



Management
& Technology
Consultants

Survey | Latest Trends in Europe

Contract Management 2010

How Excellent Contract Management
Can Improve Your Business Success



Table of Contents

Preface	4
Guest Comment – Association of Corporate Counsel (ACC)	5
1 Background and Aims of this Study	6
2 Summary of the Most Important Study Results	8
3 Contract Management – Objectives and Tasks	10
4 Contract Management – Self-Assessment	14
4.1 BearingPoint's Contract Management Maturity Level Model	14
4.2 Self-Assessment Based on the Maturity Level Model	16
5 Contract Types – Characteristics	19
5.1 Procurement Contracts and the Role of the Procurement Department	19
5.2 Sales Contracts and the Role of the Sales Department	22
5.3 IT Contracts and the Role of the IT Department	24
5.4 Collaboration Contracts with Partners	26
6 Study Results	27
6.1 Expert Interview Results	27
6.1.1 Methodology of the Expert Interviews	27
6.1.2 Our Experts	27
6.1.3 Common Expert Statements	28
6.1.4 Experts at Work	28
6.1.5 Experts and Information Technology	30
6.1.6 Expert Recommendations for Contract Management Projects	31

6.2	Questionnaire Results	33
6.2.1	Methodology and Scope of the Questionnaire Survey	33
6.2.2	Most Important Survey Results	37
6.2.2.1	Aspects of Contract Management	37
6.2.2.2	Organisation, Processes and General Conditions in Contract Management	38
6.2.2.2.1	Current and Desired Contract Management Organisation	38
6.2.2.2.2	Contract Management Processes	41
6.2.2.2.3	Use of Special Tools in Contract Management	44
6.2.2.2.4	Contract Related Risks	45
6.2.2.2.5	Contract Management Related Legal Regulations	46
6.2.2.2.6	Relation between Compliance Requirements and Contract Management	49
6.2.2.2.7	Satisfaction with the Current Contract Management	51
6.2.2.3	Use of Information Technologies (IT) in Contract Management	53
6.2.2.3.1	Purposes of IT Systems in Contract Management	53
6.2.2.3.2	Advantages of IT Systems in Contract Management	55
6.2.2.3.3	Interfaces of IT Systems in Contract Management	56
6.2.2.3.4	IT Systems Used in Contract Management	58
6.2.2.3.5	Experiences with the Use of IT in Contract Management	59
6.2.3	Country Specific Survey Results	63
6.2.3.1	General	63
6.2.3.2	Organisation in Contract Management	63
6.2.3.3	Satisfaction with the Current Contract Management	68
6.2.4	Department Specific Survey Results	69
6.2.4.1	General	69
6.2.4.2	Organisation in Contract Management	70
6.2.4.3	Satisfaction with the Current Contract Management	72
7	Conclusion	74
	Authors	75



Preface

Contract Management is key. With enterprises becoming ever more global, transparent and functionally diverse, Contract Management is not only a compliancy hot topic but is more importantly instrumental in allowing enterprises to fulfil their objectives.

Contracts are the foundations for all business activities in all departments. The fact that many enterprises have not considered their Contract Management as priority is yet astonishing.

How can we do the right things at the right time if we do not know the contents of our contracts?

In this international survey we explore how European enterprises presently perform Contract Management. We discuss current and future trends and drivers for this topic. This study further includes recommendations and good practices as proposed by leading companies surveyed. In addition, the survey provides a unique opportunity to benchmark your Contract Management with other enterprises and to determine potential areas of improvement. Thus offering you a holistic approach to effective Contract Management.

We would like to thank all the Contract Management experts for their interviews and highly valuable input. We also thank all the participants of the study for filling out the questionnaire.

We hope our proactive approach will shed some light onto what is increasingly becoming an important asset within all enterprises.

Peter Mockler
Managing Partner
BearingPoint

Guest Comment – Association of Corporate Counsel (ACC)

From a legal perspective, Contract Management in companies is a must. It does not only ease contract negotiations, contract creation, dispute resolution and audit preparation and defence, but it should also be a significant part of the company's risk management.

The legal department is in charge of minimising legal risks. Thus, the risks must be identified, evaluated and managed. Not only compliance with laws has to be tracked, but also the contractual obligations and risks must be monitored. Legal must enforce the establishment of corporate procedures, policies and guidelines as well as the central storage of contracts. Corporate Counsel should also feel as an important advisor enterprise-wide for continuous improvements of the Contract Management activities, processes and organisation.

This study gives insight into the Contract Management of hundreds of European enterprises. It also reveals the views of different departments on contracts and Contract Management.

The Association of Corporate Counsel as the world's largest community of in-house counsel and its European Chapter have supported this study. We hope it helps you to get started with your enterprise's best practice for Contract Management.

Axel Viaene
President
ACC Europe





1 Background and Aims of this Study

Contracts are the basis for all activities in every enterprise and in almost every department of an enterprise. Having no contracts means there are no employees, no clients, no IT systems, no material and no partners. However the mere presence of a contract is not sufficient. It is the content of a contract that determines the future of an enterprise: What will my enterprise have to pay for and how much will that cost me? How much will we receive or what are our expected deliverables? How will I work together with my partners? Are there any risks or (unknown) opportunities related to the contracts? When will the contract terminate or in which circumstances can it be cancelled and when?

Every contract is unique due to the different terms as questioned above and thus has impact on the future activities and (financial) situation of the company. It is therefore very surprising that even today most enterprises are leaving contract matters to single departments or employees located world-wide and that there is no transparency of existing contracts, nor rules or standard-processes for future contracts. Most of the time, no central groups or departments exist which are responsible for enterprise-wide Contract Management.

During the last studies we published in 2002 and 2006 we found that enterprises became increasingly aware of the contract associated risks and the necessity to control all existing contracts of an enterprise on a world-wide level.

Today, enterprises are dealing with the topic of Contract Management differently and they are all in various “stages” or what we define as “Maturity Levels” as explained later on in this study. The organisation and processes of Contract Management are most of the time not sufficient and enterprises are still searching for ways to improve them and to find an “ideal” process.

Thus with this study we want to identify “best practices” concerning the organisation, processes and IT tools of Contract Management in companies within Europe. In doing so, we want to support you in determining and selecting the best approach to Contract Management in your enterprise or department.

This study can help you to find answers to the following questions:

- Should my enterprise or department improve its Contract Management?
- What should be the objectives of good Contract Management?
- How do other companies organise their Contract Management?
- On which Maturity Level is my enterprise/department?
- What can I learn from Contract Management experts?

In comparison to the previous studies 2002 and 2006 the following changes were made:

- We added a self-assessment concerning Contract Management. This will enable you to identify which level the Contract Management in your company/department has currently reached and where you would like to be in the future.
- We conducted “Face-to-Face Expert Interviews” to improve the study from a quality point of perspective.
- We provided English and German questionnaires and asked enterprises in the major European countries to utilise a more international view.

2 Summary of the Most Important Study Results

The results of the study “Contract Management 2010” show the following trends in Contract Management:

- Results of the expert interviews:
 - Management support is crucial for improving Contract Management. Changes in organisation or procedures can only be achieved if requested by management.
 - Contract Management has to be individually looked at in every enterprise and in all of its departments.
 - The build up of efficient Contract Management takes time and costs money. A project needs to be initiated that includes as-is and to-be analysis, change management and most of the time the implementation of software to support the contract processes, reporting and retrieval. A tool alone does not solve the problems.
- Results of the questionnaires:
 - The most important aspects of Contract Management include compliance with terms and conditions, monitoring of terms and deliverables, risk management and compliance with legal requirements.
 - We found that many enterprises are dissatisfied with their present organisation and processes of Contract Management. Although a central organisation is strongly favoured for many contract related processes, only a mere 9 % of enterprises today regulate all Contract Management related tasks centrally, whilst 50 % have no central department for any Contract Management task. Interestingly, we found that contract risk management, quality assurance, contract controlling and compliance with terms and conditions are not normally managed centrally.
 - In 2002, 2006 and 2010, the surveyed enterprises identified the greatest risk in Contract Management as being inconsistent information amongst the involved participants (59 % classify this as very high or high risk). Nowadays non-compliance with terms and conditions and content issues of contracts with potential risks are mentioned as the second and third important risks respectively. Also retrieval of contracts is mentioned by more than half of the participants as high or very high risk. The awareness of risk issues in Contract Management has increased over the last four years.
 - As in 2006 a majority of the enterprises surveyed (70 %) are dissatisfied with the current reporting and analysis options for contracts. Today 62 % are discontent with the IT tools to support Contract Management and 58 % are unhappy with the tracking of contract history and contract versions. Thus implying that most of the enterprises still need to improve processes and tools within Contract Management.

- Today only half of the surveyed enterprises view legal regulations with international impact actually affecting their own enterprise or their department. Only a quarter of the enterprises see an impact of these laws on their Contract Management. Nonetheless, a vast majority of the enterprises sees a close correlation between compliance requirements and Contract Management in their enterprise and almost half of the participants state that compliance activities in their enterprise have already led to certain improvements of Contract Management.
- The surveyed enterprises see numerous advantages of IT based Contract Management solutions. Substantial benefits include the easy and fast retrieval of documents, the complete, structured, secure, central filing as well as the complete availability of documents and information.
- As in 2006, most enterprises would use Contract Management systems specifically for the archiving of contracts (84 %), the automation of processes (64 %), the renewal of contracts (61 %) and/or for the improvement of the reporting concerning the contents of contracts (59 %).
- Participants responded that Contract Management systems should supply interfaces to Enterprise Resource Planning (ERP-) systems (required by 65 % of the participants), to databases for contract information (required by 57 %), to Microsoft Office (required by 56 %) and to Mail systems (required by 52 %).
- 57 % of the enterprises surveyed already utilise or plan to utilise information technologies for their Contract Management: They are either planning a project (21 %), the project is underway (19 %) or the project is already completed (17 %). Most enterprises indicate that they have introduced a Contract Management system, a database, a document management system or an archiving system.
- A general statement regarding the costs of a Contract Management system is not possible, as these can vary depending upon project requirements and software. However, about 70 % of the enterprises indicate that they have invested or plan to invest up to 100,000 Euro.
- The analysis of the results of Germany, Switzerland and UK/Ireland which included the most study participants shows the following differences: Whilst the participants of UK/Ireland seem to have already centralised many of their Contract Management tasks, Germany and Switzerland still see enormous need for centralisation. For German participants the centralisation of contract risk management, contract administration/archiving, quality management and contract controlling show the biggest gaps between desired and actual organisation and will therefore be addressed over the coming years. The Swiss participants see more need for centralisation in the creation of contract templates, creation of standard contracts and approval/signing of contracts.
- The analysis of department or group specific target organisation also exhibits some differences: Participants of the Contract Management teams strongly favour the centralisation of Contract Management tasks whilst the legal department does not demand centralisation as much as the other departments.

3 Contract Management – Objectives and Tasks

The main business drivers for most of the enterprises and their departments include cost pressure, globalisation, compliance aspects and risks:

External Driver	Impact on the enterprises
Cost Pressure	Enterprises are forced to reduce their costs in order to survive in times of the financial crisis and when facing strong competition.
Globalisation	Enterprises are increasingly becoming globally integrated. Many enterprises have business units or sales organisations in all parts of the world. Globalisation is even important for those who only act locally as other enterprises with different products, strategies and processes become their competitors.
Compliance	International and national regulations force enterprises to rethink existing processes, to establish internal control systems and to make processes and company figures transparent for the management and stakeholders outside the enterprise. Strong punishments are set for enterprises which are not compliant.
Risks	Not only in times of financial and economic crisis there are lots of risks for the enterprises which have to be identified and assessed by the management in order to survive.

All these external drivers have an impact on the internal processes of the enterprises. Enterprises must optimise the organisation and processes of their Contract Management to be best positioned in the market. This includes processes within single departments of the company as well as the organisation and processes on a company-wide level, e.g. quality processes, compliance and controlling processes as well as Contract Management processes. Many enterprises have not realised yet that an efficient Contract Management is necessary to meet the external requirements in an appropriate way.

What is Contract Management about?

Basics:

- In the centre of Contract Management are – of course – the contracts themselves with their individual content, the involved contract partners, contract responsables and the contract terms and conditions.
- Every contract goes through certain phases described in the contract lifecycle. The contract lifecycle contains the following phases: contract creation, approval, filing, retrieval, (renewal) and the destruction of the contract.
- The organisation of the Contract Management defines the contract responsibilities within the enterprise, e.g. who is in charge of the contract creation, the contract approval, the storage/archiving/reporting, renewal and destruction of contracts? There can be central departments or groups, which are in charge of certain tasks in order to have a better overview over all contracts in a company. Quite often many contract related tasks are left to individuals.

As soon as an enterprise realises that contracts are important assets which have to be managed carefully, it will start to improve all the fundamental aspects of Contract Management as discussed below:

- Concerning the contract, its contents, the contract partners and the terms and conditions, e.g.
 - Definition of contract templates for different kinds of standard contracts,
 - Definition of standard conditions,
 - Support of contract partners selection,
 - Definition and monitoring of terms and deliverables of every contract.
- Concerning the processes, e.g.
 - Definition of standard processes for certain contract types or departments,
 - Definition of rules and regulations,
 - Definition of requirements for selection of Contract Management systems concerning each single phase of the contract lifecycle, e.g.
 - Storage and Provision of contracts and related documents and information,
 - Monitoring of terms and deliverables,
 - Management reporting.
 - Analysis and optimisation of interfaces to other processes, e.g. payment or order processes.
- Concerning the Contract Management organisation, e.g.
 - Definition of responsibilities,
 - Definition of central and remote tasks,
 - Definition of Contract Management groups in single departments or enterprise-wide.

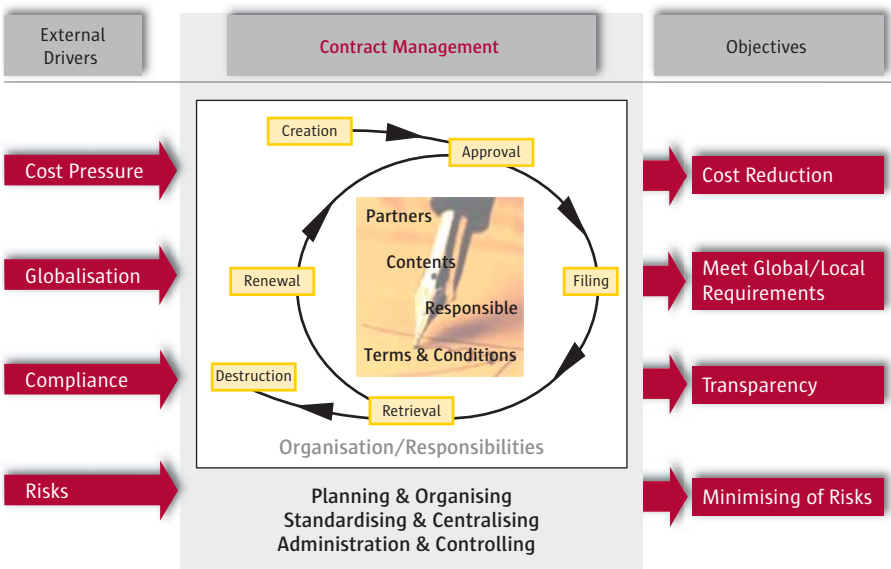
In order to provide reporting functionalities, automatic reminders, easy and fast retrieval of contracts and contract information and to guarantee standard processes enterprise-wide the use of a central Contract Management system is recommended most of the time.

The most important objectives of Contract Management are as follows:

Objective	Explanation
Cost Reduction	<p>Monitoring of terms and conditions, automatic reminders concerning cancellation dates and periods lead to early cancellation of unused contracts,</p> <p>Standard processes and templates in Contract Management lead to faster work on contracts and generally greater efficiency,</p> <p>Availability of master agreements with suppliers lead to reduced costs.</p>
Standardisation and Centralisation	<p>Definition of rules and contract processes leads to standardisation,</p> <p>Common storage of contracts and related documents and information in a central system leads to centralisation of documents and information,</p> <p>Setup of a Contract Management team leads to centralisation of certain tasks and responsibilities.</p>
Transparency	<p>Storage of both information concerning every contract and all contract related terms leads to transparency,</p> <p>Storage of approvals and contract versions leads to a transparency in contract history,</p> <p>Using Contract Management systems for the support of processes lead to transparent history of the contract.</p>
Minimising of Risks	<p>Monitoring of contracts leads to minimised risks,</p> <p>Contract partner evaluation during contract creation leads to minimised risks,</p> <p>Risk assessment before contract creation leads to minimised risks.</p>

The following figure demonstrates the relation between external drivers and Contract Management.

Diagram 1: External business drivers and Contract Management



4 Contract Management – Self-Assessment

4.1 BearingPoint's Contract Management Maturity Level Model

The BearingPoint Contract Management Maturity Level Model is based on numerous client requests to conduct a benchmarking analysis concerning Contract Management. How do our competitors solve this topic? What does my enterprise need to improve? Are our contract processes and organisation well prepared for future challenges?

To allow a quick and easy self-assessment, the Maturity Level Model was developed. It describes five different levels for Contract Management as illustrated in the following picture.

Diagram 2: BearingPoint's Contract Management Maturity Level Model

"OPTIMISED":

Contract Management is a strategic initiative. Focus is on continuous improvement of rules and verification. Connections to compliancy cockpits.

"MANAGED":

Contracts are managed as an enterprise asset, well-developed processes for capturing, classifying, verifying and storing exist. Organisations provide detailed rules and internal control systems.

"PROACTIVE":

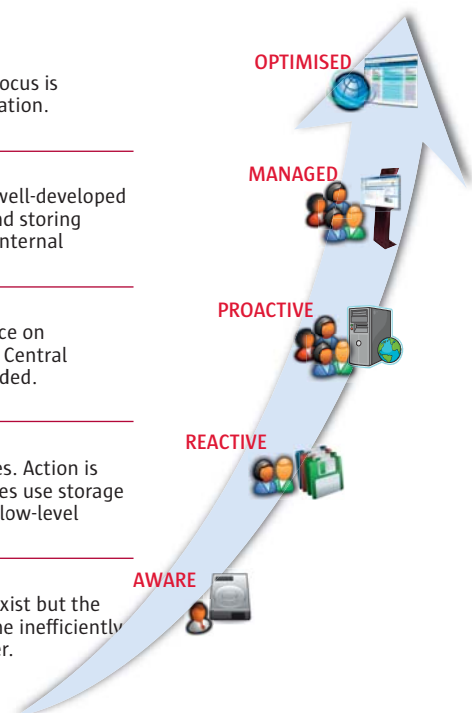
The organisation places much greater importance on contracts. Enterprises start to centralise action. Central archiving and basic search capabilities are provided. Partial existence of enterprise-wide rules.

