WHITEPAPER

RACI & SMART MODELS:

The importance of RACI & SMART models for post-contract management

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Introduction

In almost ALL cases, pre- and post-contract management will focus on negotiation and executing a scope of work or agreement in order to supply goods between two or more organisations / legal entities (or companies, if you will). However when it actually comes to delivery, how much does the "Company" /"companies" actually do? very little in fact. Often, they are simply represented by a collection of legal documents formed as an entity with a set of reference numbers and everything actually delivered comes from the people that make up these organisations. These people collectively represent the culture, capability, level of innovation, and everything really. As the old saying goes – people buy from people, and the same goes with contract management: contracts are delivered by people too! However, contracts are complex with many different variables, especially in strategic deals that tend to be rather elaborate, which is often due to the negotiation and legal wording. Therefore, it is essential to be clear on how a contract will be delivered or realised, and who will be responsible for what.

What's a RACI Model?

I have spent my entire career working either directly with or in large and small change programmes. So, over the last 20+ years, I have witnessed, and in some cases, I've been responsible for some that are good, bad and some that were downright ugly. Regardless, I was always able to learn a valuable lesson at every stage. However, if I just consider the programs that were most enjoyable to work on and the highest performing, they all seem to share some similar characteristics: they were the programmes led with a defined clarity of task that was clearly broken down to a process level and well communicated, whilst being regularly reviewed. In most cases, you could track the task back to a map of names, remits and what they represent on the programme. This was commonly referred to as programme /project Governance, which aimed to keep hygiene levels at an optimum. Within the terms of reference, project initiation document, business case, etc, is usually one of the single most useful assets: the RACI model. RACI is an acronym that stands for Responsible, Accountable, Consulted and Informed. It's a standardised way of assigning and defining who will complete a process, task or activity and who needs to help or be helped or just told about it.

Breaking down the 4 components of RACI:

R **Responsible**: a manager or team member who is directly responsible for successfully completing a project task.

A **Accountable**: the person with final authority over the successful completion of the specific task or deliverable.

C **Consulted**: someone with unique insights the team will consult.

I **Informed**: a client or executive who isn't directly involved, but you should keep up to speed.

To stay in line with recommended best practices it's suggested that there can only be a single person that is Accountable for each task; this is usually an executive of sorts. One could say that ultimately a CEO is accountable for everything, but in large organisations, this needs to be delegated to a reasonable level of authority whilst still being someone with the right level of sign-off and in keeping with the scope of the task at hand. The key takeaway from this is that just because a contract has been successfully negotiated to a point that it has been signed or approved, does not mean it is being delivered. A huge amount of work goes into winning the deal, and it is often forgotten that the true work begins post-signing, as both parties then have to deliver what was contractually agreed upon.

So how do you get back on track post-signing? A reverse engineering task needs to take place, whereby the scope that your company had envisaged gaining from the contractual agreement needs to be broken down into real work centres, towers, departments or teams. What was once a 'them' and 'us' problem in a legal sense, can very quickly become a question of who needs to deliver which task?

The Answer

There are two parts to this;

1. **Operationalise the contract** - Firstly, there needs to be an agreed RACI model outlining who or what teams will take the agreed negotiated and legal contract where all activities are mapped at a "COMPANY" level and translate all legal jargon into a set of clearly defined tasks that are time or data condition

2. **Deliver the contract** - The second part goes beyond the distilling of pages of legalese into something that is defined and can be executed against. A side point to note here is that, if you cannot get a decent set of deliverables out of a contractual document, it might just not be worth the paper that it is printed on. Ambiguous and weak contract clauses are no good for either party as there is always room for misinterpretation. As someone who worked on a trading floor at the turn of the century, ambiguity was never a good sign. Communications had to be really clear to ensure that there was no room for misunderstanding, therefore they followed an explicit and concise format, and in some types of markets, their own language was constructed (and in open cry markets they were hand signals and gestures). Clauses are much like personal objectives and should be SMART by design to ensure that there is clarity on what is being asked unfortunately this is so often not the case today with negotiation making them bland and meaningless.

