

Enterprise Contract Management Solutions Vendor Guide, 2010

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This analysis helps organizations navigate the large, fragmented market of enterprise contract management (ECM) applications by providing a classification system for understanding the various classes of solutions.

Key Findings

- The ECM solution marketplace is highly fragmented, and is showing signs of increasing fragmentation.
- Most ECM solution selections will require some compromise across native integration with related applications, in-depth, process-specific functionality and support for multiple contract types.
- Major ECM solution classes include the strategic sourcing application suite add-on, the content management application add-on, the e-signature-based sell-side solution, the industry-specific solution, ERP and IT asset management (ITAM) suite applications, and the general purpose ECM solution.

Recommendations

- Organizations interested in an ECM solution should include multiple vendor types in their bid lists in order to gain a thorough understanding of the trade-offs involved in making selections.

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ANALYSIS

1.0 Introduction

ECM solutions are attractive investments for organizations of all sizes, industries and geographies, because they provide a single, searchable online "place" to store, monitor and manage legal agreements. (For a complete definition of ECM functionality, see "The Four Axes of Contract Management: Authoring, Execution, Partner Boilerplate Support and Administration.") It's no wonder that managing contracts is important — virtually all organizations utilize contracts every day for sales, purchasing, leases, employment agreements, nondisclosure agreements and license agreements. Contracts underpin a large percentage of B2B commerce.

Most organizations use Microsoft Excel, Access or SharePoint Portal, or a document management application, to store and manage contracts, often because organizations are not aware of the additional, packaged functionality that is available in a purpose-built ECM solution. Organizations that have implemented ECM solutions have provided consistent feedback over the past five years that this class of solution adds a lot of value. Overall, Gartner estimates that the penetration rate for ECM solutions is 5% to 10% of the total available market.

Common sources of return on investment include fewer misplaced contracts, advance notice of impending milestones, expiration and renewal dates, and enforceable preapproval processes to ensure a proper review before contracts are proposed. In 2009, Gartner client demand for information on the ECM market remained steady, at a relatively strong rate of 85 unique organization inquiries per year, an unusually high rate given the \$211 million market size.

The primary driver for end-user inquiries is not the indication of strong growth potential for this market, but evidence that many prospective buyers need help navigating the highly fragmented ECM market. Despite reaching the 12-year mark, this market remains populated by a widely diverse and large set of vendors with solutions that may do a lot of different things but, at their core, provide a searchable, online repository with templates for authoring, version control, approval workflow and alerts.

If Gartner could capture and measure the revenue generated by every software solution that supports ECM, it would likely find that the total market is \$1 billion or more in size, versus the \$220 million official published figure. There is a discrepancy because vendors of all types, sizes, industries, geographies and focuses offer contract management solutions, whether as an element of a suite, a feature in an application or an add-on to another solution. Contracts permeate virtually every aspect of the business process, so contract management functionality is available everywhere.

2.0 An Already Fragmented Market Grows More Fragmented

Most technology markets begin their life cycles with a handful of vendors that offer highly differentiated solutions, each of which represents an initial attempt to solve a perceived "problem." Virtually all first-generation solutions have significant shortcomings because the opportunity is not fully understood. Over time, and through trial and error, vendors address gaps in functionality, adjust their business models and adapt their product offering strategies until the solutions mature, leaders emerge and the vendor base consolidates.

Through mid-2008, it appeared that the ECM market would follow this pattern, with the exception of a few specialized solutions to address sell-side contract management requirements. Few organizations utilize only one or two contract types, and the purest architectural approach to address the variety is to leverage one solution configured to support multiple contract types and

multiple stakeholders. Despite a slow start, with growth inhibited by issues such as lack of a clear, common owner for the ECM solution and legal personnel sometimes resistant to adopting new technology, it appeared that the market was shaping up, with some leaders emerging and functional scope becoming more standard (see "MarketScope for Enterprise Contract Management").

The market has been discovering, however, that there is often value in deep integration between an ECM solution and other process-specific software applications, such as a strategic sourcing application or CRM solution. This is a significant change from three years ago, when most organizations happily implemented their ECM solutions without integration with any other system. In nearly every inquiry Gartner fields today for ECM, the prospect not only wants but expects to be able to deploy a solution in a very connected way with other applications. Meanwhile, many vendors are beefing up their departmental-type ECM solutions, with functionality finely tailored to specific contract types.

