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Business Overview

Introduction:

Mr. Philip G Santilhano established HAL 2000 Systems in 1991. During 1994 HAL was contracted to design and develop an intellectual property management system for The South African Breweries Limited. The project was a great success and resulted in Adams & Adams approaching HAL to look into developing an in house lawyers IP system. Development work on the IPPRO system began during 1996.

The original SAB program "Socrates" was converted into a commercial IP management package in 1998, during the same year Mr. Craig D Santilhano joined HAL 2000 Systems as the marketing and sales director to launch the commercial product into the market. During 1999 HAL 2000 SYSTEMS incorporated as HAL 9000 SYSTEMS (PTY) Ltd. The "Socrates" program was renamed "ManIPulate".

Over time our clients requested further control over intellectual knowledge, specifically with regard to Contract and Agreement management and the associated storage and retrieval of documents, this prompted us to rebuild the Contracts and Agreements module and redesign the functionality of the Documents module to cope with modern sophisticated business requirements over a large spectrum of the industry. The result: a fully functional modern application that covers all of the requirements of a corporate Contracts and Agreements management system.

HAL 9000 Systems (PTY) Ltd presently employs 4 permanent staff and a number of specialist contractors.

The ManIPulate IP Management System is operating in a number of National and International Corporations.

www.manipulate.co.za

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We are very proud to be a wholly owned South African Company offering World Class solutions for business throughout the world.



An Insight and Discussion on Knowledge and Contract Lifecycle Solutions



HAL 9000 Systems (PTY) LTD delivers the most advanced Enterprise Knowledge and Contract Management solutions for managing corporate knowledge commitments in Africa. Designed to extend beyond the traditional contract management capabilities, HAL 9000 Systems (PTY) LTD, using ManIPulate® Pro offers an end-to-end solution, from pre-contract processes and contract management to transaction compliance. Ultimately, this provides companies with the visibility and control needed to manage any type of commitments – from contracts and obligations to date line and contractual deadline requirements. The result is increased revenue, minimized risk, and dramatically reduced operating costs, which deliver improved profitability with visible return on investment. With 12 National and Multi National companies utilizing ManIPulate® Pro, our experience in the broader knowledge management solution environment is extensive.

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Executive Summary

With profitability, compliance, and risk management high on executive agendas, a growing number of enterprises are embracing contract lifecycle management (CLM) as a leading business discipline.

Contractual agreements define the terms, pricing, and service levels of customer, partner, and supplier relationships. New business models, market pressures, and regulatory requirements have increased the volume and complexity of corporate contracts, as well as the urgency for enterprises to better access, monitor, and control contract creation and performance.

Aberdeen Group in the USA defines CLM as *the management of contract creation, execution, and analysis as a systematic and connected process for the purpose of maximizing financial and operational performance and minimizing risks.*

The rise in interest in the CLM discipline — alternatively referred to as enterprise contract management ECM — has sparked a commensurate increase in interest and investment in contract management automation to support process efficiencies and information flow across the contract lifecycle.

Aberdeen Group's research of contract management operations and performance at more than 300 enterprises over the past two years — including over 50 CLM automation deployments —

has quantified the significant impact contract management automation can have on revenues, costs, compliance, and operations.

Where to Begin

Despite the benefits, frequently asked questions indicate that line-of-business and information technology (IT) executives are uncertain how best to approach CLM deployments. Contract management spans and impacts all aspects of the organization; process and system investments in this area can be politically charged and highly fractious issues. And, following time-consuming enterprise resource planning (ERP) system deployments and installed e-marketplace initiatives, many companies remain gun-shy of large enterprise application deployments.

A Measured Approach to Success

Research has found that the CLM deployments demonstrating the quickest implementation and return on investment (ROI) were those that took a phased approach to system deployment — beginning with the areas requiring the least integration and change management, such as establishing a central contract repository. Enterprises employing this measured approach reported significant and measurable value and ROI at each phase of deployment. They also found that success from early phases of the deployment helped secure internal support and funding for expanded functionality and rollout.

