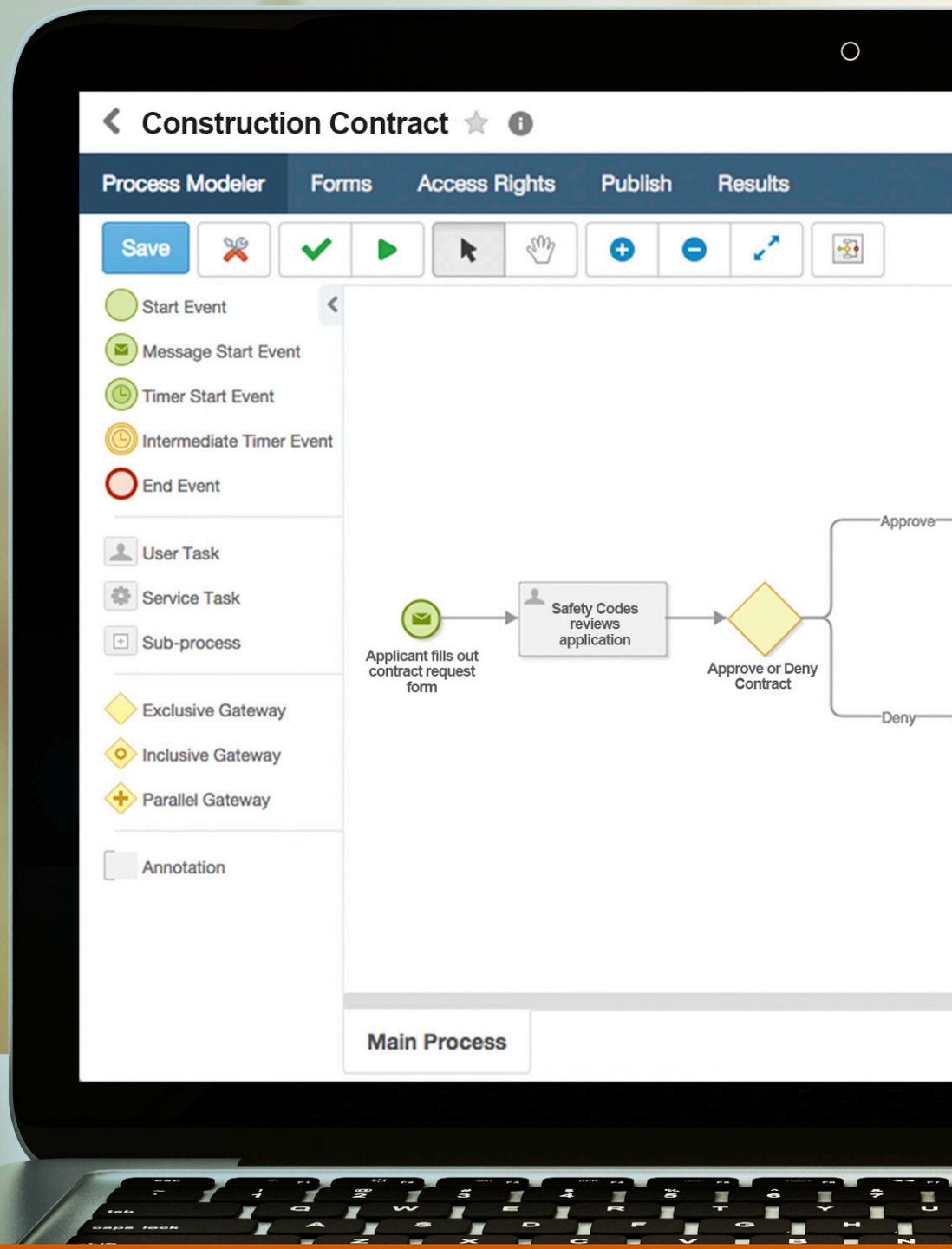
THE GUIDE TO

Automating Contract Review and Approvals



Contents

Introduction 2
Why Automate Contract Management? 3
Pain Points from Poor Contract Management 8
Benefits of Contract Automation 15
How Contract Automation Works 16
5 Steps to Contract Management 23
Contract Automation in Action 33
Contract Automation: A Before & After Story 40
Conclusion 44

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Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

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Introduction

From insurance policies to vendor agreements, contracts take many forms. They establish partnership and accountability between parties and often require considerable negotiation before being finalized. The time it takes to approve a contract can be as significant as the content of the contract itself, and slow, manual contract processing reflects negatively on an organization's ability to provide excellent service.

