Kodiak Hub's

Contract Lifecycle Management Template

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AGENDA

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Contract Management Definition & Process

"The process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk"

| CONTRACT CREATION | CONTRACT APPROVAL | CONTRACT STORAGE | CONTRACT EXECUTION | CONTRACT CLOSURE |

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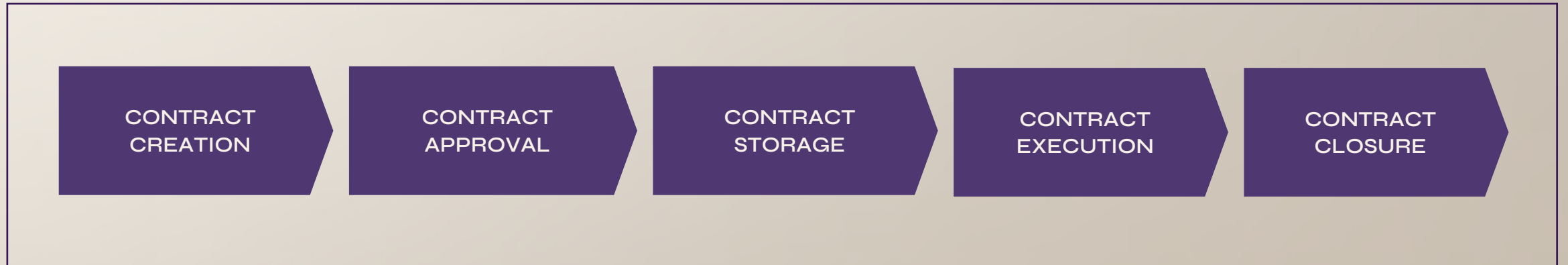
Contract Management Analysis Framework

1. Contracts
- Compilation of active procurement agreements

2. Governance
- Review of current strategies and policies regarding Contract Management

3. Process
- Review of current Contract Management processes
- Review of pre-requisites for facilitation of contract complicance in the Contract Management process

4. Templates
- Compilation of available standard contract templates
- Review how standard templates are used

5. Systems
- Review of the tools currently used in the Contract Management Process
- Review of tools available that could be used to leverage the Contract Management Process

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Contract Management Process

Primary Differences

CONTRACT CREATION	CONTRACT APPROVAL	CONTRACT STORAGE	CONTRACT EXECUTION	CONTRACT CLOSURE

- Different contract templates
- Different levels of involvement by technically responsible
- Varying degree of Legal involvement & support

- Different contract approval responsibilities
- Different signing policies
- Different ownership responsibilities

- Storage in different locations
- Differing pre-requisities for enabling searchability, alert functions, etc.

- Different degree of contract implementation
- Different degree of contract follow-up
- Different pre-requisites for contract compliance