This report examines the most successful CLM implementations and provides a recommended deployment roadmap to speed implementation, maximize results, and minimize internal resistance and change management issues

Chapter One:

Market Factors Make CLM a Priority

Contract Management Becomes a Priority

Profitability, compliance, and risk management are high on executive agendas, causing enterprises to embrace contract lifecycle management (CLM), a process of systematically and efficiently managing contract creation, execution, and analysis as a connected process that maximizes financial and operational performance and minimizes risk.

The contract has long been the lifeblood of business, providing the terms, pricing, and service levels of customer, partner, and supplier relationships. In recent years, new business models and market pressures have dramatically increased the volume and complexity of corporate contracts. At the same time, new financial and regulatory requirements have increased the urgency for enterprises to access, monitor, and control contract creation and performance. Research has shown that the following market conditions make contract management (and supporting automation investments) a top priority:

- **Uncertain global economic conditions** are putting more pressure on businesses to reduce costs and improve financial and operational performance as a direct result of instability caused in local markets.
- **New regulations** are requiring companies to establish and document business controls, procedures for tracking and reporting material business information, and procedures and systems to ensure compliance and auditing.
- **Globalization** is increasing the types and complexity of contracts, as well as the risks inherent in trading relationships. Enterprises must negotiate and manage contracts to support multiple trading regulations and regional business practices.
- **Outsourcing**, licensing, channel, and warranty agreements are growing in number and complexity.
- **IT investments** are forcing enterprises to extract additional value from their existing IT infrastructures — including previous investments in enterprise resource planning (ERP), customer relationship management (CRM), and supplier relationship management (SRM) applications.

These factors are forcing enterprise executives to recognize the importance of instituting procedures and systems to holistically manage the complete contract lifecycle — from initial authoring and negotiation to contract storage and retrieval to compliance and reporting.

In fact, the typical company continues to manage contracts with a mix of manual, paper-laden, and informal processes; fragmented business systems; and ex post facto audits and analyses. This hodgepodge “strategy” limits visibility into corporate contracts and performance, exposing enterprises to inflated costs, diminished negotiation leverage, missed revenue opportunities, poor compliance, and regulatory backlash.

CLM Automation Drives Measurable Results

The rise in interest in CLM, often referred to as enterprise contract management, is also causing contract management automation to rise to an all-time high. Evidence includes:

- Enterprises participating in three recent benchmark studies rated contract management among the top business application investments that have been prioritized well into 2007.

In simple terms, a CLM solution automates and streamlines the creation, storage, management, and analysis of contracts — from initial contract request and negotiation through compliance and performance management. Most commercially available contract management solutions provide the following capabilities:

- A centralized and searchable repository for contracts, templates, and clauses;
- Collaborative contract creation, redlining, and audit trail capabilities;
- Monitoring and alerting of predefined agreement milestones (e.g., contract termination, volume thresholds, etc.) to drive improved compliance;
- Integration into transactional systems for “activation” of key contract terms and proactive compliance monitoring and management; and
- Reporting and analytical tools for contract performance analysis.

Table 1: Benefits of Contract Management Automation

Source: Aberdeen Group, October 2005

Compliance management	Improve compliance 55%
Rebate/discount management	Improve 25% to 30%
Material/service costs	Reduce 2% to 7%
Contract renewal rates	Improve 25%
Revenues	Improve 1% to 2%
Evergreen contracts	Eliminate evergreen contracts
Contracting cycles	Cut contracting cycles in half
Procedures and terms	Standardize processes and terms to mitigate risks, ensure proper approvals, enforce policies
Contract analysis	Analyze and maximize performance
Administrative costs	Reduce 25% to 30%

Chapter Two: **Where to Begin**

Despite such compelling benefits, line-of-business executives and IT managers remain uncertain of how to best approach CLM deployment. Most are concerned about the challenges of large enterprise business application deployments. Chief concerns include:

Conflicting agendas and change management issues:

Contract management is one of the few processes that touch nearly every function within the business — from legal and contracts to sales and procurement to finance and IT. Each of these constituencies has its own preferences and agendas. For example, legal is concerned with liability and is generally technology-averse. Finance is concerned with CLM system costs and its ability to provide better reporting. Sales and procurement are concerned about how CLM will impact existing business processes, systems, and relations. And IT is concerned with how CLM fits with existing IT infrastructure strategies, especially ERP consolidation plans. Such factors make CLM a politically charged and highly fractious issue that can ultimately end in no decision or stalled initiatives.

Difficulty securing budget and resource support:

Despite the importance and growing interest in CLM, line-of-business executives continue to struggle with securing sufficient budget and IT resources to support the initiative. CLM competes with application maintenance and ERP consolidation, in addition to business- function-specific projects such as CRM and SRM.

Corporate aversion to large-scale system deployments:

One of the biggest challenges in securing support and ensuring successful CLM deployment is countering fears that an end-to-end CLM initiative will be both costly and

time-consuming to implement. The basis of this concern comes from previous experiences with ERP system implementations, which were costly to implement, had long implementation and ROI cycles, and required significant changes to existing operational and information management processes and controls.

Assessing CLM Needs and Opportunities

Overcoming these challenges will require enterprises to clearly identify and prioritize opportunities for contract management improvements and define a methodical and practical approach to CLM solution deployment that speeds implementation and time-to-value cycles while minimizing internal conflict and change management hurdles.

One of the most common mistakes enterprises make is rushing into CLM solution deployment without truly understanding their contracting and compliance competencies and without accurately defining solution requirements. Consider one large aerospace company. This leading manufacturer of turbofan and turboprop engines and flight safety and landing systems licensed a CLM solution to address the full contract lifecycle as a way to standardize contracting procedures and controls across multiple divisions (including many that were added through mergers and acquisitions) and to meet stringent regulatory reporting requirements. After beginning the system deployment, which was part of a companywide “contract excellence” initiative, the manufacturer soon realized that it needed to better scope its requirements and modify its deployment approach. The company secured an experienced program manager and reset deployment expectations.

The result: quicker implementation, wider system adoption, and improved financial and performance results. One executive said, “Too often enterprises rush into a [CLM] investment.

We learned it’s important to slow down and fully *assess your organization structures, processes, and system requirements* before evaluating solutions.”

Enterprises must start by conducting an internal assessment of contracting, compliance, and contract administration competencies. Aberdeen advises enterprises to holistically assess contract management competencies across five areas: organization, process, knowledge, technology, and performance measurement

Building the Business Case for CLM

Once an enterprise identifies capability gaps, it should establish targets for expected revenue, cost, and performance improvements that could result from adopting a CLM solution. This business case must include measurable targets, including revenue and profitability impact; unit cost savings; improved contract compliance; improved service levels; reduced risks and fines; FTE (full-time equivalent headcount) reductions; lower operating costs; and continuous cost, operational, and performance improvements.

One of the quickest methods to gain budget and alignment for a CLM initiative (and to mitigate sentiment against it) is to develop a business case that targets not only cost and ROI, but also time to value (i.e., the timeframe within which ROI and improvements will be achieved). When possible, link the business case to a pending crisis, such as impending regulatory reporting requirements

Chapter Three:

Practical Approaches for CLM Success

Establishing a central contract repository

Establishing a central contract repository is the least controversial or politically charged aspect of a CLM deployment. About one-third of executives report difficulty in quickly accessing contracts. As such, functional and business unit executives are generally in agreement on the need for a central contract repository.

A central contract repository offers a single point-of-truth for the details, obligations, expectations, and status of all of a company's business relationships. Improved visibility into contracts enables a company to better understand its business and financial obligations, identify opportunities for revenue acceleration or supply cost savings, and uncover risky contractual relationships and terms. A central contract repository can also help improve compliance by giving all relevant stakeholders better visibility into existing contracts and obligations, as well as easing procedures for compliance review and analysis.