"REACTIVE":

Awareness and action occur in response to issues. Action is either system- or department-specific. Enterprises use storage systems for data and documents and introduce low-level regulation for processes concerning contracts.

"AWARE":

There is an awareness that problems and risks exist but the enterprise has taken little action. Storage is done inefficiently through local hard copy or electronic files/folder.



What can the Maturity Level Model mean for an enterprise?

Many of our clients start their Contract Management improvement on the **first level “Aware”**. Contracts are stored by individuals at any location in the company. There are mostly no standard processes defined and approval processes are not transparent. Terms and conditions of contracts are not monitored and the management just becomes aware of the significance of efficient Contract Management.

On the **second level “Reactive”** one or more departments of enterprises start to set up a Contract Management team. They begin to define standard processes to react to upcoming problems or reporting needs concerning contracts. Responsibilities are being defined and subsequently central administration of contract information and documents can be started. Consolidation of existing contracts enterprise-wide begins, and possibly Excel sheets are used for a better overview of contract data.

The next step is the **third level called “Proactive”**: The focus of Contract Management has changed from reactive to proactive behavior. Department specific standard processes for contracts and approvals have been defined, a Contract Management system has been implemented for central storage and monitoring of contracts during the lifecycle and contract reports are submitted to management. The Contract Management team has to care for central tasks during the contract lifecycle, e.g. contract planning, contract storage, contract monitoring.

The **fourth level is called “Managed”** and it involves the support of Contract Management within multiple departments of an enterprise. Contract Management systems are integrated and used by many users to work together on the same platform. There are elaborated functions available for contract creation, monitoring and management reporting. Interfaces to other processes and systems are defined and managed.

“Optimised” means that the executive board of an enterprise determines the Contract Management for the whole enterprise. Contract Management is seen as a strategic issue and all departments which work with contracts need to control and optimise their Contract Management activities continuously. In addition, at this stage, management has access to all contract information at any given time and management reporting data is available quickly.

4.2 Self-Assessment Based on the Maturity Level Model

This chapter will enable you to make a first evaluation of Contract Management in your enterprise. The following table is a summary of 258 questions that were developed by BearingPoint for benchmarking purposes and for definition of use cases in Contract Management.

For every mentioned Contract Management (CM) aspect, please mark the level at which you are currently positioned.

CM Aspect	Optimized	Managed	Proactive	Reactive	Aware
Management attention and support	Management leads strategic CM initiative	Management supports CM activities and sees CM as a key success factor	Management supports CM activities	Management attention	No/little Management awareness
Contract Management organisation					
Contract Management responsibilities/leaders	Global responsibilities/leaders for CM in the enterprise defined, e.g. in the enterprises's administrative department	CM responsibilities/leaders in specific departments are defined, sometimes also global responsibilities/leaders are defined	CM responsibilities/leaders in specific departments are defined	Everybody can deal with contracts individually, maybe department-wide responsibilities/leaders for electronic storage of contracts defined	No responsibilities/leader defined, everybody can deal with contracts individually
Departments with Contract Management activities	All departments in the enterprise which deal with contracts are involved	Departments who deal with most of the "external" contracts in the enterprise have improved their CM (e.g. procurement, legal, sales, IT)	Only one or more departments have implemented CM	One or more departments have started to think about the implementation of CM, first steps are taken	No department has started to think about implementing an effective CM
Contract Management processes					
Rules	Enterprise-wide rules for CM in all departments, focus lies on continuous improvement of rules and verification	Detailed rules and guidelines for CM in all involved departments	Partial existence of enterprise-wide rules, definition of rules is mostly within special departments	Only low-level regulations for processes concerning contracts in single departments	No rules or regulations for processes concerning contracts

CM Aspect	Optimized	Managed	Proactive	Reactive	Aware
Standardisation of processes during the contract lifecycle	High level of process standardisation concerning CM enterprise-wide, internal best practices are used for other departments as well	High level of process standardisation concerning CM in the involved departments	Implementation of standard processes within one or more departments	First thinking about standard processes within special departments	No standard processes defined
Transparency and availability of contracts	All contracts, contract information and related documents are available centrally	All contracts of the involved departments are available centrally	All contracts, contract information and related documents of one or more departments are available centrally	Start of the central storage of contracts in one or more departments	No central storage for contracts, enterprise-wide storage at different locations
Support by IT tools					
Contract templates/ Definition of contract contents	Contract templates/ definition of contract contents exist for all kinds of contracts enterprise-wide	Contract templates/ definition of contract contents exist for all kinds of contracts within the involved departments	Contract templates/ definition of contract contents exist for all kinds of contracts for one or more departments	Contract templates/ definition of contract contents are being developed	Maybe contract templates are available
Basic functionality (electronic storage, administration, retrieval of contracts (final contact), reporting, follow ups)	Implemented CM system(s) provide basic functionalities such as electronic storage, administration, reporting over all existing contracts, automatic follow ups etc. All existing contracts are stored in these CM systems	Basic CM functionalities are provided incl. electronic storage, administration, reporting, automatic follow ups etc. All involved departments store their contracts in the CM system	Basic CM functionalities are provided, especially electronic storage of contracts and contract information	Maybe basic functionality for electronic storage of contracts are available	No basic functionality available

CM Aspect	Optimized	Managed	Proactive	Reactive	Aware
Enhanced CM functionalities (workflow, electronic approval, signatures, collaboration)	Implemented CM system(s) provide all kinds of CM functionalities including contract approvals, workflows and collaboration. These functionalities are used enterprise-wide	Enhanced CM functionalities are provided and at least partially used by all involved departments, e.g. collaboration, workflow, electronic approval etc.	Enhanced CM functionalities are provided and at least partially used by one department, e.g. collaboration, workflow, electronic approval etc.	No enhanced CM functionalities available	No enhanced CM functionalities available
Integration with other systems (ERP, CRM, management dashboards...)	CM System(s) are integrated into ERP, CRM, IT, risk management systems and management dashboards, „Contract Cockpit“ possible	Integration to other main systems available in involved departments (e.g. ERP, CRM)	Integration to other main systems available in one or more departments (e.g. ERP, CRM)	No integration available	No integration available
SUM					

Please sum up your findings and enter them in the last row.

The result is a basic estimation of the as-is situation concerning Contract Management in a single department or in a whole enterprise. It is the basis for the definition of the enterprise's Contract Management objectives, for the further analysis of certain use cases in single departments, and for the definition of to-be processes and the steps to reach those objectives.

5 Contract Types – Characteristics

Besides the characteristics of every contract mentioned above – individual contents, contract partners, terms and conditions, contract lifecycle, contract organisation – there are additional specific aspects of certain contract types. The following chapters take a closer look at procurement contracts, sales contracts, IT contracts and partner contracts and the respective departments which deal with these contracts. These chapters will provide a more strategic view on Contract Management in different departments.

5.1 Procurement Contracts and the Role of the Procurement Department

The management of procurement contracts should be mainly under the responsibility of the procurement department. In order to understand the necessary activities in procurement Contract Management it is important to have a look at the **trends and topics within this department**:

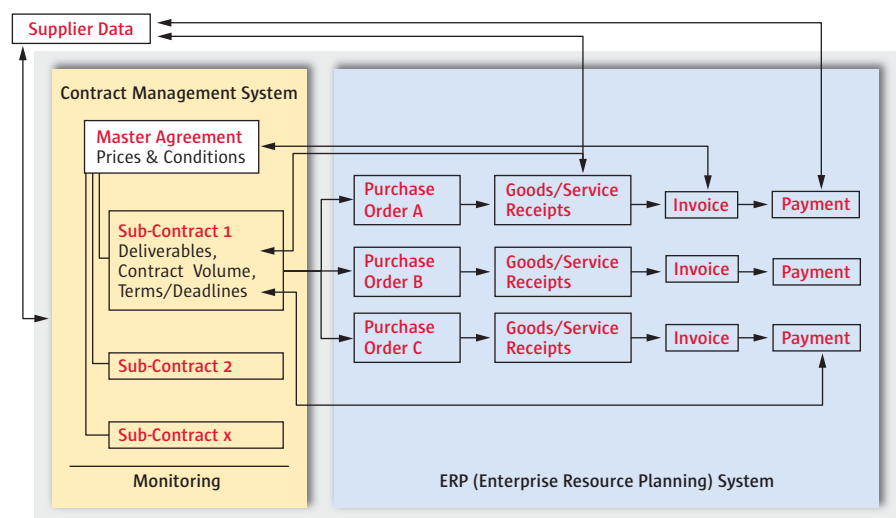
- **Cost reduction:** The procurement department is one of the most important departments for cost savings in an enterprise. If the department can negotiate better prices this will have an impact on costs within the entire enterprise. To make sure the procurement can best save money it is necessary that the department knows about all procurement contracts in the enterprise and they must also approve every procurement contract or purchase order.
- **Reduction of suppliers:** Procurement departments aim to reduce the number of suppliers for their enterprises. This will allow the department to achieve cost reductions by ordering high volumes from one supplier and high quality deliverables by cooperation with well-known suppliers. On the other hand, a reduced number of suppliers also implies a higher dependency on few suppliers.
- **Renegotiation of contracts:** In times of the financial crisis renegotiation of contracts is a very important task of the procurement. The basis for a renegotiation of contracts is having an overview over all existing contracts and the terms and conditions of these contracts. Renegotiation can lead to enormous savings and can help an enterprise to survive in financially hard times.
- **Procurement as a partner/central coordination:** The procurement department is increasingly seen as a business partner for all other departments and other departments accept the central coordination role that the department holds. This also supports the central role of the procurements department in managing procurement contracts.

What are the characteristics of procurement contracts?

- **They are everywhere in the company:** Especially in large enterprises, almost every department can purchase material or other deliverables and therefore deal with offers, contracts and purchase orders. Very often every single department or lots of individual employees are in charge of the contracts, the storage and the negotiated terms.
- **Risks within procurement contracts are predominantly not monitored properly.**
- **The procurement department is mostly responsible for the master agreements.**
- **Nobody has an overview over all existing procurement contracts:** Especially in large enterprises this is often based on the fact that there are multiple systems enterprise-wide for purchase orders, contracts, payments etc. and thus management reporting concerning all contracts or master agreements/respective individual contracts is not possible. No standard processes are defined and a central procurement contract organisation has not been set up.

The following picture explains the connection between supplier data, master agreement, sub-contracts to master agreements, purchase orders, goods/services receipts and invoices/payments.

Diagram 3: Procurement contracts – Connection between supplier data, contracts, purchase orders and payments

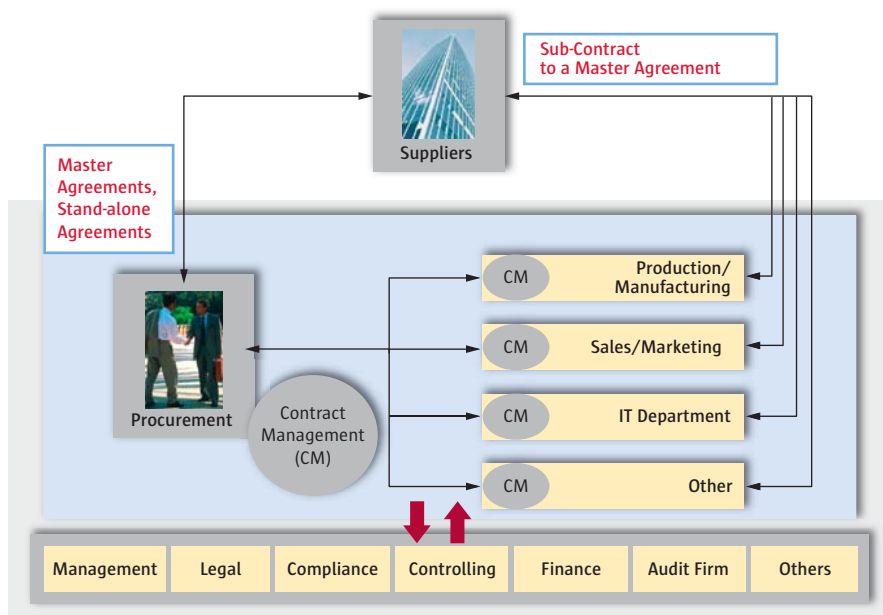


Even if purchase orders, goods and services receipts, invoices and payments are supported by Enterprise Resource Planning (ERP-) systems, e.g. SAP, the monitoring of specific contract contents is very often neglected. Which terms and contract volume were negotiated in the contract? When can the contract be cancelled? What is the minimum purchase quantity according to the contract which needs to be ordered? Are negotiated limits in master agreements achieved and can additional savings be made?

As shown in the diagram above a Contract Management system can store and provide all contract related documents and information, e.g. master agreements and their sub-contracts, and it allows contract reporting and automatic reminders. The Contract Management system should not be seen as a stand-alone solution but as an important link between the supplier data and the information booked in the Enterprise Resource Planning (ERP-) system. Supplier master data is needed for the administration of contracts in a system. Sub-contracts or stand-alone contracts can lead to one or more purchase orders, and these present the basis for deliverables from a supplier and the goods/services receipt booking in the Enterprise Resource Planning (ERP-) system. It has to be verified whether the deliverables meet the agreements in the contract. The supplier's invoice data needs to be compared with the conditions in the master agreement. Payments per contract and supplier should be tracked as part of contract and supplier management.

Only with an efficient management of procurement contracts including management reporting and contract monitoring contract costs can be reduced and risks minimised. The following picture shows a possible Contract Management organisation for procurement contracts.

Diagram 4: Possible organisation of procurement Contract Management



In the diagram above, procurement plays a central role in procurement Contract Management and has an overview over all existing procurement contracts within the whole enterprise. Even if they are only in charge of the master agreements and stand-alone agreements, they have an insight in all sub-contracts and their terms and conditions with suppliers. As many other departments deal with procurement contracts as well, close collaboration will result, e.g. with production/manufacturing, sales/marketing and IT. These departments might be interested in other data concerning their procurement contracts than the procurement, e.g. the relevant cost center, cancellation dates or renewal dates, and they might be interested in monitoring this data centrally within their department. Thus there might be the central contract responsibility of the procurement and in addition department specific Contract Management teams. They all interact with management, legal, compliance, controlling, finance, the audit firm and other departments within the enterprise.

5.2 Sales Contracts and the Role of the Sales Department

Again, let us have a look at the **trends and topics within the sales department** in order to understand the necessary activities in sales Contract Management:

- **Customer satisfaction/customer loyalty/product and service quality:** One of the most important aspects in sales (especially Business to Business (B2B)) today is the satisfaction of customers and the attempt to renew existing or even make additional contracts with existing clients. High product and service quality, adherence to delivery dates in contracts and customer satisfaction can be a reason for new orders even if the enterprise did not submit the cheapest offer. An efficient sales Contract Management is the basis for customer satisfaction and customer loyalty.
- **Sales budget remains constant/efficiency of processes:** While in times of the financial crisis all other departments are forced to reduce their costs, the sales budget in larger enterprises has not decreased. Nevertheless the sales department needs to redefine processes and become more efficient.
- **Lack of discussion with procurement department:** Even today most of the time the discussion between sales and procurement has yet to be initiated. Such a discussion would help to understand the pressures and concerns of the each department and thus also to understand the contract partners (suppliers and clients). It would also lead to a common approach to common partners.

What are the characteristics of sales contracts?

- **Sales persons negotiate them and they are often stored by the responsible sales person at any location in the enterprise.** While larger enterprises mostly use a Customer Relationship Management (CRM) system for their sales activities, the final contracts and their contents including terms and conditions are often not stored and monitored centrally. With increasing globalisation, the storage of contracts can be at any location in the world. There is no overview or reporting possibilities over all contents in existing sales contracts.

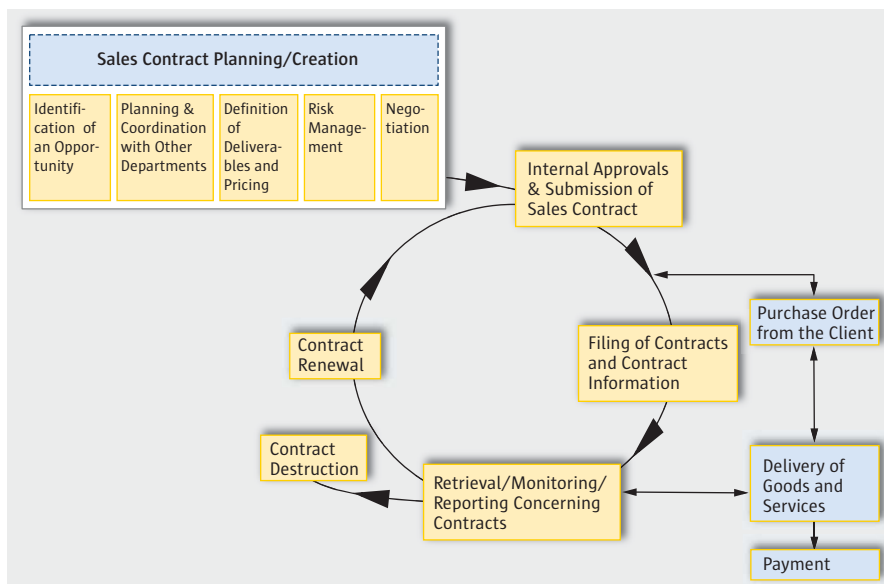
- The sales department is often only responsible for the identification of opportunities, the contract negotiation and signature, but not for the realisation of contract contents.
- Contents and risks of sales contracts are mostly not made fully transparent during the lifecycle of the contract. Management reporting over all contracts is not possible.

In order to reduce contract risks and to achieve customer satisfaction the Contract Management must start before the negotiation of a contract with a client begins: What does the client expect in detail? Can we deliver what is expected? How will we deliver? What will the deliverables look like? What will be realistic delivery dates? What are the risks of the engagement?

