

## **Contract management: a strategic impact on project management<sup>1, 2</sup>**

**Meriem Harhad**

### **ABSTRACT**

A project always starts with a signed contract detailing all expectations and deliverables in order to have the outcomes of the project.

However, the person with specialized skills and know-how in contract management, the contract manager, is not considered as a necessary key role in the project management field.

Indeed, many companies let the project manager manage the contract, even if he has not specialized experience in contract management. That is why contract management is a challenging concern within project management.

To understand, the best way companies can grasp the contract management within their projects and thus analyse how contract management can be handed within a project, we use different methods of quantitative and qualitative analysis and comparison.

Therefore, in this paper we demonstrate that having a dedicated contract manager in your project, and reorganize project's teams in order to have a contract manager in each project undertaken, is the preferred alternative for running projects, especially large and complex projects, within companies of diverse fields.

**Keywords:** Contract manager, Success factors, Risk management, Project management, Contract management, Strategic role in project management, Contract's adjustment, Contract life cycle, Project team organization.

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## INTRODUCTION

In the main implemented approaches to project management such as PMI, or PRINCE 2, there is no a defined role of a “contract manager” in the organization of the project in neither the management team level nor the executive one. Despite the contract management is a required competency to manage a project.

The contract manager work cannot be defined as to simply write the contract, and following it during the project. The contract life cycle management implies to efficiently manage the analysis of the contract, to minimise risks and maximise performance, which enables to achieve successfully the project. Moreover, as we can see in all project, to have a signed contract with the customer, is the starting point that launches the project and allows to having all customer’s expectations, which are the baseline of the project. Indeed, it permits to have a deep understanding of the products that will be delivered during the project, which is one of the keys to have a successful project. Besides, the project’s progresses can trigger variations and adjustments regarding the initial contract, hence the project is strongly linked to the contract and managing the project well involves to have a well-managed contract.

Therefore, we can consider contract management as a full part of project management. Indeed, for a large project, it has a strategic impact because it can be a part of the solution to complex projects, which makes the contract management a powerful tool for risks management, performance maximisation and communication management in project management.

More often than not, the role of the “contract manager, is fulfilled by the project manager itself, but it is not his core competency. That is why we consider that having a person with a specific know-how in contract management, that is totally devoted to this part of the project’s aspect, is a key success factor for the project, and should be considered as a full role in the project team.

### *1. Problem definition*

To summarize, this research paper has been undertaken to analyse and answer the following questions:

- 1) What is the role of contract management in project management?
- 2) How the role of a contract manager create value to the project?
- 3) Is it worth to have a dedicated contract manager in the project team, and thus reconsider the roles of project team in main project management approaches? Or the project manager must be a contract manager.

## METHODOLOGY

During the research, we firstly **define the main topic** of the paper, which is **contract management**. The method to define this term was to look at several definitions available on few selected books and online articles dealing with contract management and project management. This way, we have a definition that covers the main aspects of contract management. Then we focus on data available on the internet, when tapping the key words in link with the topic and have selected the most relevant articles, to have a support for the whole paper. Finally, books dealing with contract management and project management, enable us to have precise information supporting our paper.

We will use the MADM (**multi-attribute decision model based on satisficing requirements**) analysis with the **non-compensatory method of Dominance**, to be able to rank our alternatives and choose the most appropriate.

### *2. Development of the feasible alternatives*

After understanding the outcomes of contract management on the project, we will finally be able to develop three possible alternatives concerning the management of the contract within a project:

- First, we can decide to notice the benefits of having a dedicated contract manager in your project, and reorganize project's teams in order to have a contract manager in each project undertaken.
- Another alternative is to form the project manager; thus he will have specific skills in contract management as well.
- Else we can keep the organization of project team as it is, believing that having an efficient person in contract management doesn't make the difference to achieve successful projects in your organization.

### *3. Development of the outcomes and cash flows for each alternative*

Concerning the first alternative proposed, we consider that the main outcome is **adding value to the project**, indeed, the contract manager assesses risks regarding the contract and thus **allows to maximize benefits**. This practice also leads to having a very well managed contract, regarding the **customer relationship**, which is very important if you have long term relationship with your customers. However, with this alternative, the costs when running a project within your company will be higher than competitors, so this practice makes your company less competitive in its industry. We can also wonder if the contract manager is an intern employee, which is better in term of costs for the future if your company is running frequently projects. Indeed, it allows your contract manager to be specialized in your core competencies after several projects and make sure that he embraces your company culture and values, which is

important for you when signing contracts with customers. If your company is running projects not often, then fall back on an external contract manager is a solution to lower costs.

For the second alternative, we will **provide to the project manager a contract management training**. The main outcomes are having the contract managed **better than by a classic project manager**, while not expend costs for another person in your project team, which make it less expensive. To train the contract manager involves an investment and thus a need for trust in your project manager, so that he will continue to use skills you have paid for, in your company. Finally, it is also time-consuming.

