



# 2018 Sourcing & Contract Management Insight Report

An Overview of Current Sourcing and Contract  
Management Processes and Solutions

## Q3 2018 | Featuring Insights On...

- » Current Trends in Sourcing and Contract Management Processes
- » Features of Leading Sourcing and Contract Management Lifecycle (CLM) Software Solutions
- » Solution Adoption Best Practices
- » A Leading Sourcing and CLM Software Provider

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## Introduction

When it comes to controlling spend and minimizing risk, sourcing and contract management processes are vital. Sourcing is key to organizations' supply chain efficiency, while contract management helps to maintain compliance and regulation within supplier relationships. With success in both operations, businesses can make key strategic decisions and generate value.

Unfortunately, research shows that the sourcing and contract management processes within many organizations are slow, error-prone, and inefficient. Manual sourcing efforts often result in poor visibility and deteriorating relationships with suppliers, as well as inadequate supplier performance. Scattered contract management results in higher risk, inconsistency across contract formats and terms, and a cumbersome and costly creation and negotiation process.

With these problems in mind, businesses continually strive to enhance efficiency and minimize costs, and one of the best ways to accomplish this is through comprehensive Source-to-Settle (S2S) solutions. This technology automates and enhances sourcing, procurement, and contract management, and brings many benefits across the business, including collaborative processes downstream and better relationships with partners. Within the S2S software space, there is electronic sourcing (eSourcing) software and contract lifecycle management (CLM) software. eSourcing addresses every step of the sourcing process, from event creation to awarding a bid, while CLM software provides intuitive tools for contract authoring, negotiation, tracking, and storage. Whether these solutions are used together to create a fully automated S2S environment or separately to address gaps or needs within an organization's unique business infrastructure, they can help in a variety of ways fundamental to proper cash, supply chain, and data management.

Growing awareness, development, and adoption of eSourcing and CLM attests to a more recognizable need for automation within businesses, but these technologies still have a relatively small market presence. Level Research believes that these low adoption rates can be attributed to indifference or relative contentment with current processes among organizations, as well as a lack of awareness of the value of automation.

In order to address the educational gap regarding eSourcing and CLM, this report explores the current state of sourcing and contract management in



different industry sectors and revenue sizes, highlights the pain points of today's S2S processes, and offers the latest information about eSourcing and CLM tools. Level Research delves into both business operations separately, and also explores the functionality and use case of combined S2S software. Level Research has also identified best practices for adopting S2S solutions for companies considering adopting an automated tool for their sourcing or contract management processes.



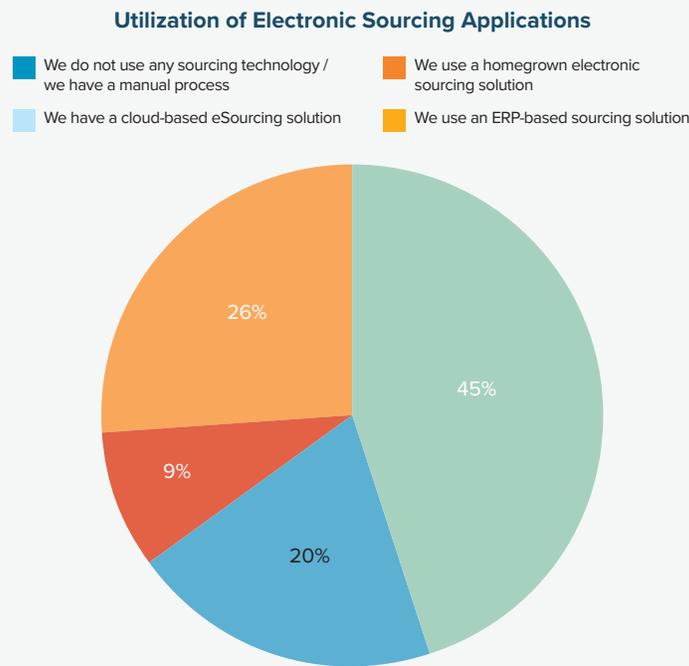
## Research Overview: Today's Sourcing and Contract Management Landscapes

In order to gain an understanding of sourcing and contract management processes among today's organizations, Level Research surveyed over 300 business professionals from various industries and market segments. The survey focused on current sourcing and contract management methods, as well as process improvements with automation.

### Sourcing

Generally speaking, sourcing is the process of finding suppliers of goods and services at the best possible prices. The traditional process begins with a sourcing or procurement professional identifying a purchasing need, then recognizing that it would be best met through a sourcing event. The sourcing team will research potential suppliers and solicit quotes, comparing supplier responses to RFX or auction scenarios. The sourcing event is complete once the sourcing team awards a bid to the best supplier and then ultimately negotiates a contract.

FIGURE 1



#### Most Organizations Have Manual Sourcing Processes

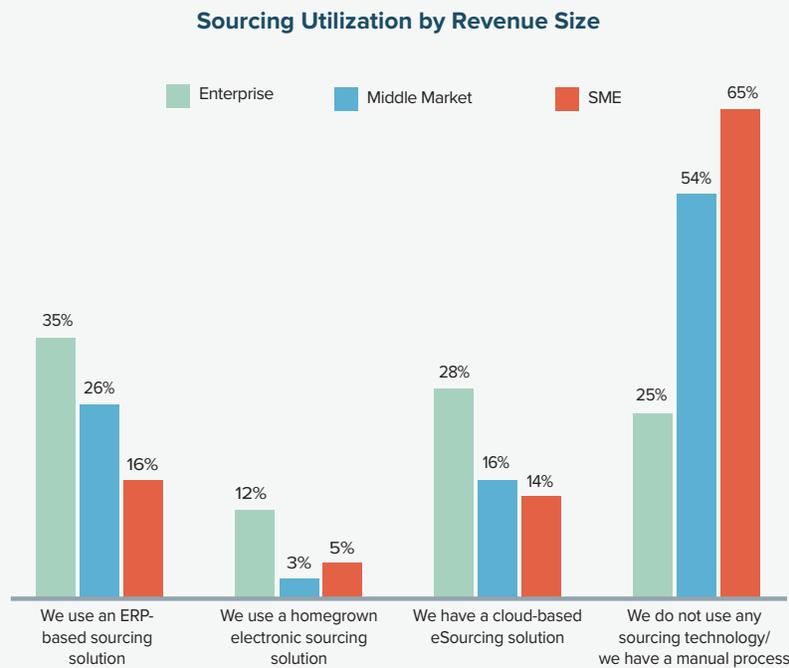
*"Does your organization utilize any electronic sourcing/project and RFX creation applications?"*



Level Research’s survey results show that 45 percent of sourcing teams do not use any sourcing technology, relying instead on manual processes, see Figure 1. The second most-used sourcing technology is one that is built into an organizations’ ERP system, followed by cloud-based eSourcing solutions. ERP-based software and homegrown solutions often lack versatility and configurability, and often have much higher maintenance requirements than cloud-based tools.

