

KDD002 - Procurement Contract Lifecycle Management

Status	Approved
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Issue

The purpose of this Key Decision Document (KDD) is to elaborate on the recommended Contract Lifecycle Management (CLM) solution for procurement contracts with the new S/4HANA system.

Recommendation

Icertis Contract Intelligence (ICI) is recommended as the Contract Lifecycle Management system for all procurement contracts, including those that will be authored in another tool. This recommendation is based on several key factors, including advanced AI and machine learning capabilities, comprehensive contract lifecycle management, robust collaboration and redlining features, and the strategic alignment within the SAP ecosystem and SAP's investment roadmap.

Background & Context

At the moment, Convergence, a custom tool developed on top of Salesforce, serves as a contract repository system at Syensqo, but lacks functionalities for contract authoring, collaboration and compliance management. Being a standalone system, it is unable to directly integrate with SAP Ariba Sourcing or automatically generate operational contracts in SAP ERP system. Consequently, operational contracts must be manually created within the ERP, a task limited to a select group of buyers, while other users are required to submit a Service One ticket for any contract creation or modification.

Convergence is missing some of the most important features of a Contract Lifecycle Management (CLM) system that should be designed to streamline and automate the management of contract creation, execution, and analysis to maximize operational and financial performance while reducing risk.

Assumptions

The most important features of a Contract Lifecycle Management system include:

- **Centralised Repository:** A single, system where all contracts can be stored, searched, and retrieved. This ensures that contracts are easily accessible and manageable throughout their lifecycle, while also providing access controls to limit who can access which contracts.
- **Template and Clause Libraries:** Pre-approved templates and clauses help standardize contracts across the organization, reducing the time and effort required for drafting while ensuring compliance and minimizing legal risks
- **Contract Creation and Authoring:** Tools that allow users to quickly create new contracts using templates and customize them by adding or modifying clauses. This feature often includes collaboration tools for multiple stakeholders to draft and review contracts.
- **Workflow Automation:** Automated workflows for contract approvals, notifications, and renewals streamline the contract process, reduce manual tasks, and ensure that contracts move efficiently from one stage to the next.
- **Electronic Signature Integration:** The ability to sign contracts digitally accelerates the execution phase of the contract lifecycle, making it faster and more efficient than traditional paper-based processes.
- **Contract Performance Monitoring:** Features that enable the tracking of contract obligations, milestones, and performance against predefined metrics. This helps organizations ensure that all parties are meeting their contractual commitments.
- **Compliance Management:** Tools to monitor and ensure compliance with internal policies and external regulations throughout the contract lifecycle. This includes tracking changes, maintaining audit trails, and managing certifications and renewals.
- **Integration Capabilities:** The ability to integrate with other enterprise systems (such as ERP, CRM, and procurement systems) ensures that contract data flows seamlessly across business processes, reducing data silos and enhancing operational efficiency.

Impacts

Replacing Convergence with new Contract Lifecycle Management (CLM) solution can significantly impact a business and its projects, offering opportunities for improved efficiency, compliance, and strategic advantage. However, the transition requires careful planning, change management, and investment to overcome challenges and realise the full benefits of the new system.

Here's an overview of potential challenges and impacts:

Challenges and Considerations:

- **Implementation and Transition Costs** : Migrating to new CLM solution from an existing system involves upfront costs, including licensing fees, implementation services, and potential customization.
- **Change Management** : Transitioning to a new contract management system requires careful change management. Employees accustomed to the old system may resist the change, and there's a learning curve associated with adopting new software.
- **Data Migration Challenges** : Migrating contract data from the existing system Convergence to Icertis can be complex and time consuming, especially if the data formats are not compatible. Ensuring data integrity and completeness during migration is crucial.
- **Integration with Existing Systems** : While Icertis can offer robust integration capabilities with S/4 HANA and Ariba portfolio, all required integration channels between the systems have to be set up, configured and properly tested.

