



## BERU optimizing contract management with Spider Contract by Spider LCM

### At a glance

**Country:** Germany

**Sector:** Automotive

#### **Company:**

Listed on the stock market since October 1997, BERU Aktiengesellschaft is one of the world's leading suppliers of diesel cold-start technology with an estimated share of over 40% of the market for glow plugs for diesel engines. It is also one of the four leading suppliers in Europe of ignition technology for conventional engines. BERU is expanding swiftly in the electronics area with a particular focus on end-to-end electronic systems for the motor vehicle industry. BERU's customer list comprises nearly all automotive and engine manufacturers around the world.

#### **The challenge:**

The implementation of a comprehensive contract management system revealed a problem: Contracts were largely entered into and stored by the individual departments as there was no central archive for contracts. The contracts were monitored and performed by the individual departments. There was no uniform monitoring system.

#### **The solution:**

By deploying Spider Contract 2004, BERU AG was able to install a central contract management system. Today, internal management by the individual departments is backed up by an overarching dual-level electronic system using Spider and simultaneously networking with the newly creative archive for the original contracts. In the event of any queries, all departments are now able to contact the legal department as their first port of call. At the same time, the legal department can provide cross-department support in monitoring contracts.

#### **The benefits:**

The central management of all contracts creates greater legal certainty. Spider Contract 2004 permits swift access to contract data and supplies the information at the press of a button.

"If you can trust a man, you don't need a contract. If you can't trust him, a contract is superfluous"

Paul Getty, US oil magnate

**Contract**, *written instrument comprising several pages for documenting, terminating or modifying a legal relationship arising as a result of matching declarations of will, namely offer and acceptance, on the part of two or more persons.*

The dictionary definition of a "contract" hits the nail on the head but also highlights a problem: Contracts are defined as a written document recording an agreement between two parties on a more binding basis than in oral form but only necessary in the event of any dispute. In reality, however, the situation is different: These days, contracts not only govern the relations between two companies doing business with each other but also contain information which is required on a day-to-day basis and not just in the event of a dispute. Only few companies realize this, keeping them in a safe place for use in the event of any problems in the performance of agreements. With .Net-based Spider Contract, Spider LCM has adopted a different course by making the content of agreements available as a basis for day-to-day decisions. As a result, they can be used by staff whenever they have dealings with a business partner. BERU AG, a global leader in glow and spark plugs, has realized the importance of centralized contract management and today harnesses the advantages offered by Spider LCM.



“Contract management is nearly always initiated by the legal department as this is where the advantages of efficient contract management are communicated to other departments within the company.”

Dr. Claudia Liedtke,  
corporate development assistant at BERU AG



Appreciates swift access to the contracts she needs:  
Dr. Claudia Liedtke, corporate development assistant  
at BERU AG



It all started off with the production of spark plugs. Today, BERU AG is one of the world's leading producers of glow plugs for diesel engines. In fact it is one of the top-four European producers of ignition plugs.

Business life would be unthinkable without contracts. They govern rights and obligations, purchasing conditions, payment terms, delivery periods and time bars. Frequently enough, negotiating contracts is hard work. Yet, once they are signed, most of them meet the same fate and are filed away for good.

*"It is nothing short of remarkable how many advantages a large number of companies sacrifice simply because their staff are not aware of the terms of contracts and do not know where they can purchase the most inexpensively or what discounts have been agreed upon,"* says Thomas Hübner, managing director of Spider LCM. *"Needless to say, it is not possible to disclose all contracts to all staff within the company. Yet, staff in the relevant departments should have access to the information which they require for performing their duties."*

Spider LCM analyzed hundreds of contracts from many different companies and discovered that similar data is necessary for managing virtually all types of contracts. Spider calls this information the "head data", which comprises the term of the contract, the expiry date, the subject matter of the contract, the conditions negotiated. The task is to make this data available to the appropriate employees across the enterprise so that they are able to make optimum use of the conditions agreed upon. This at least is the theory.

### Contract management in practice

In practice, even large companies face quite different problems, as Claudia Liedtke, corporate development/legal assistant at BERU AG, knows from her own experience. *"BERU has a global network of production sites, marketing companies and distribution partners, it has manufacturing facilities in three continents and well over 1,000 contracts with its business partners,"* she explains. *"When my supervisor, the head of corporate development/legal, called for*

*the installation of an IT-based contract management system in spring 2004, there was no central repository for contracts entered into for the group as a whole. Each department managed its own contracts,"* says Claudia Liedtke. She was assigned the task of establishing and installing a contract management system. In this connection, she considered her foremost task to involve centralizing contract filing. In a preliminary step, the contracts are electronically scanned, archived and managed by the legal department. In fact, the legal department evolved into the group-wide unit for handling the legal aspects of contract wording and supervision.

