



Contract Management Benchmarking

Summer Newsletter

Welcome to the summer 2014 Contract Management Benchmarking newsletter – we hope you find it useful.

This month we take a look at the recent Networking event excellently hosted by ISS and look at ways of improving scores, particularly in risk management. We would also like your feedback and comments on ways we can improve the newsletter. We've set up a discussion in LinkedIn so please join in the debate!

2014 Survey

This year's survey is open and will be until 31st October. We hope having the survey open longer will enable you to complete it in a timescale that suits your business. There are already over 50 organisations that have either completed or started.

How you can help us

We are always on the look out for new companies to participate – particularly those in other sectors (Pharmaceuticals and Automotive are not yet well represented).

Remember:

- Participation is free and in return you will receive what is widely acknowledged as a comprehensive benchmark report comparing your Contract Management performance v other participants
- Our Networking events allow you to join like minded professional Contract Managers to share best practice - see later article
- All data and information is maintained by SCMG on a confidential basis, no one can access your information and it is not shared with RBS
- To join our Contract Management Benchmarking LinkedIn community to network and share best practices
- To access further information including research papers and case studies at the CMB2014 website www.cmb14.com
- By participating you can attend the CMB 2014 Conference hosted by RBS in Edinburgh on 20th November 2014
- The benefit of participating is access to a wide range of companies so you can develop your own peer group within the overall study

Given the breadth of experience our readers have, it would be great if you could identify companies who can be approached. We've found a warm lead to a named individual is a much better strategy and once made we will happily support and discuss.

For any information or if you would like to invite any associates from other organisations to complete the survey please contact Margot at margot.bain@rbs.co.uk who will provide you with the relevant details to assist.

What have you done with your report?

For those companies who have participated in previous years we would be interested to know how you used your report. Many companies have used theirs as the initial measurement of their capability and will use future reports to measure their progress. The Benchmarking model obviously has a number of elements and reviewing the lower scoring categories certainly helps to prioritise.

In developing plans it is also very important to get a view from other companies and organisations – so many people use the networking event to discuss their priorities and seek hints and tips from other attendees. RBS have made contact with around 20 companies and held face to face meetings to exchange views.

So if you are struggling or would like some help why not:

- Identify a company you believe could help you. If they are a participant then Martin Murphy at SCMG will happily broker a meeting. If they don't currently participate then feel free to recruit
- Use the LinkedIn discussion group to ask questions and seek help – remember, you are amongst friends
- Come to our Networking Events and Conference – see how many business cards you can exchange.... And follow up with a phone call....
- Suggest something different – ask for a topic at future networking events; why not write an article for the newsletter outlining where you need help

The agenda is set by you – and the more you put in the more you will get out!

Fourth Networking Event Invitation

The next Networking event takes place at **Fujitsu, 22 Baker Street, London on 24th September**. We have some great speakers lined up and also the opportunity to brainstorm ideas and best practices.

The theme of the event is Contract/Relationship management, identifying and closing the gaps and how it can affect Performance and Continuous Improvement. There will also be plenty of time to network.

We have three main presentations:

Dr Clive Rees from Fujitsu will be discussing:

“Suppliers are from Mars and Buyers from Venus!”

The foundation of successful contract/relationship management is based on good, effective, open communication. Sounds so straight forward in principle however in practice can be very difficult.

Martin Murphy, SCMG will follow this up with:

“Our Relationships are Driving Us Crazy”

Relationships are at the heart of any discussion about Contract Management. However, usually when Contract Managers start to discuss relationships it's a sign that things are not right - you certainly know when things are wrong. Discussions about Business to Business Relationships or Partnering are now viewed with suspicion and as jam tomorrow by most contractors or suppliers. Customers use the phrase so loosely and as a catch all to the extent that it becomes meaningless. So what kind of relationships do you have and how would you know? Does it feel good and if so can you measure it and use that as a catalyst to drive continuous improvement and of course why would you even think its important or bother at all?

This presentation will try to make the link between good relationships and good performance and identify critical success factors in managing the important few and the trivial many.

And Marc Dobson and Peter Kett, Williams Lea will present on:

“Focus on Loss”

The 'upside down' philosophy will be focusing on reduction of loss. This presentation will include how Williams Lea achieved increased productivity by removing losses from the workplace. The presentation will cover identification, loss ownership, preventative systems and Management participants.

Remember you need to have completed the survey – either last year or this year - to attend

Please contact margot.bain@rbs.co.uk to book your place. Unfortunately due to the high demand for places – we have 28 - we have had to limit the allocation to one person per organisation on a first come first served basis. Please ensure you book quickly to avoid disappointment.

