



# Aberdeen's Best Practices in Contract Management

## Best Practice Winners using Upside Software

### *Burlington Northern and Santa Fe Railway Company*

#### **Business Challenge:**

Labour-intensive contract management processes led to poor visibility, lengthy cycles, high costs, and increased risk from non-compliance with standard terms.

#### **Strategy:**

Automate and streamline contract management processes

Enforce common contract language and procedures

Align contract management with broader supply management initiative.

#### **Value Achieved:**

Mitigated millions of dollars in potential fines by ensuring suppliers are properly insured

Cut contracting cycles by 60%

Improved worker productivity and eliminated FTEs.

## Issues Benefits and Drivers

### **Current Issues**

- Contracts are a staple of business, but poorly managed by most companies.
- Contract lifecycle management provides a systematic approach for improving contract performance and compliance.
- Automation can accelerate contract management improvements by providing contract visibility, streamlining contracting cycles, mitigating risks, and maximising performance and compliance.

### **Benefits of Contract Management Automation**

- Improve compliance by 55%
- Improve rebate/discount by 25% - 30%
- Reduce material/service costs by 2% - 7%
- Improve contract renewal rates by 25%
- Improve revenues by 1% - 2%
- Reduce administrative costs by 25% - 30%
- Eliminate evergreen contracts
- Cut contracting cycles in half
- Standardise processes and terms to mitigate risks, ensure proper approvals, enforce policies
- Analyse and maximise performance of contracts

### **Key Contract Management Business Drivers**

- Uncertain global economic conditions
- Continued pressures to improve financial results
- New regulations - such as the Sarbanes Oxley Act
- Globalisation
- Increases in the number and complexity of contracts
- Insufficient resources and systems infrastructure
- Increased availability of packaged contract management solutions



## *Hewlett-Packard (HP)*

### **Business Challenge:**

Sales and marketing contracts' details were distributed on paper and in more than a dozen home-grown systems, precluding easy insight into business and on-going sales opportunities support.

### **Strategy:**

To implement a centralised contract management organisation supported by an enterprise-wide system accessible to HP personnel and partners globally.

### **Value Achieved:**

Streamlined the contract management process and developed a central repository of contract detail. Reports that used to take three to four days to complete now take only a few hours.

## *Interpolis Verzekeringen*

### **Business Challenge:**

Improve competitiveness through better control of supply costs and risks.

### **Strategy:**

Use contract management as the foundation for procurement improvements.

### **Value Achieved:**

Doubled amount of spend under management within a two-year period; Increased contract compliance by 5%; Cut procurement costs by 6% via increased use of preferred suppliers and pricing.

## **Attributes of Contract Management Excellence**

### ***Process Excellence***

- Contracting processes standardised company-wide.
- Proactive compliance enforcement.
- Formal templates established and enforced for all practical contract categories, clauses, and terms.

### ***Organisational Excellence***

- Contract administrators within all relevant functional groups and aligned enterprise wide.
- Contracting decisions coordinated company-wide.
- Contracting is integrated phase of source-to-pay, order-to-pay, and partnering processes.

### ***Contract Knowledge Excellence***

- Central contract repository shared company-wide.
- Able to search all contract information.
- Proactive alerts of contract milestones, compliance, and violations.
- Able to search and assess clauses and terms.

### ***Technology Excellence***

- Customer, partner, and procurement systems integrated with contract management system that supports authoring, collaboration, monitoring, analysis, and reporting.

### ***Performance Measurement Excellence***

- Compliance and performance measured in real-time.
- <10% of purchases non-compliant.

## **Top 10 Best Practices**

### ***Audit Processes & Build Business Case***

1. Audit internal contract management processes, systems, and controls before investing in a contract management solution. Areas of audit include:
  - Organisational and structural alignment
  - Contracting & administration processes
  - Contract & compliance visibility
  - Contract system infrastructure
  - Performance metrics and performance
2. Create a compelling business case with both benefit and crisis.



- Crisis areas - Sarbanes Oxley, revenue loss, unnecessary costs

### ***Gain Support & Define Requirements***

3. Ensure proper executive and stakeholder support for both contract management initiative and automation investment.
  - Key areas to target include: Legal, Finance, Sales, Procurement, IT, Business Development
4. Define detailed functional requirements for a contract management solution - and stick to them.
  - Spec your needs and timeline
  - Don't be wooed by unnecessary functionality
  - Get program running first...
  - ...then identify new improvements and functional add ons

### ***Champion & Governance Council***

5. Dedicate and empower a contract management program champion.
  - Communicate new policies and system enhancements
  - Receive early feedback from frontlines
6. Establish a contract management governance council to ensure support from functional and business unit leaders.
  - Secure alignment on program and system goals and support
  - Identify and address issues early
  - Drive compliance and system adoption
  - Exchange best practices

### ***Communicate & Use Templates***

7. Clearly define and communicate procedures and protocols for the complete contracting and contract administration.
  - Work to define common process methodology and nomenclature
  - Provide flexibility for businesses to enhance process, protocols, and language at the granular level
8. Where possible, use templates to streamline contracting cycles, minimise risk, and maximise compliance.
  - Streamline contracting processes
  - Mitigate risk
  - Ensure compliance

### ***Measure Performance & Improve***

9. Measure program performance and market results.
  - Drive compliance
  - Identify opportunities for improvement
  - Benchmark versus peers
10. Identify areas for continuous improvement.
  - Use performance measures to identify improvement opportunities



Upside Software is the worldwide leader in Contract Lifecycle Management (CLM) solutions. Customers around the globe use UpsideContract and other integrated business solutions to confidently perform Contract Management, Sourcing & Procurement, and Invoice & Billing Management activities throughout their organisations.

Upside Software's products address the needs of Enterprise (e.g. Fortune 500, Global 2000), Public sector (Federal, State/Provincial, Municipal and Health Care), and Small & Medium Enterprise (SME) customers. Customers realise significant cost savings while improving customer and supplier relationships. Upside Software's solutions are deployed in as little as 3 days and typically provide a full return-on-investment (ROI) in under a year.

Founded in 2000, Upside Software is a profitable, growing company with an advanced, yet mature, and comprehensive product suite. The company has extensive experience delivering real value to customers of every size and in most industry verticals. Upside Software is headquartered in Edmonton, Alberta, Canada, and is represented by Cylon Technology (Pty) Ltd in Africa.



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connecting business

**For more information contact:**

**Cylon Technology**

Tel: 086 111 4285 – South Africa  
Tel: +27 11 662 1034 – International  
Email: [info@cylon.biz](mailto:info@cylon.biz)  
Web: [www.cylon.co.za](http://www.cylon.co.za)