



Business Success Case Study

Interpolis Uses Contract Management to Improve Bottom Line

Executive Summary

As one of the largest insurance and pension companies in the Netherlands, Interpolis is adept at assessing risk. Through an examination of risk within its own business, Interpolis identified a need to reduce costs in order to fend off new competition and meet changing regulations. The company viewed supply management as a key lever to mitigate these risks, but struggled internally with a hodgepodge of systems and manual processes for negotiating and managing supplier contracts.

In 2001, Interpolis standardized its contracting procedures and controls and adopted a contract lifecycle management solution from Upside Software. The results to date: Interpolis has doubled spend under management, increased compliance by 5%, and cut total spending by 6%.

Business Challenge

With annual revenues of 5 billion euros and procurement spend of over 200 million euros, Interpolis is one of the largest insurers in the Netherlands. In the late 1990s, Interpolis faced increased competition and changes in insurance and financial regulations. To remain competitive the insurer knew it would need to expand its service offerings and reduce its operating and supply costs.

Achieving these cost reduction goals would be challenging. At the time, Interpolis had a decentralized procurement operation, with many buying decisions made at the local level. Each region and site used its different procedures and terms for negotiating and contracting with suppliers, and the company had no central repository for storing and accessing all supply contracts. Interpolis' corporate procurement department had developed a simple contract management application using a Microsoft Access database, but this system was only used to manage facilities contracts and did not automate or enforce standard contracting procedures.

Best Practices in Contract Management

Company Name	Interpolis Verzekeringen
Solution Provider	Upside Software
Business Challenge	Improve competitiveness through better control of supply costs and risks
Strategy	Use contract management as the foundation for procurement improvements
Value Achieved	<ul style="list-style-type: none"> Doubled amount of spend under management within a two-year period Increased contract compliance by 5% Cut procurement costs 6% via increased use of preferred suppliers and pricing

Interpolis Verzekeringen

Contract Management Strategy

Interpolis' corporate procurement group understood that effectively contract management would be core to improving supply performance and costs. This belief was reinforced when an internal investigation of Interpolis' contract management competencies and risks yielded strong recommendation for immediate improvement in how the company negotiated and managed supplier contracts.

Interpolis defined a three-stage strategy for overhauling its contract management operations:

1. Create a central repository for the aggregation, search, and analysis of all supply contracts.
2. Establish and enforce formal contracting procedures, terms, and templates.
3. Adopt a contract lifecycle management solution that could automate and streamline contracting procedures, improve contract visibility, and enforce controls.

Contract Management Solution Selection and Deployment

Interpolis adopted a structured requirements engineering methodology for evaluating and selecting a contract lifecycle management (CLM) solution selection. A cross-functional team including representatives from procurement, information technology (IT), legal, and finance jointly developed a business case for investing in contract automation. Key anticipated benefits included a reduction in maverick buying and lower supply costs and greater access to rebates due to increased use of supplier contracts.

This cross-functional team examined existing solution providers and collaborated with internal stakeholders to define optimal contract process and system requirements. Key requirements included breadth of functional support for Interpolis' defined contracting processes, access and search capabilities of the contract repository, ease-of-use, total system costs, and system implementation and support services. Interpolis' selection committee was also adamant that the system require little customization. "We wanted as much of the functionality available 'out-of-the-box' as possible," said Marco Sichtars, Manager Interpolis Corporate Procurement, indicating that this would help speed time to value towards Interpolis' goals.

These requirements were compiled into a detailed request for proposal (RFP) that was issued to seven leading solution provider candidates, including five pure-play CLM solution providers and two major enterprise resource planning (ERP) vendors, which both are used for other functions at Interpolis.

After fielding initial proposals from six vendors, Interpolis used Web-based system demonstrations to narrow the list of potential solution providers to three finalists, who were invited to the company's Netherlands headquarters to provide more in-depth presentations. Following an in-depth evaluation, which included customer-reference checks and a financial viability analysis, Interpolis selected Upside Software's UpsideContract solution be-

Interpolis Verzekeringen

cause, according to Sichtars, "Upside simply met our requirements the best." Interpolis was impressed with Upside's Microsoft .Net architecture and integration into Microsoft Word. "The Upside solution is very flexible, user friendly, and scalable to our needs. We also found Upside to be solid company financially and their team was prepared to assist in any and every way."

