

WHITE PAPER

Simple Contract Management

Improve efficiency and reduce cycle times
to help run your department like a business



onit

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Contracts are the lifeblood of all business agreements – whether it's buying or selling products, services or consulting agreements. As part of this process, someone must create a contract, negotiate the terms and ultimately store it where it can be accessed by other team members.

Unfortunately, most professionals do not adhere to a consistent process – which can lead to unnecessary company risk exposure and unenforced or unmet contract terms. While there are a variety of methods to manage contracts, companies of all sizes can benefit by centralizing their contract data and taking steps toward standardizing the way contracts are processed, approved and managed.

Contract Management

Although contract management and procurement departments are usually responsible for reviewing contracts, many groups within a company need access to the information. On top of that, an organization needs a way to track the progress of ongoing contract negotiations, clause revision and review, and compliance with existing agreements. To fulfill these requirements, businesses need a contract management process that strives to standardize the review, collaboration and implementation process.

What is a CLM System?

Contract Lifecycle Management (CLM) is an integrated system that applies business rules to manage an enterprise's contracts on a worldwide basis. A CLM system typically manages the request through the entire contract lifecycle, including negotiation, execution and storage in a central repository. CLM systems allow people within an organization to access, analyze and act on contract-related information to improve efficiency, consistency, reporting and control.

The “Black Hole”

The vast majority of knowledge work today tends to be done using basic tools. Email is the closest thing to a collaboration platform, while Microsoft Word documents act as “forms.” Microsoft Excel carries the weight of tracking and reporting, and SharePoint serves as the document repository. While these tools do provide basic functionality, they do not go far enough to address certain needs that are critical.

Lacking the transparency a business needs to make informed decisions and falling short in addressing collaborative requirements, these basic tools tend to cause a breakdown in process, rendering a “black hole”: an esoteric silo of complication where information is lost within the volume of insufficiently organized data. This creates more work, leading to redundant entries and time spent searching for hard-to-find files.

Many of the individuals in the contract management or procurement departments claim that their biggest challenges come from managing their department’s workload and workflow. When corporate counsel is forced to devote its energy to supporting day-to-day business, it is left unable to focus on strategic priorities.

In such an environment, it is necessary to look for a better, process-driven way to manage the contract process.

By implementing a CLM solution, an organization will free procurement, legal and sales to focus on adding value to the organization, as opposed to administrative tasks. But what features should a business look for in a contract management application?



Transparency

Contract management should be visible to many areas of an organization, and that data should be both easy to find and logically stored.



Collaboration

Departments need to be able to work together with procurement, sales and others to function at full capacity. The contract review process needs structure to avoid miscommunication and missed opportunities.



Efficiency

Manual data entry and collation are prone to error, redundancy and make the process too human resource-intensive.

Key Features of A CLM System

In 2005, Aberdeen¹ recommended that enterprises assess CLM application capabilities in five primary areas:

1. **Contract Creation:** Ability to support collaborative contract negotiation, contract templates and clause libraries, approvals, workflows, electronic signature and audit controls.
2. **Contract Repository:** Ability to establish a searchable repository of all contracts, clauses and associated business information.
3. **Contract Management:** Ability to automate and control contract administrative processes, including compliance management, amendments and renewals.
4. **Reporting and Analytics:** Ability to monitor and report on contract and operational performance, as well as support risk and scenario-based assessments.
5. **Integration and Services:** Ability to integrate and interoperate with business applications, especially ERP and Microsoft Word, and to provide support services.

While these key criteria have not changed in the subsequent decade, departments that deal with these issues must now also make a different kind of assessment: *How does the tool align with our process and needs?*

► **How does it improve the productivity of the business and its knowledge workers?**

If software is so complex that it is unusable, it doesn't really provide the return it touts. A tool should fit into existing workflows – rebuilding a process from the ground up to suit a new system suggests that the system will constrain the ability to adapt in the future.

► **How does it drive revenue for the company?**

Does the ROI justify implementation? Will the tool be able to identify legitimate opportunities to increase revenue, such as enforceable contract terms and upsell opportunities?

► **How does it improve the ability to increase client satisfaction?**

A business should also remain mindful that any platform or process they adopt must contribute to providing a high level of service that acts to maintain positive client relationships.

¹ Aberdeen: "The Contract Solution Selection Report," June 2005.

The Benefits of CLM

When compared to an improvised or manual system, a CLM system greatly improves contract management and procurement departments operations by:²

