Grosvenor

- Canberra, Melbourne & Sydney
- Core service lines
  - strategic sourcing
  - business improvement
- Experience from responding to 200+ tenders
- More recent experience from reviewing and fixing dysfunctional outsourced contracts
- Manage outsourcing / tenders for large, complex services
- Post implementation reviews / contract reviews
- Roles in contract / relationship management
- Recognised as best practice and innovative provider of strategic sourcing frameworks and projects
Grosvenor

- minimising the disappointment gap
  - selection processes
  - contract management
Minimising the disappointment gap

The selection process
Key objectives in contract management

- Establish fair but firm working relationship with provider
- Ensure services delivered in accordance with specification
- Ensure compliance with the contract
- Buyer pays the tendered price
- Variations can be identified and agreed
- Services are continually reviewed
- Budgets are managed and controlled
- Any difficulties (client / provider / user) are satisfactorily resolved
The challenge

- Performance
  - HIGH
  - LOW

- Expected effort and capabilities

- Commencement
  - Performance Management Framework
  - RFT Response (Sales related)
  - Relationship Management

- Actual
  - Eroded

- Acquiring the provider

- Managing the contract

- Disappointment gap

- Future Vision
What is critical to supplier/partner success

- Good contract
  - service specification
  - contract and performance management model
  - pricing model
- The right service delivery model
- The right provider
- Change management
- Contract management
- Ongoing review / dynamic management
- Follow good procurement practice !!
Procurement continuum

- **Vendor**
  - low complexity
  - low value add
  - no loyalty
  - little product differentiation
  - skinny margins
  - eg power supplies

- **Supplier**
  - adding value
  - reducing costs
  - specification may be complex
  - requires expertise
  - profit protection
  - eg call centre services

- **Partner**
  - may be highly complex
  - time criticality possible
  - innovation highly desirable
  - benefit / risk sharing
  - eg construction contracts

Ability to meet drivers

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Factors affecting style of contract management

<table>
<thead>
<tr>
<th>Input</th>
<th>Type of Specification</th>
<th>Nature of Service</th>
<th>Output</th>
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<tbody>
<tr>
<td>Short</td>
<td>Term</td>
<td>Long</td>
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Increase in the investment in the relationship
Minimising the disappointment gap

Contract management
Three steps to bridging the disappointment gap

Step 1: Behaviour Management (compliance)

Commencement

Step 2: Dynamic Management (leveraging best practice)

Future Vision

Market improvement

Step 3: Convergent Behaviour (collaborating to meet drivers of both organisations)

Expected effort and capabilities

Performance

HIGH

LOW

Actual

Eroded

Relationship Leadership

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Understanding congruence

Client
- Manages down costs
- Seeks improved services
- Documents and transfers IP
- Manages risk (in part) regularly seeks reassurance by contract term
- Welcomes competitive market tension
- Desires strategic collaboration
- Aims for contract mobility

Service provider
- Seeks to build revenues
- Aims to reduce costs
- Learns and leverages IP
- Aims to extend length of contract
- Seeks market dominance
- Is (micro) managed on operational performance
- Aims for client “stickiness”

Improved goal congruence will minimise the disappointment gap
Components of good contract management

• Contract management structure
• Communication arrangements including meetings
• Reporting
• Planning
• Performance management
• Incentives
• Other issues
  – tasking the service provider
  – operational manuals (IP)
  – implementation / transition
  – ongoing review
Levels in contract management

• Operational management
  – day to day management of operational delivery
  – involvement of operational managers

• Contract management
  – management against the contract / SLA
  – contract admin

• Relationship management
  – point of escalation
  – manage bigger issues
  – strategic direction
  – ‘health’ of relationship
  – other names include ‘Executive Group’, ‘Governance Board’
Ownership of performance

Strategic Objectives (contract managers)
- Initiatives
- Cost

Operational Objectives
- Business as usual limits (fit for purpose)

KPIs
- cost reductions
- capability
- continuous improvement
- innovation
- behavioural change
- compliance

Filter Measures
- user satisfaction

Service level measures
- timeliness
- accuracy
- suitability
- frequency
- continuity
Contract management manuals

• guidance for managing the contract
• procedures for the contract management tasks
• tools and templates, eg:
  – meeting agendas
  – report templates
  – performance calculators
  – contract change forms
• calendar of contract management events
  – meetings
  – deliverables
  – reports
  – key dates
Overall learnings

• Some opportunity to improve tender processes
• Contract management must now be a focus
• Procurement must be an enabler to the business
• Be innovative
  – guidance/toolkits/manuals
  – procurement strategy/approach to achieve timeframes and outcomes
## Company details

<table>
<thead>
<tr>
<th>City</th>
<th>Address</th>
<th>Phone</th>
<th>Fax</th>
</tr>
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<tbody>
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