As soon as the contract is active the contract needs to be monitored in order to meet the deadlines and other conditions defined in the contract.

These processes are described in detail in the following picture:

Diagram 5: Special processes for sales contracts



Managing the sales contracts properly must be part of compliance processes within each enterprise. Only if contract contents and processes are transparent, adequate actions can be taken to reduce risks. This means that standard processes need to be defined for all sales contracts, including preparation and risk assessment of a contract, contract approval and signing, central storage of contracts and contract information, monitoring, reporting and destruction of contracts.

For globally acting enterprises and sales forces distributed in all parts of the world there should be central responsibilities for monitoring and reporting concerning existing contracts and coordination with other departments, e.g. in sales administration.

5.3 IT Contracts and the Role of the IT Department

A close look at the IT departments reveals the following **trends and topics**:

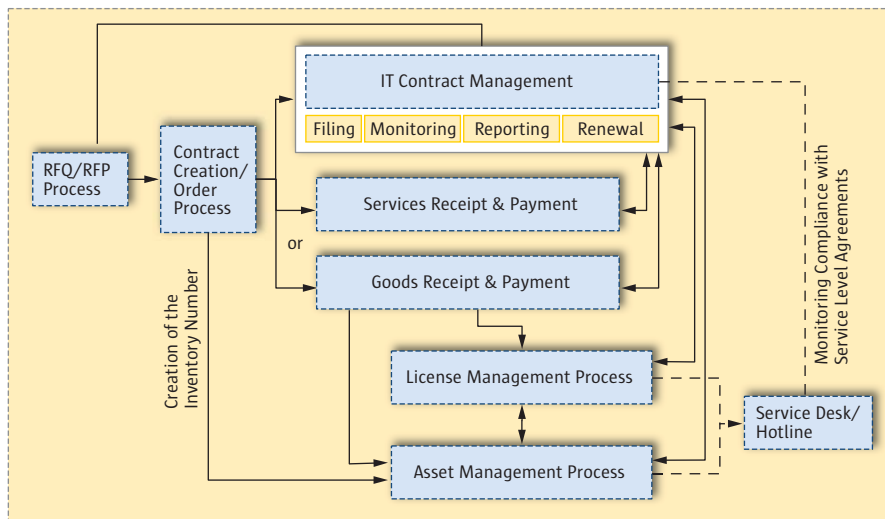
- **IT budget gets reduced:** In order to achieve savings in times of the crisis, the IT budget was reduced in most of the enterprises and a lot of the non-strategic projects had to be cancelled. The main focus lies on cost reduction. Often the management is not aware that a constant effective IT Contract Management could help: Detailed monitoring and analysis of existing contracts and a renegotiation or maybe even cancellation of contracts could reduce costs significantly.
- **Enterprise Resource Planning (ERP) systems are getting harmonized:** Larger enterprises often still use different ERP systems for different divisions or locations. This implies that gaining an overview over all financial data in the enterprise might be difficult. Harmonization of ERP systems can also lead to better administration of master data, e.g. data concerning contract partners (suppliers/clients).
- **Process standardisations:** More and more IT departments have started to define and implement standard processes for their department in order to avoid risks of non-compliance concerning rules and regulations.
- **IT is seen as a service provider:** The IT department collaborates strongly with other departments as their service provider and IT advisor. Internal contracts between IT and the other departments regulate Service Level Agreements and the IT deliverables.
- **Decisions between outsourcing and in-house effort:** In order to deliver good quality for low prices the IT department needs to decide between outsourcing and in-house effort for certain services. Outsourcing agreements are complex contracts with third parties which include Service Level Agreements. The creation of such a contract is not only time-consuming with the need to be well prepared but also it requires the vital monitoring of the contract and the Service Level Agreements.

What are the characteristics of IT contracts?

- **IT contracts are dealt with in every part of the IT department.** There is most of the time no central leader for IT Contract Management. Terms and conditions are not made transparent centrally and IT contracts are stored by the employee responsible for the contract.
- **IT contracts can be very complex,** e.g. outsourcing agreements.
- **No standard processes for contracts are implemented** (e.g. for approvals), especially in larger enterprises which use no or different systems for contracts and purchase orders enterprise-wide.
- **Necessity to identify contract risks and to make them evident.**
- **IT contracts have a strong relation to other IT topics,** e.g. Asset Management, License Management, Service Desk etc.

The following picture describes the processes concerning IT purchasing contracts and the relation to purchase orders/goods or services receipt/payments as well as the relation to Asset/License Management and the Service Desk.

Diagram 6: Interfaces between IT Contract Management (procurement contracts), License/Asset Management and Service Desk



After the RFQ (Request for Quotation)/RFP (Request for Proposal) process the contract creation/order process starts. As soon as an order is sent to the supplier the next process steps can begin: on the one hand, the contract itself should be cared for in the IT Contract Management processes (contract filing, monitoring, reporting and in the end maybe renewal of the contract) and on the other hand the enterprise receives the deliverables from the supplier. If these deliverables are assets or licenses, some new processes will start. Licenses should be especially cared for by a License Management system that monitors free licenses and exchanges information with the Asset Management system. The Asset Management system holds information related to all IT assets such as computers, laptops, servers, printers etc. It monitors among others which assets use which licenses. Both systems are needed by the Service Desk in order to identify and understand problems with assets. The link between licenses/assets and the respective contract might be important, especially from the Service Desk view to find out what was agreed in the contract in case of problems.

In addition, if the Service Desk or other services are outsourced it might be important to monitor the compliance with the Service Level Agreements in the contract.

As described above there should be an interface to the procurement processes, not only for processes concerning purchase orders but also for creation, monitoring and storage of IT purchasing contracts and their contents. Both departments could profit from a central system which holds this information and enforces standard processes enterprise-wide.

5.4 Collaboration Contracts with Partners

Collaboration contracts with partners are often not seen as critical for the enterprise. But if processes are not standardised and transparent and maybe even the collaboration is not defined in contracts it may have a serious impact on an enterprise. If an enterprise lends expensive materials to partners and does not demand any service or payments in return this may be interpreted as corruption. If this delivery even goes to other countries, this may have further consequences under fiscal law.

What are the characteristics of collaboration contracts?

- **They should only be made with selected partners.** The main focus is mostly not the sale of goods or services but the collaboration, there should be a win-win situation for each partner.
- **They can be made with partners world-wide.** In this case the fiscal laws of the respective countries have to be followed.
- **The contents and terms of the collaboration contracts should be monitored.** The monitoring needs to survey that the deliverables take place at the defined dates. A proper documentation is necessary. If goods are lent to the partner it has to be guaranteed that the good will be given back or bought at the end date of the contract.
- **There should be responsibilities defined for collaboration contracts.**

For collaboration contracts the contract planning/creation phase and monitoring phase should be especially looked into. Standard processes must be defined in order to determine both the internal approval processes before contract creation and the exact procedures and steps of the collaboration project. Also the accounting processes for the deliverables have to be defined. After the contract signature the contract monitoring needs to be prepared: What are the relevant dates and deliverables which have to be tracked? What should the monitoring process look like to guarantee contract fulfilment?

The definition of central responsibilities/leaders is mostly very important. Their tasks should be the provision of guidelines, tools, methodologies, checklists and contract templates. Furthermore, tasks should also include communication with departments or regional units in addition to direct communication with Senior Management for all general questions concerning collaboration contracts and provision of management reporting. Contract Management systems can reduce the complexity regarding these processes and help the units of each enterprise work together globally with greater efficacy.

6 Study Results

6.1 Expert Interview Results

6.1.1 Methodology of the Expert Interviews

The purpose of the interviews was to further understand the topic of Contract Management as an addition to the broad view we gathered through the answers to our questionnaires (see next chapter). Therefore we met the experts in their business environment with both a structured interview guideline in addition to a period of free time for the experts to discuss their thoughts on Contract Management liberally.

In fact the experts did not need our guidance – we talked for 2 to 3 hours with each and gained remarkable insights alongside generic recommendations for topics ranging from daily life up to feature discussions. In some cases without asking any question.

6.1.2 Our Experts

With respect to the daily life in international enterprises we agreed to keep the names, roles and enterprises of our experts anonymous. However, we are able to share some top level facts.

- A greater number of male vs. female experts were interviewed.
- The enterprises have a strong global footprint – with their products and their presence.
- Experts belong to the following industries
 - Automotive,
 - Airline,
 - Logistics,
 - Electronic goods,
 - Professional services,
 - Telecommunications,
 - Life science,
 - Software.
- The experts work daily with contract related issues and have access to their enterprise's C-Level management including the CEO, CFO and CIO.
- The experts come from legal, finance, marketing, IT, Mergers & Acquisitions (M&A), accounting, compliance and security departments.
- The experts have a minimum of 20 years of professional experience each.
- Topics of discussion included ethics, behaviour, processes and information technology.



6.1.3 Common Expert Statements

Through our discussion regarding the governance role of Contract Management in an enterprise we arrived at interesting results and suggestions:

- A contract is a guideline for the business relationship,
- Sometimes the deliverable definition is specified on a level which is too detailed,
- Contracts are changeable,
- Good managed relationships between the contract partners reduce the effort in the contract creation and processing phases,
- The action dominates, the documentation supports,
- Clear segregation of duties as well as teamwork between business units, legal departments, controller and IT departments allow the contract manager to perform their work with greater ease,
- Work should not begin without a contract, neither if you are the customer nor if you are the vendor,
- Observe the rules and don't break engagements!

6.1.4 Experts at Work

Experts have specific background and individual requirements regarding contracts. Contract Management is, for some roles, an administration/business chain including Customer Relationship Management (CRM), reporting, marketing and sales functions. It is relevant for the business unit, country/regional unit or division. But there is no group-wide or global approach for Contract Management including different business lines. This experience was shared by all the experts from the global enterprises.

The relevance of specific tasks is based on the expert's role and the enterprise's business.

Here are some expert statements concerning Contract Management:

- 'For our business it is important to document the initiation of a contract. Furthermore it's important to know the real turnover coming out of frame contracts/master agreements.'
- 'It's an administration/compliance/IT topic for us. Contract Management helps us to support dedicated tasks of our business like preparation and provision of M&A deals, work on contracts in the legal department or storage of contracts with subsidiaries. The interaction with a Corporate Management Information System and other existing systems is a key success factor.'
- 'For us it is important to have a central electronic storage for all documents concerning contracts as there are often lots of employees involved, sometimes at different locations. It is necessary to guarantee confidentiality.'
- 'Networking could be improved. The countries work more or less individually. From a global perspective a better transparency would help our business.'

An Accounting Manager clarifies

Contract Management topics are relevant for us because they influence our accounting, closure and reporting business. Looking at the overall amount of existing contracts we have an overview of their content and have no problem with their handling. The existing Enterprise Resource Planning (ERP) system holds all contract information we need. Additional Contract Management tools are not necessary for our accounting department.

It becomes interesting as soon as our enterprise launches new products to the market. Our enterprise offers leasing and rental agreements. In this case our accounting department needs to deliver the input concerning prices and valuation of assets and thus supports the creation of new contracts. If we expect various financial consequences we might experience an impact on the external reporting.

If the business partner fails in delivering the right quality we must have the opportunity to reduce the payment. Sometimes the access to the contract document would help to solve the problem quickly.

Penalties, payment reduction and for instance the dependency report require the knowledge of the contract content. Sometimes we have to submit our contracts to external auditors. Carve Out and Carve In contracts are important for our accounting work.

A Purchasing Manager says

A purchasing manager does not have to be aware of all the existing contracts. Each department has a different set of requirements concerning Contract Management. For example, the legal department needs other information than procurement. But why shouldn't we use the same amount of basic data? A common data basis with global transparency of contractual content might make sense. Human Resources (HR) contracts should be handled separately. Of course contracts are closed also without our purchasing department. Legal supports the business.

Within our enterprise we define processes, procedures and government policies which are valid for all departments including relevant Contract Management. The process owner determines the contract handling procedures. The transparency of the client-vendor-relationship is of high importance for us. It helps us to develop the highest possible business potential. National and international customer databases support us as well as a common Enterprise Resource Planning (ERP) system.

We combine autonomy of process owners with the use of common tools and services. We work based on standards. It helps us to handle contracts when we carve in or out business units.

With professional Contract Management we create security, transparency and support our risk management. We address topics like active and passive corruption. This can be done by using questionnaires during the creation of contracts.

It's not always transparent, what a deviation from a contract is and how for example an e-mail can create a change of contract terms or content.

It is important to organise the group internal contracts as professionally as external contracts.

Digital contract closures and e-mails with contract content should be handled more carefully.

An IT Security Manager asks

Putting the contract into a "cloud" infrastructure? From an infrastructural and technological standpoint I believe we could handle it. But which business owner or contract responsible shall be convinced? Legal, finance, sales? Can someone describe the structured process I could transfer into a tool or even a cloud? Shouldn't we start with some simple parts of Contract Management? I think of the business partner master data, generic contract clauses and other simple requirements.

A Legal Department Manager requires standards

We would like to handle exceptions. If the enterprise's business and contract owners use our standard terms and conditions we can focus on tasks which match our intellectual capabilities.

It would be good to have all contract drafts and versions stored electronically. For us it is necessary to have access to the last version of a contract quickly.

6.1.5 Experts and Information Technology

Experts give insight into the Contract Management tools in their enterprise:

- Some enterprises use industry platforms to close deals, e.g. for online auctions. The chemical, life science, automotive and aviation industries are particularly familiar with such tools.
- Some have implemented a tool which is well integrated with the ERP system. It is important to use as much standard functionality as possible. They need it to get the purchasing benefits and to realize several economic advantages.
- Some enterprises prefer a document management system or archiving system based software in order to facilitate collaboration, archiving or workflow requirements.

But a tool alone does not solve the problems. Nevertheless the tool implementation helps us to enforce the defined processes based on our procedure model and the functional design.

There is one common requirement: Take the complexity away from the user. Give the user access to the relevant contract information through his or her most loved tools: E-mail, Office application or the user's core business application.

6.1.6 Expert Recommendations for Contract Management Projects

During our interviews we asked the experts for their recommendations concerning the set up of a Contract Management project.

A project requires efforts in as-is and to-be analysis, project management, change management, functional and technical specifications, software and hardware. Sometimes we believe by buying cheap software we save money. With this approach we create our problems instead of solving them.

The most important recommendations for projects are:

- **Management support is crucial!** You can set up the best project and define the best to-be processes – if the management does not support you, the project will not be successful! There are too many people who need to change their processes and who will not do that until the management requires it!
- **Keep it simple!** It is not possible to start Contract Management activities for the whole enterprise at the same time in one project. You should start with those contracts and departments which are seen as the most critical in the enterprise. To decide about the starting point it makes sense to build/define use cases based on a maturity level model and detailed questions. Prepare a decision paper for the management which includes costs and benefits.
- **Define the objectives!** When setting up Contract Management it is most important to be aware of the objectives. What is the actual situation and what needs to be improved? What will the benefit be? What should be excluded? Only if the objectives are clearly defined the project tasks and next steps can be determined. Are some of the objectives minimising risks, defining standard processes and reducing costs?
- **Talk to all stakeholders!** It is necessary to understand the different motivation of the legal, finance, risk, controlling, quality management and IT departments in addition to the business entity as a whole in order to define the right processes. It is also vital to know the influence of your action on the enterprise's accounting.
- **Define clear regulations and standard processes!** To guarantee transparency it is important that the management sets clear regulations and policies. These must be the basis for the standard contract processes. Only this way is it possible to get the necessary support by all involved employees.
- **Management needs to start communication!** The management must feel responsible for the changes in processes, so it is a management task to start the communication concerning the changes to the employees.

- **Don't underestimate change management!** One of the most time consuming activities in a Contract Management project is the change management including training of new processes and systems, coaching and getting acceptance and support from the involved employees. Contract Management can only be as good as the conducted change management. If there are employees who do not like the new processes transparency is not guaranteed and management reporting does not make sense.
- **Achieving transparency is paramount!** This only comes with a) the right taxonomy b) documented structured information c) identified unstructured information.
- **Define central and local (region/business unit) tasks and responsibilities!** For a successful and efficient Contract Management it is necessary to define tasks and responsibilities. A central responsible may be necessary to take charge of tasks like management reporting, central storage and approval of contracts while local tasks can be requests for information/proposals or set up of a purchase order.
- **Consolidate all existing active contracts!** Only with the consolidation of contracts you can find out with whom the contract responsibilities lie and thus you can have direct communication with that person. Management reporting requires the availability of all existing active contracts and their content.
- **Data clearance in case of history load is necessary!** If you want to use data of existing legacy systems it is necessary to care for the data clearance – the best would be before the history load. The existing data is only valuable if it is up to date. Contract content or partner names should be looked at carefully before just importing them into the new system.
- **Master data management is important!** You should be aware that the partner data is the basis for Contract Management. Only if the same partner data is used for every contract with this partner, retrieval and reporting concerning contracts will make sense.
- **A Contract Management system needs to be implemented!** An efficient Contract Management needs to be supported by a Contract Management system. It is not possible to use Excel sheets for the administration of contract contents and terms and conditions in the contracts. Automatic follow ups are necessary for the monitoring of deadlines.
- **Process analysis comes before the system selection!** Before selecting a Contract Management system a detailed process analysis has to take place. Systems vary strongly in supporting different processes and it is necessary to find out the real aim of the system in the enterprise.

6.2 Questionnaire Results

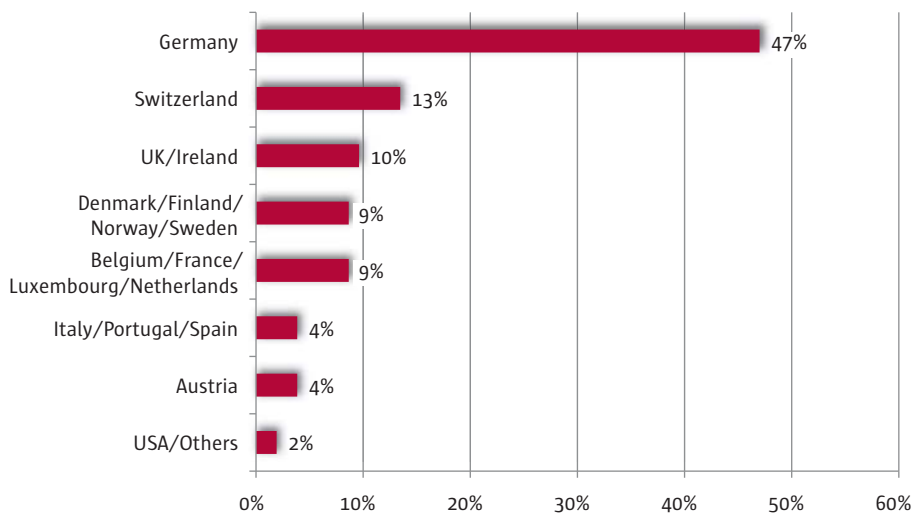
6.2.1 Methodology and Scope of the Questionnaire Survey

From September 2009 until the end of January 2010, 850 enterprises were asked to answer our 29 issues-questionnaire about Contract Management. The questionnaire was provided in English and in German.

