ECM for Supplier and Contract Management

Maximize the value of your procurement partnerships

This paper looks at current challenges and trends in supplier and contract management; what organizations should look for in a supplier and contract management solution; and the benefits a content-integrated solution can deliver to organizations running SAP business platforms.
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Introduction

Businesses are focusing more and more on procurement as an area where they can realize productivity and operational improvements. Paradoxically, however, for many organizations, the ever-increasing information flow known as Big Data—along with extended global supply chains, disconnected processes and a legacy of scattered, unintegrated information silos—has made effective procurement more difficult than ever. Despite the information challenge, many organizations continue to struggle along with multiple, discrete content management solutions and applications. Yet effective, integrated ECM (enterprise content management) can make a significant difference in these cases, especially when it comes to supplier and contract management—one area of procurement that’s ripe for improvement.

Many organizations have large numbers of old contracts stored at the functional and departmental levels. Some of those contracts have good terms and conditions that should be preserved as a future resource. Some should be deleted to conserve space and maintain overall data integrity. And some should be made readily accessible in case future legal or regulatory entities require them. Similarly, as sourcing strategies are updated, existing contracts must often be renewed to include new terms and reflect new performance indicators, and businesses need to understand all existing negotiated terms to make sure they’re adhering to them. Having ready access to both old contract resources and existing contract terms also helps ensure that any new negotiations are well positioned to achieve positive results.

Organizations running SAP business platforms know how challenging it can be to integrate such unstructured content. Contracts—along with supplier-related items like bid proposals, supplier certificates, credit verification, and supply chain manifests do not integrate easily into ERP (enterprise resource planning) and SRM (supplier relationship management) workflows. And if they are not part of a central data repository, they will not be readily available to organizational stakeholders and authorized third parties.

Organizations looking to surmount these barriers require a centralized, ECM-based solution that easily integrates with SAP business platforms. In addition to enabling a full view of supplier information from SAP and Microsoft business applications, ECM can help to improve supplier relationships and contract management, and maximize the value of supplier partnerships.
Supplier and Contract Management is about Building, Enhancing and Leveraging the Supplier Relationship

The buyer-supplier relationship is subject to a variety of changes and influences, such as new regulatory rules; reorganization and restructuring (on both sides); new products and services; updates to codes of conduct; and mandatory security and safety audits. In this shifting milieu, companies must conduct regular supplier audits and stay attuned to market information to avoid having a badly-run supplier affect their brand. On the other hand, they must also nurture long-term relationships with strong, innovative suppliers that will help drive competitive advantage. This may involve maintaining an open communication platform for sharing plans, ideas and in some cases even inventory, while of course mitigating risk through high transparency and well-defined internal controls.

With a focus on improving efficiencies, increasing savings, supporting compliance and building a healthier overall supplier relationship, effective supplier and contract management depends on several key factors. These include:

- A clear assessment and inventory of existing contracts, including digitalization and classification
- Storage of contracts in centralized locations—outside of application silos
- An efficient approval process enhanced by a 360-degree view of information
- High visibility into contractual obligations to avoid unenforceable contracts, fines, penalties and litigation
- Effective management of key contract milestones such as renewal dates
- The ability to leverage supplier relationships and negotiate discounts by using all relevant contract information
- Simplified collaboration with suppliers and legal advisors during the contracting process
- Standardized and automated contract creation—a capability inherent to leading ECM solutions

Efficient stakeholder collaboration and communication—driven by information, system and process integration across the organization—are critical to strong supplier and contract management.

To address these factors, you need to incorporate enterprise content management into a clear, end-to-end process, one that allows all structured and unstructured information to be centralized, integrated, accessible and collaboration-enabled.

Leaders that actually realize the full benefits of their hard-fought sourcing gains focus on contract management and supplier relationship management. Effectively managing supplier relationships, and the contracts put into place with them, is the key to seeing real returns and a true competitive advantage.¹

¹ The Hackett Group. “Supplier Relationship Management and Contract Compliance—The Hidden Underbelly of Sourcing Underperformance.”
Supplier and Contract Management Process

- Publish list of suppliers on portal
- Access supplier folder by selecting material group
- Compliance—retention schedules are associated to supplier folders
- Determine audit criteria for suppliers
- Store all validation reports with selected suppliers
- Manage all supplier communication
- Capture and evaluate feedback from supplier
- Manage correspondence between supplier and internal stakeholders
- Use approved document/contract templates
- Negotiate terms
- Provide multiple UIs for contract collaboration
- Use workflow for contract approvals
- Associate finalized contract with supplier folder & material group
- Notifications on renewal dates
- Associate appropriate retention schedule to content

Challenges and Trends—Supplier Relationships Can Boost or Bury Productivity

To take supplier and contract management to the next level, organizations should consider a range of potentially influential trends and challenges.

