Ten questions to ask when evaluating contract management solutions
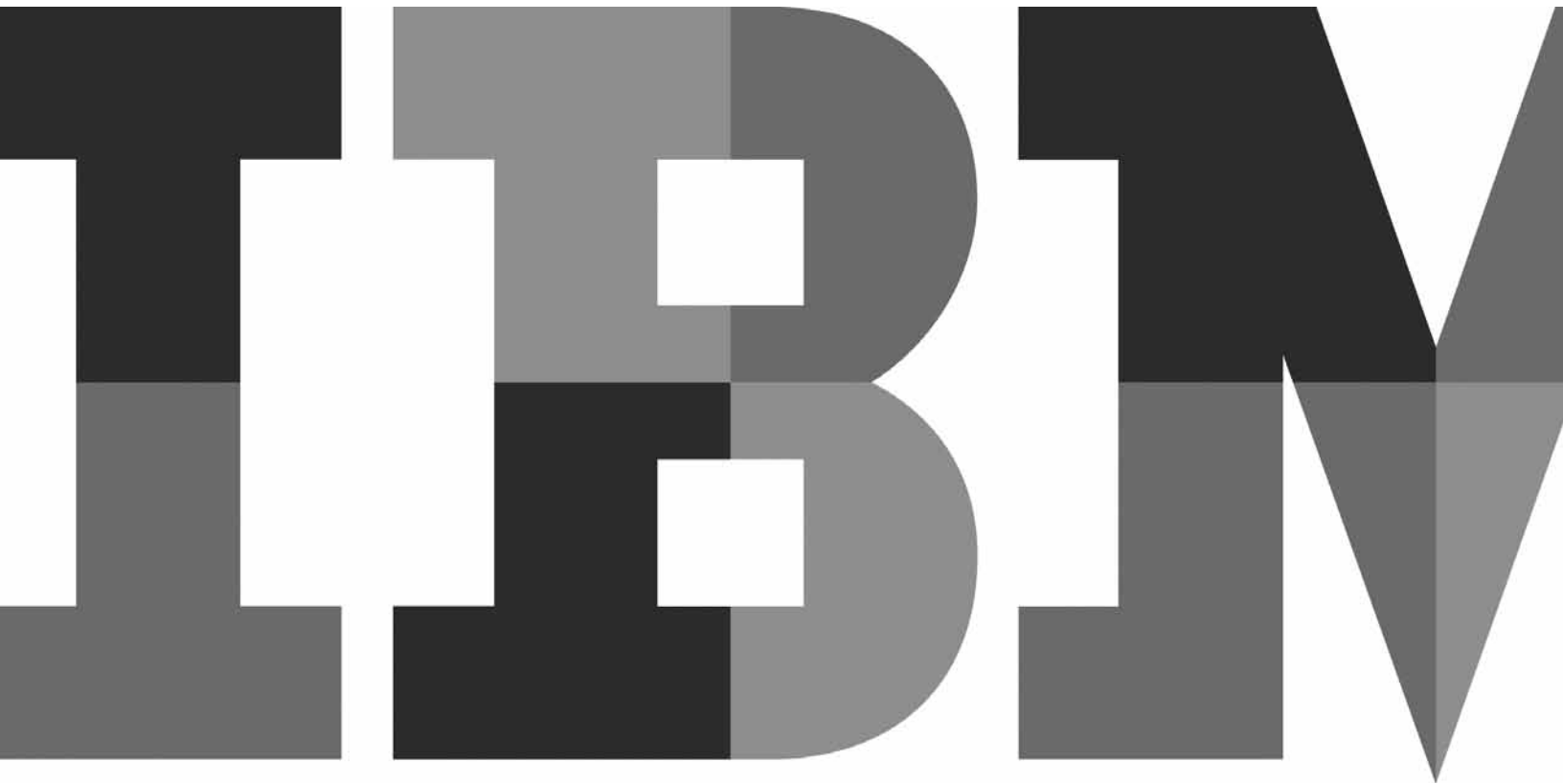
Contents

Top ten questions

Contract management software is one of the most important advances in business technology since the introduction and popularization of enterprise resource planning (ERP). Contracts are the foundation of virtually all good business relationships, from key supplier agreements, to strategic outsourcing arrangements; from revenue-generating sales agreements, to the protection of intellectual property and assets through licensing and other agreements, and all the way down to lease agreements and consultant and employee agreements. Contracts and contract management play a key role in helping companies define business-to-business relationships, operational expectations and compliance standards.

According to recent studies, often just one in ten corporate executives today have ready access to the information needed to make important business assessments and decisions. More than half of corporate executives report regular concerns about making business errors or poor decisions specifically because of a lack of real time, relevant information. Most corporate executives rank improved information and data as the primary, critical factor in improving business decisions and performance. Most Global 2000 companies reported challenges or struggles in managing business risks in their contracting process.

