

GENERAL COUNSEL ROUNDTABLE

CONTROL-BASED CONTRACT BUILDER

Case Study: Cisco Systems

NOTE ON VENDOR RELATIONSHIPS

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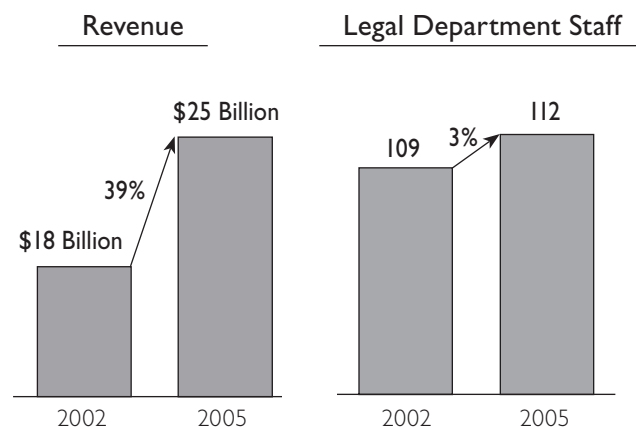
CASE STUDY #2: CONTROL-BASED CONTRACT BUILDER

BUILDING NEXT-GENERATION FORM CONTRACTS

CASE STUDY: CISCO SYSTEMS

- Cisco Systems, Inc. (headquartered in San Jose, California; \$24 billion revenue run rate; 37,000 employees; 75 in-house attorneys) is the global market leader for network routers and switches and also produces remote access servers, IP telephony equipment, wireless and optical networking components, and network service and security systems.
- To increase efficiency in managing contracts without negatively impacting client service, Cisco’s legal department creates a self-service contract builder. The tool incorporates controls that accelerate the contracting process, reduce legal risks, and generate cost savings.

Cisco’s growth strains legal resources devoted to contract review...



...but the legal department is mindful of the shortcomings of client self-service

Potential Pitfalls of Contract Self-Service

Unauthorized Changes 	Clients may create substandard contracts by altering terms and conditions, exposing the company to operational and legal risk.
Version Control 	Clients may use inappropriate or outdated versions of contracts. Attorneys must manage multiple templates, altering each when global changes are made to similar terms and conditions.
Late Legal Involvement 	Clients may involve the legal department too late in the deal process, leading to unnecessary and ill-timed negotiation over terms and conditions.

ESTABLISHING GUARDRAILS

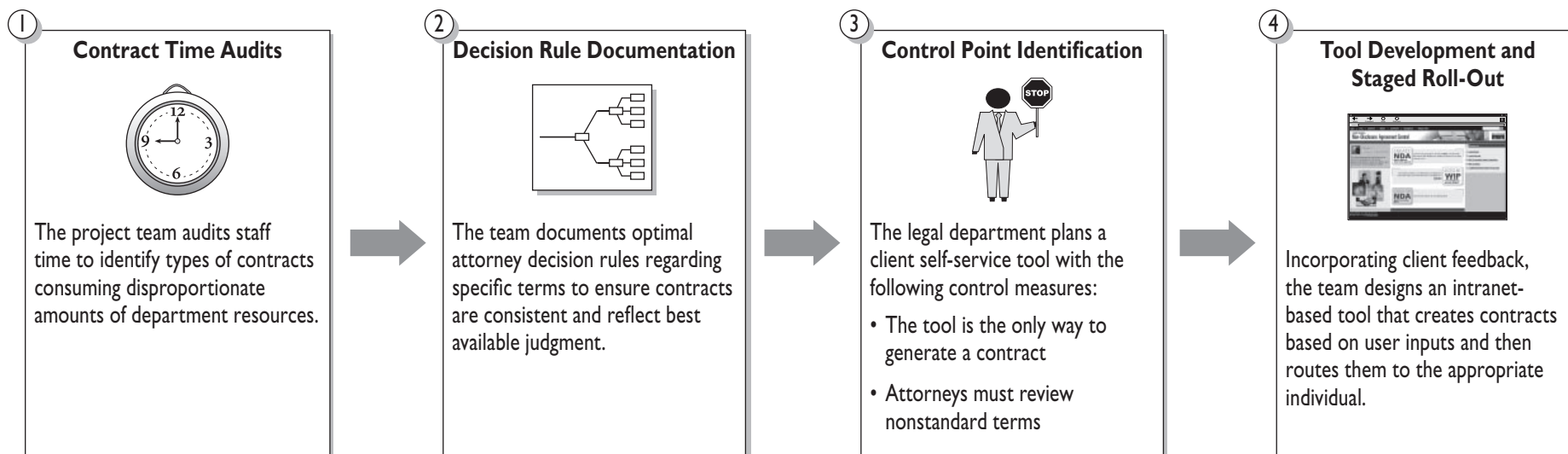
“We wanted to design a self-service tool providing clients some flexibility in drafting contracts but avoiding the problems associated with posting templates to the corporate intranet—such as clients making unauthorized changes to contract terms.”

