



Aberdeen *Group*

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## Contract Lifecycle Management and the CFO

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*Optimizing Revenues and Capturing Savings*

April 2007

## Executive Summary

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**S**ales contracts mean top line revenues. Supply contracts mean bottom-line results. Every good CFO considers both carefully, but this goes beyond the number of contract documents or even the dollar amounts. It includes identifying and quantifying risks as much as opportunities but also involves the tracking of internal and external compliance, thus, making contract management a part of the CFO's daily agenda. In fact, 65% of respondents reported that contract management has improved their enterprises' exposure to financial and legal risk.

In the **Source-to-Settle** cycle, contract management is a key component in ensuring that the benefits (e.g., lower prices) of a sourcing event are actually realized throughout the life of the contract. As a major part of the **Quote-to-Cash** cycle, contracts with customers determine critical factors such as payment terms, delivery schedules, and discounts.

Despite the importance and potential business impact of contracts, most enterprises still experience large disconnects between the processes and organization around contracts, how they are managed and the intelligence that can be gained from them to support business operations. However, there are a number of enterprises from our 258-enterprise sample that exemplify a Best in Class level of performance.

### Best in Class Performance

Best in Class enterprises demonstrate that contract management can impact the business when the right organization, processes and technology are in place. For example, these companies have:

- Sixty-eight percent of spend on-contract (vs. 47% for all others) and 88% percent of transactions that are compliant with contracts (vs. 56% for all others). This allows Best in Class to capture a higher percentage of savings (and allowing finance to cater for this savings) that may have been negotiated during a sourcing event.
- Higher performance on the sell-side with 75% (vs. 60% for all others) of sales orders and revenue recognition that is compliant with a particular contract. This is clearly a key for any finance executive given the strict regulations around revenue recognition.

### Competitive Maturity Assessment

Best in Class enterprises display certain characteristics that are not as prevalent in Industry Average or Laggard enterprises. Such characteristics include having both a central organization that manages contracts as well as a central electronic (and searchable) repository of contracts that includes a library of standardized and pre-approved terms and clauses.



## Required Actions

- Establish standardized and formal contract management processes and policies including standard contract language that can be accessed via templates and a library of clauses and terms.
- Reduce the number of databases and/or repositories holding contract data.
- Ensure that detailed meta-data within contracts is captured.
- Use reporting and analytics capabilities to gain intelligence around contract data.

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# Chapter One: Benchmarking the Best in Class

**Fast Facts**

- The majority of enterprises (58%) have assigned high priority to Contract Lifecycle Management (CLM).
- 42% of respondents indicated that their top pressure is to better assess and mitigate external (suppliers and customers) and internal risks.

Contracts have historically been seen as purely legal documents that protect against worst-case contingency scenarios. In today's world, they are, in addition, instruments that determine a large part of the ongoing relationship between buyer and seller. As an example, the structure of sales contracts determines the schedule for revenue recognition. Performance against the negotiated terms and conditions can have a direct impact on revenue growth, cost of goods/services, risk/liability allocation, and profitability.

As shown in Figure 1, the majority of enterprises represented in our survey pool (58%) have indicated that there is a high level of priority placed upon contract lifecycle management (CLM).

**Maturity Framework Key**

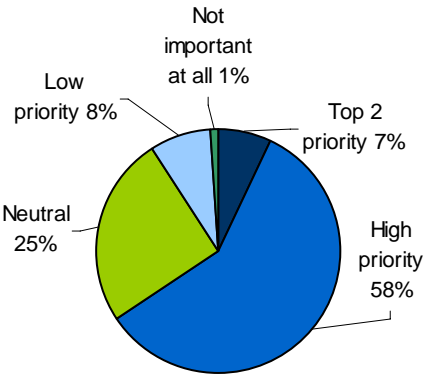
The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:

**Best in Class (20%)**  
practices that are the best currently being employed and significantly superior to the industry norm

**Industry Average (50%)**  
practices that represent the average or norm

**Laggards (30%)**  
practices that are significantly behind the average of the industry

**Figure 1: Priority Level for Contract Management**



Source: AberdeenGroup, April 2007

## Maturity Class Framework

Top-performing enterprises manage their contracts effectively by blending technology with standardized policies and organizational structure. Aberdeen used key performance metrics to distinguish Best in Class companies from Industry Average and Laggard organizations.

Table 1 summarizes the findings and defines Best in Class performance for our *Contract Lifecycle Management and the CFO* benchmark study.



