



# CONTRACT MANAGEMENT HEALTH CHECK

## ARE YOUR CONTRACTS DELIVERING VALUE FOR MONEY?

### The RSM contract management health check will:

- provide valuable insights into your contract management processes and controls;
- identify areas of potential cost saving; and
- identify sustained improvement opportunities.

### Opportunity in your existing contracts

Getting value for money from existing contracts is a challenge for most organisations. This is especially true when services / products and contractual charging regimes are complex and difficult to understand. This often leads to a lack of commercial control and a loss of value. The good news is that better contract management is achievable and will unlock meaningful cost savings on contract spend.



Poor contract management typically costs organisations 5 per cent to 15 per cent of their contract value.



### Reward capture and erosion over time

Value erodes in contractual arrangements because ambiguities and inefficiencies manifest themselves after the contract is signed. Weak contract management, scope creep, delivery and quality failures, poor or perverse incentives, bad planning and demand management, ill-informed buying, deliberate contract manipulation and miscommunication can all be causes of value erosion.

### Our analysis evaluates the contract management strengths and weaknesses in five key areas:

1

#### Strategy

Are your contracts aligned with your business and risk transfer strategy?

2

#### Governance

Does the contract governance focus on providing commercial accountability and oversight over contracts?

3

#### Planning

Does the organisation maintain a contract portfolio plan with key activities planned in advance?

4

#### Performance management

Does performance management focus on key contractual activities?

5

#### People

Do contracts have strong leadership and skilled resources focused on their management?

## Key steps focusing on lead indicators of leakage

The analysis we undertake highlights key strengths and weaknesses (as shown overleaf).

Working with you we are able to identify the causes of value leakage in your contract management.

### Features of the health check:

- performed by our contract specialist team;
- a rapid fact based assessment against contract management best practice developed through years of distilled experience;
- a focused assessment of key risks and opportunities within your contract management;
- our contract management specialists will meet with you and discuss the findings; and
- uses three key steps that focus on lead indicators of leakage.

### Benefits – the health check will answer the following questions:

- which areas of contract management are causing value leakage and where are the opportunities for improvements?
- how effective is your contract management and how does this compare to best practice?
- where are the more embedded contractual problems which may need deeper investigation to release the maximum possible savings?

## Contract management maturity

### 1 We benchmark

We assess your contract management maturity level against recognised best practice contract management activities.

### Qualitative analysis

#### 2 We discuss

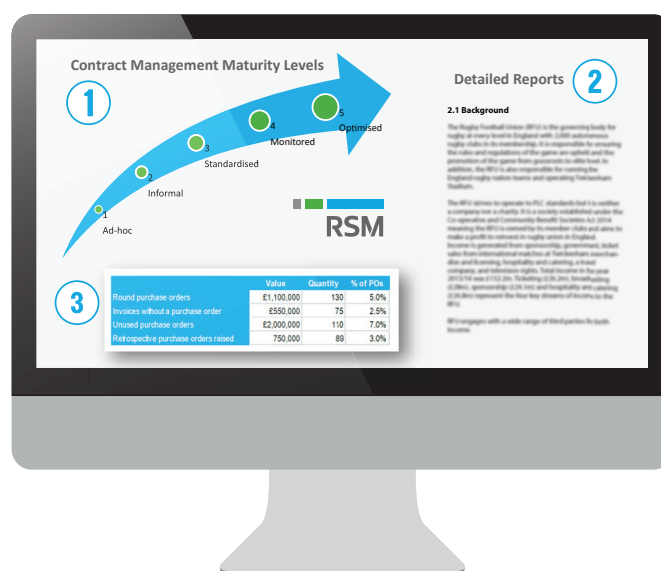
We meet with key contract owners and ask a series of questions to understand how well the contracts are being managed and where the key opportunities for savings and improvements lie.

### Quantitative analysis

#### 3 We analyse

We extract data from your business systems and analyse contract purchases, billings & payments and other contract management data to conclude on lead indicators of supplier management and controls.

See example reports produced:



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