Smart Objectives

Over 20 years ago when I started managing people, I was introduced to appraisals and personal development plans and was asked to set "objectives" for my team. Looking back, I wrote some awful ones and like anything you do, I got a little better with time, experience and feedback / mentoring from those that have gone before you. However, one of the biggest step changes for me was when I learned about the SMART approach. This technique improved not only the objective itself but the dialogue between the team member and myself to what made sense to us both. It was many years later when working on contractual terms and negotiations that I noticed this same approach really works well for the company-to-company objectives or obligations as well as at the individual level – but why?

Specific

In order for a goal to be effective, it needs to be specific. A specific goal answers questions like:

1. What needs to be accomplished?
2. Who's responsible for it?
3. What steps need to be taken to achieve it?
4. By when or under what conditions and with who

Thinking through these questions helps get to the heart of what you're aiming for.

Example: *The customer will help grow the number of monthly users of the app*

Measurable

Specificity is a solid start, but quantifying your goals (that is, making sure they're measurable) makes it easier to track progress and know when you've reached the finish. To make this SMART objective even more impactful, it should incorporate measurable and trackable benchmarks. The objective should also cover the tools that will be used to track it and how it will be tracked.

Example: *The customer will help grow the number of monthly users of the app by over 1000 users per month optimizing and onboarding their core processes defined in appendix A at the rate of a process per 12 weeks up to a minimum of 8 processes.*

Achievable

This is the point in the process when you give yourself a serious reality check. Goals should be realistic — not pedestals from which you inevitably tumble. Ask yourself: is the objective something your team can reasonably accomplish with the resources allocated to the contract? This will require those who have operational responsibilities to have reviewed the clause before being incorporated in the contract or it should be a standard clause that has been revised and agreed upon as part of the standard products and services the supplier provides.

Example:

1. *Safeguarding the achievability of your goal is much easier when you're the one setting it. However, that's not always the case. When goals are handed down from elsewhere such as sales or legal, make sure to communicate any restraints you may be working under. Even if you can't shift the end goal, at least you can make your position (and any potential roadblocks) known up-front.*
2. *This doesn't affect the contractual objective wording so much but it really needs to be checked with those that are responsible for delivery, that all other elements Specific, Measureable, relevant and time-bound are possible*

Relevant

Here's where you need to think about the big picture. Why are you setting the goal that you're setting, will it contribute to the required outcomes desired from the engagement, or is it just the cost of doing business and maintaining compliance, such as anti-slavery acts? The outcome in this example is to digitise and scale processes across many users consistently. To do this, usage of any app needs to increase at both user and process levels

Example: *The customer will help grow the number of monthly users of the app by over 1000 users per month, optimizing and onboarding their core processes defined in appendix A to ensure adoption of the application and growth in line with the business case as outlined.*

Time-bound

To properly measure success, you and your team need to be on the same page about when a goal has been reached. What's your timeline? When will the team start creating and implementing the tasks they've identified? When will they finish? SMART goals should have time-related parameters built in, so everybody knows how to stay on track within a designated time frame. A goal is only complete once a timeline has been incorporated.

Example: *The customer will help grow the number of monthly users of the app by over*

1000 users per month during the life of the contract, optimizing and onboarding their core processes defined in appendix A to ensure adoption of the application grows in line with the business case as outlined. The process will be adopted at the rate of a process per 12 weeks up to a minimum of 8 processes.

If you use or consider SMART or something similar when creating or reviewing contract obligations there is a much better chance those that hit most of the criteria will be easier to define, track and ultimately set a scope against drastically increasing the chance it will result in a successful delivery.

Are non-specific clauses an issue?