**Table 1: Enterprises With Top Performance Earn Best in Class Status**

	<b>Best in Class</b>	<b>Industry Average</b>	<b>Laggard</b>
Percentage of on-contract spend	<b>67.9%</b>	<b>56.2%</b>	<b>38.5%</b>
Percentage of sales orders and revenue recognition compliant with contracts	<b>74.6%</b>	<b>66.5%</b>	<b>54.4%</b>
Percentage of purchasing transactions compliant with contracts	<b>88.3%</b>	<b>64.1%</b>	<b>48.4%</b>
Percentage of contracts renewed annually	<b>59.1%</b>	<b>48.2%</b>	<b>31.9%</b>
Compliance to service agreements	<b>83.6%</b>	<b>63.4%</b>	<b>63.0%</b>

Source: [Aberdeen Group](#), April 2007

Best in Class enterprises clearly outperform others; they have a higher percentage of spend that is on-contract and a significantly higher percent of transactions that are compliant with contracts. Improving the amount of transactions that are compliant to contracts allows enterprises to capture a higher percentage of savings, savings that may have been negotiated in a sourcing event. Also, Best in Class companies achieved higher performance on the sell-side, having a higher percentage of sales orders and **revenue recognition** that is compliant with a particular contract. Given the strict regulations around this area, it is clearly a key for any finance executive.

Table 2 below shows that Best in Class enterprises are significantly more efficient in their creation of contracts. When considering the sourcing or sales cycle, Best in Class enterprises are able to shorten this process by 11 and 15 days, respectively. This, especially on the sell-side, has a direct impact to the business.

**Table 2: Average Cycle Times to Create, Negotiate and Approve Contracts (Days)**

	<b>Best in Class (Days)</b>	<b>Other (Days)</b>
Procurement Contracts	<b>21.1</b>	<b>32.6</b>
Sales Contracts	<b>15.2</b>	<b>30.5</b>
Other (e.g., IP, NDA)	<b>7.1</b>	<b>18.2</b>

**Savings Opportunity**

Using data from this a previous research report, Table 3 shows a business impact example of contract management. The example looks at both the buy and the sell-side and takes into consideration the major opportunities at hand. Including, improvements in the percent of transactions that are compliant with contracts, reduced cycle times for contract creation, negotiation and approval as well as reduced headcount from process efficiencies. This example does not include the reduction in revenue leakage that is likely to occur on the sell-side due to various disconnected processes.

**Table 3: Business Impact Example**

	Average	Best in Class	
Annual Revenues	\$680,000,000	\$680,000,000	
Annual Spend	\$350,000,000	\$350,000,000	
Percentage of Spend Governed by Contracts (68%)	\$238,000,000	\$238,000,000	
Percent of Purchasing Transactions Compliant with Contracts*	\$ 152,320,000	\$ 209,440,000	\$ 57,120,000
<b>Benefit (move \$57.1M into compliance @ 5% savings)</b>			<b>\$ 2,856,000</b>
Percentage of Revenues Governed by Contracts	\$ 227,500,000	\$ 227,500,000	
Sales Contract Creation, Negotiation & Approval Time**	30.5 Days	15.2 Days	15.3 Days
<b>Benefit (Reduce Sales Cycle by 15.3 days @ \$80,000/ day)</b>			<b>\$ 1,200,000</b>
FTE's for all Contract Management***	15.7	10.0	5.70
<b>Benefit (Reduced headcount)</b>			<b>\$ 427,500</b>
<b>Total Potential Savings</b>			<b>\$ 4,483,500</b>

\* Current = 64%, move to Best in Class level = 88%, and 5% savings for transactions moved on-contract

\*\* Average = 30.5 days, Best in Class = 15.2 days

\*\* On Average, 1 day reduction in sales cycle = \$80,000. For large (> \$1 billion) companies = \$215,000

\*\*\* Assume one full-time equivalent fully loaded at \$75,000

Source: [Aberdeen Group](#), April 2007

### Best in Class PACE Model

Best in Class contract management consists of a strong use of technology (searchable central repository, workflow, compliance-tracking, reporting and analytics, etc) and focused strategies (executive support), as well as involving senior executives as a key catalyst in avoiding lost revenue and savings due to poor management of contracts. This is detailed in the PACE Framework below (Table 4):

