AberdeenGroup

Contract Management in the Mid-Market

Better External Relationships, Better Internal Performance

July 2006

Aberdeen*Group*

Executive Summary

The primary goal for contract management within any company is to ensure that commitments and obligations to customers and suppliers are clearly visible to the relevant people in the organization and that they are executed upon. Contracts are used to control virtually every part of the trading relationship between buyers, sellers, and intermediaries, and have an impact on various functions within the enterprise. For example, the sell-side involves sales, marketing, finance, legal, sales operations and customer service.

Companies continuously strive to make both their revenue streams and cost structures more predictable and, in doing so, lock down more customers and suppliers into contracts. These agreements can also help minimize a company's exposure to risk, both financial and legal. As the complexity of contracts increases, it becomes more difficult to monitor and track obligations, dates, and other contractual commitments. This report which is based on 140 respondents will help mid-market companies ($50 million - $1 billion) gain valuable insight into effective and efficient contract management methodology on both the buy and sell-side.

Key Business Value Findings

Mid-sized companies tend to lag in terms of technology adoption; with regards to contract management this is certainly the case. Aberdeen research found that over 80% of mid-market companies on both the buy and sell-side are still using manual or only partially-automated and/or disjointed systems. Although approximately half the companies currently have formal contract management programs in place, they have found it difficult to achieve the following:

- Encourage usage of standard contract language (terms and clauses) across the enterprise
- Ensure sufficient levels of visibility into contractual commitments to both buyers and suppliers
- Actively monitor and track compliance to contract terms and conditions

Contract Management Technology

Aberdeen was able to determine that on the buy-side, mid-market companies find the hosted model for contract management more appealing than their larger counterparts. Whereas, on the sell-side, although there is limited use of the On Demand model currently, in the near future these companies reported an overwhelming preference towards a hosted/On Demand model. This is largely due to the low upfront investment and flexible pricing models offered by On Demand solutions, for example, subscription or usage-based.

Best in Class Actions

As a group, there are certain mid-market companies within our survey pool that have been able to outperform the rest. Best in Class companies are able to achieve over 90% compliance to transactions on the buy-side and close to 90% contract renewal rates on the sell-side. Additionally, this improved contract management has helped to reduce Days Sales Outstanding (DSO), a key financial metric. Best in Class experienced higher performance because they:

- Audited and identified that current processes were inefficient and lengthy

- Developed and enforced standard contractual language that is pre-approved by legal for use in both buy and sell-side contracts
- Carried out contracting process using mainly automated solutions catering for each aspect of the lifecycle of a contract
- Utilized contract management as a way to improve overall compliance:
    - *Operational* – compliance to internal processes and governance (e.g., pricing, quality, standard payment terms)
    - *Transactional* – compliance to the terms and commitments of a contract
    - *Regulatory* – compliance to financial regulations such as SOX

Table of Contents

Executive Summary ii

- Key Business Value Findings ii
- Best in Class Actions ii

Chapter One: Issue at Hand 1

Chapter Two: Key Business Value Findings 4

- Contract Management Automation 6
  - The Buy – Side 6
  - The Sell – Side 8

Chapter Three: Implications & Analysis 9

- Best in Class Actions 9
- Key Performance Indicators 11

Chapter Four: Recommendations for Action 12

- Laggard Steps to Success 12
- Industry Average Steps to Success 12
- Best in Class Next Steps 13

Author Profile 14

Appendix A: Research Methodology 15

Appendix B: Related Aberdeen Research & Tools 17

About Aberdeen*Group* 18

Figures

Figure 1: Length of Time Mid-Market Companies have had Formal Programs 2

Figure 2: Automation Lacking in Mid-Market Companies 3

Figure 3: What is the Level of Visibility in Mid-Market Companies 5

Figure 4: Buy – Side Preferred Delivery Model: Mid-Market vs. Large 8

Figure 5: Sell –Side Current and Planned Delivery Models for the Mid-Market 8

Figure 6: Key Performance Indicators 11

Tables

Table 1: Top Drivers for Contract Management Initiatives 1

Table 2: The Impact of Poor Contract Management within the Enterprise 3

Table 3: Challenges around Contract Management in the Mid-Market 4

Table 4: Top 5 Capabilities Deemed "Very Important" for Contract Management 6

Table 5: Supply Management Technology Priorities in Next 12 to 24 Months 7

Table 6: Contract Management Competitive Framework for Mid-Size Enterprises 10

Chapter One: Issue at Hand

Key Takeaways

- Mid-market companies face significant challenges with contract management. In many cases companies cannot even locate contracts that may be stored away in archaic filing systems.
- On the buy-side, contract management is seen as part of the heightened strategic importance of overall supply management
- On the sell-side, companies are looking to contract management to improve customer relationships as well as to better mitigate and assess risks.

