



Automating the Rewards

Prove a solid ROI from automating your contract lifecycle

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Contract Management Defined

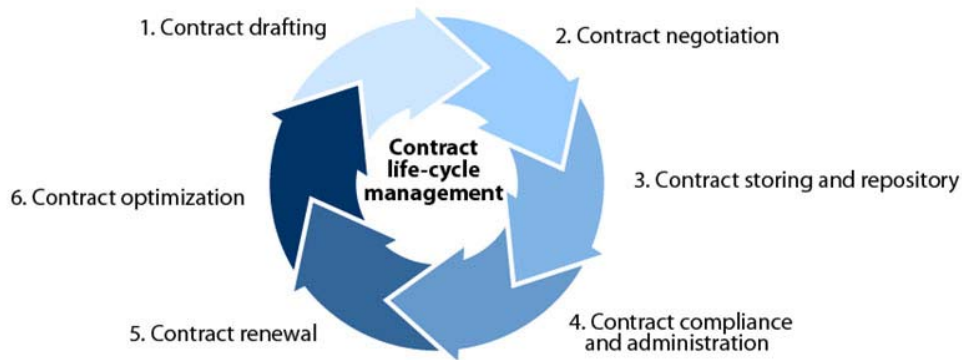
What is Contract Lifecycle Management (CLM)?

Contract Lifecycle Management is the entire, cradle-to-grave process that defines how your organization initiates, finalizes and manages contracts throughout your organization.

There are many aspects that a robust CLM solution can help address, automate and regulate. Organizations can determine what aspects to automate first and devise a plan to streamline additional processes through the course of a CLM solution deployment and adoption.

According to a leading industry analyst, Forrester Research, CLM is defined as:

FORRESTER **Contract Life-Cycle Management (CLM)**



Definition	CLM products support all contract processes, including drafting, approval, amendment, renewal, and enforcement. By treating contracts as information, rather than text or images, they streamline contract creation from standard clauses, track changes so users can see both latest agreement and change history, and integrate with transactional systems to monitor performance against specific terms.
Usage scenarios	CLM tools improve contract terms standardization by pulling clauses from a library of standard terms, rather than each contract being drafted ad hoc. Without CLM, enterprises find it difficult or even impossible to determine the current agreement with a supplier if there are multiple overlapping amendments hidden in document repositories. CLM tools also reduce price errors and unclaimed rebates, by tracking total purchases and invoices linked to each contract.

We seem to be managing just fine – why do we need a CLM tool?

According to the 2006 *Contract Management in the Mid-Market* study by Aberdeen Group, over 80% of mid-size companies are still using manual, partially-automated and/or disjointed systems for both their buy and sell-side contracting needs. Due to recent legislation and increased awareness of contract management process weaknesses and other elements, more companies are undertaking deeper investigations into what a CLM tool can do for them and how they can improve their bottom line. Aberdeen's 2006 *Contract Management Benchmark Report* states that companies with compliant purchasing contracts can achieve average savings of 22%.

In Gartner Group's 2007 report, Debbie Wilson and Andy Kyte report: "The enterprise contract management solution has finally taken off, with 9% growth from 2005 to 2006, and larger growth expected in 2007. The early solutions are maturing into cohesive tools, while many new entrants in the market are driving continued innovation." They added, "Gartner research estimated the enterprise contract management market at approximately \$200 million for 2006, a 9% increase over 2005. We anticipate revenue growth in the double digits during the next few years. Early adopters have successfully proven the value of enterprise contract management applications; as a result, demand for these tools has increased. Growth will come from current customers, who are expanding the scope of their solutions within their organizations, as well as new customers".

Is CLM right for your company?

ORGANIZATION	<ul style="list-style-type: none"> ▪ Do you have a central contracting group? ▪ Does this group have direct reporting into the CFO? ▪ How well are contract terms and decisions aligned across the enterprise and with business goals? ▪ Do all of your contracts comply with requisite terms, approvals and policies? ▪ Do you have controls to ensure the high-risk terms & payment terms are not incorporated into new contracts? ▪ Do you have controls to ensure that both service level agreements are satisfactorily achieved?
PROCESS	<ul style="list-style-type: none"> ▪ Do you have standard procedures for contracting and administration? ▪ At what scope are these procedures reinforced? ▪ Do all of your contracts comply with requisite terms, approvals and policies? ▪ Do you have templates to ensure use of approved standard terms and clauses? ▪ How efficient are your contracting and reporting processes? ▪ Can legal keep pace with the volume of requests for new contracts and agreements?
KNOWLEDGE	<ul style="list-style-type: none"> ▪ Can you rapidly access a complete list of controls for a customer or supplier? ▪ Can you easily identify and assess all contracts with a specific clause or risk? ▪ Can you compare and analyze the performance and terms of various contracts? ▪ Can you immediately assess where a contract is in the approval process? ▪ Can executives develop reports on contractual obligations and operational and financial performance?
TECHNOLOGY	<ul style="list-style-type: none"> ▪ Which contracting and administration processes have been automated and to what level of effectiveness? ▪ Are automation investments aligned and integrated across the contract lifecycle and across the enterprise? ▪ What decisions support CLM and what reporting tools do your procurement organization use and how effective are these at meeting your analysis and reporting needs?
PERFORMANCE METRICS	<ul style="list-style-type: none"> ▪ What metrics and procedures does your company use to measure contract compliance and performance? ▪ Are metrics and procedures consistent enterprise wide? ▪ Are you capturing all rebates/discounts in supply contracts and all revenue of sales contracts efficiently? ▪ Does your company submit invoices promptly, accurately, and according to contract milestones? ▪ How does contracting and administration performance measure up to industry peers and best in class?

Some of the key problems found with ineffective contract management and the impact it has on the procurement and sales processes within your company are:

What's the problem...and what is it costing you?

Issue	Impact to Procurement	Impact to Sales
Fragmented procedures	<ul style="list-style-type: none"> Increased maverick buying Increased supply & financial risk Under-leveraged spending 	<ul style="list-style-type: none"> Missed sales opportunities Increased financial, legal risk Unprofitable deals
Labor-intensive processes	<ul style="list-style-type: none"> Long sourcing & contracting cycles Less spend under contract/mgmt. Non-competitive negotiations 	<ul style="list-style-type: none"> Long sales cycles Missed sales opportunities Extended order-to-cash cycles
Poor visibility into contracts & terms	<ul style="list-style-type: none"> Poor compliance Inconsistent risk terms Limited visibility into spending 	<ul style="list-style-type: none"> Lost revenue No holistic view of customer SLA & payment penalties
Ineffective compliance monitoring & management	<ul style="list-style-type: none"> Increased maverick buying High PPV, missed rebates & discounts Overpayments & performance risks 	<ul style="list-style-type: none"> Lost revenue Missed renewal opportunities Customer dissatisfaction
Inadequate performance analysis	<ul style="list-style-type: none"> No view into category performances Policy and regulatory violations Under-leveraged spending & high risk 	<ul style="list-style-type: none"> Ineffective pricing, performance & profit analysis Financial reporting violations

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In a recent Forrester article *The Top Five Reasons To Set Up A VMO And What To Results To Expect* published by Patrick M. Connaughton, April 11, 2011, one of the key findings was "A 60% reduction in the contract creation cycle time over six months. Many VMOs will focus first on the contract management lifecycle. For example, one global healthcare provider we interviewed created a repository using SharePoint to store and quickly locate existing contracts using a keyword search. While it used to take an hour or more to sift through and find what they needed, it now takes seconds. Another healthcare company VMO rolled out contract management software from Upside Software, focusing on brining favourable contract templates and specialized terms and conditions to bear. This helped reduce the average time it takes to create a contract from 10 days to four."