Positive Impacts:

- **Enhanced Efficiency and Productivity** : Icertis automates many aspects of the contract management process, from drafting and negotiation to approval and renewal. This automation reduces manual tasks, speeds up processes, and increases productivity. Icertis enables self-service contracting and best-in-class rule driven contract authoring for dynamic assembly of clauses and documents.
- **Improved Compliance and Risk Management** : With its centralized repository and standardized processes, Icertis helps ensure that contracts are consistent and compliant with regulations and company policies. This reduces legal and financial risks associated with non-compliance and contractual disputes.
- **Better Visibility and Control** : Icertis provides comprehensive reporting and analytics tools, offering deep insights into contract performance, obligations, and expirations. This visibility enables better decision-making and control over the contract lifecycle.
- **Streamlined Collaboration** : The platform facilitates collaboration between internal teams and external partners. Its cloud-based nature allows for real-time updates and communication, improving negotiation outcomes and supplier relationships.
- **Integration Capabilities** : Icertis can integrate with other SAP solutions and external systems, ensuring a seamless flow of data across procurement, finance, and other business functions. This integration can lead to more cohesive and efficient operations.
- **Scalability** : As a cloud-based solution, Icertis can easily scale to accommodate business growth and handle an increasing volume of contracts without significant additional investment in IT infrastructure.

Business Rules

Currently, no specific business rules have been identified. Further updates may be determined during the detailed design phase.

Options considered

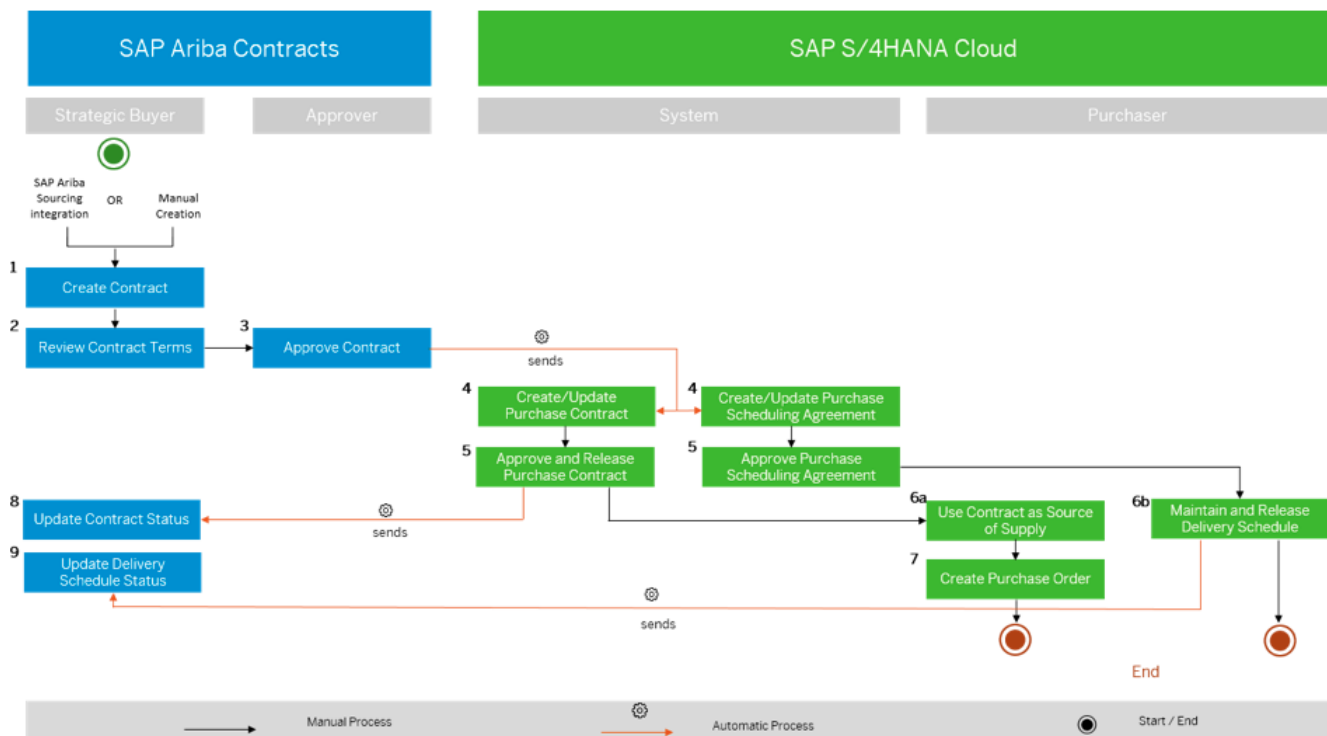
Contract Lifecycle Management is a critical business process, enabling organisations to create, negotiate, and manage contracts more efficiently, compliantly and effectively throughout their entire lifecycle, from creation to termination. Both SAP Ariba Contracts and Icertis Contract Intelligence (ICI) offer robust solutions, but they approach it with different features and capabilities.

