Contract Management Training

6. Contract Closure

Content

01 Managing Contract end
Termination - Extension - Renewal

02 Formulating an exit strategy
A strategic approach to maintaining customer relations

03 Post-Contractual obligations
Managing ongoing commitments

04 Undertaking lessons learnt exercise
Evaluating lessons and experiences for future contracts

01 Managing contract end
Why do Contracts end?

- **Termination**
  - Breach
  - For convenience

- **End of Project**
  - Milestones met
  - Work completed (full v partial acceptance)

- **Expiry of Term**
  - Fixed date/period

02 Formulating an Exit Strategy
Contract end strategy

➢ Prior to final Contract phase, consider scope for **renewing** or **extending** the existing Contract
  ➢ Consider what terms you would ideally like to change in existing Contract
  ➢ Formulate a strategy for approaching/discussing with Customer
  ➢ Undertake a revised business case for governance
  ➢ Prepare a negotiation strategy and terms audit
  ➢ Highlight existing Contract positives and highlights to Customer

Allow enough time to undertake this exercise, before expiry of existing contract.

02 Formulating an Exit Strategy
Rejecting Customer request

What if the Customer wants to extend/renew (but you don't)?

➢ Consider why?
  ➢ Are the margins too low?
  ➢ Is it non-strategic?
  ➢ Difficulty recruiting specialist personnel?
  ➢ Unresponsive Supply Chain

➢ A business case will support your narrative and will either:
  ➢ Identify what you need to negotiate differently
  ➢ Enable you to explain your reasoning to the Customer

03 Post-contractual obligations
Ongoing commitments

Although the Contract may technically have expired, certain clauses and commitments will survive the expiry – remaining legally binding beyond the Contract end date.

➢ Claims & Warranty Management

➢ Product Recall Management

➢ Obsolescence Management (e.g. commitment to continue supplying spare parts for a certain period)

➢ Confidentiality & Intellectual Property

04 Undertaking lessons learnt exercise
Reflecting on Contract Performance

Reflecting on Contract performance provides valuable lessons for the improvement of future business.

➢ Short-term Contracts – data from these Contracts can be aggregated to identify trends and improvements e.g. are shipping costs higher than the business case assumptions? Are Quality defects lower than provisioned?

➢ Long-term Contracts - will be continuously monitored for performance and improvements throughout their lifecycle. Yet a final reflection can provide further information.