The participants of the questionnaire study are practitioners with legal, finance, purchasing, sales, marketing, IT and organisational background. They come from several industries across 18 countries.

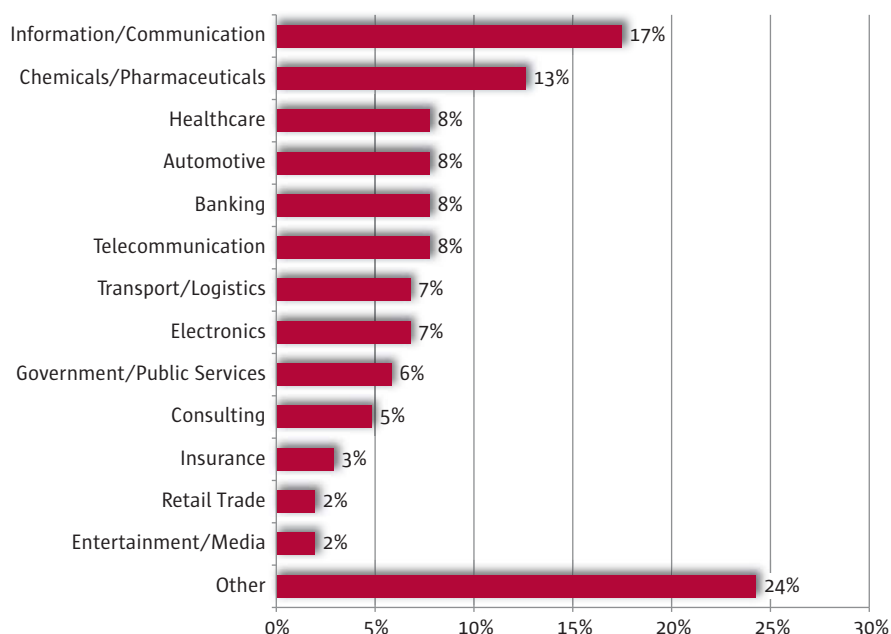
The following diagram shows the countries of the participating enterprises of the Contract Management study 2010.

Diagram 7: Countries of the participating enterprises of the Contract Management Study 2010



Enterprises from very different lines of businesses were surveyed.

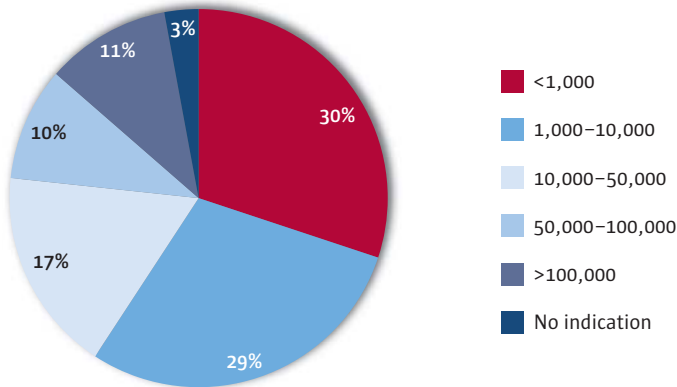
Diagram 8: Lines of business within the surveyed enterprises
(multiple selections possible)



The questionnaire included the possibility to select multiple industry sectors. The majority of the study participants came from the information/communication sector followed by the chemicals/pharmaceuticals line of business.

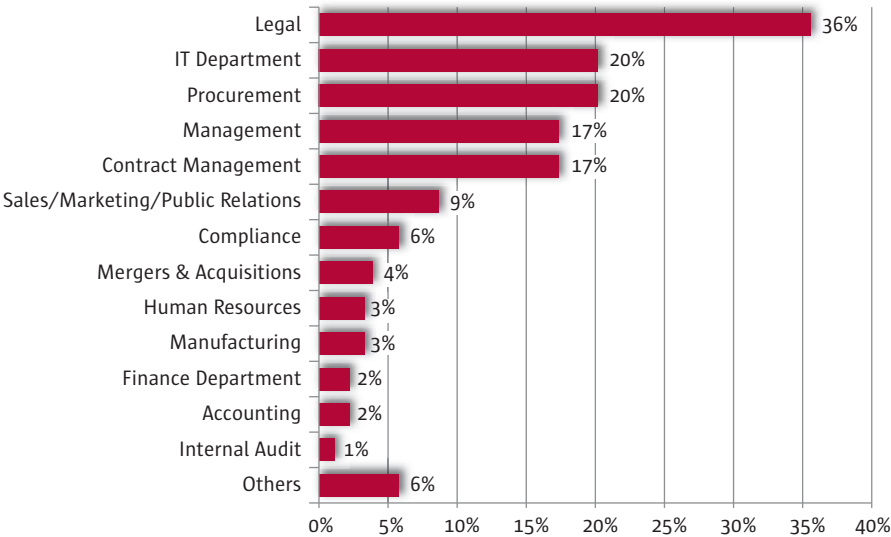
Contract Management is not only relevant for very large and high-turnover enterprises. This is demonstrated by the different size of the participating enterprises. 30 % of the enterprises surveyed in the study have less than 1,000 employees. 29 % of the participating enterprises have between 1,000 and 10,000 employees and 11 % have more than 100,000 employees. The following diagram illustrates the number of employees within the enterprises that participated in the survey.

Diagram 9: Number of employees within the surveyed enterprises



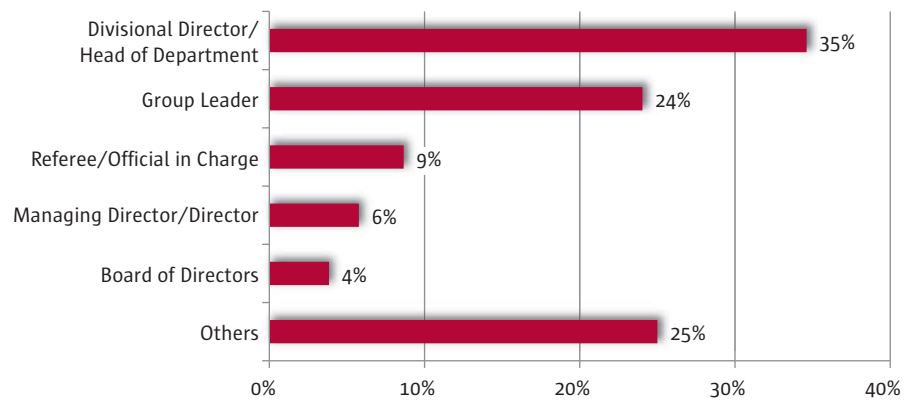
The relationship of the participants to their functional areas in their enterprise is represented in the following diagram. More than a third of the participants belong to the legal department, followed by the IT department (20%), the procurement (20%), management (17%) and Contract Management (17%).

Diagram 10: Relationship of the participants to functional areas (multiple selections possible)



More than one third of the questionnaires were answered by divisional directors/heads of departments (see the following diagram).

Diagram 11: Position of the participants in the enterprise



6.2.2 Most Important Survey Results

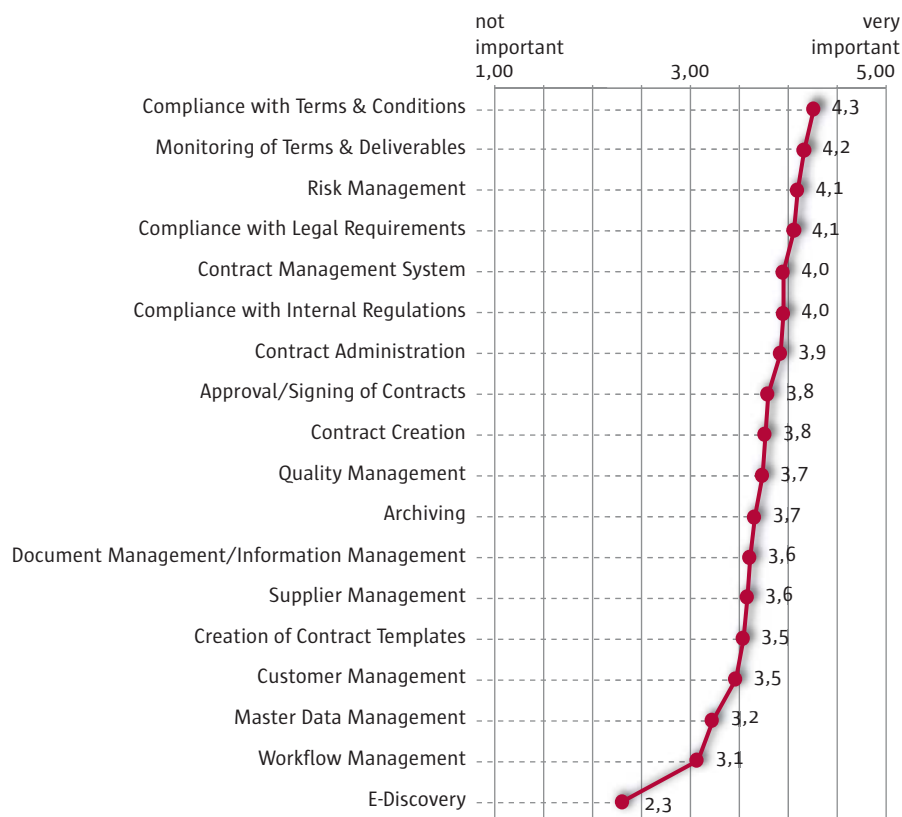
6.2.2.1 Aspects of Contract Management

What do you personally think are the most important aspects of Contract Management?

The objective of this question was to reveal the most important aspects of Contract Management.

From the surveyed enterprises perspective the compliance with terms and conditions, the monitoring of terms and deliverables as well as the risk management were viewed as the most important aspects of Contract Management in 2010.

Diagram 12: Important aspects of Contract Management



6.2.2.2 Organisation, Processes and General Conditions in Contract Management

The participants were asked about their enterprises' current Contract Management organisation and the desired Contract Management organisation. The primary objective of this question was to determine whether Contract Management is left to individuals or whether all or some of the tasks concerning Contract Management are centrally managed and how the ideal organisation would look like. Other objectives were to find out more about the existing processes concerning contracts, which kind of risks are regarded as critical, which laws are relevant to Contract Management, and which information technologies are utilised in Contract Management. Finally the participants were asked for their satisfaction level concerning their enterprises' Contract Management.

6.2.2.2.1 Current and Desired Contract Management Organisation

Are there any central departments in your enterprise that are responsible for all contracts in all departments?

50 % of the survey participants reported that there is a central department for at least some subtasks related to contracts in their enterprise.

More than a third of all enterprises have a central department for the following: the creation of standard contracts, the administration and archiving of contracts, the preparation of contract templates and/or the preparation of individual contracts.

Only 9 % reported that all mentioned tasks are fulfilled centrally. Less than a quarter of the enterprises have centralised risk management, quality management, contract controlling and monitoring of the compliance with terms and conditions within existing contracts. And finally 50 % of the enterprises leave all tasks concerning contracts to the individual departments or employees.

In your opinion, how should Contract Management be organised in your enterprise for the following functions?

More than three quarters (88 %) of the study participants endorse a central preparation of contract templates to be used within the contract negotiation and contract creation phase.

A high majority of the participants prefer a central organisation for the preparation of *standard* contracts. However, the majority of those asked, prefer a decentralised process for the preparation of *individual* contracts.

The study demonstrated that between 60 % and 70 % of the participants desire centralised risk and quality management.

For 73 % of the enterprises it is essential that the contract administration and archiving is organised centrally to facilitate retrieval of contracts and minimize the costs and effort.

More than half of those surveyed want to have central responsibilities for the contract controlling and endorse decentralised monitoring of the time limits within existing contracts.

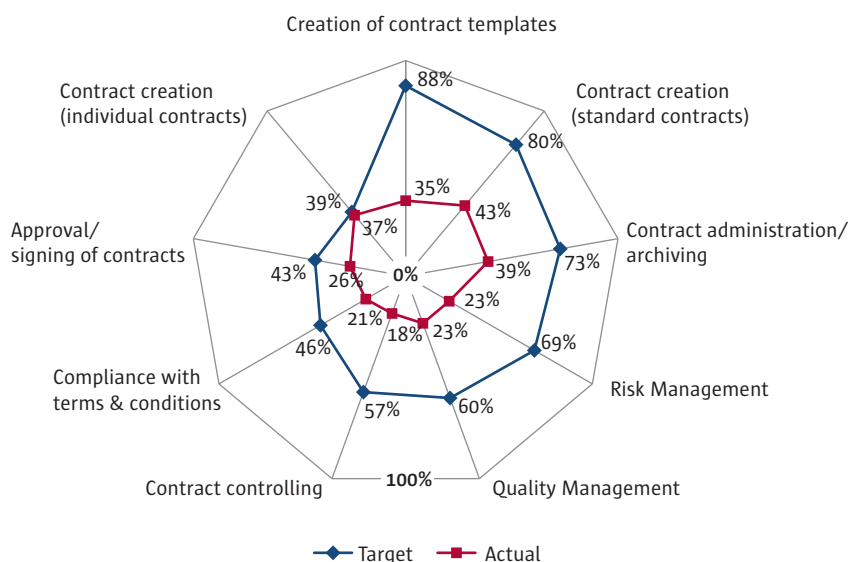
Regarding the question of whether the approval and signing of contracts should be managed centrally, only 43 % vote for a centralised organisation.

In summary the majority of the surveyed enterprises favour a central organisation for tasks mentioned above in Contract Management, but only a minority of the enterprises has realised this even partially. This difference becomes most obvious with regard to the creation of contract templates (difference: 53 %), risk management (difference: 46 %) as well as contract controlling (39 %).

The contract creation (individual contract) shows the closest harmonization between the actual and the target organisation status with a minimal difference of 2 %.

The following diagram shows the discrepancy between the desired and the actual organisational status of Contract Management tasks:

Diagram 13: 2010 Comparison of desired vs. actual centralisation of tasks in Contract Management



Comparison of 2010 and 2006 study results

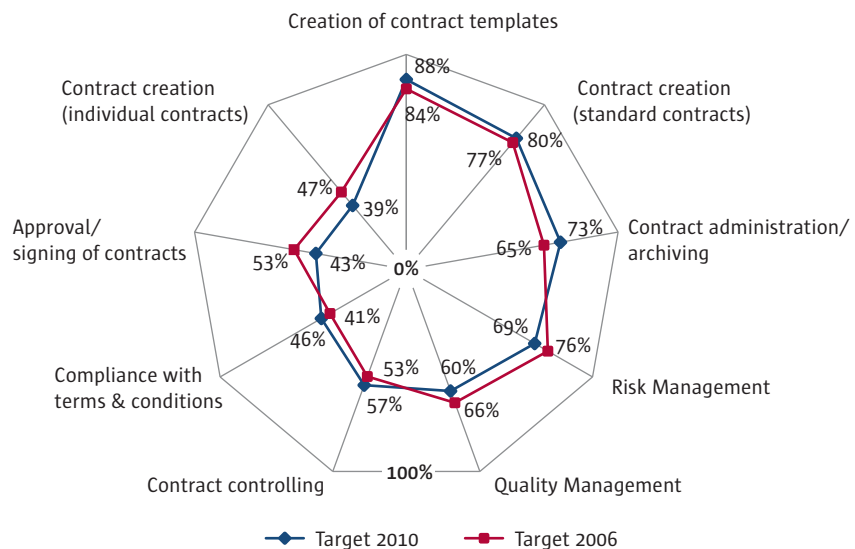
A comparison of the 2006 study with the results of the current study identified the following changes:

The centralisation of the contract administration and archiving has become more important over the last few years. In the 2010 study, it was found that 73 % of the enterprises currently want to perform this function centrally, while in 2006 a fewer 65 % of the participating enterprises desired to centralise this function.

Another interesting observation in comparison to 2006 is that nowadays less participants want to have the approval/signing of contracts and the contract creation of individual contracts cared for centrally and that also slightly less participants vote for a central risk and quality management.

For the other tasks no major change occurred between 2006 and 2010.

Diagram 14: Comparison of the desire for centralisation of tasks in Contract Management 2006 vs. 2010



The diagram above demonstrates that from 2006 to 2010, enterprises still desire an organisational change of centralising tasks regarding Contract Management.

But although the majority of the participants are in leading positions within their enterprises, it seems that little has improved in this area during the last four years. This may be due to the financial crisis and the fact that cost pressure has been the main business driver over the past couple of years thus resulting in enterprises being less keen to invest in Contract Management changes.

6.2.2.2.2 Contract Management Processes

What are the characteristics of your Contract Management processes?

In the context of the study, the enterprises' business processes concerning Contract Management were examined in greater detail. The following results were identified for Contract Management:

- 84 % of the participants work on the basis of pre-defined release and approval processes for contracts within their department.
- The majority (75 %) of the study participants have common filing and search criteria for contracts, however only within their respective department. Only 49 % of the enterprises have established common criteria for the whole enterprise, whilst 51 % indicate they have no enterprise-wide filing criteria.
- More than half (62 %) of the enterprises feel creating contracts is very complex and time consuming, although the majority (73 %) use contract templates for standard contracts.
- 77 % of the participants did not know the processing time spent working on standard contracts. However almost the same proportion of the participants think that the processing time can be reduced.
- 71 % of the study participants must access contracts of other departments in order to perform their work.
- 64 % of the participants state that one contract document is usually handled by at least two people in the same department.
- For almost two thirds of the participants it is important that contracts are also available at other locations.
- Almost half of the enterprises distribute and archive several copies of the contract in different departments.