Internal collaboration and communication

Historically, there has been a lack of communication and collaboration between the procurement department and the various business functions making requisitions. This leads to a range of potential problems, such as developing relationships with unsuitable suppliers and a lack of stakeholder transparency into supplier and contract management activities. When users lack the technological capability to access information from within SAP ERP and SRM platforms and standard Microsoft Office applications, they cannot share the information needed to meet functional supply needs and negotiate effective, needs-focused contracts.
A 360-degree supplier review process  
(Encourage them to rate you as a buyer)

An honest supplier evaluation of a buyer requires full information transparency. Both parties need access to detailed data concerning disputes, delayed deliveries, quality issues and late or incorrect payments. This type of proactive escalation shows that the buyer is seriously interested in optimizing and strengthening the relationship, but it demands that strong reporting capabilities are in place to identify problems early on.

Supply chain risks

Financial issues, trade disputes, geography, lack of regulatory compliance, global catastrophes and black swans—the supply chain lies across a sea of risk. To combat this, supplier diversity is a must, as is a constant process of review and research to gather in-depth knowledge about suppliers and gauge their value and risk quotient. Additionally, a good relationship with suppliers is itself a strong reducer of risk. Mutual access to critical supplier and contract information can improve processes and enhance the buyer-supplier relationship. Suppliers like to minimize cumbersome tasks around things like documentation and certification, and applications that include client self-service capability and automatic reminders for documentation deliverables help reduce that effort. Predictable payment behavior and maintaining a high customer rating are other ways to improve the relationship, increasing the chances that a key supplier may help you by negotiating favorable contract terms in critical situations.

Improved supplier collaboration and innovation

 Suppliers are a source of knowledge and innovation that buyers can leverage to drive value. Increasingly, companies see their own success as tied to that of their suppliers, with collaboration—for example, working together on short-term payment plans to counter a down economy—the key to maximizing that equation. However, “complex supplier relationships require formalized governance and relationship management,” something organizations without ECM-ERP/SRM integration—and the comprehensive controls that integration provides—will find hard to achieve.

What Kind of Supplier and Contract Management Solution is Right for Your Organization?

Organizations often have a distributed application landscape to support their supplier and contract management needs that may consist of several SAP solutions, either standalone or in combination. These include Finance and Material Management modules for SAP ERP, SAP SRM and SAP Supplier Lifecycle Management, which allows ongoing analysis of supplier performance. These on-premise deployments are frequently combined with Ariba® cloud-based applications. As effective as these business solutions may be, implementing ECM integration as a foundational, consolidating solution can deliver significant value.


**ECM- SAP integration**

**How it works**

**SAP SRM** AND/OR **SAP ERP**

Once an organization recognizes the need to extend their SAP capabilities, what should they specifically look for in a solution? An advanced supplier and contract management solution should enable:

**A 360-degree view of supplier information**
- Easy access to complete supplier information for all procurement projects
- Secure long-term retention for all supplier-related information and communication

**Business workspaces for procurement collaboration**
- Contract preparation in collaboration with all relevant parties
- Reuse of negotiated terms, know-how and methodologies from past contracts

**Transparent communication with line-of-business and supplier**
- Effective communication with both customers and business partners
- Reduced cost and complexity of multi-channel document generation and distribution
The ability to manage content as corporate records
- Management of supplier contracts and communications as corporate records
- Automatic deletion of content at end-of-life

A structured and regulated documentation process
- Structured creation and approval process for contracts
- Collaboration with external suppliers (negotiated terms, etc.) and all stakeholders

Storage and preservation
- Proof (e.g., reception, signing) that supports disputes with suppliers/business partners or in case of litigation
- Reduced paper storage, printing and copying costs

Publishing and self-service
- Proposal preparation in collaboration with all relevant parties
- Publishing of content on internal or external portal

Over time, an effective supplier and contract management solution should increase the number of strategic suppliers as a percentage of all active suppliers, the percentage of standardized contracts in effect and the savings gained per supplier.