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Facilitation of Contract Compliance
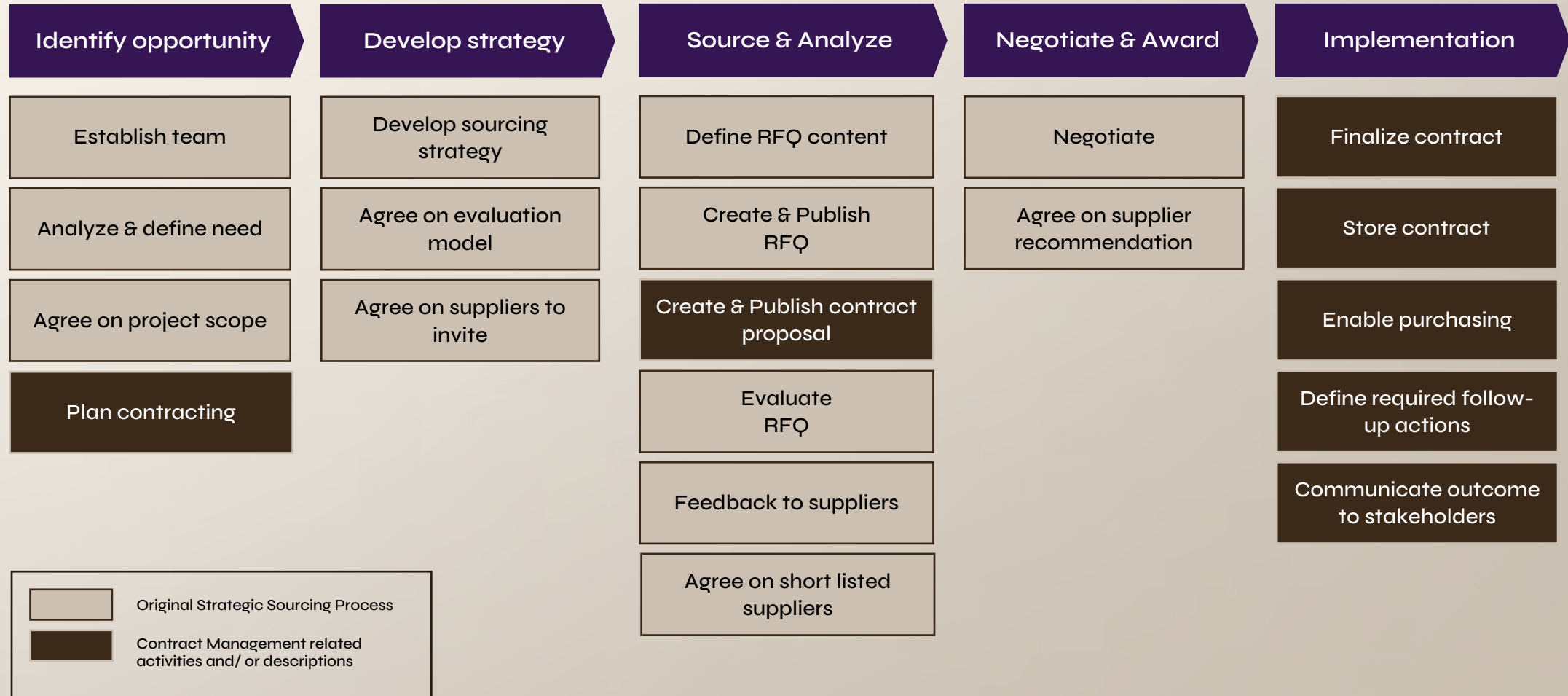
Contract Management process

- Contracts are not properly implemented leading to limited knowledge from call-off organization of how to use the contracts in the right way

- The call-off process, invoicing process, and price updating process are not defined well enough in the contracts to enable & facilitate correct measurement & follow up of contract compliance in systems

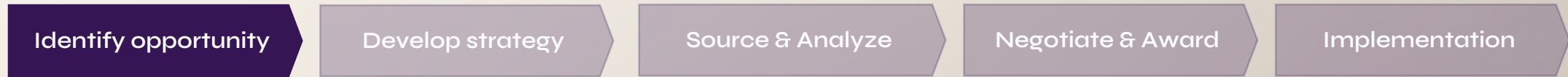## Integration between Sourcing & Supply

- Unclear handover from Sourcing to Supply after signing of contract

- Limited cooperation and understanding between Sourcing & Supply

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Area	Problem Area	Description
1. Contracts	Overview & control	Limited overview and control over-active contracts
	Manual handling	Manual & time-consuming work needed in order to review status for current contracts
	Indata in system	Contract information in systems is not currently up-to-date
2. Governance	Strategy	Undefined governance & strategy for contract management
	Roles & responsibilities	Undefined roles & responsibilities regarding contract management
	Risk management	Undefined requirements for risk management & thereby unspecified current risks
	Policies	Unclear policy for approval, signing, Legal involvement, etc.
3. Process	Contract management process	No standardized contract management process
	Roles & responsibilities	Undefined roles & responsibilities regarding for the contract management process
	Supply	Call-off, invoicing, and price updating processes not well defined or implemented
	Supply	Limited linkages & understanding between Sourcing and Supply
4. Templates	Standard contract templates	Existing contract templates not applicable for all procurement cases
	Standard contract templates	Standard contract templates & appendices not viewed & approved by Group Procurement
	Standard contract templates	No common repository or access to standard contract templates
	Standard contract templates	No standardization in use of standard contract templates
	Standard contract templates	No proper implementation of standard contract templates
	Standard contract templates	No defined ownership or change handling for standard contract templates
5. Systems	Storage	Several different places currently for storage of contracts
	Visibility	Limited visibility over contracts
	Searchability	Limited searchability of contracts today
	Alerts	Limited use of available alert functions
	Reporting & analytics	Limited possibility for reporting & analytics
	Compliance	Limited possibility to follow contract compliance