Ideally, this central repository should store contract information in electronic format and be searchable by multiple parameters, including contracts by supplier, category, business unit, and location. Detailed search capabilities can help companies identify terms and clauses that present risks (e.g., auto-renewal clauses or liability exposure) or savings opportunities (e.g., early payment incentives or volume price breaks).

Contract location:

While seemingly simple, finding contracts often proves more difficult than most enterprises expect. One-third of enterprises researched, reported challenges in locating and accessing contracts. Several companies even admitted to needing to contact customers or suppliers to get a copy of lost contracts. Contracts are typically scattered across the enterprise and are stored in various formats, including homegrown systems, standard electronic databases, on individual PCs, and in paper format. Enterprises must aggregate contracts from all of these sources.

Contract loading:

The level of effort required for loading contracts into a CLM system depends on two attributes: the original format of the contracts and the loading and contract conversion capabilities of the CLM solution provider and its service partners. Enterprises storing contracts in electronic format will have an easier time converting these into a usable form within the CLM system, primarily through a bulk loading and mapping process. Converting contracts from paper format will require a combination of optical character recognition (OCR) and manual review and data re-keying procedures.

Database development:

Most companies attempt to simplify the development of a contract repository or database by basic header information (e.g., contract type, trading partner name and contact information, pricing lists and breaks, and contract termination dates) in a CLM system. This header information typically contains a contract number that links or directs users to the complete contract stored either in scanned or paper format. This segmented approach simplifies system deployment and management. The header information can be used to drive contract compliance and administration activities. However, this header-only approach limits the ability of companies to initiate performance and risk analysis across contracts or at the clause or line-item level. Recent advances in OCR, content

management, and pattern recognition technologies are beginning to enable more sophisticated and efficient contract conversion, allowing companies to access and search the entire contract at a detailed level.

Report development:

The final phase of establishing a contract repository is running basic reports and search queries to track contract compliance, rebate capture, termination and renewal dates, etc. Most CLM solutions ship with standard reporting capabilities or can export information to third-party reporting tools.

Establish Links for Transaction and Compliance Management

The greatest area of return from a CLM investment comes from improved compliance and management of corporate contracts and commitments as well as regulatory requirements.

Monitoring and ensuring contract compliance in a repeatable and proactive fashion requires the “activation” of key contract terms and commitments – such as prices, volume breaks and rebates, etc. – into transactional systems. The activities required to establish and maintain integrations required to successfully deploy this phase of CLM include:

Transaction process map:

Enterprises must begin by identifying the systems and transactions that interface with contract data. Key systems where contract information is required for successful compliance management include ERP, purchasing, e-commerce, and financial systems.

Integration routines:

Next, define the integration routines and approaches best suited for CLM initiative goals as well as existing systems infrastructure. Integration routines range from basic scheduled bulk loads up to real-time integration calls between transaction systems and the CLM system. Many CLM solution providers offer certified integrations into leading ERP and business applications.

Others leverage standards-based application programming interfaces (APIs).

Some ERP, SRM, and CRM platform providers incorporate contract management functionality into an integrated suite of products that covers the broader source-to-pay or order-to-cash lifecycles.

Alerts and workflows:

Most CLM solutions enable proactive compliance monitoring and management with rules-based workflow engines that enable enterprises to establish alerts for out of compliance transactions or activities. Advanced systems support alert routing and escalations, and, in some cases, automated resolution – such as applying a new price to a purchase once volume thresholds defined in a contract are met.

Adopt Contract Creation and Collaboration Capabilities

In most cases, it is recommended that enterprises make the deployment and adoption of contract creation, authoring, and collaboration capabilities the final phase of any CLM deployment.