### From the necessary to the desirable

In order to gain a comprehensive overview of the existing and future contracts and to ensure swift access, Claudia Liedtke sought a suitable solution in conjunction with BERU's IT department. Numerous alternatives were considered: The procurement of standard contract management software, the development of a special solution and even a proprietary in-house development. Yet, none of the alternatives considered was completely satisfactory to all parties concerned. *"The out-of-the-box applications which we examined for their suitability for BERU were highly specialized but either not suitable for our needs or quite simply too expensive. An in-house development was out of the question due to the non-availability of development capacity,"* said Claudia Liedtke. *"Ultimately our preference was to have an outsider develop a solution for us to make sure that we got precisely what we needed for a preliminary rollout. Yet, our IT department was not keen on this idea."* Why? Because it had already gone one step further in its thoughts. Contract management is initiated by lawyers at most companies, while the other departments tend to manage their own

specific contracts in accordance with their specific requirements. Claudia Liedtke also admits that she primarily had her own tasks in mind in connection with the planned application. "What I mainly saw were the challenges arising from the legal aspects rather than the opportunities afforded by efficient contract management deployed and used across the enterprise in all departments." BERU's IT department did not want another stand-alone solution. Instead it was seeking a competent application meeting the current demands of the legal department but simultaneously keeping all options open for later enterprise-wide extensions to contract management. For this reason, they suggested using Spider Contract.

## Transparency through contract management

Spider Contract is a database with a best-practice model providing for the structured recording of the data necessary for the optimum use of contracts. A series of standard contract types are predefined in the system: purchase, maintenance, mobile communications, consulting and telecommunications contracts. The customer can define further contract types himself effortlessly and quickly. Data is displayed via a web-based front end. At the same time, an integrated role and rights assignment system ensures that individual employees are able to access only the information they need for their work. Spider Contract comes with numerous functions for making optimum use of the information contained in the contracts. For example, it regularly checks selected contract types for dates, booked volume and utilization. If defined limits are reached, an alert is issued: The responsible person is sent an appropriate e-mail message so that he is able to take suitable action. If a user sees that important dates are approaching, he can define an automatic resubmission alert. Spider Contract will then generate an e-mail reminder to make sure that no dates are overlooked. "I was impressed but also rather overwhelmed," Claudia Liedtke admits, "as Spider Contract went far beyond what I originally assumed I needed for my job." Even so, an alert function for expiring contracts as well as the ability to scan in any number of contracts had been on her list of priorities from the outset. She has since revised this view – not least of all thanks to the flexibility with Spider LCM displayed in connection with a contract for a customer.

"The arguments of our IT department were convincing and the initial impression left by the application favorable. Yet, there were quite simply too many functions

which BERU did not yet require at this stage," says Claudia Liedtke. Together with the Spider specialists, she spent a day defining her specific requirements. Two weeks later, the application was up and running and underwent ongoing fine-tuning in the ensuing months to incorporate requests made by Claudia Liedtke on the basis of day-to-day use of the system.

## Legal department the embryo

"Spider Contract has been customized to meet the requirements of the entire company and, for example, offers different displays for specific contract types," says Claudia Liedtke, providing an example of one of the modifications made. "However, I wanted an entry screen for all the types of contracts which I require for my work." Spider implemented just such a screen for her and deactivated all the modules not required, thus lowering the price of the current solution. Today, Spider Contract is being deployed by BERU to the full satisfaction of Claudia Liedtke. "Currently, BERU records all new contracts solely via Spider Contract, while old contracts are being entered step for step," she reports. "We have access to all relevant details, such as the contact data of our counterparties, the duration of the contract, place of fulfillment or jurisdiction, for quick searches."

The ability to find a contract quickly, direct access to all necessary information, the scope for comparing

## Technology at a glance

Spider Contract 2004 is a web-based contract management application developed using Microsoft .NET technology. It features a series of predefined standard contract types which can be individually modified and extended by the user and permits searches for any number of contract elements, the evaluation of contract data and the comparison of different contract types. An integrated alert system informs the user of any upcoming tasks such as the renewal of contracts which are soon to expire. Spider Contract 2004 can export data straight from SAP and, for example, assign individual invoices to the corresponding contracts. Conversely, contract data can be sent to SAP or other productive systems.

