

Covigna: Enabling the Complete Financial Management of Contracts

Covigna software solutions automate the entire lifecycle of contract management activities – including contract creation, approval, storage, monitoring, compliance, and analysis.

Covigna provides advanced software solutions that automate contract administration, analysis, compliance, and performance management. Today, contracts bear a greater influence on the financial performance of enterprises than in the past due to their increasing number, complexity, and impact on key operating metrics. Every aspect of an enterprise – supply chain, direct sales, channel sales, service/support, procurement, IT, and logistics – relies increasingly on contracts to meet business objectives. As a result, an emerging imperative for financial management executives is to work more closely with line-of-business managers to ensure contracts and business relationships are truly leveraged for financial value.

Covigna has pioneered solutions that empower both finance and line-of-business personnel to manage contract exposures, risks, and performance. While alternative solutions focus solely on supporting administration of contracts, Covigna provides the additional management controls necessary to monitor, alert, and reconcile key contract issues and exceptions.

Covigna's advanced contract management solutions consist of the following components:

Contract Administration – A central, secure, Web-based repository for all contracts, which automates key processes such as contract creation, generation, approval, storage, access, and renewal. The solution supports an unlimited number of contracts and contract types, is globally accessible, offers multilanguage support, and is customizable for each end-user.

Contract Performance Management (CPM) – A series of modules that leverage the administration solution by reconciling contract terms against operational activities to drive compliance, risk management, performance monitoring, and enforcement solutions.

Current focus areas include:

- CPM for Supply Chain™ – Manage inventory liability allocations between supply chain partners by monitoring their behavior and reconciling against contract terms, thereby reducing excess inventory risk.
- CPM for Revenue™ – Automate contract-driven processes that finance groups manage to ensure revenue recognition compliance, thereby streamlining and applying controls to these activities.
- CPM for Procurement™ – Enforce key purchasing terms related to pricing and payments, thereby helping buying organizations leverage their negotiated terms.
- CPM for Pricing™ – Execute complex, dynamic pricing arrangements with customers, thereby helping sales organizations accurately process orders.

An Overview of Contract Management Needs

Most *Fortune* 4000 organizations have a very large number of contracts in place, leading to several contract management challenges.

Traditional Needs: Contract Administration

Administration of contractual documents is a fundamental challenge for the enterprise. Contracts need to be generated, tracked while in the process of negotiation, routed for approval, shared with diverse constituents within the enterprise, managed for key dates, such as renewals, and flagged for renegotiation. Across a large volume of contracts, these tasks can quickly grow out of control. Yet, the administration of contracts continues to be supported by manual, labor-intensive, and paper-based processes. The problems with this approach are apparent: creation of contracts and commitments that are not aligned with policies and standards, time-consuming processes related to approvals and feedback, long cycle times to share and distribute critical contract information, the loss of key

contractual intelligence when workforce changes occur, and spreadsheet management of key contract events.

Covigna addresses all of these common pain points by providing a best-of-class software foundation for contracts. Using Covigna solutions, an enterprise can automate the administration of any number of contracts. All contracts are centralized into one application that is globally accessible via a Web browser. Users can access a library of contract templates and terms to rapidly assemble the appropriate contracts. Automated workflows can be customized to route contracts to appropriate individuals for approval. Reports can be generated to understand the activity history and status of active contracts. Finalized contracts can be stored in electronic format, and contracts in the system can be organized into portfolios. Users can customize key event notification, such as renewal, and annotate contracts with commentary. All of this is provided while maintaining robust security via permissions and access controls.

The value proposition of a Covigna's Contract Administration Solution are clear: improve the quality of terms by enforcing process control and standardization, improve response time, reduce errors and missed opportunities, ease the flow of information throughout the enterprise, and structure more favorable arrangements.

Emerging Needs Contract: Performance Management

Contracts today have greater influence on the financial performance of enterprises than in the past. The number of contracts in large, global organizations has increased significantly in the last decade due to factors such as outsourcing, increased specialization in the supply chain, customer empowerment, and more collaborative relationships with partners. Simultaneously, the role and purpose of contracts has also evolved. Whereas contracts were traditionally focused on legal terms and conditions that served as crisis

management tools, today contracts set forth rules of engagement related to key operational functions. These rules can relate to important operational activities, such as price management, payments, forecasting, purchasing, inventory management, service/support, and logistics. Increasingly, they also feature complex conditions, exceptions, consequences, schedules, and data.

