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ACQUISITION AND PROGRAM MANAGEMENT

SUPPLIER RELATIONSHIP MANAGEMENT & BASIC AGREEMENTS

Your Readiness Checklist

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EFFICIENCY TOOL



INCREASE SAVINGS

Federal program managers and procurement officials need ways to increase efficiency without sacrificing quality or performance. A Basic Agreement can generate savings by improving Supplier Relationship Management (SRM). Use our checklists to find out whether you're ready.

SRM Readiness Quiz

Federal activities seeking to implement effective SRM require a significant level of supplier information and a favorable business culture. Assess your SRM Readiness: ¹

1. My organization views our vendors as partners in our success.	Y	N
2. My leaders communicate with critical vendors regularly.	Y	N
3. My organization treats all suppliers fairly.	Y	N
4. Personnel in my organization view vendors as a source of support rather than a source of problems.	Y	N
5. My organization prefers to work with current vendors to improve performance rather than find new suppliers.	Y	N
6. My organization has reviewed its spend carefully. We know who our primary suppliers are.	Y	N
7. My organization knows who our critical suppliers are, and which suppliers are non-critical.	Y	N
8. My organization's program, procurement and financial databases can effectively report on spend by NACIS, PSC, Vendor, and Program.	Y	N
9. My organization has established metrics that can be tied to vendor performance.	Y	N
10. My organization's performance goals and successes are significantly impacted by the success and performance of our vendors.	Y	N
11. My organization supports procurement and program strategies that reward vendor innovation and value.	Y	N
12. My organization communicates with its vendors regularly, providing acquisition forecasts and vendor forums to solicit feedback.	Y	N
13. My organization has an established vendor communication plan that reflects the OFPP Myth Busting philosophy.	Y	N
14. My organization trusts its vendors. Our suppliers keep their contractual commitments.	Y	N
15. When performance problems are identified, my organization works with the vendor to correct problems.	Y	N
16. My organization has an effective earned value management program.	Y	N

What's Your Score? If you answered YES to:

0-4 Your activity is not ready; significant culture change is needed.

5-8 Keep preparing by reviewing available resources on SRM; find a champion in your organization.

9-12 Almost there; a few challenges remain; update your spend analysis.

13-16 You're ready.

¹ Adapted with permission from the publisher, the Institute for Supply Management™ and the W.P. Carey School of Business at Arizona State University, "Supplier Relationship Management: An Implementation Framework by R. Monczka, T. Choi, Y. Kim, and C. McDowell, CAPS Research Focus Study, 2011, pp 38-39



The Basic Agreement/SRM Connection

- Supplier Relationship Management (SRM) is the **strategic management of interactions** with external providers of goods and/or services **to maximize the value** of those exchanges to the organization
- **Stronger** supplier **relationships add value**
- Industry & government **leaders support stronger relationships; fiscal conditions demand** them
- The obstacles to Federal SRM can't be overcome by **contracts**
- **The Basic Agreement can breach the obstacles**
- The **procurement community** can bring the Basic Agreement **to the table** as an **innovation to add value**

5 Basic Facts on Basic Agreements

1. Basic agreements may be used with negotiated fixed-price or cost-reimbursement contracts.
2. A basic agreement is not a contract. It establishes binding terms and conditions applicable to any future contracts which incorporate it by reference or attachment.
3. A basic agreement differs from a basic ordering agreement. It does not necessarily prescribe procedures for pricing and ordering products or services.
4. A basic agreement must be reviewed annually, but there is no statutory maximum or minimum period of validity.
5. A basic agreement cannot:
 - Cite appropriations or obligate funds.
 - State or imply any agreement by the Government to place future contracts or orders with the contractor.
 - Be used in any manner to restrict competition.

Should I Use A Basic Agreement?

1. Are there common elements such as reports, processes, terms, conditions, green procurement standards or other standards, quality levels, diversity or small business goals, or other common factors among multiple requirements?	Y	N
2. Would these common elements be easier to track, manage, compare, analyze, reward, or remedy if they were uniformly defined?	Y	N
3. Does your organization have or will have multiple contracts with the same vendor for similar products or services?	Y	N
4. Does your organization have or will have contracts with multiple vendors for similar products and services?	Y	N
5. Has your firm had significant and recurring negotiating problems with a contractor or a group of contractors providing similar products and services?	Y	N
6. Is there a significant potential for added value to the government through price/cost savings, improved performance, better quality, or faster delivery, or more efficient negotiations?	Y	N
7. Is my organization looking for ways to increase cooperation and communication with industry leaders in portfolio?	Y	N
8. Is my organization's value strategy expanding from the item/service to the firm or industry?	Y	N

If you answered Yes to any of these questions, a Basic Agreement could be a useful tool.

How Do I Write a Basic Agreement?

Prepare in a narrative format, using applicable sections of the Uniform Contract Format (UCF).

- ▶ Describe the agreement generally in Section C (the scope), but place the agreement at Section H, or attach as a document separate from the UCF to improve readability.
- ▶ Include FAR and agency clauses required for negotiated contracts at Section I.
- ▶ Prepare the body of the agreement similar to a Memorandum of Agreement or Understanding, including, as applicable:
 - **Authority and References** FAR 16.702 and applicable organizational references.
 - **Purpose** Briefly state the general purpose of the agreement, like a Scope.
 - **Background** Describe the situation, circumstances, goals, agency objectives, etc. that served as the genesis of the agreement.
 - **Responsibilities of the Parties** Focus on the key responsibilities of each member. Identify roles and functions. In some cases, sections 4 and 5 may merge.
 - **Terms of the Agreement** The primary portion of the agreement.
 - **Agreement Administration** Effective Date, Term, Reviews, Termination, Modifications, Version Control, Disputes, etc. (Some of these items may also be in the UCF. For simplicity, consider placing only references in the UCF. For example, UCF Section F could read: "See Section 6, Agreement Administration, of the Basic Agreement").
 - **Signatures** Government and Vendor.