The major goal for contract management within any company is to ensure that its commitments and obligations to customers and suppliers are clearly visible to the right people in the organization and that these commitments are promptly executed upon. A contract that an enterprise has with its suppliers or its customers is what determines pricing structures, volume discounts, delivery times, rebates, service – level agreements and many other key aspects, all of which are essential to controlling the two most important factors in any business: expenses and revenue.

The following are some of the top driving factors causing companies to consider improving the management of enterprise – wide contracts.

Table 1: Top Drivers for Contract Management Initiatives

Percent of Respondents (%)			
	Buy - Side Contracts	Sell - Side Contracts	
64%	New initiatives to improve procurement and supply management	Efforts to improve customer relationship management	51%
50%	Pressures to better assess and mitigate risks	Pressures to better assess and mitigate risks with contracts	32%
44%	Increasing complexity of contracts	Increasing complexity of contracts (e.g, partner sales)	32%
36%	Globalization of supply base introduces new regulatory and compliance challenges	Pressure to improve and increase the value of customer renewals	32%
34%	New regulatory and reporting requirements (e.g., SOX, Basel II, etc.)	Increase in project or milestone/performance based contracting	30%

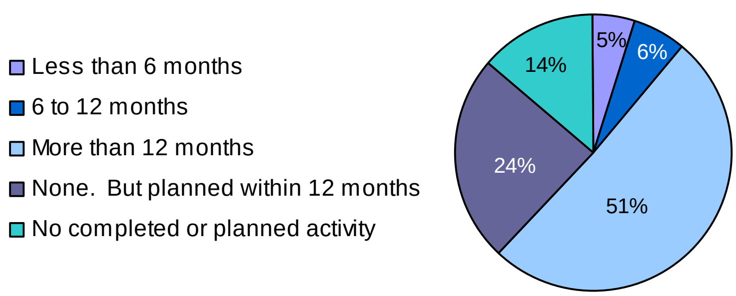
Source: Aberdeen*Group*, July 2006

- Mid-market companies are beginning to realize that they also can achieve significant benefits from improved supply management (Table 1). As a result, according to 64% of survey respondents, a major driver for considering contract management are the new initiatives to improve overall supply management within companies (e.g., reduced costs from sourcing/negotiation, capturing savings via contract compliance, etc). As noted in previous studies, mid-market companies are fairly lagging in terms of sourcing, procurement and contract management technology.

On the sell-side specifically, the top driver relates to the continuous effort to improve customer relationships. The ability to quickly pull up a customer contract can prove to be valuable in terms of visibility into servicing needs and commitments. In one case, as the VP of Marketing at a consumer products company said, “If management requests information on a specific customer, we have to request reports from four systems and databases across the company then manually compile this into a single report.”

- A common driver for both the buy and the sell-side is the need to better assess and mitigate risks. Contracts can allow for better planning and forecasting, which, in turn, can reduce a company’s risk exposure. Improved controls driving the contracting process ensure the use of standard, risk-assessed clauses and terms. For example, a salesperson may have the ability to ‘tweak’ the clauses within a contract due to the lack of control, visibility and standardization, thus presenting various legal risks. Also, maintaining audit trails of all approvals reduces the risk of violating certain regulations (e.g., SOX).
- The increased complexity of contracts was also reported as a reason for the evaluation of contract management procedures/systems. Procurement contracts for example, can be long-term agreements that include complex pricing structures. Sales contracts are also increasing in complexity with regards to service – level agreements, warranties as well as trade promotions and rebates. With the numerous aspects that need constant monitoring, a manual or disjointed process is unlikely to be effective.

Figure 1: Length of Time Mid-Market Companies have had Formal Programs

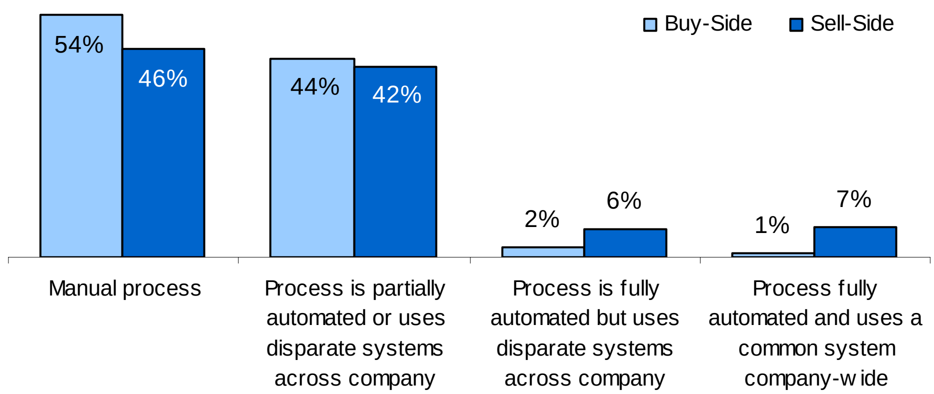


Source: AberdeenGroup, July 2006

A large percentage (62%) of mid-market companies have formal program in place for contract management, some for a longer time than others (Figure 1). However, this does not tell us how efficient these program and processes are or whether they are being followed. A company could have a great program in place that uses manual processes to create, monitor and analyze contracts. However, depending on the company size and the volume of contracts, such a program is not scalable, can be costly, cause delays (approvals) and ultimately lengthen sales cycles. The longer it takes to create and approve a contract, the longer the sales cycle on that particular deal.