**Table 4: Best in Class PACE Framework**

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> <li>Pressures to better assess and mitigate risks externally (suppliers and customers) and internally</li> </ul>	<ul style="list-style-type: none"> <li>Establish central organization to manage contracts</li> <li>Key planned actions include adoption of technology to improve visibility and reporting capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Consistent usage of standardized and pre-approved language within contracts</li> <li>Access to data within contracts</li> <li>Perform reporting and analysis on portfolio of contracts</li> <li>Monitor and measure performance metrics around contract management activities</li> </ul>	<ul style="list-style-type: none"> <li>Central and searchable contracts repository</li> <li>Approval workflow and documentation</li> <li>Integration to Microsoft Word/Excel</li> <li>Integration to financial and transactional systems</li> <li>Reporting and analytics tool</li> </ul>

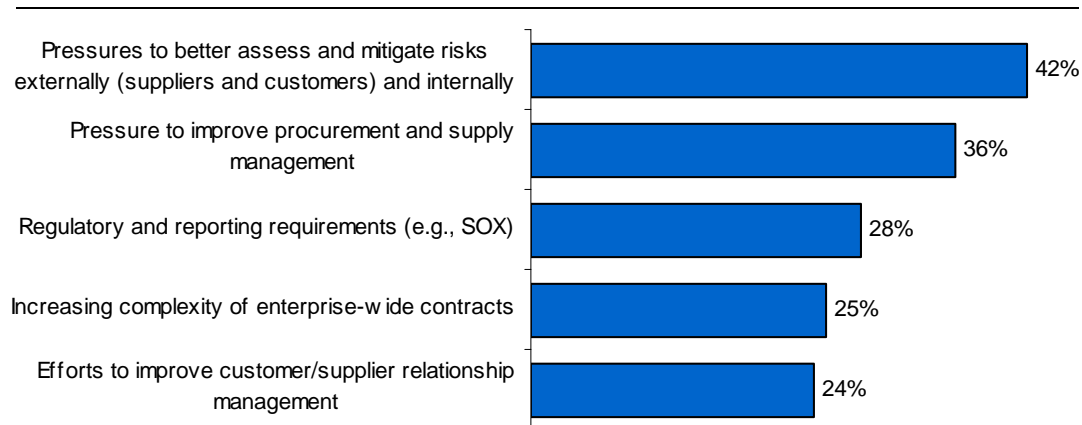
Source: [Aberdeen Group](#), April 2007



### **Top Drivers: Assessing and Mitigating Risks**

Enterprises in our survey pool cited many pressures driving them to improve their contract management processes, including increasing complexity of contracts and efforts to improve customer/supplier relationships. However, the top driver for such an initiative, according to 42%, was the pressure to better assess and mitigate risks (both external and internal) (Figure 2).

**Figure 2: Top Factors Driving Enterprises to Focus Resources on Contract Management**



Source: Aberdeen Group, April 2007

**External risks** refer to those faced by an enterprise when dealing with suppliers and customers. As mentioned earlier, contracts dictate these relationships and are the basis on which these relationships are carried throughout the life of the contract. **Internal risks** involve those policies and processes within the enterprises that, if not closely monitored and tracked, can have an impact on enterprise contracts. For example, not using standard terms and conditions or lengthy review processes due to manual methods can have a negative impact on contracts with customers or suppliers. In some cases, pricing or payments terms may be adjusted; this clearly has an impact on an enterprise's finances.

**Regulatory and reporting** requirements demand transparency and better controls throughout the organization. The Sarbanes-Oxley Act requires companies to prepare and maintain documentation of financial reporting processes, as well as create and evaluate internal controls. While a record of contractual obligations is not specifically required by SOX, improved contract management helps various stakeholders (especially CEOs and CFOs) accurately and quickly access information that is required. After all, contracts form a major foundation for the financials of a company, since the financial obligations of a company – both when selling and buying – start with a contract.

## Aberdeen Insights

The sales order management process and the entire Quote-to-Cash cycle have become increasingly complex, due to rising sales volumes and intricate product pricing and configurations. Fragmented across disparate systems, applications and organizational boundaries, the Quote-to-Cash cycle and associated processes have become areas that often spur losses.

According to [Contract Management: The Quote-to-Cash Cycle](#) (December 2006), a third of the enterprises surveyed reported experiencing revenue leakage due to penalties, missed deadlines, inconsistent pricing, transactional errors, etc. On average, they reported that 9% of revenues are being leaked away.

### Case Study: Reuters

Reuters is a global information company providing information to the financial services, media and corporate markets. Some 330,000 financial market professionals around the world use Reuters products.

A challenge faced by the legal department at Reuters was the lengthy cycle times for the execution of sales agreements, which slowed the sale of products and also took resources away from more pressing legal issues. *“Like most legal departments in large organizations, we drafted and stored our many sales agreements using manual processes – processes that were time consuming and vary from region to region”* said Rosemary Martin, Global General Counsel at Reuters.

