



Hewlett Packard Controls Contracts to Support Sales

Contract, contract management, Upside, Hewlett Packard, HP, compliance

Executive Summary

Hewlett Packard (HP) has come a long way in 66 years, progressing from the original “garage start up” to its current role among the world’s leading consumer information technology companies.

To support sales operations for its computers, printers, digital cameras, and business systems and services globally, HP works with a vast network of direct sales people and channel partners in more than 70 countries. Yet, until two years ago, HP’s customer and channel partner contract information was distributed across multiple online and offline “systems,” clouding the computer maker’s ability to gather a complete view of its trading terms with any given customer.

As part of its initiative to improve contracting processes and gain a unified view into contract and customer data, HP adopted a contract lifecycle management (CLM) solution from Upside Software Inc. The investment has provided a “single point of truth” for all customer information, enabling HP to streamline processes, enhance service levels, and improve revenue renewals with key clients.

Business Challenge

HP is an indisputable global leader in multiple consumer and business technology segments. However, to stay on top HP must continually develop innovative new products, improve operational performance and efficiencies, and grow and enhance customer relationships. Each of these initiatives rely heavily on HP’s ability to gain accurate, complete, and timely insight into pricing, obligations, and service levels to customers.

Unfortunately, as recent as 2001, HP struggled to locate customer contracts, let alone optimize these. Information on customer relationships was distributed across 14 different

Best Practices in Contract Management

Company Name

Hewlett Packard

Solution Provider

Upside Software Inc.

Business Challenge

Sales and marketing contracts’ details were distributed on paper and in more than a dozen home-grown systems, precluding easy insight into business and on-going sales opportunities support.

Strategy

To implement a centralized contract management organization supported by an enterprise-wide system accessible to HP personnel and partners globally

Value Achieved

Streamlined the contract management process and developed a central repository of contract detail. Reports that used to take three to four days to complete now take only a few hours.

home-grown applications, each developed to address the unique requirements of a specific geographic region or business unit. Contracting processes and terms also varied by region, business unit, and contract type, with many contract creation and compliance procedures handled entirely manually.

According to Luis Huix, Contracts Operations Group Manager, it took a full week to create a single report that provided a consolidated record into all the contracts HP's different business units had with a particular customer. "If management wanted to get all information on a specific customer, an employee would have to request a report from more than a dozen systems and databases and then manually coordinate this information into a single report." HP knew that optimizing customer relationships would require drastic changes to its contract management operations and systems infrastructure.

Contract Management Strategy

In 2001, HP set out to transform its contract management operations. The company's strategy can be segmented into three key areas:

1. Create a global sales and marketing contracts group that has oversight of contract procedures and terms, is responsible for coordinating and aligning contracting with regional and business unit leaders, and is tasked with driving compliance.
2. Define and enforce common contract management procedures, contract language, and controls across all HP regions and business units.
3. Leverage automation to streamline contracting procedures, monitor and enforce compliance, and provide a single repository for all customer contracts and related performance information.

HP's global contracts operations group was well aware of the change management issues that would be involved in successfully executing its contract management transformation strategy. To overcome this hurdle, the newly founded group began by developing a detailed and compelling business case on how customer and partner contract management would impact the business units in terms of revenue, profitability, performance, and efficiency. The group then evangelized this message to sales leadership and stakeholders within HP's various regions and business units.

Huix summed up the contract management value proposition in one sentence: "We made it clear to the businesses that with all customer information in one easily accessible place, they would have an edge in selling to customers the way they want to be sold to."

Contract Management Solution Selection and Deployment

With the proper contract management organizational structure and process definitions in place, HP examined its options for a contract lifecycle management (CLM) system. The company developed a formal request for proposal for a CLM solution outlining approximately 25 "must have" criteria, as well as preferred additional requirements. Key criteria included:

- A centralized, global approach
- Regional localization and local language capability
- Ease-of-use and advanced search capabilities
- Extensive document creation and management
- Ability to include product lists and discount information in contracts
- Extensive workflow
- Contract milestone and performance monitoring and user alerts
- Advanced management and reporting functions, including risk, compliance, and performance management.

HP issued the RFP to all the leading CLM solution providers. Off-the-shelf functionality was a requirement for HP, as long as the system could configure and scale to meet HP global requirements. HP established an internal solution evaluation team that included members from the global contracts group, information technology (IT), and functional sales, marketing, legal, and finance representatives from corporate, regions, and business units. Huix said this cross-functional/cross-enterprise team approach was critical to ensure proper alignment and buy-in from the businesses at the outset of the project.

The evaluation team executed a thorough review, demonstration, and analysis of all the leading CLM solutions, evaluating each on their ability to meet the above criteria, service quality and responsiveness, availability of an “off-the-shelf” product, competitive total cost bid, solid customer references, and product functionality roadmap and upgrading. HP eventually selected Upside Software because of the solution capabilities and product support, the cost of the application and implementation, and the company’s financial stability.

