# **Contract management planning strategy – Goods and services procurement guide**

## Why consider contract management upfront?

Contract management is traditionally seen as an activity that takes place at the end of the procurement process. In other words, everything that happens after the contracts are signed.

There are similarities in the way contracts within a category of goods and services are managed in terms of process. This gives an organisation the opportunity to define upfront how contracts will be managed as part of their overall procurement strategy.

The CMPS is referred to in the VGPB’s [Governance policy.](https://buyingfor.vic.gov.au/governance-goods-and-services-policy)

For more information on complexity quadrants, refer to the VGPB’s [Complexity and capability assessment policy](https://buyingfor.vic.gov.au/goods-services-supply-policies#complexity-and-capability-assessment-policy) and the [Complexity – Goods and services procurement guide.](https://buyingfor.vic.gov.au/complexity-goods-and-services-procurement-guide)

## What is a contract management planning strategy?

A contract management planning strategy (CMPS) defines upfront how procurement categories and individual procurements will be managed at the contractual stage based on their complexity level. It is a high level document that is part of your organisation’s procurement strategy.

Once your organisation has a detailed picture of its spend and has developed procurement categories, you will carry out complexity assessments, assigning one of four levels of complexity (transactional, leveraged, focused and strategic) to each category and to any individual procurements.

Each level (quadrant) of complexity is supported by a single contract management strategy. This ensures that the most appropriate contract management framework is consistently applied across all procurement activity within a category.

The CMPS tells your organisation what resources, systems, processes, tools, reporting and capabilities are needed to manage contracts in each of the four complexity quadrants. It provides a consistent reference template for the head of your organisation and chief procurement officer (CPO) to measure the ability of your organisation to manage its contracts effectively.

Consult the CPO before developing a CMPS for an individual procurement activity.

A CMPS also indicates supply market factors to consider when formally engaging with the market.

A CMPS does not determine how individual contracts will be managed at the operational level. This requires a more detailed assessment of the procurement risks and supplier management issues related to a particular procurement activity. For example, performance management of supplier(s) is defined for each individual contract.

## How to prepare a CMPS

Your organisation will usually develop one CMPS to cover all four complexity quadrants. In some instances, where the complexity assessment indicates a broader set of issues such as procurement activities that are critical to your business or high risk to the organisation, you might develop a specific CMPS for that category.

That said, there is no set format for preparing a CMPS given the different organisational governance arrangements, diversity of categories and key procurement activities across organisations.

As a general guide, a CMPS focuses on five critical questions that are relevant throughout the contract management process. By basing the CMPS on these five questions, the head of your organisation and the CPO can be assured that accountability, probity, scalability and value-for-money will be met throughout the contract management process.

The following five critical questions are to be interpreted from a contract management planning context:

1. What systems and processes does the organisation need to monitor value for money outcomes?
2. What are the minimum controls needed to determine if supply is at risk and what back up arrangements might be required to ensure continuity of service?
3. What minimum actions can the organisation take to ensure that appropriate capability exists to undertake contract management?
4. How will the organisation know if suppliers are fulfilling their contractual obligations and achieving expected commitments?
5. How can the organisation improve procurement practice to drive value for money?

The CMPS should be reviewed at regular intervals along with other components of the procurement strategy to ensure a consistent framework for conducting procurement.

A contract management planning tool is available on [www.procurement.vic.gov.au](http://www.procurement.vic.gov.au) to help you prepare your CMPS.

## Using this guide

This guide accompanies the goods and services supply policies. There are 5 supply policies:

* Governance policy
* Complexity and capability assessment policy
* Market analysis and review policy
* Market approach policy
* Contract management and disclosure policy

This guide supports the [Governance policy](https://buyingfor.vic.gov.au/governance-goods-and-services-policy).

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