

WHITEPAPER

Evaluating an Enterprise Contract Management Solution

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Overview

A contract management solution is critical for large enterprises to not only ensure governance and compliance across all contractual relationships but also to realize the full negotiated potential of the individual contracts themselves.

Evaluating a contract management solution can be a daunting task for an enterprise, considering the complexity and diversity of multinational organizations. Today's era of cloud technology, connected devices, mobility and the age of the new information worker all influence considerations and requirements. This white paper outlines key areas enterprises should address during a contract management solution evaluation, with supporting arguments on how the system can contribute to meeting business objectives.

CONTRACT MANAGEMENT IS NO LONGER A SAFETY NET BUT A MECHANISM TO GENERATE DIFFERENTIATING BUSINESS VALUE.

Evaluating a Contract Management Solution

Enterprises today are complex operations with global supply chains, diverse markets and large portfolios of products and services. They are connected and engaged with a plethora of external entities as part of daily operations and all of these engagements are based on contractual relationships. From sales agreements with clients, to purchasing agreements with suppliers or collaboration with partners, all contractual relationships need continuous nurturing and monitoring to not only fulfill promises but to also ensure no undue risk is introduced into the ecosystem.

Consider Enterprise Wide Needs

It is important for enterprises to have a solution that can manage all of the types of contracts used in business. A single system with consolidated visibility into contractual relationships and their performance is crucial. Conventional fragmentation of the buy and sell sides is counterproductive in today's linked value chains. The capability to set up any contract type and its attributes, configure its workflow and in turn manage it in the context of different aspects of the business is pivotal. Gartner states that almost 50% of the inquiries it receives concern an enterprise-wide contract

management solution, referred to as Enterprise CLM (Gartner Report '[Market Guide for Contract lifecycle Management](#),' July 2015). A solution's configurability when it comes to managing contractual processes in the context of user profiles is key. A sales user selling to a customer, a buyer buying from a supplier and a finance person evaluating the financial impact of contracts are different perspectives, and these views need to be addressed.

Enable Improved Governance

Changing business environments and the complexity of those relationships require the capacity to holistically manage contract language and terms. A solution should be able to drive standardization of language and terms with respect to contractual characteristics. The ability to drive rules-based selection and inclusion of the right language and terms not only improves the velocity of business but also ensures consistency, predictability and reduced risk in contractual relationships. A comprehensive clause and template management capability with robust rules support is necessary for sustainable success.

Best in Class Usability

The most critical aspect of an enterprise-wide solution is its adoption. Adoption hinges on ease of use, convenience and how the solution provides contextual experience for individual users. These needs are key criteria when evaluating the solution's user interface, including configurability for different user segments, support for various devices, mobile access for convenience and most of all, empowering end users to engage with the solution through personalization and self-help capabilities. Accessibility from any device (laptop, tablet, smart phone) and device-independent, contextual experience is required. Can the sales user look at customer contracts and milestones status on his/her smartphone? Can the CxO review and approve a document on his tablet? Can a contract specialist work off his/her

laptop to fulfill a contract request? All are key requirements that must be met by the system.

Contracts are built and negotiated on documents. Thus, seamless integration with the Microsoft Office suite is essential. Native Microsoft Word support for drafting, editing and reviewing contracts; Microsoft Excel for working with data like commercial terms; and Microsoft Outlook for easy collaboration are necessary capabilities. Contract documents represent unstructured data, which if not captured in structured form, can severely limit an enterprise's ability to integrate and enforce terms. Clause and template management capabilities are tools to help achieve this, and this must carry through to negotiations, where deep Microsoft Office integration (enabling a two-way sync between the system and Word/Excel) is crucial to help surface contract elements in the system for a user to easily consume.

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Enterprises with large contract repositories should evaluate the ability to intuitively search information. It is not just about being able to search quickly but about how the system retrieves relevant information in a proactive manner. Can the solution enable automated retrieval of relevant information and present it to the user when he/she is creating, approving or administering a contract? This is a powerful capability that empowers users with more valuable information without having to dig for it. Visibility that is proactive, contextual and timely is paramount.

Drive Risk Mitigation & Compliance

Enterprises today are a complex form of linked value chains, where every aspect of each chain is connected and contributes to the customer.

