

KDD033 - Procurement Contract Authoring

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Issue

Although procurement contracts are stored and managed in the Convergence system, the process of authoring, reviewing, and approving those contracts prior to signature is manual and fragmented, making it susceptible to compliance issues and risk management challenges. An opportunity exists to introduce more structure into the contract authoring process by implementing a specialised system to enhance the efficiency, accuracy, and compliance with company standards and mandates of the contract authoring process, and potentially also reduce the effort required in Legal review of often boilerplate contract documents.

Recommendation

Icrtis Contract Intelligence (ICI) is recommended as the Procurement Contract Authoring tool for Syensqo. This recommendation is based on several key factors, including advanced AI and machine learning capabilities, robust contract authoring, collaboration and redlining, and risk management that analyze contract clauses and identify potential risks, ensuring compliance and proactive management.

It is also recommended to use Icrtis as the Contract Lifecycle Management (CLM) solution.

Background & Context

At the moment, Convergence is used as a procurement contract repository system at Syensqo. It is a custom tool that was developed on top of Salesforce, which lacks functionalities for contract authoring, redlining, collaboration and compliance management.

New Contract Lifecycle Management (CLM) tool should also include contract authoring, a critical phase in the contract lifecycle management process, involving the creation and drafting of contract documents. This process is foundational to establishing legally binding agreements between parties and requires careful attention to detail to ensure that the terms and conditions accurately reflect the intentions and obligations of all involved. Effective contract authoring can mitigate risks, prevent disputes, and foster strong, mutually beneficial relationships between parties.

Assumptions

- Syensqo's future ERP system will be based on S/4HANA Cloud Private Edition. This is also subject to a separate KDD [KDD026 - SAP S/4HANA Deployment Model](#)
- This is a follow up to [KDD002 - Procurement Contract Lifecycle Management](#).

Constraints

- Enhanced contract authoring in SAP Ariba Contracts is relying heavily on Microsoft Word for contract authoring.
- There is currently no direct integration of Icrtis (ICI) contracts with S/4HANA. Operationalization of ICI contracts in S/4HANA can be achieved using the "SAP Ariba connector for Icrtis," which utilizes SAP Ariba Contracts as a passthrough, or through a custom integration. As a strategic partner of SAP, Icrtis is currently collaborating with SAP on a direct integration, which is expected to be available soon.

Impacts

- Enhanced contract authoring can significantly impact businesses and their projects in several positive ways. By streamlining the contract creation process, incorporating standardisation, and enabling collaboration, enhanced contract authoring can lead to improved efficiency, risk management, and compliance.
- While there are many benefits, organisations should also be mindful of the challenges, such as the initial investment in CLM technology, the need for training to ensure user adoption, and the potential resistance to change from traditional contract drafting processes.

Business Rules

Currently, no specific business rules have been identified, although there are a few recommendations:

- All new procurement contracts should utilize the clause libraries maintained in Icrtis
- Syensqo Legal should be responsible for keeping the library of contract clauses and templates in Icrtis accurate and up-to-date

- Contracts authored in Icertis using the clause library, without modification or changes to these clauses, should not require separate review by the Legal team

Further updates may be determined during the detailed design phase.

