

# What does best practice contract and document management look like?

EASY SOFTWARE UK's Howard Frear explains what best contract management is and how document management makes an essential contribution to modern best practice

**G**ood contract development and management is important. It's not just important in any general sense of efficiency or compliance – getting it wrong costs you money.

Research recently carried out by the IACCM (International Association for Contract and Commercial Management) shows that effective contract management processes can improve an organisation's profitability by the equivalent of a massive 9% of annual revenue.\*

Clearly, it's short-sighted to ignore this central business process. So what does best practice look like? You need to put the contracts not just in the hands of those who create them, but in the hands of the people who implement them. There needs to be seamless continuity across the whole of the contract management process so as to enable everyone to have the necessary visibility to allow them to perform their tasks in the workflow cycle efficiently.

This means that contract management work traditionally reserved for the legal department needs to become the business of every other department – from Finance, Operations, Sales, Management to Services – to help your organisation stand any chance of adding real value to the entire enterprise and get the kind of boost in profitability that the IACCM reports.

## Get documenting

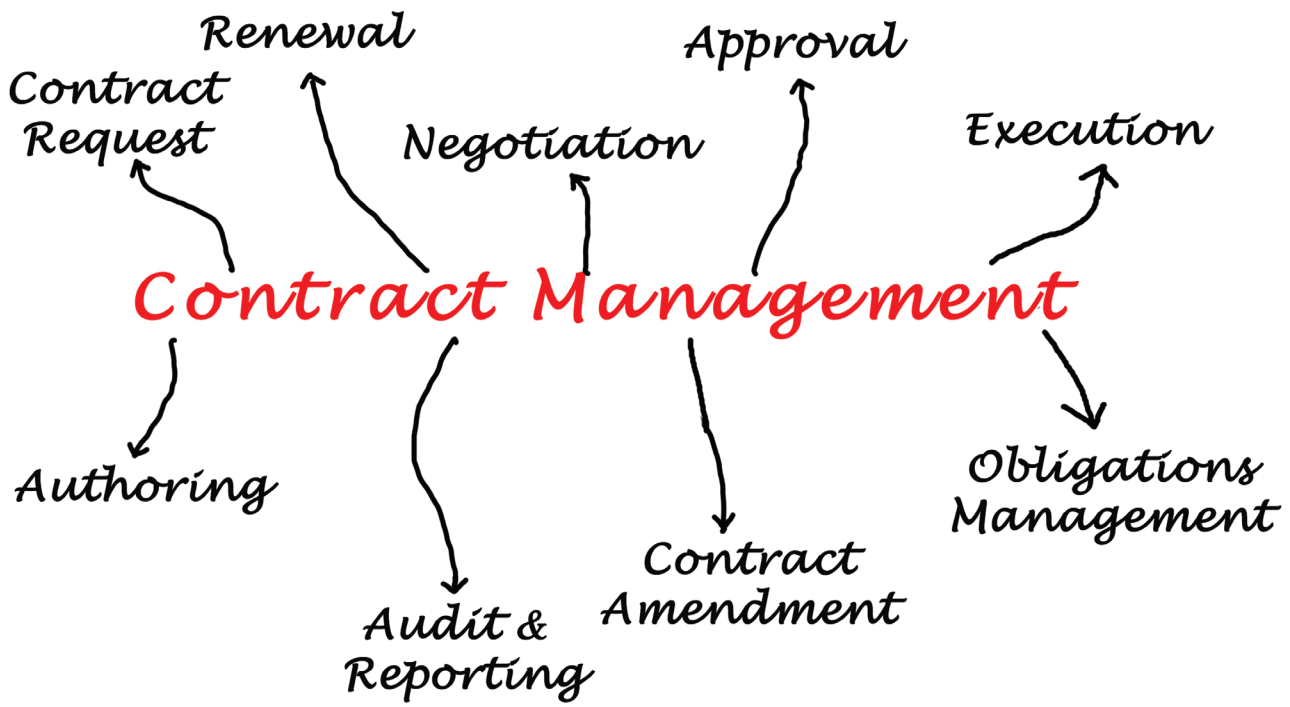
How to start the journey to that attractive destination? The key to embarking on any contract management improvement initiative is to examine your own business processes in microscopic detail. Experience shows that the success of any contract management improvement exercise depends on this. Regardless of how rudimentary or unwieldy they are, you need to document your current in-house contract handling processes carefully, in order to communicate them to the stakeholders involved.

It's only once these processes are documented in full that you are in a position to interrogate their usefulness and redesign them in order to maximise their utility.