Learnings from the ISS Ltd Networking Event

Margot Bain provides a personal view of the third Networking event....

We enjoyed a positive and very successful day at ISS in Woking where Peter Lawson hosted our Third Networking Event. There were 28 attendees and, as you can see, came from diverse Organisations.

Experian, G4S, SCMG, Barclays Wealth, ISS Ltd, Bancotec, RBS, HP, Nationwide, University of Southampton, Perkins Engines, Yorkshire Water, RNIB, Vodafone, DHL, ISG, The Sourcing Team, Communisis, Tata Consultancy Services, Fujitsu, Iron Mountain, FIL Investment and Standard Bank

The morning presentations covered Risk Management, Contract Management Skills and Continuous Improvement Value Over the Contract Lifecycle.

In the afternoon, we broke into 3 groups and brainstormed these topics, then fed back to the group. Conversations were very open and honest with everyone offering input and opinions.

There was a passionate debate regarding the profile of Contract Management in an organisation...

- That Contract Management was a discreet element of the end to end supply chain
- Under represented and could benefit from improved profile, up skilling etc
- The focus on procurement/purchasing/SCM often seems to be on "cutting the deal" without nearly enough attention on ensuring the value and performance over the contract term

Peter Lawson offered to contact the editor of Supply Management magazine to encourage them to give Contract Management a higher profile and we are currently discussing options.

The feedback from the day was excellent with:

- 100% of attendees said the event was worthwhile for them
- 90% will introduce new ideas into their organisations after this event

The slides from the day are on the Participant Zone of the website www.cmb14.com.

Risk – where do I start?

A personal view from Richard Bean...

I hosted the risk discussion at the recent Networking event at ISS and we had a really good debate.

Many organisations have a well established risk management framework and culture, and as a result score highly in the survey. But many companies and organisations don't score highly and struggle to understand where to start. I would therefore like to offer my thoughts to people who are struggling.....

I've trained a lot of people in Contract Management in my business and often use the example of companies 'not wanting to appear on the front page' of a certain daily tabloid – you know the one that specialises in crusades against big companies and protection of people's rights. A company's reputation can be shot to pieces by sustained adverse publicity on TV and the press. For me Reputational risk is a really good example that helps visualise where your risks lie.

So what could cause your company adverse publicity? Well customers trust a company whenever they make a purchase, an investment or receive a treatment and quite rightly are unhappy when that trust is broken. But how could you lose a customer's trust:

- Financial Services industry is paranoid about customer information - account numbers, sort codes etc. getting into the hands of criminals.
- In pharmaceutical companies, water companies and food producers their key risk (and obviously I hear you say) is to not produce anything that would harm anyone.
- Automotive and railway industries, hospitals etc. would similarly have customer safety as a key risk.

Failure of these is likely to hit the papers... but as if that wasn't a big enough risk, when management / production / responsibility sit with a third party supplier, then immediate control is lost. Hence we audit suppliers to ensure they meet our requirements.

I will post this article onto our LinkedIn page and would welcome your comments and thoughts, particularly from participants who scored highly....

So what would get your company on the front page? Where we mismanage:

- **Operational risk** - Risks are associated with the day to day activity provided by the supplier. Production risks, business continuity risk, information security risk could all be regarded as Operation risks... the list is endless
- **Financial risk** – although financial loss could be regarded as a consequence of any risk failure, assessing the financial impact of any likely risk (say during a risk assessment) helps to set a risk appetite and prioritise activity to mitigate
- **Regulatory risk** – any company which is regulated will know that failure to meet regulatory requirements will certainly lead to reputational and financial risks. The Regulator is not interested that the issue was caused by a supplier – in their eyes its your company that has failed
- **Compliance risk** – before establishing compliance risk it is important to understand what you expect a supplier to be compliant to. It could be product specification, could be your own company policies and procedures or could be the law of the land. All will be covered (hopefully) by the contract and as such would form the basis of a supplier audit
- **Strategic risk** – the risk of doing business with any company; buying something rather than making yourself, of being in that particular market, country etc

So having established the types of risk, you now need to set your company's appetite – examples could be zero tolerance to information leaks, deaths, or not more than (say) £10k losses associated to scrap during production. Once agreed then produce Key Risk Indicators to measure whether you are exceeding appetite, and review performance against KRIs regularly.

So in summary, when setting out how to understand risk it is important to understand:

- What your customers would want from you - and therefore from your supplier – what would get you on the front page?
- What your company needs to protect themselves should a supplier not meet their obligations.
- What your regulator would take issue with you about

Then set an appetite statement, develop KRIs and review regularly...

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