Diagram 15: Characteristics of the Contract Management processes 2010



Comparison of 2010 and 2006 study results

A comparison of the 2006 study with the results of the current study identifies only the following small changes:

- In 2006, more than half (58%) of the enterprises surveyed distributed and archived multiple copies of contracts within different departments; today the number is down to 49%.
- 64% of the study respondents currently indicate that several people of one department handle the contract document, whilst in 2006 only 46% did.
- 84% of the study participants state that there is a predefined approval process for contracts in their department whilst in 2006 only 77% did.
- In 2006 only 41% of the participants used common filing and search criteria for contracts within the whole enterprise. Our recent study has shown that this number has increased to 49%.
- The comparison concerning the availability of contracts at different locations showed that only 65% of the participants believed contracts were required at other locations while in 2006 74% believed this was important.

What is your opinion of the standardisation of contracts in your enterprise?

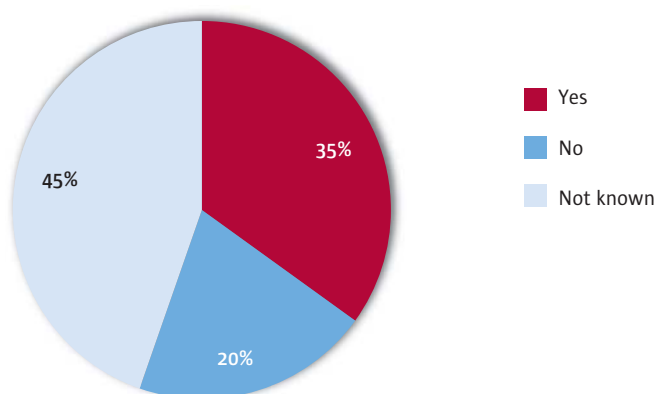
The purpose of this question was to find out if enterprises are interested in the development and use of industry-standard contracts. The survey shows that mainly people from legal departments were able to answer the six questions concerning standardisation of contracts in the enterprise. More than one third of all participants stated that they do not know the answer to these questions.

This part of the study showed that:

- More than half of the participants have experience with industry-standard contracts.
- 31 % of the surveyed enterprises already use industry standards.
- 37 % of the participants think that industry standard agreements could be used more.
- More than one third of the participants are interested in working on a project to create/use industry standard agreements in Business to Business (B2B) transactions and in sharing standard agreements with other companies.

35 % of the participants experienced problems with contracts, especially with sales and service contracts as well as purchase agreements. However the indicated contract types depended on the department of the surveyed participant. Between 40 and 60 % of the mentioned contracts were the result of having accepted the other party's terms or non-standard terms and conditions.

Diagram 16: Number of enterprises that experienced problems with contracts



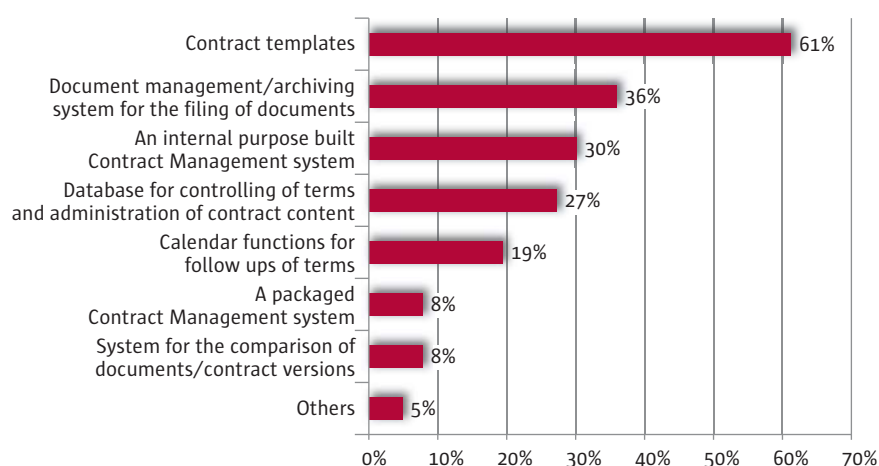
6.2.2.2.3 Use of Special Tools in Contract Management

Is Contract Management in your department supported by special tools?

72 % of the survey participants already use special tools to support their Contract Management.

With 61 %, the most frequently used tools are contract templates for the preparation of contracts, followed by 36 % of the participants who use document management/archiving systems for the filing of documents. 38 % of the enterprises have either an internal purpose built or a packaged Contract Management system.

Diagram 17: Tools used to support Contract Management (multiple selections possible)



Comparison of 2010 and 2006 study results

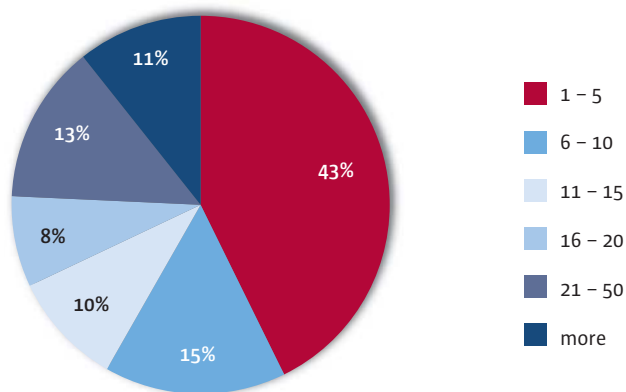
A complete comparison of the 2010 and 2006 study results is not possible as in the 2006 study it was not explicitly asked for Contract Management systems.

Tools like contract templates as well as document management/archiving systems which have been used in 2006 to support the Contract Management are still the most important tools in 2010.

How many contracts are handled/created weekly in your area of work/department?

The following diagram indicates the average number of contracts worked on during a week.

Diagram 18: Number of contracts worked on or created by a department each week



6.2.2.2.4 Contract Related Risks

What kind of risks do you see in your enterprise in connection with contracts? (1 implies a “very low risk” to 5 implies a “very high risk”)?

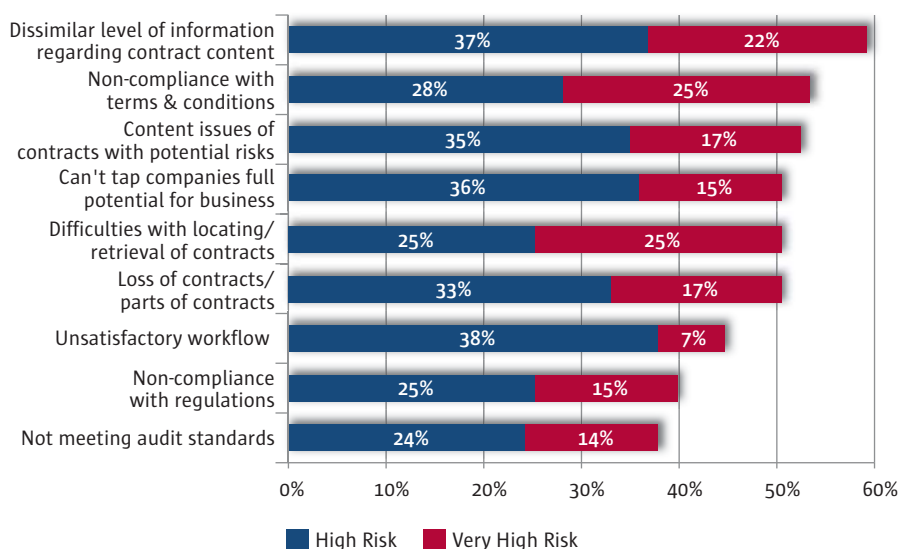
This question was intended to evaluate frequent risks and concerns in handling contracts. The participants were asked to rate different risks and concerns on a scale of 1 for a “very low risk” to 5 for a “very high risk”.

59% of the enterprises consider contract data inconsistencies/dissimilar level of contract related information as the highest risk within contract processes.

A majority of the participants see a high to very high risk regarding the non-compliance with terms and conditions, content issues of contracts with potential risks, missed business opportunities out of contracts, difficulties with locating/retrieval of contracts and loss of contracts/parts of contracts.

Participants evaluated the non-compliance with regulations and audit standards as the lowest risks.

Diagram 19: Contract Management risks



Comparison of 2010 and 2006 study results

It is obvious that enterprises have become aware of the risks associated with Contract Management. In 2006 only the dissimilar level of contract information was estimated as a high or very high risk by more than 50 % of the participants and all other issues were evaluated at this risk level by only about 30 % of the participants. Today a majority of the study participants see a high to very high risk in most of the mentioned issues.

6.2.2.2.5 Contract Management Related Legal Regulations

In order to find out the relevant legal regulations for the surveyed companies/departments and the impact on Contract Management, the participants were asked about: legal regulations with international impact, industry specific regulations in addition to national legal regulations.

1.a Are there any legal regulations with international impact that apply to your enterprise/your department?

One half of the surveyed enterprises indicate that there are legal regulations with international impact that apply to their own enterprise or their department. The other half of the participants answered negatively to this question.

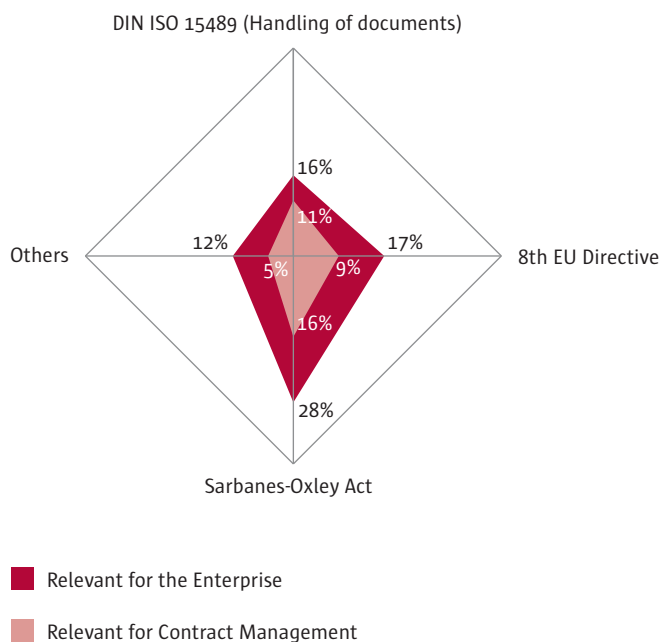
Enterprises which stated that legal regulations with international impact were relevant to them were asked to indicate which laws applied (multiple selections possible). More than a quarter of these respondents indicate the Sarbanes-Oxley Act as the most important enterprise-relevant regulation with international impact. 17 % of all respondents identified the 8th EU Directive and 16 % selected the DIN ISO 15489 (handling of documents) as relevant. Furthermore 12 % of the participants were concerned about other relevant legal regulations e.g. data protection for their specific line of business or field.

1.b Which legal regulations with international impact have effected your Contract Management?

A quarter of the enterprises indicate impacts of legal regulations on their Contract Management. Participants were asked to indicate the specific laws (multiple selections possible). According to the study, 16 % of the participants selected the Sarbanes-Oxley Act as the regulation with the largest impact on Contract Management within the enterprise. Furthermore 11 % of all respondents indicated the DIN ISO 15489 (handling of documents) and 9 % the 8th EU Directive as relevant.

The following diagram shows the effects of the legal regulations on enterprises and their Contract Management.

Diagram 20: Effects of legal regulations with international impact on enterprises and their Contract Management (multiple selections possible)



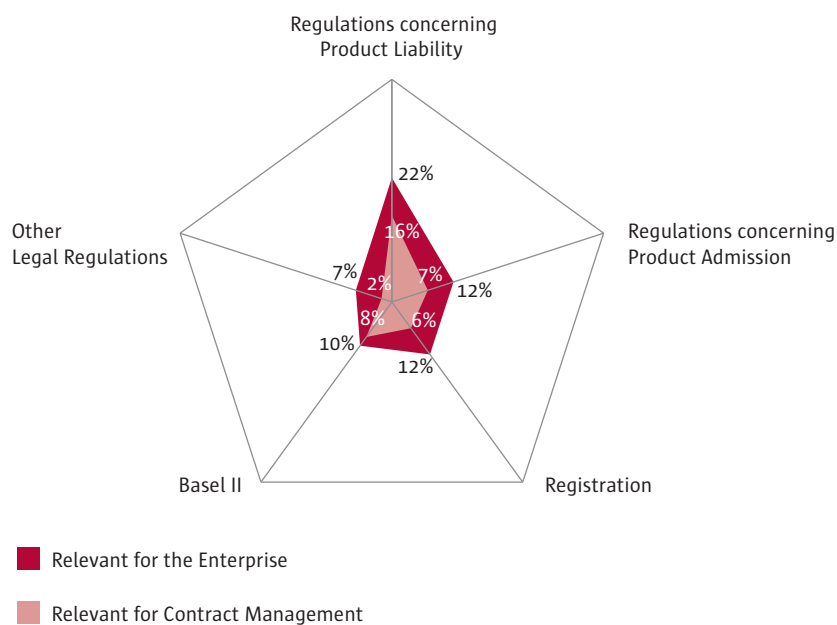
2. Are there any industry specific regulations that apply to your enterprise/ your department or your Contract Management?

58 % of the participants responded negatively to the questions if industry specific regulations have an impact on their enterprise or department. Enterprises of the survey that affirm the relevance of these regulations (35 %) regard the regulations concerning product liability and product admission as most important.

Only 20 % of the enterprises specify impacts of industry specific regulations on their Contract Management. The study results show that 16 % of participants selected the regulations concerning product liability as the regulations with the most impact on Contract Management within their enterprise.

The following diagram shows the effects of the industry specific regulations on enterprises and their Contract Management.

Diagram 21: Effects of industry specific regulations on enterprises and their Contract Management (multiple selections possible)



3. Are there national legal regulations that apply to your enterprise/ your department or your Contract Management?

82 % indicated that there are no national legal regulations which have an impact on their enterprise, special department or Contract Management. Only few countries like France, Switzerland and Italy specified some national regulations.

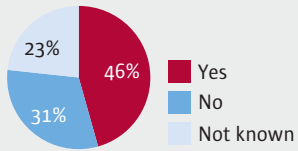
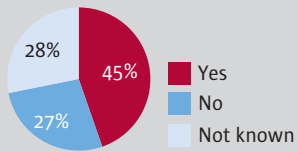
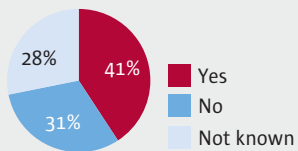
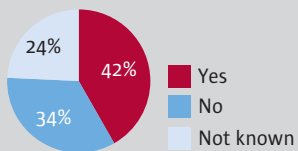
6.2.2.2.6 Relation between Compliance Requirements and Contract Management

Do you see any correlation between compliance requirements and Contract Management?

This question was intended to verify whether the study participants generally see a relationship between compliance requirements and Contract Management and if this applies to their experience in their own department or enterprise. The study results confirm that enterprises have become aware of the relationship between compliance requirements and Contract Management:

- Based on the survey responses, the majority of the participants view a close correlation between compliance requirements and Contract Management. But only about half of them responded that this relationship has also lead to different Contract Management or compliance activities in their companies or department.
- Only 46 % of the study participants believe that compliance activities in their enterprise have already led to an improvement of Contract Management although 88 % think this would be necessary.
- 45 % think that currently – under the aspect of compliance – the transparency of contract contents and contract deliverables is guaranteed. 84 % of the study participants think that – under the aspect of compliance – the transparency of contract contents and the contract deliverables should be guaranteed.
- More than three quarters of the enterprises believe that the Management or Chief Financial Officer of their enterprise should have an overview or reporting capabilities of all contracts in their enterprise and be obliged to define regulations and procedures for Contract Management in order to fulfil compliance requirements. Around 40 % of the enterprises have already realized this.

Diagram 22: Correlation between compliance requirements and Contract Management

	To-be		As-is
	Yes	No	Does this fit with your experience in your company?
In your opinion, should compliance activities in your company lead to an improvement of Contract Management ?	88 %	12 %	 <p>46% Yes, 31% No, 23% Not known</p>
Under the aspect of compliance, should the transparency of contract contents and the contract deliverables be guaranteed?	84 %	16 %	 <p>45% Yes, 27% No, 28% Not known</p>
In your opinion, should either management or the Chief Financial Officer of your company have access to the either reporting capabilities or an overview of all contracts ?	78 %	22 %	 <p>41% Yes, 31% No, 28% Not known</p>
In your opinion, should either management or the Chief Financial Officer be obliged to define regulations and procedures for contract management in order to fulfil compliance requirements (e.g. minimising of risks and efficiency improvement)?	76 %	24 %	 <p>42% Yes, 34% No, 24% Not known</p>

6.2.2.2.7 Satisfaction with the Current Contract Management

Are you content with the following items concerning contracts in your enterprise?

In order to reveal the satisfaction of the survey participants with the Contract Management introduced in their enterprise, they were asked to rate different aspects of the organisation and processes in Contract Management.

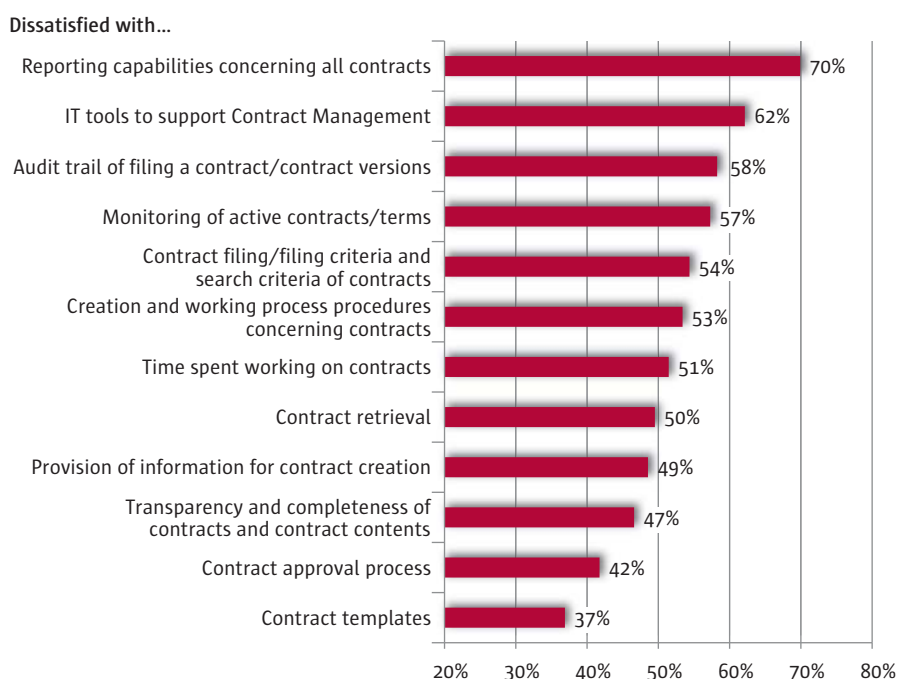
The survey results indicate only 8 % of all survey participants are content with all aspects of their enterprises' Contract Management.