As a result, Reuters decided to automate the contract creation process using a web-based solution. By answering simple questions, sales executives and contract negotiators to are now able to create consistent and legally pre-approved sales agreements. Reuters sees the online contract automation software as part of its drive to improve customers' experience when contracting with Reuters.

The system went live mid-2006. According to Karen Gray, senior vice president and principal legal counsel at Reuters America, *“We believe the system will sharply reduce the amount of negotiations our customers engage us in.”*



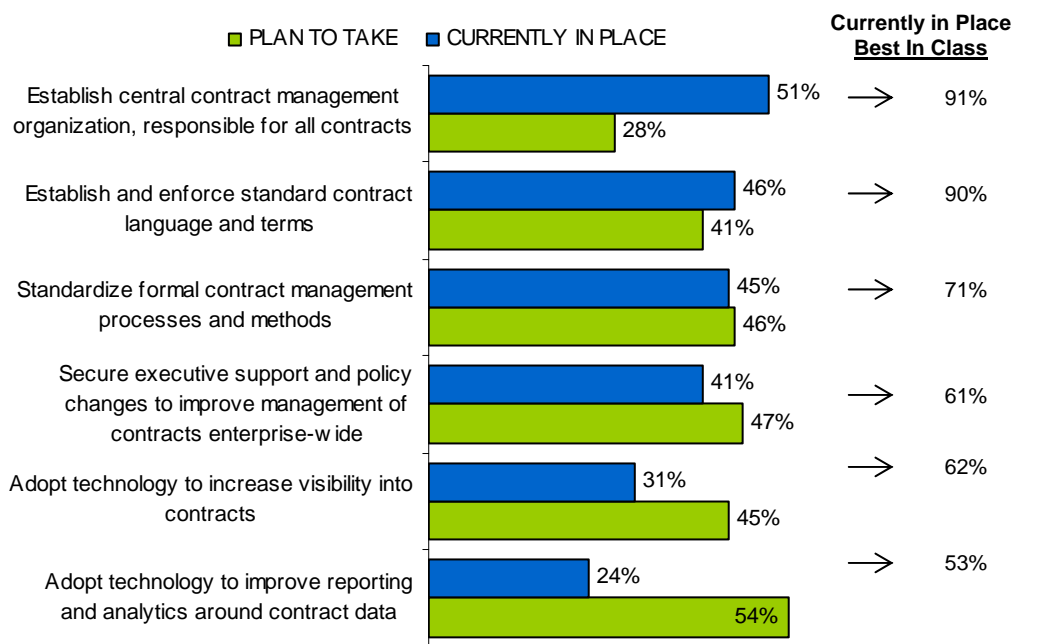
## Chapter Two: Benchmarking Requirements for Success

Fast Facts

- Fifty-four percent (54%) of enterprises in our survey plan to adopt technology to improve reporting and analytics around contract data.
- Seventy-four percent (74%) of Best in Class enterprises have a central electronic repository for all contracts.
- Of Best in Class enterprises, a staggering 92% have a central organization that manages all contracts.

Overall, we found that 45% to 50% of enterprises have established central organizations that handle all contracts, standardized contractual language and have formal processes and methods in place (Figure 3). On the other hand, these figures for Best in Class enterprises range from 70% to 91%. However, the question is whether they have been able to enforce and monitor the usage of approved language or the adherence to approval processes. Some answers lie in the actions that enterprises have planned to take. As detailed later in this chapter, Best in Class enterprises that largely have the processes and standardization in place also leverage technology to achieve a significantly higher level of performance.

**Figure 3: Current and Planned Actions around Contract Management**



Source: AberdeenGroup, April 2007

With the exception of Best in Class companies, the current usage of technology seems to be a lagging category; research concludes that enterprises are at least planning to take the leap: approximately 45% planning to adopt technology to increase visibility and 54% planning to adopt technology to improve contract reporting and data analytics.

## Competitive Maturity Assessment

Survey respondents fell into one of three categories – Laggard, Industry Average, or Best in Class — the following table shows their characteristics in four major areas, (1) **process** (efficiency and effectiveness of processes); (2) **organization** (effective organizational structure to manage contracts); (3) **knowledge** (accessibility and visibility of contract data and information); (4) **technology** (appropriate tools and intelligent deployment of those tools).