The recession of late 2008 through 2009 has provided yet another reason for organizations to choose specialized contract management solutions over general purpose applications or document imaging alone. Most organizations faced significant IT budget cutbacks and, as a result, had little appetite for large, enterprise-level projects. With fewer resources available to gather requirements and evaluate options, the task of scoping a solution to cover multiple, heterogeneous contract types was often difficult to justify, particularly when suite vendors offer their alternative solutions at little or no cost to sweeten the value of a larger deal.

The net result of these trends is that the appeal of the departmental solution is undermining the health and prospective growth of the general purpose solution market. The market for ECM solutions remains highly fragmented, with hundreds of vendors offering solutions. The key to navigating this challenging market is to understand the classes of solutions available, the respective vendors, and the pros and cons for each.

3.0 Market Segmentation: The 2010 ECM Solution Market Landscape

ECM vendors can be segmented into several classes. Many of the groupings are considered "add-on" application types, because the solutions are extensions of suites or other software applications, such as a document management system. The dominant groups are detailed below.

Note that vendors are classified into the categories that are the best fit, based on current customers. Several vendors have capabilities and customers that align with other categories. For example, Ariba, SAP Contract Lifecycle Management (SAP CLM) and Open Text are available as stand-alone, general purpose solutions.

3.1 Strategic Sourcing Application Suite Add-Ons

Strategic sourcing application suites are software solutions that support spending analysis, strategic sourcing, supply base management and ECM. Eleven of the 13 vendors rated in the "Magic Quadrant for Strategic Sourcing Application Suites" offer contract management solutions that rate "fair support" for functionality or better. A total of 39% of the references for the report use the contract management module of their strategic sourcing application vendors. Many of these references were in implementation, which underscores the relative newness of this trend. Gartner has observed several vendors offering their ECM modules "for free" to clients that buy a broader suite.

Sample vendors that offer an ECM module as an add-on to a strategic sourcing application suite include AECsoft, Ariba, BravoSolution, CGI, Curtis Fitch, Emptoris, Global eProcure, Iasta, Ivalua, Ketera, Selected Services (Pool4Tool), SAP CLM, SynerTrade and Zycus.

Pros:

- Native integration with other applications in the suite. Examples include the automated download of winning bid data from sourcing events to populate contract templates and the inclusion of contract data as input into a spending analysis.
- Availability is at a very competitive price, if purchased with the suite.
- Some vendors in this class partner with an e-signature vendor, or offer native e-signatures.

Cons:

- Vendors are unlikely to have experience integrating their solutions with any solutions outside the normal set for procurement, such as an ERP, for contract compliance monitoring.
- Vendors are very unlikely to add any new functionality that is not related specifically to procurement or sourcing.
- Prospective users in other departments may have to wade through irrelevant functionality to use the solution.

Additional Reading:

"Magic Quadrant for Strategic Sourcing Application Suites"

3.2 Content Management Application Add-Ons

Content management applications and ECM systems share a significant architectural element: a content management system. Prospective ECM buyers with an investment in an enterprise content management system often question why they should purchase an application that duplicates functionality they already own. This legitimate query has given rise to a segment of vendors that extends the enterprise content management solution.

Vendors that offer an ECM solution as an add-on to an enterprise content management system include Upside Software, CLM Matrix and Dolphin Software for Microsoft Office SharePoint Server (MOSS). All are Microsoft Gold Certified Partners. Selectica and Imagitek's Prodiagio Software partner with EMC to provide solutions that extend Documentum. Hyland Software, IBM, Open Text, Perceptive Software and SpringCM offer their own ECM solution add-ons.

Pros:

- Content management application add-ons eliminate investments in duplicate content management functionality.
- They can provide a familiar interface, if proposed solution users already leverage the content management application.
- Security and version control are often more mature than those of ECM solutions.

Cons:

- Solution functionality is likely to focus on general purpose features.

- Vendors are less likely to have experience/established maps for integration with other solutions.
- Full-text search and complete document viewing may be available only by signing onto the content management application.

Additional Reading:

"Magic Quadrant for Enterprise Content Management"

3.3 E-Signature-Based, Sell-Side Solutions

A less common but important use case for an ECM solution is supporting sell-side contracts that are presented online to prospects and are executed via electronic signature. Typical functionality for this type of solution includes "fill in the blank" or conditional, rule-based contract assembly, sales pipeline monitoring and, of course, electronic signature capability. Some solutions in this class can be configured to extend the use of salesforce.com solutions.

