

OPTIMIZE CONTRACTS WITH SAP® CONTRACT LIFECYCLE MANAGEMENT

PROACTIVELY MANAGE CONTRACTS TO REALIZE THE GREATEST VALUE

The SAP® Contract Lifecycle Management application enables you to optimize corporate contracts by automating contract creation, enhancing visibility, and improving compliance. It helps you realize the full value of your contracts – resulting in higher profits and lower legal and financial risk.



Your company's contracts are critical to your daily operations. After all, they represent all the business relationships throughout the organization. To get the most value from contracts, your organization must be certain that the agreements it enters into are low in risk and that contractual terms are being observed and met. The SAP® Contract Lifecycle Management (SAP CLM) application can help you maximize contract value by supporting streamlined, controlled processes and greater visibility throughout the contract life cycle for more effective, proactive contract management.

Challenges in the Contract Life Cycle

From creation to execution to monitoring, contracts are dynamic and require varying levels of management at multiple stages in the contract life cycle. To reap the greatest reward, organizations must be well equipped to control and manage their contracts at each point in the life cycle in order to address the following challenges.

Inconsistent Contract Language

As contracts are being drafted, your employees may not be starting with the most up-to-date or authorized contract language. Often employees will copy past contracts or use their own templates rather than templates that have been reviewed and approved for use by the legal department.

Incomplete Contract Approvals

Even when using an approved template, employees who are managing contracts

might make additions or changes to critical terms, which then require approval by the legal or finance department or other stakeholders. However, many organizations lack the systematic controls to ensure that such approvals take place.

Lengthy Contract-Execution Cycles

The process of gaining internal contract approvals, negotiating with business partners, and then repeating the process can be lengthy, requiring many iterations. According to a study by Aberdeen Group Inc., it takes more than a month on average to complete the process of establishing a contract.¹ During this long interval, organizations waste precious time when they could be realizing the value of the contract. The process may also be inconsistent across the company, opening the door to audit risk under national or local regulations.

Lack of Contract Visibility and Awareness

Once contracts have been signed, you need to be able to access them easily and ensure that employees are aware of and compliant with them. But if your contracts are dispersed throughout the organization in various systems, it may be nearly impossible to gain a holistic view of your company's financial and legal commitments and to ensure timely renewal of contracts. It also may be difficult to raise employee awareness about the existence of these contracts.

Inability to Enforce Compliance

To get the most from your contracts, you need to make sure that all parties

1. *Contract Lifecycle Management and the CFO: Optimizing Revenues and Capturing Savings*, Aberdeen Group Inc., April 2007.

are satisfying their obligations – for example, that suppliers are delivering on time at the right price. But without the ability to track actual contract usage and performance-related details, understanding contractual compliance is simply not possible. What's the result? Your employees struggle to understand the status of business relationships; your company is exposed to various legal, financial, and supply chain risks; and your spend analysis, sourcing, and other follow-up efforts are hindered.

Answering the Challenges of Contract Management

You need to manage contract creation, negotiation, visibility, and compliance on an enterprise-wide basis, and SAP offers just the solution. SAP CLM enables proactive management of all aspects of the contract life cycle – from strategy and creation to negotiations and finalization, and from contract visibility to internal and external compliance and performance monitoring. SAP CLM not only supports the full contract management process for all contract types in the organization but also enables integration with back-end systems for contract execution and compliance.

Automating Contract Creation for Efficiency and Transparency

SAP CLM enables you to employ an automated approach to crafting all types of enterprise contracts. The result is that the contract-creation process – from the first draft through approval – is standardized and takes significantly less time. Consistent, preapproved lan-

guage from the legal department, along with the option to use workflow-based edits of contracts, not only helps ensure version control but also helps streamline the process and reduce risk. Because SAP CLM operates in conjunction with Microsoft Word, contract authors and

SAP CLM enables management of all aspects of the contract life cycle – from strategy and creation to negotiations and finalization, and from contract visibility to internal and external compliance and performance monitoring.

reviewers can work in a familiar format. This integration also enables your organization to see changes easily by comparing different contract versions – even if one party did not use a “track changes” function. To help you ensure compliance with regulatory requirements, the software also captures a full audit trail of all users who edited, reviewed, or approved the contract.

Gain Deep Visibility into Contracts for Effective Management

With SAP CLM, you can maintain all corporate contracts in a single repository. This enables your organization to manage contracts more effectively in the following ways.

Increase Contract Awareness and Usage

By providing your employees with simple, controlled access to specific contracts – supported by robust full-text search functionality – you can build contract awareness. This, in turn, helps support employee usage and enforcement of contracts and enables proactive relationship management. For instance, if a business director needs to understand which consultancies might be employed for a strategy project, he or she can easily determine which companies are under contract for those types of services, along with the pertinent contract details.

Stay Informed of Imminent Expirations

By receiving automatic reminders before contracts expire, you can notify business partners in a timely manner – and avoid missing a critical opportunity to reengage or renegotiate. A central repository also allows your employees to negotiate better prices and terms based on visibility into the full contract history.

Manage Regulatory Requirements and Risk

Establishing a comprehensive contract repository simplifies the process of corporate and regulatory reporting. You can quickly identify outstanding contract commitments and issues that have a material impact on the business, so you can report them to oversight agencies as needed. Additionally, you can flag and track contract-related risks to understand which contracts and business relationships require hands-on management.

