

THE CASE FOR CONTRACT AUTOMATION

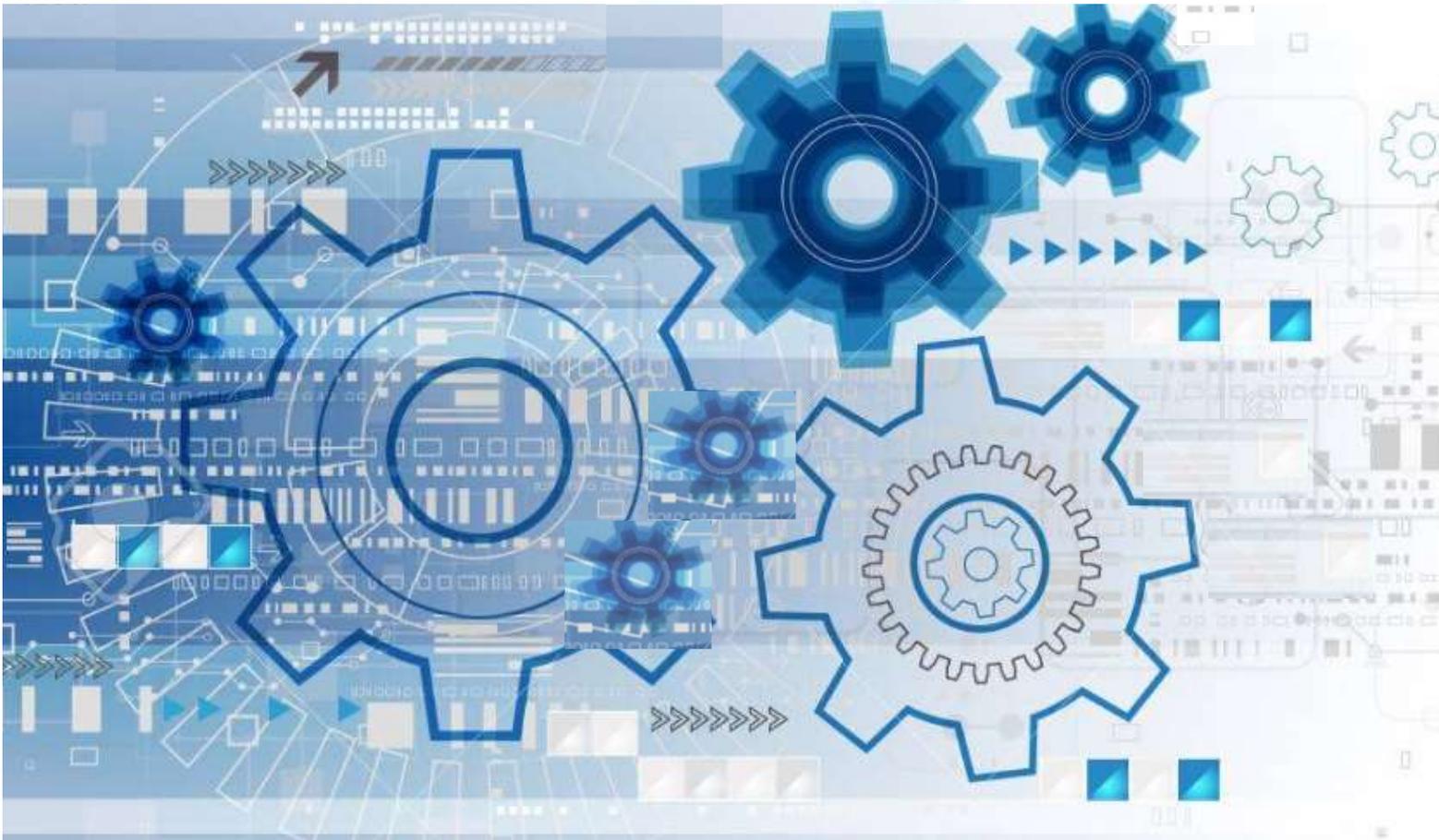


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1. Introduction

There is no doubt that the business world is characterised by rapid change, a growing need for 'speed to contract' and 'speed to market', increased complexity and a profound shift from goods to services. Industries such as financial services show a services component of already 80% or more. Coupled with these is the drive to digital transformation with ensuing pressure to reduce costs, increase efficiency, foster innovation and improve both the bottom and top line.

Contracts and the contracting process are at the heart of our business relationships. Contract automation with a contract lifecycle management (CLM) system makes it possible today to drive substantial improvements in efficiency, visibility, transparency, compliance, performance management, financial management and analytics. This enables enterprises to truly take charge of the contract lifecycle process and move to management of their contract portfolio as a valued asset class.

2. Typical Corporate Pain Points

Today's enterprise faces latent pain points along the entire contract lifecycle process. Its ability to overcome these pain points is a potential source of competitive advantage. Such typical pain points include:

- **Speed to contract**
 - Limited autonomy of Sales, Procurement and Business Units to create, negotiate, get approved and conclude contracts, leading to heavy reliance on the scarce resources of the legal team or the commercial function.
 - Unclear approval process with limited ability to handle exceptions.
 - Manual signature process with heavy reliance on emails and PDFs.
 - Standard templates adapted with poor template, clause and version control.
 - Inadequate risk management and operational or regulatory compliance due to poor clause control.
- **Contract management**
 - Limited overview of deliverables and obligations, leading to missed deadlines, mis-allocated resources and foregone opportunities for penalty collection or avoidance.
 - Inadequate quality control of invoices, payments and their correlation to orders.
 - Insufficient understanding of aggregate contractual performance by geography, type, Business Unit or any other such criteria.
- **Systems and tools**
 - Contract management not linked to front-end (e.g.

