



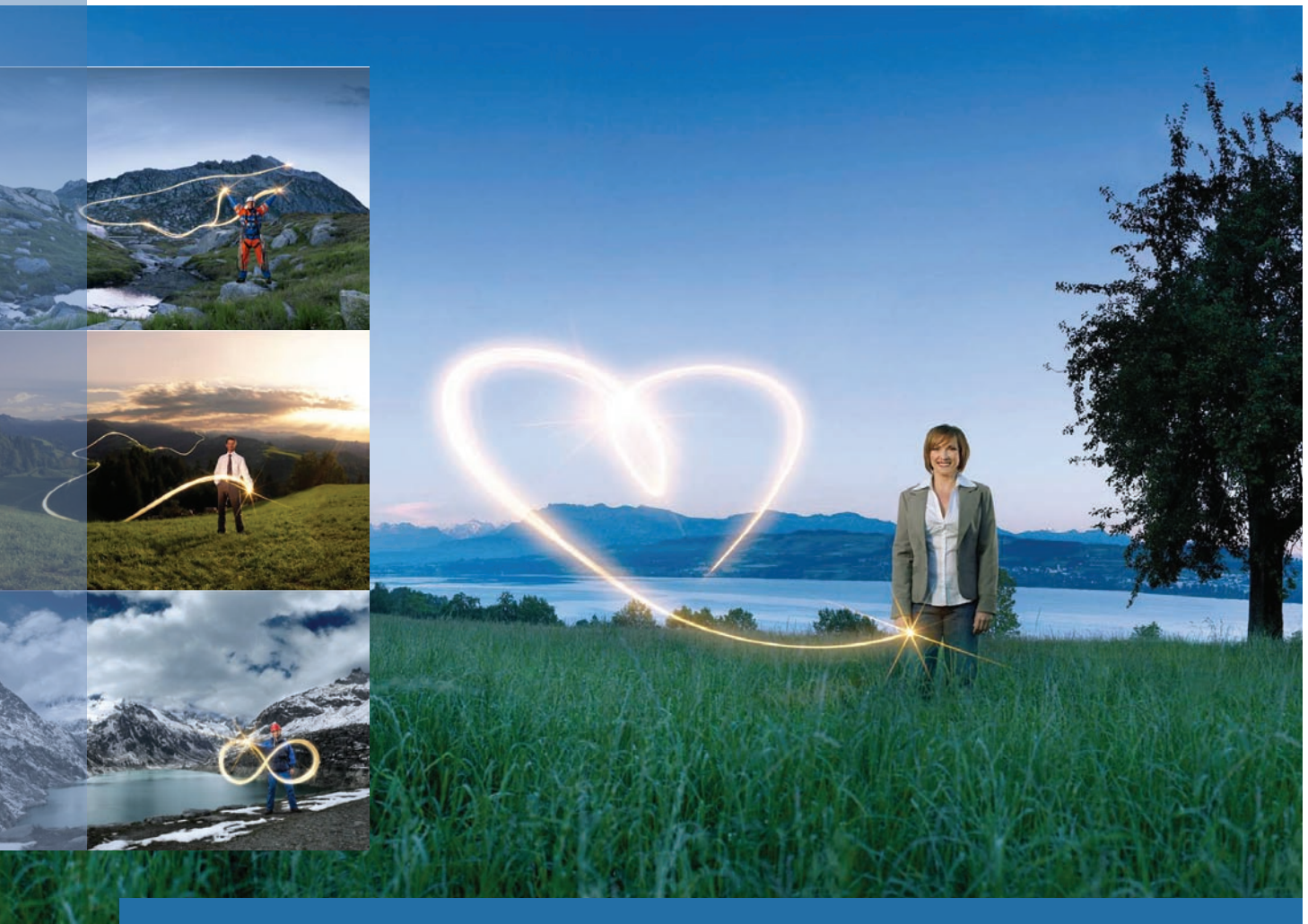
The Quality Group

CASE STUDY LCM

standard software for active administration and control of contracts and contractual conditions

CASE STUDY LCM

Efficient **Contract** and **Supplier** Management at
Centralschweizerische Kraftwerke AG



Market and customer demands for products change with increasing speed. Purchasing departments can no longer be looked at as purely a supply function, but must approach their tasks strategically. This means that resource markets and suppliers must be developed and maintained purposefully. In economically difficult times, the pressure on price and cost optimization is constantly increasing. In practice, this means that new suppliers incorporated into the existing portfolio and the existing demand pool must be critically analyzed and evaluated.

