

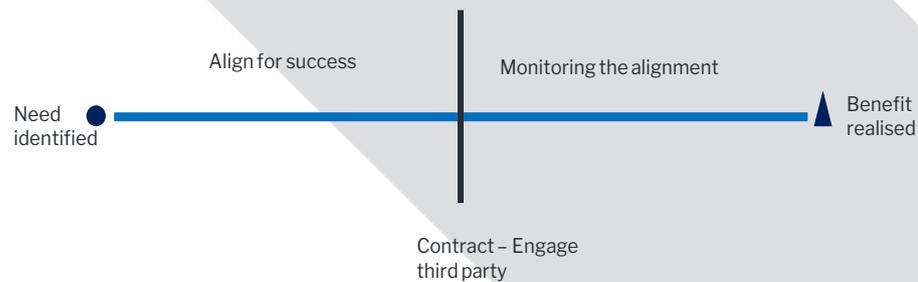


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## Working in the Post COVID-19 World – Contracting for Successful Delivery

We work in a complex contract delivery environment that is dependent on a global supply chain for both services and products. The COVID-19 pandemic has focussed minds on the risks to the security of supply and contract continuity within a global supply chain. The decision-making process that one would go through in determining how to contract with a third party to deliver a product or service, which when deployed would achieve its intended benefit, is probably going to change as a result.

We outline below the approach that can be followed in preparing for successful contract delivery – right from the initial point where a need is identified, through to the delivery of a successful contract to enable all benefits to be realised.



As will be noted, to realise true benefit relies on a well-structured set of steps including the use of the best form of contract and attendant set up processes.

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### The Contract

An agreed contract is the expected ‘control’ output adopted once a procurement process is concluded. Where there is a repetitive need for a product or service, it is common to find a standardised approach – a standard form of contract. This standard form of contract seeks to assign risk (to success) to the party best placed to handle it, albeit the client always pays for the risk either in the contract price or in subsequent changes to the project.

Most common standard forms of contract have been updated to contain terms that promote the principles of security of supply and contract continuity. The COVID-19 pandemic has exposed the relevance of such contract commitments, and has highlighted the need to identify the appropriate owner of the risk. As a result, there is likely to be an increased emphasis on geographical self-reliance to enable entities to contract for successful delivery in anticipation of any future similar risk events.

A useful toolkit for appraising delivery risk is the Project Initiation Routemap<sup>1</sup> (the Routemap). This provides a mechanism through which the decision-making process can consider risks in the delivery environment and have effective controls in place to deal with them.

<sup>1</sup> Infrastructure and Projects Authority - Improving Infrastructure Delivery: Project Initiation Routemap Handbook version 2, June 2016

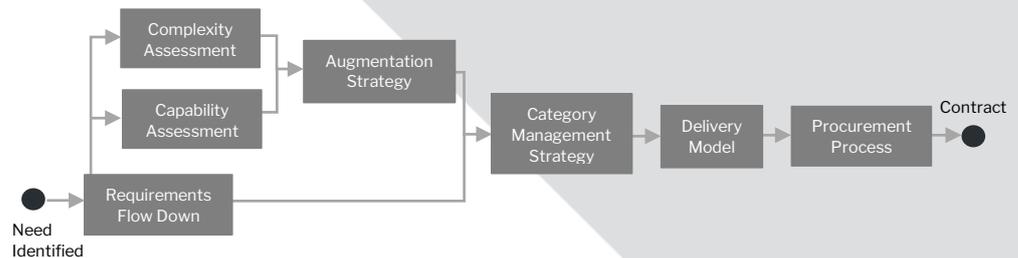
## Contracting Successfully

The Routemap places emphasis on, and provides a framework for, understanding the complexity of the project in the context of the prevailing delivery environment prior to placing the contract. This is essential in designing a delivery model which reflects the delivery environment that will enable the successful delivery of the project and its benefits. In addition, the Routemap's 'Align for Success' module sets out detailed guidance.

Contracting successfully depends not only on what is done, but also when and how it is done. Thus, to be successful in delivery, information must be sought at the right time, in the right amount and used in a timely manner. The relevance of seeking to understand the timely use of information is captured by the following phrase from research conducted by The University of Warwick <sup>2</sup>:

*'thinking without knowledge of facts remains empty and fictitious; but information alone can be just as much an obstacle to thinking as the lack of it'.*

This statement is applicable when considering supply chain risk in a complex delivery environment. Based on our extensive experience, the key high-level steps which need to be followed in ensuring that a project has a good start are set out below.



- **Requirements Flow Down** – The top-down consultative process of creating a clear line of sight from the strategic outcomes/benefits, through a series of interface control points, to commonly agreed task specific outputs. This process ensures alignment to the need, reduces ambiguity, and helps in scope definition and breakdown into clear discrete work packages. The interface control points are stages at which authority gets delegated further down the delivery team/supply chain. These parties have clear accountabilities and reporting requirements to ensure that there is continued alignment to the benefits realisation during the delivery of specific outputs.
- **Complexity Assessments** – Analysis of the delivery environment and its impact on the delivery of the requirements will consider politics, culture/behaviours, language, technology, economics, environmental and legal issues within the delivery team, sponsor organisation and the market.
- **Capability Assessments** – Analysis of the competences and capacity to deliver the requirements within the delivery team, wider sponsor organisation and the market.
- **Augmentation Strategy** – Alignment of the data from the capability and complexity assessments to create a baseline database that can be used to identify gaps within the delivery team and sponsor organisation to deliver the requirements in context of the delivery environment

<sup>2</sup> The University of Warwick university - Corporate Governance and the Public Interest, Warwick Economic Research Papers No 626, 2001 (Branston et al) cites a study by Fromm (1941 - p247)

complexity. This includes determining how the market can be used to augment any capability and capacity gaps. An effective control framework can then be designed to address uncertainty, identified risks and opportunities to ensure that effective and efficient ways of working would be realised.

- **Category Management** – Engagement with the market to optimise the sourcing of scope/work package support to reduce supply chain risk and deliver efficiency savings.
- **Delivery Model** – Data enabled delivery structure which ensures that information is received at the right time by the right people for the right decisions to be made with clarity of purpose. Decision points and independent reviews are embedded to facilitate the monitoring of the alignment during delivery.
- **Procurement Process** – Formal process following the applicable legislation and established controls suitable to the desired delivery environment.

### **Conclusion**

As a result of the lessons learned from the current COVID-19 pandemic, it is likely that there will be an increased focus on delivery environment risks that may threaten security of supply and contract continuity. The delivery environment risks are better understood through alignment of capability and complexity assessments.

Early engagement with relevant stakeholders in undertaking capability and complexity assessments, will ensure a better alignment of requirements to the capacity and capabilities of both the market and sponsor organisation. Thus, taking time to prepare and plan prior to entering a contract will be critical to successful contract delivery.

The resulting contract delivery models will need to be adaptable to managing dynamic risks, especially those posed by global supply chains, to ensure minimal disruption to contract continuity in the event of future events like the COVID-19 pandemic.

If you require any further information, please contact Gideon Kamyia-Lukoda at [gideonkamyialukoda@hka.com](mailto:gideonkamyialukoda@hka.com).