



Contract management

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LESSON NO 1 – Documents for Commercial Contract for Purchasing and Procurement

Lesson one documents which is necessary for commercial contracting for purchasing and procurement. First of all, let's talk with you what is the contract management and in general what is the contract? Contract first of all is a legally enforceable promise from one side to another side and vice versa. And contract management is the process of systematically and efficiently managing contract creation, distribution, analysis for maximizing operational and financial performance and minimizing risk. This is what is contract management and, in this lesson, let's discuss with you what kind of documents will help us to create this contract and support this contract during whole contract management process. I want to remind you that to prepare a good contract it is necessary to make a lot of efforts in the beginning of the procurement process and then support it in proper way and to make this process efficient and useful for both sides. And first of all for you, you need to involve many different departments and your colleagues, first of all legal department and your lawyers, this is their main zone of responsibility. With my colleagues we have discussion who is responsible for creating contract and for supporting contract as well. It is open discussion and you need to decide how to organize it in your company. But anyway, we are like procurement involved in this process and we collaborate and cooperate very close with legal department. Finance is well included in this process because questions and issues with pricing, cost questions connected to cash flow and the schedule of payments, it is very important. So that is why don't forget to include these people on the early stages. If it's necessary you can include logistics professionals because they can help you to optimize logistics schedule for example in the contract and KPIs which is very important for this document and of course suppliers who will implement this contract and who will perform this contract, don't forget to involve them into this process. Sometimes it happened that we don't have this sample of the contract. For example, you have never faced with some IT type of contracts or other types of contracts for services for example. So in this way you can include your suppliers, you can include some consultants from professional associations and they will help

you to create this contract or for example supervise if everything in place in your contract. And as I said in the beginning that creation of the contract starts from the early stages, from specifications and from tender documents. As better you will prepare your initial documents, invitations to tender, criteria of evaluation et cetera. As better you will have in the end the contract document and of course the criteria of evaluation and KPIs will be connected in these documents. So first of all, invitation to tender help you to prepare this document and help your lawyers understand what do you need and what should they include into the contract. Specifications, specifications this is very important document and very important part of your procurement job and in general sourcing and procurement process. So specification will help you and legal colleagues understand what kind of technical documentation should be included in the contract. For example, some formulas, some drawings, some very specific obligations which you want to evaluate in the sourcing process and should be included then in the contract. KPIs and Performance Instrument this part is very important, we will talk more about the KPIs. So KPIs help you to measure the performance supplier and helps you to connect strategic goals of your company, strategic goals of procurement and category for example, with performance of your suppliers and with this instrument you can monitor, control and improve the quality of your supplier and improve general quality of your company. And of course, we will provide better services or better product to your customers. Terms and Conditions here we can include lot different terms and conditions connected to services, connected to support, connected to terms of delivery, terms of for example, meetings, obligatory meetings with your supplier, et cetera, et cetera. So a lot everything you want to include about any terms and conditions you will put into this document. And these conditions should be connected to your operational cycle for example, or connected to your obligations to your clients as well. And please don't forget to connect and customers and possibilities and conditions of your supply chain. Prices and other schedules. I already mentioned how it is important don't forget to include prices, but I'm sure that any procurement professional don't forget about prices. It is the main point what they are discussing and what they are talking. Yes, but be very concrete in detail what kind of pricing scheme of pricing you want to implement in this contract. And of course this question should be mentioned in your invitation to tender and in your specifications because if you want to have open booking contract to see the structure of the price but you didn't mention it in the stage of sourcing and the stage of invitation to tender, unfortunately, suppliers maybe cannot provide you with this information. SLA, NDA which you have in your company. Please don't forget study it carefully and include it into the contract or sign separate like the complex of contracts should be signed with this supplier or any other

documents, any other conditions which is necessary for you, important for you and you want to include it into the documentations. Thank you to be with us and let's go to the next lesson.

