As businesses continue to increase focus on productivity, every manager has the same question: How can I increase revenue without adding more staff? The buying cycle has evolved. Navigating a deal through this changing dynamic can challenge the best of teams. What if you could streamline that often arduous process? What if you could speed the contract process, track all of the redlining and negotiations, secure signatures, and close the contract significantly faster than you do today?

This eBook describes six practical contract management best practices that any organization can implement to close contracts faster and more efficiently.
you have control of the contract process

Contract volume doesn’t only affect the sales team directly involved with negotiations. The speed and success of the process depends on your finance and legal departments as well. **Managing contracts properly between these three teams can shrink the sales cycle, improve cash flow and reduce the risk of litigation and penalties.**

According to Aberdeen, 18 percent of an enterprise sales cycle is attributed to contract creation, negotiation, and approval. If you’re dealing with complex, highly negotiated contracts, the rate could be even higher. The good news? You control most of the contracts because the majority of steps occur inside your company.

If you can improve your contracts process by even 50 percent, your sales cycle time will reduce by 9 percent. This means you can close 11 percent more deals with the same resources.

![Diagram showing improvement in contracts process, reduction in sales cycle time, and closing more deals with same resources.](Image)
Common characteristics of a challenging contract include:

- Contracts are highly negotiated, involving many different terms that make it difficult to stay on top and strike the best deal when there are many contracts being processed.

- Many external and internal parties need to interact, creating delays as multiple people review each change and you wait for the client’s team to do the same.

- Contracts are typically closed in a time crunch atmosphere. Despite everyone’s best efforts, most deals get finalized at the end of the month or quarter. All of a sudden every deal needs legal review, executive approval, or must be approved by finance for revenue-recognition issues. How effectively you manage this process can determine if the key deals get closed and the company achieves its targets.

- Contracts use a manual and cumbersome process to track email, fax, revision, and signature. Perhaps you rely on emails, faxes, and shared network drives to manage this complex business ballet. The resulting confusion over the correct contract version to edit and lack of visibility into the process kills the efficiency.

- Compliance requirements add risk for legal and finance teams. Compliance requires a specific review as well as an audit trail that verifies each review step. If you use email as an audit trail, this can increase your legal and financial risk in case of contract non-compliance.

Large companies with big budgets have traditionally adopted technology to address contracts challenges.

However, the real challenge to streamlining contracts management lies not with technology but with people and processes.

Traditional Contract Management Software is expensive to install and customize and requires lengthy and expensive implementation. Because these software solutions are so expensive, companies try to implement the whole process (to get the full value of their investment) all at once when that process is not well understood or agreed upon.
The result is poor process automation, not streamlined contract management.

the six best practices of contract management

Fortunately, there is a better way. The following are best practices for contract management drawn on research by IACCM and Aberdeen as well as practical real-world success stories from pros at companies of all sizes. These best practices will guide you through typical contracts challenges and put you on course for a streamlined contract management process.

1. Find a leader
The first step is to find a home for managing the process. Designate a leader, a process owner, who keeps everyone on track to ensure success. Decide who should own the project and who will provide the checks and balances. Traditional contract management software is difficult to install and customize and requires lengthy and expensive implementation. The following chart of roles and functions can help you identify a process leader in your organization. IACCM created this chart using a case study of a pharmaceutical company. The company addressed the challenge of bringing people and processes together to streamline contract management. The information on the next page describes a typical role and function.
<table>
<thead>
<tr>
<th>PROS</th>
<th>CONS</th>
</tr>
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<tbody>
<tr>
<td>Understands customer needs and has the ultimate motivation to get the process completed on time.</td>
<td>Inherent conflict of interest as the rewards door closing the deal quickly may not necessarily help in striking the best deal.</td>
</tr>
<tr>
<td>Cares about financial impact of terms on revenue recognition and meeting financial compliance requirements.</td>
<td>Traditionally thought of as removed from customer needs and less sensitive to sales pressure.</td>
</tr>
<tr>
<td>Understands risk importance of compliance issues.</td>
<td>Removed from customer needs and less sensitive to sales pressure.</td>
</tr>
<tr>
<td>Must fulfill terms of contract. Holds the product knowledge.</td>
<td>Not close to customer.</td>
</tr>
</tbody>
</table>
2. Understand the best ways to implement

You already manage contracts in a certain way. How will you create an effective contract management process and change people’s behavior? **In many cases, change management will become the most challenging aspect of contracts management.** Some organizations will want to tackle the process, end to end, all at once. Other organizations will want to take an incremental approach, perhaps starting with one aspect of sales contracts and then add functionality.

Contract management solutions range from simple to extremely complex and sophisticated.

**Best practice dictates that the most successful implementations focus on getting started quickly, gaining success early, and proving ROI.**

Then rolling out further functionality to complete the sales contract automation process. For example, take a few important contracts that are still in the early stages. Automate these contracts to start.

Alternatively, you can begin with contracts of one division or one product line in the company that will champion the cause. This will help you remove process kinks and focus on the contracts rather than be overwhelmed by the process. Get everyone’s feedback before you finalize the process. Make sure everyone on the team, including customers, knows that you are trying a new contract management process.