The Top 10 challenges found by Aberdeen in their research process were:

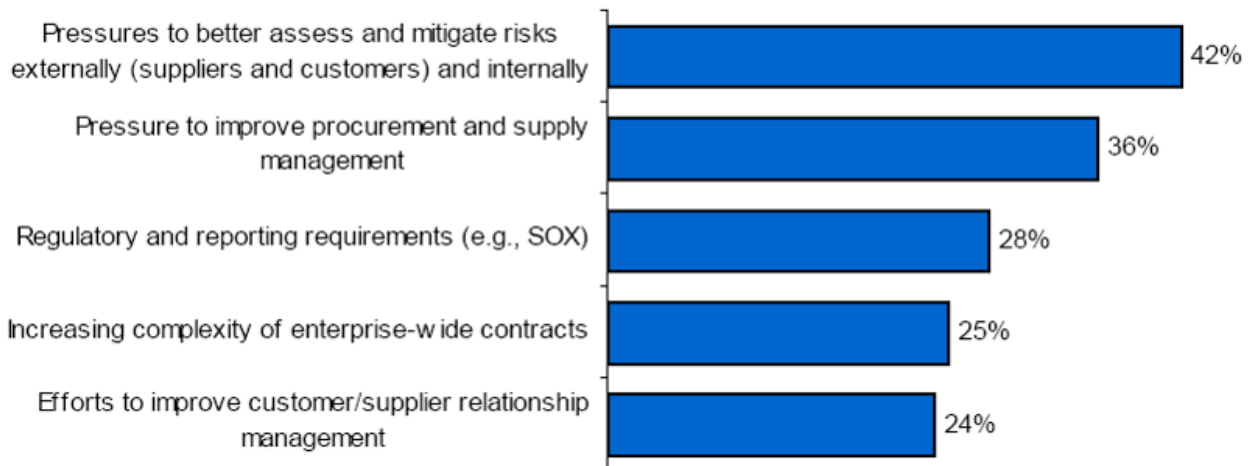
So, what's the problem?

Top 10 Challenges

Supply managers rated **all** aspects of contract management as “more than challenging”

1. Analyzing contract performance
2. Ensuring SLA compliance
3. Accessing rebates/discounts
4. Enforcing internal compliance
5. Tracking internal compliance
6. Integrating contract data into transactional systems
7. Searching for contract terms, pricing, etc
8. Creating a contract repository
9. Communicating terms internally
10. Contract collaboration

Figure 2: Top Factors Driving Enterprises to Focus Resources on Contract Management



Source: Aberdeen Group, April 2007

How much will this cost me and how long will it take?

Upside Software offers extensive flexibility in pricing models and deployment options. An organization can be “live” using UpsideContract in a matter of under three days and starting at under \$100 per user per month. We offer both behind-the-firewall (installed on your company’s infrastructure) as well as an On Demand (hosted service) offering.

Behind-the-firewall installation can be undertaken for a total cost of \$15,000 or more and can be done within 1 to 2 weeks for a basic installation.

Upside Software offers both a perpetual (one-time license fee) and a subscription (e.g. monthly/yearly fees) licensing model which provides companies with extensive flexibility in payment options. As well, companies can start with a subscription model and switch to a perpetual one through the course of the contract. We offer several licensing options, including: (a) Enterprise wide – unrestricted; (b) Divisional; (c) Per Named User and others.

A typical time frame for deploying an enterprise-wide solution (behind-the-firewall) with interfaces to the company’s back-end systems takes about 3 months.

If organizations are interested in our On Demand offerings, we provide both a dedicated (your own individual installation) as well as a multi-tenanted (shared) facility.

Some organizations may be hesitant to invest in contract management; however numerous studies demonstrate the tangible benefits of CLM. The following business case is from the Aberdeen Group study, “Procurement Contracts: Real Value, Real Returns,” March 2009.

Aberdeen Group Contract Management Business Case
Business Case: \$500M enterprise spend <ul style="list-style-type: none">▪ Spend under management - \$270MM▪ 40% increase in spend under management - \$108MM▪ 38% increase in spend on contracts - \$41MM▪ Additional spend in compliance - \$18MM▪ 76% reduction in savings leakage - \$1.7M \$2.3MM potential incremental benefit if performance across all metrics is optimized

What can I expect from implementing an automated CLM solution?

Best in Class companies are able to achieve over 90% compliance to transactions on the buy-side and close to 90% contract renewal rates on the sell-side. – Aberdeen Group

Besides addressing some of the key issues identified in the previous sections of this document, you will find significant opportunities for savings and increased revenues by implementing a CLM solution. This document addresses in detail the ROI (Return On Investment) opportunities in deploying a CLM solution and identifies through analyst studies, case studies and other factual information, examples and portrayals of types and volumes of savings that can be attained.

Forrester’s Andrew Bartels has this to report in his August 2007 study on the CLM market:

“CLM products originally solved the relatively simple and circumscribed problems of helping sellers manage the contracts and rebates negotiated with customers or of helping buyers efficiently turn deals created through strategic sourcing tools into actionable contracts. However, the movement of contracts from paper documents in filing cabinets to electronic contract repositories linked into transaction systems is starting to change business relationships — as well as the buying, selling, and partnering processes based on those relationships. The old world of business relationships governed by standard and static contracts and simple rules, with the exception of a small number of unique agreements with key strategic partners, is fading. Now, companies can enter into thousands of unique business relationships with customers, suppliers, or partners, with CLM solutions keeping track of the unique products to be bought or sold, unique services to be delivered, unique prices to be charged, and unique requirements of each deal. These changes shift CLM products from process automation tools to core managers of business relationships.”

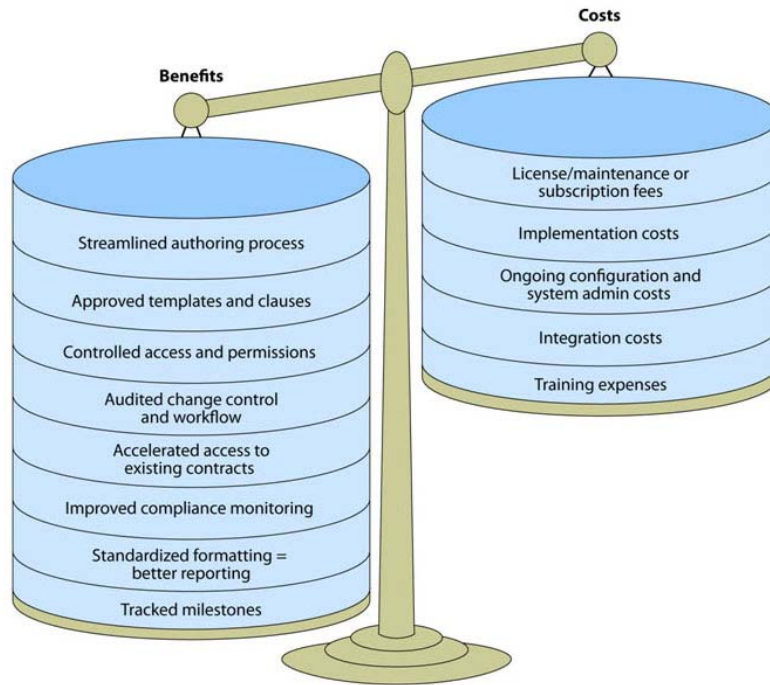
Examples of measurable savings experienced at PrescriptionSolutions and OptumHealth:

<u>Activity</u>	<u>Cost Before CM software (manual)</u>	<u>Cost After CM software</u>	<u>Savings¹</u>
Ad-Hoc Reporting	2 wks (\$5,800) - Rx 2 wks (\$5,800) - Optum (per report)	10 minutes (\$12) - Rx 5 minutes (\$6.00) – Optum (per report)	\$5,788 - Rx \$5,794 - Optum (per report)
Retrieval	5 mins (\$6.00) - Rx 10 mins (\$12.00) - Optum (per search)	30 sec (\$0.60) - Rx 30 sec (\$0.60) - Optum (per search)	\$5.40 - Rx \$11.40 - Optum (per search)
Cycle Time to produce first draft	3 hrs (\$216) - Rx 4 hrs (\$288.00) - Optum (per contract)	4.5 mins (\$5.40) - Rx 10 mins (\$12.00) - Optum (per contract)	\$210.60 - Rx \$276.00 - Optum (per contract)

Footnote (1) All dollar amounts USD. Data based on avg cost of fully loaded full time employee (FTE) - \$150K, \$72.12 per hour, \$1.20 per minute, fully loaded.

Forrester Research uses the diagram below to identify the benefits vs. the costs of a CLM system:

FORRESTER CLM benefits outweigh the costs



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According to a 2007 study undertaken by IACCM (International Association for Contract and Commercial Management), there are numerous reasons for implementing a CLM solution. The diagram below lists the reasons:



The Aberdeen Group, through their vast research, reported the following example which was based on one real-life deployment of a CLM tool. The example is typical for a large corporation who deploys a CLM solution enterprise-wide and interfaces it to their ERP and other back-end systems.

