COMBINING INDUSTRY BEST PRACTICE WITH MARKET LEADING TECHNOLOGY

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WHITEPAPER

CONTENTS

ALIGNING CONTRACTS TO ORGANIZATIONAL OBJECTIVES

Businesses evolve. Some diversify into multiple domains while others scale up to take on new objectives. To successfully compete, they often need to focus on specializing in some areas, compelling CXOs to make tactical build-or-buy decisions. As a result, companies often find themselves entering into an increasing number of contractual relationships to fulfill their business goals. This often turns out to be a strategic necessity because some organizations may have already disposed of inhouse expertise in a broad range of areas in order to embrace a leaner, more specialized business model.

Unlike organizations, which can change direction to align with their long-term vision, contracts – which serve as the basis for all commercial relationships – are not as agile. This often leads to misalignments between enterprise's business objectives and the value they hope to realize from their contractual relationships.

While it is clear that contracts need to be adapted to suit the context of the enterprise's future goals and commitments, legacy tools, combined with a vaguely defined methodology to guide the contract lifecycle management practice, act as an impediment.

THE CONTRACT MANAGEMENT MATURITY CURVE

Depending on the scale and depth of operations, the robustness of every organization's contract management practice can be assessed according to the following stages:

- **Initial**: The organization uses contracts but does not apply any form of contract management.

- **Ad hoc**: Contract management fully depends on the person who feels responsible for the contract. There is no organization-wide policy and process structure.

- **Informal**: The responsibility for contract management has been formalized but the organization has only established minimum indications regarding the work method for implementing it.

- **Defined**: Contract management has been fully defined and the officers who need to carry out the policy do this accordingly.

- **Managed**: Contract management is measured and assessed as to its effectiveness and efficiency and modified where necessary.

- **Optimizing**: The way and extent to which contract management contributes to the organizational goals are regularly evaluated and the process is adjusted wherever necessary. In addition to these levels, there is also a base level, which is level U: Unknown. This is the base level for using the CATS CM Maturity Model (CCMM). Every organization finds itself at this level until an assessment is made (by answering questions), which demonstrates that another maturity level can be established.

SirionLabs

THE SIX PHASES OF CONTRACT MANAGEMENT

Every contract's life cycle consists of multiple discrete stages, which are grouped into six phases according to the CATS contract life cycle (CATS CLC) and run almost in parallel for both parties in a contract. The supply-side phases cannot be executed without completing the dependent phases on the buy-side. The interaction between the two is essential.

CLIENT-SIDE

SUPPLIER-SIDE

01

Identification of business needs, wherein the client clearly defines a list of requirements.

Client determines which of these needs can be fulfilled inhouse or with the help of an outsourcing partner.

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02

Publication of an RFP to which multiple suppliers respond.

Based on the responses submitted by suppliers, the client can shortlist the ones they wish take forward to the negotiation stage.

Supplier reviews the RFP and makes a strategic decision of whether or not to respond to it.

If the supplier submits a response, they may need to provide additional information about products/ services on request from the client.

03

Both parties negotiate on the terms of service delivery till they arrive at a mutual agreement.

A final version of the contract, which both parties have agreed on, is prepared.

04

The actual signing of the contract (formalization of the agreements) takes place.

05

Execution phase starts with structuring of services to be delivered.