This perhaps explains the growing investment in contract management technologies. Enterprise contract management (ECM) solutions can play a significant role in helping companies relieve these pressures and more effectively manage, as well as improving their visibility, control and compliance across the organization.

According to some analysts, early adopters have often successfully proven the value of enterprise contract management applications. Accordingly, demand for these tools has often increased. In addition, investments in contract management software by Global 2000 companies is expanding at a rate in excess of 25 percent annually, and many firms are inquiring about these technologies, more than virtually any other business or spend management solution.

If your organization is one of the many beginning to evaluate contract management software solutions, there are a few steps and questions software and contract experts recommend. For most, the starting point is an evaluation of internal requirements of a solution, which leads to development of a document outlining specific functional requirements. It is also prudent to review the independent analyst research and evaluations available, such as those published by Forrester and Gartner, independant research firms.

As your organization progresses toward developing and issuing a Request for Proposal (RFP), the document will likely include questions about contract creation, contract storage and search; and integration to Microsoft® Word, which helps ensure that professionals can still operate using the tools they are familiar with while maintaining contract system controls and benefits.

Based on advice from business, contracting and software experts who have been through a contract management software implementation, there are a few essential questions your organization should include in its RFP and solution evaluation. Outlined here, are 10 key questions:

1. **What is the software provider's experience with enterprise-wide deployments?**
   This might seem like a basic requirement. Very often, however, companies start with a specific department contract solution, and are not prepared to evolve to a program that encompasses virtually all contract types enterprise-wide. Typically, most companies evolve to a more developed program based on initial successes and other departmental demands.

Verify that your software provider has solid enterprise-wide capabilities and experience. Some details to look for include the use of common business tools such as Microsoft Word and Excel; the ability to handle contracts that are written on other party's paper; and the ability to be flexible in the negotiation process, allowing negotiation online, offline, and with fax and e-mail. Also verify that the solution provides the foundation and scalability needed for growth.

2. **What is the software provider's ability to provide global support?**
Much of today's business is global, yet not all software providers or consultants provide global support. It is important to know that your potential software partner can support your global operations and offer product support in global locations and in local languages.

3. **How is the solution rated or reviewed by independent analysts?**
For such a mission critical application, make sure that your potential software partners are reviewed and positively ranked by leading independent analysts such as Forrester, Gartner, and AMR. The Gartner "Marketscope for Enterprise Contract Management" and the "Forrester Wave: Contract Lifecycle Management" are two of the more comprehensive and respected reports available, each evaluates the dozen leading contract management software providers on a variety of criteria.

4. **What volume of contracts, users and contract activity has the solution provider achieved?**
Companies consistently expand their contracts software after initial implementation. Over time, your organization very likely will grow the number of system users and the number of contracts managed. Make sure that your potential software provider can demonstrate a highly-scalable solution that can support your growth – and be careful not to underestimate your potential growth.

5. **How does the technology and services ensure best practices and high adoption?**
What level of adoption has been achieved by the software provider? One of the biggest concerns companies who have implemented contracts software express is around adoption. The level of adoption of the system will be a key component to the success of your implementation.

6. **What is the solution's ability to manage contracts after execution?**
Many companies and solution providers miss the importance of management of contracts post execution. Verify that the solution you are examining has robust capabilities like amendment processing and controls, milestone alerts, sales contract renewals management, and features to maintain the contract portfolio such as amending groups of contracts.

7. **What level of IT expertise is required for ongoing solution configuration?**
Many contract technologies require some knowledge of programming languages like Java or XML to make changes to the system's behavior, requiring IT resources or outside consulting services. Measure your IT capabilities against the potential solutions' IT requirements to uncover the best fit.

8. **What are the contract solution's integration capabilities?**
Contracts are the foundation of your business, and eventually your organization will want the contract management solution to fit seamlessly into your business operations. The ability to share data between CRM, ERP, sourcing and other applications will help drive efficiencies, and help ensure greater visibility and compliance in more advanced contract management programs.

9. **What is the solution provider's methodology
   to implement the solution?**
   Contract management solutions can look highly capable in
   a demonstration environment. The provider's ability to
   deploy the solution makes the difference between a highly
   successful result and technology that becomes "shelf-ware".

10. **Can the solution help you actively manage
    contracts and compliance?**
    Your business spends significant time and resources to
    choose suppliers and vendors and negotiate the most
    beneficial terms with those companies. Your selected
    solution should help you manage contracts and ensure that
    you are receiving expected benefits over the life of the
    agreement. Your chosen solution should include the ability
    to measure and analyze spending against contract; and the
    supplier performance against pre-determined measures
    such as on-time delivery and quality.

Recommended

These ten questions will help get your organization on
solid footing when evaluating and reviewing contract
management software solutions. For more detailed advice,
recommendations include::
- Consulting independent analyst research for Gartner and
  Forrester Research
- Reading the book, "Enterprise Contract Management A
  Practical Guide to Successfully Implementing an ECM
  Solution", by IBM consultant Anuj Saxena

IBM