SIX PRINCIPLES OF EFFECTIVE CONTRACT MANAGEMENT
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Do you know where your contracts are? Will the right people be notified automatically before they expire? Are you protected from legal exposure? If you can answer yes to all these questions, congratulations! If not, you are not alone. Contract Management software was designed to solve these issues and this paper will help you evaluate possible solutions.

The contracts that you have with your customers are vital tools which drive recurring revenue, make your agreements binding and shield you from legal liability. Contracts should help your business by enforcing agreements, not slow your business down by pointlessly adding needless work to simple tasks. Why, then, do we often feel like contracts are just a bureaucratic drag on productivity?

It isn’t because there are too many contracts, but because contracts typically go through too many redundant steps too many times with too many people. When someone needs a contract, it travels among the Sales, Finance, Legal and Procurement departments. It moves through different layers of contract creation, approval, and storage. Each transfer adds time to the sales cycle and a chance to add flaws through human error. One common flaw is that it simply gets stuck in someone’s inbox and never finalized. When a contract finally makes it through the process, the right people may not be notified and the contract itself might even get misfiled and silently sit in the digital dust.

The right contract management software can prevent this entire mess by creating each new contract in a place where the right employees can easily access, search, edit, and approve it. A contract management system saves your business time and money by building a simple, automatic process to handle all of your contracts from creation through approval, compliance, and storage. It also prevents errors for example, it may issue an alert when a contract has sat in someone’s inbox for too long.

This white paper will give you six core principles used by effective contract management systems to bring your contract problems under control.

**CONSOLIDATE YOUR CONTRACTS**

**The Problem**

If you don't have any kind any of contract management in place, contracts may end up spread across multiple locations in your company’s paper or digital storage systems. This creates a huge problem for employees who need to access stored contracts. Any time spent searching through disorganized networks of files is an unnecessary drain on company resources.

**The Solution**

Use a contract management software system that can digitally consolidate all of your contracts in a single location. Make sure that it offers full text search options so that employees can easily find the right contract or template. The system should also provide precise access control to make files accessible only to appropriate individuals and to manage their read/write permissions. This will provide your business with a contract management system that is both easily accessible and secure.

**CUT THE TIME REQUIRED TO CREATE A CONTRACT**

**The Problem**

Even simple contracts such as Service Level Agreements and NDA’s take time to produce and check manually. If your company creates a lot of contracts of the same type, this time can add up to a significant drain on resources and inevitably there will be human error.

**The Solution**

Contract management software can automatically build the document by inserting dates, fields and formulas from the database directly into a pre-formatted Word template with a single mouse click. This eliminates the possibility of errors and saves time in creation. Further, such fully standardized documents may not need to go through a lengthy review and approval cycle.
FORECAST EXPENSES AND REVENUES

The Problem
Each contract that you expect to renew represents either a cost or a source of revenue for your company. Properly accounting for expenses and revenues is a vital part of building your company’s budget, and so you need to know when you can expect to gain or lose money. Unfortunately, forecasting the cash flows from contracts is a time-consuming process when you have to pull up every contract individually to determine potential losses or gains.

The Solution
Use a contract management system that can provide graphical charts and reports that can forecast the future costs and revenues of contracts. Make sure your system has the ability to manage the whole renewal process and can include statistics on likelihood of renewal in its reports. It should be possible to create charts and spreadsheets so that you are fully informed when building your budget and cash flow forecasts.

PROACTIVELY WATCH YOUR CONTRACTS

The Problem
Typically, when a contract finally receives all the approvals that it needs, it finds its way into some nook in a static filing system where it sits and waits until someone decides to pull it out again. As a result, contracts scatter across the business infrastructure like land mines; each one hidden from view and ticking down to the point when it expires. Checking each contract continuously to make sure you don’t miss relevant deadlines would be far too expensive and time-consuming, but you can’t afford to let them sit dormant without any kind of oversight.