Functional silos are sub-optimal, since being able to surface data and information across the value chain is a requirement in digital business today. In the context of contracts, the ability to establish and manage relationships between various contracts and their associated transactions is needed. Being able to link sell-side and buy-side contracts in order to drive risk mitigation, alignment of objectives and roll up financials is critical for many businesses. A system should be able to support enforcement of terms and language across relationships, enabling outcome management. Contracts are not standalone entities. They trigger transactions and actions on a daily basis. They relate to participating parties and other contracts in the ecosystem. The ability to establish relationships and linkages with 360-degree, proactive visibility for users is essential. For example, one-click visibility into all contracts with respect to a customer, contract portfolios or contract lifecycle data (e.g. amendments, order data, SLA data, etc.) provides insights for users to manage relationships and business outcomes more favorably.

Improve Business Velocity with Third Party Collaboration

Complex business relationships have complex contracts typically characterized by lengthy negotiations. Effective collaboration with third parties can provide telling impact on the velocity of business. Executing a contract in one week versus three is a game changer for a \$10 billion enterprise. A solution's capacity to enable online collaboration with third parties via a portal should be considered. The purpose is not just to avoid manual emailing but to stimulate progression with reminders and escalations for quicker turnarounds. The system should provide contextual explanations and the spirit of the language included in contracts. A third party in receipt of this insight (otherwise embedded inside the document) is more likely to come back with less changes to the contract.

Third-party collaboration is not just critical in the negotiation process but more importantly in the administration of the contract. Empowering a third party with the self-service capability to maintain profile information and compliance with all documentation requirements in the portal provides substantial reduction in overhead and risks for the enterprise. When evaluating a solution, enterprises should look for enablement of third parties to participate and contribute in the contract administration process, such as SLA data submission and performance metrics review.

Realize the Full Potential of Contracts

A contract management system should enable enterprises to not just execute a good contract but also provide all the capabilities to ensure all commitments are tracked and fulfilled. This is not just important to reduce risk and exposure to liability arising out of failed obligations but also to ensure performance.



A solution should support identification of obligations to be tracked throughout the lifecycle of a contract. Examples include obligations pertaining to contractual clauses, mutually agreed to commitments and assumptions to be tracked.

The system should support the rules-driven ability to auto-populate contract obligations and assign them to the right owner in the enterprise (driven by unique policies and rules setup). Via automated reminders, the contracting solution should proactively enable users to capture action taken on the assigned obligation. It should also provide system-driven alerts and escalations on any potential risk of non-compliance.

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Obligation administration and lifecycle management in complex contracts is another key consideration. A solution should support an obligation hierarchy, since large obligations may result in sub-tasks that are generated and assigned to individual owners, and need to be tracked to completion. These capabilities also extend to third-party, external participants, where certain obligations are assigned and tracked to fulfillment, providing a holistic capability to ensure contractual compliance. An enterprise should consider these capabilities in cases of high-value, complex contracts impacting mission-critical products and services.

Contract Risk Management & Visibility

More than 80% of business transactions depend on contracts, and poorly executed contracts induce significant risk. Contracts are most often negotiated and involve give-and-take from participating parties. Identifying the risk profile of a contract is critical for making correct decisions. The enterprise should assess functionality to identify these risks, calculate profile scores and surface high-risk instances before the contract is signed. A company should be able risk profile a contract with a

comprehensive view of data points: presence or absence of terms, changes to standard terms, contracted value/products/services, geography and markets, as well as third parties.

Enterprises are generally mature in evaluating risks when negotiating contracts but rarely have the capability to monitor them once contracts are in operation. It is important to consider this capability in a contract management solution in order to calculate the risk profile of a contract throughout its lifecycle. The system should provide continuous insights to the business and calculate them on a recurring schedule or in the occurrence of an event. This provides understanding based on the performance of the contract in comparison with its terms and assumptions.

Contract Administration & Fulfillment Tracking

A successful relationship is one that delivers on its promise. Enterprises should use a contract management solution to track an agreement's fulfillment. The ability to track key performance metrics like SLAs, business volumes, discounts, rebates, contract burn rates, etc. is critical to ensure that the contract delivers on its promise. Enterprises should evaluate the solution's capacity to intake transaction data, match it with contracts, compare and assess the transaction data with contract terms and assumptions, then report on its performance. Businesses can significantly improve value realization by tracking burn rates, spend, volumes and identifying and enforcing the opportunities for rebates/discounts, or else prepare for any penalty event in case of SLA failure.