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Strategic Sourcing Process with Enlightened Contract Management Activities

Identify opportunity	Develop strategy	Source & Analyze	Negotiate & Award	Implementation
Establish team	Develop sourcing strategy	Define RFQ content	Negotiate	Finalize contract
Analyze & define need	Agree on evaluation model	Create & Publish RFQ	Agree on supplier recommendation	Store contract
Agree on project scope	Agree on suppliers to invite	Create & Publish contract proposal		Enable purchasing
Plan contracting		Evaluate RFQ		Define required follow-up actions
		Feedback to suppliers		Communicate outcome to stakeholders
		Agree on short listed suppliers		

Legend:
- Original Strategic Sourcing Process
- Contract Management related activities and/ or descriptions

Strategic Sourcing Process with Enlightened Contract Management Activities

| Identify opportunity | Develop strategy | Source & Analyze | Negotiate & Award | Implementation |

ACTIVITIES	INPUT	ACTIVITY DESCRIPTION	ACCOUNTABLE	OUTPUT
Establish team	• Key stakeholders (functions or names)	• Identify persons that will contribute in sourcing initiative • Clarify roles and expectations • Collect contact information (if not available) • For persons new to the process, hold introduction	• Procurement	• Sourcing initiative stakeholder list
Analyze & define need	• Initiative background and goal	• Review current need descriptions • Check if need has or should be changed • Investigate if need can be fulfilled in a different way	• Stakeholder(s) • Stakeholder(s) • Procurement	• Updated description of need
Agree on project scope	• Project goal • Project purpose	• Establish a time plan for the initiative • Clarify what is included in scope (contracts, suppliers, sites, departments, products, services) • Clarify what is excluded from scope	• Procurement	• Template populated, if necessary with attached supporting documentation
Plan contracting	• Sourcing initiative • Checklist – Contract risk identification • Template – Contract risk analysis	• Define contracting activities that needs to be done • Start the contract risk analysis process • Identify persons/departments that needs to be informed about the contracting process & inform them (Legal, Supply, etc.) • Include the time plan for the contracting process in the overall time plan for the sourcing initiative	• Procurement	• Activities • Risk analysis started • Informed persons/dep. • Time schedule

Strategic Sourcing Process with Enlightened Contract Management Activities

| Identify opportunity | Develop strategy | Source & Analyze | Negotiate & Award | Implementation |

ACTIVITIES	INPUT	ACTIVITY DESCRIPTION	ACCOUNTABLE	OUTPUT
Develop sourcing strategy	• Sourcing strategy definitions	• Select applicable sourcing strategies • Identify teams for evaluation and negotiation • Develop proposal of RFI, RFQ (including # of rounds) and e-Auction to be used	• Procurement	• Sourcing strategy (ies) to use • RFx structure
Agree on evaluation model	• Gross list of common evaluation criteria	• Review common evaluation criteria and specify in greater detail if necessary • Determine weight of the different criteria involved	• Procurement	• Agreed evaluation model
Agree on suppliers to invite	• List of previous suppliers	• Review list of suppliers contacted in the past • Perform supplier market analysis to find new alternatives • Discuss suppliers to include / exclude	• Procurement	• Agreed supplier long list

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Strategic Sourcing Process with Enlightened Contract Management Activities