Options considered

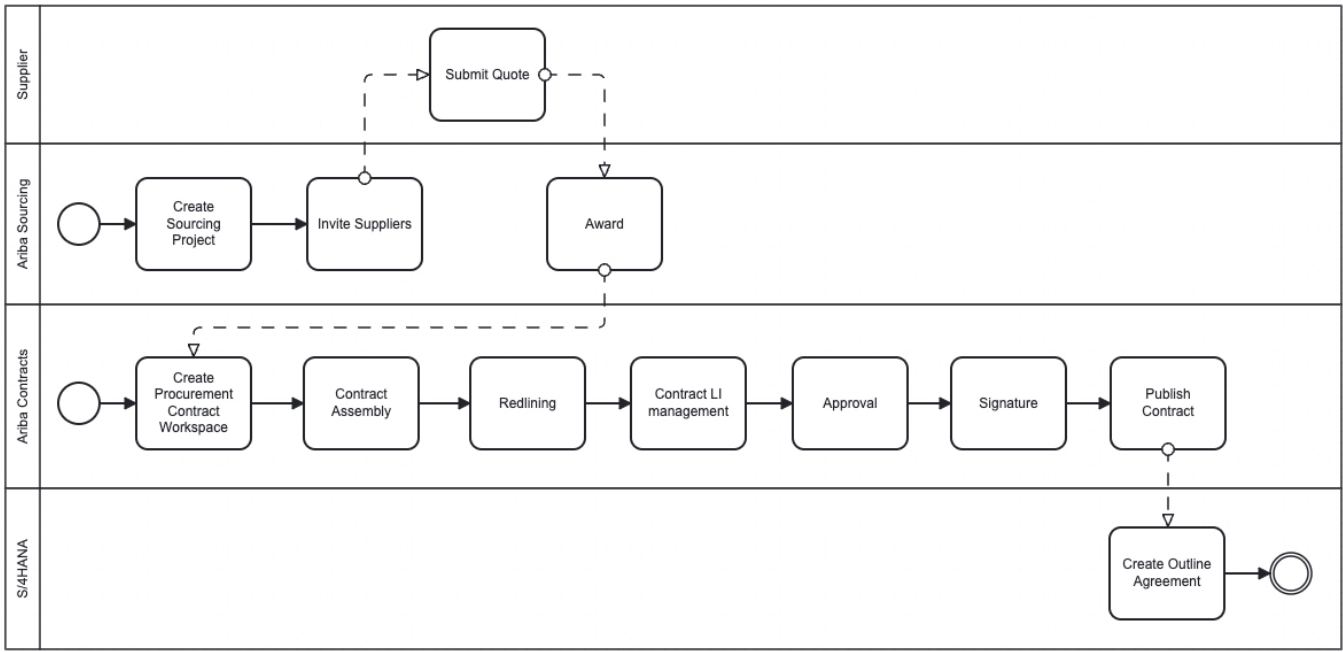
Enhanced contract authoring (ECA) is a critical feature in Contract Lifecycle Management systems, enabling organisations to create, negotiate, and manage contracts more efficiently and effectively. Both SAP Ariba Contracts and Icertis Contract Intelligence (ICI) offer robust solutions for enhanced contract authoring, but they approach it with different features and capabilities.

Option A: Authoring in 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.

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.

The illustration below describes the end-to-end workflow, which can begin either with the creation of a sourcing project and the subsequent generation of a procurement contract from the award, or directly with the creation of a procurement contract in SAP Ariba Contracts.



Strengths:

- **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.

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: Contract creation in SAP Ariba Contracts and Authoring in Icertis (ICI)