It is clear from the results mentioned earlier (Table 1) that Best in Class enterprises are doing *something* right. Table 5 below shows some of the capabilities, organizational structure and processes these top-performing enterprises have in place. For example, 74% of Best in Class enterprises have a central electronic repository for all contracts, whereas 32% of the Industry Average and only 5% of Laggards have this in place.

**Table 5: Competitive Framework**

	Best-in-class	Average	Laggards
Process	Standardized and formal contract management processes and methods		
	95%	52%	20%
Process	Fully automated contact management process (contract creation, approval, negotiation, analysis)		
	51%	17%	2%
Organizational Structure	Central contract management organization, responsible for all contracts		
	92%	59%	25%
Knowledge and Data	Multiple contract databases and/or repositories across the enterprise		
	13%	61%	53%
	Central electronic repository for all contracts		
	74%	32%	9%
	Access to aggregated and detailed data extracted from contracts		
Knowledge and Data	54%	13%	2%
	Capability to perform reporting and analysis on portfolio of contracts		
Technology Usage	53%	19%	8%
	Contract management solution provider		
Technology Usage	45%	18%	7%

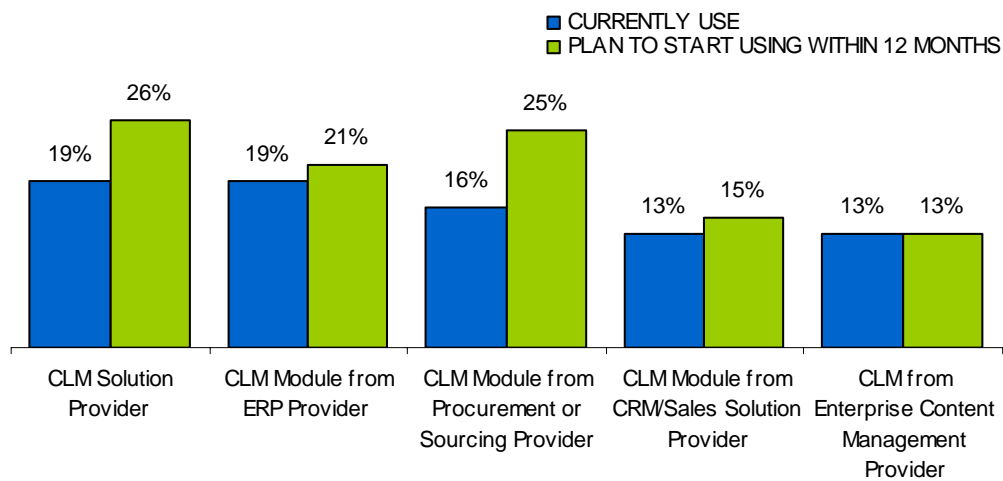
Source: Aberdeen Group, April 2007

## Technology Usage

In Figure 4, Aberdeen details the types of technology that enterprises are currently using and plan to use within the next 12 months for contract management automation.



**Figure 4: Contract Lifecycle Management (CLM) Technologies**

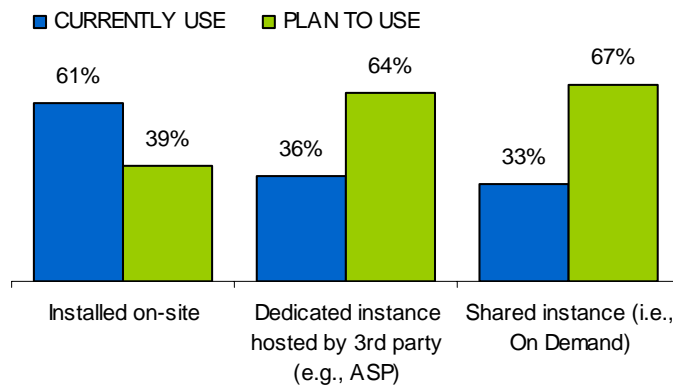


Source: AberdeenGroup, April 2007

There is a mix of contract management technology that is currently being used, however, a big chunk of respondents (41%) are using **homegrown** and custom-built solutions. Although, usage of such solutions show a 32% decrease in usage to 13% over the next 12 months.

Research also uncovered the delivery models currently in use and planned for use by enterprises. For the most part, 61% of respondents that have a solution in this area have an installed on-site model. This, however, seems to be changing, as a higher percentage of respondents have indicated that going forward, they plan to use hosted or On Demand models.