AberdeenGroup

CLM Impact: One Example

Key Assumptions
Annual Revenues: \$750 million
Annual spend: \$200 million
% of spend governed by active contracts: 70%
Off-contract ("maverick") buying: 17%
% of contracts with auto-renewal clauses: 10%
Contracts (re)negotiated per year: 250

Costs	Area of Benefit	Impact
<ul style="list-style-type: none"> License: \$275,000 Implementation: \$261,250 Year-one maintenance: \$53,600 	<ul style="list-style-type: none"> Moving off-contract spend back in compliance Gaining price savings via re-sourcing Access to rebates and volume discounts 	<ul style="list-style-type: none"> \$916,000 \$700,000 \$280,000
	<ul style="list-style-type: none"> Total hard-dollar savings 	<ul style="list-style-type: none"> \$1,896,300
	<ul style="list-style-type: none"> Additional savings: <ul style="list-style-type: none"> Administrative savings Reduced regulatory fines 	<ul style="list-style-type: none"> \$112,500 \$12,500
	<ul style="list-style-type: none"> Year-One ROI 	<ul style="list-style-type: none"> >321%

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Table 3: Business Impact Example

	Average	Best in Class	
Annual Revenues	\$680,000,000	\$680,000,000	
Annual Spend	\$350,000,000	\$350,000,000	
Percentage of Spend Governed by Contracts (68%)	\$238,000,000	\$238,000,000	
Percent of Purchasing Transactions Compliant with Contracts*	\$ 152,320,000	\$ 209,440,000	\$ 57,120,000
Benefit (move \$57.1M into compliance @ 5% savings)			\$ 2,856,000
Percentage of Revenues Governed by Contracts	\$ 227,500,000	\$ 227,500,000	
Sales Contract Creation, Negotiation & Approval Time**	30.5 Days	15.2 Days	15.3 Days
Benefit (Reduce Sales Cycle by 15.3 days @ \$80,000/ day)			\$ 1,200,000
FTE's for all Contract Management***	15.7	10.0	5.70
Benefit (Reduced headcount)			\$ 427,500
Total Potential Savings			\$ 4,483,500

* Current = 64%, move to Best in Class level = 88%, and 5% savings for transactions moved on-contract

** Average = 30.5 days, Best in Class = 15.2 days

*** On Average, 1 day reduction in sales cycle = \$80,000. For large (> \$1 billion) companies = \$215,000

**** Assume one full-time equivalent fully loaded at \$75,000

Source: AberdeenGroup, April 2007

The vast majority of Upside Software customers attain a full ROI well within year 1 of deployment. This document will provide other examples, including BNSF Railway who attained a full ROI in just 62 days of system deployment (and this is based on hard cost savings only).

Upside Software has various licensing models available and as such, organizations can get started for under \$100 per month using our On Demand service (Software as a Service) with no capital costs and within just days. Fully deployed behind-the-firewall (e.g. within your company's infrastructure) installations can cost as little as \$15,000 and can be undertaken within 1-2 weeks.

How can an automated CLM solution optimize your lead-to-win sales cycle?

In March and April 2010, Aberdeen Group surveyed 472 end-user organizations to learn about their ability to shorten their sales cycles. Aberdeen used the following three key performance criteria to distinguish the sales teams within Best-in-Class companies:

- An average 44% lead conversion rate, compared to 26% for Industry Average and 11% among Laggard companies
- 9.1% year-over-year increase in proposal/RFP volume, as compared to 0.4% and 6.8% decrease among Industry Average and Laggard companies
- An average of 8.4% year-over-year reduction in the sales cycle time, as compared to 1.3% and 6.7% increases for the Industry Average and Laggards

Survey results show that the firms enjoying Best-in-Class performance share several common characteristics, including:

- 75% have a centralized repository for sales collateral, proposals or contracts that allow mid- and under-performing sales reps to mimic the communications and content deployed by “A players”
- 62% embrace performance analytics against agreed-to objectives and metrics that are reviewed regularly to ensure Return on Investment (ROI) for their lead-to-win technology and training investments

Some of the required actions necessary for companies to achieve Best-in-Class performance include:

- Streamline the workflow for generating accurate proposals, quotes and contracts
- Automate elements of the deal-closing cycle through signature capture, unified customer views, and management dashboards.

In contrast to “buy-side” contract management solutions used by procurement or purchasing staff to ensure the best price and legal compliance, “sell-side” **sales contract management** is used by business development teams to automate and enable faster, more accurate production and delivery of approved contracts to a company’s prospects or customers. End-users maintain and grow their customer base by automating the process of timely contract extensions, revisions and completions; understanding the value of keeping their closers and account managers focused on relationship management, communications and revenue production; and help standardize the interactions and behaviors between sellers and buyers. Users of sales contract management solutions enjoy a 15% better customer renewal rate and team attainment of quota compared to non-users.

Source: “Optimizing Lead-To-Win: Shrinking the Sales Cycle and Focusing Closers on Selling More Deals - Aberdeen Group, May 2010

Establishing an ROI Baseline

Defining your return on investment with CLM software

“Ineffective control and management of supplier contracts cost businesses \$153 billion per year in missed savings opportunities.” – Aberdeen Group

Automating your contract lifecycle may seem like a daunting task but you can no longer afford to ignore the facts – it costs less to invest in and implement contract management software than to continue manually managing your contracts. The longer you wait the more time and money your company loses in contract leakage.

Examine how your company manages contracts today:

- ✚ **How many times have you failed to meet the terms that were agreed in a contract? What did that cost you?**
- ✚ **How much time is spent by your employees refuting customer terms, demands for negotiation or gaining approvals for non-standards?**
- ✚ **How much could be saved by changes to terms, or simplifications of contracting rules or structures?**

These are just some of the questions that form the foundation of your baseline calculations. Take it a step further and include both hard and soft cost in your baseline measurement. **Hard Costs** are the actual dollars outlaid by your company. Examples include costs of contract management software and salaries for employees who handle any given function. **Soft Costs** are the current costs associated with inefficiency and with the status quo. Examples include contract performance follow-up, compliance reporting and time spent creating and retrieving contracts.

With a baseline determined by your current manual contract management costs, you can start to see where you are leaking profits. Taking a scenario of hiring and maintaining staff to manually create, maintain and control the entire lifecycle process and add in the inefficient compliance standards and lack of a central repository, you can begin to measure the benefits of automating your contract lifecycle.

These estimates can include both buy-side and sell-side contracts. Keep in mind that buy-side and sell-side contracts can be similarly measured but it is important to separate these measurements if you are automating both processes.

Sell-side has the additional complexity of the qualification process when responding to sales opportunities. With more competitive bid-to-win ratios and carefully managed bidding costs, the pressure is on to reduce this high impact to profitability. Emerging sell-side contract management solutions can help the sales team monitor incoming leads, identify the least attractive propositions and respond to the desirable leads at the lowest cost. Automating the sell-side of contracts can also mean increased responsiveness to special clauses for discounts, rebates and payment schedules for the volumes and values purchased.

“50% of leading service firms have had contract management technology solutions and processes in place for more than five years, compared to 28% for all other firms.” – Aberdeen Group



An example of a completed ROI work sheet is provided for reference:

UpsideContract ROI Calculator

Key Assumptions

Cost per person day for Legal Staff	\$1,000	NOTE: Avg. loaded cost per day for a legal professional
Cost per person day for IT Staff	\$400	NOTE: Avg. loaded cost per day for an IT professional
Cost per person day for Contract Staff	\$300	NOTE: Avg. loaded cost per day for a contract professional
New contracts created per year	500	NOTE: Number of new contracts initiated per year
Amendments issued per year	1,000	NOTE: Number of amendments initiated per year
Renewals processed per year	1,000	NOTE: Number of renewals initiated per year
Active Templates	80	NOTE: Number of active templates being used to create contracts
Active Contracts being managed	3,000	NOTE: Number of active contracts being managed
Audits performed on contracts (%)	10%	NOTE: The % of contracts that are reviewed/audited per year
Annual Sales based on contracts	\$50,000,000	NOTE: The annual dollar value of revenues governed using a contract
Annual Expenditures based on contracts	\$25,000,000	NOTE: The annual expenditures based on contracts (master or sub or PO)

NOTE: The enclosed savings are based on very conservative estimates gathered from existing customers, independent research data and analyst findings. The potential for savings is much higher than the figures demonstrated here. Performance for an individual company will vary based on existing contract automation maturity as well as other elements (e.g. type of contracts, standardization, volume, contract governance complexity, etc.).

INSTRUCTIONS: Please enter the correct data on the Key Assumptions listed above. After that is complete, please enter the Present Time value for each of the following rows.