Misha de Larkin
 Business Analyst
 Cisco Systems, Inc.

DESIGNING FOR EFFICIENCY AND CONTROL

Cisco Hardwires Legal Controls into Its Self-Service Contract Builder

Project Phases



IMPLEMENTATION NOTES

Project Team Composition

- Three software developers
- Business analyst
- Information technology analyst
- Two attorney specialists in sales and IP contracts

Timeline

- **June 2005:** NDA agreements
- **September 2005:** Sales contracts
- **June 2006:** Licensing agreements

Resources

- \$500,000 in development costs
- Use of external consultant

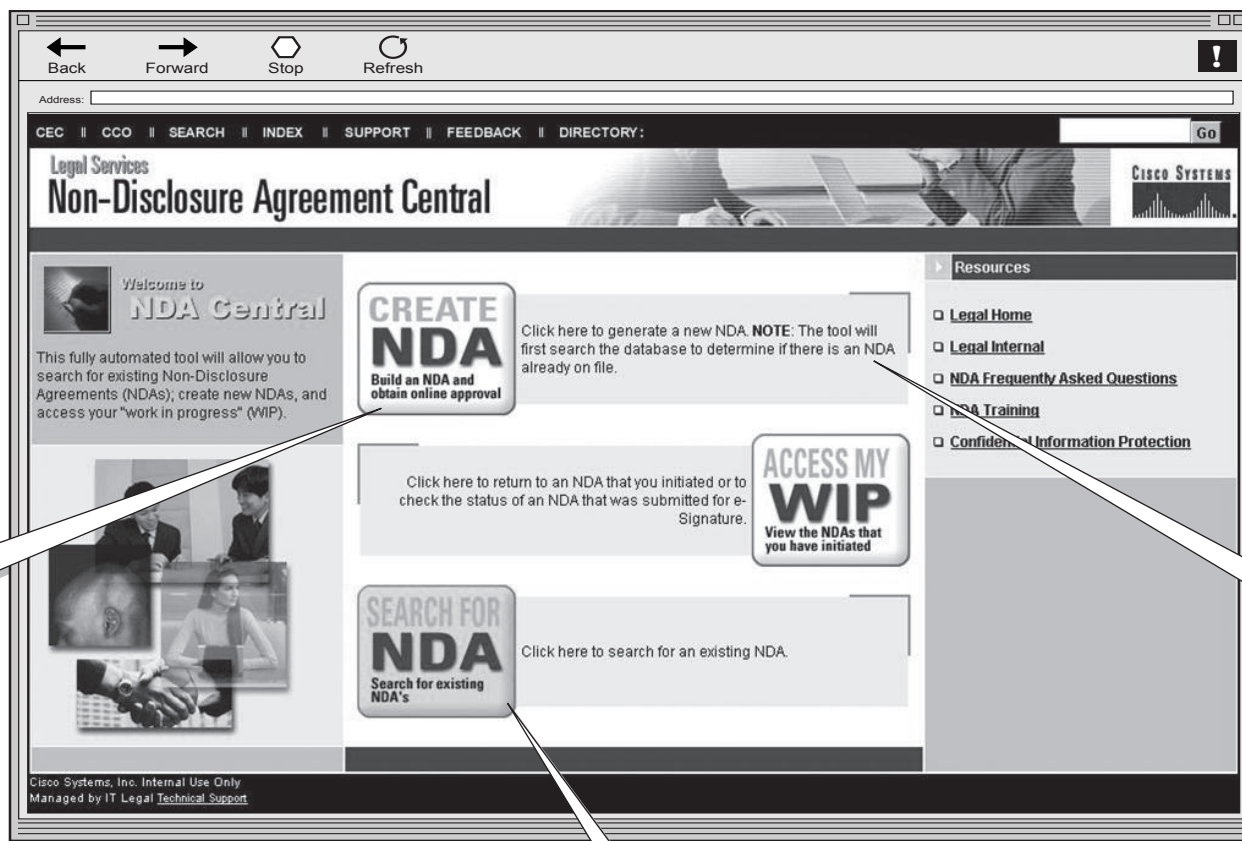
Education/Outreach

- PowerPoint presentation to introduce non-legal users to the contract builder
- Trainer for legal department staff (no formal training provided for non-legal users)

A USER-FRIENDLY CONTRACT BUILDER

The Contract Builder Allows Clients to Create New Contracts or Search for Existing Contracts

Contract Builder Home Page



Clients cannot enter into agreements without using the contract builder, and only authorized staff have tool access.

