



Insight

Achieving effective contract management and assurance – an infrastructure perspective

By Richard Wood, Associate Director

Ineffective contract management and assurance in infrastructure projects prevents corporate objectives from being met, making it impossible to measure performance and apply corrective actions. We outline seven ways to ensure effective contract management and assurance.

In our [recent sector survey](#), contract management and assurance was identified as a focus for infrastructure clients. They also acknowledged that improvements in processes and management could be made:

- 48 percent of respondents could not confirm that their organisation's contract management function is efficiently utilising intelligent systems and tools and aligned to the contract structure
- more than half of respondents could not say that the effectiveness of their contract management is monitored and progressively assured
- 72 percent of respondents could not confirm that their organisation's current commercial models and contracts are supported by a clear performance measurement model to successfully incentivise and deliver outperformance.

Robust management of supply chains and associated agreements is vital to enable effective and efficient delivery. To understand how clients can achieve effective contract management and assurance, here are seven factors to consider:

1. Corporate objectives are supported by contract provisions

Contracts are the means by which clients implement their objectives and deliver projects. The drafting and provisions of their contracts need to be aligned to, support and ultimately deliver these objectives.

Indeed, a common cause of disputes was highlighted recently by a Cabinet office review which highlighted that the most common cause of project and programme failure was "a lack of clear lines between the project and the organisation's key strategic priorities".

2. Scope definition and packaging strategy

The definition of scope is critical to assure that stakeholder requirements, scope boundaries and key interfaces are known and catered for within the budget, schedule, risk profile and consequently, the contract.

Failure to effectively package the boundaries of scope across programmes can lead to significant cost increase and delay as a result of a sub-optimal interface strategy and management.

3. Alignment of functional inputs

An organisation will have a number of functions including commercial, legal, risk, delivery and operations. Each part of the organisation will have requirements and expectations for a programme or project and often these may be in conflict.

These requirements need to be worked through, captured and clearly articulated into the contract documents. Failure to capture the requirements clearly can lead to sub-optimal

delivery, disagreement, commercial dispute and a lack of a consistent management of the supply chain.

4. Stakeholder and supplier engagement

Organisations act within the wider environment and will need to respond to the needs of external stakeholders and the ability of the supply chain to deliver. It is vital that the requirements of stakeholders are clearly mapped, and any constraints and requirements are drafted into the contract documents. Clients, stakeholders and the supply chain should agree on the what, how, where, when and why of the works. Stakeholder requirements can be a significant driver of change without effective engagement at the outset.

5. Align contract requirements with corporate governance

Organisations should ensure the contract is designed and operated so as to support the organisations corporate governance process, by providing the right management information in a timely manner. Weak governance, or failure to comply with governance, significantly increases the risks of serious project failures.

6. Measure contract performance against business objectives

Where a client is delivering a number of projects, either as part of a programme or portfolio, lessons learnt and areas where business objectives have not been delivered need to be captured and remedied in future drafting. Without this, previous mistakes or weaknesses can often be repeated and the opportunity to make improvements will be lost.

7. Systems and tools

Clients are increasingly looking to utilise intelligent contract management software to assist in contractual compliance. These can track and manage responses ensuring change, risk, money and value are constantly monitored. Failure to do this can either create an administrative burden or reduce the accuracy of important management information.

Conclusion

Rightly so, infrastructure clients are focusing more and more effort in the initiation and set-up phases of projects and programmes. There is still much to be done in this regard, but clients should be acutely aware that the contract is the fundamental mechanism of how objectives and requirements are distilled to the supply-chain. Failure to adequately set-up, manage and assure contracts will lead to an erosion of any added value and efficiency created by more effective project initiation.

To learn more about the seven ways to achieve effective contract management and assurance and for practical tips, please download a copy of the [Turner & Townsend Commercial Performance study here.](#)

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With over 97 offices in more than 41 countries, we draw on our extensive global and industry experience to manage risk while maximising value and performance during the construction and operation of our clients' assets.

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