An automated, digital contract management system reduces the administrative burden on employees and allows legal, financial, sales and other professionals to make better use of their expertise. The technology behind automation transforms passive documents into active drivers of the contract process, increasing productivity without requiring extra staff.

Let's explore the ways automation helps organizations build a high-functioning contract management system that employees, partners and clients can appreciate.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Laserfiche®
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Why Automate Contract Management?

> "By resisting automation, organizations limit their visibility into enterprise contracts, while exposing themselves to risks in the form of missed cost savings, poor compliance, and regulatory backlash."
>
> Aberdeen Group Study: Assessing the Value of Contract Automation

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Contract management depends on document-driven processes that, in a paper-based environment, can be laborious and inefficient. For example, a bank loan requires one or more employees to prepare and print copies of the loan contract and submit them to multiple parties for review, revisions and signatures.

Although the contract is an essential part of processing a loan, spending hours of valuable time to complete this process on paper is not.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Enterprise content management (ECM) software reduces the time it takes to complete tasks—without sacrificing quality of work. Organizations use ECM to **capture, store, secure** and **access** information by:

- Importing all documents, whether they originate on paper or in a digital format, into a digital repository.
- Organizing documents in the repository, where authorized employees can search for, retrieve and edit them.
- Keeping files in a standard format (such as TIFF) that can be easily shared across devices.
- Archiving records as non-editable files retained according to a compliant records retention schedule.
- Making information easier to locate during an audit or records request.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

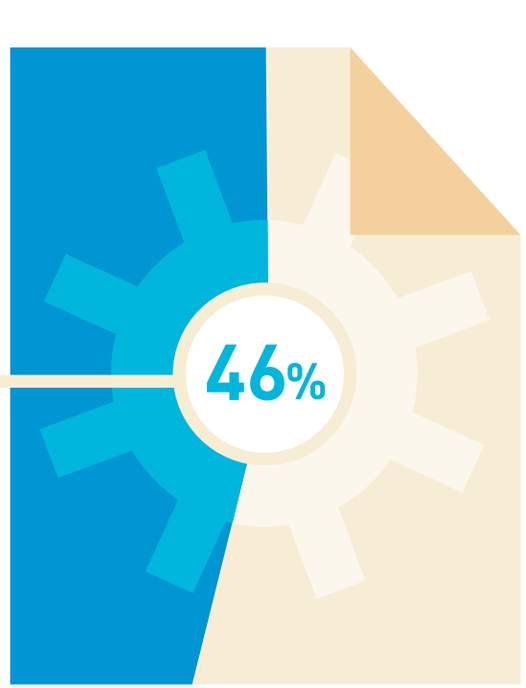
Conclusion

Business process automation (BPA) facilitates document-based processes and should be an integral part of your ECM solution. BPA handles many of the administrative tasks that, though critical, slow down productivity when performed manually. Such tasks include **filing documents, creating new folders and transferring documents between employees.** BPA software also **eliminates the need for paper-specific tasks** like making photocopies and gathering handwritten signatures.

For many organizations, BPA is more than a convenience—it's become central to effective contract management. A [2013 Business Integrity survey] of 200+ organizations found that

46% planned to automate their contract processes

as a result of low satisfaction levels with manual processes.



Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Laserfiche®
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Another study by the Aberdeen Group ranked "Best-in-Class" organizations against "laggards" and found that organizations with the shortest cycle times for contract review and approval (8 days versus 47) were also **84% more likely to have automated routing and approval processes** and **77% more likely to automate notifications of key dates and events.**

This focus on automation shows that organizations are now viewing contracts as opportunities for operational improvement and competitive advantage.

Still have questions about business process automation?

LEARN THE BASICS HERE

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Pain Points from Poor Contract Management

> "Workflow inefficiency results from not knowing that something must be done or by whom. Time spent creating contracts and resolving disputes incurs administration costs, opportunity costs, and a perception of poor customer service."
>
> PricewaterhouseCoopers study: Contract Management: Control Value and Minimize Risks

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Several signs point to a subpar contract management system. Before you decide to automate any contract processes, it's important to articulate and assess these pain points. Here are seven indications that the need for automation has become critical.