Deployment of UpsideContract began in November 2002 with full go-live in March 2003. Interpolis managed the rollout two phases:

1. Phase one was to prepare the contract database, including uploading Interpolis' existing contracts from an Access database into the Upside system.
2. Phase two included a pilot of the full UpsideContract application with Corporate Facilities Department, followed by a rollout to other business units and departments.

Interpolis took great care to keep stakeholders involved during the selection and deployment process. The selection team shared project plans and details through the company's intranet and steering committees within each of the businesses. The team also held regular information sessions and presentations on Interpolis' contract management strategy and process changes, and the solution deployment to keep stakeholders informed and drive adoption of the Upside solution.

Interpolis has also established a project champion within each department who is responsible for evangelizing the benefits of contract management, providing support and training for the UpsideContract system, and driving system adoption within their business. While positioned in the business unit, this champion is the linking pin to Interpolis' Corporate Procurement group, and is also responsible for ensuring that the unit's supply contracts abide by company policy, are accessible in the UpsideContract system, and are enforced within the business.

Results

With the UpsideContract system in production only a year, Interpolis now has more than 40% of all supply contracts centrally managed in the system. The company has established common contracting procedures and a central repository for supply contracts.

Interpolis has realized their business case expectations of reduced maverick buying, a more than 5% increase in the use of contracts, resulting in about 6% supply cost savings. Most importantly, Sichtars reports that his company's contract management strategy and system deployment has helped double the amount of spend under control of the procurement department to more than 60% of Interpolis' total spend.

Such improvements have led Paul Frishert, a member of Interpolis' Purchasing Support Department, to estimate that Interpolis realized full return on investment (ROI) on the UpsideContract solution in about seven months.

Interpolis Verzekeringen

Other improvements derived from system deployment include reduced cycle time for contract creation and changes, improved user access and visibility, and enhanced contract performance tracking.

Lessons Learned

Sichtars and Frishert have identified the following key lessons from their contract lifecycle management strategy and deployment:

- Ensure executive champion: Sichtars said Interpolis' decentralized infrastructure and lack of a CEO or Chief Procurement Office (CPO) slowed rollout and system adoption. "We could have gone much faster with the right support and organizational structure in place," said Sichtars.
- Secure a dedicated project team: "Solution selection is less than half of the task," said Frishert. "System rollout and organizational alignment are much more time-consuming." Armed with this experience-based insight, Frishert recommends that companies secure sufficient resources for a dedicated project manager and team at the outset.
- Make contract management a companywide initiative: Both Sichtars and Frishert emphasize the need to keep all internal stakeholders involved at all stages of the project. Such involvement ensures alignment and buy-in of contract management strategy and solution among the constituents that matter most – users on the front-line. "The critical emphasis must be on the process, not the solution," said Sichtars. "The ultimate rule is to constantly communicate with the businesses."
- Avoid scope creep: "A major lesson we learned is to stay within the scope of the project," said Frishert. He recommends that enterprises investing in a CLM solution clearly define a roadmap for deployment and stick to it.

Future Outlook

Interpolis will extend UpsideContract deployment to other areas of the organization, including sales, which is interested in using the system to control and monitor contracts for pension and superannuation programs. Interpolis' parent company, Rabobank, is also examining whether to use the UpsideContract solution.

Interpolis will also continue to create standard process and contract templates to address specific spend categories and other agreement types across the organization.

Aberdeen Conclusions

Faced with a goal of reducing costs and risks, Interpolis' Corporate Procurement group focused on improving visibility and control of supply contracts. To ensure success, Procurement involved key stakeholders in defining contracting processes, selection a CLM solution, and enforcing solution adoption and compliance. This collaborative approach to contract management has already delivered significant cost and performance improvements after just one year of deployment. A true innovator, Interpolis is now looking to leverage CLM to improve other areas of the business, including growing top-line revenue.

AberdeenGroup, Inc.
260 Franklin Street
Boston, Massachusetts
02110-3112
USA

Telephone: 617 723 7890
Fax: 617 723 7897
www.aberdeen.com

© 2004 **AberdeenGroup, Inc.**
All rights reserved
October 2004

Founded in 1988, **AberdeenGroup** is the technology-driven research destination of choice for the global business executive. **AberdeenGroup** 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, **AberdeenGroup** offers global business and technology executives a unique mix of actionable research, KPIs, tools, and services.

The information contained in this publication has been obtained from sources Aberdeen believes to be reliable, but is not guaranteed by Aberdeen. Aberdeen publications reflect the analyst's judgment at the time and are subject to change without notice.

The trademarks and registered trademarks of the corporations mentioned in this publication are the property of their respective holders.