Large enterprises should evaluate the contract management solution on how configurable and flexible it is to implement various administration and performance tracking processes. Examples include setting up different SLA types and metrics and tracking them, configuring order/invoice objects to glean input from other enterprise systems or performing calculations to report on compliance. Others might trigger

special commercial terms enforcement, manage creation, review and approval of special payments, incentives and eligible rebates as per contract terms. Such capabilities generate value in connected downstream processes, not only streamlining operations but also significantly reducing costs and leakage.

Ease of Integration with Enterprise Systems

Enterprises today are connected value chains. If relationships are governed by contracts, then these agreements and the contract management solution cannot be standalone entities. Integration with enterprise systems is mandatory to generate the expected value. Enterprises should evaluate and understand the out-of-the-box API capabilities a potential vendor provides for integration. They should also favorably consider any vendor with pre-built connectors with standard off-the-shelf packages to increase speed to market while expediting integration. Thorough investigation of the architecture as well as vendor performance via reference calls with existing customers is advisable

Reporting & Analytics

An integrated contract management solution adopted enterprise-wide is the single source of truth on a contract and its performance.

Whether that truth is surfaced in an intuitive manner is a factor of the reporting and analytics capability within the solution. First and foremost, enterprises should evaluate the ability for end users to perform ad hoc searches of reports to access whatever data is needed on contracts and just as importantly, their relationships. Secondly, the solution should support the definition of operational reports with the ability to generate and auto-publish to subscribers on a schedule or an event. Finally, the solution should enable strong analytics of all data in the system to understand business metrics and trends historically, as well as predict future trends.

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Contract management varies by industry. Most reporting and analytics tools provide competent reporting and visibility. The deeper capability is presenting the information in the right context and form for business owners to gain the insight required for timely decision making. Enterprises should evaluate a vendor's professional services experience, best practices and similar use cases to ensure the solution can be adequately implemented.



**ENTERPRISE CONTRACT MANAGEMENT:
*IT IS NO LONGER A NICE-TO-HAVE, BUT A NEED-TO-HAVE***
GARTNER

Vendor Pedigree, Validation & POC Evaluation

The emergence of cloud management systems provides enterprises fast go-to-market capabilities. Enterprises should evaluate cloud-native contract management solutions with flexible deployment models. A subscription model allows for gradual ramp up but evaluation of user licensing models is also important. An enterprise-wide deployment with full capability assumes increased usage and adoption in the future, so any model restricting the functionalities for future users should be carefully considered.

Gartner states most large contract management implementations are customized to meet the needs of the enterprise. It is advisable to perform third-party validation of solution capabilities via reference calls with existing customers who use the solution. Analyst inquiries are a good way to also understand a vendor and their solution pedigree in meeting enterprise needs today and alignment in the future.

Companies should also consider a hands-on, proof-of-concept exercise with the vendor. Enterprise-wide implementations are complex and understanding a solution's capabilities is absolutely critical, not just from the end-user perspective but also in terms of configuration, setup, business rules and integration. Enterprises should use this approach to validate the capacity of a solution and mitigate the risks of customizations as a means of meeting unique requirements.

Conclusion

Large companies today should consider a contract management solution as a critical component in their IT landscape to manage contractual relationships and fulfill requirements. It is no longer a nice-to-have but a need-to-have, given the ever-increasing governance, risk and compliance challenges in today's market. An enterprise-wide perspective with a connected-system approach ensures contracts are brought to life systematically in every transaction, providing agility on the buy side and sell side through a global center of excellence.

Icertis Contract Management (ICM) is an innovative, easy-to-use platform that is highly configurable and continually adapts to complex business needs. With its intelligent workflow and built-in analytics, ICM provides on-going contractual insights and best-of-breed contract management. ICM enables customers to increase compliance, improve governance, mitigate risk, and enhance user productivity, thereby maximizing ROI and accelerating time to value across the global enterprise.

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