Option A: SAP Ariba Contracts

SAP Ariba Contracts is a comprehensive contract lifecycle management (CLM) solution that offers a wide range of features designed to streamline and enhance the contract management process. It is designed to help organisations manage the entire contract lifecycle, from initial drafting through approval, execution, and renewal or expiration. The Contract Workspace is a central component of this solution, providing a collaborative online environment where procurement and legal teams can work together on contract creation, negotiation, and management.

Overall, the solution is functionally sufficient for core requirements, but it is obviously designed with the broader SAP application/ network ecosystem in mind. As a standalone CLM solution, it is not a popular choice for non-SAP customers due to its outdated user interface and heavy dependency on Microsoft Word, and lack of native support for bleeding edge features like native AI based contract analytics, clause-level risk scoring, word online editing, advanced authoring and redlining and deviation workflow management.

SAP Ariba Contracts can integrate with S/4HANA, ensuring that contract data is synchronised with core business processes, such as procurement, finance, and sales. It enables buyers to perform strategic sourcing activities and to integrate prices from SAP Ariba Contracts into operational systems, that is, SAP S/4HANA Cloud. This integration supports compliance and operational efficiency by aligning contract management with business execution.



Strengths:

- **Centralised Contract Repository:** It serves as a single source of truth for all contract-related documents and information, making it easier to store, search, and retrieve contracts across the organisation.
- **Template and Clause Library:** It provides a comprehensive library of pre-approved templates and clauses that help standardize contracts across the organization, ensuring compliance and reducing the time required for drafting contracts.
- **Collaboration Tools:** The platform offers collaboration tools that enable multiple stakeholders to work on a contract simultaneously. This feature facilitates real-time feedback and revisions, speeding up the contract creation process.
- **Guided Authoring:** The platform offers guided authoring capabilities, which can help users create contracts by guiding them through a step-by-step process, making it easier for users without legal expertise to draft contracts.
- **Integration Capabilities:** SAP Ariba Contracts can integrate with SAP Ariba's broader procurement ecosystem, allowing for seamless data flow between procurement and contract management processes. This integration can enhance the authoring process by automatically populating contracts with relevant procurement data.
- **Version Control:** It provides robust version control capabilities, ensuring that users can track changes over time and revert to previous versions if necessary. This feature is crucial for maintaining the integrity of the contract throughout the negotiation and revision process.
- **APIs and Web Services :** SAP Ariba offers APIs and web services that enable integration with third-party systems, including CRM, CLM, and ERP systems from other vendors. This flexibility is crucial for organizations with diverse IT landscapes, allowing them to maintain a single source of truth for contract data across all their systems.

Limitations:

