



THE

CONTRACT MANAGEMENT STANDARD™



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THE *CONTRACT MANAGEMENT STANDARD*[™]

INTRODUCTION

An *American National Standard* is a document established through the consensus-based activities of an accredited, authoritative organization. The common and repeated use of a consensus-based standard will improve productivity, increase efficiency, and reduce costs.

The *Contract Management Standard*[™] (CMS[™]) was developed through a rigorous process involving materially affected and interested parties. Conceptually, the process was based on due process, which was established through consensus, openness, lack of dominance, and a balance of interests. Specifically, the process included a job task analysis survey, expert drafting, peer review, and public comment validation.

The *Contract Management Standard*[™] defines key contract management concepts, processes, and relationships and serves as the foundation and framework for the *Contract Management Body of Knowledge* (CMBOK[®]). The CMBOK[®] expands on the information contained in the *Contract Management Standard*[™]. The CMBOK[®] is intended to advance individual competence and organizational capability by providing a more in-depth description of context, environment, and influences on contract management.

The success of buyers and sellers can be assessed not only through direct interaction (e.g., negotiations, contract performance), but also when there is no direct contact (e.g., planning). Success of one party cannot occur without the success of the other party. Successful contract management is more likely to occur when both parties have a clear understanding of all job tasks, competencies, and deliverables.

PURPOSE OF THE *CONTRACT MANAGEMENT STANDARD*[™]

The purpose of the *Contract Management Standard*[™] is to describe contract management in terms of the processes and stakeholder relationships created through the integration and interaction of job tasks and competencies, and the purposes they serve.

SCOPE OF THE *CONTRACT MANAGEMENT STANDARD*[™]

The scope of the *Contract Management Standard*[™] includes all the contract management processes and relationships required to develop solicitations, develop offers, form contracts, perform contracts, and close contracts for the furnishing of goods or services. The primary participants in this process are buyers and sellers in the practice of contract management; the standard also includes buyer and seller collaboration with stakeholders such as engineering, estimating, finance, legal, logistics, pricing, project management, requirement development, supply chain management, quality control, customers, and others.

DEFINITIONS

In the practice of contract management, the following are common terms with their basic definitions.

Contract—a legally enforceable agreement for the sale, purchase, or lease of products, goods, supplies, or services; or the construction, alteration, or repair of real property. The agreement is either an exchange of promises to act or refrain from acting in a specified way (bilateral contract) or an exchange of an act for a promise (unilateral contract, e.g., a purchase order). To be legally enforceable such agreements must satisfy the requirements of pertinent government laws, codes, and regulations; the common law of contracts; and treaties or other international agreements.

- Contracts include acquisitions, grants, leases, orders, procurements, purchases, subcontracts, and other legally enforceable agreements consistent with the above description.
- Orders may be awarded as standalone contracts themselves or as an order made against a previously awarded contract.

Contract management—the actions of a contract manager to develop solicitations, develop offers, form contracts, perform contracts, and close contracts.

Contract manager—the authorized representative or agent for a contracting party.

Contract performance—the execution of the terms of a contract.

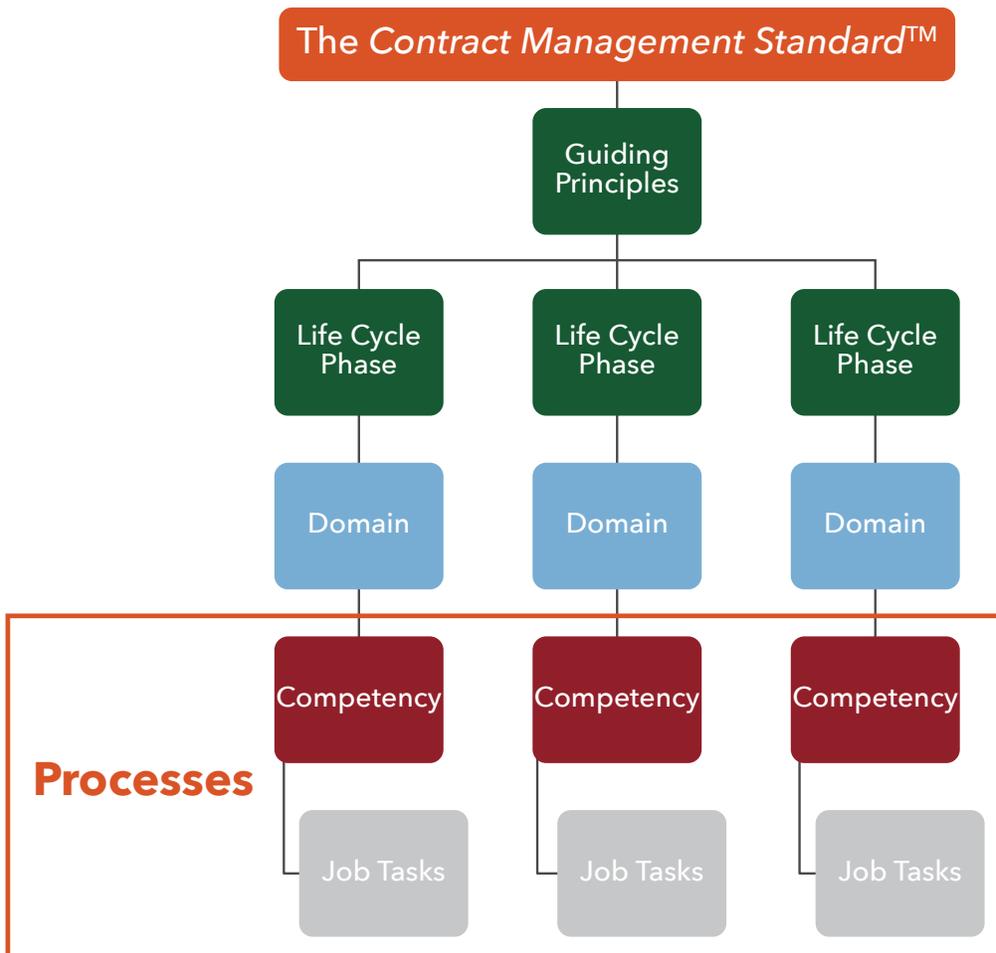
Customer—the recipient or user of goods or services delivered under a contract.