In Figure 2 below, Aberdeen research shows the level of automation that mid-market companies are operating at. In both the buy and the sell-side over 85% of mid-market enterprises are using either a manual process or one that is only partially automated, neither of which allows for a comprehensive view of contracts throughout the company. Very few companies in the mid-market are currently using more automated contract management systems. For example, contract creation has historically involved a lengthy paper trail of draft proposals, negotiations, redrafts, final contracts, and amendments which eventually end up in a filing cabinet. Even with formal contracting processes, accessing previous versions of contracts, negotiations, addendums, etc. in a manual system is a laborious task.

Figure 2: Automation Lacking in Mid-Market Companies



Source: AberdeenGroup, July 2006

These disjointed and largely manual processes used to manage the lifecycle of a contract can lead to a significant impact on the enterprise (Table 2). Impacts such as these on mid-market companies can result in fairly severe consequences.

Table 2: The Impact of Poor Contract Management within the Enterprise

Issue	Impact to Procurement	Impact to Sales
Fragmented procedures	Increased maverick buying Increased supply and financial risk Under-leveraged spending	Unprofitable deals Missed sales opportunities Increased financial, legal risks
Labor-intensive processes	Long sourcing, contracting cycles Less spend under contract and mgmt Non-competitive negotiations	Long sales cycles Missed sales opportunities Extended order-to-cash cycles
Poor visibility into contracts and terms	Poor compliance Inconsistent and risky terms Limited visibility into spending	Lost revenue No holistic view of customer SLA and payment penalties
Ineffective compliance monitoring and management	Increased maverick buying High PPV, missed rebates, and discounts Overpayments and performance risks Unnecessary evergreen renewals	Lost revenue Missed renewal opportunities Customer dissatisfaction
Inadequate performance analysis	No view into category performance Policy and regulatory violations Under-leveraged spending, high risk	Ineffective pricing, performance, and profit analysis Financial reporting violations

Source: AberdeenGroup, July 2006

Chapter Two:
Key Business Value Findings

Key Takeaways

- Mid-sized companies find it difficult to standardize contractual language and reduce process times due to the use of different systems throughout the company
- Due to the various functions involved in contract management, the lack of a central, easily accessible and searchable location is also a challenge
- Even though mid-market companies have formal contract management programs, the lack of automation serious hinders their level of visibility and process efficiency

Most mid-size enterprises face many of the same challenges as their larger counter parts as they continue to rely on inadequate, fragmented, and largely manual procedures to create, approve and analyze contracts. Aberdeen's benchmark identified the following barriers to effective contract management at most mid-size firms:

Table 3: Challenges around Contract Management in the Mid-Market

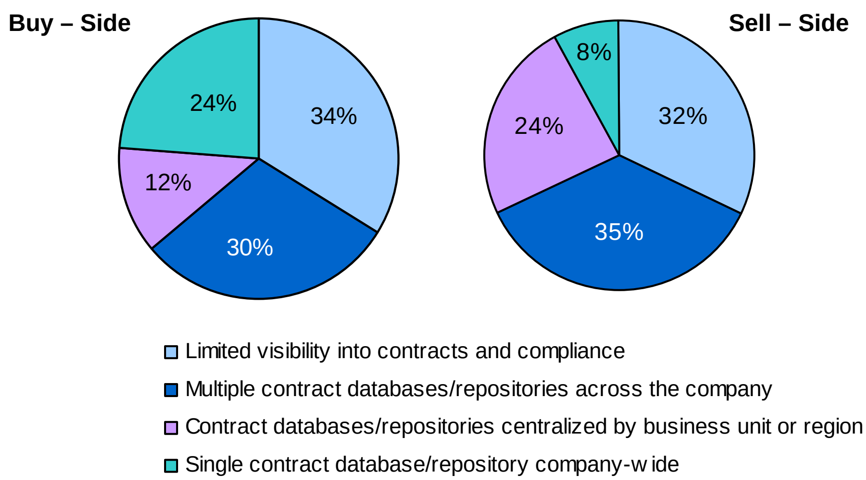
Percent of Respondents (%)			
	Buy - Side Contracts	Sell - Side Contracts	
59%	Policies, procedures, and responsibilities for contract management are not clearly defined	Policies, procedures, and responsibilities for contract management are not clearly defined	50%
46%	No central electronic repository for procurement contracts	Sales organizations resist implementation of new methods/procedures	50%
44%	Lack of common systems infrastructure to monitor and manage contract compliance	No central electronic storage/repository for customer contracts	39%
33%	Lack of common systems infrastructure to communicate contract terms to stakeholders	Lack of common systems infrastructure to communicate contract terms to stakeholders	33%
32%	Business units/functions resist using standard contract language	Customers require contracts to be written on their paper	28%
31%	Business units/functions resist complying with corporate contracts	Resistance to comply with standard contract terms and language	22%
23%	Lack of executive support or mandate for contract compliance	Insufficient budget to license commercial contract management software	22%
15%	Insufficient budget to license commercial contract management software	Insufficient IT resources to deploy commercial contract management software	22%