Assets, personnel, responsibilities, and mandates may be transferred from the client to the supplier so that the latter will now have all the available resources to provide the service.
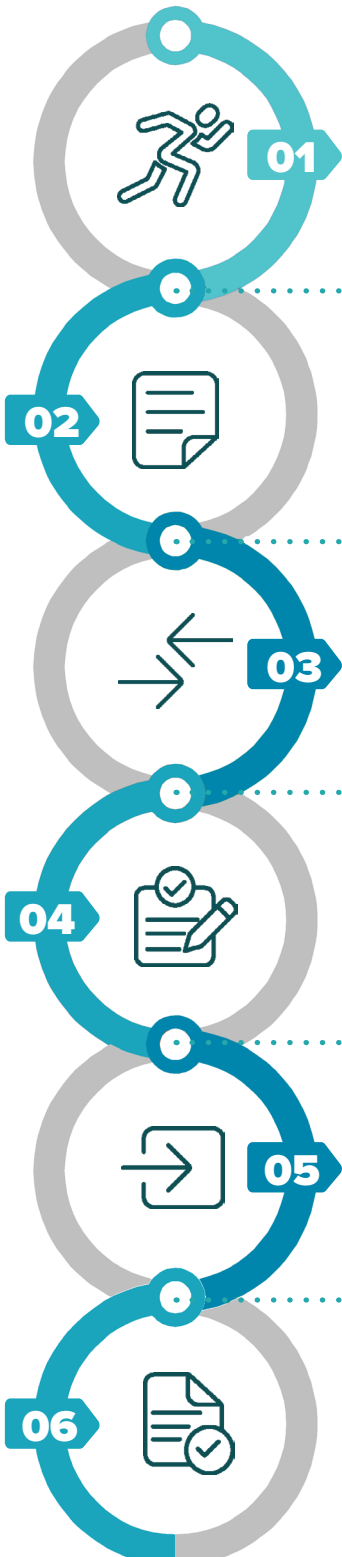
Renewal and/or renegotiation post expiration.

Amendment of existing contract to align with changes in client's needs or supplier's delivery options.

06

After the delivery term has ended, contract managers on both sides start to finalize the other agreements. The termination phase will be complete when there are no more obligations left to be fulfilled regarding performance or compensation.

THE CATS CM® METHODOLOGY

CATS CM® is the world's leading 360-degree contract management methodology that is used by enterprises to set the standard for how contracts should be authored, managed, and governed to help keep them in line with emerging business objectives. CATS CM® focuses on creating a contract management process with highly structured contract execution, termination and evaluation phases, which reduces the contract management team's cognitive load by cutting down on the number of rules and administrative tasks. Its aim is to give businesses unprecedented control over contracts as well as associated risks, driving innovation and value creation.

CATS CM® recommends that when organizations begin overhauling their contract management framework, they should start by classifying their activity control levels into strategic, tactical, and operational levels.
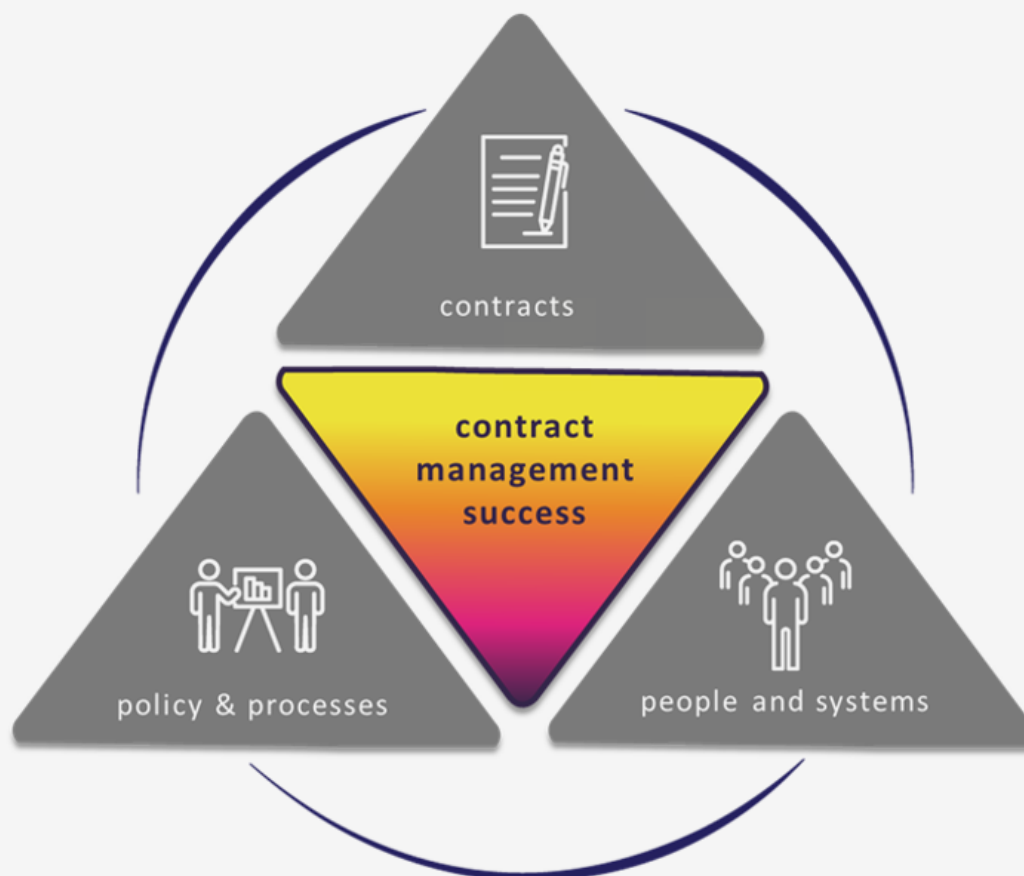
360-Degree Methodology for Contract Management.

