction and capital contracts need to be more flexible on longer term projects - certainly where unforeseen circumstances dictate. Why continue driving a contract that is far less relevant than it was envisaged? Covid-19 is a clear example of this. Keeping an eye on the use of the supplier downstream helps build flexibility today.

Part of the contract managers role is to **review the contract and its applicability** as time passes. Where does the supplier fit within your overall organisational risk management plan.

IACCM research indicates that there is around 42% of value ‘unrealised’ in any major contract arrangement. This value is extractable by contract managers who take an “enabling” approach. This includes educating senior managers on the value in outsourced contracts.

Users need to take a key role in the **building of the relationship** through positive contract management and SRM, added one manager who was until recently a USER herself.

Engaging the leadership and C suite at the organisation helps the support levels needed to guide contract success through the organisation. This is important to manage expectations built during the ‘sourcing’ phase of the contract – where panacea’s can sometimes be envisaged by USERS and senior managers alike.

All this is difficult **if contract managers are overseeing 10 or 15 contracts** each. You lose focus on a contract quickly without a reliable comms model (as above). DRIFT certainly happens if the comms network is not in place and not manageable.

Meaningful **KPIs geared to change management** ideals also help this ‘remote’ monitoring process. Enabling contract managers to stretch across several projects simultaneously.

The best **contract measures enable SOLUTIONS** to the problems thrown up by reporting. Simply ‘dumping’ new problems from reporting frameworks on USERS and senior managers is unhelpful.

Contract managers should take ownership at this level and present potential solutions or, at least, options. **Linking contract issues to deliverables to project success to corporate goals is the key.** This relevance cuts through all issues when trying to communicate ‘upstairs’

Tools can help contract managers address these issues. The IACCM contract mgt automation review tool is on their website.

The PASA Connect contract managers’ virtual roundtable is a fortnightly event facilitated by IACCM on behalf of PASA CONNECT to address key issues facing contract managers today

Some members have pre-submitted questions for this roundtable = included below:

- How to measure satisfaction on brand new contracts (Winston Woo – University of Queensland)
- Maintaining oversight on large multi-faceted agreements (Obre Pemberton – City of Sydney Council)
- Setting up for success with workable KPIs and other performance measures (Obre Pemberton – City of Sydney Council)
- Working with internal stakeholder to break away from a lingering Master/Servant mentality to embrace collaborative working with suppliers (Obre Pemberton – City of Sydney Council)
- Coping with Contract Management Admin and Documentation Management in a lean environment (Obre Pemberton – City of Sydney Council)
- Setting meaningful KPIs and making sure they are reviewed and measured appropriately. Remediation action where KPIs not met. What methods work best? (Natascha Schaller – Cochlear Ltd)
- Applying contract clauses (Su Lian - Electranet)
- Be a part of the contract management and KPI discussion and opportunities to improve current practice (Kevin Sequeira – Elders)
- Ways to upskill business leaders to empower them to better manage contracts and extract more value (Carrie Harding – Medibank)
- Would be interested in hearing from others who have implemented tools to help with measurement and monitoring of KPI's (Naomi MacRae – Australian Red Cross)