STRUCTURE OF THE *CONTRACT MANAGEMENT STANDARD*[™]

The *Contract Management Standard*[™] is comprised of five components (see **FIGURE 1**):

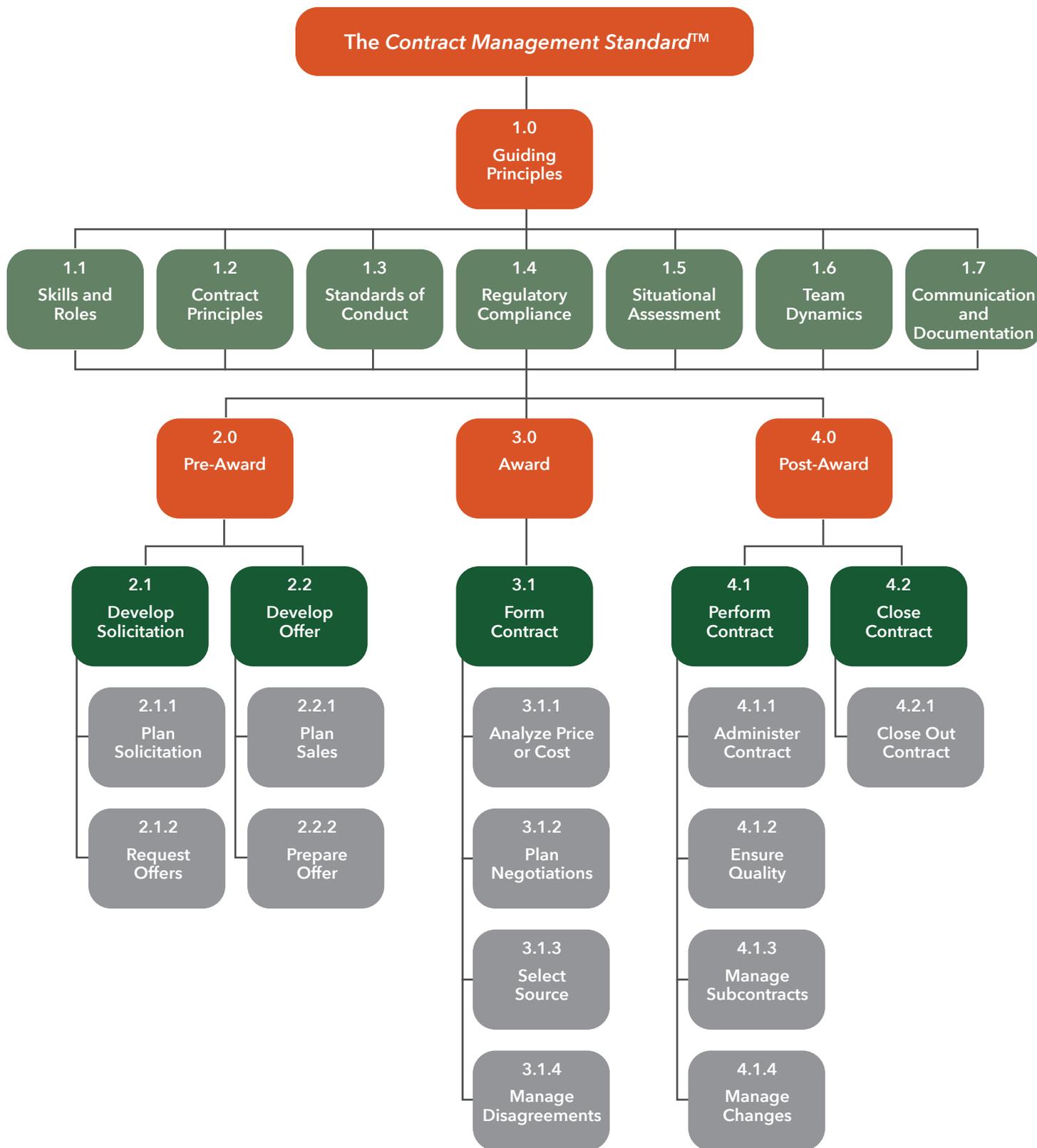
- 1 | *Guiding Principles*—These principles apply to all contract managers in all phases of the contract life cycle.
- 2 | *Contract Life Cycle Phases*—The phases of a contract: pre-award, award, and post-award.
- 3 | *Domains*—The areas within a contract life cycle phase that produce significant contract management outcomes.
- 4 | *Competencies*—The processes utilized to produce the expected contract management outcomes of the domains. These processes involve the ability to perform multiple job tasks, both simultaneously and sequentially, while achieving meaningful results.
- 5 | *Job Tasks*—The tasks performed on a routine basis by contract managers. Contract managers systematically process the job tasks to achieve the expected results of the competencies. Though the job tasks are presented as lists, contract managers are expected to skillfully process them concurrently or sequentially, as appropriate, throughout the contract life cycle.

FIGURE 1. Component Structure of The *Contract Management Standard*[™]



The *Contract Management Standard*[™] is established as presented in **FIGURE 2**.

FIGURE 2. The *Contract Management Standard*[™]



1.0 GUIDING PRINCIPLES

Guiding Principles are applicable throughout all phases of the contract life cycle in all contract management circumstances, irrespective of changes in priorities, strategies, requirements, or resources (e.g., personnel, money, equipment, time). (See **FIGURE 3.**)

FIGURE 3. The *Guiding Principles* of Contract Management



1.1 SKILLS AND ROLES

Contract management is the process of managing contracts throughout the contract life cycle while ensuring customer satisfaction. This includes the management of contract elements such as negotiations, changes, requirement interpretations, deliverables, contract terms and conditions, and risk management.

In terms of the responsibilities assigned to a contract manager, contract management has a very broad perspective. The job scope ranges from the skills of planning, organizing, and managing to the negotiating of complex contracts. Successful contract management demands:

- Leadership proficiency through the cumulative effect of competence, character, collaboration, emotional intelligence, and vision;
- Specialized management skill, acumen, and judgment in such areas as business management, change management, financial management, project management, risk management, and supply chain management; and
- Continuous, lifelong learning to advance individual competence and organizational capability.

Contract managers fall into two primary functions—the buyer and the seller.

- Buyer—the contracted party with the requirement for goods or services to be fulfilled by one or more sellers.
- Seller—the contracted party tasked with fulfilling the buyer’s requirement for goods or services.

The buyer and the seller satisfy requirements through effective management of the contract. This skill requires the contract manager to focus on the problem as stated and process the available information and knowledge to achieve an effective solution. This process is highlighted by identifying risks and facilitating the mitigation of the risks. The contract manager should strive to minimize the influence of personal biases, maximize the likelihood of a successful result, and facilitate communication among affected parties.