For the third alternative, that we have, we will not consider the contract management as a strategic output for the projects undertaken, and continue to have a basic contract management as all companies. It implies that you **don't spend money in investing in people skills and your costs will stay competitive when running projects**.

#### **4. Selection of the criteria**

To analyse the three alternatives that, we have detailed earlier, and therefore to be able to decide which one appears to be the most appropriate way to manage contracts within a project, we will use the **MADM** technique **to eliminate any poor alternative**.

The attributes are criteria which appear to be the most effective to understand how appropriate each alternative is. They are:

- The **cost for the company**: we take into consideration the cost to implement as best practice a “contract manager role”, the costs to form your project manager, and those when you have no dedicated skills of contract management within your project's team.
- The **risk taken by the company**: we analyse the risk of not having a dedicated contract manager, the risk of having a project manager that has to manage the contract meanwhile leading the project, and the risk when having a dedicated contract manager in each project teams
- The **ease of implementation and use**: we question the efforts needed to implement as best practice a systematic contract manager in all your company's projects, and the efforts needed to form the project manager to be a good contract manager.
- The **time needed for the company to implement the solution**: we focus on the time needed to hire a contract manager, or to form the project manager in contract management. For example, if we need an external contract manager how long does it takes to hire him, if we form the project manager, then how long it takes?
- The **fit-for-purpose for the company**: we consider the consistency of the solution with the needs when implementing one of the solution proposed.

- The **sustainability of the solution**: we consider if the solution allows your company to have a long-term solution and strategy for managing efficiently contracts within projects, for instance here: if the project manager hired can be working on another project

We obtain this table, to support our decision:

Attribute	Alternative 1: <b>Have a dedicated contract manager for each project</b>	Alternative 2: <b>Form the project manager to have specific contract management skills</b>	Alternative 3: <b>Don't consider specific contract management skills are needed</b>
Cost	Fair	Good	Excellent
Risk	Excellent	Fair	Poor
Ease of implementation	Fair	Fair	Excellent
Time	Good	Fair	Poor
Fit-for-purpose	Excellent	Excellent	Poor
Sustainability	Good	Good	Poor

**Figure 1: qualitative analysis**

The table is filled in with a colour code, as follow:

- A green score indicates that the attribute has a positive impact on the company
- A yellow score indicates that the attribute is globally positive, under some changes or minor issues to solve
- A red score indicates that the attribute is not in favour of the alternative

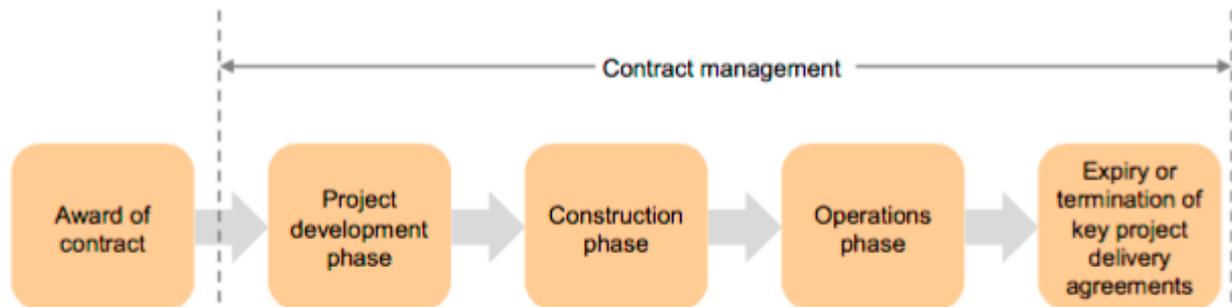
The minimum acceptable criterion is to have no red-coded attribute for the alternative. So, **we can eliminate the third alternative**, which has 3 red-coded attributes.

## FINDINGS

### 5. Analysis and comparison of the alternatives

We firstly start our analysis by a reminder of all contract management tasks required within a project to see how it can be a good tool to add value to your projects. The contract manager or the person in charge of contract management (who can be the project manager, if there is no dedicated contract manager), basically is in charge of developing a contract management for both construction phase and delivery and maintenance phases. Nevertheless, he is in charge of assessing the key contract's risks as well. Therefore, he has to implement robust contract management strategies regarding the risk management in order to maximize the outcomes of the project, and thus the benefits. However, the several contract managements steps depend on the nature of the project.

