

Value Risk Matrix – (VRM)

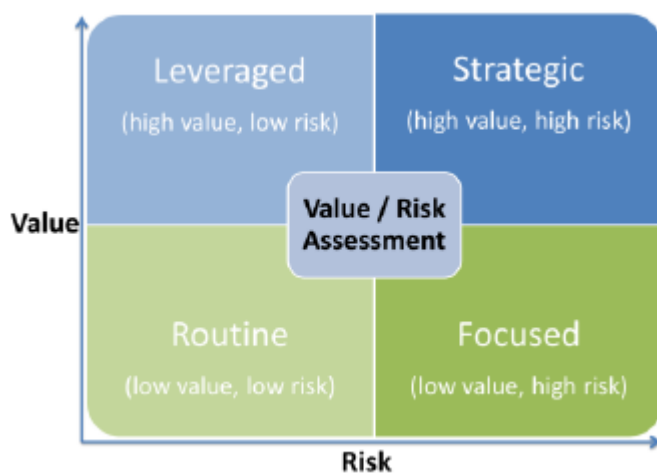
What is the VRM?

The VRM tool that considers **value** and **risk** to assess the complexity of:

- a **category** of good or service, to assist with developing category management plans
- the **procurement or sourcing** of specific goods and services, to help develop the sourcing strategy
- a **contract** (or group of contracts), to assist with contract management.

Value and risk is classified as either:

- **routine**: low value, low risk
- **leveraged**: high value, low risk
- **focused**: low value, high risk
- **strategic**: high value, high risk.



Applying the VRM

Using the VRM supports informed decision-making so that strategies, frameworks, resourcing, processes and activities can be adapted to suit the value/risk profile of the category, sourcing activity or contract.

Category management

Category management planning begins with an assessment of the goods/services category to determine its value/risk classification.

Category management plans can then be developed to make sure effort is focused on the right activities, for example:

- defining risk management strategies
- defining supplier management and performance management strategies
- identifying strategic initiatives, partnerships and suppliers
- recommending sourcing strategies
- identifying resourcing requirements.

Sourcing

Sourcing strategies, selection of contract type and contract requirement (such as performance measures, reporting requirements) are influenced by the value, risk and complexity of a procurement activity.

The VRM can guide decision-making throughout the sourcing process, including sourcing strategy, contract development, contract

management approach, resource allocation and approval processes.

Contract management

How contracts are managed will vary depending on their value, risk and complexity. The Contract Management Framework, supporting tools and materials provide guidance about how the approach to contract management changes depending on if the contract is classified as routine, leveraged, focused or strategic.

Classifying a contract using the VRM will:

- help define the right approach to effectively managing the contract
- inform the activities and focus required to manage performance to ensure value for money is achieved
- help ensure the appropriate allocation of resources, so people with the right capability and experience are appointed to manage and administer contracts and suppliers, based on the contract value and risk.

A [VRM user guide](#) is available to help you apply the value/risk matrix for contract management.

Where can I find the VRM?

The [latest version of the VRM](#) is now available. It has been tailored for category management, sourcing and contract management – click on the relevant tab in the tool depending on what you are using it for.

More information

Visit www.hpw.qld.gov.au/procurement

Email betterprocurement@hpw.qld.gov.au

Read the [VRM for contract management user guide](#)