



Contract
Harmonics

RELATIONAL IMPACT REPORT



ABOUT THIS REPORT

This report profiles the relationship qualities within the agreement.

The Relational Impact Profile, an infographic derived from the contract, its performance and the assessments undertaken by key personnel with influential roles.

Inspired by the relational contract model, the Relational Contract Profile's six norms describe the quality of the relationship, allowing you to gauge the quality of trust, and highlight areas of opportunity for improvement.

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Relational Impact Observations

Relational analysis

The Buyer is happier with the relationship they have with the Supplier; however, the Supplier is not as happy with their relationship with the buyer.

The relational gap is 23.6% The exception to the trend is the Supplier feels that the Buyer doesn't see them as equals in the relationship. This is 26 % above the average.

Relational Index

The commercial relationship is in the midpoint on the Transitional-Relational spectrum. 14% below the service average. This is 15% below the average.

Comparisons

The Buyer is rated as on the lower end of the average range. The Supplier is rated as on the lower end of the average range.

The combined relationship of Buyer and Supplier groups is rated as low average. The exception to this is that the Supplier is perceived to be highly committed to the relationship. This is 18% above the average.

Refer to SWOT analysis for further insights and opportunities for improvement.

Trust analysis

The commercial relationship's Trust level is at the upper point of the moderate range. The Buyer trusts the Supplier moderately more than the Supplier trusts the Buyer.

Core and Dynamic Trust

Both parties are in the average Trust range. The Supplier Commitment and Harmony relational norms support a higher level of Dynamic trust. This is 17% above the average.

Trust base

The commercial relationship is positioned at the low end of the Collaboratives Trust. Strong commitment by Supplier has influenced this result.

Key metrics analysis

The key metrics are in the average range, however there are improvement opportunities to reduce operational friction. Average for service is 3.2%

Amount of potential friction is in the average range. Cost to manage is above the average.

Relational Harmony is in the High range. This is 21% above the average.

SWOT Analysis

Strengths

1. Collaborative trust base- Monitor and maintain.
2. Elite Commitment level from Supplier.
3. High relational Harmony between parties.

Weaknesses

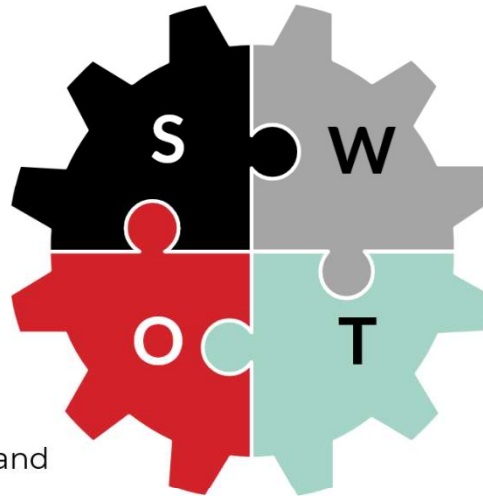
1. Buyer-Supplier relationship is 15% below average.
2. Supplier's perceived trust of Buyer is 12% lower than industry average.
3. Supplier not seen as equals by Buyer personnel

Opportunities

1. Relational index is 54%, and 15% below average.
2. Potential Friction level is 6.3% of contract value and 3.2% above average for service category.
3. Potential management cost reduction of \$36,800 from friction reduction.

Threats

1. Relational gap between Buyer and Supplier is significant and 26% above average.
2. High Trust gap between Buyer and Supplier.
3. Trust imbalance. Buyer trusts Supplier significantly more.



INTRODUCING THE SIX RELATIONAL NORMS



Integrity

Being honest and displaying consistent and uncompromised adherence to principles and values. Team members do what they say! It's about ensuring that interactions line up with stated intentions or at the least, reducing the difference between what the communicated intentions are, and the actions. Perceived as performing with uprightness to the terms and spirit of the commercial agreement.