Source: AberdeenGroup, July 2006

- *Unclear policies and procedures around contract management:* Even though a fairly large percent of mid-sized firms have formal contract management programs in place, they are either not followed or unclear. In some cases, different business units have their own versions of these policies, in terms of approval processes and acceptable "adjustments" to contract terms. Such inconsistent processes can leave an enterprise exposed to various legal risks.

- *Manual processes are the norm* in approximately 50% of mid-market companies, additionally, greater than 30% suffer from limited and/or poor visibility into both supplier and customer contracts (Figure 3). This use of manual processes or only partially automated and disparate systems is the main reason for the lack of visibility. This usually means that one department, such as legal, may be using a homegrown access database to store and retrieve certain aspects of contract header information, while the procurement department has developed contracts that differ from this.
- *A lack of common systems infrastructure* on both the buy and sell-side frustrates efforts to gain timely and accurate visibility into contracts. When sales contracts are involved, it is essential to be able to monitor and track various milestones and obligations. Whereas, on the procurement side it is important that contracts be monitored to check compliance to terms and pricing. Mid-market firms have also reported that not having a central repository to store and search for contracts is a challenge to effective contract management.

Figure 3: What is the Level of Visibility in Mid-Market Companies



Source: AberdeenGroup, July 2006

Follow-up interviews with mid-market executives uncovered the fact that in many cases their companies would rather hire additional staff to manage contracts rather than further automating the process. The reasons being:

- Volume of contracts not large enough to require automation
- Lack of IT resources/budget to invest in technology

However, as we will see later, On Demand technology may offer solutions to overcome this. On the other hand, companies in this segment that are on a growth path may want to consider standardizing and automating contracting processes early on, thereby giving companies more control over their expenses, as well as sales. In many cases, implementing automated solutions can often improve entire processes and help to better develop workflows. Certain participants report significant challenges with their ability to effectively manage their companies' growing global operations, distribution networks and channel partners. Such expansion is likely to broaden both the supply and customer base.

For example, an automotive company may enter into contracts with several suppliers, however, there's a risk that a supplier may fail to comply with all the terms of that contract (e.g., delayed delivery, inferior quality). If this risk is not managed effectively and the supplier does not comply, the company's supply chain could be affected. This essentially affects the company's ability to honor its commitments to its customers as well as having an impact on revenues and margins.

Contract Management Automation

One mid-sized high tech manufacturing company ($600-$700 million) has been experiencing contract management challenges for many years. Very recently the company decided to implement a web-based contract management solution, which will be piloted with the legal department before being rolled out in phases throughout the company. The solution will eventually manage both buy and sell-side contracts. Prior to this the company had been using a homegrown system (MS Excel, MS Access), however, there came a point when this system was inadequate and inefficient. The Manager of Contract Administration said, "The new solution hopes to enhance global visibility and access to contracts as well help us reduce the legal risks through standardized terms and clauses."

"The new solution hopes to enhance global visibility and access to contracts as well help us reduce the legal risks through standardized terms and clauses."

Through follow-up questions and interviews with mid-market companies we were able to determine that interest in the buy and sell-side of contract management is almost at the same level, approximately half the respondents said they would address the buy-side first, with the other half interested in the sell-side. However, capabilities required by companies are very similar. Table 4 shows the capabilities that survey respondents reported to be "Very Important" in a contract management solution.

Table 4: Top 5 Capabilities Deemed "Very Important" for Contract Management

Must Have Capabilities	Buy-Side	Sell-Side
Contract repository with search functionality	84%	76%
Clause and template library	74%	68%
Integration with MS Office	60%	79%
Integration to ERP/Finance solution	64%	59%
Analysis and reporting capabilities	88%	74%

Source: AberdeenGroup, July 2006

The Buy – Side

On the buy-side it was determined from a previous study (*Strategic Sourcing in the Mid-Market*) that contract management is a priority action. As noted below (Table 5) approximately 57% of mid-market companies are planning to invest in contract management automation over the next two years. Again, this is mainly due to the increased priority of procurement as a strategic function, as mid-market companies get squeezed by the larger players they are forced to look for ways to reduce costs.