The strategically-significant components of an integrated procurement strategy are currently supported by software systems to only a very limited extent: e.g. supplier communication and sourcing, supplier evaluation, supplier classification, measures planning, controlling or contract- and process management.

Especially during difficult times, the most important tasks in procurement are to pro-actively control optimization and risk potentials. With the help of an integrated contract management and supplier management system lasting competitive advantages are assured in the net value added process and optimization potentials are used.

Requirements for Supplier Relationship Management with integrated Contract Management

For Centralschweizerische Kraftwerke AG (CKW) the main goal of the introduction of Supplier Relationship Management (SRM) with integrated contract management (LCM) is to optimize the purchasing processes. Part of this is a supplier management system that offers the possibilities of supplier classification, supplier evaluation and, supplier development, as well as measures monitoring, including purchasing controlling.

Furthermore, contract management should make the creation, supervision and archiving of all contracts possible in the purchasing department, as well as in all other departments.

Moreover, various business and organizational units of CKW should use the potential possibilities and opportunities afforded by the electronic SRM and LCM solution for increasing the efficiency and quality in corresponding processes as well as in minimizing risks, while at the same time complying with the legal requirements for handling and data storage. The division in principle of contracting tasks between supply management and the departments is essentially retained; however, system and media bridges (e.g. SAP/Microsoft Word), as well as redundancies, are largely eliminated and on-value producing activities are reduced.

Further requirements for contract management

- **Scanning and indexing**
The countersigned original contracts are digitized in comparison to the current status and consequently become a component of the electronic contract file, as well as being archived electronically automatically
- **Archiving**
The storage periods and their expiration are in accordance with the respective policy of the corresponding contract types/kinds.
- **Central und decentralized contract information**
Extensive search and access possibilities, independent of the status, representation of different views (contracts and contract connections, contractual partners and internal organizational units/persons)
- **Contract controlling, contract analysis and reporting**
Guarantee of monitoring functions (dates, deadlines)
- **Guarantee of comprehensive contract control and risk management**
- **Contractual amendments/supplements**
Guarantee of interoperability between contract management tools and the SAP system, as well as a record of amendments and a guarantee of the traceability of the amendments

Requirements for supplier relationship management

- **Supplier classification**
Structuring and classification of the supplier base
- **Supplier evaluation**
Highly automated supplier evaluation (interoperability between the LCM solution and SAP system)
- **Supplier development**
Systematic tracking of supplier development and automated supplier qualification
- **Supplier supervision**
Comprehensive view of the suppliers (the company's own information, information from the supplier, such as capacities, abilities and codes, information from a third party such as payment behavior of market data)
- **Long-term know-how protection**
Construction of a knowledge data base



LCM – Legal Contract Management Decision

After the implementation of a tender that was accompanied by an external advisory committee, reference visits and a workshop on decision-making, The Quality Group was awarded the contract for its LCM product suite in combination with the LCM Purchase/SRM purchase solution in January 2009.

Among the reasons for this decision was the fact that, with The Quality Group, CKW got everything from one source: an integrated solution for contract- and risk management and supplier relationship management, including interfaces, specialized and methods competency, SAP know-how and the corresponding maintenance capacities for the integrated LCM system. At the same time, the LCM product suite is scalable standard software ready for release that can be integrated into existing systems such as MS Office, SAP and DMS.

“With the LCM product suite from The Quality Group, we can coordinate and measure our contracts (LCM) and supplier relationships (SRM) within the CKW group considerably better. This allows us to achieve improvement of internal processing and a reduction in costs. LCM Purchase helps us with the control of our supplier relationships and supplier development. For these strategic tasks, we now have more data transparency, can better qualify and compare, and can decide more efficiently.”

Andreas Schneider, Head of Supply Management, CKW AG



The simple handling of the solution, extensive reporting options and the high degree of automation were also persuasive. The multi-client capability of LCM enables CKW to link subsidiaries and offers consolidation options for future developments.

With LCM Purchase, CKW gets an integrated LCM module that provides CKW with integrated supplier management (SRM) and allows active control of supplier relationships online. LCM Purchase consists of the following modules: material group management (MGM), supplier classification, supplier qualification, supplier evaluation, supplier development, action control, spend analysis and supplier communication.

Benefits of LCM – Legal Contract Management

LCM offers CKW processing automation, e.g. from contract negotiation, automatic contract preparation, clear through to closing. LCM actively supports contract management, deadline and project supervision and the sub-areas of risk management by providing direct access to the company's global contract and supplier information.