Yes! is the shortest answer. The problem with clauses that are not specific enough is that there is no solid footing for extracting the deliverable scope. Therefore, nothing is acted upon, or worse, one reader to the next interprets it in a very different way and creates a very different scope in their mind. if you have the guess and what is being inferred it's a badly written clause period, and therefore badly written clauses will increase the risk that the expected benefits for both organisations will fail to be delivered or the expected outcome recognised.

We have actually been set this test by prospects a number of times, wherein in each circumstance, they gave us a contract that was considered "poor" and in one case had a manual review conducted by an external party who concluded it was poorly defined. Of course, we were not aware of this at the time and processed it, extracting some discernible scope where we could, but we had to provide feedback whilst obviously not wanting to insult prospective customers. We stated that the clauses were somewhat suboptimal and that it was hard to determine what was being asked for (scope) and committed to (obligation/deliverable). This was the challenge that we were unknowingly set and we essentially passed, solely because we applied digitally SMART and RACI logic to every clause we reviewed. The prospect also told us that this contract had caused them significant problems, loss of revenue, increased operational costs and delays in delivery – which was no surprise!

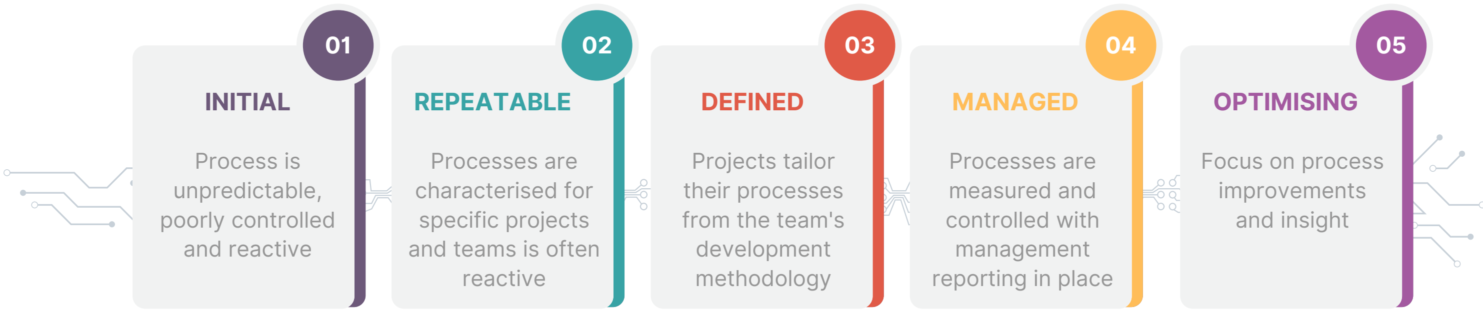
Deliverable by design

It is imperative that post-contract processes are clearly defined and make use of a RACI model or something similar to ensure that there is alignment between the pre and post-contract states and that any transition stage between the two is well understood and documented. This principle should be overlayed with the pre-contract processes so as to remain focused and measured on ensuring that the output/outcome of the stage provides high-quality, clearly written contracts backed up by tangible products, services and frameworks. You will then find the end result being a high-performing and highly deliverable contractual agreement.

High performing and Highly deliverable

It should be easy for everyone to universally accept that we all want our commercial agreements and subsequent inlife activity to be high performing and highly deliverable, i.e. the outcome will be recognised in an efficient and effective manner. So, how would one attempt to score this on a scale to rate both the maturity of the process and quality of contracts to measure and essentially tell how likely the outcome would be a good one?