The screenshot shows the 'Edit contract' interface in Microsoft Internet Explorer. The browser address bar shows the URL: http://spider-websrv01/SpiderContract/Web/Vertrag/VertragBearbeiten.aspx?ID=2415. The application title is 'Edit mobile communications contract'. The interface is divided into several sections:

- Search and Navigation:** Includes a search box for contracts, a dropdown for 'all contracts', and an identifier field. There are also buttons for 'Telephone', 'Supplier' (Fantasy Communications), 'Contact person' (Becker, Klaus), 'Invoices' (03/05, 04/05), 'Resubmissions', 'Notice', and 'Evaluation'.
- Contract Data:** A central form with fields for:
  - Created on: 6/27/2005
  - Edited on: 6/27/2005
  - Identifier: MOB100000006
  - Ext. contract number: (empty)
  - Reference: TELEK00000002
  - Status: aktiv
  - Client: D
  - Person responsible for subject: Vogt, Norbert
  - Requesting party: (empty)
  - Person responsible for cost unit: (empty)
  - Purchaser: Mertor, Susanne
  - Allocation: (empty)
  - Note: (empty)
- ERP data:** A section with tabs for 'Contract data', 'Contents', and 'Commercial d.'. It contains:
  - Commencement of contract: 3/11/2005
  - End of contract: 3/10/2008
  - Unlimited:
  - Term: 36
  - Residual term: 33
  - Notice period: 3 month before expiration of contract
  - Signing date: (empty)
  - Termination: Warning issued on: 12/1/2007
  - Termination: Interval (months): (empty)
  - Check for termination:
- Supplier:** A section with fields for 'Supplier' (Fantasy Communications) and 'Contact person' (Becker, Klaus).
- Actions:** Buttons for 'Save', 'Discard', 'Copy', 'Delete', 'Documents', and 'History'.



Automotive electronics is growing in importance for BERU

## Further information

### Reference customer

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the content of different contracts quickly – all of this is vital for Claudia Liedtke's day-to-day work. However, she has since also come to appreciate many of the additional functions offered by Spider Contract. *"I wouldn't like to do without the automatic alert for contracts which are about to expire: It is a good feeling knowing that there is an electronic helper there to monitor all agreements and to remind me of upcoming tasks."* It is particularly important for the many non-disclosure agreements to be renewed in good time or to be regularly updated. Today, Claudia Liedtke says that the IT department was right to focus early on possible extensions to contract management. *"The central role of the legal department as the guardian of all agreements is integrated in the work processes at BERU,"* explains Claudia Liedtke. *"Today, we receive originals or copies of all contracts. With a proprietary solution, we would need to consider the organization of access rights in the future. With Spider Contract, however, it is possible to specifically assign individual rights. As this is integrated, we can modify it effortlessly to match the way we work."* Similarly, it would be no problem with Spider Contract to broaden access to encompass multiple locations: As it is designed as a web application, data can be accessed from anywhere in the world. Thus, whenever there is a need for broad-based access to contracts at BERU, Spider Contract offers the necessary functionality including links with SAP. One key aspect of contract management is, for example, the ability to compare different contract partners. Spider Contract has an integrated rating system which makes it possible to identify particularly reliable suppliers and partners and also to incorporate the experience gained by relevant staff in the rating process.

In many cases, more favorable conditions can be gained from a given partner by pooling several small orders. Spider Contract displays these possibilities and similarly provides information on the past collaboration with various suppliers.

## Contracts as part of business processes

Process orientation has been a key requirement made of modern companies for many years. Yet, contract management has hitherto largely been neglected in process definitions. In fact, according to the latest studies, only 4% of companies have structured contract management systems, meaning that they are giving way hard cash.

Spider Contract offers various ways of actively integrating contracts in enterprise processes. The most important point is doubtless the ability to store all or part of contracts as scanned documents. Spider Contract can either manage the data itself or, if preferred, work in conjunction with a pre-existing document management system. The second point is the direct integration of contracts in current processes: Spider Contract is able to import data directly from enterprise resources systems such as SAP R/3 and assign it to the relevant contracts. In this way, for example, it is possible to track all the activities with a given partner, the extent to which purchasing volumes have been utilized or possibilities for negotiating improved terms on account of higher sales. Conversely, Spider Contract can create contract data directly in SAP and thus help to simplify operating processes. *"Last year we made great progress in improving the efficiency with which we manage our contracts,"* says Claudia Liedtke, *"and Spider Contract has helped us considerably. Yet, to be honest, it must be said that there is still a great deal of potential which we plan to start tapping step by step. It is comforting to know that Spider Contract offers all we need to implement our ideas quickly in the future."*

## Software and services

Windows Server 2003  
SQL Server 2000  
Visual Studio .Net

## Partner

Spider LCM