Product Brief

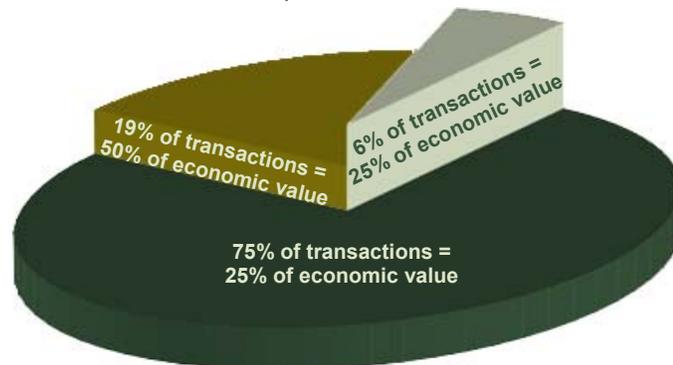# Contract Life Cycle Manager

ActionWorks® with Contract Life Cycle Manager substantially reduces costs and risks for companies by providing comprehensive management of all aspects of their contracting, including planning, negotiation, documentation, approval and execution, monitoring, and enforcement.

The Business Issue

Businesses prosper by organizing their work so they can effectively offer products and services that meet customers' needs. Companies spend up to 60% of their revenues acquiring goods and services. Consequently, contracts form the transactional framework for business, from procurement to outsourcing to customer service, to executive compensation. Contracts formalize these commitments between parties.

19% of transactions = 50% of economic value

6% of transactions = 25% of economic value

75% of transactions = 25% of economic value

Transaction Value vs. Volume

Standard offers, such as for airline travel, account for 75% of all business transactions, but only 25% of the total economic value. The remaining 75% of the economic value is rendered from only 25% of the transactions. The 6% of transactions that are of highest value—generally complex agreements spanning many years and containing hundreds of unique terms and conditions—represent 25% of transaction value. A few such contracts may represent a large proportion of anticipated revenues—and liability risks.

Formulating, negotiating, documenting, performing, monitoring, and analyzing the results of such complex contracts can be error-prone. Most companies manage the contract life cycle with fragmented, labor-intensive processes. Aberdeen reports that most executives have trouble even finding their agreements! They estimate that "…ineffective control and management of supplier contracts cost businesses $153 billion per year in missed savings opportunities."[1] And, the more complex the agreement, the greater the chance to miss business opportunities and incur liabilities during any step of the contract life cycle.

Resolving the Business Issue

The integrated ActionWorks Contract Life Cycle Manager solution enables comprehensive management of contracts through interactive project elements. Since ActionWorks embodies a rich business interaction model, our solution inherently manages preparing and negotiating contracts, identifying necessary actions, recording all the offers and counteroffers in the negotiation, and managing all documentation. Contract Life Cycle Manager then tracks, monitors, and manages the key contractual provisions, whether conditional, event, or date-driven, through easily created business rules. It then monitors these key provisions, triggering processes that alert appropriate people that decisions need to be made and action needs to be taken. For example, the marketing manager knows that the performance of outsourced creative services needs to be reviewed 90 days before the contract is automatically renewed. The CEO knows immediately that deliveries are lagging under a key contract with her best customer, and can take action to ensure customer satisfaction. And the software reseller knows that if he sells another $100,000 this quarter, his incentive discount improves.

Business Benefits

ActionWorks Contract Life Cycle Manager yields clear business benefits, ensuring that:

- Contract provisions are met on time, minimizing your risk and liability
- You *receive* the goods, services, and compensation you expect
- You *deliver* on the obligations you are committed to provide
- Transaction costs are optimized, increasing the overall productivity of the team responsible for developing, managing, delivering, and tracking these contracts
- Renewals and notifications are carefully managed
- Costs are minimized
- Risks are contained
- Customer and supplier satisfaction and trust increase
- Contracts comply with company policy and best practices

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[1]See *The Contract Management Benchmark Report*, published by The Aberdeen Group in June 2003, www.aberdeen.com, for extensive information on contract management issues.