Solidarity

United with common shared goals and objectives to strive for. The parties are one, therefore a party's success benefits the other. Organisations share risk and rewards, as well as share the pains and gains. Standing side by side as one unit in the face of adversity. Parties act in good faith, with mutual trust and goodwill, understanding that success is tied to each other. Loyalty, cooperation. Talk first, look at contract last. The quality of solidarity and reciprocity is a powerful motivator for driving, developing, and maintaining a sustainable commercial partnership.



Equality

Each party's interests and requirements are valued and met to a practical level as opposed to just one party's needs overshadowing the relationship. Fairness. Balance of power between parties or at least, where one party has more power whether it be economic, political, or legal, they restrain its use. Mutuality. Organisations see each other at the same level, where any issues or problems are resolved jointly with a collaborative, transparent, respectful approach.



Commitment

Appropriate efforts for required outcomes are committed to the deal. Party's conduct themselves and their interactions with professionalism, and with care and consideration. Contribution of appropriate quality and quantity of resources to the agreement including skills, maturity, capability, experience, personnel, processes, and systems.



Agility

Having a fluid agreement that is easily revisable to adapt to dynamic requirements of the partnership. The parties display qualities of flexibility to accommodate changing market, business, or counterparty requirements. Embracing a philosophy and approach of continuous improvement with regular reviews and adjustments, regular alignment of contract objectives with: KPIs, scope, deliverables. governing contract schedules, resources, personnel, etc.



Harmony

Relational Harmony helps synchronize the key elements for a good commercial relationship. It helps overcome friction caused by misalignment of goals and approaches used by the parties to an agreement. Personnel get along well and work as a cohesive, collaborative group. With similarly aligned values and beliefs, not only individually, but also as an organisational unit. The composition and quality of team chemistry is generally complimentary and supportive of a unified goal. Good communication is embraced and practiced for both operational and strategic.



RELATONAL IMPACT PROFILE

The Relational Impact Profile compares the relational qualities of the Buyer and Supplier groups. The data can be used for insights to improve commercial relationships and respective level of trust.

RELATIONAL IMPACT METRICS

These metrics assist you to understand and interpret the Relational qualities of the deal. For each key relational metric, the industry average is provided for benchmark and comparative purposes. The industry benchmark is updated regularly.



Informatic Telecoms



Knightsbridge FM Services



Exhibition facilities management

Rental, Hiring and Real Estate Services

Buyer group profile



Buyer Personnel

| | | |
|--|------------|---|
| Tom Williams tom@company.com | Executive | ⋮ |
| Gustavo Workman gustavo@company.com | Executive | ⋮ |
| Skylar Vaccaro skylar@company.com | Management | ⋮ |
| James Kenter james@company.com | Lead | ⋮ |

Supplier group profile



Supplier Personnel

| | | |
|--|------------|---|
| Tom Williams tom@company.com | Executive | ⋮ |
| Gustavo Workman gustavo@company.com | Executive | ⋮ |
| Skylar Vaccaro skylar@company.com | Management | ⋮ |
| James Kenter james@company.com | Lead | ⋮ |

Relational Impact Profile



Relational Impact Metrics

Reporting period: Nov 2023





RELATIONAL NORM INTENSITY LEVELS

There are four levels of relational norm intensities.



Low (0-50%)

Inferior relational norm. Improve or risk significant relationship compromise.

Average (51-75%)

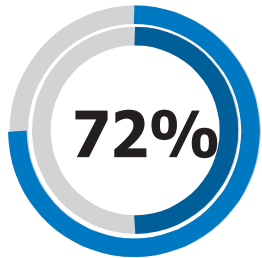
Generally normalised and tolerated. Seek to improve sooner rather than later or risk further degradation.

High (76-90%)

Healthy with manageable negative effects. Look for opportunities to improve.

Elite (91%+)

Relational norm at its best. Has positive effect on supporting other norms as well as overall relationship performance. Monitor and maintain.