The adoption of eProcurement solutions by some of the mid-market may have tightened up "maverick" or off-contract buying on commodity items. However, mid-market companies are beginning to implement strategic sourcing solutions due to the large savings opportunity on high value goods and services. With this in mind they should consider that such purchases are characterized by bid solicitation and proposals, evaluation of bids, selection of suppliers, drafting contracts, and monitoring and evaluating suppliers' performance against the contracted terms.

Through follow-up questions we determined that those companies that do not currently use any supply management technology (e.g., spending analysis, sourcing, procurement, contract management) are likely to begin with sourcing or procurement and add contract management later.

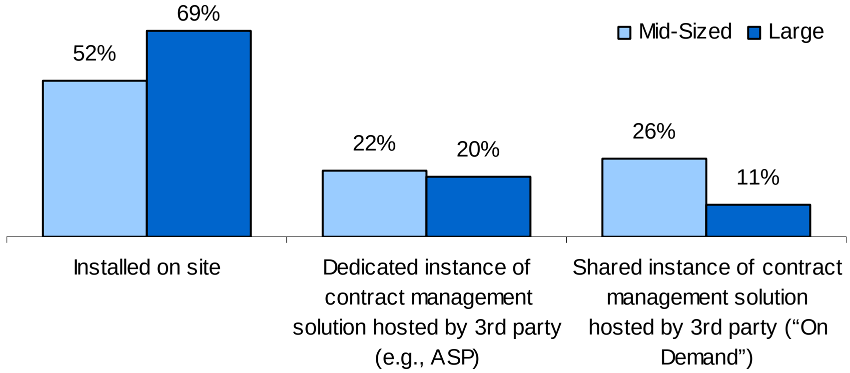
Table 5: Supply Management Technology Priorities in Next 12 to 24 Months

Technology Solution Area	% Selected
Supplier performance measurement	58%
Contract management	57%
Full e-sourcing platform	41%
Optimization-based sourcing analytics	41%
e-RFx	38%
Strategic sourcing consulting services	31%

Source: AberdeenGroup, December 2005

When comparing the preferred delivery models of mid-sized companies to large companies (Figure 4), we found that with the larger enterprises (over $1 billion) there is more of an interest (69%) in the licensed model. On the other hand, higher percentages (48%) of mid-market firms are interested in a hosted model, either a dedicated or a shared instance hosted by a third party (Figure 4). The 52% of mid-sized enterprises that selected the "installed on site" option are largely those that use a home-grown system, which in most cases is fairly basic (i.e., MS Access). However, going forward these companies should consider On Demand models due to significantly lower upfront cost and subscription or usage based pricing. According to one VP of Procurement at a $400 million manufacturing company, "We are at a point where it is not scalable and cost effective to continue using our in-house system across our multiple sites."

Figure 4: Buy – Side Preferred Delivery Model: Mid-Market vs. Large



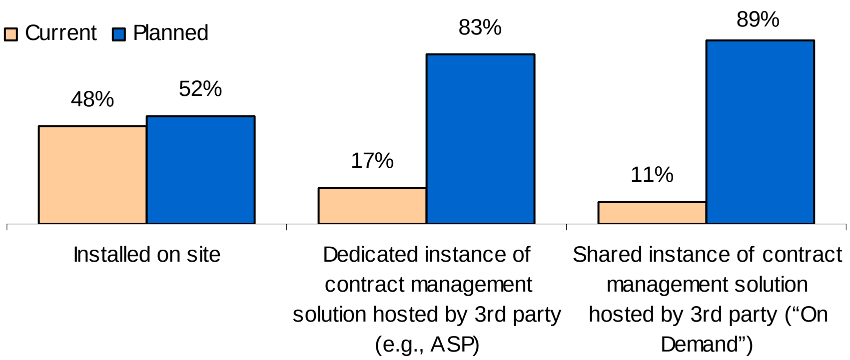
Source: AberdeenGroup, July 2006

The Sell – Side

An interesting finding on the sell-side is that companies are looking primarily toward the On Demand/hosted model rather than technology installed on-site. As there are not a large number of companies that currently use a commercial solution to manage sales contracts, Figure 5 shows the current and the planned usage of the On Demand model Respondents reported significantly higher usage of this model in coming years and according to Aberdeen the reasons are as follows:

- First, on the sell-side, enterprises are attracted to the salesforce.com model, which essentially is low-cost, flexible pricing and user friendly (little or no training), allowing for quick deployment and limited use of IT resources.
- Second, a large percentage of users of this solution are likely to be salespeople and, in many companies, sales entities are scattered throughout the country or world, therefore, the On Demand model provides a more scalable option.