1 Missing or Lost Contracts

With so many contracts and drafts moving through the enterprise, it's easy to lose track of them in a manual system. An employee might even find himself asking a business partner for her copy of a contract when his has gone missing.

This seemingly harmless error sends a message of disorganization that can be damaging to an organization. An automated contract management system doesn't just save face—it **keeps your organization prepared** for any contract request, whether it comes from a colleague, a third party or an auditor.

Automating the contract management process makes it possible to instantly locate any contract.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

2 Inconsistent Versions of Contracts

Another sign of disorganization comes from poor version tracking. Without a systematic approach to contract drafting and storage, it becomes exponentially more difficult to know which version is the most recent.

According to the PricewaterhouseCoopers study, **"Storing paper contracts in a variety of locations makes it difficult to track down the contract and associated data, and can create problems over version control."**

3 Limited Visibility into Obligations

When contracts are not stored in a central location, it is up to individuals, rather than the organization, to monitor contractual obligations. This becomes especially problematic when employees depart and take their knowledge with them, leaving the organization unsure of the employee's abandoned accounts.

Without central oversight of contracts, customers might be undercharged while vendors overcharge you. Perhaps this is why the Aberdeen Group study found that **53% of participants** focused on contract management to improve revenue from service.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Laserfiche®
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4 Missing Contractual Milestones and Deadlines

Revenue also leaks when organizations don't comply with sell-side contracts. For example, if a supplier fails to deliver correct services or quantities to customers, it can be forced to issue refunds, discounts and other means of compensation to resolve the issue.

On the other hand, organizations can overspend when they pay unnecessarily for products or services, such as unused software licenses or maintenance fees on abandoned items. All these losses stem from a lack of contract awareness.

5 Unsustainable Operational Costs

Paper contracts result in storage, printing and mailing expenses that only grow over time. Destroying obsolete records seems like an easy way to mitigate the costs of paper, but without an organized system for retaining records, organizations have no way of knowing when an old contract can be destroyed.

Instead of sacrificing work space for storage space and watching the paper costs increase, organizations can **store contracts as digital files** in an easily accessed repository.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

6 Costly Disaster Recovery

The cost of storing paper is high enough—imagine what happens when those documents are damaged or destroyed due to a disaster. Floods, fires and other emergencies can irreparably damage hard copies, and without a master contract list or system for tracking contracts, it can be nearly impossible to assess what has been compromised.

Shared network drives also add risk to the organization. When employees store contracts locally, they become susceptible to hardware malfunctions, network crashes and other system failures. Backing up digital files or storing them on a remote server helps mitigate this risk.

> The worst disaster is the one you don't anticipate. Roughly 40% of organizations without business continuity plans will go out of business within a few years of a disaster.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

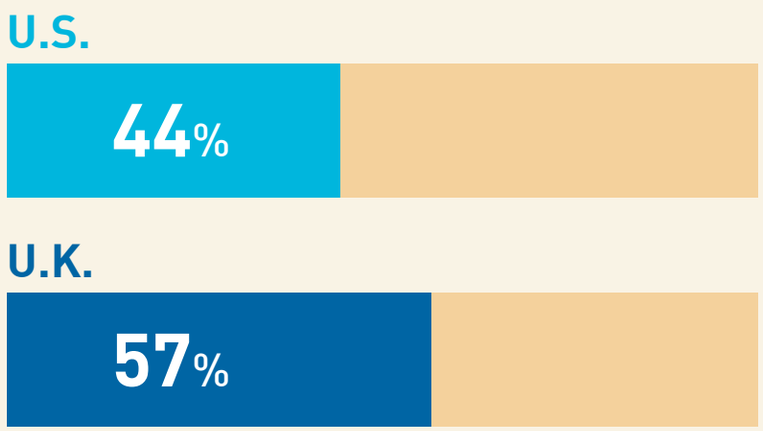
Contract Automation: A Before & After Story

Conclusion

7 Legal Disputes

Business relationships reach a peak of distrust when legal battles ensue. According to a 2013 Fulbright & Jaworski survey of litigation trends:

44% of U.S. corporate litigations are related to contract disputes—this percentage rises to 57% in the U.K.