The Solution
Use a contract management system which can act on contracts as it stores them. Make sure that your contract management system can monitor all aspects of a contract which will require action and take automatic steps to make sure that the right people know to take action. Set your system to automatically notify the right people when a contract is coming due for renewal so that they can take the initiative and maintain repeat business. If your customers have support contracts, make sure that your customer support system has visibility into the status of a customer’s contract, and save your staff from wasting time on support tickets linked to an expired account.

An automatic contract monitoring system ensures that staff members get the information they need at the moment that they need it. When your employees are armed with timely information, they can more easily generate repeat business while avoiding wasted effort on invalid contracts.

AUTOMATE AND INTEGRATE THE CONTRACT WORKFLOW

The Problem
When your company creates a contract, there are often actions required for compliance. You may need to set business processes in motion, notify any number of people across the company, and seek the correct approvals.

If someone has to take these actions manually, it takes time while you wait for them to act. Worse, it creates the significant chance of human delay and error. Even small delays can add up to significant costs over the course of a year, and errors can cause costly lapses in contract compliance or your reputation.

This problem only becomes more severe if you have to manage a bidding process, such as a sourcing event. Handling two-way communications between multiple bidding parties is time-consuming for employees and leaves multiple openings for errors.

The Solution
Use a contract management system which can take automatic actions at each stage of the contract lifecycle. Use a system that can integrate with other aspects of your business by automatically informing employees when they need to take action. A robust contract management system can, for example, automatically send copies of invoices to an accounting department or inform procurement departments that contracts for purchases are in place.
The system can automatically seek the correct approvals by notifying those who are in a position to give them for that specific contract type. The system should give employees a simple way to approve or reject a contract without the need to physically transport it between them one at a time. The key is finding a system that can smoothly handle approvals as part of an automated workflow.

Also, the best contract management systems can handle bidding processes by allowing for public posts with open bidding. Automatic notifications will track bids and the resulting automation will drastically reduce the costs and cycle time of your sourcing events.

### KEEP A FULL AUDIT TRAIL

#### The Problem
In the post-Enron era, governments have cracked down on companies that fail to provide the required level of transparency. Regulations such as Sarbanes-Oxley and HIPAA require businesses to keep full audit trails of their contracts and to ensure that their suppliers have executed contracts that certify their compliance.

Unfortunately, manually handling contracts creates the constant risk of errors and creating a manual audit trail has additional costs. When your company is dealing with a high volume of contracts, such errors become a certainty. Once they are filed away, tracking down mistakes and rebuilding audit trails is expensive, time-consuming and difficult.

#### The Solution
Use a contract management system that will not only keep your files organized but will also automatically keep an audit trail that meets the requirements of Sarbanes-Oxley, HIPAA, internal audits or any other measure that governs your business. A reliable, automated process saves your company the expenses that come with manual auditing and protects you from the sanctions that result from errors.

### CONCLUSION
Whether or not you've ever felt like your contracts are out of your control, the fact remains that manually handling contracts is an expense that you can avoid. Even if you can survive without a contract management system, your business can still benefit greatly from implementing one.

You may well have particular needs and you should ensure that potential vendors can meet them by demonstrating your specific processes before you purchase. At a minimum, you need to make sure that the system can:

- Proactively monitor contracts and send automatic notifications.
- Provide the correct employees easy access to the contract for edits or approval. Automate the contract workflow.
- Integrate the contract process with the different departments of your business.
- Maintain an audit trail compliant with your relevant government regulations.

In brief, if you are going to take the effort to implement a contract management system, make sure that it can handle all the tasks that you should expect an enterprise-class system to handle.

### ABOUT AGILOFT

Over 3 million users at organizations ranging from small enterprises to U.S Government agencies and Fortune 100 companies depend on Agiloft’s top rated product suites for Contract Management, Service Desk, Custom Workflow, and more. Agiloft specializes in automating processes that are too complex for competing vendors. Our best practice templates and agile technology ensure rapid deployment and a fully extensible system. For more information, visit [https://www.agiloft.com](https://www.agiloft.com).