



Why Do ERP Systems Fall Short When Used to Manage Contracts?

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An ERP Contract Management module cannot replace a comprehensive Contract Lifecycle Management solution.

Overview

Many Enterprise Resource Planning (ERP) vendors claim to have an all encompassing product as they are developed to provide a broad range of features to meet the needs of major departments enterprise-wide. ERPs are often marketed as a single comprehensive solution for organizations looking to automate business processes, including contract management. By consolidating an organization's often disparate data and business processes in one central database, ERPs can provide enterprises with numerous features to better manage day to day operations and track critical information. Modules or add-ons allow companies to implement specifically required functionality and permit additions as needed. Unfortunately, these add-ons, particularly the contract management module, do not have the capabilities an independent contract lifecycle management software solution such as UpsideContract can provide.

ERP Limitations

Many organizations seem to be convinced that an ERP solution will be an adequate fix for streamlining all processes and departments company-wide. Contract management modules offered from an ERP vendor typically allow for storage of contracts, record keeping of simple changes, and facilitation of payment requirements — they are quite limited in functionality. ERPs tend to provide only very high level contract management features. As a result, ERP solutions satisfy only a small portion of the requirements and processes needed to manage contracts from beginning to end.

Contract management add-ons cannot provide the flexibility needed by organizations operating in the modern business environment. In the face of rising corporate governance and accountability, organizations cannot afford to take unnecessary risks. In the unfortunate event that a key contract were to be misplaced or mismanaged, a corporation would find itself suffering from poor financial performance or facing legal ramifications with regulatory boards.

While it is possible to manage contracts strictly with an ERP solution, the choice is not an optimal or even desirable one. Most of the ERP providers that offer contract management simply cannot handle complex contract and workflow situations. They were not designed to do so. What contract management modules from ERP systems providers really are is one small component of a much larger system. They are add-on modules; afterthoughts. Using an enterprise Contract Lifecycle Management (CLM) solution like UpsideContract will allow a company to record and track details while also looking at the overall picture to make more informed business decisions.

Why You Need CLM

Many industry leaders are now using Contract Lifecycle Management software to manage their contracts and are realizing significant savings and a quick ROI. Enterprises using UpsideContract have achieved a full ROI within one year. By using a CLM solution, organizations can reap the following benefits:

- Improved contract compliance by up to 55%
- Identified and capitalized on pricing discounts and rebates at an improvement rate of 25-30%
- Improved contract renewal rates by 25%
- Reduced administrative costs
- Cutting contracting cycles in half
- Standardization of contracting procedures and processes

The end result has been 1-2% increase in overall revenues (Aberdeen, 2004). While it may sound small, this can be a significant gain for your organization and reflects just how valuable a comprehensive, enterprise CLM solution can be.

Majority of Upside Software Customers also use ERP

ERP systems handle transactional details of an organization whereas CLM systems handle contract and commitment management; as such, there is room for both systems in an organization resulting in great collaborative capabilities. It is no surprise that more than 80% of Upside Software customers (who have purchased UpsideContract to fulfill their contract lifecycle management needs) also have a leading or homegrown ERP system.

CLM Fills the Gaps

A CLM solution outperforms an ERP add-on in many areas such as financial information integration. Everyday, an organization must handle contracts that dictate where revenue is coming in and expense payments are going out in order to accurately perform financial forecasting. ERP may not be capable of matching these items to contract terms and prices. The result is that you could be paying more or getting less than what has been stipulated in the contract. This is the real weakness of using ERP as a makeshift CLM solution and could expose an organization to unnecessary financial and legal risks.

UpsideContract, an industry leading CLM solution is able to address *all* of the following requirements and more:

- Workflow to establish authorized users and govern at a clause/section level
- Storage, retrieval, filing, archiving, and retention of all documents
- Revision control ensures content security for new and existing contracts
- Distribution to authorized users and clients
- Adherence to compliance items vital to contracts, including compliance management at the clause level
- Ability to create model agreements (templates) and implement business rules to govern which templates, sections, and clauses to be used automatically when creating specific types of contracts
- Associate meta data and intelligence at the clause level
- Provide a governed contract initiation process that leverages the business rules established to select and create the most appropriate contract, while reducing risks to an organization
- Manage insurance, compliance and performance not only at a contract level but also at the supplier/partner/customer levels to offer a holistic view into a given stakeholder and all associated relationships

In a recent 2007 survey conducted by IACCM (International Association for Contract and Commercial Management), respondents from global organizations indicated that instilling a standard contracting process, increasing organizational efficiency and reducing cycle time, as well as managing contract performance and compliance were the most important reasons for selecting a contract management software solution.

Conclusion

Companies without a CLM solution lack practical procedures for monitoring operational, supplier, and regulatory compliance. Without a formalized contract management procedure in place for creating and managing agreements throughout the contract lifecycle, businesses are at a significant disadvantage. Many large organizations continue to manage contracts by division rather than on an enterprise-wide basis. This segmented approach to contract management results in limited visibility into active contracts and inadequate collaboration during the contract creation process.

Inserting contracts into a proven business workflow within UpsideContract and integrating contract terms with transactional business systems will improve tracking and enforce compliance. UpsideContract can help an organization identify new cost savings opportunities as well as drive compliance and assist with increasing regulatory requirements. Streamline business processes and increase collaboration with UpsideContract.

About Upside Software

Upside Software is the worldwide leader in Contract Lifecycle Management (CLM) solutions. Customers use Upside Software's suite of products to confidently perform Contract Management, Commitment Management, Sourcing & Procurement, and Invoice & Billing management activities throughout their organizations.

Upside Software's products address the needs of enterprise, public sector, and small and medium enterprise (SME) customers. Customers realize significant cost savings while improving customer and supplier relationships. Upside Software's solutions are deployed in as little as 3 days and typically provide a full return on investment (ROI) in under a year.

Founded in 2000, Upside Software is a profitable, rapidly growing software company. The company has extensive experience delivering a highly customizable solution to organizations of every size and within most industry verticals.

Upside Software Inc.

Suite 310, Manulife Place
10180 – 101 Street
Edmonton, Alberta, Canada
T5J 3S4

Phone: 1-877-984-2455 (toll free)

1-780-702-1432 (local)

Fax: 1-780-702-1438

Email: ask@upsidesoft.com

Web: www.upsidesoft.com