Enterprises see the need for substantial improvements especially within the contract reporting capabilities, IT tools used in Contract Management as well as the need to provide audit trails of filing a contract/contract versions and contract monitoring.

Although the majority of the enterprises are quite satisfied with the provision of contract templates, between 51 % and 53 % of the participants are dissatisfied with the long processing times spent on contracts, contract creation and working process procedures.

More than half of the surveyed enterprises are not content with the contract filing/filing criteria and search criteria of contracts as well as the contract retrieval. This means most enterprises have an issue with the provision of their contracts and related contract data in a short time at anytime and anyplace.

Diagram 23: Dissatisfaction with handling contracts (multiple selections possible)

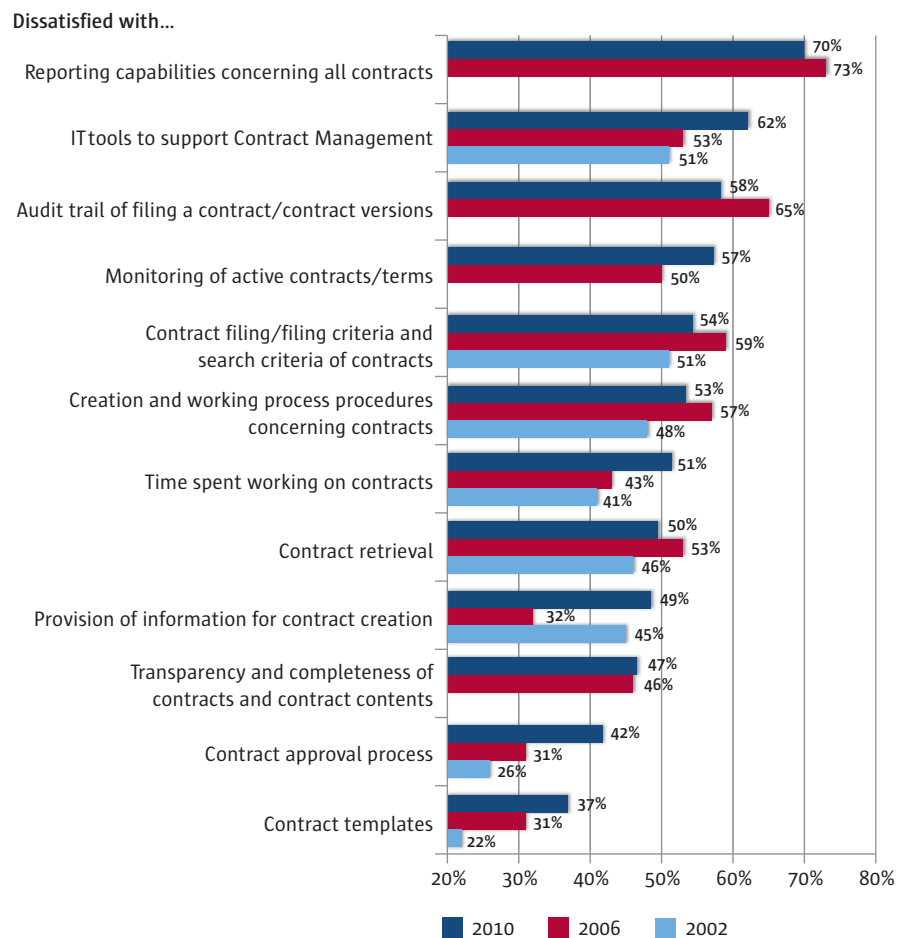


Comparison of 2010 and 2006 study results

A comparison with the 2006 study shows that the participants are currently more dissatisfied with some of the aspects of the Contract Management processes than in the past studies.

The following diagram shows the dissatisfaction of the participants in 2002, 2006 and 2010 (Comment: in 2002, not all areas of 2010 were evaluated in relation with dissatisfaction).

Diagram 24: Dissatisfaction with handling contracts in 2002, 2006 and 2010
(multiple selections possible)



A possible explanation of these results is that enterprises are more concerned today than in 2006 with improving Contract Management and more readily noticing the areas needed to improve.

It is also possible that there is a higher attention to this topic but at the same time the cost pressure caused by the financial crisis may have led to the necessity to focus on other activities than Contract Management in the last years. Thus, being aware of the disadvantages of the current processes the dissatisfaction may have increased in the last couple of years.

6.2.2.3 Use of Information Technologies (IT) in Contract Management

Another objective of the Contract Management Study 2010 was to discover more about the information technologies used within Contract Management processes in different enterprises. The following chapters outline the most important study results concerning the present IT tools to support Contract Management as well as the purpose, advantages and experiences by implemented IT systems for the Contract Management.

6.2.2.3.1 Purposes of IT Systems in Contract Management

For what purpose would you implement IT systems for contracts in your department?

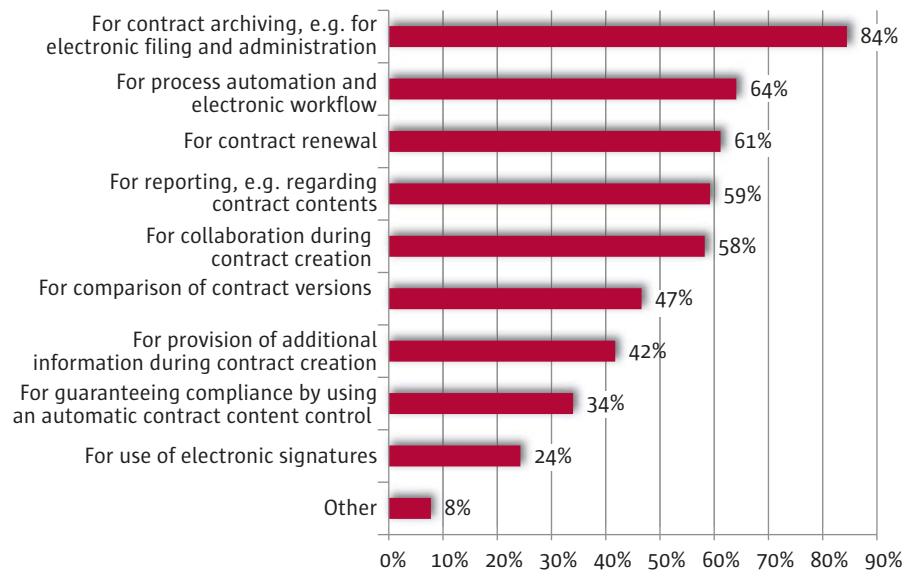
84 % of the participants would introduce IT systems for contract archiving e.g. for electronic filing and administration of documents. 64 % of the survey participants select the possibility of process automation/electronic workflow, and between 59 % and 61 % rated the contract renewal and contract reporting crucial purposes.

More than half (58 %) of the surveyed enterprises see the collaboration during contract creation (check-in/check-out, versioning) as another big value by using an IT system for contracts.

The purpose of guaranteeing compliance by using an automatic contract content control during contract creation (comparison with regulations) as well as the use of electronic signatures are less important than the other mentioned reasons to implement an IT system for contracts.

The following diagram summarizes the results to this question.

**Diagram 25: Possible operational areas of IT systems in Contract Management
(multiple selections possible)**



Comparison of the 2010 and 2006 study results

The most obvious change concerns the collaboration on contracts: In the 2006 study less than a third of the participants rated the collaboration on contracts as a purpose for the implementation of IT system, while in 2010 more than half of the participants raised this as a high benefit through the utilized IT system for contracts.

Only 42 % of the study participants see the provision of additional information during contract creation as an advantage while in 2006 half of the participants did.

The majority of the other purposes of a Contract Management system did not change between the two studies.

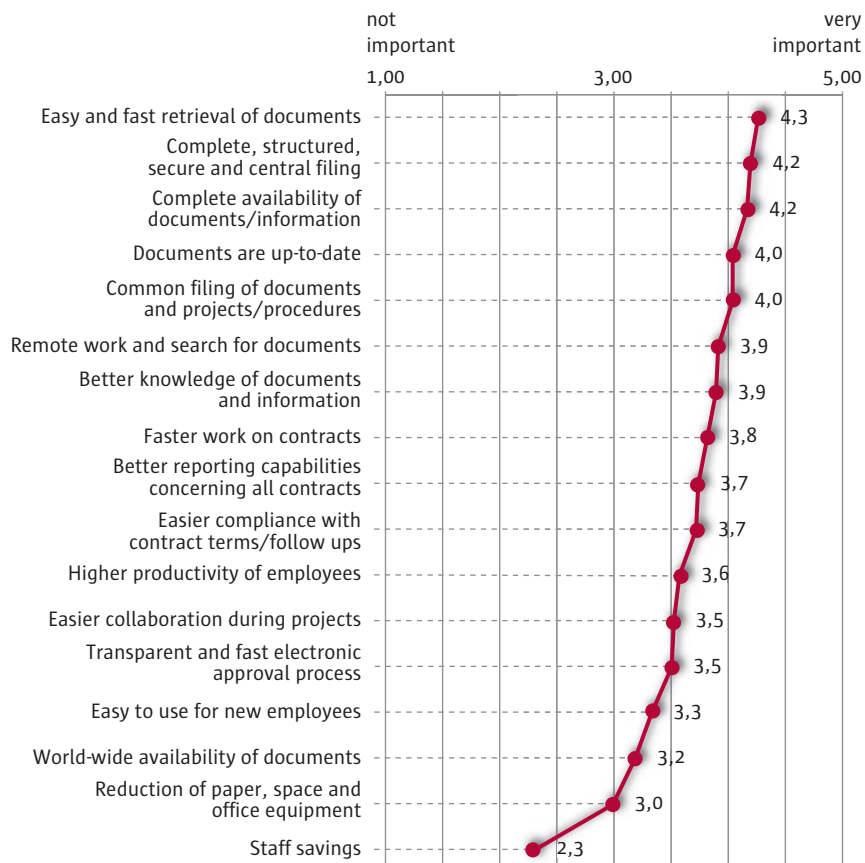
Note: Only the 2010 study allowed the participant to rate the guaranteeing compliance as well as the contract renewal as a purpose for the introduction of an IT system.

6.2.2.3.2 Advantages of IT Systems in Contract Management

What are the advantages of contract related IT systems, and how important are these advantages for your enterprise? (1 implying “very unimportant” to 5 implying “very important”)?

- Enterprises expect substantial benefits in relation to the simple and fast retrieval of documents. Other benefits are expected in having complete, structured, secure and central filing as well as complete availability of contracts and their content by the implementation of IT systems for Contract Management.
- A further strong argument for the use of IT systems is that documents are always available and up-to-date.
- Arguments like the common filing of documents and projects, remote work and search for documents, better knowledge of documents and faster work on contracts are also indicated as important advantages of IT systems for contracts.
- Personnel savings and the reduction of paper, space and office equipment have been rated by the survey participants as less important.

Diagram 26: Advantages of IT systems in Contract Management



Comparison of 2010 and 2006 study results

A comparison of the study results presents no significant variations between what were and what are considered to be the most important arguments for the implementation of an IT system to support the contract handling. Arguments like the complete availability of documents and information or the simple and fast retrieval of documents are rated in 2010 between 4.3 points and 4.0 points (in 2006: between 4.6 points and 4.0 points).

The world-wide contract availability has become more important over the past years; in 2006 this argument was rated as less important with 2.7 points, while in 2010 enterprises rated this argument with 3.2 points.

The increasing importance may be explained due to the fact, that many of the surveyed enterprises in 2010 are global enterprises or at least companies involved in global business.

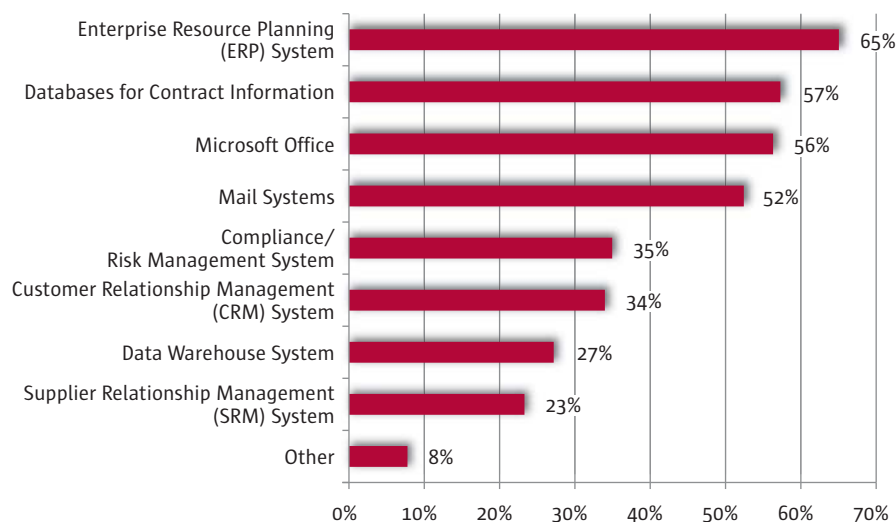
The personnel savings and the reduction of paper, space and office equipment have been rated in both studies between 3.0 points and 2.3 points as the least important advantage.

6.2.2.3.3 Interfaces of IT Systems in Contract Management

To which other systems in your enterprise should an IT system for Contract Management have interfaces?

A clear majority of the survey enterprises indicate that an IT Contract Management system should have interfaces with an Enterprise Resource Planning (ERP) system as well as databases for contract information and Microsoft Office applications.

Diagram 27: Important Contract Management system interfaces
(multiple selections possible)



Comparison of 2010 and 2006 study results

A comparison of the 2006 study with the results of the current study shows some interesting changes concerning the interfaces necessary for a Contract Management system.

While in 2006, 65 % of the enterprises rated the interface to mail systems as most important (2010: 52 %); in the 2010 study interfaces with ERP systems are rated with 65 % as mostly required (2006: 58 %). The importance of interfaces with databases has increased significantly: While in 2006 only 27 % of the study participants needed an interface with databases, in 2010 57 % did. The study results show an increase of 30 percent points.

Interfaces to the Customer Relationship Management (CRM) and Data Warehouse systems are seen as more necessary in 2010 than 2006, with 34 % for CRM systems (difference: 14 percent points) and with 27 % for Data Warehouse systems (difference: 7 percent points).

A possible explanation of this development is that more participants are working with ERP systems and databases for contract information than in the last study and that more participants feel that ERP systems and databases are not sufficient for Contract Management.

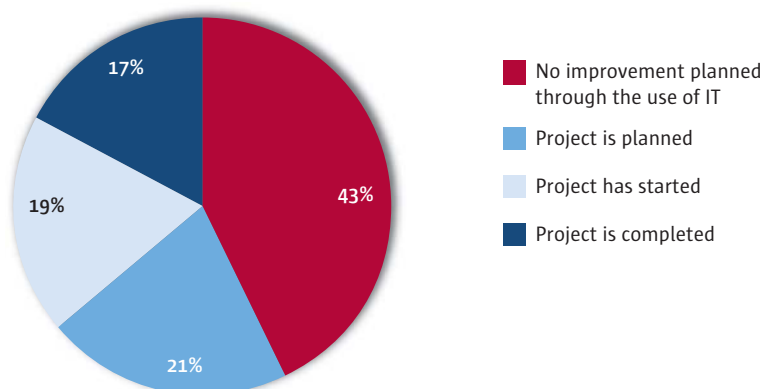
Only the 2010 survey asked if interfaces to Compliance/Risk Management systems and Supplier Relationship Management (SRM) systems were relevant for enterprises.

Are you planning to improve Contract Management in your department through the use of IT?

More than half of the survey enterprises (57 %) have already decided to improve their Contract Management by implementing information technologies for Contract Management. 21 % of the enterprises specify that a project to improve the Contract Management is planned and 19 % state that a project is in progress.

The Contract Management has been improved for 17 % of the enterprises by e.g. implementation of a Contract Management and/or document management system or contract databases and repositories.

Diagram 28: (Planned) Improvements of Contract Management through the use of IT



Comparison of 2010 and 2006 study results

While in 2006 only 29 % of the survey participants were not keen to improve their Contract Management with the use of IT, in 2010 the number of companies has increased to 43 %. This could be due to the economic recession in 2010, where enterprises in all industries have been reducing their IT investments in general, not only for Contract Management.

Interestingly, the 2010 study results showed that 19 % of the participants had initiated a project and 21 % were planning a project. In comparison, the 2006 results showed that 26 % had a project in progress and 24 % were at the planning stage.

The conclusions could be:

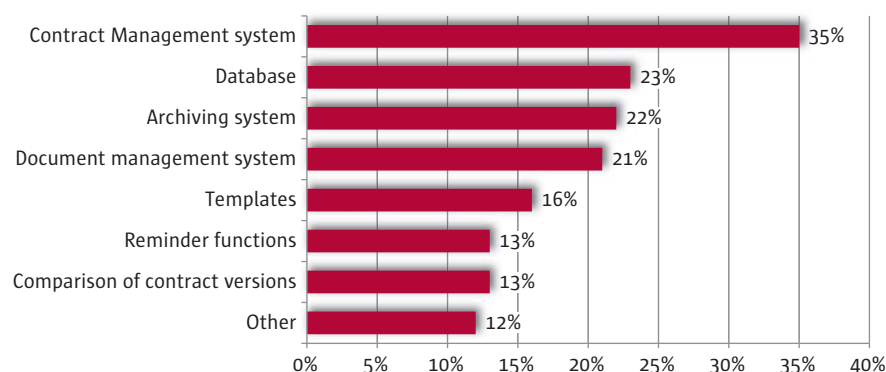
- Economic situation sets Contract Management as low priority and recently no investments have been made to improve this area. Changes need to be made without a project set up or without implementing new information technologies,
- IT is not a major concern within Contract Management.