The type of technology companies use to handle their sourcing processes—if they use any at all—is often related to the company’s industry and size. Manufacturing companies have some of the most manual processes of any industry, with 52 percent reporting a completely manual process. While only one quarter of respondents in the healthcare industry report using a manual process, 52 percent are using dated, ERP-based sourcing solutions. Within the two industries leading in technology adoption—finance and insurance—a combined 30 percent of companies use cloud-based eSourcing solutions. Level Research attributes this in part to the large amount of data that goes into their sourcing processes, and the importance of proper data management for successful procurement initiatives.

**FIGURE 2**



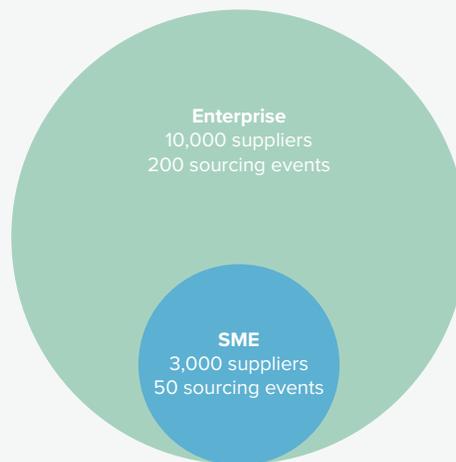
**Larger Enterprises Are More Likely to Implement Cloud-Based eSourcing Solutions**  
*“Does your organization utilize any electronic sourcing/project and RFx creation applications?”*  
 &  
*“What is your organization’s annual revenue?”*



When it comes to size, companies with higher revenue are more likely to adopt cloud-based eSourcing, see Figure 2. This may be due to the fact that higher revenue companies tend to deal with more sourcing events and suppliers in a year than small-to medium enterprise (SME) organizations. For example, 70 percent of SMEs have fewer than 50 sourcing events in a year, with 97 percent of them working with fewer than 3,000 suppliers (and 73 percent working with fewer than 1,000), while almost half of enterprise organizations surveyed have more than 10,000 suppliers and 59 percent have more than 200 sourcing events. Figure 3 summarizes the average number of suppliers and sourcing events within the North American market by company size.

**FIGURE 3**

**Average Number of Suppliers and Sourcing Events in North American Market**

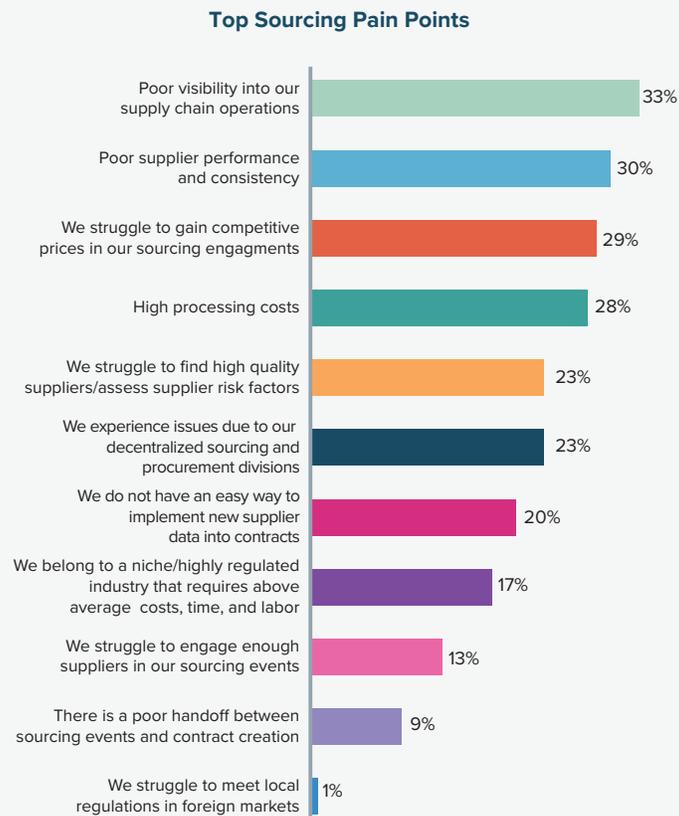


**Average Number of Suppliers and Sourcing Events In North American Market**

The more suppliers and sourcing events an organization must manage, the higher the chance of inefficiencies if these processes are managed with the wrong methods. Figure 4 shows the main pain points reported by companies using manual methods or outdated technology.

The most common operational pain point within the sourcing process is poor visibility into supply chain operations. Without automation in place, buying companies have limited transparency across supplier activity, payments, and contract commitments. Manual management of supply chain processes also results in poor supplier performance and consistency, as it is more challenging to oversee quality control. Pain points such as missed competitive pricing during



**FIGURE 4**


### Poor Visibility Is a Top Pain Point in Current Sourcing Processes

*“Under your current sourcing process, what are the greatest operational pains you experience? (Select top 3)”*

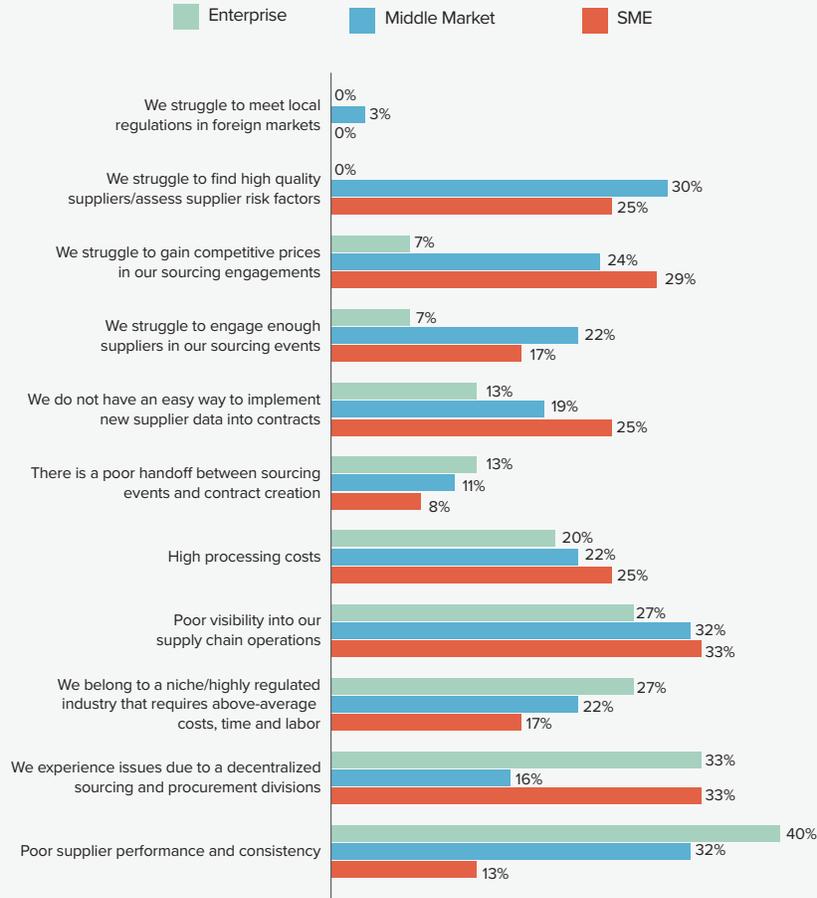
sourcing engagements, as well as resulting higher processing costs, lead to lost profit opportunities.