**Figure 5: Solution Delivery Models**



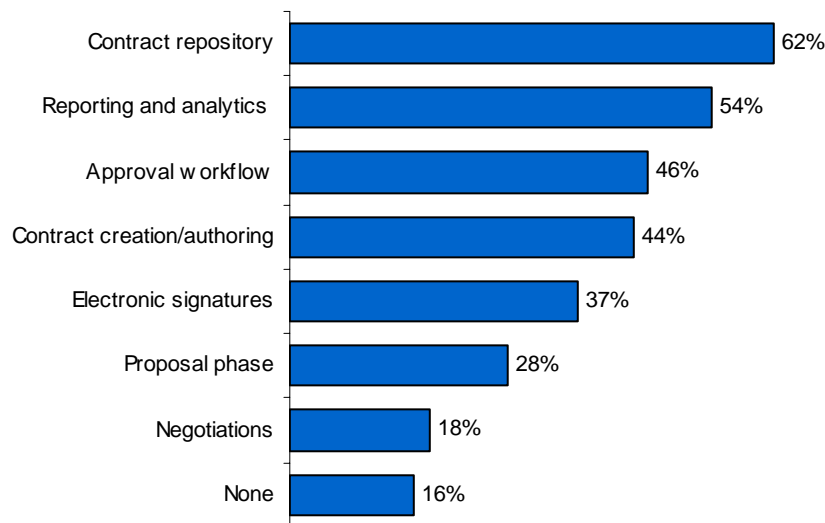
Source: AberdeenGroup, April 2007

**Specific Areas of Automation**

Taking into account the survey base’s intentions of implementing contract management solutions in the near future, we uncovered the specific areas they intend to automate. The majority of participants (62%) cite **contract repository** as their intended area of automa-

tion over the coming year, followed by **reporting and analytics** and **approval workflow** (Figure 6).

**Figure 6: Areas within Contract Management that Corporations Plan to Automate**



Source: [AberdeenGroup](#), April 2007

By automating contract reporting and data analytics, enterprises are not only providing themselves with clearer visibility, they will also be able to derive more intelligence from their contract data. Deep dives into these reports can result in better decisions in contract negotiations and lead to improved rates of renewal due to more intelligence around customer and supplier contracts.

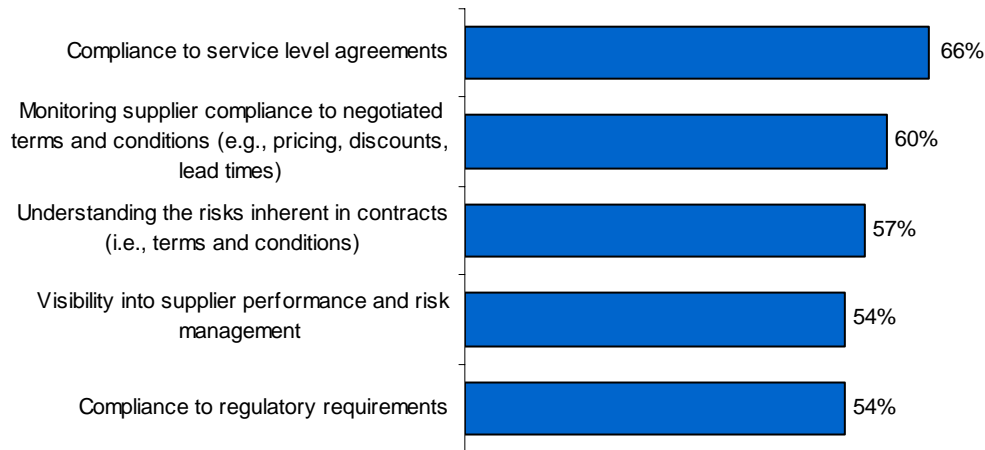
## Compliance and Risk Management

With the interest in using technology solutions for contract management, an enterprise (and the CFO specifically) must be concerned over the levels to which a system can monitor and assess compliance and risk within the organization (this being the biggest driver).

To that end, Aberdeen researched the benefits that contract management solutions can bring to managing compliance and risk. Figure 7 (below) shows the percentage of respondents that believe contract management to be ‘very beneficial’ for the monitoring, assessment and overall management of compliance and risk.



**Figure 7: Benefits of Contract Management Solutions in Monitoring/Assessing Compliance and Risk**



Source: AberdeenGroup, April 2007

**Sixty-six percent** of respondents reported that contract management solutions are very beneficial to monitoring compliance to **service level agreements** (SLAs). These can often be complex documents that are often mismanaged, leading to non-compliant events and issues. With levels of availability, performance and service involved, it is imperative that enterprises adhere to terms and conditions within these agreements.