Successful contract managers are those who can develop and execute business strategies. To serve in this role requires higher education, professional training, and occupational experience to help guide the customer and other stakeholders through the contract life cycle phases. Contract managers must have effective analytical, problem-solving, and communication skills—and must be adaptable to a changing business environment. Contract managers must understand the regulatory environment in order to legally implement effective solutions and manage risk while satisfying contract requirements and obligations.

The size and complexity of the contract will influence the business decisions on which the contract manager needs to focus and requires effective application and management of appropriate contract management processes. While constraints may negatively impact behavior in some areas, they should encourage creative problem-solving and critical thinking skills while performing within ethical and regulatory boundaries.

1.2 CONTRACT PRINCIPLES

Contract principles are the fundamentals of contracting that all contract managers must understand and apply. Simply put, a contract results from:

- Offer,
- Acceptance,
- Consideration, and
- The intent to create a legal relationship.

For a contract to be valid, both parties must indicate that they agree to the terms. For a contract to be binding, it must be for a legal purpose and it can only be made by parties who are competent.

Contract principles fall into two major categories:

- *General contracting concepts*—These include such notions as principal and agency, types of authority, essential elements of a contract, market research, competition, fair and reasonable prices, and ethics; and
- *Terms and conditions to address specific contract matters*—These include the requirements and the rights and remedies of the parties in such areas as inspection and acceptance, title transfer, excusable delay, risk of loss, repudiation, warranties, payment terms, contract changes, and termination.

1.3 STANDARDS OF CONDUCT

Standards of conduct help to define the ethical behavior expected of all contract managers and their organizations. Standards of conduct are intended to create trust and confidence in the integrity of the contract management process. The standards require contract managers to conduct themselves in such a manner as to bring credit upon the profession. Contract managers conduct all business in good faith while:

- Making timely and reasonable decisions;
- Being transparent in making appropriate disclosures;
- Adequately protecting proprietary information; and
- Avoiding actual or apparent conflicts of interest.

This ethical behavior not only applies to collaboration with other professionals, but it also applies to the technical aspects involved throughout the contract life cycle phases. All contract managers must abide by the letter and spirit of the standards of conduct.

1.4 REGULATORY COMPLIANCE

Fundamentally, the contract management profession is about the knowledge and application of laws, codes, and regulations. Contracts are legal documents that represent an agreement between the parties whose terms and conditions are legally binding

and enforceable in courts of law and other administrative bodies. As such, it is important for contract managers to have a working knowledge of the laws, codes, regulations, and other sources of guidance that define, to a large extent, the environment in which the contract manager operates.

1.5 SITUATIONAL ASSESSMENT

Applying knowledge through lessons learned to the management of current and future contracts is a crucial ability in contract management. Successful contract managers do the following:

- Know how to capture, document, and share knowledge;
- Know how to shape and manage requirements to align with an organization's vision, mission, and strategic goals;
- Are aware of how seemingly independent contract actions impact each other now and in the future;
- Understand product and systems life cycle principles;
- Apply effective market research techniques to collect, analyze, and implement market intelligence;
- Identify opportunities for process improvement and optimization; and
- Negotiate meaningful contract terms and conditions while meeting customer needs.

1.6 TEAM DYNAMICS

The contract management team combines the functional disciplines of buyers and sellers for the common purpose of satisfying the customer need. While buyer and seller teams may work independently in the pre-award phase, the relationship becomes formal upon contract award and continues until the contract is closed. Members of the contract management team are expected to add value by performing their functions and knowing their roles throughout the contract life cycle phases.

To be successful, each member must have a working knowledge of all roles involved on the team. These roles can include, for example, engineering, estimating, finance, legal, logistics, pricing, project management, requirement development, supply chain management, quality control, customers, and others. Becoming familiar with the other roles on the team will enable each role to complement one another, and to allow for identification of gaps or overlaps in responsibilities.

The contract management team must be able to:

- Conduct meaningful collaboration in order to make accurate and timely decisions while solving complex contracting problems and forming an effective contract relationship,
- Identify opportunities for process improvement and optimization, and
- Collect and record lessons learned.

1.7 COMMUNICATION AND DOCUMENTATION

Communication between all affected parties must be exchanged and managed to maintain contract management effectiveness. Communication must:

- Minimize the effect of personal biases,
- Maximize the likelihood of accurate results, and
- Facilitate communication among affected parties.

Contract managers facilitate communication through clearly written documentation that is unambiguous and able to be understood. Where appropriate, documentation is exchanged and managed among affected parties. Documentation is often prepared and retained in contract files to support determinations made and actions taken. Examples of topics to document include, but are not limited to:

- Contracts and the planning leading to a contract;
- Gestures, conduct, and verbal exchanges;
- Rationale used in decision-making and business judgment;
- Mutually agreed-upon expectations;

- Planned and unplanned events;
- Performance issues and accountability;
- Conflict and resolutions;
- Changes and solutions;
- Risk management and mitigation;
- Contract compliance and performance quality; and
- Knowledge gained and lessons learned.

CONTRACT LIFE CYCLE PHASES

Contracts have a distinct beginning and end, and the contract life cycle defines these parameters. The contract life cycle generally consists of three contract phases:

- Pre-Award,
- Award, and
- Post-Award.

Contract management processes performed by contract managers generally fall into five domains within the three contract life cycle phases. **FIGURE 4** illustrates how the domains relate to the life cycle phases, and **FIGURE 5** illustrates the domains and their outcomes. Each contract life cycle phase and domain have specific competencies and job tasks that together are called “processes.”