Figure 5: Sell –Side Current and Planned Delivery Models for the Mid-Market



Source: AberdeenGroup, July 2006

Chapter Three:
Implications & Analysis

Key Takeaways

- Best in Class companies have been able to achieve significantly better performance with contract management:
  - Better contract renewal rates
  - Higher percentage of transactions compliant to contracts
  - Reduced Days Sales Outstanding

As shown in Table 5, benchmark participants fell into one of three categories — Laggard, Industry Average, or Best in Class — based on their characteristics in four key categories:

- *Process* – efficiency, effectiveness, and scope of contract management processes
- *Organization* – contract management organizational and decision-making structure
- *Knowledge* – visibility into buy and sell-side contract, compliance, and obligations, and
- *Technology* – level of contract management automation and integration across the enterprise

As the Key Performance Indicators will show, companies that have managed to control and master these four aspects are able to achieve both efficiency and superior results.

Competitive Framework Key

The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:

Laggards (30%) —practices that are significantly behind the average of the industry

Industry Average (50%) — practices that represent the average or norm

Best in Class (20%) — practices that are the best currently being employed and significantly superior to the industry norm

Best in Class Actions

In the mid-market segment, due the wide range of company sizes ($50 million to $1 billion), varying levels of performance are expected. Certain companies at the lower end of this spectrum may not have enough contracts to make full use of a contract management system. On the other hand, some of these companies may deal with very complex contracts that require constant monitoring in order to meet all obligations. However, there are those that have been able to outperform the rest and this is largely due because they:

- Audited and identified that current processes were inefficient and lengthy
- Developed and enforced standard contractual language that is pre-approved by legal for use in both buy and sell-side contracts
- Carried out contracting process using mainly automated solutions catering for each aspect of the lifecycle of a contract
- Utilized contract management as a way to improve overall compliance:

- *Operational* – compliance to internal processes and governance (e.g., pricing, quality, standard payment terms)
- *Transactional* – compliance to the terms and commitments of a contract
- *Regulatory* – compliance to financial regulations such as SOX

Table 6: Contract Management Competitive Framework for Mid-Size Enterprises

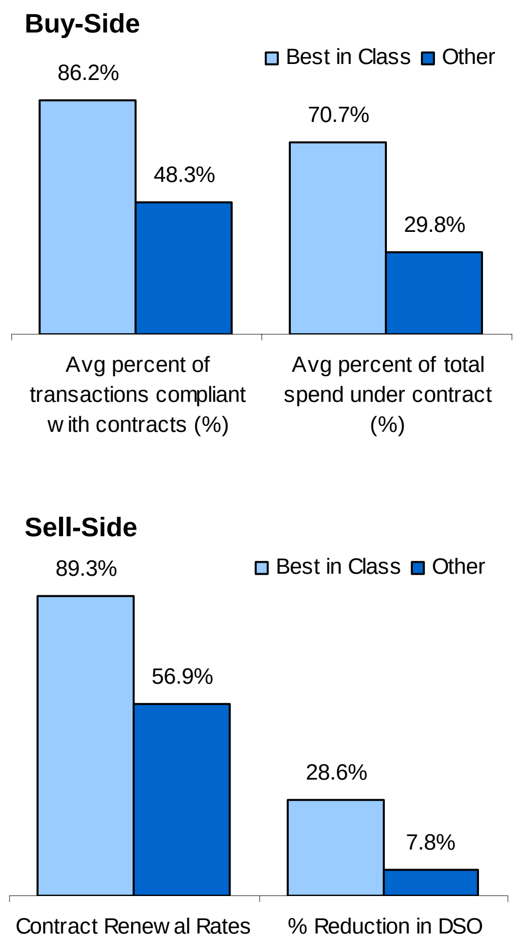
	Laggards	Industry Average	Best in Class
Process	No standard contract or compliance management procedures, largely manual.	* Lack of common systems, no holistic view of contracts * Lack of consistency throughout company	Clearly defined and enforced procedures and policies, using automated systems company-wide as well as standard contract language
Organization	* Lack of formal contract management organization, roles, and responsibilities. * Individual flexibility with contract creation.	Contract management responsibilities shared across functions (e.g., sales, contracts, legal); not enough coordination across divisions.	Either a functional owners (finance, procurement) or one group managing contracts across the company (contracts group or legal)
Knowledge	* No central repository for contracts and very poor visibility into contract pricing, terms, clauses, etc. * Most contracts stored in paper format, may track contract values and dates using Excel. * Large number of contracts not monitored	* Inconsistent visibility into contracts across the company; disjointed storage of contracts company-wide * Performance tracked only for high-priority contracts	* Single contract repository company-wide or within business unit with ability to search contract data and terms and clauses * Automated alerts and monitoring of commitments * Regular scheduled audits and performance checks using KPI's
Technology	Little, if any, contract management automation. Mostly limited to MS Word/Excel, stored in paper format or on desktops.	Contract management automation applied inconsistently across the enterprise; for example, Word supported by rudimentary workflow, ad hoc reporting.	* Contract management solution supports all contracts across company. * Integration with other systems – ERP, sourcing/procurement

Source: AberdeenGroup, July 2006

Key Performance Indicators

Best in Class performers were determined based on certain metrics collected from the survey pool. As shown in Figure 6, they are able to achieve superior results due to some of the actions mentioned earlier.