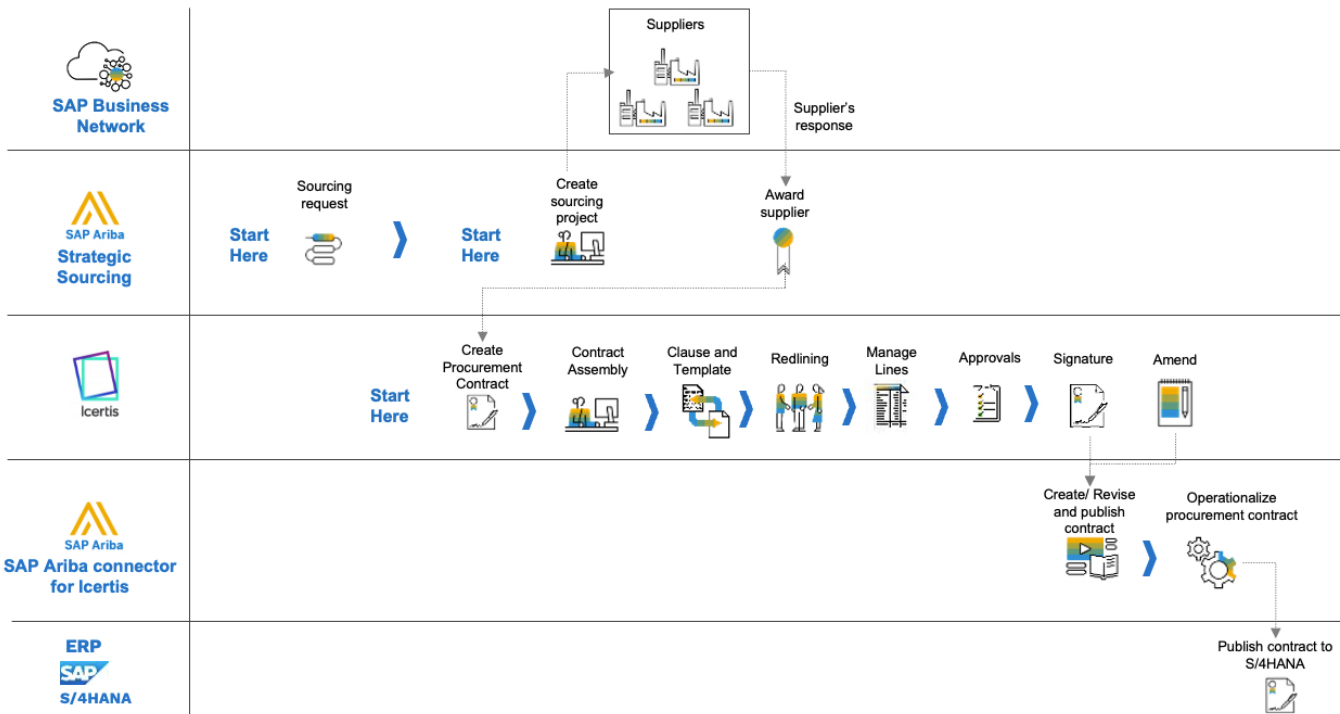
- **User Interface:** Some users find the SAP Ariba Contracts user interface to be less intuitive and outdated compared to other solutions, which may impact user adoption and require additional training.
- **Customisation and Flexibility:** While SAP Ariba Contracts is highly configurable, there may be limitations in terms of customisation options for organisations with very specific or unique contract authoring needs.
- **Contract analytics:** Contract analytics and advanced AI support is a major gap for SAP Ariba Contracts. There is missing ability to extract metadata, clauses and obligations, and convert standard contracts to smart contracts. In addition, its risk modeling is heavily supplier-centric. While it contains a rare ability to dynamically influence authoring via supplier risk scores, it today lacks a clause-level risk tracking capability that would allow users to summarize the inherent risk of an agreement due to the compliance failures or unfavorable risk positions that it contains.
- **Microsoft Word dependency:** Users must use Microsoft Word to edit assembled contract documents and to use the Clause Library.
- **Multilingual support:** SAP Ariba Contracts has limited support for multilingual contracting. The system itself is available in 25 languages, but there is not yet support for cross-language contracting via search or master data management for terms across different jurisdictions.

Option B: Icertis Contract Intelligence (ICI)

Icertis brings the contract intelligence that provides companies the ability to dynamically assemble and analyze contracts in the context of the systems and processes that drive the business forward. Integration with SAP Ariba Sourcing and S/4HANA enables intelligent, buy-side and organization-wide contracting, and enables to optimize the performance of contracts that are produced as a result of various business scenarios. Furthermore, it provides the capabilities to collaborate with both internal and external stakeholders for contracts and offers full traceability of signatures, and responsibilities.

The intelligent contract authoring capabilities offered by ICI include self-service contract management, rule-based contract authoring, dynamic assembly of clauses and documents, and advanced negotiation and collaboration features.

In addition, the buyers can leverage the Artificial Intelligence capabilities of ICI to convert existing legal contracts to smart contracts, and to assemble, review, and negotiate new contracts.