TRUST

This gauges the level of trust in the commercial relationship.

Low (0-50%)

Relationship distrust is endemic. Likely to be toxic. Requires major surgery.

Average (51-75%)

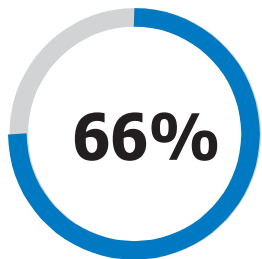
Some trust but could deteriorate. Invest in relationship before it becomes toxic.

High (76-89%)

Most commercial relationships sit within this range. Look for opportunities for improvement

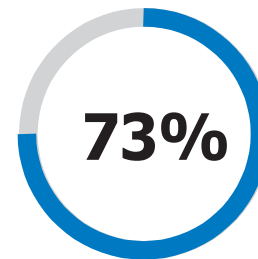
Elite (90%+)

This is where magic happens. Environment is right for maximum performance. Monitor and maintain.



CORE TRUST

Core trust is defined by the integrity, solidarity and equality qualities of the relationship. These qualities are built over time and don't vary too much over the contract term.



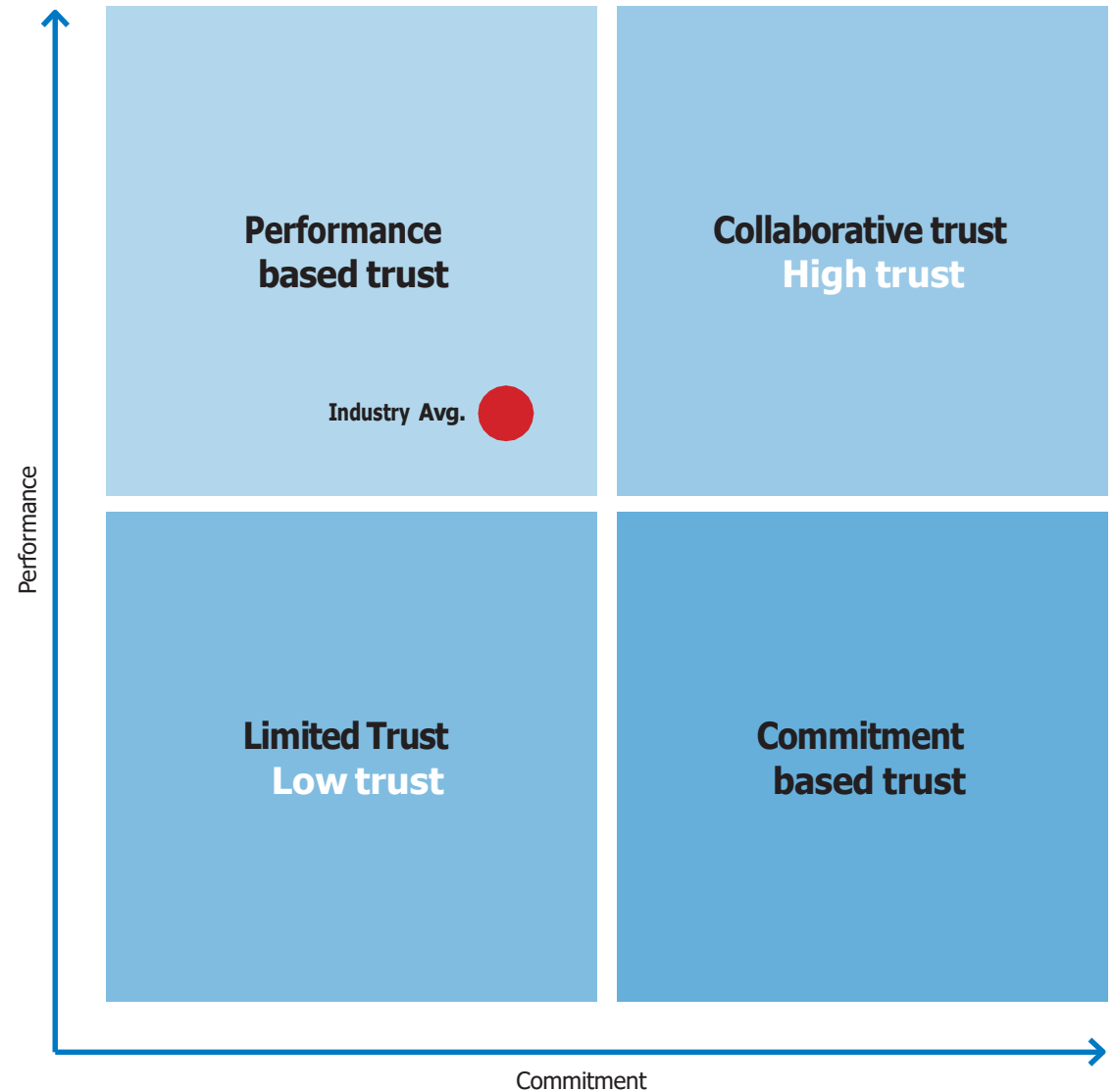
DYNAMIC TRUST

Dynamic trust is defined by the commitment, agility and harmony qualities of the relationship. These are more fluid than the core trust qualities and often change and react to external forces and changes in the commercial environment.



TRUST BASE IN THIS RELATIONSHIP.

We evaluate the nature of trust by comparing capabilities of performance and commitment in your commercial relationship. Performance is looking at the outcomes, while commitment gauges the intensity of effort and level of resources invested into the ongoing relationship.





INTRODUCING THE FOUR TRUST BASES

Collaborative

Commitment

Performance

Limited

COLLABORATIVE TRUST

High performance and High commitment

The holy grail of long-term strategic partnerships. It's where performance is high, as is the strength of the commercial relationship. Fundamentally, performance and commitment support each other to maintain high levels of trust. This reduces contract friction that in turn improves efficiency and boosts performance. Collaborative trust base is hard to achieve and even harder to maintain. However, for achieving success in high value, complex, strategic long term commercial relationships, it's crucial.