Figure 6: Key Performance Indicators



Source: AberdeenGroup, July 2006

Procurement Contracts

With regards to procurement contracts, top performing mid-size companies report that approximately 86% of their transactions are in compliance with supplier contracts. This means that for all spending that is under contract (78% for Best in Class) less than 15% is purchased off-contract, thereby, preventing a significant amount of savings from leaking away. The remainder of the survey sample had an average of 30% of total spend that is under contract.

Sales Contracts

On the other side of the business, the sell-side, there are companies that achieve contract renewal rates of almost 90% as opposed to others that remain around 57%.

Additionally, due to improved monitoring of milestones, the ability to better service the customer and on-time delivery of commitments has allowed some companies to reduce days sales outstanding (DSO) by about 29%, a very significant amount. Although this entire amount is probably not attributable to improved contract management, a portion of it definitely is.

The enhanced visibility into contractual agreements with customers can certainly help to reduce the average days sales outstanding. For example, resolving issues prior to billing the customer to prevent lengthy disputes. This can be achieved if the stakeholders have quick access to the initial negotiated contract, which in many cases may be hidden away in a file somewhere or not found at all. However, it is important to note that the ability to reduce this metric varies by industry and product type.

Chapter Four:
Recommendations for Action

Key Takeaways

- Laggards need to figure out what there current process is and work on developing it further into a more effective process
- Industry Average companies should work on improving collaboration between the various functions involved in contract management as well as further utilize analysis tools
- Even the top-performing companies can do better in terms of integration between contract management systems and other systems such as ERP, CRM and sourcing.

Whether a company is trying to gradually move its contract management capabilities and performance, from "Laggard" to "Industry Average," or "Industry Average" to "Best in Class," the following actions will help spur necessary improvements:

Laggard Steps to Success

1. *Audit internal contract management processes, systems, and controls before investing in a contract management solution.*

   Assess the current state and know what your requirements are. Explore the current process in detail, including the functions and various roles involved and get their feedback on improvements.

2. *Establish standardized contractual language.*

   To limit the "customization" of contracts by adjusting terms and conditions, it's important that a company develop a standardized set of terms and clauses to use in various scenarios. This will minimize a company's risk exposure both legally and financially, from weak and unclear agreements.

3. *Take advantage of technology to improve processes and efficiency as well as creating a centralized repository*

   Continuing to use primitive and manual process will not result in higher performance. If your company is growing, it is essential to put in place certain processes and the extent to which these are automated the easier this growth path will be. Having a central electronic repository that is searchable and accessible throughout the company should also be a priority depending on the volume of contracts the company processes.

Industry Average Steps to Success

1. *Utilize reporting and analytical capabilities regularly to measure performance and compliance.*

   Measure performance of contracts regularly, using reporting capabilities; for example, contract performance by region, product, or, more specifically, contracts over a certain monetary amount that have been open (that is, created but not signed) for more than 20 days. This sort of information allows executives to focus their efforts in the correct places. It is also important to monitor compliance on three different levels (regulatory, operational and transactional)

2. *Increase collaboration among internal functions, especially procurement and finance also legal and sales*

   As we saw earlier, there is often a lack of collaboration between functions, especially procurement and finance. Companies need to align and connect procurement and finance as well as sales and legal proactively, instead of having them come together as a reactive measure.

Best in Class Next Steps

1. *Integrate contract management with transactional systems.*

   Integrate contract management to both back-end ERP and front-end CRM systems, allowing for an easy flow of data. Pricing information should also be able to be pulled into the contract management system for use when creating a contract. For improved and accurate revenue recognition capabilities, companies should also integrate order management and invoicing and billing management.

2. *Integrate contract management with overall supply management.*

   Create closed-loop processes and data flow between sourcing, procurement execution, and contract management by integrating contract management systems with supplier performance measurement and scorecard systems, as well as sourcing and invoice reconciliation and payment systems.

3. *Use risk analysis tools to perform scenario analysis for long-term contracts.*

   Evaluate contracts to determine their future performance under varying price or supply conditions. Look at situations under which buying off-contract may work out better than having to abide by contract terms and conditions. Companies should also be able to forecast and perform scenario analyses on commitment levels for improved inventory and budgetary planning.

