

The Role of a Contract Manager

Introduction

This series of three articles tracks the continuing development of the contract management role and purpose. It illustrates that, over a ten-year period, there have been significant changes in the strategic importance of contract management as a competency. This is true in both public and private sector.

Change is challenging and increasingly there is a question over the balance between individual expertise and organizational capability. In other words, is the future of contract management that it will flourish as a professional discipline, or will it rather become an activity which is embedded across the organization? It is likely that the answer will be a mixture of the two and indeed that a key role of the contract management professional will be to ensure the delivery of capability through appropriate empowerment and technology deployment.

In reading this paper, you are encouraged to give thought to the activities that are identified and to examine whether they are a) relevant within your organization and b) performed effectively.

The Role of a Contract Manager

February 2008

I note that many people still seem puzzled by the role of a contract manager. It is a frequently asked question and recently generated significant debate on the [IACCM](#) website (Contract Management Forum).

Among Contract Managers themselves, there is widespread belief that the title (and its variants, such as Commercial Manager) masks massive variations in job role, status and responsibilities. Hence it is often felt that external hiring (especially across industries or geographies) will be difficult, if not impossible.

How great are those differences? In fact, our research suggests that the core responsibilities of Contract Managers (and by deduction, Contract Management Departments) are very similar. Drawing from the postings on the IACCM Forum, these might be summarized as follows:

(Please note, while in the interests of clarity these responsibilities are written more from the perspective of a contract manager supporting sales (which is where there is a longer history for the role), they are easily converted to a description for Procurement, where the tasks are very similar, but more likely to be restricted to a post-award role.)

Responsibilities include:

- Support to bid / proposal preparation and management, such as review, development or identification of appropriate contracting model and / or terms and conditions; managing stakeholder review / approvals.
- Contracts (various: including formal, short form, and annual contracts)—Drafting, Evaluation, Negotiation and Execution:

- Non Disclosure Agreements, Sales / Purchasing Agreements, Sub-contracts, Consulting Agreements, Licensing Agreements, Master Agreements, review of customer or supplier proposed terms and conditions
- Distribution Agreements (resellers, agents, joint marketing etc.)
- Commercial and Public (Federal, State and Local) Contracting
- Serve as the point of contact for customers or suppliers on contractual matters. Act as contractual “middleman” between the organization’s employees and customers, ensuring timely review and approval / reconciliation of variations.
- On all standard and nonstandard contracts, provide redlined recommendations and often negotiate directly with attorneys, commercial or purchasing staff until consensus has been reached
- Maintain contractual records and documentation such as receipt and control of all contract correspondence, contact information sheets, contractual changes, status reports and other documents for all projects.
- As needed, provide guidance on contract matters to project managers or other operational staff, including training to new project managers and other employees in contracting practices and procedures.
- Develop and implement procedures for contract management and administration in compliance with company policy. As appropriate, contribute to or influence company policies.
- Monitor compliance by company employees with established procedures. Identify areas of recurrent pressure.
- Work with Risk Management Department / Finance to coordinate contractual insurance requirements.
- Work with Finance to ensure adherence to broader finance and risk requirements such as revenue recognition, pricing and discounting policies,, export controls etc. May include ‘financial engineering’ and understanding / evaluating economic impact of terms and term options.
- Support Product Management / Marketing to ensure company products and services are offered with appropriate, competitive terms and conditions
- Monitor competitive terms. Monitor customer or supplier satisfaction with our terms and conditions and contracting practices. Recommend changes.
- Ensure that signed contracts are communicated to all relevant parties to provide contract visibility and awareness, interpretation to support implementation.
- Handle on-going issue and change management
- Monitor transaction compliance (milestones, deliverables, invoicing etc.)
- Oversee Service Level Agreement Compliance
- Ensure contract close-out, extension or renewal.

The emphasis within this list will vary. For example, some groups have little or no responsibility up to the point of contract signature; and others little or no role after signature (though there is a marked trend towards consolidation of pre- and post- responsibilities within the same group). Reporting line also makes a difference, with groups reporting to Legal tending to have a narrower set of tasks (potentially little responsibility for non-legal aspects of the contract or related policies and procedures, especially in terms of any financial accountability). Geography has certainly been a major factor in the past, with few Contract

Managers visible in non-Common Law countries. However, this is also changing as business globalizes and contract forms and procedures grow more consistent.

One of the biggest differences between organizations lies in the extent of authority and accountability that Contract Managers have for making contract changes. Another big difference is the extent to which the Contracts organization has solely deal-based responsibility, versus a more strategic role in overall company policy and commercial / contractual strategy. For example, does the function simply implement and protect other people's rules, or does it advocate change and participate in key policy discussions?