Sourcing pain points vary by revenue size, see Figure 5. Larger enterprises report that their biggest pain point is poor supplier performance and consistency, which speaks to their high volume of suppliers and supplier data, and the widespread supply chain operations they must manage. Middle market companies were most likely to struggle to find high quality suppliers and assess supplier risk factors when conducting market research, which may be attributed to the fact that middle market companies are often scaling, and struggle to adapt their procurement teams to the new compliance and quality control requirements that come with rapid growth. SMEs and large enterprises were more likely to experience issues due to their decentralized sourcing and procurement divisions. This is likely because SMEs do not have a high number of sourcing engagements



FIGURE 5

### Greatest Sourcing Pains Experienced Through Current Sourcing Process



#### SMEs and Large Enterprises Experience Pains Due to Decentralized Sourcing Operations

*“Under your current sourcing process, what are the greatest operational pains you experience?”*

per year and cannot easily justify putting a formal, centralized sourcing process in place. Enterprises, on the other hand, are often too large to easily bridge their separate departments, and because their current processes are working well enough, they do not feel the need to disrupt the status quo.

Level Research also found that the positions of the survey respondents highlight differing pain points—upper management mostly focused on poor visibility and higher costs, while lower and middle management and staff more often chose poor visibility and supplier performance and consistency as their highest pain points. Level Research attributes this distinction between the two groups to their varying levels of exposure to certain problems within the sourcing process.

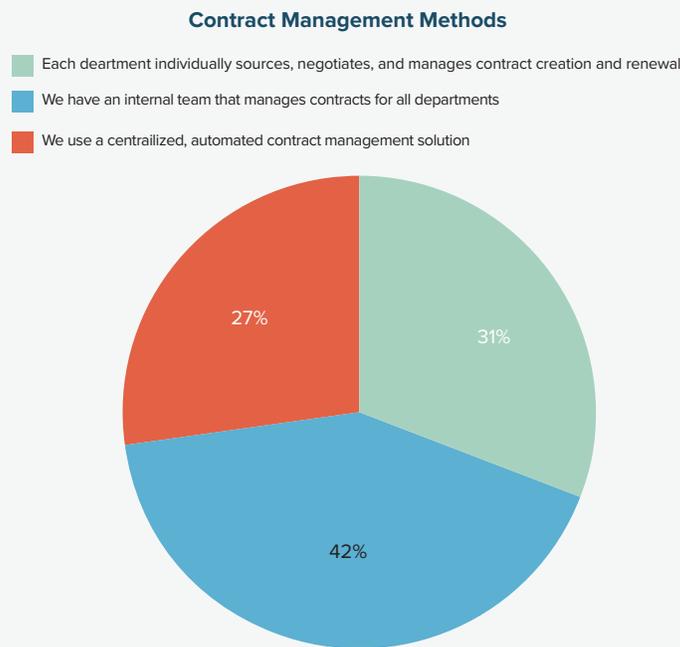


Upper management perspectives are focused on costs and overall supply chain problems, while lower and middle level staff are more concerned with more granular supplier performance issues.

### Contract Management

Contracts go through many lifecycle stages within a business, from authoring and creation, approval to negotiation, execution, storage, and monitoring. The management of this entire process varies significantly across organizations, as does the level of automation used to control contracts' lifecycle. While the majority of organizations have a dedicated team that manages contracts across all departments, only 27 percent of respondents are using CLM software, see Figure 6.

FIGURE 6



#### Contract Management Methods Vary Among Organizations

*“How does your organization manage your contracts?”*

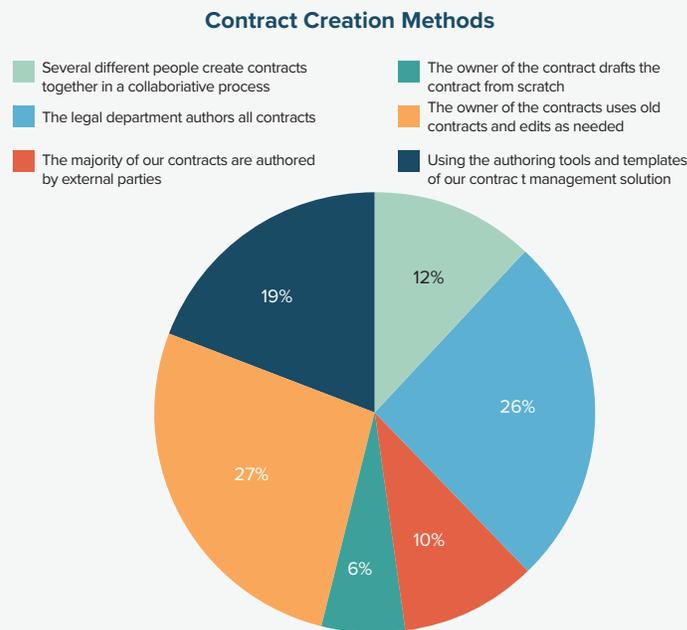
When it comes to how many contracts a company manages, the type of company affects this number. Unsurprisingly, the larger the company, the more contracts they will typically manage, but contract counts also vary by industry. The industry with the highest number of contracts is aerospace/aviation/automotive. Level Research attributes this partly to the complexity of the industry's products,



services, supply chain, and regulations. Not only do these companies procure products from numerous vendors supplying different physical components, but the companies must navigate large webs of regulatory compliance, competitive innovation, and safety requirements. Organizations in this industry also tend to serve relatively higher numbers of public sector clients; doing so can often involve long-term, contract-based engagements. Following the automotive sector in contract count are the transportation, pharmaceutical, accounting, and finance industries, some of which face similar challenges.

In successful contract management, a lot of control can be gained or lost depending on how the contract is initially created. While a moderate 19 percent of respondents are using the authoring tool of a CLM solution, most companies are not using any form of CLM software, see Figure 7.

**FIGURE 7**



**Few Organizations Use a Contract Management Solution for Contract Creation**

*“How does your organization typically create/draft/author new contracts?”*

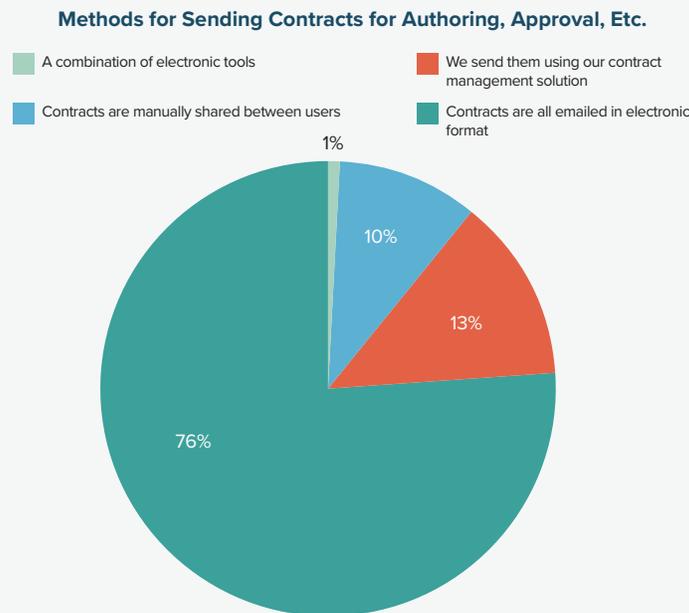
Instead, for many companies, the process across contract creation is often decentralized and manually driven, spread across individual owners, legal departments, or external parties. This makes the authoring process prone to errors, and contracts become difficult to track, store, and update once complete.