CATS CM® Control Model

Strategic level

The first task is to define a contracting policy that needs to be stringently followed by the business while entering a new relationship.

The key questions that need to be asked:

- What type/form of contract do I want to have?

- What type/form of contract do I not want to have?

- How do we manage contract risks?

- What are the rules for contract management?

- How do we draft a business case for contract management?

- What are the principles and procedures for contract ownership?

- What is the definition of tasks, responsibilities, and mandates (including procurement)?

- What information must be provided to control the flow of contracts at a strategic level?

Tactical level

Next, the contracting policy needs to be further elaborated to create a process map. The business needs to ensure that all contracts entered into by procurement or sales departments are in line with the contract policy. Processes need to be set up in such a way that they can be assessed, adjusted, and improved in a timely way.

Operational level

At this level, the decisions made during the previous stage regarding measures, agreements, and obligations, are being carried out. CATS CM® provides the methods, techniques, procedures, guidelines, and tools that can be used at the operational level to contribute to the cohesion and consistency of the global contract governance of an organization.

The Four Pillars of CATS CM®

To apply the CATS CM® methodology successfully, it is important to first understand the four pillars, which are:
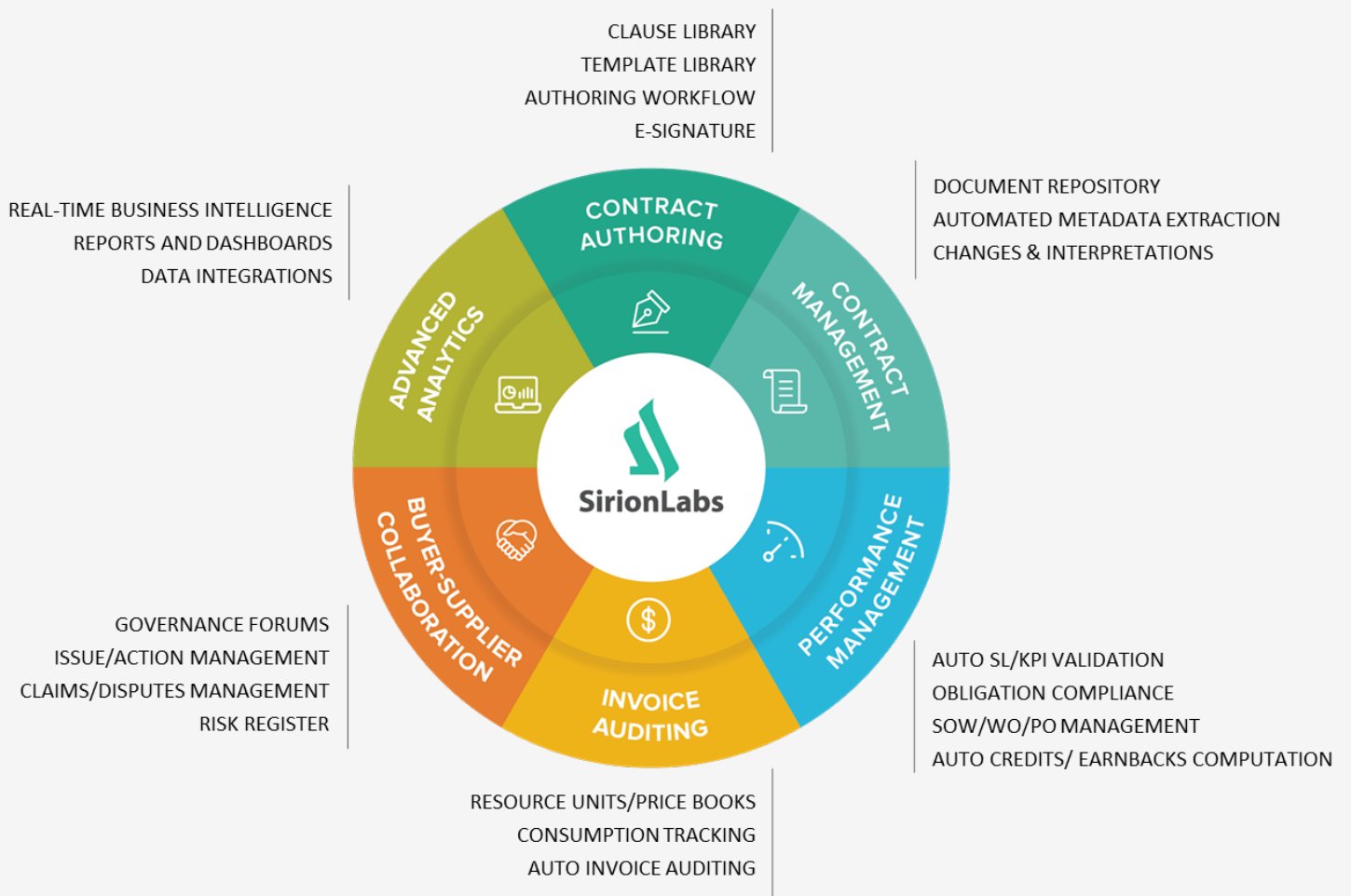
- The difference between the Work To Be Done (WTBD) and All Other Contract Matter (AOCM) within a contract.

- The roles that emerge due to the contract and which must be established to ensure successful contract performance.

- The Contract Management Essentials (CM Essentials), the subjects on which the contract manager should focus.

- The contract management process, consisting of six steps, and its implementation through the use of contract management scenarios.

SIRION – TAKING A TECHNOLOGY-LED APPROACH TO CLM

SirionLabs focuses on helping enterprises meet their business commitments by changing how they manage contracts, collaborate with counterparties, and minimize risk exposure. In order to do that and more, it provides cutting edge, AI-led solutions to its customers, enabling them to achieve better business outcomes and maximize value realization from commercial engagements.

Sirion offers extensive capabilities that span contract storage and authoring, change management, contract analytics, invoice management, obligation and service level management and relationship management.