6.2.2.3.4 IT Systems Used in Contract Management

What kind of IT software are you using/are you planning to use for Contract Management?

35 % of all enterprises indicate that they already use or plan to use a special Contract Management system. Other IT software that is used or will be used are databases, archiving systems and document management systems.

Diagram 29: Used or planned IT software for Contract Management



6.2.2.3.5 Experiences with the Use of IT in Contract Management

The following questions regarding experiences with the use of IT systems in Contract Management could only be answered by those enterprises which already use them, or have a project planned or in progress. Therefore only 57 % of the survey participants were asked to participate in this part of the evaluation. The results only refer to those respondents (accordingly the percentages indicated in this chapter refer to the 57 % of the enterprises asked).

Is the IT system or will the IT system be used exclusively for contracts?

According to the data provided by the study participants, who already use a system or who plan to implement one, the majority of participants (58 %) will use the system for Contract Management and other processes. The other 42 % of the participants will use the system only for the support of Contract Management.

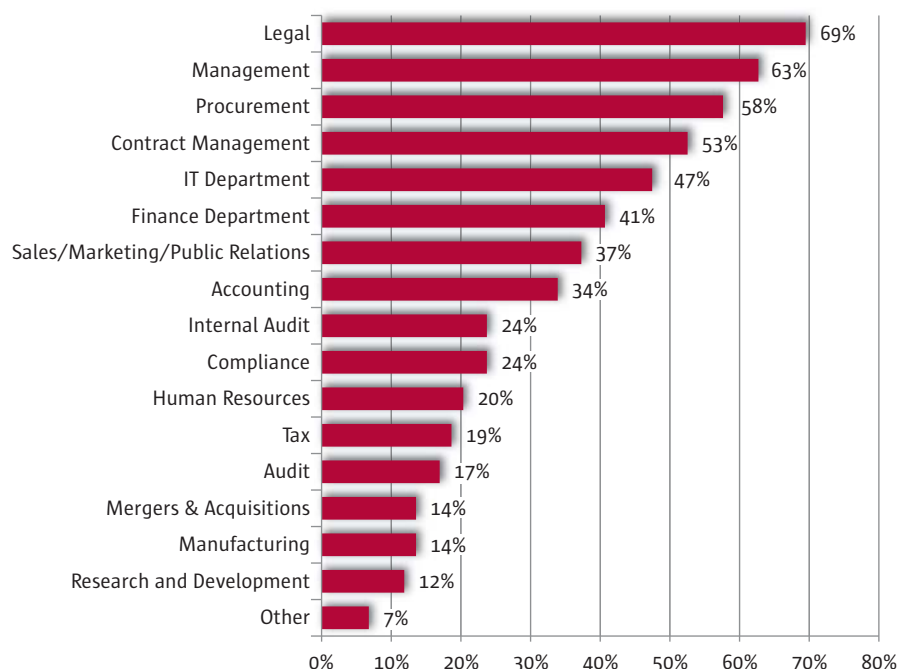
In 2006, a marginal quarter of the survey participants indicated that they use the Contract Management system exclusively for contracts.

Which departments use/will use the IT system for contracts?

The study result confirms that most of the time the IT system supporting the Contract Management is being implemented for more than one department or group and thus should serve as a shared platform.

The following diagram shows the departments or groups utilizing IT systems in Contract Management. Please be aware that the first mentioned groups are also the groups with the most study participants.

**Diagram 30: Departments utilizing IT systems in Contract Management
(multiple selections possible)**



Comparison of 2010 and 2006 study results

When compared with the previous study, today enterprises are more confident about the use of an IT system supporting Contract Management in different departments. While the 2006 study results show that 33 % of the participants had no response to the asked question, in 2010 the study indicates a clear rating of the departments which use or will use the IT system for contracts.

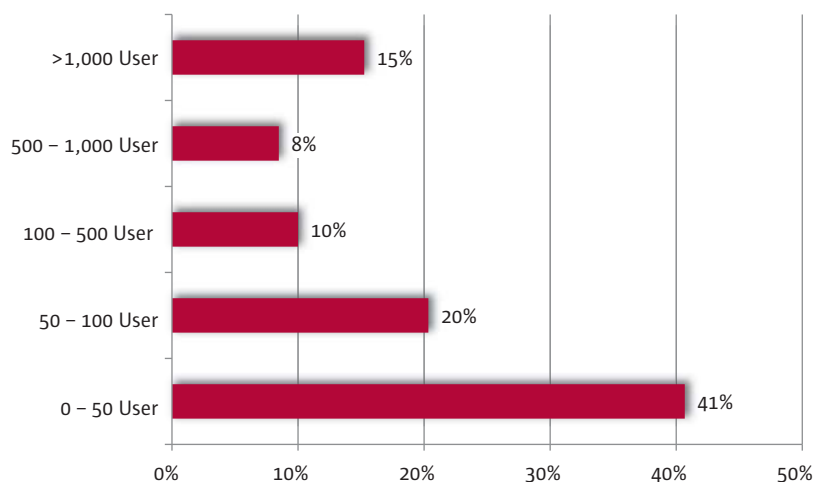
In 2010 the study data indicates, 25 percent points more IT system usage within the procurement department, 31 percent points more within the legal department, 11 percent points more within the finance department, and 29 percent points more within the IT department.

Comment: During the “Contract Management Study 2006” the Contract Management, compliance, tax and audit department as well as the management of the enterprise were not explicitly stated as options for selection.

How many users have access/will have access to the IT system for contracts?

41 % of the survey participants, who already have a system in use or have deployment plans, indicate that the system is/will be accessed by less than 50 users. Between 50 and 100 users are planned in 20 % of the systems. While in 2006 only 6 % of the enterprises planned more than 1000 users of the system, in 2010 this number has been more than doubled to 15 %.

Diagram 31: Number of users of IT systems in Contract Management



What scale of investment (licences, hardware, external services) did/does your enterprise incur/intend to incur for the Contract Management related IT system?

The scale of investment depends on the complexity of the IT system and the product introduced. Just as important cost factors include the number of users, the number of accessing departments, and the range of processes which are to be supported by the system. A database for the storage of contract contents is more economical than a workflow and document management system which allows the simultaneous storage of all relevant documents and contract information, supports electronic approval procedures and cooperative contract preparation, and may also be utilized for other processes in the enterprise.

The Contract Management survey 2010 identified the following trends of investments for installing an IT system to support the Contract Management:

- 70 % of the participants who answered this question stated they anticipate spending up to 100,000 Euro in order to deploy the IT system,
- 11 % indicate between 100,000 Euro and 250,000 Euro in investments,
- 4 % state they invested/plan to invest 250,000 – 500,000 Euro,
- 7 % consider investments between 500,000 Euro and 1 Million Euro,
- 8 % of the enterprises have spent or consider to spend between 1 and 2.5 Million Euro for an IT system in Contract Management.

The study data shows that frequently smaller IT systems are implemented for the support of the Contract Management within one department. Complex systems across several departments or for the entire enterprise are obviously not implemented very often.

Comparison of 2010 and 2006 study results

A comparison of the 2006 study with the study results of the current study identifies the following changes: The implementation of smaller IT systems with investments less than 100,000 Euro is 10 percent points higher than in 2006. While in 2006, 15 % of the enterprises had or planned to spend more than 2.5 Million Euro for an IT system in Contract Management, in 2010 none of the surveyed enterprises plan to invest such sums in IT systems for Contract Management.

The IT system investment change between 2006 and 2010 may be caused by the fact that the economic recession in 2009/2010 has forced the enterprises to reduce the planned IT investment budget or to postpone the planned investments. As a result of the reduced IT investment budget, many companies scaled down their requirements and expectations concerning the future IT system and decided to implement a smaller IT system to support the Contract Management.

Were your expectations fulfilled by the IT system for Contract Management in your department?

A quarter of the survey enterprises which have already implemented an IT system for Contract Management are satisfied with the implemented IT system to support the Contract Management.

Only 12 % of the enterprises are not content with their IT system. Of these enterprises 2 % see their expectations unfulfilled because the IT system is not user friendly, 5 % because it is too complex and another 5 % indicated other reasons e.g. the IT system implementation was not structured from the technical and organisation perspective. 63 % could not respond, since their project has not yet finished and the IT system is not yet fully deployed.

6.2.3 Country Specific Survey Results

6.2.3.1 General

To get a deeper insight into the Contract Management in enterprises of different European countries the results of the countries with most participants were analysed in greater detail: Germany, Switzerland and UK/Ireland. The most interesting study results per country are provided by the questions regarding organisation and dissatisfaction with Contract Management. The following chapters explain the results concerning these questions for the three countries.

6.2.3.2 Organisation in Contract Management

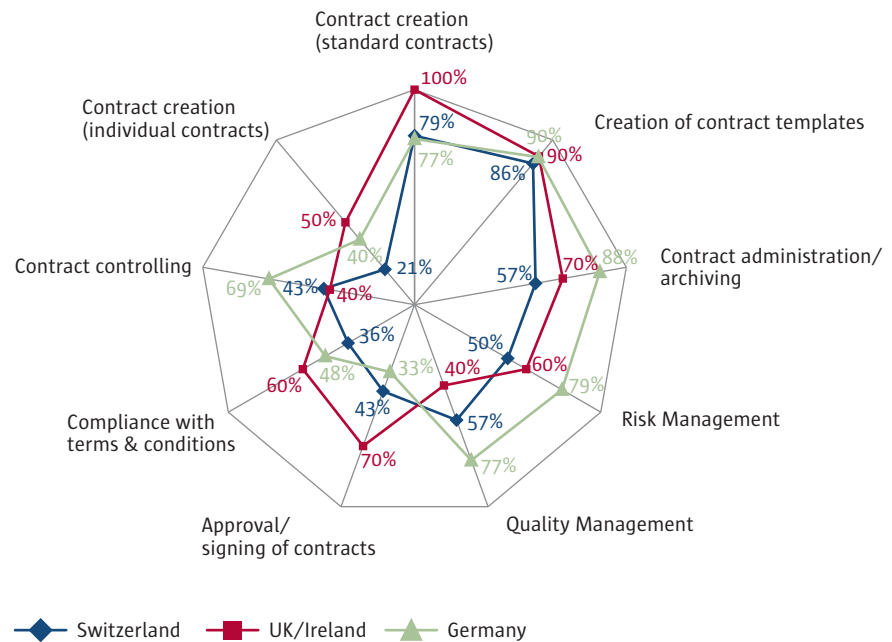
In your opinion, how should Contract Management be organised in your enterprise for the following functions?

The analysis of the country results shows the following interesting differences between Germany, Switzerland and UK/Ireland.

- Participants from UK/Ireland and Germany in general feel a stronger need for more centralisation of contract related tasks than participants from Switzerland.
- The most significant result was obtained within the UK/Ireland participants, where all participants prefer a central organisation for the *standard* contract preparation.
- The task with the least desire for centralisation is the preparation of *individual* contracts, between 50 % (UK/Ireland) and only 21 % (Switzerland).
- Compared to the other countries, German participants desire significantly more centralisation in contract administration/archiving, risk management, quality management and contract controlling.
- Participants from UK/Ireland demand significantly more centralisation in creation of standard contracts, approval/signing of contracts, compliance with terms and conditions as well as contract creation (individual contracts) than the other countries.

The following diagram shows the results for the different countries.

Diagram 32: 2010 Comparison of desired centralisation of tasks in Contract Management (Germany, Switzerland and UK/Ireland)



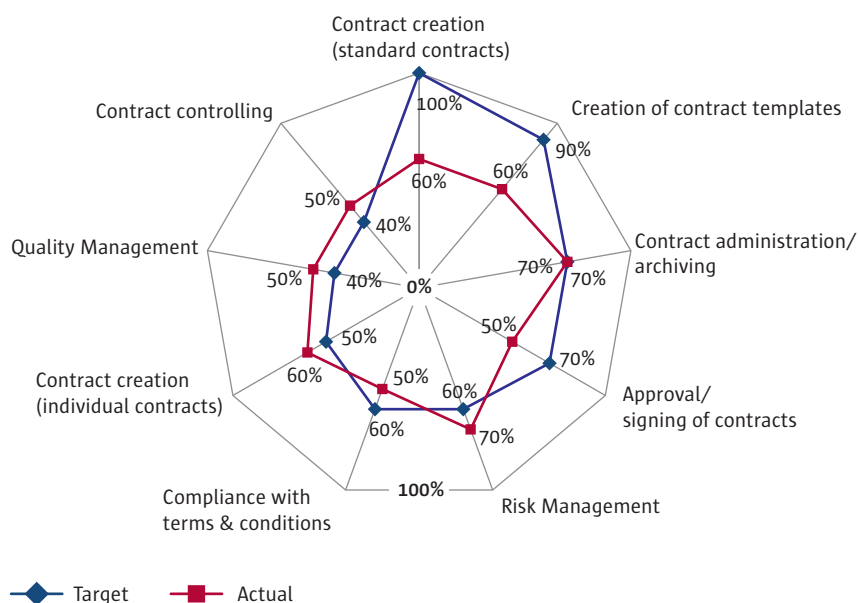
UK/Ireland: Comparison of desired vs. actual centralisation of tasks in Contract Management

The country specific results for UK/Ireland indicate that the UK/Ireland enterprises participating in the study have already centralised many tasks in Contract Management. It is interesting that some tasks are even centralised although the desire for centralisation is not as high as the actual centralisation: Risk management, contract creation (individual contracts), quality management and contract controlling.

There are only two distinct exceptions where the UK/Ireland enterprises see the substantial need for more centralised tasks and functions. These are in the areas of standard contract creation (100% target versus 60% actual) and creation of contract templates (90% target versus 60% actual).

70% of the study participants from UK/Ireland state that they have at least 2 tasks organised centrally whilst 30% have all tasks organised centrally.

Diagram 33: UK/Ireland – 2010 Comparison of desired vs. actual centralisation of tasks in Contract Management



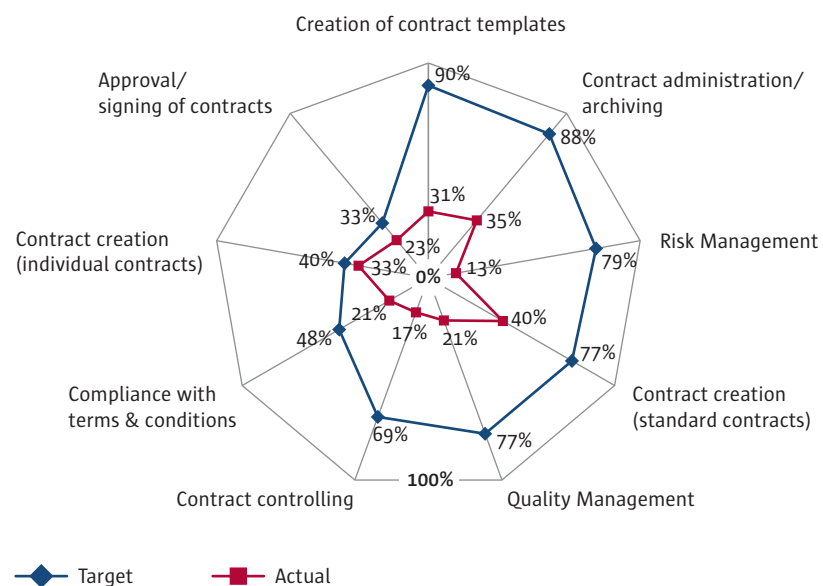
Germany: Comparison of desired vs. actual centralisation of tasks in Contract Management

The comparison of desired vs. actual centralisation of tasks in Contract Management shows that within the participating German enterprises there is a significant gap:

- The greatest gap is the central risk management with 66%.
- The gap for creation of contract templates, contract administration/archiving, quality management and contract controlling is higher than 50%.

52% of the German participants state that no Contract Management task is actually organised centrally, only 4% have centralised all Contract Management tasks.

Diagram 34: Germany – 2010 Comparison of desired vs. actual centralisation of tasks in Contract Management



This diagram shows that in German enterprises centralisation of Contract Management will be an important topic over the next coming years and that especially risk management needs to be looked into.

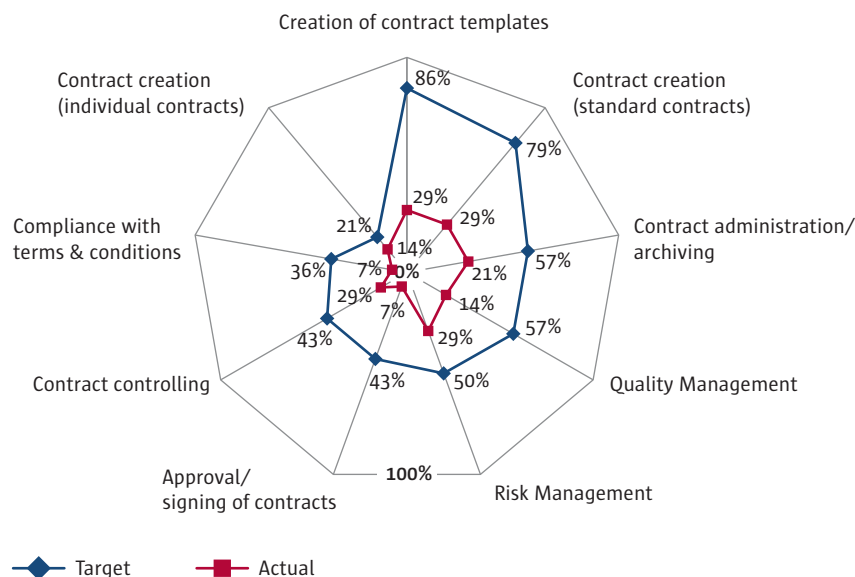
Switzerland: Comparison of desired vs. actual centralisation of tasks in Contract Management

Also in Switzerland the gap between desired and actual scenario is large:

- The greatest gap is the central creation of contract templates with 57%.
- The centralisation in creation of standard contracts differs by 50% and the approval/signing of contracts by 36%.
- The gap for contract administration/archiving, quality management, risk management, contract controlling and compliance with terms and conditions is higher than 20%.

57% of the Swiss participants state that no Contract Management task is actually organised centrally. 43% have centralised some of the tasks but none of the Swiss participants has stated that his company organises all Contract Management tasks centrally.