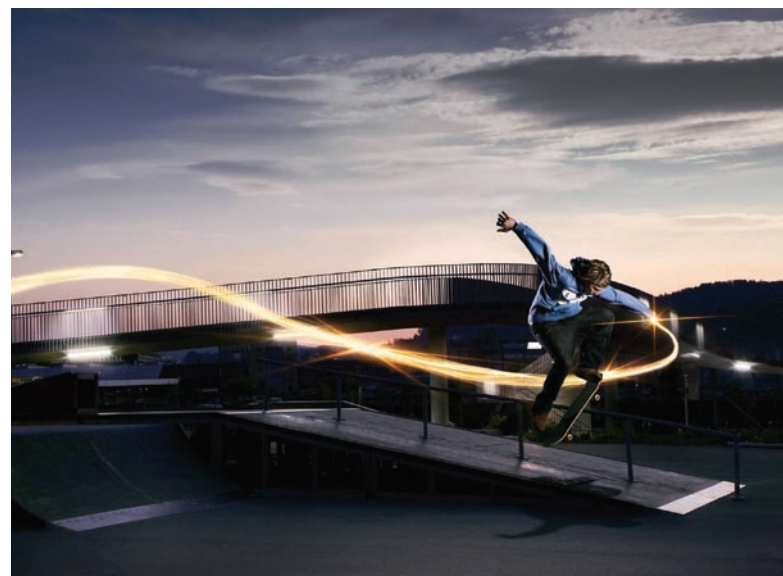
LCM Purchase ideally supports the strategic, tactical and operative tasks of the purchasing organization with supplier evaluation and supplier management, the processing of procurement projects (tenders, auctions, offer comparisons, etc.), in contract creation and execution.

Spend analysis optimizes the view of the business data with the supplier. The questions of who buys something from whom for how much can be answered by pressing the button from all viewpoints of LCM Purchase. All metadata can be analyzed ad hoc and made available by reports.

Using the supplier cockpit, all relevant operations can be analyzed and visualized. In this manner, CKW always retains an overview of each individual supplier. Using the purchase cockpit, all relevant purchasing activities can be analyzed and visualized. This is a major benefit for optimizing purchasing.

In addition, with its purchasing control and exchange of ERP data, e.g. with SAP or Navision, LCM Purchase offers valuable process and information improvement in the operational area of purchasing.

The organizational unit “Supply Management” also profits from parallel use of the LCM and SRM solution with minimal configuration and maintenance expenditure for both solutions. All in all, CKW is able to realize an attractive Total Cost of Ownership, since no additional interfaces are required, and also a joint reporting tool is used.



LCM Purchase

LCM Purchase supports procurement and controlling departments with important functions such as

- demand management
 - supplier relationship management
 - contract and risk management
 - document management
 - matter and records management (procurement record, supplier record, etc.)
 - contract and supplier controlling (e.g. spend analysis per material groups/supplier)
 - supplier communication & sourcing
- with only one standard software which is unrivaled simply and easy to handle because of its superior web technology.

LCM Purchase is a standard software for strategic, tactical and operational tasks in supporting procurement strategy.

LCM Purchase supports the purchasing organization with demand management, supplier selection, supplier evaluation and supplier management, with the treatment of procurement projects (tenders, auctions offer-comparisons, etc.), in contract creation and execution and in risk management.

In addition, in purchasing control and exchange of ERP data, e.g. with SAP and Navision, among others, LCM Purchase offers valuable processing and information improvement for procurement organizations.



The Quality Group (TQG)

The Quality Group (TQG) is a leading supplier of information and risk management solutions, complementary to the areas of ERP, CRM and DMS/ECM, for the optimization of critical business processes and the support of corporate compliance. The focus is on the specialized areas of contract management, participation management, business decisions, electronic organization, and lists of authorized signatures, recording, procedural and document management as well as integrated analysis tools for reporting.

With the LCM - Legal Contract Management product suite, TQG offers concrete solutions with the objective of avoiding risks as well as effectively controlling residual risk.

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Centralschweizerische Kraftwerke AG (CKW)

CKW has been anchored in central Switzerland for 115 years. As a joint stock company, CKW is a company organized under private law. CKW essentially provides the canton of Lucerne with electrical power; for the largest part directly to the end user. Seven resellers expand the area-wide supply within the canton of Lucerne. The city of Lucerne and parts of its metropolitan area are supplied by Energie Wasser Luzern (ewl), the lake-side communities of Greppen, Weggis and Vitznau by Elektrizitätswerk Schwyz AG, a CKW subsidiary. CKW has a net of 7,480 km of power lines at its disposal, 30% of which are free lines (2,244 km) and 70% of which are cable lines (5,236 km).

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