FIGURE 4. Contract Life Cycle Phases with Associated Domains

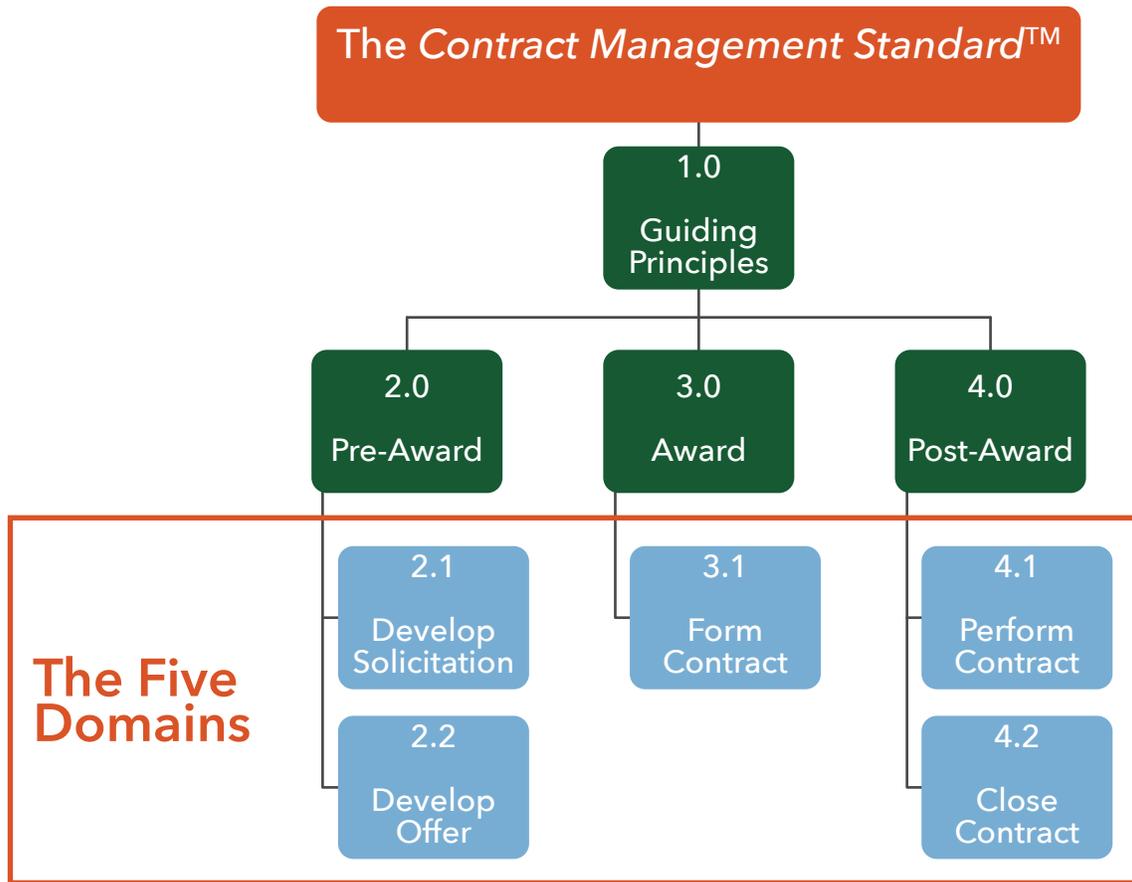
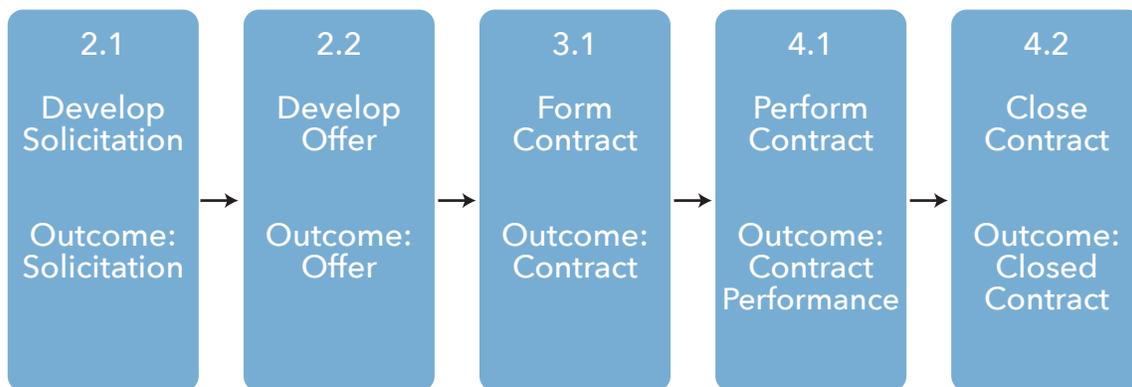


FIGURE 5. Contract Management Domains and Their Outcomes



2.0 PRE-AWARD LIFE CYCLE PHASE

Pre-Award is the first phase of the contract life cycle. The pre-award process involves the contract management functions of “contract planning” and includes the processes for buyers to produce solicitations and sellers to prepare offers.

There are two domains within the pre-award life cycle phase:

- *Develop Solicitation*—The buyer competencies for this domain are “plan solicitation” and “request offers.”
- *Develop Offer*—The seller competencies for this domain are “plan sales” and “prepare offer.”

The processes in the pre-award life cycle phase interact with each other and continuously integrate with the Guiding Principles. In addition, the pre-award processes have a direct impact on the performance and results of the award and post-award life cycle phases. The domains, competencies, and common job tasks in the pre-award life cycle phase are presented in **Figure 6** (buyer) and **Figure 7** (seller).

2.1 DEVELOP SOLICITATION

Develop Solicitation is primarily the domain of the buyer. It contains the processes of describing all the elements of the customer requirements (technical, business, regulatory, etc.) to the sellers. The value added by this domain is the accurate presentation of the customer requirement through a solicitation leading to responsive offers and resulting in successful contract performance.