CLAUSE LIBRARY
TEMPLATE LIBRARY
AUTHORING WORKFLOW
E-SIGNATURE

REAL-TIME BUSINESS INTELLIGENCE
REPORTS AND DASHBOARDS
DATA INTEGRATIONS

DOCUMENT REPOSITORY
AUTOMATED METADATA EXTRACTION
CHANGES & INTERPRETATIONS

CONTRACT AUTHORING
ADVANCED ANALYTICS
CONTRACT MANAGEMENT

SirionLabs

BUYER-SUPPLIER COLLABORATION
PERFORMANCE MANAGEMENT
INVOICE AUDITING

GOVERNANCE FORUMS
ISSUE/ACTION MANAGEMENT
CLAIMS/DISPUTES MANAGEMENT
RISK REGISTER

AUTO SL/KPI VALIDATION
OBLIGATION COMPLIANCE
SOW/WO/PO MANAGEMENT
AUTO CREDITS/ EARNBACKS COMPUTATION

RESOURCE UNITS/PRICE BOOKS
CONSUMPTION TRACKING
AUTO INVOICE AUDITING

SirionLabs CLM: From Authoring to Renewal.

THE CATS CM® – SIRION SYNERGY

Based on the CATS CM® essentials.

Combining Industry Best Practice with Market Leading Technology

By combining CATS CM® methodology with Sirion's technology, organizations can begin aligning people, processes and systems to realize greater value from their commercial contracts and minimize risks. Sirion acts as a technology backbone for the CATS CM® methodology and enables enterprises to manage:

1. Contract Objectives

CATS CM® Recommendation

Contract objectives are essentially the contracted products or services, which are sourced by a business to realize broader goals. If any contract objective changes during the term of the contract, they need to be duly recognized by making changes to the contract's language. Since contract objectives are not always described, it is the contract manager's task to make them explicit.

Sirion Solution

Contracts objectives are described by enterprise-preferred clauses, which are accessible from Sirion's clause and template library. Businesses can use these pre-approved clauses to author contract drafts and rate cards rapidly with standardized legal language that are in line with the business' broader goal. Sirion also offers change management capabilities, which can be leveraged to amend, or repaper contracts post execution to keep them aligned to the evolving business objectives.

2. Stakeholders

CATS CM® Recommendation

Stakeholders are individuals or groups that are directly or indirectly associated with a contract's execution. A contract manager needs to identify all stakeholders, determine the communication strategy for each of them, and implement it.

Sirion Solution

Sirion offers the flexibility to assign stakeholders and help establish who is responsible for fulfilling what obligation/service level. Role-based access control rules can also be defined to allow only those with the right level of authorization to access service data.

3. Contract Relationships

CATS CM® Recommendation

While simple agreements such as individual NDAs might be standalone contracts, more complex business relationships are guided by complex contract packages containing a hierarchy of documents. In addition, contracts for different service categories with one or more supplier must be analyzed to ensure coherence and alignment with business objectives.

Sirion Solution

Sirion's hierarchical contract repository organizes contract documents according to parent-child relationships. It also includes an embedded document viewer as well as extensive search capabilities (Boolean, FTS, fuzzy, regex, and more). Sirion provides a governance forum that can be used to raise issues and take actions, organize meetings and manage their outcomes, track stakeholder attendance, and record MOMs. It can also act as single pane of glass between parties so that they have access to the same set of performance data.

4. Risk

CATS CM® Recommendation

During the pre- and post-signature phases of a contract's lifecycle, the contract manager must ascertain the level of risk posed to the organization by unexpected events.

Sirion Solution

Sirion offers analytics for various risk categories such as contractual risks (missing clauses, deviations), regulatory risk, external risk (PESTEL), performance risk (obligations, SLs, KPIs), alignment risk (conformance to contract and organizational objectives), and perception risk (qualitative and quantitative assessment).

5. Obligations

CATS CM® Recommendation

The contract manager needs to focus on the status and progress of the fulfillment of all obligations described and established in the contract – for both WTBD and AOCM – including the supplier's obligations as well as the client's obligations.

Sirion Solution

Sirion offers an obligation and service level management module that enables contract managers to automatically extract relevant SLs and obligations, track their fulfillment status from signature to closure, and gain insights from rich visualizations.

6. Finances

CATS CM® Recommendation

Contract managers need to ensure that key elements of a contract – performance and compensation – are satisfied by a supplier, according to which they can invoice.