The contract creation process varies slightly across revenue segments. SMEs are more likely to outsource their contract creation to third parties rather than authoring them with an in-house legal department. Although they may provide a more cost-efficient alternative, third-party contracts are often created from templates and do not offer much flexibility or customization in structure. On the other hand, larger organizations are more likely to simply have the contract’s owner update old contracts and make in-house edits as needed. While this approach gives businesses more internal control over their contracts and ensures greater consistency, it is still being done manually, which often sacrifices accuracy and precision.

When transporting and communicating on contracts, including authoring, negotiation, and approval processes, most businesses pass contracts back and forth via email, see Figure 8. While this is more efficient than manually passing paper contracts back and forth, it still does not lend control or timeliness to the contract lifecycle.

**FIGURE 8**

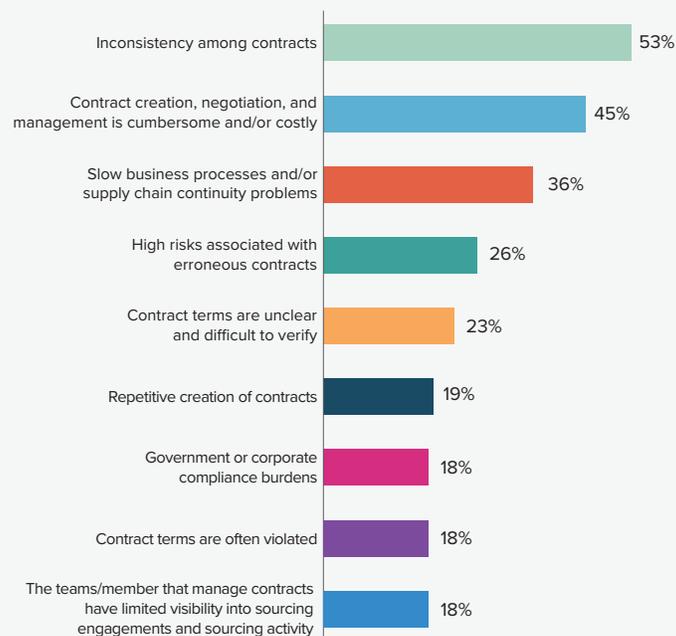


**Contracts Are Typically Emailed**

*“How are contracts typically passed back and forth for authoring, approval, etc.?”*



Under traditional, manually driven contract management methods, organizations often waste time and accuracy, and create unnecessary risks to their supply chain and data management. Among organizations without a cloud-based CLM tool, the top three pain points are a lack of consistency across contracts, cumbersome/costly methods, or time-consuming processes and supply chain continuity problems, see Figure 9.

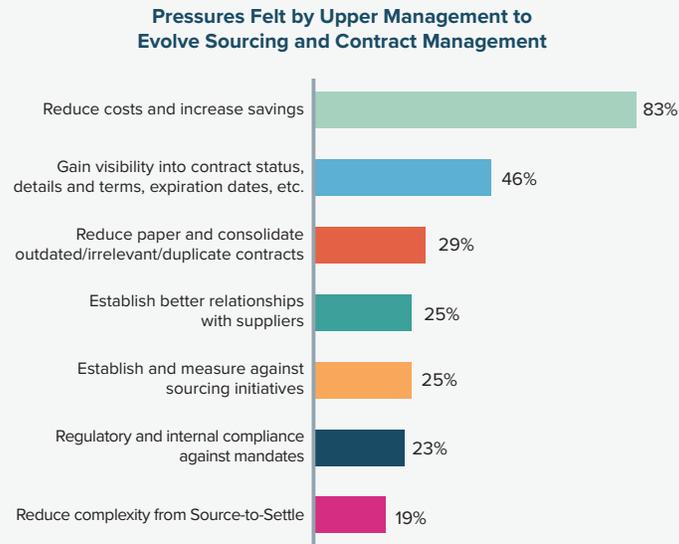
**FIGURE 9**
**Greatest Business Challenges in Regards to Contract Management**

**Inconsistency Is a Top Contract Management Pain Point**

*“What business challenges do you face in regard to contract management?”*

## Pressures to Adopt an Automation Solution

While this report has thus far explored sourcing and contract management trends separately, both processes are critical pieces of business operations and supply chain efficiency. There are also often shared pain points across both processes and/or teams, as well as shared pressures from upper management to evolve in a way that better supports supply chain operations. In the end, one of the most important shared goals between sourcing and contract management is to reduce costs in the processes, see Figure 10. The second greatest pressure is to gain more visibility into contract statuses, details, terms, and expiration dates,



**FIGURE 10**


### Reducing Costs Is the Greatest Pressure to Evolve Sourcing and Contract Management Processes

*“What pressures has your department felt by upper management to evolve your sourcing and contract management processes? (Choose as many as are applicable)”*

followed by reducing paper and consolidating contracts. Fortunately, these and the other pressures listed in the Figure can be eased using the combination of eSourcing and CLM software via a Source-to-Settle software suite.

By automating and integrating sourcing and contract management, organizations reduce the overall complexity within the S2S process, leading to lower costs, increased savings, and more visibility. It also leads to improved relationships with suppliers due to better communication, streamlined interaction, and the ability to better negotiate and maintain agreeable terms and pricing on RFx and contracts.

Despite the pressures to revamp sourcing and contract management processes, there are several common barriers to adopting an electronic solution. Many companies feel that their current operations are working sufficiently, and do not see a need to change. Another common assumption is that upfront implementation costs of new software are often expensive and draining on internal resources. Level Research believes that many of these misconceptions can be changed with further research and education, and that automated technological solutions are beneficial long-term investments. The following section explores the features and functionalities of eSourcing and CLM solutions.



## eSourcing and CLM Features and Functionality

### Electronic Sourcing

Automated sourcing solutions address every step of the full sourcing process. A user begins the sourcing process by creating an RFx and setting up an event. These events can be created from scratch, from a template library, or by incorporating elements from previous events or templates. Depending on the configuration of the system and the organization's other automation tools, users could potentially also flip requisitions, contracts, and other business documents into an RFx.

As users create their event, multi-stage RFx templates offer functionality for RFI, RFP, and RFQ. Users can set up custom participation guidelines for suppliers, and assign them tasks or request documents. The RFx can include weighted questionnaires designed to score individual suppliers' responses. This allows organizations to evaluate suppliers on more than just cost; they can collect data and score suppliers in many areas of business eligibility, including experience, tax and regulatory compliance, and quality of goods and services. Buyers can also attach internal documents, such as non-disclosure agreements. In all, the flexibility of template and questionnaire creation tools allows organizations to tailor RFx events to many different spend categories, markets, global regions, and types of suppliers.