CREATE NDA
Build an NDA and obtain online approval

Click here to generate a new NDA. **NOTE:** The tool will first search the database to determine if there is an NDA already on file.

ACCESS MY WIP
View the NDAs that you have initiated

Click here to return to an NDA that you initiated or to check the status of an NDA that was submitted for e-Signature.

SEARCH FOR NDA
Search for existing NDA's

Click here to search for an existing NDA.

The tool automatically searches for existing agreements with counterparty.

Users can pull up all previous contracts with specific characteristics.

GENERATING AN ELECTRONIC CONTRACT

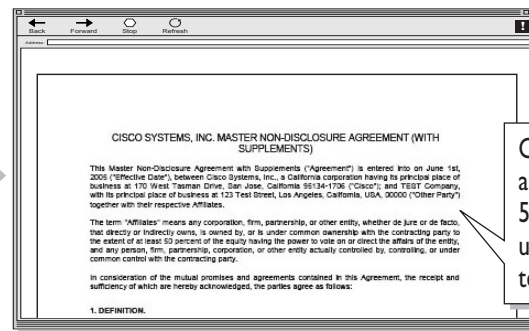
Clients create contracts from a user-friendly interface...

...which automatically sends an electronic contract to the counterparty

Sample Contract Builder Data Input Page

Contracts are customized by jurisdiction, type of customer/supplier, etc.

Cisco Click-to-Accept Contract

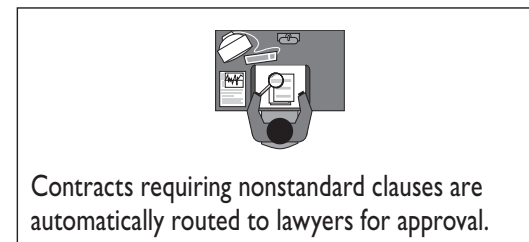


Cisco customers have accepted more than 500,000 contracts using click-to-accept technology to date.

To Counterparty
80%

To Attorney
20%

Legal Review Prior to Execution



STANDING ASIDE

“The contract builder system allows the legal department to extricate itself from contract approval wherever possible, speeding up the contracting process for Cisco without sacrificing control over contract terms.”

Misha de Larkin
Business Analyst
Cisco Systems, Inc.

IMPROVED CONTRACT EFFICIENCY

Cisco projects significant cost and time savings...

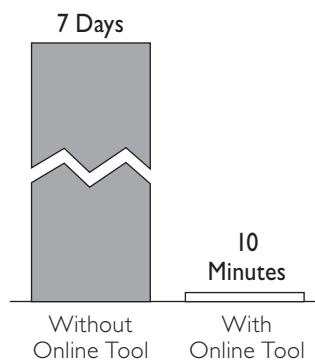
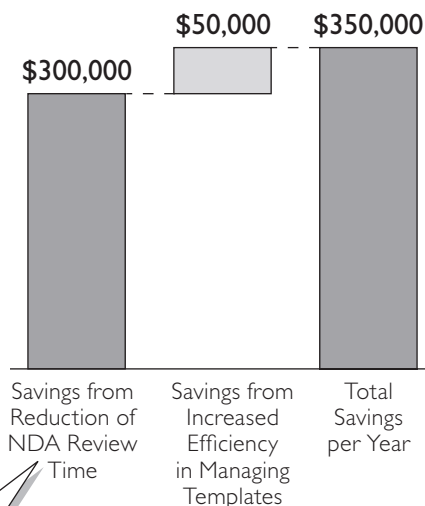
...and a host of other benefits

Total Annual Savings from NDA Automation

Average Cycle Time for NDAs

Projected

Projected



ADDITIONAL SYSTEM BENEFITS



- Tracks cycle time, due dates, and obligations



- Provides instant access to all executed contracts



- Incorporates search functionality for dispute investigation



- Allows analysis of all obligations by specific partner, type of service, or product

Cisco expects to save \$75 per NDA transaction from reduction in manual processing time.