Sample vendors include Adobe, ContractPal, DocuSign, eLynx, EchoSign and Sertifi.

Pros:

- Functionality is closely tailored to sell-side agreement execution.
- Some solutions provide e-signature support for both template-based and ad hoc contracts.

Cons:

- Functionality is often too specific to the use case to leverage the solution for other types of contracts. For example, it's highly unlikely that a solution of this class would support document versioning, master agreement-subagreement links or complex approval workflows.

Additional Reading:

"North American and European Electronic Signature Suite and Service Market"

3.4 Industry-Specific Solutions

Several ECM solutions are specifically tailored to the unique needs of a particular industry. On the sell-side, these solutions often focus on activities such as margin analysis and revenue impact modeling of changes in reimbursement rates. On the buy side, industry-specific solutions typically support postexecution budget and timeline management.

Sample vendors include Model N, which serves the life sciences and high-tech industries, and I-many, which serves the pharmaceutical and consumer goods industries. IntelliSoft Group (Intellicontract), Concuity and MedAssets are tailored for healthcare provider contract management. Compliance 360 provides industry-tailored contract management and third-party risk management applications for healthcare, insurance and financial services; 8over8, CMA Contiki and Omnicom Group provide buy-side solutions for the oil and gas industries. Oracle (Primavera Software) and Skire offer market buy-side functionality for the capital projects/the construction industry.

Pros:

- Industry-specific solutions offer finely tailored functionality for a specific industry. Complex features like modeling the impact of changes in provider reimbursement rates in the healthcare supply chain can be very costly to duplicate in a general purpose solution.
- Solutions often offer native integration with related suite applications.
- Life-science-specific ECM solutions can be tailored to enable compliance with regulations such as Medicare Part D and demonstrating best prices to government agencies.

Cons:

- Functionality is often too specific to the use case to leverage the solution for other types of contracts.
- Some industry-specific solutions are quite expensive, compared with general purpose contract management applications.

Additional Reading:

"Case Study: Microchip Defends Margins with Better Sales Processes and Pricing"

"Case Study: Astellas Achieves Significant ROI and Process Improvement Through a Holistic Approach to Revenue Management"

"The Gartner CRM Vendor Guide"

"Paradoxes and Pitfalls Abound in Approaches to Pharmaceutical Contracting and Revenue Management"

"I-Many Deal Will Benefit Revenue Management Software Market"

"Hype Cycle for CRM Sales, 2009"

3.5 ITAM Tools

Many ITAM tool vendors offer a contract management module or contract management functionality. The ITAM process entails capturing and integrating physical, financial and contractual data to manage the IT asset life cycle. Asset management encompasses the financial management, contract terms and conditions, asset costs, depreciation, life cycles, vendor service levels, asset maintenance, ownership and entitlements associated with IT inventory components such as software, PCs, network devices, servers, mainframe, storage, mobile devices and telecom assets (for example, voice over IP phones and PBXs).

Sample vendors include BMC Software, CA, HP, IBM and Symantec-Altiris.

Pros:

- ITAM tools offer tight, native integration with related applications, such as service desk.
- They also offer tailored functionality, such as software license entitlement recordkeeping.

Cons:

- Solutions are not generally suitable for a shared service or for organizations with multiple, heterogeneous ERPs.

- Functionality is often too specific to the use case to leverage the solution for other types of contracts.
- Most solutions in this class do not offer support for document management or authoring.
- The focus on transactional data and a lightweight functionality, if any, in support of authoring, master agreement-subagreement interconnection and full-text search.

Additional Reading:

"MarketScope for IT Asset Management Repository, 2008"

3.6 ERP Suite Applications

Increasing numbers of ERP vendors are offering contract management solutions as elements in their procurement, service management and CRM suites. Many ITAM suite vendors offer a contract management module. The typical goal of these applications is to document contract metadata and line-item information for general recordkeeping and compliance, or in other words, operational contract management. For example, on the procurement side, maintaining information on open contracts allows an organization to monitor purchase orders for the correct source and price. In ITAM, the solutions document contract expiration dates and entitlements. We bundle these two suite types together because they share common pros and cons.

Sample vendors include Oracle E-Business Suite, Oracle PeopleSoft, Lawson, SAP Supplier Relationship Management (SAP SRM), Agresso, Epicor and Microsoft Dynamics.