Whether one party fails to uphold a contractual obligation or the contract language is ambiguous and poorly drafted, the solution lies in a **more transparent, more efficiently monitored** contract management system.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

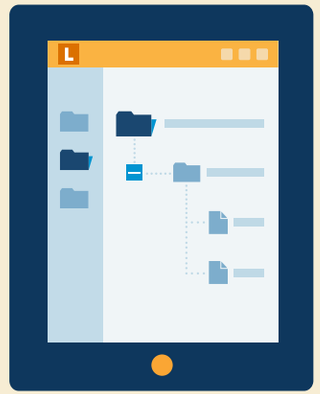
Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Had enough of your inefficient contract management process?

REQUEST A DEMO
and see how much better it can be.



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Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Laserfiche®
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Benefits of Contract Automation

Automation technology is multi-functional and can lead to many different benefits, including:

- Lowered storage, printing and courier costs.
- Fewer data entry errors and lost or misplaced files.
- Improved security with version tracking and role-based access.
- Central control over contracts.
- Improved accountability over stipulations and conditions.
- Higher productivity due to faster processing times.
- Simplified records management.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Laserfiche®
Run Smarter®

How Contract Automation Works

A sophisticated ECM system can streamline the many stages of contract management. Let's look at those stages individually to better understand the functions and capabilities of ECM.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Contract Requests

Many employees still have to pick up the phone or send an email to request a contract.

These unstructured methods of initiating contracts put employees at a disadvantage right from the start as they must spend time transferring or manually entering data.

With ECM, organizations can collect contract requests through an electronic form. The person requesting the contract fills out the required information, such as third party name and contract type, and submits the form electronically. The ECM system routes the form to the appropriate employee to begin the process, eliminating the need for phone calls, emails and paper documents.

48% of respondents work for organizations that still rely on phone and email to request contracts.

—2013 Business Integrity survey

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Contract Templates

Once the form is submitted, the receiving employee opens the corresponding contract template from the ECM repository. For example, if a request for a non-disclosure agreement has been submitted, then a non-disclosure agreement template will be used. This template can exist as a Microsoft Word document or PDF.

The ECM system automatically pulls information from the form and populates the metadata fields associated with that template. The metadata helps employees search for contracts within the repository and provides "at a glance" information about the contract that staff can see without having to open the contract itself.

Metadata also includes fields that reflect the status of the contract, such as "pending approval," "needs revision" or "finalized." ECM routes the contract to the appropriate folder in the repository based on this information.

After the metadata is filled out by the ECM system, the employee customizes the template based on the information provided in the form and metadata. In some cases, ECM can automatically populate fields in a PDF based on information entered in a form.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Review & Approval

When the contract draft is ready for review and approval, the employee denotes the appropriate reviewers in the contract's metadata. The ECM system routes a shortcut of the contract to the reviewers through an automatically generated email.

By routing a shortcut and not five copies of the contract itself, reviewers can view each other's changes and make simultaneous edits. This eliminates the back-and-forth process of revising hardcopy contracts. ECM can also track changes in case people need to view earlier versions of the contract.

> The most advanced ECM systems will allow employees to **route and edit contracts** through a web client or mobile device, giving them anytime, anywhere access to contracts.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Electronic Signatures

Contracts require signatures at multiple points in the review and approval process. When a contract is ready for signatures, its metadata field is updated to "requires signature." This action triggers the contract to be automatically emailed to the appropriate parties for signatures.

Within the ECM system, the contract can be saved as a PDF that recipients can sign but not edit. ECM allows for electronic signatures either through integration with a system such as DocuSign, or as a native component.

Once all parties electronically sign the contract and email it back to the organization, the contract's status is changed to reflect its progress (usually "approved" or "finalized") and automatically moved into the correct folder in the repository.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Laserfiche®
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Contract Renewal & Amendment

Metadata can be filled out based on the conditions of the contract. For example, a contract that requires renewal within two years of its effective date can be found based on a "renewal date" field in the contract's metadata. The ECM system checks the repository automatically for any contracts that need attention, keeping staff members more aware of contractual stipulations while freeing them from the burden of manually monitoring every contract.

Contract Records

The life cycle of the contract is managed by the ECM system, which assigns retention and disposition schedules according to the contract's metadata. Specific conditions can be assigned to the record based on industry regulations and the organization's business practices, ensuring compliance and reducing risk. For example, a vendor contract can be kept for two years (an interval) based on the date of final signature (an event), after which the contract can be renewed or declared inactive.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

If the organization ever needs to review a contract, it can run a quick search in the ECM repository and locate it in seconds. When it's time to purge archived contracts, a records manager or other designated employee runs a report to find the ones that are ready for disposition. The ECM system can also run pre-scheduled searches to locate records and send the report to the appropriate employee.