Starting with the high performance, there

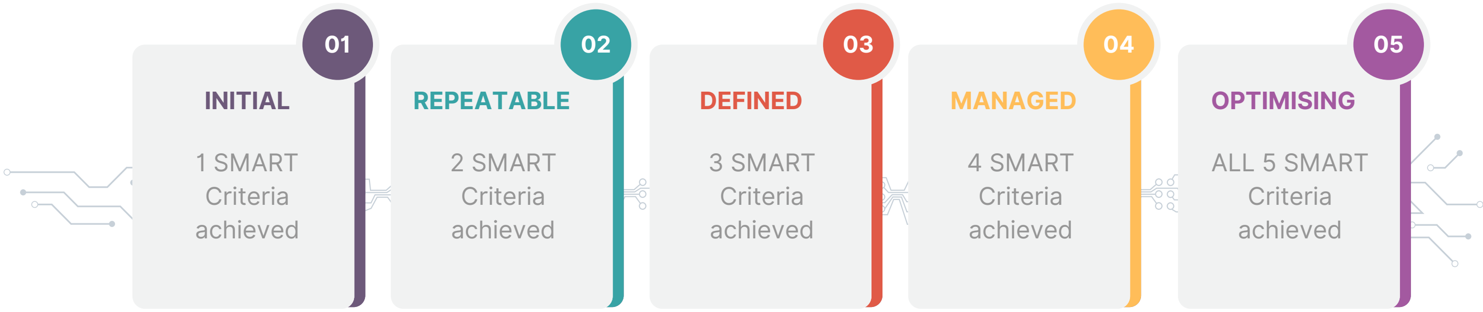


CMMI model showing stages of process or organisational maturity
Source: Brooklyn Vendor Assurance, 2022

needs to be a very capable function or set of functions that operate clearly defined as well as well-communicated processes, which are akin to an operating model. There are numerous ways of determining performance, such as scoring an organisation based on how well defined and repeatable and scalable their processes would be, like methods seen in CMMI models or our very own VendorOps model (look out for our example in previous whitepapers) as this is the first axis to consider in our two-axis equation.

The secondary axis, highly deliverable in this case, would be scoring how well defined the contractual instructions are that cover what is being delivered and when. This has to be contractual instructions that cover what is being delivered and when. This has to be done at the individual clause/obligation level and averaged out across the contract. Similar to CMMI, one could use 5 step model such as how many of the SMART criteria it hits for each obligation averaged out for all of them that are in the contract to provide a score at the schedule or contract or even supplier level.

Level 1 - 1 criterion met
Level 2 - 2 criteria met
Level 3 - 3 criteria met
Level 4 - 4 criteria met
Level 5 - All five criteria met



Using the CMMI model to score contractual clause maturity
Source: Brooklyn Vendor Assurance, 2022

In the example shown below, one axis and scale work in conjunction with the other axis to provide four clear groups where we can overlay expected outcomes and recommended activity to improve the chance of success and thus the value perceived in the initial business case. The optimal situation is one where there is a fully defined capable team or set of teams where there is a high level of maturity against repeated delivery of the scope of products and services as outlined in the contract, combined with a contract that scores a high average when the obligations are scored using SMART.

1 High-performing team & highly deliverable contract

This is the optimal situation where you have a very capable function and a contract that is well defined and within the capabilities of the delivery organisation. In this case, it should just be a matter of applying standard governance practices in order to receive a positive and predictable outcome as outlined in the contract.