COMMITMENT BASED TRUST

Low performance and High commitment

The parties focus predominantly on having strong strategic relationships and are there for the long haul. High performance is implied, but not necessarily focused upon. Unfortunately, commitment can only support the relationship for so long before lack of performance starts undermining trust. Commitment based trust is a great starting point for a commercial relationship, however it's important to quickly start delivering on performance commitments before the relationships end up in the Limited trust quadrant.

PERFORMANCE BASED TRUST

High performance and Low commitment

The commercial relationship is one where the parties are achieving strong transactional performance in the commercial agreement but are reluctant to commit attention or resources to a long-term partnership. Strong performance paves the way to higher trust, but ascension does not occur. This is an appropriate and cost-effective quadrant for highly transactional and commoditised commercial agreements, where the investment to achieve quality trust and relationships far outweighs the benefits.

LIMITED TRUST

Low performance and Low commitment

When a commercial relationship has low commitment and performance, its trust base is low and limited. The parties are perceived to not deliver on their promises, are viewed with suspicion, and are seen as opportunistic in their business dealings.

For simple transactional agreements this may be satisfactory, however for more complex, higher value, longer term, and strategic relationships, it's imperative to transform the relationship out of this quadrant to improve the relationship.

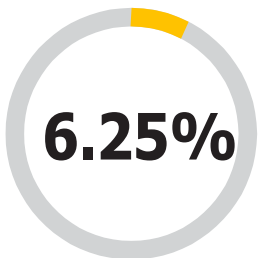


BUILDING TRUST

The best approach to build trust is to identify areas of weakness in the relational profile, using the Relational Contract Profile as a starting point. Identify the relational norms that are compromising trust and focus on their improvement.