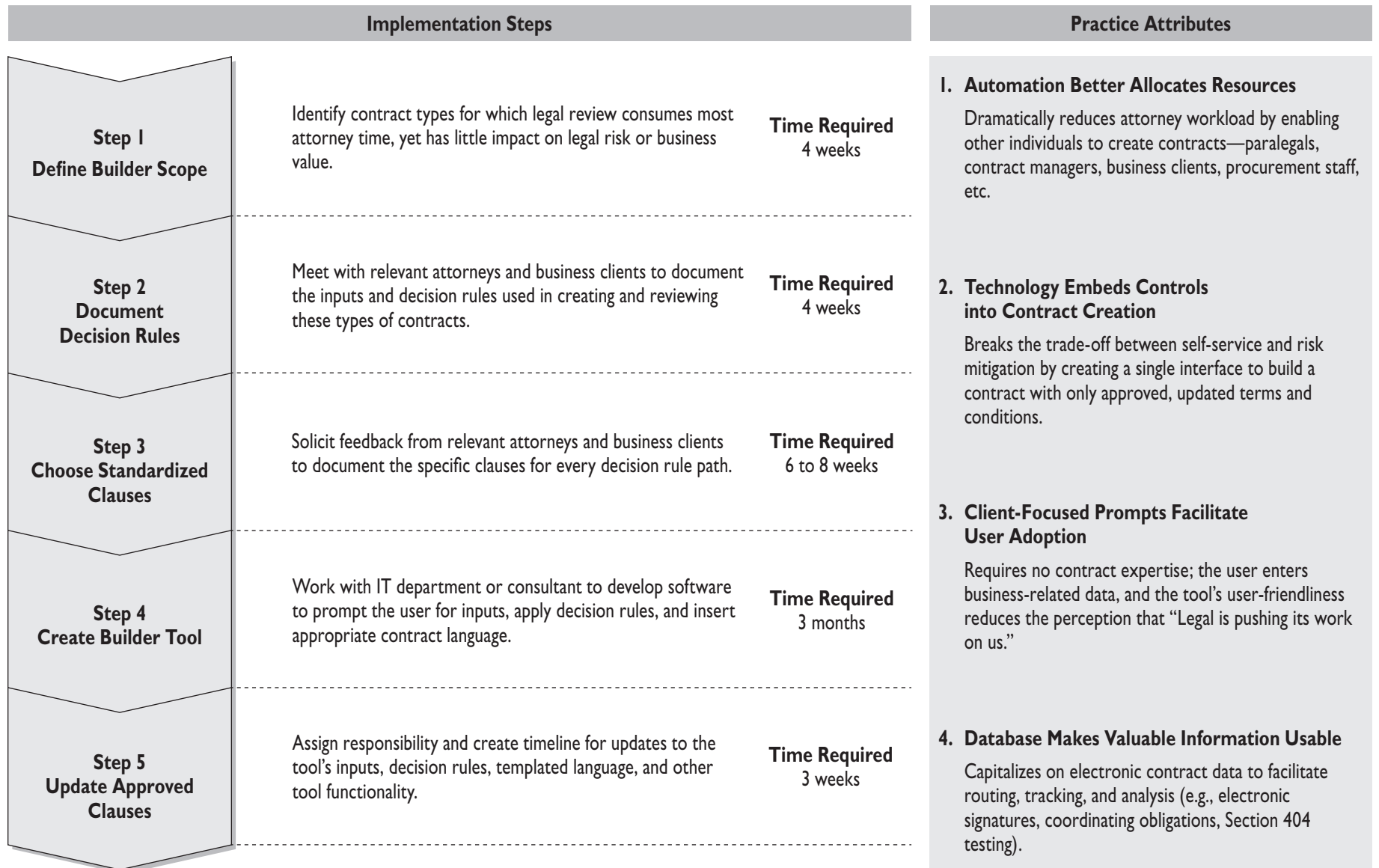
FACILITATING COMPANY TRANSACTIONS

“Our goal is to make sure people get their transactions done efficiently and that the company can account for them properly. We wanted to transform our department from being a gatekeeper into a gateway.”

Mark Chandler
 Vice President, Legal Services and General Counsel
 Cisco Systems, Inc.

Source: Cisco Systems, Inc.; Nicholas, Adele, “The CLT Ten” *Corporate Legal Times* (September 2004); General Counsel Roundtable research.

IMPLEMENTING CONTROL-BASED CONTRACT BUILDER



Source: General Counsel Roundtable research.

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