As users create an RFx, they can use a collaboration workflow to send the template to colleagues for authoring, editing, and approval. For example, one user may complete the first stage of the template by defining the goods or services needed, while another may configure the scoring controls. The template could also be routed to the legal department for a risk evaluation, ensuring that all details are legally compliant.

Once the RFx is ready, users can search the sourcing system's supplier lists for candidates or choose from the solution's recommendations. The solution automatically notifies suppliers about the event with a custom email invitation. Often, eSourcing providers offer access to a network of eligible, local, and global suppliers. This allows the user to source goods from a more diverse supplier pool, and to potentially build new, long-term business relationships.

Once the sourcing event has begun, users can check its progress at any time, with full visibility into vendor responses, tasks completed, and vendor timeliness. Solutions offer automatic scoring of responses based on questionnaires' pre-determined scoring weights, attachments, and completed or missing documents.



Event platforms allow for a comparison view of supplier responses to enable organizations to make an informed choice. Once the user has selected a vendor, the suppliers are automatically notified of the next steps. Awarded events can often be converted into single or multiple contracts.

Sometimes, a sourcing opportunity produces better results through a live auction environment. Users can turn an RFx into a reverse auction to increase supplier competition and receive lower prices, or to adhere to time constraints. These auctions are conducted in highly visible, interactive bidding environments that show bidding activity in real time. Auctions can be designed to run through several different bidding stages, and can also be extended if the buyer desires. Once the auction has finished, the same award processes apply as above.

A sourcing solution often manages supplier master data through the use of supplier portals and self-service tools. When suppliers choose to participate in an event or wish to register with the directory, they must submit certain information and documentation, such as company history, insurance certificates, and/or tax documents.

Supplier data is archived in a database, allowing for advanced searches based on supplier size, location, industry, or revenue. The solution also enables supplier categorization, which is based on general information, addresses, classifications, geographical scope, business type, references and user scores, miscellaneous buyer preferences, and other factors. When a buyer needs additional information from a supplier, they can easily use the contact database to send special requests.

eSourcing solutions' vendor management is made possible by self-service supplier portals. Organizations can onboard suppliers to their sourcing platform through custom email campaigns, or suppliers can register independently through the sourcing portal or the buying company's website. While the components of a supplier portal vary depending on the solution provider, most systems offer a holistic array of self-service controls around catalog management, profile management, and RFx event and auction participation. Suppliers can log in to their portals to view, accept, and reject contracts and RFx. They can upload documents such as insurance certificates, safety protocols, credit documentation, and environmental certificates. Suppliers can also access a negotiation template that tracks all changes to contracts. After an awarded event is flipped into a contract, some solutions even allow suppliers to manage contracts within the same system.



Some sourcing solutions include several tools and services for strategically enhancing existing purchasing processes and contracts, sourcing strategies, and supplier relationships. Supplier performance management tools enable organizations to look into suppliers' past activities and make more informed decisions based on supplier value. This data can be leveraged to end non-strategic or high-risk supplier relationships. Some supplier performance management tools allow organizations to assemble supplier ratings based on internal notes and reviews from sourcing and procurement users. These review templates can be pre-built or customized based on categories such as commercial risk, safety, quality, environmental, and performance history. In addition, some solutions include benchmarking capabilities that show negotiation rates and performance history based on internal data from other suppliers. The system can take the performance data and reorganize supplier lists by value and category. This data is available for import and export, and is also integrated into the supplier directory.

Another optimization tool is a strategic analytics engine found in some leading sourcing solutions. The engine re-evaluates an organization's sourcing activities by examining various fields—including market research, RFx processes, negotiations, contracting, and transaction activities—and identifying savings opportunities. With this tool, organizations can restructure or renegotiate supplier contracts, and can change future company sourcing practices to produce more competitive, higher-quality results.

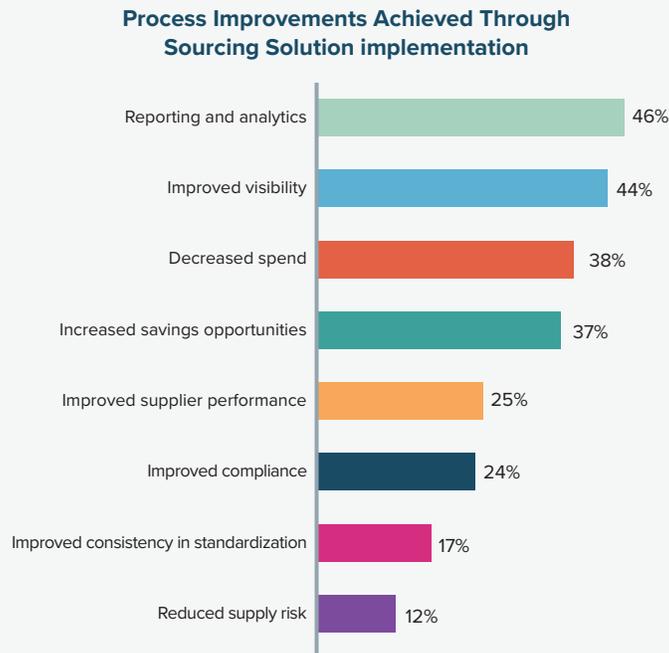
Leading sourcing solutions may also offer data and risk management through reporting and analytics tools. These tools can include commodity risk management and supplier risk analysis based on credit scores, user reviews, logistics, and delivery history. The resulting data can be compiled in interactive drag-and-drop reporting platforms, offering customizable or standard reporting.

Overall, eSourcing has many benefits, including simplifying the sourcing process by streamlining all strategic purchasing within one platform, eliminating redundant activities, synchronizing data across the supply chain, and automating key sourcing activities, including RFx creation and sourcing-based contract creation. Survey results show that the most notable improvements with sourcing automation include reporting and analytics, improved visibility, and increased savings, see Figure 11.

The improvements reported by businesses after implementing an eSourcing solution vary by industry, as their responses depend on the value placed on



**FIGURE 11**



**eSourcing Solutions Provide Beneficial Reporting and Analytics Features**

*“Which of the following improvement have you seen in your sourcing process since implementing a solution? (Select up to three)”*

different benefits. In this case, the manufacturing industry saw a great deal of improvement in the visibility and performance of their suppliers, most likely due to the industry’s dependence on complex supply chain operations. In the healthcare industry, companies reported a decrease in sourcing-related spend and in supplier risk, which reflects the tight margins and high regulation that is currently pressuring the industry. Alternatively, education companies observed better reporting and analytics, savings opportunities, and consistency in standardization, which all streamline and reduce their often decentralized and diverse services.

**Contract Lifecycle Management**

Automated contract lifecycle management compiles many different business documents traditionally managed across various teams and through their assorted methods into one single platform. CLM manages and enhances important business information, resulting in more consistency and visibility across the board. With automation, standardization is easier to enforce (e.g., designated templates for common contract types). CLM also results in increased



compliance with various regulations and contract terms, as well as proactive contract management. Companies can realize cost savings and optimize negotiated terms. Ultimately, CLM helps build and maintain better relationships with suppliers and results in more savings.