This benefit of contract management solutions also applies to monitoring **supplier compliance** to negotiated terms and conditions (according to 60%) as well as **understanding the risks** inherent in contracts (57%)

As detailed in this chapter, enterprises must continuously adapt to the complex nature of contracts and ensure that their not only their technology but their processes address these complexities. In Chapter Three, Aberdeen will discuss specific recommendations for enterprises looking to improve their contract management performance.

*“Currently, information we gather from our system can only indicate expiration dates. It does not give us visibility into specific contract milestones. We’d like to get there, but we’re not there quite yet. We want to be able to get to down to actual compliance to pricing and terms; we can’t see that today and it’s been an issue. Our contract-authoring process is manual and labor-intensive, however, this also will be upgraded as part of our upcoming procurement initiative.”*

**– Director of Strategic Sourcing, Large U.S. Publisher**

### ***Aberdeen Insights***

Aberdeen's [Advanced Sourcing and Negotiations Benchmark Report](#) (January 2007) found that approximately 21% of identified savings are lost at the end of the strategic sourcing process. Some of the major reasons around such leakage are the following:

- Contract Negotiations – Often, pricing and terms and conditions change while negotiating the contract and end up differing from the results of sourcing event.
- Contract Adoption and Compliance – Failure from business units or various sites to comply with newly negotiated contract or, once a contract is implemented the issue of “maverick” purchasing is still prevalent.



## Chapter Three: Required Actions

### Fast Facts

- Consolidate the databases and/or repositories current holding contract data into one central repository.
- Develop standardized and automated contract creation methods to enable business users to create executable contracts based on pre-approved language and certain business rules.
- Centralize the organizational structure around contracts to ensure more effective monitoring and tracking of the various processes a contract's lifecycle.

**W**hether a company is trying to move its performance in contract management from “Laggard” to “Industry Average,” or “Industry Average” to “Best in Class,” the following actions will help spur the necessary performance improvements:

### Laggard Steps to Success

1. *Establish standardized and formal contract management processes and policies.*

An overwhelming majority (95%) of Best in Class enterprises has standardized and formal contract management processes in place. It is a critical first step and in some cases, technology solutions help to determine and map out what these processes and policies should look like.

2. *Develop standardized and automated contract creation methods to enable business users to create executable contracts based on pre-approved language and certain business rules.*

Standardized automated contract templates allow for a quicker and more efficient process of creating contracts. The use of pre-approved terms, conditions, clauses, and business rules reduce the possibility of inappropriate or missing language within the generated agreements. For the sales process to become faster and more efficient, the creation and execution of contracts must be made into a simple activity that can be carried out with no or minimal involvement from the legal or finance divisions. For example, some enterprises let business users walk through a set of questions to generate a full contract with the correct terms and conditions, or if necessary, be routed appropriately (i.e., legal or finance).

3. *Centralize the organizational structure around contracts.*

A central contracts group is a key characteristic of Best in Class enterprises; also, nearly 60% of Industry Average companies have such an organization in place.

### Industry Average Steps to Success

1. *Consolidate the databases and/or repositories current holding contract data into one central repository.*

Having a single repository was a common theme of Best in Class companies, as approximately 74% of these top-performing enterprises have a central repository for all contracts. This repository continues to retain information and data around any contract, providing visibility into and changes, edits, approvers, etc.

2. *Ensure that sufficient meta-data within contracts is captured.*

A key factor to greater visibility into contracts and enhanced reporting capabilities is the ability to capture and search various meta-data within contracts. For example: start, end and delivery dates, payment schedules, total value of contract, etc. Linking the data automatically created by the contract creation process into the contract management system ensures that high integrity data and meta-data within the contract is automatically captured without delay and without the need for additional manual processing.

3. *Use reporting and analytics capabilities to gain intelligence around contract data.*

Once contract data is readily available within a repository, reporting capabilities and dashboards provide enhanced visibility to senior executives. Management can monitor their portfolio of contracts regularly, for example, contract performance by region or product.

4. *Integrate the contract management system with the financial and transactional systems and procurement.*

Integration to various systems such as ERP, CRM, e-procurement, e-sourcing is important depending upon which aspect is being addressed by the contract management solution. This integration helps to complete the Source-to-Settle and/or Quote-to-Cash cycles.

## Best in Class Next Steps

1. *Focus on improving contract performance.*

Best in Class enterprises must continue to improve and optimize the execution of contracts and ensure that margins, profitability, compliance, etc. are maintained throughout the lifecycle of the contract. Also, these enterprises can focus on optimizing processes and efficiency around the various contract management activities. For example, measuring cycle times and how this affects the sales cycle or the sourcing process.