Integration with Back-End Systems to Maximize Contract Value

Once a contract is agreed upon, SAP CLM enables you to transfer all terms into a back-end system for execution. For purchasing contracts, this increases the likelihood that your employees will choose sanctioned goods and services – at the negotiated price – when placing orders. It also enables demand-driven ordering of direct materials at the right price directly from the material master in your enterprise resource planning system. Similarly, items and pricing can be transferred from sales contracts to the back-end operating contract for accurate order management.

Integration with back-end systems also enables you to track accruals against your contracts. You can set up alerts or tasks at particular thresholds, such as when a supplier contract is almost exhausted. In this way, your company can proactively manage its relationships to realize the full value of its contracts and gain additional savings or more revenue. And with enterprise-wide visibility into contractual accruals, commitments, and outstanding obligations, your company can confidently engage with its business partners about status or performance issues. As a result, you can maximize contract value while minimizing risk.

Boost Savings and Revenues While Lowering Risk

SAP CLM allows your company to realize significant benefits by streamlining the creation, execution, and monitoring

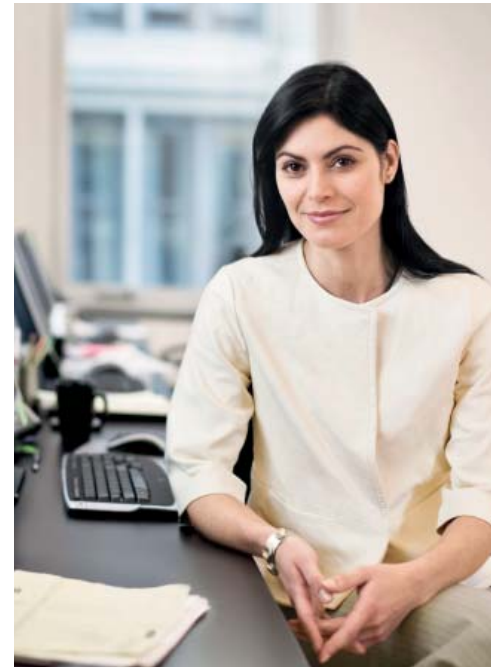
of contracts; enabling compliance with contracted pricing, terms, and delivery; and ensuring more control throughout the contract life cycle. It enables the use of standardized processes, language, and performance controls to substantially reduce your contract-related legal and financial risk and protect your company's bottom line.

With SAP CLM, your organization can:

- **Minimize risk** with automated contract creation using standardized language and controlled edits to help ensure appropriate approvals
- **Realize contract benefits sooner** by accelerating the contract-execution cycle
- **Maximize contract value** with greater visibility that encourages employee usage and enables proactive relationship management for better compliance
- **Improve compliance** by integrating contract information into back-end systems
- **Streamline activities** by quickly reporting on outstanding commitments and contracts that need hands-on management
- **Optimize contract negotiations** by initiating timely renewals and leveraging the full contract history to negotiate better terms and conditions

Services to Support a Complete Contract Management Solution

When you choose SAP CLM as your company's complete solution for contract management, SAP and its partners offer expert services to assist with all aspects of software implement-



SAP CLM enables the use of standardized processes, language, and performance controls to substantially reduce your contract-related legal and financial risk and protect your company's bottom line.

tation and management. These include business-related services such as creating contract-process definitions, managing contract types and data, developing clause-library content and contract templates, loading the contract repository from various sources, conducting user training, and orchestrating change-management programs. Technical services include application implementation and configuration, integration management, and ongoing maintenance and upgrade management.

Find Out More

To learn more about how SAP can help your company optimize the contract management life cycle, call your SAP representative today or visit us on the Web at www.sap.com/srm.

Summary

The SAP® Contract Lifecycle Management application enables you to optimize your corporate contracts by automating contract creation, enhancing visibility, and improving compliance. By managing the entire contract life cycle consistently across the enterprise, you can realize the full value of your contracts – resulting in higher profits and lower legal and financial risk.

Business Challenges

- Avoid risk caused by contract language that is inconsistent or not approved for use
- Fully realize the value of contracts by executing new contracts more quickly and managing existing contracts more proactively
- Improve contract terms and prices during renewals and renegotiations

Supported Business Processes and Software Functions

- **Standardized, automated contract creation** – Streamline the approval process with consistent, preapproved language and controlled edits
- **Contract performance management** – Improve employee awareness of contract terms, outstanding commitments, and compliance issues
- **Integration with back-end systems and processes** – Encourage purchasing under contract terms and track accruals against your contracts
- **Informed contract negotiations** – Receive reminders before contracts expire and access the full contract history for more effective negotiations

Business Benefits

- **Minimize risk** with automated contract creation using standardized language and controlled edits to help ensure appropriate approvals
- **Realize contract benefits sooner** by accelerating the contract-execution cycle
- **Maximize contract value** with greater visibility that encourages employee usage and enables proactive relationship management for better compliance
- **Improve compliance** by integrating contract information into back-end systems
- **Streamline activities** by quickly reporting on outstanding commitments and contracts that need hands-on management
- **Optimize contract negotiations** by initiating timely renewals and leveraging the full contract history to negotiate better terms and conditions

For More Information

Call your SAP representative, or visit us online at www.sap.com/srm.

50 084 747 (08/09)

©2008 by SAP AG.

All rights reserved. SAP, R/3, xApps, xApp, SAP NetWeaver, Duet, PartnerEdge, ByDesign, SAP Business ByDesign, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and in several other countries all over the world.

Business Objects and the Business Objects logo, BusinessObjects, Crystal Reports, Crystal Decisions, Web Intelligence, Xcelsius and other Business Objects products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of Business Objects S.A. in the United States and in several other countries. Business Objects is an SAP Company.

All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.