THE EVOLUTION OF CONTRACT MANAGEMENT
The Evolution of Contract Management

Contracts are the building blocks of a business.

No matter the company size, industry, or products and services sold, contracts are an integral part of everyday operations. They are “living” documents that need to be carefully constructed, stored, managed, and maintained, and as a company grows and changes, the number of contracts, complexity within those contracts, and overall contract processes tend to morph as well. And, as we all know, growth is often accompanied by growing pains.
Were Darwin alive today, he might look at the methods used for contract management as an evolutionary process. In order to most effectively control sales and contract processes—and ensure those processes grow with you—there is a "survival of the fittest" element for a company’s contract management system. Without the proper system in place, a company can experience a bevy of problems, including getting dinged in audits, not properly addressing key contract milestones, and missing out on revenue. But with the proper system in place at the right time, a company can recognize revenue faster, remove bottlenecks from approvals processes, optimally manage ongoing obligations, and structure more profitable deals.

Why is it important to make sure a company’s contract management is constantly maturing? A CLM system that can keep up with the speed and style of your business will ensure that you are properly addressing:

- Process integrity
- Process efficiencies
- Risk management
- Compliance
- Cost optimization
- Management of profitable relationships

At what point does it make sense to move to a new system in order to stay “sales fit?” As a general guide that takes into account the factors above, see the following methods of contract management, and where your business is (or wants to be!).
Word processors, shared drives, and spreadsheets

In this group, contracts are maintained in a completely digital format and are likely stored in files or a Microsoft Access database. Contract activities are performed offline, but contract progress and deliverables are tracked in a spreadsheet that requires frequent updates.

What contract management looks like in this world:

- **Authoring:** Contracts are created in Microsoft Word, but they may start from templates in a network shared drive. These templates are typically reused as companies create new agreements. Users don’t rely on clause libraries, and contracts are plain text and unstructured.

- **Approvals:** People know the steps a contract needs to go through to get approved, and if they don’t, they refer to a flowchart or document to learn how. When it comes time to sign a contract, users rely on Microsoft Signature Services or a Digital ID, but since counterparties often aren’t familiar with that technology, contracts are printed, signed, and scanned back in as a .pdf.

- **Storage:** Companies rely on a digital medium to store and maintain contracts, generally a complex Microsoft Excel or Microsoft Access-based register.

- **Obligations management, reporting, and analysis:** Spreadsheets are used to analyze, track, and report on data.

Companies typically use this method if they:

- Have a growing but not exorbitant number of contracts
- Don’t have significant problems effectively organizing and storing contracts
- Require virtually no collaboration on contracts
- Want to manage contract processes with the software they already have access to, without needing to invest in additional resources

Biggest risks/complications using this method:

- Data corruption, loss, theft, or misuse
- People making unauthorized changes to templates, logs, or registers
- Not being able to search effectively through contracts, particularly .pdfs
- Maintaining a strict filename naming convention to keep contracts organized
Document Management Systems or Your Own Special Brew (Homegrown System)

Companies in this group either use a homegrown system (or series of disparate systems) to manage contracts, or have implemented a simple contract management database system, like Microsoft SharePoint which seamlessly works with a suite of Microsoft products. Since implementing a SharePoint server on-site requires intensive cross-departmental collaboration, often companies in this category default to a SharePoint-based vendor for their contract management needs. These vendors can architect the system to work with business processes, and companies are able to access contracts relatively easily in the cloud.

What contract management looks like in this world:

- **Contract processes:** Contract processes like request, authoring, negotiation, and approval absolutely are occurring, but there can be a lack visibility into how it all came to be. Finding documents is relatively easily, but many companies find that they lack clarity in seeing the steps that led up to the finished product.

- **Storage:** A heavier-duty document repository like EMC Documentum or Sharepoint. This method is a way to find post-execution agreements, in other words, the system is a “finished goods repository.” Companies using this method manage contracts, but not the lifecycle or processes.

- **Obligations management, reporting, and analysis:** Tracking occurs in a shared drive or by manually changing status fields and values.

Companies typically use this method if they:

- Find their more manual processes aren’t cutting it, but aren’t ready to allocate budget for a more powerful solution
- Are a small business with few contract types that aren’t very complex
- Want to stay within a family of tools that is familiar and can fit with what they have running already

Biggest risks/complications using this method:

- Paying more than expected in purchasing services to custom-code additional features and functions
- Compromised ability to make modifications to the system without going back to the vendor
- Data security and service dependability concerns
- Additional costs required with plug-ins for advanced features
Contract Lifecycle Management Software

Enterprise contract lifecycle management is powerful and advanced software specifically created to manage a large volume of contracts and complex contract processes. Those in this category of contract management have moved beyond contract storage; contracts instead “live” in a secure contract repository where they can be searched comprehensively, including at a clause level. All old contracts—no matter what format—can be imported too, so they can be searched efficiently. You can create contracts from approved, secure templates, construct a contract by simply dragging and dropping clauses, and know at a glance where a contract is in the approvals process, and where it should go next. One-touch mobile approvals prevent bottlenecks (particularly handy at quarter-end), and alerts, analytics, and easy reporting keep companies on top of obligations management.

What contract management looks like in this world:

- **Request**: Automated self-service requests for contract creation initiate the contract process effortlessly
- **Authoring**: Contracts are quickly created from approved, secure templates by simply dragging and dropping clauses with up-to-date legal language. Legal teams can not only construct, but also check contracts in, check them out, and validate them from Word
- **Negotiation**: Whether or not change tracking was switched on, those involved in negotiation can easily spot alterations to terms, clauses, structured metadata, and unstructured language
- **Approval**: Contracts can quickly and easily be eSigned as well as manually signed
- **Storage**: Contracts are stored in a secure, central contract repository with deep searching capabilities
- **Obligations management**: Alerts are set up to remind or notify users of key milestones, and users can easily see what changes are made to contracts, by which person, and when
- **Reporting/analysis**: Users can easily generate a variety of reports when an exec or auditor needs them, and organizations are able to extract more value from contracts by analyzing and tracking their performance.

Companies typically use this method if they:

- Don’t want to risk money in pursuing a weaker solution that might be able to scale with company growth
- Have a large number of users, contracts, and workflows
- Require increased visibility into approval chains
- Can’t afford to lose a single contract — ever
• Need a greater level of insight into your contract deliverables and performance

**Biggest risks/complications using this method:**
Companies need to meticulously vet solutions and partner with the right contract lifecycle management vendor to ensure all current and future needs are met. With this type of software—and particularly for organizations with complex contract processes—companies don’t want to get trapped by baseline functionality they might grow out of and need to replace.

Companies need to carefully consider the pros and cons of using suite vendors. Naturally, the price is right, CLM comes as part of the suite, and the user experience is likely familiar to what has been used before. However, some organizations require even stronger, more configurable contract management systems, and for that, they need a vendor that serves up automated contract lifecycle management as their core business and can handle any and all levels of complexity.

**What to consider going forward**
However far your contract management processes have evolved, keep what’s next on your radar. Set yourself up for maximum contract ROI by concocting a strategy and regularly checking in on progress to increase your contract management capabilities as your business expands. By putting the building blocks in place early on to grow the sophistication of your contract processes, you’ll be saving headache, time, and money in the long run.

**Are you ready to get the ball rolling on selecting a contract lifecycle management vendor?**

**Let us be your guide!**
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