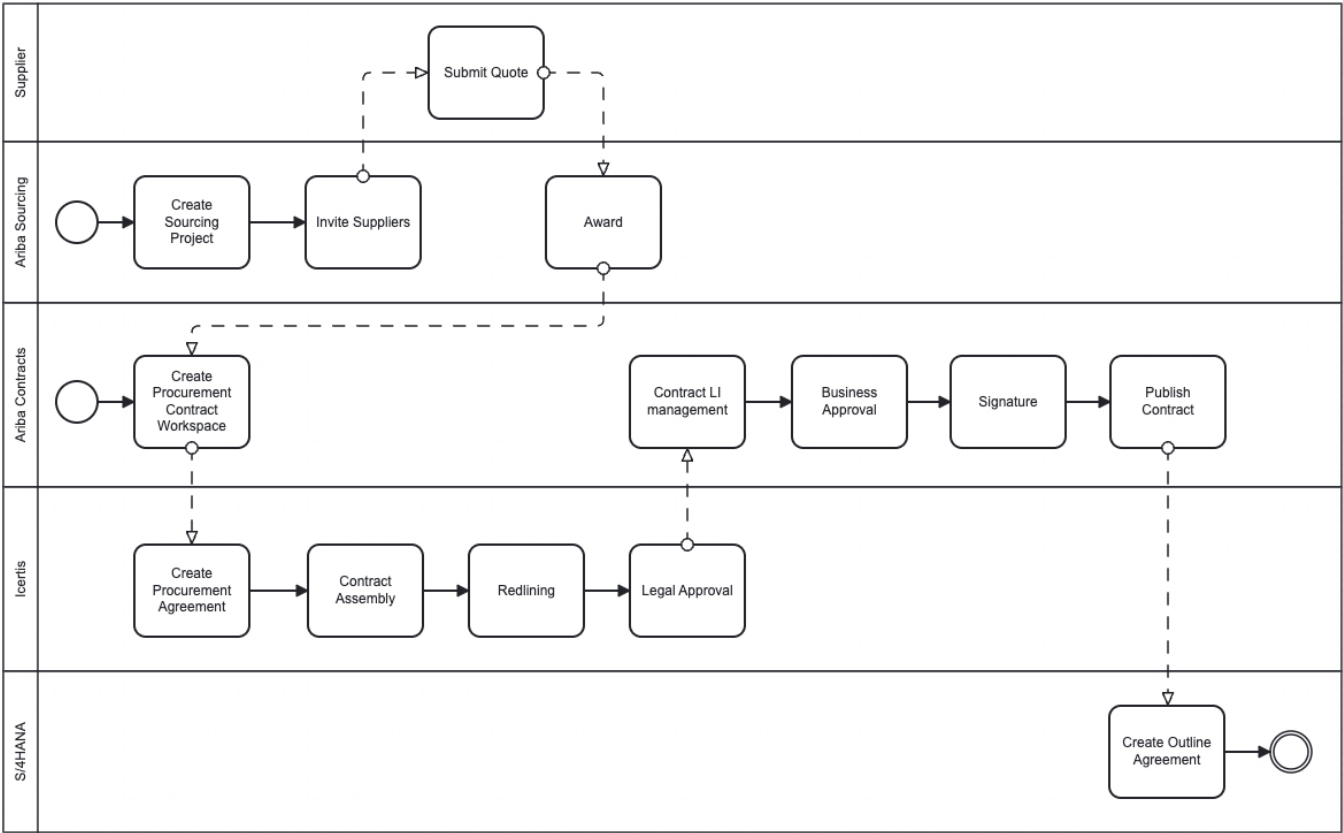
This option leverages integration capabilities of SAP Ariba Contracts with the intelligent and flexible contract authoring capabilities offered by Icertis Contract Intelligence (ICI). The intelligent contract authoring capabilities offered by ICI include self-service contract management, rule-based contract authoring, dynamic assembly of clauses and documents, and advanced negotiation and collaboration features.

The buyers can leverage the Artificial Intelligence capabilities of ICI that is integrated with a contract workspace to assemble, review, and negotiate contracts. The contract request, contract line item management, business approval, signature, publication, and amendment request are performed in SAP Ariba Contracts, while contract authoring, assembly, redlining and legal approval in ICI. Buyers can use links to navigate between SAP Ariba Contracts and the ICI interface, after a contract is created or amended.

The tasks that are delegated to ICI include:

- Assembly of contractual documents like the Main Agreement, contract addendums, and other standard project documents.
- Clause and template management.
- Redlining that includes review and negotiation of the Main Agreement document with the involved participants.
- Legal approval that can be based on individual clauses or their deviation from the clause library

The illustration describes the end-to-end workflow, which can begin either with the creation of a sourcing project and the subsequent generation of a procurement contract from the award, or directly with the creation of a procurement contract.



Strengths:

- **AI and Machine Learning:** Icertis leverages artificial intelligence (AI) and machine learning to enhance the contract authoring process. Its AI capabilities can analyse existing contracts to suggest clauses and terms, predict potential risks, and recommend best practices. This can significantly reduce the time and effort required to draft contracts while improving their quality and compliance.
- **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.
- **Smart Contract Management:** Beyond traditional text-based contracts, Icertis supports the management of smart contracts, which can automatically execute certain terms under predefined conditions. This forward-looking approach can offer significant advantages in terms of efficiency and enforcement of contract terms.
- **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.
- **Comprehensive Integration:** SAP Ariba Contracts can be seamlessly integrated with Icertis Contract Intelligence (ICI) to leverage the intelligent and flexible contract authoring capabilities offered by ICI. Published contracts in SAP Ariba Contracts can subsequently be operationalized into outline agreements or scheduling agreements in S/4HANA.