Diagram 35: Switzerland – 2010 Comparison of desired vs. actual centralisation of tasks in Contract Management



This diagram shows that also in Swiss enterprises centralisation of Contract Management will be an important topic over the coming years. Especially creation of contract templates, creation of standard contracts and approval/signing of contracts will presumably be looked into.

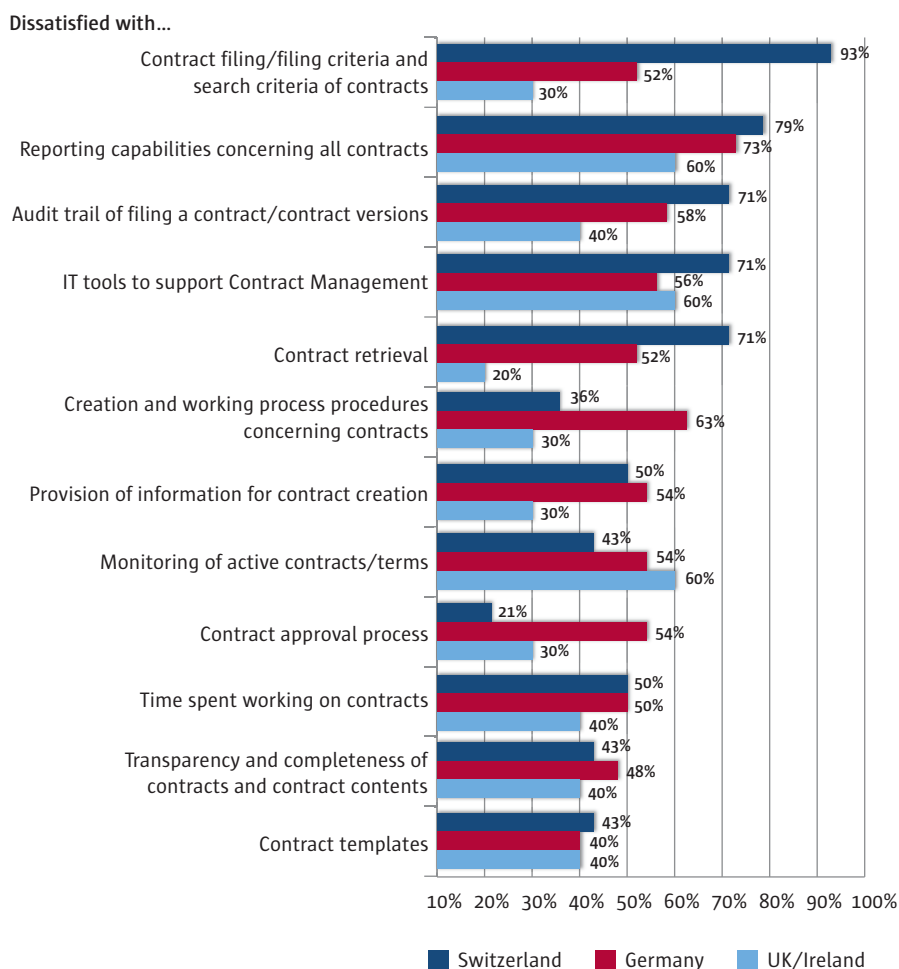
6.2.3.3 Satisfaction with the Current Contract Management

Are you content with the following items concerning contracts in your enterprise?

The analysis of the dissatisfaction with contract related processes and organisation of Swiss, German and UK/Ireland study participants shows the following:

- The comparison of the country study results indicate that all of them are mostly dissatisfied with both the contract reporting capabilities (between 60 % and 79 %) and the used IT tools for Contract Management (between 56 % and 71 %).
- Almost all of the **Swiss** enterprises have an issue with contract filing/filing criteria and search criteria of contracts. More than 70 % are not satisfied with the reporting capabilities, the audit trail of filing a contract or contract versions, IT tools to support Contract Management and contract retrieval.
- The participating **UK/Ireland** enterprises seem to be more content with their contract related processes and organisation. The major concerns of more than half of their participants are reporting capabilities, IT tools and monitoring of active contracts and their terms.
- The majority of the **German** enterprises see the need for substantial improvements especially within the contract reporting capabilities, contract creation and working process procedures, audit trail of filing a contract/contract versions as well as IT tools used in Contract Management.
- While the enterprises in **Switzerland** are quite satisfied with the contract approval process as well as the contract creation and working process procedures, in **Germany** the enterprises see substantial necessity for improvements within these aspects.
- The study result indicates that enterprises in **UK/Ireland** have the fewest problems in retrieving contracts (20 %), but compared to Germany and Switzerland they have the biggest issues with contract monitoring (60 %).

**Diagram 36: Comparison of the dissatisfaction with handling contracts
(multiple selections possible) (Germany, Switzerland and UK/Ireland)**



6.2.4 Department Specific Survey Results

6.2.4.1 General

To get an overview of Contract Management within different departments or groups the results of the departments/groups with most participants were analysed in greater detail: Legal, Contract Management, Procurement, IT and the Management. Also for the departments the most interesting study results are provided by the questions regarding target organisation and dissatisfaction with Contract Management. The following chapters explain the results concerning these questions for the five departments/groups.

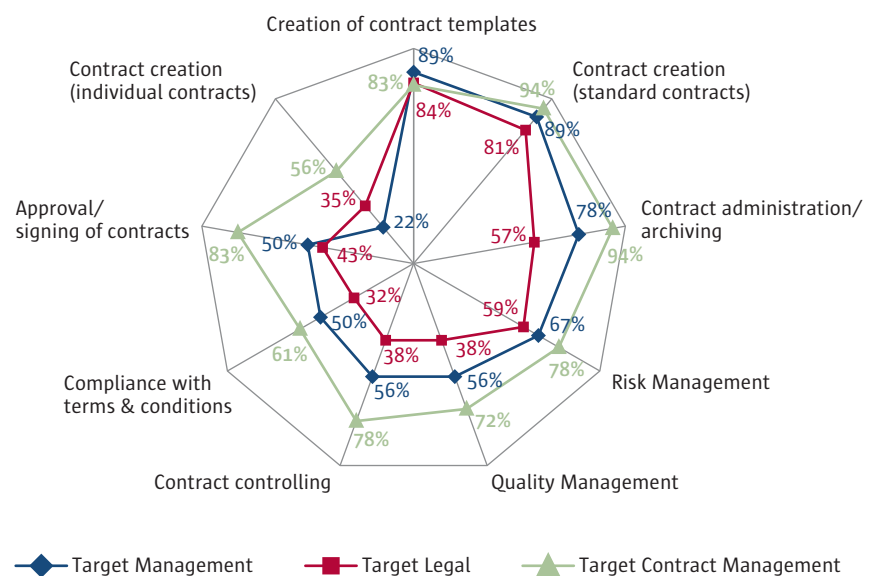
6.2.4.2 Organisation in Contract Management

In your opinion, how should Contract Management be organised in your enterprise for the following functions?

The following diagram shows the differences in targets of Management, Legal and Contract Management as central functions within the enterprise:

- Contract Management is the department or group which favours – even more than the others – the centralisation of Contract Management tasks, which especially becomes obvious with the tasks “Contract controlling”, “Approval/signing of contracts” and “Contract creation”.
- The “target organisation” for the Management can be found right in the middle between the Contract Management group with strong centralisation requirements and Legal with less centralisation desires.

Diagram 37: Comparison of the target Contract Management organisation for Management, Legal and Contract Management

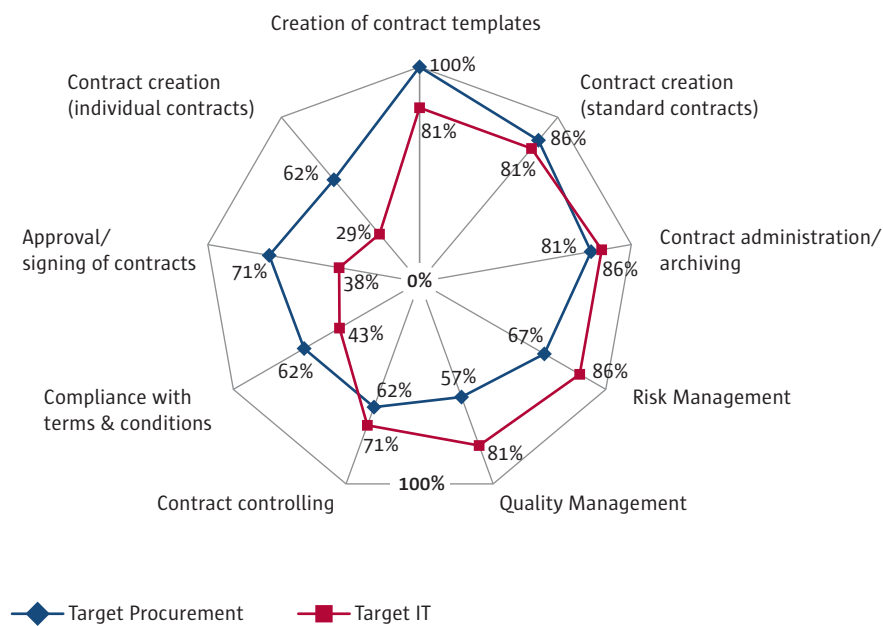


The analysis of the Procurement and IT departments delivers the following results:

- Procurement strongly demands a centralisation for creation of contract templates (100 % of the participants), creation of individual contracts, approval/signing of contracts as well as for compliance with terms and conditions.
- At the same time IT participants rather want to have risk management, quality management and contract controlling organised centrally.

The following diagram shows the results.

Diagram 38: Comparison of the target Contract Management organisation for Procurement and IT department



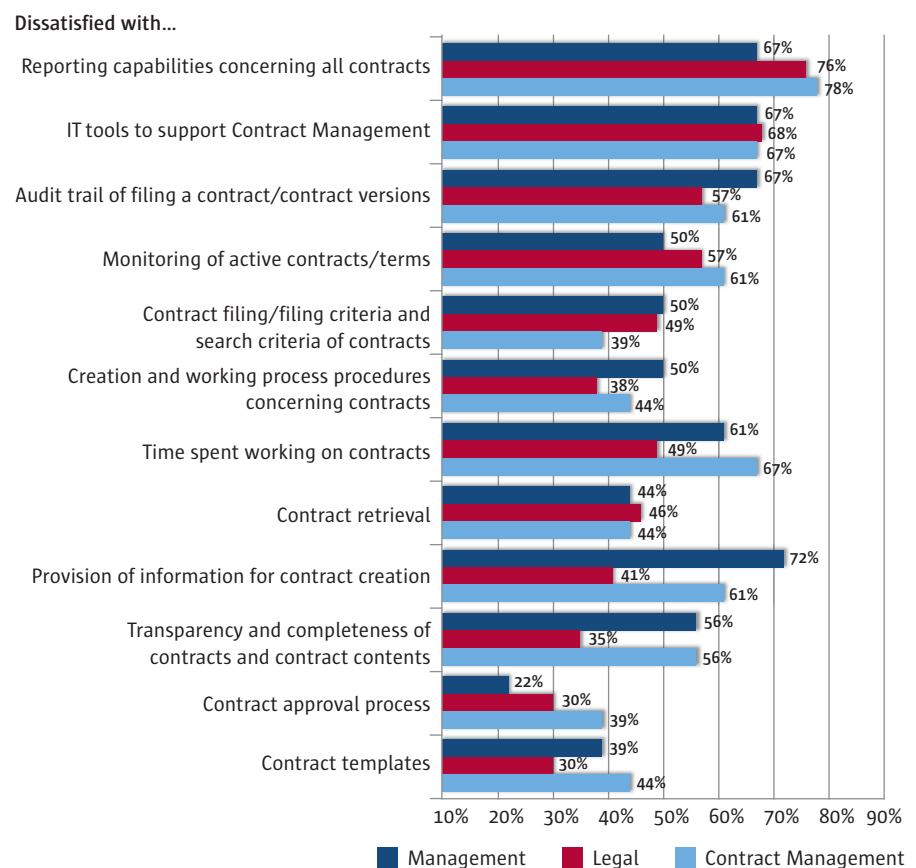
6.2.4.3 Satisfaction with the Current Contract Management

Are you content with the following items concerning contracts in your enterprise?

The analysis of the dissatisfaction with contract related processes and organisation of the departments/groups Management, Legal, Contract Management shows the following:

- The highest dissatisfaction concerns the reporting capabilities for contracts.
- All three departments/groups are very dissatisfied with both the IT tools for Contract Management and the audit trail of filling a contract/contract versions.
- Time spent working on contracts is seen as dissatisfying especially for management and Contract Management, whilst legal is not as concerned about this topic.
- The management is extremely discontent with the provision of information for contract creation, while legal does not see this as very critical.

Diagram 39: Comparison of the dissatisfaction in Contract Management of the Management, Legal and Contract Management



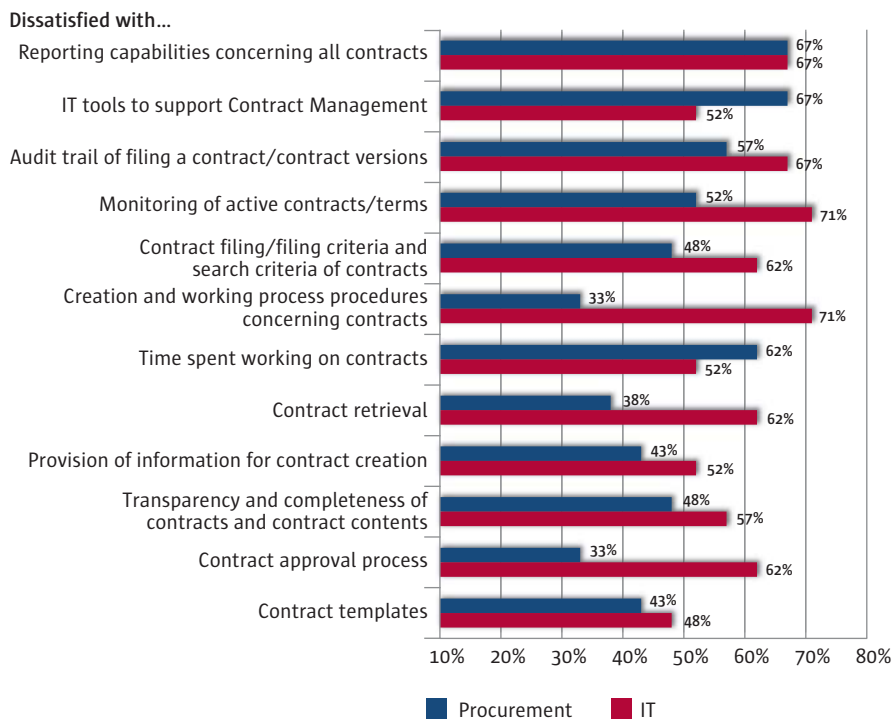
To gather more insight about the Procurement and the IT department the following diagram compares their dissatisfaction in Contract Management.

Significant differences become clearer:

- The IT department is not as discontent with the IT tools to support Contract Management, maybe because it is their task to implement such tools and systems.
- There are only two aspects the Procurement department is more dissatisfied with than the IT department: IT tools to support Contract Management and time spent working on contracts.

The significant differences between the two departments are shown in the following diagram.

Diagram 40: Comparison of the dissatisfaction in Contract Management of the Procurement and the IT department



7 Conclusion

Contract Management is fundamental to your bottom line. But even in times of recession it is an area that is overlooked with key responsibilities being left to individual employees anywhere in the world.

In order to survive, enterprises must rely on effective Contract Management. Procurement departments must know about existing contracts and supplier relationships to reduce costs and minimise risks. Sales departments must know the contract contents to achieve customer satisfaction and loyalty. IT departments must have an overview of existing licenses and assets and must monitor the terms and conditions of contracts. Partner management requires transparency over deliverables and terms in collaboration contracts.

In addition, Contract Management activities are seen as compliance relevant: management needs to guarantee the transparency and reporting capabilities of contract contents. According to the participants of this study, the management should also be obliged to define regulations and procedures for Contract Management.

Why is the management aware of the risks concerning contracts and inefficient Contract Management and little is done to improve the situation? Well, businesses run as usual without efficient Contract Management and without extra costs for new projects. However, as soon as problems with contracts emerge, enterprises need to react and find the relevant information quickly. Why not be proactive and avoid the potential risks by improving your Contract Management now?

Over the last few years and in many years to come, awareness concerning this topic has and will continue to rise and new projects improving the efficacy of Contract Management will take shape. Subsequently, more enterprises will climb up to the “Proactive” or even higher level in the Maturity Level Model thus managing operations that more effectively. With the global business environment being ever more competitive, wouldn’t you like to see your company climbing up the Maturity Level ladder?

Authors

Steffen Tampe, Director, Germany
T +49 172 6767419
steffen.tampe@bearingpointconsulting.com



Claudia Georgi, Manager, Germany
T +49 172 3952736
claudia.georgi@bearingpointconsulting.com



Tina Todorovic, Business Consultant, Germany
T +49 172 6983784
tina.todorovic@bearingpointconsulting.com



Contact Persons

Switzerland

Sven Müller, Partner
T +41 79 4040731
sven.mueller@bearingpointconsulting.com

Nordics

Erik Overrein, Partner
T +47 951 89685
erik.overrein@bearingpointconsulting.com

UK/Ireland

Angus Ward, Partner
T + 44 207 9396298
angus.ward@bearingpointconsulting.com

France/Belgium/Netherlands

Catherine Mathon, Senior Manager
T +33 621 010246
catherine.mathon@bearingpointconsulting.com

All Other Countries

Claudia Georgi, Manager
T +49 172 3952736
claudia.georgi@bearingpointconsulting.com

Helping our clients get sustainable, measurable results

BearingPoint is an independent management and technology consultancy. Owned and operated by its Partners throughout Europe, BearingPoint provides its clients with the best possible value in terms of tangible, measurable results by leveraging business and technology expertise. The company currently employs 3.250 people in 14 European countries and serves commercial, financial and public services clients.

BearingPoint offers its clients a seamless cross-border approach, strong focus on results, an entrepreneurial culture, profound industry and functional knowledge, as well as solutions customised to clients' specific needs. The firm ranks high in client satisfaction, has long-standing relationships with reputable organisations and is seen as a trusted adviser. BearingPoint has European roots, but operates with a global reach.

For more information, please visit: www.bearingpointconsulting.com

We are BearingPoint. Management & Technology Consultants