Today's 'best practice' contracts groups are those with a holistic responsibility for the contracting process (pre- and post- award). They are increasingly involved in establishing contracting policies that support market and business strategy – and this is something that cannot readily be done if resources are fragmented. As a Professor of Economics at one of the major UK business schools recently commented: 'The value of contracts is in the outcomes they produce'. He also observed that today's contracts are becoming more complex and the risks of failure more severe.

Too often, companies have had no one providing the oversight for achieving those outcomes or managing that complexity and risk – and that is why the role of Contract Manager is emerging as a critical competency in today's organizations. It is also why Contract Managers themselves need to start focusing less on what makes them different, and more on recognizing that there is a common and consistent core of activities that underlie their role and professionalism.

The Role of A Contract Manager – Revisited

April 14, 2009

It is only a year since I wrote a role description for a contract manager (and within this term I include commercial management). The article attracted a high level of interest and is still frequently referenced. So in view of the dramatic shift in economic conditions, I thought I should revisit this topic and answer two questions:

1. Has the importance of the role changed?
2. Have the tasks or contribution of a typical contract manager been impacted by the dramatic shift in economic and business conditions?

The Importance of The Role

The original article highlighted the extent to which a global networked economy had elevated the role of contract management within high-performance organizations. It emphasized the extent to which increasing complexity was demanding greater discipline in the formation and management of trading relationships – and how the contracting process is a key mechanism for ensuring such discipline.

Some businesses have developed their contracting competence without investing in dedicated contract managers, but for many others (especially those in high value / high risk business-to-business markets) there has been steady growth in the numbers and quality of the contracts staff.

A key aspect of the role of a contract manager (as opposed to a contract administrator) should be to ensure that commitments sought or given are ethical, achievable and in compliance with organizational policy. Therefore recent economic events – and the collapse of trust in standards of corporate governance – implicitly make the role more important.

In addition, contract skills have been much in demand as a result of the need to renegotiate many existing relationships and improve the standards of governance over others. In the public sector, the US administration has not been alone in highlighting the challenge of building sufficient contract management skills to oversee the barrage of new capital projects being funded by the public purse, as well as ensuring the success of those already underway.

And as I argued in the original article, high value contract management is about more than just compliance and transactional oversight. It is also about ethics, integrity, the management of reputational and regulatory risk, and ensuring on-going competitiveness. So the role of a contract manager has been made substantially more important – and more strategic – as a result of the economic crisis. In particular, there is a need to ensure that business opportunities are not stifled by risk-aversion; and that contracts achieve positive economic outcomes.

Changing Tasks & Contribution

Investment in contract management is increasing – and this seems likely to continue, both in terms of automation and people. As mentioned above, the expectations of executive management are likely to increase. They require contract managers who can deliver results and keep the business out of trouble. Hence the need for balance between compliance and innovation.

To the extent that new regulation occurs, contract managers will be expected to understand it and ensure that it is respected. But many business leaders will be hoping that they can run with a system of self-regulation – and this places even more emphasis on the role of the contract manager. In order to remain competitive, businesses must remain flexible; the rules, practices and procedures must make both ethical and economic sense.

The original article highlighted that high-performance contracts groups undertake both a strategic and operational role. They are involved in setting, managing and changing the policies, practices and procedures that determine contract terms. Today's environment is accelerating that need and also making the job far more attractive – and visible. With that visibility come increased demands and expectations for performance and value – which in turn means measurements.

The recent G20 meeting offered us a sense of the importance of the contract management role and some of the parameters that will surround its performance. In their final communique, they set out future principles of governance for the financial services sector, including the following:

“Staff engaged in financial and risk control must be independent, have appropriate authority, and be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the firm. Effective independence and appropriate authority of such staff are necessary to preserve the integrity of financial and risk management”

So in answer to the question on changing tasks and contribution, it is my belief that we will see some shift in the emphasis of tasks performed (and in particular earlier and more selective involvement) and considerable changes in the contribution and its measurement. Contract Management will be targeted with the tasks of protecting reputation risks through ethical contracting and relationship practices; yet at the same time with the need to ensure competitiveness through innovative terms and adaptive processes. It will increasingly be a life-cycle role, which means establishing the right contractual framework and then overseeing its successful management and delivery of expected results.

The G20 emphasis on 'separation of duties' is also likely to be reflected in many organizational debates, with stronger pressure for contracts and commercial staff to be immunized from the pressures of business unit performance and deal-based bonus schemes. It will be essential to ensure they have strong market awareness, without succumbing to the short-term demands of individual transactions. Modern technologies should enable this balance, especially with the creation of 'centers of excellence' equipped with the right applications, analytical skills, authority and accountability.

I have highlighted the types of measurement that should apply to contract management in previous articles, but they include things like cycle time reduction, the percentage of deals enabled through e-commerce; the economic value of term alternatives and innovations, the reduction in claims and disputes. Good contracting is fundamental to any healthy 21st century business – and it requires a new breed of contract managers who are committed to professionalism.