All of this leads to a critical question: How are the business terms of contracts being managed for maximum leverage and financial benefit? The level of complexity makes software a necessary ingredient to address the matter. Covigna has pioneered solutions that enable enterprises to manage a business environment where the financial implications of

Best Practices for a Contract Management Initiative

Enterprises naturally begin their contract management efforts by automating the administration of contracts. It makes sense to organize contract documents and the information they contain in electronic form as a starting point. Covigna provides a best-of-breed solution to enable the centralization of contracts and the automation of key related processes from generation to renewal. Covigna also provides a range of professional services to migrate paper content into its contract management systems.

Concurrently, most large enterprises also have a much larger vision for contract management. These enterprises seek to leverage their contract admin-

istration solutions for incremental value by focusing on higher value applications such as contract performance management. However, implementing this vision requires appropriate decision-making early on. Establishing the proper software foundation for contracts is essential to enable future extensions. For example, enterprises are not served by a solution which aids the legal department in centralizing contracts but does not support extensions such as automated claims generations and reporting for the finance department, as those needs arise in the future.

Covigna offers the only contract administration solution enabled for future extensions into performance management. It is also the only solution capable of growing in alignment with the evolving business needs of an enterprise – a key aspect of its modular design.

About Covigna

Covigna is a privately held company led by executives with deep domain experiences. Development of the technology powering Covigna solutions began in 1996, when the founders first identified the contract management need for large enterprises. Covigna is backed by Soundview Ventures, the venture arm of Soundview Technology Group. Soundview Technology Group is a research organization that originated Gartner Group, the world's largest technology research firm. ■

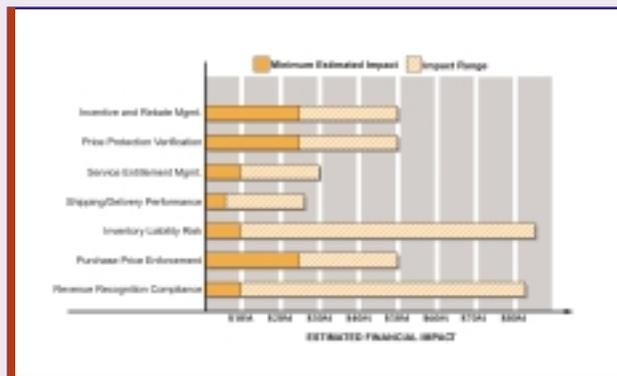


figure 1 Important contract matters and their potential financial impact.

contracts are rapidly mounting. Covigna's contract performance management solutions monitor business activity relating to contracts and deliver a series of reports and alerts to line-of-business and finance managers. Based on patented, advanced capabilities which reconcile operational activities of a company against business terms, Covigna's solutions drive contract compliance, monitoring, and enforcement.

"Covigna's solution fully meets our immediate needs around contract administration, and is the first I've seen to substantially support our objectives around managing performance to a contract. From a CFO perspective, that's a tremendous differentiator and makes our choice of solutions clear."

— Dick Borsboom, CFO
Bell Microproducts, Inc.
\$2B Electronic Component Distributor



www.covigna.com

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contact information

Atif Rafiq
Chief Executive Officer

Sanjay Rajagopalan, Ph.D.
VP, Solutions Marketing

Peter Ma
VP, Client Services

Deepak Nadig
Chief Architect

Covigna, Inc.
82 Pioneer Way
Mountain View, CA 94041
Phone 650.210.3700
Fax 650.210.3701
info@covigna.com

Business Contact

Salman Khan
Manager, Strategic Initiatives
Phone 650.210.3722
salman.khan@covigna.com

White Paper

written by

Sanjay Rajagopalan, Ph.D.
Covigna, Inc.