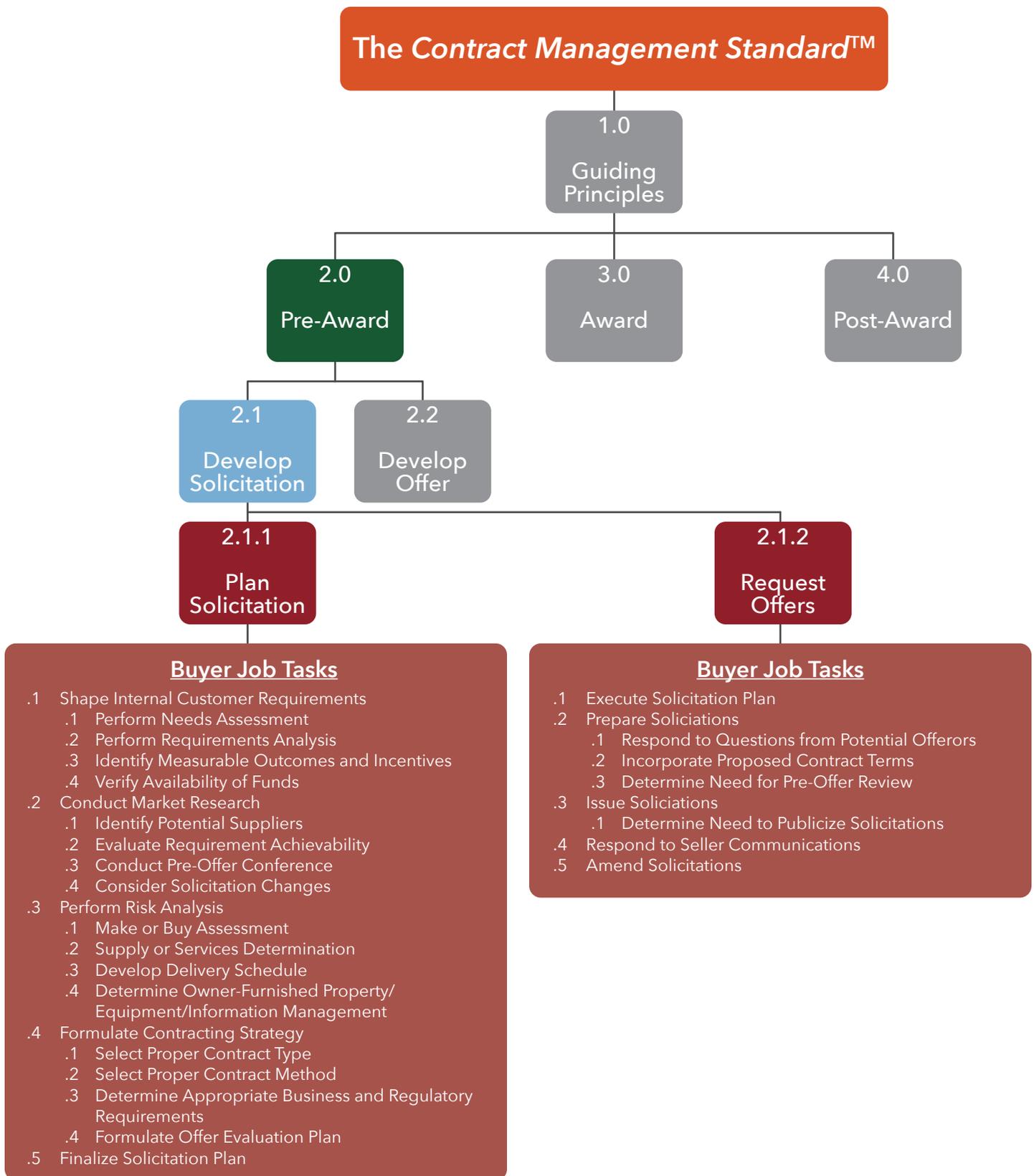
>> 2.1.1 PLAN SOLICITATION

Plan Solicitation is the process by which efforts of all personnel responsible for acquiring goods or services are coordinated and integrated through a comprehensive plan for fulfilling the customer need in a timely manner at a reasonable price. It includes developing the overall strategy for managing the acquisition.

>> 2.1.2 REQUEST OFFERS

Request Offers is the process of implementing the plan by soliciting responses from sellers in order to fulfill a customer need. It produces a clear and concise solicitation that effectively communicates all the buyer’s requirements and enables the sellers to provide comprehensive, responsive proposals.

FIGURE 6. Competencies and Common Tasks for the *Develop Solicitation* Domain



2.2 DEVELOP OFFER

Develop Offer is primarily the domain of the seller. It contains the processes of applying business practices and developing strategies to pursue and obtain contract award. The value added by this domain is in providing the buyer with a responsive offer resulting in a contract award.