ECM: The Missing Link in the Supply Chain

ECM significantly simplifies supplier and contract lifecycle management. Whether you manage suppliers and contracts using a best-of-breed approach or leverage the integrated efficiency of the SAP Business Suite, a consolidated, ECM-based information repository helps prevent document silos and unreconciled information from affecting your ability to make the right decisions at the right time. Forward-thinking companies—those that become early adopters of ECM procurement solutions—should be able to:

Reduce maverick buying
- Align supplier strengths with the required goods and services by understanding line-of-business needs
- Inform all requisitioners about the right suppliers

Minimize risk
- Enforce the use of standard language and terms to improve internal and external compliance
- Reduce the risk of penalties from regulatory agencies or customers by maintaining a full audit history and retention schedules

Enhance supplier relationships
- Manage all supplier communications associated with procured goods and services to give each stakeholder an accurate overview, support decision making and enable fast response to inquiries

Organizations that implement best in class strategic supplier relationships typically have eight FTEs (full-time equivalents) per $1 billion in purchases.4

4 APQC OSBCSM Benchmarking Data, 2012
Reduce revenue leakage
- Increase visibility into key milestones, commitments and obligations to leverage cost savings and revenue opportunities while promoting faster negotiation cycles

Improve competitive advantage
- Encourage supplier collaboration on innovation projects to generate new product ideas and improve existing goods and services
- Standardize contract content and optimize negotiation activities to reduce both working and cycle times

Improve multiple task efficiencies
- Benefits include easily locating the latest document versions; eliminating manual data entry; automating many supplier communications; and reducing wait times for reviews, approvals and long downloads of complex documents to mobile devices

Achieve easy adoption across the organization
- Users benefit from 360-degree transparency
- Full search capability helps to locate missing information

Manage change effectively
- Trace and monitor results and progress to drive continuous improvement and replicate methods and learnings
- Solution-embedded educational materials can help employees learn and adapt more effectively to a new procurement culture

ECM-based Solutions Take Supplier and Contract Management to the Next Level

The world of procurement is evolving, looking for ways to build automated efficiencies and technological integration into source-to-settle processes. As new data continues to proliferate and existing data becomes harder to locate and leverage, organizations that don’t take advantage of integrated ECM procurement solutions will find it increasingly difficult to keep up.

Until recently, the worlds of structured business processes and unstructured content have existed in isolation from one another. This no longer has to be the case. To learn more about how OpenText ECM solutions can help your organization maximize existing SAP supplier and contract management capabilities, go to: www.opentext.com/sap
OpenText and SAP

An SAP partner since 1992, OpenText continues to be a leader in the Enterprise Information Management market across all major functional areas and industries. Thousands of customers of all sizes deploy solutions from OpenText, resold as solution extensions by SAP, to seamlessly connect unstructured information to SAP business processes. Our integrated solutions enable customers to realize the full value of digital data, as information is easily discovered, captured, managed, governed, secured, and leveraged.

Designed and built to deliver seamless integration from the outset, OpenText and SAP solutions have helped clients dramatically improve relationships with their customers, employees, partners, suppliers and regulatory agencies. The following solutions are available to extend the procurement features and capabilities of your SAP platform and integrate ECM with key SAP business processes:

**OpenText Extended ECM for SAP Solutions**

Leverage ECM within your SAP Business Suite (i.e. ERP, SRM) solutions to reduce the risks and costs of document mismanagement, minimize redundancy, increase information worker productivity and collaboration and enhance regulatory compliance. Harness the power of integrating SAP data with content from across the enterprise to support the business process.

**OpenText Portal Content Management for SAP Solutions**

Provides the document management and collaboration capabilities tightly integrated into the SAP NetWeaver® Portal. Portal users can add, change, view and share documents in a structured collaborative manner. Using Portal Content Management integrated into SAP NetWeaver Portal leads to cost savings due to process efficiencies, higher employee or supplier satisfaction and better work results due to better collaboration.

**OpenText Document Presentment and Live Add-On for SAP Solutions**

Automate the creation and multi-channel distribution of highly personalized documents and communications, i.e. contracts, purchase orders, supplier onboarding packages. SAP business users can compile, edit, review and approve, print or email documents directly in their native SAP UI and process, without relying on scarce IT resources. Direct archive and business workspace integration ensures 360-degree view of all documents throughout their lifecycle.

**OpenText Capture Center**

Automatically capture and interpret paper documents, scanned images, email, and faxes using sophisticated document and character recognition software. OpenText Capture Center uses the most advanced document and character recognition capabilities available to turn documents into machine-readable information.