ROI Metrics	Hard / Soft Cost	Present Time (person days) / Cost (per)	Units consumed in a year	Unit Type	Present Cost per full unit	Total Present Cost Equivalent (for 1 year)	Estimated Savings Unit (% of total present cost)	Estimated Total Savings per year (after system deployment)	Hard Savings	Soft Savings
Contract Cycle Time										
Average cycle time for contract initiation / request and first draft	Hard	1.00	500	Contracts	\$300	\$150,000	50.00%	\$75,000	\$75,000	\$0
Average cycle time for contract review & approval	Hard	1.00	500	Contracts	\$400	\$200,000	25.00%	\$50,000	\$50,000	\$0
Average cycle time for legal review (internal and external counsel)	Hard	1.00	500	Contracts	\$1,000	\$500,000	40.00%	\$200,000	\$200,000	\$0
Average cycle time for monitoring and processing renewals	Hard	0.25	1,000	Renewals	\$300	\$75,000	80.00%	\$60,000	\$60,000	\$0
Average cycle time for monitoring and processing contract amendments	Hard	0.25	1,000	Amendments	\$300	\$75,000	80.00%	\$60,000	\$60,000	\$0
Ability to close deals on time or early (improved cash flow)	Soft	NA	NA	NA	NA	\$50,000,000	0.10%	\$50,000	\$0	\$50,000
Contract and Template Creation / Edits										
Managing templates and keeping them current across the organization	Hard	1.00	80	Templates	\$400	\$32,000	80.00%	\$25,600	\$25,600	\$0
Approval and reviews of edits to templates	Hard	0.10	500	Edits made	\$1,000	\$50,000	50.00%	\$25,000	\$25,000	\$0
Reducing contracts that have unapproved language and hidden liabilities	Soft	NA	NA	NA	NA	\$75,000,000	0.50%	\$375,000	\$0	\$375,000
Managing Compliance / Performance										
Management of contract terms pertaining to compliance, performance and deliverables (time spent)	Hard	0.10	3,000	Contracts	\$400	\$120,000	50.00%	\$60,000	\$60,000	\$0
Ineffective management of contractual commitments by suppliers as well as those for your customers	Soft	NA	NA	NA	NA	\$75,000,000	0.50%	\$375,000	\$0	\$375,000
Renewals and Amendments										
Eliminate unwanted renewals of contracts (proactive notification can help avoid costly auto renewals)	Soft	NA	NA	NA	NA	\$25,000,000	1.00%	\$250,000	\$0	\$250,000
Negotiate better rates on renewals and amendments (based on all relevant performance and compliance data being available for the supplier)	Soft	NA	NA	NA	NA	\$25,000,000	2.00%	\$500,000	\$0	\$500,000
Proactive notification on sales contract renewals (ensure client satisfaction and no missed opportunities for renewals)	Soft	NA	NA	NA	NA	\$50,000,000	1.00%	\$500,000	\$0	\$500,000



Contract Process Governance										
Compliance with workflow set in corporate governance (results in reduced audit costs) - based on 10% of contracts, renewals and amendments being audited	Hard	0.25	250	Contracts	\$400	\$25,000	30.00%	\$7,500	\$7,500	\$0
Preparation of compliance reports for various legislation (including SOX)	Hard	0.05	2,500	Contracts	\$300	\$37,500	90.00%	\$33,750	\$33,750	\$0
Duplicate entry into various systems (e.g. ERP, CRM, etc.)	Hard	0.10	2,500	Contracts, Renewals, Amendments	\$300	\$75,000	100.00%	\$75,000	\$75,000	\$0
Eliminate or reduce maverick contracts that don't comply with corporate processes and leverage negotiated discounts and volumes	Soft	NA	NA	NA	NA	\$25,000,000	0.50%	\$125,000	\$0	\$125,000
Allow better corporate visibility into contracts and ensure effective decisions are being made - also offers quick and accurate reporting	Soft	NA	NA	NA	NA	\$75,000,000	0.50%	\$375,000	\$0	\$375,000
Sunset Existing Systems										
Cost for maintenance and upkeep of systems & hardware (assume 3 systems)	Hard	0.25	240	P. Days	\$400	\$24,000	100.00%	\$24,000	\$24,000	\$0
Cost for adding new functionality and enhancements to existing systems	Hard	1.00	100	P. Days	\$400	\$40,000	100.00%	\$40,000	\$40,000	\$0
Managing Invoices, Rebates & Discounts										
Ensure rebates, discounts and other incentives are captured and proactively managed and tracked	Soft	NA	NA	NA	NA	\$25,000,000	2.00%	\$500,000	\$0	\$500,000
Paying supplier invoices accurately (based on contract deliverables and verification of rates)	Soft	NA	NA	NA	NA	\$25,000,000	2.00%	\$500,000	\$0	\$500,000
Total Annual Savings								\$4,285,850	\$735,850	\$3,550,000
System Acquisition & Deployment Costs										
Perpetual License Cost (one time)	Hard	NA	NA	NA	NA	\$300,000	NA	NA	NA	NA
Implementation Fees - External (one time)	Hard	1.00	75	Days	\$1,000	\$75,000	NA	NA	NA	NA
Implementation Fees - Internal (one time)	Soft	1.00	50	Days	\$400	\$20,000	NA	NA	NA	NA
Hardware Acquisition (one time)	Hard	NA	NA	NA	NA	\$20,000	NA	NA	NA	NA
Annual Maintenance Costs	Hard	NA	NA	NA	NA	\$54,000	NA	NA	NA	NA
Annual Internal IT Support Costs	Soft	0.25	240	Days	\$400	\$13,500	NA	NA	NA	NA
Annual Upgrade Costs - External	Hard	1.00	20	Days	\$1,000	\$20,000	NA	NA	NA	NA
Annual Upgrade Costs - Internal	Hard	1.00	10	Days	\$400	\$4,000	NA	NA	NA	NA
First Year Costs						\$482,500				
Annual Recurring Costs						\$91,500				
ROI Based on Hard Savings Only (yr 1)		153%								
ROI Based on Hard Savings Only (yrs 1&2)		256%								
ROI Based on Hard Savings Only (yrs 1-3)		332%								
ROI Based on Total Savings (yr 1)		888%								
ROI Based on Total Savings (yrs 1&2)		1493%								
ROI Based on Total Savings (yrs 1-3)		1932%								

To help you assess your potential ROI based on your organization's metrics, enclosed is a blank spreadsheet that can be easily and quickly completed to provide you with an estimate of the potential return you can expect from your deployment of UpsideContract.



Upside Software ROI Calculator.xls

Making it Tangible

Tangible results often come from services or solutions, where the contract is important and requires additional documents (e.g. Statement of Work, Service Level Agreement) which often do not receive as much support with manual contract management. This lack of support produces inefficiency, additional workload and frequent risk – all items capable of measurement if a baseline is established.

International Association of Contract and Commercial Management (IACCM) reports that ROI is typically easier to establish in the post-award environment. Quality indicators are able to be tracked relating to the effectiveness of pre-award contract creation and negotiation. Monitoring should include areas like:

- Average time required to achieve transition/implementation of new contracts.
- Reductions in frequency/nature of implementation difficulties such as unauthorized or poorly evaluated commitments.
- Reduction in the number of troubled projects (subject of significant profit erosion/cost overrun, customer complaint or claim). Typical improvement resulting from introduction of a skilled contracts group is 7 – 9%.
- Reduction in frequency and settlement of disputes. Typical improvement achieved in this area is 12 – 15%.
- Percentage of contracts achieving/exceeding anticipated revenue / profit goals during contract lifecycle. Typical improvement achieved in this area is 6%.

ROI is also achieved by taking a look at problems and issues reported by companies spanning every industry. Reducing or even eliminating these issues directly affects your company's profits.

By first establishing a base line and then reporting the variances (e.g. before the automated solution deployment and after deployment), you will be able to report the actual results.

In the prior section, we have provided a sample of a completed ROI Work Book as well as a blank spreadsheet for you to populate and help determine what your company's estimated ROI would be. It is important to note that the ROI metrics and performance vary by organization and there is the opportunity to gain even more savings by leveraging the features in our products to their maximum potential.

A robust contract management solution helps improve spend under management by enabling companies to see how much of their budget is used on off-contract spend. The table below illustrates the incremental changes that a contract management solution can provide.