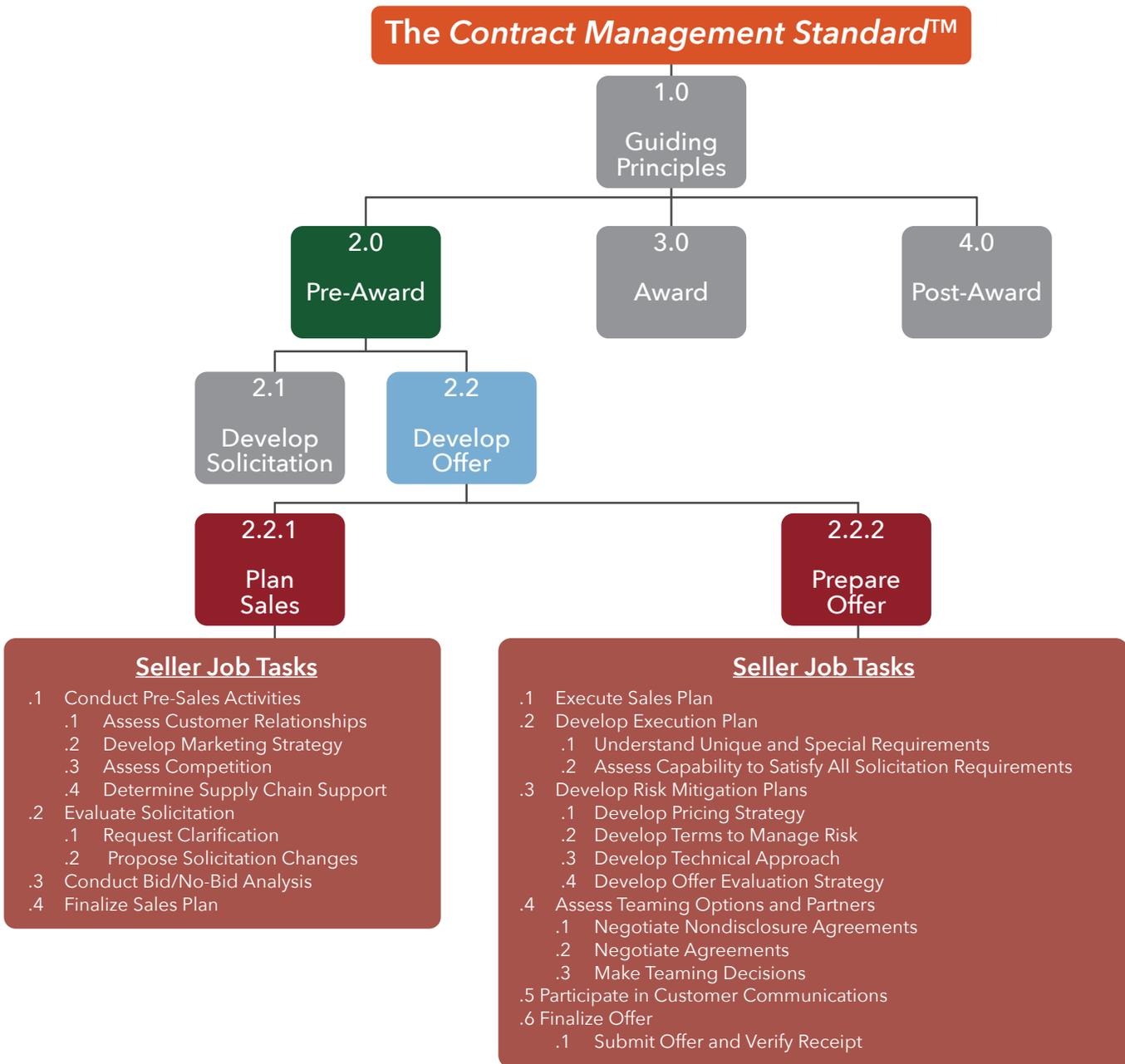
>> 2.2.1 PLAN SALES

Plan Sales is the process of understanding the customer's requirements, assessing the competition, and organizing pre-sales activities to develop market strategy.

>> 2.2.2 PREPARE OFFER

Prepare Offer is the process of executing the sales plan as it assembles an offer to win business. The skillful application of common job tasks in preparing an offer will exploit and increase organizational strengths and efficiencies in order to enhance marketplace positioning.

FIGURE 7. Competencies and Common Tasks for the *Develop Offer* Domain



3.0 AWARD LIFE CYCLE PHASE

The second contract life cycle phase is *Award*. The award process involves the contract management functions known as “contract formation” and reflects all the work performed by both the buyer and seller that produces an awarded contract. Some contracts are very simple, and others are exceedingly complex, but the majority fall somewhere in between.

The processes in the award life cycle phase interact with each other and are continuously integrated with the Guiding Principles. In addition, the results of the processes of the award life cycle phase are directly impacted by the cumulative effect of the processes and results in the pre-award life cycle phase, and they will have a direct impact on the performance and results of the processes in the post-award life cycle phase. The domain, competencies, and common job tasks in the award life cycle phase are presented in **FIGURE 8**.

There is one domain in the award phase: *Form Contract*. The processes involved in the *Form Contract* domain produce the contract.

3.1 FORM CONTRACT

Form Contract involves the process of determining reasonable cost and pricing, conducting negotiations, selecting the source, and managing disagreements.

The value added by this domain is in mitigating or eliminating contract performance risk by selecting the best source and negotiating prices and terms and conditions.

>> 3.1.1 ANALYZE PRICE OR COST

Price Analysis is the process of examining and evaluating an offeror’s proposed price without evaluation of the separate detailed cost elements and proposed profit of the offeror’s price proposal. This process involves the buyer’s ability to evaluate an offer by comparing it with indicators of reasonableness, such as historical prices paid, published prices, competitive analysis, comparative analysis, and market data.

Cost Analysis is the process of reviewing and evaluating any separate cost elements and profit or fee in an offeror’s proposal—and of the judgmental factors applied in projecting from the data to the estimated costs—to determine the degree to which the offeror’s proposed costs represent the actual cost of contract performance assuming reasonable economy and efficiency. This process involves the buyer’s ability to ascertain a fair and reasonable price and/or determine the realism of the price in preparation for contract negotiations, discussions, and for reducing risk in contract performance.

>> 3.1.2 PLAN NEGOTIATIONS

Plan Negotiations is the process of preparing for interaction between the buyer and seller regarding all aspects of the offer and its terms, and often involves clarifying requirements and parties requesting changes or consideration of an alternate approach that may be consistent with the solicitation requirements. This process involves both parties collaborating to find common ground or offer compromises among their differences in quantity, price, delivery, quality, or other factors.

