



The Global Standard for Procurement and Supply

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Segment 7.5 Effective Contract Management in Procurement and Supply

Level: Operational

Theme: Delivering Outcomes

Knowledge: Will know and understand	Capabilities: Will be able to
The main types of risks in the performance of contracts such as internal, market, economic, legal, ethical sourcing and performance based risks	Evaluate the potential risks that goods and services may be subjected to, and liaise with suppliers and stakeholders to create and implement plans to mitigate the adverse effects of these risks
The responsibilities for contract management	Allocate clear responsibilities with stakeholders for the roles of contract management of delivered goods and services
Demand management for contracts	Forecast and plan requirements with internal stakeholders and suppliers to ensure the supply of goods and services matches demand taking into account actual demand
The use of contractual terms, specifications, KPIs, reporting, governance, escalation and benchmarking in contract management	Monitor the supply of goods and services to ensure that required performance standards and KPIs are achieved, and identify where changes in the contract or other changes are required, taking actions to implement them

Knowledge: Will know and understand	Capabilities: Will be able to
<p>Payment responsibilities in contract management</p>	<p>Certify costs of and monitor compliance with, taking remedial actions where necessary, any variations from contracted payment terms for procured and delivered goods and services, managing any contracted risk and reward mechanisms</p>
<p>Creating targets for assessing the performance of suppliers based on SMART (specific, measurable, achievable, relevant and timely) targets</p>	<p>Formulate SMART targets for supplier performance and agree their application with suppliers and other stakeholders</p>
<p>Supplier relationship management and the use of improvement plans</p>	<p>Ensure that supplier relationship management processes and improvement plans are proactively executed to correct defective performance of delivered goods or services</p>
<p>Transition and exit arrangements for contracts</p>	<p>Ensure security of supply is managed in any transition period or during exit of contracts with suppliers</p>
<p>The importance of reviews at the end of contracts and the opportunities for organisational learning from the review</p>	<p>Conduct activities to close out contracts and evaluate learning from experience</p>
<p>The use of budgets in contract management</p>	<p>Ensure budgets are monitored, instigate actions for deviations from planned budgeted costs and assess the impact on cash management</p>

Related CIPS Knowledge Links

[Risk Analysis and Management - https://www.cips.org/intelligence-hub/risk-management](https://www.cips.org/intelligence-hub/risk-management)

[Contract Management - https://www.cips.org/intelligence-hub/contract-management](https://www.cips.org/intelligence-hub/contract-management)

[Demand Management - http://www.cips.org/en-GB/Knowledge/Procurement-topics-and-skills/Developing-and-managing-contracts/Demand-Management1/](http://www.cips.org/en-GB/Knowledge/Procurement-topics-and-skills/Developing-and-managing-contracts/Demand-Management1/)

[Performance Analysis and Management - https://www.cips.org/intelligence-hub/contract-management/contract-performance](https://www.cips.org/intelligence-hub/contract-management/contract-performance)

[Setting KPI's - https://www.cips.org/intelligence-hub/procurement/kpis](https://www.cips.org/intelligence-hub/procurement/kpis)

[Stakeholders - https://www.cips.org/intelligence-hub/managing-stakeholders](https://www.cips.org/intelligence-hub/managing-stakeholders)

[Supplier Relationship / Management - https://www.cips.org/intelligence-hub/supplier-relationship-management](https://www.cips.org/intelligence-hub/supplier-relationship-management)

[Procurement Strategy Development - https://www.cips.org/intelligence-hub/supplier-relationship-management/managing-supplier-relationships](https://www.cips.org/intelligence-hub/supplier-relationship-management/managing-supplier-relationships)