

# **202 Using Technology to Reduce Costs**

## **Contract Management**

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## **Future State of Vision**

Company-wide contract management processes, practises and systems that allow the business to easily, effectively and efficiently create and manage all worldwide contractual commitments to minimise costs, maximise revenue opportunities and satisfy procedural, contractual and regulatory compliance through all stages of the contract lifecycle.

## ECM and why it matters

### ● **Business Justification**

Enhancing the effectiveness and efficiency of contract management capability will;

- lead to administrative and operational cost reduction,
- optimise revenue opportunities,
- improve employee productivity and remove a significant source of employee frustration,
- make your company easier to do business with from a customer perspective,
- facilitate compliance in the following areas;
  - *procedural compliance*- adherence with company operational, financial and legal policies and procedures;
  - *contractual compliance* - both your company and its customers/vendors honouring commitments;
  - *regulatory compliance* - with laws and requirements imposed by governments eg SOX.

## ECM and why it matters

Area of Financial Impact	Measure of Improvement
Compliance with regulatory guidelines	90 - 100 %
Reduction or erroneous payments	75 - 90 %
Faster contract negotiation cycle	50 %
Increase in renewal revenue	30 %
Reduction in “quote to cash” cycle	10 - 30 %
Reduction in operating and processing costs	10 - 30 %
Headcount reduction	10 - 20 %
Additional contract revenue	1 - 2 %

\* Source Goldman Sachs

## **ECM and why it matters**

### **Legal Department Perspective**

- Chance for Legal to show leadership
- Provides an opportunity to define optimal allocation of responsibilities with other functions
- Facilitates client “self-help“
- Automates many manual tasks

## How to start

- **Get help**
  - Inside company
  - External company
- **Build the business case**
- **Dimensions**
  - Contract lifecycle
  - Geographies
  - Not just about systems

# ECM Overview

ENTERPRISE CONTRACT MANAGEMENT SYSTEMS OVERVIEW		
CONTRACT LIFECYCLE		ECM POSSIBLE SYSTEM FEATURES
Contract Creation	Standard Contract Creation Standard Contract Access Standard Contract Competition	Template Creation Assistance B2E -> Portal Contract Build Tools
Contract Collaboration	Review of Customer's Contract Contract Negotiation Internal Review / Approval	Red-lined and 3rd Party input Interactive collaborative red-lining Internal approval Routing (automatic/manual)
Contract Execution	Contract Signature	Electronic Signatures
Contract Administration	<u>Storage</u> Hard Copy Contracts Scanned Contracts Contract Summary Repository  <u>Contract Changes</u> Transfers / Assignments Changing / Adding Parties Renewals	N/A Integration with Databasesystem Multi-level security / Access Customizable fields/labels Stores attachments in PDF/Word or TIF Stores amendments/communications Full text search Contract clause search across contracts  Automatic email event notification Outlook integrated calendaring Auto-generates renewal contracts
Contract Monitoring	Creating Contract Summaries Checking Compliance with terms Reports on Contract Data	User-defined and generated reports Scheduled reporting Reports download to Excel Payments reporting Integration with Finance System Integration with Procurement / CRM System



## Processes – does this sound familiar?

Not every country has written contract processes. In other countries only some contract processes are defined or documented. To the extent that written processes do exist they are typically;

- general descriptions not workflows,
- written by the one function with minimal to no input from other functions involved in the process,
- not necessarily appropriately allocating roles/responsibilities between functions, stored on one particular functional Sharepoint site or SOX site,
- not widely known or easily accessible,
- not necessarily used as reference point to run the business,
- not regularly updated and so do not necessarily reflect current practise.

## Next steps

Facilitate formation of a project team, identify stakeholders and develop a detailed project plan to include the following key areas:

- **Contracting Strategy**  
Define strategy to include scope, risk management profile, e-contracting, knowledge management etc
- **Process/ Practices**  
Develop and publish a comprehensive set of process descriptions/workflows for all contracts. An opportunity for standardization of business practices and BPR to ensure an optimal allocation of roles/responsibilities between functions that accord with best practice.
- **Systems**
  - Identify User Requirements to enable business staff to easily self help in a controlled fashion with minimal reliance on Legal.
  - Assess suitability/cost of existing business systems and possible alternative third party ECM solutions. Integration with business systems vital.