

On-Demand Contract Management Solution Delivers Immediate Value to Global Paper Company

Business Challenge

This global paper and forest products company's contract data was dispersed across the organization, limiting visibility into financial exposure and compliance. With little to no formal processes or systems to automate the creation, negotiation and management of contracts, the company had difficulty in locating contracts and effectively managing them. This lack of visibility into obligations and commitments adversely impacted their bottom line.

Contract Management Strategy

The paper giant identified a multi-pronged strategy to improve contracting and contract management operations:

- Adopt a contract lifecycle management application that includes a central and searchable contract repository and automated contracting and administration capabilities to improve monitoring and management of contracts.
- Begin by focusing on complex contracts for leased assets.
- Establish lease champions by asset type to monitor and ensure contract compliance.
- Standardize master lease agreements by asset type.
- Establish standard contracting and administration policies and procedures to incorporate an automated contract management system.

Company Name

Global paper and forest products company

Solution Providers

Selectica

Business Challenge

Fragmented contract data and procedures limited contract visibility and control and increased financial risk and exposure.

Strategy

Improve the management of the performance of their complex contracted relationships starting with leased assets.

Value Achieved

Better asset lease obligation management

Early buyout and termination

Lower administrative costs

Payment reconciliation

Better negotiated terms

Improved corporate wide visibility and compliance

Better able to track corporate-wide obligations and commitments

Stopped unwanted "evergreening" contracts

Better able to manage their asset lease obligations

Improved regulatory compliance

Faster time-to-order

Contract Management Selection and Deployment

A formal solution selection was spearheaded by Finance and Procurement with a core team reporting into an executive Steering Committee. To define requirements and secure alignment with internal stakeholders core team coordinated with a multi-functional team comprised of 25 employees that were among the most frequent requesters of leased assets.

The selection team incorporated and prioritized stakeholder requirements in a detailed RFP, which was distributed to leading contract management and ERP solution providers. The company also included the extended team of stakeholders in the solution evaluation process, with each team member providing a “report card” indicating their recommendations on solution provider proposals and application demonstrations. After a thorough six-month evaluation process, the paper giant selected Selectica Software based on the flexibility and extensibility of the application and its ability to convert legacy contracts and handle contracts printed on third-party paper.

The company employed a calculated deployment plan, implementing a hosted version of the Selectica solution on a division-by-division basis. After a successful implementation on a test/training site and successful conversion of legacy contracts into the system, the paper giant launched a nationwide rollout to manage over 3,000 asset lease contracts. Thanks to early stakeholder involvement and support, hosted deployment model, and early successes, the company was able to complete the entire system rollout within four months.

Results

The paper company reported that the contract management strategy and system deployment has already returned “millions of dollars” in savings through the following improvements:

- Better management of asset lease obligations
- Early buyout and termination of under-utilized leases
- Reduced administrative costs
- Improved accuracy and efficiency of payment and reconciliations
- Increased negotiation leverage and better terms

The company has also employed standard metrics for measuring contract compliance and performance, payment accuracy and performance, and contract management system usage. In addition, one company executive reports that “a key development [of our contract management initiative] has been the opportunity to elevate the awareness of leasing as a method of financing what the company procures. It allows us to be wiser about financing and accessing assets without impacting capital.”

Lessons Learned

Company executives indicated the following recommendations for other companies considering a contract management improvement initiative or systems investment:

- Begin by getting contract data into a central and searchable repository. “Just getting visibility into contracts opens up vast improvements,” said one company executive, adding that having access to contract terms and obligations enables compliance tracking and analysis.
- Consider the entire process: To reduce contractual risk and streamline operations, the company recommends adopting a solution that manages upstream contract requests as well as downstream administration and compliance processes.
- Success requires resources: Another lesson the company learned is the need to dedicate resources and a professional project manager to assist the core team during selection and deployment. Resources are also required for continued success.

Future Outlook

The company's path forward is to refine process recommendations and to improve its formal metrics as well as adding additional contract types and approval workflows. The company is working concurrently in a 2-year dual-phase approach – working with the SRM analysis team to identify needs, while retraining and recertifying all 25-lease champions to make sure they all “get” the new processes.

To provide us with your feedback on this research, please go to www.aberdeen.com/feedback.

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