Unlike traditional software implementations, a cloud solution (also called Software-as-a-Service, SaaS, or web-based solution) enables you to begin contracts management with a small department, perhaps five individuals. Rather than spend excessive cycles on system planning and testing, a cloud contracts solution allows your initial team to quickly set up the business rules and process and begin using the solution in less time than it would take to write a business requirement for a traditional software system. This enables
you to know within a few weeks how well the cloud solution supports your needs and to assess potential ROI of the solution and how much it will reduce the contract cycle.

**As you assess ROI, look for four main benefits delivered:**

- **Value to Legal:** Better compliance and reduced risk exposure to the company. They will be perceived as people who help make the best deal rather than a team who keeps saying “no.”
- **Value to Sales:** Deals will close faster. No longer will sales people have to chase people who have “sent” the document—everything will be waiting in their MS Outlook inbox.
- **Value to Customer Service:** Everyone in the company will be able to locate the contract and service the customer accurately as per agreement.
- **Value to Finance:** Reduced DSOs, better compliance and less scrambling during the hectic days of audits.

**3. Focus on quick wins**

In the initial phases, focus on aspects areas where you are most likely to achieve quick wins. These include:

- **Ability to locate contracts quickly** – What attributes should you track on the contract? Should it be terms under negotiation, contract number, amount, PO number, etc.?
- **Finding standard contracts and language quickly** – Building a library of standard templates from which to work and making it easy for users to get the right one. Training users to start from the standard contract template and to create a new contract with the customer’s information using simple mail merge-like capabilities.
• Automatic routing and alerting – Avoid missed deadlines by using automatic routing and approval capabilities. This will also make sure that appropriate people in the company are kept in the loop and guarantees compliance.

• CRM and ERP integration – CRM and ERP are important systems of records for your sales and finance teams. Integration to these systems is critical for increasing adoption and achieving efficiency gains.

• Electronic signature – Always stay on top of which documents are waiting for signature instead of rummaging through piles of paper or e-mails.

• Collaboration – Use special comments to highlight information that matters to finance, operations or customer service like a special billing term or an unusual shipping requirement. Develop simple protocols to highlight this information.

4. Measure
Use the following metrics to find bottlenecks, to track improvements and to identify areas for improvement.

• Percent of deals closed on time vs. those that slip into the next period and the root cause.

• Reduction in DSO.

• Reduction in time taken to negotiate and close contracts.

• Number of contracts by status and by individual.

• Reduction in regulatory penalties and missed deadlines.

These metrics provide a good baseline for measuring improvement. As you become more sophisticated with the contract management process, you can focus on:

• Finding out terms that are most negotiated. This can help you simplify the contracts and reduce the reliance on your team.

• Setting up a process to regularly learn from all the contracts that undergo negotiation.

• Pick a solution that will give you insight into these metrics so you can share them with different groups and executives.
5. Benchmark

Benchmark your company against the best-in-class to see how you are progressing. As you can see, the end results can be achieved just through implementing simple procedures.

Given the availability of cloud Contract Management Solutions that are easy to use and buy, there is no reason why you should hold back. Whether competing regionally, nationally or globally, your organization needs all the competitive advantage possible. By using on-demand services, you get to focus on creating better business results. The following benchmarks were developed by the research group, Aberdeen, in a study comparing best-in-class contract management solutions against other firms with minimal or no automation.

![Contracts stored in a repository](chart_1.png)

- **Best-in-Class**: 82%
- **Other**: 33%

![Contracts with non-standard language](chart_2.png)

- **Best-in-Class**: 17%
- **Other**: 35%

![Reduction in days sales outstanding](chart_3.png)

- **Best-in-Class**: 21%
- **Other**: 13%

![Compliance to service agreements](chart_4.png)

- **Best-in-Class**: 73%
- **Other**: 58%
6. Say ‘No’ to managing technology and ‘Yes’ to managing contracts

If you work for a small- or medium-sized company or in a resources-constrained division of a large company, selecting and managing new technology presents a daunting task. In the past, implementing traditional contract management software would have been an expensive, time-consuming, and painfully complex process. You would have to spend countless hours researching different vendors, putting out an RFP, comparing products, building an ROI case, getting IT budgets assigned, and working through the purchase and implementation cycle.

A cloud software solution means that you manage the function, not the technology. Cloud enables you to get started quickly, sometimes within a few days, and begin to actually use the solution to automate your processes, without the capital expense and the time intensity of traditional software. You can solve the business problems and reap the benefits, while leaving the technology challenges to your software provider.

conclusion

Poor Contract Management costs companies 9% of annual revenue.*

It’s no secret that the process itself is arduous. By following the best practices outlined in this eBook. Your operations team will be on its way to a well-functioning contract management process.

* IACCM, October 2012
Need help with that process?
SpringCM is a secure cloud platform that manages contracts and all types of documents seamlessly across desktop, mobile and partner applications like Salesforce. We go beyond standard contract and document management with advanced workflows that automate manual tasks and complex processes to speed time-to-revenue. SpringCM makes it possible to optimize collaboration and processes across Sales and Legal, as well as with prospects and customers.