Limitations:

- **Cost:** The advanced features and capabilities of Icertis may come at a higher cost. Ongoing subscription costs would be necessary for both SP Ariba Contracts and Icertis.
- **Complexity for Smaller Needs:** For organisations with relatively simple contract management needs, the extensive capabilities and options offered by Icertis may be more than necessary, potentially complicating the contract authoring process.
- **Approval:** Approval in both Icertis and Ariba Contracts, in order to leverage legal approval based on clause modifications, requires a 2 step approval process.

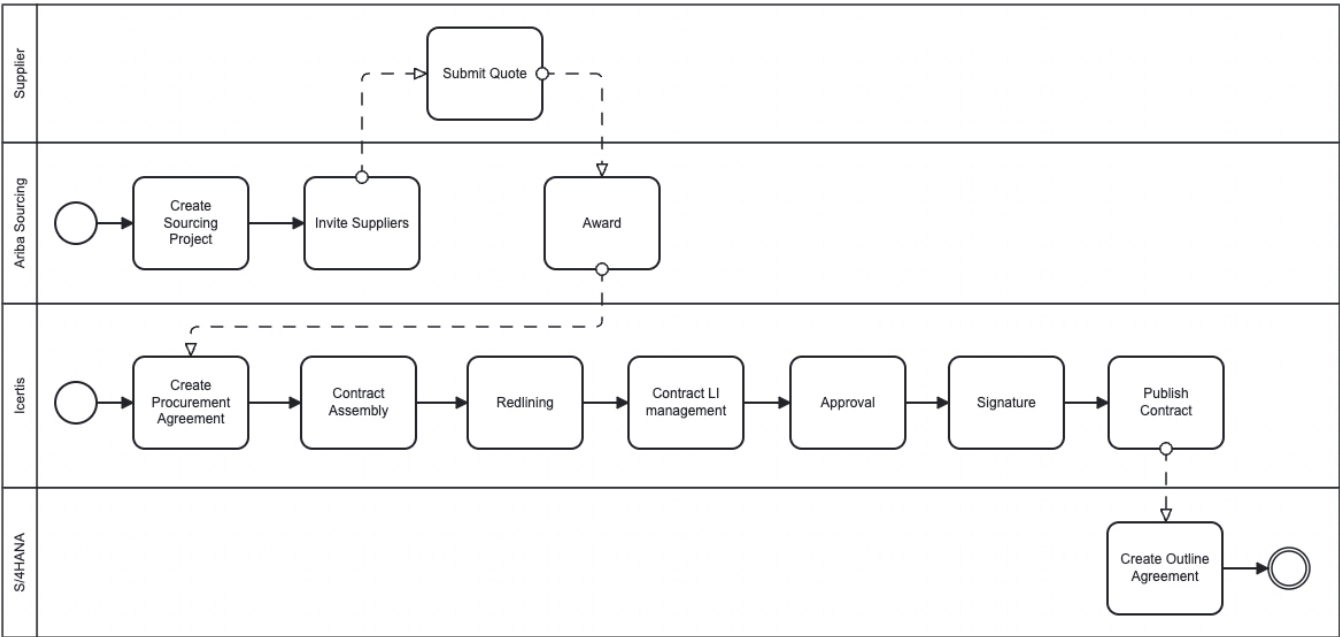
Option C: CLM with Authoring in Icertis (ICI)

In this scenario, Icertis Contract Intelligence (ICI) replaces SAP Ariba Contracts as the Contract Lifecycle Management (CLM) solution.

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.
- **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.
- **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.

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, there is currently no direct integration of ICI contracts with S/4HANA. Operationalization of Icertis (ICI) contracts in S/4HANA can be achieved using the "SAP Ariba connector for Icertis," which utilizes SAP Ariba Contracts as a passthrough, or the "ICI for S/4HANA Buy-side adapter," which uses SAP ECM as a passthrough, or through a custom integration. However, Icertis is collaborating with SAP on a direct integration, which is expected to be available soon.

