

5. CONTRACT ADMINISTRATION

Contract administration is a formal governance of the contract, including the following:

- Contract maintenance and change control,
- Charges and cost monitoring,
- Ordering and payment procedures,
- Management reporting.

The importance of contract administration to the success of the contract, and to the relationship between the contractor and client, should not be underestimated.

Flexibility of contracts

Contracts may in instances be long term but a client may opt to change direction, focus or scope.

If the contract does not meet your needs, by mutual agreement the scope of contracts can be refined and amended to agree to changes that will be in the interests of both parties.

That doesn't mean the original contract had failed, instead, it suggests the contract management team has succeeded.

- ✓ Review every contract carefully and clarify any confusing information.
- ✓ Make sure you are provided with contact information, financial payment arrangements and any other information needed to maintain and complete the contract terms.
- ✓ Update all contract management tools including date reminders
- ✓ Keep records of all the critical engagements and meetings
- ✓ Ensure that what has been agreed to, is delivered to appropriate quality standards
- ✓ Keep the relations between the parties open and constructive
- ✓ Manage the formal governance of the contract and changes to the contract documentation

Clear administrative procedures ensure that all parties to the contract understand who does what, when, and how.

The contract documentation itself must continue to accurately reflect the arrangement, and the changes to it.

Responsibility for authorising different types of changes will often rest with different people, and documented minutes will need to reflect this.

6. ENDING OF A CONTRACT

Contracts come to an end when parties have performed their obligations. Sometimes contracts may be formally terminated by one or more parties for a variety of different reasons and some of which may lead to disputes. To minimise disputes and possible litigation, it is important that certain good practices are implemented when managing contracts. Such good practices include:

- Ensuring that what has been agreed upon is delivered to appropriate quality standards
- Keeping relations between the parties open and constructive
- Managing the formal governance of the contract and changes to the contract documentation
- Keeping records of all the critical dates

Also refer to the cidb Construction Contracts – The 3Rs Basic Guide for SME's (Know your Rights, Responsibilities and Risks) or refer to http://www.cidb.org.za/knowledge/publications/practice_documents

More Information

For more information about the ncdp and Contract Management Contracts, contact:

cidb Enterprise Development Unit
(Growth and Contractor Development Programme);
Tel: 012 482 7241, or visit our website www.cidb.org.za



Contractor Tips & Advice: CONTRACT MANAGEMENT

Assisting the emerging contractor with the basics of contract management

Contractor Tips & Advice: CONTRACT MANAGEMENT

1. INTRODUCTION

Contracts are often critical to a business and are extremely valuable assets.

Their value is often recognised in times of dispute, yet if the process is mutually accepted and understood, referral to them is minimal. Designing, implementing and embedding a contract management policy, within a business, is often put on the back burner or not considered at all.

The overarching objective of having a written contract in place is to create certainty about each party's rights and obligations under that contract. Contracts define each party's role and prevent costly disputes.

Many emerging contractors lack knowledge and skills related to Contract Management which exposes them to risk of incurring liabilities and penalties.

Emerging contractors must be equipped with relevant skills in order to improve their grading and business sustainability.

The **ciab** promotes four forms of contracts in public sector construction procurement i.e.

1. JBCC
2. GCC
3. Fidic and
4. NEC

This brochure provides information tips related to Contract Management, to assist and point emerging contractors towards improving their grading, exposure to elements of contract management, and related principles of business sustainability.

2. OVERVIEW

Contract management activities can be broadly grouped into three areas.

- **Service delivery management** ensures that a service is delivered as agreed, to the required level of performance and quality.
- **Relationship management** keeps the relationship with clients open and constructive, aiming to resolve or ease tensions and identify problems early.
- **Contract administration** manages the formal governance of the contract and the changes to the contract documentation.

Good preparation and the appropriate contract are essential foundations for good contract management.

A key factor in managing a contract is knowledge of:

- the client needs,
- ones own enterprises capacity to deliver on the service being provided, and
- the contents of the contract itself.

This capability, which touches all three areas of contract management, forms the critical interface between a contractor and the client.

3. MANAGING SERVICE DELIVERY

It is important to ensure that what has been agreed to in the contract, is delivered, to appropriate quality standards.

The contract should clearly define the quality standards and the volumes to be delivered. These should be agreed upon before the service commences.

Tip 1: Be aware that, the fulfilment of the contract may be endangered by a variety of risks; some within, some outside your control. Identifying and controlling (by avoiding or minimising) the risks to a contract is a vital part of contract management. This includes risks that have been transferred to you under the contract.

Tip 2: Periodically check the status of deliverables included in the contract. If appropriate, use project management principles and regular meetings to prevent deviation from contractual obligations.

Tip 3: When managing more than one contract, assign a priority status to all contracts, to help distribute responsibility and manage the urgency of each contract. Some contracts are routine after implementation, while others need constant monitoring. This prioritisation assists you and your staff in knowing where to effectively focus your resources.

In long term contracts, where interdependency between contractor and client is inevitable, it is in the interest of both parties to maintain a good working relationship. Key factors for success are *trust, communication* and *recognition* of mutual objectives.

4. MANAGING THE RELATIONSHIP

The relationship between yourself and the client is vital to making the agreement successful. The approach will vary depending on the contract, but it is important that your specific responsibilities are not neglected, even though there may be a nominated individual assigned to the role of relationship manager.

Management structures for the contract need to be designed to facilitate a good relationship.

Information flows and communication levels should be established at the start of a contract, and maintained throughout its life. The right attitude and behaviour, based on trust rather than adversarial models, should be encouraged.

There should be set procedures for raising issues and handling problems, so that they are dealt with as early as possible and at the appropriate level in the organisation.