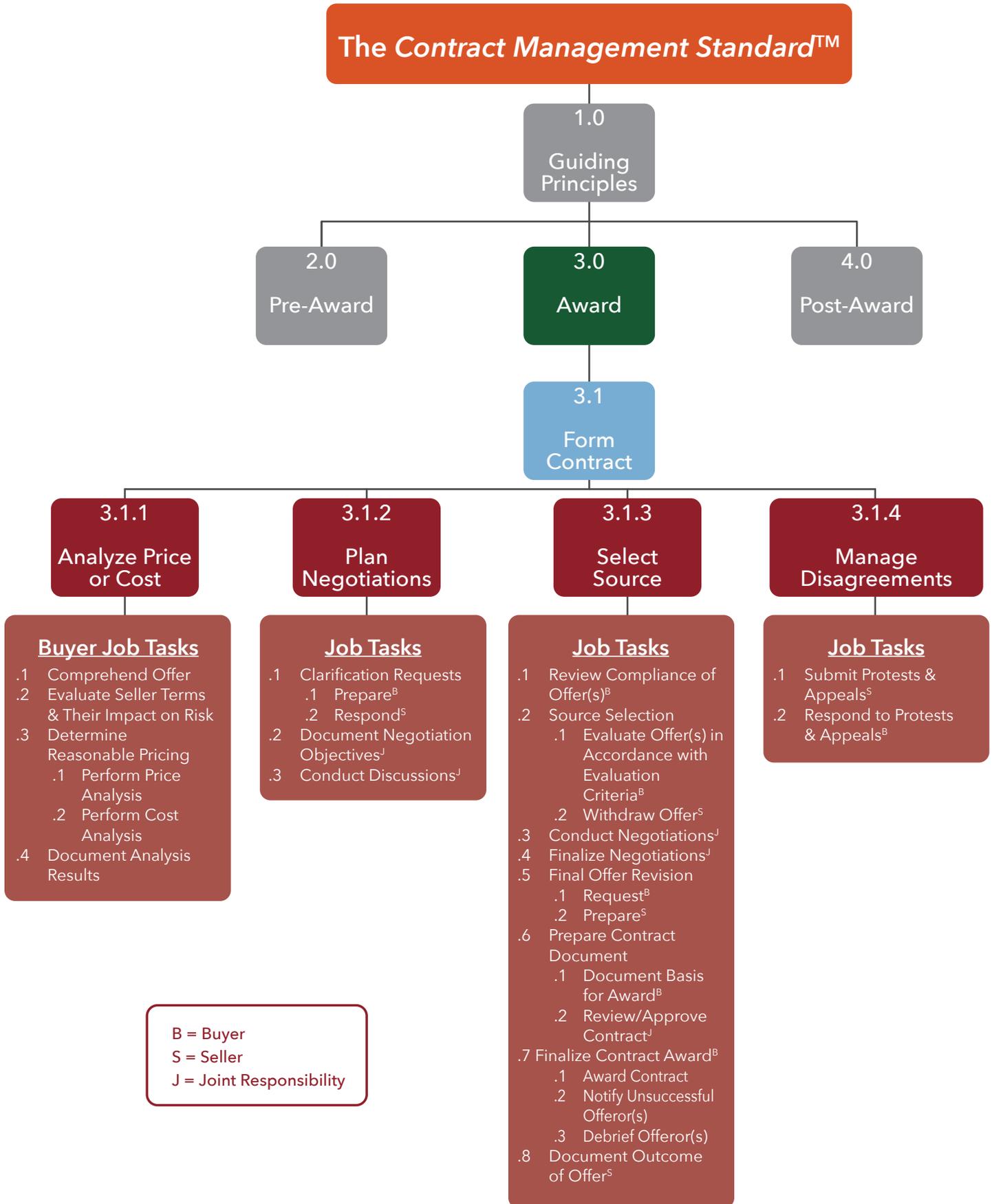
>> 3.1.3 SELECT SOURCE

Select Source is the process of analyzing submitted offers in accordance with the solicitation evaluation criteria to select the source that has the highest probability of satisfactory contract performance. This process involves mitigating buyer risk by selecting the offeror most likely to satisfactorily perform the contract and assures the seller of a consistent and fair selection process.

>> 3.1.4 MANAGE DISAGREEMENTS

Manage Disagreements is the process of resolving conflict between potential and actual contracted parties in order to maintain legal conformity. This process involves the ability to resolve issues related to the solicitation or source selection process through informal and formal means.

FIGURE 8. Competencies and Common Job Tasks for the *Form Contract* Domain



4.0 POST-AWARD LIFE CYCLE PHASE

Once the award phase is completed, the post-award contract life cycle phase begins. This involves the contract management functions known as “contract administration” and “contract closeout.” The contract administration functions will vary greatly depending on the complexity of the contract. Both the buyer and seller are actively involved in contract administration to ensure satisfactory performance and to bring the contract to a successful conclusion.

There are two domains within the post-award phase:

- *Perform Contract*—The job tasks and competencies for this domain produce the contract performance. (See **FIGURE 9**.)
- *Close Contract*—The job tasks and competency for this domain produce the closed contract. (See **FIGURE 10**.)

The post-award processes interact with each other, and they continuously integrate with the Guiding Principles. Post-award processes and results are directly impacted by the cumulative effect of the performance and results from the pre-award and award processes.

4.1 PERFORM CONTRACT

Perform Contract involves the process of executing contract requirements, managing business relationships, ensuring quality, and managing changes.

The value added by this process is in monitoring risk, assessing its impact on contract performance, and ensuring compliance with contractual terms and conditions during contract performance up to contract closeout or termination.

>> 4.1.1 ADMINISTER CONTRACT

Administer Contract is the process of establishing expectations, maintaining communication channels, processing contract documentation, conducting post-award performance reviews, and assessing contract performance.

This process involves managing risk and increasing the likelihood of satisfactory contract execution.

>> 4.1.2 ENSURE QUALITY

Ensure Quality is the process of planning for contract performance and delivery, monitoring performance, and inspecting and accepting contract deliveries.

This process involves ensuring the delivered goods or services meet the specifications, terms, and conditions of the contract.

>> 4.1.3 MANAGE SUBCONTRACTS

Manage Subcontracts is the process of planning, awarding, and managing subordinate contracts determined necessary to support and successfully execute the prime contract. The subcontracting process aligns to and is integrated with the pre-award, award, and post-award life cycle phases applicable to the prime contract.

Though managing subcontracts is in the post-award life cycle phase of a contract, the Guiding Principles, contract life cycle processes, and significant outcomes are applicable to subcontracts.

