

Contract Lifecycle Management – Part II

Applies to:

SAP Contract Lifecycle Management xCLM, SRM, ERP

Summary

Contracts are one of the most important documents in an enterprise. Contracts are used for many different purposes from procurement to sales to employment and real estate. Your company's contracts are significant to the daily operations, because they represent all the business relationships throughout the enterprise. This article is the second article in a series of articles about contract lifecycle management and it will address two great questions: "Does my organization need a contract management solution and how do I get my contract management project going?"

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Does My Organization Need a Contract Management Solution?

If I had known how many e-mails I would receive after my first article on SDN, I might not have posted it! Since my inbox is now well over its size limit, I can safely post another article without too much worry. ☺

In my second article, I would like to follow up on a topic about which I received many questions: “Does my organization need a contract management solution and how do I get my contract management project going?”

The awareness of the need for a contract management solution is frequently found in US based companies. This awareness is growing in Europe, but it is behind that in the US, and even further behind in Asia and Latin America. I am often asked “Why are US based companies more aware of the importance of a contract management solution?” I assume that commercial law is not as restrictive as that in the EU, and the number of lawsuits is much higher in the US than anywhere else.

So what do you need to ask to find out if your company needs a contract management solution?

- Where is the past contract and all related attachments?
- Did the contract utilize the latest approved legal language?
- Do you know which contracts contain a certain clause?
- Who reviewed and approved the final contract?
- Who changed the terms and conditions of the contract and why?
- Are any employees using the contract – if so who?
- Are employees going around this contract – if so who?

Can you answer the following questions about your purchasing contracts?

- What are the agreed service levels in the contract, and are they being met by the supplier?
- How much did you spend against this contract last year?
- Are suppliers invoicing accurately based on contract pricing?
- Have you conducted any supplier performance reviews based on this contract? What were the results?
- Did you receive the discounts that you negotiated with your supplier?
- What obligations do I have under my contracts for which I must report for compliance reasons?
- Do I know how many of my contracts are with diverse suppliers?
- How many contracts do I have with each supplier?

What about your sales contract?

- How much did your customer buy against this contract last year?
- Are your customers paying the contract price?
- What are the agreed service levels in the contract, and are they being met by your organization as promised to your customer?

How many of the questions could you answer?

If you could answer all of them, Congratulations! You don't need to read further. If you couldn't answer all of them, you should consider implementing a contract management solution. Why? Because your company is exposed to legal, financial, and regulatory risk, and might lose savings and revenue opportunities.

What Are the Steps to Get Started?

1. Get senior management sponsorship for your contract lifecycle management (CLM) project.
2. Assemble an experienced team with stakeholders from different areas.
3. Understand the top CLM priorities for your company:
 - Repository
To ensure contract visibility and reporting and asset your contract portfolio
 - Authoring
To ensure a streamlined contract creation process and minimize risk by providing approved legal language
 - Compliance management
To ensure usage of the right contracts and ensure operational compliance
4. Determine project scope and timelines.
You might want to consider a step-by-step approach and start with a single location and an easy category. For example, you might want to start with the category IT; as this will help you to get your IT department's buy-in. However, be conservative with your project plan and scope in order to make sure that your CLM implementation gets off to a successful start.
5. Evaluate your 'as is' contract management process and decide if you want to stick with it or redesign your processes and follow best practice.
6. Get your solution up and running early in the process to give you enough time for testing and user training. The initial software training should be completed before go-live.

In my next article on SDN in about two weeks' time, I'll provide you with more information on how to get your contract repository up and running.

Thank you very much and please e-mail me at f.seebauer@sap.com or post a public comment about this article in the forum.

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