Table: Best-in-Class Performance – Incremental Improvements

	Best-in-Class	Industry Average	Incremental Change
Spend under management	74%	53%	40%
Spend on contract	69%	50%	38%
Compliance	88%	43%	105%
Savings leakage	4%	17%	76%

Source: Aberdeen Group, March 2009

A Solution in the Numbers

Proving ROI in the processes – An Analyst’s Perspective

“ROI varies by industry, but contract automation can 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.”
– Goldman Sachs

Aberdeen Group reports that many enterprises have achieved full ROI from their solution investments in less than a year thanks to improvements in contract compliance, access to pricing discounts and rebates, and enhancements in revenue capture and acceleration. Contract management solutions have also proven valuable in assisting companies in complying with regulatory reporting requirements.

Improvement Area	Performance Impact
Compliance management	Improve compliance 55%
Rebate/discount management	Improve 25% - 30%
Material/service costs	Reduce 2% - 7%
Contract renewal rates	Improve 25%
Revenues	Improve 1% - 2%
Evergreen contracts	Eliminate evergreen contracts
Contracting cycles	Cut contracting cycles in half
Procedures and terms	Standardize processes and terms to mitigate risks, ensure proper approvals, enforce policies
Contract analysis	Analyze and maximize performance
Administrative costs	Reduce 25% - 30%

Source: Aberdeen Group, September 2004

We can summarize the ROI potential into five key areas where we can see tangible benefits with variations between industries and companies, depending on size and the amount of contracts processed per year.

ROI Potential	Potential benefits*
Streamlined operations (faster processing, headcount reduction, etc.)	75 – 100%
Improved stakeholder participation	20 – 50%
Performance Management (deliverables & quality)	10 – 30%
Risk mitigation (compliance to terms, verification, etc.)	40 – 50%
Improved financial management	50 – 75%

*Percentage of the total contract management software license and deployment costs.

According to AMR Research, there are several key factors that make the decision to buy and implement a CLM solution a “must-do”. AMR went on to say, “Contract management applications are systems that business users not IT staff use not just to create online contracts, but also to gain the decision-making power that comes with better visibility of contract information.” A 2002 AMR Research survey showed that 67% of procurement organizations own a budget for new software the highest percentage of any functional area (for more information, refer to the AMR Research Procurement and Sourcing Application Spending Report, 2002-2004). In AMR Research’s 2003 contract management study, 90% of the business users that were interviewed bought these systems to improve contract visibility, and half of the respondents also cited better contract adherence, easier contract creation, and better control over content as additional reasons why they bought.

The Bottom Line: Automating purchasing contracts delivers significant ROI in four key areas. Companies are implementing targeted projects in two to three months that deliver a 150% to 200% payback within a year. - AMR Research

Many analysts agree that contract management costs are increasing and the best way to not only curtail these rising costs, but to reduce them is to implement a suitable CLM solution. According to Gartner Group, “By year end 2008, in 80 percent of enterprises, the cost of contract management will have doubled from the 2002 costs of 2 percent to 4 percent of SGA (Probability 0.8).”

“The average Fortune 1000 company has between 20,000 and 40,000 active contracts, up 20% in the last 5 years.”
- The US National Association of Purchasing Managers

“Highest performing companies achieve transaction compliance rates of more than 90% on average, while Industry Average companies are around 65%.”
- Aberdeen Group

“10 – 12% of a company’s service revenue is lost each year due to poor management of service contracts.”
- Aberdeen Group

Goldman Sachs estimates the following improvements from contract management:

<i>Area of financial impact</i>	<i>Measurement of Improvement</i>
Compliance with regulatory guidelines	90-100%
Reduction of erroneous payments	75-90%
Faster contract negotiation cycle	50%
Increase in renewal revenue	30%
Reduction in “Quote to Cash” cycle (liberates working capital)	10-30%
Reduction in operating and processing costs	10-30%
Headcount reduction	10-20%
Additional contract revenue (enhanced reporting, prioritisation and performance)	1-2%

Based on a study conducted by the Aberdeen Group in 2008, contract lifecycle management collaboration plays a pivotal role in reducing contract leakage and cycle times as well as enforcing compliance. Collaboration “encourages the sharing of key spend and contract management information between all responsible parties as a means of streamlining the procurement function.” Through effective collaboration within CLM, organizations can expect to see 21% lower cycle times and 38% higher rates of compliance.

The following tables compare statistics of collaborative vs. non-collaborative organizations on various performance metrics from the October 2008 Research brief, “Contract Lifecycle Management Collaboration.”

Table 1: Contract Management Performance, Part I - Leakage and Compliance

Performance Metric	Collaborative	Non-Collaborative
Revenue leakage	7%	10%
On-contract spend (compliance)	55%	31%
Sales orders and revenue recognition compliant with contracts	53%	36%

Source: Aberdeen Group, October 2008

Table 2: Contract Management Performance Breakdown, Part II - Cycle Time

Performance Metric	Collaborative	Non-Collaborative
Cycle time to create, negotiate and approve contracts (procurement)	21.1 days	25.9 days
Cycle time to create, negotiate and approve contracts (sales)	9.5 days	12.5 days

Source: Aberdeen Group, October 2008

What the Best-in-Class Are Doing

The Aberdeen Group conducted a study on how best-in-class companies are conducting their business with regards to contract management in their report, “Contract Lifecycle Management: Views from Procurement, Sales, Finance, and Legal,” August 2008. It’s no surprise that these leaders have implemented sound business practices that have improved their bottom line.

Best-in-class companies benefit from increased efficiency in cycle times:

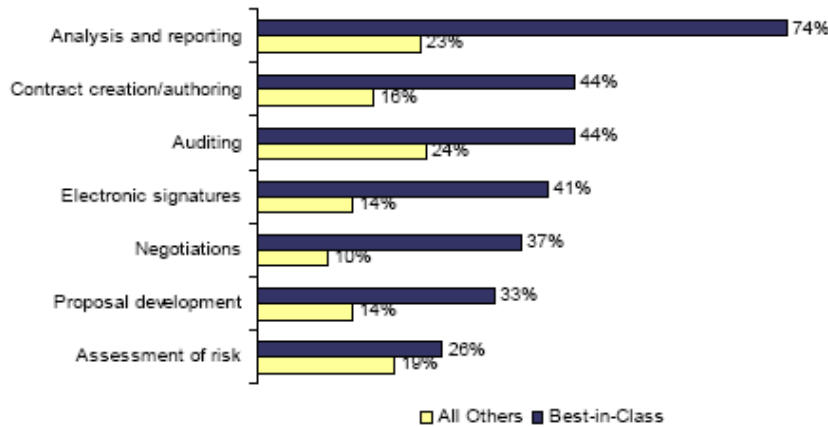
CLM Cycle Times - Create, Negotiate, Approve

Metric	Best-in-Class	All Others
Procurement contracts	19.7 days	31.3 days
Sales contracts	16.6 days	22.2 days
Other contracts (i.e. NDA, IP, real estate, employment, healthcare, IT, etc.)	14.6 days	25.8 days

Source: Aberdeen Group, August 2008

Best-in-class organizations are 1.4 to 3.7 times more likely to automate business processes:

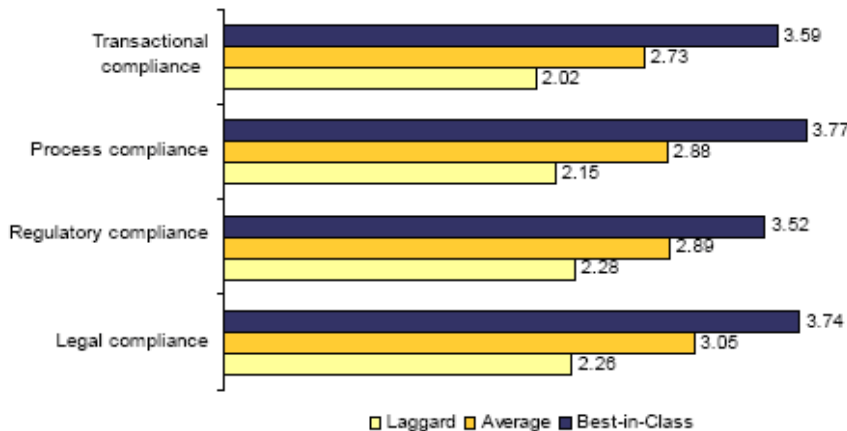
CLM Processes Automated



Source: Aberdeen Group, August 2008

How well a company enforces compliance of contractual stipulations influences their degree of success in managing risks. Best-in-Class companies fared very well in this area.

Ability to Manage and Monitor Compliance (1 - lowest to 5 - highest)



Source: Aberdeen Group, August 2008

The following table illustrates the performance levels of Best-in-Class, Average and Laggard companies amongst key competitive metrics.

