A seven-step crash course in contract management for the information industry

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As information workers we engage others to provide services such as databases, labour, IT, journals, end processing, research and cataloguing to ensure quality, timeliness and cost effectiveness but how do you know the services are meeting the objectives you wanted or are cost effective and if they are not what recourse you have?

What is a contract?

Enter the role of contract management. There are generally two types of contracts – Promise under seal (written) and Parol (can be written or verbal) which is also known as 'simple contracts'. For a contract to be binding there must be an 'intention' and an 'agreement'. To identify if you have entered into a promise or parol apply the three step Objectives Test;

1. Was there an agreement?
2. Did the parties intend it to result in a legal obligation?
3. If so, is the agreement supported by consideration?

In a court of law this will be tested as 'would a reasonable man, on the basis of the parties' words and conduct conclude that the parties agreed on the terms and intended it to be legally binding?'
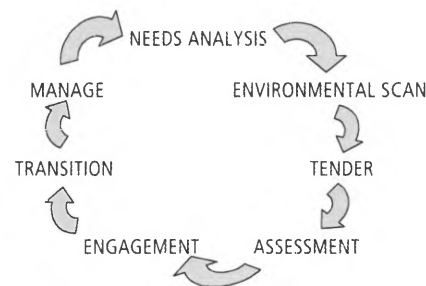
The contract lifecycle

Tips for getting value from your contracts

1. What do you want to achieve from engaging services or products from others?

Quantify your need measure and document your current processes such as time it takes per person, what skills are required, stationery and labour costs, throughput, what steps you go through, do staff have or require certain skills or qualifications, and what values and principles do you expect when doing the work, turnaround times, improvements expected over time, quality, objectives, expectations, roles and responsibilities of each individual in the process, reporting and communication. Define technical terms and expectations for improvement.

Give each identified need a weighting of importance out 10. This will identify a possi-

ble price and assist in benchmarking potential service providers against each other or your current service.

Your expectations and specifications can be captured in a Request For Information (RFI) document. Examples of these can be found on the web or check the procurement websites or sections of Australian government departments.

2. Scanning the market for the best deal – tendering

Once you have documented your needs and expectations you need to measure it against what the market can provide.

If you are planning on spending tens of thousands of dollars on a product or service you should advertise in prominent and relevant information sources for suppliers to respond to the needs identified in your Request For Information document. If below $10 000 use the telephone to get a general feel for how suppliers may fit your requirements. Large organisations such as Councils often have procurement sections that have defined guidelines on how and where to advertise and what templates must be used.

3. The tender phase

When scanning the market ensure you document all enquiries, telephone conversations and in/outgoing emails and letters between yourself and the perspective tenderer. Aim to be objective and give the same information to all perspective tenderers so as not to compromise one from others.

4. Comparing tenders

Copy each tender and other original documentation so you have a 'master copy' and a 'working copy' that you can annotate. Compare each tenderer's information against your request for information, give a score out of ten against each identified need and compare to your expectations in a table such as that below.

Organisation needs	Organisation XYZ		Tenderer 1		Tenderer 2	
	Weight	Cost	Weight	Cost	Weight	Cost
Qualified staff						
Nº of databases available						
Copy catalogue time						
etc.						

5. Engaging the preferred tenderer

After comparing, interviewing the tenderer and if possible visiting their premises confirm the

details in a written contact assisted by your legal area. Other tenderers may want feedback on why you gave the tender to a certain provider and what they could do better. Discuss this with them but do not provide specifics on weightings or costs of competitors.

6. Manage the transition

A project management approach to the transition plan should be applied. What, when, how, risks, disruptions, extra costs, responsibilities need to be documented on a 1 page project plan backed by a written document describing each step of the process should be completed, signed off by senior managers and circulated to those affected. Make sure those affected have read and understood the transition plan.

7. Maintain the contract (performance, costs and control of outsourced services)

If you are exact about your expectations and have documented them well (such as turnaround time and throughput) maintaining performance of the vendor will be simplified along with open, assertive, based on fact and regular communication channels.

You should be communicating with your supplier verbally very often and receive, compare to your expectations and the contract and act on any underperformance identified in monthly reporting statistics.

Every six months meet with the supplier to discuss formally any variations to the contract – document the discussion and the changes and have the changes formalised by a 'variation to the contract' by your legal area.

Three months from the end of project – review your RFI and start the process again or renew with the current provider. Consider using your Quality framework (Plan, Do, Check, Act) to improve the contract outcomes the second time around.

For further information regarding best practice contract management go to http://www. anao.gov.au.

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