Identify opportunity	Develop strategy	**Source & Analyze**	Negotiate & Award	Implementation

ACTIVITIES	INPUT	ACTIVITY DESCRIPTION	ACCOUNTABLE	OUTPUT
Define RFQ content	• Updated description of need	• Collect specifications of products and / or services to be tendered from responsible stakeholders • Verify that specifications matches needs description	• Stakeholder(s)	• Specifications of high quality
Create & publish RFQ	• RFx strategy • Specifications of high quality • Evaluation criteria	• Create RFQ structure and documentation that enables effective evaluation of the required information • Set deadline for submission • Distribute RFQ to invited suppliers	• Procurement	• RFQ distributed to long list of suppliers
Create & publish contract proposal	• Instruction – Contract Management • Guidelines – Standard contract templates • Standard contract templates	• Select standard contract template to be used based on the relevant instructions and guidelines • Determine contract language to be used for the contract • Make necessary modifications to the standard contract template to suite the specific case • Develop a contract proposal • Publish the contract proposal together with the RFQ	• Procurement	• Contract proposal
Evaluate RFQ	• Evaluation criteria • Quotes from suppliers	• Review supplier bids and determine quality of responses against evaluation criteria • Perform analysis of improvement areas in supplier bids	• Procurement	• Ranking of supplier bids • Improvement areas for each bid
Feedback to suppliers	• Ranking of supplier bids • Improvement areas for each bid	• Notify suppliers with feedback on their bids • For the relevant bids, provide chance to update based upon identified improvement areas	• Procurement	• Updated bid from suppliers

Strategic Sourcing Process with Enlightened Contract Management Activities

Identify opportunity	Develop strategy	Source & Analyze	Negotiate & Award	Implementation

ACTIVITIES	INPUT	ACTIVITY DESCRIPTION	ACCOUNTABLE	OUTPUT
Negotiate	• Supplier bids from short-listed suppliers • Contract proposal (draft) • Guideline – Room for negotiation	• Identify negotiation agenda for each supplier • Determine best possible and acceptable outcomes • Run negotiations	• Procurement	• Negotiated contract • Updated supplier bids
Agree on supplier recommendation	• Negotiated contract • Updated supplier bids	• Evaluate final bids from supplier, including terms and conditions in contract proposal • Agree on recommended option	• Procurement	• Analysis of final bids from suppliers • Recommended supplier

Strategic Sourcing Process with Enlightened Contract Management Activities

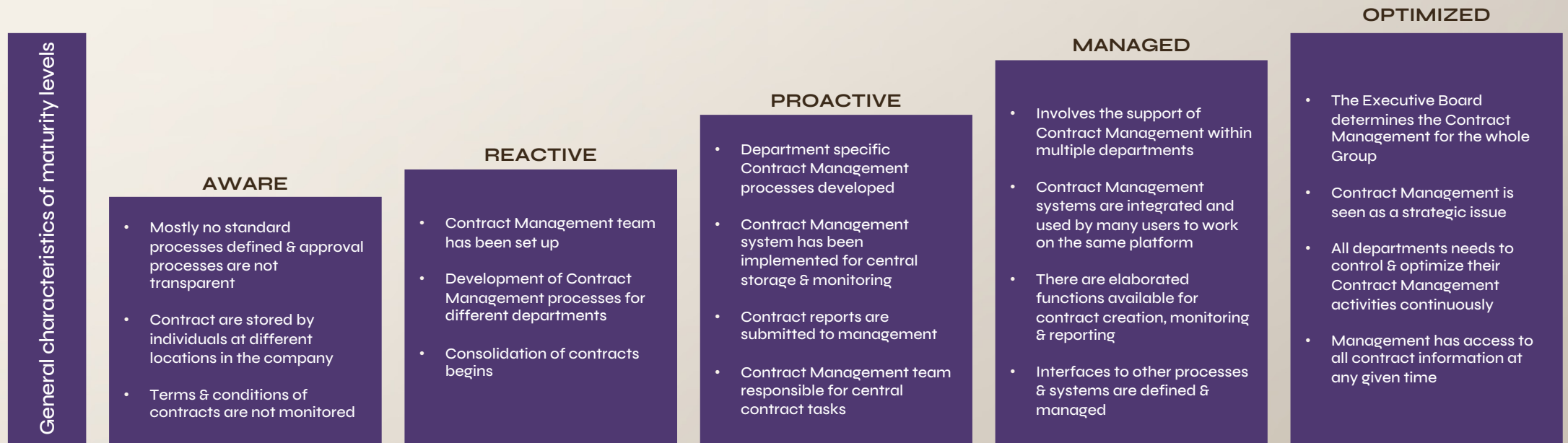| Identify opportunity | Develop strategy | Source & Analyze | Negotiate & Award | Implementation |