Contract Life Cycle Manager

Contract Life Cycle Manager Overview

ActionWorks Contract Life Cycle Manager assists at every step of a contract's life:

- Planning
- Negotiation
- Drafting language
- Approvals and Execution
- Monitoring
- Compliance
- Assessing performance
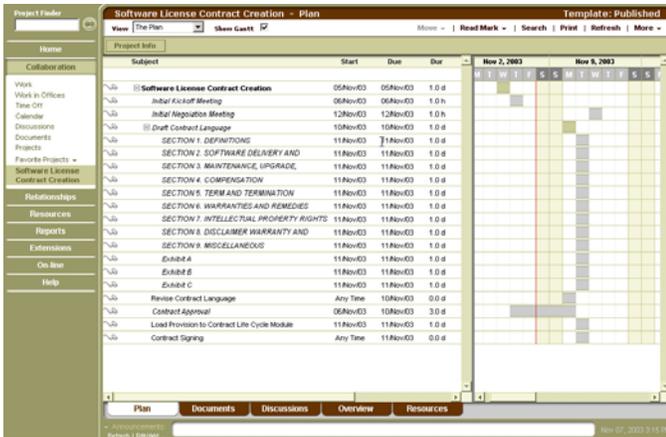
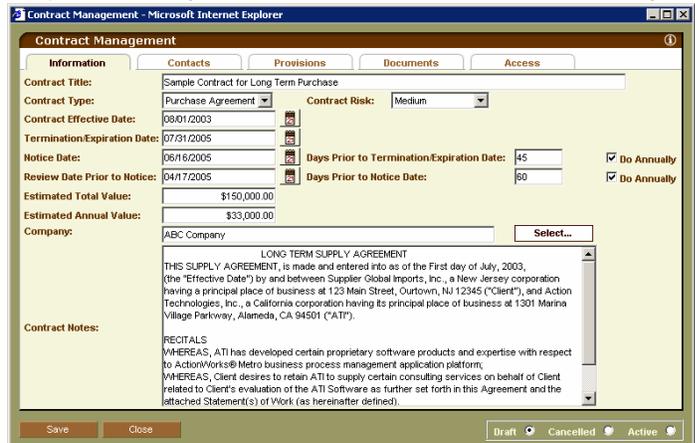**ActionWorks® Contract Preparation and Execution**

Since ActionWorks is based on a patented, rich model of business interactions, projects *inherently* manage every aspect of preparation for, and negotiation of, contract commitments, from draft to signature, recording all the offers and counteroffers, and managing all documentation. Using Action's unique Work Packages and templates during negotiation means experts in each area can develop language for various provisions, while maintaining a coherent contract.

Contract Life Cycle Manager stores key contract details, including important dates, total value; risk level; and contact information for all contract participants. All contract terms and documents are stored in a secure repository and available 24/7, meaning all relevant information is at hand for decision-making. Access to information is controlled by user responsibilities and permissions.

In Contract Life Cycle Manager, *Provisions* are represented by business rules. Rules can be driven by

ActionWorks® Contract Information

date, event, condition, or even complex logic expressions, such as renewal date, change in exchange rates, escalator clauses, multi-level discounts, or exceeding sales targets.

Continuous automated monitoring for compliance with key contract terms ensures that obligations are met, risks are mitigated, and opportunities are captured. The Contract Life Cycle Manager's **Business Sense Engine** collects data, tests the business rules for all provisions, and initiates simple or complex processes. The data needed to test the rules can come from external sources (such as exchange rates) through Web Services; from internal sources, such as from ERP or CRM databases; and from a change caused by another process, such as a credit review.

When a test is met, Contract Life Cycle Manger triggers an associated process, such as sending email to responsible parties, starting another ActionWorks process, or writing data to and interacting with other systems.

The data captured by Contract Life Cycle Manager enables analysis of contract processes, from an entire portfolio down to an individual contract. Managers can identify sources of delay and error, so that the contract life cycle process can be continuously improved.

> With a **majority** of your company's **business governed by contracts**, with the risk that meeting key provisions can be **critical** to your company's **survival**, and with **increased outside scrutiny** of your operating practices, ActionWorks with **Contract Life Cycle Manager** makes **good business sense**.

For more information about, and a demonstration of, the ActionWorks® Contracts Manager system, please visit
www.actiontech.com/products/CLCM and http://breeze.actiontech.com/p44927785/.