CRM) or back-end (e.g. ERP) systems.

- Inefficiency through lack of automated workflows with heavy reliance on MS-Excel, MS-Word, email and SharePoint to manage the contractual environment.
- Contracts stored in various formats e.g. paper, Word, PDF and storage scattered throughout the corporate space.

3. Benefits of Automation



- Contract automation, if properly implemented and supported by the stakeholders and the user community, can allow the enterprise to reap several benefits by specifically addressing the pain points:
 - Move to a single, enterprise-wide repository for all contracts with import of documents in various formats, including third-party paper as well if this is used as a basis for contracts. This allows for indexing and easy search/query facilities.
 - If the enterprise legacy contracts are scattered in various storage locations, a Contract Discovery and Analysis (CDA) tool can potentially search the enterprise for all contracts, classify them and store them in a central electronic repository.

- Develop standard template and clause libraries, including alternative clauses which allow more autonomy in contract negotiation. In addition, the enterprise can create new custom clauses from negotiations and incorporate these into the library.
- Start contract authoring with input of key requirements via a wizard to select either a template or a set of clauses which can be assembled into a contract. The CLM system would however also allow the use of third-party paper. All changes are automatically captured via version control.
- Classify key clauses such as liabilities, indemnities or warranties with their alternatives in terms of the level of risk, thus allowing the enterprise to know and control its risk exposure over the lifecycle.
- Implement granular access control according to role, hierarchy level, geography, language or a variety of other criteria which ensures a high level of security for contractual data.
- Capture the business logic of the contract lifecycle process in various workflows such as for the approval process or the degree of autonomy afforded to other functions to create, negotiate and conclude contracts.
- Implement an electronic signature process through linkage to available e-signature tools which offer a high degree of security and allow the use of various devices including smartphones.
- Extract the deliverables and obligations, either manually for upload to the CLM system or automatically to improve tracking and management.
- Set customizable alerts to ensure no deadline is missed.
- Integrate the CLM system with the enterprise's front-end (CRM), back-end (ERP), both or other Purchase to Pay (P2P) system, to ensure full control and overview of flows through the sales and financial processes.
- Develop detailed, customisable analytics to provide views by role, contract type, geography, Business Unit or other parameters. This allows the C-Level to have a complete view of the contracts portfolio and start managing it as an asset.

4. Practical Steps to CLM Implementation

The following outline proposes steps to be taken to substantially increase the likelihood of a successful CLM implementation:

- **Step 1: Preparation**
 - Set the goals
 - Get an executive sponsor
 - Define the internal stakeholders
- **Step 2: Define the business case**
 - Determine the savings potential
 - Determine the internal costs
 - Determine the external costs
 - Build the return on investment (RoI)
- **Step 3: Define the CLM requirements**
 - Current state
 - Future state

- Selected the suppliers to be invited to the Request for proposal (RFP)
- Develop the RFP
- **Step 4: Supplier evaluation and Selection**
 - Evaluate the supplier responses
 - Perform detailed user acceptance tests (UAT) with down-selected suppliers
 - Perform final supplier selection
 - Avoid typical pitfalls – poor stakeholder management, inadequate involvement of Legal, unexpected vendor costs, vendor lock-in and vendor financial instability.
- **Step 5: Build the contract process**
 - Defines roles and authorities
 - Build a template and clause library
 - Develop workflows according to the business logic
 - Build wizard/decision-trees to grant users autonomy and provide guidance in their choices
 - Develop the configuration to be implemented
 - Perform a UAT with the vendor on a selected set of live data with live users
- **Step 6: Implement the system**
 - Migrate legacy contracts to the single repository
 - Perform user training
 - Install the system
 - Go Live with a specific subset and increase the contract coverage as users become more comfortable with the system.
- **Step 7: Maintain and update**

5. Conclusion



Implementing contract automation is no longer an option but increasingly a necessity to take advantage of the substantial benefits it can bring to the enterprise through increased efficiency, speed and visibility, resulting ultimately in improvements to the top line, the bottom line and the enterprise's competitive advantage. The process is however complex, requires strong executive sponsorship, a high level of contract process competency and the involvement of multiple stakeholders who must buy into the project for a successful implementation.

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Company Portraits

[CCube Consulting](#) is a specialist commercial and contract management consultancy whose vision is to enable enterprises to realise more business value from both their pre-award and post-award contract processes through the provision of bespoke, high-quality and cost-effective solutions. CCube is certified at the commercial and contract management Expert Level from the IACCM (International Association for Commercial and Contract Management).

[ABiz Corporation](#) is a premier contract, commercial management and consulting services company which specializes in providing tailored, high-quality and cost-effective services in the commercial contracting practice area. Consultants at ABiz have hands-on and in-depth experience in using various third-party technologies for both the pre-award and post-award commercial and contract management phases. ABiz has successfully helped clients select and implement the right Contract Lifecycle Management (CLM) system. Clients have recommended ABiz highly for helping them avoid common pitfalls during implementation using its time-tested business methodologies and long-standing experience.

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