So perhaps the biggest change (and arguably a dependency for success) is the need for Contract Managers to recognize that they can no longer flourish as talented individuals, but must adopt the behaviors of a profession – a consistent body of knowledge, shared tools and methods, a commitment to continuous improvement through research, benchmarking and pooled experiences and development of learning sources that enable a career path.

The demand is there and it is growing; the challenge right now is to increase the quantity and quality of supply and to establish leaders who welcome accountability for results.

The Role of a Contract Manager: 2014 update

January 28, 2014

It is now almost 6 years since I wrote a blog: The Role of a Contract Manager. It has attracted more than 100,000 views and, in that sense, seems to be the authoritative description of a contract management job.

In 2009, I prepared an update, which explained how the role was changing in the face of tough economic conditions and the growing importance of contract management in securing business performance.

It seems to me that it is once more time to review the contribution of contract management and how the practitioner community and its role are evolving.

The business environment continues to change at a rapid pace and many of those changes are of direct and immediate relevance to contracting and commercial management. For example:

Since the financial collapse of 2008, there have been wild swings in relative prosperity and trading patterns within the global economy. This has led to substantial shifts in where trade is undertaken and there is no sign that this volatility will end soon.

Outsourcing appeared unstoppable several years ago, yet increasingly is being questioned and the size, duration and location of outsourcing arrangements continue to alter. This has impact not only on the outsourcing agreements themselves, but also on underlying procurement policies and attitudes.

The power of the buyer was taken for granted back in 2008, resulting in sharp focus on price and risk allocation onto the supplier. Today, there is far more understanding of the destructive nature of such an approach. Supplier power has returned in many industries and increasingly there is recognition that success depends on greater collaboration and a sharing of risk.

The continued growth of regulation is forcing organizations to face up to the issues created by inappropriate or poorly managed trading relationships. Regulatory and reputational risks are pushing management to ensure greater transparency and visibility into organizational behavior both internally and within their suppliers and customers.

Automation increasingly replaces people in the performance of mundane or administrative contract management tasks. It also supports a growing wave of improved management and performance data, enabling contracts professionals to anticipate problems and manage, rather than administer, contracts.

Executive management has awoken to the costs associated with poor contracting, especially in failure to secure the anticipated benefits or, as highlighted above, through failure to ensure appropriate forms of governance and performance management.

Taken together, these and other factors are transforming the role of contract and commercial management. Today, it is not simply an operational function overseeing transactional negotiation, implementation and management of contracts. Increasingly it is a critical vehicle for high value management information that supports strategic decision-making.

A result of this is the steady emergence of two types of contract or commercial manager. A majority still performs a role that has changed little from that set out in the original blog, though it is important to note that the required knowledge, measurements and skills required to perform that role have evolved at a rapid pace (I will write more on this in a future blog).

The second contract management role is far more strategic and is about business enablement rather than tactical operations. In this role, the contract manager is both an adviser to executives and a vehicle for implementing organizational goals. Essentially, the strategic contract manager ensures that contracts and contracting procedures are used to execute business strategies – for example, with regard to desired levels of risk, or through the creation of market competitive commitment capabilities, or via more relational or collaborative forms of agreement with trading partners. But this strategic role also informs management about trends or issues that are observed as a result of more thorough analysis of the contracts and their performance. For example, what are the types and severities of different risks and where are they occurring? What are the market trends with regard to the sort of commitments expected by customers or resisted by suppliers? How can the business overall be empowered to exercise better commercial judgment and to reduce regulatory, reputational or margin risks?

Today's trends suggest that the role of contract management is secure and will become increasingly pervasive. It will be recognized as a life-cycle discipline, with measurements reflecting its impact on revenues and the bottom line. In leading organizations, it will also be an integrated discipline, quite probably part of a shared services unit, that oversees contracting for all trading relationships – buy, sell and distribution channel (even though operational resources may remain embedded within business units).

With this transition, contract management will offer an interesting and fulfilling career path, increasingly supported by structured education and training from university level upward. But with growing sophistication and an increasingly strategic role, the volume of the more administrative, operational tasks will reduce and in many cases will be performed via automation or through greater competence in other groups, such as Sales, Project Management and Procurement.

Therefore, while the job itself will become more highly valued, the numbers bearing the title may over time start to reduce. Those that remain will be more highly paid, have greater status and – of course – will be endowed with skills and knowledge that go beyond the traditional role of a contract manager.

[The International Association for Contract & Commercial Management](#) undertakes extensive cross-industry, international research to monitor trends and needs in the field of contracting. It identifies best practices and undertakes extensive benchmarking, as well as offering thought leadership in training and assessment services.

For more information and research on contract and commercial management, or to explore training and certification, visit www.iaccm.com – the home of the not-for-profit organization that represents the field of contract management globally.