Pros:

- ERP suite applications offer tight, native integration with related applications.
- They also offer tailored functionality such as entitlement recordkeeping in service management suites and sources of supply recordkeeping in purchasing.

Cons:

- Solutions are not generally suitable for a shared service or for organizations with multiple, heterogeneous ERPs.
- Functionality is often too specific to the use case to leverage the solution for other types of contracts.
- Most solutions in this class do not offer support for document management or authoring.
- The focus is on transactional data and a lightweight functionality, if any, in support of authoring, master agreement-subagreement interconnection and full-text search.

Additional Reading:

"Magic Quadrant for Field Service Management"

"MarketScope for IT Asset Management Repository, 2008"

3.7 General Purpose ECM Solutions

A group of niche vendors specializes in enterprise-class contract management solutions. These offerings are typically very robust and include extensive "bells and whistles" to meet a variety of requirements and to support multiple contract types within the same application. General purpose ECM systems are useful alternatives for a single contract type/departmental requirement when a

suite is not in use or is not planned, but when implementing an enterprise contact management is a priority.

Sample general purpose vendors include CobbleStone Systems, Ecteon, Emptoris, Mumboe, Nextance, Novatus, OpenWindows, Selectica, Symfact, and Upside Software.

Pros:

- General purpose ECM solutions can help organizations avoid the proliferation of add-on and/or departmental-type contract management solutions.
- These solutions enable search, reporting and analysis across all contract types.
- They provide a single application for the legal department to manage authoring.
- Solutions are more likely to have APIs and/or a Web services offering to support integration; vendors are more likely to be experienced developing translation maps because, by definition, there is no "native integration" available with these tools.

Cons:

- These solutions can be more expensive than add-ons and suite applications because they cannot be "bundled in" with something else.
- Security requirements may be higher to maintain need-to-know access across multiple use cases. For example, procurement should be restricted from viewing sales contracts.
- An IT project will be required to connect these solutions to other disparate applications.
- The presence of use case specific functionality, such as margin analysis or compliance monitoring, may not be present out of the box.

Additional Reading:

"MarketScope for Enterprise Contract Management"

"The Four Axes of Contract Management: Authoring, Execution, Partner Boilerplate Support and Administration"

"Contract Life cycle Management Landscape: Why CLM Technologies Need to Be Part of Your Supply Chain"

3.8 Other ECM Solutions

A few other niche vendors offer ECM solutions that don't fit neatly into one of the categories above. These vendors include:

- Business Integrity, Exari and Workshare offer legal document assembly and management for law firms, attorneys and large corporations.
- Serengeti Law supports legal matter management and e-billing.
- Apttus provides an ECM solution that extends salesforce.com, but is also commonly used with other sell-side applications, including Siebel, Oracle and SAP CRM. Apttus also reports that it has several installations that support procurement contracts.
- Software Europe offers a stand-alone contract and supplier management solution, with invoice reconciliation, for procurement.

- Compusearch, CGI and CACI offer solutions that support federal- and state-regulated acquisition processes, including contract creation and management.

4.0 Advice for Creating a Vendor Shortlist

Given the myriad differentiated options and a highly fragmented market, creating a shortlist for an ECM project can be a challenging task. Consider the following factors to create your shortlist:

- Question: Will the solution need to support multiple contract types?
 - If yes: Include general purpose vendors on your shortlist.
- Question: Do you have a strategic enterprise content management solution in use?
 - If yes: Include appropriate content management application add-on vendors on your shortlist.
- Question: If your project is for a single, departmental use case, are you using or planning to use a suite to support multiple processes for that department?
 - If yes: Check to see whether you already own a license to a suite-based (ERP, ITAM, CRM, procurement, service, etc.) ECM solution, because many suite deals include a license to their applications. If not, investigate whether your suite vendor or proposed suite vendor offers an ECM module. Any solution identified in this exercise should be included on your shortlist.
- Question: Is your organization in the healthcare provider, high-tech, pharmaceutical, or oil and gas industries?
 - If yes: Add industry-specific vendors to your shortlist.

5.0 Bottom Line

For some organizations, only one contract type is of any significance worthy of supporting with a purpose-built tool. If this is the case, there should be no hesitation to invest in an add-on or a departmental-type solution, if it meets your functional requirements. Organizations with multiple, significant contract processes should invest in add-on and departmental solutions with an eye toward minimizing application proliferation.

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