The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Standardized contract lifecycle management processes		
	59%	41%	30%
Organization	Centralized organization to manage contracts across enterprise		
	56%	34%	26%
	Executive support of contract lifecycle management initiatives		
	70%	35%	33%
Knowledge	Collaboration between key internal and external stakeholders during contract lifecycle management process		
	52%	35%	34%
	Visibility into detailed data extracted from contracts		
	44%	17%	8%
Technology	Use of a contract management solution		
	48%	21%	20%
	Online repository for contracts and related documents		
	78%	46%	36%
	Contract image capture and storage		
	78%	39%	31%
	Repository searchable by key words, full text, terms and conditions, etc.		
	59%	25%	13%
	Automated sequential workflow and routing for review and approval		
56%	25%	10%	
Automated notification / alerts of key dates and events			
	56%	30%	20%
Performance	Ability to report on portfolio of contracts		
	52%	22%	18%
	Ability to perform analyses on portfolio of contracts		
	48%	18%	8%

Source: Aberdeen Group, August 2008

According to the Aberdeen Group’s study, “Service Contract Management: Winning Strategies for Managing Customers’ Expectations,” March 2009, Best-in-Class companies enjoy 90% contract renewal rates (refer to Table below).

Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 90% contract renewal rate ▪ 28% improvement in SLA / contract compliance over the past two years ▪ 26% increase in total service revenue over the past two years
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 75% contract renewal rate ▪ 9% improvement in SLA / contract compliance over the past two years ▪ 8% increase in total service revenue over the past two years
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 60% contract renewal rate ▪ 0% improvement in SLA / contract compliance over the past two years ▪ 1% decrease in total service revenue over the past two years

Source: Aberdeen Group, March 2009

Lead by Example

Customer issues resolved by CLM Software

Using examples from real companies implementing contract lifecycle management software, a realistic expectation of ROI can be determined. The following section provides additional detail and case study support for the various elements that can offer a significant ROI to companies that deploy UpsideContract.

BNSF

As one of the largest railroads in North America, BNSF Railway (BNSF) knows the importance of reliable performance. The \$10 billion railroad has made significant investments to ensure that its freight trains run on time across its 32,500 miles of routes.

But, like most businesses, BNSF's performance is linked to the quality and reliability of its suppliers.

As recently as 2001, BNSF relied on multiple systems and distributed, manual processes to negotiate and manage supplier contracts. As a result, the railroad lacked clear visibility into supply contracts, impeding its ability to control costs and performance.

[View the complete Case Study](#)

<http://www.upsidesoft.com/pdf/MSCaseStudy-BNSF-UpsideContract-ROI-in-62-days.pdf>

HP

Hewlett Packard (HP) has come a long way in 66 years, progressing from the original "garage start up" to its current role among the world's leading consumer information technology companies.

To support sales operations for its computers, printers, and business systems and services globally, HP works with a vast network of direct sales people and channel partners in more than 70 countries. Yet, until two years ago, HP's customer and channel partner contract information was distributed across multiple online and offline "systems," clouding the computer maker's ability to gather a complete view of its trading terms with any customer.

[View the complete Case Study](#)

<http://www.upsidesoft.com/Upside+Software/PDF/HP%20Case%20Study%20-%20Aberdeen.pdf>

Interpolis Verzekeringen

As one of the largest insurance and pension companies in the Netherlands, Interpolis (a part of Rabo Bank) 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.

[View the complete Case Study](#)

<http://www.upsidesoft.com/Upside+Software/PDF/Interpolis%20Verzekeringen%20Case%20Study%20-%20Aberdeen.pdf>

Streamline Operations

Reduce time to create and administer contracts and improve process efficiency throughout the contract life-cycle.

By automating standard contract administration functions the time and effort to track and administer contracts is greatly reduced. Contract management software enables organizations to optimize their workflow and business processes related to the creation and management of contracts, as well as those involved in contract related transactions and activities.

Case Study Excerpt: BNSF was able to eliminate 10 positions in their contract clerical divisions (from 14 staff to 4), they also cut down their contract turn-around time, and reduced the number of processes involved.

HP, since consolidating sales and marketing contracts within the Upside Software system, has shrunk the time for running a consolidated report on its global obligations to a specific customer to as short as about an hour, down from four business days, on average.

Reduce transaction processing time – from procurement to payment.

Upside Software provides the only enterprise-grade solution that covers the end-to-end process – from RFP to contract to delivery management to invoice approval. UpsideContract, UpsideRFX, UpsideForms and UpsideBilling work together to manage this entire process.

Case Study Excerpt: BNSF has shaved the total contracting process lifecycle from 30 days to 10 days or less. Such efficiencies have allowed BNSF to increase its contract creation throughput by 50%.

Reduce manual processes and contract administration workload while automating workflow.

Leveraging the capabilities and flexibility of contract management software will allow organizations to improve their overall contract administration processes, reducing steps and automating routine activities. By reducing dependence on manual intervention, organizations can also avoid increasing labor costs as the volume of contracts increases over time. UpsideContract's flexible business rules engine allows organizations to setup dynamic workflow to route items to the right person at the right time, eliminating steps that add no value. The organization's delegation of authority schema can also be tied in to ensure monetary limits are observed for a user's specific authority.

Escalation processes ensure that tasks do not 'sit' waiting for action. This functionality ensures that contract approval cycle times are minimized and allows for statistical analysis of cycle times to identify potential administrative bottlenecks.

Case Study Excerpt: Contract lifecycle management has helped HP streamline its contracting process and mitigate risks within customer contracts. However, Huix says the greatest benefit of CLM has been improved insight into customer obligations and performance. "Winning in sales requires you to have as much customer information as possible," said Huix. "Just having our customer contracts in a single location that is easy to search and report on has the potential to dramatically increase our sales because we now have better knowledge of our obligations, performance, and the customer's needs, likes, and how they want to be sold to. This information was simply inaccessible to our [sales and customer representatives] in the past."

Automate standard processes.

Standard contracting processes can be automated where benefits can be assured. For example, contracts can be automatically renewed based on meeting specific conditions including contract value, contract type, items/services being contracted for, etc. with validation checks also being automated to ensure the vendor is in good standing, the contract has been exercised (e.g. items purchased) recently, etc.

Consolidate contract databases/repositories.

Many organizations have multiple contract repositories, often with contracts buried deep in filing cabinets spread throughout their field offices. A central repository which contains all contracts including buy-side, sell-side as well as non-monetary contracts (e.g. NDA, etc.) will enable easier access to contract documents and a view into the business commitments the organization has. With UpsideContract, you get a complete and accurate view of *all* your contracts and commitments. In an Aberdeen Group study of Procurement Contracts in March 2009, results show that 67% of Best-in-Class organizations use a central repository to manage contracts.

UpsideContract also supports a central repository for supporting documents such as Certificates of Insurance and models for Statements of Work, etc. that can often be shared across templates and contracts. UpsideContract has the ability to store virtually any type of document and to relate it to templates, contracts, compliance and performance requirements, etc. Storage of attached documents can be within UpsideContract or in another system (e.g. Document Management System) with seamless integration.

Case Study Excerpt: Consolidating contract information and operations within a single system has significantly reduced the costs HP incurred previously for using and maintaining 14 disparate and proprietary contracting applications across the company.

Leverage standard templates.

UpsideContract leverages templates to maximize the consistency of similar contracts. The templates can govern what sections/clauses can be changed and what action is required when a change is made (e.g. route to legal for approval). UpsideContract also has rule-based “smart templates,” which enable automatic clause selection based on criteria like jurisdiction, dollar values, commodity, length of contract, geography, dates, etc. This powerful template functionality removes much of the work from the creation of a contract.

Part of the beauty of templates is that they standardize contract language. By using pre-approved terms and clauses, companies are better able to mitigate risk. A 2009 Aberdeen study shows that, “Best-in-Class enterprises are 73% more likely to standardize contract language.”

Automate contract request processing.

Contract managers typically aren't the ones deciding when a contract is required; it is field personnel and other non-contracting staff that determine when a contract is required. Upside Software's product suite significantly reduces the cycle-time associated with contract creation and execution by providing a simple, wizard-like interface to allow users to enter contract requests that automate the initial creation of a contract and then routes it to an appropriate contract manager to finalize it.

Putting responsibility for entering the contract detail into the hands of field staff will reduce the workload of contract managers and administrators and will improve the quality of the data being entered, and therefore the contracts being created. With a system that dynamically determines the questions to be asked, the information that needs to be entered, and the review and approval routing that is required based on business rules, much of the contract creation process can be driven by the field user.