Strengths:

- **AI and Machine Learning:** Icertis leverages AI to analyze contract clauses and identify potential risks, ensuring compliance and alignment with organizational policies. Additionally, it provides insights into contract performance and potential issues, enabling proactive management.
- **Comprehensive Contract Lifecycle Management:** Covers the entire contract lifecycle from creation and negotiation to execution, performance monitoring, and renewal or termination. It offers a repository of pre-approved templates and clauses to ensure consistency and compliance. ICI also sends automated notifications and alerts to relevant stakeholders about contract milestones, expirations, and renewals. It supports eSignature with DocuSign and Adobe Sign.
- **Robust Collaboration and Redlining:** The platform enables multiple stakeholders to collaborate on contract creation and negotiation in real-time. Redlining allows users to mark changes, suggestions, and comments directly on the contract document, facilitating transparent and efficient negotiations. Additionally, deviation capabilities can list all contract clauses that deviate from the standard library clauses, highlighting those that have been manually altered in the contract.
- **Compliance and Risk Management:** Comprehensive compliance management tools with risk scoring and mitigation features
- **Flexibility and Customisation:** Icertis offers a highly flexible and customisable platform, allowing organisations to tailor the contract authoring process to their specific needs. This includes custom templates, clauses, and workflows.
- **User Experience:** Icertis is often praised for its intuitive user interface and user experience, which can facilitate quicker user adoption and reduce the need for extensive training. It provides customizable dashboards and reports that offer insights into contract performance, compliance, and risk.
- **Analytics and Reporting:** Powerful analytics and reporting tools. Dashboards for tracking contract performance, compliance, and risk.
- **Gartner Magic Quadrant:** Icertis was recognized as a leader in the Gartner Magic Quadrant for Contract Lifecycle Management last year.

Limitations:

- **Cost:** The advanced features and capabilities of Icertis may come at a higher cost, with additional expenses associated with customization, integration, and ongoing support and maintenance.
- **Integration challenges:** While Icertis can be directly integrated with SAP Ariba Sourcing, it currently lacks direct integration with S/4HANA for contract operationalization. However, as a strategic partner of SAP, their engineering team is collaborating with SAP on this integration, which is expected to be available soon. In the meantime there can be leveraged SAP Ariba connector for Icertis that allows operationalization of contracts with S/4HANA via SAP Ariba Contracts.

Option C: Convergence

This is only a theoretical unsustainable option because this custom tool is a simple contract repository, which is missing some of the most important functionalities of a Contract Lifecycle Management (CLM) system:

- Contract authoring
- Collaboration Tools
- Compliance Management
- Integration Capabilities

Convergence is a standalone system, unable to receive awards from SAP Ariba Sourcing events or automatically generate operational contracts in SAP ERP system.

Evaluation

The decision matrix provided below offers a structured approach to evaluating and comparing three options for Contract Lifecycle Management solution. Each option is assessed based on various criteria, including ease of use, learning curve, contract repository, contract analysis, clause library support, advanced contract authoring and redlining, e-signatures, risk management, integration implementation costs, maintenance costs, and license and subscription fees. These criteria are assigned weights based on their relative importance to the decision-making process. For each option, ratings are assigned to indicate how well it meets each criterion. The ratings are then multiplied by the corresponding weights, and the weighted scores are summed up to calculate the total score for each option.

Based on the comprehensive evaluation using the decision matrix provided, for organisations running SAP S/4HANA Cloud, **the recommended Contract Lifecycle Management system is Icertis Contract Intelligence** that offers advanced AI and machine learning capabilities that analyze contract clauses and identify potential risks, ensuring compliance and proactive management. It provides comprehensive end-to-end contract management, from creation and negotiation to execution and renewal, with robust collaboration and redlining features for real-time stakeholder engagement. The platform seamlessly integrates with SAP Ariba Sourcing, and although it currently lacks direct integration with S/4HANA for contract operationalization, as a strategic partner of SAP, their engineering team is collaborating with SAP on this integration, which is expected to be available soon. In the meantime there can be leveraged SAP Ariba connector for Icertis that allows operationalization of contracts with S/4HANA via SAP Ariba Contracts.

While all options have their merits and drawbacks, Option B demonstrates the highest overall ranking, indicating its overall alignment with the specified criteria and weighted priorities.

Both SAP Ariba Contracts and Icertis offer powerful enhanced authoring capabilities, but their approaches and strengths differ. SAP Ariba Contracts (option A) is deeply integrated with the SAP ecosystem, making it a strong choice for organisations already using SAP products. Its collaboration tools and template library are particularly beneficial for standardising contract processes. Icertis (option B), on the other hand, emphasises the use of AI and machine learning to optimise the contract authoring process, making it a good fit for organisations looking to leverage advanced technologies to improve contract quality and compliance. Its flexibility and support for smart contracts also offer a modern approach to contract management.