When it comes to contract management software, solutions often have different functionalities depending on contract type. Buy-side contracts are agreements in which a buyer acquires a good or service from a seller; buy-side contracts are mostly managed by procurement teams who manage RFX and contract processes. Conversely, sell-side contracts focus on the sale and delivery of goods or services and are often handled by sales teams. Where buy-side contracts focus on greater ROI through investments, sell-side contracts focus on selling an asset or service and responding to customers' needs. Most CLM providers offer buy-side contract management functionality, while leading providers offer functionality for both buy-side and sell-side contracts.

Most CLM providers offer buy-side contract management functionality, while leading providers offer functionality for both buy-side and sell-side contracts. Organizations of any business type can benefit from CLM, although overall adoption is higher in companies with complicated supply chains that require recurring renegotiations, as well those with a focus on cost reduction, risk avoidance, and compliance for greater ROI. Because of this, CLM adoption is slightly more common among organizations that have high volumes of buy-side contracts.

There are three basic modules for CLM solutions: creation, tracking, and storage. These modules can be adopted individually based on the company's needs (e.g., a buy-side-oriented business may only purchase a storage or tracking module), or can be implemented simultaneously as a comprehensive overhaul.

A contract's lifecycle in a CLM solution begins with the contract request process. An end user can use a pre-configured template to request a contract from the legal department or a designated administrator, and, after approval, the solution automatically populates the template with the requested information. A contract template can also be automatically populated from purchase orders or sourcing events if the CLM system integrates with or offers these solutions.

Contract creation templates are highly customizable to ensure that the authoring process is as streamlined and compliant as possible. They can be as simple or complex as the client prefers, and can change according to user, contract type,



supplier, or other parameters. Users can also create contracts from scratch depending on their access controls, or recycle and modify old contracts from an archive. Most CLM solutions support the management of a variety of contract types, including buy-side, sell-side, administrative, noncommercial, employment, and real estate contracts, as well as international trade agreements and non-disclosure agreements (NDAs). Users can also extend new child contracts from parent contracts, working much as a master and supplementary agreement operates in statement of work projects.

To ensure compliant and secure authoring, many solutions include a robust word processing software tool, such as a built-in Microsoft Word application or a Google Docs integration. Some solutions include an interactive clause library from which the author can pull legal text to assemble the contract. These clause libraries are often created by the solution provider in collaboration with the client's legal team upon implementation. Some clause libraries are accessible in both the CLM system and the word processing tool.

Once internal teams have authored a contract, the document can be sent through an approval workflow. Approval workflows can be constructed according to contract type, price, area, and dollar amount thresholds, and can go through both administrative and legal review. The solutions facilitate editing and revision tracking, as well as the ability to leave comments, request extensive changes, and partially reject or approve contracts. Special approval workflows can be constructed for contracts with higher risk, while some providers offer automatic approvals for low-risk contract types.

During contract authoring, different users can collaborate on the creation of the contract with an approval workflow. The word processing tool supports version tracking with redlining tools, shows version comparisons, and records all revisions by time and author. It also allows authors to include comments and attach documents that remain with a contract for its lifecycle. All changes are included in the contract's audit trail for future review.

Leading solutions offer highly configurable approval workflow capabilities, with drag-and-drop workflow builders to help users configure review and approval routing, as well as support for escalations, reminders, and out-of-office forwarding. Prioritization settings allow users to construct special workflows for contracts with higher risk; and many solutions support both sequential and parallel approval cycles, as well as stage-specific work ow steps (e.g., author vs. edit). Many solutions also offer one or more in-house or partner- supplied



electronic signing service, such as EchoSign or DocuSign, for finalizing documents.

After approval, the contract goes through negotiation and approval with external parties, which involves many of the same collaboration tools included in the initial authoring process. In order to make sure a company has the same level of control while collaborating with these external parties, leading solutions provide a robust set of third-party collaboration tools. These tools include a designated portal for external parties, version tracking with redlining and side-by-side comparisons, and the ability to route externally revised portions of the contract for approval. Suppliers can access the same tracking, patching, and attachment tools in order to ensure effective collaboration and communication. Leading solutions maintain audit trails of all changes made by internal and external parties. They also often leverage more than one electronic signing tool to allow users to gain signatures from external parties, after which the solution should automatically store executed contracts.

After all parties approve the contract, CLM solutions continuously monitor the contract throughout its lifecycle. The solution makes sure negotiated terms are fulfilled and deadlines are met, and notifies users of upcoming expirations to prevent lapses in contracts. Some solutions integrate with users' calendars to ensure that pending expiration and renewal deadlines or milestone commitments are not missed. Many solutions also offer an auto-renewal functionality that is adjustable according to the organization's policies (e.g., a user can designate the number of times the contract will renew automatically before it is no longer active). Some solutions allow users to make amendments to executed contracts and send these changes through rules-driven approval workflows.

When organizations do not have CLM solution in place, contracts are typically stored either in an electronic repository on one computer or a server, on the computers of individual owners of each contract, or filed in paper formats. CLM software typically includes a storage module with extensive search features that allow users to search for and retrieve active and inactive contracts for review. This includes the ability to view contract history and attachments. Role-based access can be configured for the contract repository and search features. Leading solutions also store and maintain non-contract documents (e.g., due diligence, corporate organizational documents).

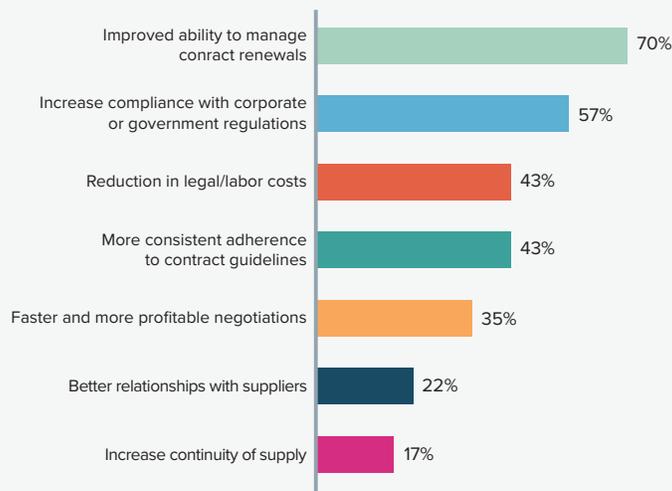


Many solutions offer a reporting and analytics module to optimize existing contract and CLM processes. This module includes reporting and auditing capabilities that evaluate data from the entire lifecycle of a contract to determine trends in contract compliance, costs, duration, and other key performance indicators (KPIs). Some providers partner with business intelligence software providers to offer more advanced analytics. Others will offer extensive functionality for identifying risk in contracts, including risk profiling based on configurable predefined models, publishable model templates based on contract types, and risk benchmark configuration. These solutions also automatically trigger exception approvals for high-risk contracts.