2 High-performing team & poorly defined contract

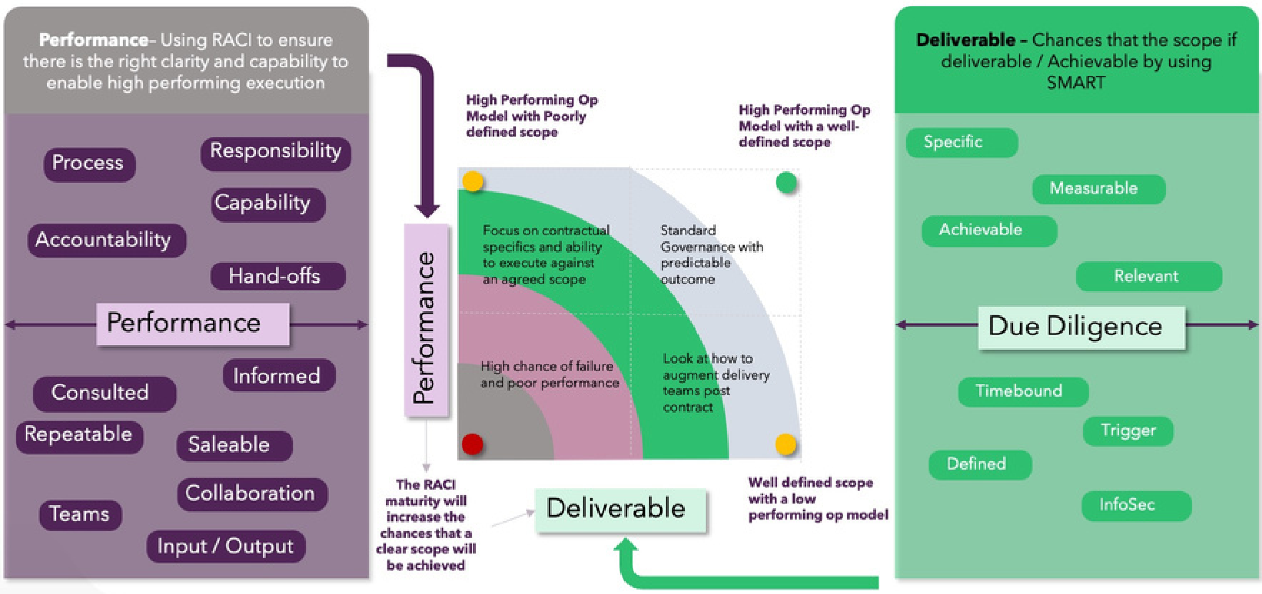
In this situation, the delivery team should work to focus on establishing a strong relationship with the supplier/customer and look to resolve any ambiguity within the contract ahead of time before it becomes an issue using its expertise and high-performing ethos to resolve and improve any contractual ambiguity.

3 Low performing team & highly deliverable contract

In this case, it may be necessary to augment the delivery teams post contract signature bringing in help to support the scope of the contracted services and or products. Again in this situation focus on getting a strong working relationship with the customer/supplier who may be able tohelp with this augmented delivery team. I know of countless examples where we have put resources into a customer team to help deliver in the spirit of an ongoing partnership.

4 Low performing team and poorly defined contract

Finally, this one is the worse situation you can be in and if this happened there is a lot of ground to t makeup, in some cases, it may prove to be too much ground if it's a complex service and or product and some serious questions need to be asked of the sales, procurement and the business on how you are got here in the first place. However, to be able to address a deal that drops in this space the activity, or rescue plan might be a better term, would be to combine 2 and 3 above and hope there is enough goodwill and margin in the deal and business case to allow the time to correct the situation. If you repeatedly find deals in this group consider building ramp-up time in to allow for completion of steps 2 and 3 whilst you implement all other things recommended here regarding RACI, Maturity Assessments (CMMI) and use of SMART methodologies.



Combining both process/team and contract clause maturity to show what actions needs to be taken to increase the chances of success and to recognise the perceived value

Source: Brooklyn Vendor Assurance, 2022

Summary

In summary, whichever way you look at it, wouldn't you much rather be in a position where there is a very capable team or organisation that has had to deliver the very same thing multiple times before with clearly documented responsibilities and accountabilities? Couple this with the right capabilities and extensive experience in delivering the same or similar thing over and over and then by aligning the scope to exactly what the teams deliver with the contractual document. This is why the contractual document just becomes a vehicle to carry the buyers intend to purchase through a signature, and it is no longer as crucial for the teams to understand the scope of what needs to be covered as that's already been defined at an operating construct level and defined by the products and service that the company offers. Implementing SMART criteria introduces a level of commoditised repeatability, leading to improved performance and better outcomes.

Get in touch

If you would like to know more about Inherent Risk, Risk in general or Post-contract Customer-Supplier Management, please get involved through the comments or just like, share and subscribe via the details included to ensure that you don't miss out on any future content.

To speak to someone from the Brooklyn team about the solutions that we offer, **Request a demo**, or get in touch:

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