KnowLedge HUB
Asia Sdn Bhd (847663-A)
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CONTRACT & VENDOR MANAGEMENT
Effective Contracts Administration & Supplier Management: Improving Procurement Performance & Cost Efficiency

Course Objectives

Effectively negotiating, executing and controlling agreements with suppliers is an important task, yet many organizations do a poor job of managing contracts. While negotiation plays an important role in the culmination of a contract, however, it is the execution and management of the contract that ensures a successful business relationship with the suppliers. Failure to manage a contract effectively, leads to cost inefficiencies and overruns, scope creep, project delay, etc. Improper management of the contract further leads to protracted contract development and negotiation cycles, improper contract approvals, limited contract visibility and control, and, an inability to ensure that suppliers comply with established contract terms.

This two-day program addresses all these issues and show participants how a planned contract management process ensures that inefficiencies are addressed at the earliest stage possible. Through interactive supplier-buyer participation and the management of the contract throughout its life cycle, supplier-buyer relationship is maintained at the highest level.

What Will You Learn

- Understanding the essentials of procurement
- How to manage procurement by contracts
- Contract drafting and designing essentials
- The essential preliminaries of a contract
- Risk management
- Selection of Suppliers
- Contract performance and progress monitoring
- Supplier development
- Software To Manage Contracts

Course Contents

Day 1 9.00a.m

- Principles of Effective Procurement
- Functions – understanding the basic functions
- Type of Buying Situations – how buying situations differ and the impact on procurement functions
- The Process – a typical process that ensures contract and company policy compliance
- Responsibilities – the role and responsibilities of procurement to ensure compliance, management and monitoring of contracts

Managing Procurement by Contracts
- What is a Contract – definition, and what constitutes contract
- Importance – why contracts, the essentials, how it affects performance and cost benefits
- The Need for Contracts – a paradigm shift that looks at contracts for cost efficiency and consistency

- Type of Contracts – looks at various contracts that can be considered for businesses
- Legal Aspects to Consider – essential laws that need to be understood and how the legal aspects determine the drafting of contracts.

The Contract Drafting

- The essentials of contract drafting and the traps to look out for
- Key contract provisions – the opportunities a contract provides in ensuring fairness and setting obligations
- Key elements of a contract – ensuring essential requirements are included with clarity
- Determine the applicability of other contract terms to a particular contract like dispute resolution, etc.
- Contentious clauses in contracts - the need to understand contentious clauses

The Essential Preliminaries of a Contract

- Specification – looks at why specification is important to ensure the contracts begin on the right footing
- Preparation of SOW & RFP – what is a SOW & RFP; the difference and importance of it, how it helps determine the course of the contract
- Steps in SOW – essentials of developing a good SOW to ensure the contract completes its terms successfully
- Importance of RFP – ensuring the important details are included to avoid inconsistencies and how a detailed RFP avoids litigation and problems
- Tenders & Quotations – looks at the fundamental differences and usage in business
- Rights – conditions and rights of buyers and sellers

<u>Day 2</u>

Risk Management

- Types of Risks – defining risks and the various types of risks that should be considered in business
- Transfer of Risks – 13 INCOTERMS – how international trading addresses risk by understanding risk transfer and responsibilities
- Identifying Risks – acknowledging risks and its sources
- Responsibilities – looks at responsibilities of all parties of a contract in addressing risk
- Managing Risks – looks at the various stages of managing risks in a contract

Selection of Suppliers

- Supplier rating – suppliers are rated according company criteria prior to selecting them for any business deals
- Criteria – looks at the basics and standards expected that will ensure consistency and quality of potential suppliers
- Selection – this process looks at all the essentials after the criteria have been met
- Negotiation – negotiation with suppliers prior to contract acceptance

Contract Performance and Progress Monitoring

- Measurement - setting measurement methodology and monitoring principles
- The Experience Stage – Understanding how relationships are developed and addressing key contract issues while contracts are on going
- Monitoring Techniques – setting key performance indicators and making the contract performance based
- Change Control – changes may happen periodically in the life a contract and how changes can be addressed with derailing the contract
- Contract Closure – all contracts will come to an end and needs to be closed effectively

Supplier Management & Development

- Understanding Supplier Relations – why work with suppliers and how a relationship could be developed for good business practices
- What is Supplier Development? – understanding why suppliers have to be developed for mutual benefits, the ways in which suppliers are developed
- The Process of Development – supplier development and the experience factor and how loyalty and commitments are explored
- Managing suppliers contract commitment and performance

Software To Manage Contracts

- The Need for Efficient Monitoring Mechanism – looks at how computer systems could contribute to cost efficiency of managing contracts
- Cost Benefits of Software – while it is good to automate tedious processes, cost benefits have to be looked into
- Functionality & Integration – looks at how compatibility determines decision making in systems investment
- Risk Reducing & Compliance Monitoring – how systems take away a major portion of standardized processes and provide better and effective ways of monitoring contract progress

Who Should Attend

- Purchasing managers & executives
- Contract & Client managers & executives
- Project managers/leaders
- Finance & Admin officers
- GLC and Government contract officers
- Entrepreneurs, etc.

Course Methodology

- Interactive lectures
- Group discussions
- Exercises/cases
- Questions & Answers

Some Pointers

Procurement is an essential function that contributes to cost efficiencies of an organization. Some companies major spending is in the areas of materials purchase, either, direct or indirect, and could run into hundreds of millions of dollars annually. When a robust system of managing these funds is absent, there could be a total chaos; fraud, unethical behaviors and maverick purchases. By formulating a carefully drafted contract that creates a win-win situation for all parties of a business, major issues, conflicts and inefficiencies are driven out of the equation. The only way then is to understand how contracts help to achieve company strategies.