HP began with a limited deployment, giving select users within different regions and business units the opportunity to do hands-on testing of the Upside solution. Huix said his group took input from these early users and pushed Upside to incorporate requested user-interface and functionality changes prior to fully rolling out the system. This early testing also helped the global contracts group better understand the business, regulatory, and cultural requirements of each individual region and business unit.

Next HP identified and trained “super-users” in each region and business unit. Functioning as the local champions for contract management and resident experts for the Upside system, these super users are responsible for supporting training, support, and user adoption. HP has since defined a library of contract templates for specific product and service types. These templates also include variations that support local requirements and business regulations.

Results

Giving business stakeholders an active role in solution selection and deployment has been a vital component of HP’s contract management success. Just two years after implementing

the Upside solution, HP is on track to manage 70% of all its sales and marketing contracts within the Upside system by October. Huix anticipates that 90% of HP's sales and marketing contracts will be managed through the system within the next 12 months.

Approximately 200 employees regularly use the system to collaborate on contract creation, review customer accounts, or manage contracts. The number of system users will grow to 1,600 by October as HP brings other stakeholders online, including partner operations. Huix expects that 2,500 users will be using the system worldwide by next summer.

Contract lifecycle management has helped HP achieve streamline its contracting process and mitigate risks within customer contracts. However, Huix says the greatest benefit of CLM has been improved insight into customer obligations and performance. "Winning in sales requires you to have as much customer information as possible," said Huix. "Just having our customer contracts in a single location that is easy to search and report on has the potential to dramatically increase our sales because we now have better knowledge of our obligations, performance, and the customer's needs, likes, and how they want to be sold to. This information was simply inaccessible to our [sales and customer representatives] in the past."

For example: since consolidating sales and marketing contracts within the Upside system, HP has shrunk the time for running a consolidated report on its global obligations to a specific customer to about an hour, down from four business days, on average. Standard reports on the terms and performance on individual contracts or pre-defined groups of contracts are accessible on demand by approved business users. "Now our people can easily access information that they require to make the right business decisions," said Huix.

He added that consolidating contract information and operations within a single system has significantly reduced the costs HP incurred previously for using and maintaining 14 disparate and proprietary contracting applications across the company.

"All of this put together has provided major cost and time savings to HP," said Huix, "The global contracts group can now incorporate more contracts information into the system at a faster pace and keep the quality constant."

Lessons Learned

The leading recommendation Huix has for other firms considering transforming their contract management operations is to secure input and buy-in from the process stakeholders and system users early and often. "The people on the frontline that are the ones that are going to be interacting with it on a daily basis," said Huix. "Their feedback and support is invaluable."

Huix also strongly advise an off-the-shelf software approach to contract lifecycle management. "Internal information technology groups can do a great job to responding for home grown system requests," said Huix. "But their core competency is not developing leading-edge applications for specific business processes. The dedicated contract management application providers have done their homework and built out the necessary functionality cor-

rectly already. Using an off-the-shelf solution can get you greater value, quicker, and, more often than not, at a lower cost than you can do internally.”

That’s not to say that contract management solutions are alike. On the contrary, Huix strongly recommends that companies take the time to clearly define their internal process and system requirements and to thoroughly evaluate and test commercially available contract management solutions. “You need to find the solution that can best fit for your needs with as little customization as possible,” said Huix. “Price alone should not drive the decision, but be one of a number of factors used to make the award.”

Future Outlook

Moving forward, HP plans to use the Upside application to automatically track service and revenue milestones in contract agreements with customers and partners. The intent is for the system to either alert appropriate stakeholders or trigger required actions – such as issuing and invoice – when predefined milestones are met or exceptions occur. Such proactively monitoring and alerts will help HP optimize contract value, enhance customer satisfaction, and shorten order-to-cash cycles. Huix also expects contract monitoring to better position HP to quickly access accurate financial details – such as revenue execution and recognition – to satisfy regulatory reporting requirements of the Sarbanes-Oxley Act.

HP also plans to enhance customer relationships by permitting customers to directly access their own contracts to determine the details and status of their HP relationship. Says Huix: “The ultimate goal is to use effective contract management as an enabler for continuously increasing business with existing customers, boosting productivity, and bringing new sales to HP.”

Aberdeen Conclusions

When it set out to transform its contract management operations, Hewlett Packard crafted a strategy that aligned corporate sales and contract goals and leveraged technology to improve visibility into customer relationships and obligations and to standardize and streamline contracting procedures globally. The company was careful to involve key stakeholders in defining contracting procedures and templates and selecting and deploying a contract lifecycle management solution. This attention to detail, has helped HP gain better insight into its customer relationships, enhance its reporting and compliance capabilities, and position itself continually improve customer satisfaction and drive revenue growth.

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