



Contract Management Solutions Provide a Quick and Quantifiable Return on Investment

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Organizations implementing a contract management solution invariably realize a quick return on investment in the form of improved performance and compliance monitoring, better results from sourcing activities, and streamlined contract management processes.

Overview

Increased contract visibility is purported to be one of the primary drivers for organizations turning to contract management software solutions. The vast majority of organizations – more than 80% by some estimates – report having difficulties even locating their contracts which are typically paper-based and stored in filing cabinets. For this reason, along with recent legislations aimed at improving financial and operational reporting (e.g. Sarbanes-Oxley Act), enterprises have started to investigate and implement contract management solutions.

Improved visibility is difficult to measure from a return on investment (ROI) perspective; however, the numerous benefits derived through increased contract visibility can be quantified. It is because of this enriched contract visibility that organizations can measure contract performance, monitor contract compliance, re-engineer archaic processes, and improve overall efficiency.

Several research firms have provided estimates as to the prospective returns resulting from the adoption of a contract management solution. According to PricewaterhouseCoopers, businesses could potentially realize savings that equate to 2% of total annual costs by eliminating inaccuracies and non-compliance through contract automation. This means that an organization spending \$1 billion could save \$20 million annually. Goldman Sachs has estimated that contract automation could possibly accelerate negotiation cycles by 50 percent, reduce erroneous payments by 75 to 90 percent, cut operating and processing costs associated with managing contracts by 10 to 30 percent, and result in a 10 to 20 percent headcount reduction.

Although actual results certainly will vary by organization and by industry, it is evident that implementing a contract management solution will result in improved performance and compliance (internal and external), greater efficiency in the sourcing process, and increased control over contract activities.

Improved Performance and Compliance

The long established process of contract management has characteristically involved manual and paper-based processes; employing limited tools like word processing and spreadsheet applications to author contracts and monitor performance and compliance. Consequently, inconsistent use of terms and conditions along with the inability to properly and proactively monitor performance and compliance are commonplace among many

UpsideContract delivers a full return on investment (ROI) in less than one year

A typical organization deploying UpsideContract will realize a full return on investment in less than one year. Consider the following customer examples:

Large North American Transportation Company

Achieved a full system ROI in 62 days. They have cut contracting cycles by 60%, and are executing 50% more contracts with 10 fewer people. Most importantly, they have mitigated millions of dollars in potential fines by ensuring suppliers are properly insured.

Large European Insurance and Pension Company

Increased contract compliance by 5% and cut procurement costs 6% through increased use of preferred suppliers and pricing. They have also doubled the amount of spend under control of the procurement department to more than 60% of total spend, resulting in an ROI in about 7 months.

Major Private University

Improved contract and purchasing visibility and compliance; reduced clerical resources, purchasing cycle times, and physical document storage needs. ROI achieved in six to seven months.

Global Consumer IT Leader

Streamlined the contract management process and developed a central repository of contract detail. They currently manage about 70% of all sales and marketing contracts with UpsideContract, and anticipate that figure will rise to 90%.

organizations today. The result has been poorly negotiated contracts, unnecessary costs, missed savings opportunities, and exposure to operational and regulatory risk elements.

By adopting a contract management solution like UpsideContract, companies have maximized savings and gained leverage for future contract negotiations. Businesses can establish performance metrics and extract performance-based data from the application to recognize the strongest performing suppliers and identify poorly performing suppliers before they become liabilities. Reporting and analysis capabilities within UpsideContract provide valuable data and insight to successfully manage supplier relationships, optimize contracts, and proactively address issues immediately. An Upside Software client, one of Europe's largest insurance and pension companies, has cut procurement costs by 6% as a result of analyzing vendor performance and increasing the use of preferred suppliers.

Proactive compliance monitoring is another critical function that can provide a meaningful and quantifiable return on investment. To be effective, contract management solutions must provide the fundamental tools to enforce the three key types of contract compliance – operational compliance, supplier compliance, and regulatory compliance – to help companies avoid liabilities. A major transportation company using UpsideContract estimates that they have mitigated potentially millions of dollars in insurance liability risk by speeding contracting cycles, ensuring the appropriate terms and conditions are included in contracts, and providing assurances that contracted suppliers have valid insurance coverage.

Greater Sourcing Efficiency

Organizations have generally realized a significant return on their contract management investment by simply reviewing, streamlining, and automating their existing processes and operations. As an example, businesses using UpsideContract have demonstrated a considerable reduction in contract cycle times (typically greater than 50%) through workflow optimization and the elimination of manual processes.

One company using UpsideContract was able to eliminate about 10 positions in their contract clerical divisions while condensing a 16-step manual process down to a 7-step automated process. All told, this company was able to reduce their average cycle time for a new contract from 30 days to only 11 days, and was able to achieve an ROI in only 62 days.

Another organization – the world's largest consumer IT company – was able to centralize contract data that existed on more than a dozen home-grown applications into a single repository for contracts and associated information. Doing so streamlined processes, enhanced service levels, and improved revenue renewals with key clients. Customer reports that typically required up to a week to complete now take only a few hours.

Increased Contract Control

With increased visibility and improved access to information contract management professionals are now better equipped to control the activities involving contract creation and approval. Immediate access to information and control mechanisms inherent in automated workflow have led to more advantageous negotiations, increased savings via rebates and discounts, a reduction in erroneous payments, and the elimination of maverick contracts. UpsideContract provides a comprehensive view of all contracts and associated actions, ensuring that required activities are quickly identified and action is easily taken.

A large European insurance and pension company has reported that by implementing UpsideContract maverick contracts have been reduced and the amount of spend under control of the procurement department has doubled to more than 60% of total spend. As a result, they estimate that they have realized a full return on investment in approximately seven months.

Conclusion

Return on investment can be measured in many different ways and these are only some of the benefits that contract management solutions can deliver. The time to achieve a full return on investment is typically dependent on the size of the implementation; however, organizations that have selected UpsideContract as their contract management solution have generally realized a full ROI in well under one year.

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