



Business Management Autopilot

Sit back, relax, and let your contract management software do the work.

BY ASHIF MAWJI

About the Author

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It is amazing how a single contract can affect multiple departments within an organization. For example, depending on the type of contract, business operations, procurement, sales and marketing, legal, finance and administration, risk management, information technology, manufacturing, and service delivery are just some of the areas impacted. With this kind of diversity, interaction among the areas must be managed effectively. For the contract manager to know how the contract is performing,

he must have access to the continual results of all elements pertaining to the contract—performance, risk management, deliverables, compliance, financial, budgets and forecasting, quality, and so forth.

The instant connectivity and seamless integration that has been introduced by the Internet, Web services, technologies like .NET, and other e-business innovations has allowed for multiple areas to be notified when a portion of the contract pertaining to their function needs attention.

Thus, the contract manager's job is made easier with a tool such as contract management (CM) software. CM software today can be easily configured to automatically "ping" the various stakeholders based on rules and processes established by the company. The systems can govern when to get human involvement based on commodity codes being sold or purchased, dollar values being exceeded, terms being used, high risk factors, and other elements where organizations would need to pay special attention. This automated monitoring and filtering allows the staff to spend more time on the strategic elements of contract management and less time on administrative and mundane tasks.

CM software helps bring different areas together, and allows divisions to appreciate what the other areas bring to the value proposition. When the staff is provided valuable and timely information that is produced by another division within the company, it realizes the true importance of cooperation within the company.

This feature also ensures that groups are more diligent in effectively and accurately completing their portion of the tasks. For example, say the finance department is required to complete the insurance certification or risk management review on a contract, and the source is being pressured to get the contract signed. Any delays (and the source of those delays) are visible to the entire organization. This explicit view instills a self-governing model, since no one wants to be seen as the source of a problem. Divisions can then use the CM tool to highlight bottlenecks and make improvements in their processes. Sometimes this means reducing manual processes and letting the CM software do its "magic"—basically, letting the contracting professional know when he is needed.

Hands-Off Processing

It seemed like the term "hands-off processing" was going to be the next buzz word in the technology sector. But considering that the acronym for

Getting Started

Numerous case studies are available on the Web that demonstrate companies receiving proven return on investment for contract management (CM) software in less than three months. These studies can help organizations justify investigating CM software, as well as show upper management the value proposition offered. Many CM software providers can implement their systems quickly, so organizations do not have to wait months to see real benefits.

For more information about CM software providers, visit the NCMA Web site at www.ncmahq.org. Analyst firms also can provide information about leading CM providers. Finally, Internet search engines like MSN.com or Google.com can provide a host of resources. Just search for "contract management software."

this concept—HOP—was not exactly "hip," it did not really go anywhere. Regardless, the theme is very common in enterprise software and many good solutions use this approach wisely to help businesses streamline operations. In these economic times when companies are understaffed and overworked,

organizations need to work smarter to deliver more output. No wonder the U.S. productivity index has seen a continual rise and analysts predict it will keep rising as technology improves and takes over a lot of the "grunt" work.