Sanjay Rajagopalan leads technology strategy and solutions marketing for Covigna, Inc. – a leader in enterprise contract management solutions. Prior to Covigna, Mr. Rajagopalan spent several years working within the manufacturing and advanced technology research center at Caterpillar Inc. He received a Ph.D. in manufacturing from Stanford University, holds six U.S. patents, and has authored several journal and conference articles on the application of Internet technologies for supply chain management, product design, and manufacturing.

Atif Rafiq
Covigna, Inc.

Atif Rafiq has been Covigna's CEO since its inception and drives the company's market vision for enterprise contract management. Mr. Rafiq has negotiated, managed, and evaluated more than 1,000 business contracts in his career and led the contract management initiative within a Fortune 50 organization. His domain expertise includes contract design, processes, analysis, and compliance. Mr. Rafiq has held managerial roles at a number of public Internet and software companies in a business development capacity. Previously, he worked at Goldman Sachs where he advised numerous Fortune 500 executives on key financial management issues across the software, manufacturing, retail, distribution, high-tech, and other industries.

Contract Performance Management: The Need to Bridge Contracts and Business Operations

More than a legal necessity, contracts have a significant impact on many business performance metrics. Yet a large chasm exists between the filing cabinets which store paper-contracts and the operational activities which drive top- and bottom-line performance of any business. Accordingly, there is a burgeoning need for contract management systems which fill this void.

Introduction

It is estimated that a typical Fortune 1000 company has somewhere between 20,000 to 40,000 active contracts in place. In the vast majority of cases, the processing (creation, storage, dissemination, execution, etc.) of the contract is completely manual, and the only authoritative copy of the contract is a paper-based version stored in a filing cabinet. In the best cases, an enterprise may leverage existing tools and applications to fill critical holes. Some use document management systems to serve as a repository for text contracts, others use spreadsheets to store key contract terms, or calendaring systems to program key date events. Unfortunately, these approaches lead to a host of fundamental limitations – they do not support the needs of constituents across the enterprise, and cannot interact with other enterprise systems. For these reasons, enterprise contract management (ECM) systems are receiving increased attention. The primary

value propositions for ECM are the process efficiencies stemming from automation, and the increased control, visibility, and standardization that follow from centralized, shared processes. These remain compelling value propositions today, and a large number of Global 2000 organizations are beginning to adopt best practices in enterprise contract management. A recent analyst report predicts that 60 percent of Fortune 500 companies will adopt ECM within three years time.

"Since our contract administration was paper-based, our financial and line-of-business executives did not have easy access to contract information – resulting in a scramble when contractual issues arose. We even had difficulties locating a contract quickly, let alone having good oversight on the terms that we had agreed to. As a CFO, this was an unacceptable state of affairs, which made the deployment of an enterprise contract administration system a top priority for my business."

– Dick Borsboom, CFO, Bell Microproducts Inc.

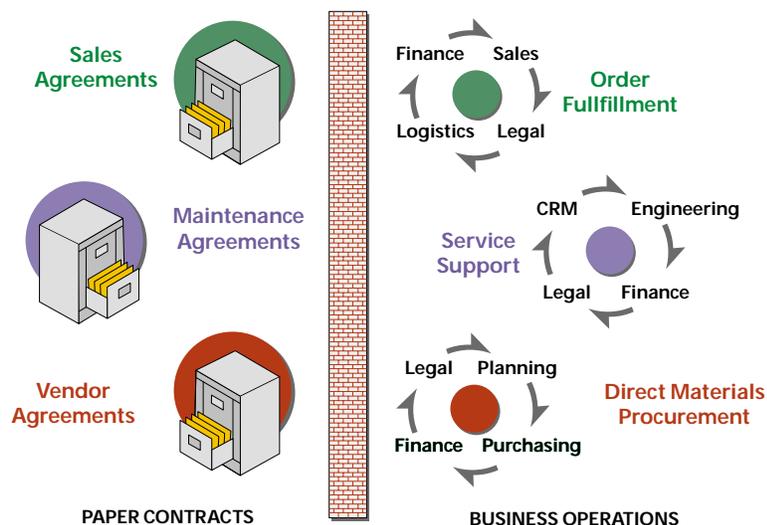


figure 1 | Contracts and business operations are disconnected.