In the next figure we can see an example of the contract management implication within a construction project:



**Figure 2: contract management within a construction project life cycle**

Even if we can see thanks to the qualitative analysis that the alternative 3 is to eliminate, we need to determine which alternative, between the first and the second one is the most appropriate. Thus we must answer the following question ***“Which way of managing your contract within your projects create the best added value to your projects benefits?”***

- *To choose the best alternative to have an efficient contract management that increases project’s financial results we provide a quantitative analysis with the **relative weighted technique**. We keep the attributes previously used for figure 1. To perform the weighted product model, we convert the previous colour code and qualitative classification into a quantitative analysis.*

We use this conversion:

- Excellent = 1
- Good = 0,67
- Fair = 0,33
- Poor = 0

Attribute	Alternative 1: <i>Have a dedicated contract manager for each project</i>	Alternative 2: <i>Form the project manager to have specific contract management skills</i>	Alternative 3: <i>Don't consider specific contract management skills are needed</i>
Cost	0.33	0.67	1
Risk	1	0.33	0
Ease of implementation	0.33	0.33	0,33
Time	0.67	0.33	0
Fit-for-purpose	1	1	0
Sustainability	0.33	0.67	0
SUM	3.66	3.33	1,33

**Figure 3: quantitative analysis**

From the quantitative table, we obtain, we can eliminate the third alternative and compare the two alternatives in correspondence with what attributes are important to the companies. For a better analyse of the alternatives and their added value to project management, we use an **additive weighting model**.

We obtain a table as follows:

Attribute	Step 1	Step 2			Alternative 1		Alternative 2	
	Relative Rank	Normalized Weighted (A)			(B)	(A)x (B)	(C)	(A)x (C)
Cost	2	2/21	=	0.10	0.33	0.03	0.67	0.07
Risk	4	4/21	=	0.19	1	0.19	0.33	0.06
Ease of implementation	5	5/21	=	0.24	0.33	0.08	0.33	0.08
Time	3	3/21	=	0.14	0.67	0.09	0.33	0.05
Fit-for-purpose	1	1/21	=	0.5	1	0.5	1	0.5
Sustainability	6	6/21	=	0.29	0.33	0.10	0.67	0.19
SUM	21		SUM	1	SUM	0,99	SUM	0,95

**Figure 4: additive weighting model analysis**

### 6. Selection of the preferred alternative

In the figures 3 and 4, we may observe that the rank of the attributes indicates what is important to companies, and in what ways alternatives are responding to this. From the relative weighted technique shown in figure 3, the alternative 1 is better than the alternative 2. Considering  $3,66/3,33 = 1,1$  and  $1,1 * 100 = 111\%$ , the first alternative is 111% times better than the second one.

Then we take into account that importance some specific attributes, thanks to the figure 3, with the additive weighted technique. Considering  $0,99/0,95 = 1,04$  and  $1,04 * 100 = 104\%$ , thus we can conclude that the first alternative is still better than the second one, but “only” by 104%. According to both methods, **the first alternative, have a dedicated contract manager for each project, is the best alternative for the company, to add value to your projects.**

## CONCLUSION

The contract management is a key tool for project management because the contract is the written baseline of the project. **However, we have not a systematic contract manager in each project, indeed most of the time the project manager has a dual role**, even if contract management isn't its core competencies.

In this paper, we wanted to determine if the systematic fall back to a contract manager for projects, as a support to the project manager work, can create an added value to your project and thus a competitive advantage for your company. As a consequence, our objective statement was to answer these three questions:

- What is the role of the contract manager within project management?
- How the role of a contract manager creates value for the project?
- Is it worth to have a dedicated contract manager in the project team, and thus reconsider the roles of the project team in main project management approaches? Or the project manager must be a contract manager.

Firstly, the management of the contract within a project is mean to maximize outcomes of the project, through a good management and assessment of risks and a well understanding of the customer expectations. However, the role of the contract manager is not included in theoretical project management approach, and is not common in main organization of various fields.

That is why, we developed three alternatives: **having a dedicated contract manager for every project**, and **training the project manager to be a good contract manager** and last **using the same team organisation without neither a dedicated contract manager, nor a project manager trained in contract management for each project**. Using different methods of analysis and comparison, we find out that the first alternative is the preferred one for companies of main fields. Indeed, having a project manager trained in contract management takes time, he might not be as competent in contract management as a contract manager, and it can lead to over-commitment of the project manager, and as a consequence, it increases the risks in your project. Not even having someone with a specific know-how in contract management, leads to having a not well-managed contract and thus a not well manage project.

That is the reason why the first alternative, **having a dedicated contract manager** is the best one.

To conclude our paper, we can say that when leading a project, the company should pretend to a good management of the contract in order to be successful and to maximize its outcomes and thus expected benefits of the project. Furthermore, some companies in specific fields, such as construction, have a mandatory **fall back to a contract manager**, in order **to manage complex projects**.

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## About the Author



### **Meriem Harhad**

Paris, France



**Meriem Harhad** is a student in SKEMA Business School, in the Master of Science Project and Programme Management and Business Development. She has a bachelor's degree in management and economy. She has mild experience in business development, in the hospitality industry.