If your project is run in conjunction with a new contract management technology being implemented, it's absolutely key that the software offers lots of flexibility. Any new system should support your work processes, not create new problems that will silently beg for undocumented work-rounds by frustrated team members.

First, let's consider optimising contract creation and building in value to this process from the outset. The following suggested actions are a good starting point for most contract management improvement initiatives, and can create benefit very quickly.

- Set up a template library to streamline contract creation. The library needs to exhibit secure version control, plus allow you to alter, add or delete templates



**“A central repository for your enterprise’s signed contracts is the cornerstone on which other procedures are built.”**

without needing the help of IT, as well as support negotiation by offering pre-agreed alternative clauses. You also want to always be able to quickly implement any amends mandated by regulatory or market changes.

- Automate the review and approval process. Workflow routing reduces cycle times and helps preserve a complete audit trail that makes financial processing super-efficient. Keep the review and approval process well defined and simple; combining simplified

procedures with automation will therefore deliver significant performance advantages.

- Establish a method to handle custom agreements. Custom contracts tend to be high-value but high-risk, which means any system that can’t handle exceptions is doomed. By contrast, a best practice contract management solution should allow every transaction, even paper-based ones, to benefit from the system controls in negotiation support, workflow and audit trails.

- Build in visibility to the contract pipeline. You need to be able to answer questions from ‘What stage is a sales contract in and when will the revenue be recognised?’ to ‘What am I spending in the next quarter?’ Access to this information is a best practice contract management essential.

#### **Technology can help**

The next stage is to establish what to do with an executed contract and how to integrate it into your business. That’s as important a stage as the initial contract creation stage, in fact.

A central repository for your enterprise’s signed contracts is the cornerstone on which other procedures are built. A 2003 study showed that 10% of contracts end

## EASY SOFTWARE

up misplaced\*\* and clearly you don't want to end up in that luckless category – so a modern digital document management system rather than a central filing room is a superior solution.

Finally, a modern electronic document management system is recommended as it will help:

- Improve contract visibility. Document management systems exist to make information accessible to users, but an over-engineered system that requires detailed or technical knowledge to employ will make the system exclusive to an elite set of users. Instead ask for a system that offers a centralised storage coupled with web-based accessibility and an easy to use interface.
- Full text search. Some document management solutions fall down because they require users to know in advance what they may need to search for in the future. The ability to do a full text search will help find contracts, even after they are executed, and will also greatly ease the burden of collecting substantial metadata from the get go that may never be needed.
- While contracts should be accessible, the system should strive to offer visibility while also ensuring appropriate administrative controls are in place to protect any sensitive information.
- Maximise cash flow, good service and avoid penalties. Contracts

## “Best practice project management is really about simplicity, whether documenting and developing a process, or choosing and implementing software.”

are full of dates – effective dates, renewal dates, deliverable dates, etc. System reminders need to be set up for the contract negotiator or procurement specialist to manage these deadlines to avoid penalties and offer good service plus timely billing to improve cashflow.

- A single, holistic view of the contract truth. Understanding the totality of your business relationship with a customer or partner is paramount; it's not unusual for a large multinational to be a partner, competitor, distributor or customer of yours, all at the same time these days. Knowing everything about a relationship and accessing that data in a timely manner is key to the best contract outcome.
- Measure and report metrics that matter. There are many soft benefits of good contract management, but the ability

to measure is critical for best practices. Beyond individual deal metrics, measuring cycle time, volume of deals, frequency and nature of claims or discounts, for example, is recommended. A system that supports detailed analysis and performance metrics over an extended period will always be the most useful.

### Project wisdom

Best practice project management is really about simplicity, whether documenting and developing a process, or choosing and implementing software. Simplicity fosters understanding and acceptance and will help you achieve project success.

On the technology side, look for a solution that fits your needs now, rather than a decade down the line. Avoid a generic solution and instead demand one that can be tailored as tightly to your requirements as possible. Finally, make the contract management platform you finally choose as user friendly as possible; shelfware clearly serves no purpose.

Finally, integrate as much as possible. The greatest value is achieved when contract management integrates with the core ERP system. Contract management is at the heart of every business because it reaches across so many functional areas; respect this – and strive to get back that 9% you may be missing from your bottom line by not managing it properly.



**Howard Frear is  
Director of Sales &  
Marketing at  
EASY SOFTWARE UK  
[www.easysoftware.co.uk](http://www.easysoftware.co.uk)**

\*Commitment Matters Blog, 29 October 2012. Figures based on independent market research carried out by IACCM in 2011/12. 9% represents an average which varies significantly between companies and industries.

\*\*Faulkner IT Asset Management Service, 2003.