Evaluation

The decision matrix provided below offers a structured approach to evaluating and comparing three options for enhanced procurement contract authoring. 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 option for enhanced procurement contract authoring 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. Once fully integrated, it can replace SAP Ariba Contracts as the Contract Lifecycle Management (CLM) solution at Syensqo.

While all options have their merits and drawbacks, Option C 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 C), 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.

Integrating SAP Ariba Contracts with Icertis (option B) might seem like an appealing idea to leverage the strengths of both Contract Lifecycle Management systems. However, there are several considerations that might make such an integration less advantageous or challenging for organisations and it should be carefully considered, weighing the potential benefits against the challenges and costs associated with additional licenses for Icertis, interfaces, increased complexity, maintenance and support challenges, and overlap in functionality.

Criteria	Weight	Option A Authoring in SAP Ariba Contracts	Option B Contract creation in SAP Ariba Contracts and Authoring in Icertis	Option C CLM with Authoring in Icertis
Ease of Use - User Experience	VH	Medium	High	Very High

Learning curve - Change Management	VH	High	Medium	High
Contract Repository	H	High	High	Very High
Legacy Contract Analysis	M	Low	Medium	Very High
Version Control & Audit Trail	H	High	Very High	Very High
Clause Library and Authoring	VH	High	High	High
Advanced Authoring and Negotiation	H	High	Very High	Very High
Word Online Editing	H	Low	Very High	Very High
Mass Amendments	M	High	High	High
E-signatures	M	High	High	Very High
Projects	M	Very High	Very High	High
Risk Management	M	Low	Very High	Very High
Multilingual Contracting	L	Low	High	High
Search - discovery	M	Medium	Very High	Very High
Contract Creation from Awards	VH	Very High	High	High
Contract Operationalization	VH	Very High	Very High	High
Integration	VH	Very High	High	High
Implementation Costs	H	Medium	High	Medium
Maintenance Costs	VH	Medium	Very High	Medium
Licenses & Subscriptions	VH	Medium	Very High	High
Overall		Low	Medium	High

See also

Related KDD: [KDD002 - Procurement Contract Lifecycle Management](#)

File	Modified
File Meeting Minutes - Business Review of KDD - Procurement Contract Authoring.eml	Sept 11, 2024 by FALL-ext, Cheikh
Microsoft Word Document Meeting Minutes - Business Review of KDD - Procurement Contract Authoring.docx	Aug 21, 2024 by RUSNAK-ext, Peter

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Change log

Version	Published	Changed By	Comment
CURRENT (v. 33)	Aug 15, 2024 09:44	WENNINGER-ext, Sascha	
v. 32	Aug 15, 2024 09:43	WENNINGER-ext, Sascha	
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v. 29	Aug 14, 2024 15:28	RUSNAK-ext, Peter	
v. 28	Aug 14, 2024 12:35	WENNINGER-ext, Sascha	
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v. 25	Aug 14, 2024 11:35	RUSNAK-ext, Peter
v. 24	Aug 14, 2024 11:30	RUSNAK-ext, Peter

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Workflow history

Title	Last Updated By	Updated	Status
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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 1:51 pm	v33
Pending SteerCo Review	 FALL-ext, Cheikh	State	gave <i>Final Approval</i> approval at 1:51 pm	
		State	changed expiry date to '04 Sept, 2024 01:51 pm' at 1:51 pm	
		State	changed state to Pending SteerCo Review at 1:51 pm	v33
Pending Stakeholder Review	 FALL-ext, Cheikh	State	gave <i>Stakeholder Review</i> approval at 1:51 pm	
Aug 15, 2024				
	WENNINGER-ext, Sascha	Edit	updated the page at 9:43 am	
	WENNINGER-ext, Sascha	State	changed expiry date to '22 Aug, 2024 07:45 am' at 7:45 am	
		State	changed state to Pending Stakeholder Review at 7:45 am	v33