

Semiconductor Manufacturer Optimizes Contract Value With Selectica CPM

To help maintain their edge in a highly competitive marketplace, a leading semiconductor manufacturer constantly seeks new ways to streamline operations in a way that adds shareholder value. Currently closing over 500 procurement and sales contracts each year—and with a repository of more than 2500 contracts—the company recently realized that one way to enhance overall business processes was by improving the way contracts are managed.

“As we continue to grow and expand throughout the semiconductor marketplace, the volume of our contracts has increased to the point where we need a way of optimizing their value by more effectively managing the information they contain,” says the manufacturer’s director of corporate services procurement. “Contracts affect procurement, sales and marketing, customer service, and, of course, legal departments, so it only made sense to take an enterprise approach to this issue, looking for ways to streamline contract management for all stakeholders.”

An Outdated Legacy Contract Repository

The company’s first contract management system was a homegrown electronic repository. This solution, which maintained un-searchable copies of contracts in PDF formats, was completely adequate when contract volume and staffing were both small enough so that individuals responsible for contracts could manually keep track of obligations, terms, and renewals.

But as the company became more successful, tracking obligations across an expanding procurement department and a growing customer base became increasingly difficult and time-consuming. Each of eight commodity managers was responsible for managing and tracking all contracts pertaining to their respective domains, and the task was difficult at best.

Of particular concern was the fact that because the repository was not searchable, there was no easy way to automatically determine when contracts were coming up for renewal. As a result, the company found itself being reactive to renewals, a situation that weakened their negotiating position.

In addition, the manufacturer is unique in that some customers are also vendors. But with no easy way to track terms, conditions, and obligations across contracts of each type, the company found it difficult to ensure that both sides of the relationship were being managed equitably. For example, if a partner required 10 day-terms when the manufacturer purchased raw materials from them, then, reasonably, the same terms should be expected when finished semiconductors were sold to the partner. But there was no straightforward way to ensure this was the case.

“In general,” the director of corporate services procurement says, “there was no easy, automated, error-free way to search contracts, report on obligations, and ensure that all terms and conditions were being met. This inability also made audits more time-consuming, and prevented us from ensuring optimized governance.”



Summary

- Industry: Semiconductor manufacturing
- Solution: Selectica Contract Performance Management
- Business Need: Effectively track, manage, and report on the information contained in contracts for procurement, sales and marketing, customer service, and legal departments
- Benefits: Facilitates responsiveness to audit and reporting requests, enables easy monitoring of term compliance, ensures terms are consistent across procurement and sales contracts to partners who both buy from and sell to the manufacturer, improves day-to-day management of business operations

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The Search For A Better Contract Management Process

To rectify this situation, the semiconductor manufacturer could have attempted to update its legacy contract repository. But it was written in an outdated language, and was not supported by the IT department—and the IT department did not want to start supporting the application because there was no one on staff familiar with the underlying code or the program used to write that code. SO instead, they decided to look for an alternative solution.

The first issue the company faced was getting enterprise-wide buy-in for a project that started out as a solution for the procurement department alone. This challenge was met by establishing a team of representatives from procurement, sales and marketing, legal, and customer service departments—before drafting the RFP. This team worked together to identify their own, as well as shared, business requirements that could be addressed with a contract management solution. These requirements then served as the foundation for an RFP that was issued to 14 vendors.

After carefully considering initial responses, the company narrowed the field of prospects to four vendors. With limited knowledge of the contract management industry they then enlisted the assistance of a vendor-neutral consulting firm called Arnav Technology Solutions to help evaluate the relative strengths and weaknesses of each of these solutions.

After a final review that included detailed solution demonstrations, the original selection team, as well as others from representative departments, chose Selectica CPM.

A Solution That Targets Business Requirements

The company decided on the Selectica solution because of its adaptability, both in terms of the way it is configured, and the way in which it can be delivered, purchasing it in an “on-demand” mode so they would not incur any internal IT overhead. But they appreciated the fact that the exact same solution could be implemented onsite, behind their firewall, if they decided to do so in the future—with no migration issues. And, because both versions of the solution are essentially the same, they would have access to all the configuration options typically only accorded to onsite implementations.

The Selectica also enables the company to adjust access levels to their specific requirements. “Since our solution addresses the needs of several stakeholder departments,” says the director of corporate services procurement, “it was important to us to be able to segregate access so that, for example, sales staff could access their contracts but not those pertaining to procurement. Equally important, the solution even allows us to specify the specific rights each user has, enabling one user, for instance, to read contracts, and another to edit them.”

The manufacturer also favored the Selectica solution because of a fax/OCR feature that enables paper contracts to be input top the repository as searchable electronic documents. Another benefit to them is the ability to include automated alerts in advance of a contract renewal date, and to ensure that contracts with partners who both sell to the company and buy from them have similar terms.

A Business Critical Process Improvement

Contracts represent a repository of value and tapping that value as a company grows requires a systematic, cost-effective, repeatable, error-free process that facilitates accessing, reporting on, and leveraging information contained in that repository. And therein lies the true benefit of contract management.

“We purchased the Selectica solution not because it has a demonstrable ROI—although it certainly does—but rather because it empowers us to leverage contract data by accessing the specific information we need whenever we need it,” says the director of corporate services procurement. “As a result, we can provide the accurate and timely data senior management must have to effectively manage day-to-day business operations. At the same time, we can monitor that all parties to all contracts are complying with the terms of those contracts, audit usage of the contract management solution, facilitate regulatory compliance, and implement the governance controls required for effective business operations.”