Sirion Solution

Contract managers can use Sirion's automated 4-way reconciliation process to validate invoices against a supplier PO, raw performance data sourced from other IT systems (ERP, P2P, ITSM) and contracted terms to ensure that the organization only pays for what it has consumed.

In addition, Sirion's spend analytics capabilities can be gain complete visibility into, forecast, and optimize spend across contracts, categories, geographies, suppliers, and more.

7. Contract Governance

CATS CM® Recommendation

Contract governance needs to focus on: a) the people involved and their mandates to make decisions about things such as acceptance, adjustments, and extensions, as well as their role in any escalations; and b) the necessary meetings and reporting to be carried out during the contract execution.

Sirion Solution

Sirion provides clear visibility into who is responsible for managing which obligations. In addition, it also sends out alerts to notify stakeholders about pending actions, renewal opportunities, upcoming expiration dates, and more.

Sirion acts as a single pane of glass through which both parties can access the same set of performance data, based on which they can take actions and resolve disputes.

8. Satisfaction

CATS CM® Recommendation

Contract managers need to streamline relationships by ensuring that all disputes and concerns are resolved to the satisfaction of both parties using a data-driven approach.

Sirion Solution

Sirion provides issues and disputes management capabilities which enables both parties to address performance and other relationship concerns and take subsequent actions to resolve them.

Sirion can capture perception-based feedback through surveys and analyze it to deliver deeper insights into supplier performance.

9. Contract Calendar

CATS CM® Recommendation

The contract manager needs to focus on the timeline that is related to the AOCM, such as the start and end dates, the final extension date, and the meeting and reporting schedule. Additionally, he should track moments that relate to the WTBD and the assessment of the respective qualities that are relevant to the agreements established in the AOCM.

Sirion Solution

Sirion tracks all contractual information such as obligation/SL and milestone due dates, expiration and renewal dates, and sends out automated alerts to associated stakeholders to prompt proactive action. Sirion also provides a to-do list and an MS Outlook Calendar plugin to further streamline tracking.

10. Contract File

CATS CM® Recommendation

Contract managers must ensure that all changes and additions to the contract, and the corresponding information, are complete and available in a timely manner in the contract file.

Sirion Solution

Sirion's access-controlled contract repository serves as a single source of truth for all counterparty communications, supporting documents, executed changes and interpretations. In addition, a comprehensive audit trail provides visibility into versioning and offers a complete history of revisions and updates for a contract.

BENEFITS

Gain Organization Wide Visibility and Transparency — Ensure complete visibility over all sources of risk to enable holistic risk assessment and scoring in real-time.

Accelerate Risk Mitigation — Bridge the strategy execution gap by proactively responding to emerging risks before they can jeopardize business objectives.

Reduce Performance Variability — Drive business performance consistency by reducing instances of disruption caused by unforeseen risk events.

Drive Value — Gain 360-degree visibility into contracts, service levels, obligations, milestones, deliverables, & compliance commitments through a single pane of glass.

Unify Contracting Processes — Standardize contracting language, templates, and methodology to enable self-service contract creation.

Strengthen Buyer-Supplier Relationships — Reduce disputes between parties by up to 50%.

About SirionLabs

SirionLabs, the SaaS leader in enterprise contract management (CLM), helps businesses manage the complete contracting lifecycle on a single, easy-to-use platform. Founded in 2012, SirionLabs applies breakthroughs in artificial intelligence technology to meet the needs of businesses in the digital age. The team comprises enterprise experts from leading companies such as Google, Microsoft, IBM, Cloudera, and VMWare.

Sirion's AI-powered capabilities — from smart contract authoring to auto-contract extraction, advanced obligation management and collaboration — enable enterprises to drive business velocity and outcomes, reduce risk and enhance revenue and savings in commercial engagements. With more than 500 employees across three continents, SirionLabs enables leading companies across various industries to manage 3.5+ million contracts across 100+ countries.

SirionLabs

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