The most common benefit received from a contract management solution is the improved ability to manage contract renewals, see Figure 12. Another benefit is an increase in compliance with corporate or government regulations. The benefits reported after CLM solution implementation by different parts of an organization are slightly different. Upper management employees (e.g., partners, VPs, C-suite, etc.) are more likely to cite an increase in compliance with corporate and government regulations as their biggest benefit, while middle management and staff-level employees saw more value in the improved ability to manage contract renewals. Once again, Level Research attributes these perspectives to

**FIGURE 12**

**Benefits Achieved Through Contract Management Solution Implementation**



**eSourcing Solutions Provide Beneficial Reporting and Analytics Features**

*“Which of the following improvement have you seen in your sourcing process since implementing a solution? (Select up to three)”*



different levels of exposure to specific pain points across the respondents, and to the long-term benefits of automation for these varying individuals.

### Source-to-Settle Software Suite

While individual eSourcing and CLM technology platforms are all that some companies may need, others should take a more holistic approach to their back-office by evaluating a holistic S2S software suite. Level Research identifies the main components of a S2S software suite as electronic sourcing, electronic procurement (eProcurement), CLM, invoice management and AP automation, electronic payments, supplier information management (SIM), and spend analytics, see Figure 13. Complete automation for both sourcing and contract management yields the most benefits for the overall Source-to-Settle process, and the greatest long-run results in supply chain management and costs savings.

FIGURE 13



The Source-to-Settle Software Suite

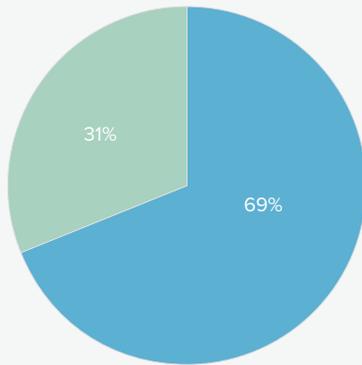
Research shows that it is more common for organizations to use one or the other rather than both CLM and eSourcing technology, see Figure 14. Of the 27 percent of respondents that said they have a centralized automated contract management solution, 31 percent also have a cloud-based eSourcing solution. On the other hand, of the 20 percent of cloud-based eSourcing solution users,



42 percent also have a centralized, automated contract lifecycle management solution. This suggests that while many businesses recognize the value of having a complete automated Source-to-Settle platform (i.e. implementing an eSourcing solution hand-in-hand with a contract lifecycle management solution), there is still much room for growth and opportunity within the S2S space.

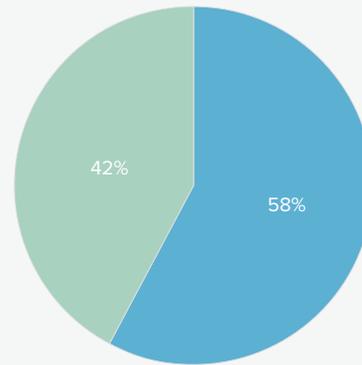
**FIGURE 14**

**PIE CHART 1 DEPICTS SOURCING ADOPTION RATES AMONG ORGANIZATIONS USING CLM SOFTWARE**



- We have a cloud-based eSourcing solution
- We use a manual sourcing method

**PIE CHART 2 DEPICTS CLM ADOPTION RATES AMONG ORGANIZATIONS USING ESOURCING SOFTWARE**



- We use a centralized, automated contract management solution
- We use a manual contract management method

**Companies Are Implementing Integrated Source-To-Settle Platforms**

*“Do you use eSourcing? If so, do you also use CLM?”*

&

*“Do you use CLM? If so, do you also use an eSourcing solution?”*



## eSourcing and CLM Adoption Best Practices

The following steps are for companies seriously considering an eSourcing or CLM software solution. These steps should help streamline the implementation of the solution and improve the long-term success of its use.

### Develop an onboarding plan.

Companies moving away from completely manual processes or existing systems must consider several possible risks associated with transferring existing contract data to a digital environment. Problematic components might include current piecemeal automation tools and homegrown document management systems. If contract information is not migrated with care and precision, important data can be lost. This can lead to security risks, missed contract obligations or expirations, or compliance issues with reporting requirements and audits.

Keeping these potential problems in mind, companies should develop a detailed plan for migrating all sourcing and contract information to one system. This plan entails choosing a solution provider that offers onboarding and migration services to ensure that all data is entered into the new system correctly, such as data entry, optical character recognition data capture technology, or a separate outsourced onboarding service. Security is also important once documents have moved to one holistic platform that can be accessed by all users. The provider should offer roles-based controls that allow the organization to control who has access to different information once it is all housed in one system. They should also offer flexible training programs to make user onboarding as timely and simple as possible.

### Create a Source-to-Settle roadmap.

Before moving forward toward implementing an automation solution, a company should map out its current Source-to-Settle state, evaluate its processes, and determine whether or not an eSourcing or contract lifecycle management solution is necessary, or if both should be implemented together. A company should consider pain points in its current processes and sources of indirect spend, as well as the degree of integration of current systems into overall procurement and supplier management operations.



## Create a current-state map to help with solution configuration.

A solution provider should work closely with clients to configure and customize a new sourcing or CLM solution to meet all their specifications, which can include categories, clause and template libraries, and compatibility requirements.

Organizations should create a map of the current state to improve the configuration stage of implementation. This map should include all users, departments, and stakeholders. For sourcing, companies should account for all suppliers in their master file, whether active or passive. For contract management, organizations should keep in mind all “touches” (the number of times the contract is passed between parties in its creation-to-execution lifecycle) involved for each type of contract, the number of each type of contract, and unique characteristics within more generic contract types. Companies should also account for current process workflows and any other variables and details that make the organization’s sourcing or contract management mechanisms unique.

The provider and client should expect extensive collaboration between the software developer, legal department, and administrators to ensure the current-state information is properly leveraged when creating customized templates, approval workflows, and system controls.

## Measure the organization’s KPIs.

Just as with a current-state map, identifying current-state KPIs will help the solution provider to understand the organization’s improvement goals—and adjust their solution and support accordingly. Measuring KPIs also helps organizations gain internal enthusiasm for software adoption and shows long-term return on investment (ROI) after implementation.

## Research leading solution providers.

Once a company has decided on a solution—eSourcing, CLM, or both—it should research leading providers, and identify which would best meet their needs. While the eSourcing and CLM software markets are relatively small, there are still a surprising number of solution options available today. It is important to be able to judiciously filter through providers’ marketing efforts by taking advantage of objectively researched resources, such as Level Research’s Navigator reports. Navigator reports offer analyses of providers’ features and help decision-makers better identify which providers’ strengths best meet their organization’s needs. Readers can access Level Research’s recent CLM Navigator report [here](#).



## Conclusion

Today's Source-to-Settle environment is full of inefficiencies and pitfalls, including cumbersome processes, poor visibility, high error frequencies, and high maverick spend. Manual sourcing and contract management methods limit strategic supply chain and business decisions, and can result in deteriorating relationships with partners, poor supplier performance, inconsistency across contracts, and problematic negotiations.

Automating sourcing and contract management efforts addresses these pain points either as separate processes or a fully integrated Source-to-Settle platform that can comprehensively enhance supply chain spend and data management. With an appropriately chosen automated solution, companies can reduce costs and increase savings, improve relationships with suppliers, and ultimately emerge as leaders within their industry.

The following profile showcases the features and services of one of today's leading eSourcing and CLM software providers.