Criteria	Weight	Option A	Option B	Option C
		SAP Ariba Contracts	Icertis Contract Intelligence	Convergence
Ease of Use - User Experience	VH	High	Very High	High
Learning curve - Change Management	VH	Medium	High	High
Contract Repository	H	High	Very High	High
Templates	H	High	High	Low
Search / Discovery	M	Medium	Very High	Medium
Legacy Contract Analysis	M	Medium	Very High	Low
Version Control & Audit Trail	H	Very High	Very High	Low
Clause Library and Authoring	VH	High	High	Low
Advanced Authoring and Negotiation	H	Very High	Very High	Low
Word Online Editing	H	Very High	Very High	Low
Mass Amendments	M	High	High	Low
E-signatures	M	High	Very High	Low

Projects	M	Very High	High	Low
Risk Management	M	Very High	Very High	Low
Multilingual Contracting	L	High	High	Low
Search - discovery	M	Very High	Very High	Medium
Contract Creation from Awards	VH	High	High	Low
Contract Operationalization	VH	Very High	High	Low
Integration	VH	High	High	Low
Implementation Costs	H	High	Medium	Medium
Maintenance Costs	VH	Very High	Medium	Low
Licenses & Subscriptions	VH	Very High	High	Medium
Overall		Medium	High	Low

See also

File	Modified
File Meeting Minutes - Business Review of KDD - Procurement Contract Lifecycle Management.eml	Sept 11, 2024 by FALL-ext, Cheikh
Microsoft Word Document Meeting Minutes - Business Review of KDD - Procurement Contract Lifecycle Management.docx	Aug 21, 2024 by RUSNAK-ext, Peter
PDF File Gartner Reprint - Magic Quadrant for Contract Lifecycle Management.pdf	Aug 15, 2024 by WENNINGER-ext, Sascha

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Change log

Version	Published	Changed By	Comment
CURRENT (v. 24)	Aug 19, 2024 14:52	RUSNAK-ext, Peter	
v. 23	Aug 14, 2024 17:29	RUSNAK-ext, Peter	
v. 22	Aug 14, 2024 17:11	RUSNAK-ext, Peter	
v. 21	Aug 14, 2024 16:33	RUSNAK-ext, Peter	
v. 20	Aug 14, 2024 15:35	RUSNAK-ext, Peter	
v. 19	Jul 25, 2024 09:59	WENNINGER-ext, Sascha	
v. 18	Jul 23, 2024 15:02	RUSNAK-ext, Peter	
v. 17	Jul 22, 2024 12:12	RUSNAK-ext, Peter	
v. 16	Jul 17, 2024 11:02	WENNINGER-ext, Sascha	
v. 15	Jul 03, 2024 12:03	WENNINGER-ext, Sascha	updated heading to match revised template

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Workflow history

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Workflow history

This view shows the 5 most recent entries. The complete workflow log is available from the 'Document Activity' menu item.

Aug 21, 2024	Actor	Type	Activity	Version
Approved	 FALL-ext, Cheikh	State	changed state to Approved at 3:06 pm	v24
Pending SteerCo Review	 FALL-ext, Cheikh	State	gave <i>Final Approval</i> approval at 3:06 pm	
		State	changed expiry date to '04 Sept, 2024 03:06 pm' at 3:06 pm	
		State	changed state to Pending SteerCo Review at 3:06 pm	v24
Pending Stakeholder Review	 FALL-ext, Cheikh	State	gave <i>Stakeholder Review</i> approval at 3:06 pm	
		State	changed expiry date to '28 Aug, 2024 03:06 pm' at 3:06 pm	
		State	changed state to Pending Stakeholder Review at 3:06 pm	v24
Edited following DA Endorsement	 FALL-ext, Cheikh	State	gave <i>Minor change</i> approval at 3:06 pm	
Aug 19, 2024				
	RUSNAK-ext, Peter	Edit	updated the page at 2:52 pm	
		State	changed state to Edited following DA Endorsement at 12:52 pm	v24