CM software is getting smarter and

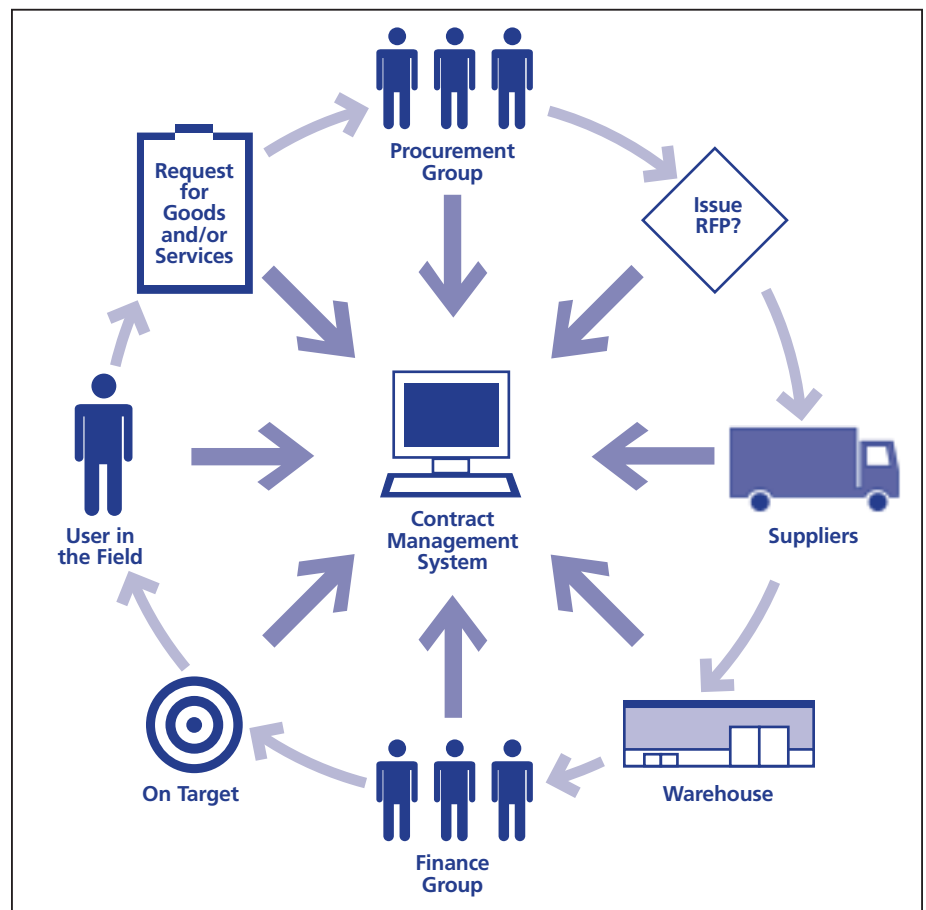


Figure 1. Automatic Management by CM Software

more configurable. Now, systems use complex logic to determine the next steps in a chain of processes and events. CM software flexibility is approaching a point where there are virtually no limits and almost everything a staff monitors and decides can be performed using workflow and rules (see **Figure 1, page 45**).

The Future is Friendly—and Here

Contracts are managed in small businesses and large Fortune 500 conglomerates. Each company has its own complexities, business processes, and challenges, and its software must be versatile and cost affordable.

CM software is already affordable, versatile, and flexible. So, what's next?

With the advent of Web-based services, companies will be able to use portions of functionality being offered

currently in full-featured CM packages. This means that if an organization is only interested in the online negotiation functionality, it can simply buy that service from the CM vendor.

In addition, Extensible Markup Language (XML) is advancing and being accepted at a rapid pace within businesses. The efficient use of this technology will allow companies to interact with their suppliers and customers automatically. For example, when the company places an order for a palette of paper, the requisition will be directed to the CM software, which will evaluate existing contracts to see the firm has a standing offer with a preferred supplier. If so, the purchase order will automatically be sent to the supplier with the appropriate price and terms indicated. When the shipment is received by the warehouse,

the software will notify the appropriate individuals and test if the performance criteria was met (e.g., whether the shipment was received within the allocated number of days). If there is a variance, pricing will be adjusted and a discount or penalty may be applied. While most of these features are currently available, more suppliers and other trading partners should be able to adopt these technologies in the future.

The advances in technology coupled with smart developers have resulted in superb CM software available in the marketplace today. Business automation now can be handled at a new level that delivers real value. By automating the entire business process, companies and their staffs can expend their efforts on the strategic areas and leave the administrative work to the computers. **CM**

CM Software Checklist

There are some definite “must haves” for integration and functionality capabilities within any contract management (CM) software a company might consider. Without these elements, an organization will not realize the software’s full potential (and it will take longer to implement the solution). Even worse, the necessary stakeholders will not buy into the solution.

Companies must thoroughly investigate the CM software providers they are considering. Employees should take the time to develop scenarios that mimic their business environment and processes. They also should make the vendor prove it can meet these challenges through “demos” before buying the software.

Depending on the systems a company uses, its CM software solution minimally should:

- Interface with the company’s enterprise resource planning or accounting system.
- Link to the document management system.
- Integrate with the asset management system.
- Be part of the e-service portal.
- Integrate with a single logon system.
- Manage documents with full versioning.
- Create contract visibility.
- Manage deliverables.
- Possess full payment functionality.
- Track pricing, discounts, and rates.
- Handle cost centers and financial charge-backs.
- Handle payment terms and holdbacks.
- Model parent/child documents.
- Associate spend categories to contract detail items.
- Possess robust rules and a workflow engine.
- Have the ability to add as many user-defined fields as required.
- Provide native support for document red-lining.
- Integrate the entire contract life cycle.
- Manage document attachments.
- Be Web-based with a zero footprint.
- Manage full scheduling and notification.
- Allow company employees, customers, and suppliers to interact online.