ACTIVITIES	INPUT	ACTIVITY DESCRIPTION	ACCOUNTABLE	OUTPUT
Finalize contract	• Negotiated contract • Template – Cover letter • Instruction – Authorization • Delegation of authorization • Supplier´s authorization documents	• Finalize contract to ready for signing • Develop contract cover letter • Give the internal signer information about the contract to be signed • Initialize contract (responsible buyer to initialize every page of the contract, including appendices) • Get internal signing of the contract based on the authorization policy • Get contract signing from the Supplier from the person who has the authority to sign the contract • Notify all suppliers remaining in the process	• Procurement	• Finalized contract • Cover letter • Signed contract • Notified suppliers
Store contract	• Instruction – Contract archiving original • Instruction – Contract archiving electronically	• Store the scanned and signed soft copy of the contract • Store the contract cover letter together with the contract • Update systems with the needed contract meta data & make a link to the stored contract • Store the signed hard copy of the contract in the local archive	• Procurement	• Stored & archived contract • Updated system data
Enable purchasing	• Finalized contract	• Secure routines with the Supplier regarding invoicing & ordering • Update Supplier information in systems if necessary • Give Supply the required information about the contract to enable them to take over the contract • Register line items in systems	• Procurement • Procurement • Procurement • Supply	• Purchasing towards agreement enabled
Define required follow-up actions	• Outstanding issues from sourcing initiative • Checklist – Contract follow up Template - Contract follow up plan	• List outstanding questions/issues from the sourcing initiative • Develop a contract follow up plan together with stakeholder(s) • Assign ownership and responsibility of all follow up actions • Communicate & hand over agreed follow up activities to affected stakeholders	• Procurement • Procurement & Stakeholder(s)	• Clear responsibilities for outstanding issues • Contract follow-up plan
Communicate outcome to stakeholders	• Finalized contract • Outstanding questions • Follow up plan	• Create list of stakeholders affected by the new contract • Communicate contract information to listed stakeholders • Hand over contract to identified stakeholders • Secure that required stakeholders has access to the contract	• Procurement	• Communicated contract

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Best Practice:
Integrated Contract Lifecycle Management

Strategic Sourcing		Contract Drafting	Contract Negotiation	Contract Authorization	Contract Signing	Contract Storage & Follow up		Call-off

E-sourcing

Contract Lifecycle Management System

Call off systems

- MS Approval

- Based on standard Templates or Clause Library

- Online Collaboration
- Redlining functionality
- MS Word integration

- Approval Workflow
- e-signatures

- Clear Authorization policy
- Standard Cover sheet
- Clear contracting parties

- Common repository for soft copies
- Secure physical archiving
- Reports
- Alerts
- Terms and pricing defined

- Call off towards predefined contract terms

Input from e-sourcing system

Pricing and terms export

- **Visibility**
- **Efficiency**
- **Control**

Assessment:
Current Contract Lifecycle Management Status

General characteristics of maturity levels

AWARE

- Mostly no standard processes defined & approval processes are not transparent
- Contract are stored by individuals at different locations in the company
- Terms & conditions of contracts are not monitored