2. *Place risk values on various contract terms, conditions and clauses.*

Valuing the various terms, conditions and clauses used in a contract allows enterprises to better analyze their contracts and the actual impact they have on the business. This includes payment terms and various clauses that could affect the total amount of revenue actually received from that particular customer, while considering the financial and legal risks. For example, having more intelligence around the use of a specific term could affect the user's decision to use that term.

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## Author Profiles

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**Vishal Patel,**  
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Vishal Patel focuses on the use of technology in the global supply management arena. With the rise of globalization, outsourcing, and regulations Patel is researching the role software solutions play in making processes such as contract management, strategic sourcing, and overall supply management more efficient and value-adding in this ever-changing environment. Additionally, he has certain expertise in spend categories such as T&E and Print.

Patel has a manufacturing and operations background, largely in the consumer products industry. He worked previously in an operations and finance role focusing on strategic sourcing and procurement as well as overseeing supplier contracts both locally and internationally. He brings a combination of analytical abilities, hands-on experience, and a global perspective to Aberdeen.

Patel holds an MBA from Babson College and a B.S. in Finance and International Business from Penn State University.

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Christopher Dwyer is a Research Editor in Aberdeen's Global Supply Management channel and focuses on sub-areas within supply management such as sourcing, procurement, direct materials and category spend management. He has extensive writing and editing experience, previously holding roles as a reporter and editor for multiple New England-based community newspapers. He graduated from Suffolk University in 2004 with a Bachelor's Degree in Print Journalism and Communications.

## Appendix A: Research Methodology

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**B**etween March and April 2007, Aberdeen Group examined the use of Contract Management, the experiences, and intentions of more than 258 enterprises in a diverse set of enterprises.

Responding procurement and finance executives completed an online survey that included questions designed to determine the following:

- The strategies around contract management and how their business operations can be impacted.
- The structure and effectiveness of existing contract management processes, organization and technologies.
- Performance metrics around contract management and how other financial metrics are affected.

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on Contract Management strategies, experiences, and results.

The study aimed to identify emerging best practices for Contract Management usage and provide a framework by which readers could assess their own management capabilities.

Responding enterprises included the following:

- **Job title:** The majority of the research sample included respondents with the following job titles: C-Level executive (15%); Vice Presidents (11%), Director (23%), Manager (33%), Consultants and Other (18%)
- **Job function:** Procurement (40%); finance (16%); sales and marketing (10%), business process management (8%), IT (8%), legal (5%), other 12%)
- **Industry:** Financial services (18%), high technology (17%), health care/life sciences (16%), transportation and distribution (12%), public sector (10%), Telecom (10%), CPG (8%), other (9%)
- **Geography:** The majority of respondents (64%) were from North America, Asia-Pacific region (15%), and Europe (15%) and Other (6%)
- **Company size:** About 42% of respondents were from large enterprises (annual revenues above US\$1 billion); 35% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 23% of respondents were from small businesses (annual revenues of \$50 million or less)

Solution providers recognized as sponsors of this report were solicited after the fact and had no substantive influence on the direction of the *Contract Management and the CFO* Benchmark Report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.



**Table 6: PACE Framework**

PACE Key
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p><i>Pressures</i> — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p><i>Actions</i> — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product/service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p><i>Capabilities</i> — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products/services, ecosystem partners, financing)</p> <p><i>Enablers</i> — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, April 2007

**Table 7: Competitive Framework**

Competitive Framework Key
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the three following levels of CONTRACT MANAGEMENT practices and performance:</p> <p><i>Best in Class (20%)</i> —Practices that are the best currently being employed and significantly superior to the industry norm, and result in the top industry performance.</p> <p><i>Industry Average (50%)</i> —Practices that represent the average or norm, and result in average industry performance.</p> <p><i>Laggards (30%)</i> —Practices that are significantly behind the average of the industry, and result in below average performance</p>

Source: Aberdeen Group, April 2007

**Table 8: Relationship Between PACE and Competitive Framework**

PACE and Competitive Framework How They Interact
<p>Aberdeen research indicates that companies that identify the most impactful pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute.</p>

Source: Aberdeen Group, April 2007

## Appendix B: Related Aberdeen Research

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Related Aberdeen research that forms a companion or reference to this report include:

- [\*The Contract Management: The Quote-to-Cash Cycle\*](#), December 2006
- [\*The Contract Management Benchmark Report: Procurement Contracts\*](#), March 2006

Information on these and any other Aberdeen publications can be found at [www.Aberdeen.com](http://www.Aberdeen.com).

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