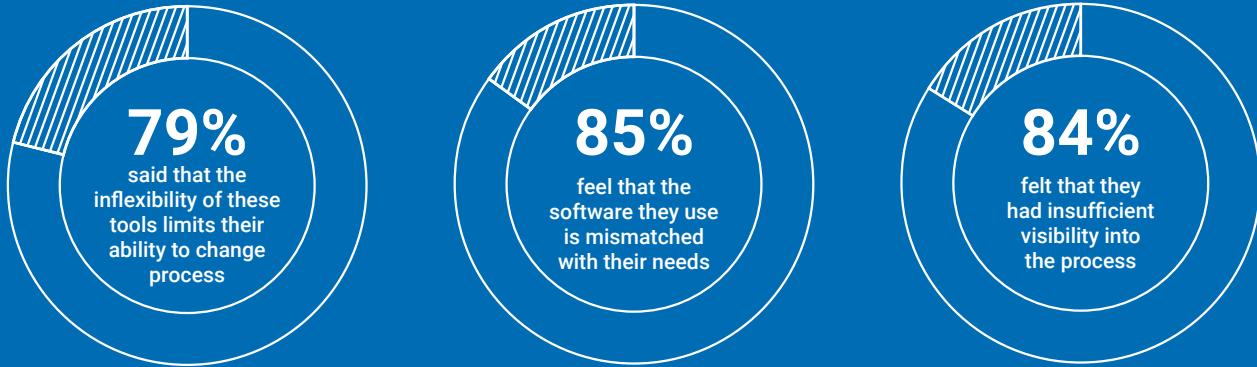
- ▶ Streamlining the contracting process and improving contract cycle time
- ▶ Reducing overhead associated with contracts
- ▶ Improving consistency of contracts and contract processes across the organization
- ▶ Managing better control of risk and revenue recognition issues, including Section 404 controls
- ▶ Improving corporate-wide visibility of contracts and related information — so people have access to the information they need
- ▶ Eliminating redundant entry of information
- ▶ Allowing procurement, sales and legal staff to concentrate on value-added work rather than administrative tasks
- ▶ Having a better understanding of contractual commitments (e.g., SLAs)
- ▶ Improving amendment and renewal processing
- ▶ Increasing visibility into cross-sale/up-sale opportunities
- ▶ Allowing more efficient integration of acquired companies' contracts and related processes a high level of service that acts to maintain positive client relationships.

As with anything else, these features should be considered in terms of their usability and how they actually function when coupled with your existing process.

² ACC 2007 Annual Meeting.

Solving Problems Instead of Creating Them

Despite what IT and management want to believe, most contract management software platforms do not work for contract management or procurement departments. A survey of 120 business process professionals indicates that 85% feel that the software they use is mismatched with their needs, while 79% said that the inflexibility of these tools limits their ability to change process. Another 84% felt that they had insufficient visibility into the process.³



In addition, traditional contract management software is exorbitantly expensive and the time to value is very long. The user experience provided in these applications can also be clunky and unintuitive, and it is very hard to change it when it needs to support a new business initiative. These problems lead to low adoption, countless training sessions, and frustrated users, negating any benefit ostensibly gained from implementation.

Instead of sticking with these options, businesses should pursue innovative solutions that, while solving the initial problems that plague contract management, don't create more problems.

Contract management Apps that are uniquely focused to solving tangible process problems while providing an intuitive and usable interface for end users are the anecdote to bloated, out-of-date systems.

³ 2011 Forrester Research.

Enterprise Apps

Scaled to Your Business

In response to the poor efficacy of established CLM systems, a different solution for contract management has emerged. Enterprise Apps, such as those from Onit, are designed to be highly configurable to fit existing business processes while providing an accessible user interface that inspires much higher adoption rates. This philosophy of responsiveness and agility provides greater efficiency throughout the entire process: all the way from development to deployment, adoption and use.

Quick Development Time

Enterprise Apps are built to fill specific needs with great efficiency, and this efficiency would be wasted if they weren't, in turn, quick to develop. Onit Apps are built on the Onit App Builder platform, an innovative tool that makes it easy to create, modify and deploy Apps with robust workflow, transaction management and reporting capabilities. These Apps can be developed incredibly quickly – sometimes in less than 30 minutes. They can be built **as a business needs them**, preventing costly delays in the time between decision-making and deployment. By building an App only when it becomes necessary, an organization also saves money that would otherwise be wasted on solutions that end up poorly meshing with existing processes.

Rapid Deployment

While traditional CLM software comes with a lengthy deployment process that can take many months to complete, **enterprise Apps can be built and deployed within a few short weeks**. The time to value provided by enterprise Apps is unmatched, allowing greater agility by providing more immediate feedback.

An Easily Configurable Solution to Virtually Every CLM Problem

No matter the nature, scope or source of the hiccup, enterprise Apps provide an innovative solution. By assessing the problem and building outward, organizations will not have to compromise existing initiatives to find value-building opportunities.

Whether just starting out...

For businesses just beginning to get a handle on contract management, an enterprise App that works as a simple process workflow for contract review and approval can allow for major strides in efficiency and risk reduction. As the business grows and its contract management needs become more complex, it has the opportunity to extend its automation capabilities to match its growth – not only in scale, but also in direction.

...Or already matured

Even if a business already has a traditional contract management system in place, enterprise Apps can fill the process and collaboration gaps that often present themselves. Enterprise Apps provide a new way to perform essential tasks at increased efficiency, create transparency into otherwise opaque processes, and foster more intelligent collaboration practices.

Get Onit!

Streamline your contract management process today. Email us at SmartApps@onit.com or call us at 1-800-281-1330 to see a demo of our Apps and learn how they can fit into your process. We'll also share best practices about what other innovative contract management or procurement departments are doing to maximize efficiency and keep data accessible.

About Onit

Onit was formed by legal software industry experts Eric M. Elfman and Eric A. Smith, co-founders of Datacert, a leading provider of enterprise spend management software. Launched in early 2011, Onit deploys Onit Apps to simplify business process automation and improve business productivity across all departments and industries. The Onit App Builder allows business users to drive efficiency and productivity by combining business process management, project management and information management into one easy-to-use tool so the user can create their own Onit Apps without having to rely on IT for support.

Businesses have processes for everything – whether it's hiring a vendor or law firm, terminating an employee, submitting a contract for review, requesting a trademark request, obtaining an NDA, etc. Most of these processes are manual, paper intensive and cumbersome. With Onit Apps, processes are automated in a few clicks, responsible parties are notified immediately, and data collection is centralized. Onit doesn't require any software to download or resources from IT. For more information, visit www.onit.com or contact 1-800-281-1330.