TRUST BASE

Commercial relationships should strive for Collaborative Trust as its very nature is one that boosts relationship quality and maximises commercial results. Very rarely is this strong in commercial relationships, however the report's evaluation offers a starting point and direction to achieve this highly sought-after trust base.

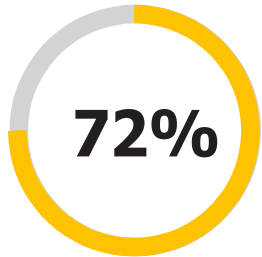


FRICITION

This metric gauges the potential friction within the contract.

Friction makes contracts less efficient and it's effect can be seen in higher contract management expenditure. Contract management expenditure is shown as percentage of the contract value.

The friction figure in industry ranges from 1.5%-16%, depending on complexity, value and external market forces.



HARMONY

The amount of relational harmony between the parties managing the commercial relationship. The higher the more aligned values and management approach.

Low (0-49%)

Significant misalignment of values within team. Toxic environment. Fix or fail.

Average (50-75%)

Differences normalised. Compromises relationship over time. Invest to improve.

High (76-89%)

Many successful relationships in range. Consider opportunities for improvement.

Elite (90%+)

Relationship values are aligned, with parties to the agreement focused on common goals. Monitor and maintain.



RELATIONAL INDEX

This indicates where the commercial relationship lies on the Transactional - Relational spectrum.

Less than 50%

More Transactional than Relational

Greater than 50%

More Relational than Transactional

The more extreme the index value, the more intense are the Transactional or Relational qualities present in the commercial relationship.

DEFINITIONS

Buyer

The organisation or entity identified in a contract as the party to receive commodities or contractual services pursuant to a contract or other contractual instrument from the Supplier under the Contract. Average (50-75%) Differences normalised. Compromises relationship over time. Invest to improve.

Supplier

The organisation or entity identified in a contract as the party whose tender is accepted by the Buyer and identified in the contract as the party to provide commodities or contractual services pursuant to a contract or other contractual instrument to the Buyer under the Contract.

Enabler

Organisation involved in improving or adding value to contracts and other commercial agreements. Generally, consultants, capability developers, trainers etc, that are engaged by Buyer and Suppliers.

Personnel

Buyer and Supplier staff with a leadership or management role, assigned to the commercial agreement.

Personnel roles

Group personnel names and role in contract (Executive, Manager, Lead). For example, account managers are classified as Executive, contract managers are classified as Management and senior engineers are classified as Lead.

Relational Impact Profile

An infographic that represents the Buyer and/ or Supplier contract team Relational Contracting qualities

Group Relational Impact Profile

An infographic that represents a single organisation's relational qualities whether it be the Buyer or Supplier contract team.

TRUST LEVELS

LOW (Less than 50%)

Relationship distrust is endemic. Significant levels of friction present. Probably seen as toxic. Major surgery required.

MODERATE (51-75%)

Some relationship trust, however the parties generally conduct themselves carefully and not always taking the counterparty representations as gospel. Could easily deteriorate. Invest in relationship before it becomes toxic.

AVERAGE (76-89%)

Most commercial deals and relationships sit within this range. Look for opportunities for improvement.

HIGH (90% +)

This is where the magic happens. Where high trust becomes an agent for improved efficiency and performance. Monitor and maintain.

OUR SERVICES

TRAINING

We run training programs that help organisations and practitioners develop understanding and proficiency in relational contracting. Our training courses can be tailored to meet your needs and presented either in-person or online, depending on the scale and nature of training required.

Contact us

service@contract-harmonics.com

RELATIONAL ASSESSMENTS

We will liaise with you to ensure everything is done perfectly, from gathering contract performance data to organising assessments for contract personnel. We will also provide relational contract profile reports that include a SWOT analysis from our experienced relational contracting experts.

TRANSFORMATION

We help organisations adopt relational contracting practices. We use a collaborative workshop approach to assess, plan, prepare and implement the adoption of relational contracting practices into existing and future projects and agreements.