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## **Contract Monitoring: The Final Piece of the Outsourcing Puzzle**

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## Introduction

Over the last decade, both private and public sector organizations have realized the cost-savings and economies of scale from outsourcing non-core functions. While all outsourcing contracts are entered into with an expectation that money will be saved *and* quality will be improved, the results are often mixed, if not negative.

Due to the long nature of the contracts, staff changes during the life of the contract and the evolving set of requirements inherent in any modern day business, quality measurement of the services delivered is difficult. Most organizations lack a systematic approach and toolset for monitoring contractor performance in the post-award phase.

ASC Group advocates use of both a management process and toolset designed to collaboratively manage large service contracts. The management process puts a premium on accurately measuring a contractor's performance against pre-agreed criteria and then resolving performance issues on a timely basis. The toolset should be a central repository of services to be provided, delivery expectations and inspected results. Best results are achieved when the tool is used by both the contracting organization and the contractor, to document performance trends and resolve any issues regarding contractor performance.

## Problem Statement

Frequently, the signing of a large service or outsourcing contracts is viewed as the "close". That is, once an organization agrees with a contractor to provide a set of services over a set period of time, time and attention are shifted to other matters. The contractor proceeds in delivering services

without adequate guidance or feedback from the contracting organization.

A contract may start well, only to fall into a crisis mode due to a change in the contracting organization's staffing or a change in requirements. Contractors expect change orders or amendments for additional work uncovered during the course of the contract, but are not incented to offer amendments for work that is no longer required by the contracting organization.

The result, too often, is poor quality, a contentious relationship and cost savings eaten up through change orders and post-contract award management. Both the contractor and contracting organization look for ways to "get back" from the other side, without focusing on managing the work currently underway.

### **Previous Options**

Earned Value Management (EVM) systems are valuable for managing construction and system development contracts, but are flawed in their ability to manage large service contracts. EVM systems assume that there is an end product, whose construction can be measured on a percent complete basis.

Services contracts, on the other hand, only have a contracted end. Most items which are contracted (e.g., O&M, Security, Outsourced Technical Support, etc.) are ongoing and need to be measured against a

pre-agreed set of quality measurements, not an end result.

Services contracts are also frequently managed through regular meetings between the contracting organization and the contractor. The observations, however, are frequently ad-hoc and arbitrary. The agreed corrective actions often lack a timeline, documentation or follow up inspections. Either the contractor or contracting organization could be at a disadvantage in the meetings based on the length of time that staff has been assigned to the contract.

Traditional Quality Assurance and Quality Control programs (e.g., ISO) focus on compliance with process and procedures, but not the performance standards within the Performance Work Statement (PWS). In turn, this leads to managing the wrong measurements, measuring what is easy rather than what is important.

### **ASC Group Solution**

ASC offers SeeSOR, a collaborative contract monitoring tool that provides a single point of reference for all contract performance data over the life of a contract. The performance work statement (PWS), the QA/QC plan, the inspection schedule and inspection results are all brought together on a digital dashboard to pro-actively manage any performance issues or changed requirements.

Data is secured so that the contracting organization can share relevant data with the contractor, while also segmenting data that is for internal use only. A full audit trail is provided so that changes to the underlying data are documented with the date, time and user identification of the person changing the information.

## **Benefits**

### ***Lower Cost, Better Quality Contract Monitoring***

SeeSOR will reduce the amount of contract administration staff and inspector's required to manage large service contracts because the contractor will have both the tool and incentive to recognize performance short-comings. More importantly, both the contracting organization and the contractor can immediately determine where corrective action is required and implement changes quickly.

SeeSOR offers time savings in establishing the QA/QC plan and also allows the Contracting organization to make changes to the inspection schedule based on contractor performance.

### ***Less time spent negotiating with the contractor, more time spent fixing performance problems***

SeeSOR aids collaboration and reduces conflict between the contracting organization and the contractor by providing a clear delegation of monitoring between the client and the contractor. This is accomplished by having the same tool for both client and the contractor.

### ***Minimal effort required to transition contract management staff***

Key players from both the contracting organization and contractor will change over the course of a contract. SeeSOR provides the institutional knowledge of vendor performance regardless of the length of the contract.

## **Implementation**

Ideally, SeeSOR is introduced during the award phase of the contract. Setting the contractor's expectation on what will be measured, how it will be measured and gaining agreement on the frequency of measurements is a critical first step in the transition process. Once the delivery of services has begun, a regular (e.g., weekly or monthly) review of inspection results, agreed corrective actions and changes of requirements is recommended. Leadership of the contracting organization should be given periodic updates (e.g., monthly or quarterly) on the contractor's performance using the digital dashboard feature of SeeSOR.

## **Summary**

Effective contract monitoring has the ability to change many outsourcing regrets into success stories. Putting in place management discipline along with a comprehensive, yet easy to use tool, will allow organizations to make sure they are getting both the cost savings and quality improvements they expect from outsourcing non-core functions.

ASC Group offers a free contract modeling workshop to prospective customers. In the workshop, a current contract is entered into SeeSOR to simulate how performance measurements can be used to more closely monitor contract performance. Please contact ASC Group at 888.576.3330, ext 4 to schedule a workshop.