



Fostering Contract Excellence to Enhance Strategic Partnerships with Third-Party Manufacturers

In an increasingly complex and globalized world, expanding supply chains face challenges in effectively managing buyer-supplier relationships. Strategic partnerships with suppliers and third-party manufacturers warrant relationships to be made effective through win-win contracts.

Progility helped one of its clients, a renowned steel tube manufacturer in India, institute best-in-class contracts with their third-party manufacturers that mitigated open risks, brought about clarity in enforcing performance expectations, and improved relationships

Progility's Contract Excellence Approach

Progility utilized its three-step Contract Excellence approach

Step 1: Review existing contractual clauses against best-in-class

Step 2: Gap assessment, and determine the need for change

Step 3: Institute best-in-class contract elements

Key Challenges Progility addressed



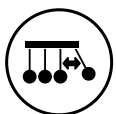
Uncovered Risks in Contracts

The comprehensive contract examination revealed multiple operational, reputational, and environmental risks overlooked in the initial agreements. Clauses were carefully crafted to efficiently mitigate these uncovered risks



Non-equitable relationships

Contracts provided sufficient protection for the employer in different scenarios but lacked certain assurances for third parties. Progility cultivated a relationship equity that was highly valued by both parties



Lack of consequence management

The repercussions for specific breaches by the third party were uncertain, and enforcing penalties was impractical. Progility introduced a progressively escalating mechanism for addressing violations, with practical consequences of varying severity, serving as a more effective deterrent



Inadequate Contract governance

There was no formal procedure for reviewing contractual adherence; discussions on nuances occurred prior to renewals every three years. Progility implemented a contract governance process that evaluates the compliance of both parties with all contractual clauses every six months. This also serves as a platform for addressing any contract nuances



Progility Contract Excellence

83

point checklist for contract assessment

12

Risks identified and mitigated through contractual clauses

5

third-party manufacturers covered under Contracts assessment with annual transaction value of

Rs. 3,500 Cr. +