


Where's the Exit?



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Strategies have been agreed, sourcing plans put into action, the deal is done, the supplier engaged and every thing's "full speed ahead", but have we given any thought to what will happen when the relationship is coming to an end, as most commercial relationships inevitably do? How to exit the contract is often the last thing on anyone's mind, the focus is to move quickly; meet the demands of the customer; obtain the best deal and get operational. An effective exit strategy is however, a key component of a contract, especially in the case of business critical requirements and long term contracts.

It's natural to look at exit strategies from the point of view of maintaining business continuity, however it is important from the point of view of both reputation and ethical responsibility, to also consider the exit strategy from the supplier's point of view. For example it is important to avoid the end of a contract which results in damage to the financial integrity of a small supplier (or indeed any size supplier). An appropriate notice period will assist the supplier to either, seek new work to fill the gap, or restructure to take into account the end of the contract and the consequent drop in activity.

Contracts can end for several reasons, including:

- Non performance by one or both parties
- A significant change in the requirements of either party
- At the convenience of one party
- The contract has run its course

For whatever reason the contract ends, having an exit strategy in place will ensure that both parties understand their roles and responsibilities at such time.

Whilst it is almost impossible to predict in advance, all matters on which the buyer or the new supplier may need assistance from the outgoing supplier to facilitate a smooth transition, areas that may be covered in an exit strategy, dependant on the type of service, include:

- Assets that are held by the supplier that will need to be transferred
- Staff that will need to be transferred
- Information on any contracts with third parties
- Data held by the supplier that will need to be transferred
- Intellectual property

The exit strategy should detail:

- The timescales for key actions
- The party responsible for such actions

It is also worth considering the inclusion into the contract, of a general clause to the effect that, "the supplier is required to provide all such assistance as may be necessary to ensure a seamless handover to a new supplier".

At the end of the day the practical implementation of an exit strategy will be dependent largely upon maintaining a working relationship with the outgoing supplier. Fortunately, most suppliers will act in a professional way and co-operate with the implementation of the exit strategy. Nonetheless buyers do need to be sensitive to the position of the outgoing supplier and especially the personnel working on the contract, as their goodwill and cooperation will be required.

CIPS Group Easton House, Easton on the Hill, Stamford, Lincolnshire, PE9 3NZ, United Kingdom
T +44 (0)1780 756777 F +44 (0)1780 751610 E info@cips.org

CIPS Africa Ground Floor, Building B, 48 Sovereign Drive, Route 21 Corporate Park, Irene X30, Centurion, Pretoria, South Africa
T +27 (0)12 345 6177 F +27 (0)12 345 3309 E infos@cps.org.za

CIPS Australasia Level 8, 520 Collins Street, Melbourne, Victoria 3000, Australia
T 1300 765 142/+61 (0)3 9629 6000 F 1300 765 143/+61 (0)3 9620 5488 E info@cipsa.com.au

CIPS Middle East & North Africa Office 1703, The Fairmont Hotel, Sheikh Zayed Road, PO Box 49042, Dubai, United Arab Emirates
T +971 (0)4 327 7348 F +971 (0)4 332 5541 E mena.enquiries@cips.org

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