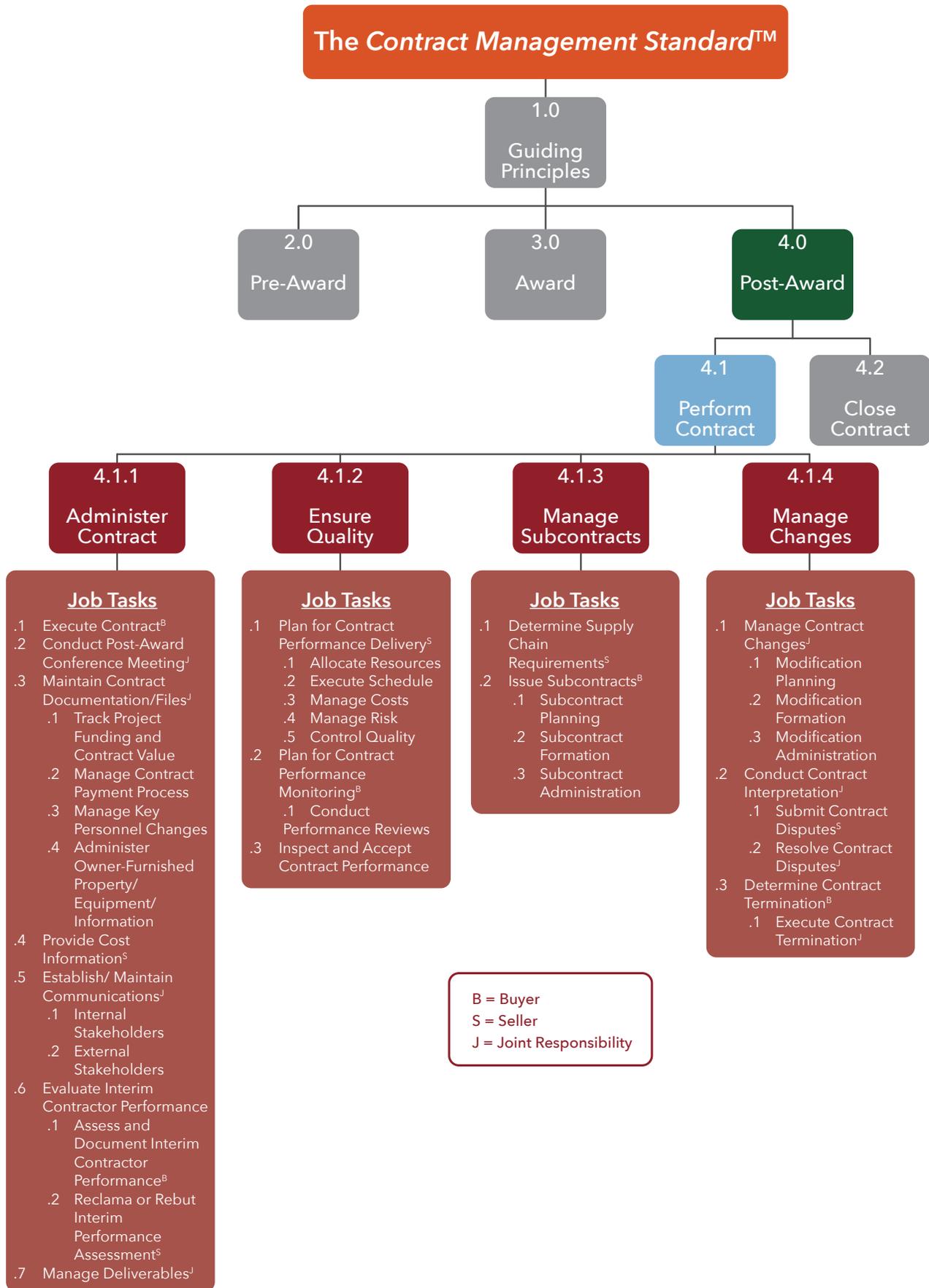
>> 4.1.4 MANAGE CHANGES

Manage Changes is the process of initiating, considering, negotiating, and issuing contract modifications; and maintaining configuration control of the contract and subsequent contract performance.

This process involves allowing flexibility in making necessary contract changes while protecting the integrity of the contract.

Though managing changes is in the post-award life cycle phase of a contract, the Guiding Principles, contract life cycle processes, and significant outcomes are applicable to contract modifications.

FIGURE 9. Competencies and Common Job Tasks for the Perform Contract Domain



4.2 CLOSE CONTRACT

The *Close Contract* domain is the domain of both the buyer and seller. It involves the process of verifying all the requirements of the contract are satisfied, settling unresolved matters, and reconciling the contract to make final payment.

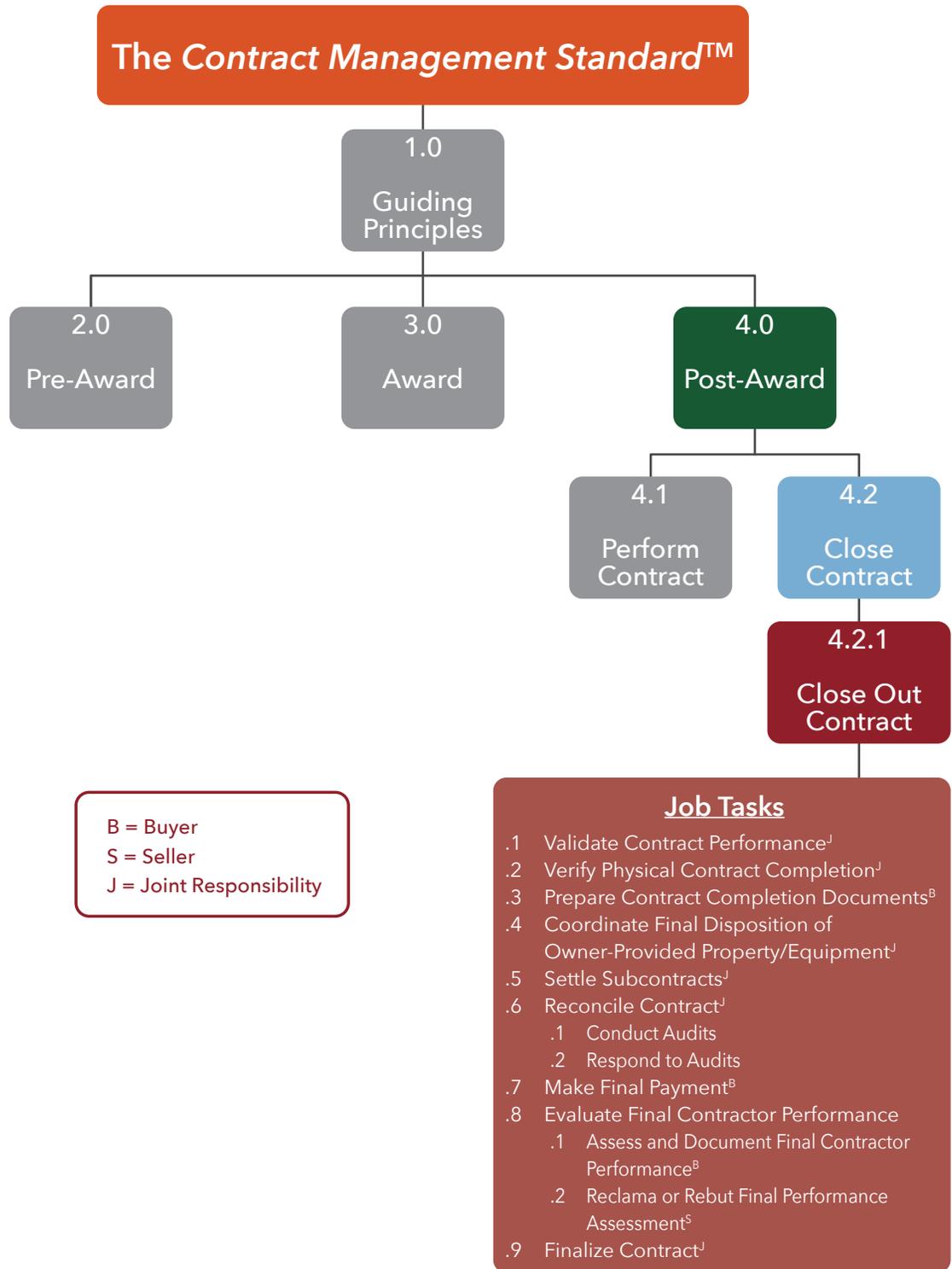
The value added by this process is in determining that the buyer and seller contract obligations have all been satisfied. (See **FIGURE 10.**)

>> 4.2.1 CLOSE OUT CONTRACT

Close Out Contract is the process of ensuring all performance has been accomplished, final contractor performance has been evaluated, final payment has been made, and the contract has been reconciled.

This process involves the completion, delivery, and acceptance of the contract requirement(s) in accordance with the terms and conditions of the contract.

FIGURE 10. Competency and Common Job Tasks for the *Close Contract* Domain



B = Buyer
 S = Seller
 J = Joint Responsibility