This phase takes the longest to implement due to internal politics and change management issues. To be clear, such functionalities drive significant improvements in productivity and contracting cycle times. Contract authoring and collaboration tools also help companies enforce the use of standard contracting procedures and language, which can result in continued improvements in contract effectiveness and risk management. However, value derived from these benefits is either limited in total savings (e.g., reduction of full-time employees (FTEs) through the use of automation) or is largely categorized as *cost avoidance*, which is difficult to calculate and defend to senior management.

Contracting process map:

Enterprises must benchmark existing contracting procedures and, if necessary, redefine processes to ensure streamlined operations and sufficient cross-functional representation — *before automating the process* with new authoring or collaboration tools. Enterprises must pay particular attention to the usage frequency and preferences of individual users and ensure that the selected CLM solution includes the capabilities to support requirements of all stakeholders. For example, if the legal department prefers to author and review contract language in basic word-processing applications — e.g., Microsoft Word — be sure to access functionality to support “check-in” and “check out” of contract information between the core CLM system and third-party word-processing tools. Some solutions support access to basic CLM functionalities from within word processing tools, enabling users to edit and collaborate on contract language within their “native” word-processing environment.

Rules and permission configuration:

System administrators must configure rules and permissions to ensure role-based access to contract data and CLM system functionality. Many CLM solutions support the import of employee profiles from ERP, human resources (HR), or human capital management (HCM) systems and allow rules and permissions to be assigned to user groups or roles. Such features speed CLM implementation.

Alerts and workflow configuration:

To facilitate contracting and collaboration efficiency, system administrators must establish optimized workflows to automate, monitor, and manage the contracting process. Many CLM systems include workflow configuration wizards and contract templates to speed the set-up process.

Contract templates and clause libraries:

Most companies spend an inordinate amount of time creating and reviewing contract terms and conditions that are used frequently across the company. These redundant activities lengthen contracting cycles and hinder productivity. CLM solutions enable enterprises to create libraries of contract templates and clauses that empower approved stakeholders to construct a contract using pre-approved pricing, terms, and conditions — all while mitigating the use of risky contract language. Templates are defined for specific and generally highly used contract categories or types, such as contingent agreements. Some solutions also allow rules, permissions, and risk scores to be applied at the clause level, reinforcing approved language and guidelines.

Conclusion

With increasing pressure from both statutory and other external market forces, it has become essential to migrate paper based and legacy hard copy systems to more streamlined and accessible management applications. Through the use of modern Contract and Knowledge Management solutions and with the ability to store large amounts of information at relatively low cost on easy to access computer based hardware, there is no reason for companies or institutions to fall fowl of the complexities of trying to manage large ineffective manual systems.

We hope that the input has been of benefit to you and your company and look forward to discussing your further requirements.

Many thanks to the Aberdeen Group for their research and insights.



The ManIPulate Knowledge Management Solution

The ManIPulate Knowledge Management Solution has been designed to incorporate all of the key elements required to manage corporate commitments in an easy user-friendly environment.

Solution Overview

Modules:

- All Records
- Agreements and Contracts
- Companies
- Documents
- Domains
- Other IP
- Patents
- Trademarks
- Financial
- Litigation

The application is built around user requirements and is configurable to accommodate the specific terminology needs of different business categories.

For the benefit of this exercise lets have a look at the Agreements and Contracts Module:

- Specific user access and groups for enhanced security;
- A centralized and searchable repository for contracts, templates, and clauses;
- Fully functional document management capabilities with links to records;
- Powerful search capabilities including memo fields;
- Configurable database tables for creation of rules driven information capture;
- Collaborative contract creation, redlining, and audit trail capabilities;
- Monitoring and alerting of predefined agreement milestones (e.g., contract termination, next action dates, etc.) to drive improved compliance;
- Integration into transactional systems for “activation” of key contract terms and proactive compliance monitoring and management; and
- Reporting and analytical tools for contract performance analysis

The above as mentioned before form the core of a contract repository but represent only a small portion of the capabilities of the solution.

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