Case Study Excerpt: Since consolidating sales and marketing contracts within the Upside Software system, HP has shrunk the time for running a consolidated report on its global obligations to a specific customer to as short as about an hour, down from four business days, on average.

Eliminate duplicate entry.

A key philosophy of Upside Software's products is to eliminate all duplication of effort. With straightforward interfaces to other systems, like ERPs, and the use of Upside Software's full suite of systems, organizations can have data flow seamlessly from the procurement RFP into the contract, into the project management tool, then into the invoice processing system and then to the ERP to make payment – all without having to re-key information on the products or services being purchased, the terms of delivery and payment, etc.

Another area to reduce duplicate entry is in the invoicing process. Vendors enter data into their systems to create an invoice; it is transmitted to you where it is keyed into your systems. With a simple electronic interface from their system to yours, and/or a web portal for vendors to enter their invoices into your systems, you're A/P costs can plummet as you remove the effort to enter invoices and the effort to search for and correct erroneous invoices. This electronic reception of invoices also enables "hands-off" processing, including validation against contract terms, with manual intervention limited to exception handling.

Eliminate 'shadow' systems and tracking mechanisms.

Most organizations have multiple tools, spreadsheets, and files that are spread across the organization and require constant updating. This causes a significant effort to track, aggregate, and report on data for corporate analysis, effort that can be eliminated by consolidating information into a single repository and providing people with the proper tools to easily access their contracts and reports.

Support unique processes in different business units

Flexibility to support any business process and integrate with any system is a key benefit. UpsideContract's rule-based workflow and event management capabilities make it flexible and it can integrate with virtually any external system, including legacy systems, ERPs (e.g. Oracle, SAP, PeopleSoft, etc.), document management systems (e.g. WorkShare, FileNet, Documentum, LiveLink, Hummingbird, etc.), asset management systems, CRM systems, etc. Integration can be real-time (e.g. via MQ Series, BizTalk, BEA, etc.) or batch mode, and use XML as an interchange. This flexibility and integration capabilities can be defined at a departmental or sub-organizational level to ensure that the requirements of the various groups within the organization can be met.

Improve reporting

UpsideContract provide robust reporting capabilities to get the right data in the right hands. It also provides various metric reports including process cycle-time, negotiated savings, performance measurements, vendor/contractor, contracting history, etc. that help in optimizing the use of the system and the efficiency of the supported business processes.

There are several canned reports included in UpsideContract plus there is a built-in ad-hoc report generator that allows users to create virtually any type of report based on the data contained in the system. The best part is that they don't need to have any technical skills. Users can create their report templates and save them to their own personal library or even have them copied to the company's global directory so others can benefit from these reports – providing the right reports to the right people.

Improved Stakeholder Participation

Improve contract visibility and access, online and offline.

UpsideContract is completely web-based with a 'zero footprint', and within the company-established security framework, any authorized user will be able to securely access the data and functions they need. The system provides a user portal that provides a comprehensive view of their outstanding contracts and required action, making sure that required activities are quickly identified and action is easily taken.

In general, UpsideContract provides excellent visibility of contracts and the related delivery of contracted goods and services, including the ability to measure and monitor performance, compliance, adherence to deliverables, etc. For senior contract managers and company executives the system provides a corporate-wide view of all contracts, commitments and quantified metrics for performance, compliance and risk. This ensures senior management buy-in and provides direct benefits through improved, early identification of problem areas.

UpsideContract has the ability to export contract documents into Microsoft Word and/or WorkShare for offline review and editing. This capability includes enforcing the content rules defined in the online template in the offline document, and the ability to reload the altered contract back into the online system keeping the full audit log of changes and providing the ability to compare any two versions of the document as it is changed over time by multiple people.

Involve your business partners (Interactive Relationship Management).

Contracts establish the business commitments between two parties and UpsideContract provides a means for both parties to interact online to streamline the creation, negotiation and management of contracts and share information about the delivery of the contracted products or services.

UpsideContract enables secure supplier collaboration including supplier self-service and automated notifications, online negotiation, off-line document sharing, etc. This feature also provides suppliers with the ability to enter information about their delivery performance, update their compliance requirements (e.g. insurance certificates), submit invoices online, access procurement opportunities, and much more.

According to the Aberdeen Group's study, "Procurement Contracts: Real Value, Real Returns," March 2009, Best-in-Class companies have developed collaborative relationships with suppliers. By strengthening communications with suppliers, organizations can better mitigate supplier risks, avoid extra costs and ensure supplier compliance.

Case Study Excerpt: Approximately 200 employees regularly use the system to collaborate on contract creation, review customer accounts, or manage contracts. The number of system users will grow to 1,600 by October 2004 as HP brings other stakeholders online, including partner operations. Huix expects that 2,500 users will be using the system worldwide by next summer (2005).

Automate contract request processing.

UpsideContract puts contract initiation in the hands of the people that initiate contracts –field and other non-contracting staff. With its simple, wizard-like interface to allow users to enter requests for new contracts, change orders, renewals, terminations, etc., these users are provided more control over their contracting processes, the workload on limited contracting resources is reduced, and cycle-time are significantly shortened.

Case Study Excerpt: HP is on track to manage 70% of all its sales and marketing contracts within the Upside system by October. Huix anticipates that 90% of HP's sales and marketing contracts will be managed through the system within the next 12 months.

Employ electronic event management.

The robust and flexible notification engine built into UpsideContract allows users to track any type of reminder and even create an unlimited number of their own reminders. They can add notification and due dates and set

preferences as to how they want to be notified (e.g. email on event, hourly, daily, weekly, etc.). This ensures that critical events are identified and action taken, and increases visibility for stakeholders of key contract events.

Performance Management & Risk Mitigation

Identify and ensure delivery of contract benefits.

The powerful deliverable management functionality within UpsideContract allows organizations to track deliverables, including completion progress, and even attach payments to deliverables (progress payment). Expected benefits can also be tracked and also tied to payments (e.g. incentive payments, etc.).

Monitor and manage compliance and performance.

Compliance and Performance metrics can be added by the users to track across suppliers, commodities/services or business areas/departments within the organization. Actuals and Forecasts are tracked per contract with reporting by contract or aggregated for a supplier, commodities/services or business area/department. Automated performance tracking, using performance data entered by internal staff, the vendors or extracted from other systems, provides notification based on user-defined thresholds and reported events. This allows poor performing contracts to be identified before they become liabilities, and allows for proactive management to correct any issues.

The Aberdeen Group reports in their 2009 study on Procurement Contracts that 28% of Best-in-Class companies have, "automated analysis and reporting on contract compliance, partly facilitating their compliance advantage." A large factor in managing compliance is the ability to measure it. Best-in-class companies enjoy a significant advantage in this area by measuring internal compliance up to 143% more frequently than other companies.

Identify and manage risk.

UpsideContract allows users to monitor the dollar value of risk that exists on a contract and the factors that can increase risk. Notifications can be automatically generated when the risk value exceeds defined thresholds.

Ensure proper controls of standard templates.

UpsideContract allows designated users/groups (e.g. Legal) to regulate templates and monitor their use. This capability includes the ability to automatically insert a required approval by the control group whenever specified template text has been altered in a contract. This allows Legal resources to manage on an exception basis and not have to analyze every contract that is created while ensuring that any contract that has changed any controlled text is sent for Legal approval.

UpsideContract further supports adherence to approved contract language by allowing specified text in a template to be locked (e.g. cannot be changed in the contract) and/or mandatory. This ensures that if a clause is in a contract it is as written by Legal, and/or ensures that all mandatory language is included in the contracts created using the template.

Provide audit trails.

Extensive audit trail logging is an integral part of UpsideContract. Any contract modification, review, approval, rejections, renewals are tracked in detail, including who and when information. The ability to add specific notes is also provided. Detailed version tracking is also included for collaborative revision and negotiation, including on-line negotiation, with the ability to compare any two versions from the full history of changes. This ensures a record is kept of who made what changes and when.

Ensure strong security.

By offering a comprehensive role and matrix based security model, UpsideContract offers the ability to segregate contract access to any required level, from sophisticated to simple. Access can be specified based on organizational hierarchy, financial account structure, financial spending limits, project assignments, and many other sophisticated models. Users can allocate an unlimited number of roles, user groups and then

allocate specific application functionality to each role. In addition, users can define the permission level (e.g. read only, update, delete, etc.) in each class of data they have access to.

Enforce policies.