REACTIVE

- Contract Management team has been set up
- Development of Contract Management processes for different departments
- Consolidation of contracts begins

PROACTIVE

- Department specific Contract Management processes developed
- Contract Management system has been implemented for central storage & monitoring
- Contract reports are submitted to management
- Contract Management team responsible for central contract tasks

MANAGED

- Involves the support of Contract Management within multiple departments
- Contract Management systems are integrated and used by many users to work on the same platform
- There are elaborated functions available for contract creation, monitoring & reporting
- Interfaces to other processes & systems are defined & managed

OPTIMIZED

- The Executive Board determines the Contract Management for the whole Group
- Contract Management is seen as a strategic issue
- All departments needs to control & optimize their Contract Management activities continuously
- Management has access to all contract information at any given time

Governance	●				
Processes		●			
Templates		●			
Overview & control	●				
Risk	●				
Compliance	●				
Reporting & Analytics	●				
Systems	●				

● Current state   ◆ Level to be reached with phase 1   ◇ Potential next level

Source: BearingPoint´s Contract Management Maturity Level Model

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Desired Future State

Contract Lifecycle Management System

| Control	Visibility	Efficiency	Compliance
• Standardized and controlled Contract Management Process with clear roles and responsibilities, controls and approval levels • Consistent use of standard contract templates	• Clear overview of all active contracts using a common group wide contract repository • Easy to find and sort contracts with search and filtering functionality	• Clearly defined process for contract creation, approval, signing, storage, implementation and follow-up • Easy access to updated contract templates that is fully adjusted to various types of situations • Efficient process for contract storage and upload	• Facilitation of contract compliance in the CLM process • Integration between Sourcing and Supply in the CLM process • Clear handover from Sourcing to Supply after signing of contract

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Supplier Relationships Reimagined

Turn your supplier relationships into a competitive advantage with Kodiak Hub's innovative end-to-end Supplier Relationship Management platform.

Book a demo
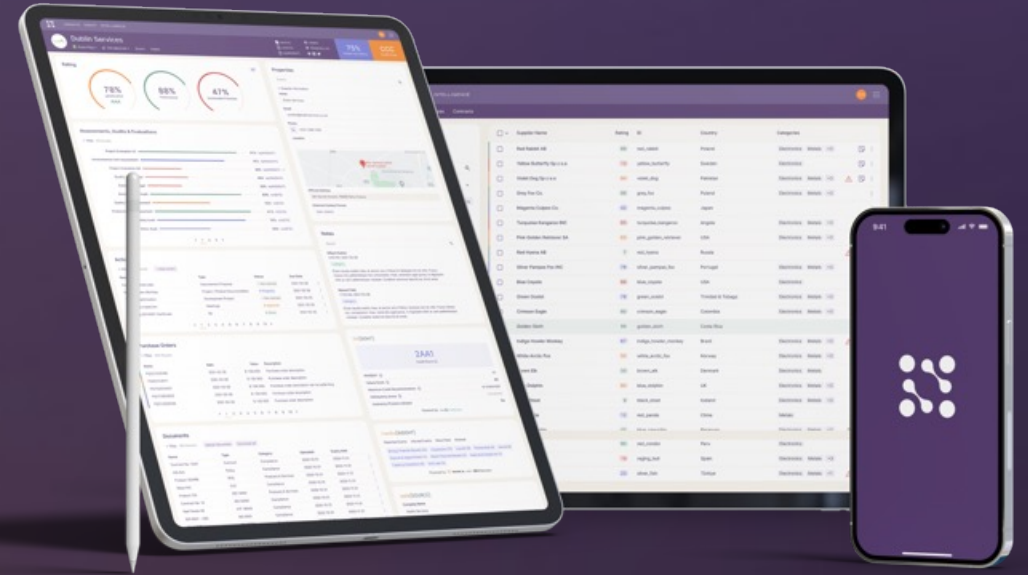
Supplier Information Management

Contract & Document Management

Onboarding & Qualification

Risk & ESG Compliance

Performance & Collaboration

Innovation & Impact

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