## Determine

Determine is a leading global provider of Source-to-Settle and Enterprise Contract Management solutions, with more than 21 years of experience working with organizations of all sizes across all industries. Determine offers experience in every area of Source-to-Settle, including procurement, sourcing, supplier management, contract management, and analytics. Determine is well-suited for enterprise companies that are transitioning away from manual contract management and sourcing tools, implementing solutions for the first time, or replacing disparate point solutions. The flexible and configurable modular approach of the Determine Cloud Platform enables quick implementation, and is adaptable to business workflows and complete data integration with minimum disruption.

Founded	In 2015, three companies rebranded as Determine, Inc: CLM provider Selectica, founded in 1996; P2P provider b-Pack, founded in 2000; and Sourcing Suite provider lasta, founded in 2000.
Headquarters	Carmel (Indianapolis), IN
Other Locations	Atlanta, GA; London, England; Paris, France; Aix-en-Provence, France
Number of Employees	160+
Number of Customers	250+
Target Verticals	Financial Services/Insurance, Retail, Life Sciences/Biotech/ Pharmaceutical/ Healthcare, Manufacturing, Transportation, Agribusiness
Partners/Resellers	TRADESHIFT, Woodworks, Cap Gemini, Deloitte
Awards/Recognitions	Spend Matters, Top 50 Providers to Know 2015, 2016, 2017, 2018; Spend Matters SolutionMap E-Procurement 2018, 2017, Value Leader; CFO Tech Outlook, Top 10 Accounts Payable Solution Providers 2017; Gartner P2P Magic Quadrant 2017, #1 Out-of-the-Box P2P Functionality

## Solution Overview

Determine provides companies with the flexibility and tools to manage strategic sourcing and contract management needs while also addressing compliance requirements. The Determine Cloud Platform includes modular vendor management, contract management, and strategic sourcing solutions in a responsive UI with full mobile capabilities across locations, users, and devices. In addition, contract management is fully integrated and accessible within Salesforce.com via the Determine CLM Salesforce App. Through the



Determine Core, all modular solutions are seamlessly integrated with the platform through a single source of real-time master data and metadata. The Business Process Management tool analyzes business event patterns based on dynamic workflow, events, or predictive (statistical) models, combining them with contextual information. Determine solutions support complex business needs, such as multiple ERP integrations and multi-regional jurisdictions that require a range of tax and accounting services, languages, currencies, and other specifics. The Determine Cloud Platform is fully integrated with Tradecraft, offering a full range of seamless S2S application functionality and access to a leading supplier network.

### Sourcing Management

Suppliers can participate in sourcing events (RFx or auction) from the online platform, and can answer questionnaires online, via Excel import, or directly from the email tied to the sourcing event. Determine's Sourcing solution is fully integrated with its contract management functions, allowing users to create contracts from awarded sourcing events. Determine's solution uses a mobile application native to Salesforce's services.

Clients grant access to the sourcing platform by role, and authorized users can create sourcing events from templates. Users can create RFQs and RFIs manually or by importing from a spreadsheet or questionnaire template. In sourcing events, users can manage supplier bidding with default scenarios like Best Price per Item and Best Price per Item Group—or they can create custom scenarios.

Determine offers collaborative event authoring across different parts of a company. An assigned Sourcing Event Initiator, who can be from any department, can create a sourcing event, and is assigned to a buyer who will manage the sourcing process. All changes to a sourcing event are tracked in an audit trail with restricted access capabilities.

When a sourcing event is open, suppliers can respond online via the supplier portal, and receive alerts on a dashboard. Each sourcing event contains a "Question & Answers" section that acts as a real-time communication portal for suppliers and sourcing event managers. The portal also supports the transfer of document attachments and comments. Determine is currently developing a new generation of program management functionality to manage the entire procurement process associated with internal projects from requirements to



full execution (available in 2019). This app will combine requisitions, sourcing, contract, and procurement with team and task management, online collaboration, project goals and budgets, single source of truth, and robotic task automation.

The eAuction module is compatible with English, Dynamic, Dutch, and Japanese auction types. RFI questionnaires can be reviewed and scored after a supplier has submitted their answers. Each question can be customized and weighed by reviewers. In a comparison and analysis screen, the buyer can view all supplier offers listed with percentage differences from the best offer, as well as the eventual results from the scoring process.

The vendor management module includes supplier registration, onboarding, validation, and qualification, including questionnaires with a manual review process and automatic self-scoring. Scoring can be used to manage supplier performance and statuses. Supplier validation status capabilities help control supplier relationships inside the full suite, enabling tasks like sending confidential information, awarding an event, signing a contract, or sending a PO or payment.

## Contract Management

Determine's Contract Management solution supports the needs of both contract managers and occasional users, with different features and services available for different user roles and contract types. These contract types include legal agreements, sales agreements, purchase agreements, and real estate agreements. Clients can apply different users, views, rules, policies, and procedures to how each contract type is processed, and contract types can be grouped into hierarchies, or families.

Users can author contracts with Microsoft Word templates and integrated clause libraries. The platform's workflow features allow authorized users to send contracts to other members of the organization for review and collaboration. The solution also offers eSignature support through DocuSign and self-service capabilities for extending contract management usage to a wider group of users. After contracts are approved and activated, the solution offers full lifecycle management that includes versioning, contract amendment, and renewal tracking.

Contract management can also be used as part of any sourcing activity, like automatically generating and electronically signing an NDA as part of a vendor qualification process.



Determine's self-service supplier portal enables suppliers to engage with their customers through integrated S2S capabilities on the Determine Business Network. These capabilities include certification management, catalog management, RFX management, and quotation management (with planned contract management). The portal offers dispute management capabilities, which help clients identify supplier issues and provide the information needed to resolve them. Determine also partners with third-party supplier risk management providers, including D&B and Ecovadis.

The Reporting Generator offers reporting and analytics across the platform and gives users access to preconfigured KPIs and dashboards, allowing them to develop custom reports. Determine helps users identify new sourcing opportunities and dynamically manage suppliers with spend analysis, supplier segmentation, and supplier analysis through this reporting toolkit.

### **Implementation and Pricing**

A typical Determine solution implementation typically takes up to three months to complete. After implementation, application support includes a personal Customer Success Manager, phone- and email-based error resolution, and technical troubleshooting, and standard support is available Monday through Friday from 8:00 a.m. to 8:00 p.m. EST (excluding holidays), as well as premium 24/7 support as needed. Determine's pricing structure is based on the complexity of the client's organization (number of countries or companies), the solution modules being implemented, and the number of named users in the application. This pricing can be presented either à la carte or bundled.



## About Level Research

Level Research, formerly PayStream Advisors, is a research and advisory firm that operates within the IT consulting company, Levvel. Level Research is focused on many areas of innovative technology, including business process automation, DevOps, emerging payment technologies, full-stack software development, mobile application development, cloud infrastructure, and content publishing automation. Level Research's team of experts provide targeted research content to address the changing technology and business process needs of competitive organizations across a range of verticals. In short, Level Research is dedicated to maximizing returns and minimizing risks associated with technology investment. Level Research's reports, white papers, webinars, and tools are available free of charge at [www.levvel.io](http://www.levvel.io)

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