The comprehensive, business rule-based workflow engine in UpsideContract allows organizations to include complex workflow processes that vary based on any data element in the contract including contract type, dollar values, date ranges, commodities, etc.

Monitor compliance of contracted parties.

The robust compliance and deliverable management tracking within UpsideContract enables identification and automated tracking of compliance requirements such as having a valid certificate of insurance on file, etc. This function ensures notifications are automatically sent out in a timely manner and identifies when compliance items represent a risk. The comprehensive risk management functionality in the system also allows you to assign potential risk values (dollar and/or time) and define the criteria and/or events that increase apparent risk.

Case Study Excerpt: 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%.

Reduce ‘maverick’ contracts.

Maverick contracts are a large source of risk for an organization as they are generally not subjected to the rigorous review and control mechanisms that exist for mainstream contracts. UpsideContract allows users to configure it so that maverick contracts can be virtually eliminated. The workflow tool built in to UpsideContract enables organizations to regulate contracts, use of authorized templates and also what clauses/sections within a contract can be changed (and if modified, the ability to route for appropriate approval).

Case Study Excerpt: 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.

Identify and manage sensitive contracts.

Many sensitive contracts (e.g. those with high profile customers, large dollar spending, etc.) require special attention including special business rules to be applied. UpsideContract provides instant identification and effective monitoring of these contracts and the key metrics that make them sensitive.

Reduce legal fees and insurance premiums

Using UpsideContract to establish effective controls over contract wording and to automatically identify and track risk drivers and status will reduce Legal’s effort. Such controls will also reduce the occurrences of bad contracts and therefore reduce the effort required to take legal action.

Insurance companies are starting to evaluate organizations’ controls of their contracting processes and giving credit to those companies that have established formalized, effective methods for managing their contracts and commitments, translating into lower insurance premiums for these companies.

Improved Financial Management

Reduce “off-contract” spending by purchasing organizations.

Thanks to the contract governance and rules that can be placed within UpsideContract, governing the various agreement types, each potentially having their own set of processes, “maverick” contracting is controlled reducing the higher costs associated with such purchases.

Eliminate renewal of contracts for unwanted goods and services.

UpsideContract's business rules can be used to evaluate contracts at renewal time to determine what action should be taken – automatically renew the contract, terminate the contract, re-tender the contract, etc.

Integrate with your supply chain management strategy.

Contracts form the basis for the vast majority of business relationships involved in supply chain initiatives – this provides a solid incentive to involve the contract management system in the supply chain strategy. UpsideContract integrates easily with, and provides added-value to any SCM (Supply Chain Management) products including eProcurement, electronic catalogs, vendor self-service portals, etc. UpsideContract can manage the terms and conditions of the business relationships, incorporating pricing models, and even handle procurement and invoice management requirements for both buy-side and sell-side contracts. UpsideContract also plays an important role in tracking and managing performance, compliance and risk within the contracted business relationships.

Improve financial tracking of contract-based transactions.

When coupled with UpsideContract, UpsideBilling can be used for data entry, electronic reception, and processing of payables. The system also allows the opportunity for vendors to enter their invoices directly into the system reducing your data entry effort and improving the quality of the data. By validating rates, discount/volume thresholds, deliverables, and other criteria it ensures that billing is accurate and can automate payment.

UpsideContract/UpsideBilling can handle both payables and receivables providing more efficient, faster turnaround for payment and receivables.

Identify and prevent overcharges.

With its extensive financial functionality, UpsideContract ensures the terms, rates, deliverables and conditions on a contract are validated with the related incoming invoices to ensure the invoice is valid. Approval routing ensures appropriate delegation of authority in processing payments. As well, holdback processing allows for managing deliverables and setting aside appropriate amounts for protection.

Improve expenditure coding and allocation.

Countless hours are spent on improperly coded invoices. Validation of invoices to their related contract allows validation of, or allocation of financial coding for the invoices.

Realistic picture of forecasts and budgets relating to sales and expenditures

Based on actual patterns in the contract's financial performance, UpsideContract can give an organization the 'heads-up' it needs before the contract hits a critical stage of either over-expenditure (buy-side) or under-performance (sell-side).

Adherence to revenue recognition rules

UpsideContract helps ensure that SAB 101 rules are being adhered to and that revenue is only being logged when appropriate.

Accurate forecasting/budgeting and improved cash flow projections

UpsideContract allows for detailed forecasting and budgeting, allowing managers to accurately project expenses and track actuals vs. commitments. This enables management at all levels to accurately predict slippages and issues across the organization, allowing for pro-active fiscal management.

By tracking commitments and deliverables through the contract management system, organizations can improve the accuracy of their cash flow projections. With automated invoice processing companies also know ahead of time their future cash flow projections (based on vendor terms – e.g. 30/60/90 days).

The Time is Now

Average length of ROI

While the experiences of each company showcased in this report, showed a unique distribution of the benefits across these categories, the common outcome was a full return on investment in well under one year with an average ROI, taking into account the scale of the investment, landing in the range of about nine months. Given this composite example, we can fully expect a typical organization to realize a full ROI well within one year of implementing a contract management software solution.

The bottom line is: the typical ROI is achieved in well under a year, and for many is much quicker – in BNSF's case it was just **62** days based only on “hard” savings. Interpolis realized full return on investment (ROI) on the UpsideContract solution in about seven months.

Through the vast experience gained by Upside Software in dealing with organizations of all sizes and industries and around the world coupled with our reputation for having the most enterprise deployments in this market, we have gathered an extensive library of best practices. We are able to share this in-depth knowledge with our customers to ensure they attain the best and most ROI possible.

Contact us and we can help you build your business case and demonstrate the value our software can provide to your organization – we promise you will not be disappointed!

Drawing the bottom line

ROI Conclusions

Industry analysts agree that key business drivers such as new regulations, globalization, insufficient human resources and continued pressures to reduce costs and improve financial and operational performance are making contract lifecycle management a corporate priority.

With a full return on investment in typically under a year caused by increased efficiency, improved compliance and reduction in claims, missed deadlines and rebates, automating the contract lifecycle is the next step for companies.

New regulations and the introduction of Sarbanes-Oxley has added about 10% to the workload of the average contracts and negotiations professional, according to research by the International Association for Contract and Commercial Management. Nearly 80% of its US members report a moderate to significant increase in the complexity of their work, with the greatest impact being felt in larger companies (those with more than \$2bn in annual sales).

Although the effects of Sarbanes-Oxley on business-to-business contracting have not been wholly negative, the minuses do seem to outweigh the pluses. For example, more than 40% report an increase in the cycle time to prepare and negotiate contracts, with over 25% highlighting greater confrontation between the parties. A predictable outcome has been the trend to increase review and approval, with Finance and Legal in the lead.

Industry changes will dictate an increase in reporting and compliance, as well as address the trends to decrease spending and increase performance. By automating your contract lifecycle now, you will already be ahead of many industry leaders in increasing efficiency, improving compliance and improving profits, generating an incredible ROI on your technology investment. Don't be left behind the innovation wave- ensure you take a leadership position and let Upside Software help you be more competitive, streamlined, profitable and responsive to your shareholders.

Visit www.upsidesoft.com to receive additional valuable information.

I am interested – how can I get more information?

Upside Software can help you with all aspects of your research pertaining to automating your contract lifecycle, including:

1. Product sheets, Features, White Papers, Case Studies, Analyst Reports and other relevant material on Upside Software products and how they can help your business
2. Provide an online web-based demonstration of our software – scheduled at your convenience
3. Sample Request for Proposals to help you expedite your procurement of a suitable CLM solution
4. Pre-recorded webinars viewed on demand on how companies like yours have leveraged our software to attain stellar results.
5. Customer references you can talk to and get additional information on how CLM software can help you.
6. Detailed proposals that outline costs, timelines and approach.
7. Documentation and assistance in developing a sound business case to justify the purchase and deployment of a CLM solution.
8. Detailed best practices reports and information to help once you have procured our software, so that you can leverage the best from past deployments.

To request more information, complete the Request form [here](#).



About Upside Software

Upside Software has been offering leading-edge contract lifecycle management software since 2000. It has over 250 customers globally in virtually every industry. Upside has over 140 employees focused on developing the best software to fulfill your entire contract and commitment lifecycle. Customers benefit from Upside products that encompass the entire spectrum of CLM including sourcing and procurement, invoicing and billing, and more.

Please visit www.upsidesoft.com and specifically the About Us page for additional information.

<http://www.upsidesoft.com/Upside+Software/PDF/AboutUpsideSoftware.pdf>