

Tender Tip

Who is Managing Your Contract?

Fences or Bottom Drawers?

“Good fences make good neighbours” is a proverb used to describe a common held view that a well constructed and detailed written contract document forms the basis of a good contract relationship. In effect the “good fence” symbolises that the rights and obligations of both parties are perfectly clear and completely understood.

In contrast others argue that, almost irrespective of what the written contract says, a well functioning contract is mostly determined by the quality of personnel relationships formed by the parties. In this situation the contract is said to “stay in the bottom drawer” while the parties get the job done.

So what type of contract approach is best? Fences or bottom drawers?



Contracts Don't Manage Themselves...

Most people would say good contracts require a mixture of both fence and bottom drawer elements - and how much of one or the other depends on the circumstances of the supply. But, irrespective of where on this fence/bottom drawer scale your contract lies, the contract won't manage itself. Pretty simple concept hey?

Well why then do so many supply contracts draw to a close with both seller and buyers unable to really say whether the contract was successful or not? Or worse, why do suppliers so often adopt a passive role in managing their contracts when so much value associates with customer satisfaction and repeat business?

So, as a supplier, if you find yourself in a situation where your contract is (1) “drifting” toward its expiry or (2) is likely to be re-tested in the marketplace by your customer through a competitive tendering situation, here are 5 suggestions to “reposition” yourself:

	Suggestion	How to do it
1	Get on the front foot	<p>+ Management is the act of applying supervisory and administrative <u>direction</u>. Why not, then, create some direction if none exists? Managing, in a contract sense, can involve as little as two elements:</p> <ol style="list-style-type: none"> 1. Agreeing key contract objectives and measuring performance against them: “hard” issues like quality and meeting delivery dates, and also “softer” outcomes like customer satisfaction. 2. Formalising meetings and communications between the parties; committing to these forums and performing actions arising from them. <p>Even a handful of targeted measures and a periodic get together can do wonders!</p>

	Suggestion	How to do it
2	Document wisely	+ Heresay and opinion influence decision making in the absence of documented evidence to the contrary. Always record significant contract activities and events. Follow up in writing phone calls (especially ones that affect the form or content of the contract). Keep emails. You will be very well served come contract renewal time if you can evidence key actions and decisions taken throughout the contract's life.
3	Maybe you are not that important	+ With due acknowledgement to authors Behrendt and Tuccillo, maybe "He's just not that into you". In other words, your contract might not be as important to your customer as you think. Buying organisations, especially large ones, will classify and prioritise supplies or inputs based on critically, duration or value. So if you supply something that isn't high in one of these, chances are everything's OK as long as you supply what is asked and your invoices are paid. This isn't bad - just reality. If you aren't sure where you sit, why not ask? That way you can work out what kind of engagement is appropriate (as in (1) and (2) above).
4	Share your good ideas	+ Nothing drives customers crazier that having a supplier only provide a host of interesting new ideas when the supply is subject to competition, such as when the contract is about to be retendered. Sure, be judicious about what opportunities you venture during the contract term, but realise that your unprompted focus on improvement and customer benefit will be well regarded and remembered.
5	Contribute wholeheartedly	+ If you are fortunate enough to be supplying to a customer with an established contract management system, and you are invited to participate, go for it! Learn what you can and fully engage. These systems are extremely important to customers in that they are used to capture supplier information for a number of purposes including informing future sourcing decisions...

Take Steps to Reposition Your Contract Now...

Contract management is a key buying and selling function. If you don't know (1) where your contract is heading and (2) what contract success looks like then invest some time in working out the answers.

Done well effective contract management can drive performance beyond what was envisaged. At the very least, taking steps towards managing your contract effectively may just earn you the status of respected incumbent, which is always a great position to start a contract renegotiation or re-tender process.

Done poorly, value is almost always eroded and your chances of term extension, contract renegotiation or re-bid success are greatly reduced. "Fences" and "bottom drawers" will then be the least of your concerns if you don't even get a look-in next time the contract comes around!