Author Profile

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Vishal Patel focuses on the use of technology in the global supply management arena. With the rise of globalization, outsourcing, and government regulations Patel is researching the role software solutions play in making processes such as contract management, strategic sourcing, and overall supply management more efficient and value-adding in this ever-changing environment.

In recent years, contract management has come to play an important role within the enterprise, with companies increasingly wanting more control and visibility into their supplier and customer contracts. Patel is currently focused in this area and will be researching enterprise strategies, processes, systems, and performance in managing and optimizing both supplier and customer contracts.

Patel has a manufacturing and operations background, largely in the consumer products industry. He worked previously as an operations/financial analyst focusing on strategic sourcing and procurement as well as supplier contracts both locally and internationally. He brings a combination of analytical abilities, hands-on experience, and a global perspective to Aberdeen.

Appendix A:
Research Methodology

In May and June 2006, AberdeenGroup examined the contract management procedures, experiences, and intentions of approximately 140 mid-market enterprises (revenues of $50 million to $1 billion).

Responding procurement, finance and sales executives completed an online survey that included questions designed to determine the following:

- The degree to which contract management impacts organizational and operational efficiency as well as financial results.
- The current establishment, structure, and effectiveness of contract management procedures in mid-market companies.
- Current and planned use of automation to aid these activities; and
- The benefits, if any, that have been derived from contract management initiatives.

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on management of supplier contracts as well as successful strategies, experiences, and results.

The study aimed to identify emerging best practices for contract management and provide a framework by which readers could assess their own contract management capabilities.

Responding enterprises included the following:

- ***Job title/function:*** The research sample included respondents with the following job titles: procurement manager or executive (24%), sales executives/directors (20%) supply chain and logistics executive (14%); manufacturing/operations manager (13%); IT manager (8%); finance, business process management (10%); customer service (9%) and other (11%).
- ***Industry:*** The research sample included a bulk of respondents from manufacturing and life science industries. High-tech manufacturers accounted for 16% of respondents. Transportation and engineering companies totaled 25%; pharmaceutical and medical devices respondents totaled another 12%. Mining/oil/gas accounted for 10%. The remainder came from financial services, telecom, automotive and the public sector.
- ***Geography:*** An overwhelming number of study respondents were from North America, including 61% from the U.S. European respondents accounted for 21%, 10% from Asia-Pacific and the rest from South/Central America, and the Middle East.
- ***Company size:*** About 87% of respondents were from mid-size enterprises (annual revenues between $50 million and $1 billion); and 13% were from small businesses ($50 million or less).

Solution providers recognized as sponsors of this report were solicited after the fact and had no substantive influence on the direction of the *Contract Management in the Mid-Market* report. Their sponsorship has made it possible for Aberdeen*Group* to make these findings available to readers at no charge.

Appendix B:
Related Aberdeen Research & Tools

Related Aberdeen research that forms a companion or reference to this report include:

- *Contract Management Benchmark: Procurement Contracts* (March 2006)
- *Contract Management Benchmark: Sales Contracts* (April 2006)
- *The Contract Management Landscape* (June 2006)

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

About AberdeenGroup

Our Mission

To be the trusted advisor and business value research destination of choice for the Global Business Executive.

Our Approach

Aberdeen delivers unbiased, primary research that helps enterprises derive tangible business value from technology-enabled solutions. Through continuous benchmarking and analysis of value chain practices, Aberdeen offers a unique mix of research, tools, and services to help Global Business Executives accomplish the following:

- IMPROVE the financial and competitive position of their business now
- PRIORITIZE operational improvement areas to drive immediate, tangible value to their business
- LEVERAGE information technology for tangible business value.

Aberdeen also offers selected solution providers fact-based tools and services to empower and equip them to accomplish the following:

- CREATE DEMAND, by reaching the right level of executives in companies where their solutions can deliver differentiated results
- ACCELERATE SALES, by accessing executive decision-makers who need a solution and arming the sales team with fact-based differentiation around business impact
- EXPAND CUSTOMERS, by fortifying their value proposition with independent fact-based research and demonstrating installed base proof points

Our History of Integrity

Aberdeen was founded in 1988 to conduct fact-based, unbiased research that delivers tangible value to executives trying to advance their businesses with technology-enabled solutions.

Aberdeen's integrity has always been and always will be beyond reproach. We provide independent research and analysis of the dynamics underlying specific technology-enabled business strategies, market trends, and technology solutions. While some reports or portions of reports may be underwritten by corporate sponsors, these sponsors do not influence Aberdeen's research findings.

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Founded in 1988, Aberdeen*Group* is the technology-driven research destination of choice for the global business executive. Aberdeen*Group* has over 100,000 research members in over 36 countries around the world that both participate in and direct the most comprehensive technology-driven value chain research in the market. Through its continued fact-based research, benchmarking, and actionable analysis, Aberdeen*Group* offers global business and technology executives a unique mix of actionable research, KPIs, tools, and services.