Learn how to streamline your contract management process

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Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Laserfiche®
Run Smarter®

5 Steps to Contract Management

Automating contract management requires a solid plan of execution, stakeholder support and willingness from end users to adapt to change. These five steps will help you build and maintain momentum for contract management.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

1 Establish Ownership of the Project

Identifying a project owner and project champion is the first critical step toward successful contract management. While the project owner handles daily operations, the project champion shares the vision of automation with stakeholders and gathers support.

Both project leaders should be able to:

- Effectively communicate with all involved departments, including IT.
- Understand the needs of end users who will be using the new system daily.
- Express the value of automation to stakeholders across the organization.
- Identify early advocates of automation and enlist their help in gaining support.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Along with these criteria, the project leaders must understand that the biggest challenge to automating any process is user resistance. Jennett Mays, Communications Coordinator at the **Township of Springwater**, Canada, emphasizes the importance of approaching automation as a strategic business opportunity with clearly expressed benefits.

> "We can train people, we can give them the software, but they need to be on board with using it or you're going to have more problems."
>
> Jennett Mays, Township of Springwater, CA

By addressing user concerns before diving into the technical details of the project, Mays has overseen rapid adoption of ECM across the organization.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

2 Secure Buy-In

The project champion should obtain support from all involved departments, not just legal or procurement, to realize the full time- and cost-savings of automating the contract management process. For example, an ECM system can automatically route contracts to the appropriate people for sign-off, making the process **faster and less laborious** for all parties.

Kristin Nace, Director for Fiscal Services at **Texas A&M University's Health Science Center (TAMHSC)**, formed an implementation committee to facilitate ECM buy-in. The committee decided to start the project in the finance department, which included accounts payable, payroll, HR and the contracts and grants division, because it was the number one paper consumer at TAMHSC.

By selecting a department where the impact of ECM would be immediately clear, the committee generated buzz around the project and demonstrated benefits instead of simply talking about them in theory. Potential users approached Nace frequently to ask when ECM would become available for their departments.

"Adoption was extremely easy," says Nace. "When it comes to ECM, I don't have to make anyone do anything."

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

3 Gather Requirements

Once department leaders are on board, the project owner should obtain information about contract-driven processes from end users, stakeholders and any other involved parties. In particular, identifying pain points helps the project owner separate the essential steps of the process from the non-essential ones.

The project owner should identify:

- How employees are trained on contract-driven processes.
- How employees actually perform their contract-related tasks.
- Bottlenecks and redundancies in the contract management process.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

In fact, when the **Town of Marana, AZ**, begins any new technology project, it devotes the most time to gathering requirements. **It does this by:**

- Asking questions.
- Gathering sample documents.
- Identifying who does what when, where and why.
- Identifying and analyzing the current business process.

After all, without a comprehensive view of the process, the town's project owners could not knowingly improve it. Due to its systematic implementations and widespread use of ECM technology, the Town of Marana won a Top Digital City Award in 2012, 2013 and 2014.

Other useful activities during the needs analysis phase include reviewing the types of contracts that are created, reviewed and approved and taking an inventory of all the software applications involved in the process.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

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4 Map the Process

During this phase, the project owner should work with IT to diagram its first contract-driven process. The project owner should also collaborate with contract stakeholders to make sure essential components and departmental requirements are not lost.

A 2012 Aberdeen Group survey on contract management automation offers the following **questions to consider** when reviewing and reengineering contract collaboration:

- When and how is a new contract initiated?
- How do you systematically identify and distinguish new, renewed and legacy contracts?
- Who is involved in the review and approval process for each type of contract?
- Who is in charge of tracking and monitoring contract deadlines, obligations and compliance?
- How do contracts move through the entire life cycle, from initiation to finalization to archiving?

Using these questions to guide decision-making, the project owner and IT department can map out existing contract-driven processes, highlight manual or inefficient steps, and then automate necessary steps and remove unnecessary ones.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

The Importance of Integration

As an organization maps out its new process, it must take the integration of new software with the organization's previous software investments into account. The project leaders should select an ECM system with the ability to integrate with as many pre-existing applications as possible, or face greater pushback when employees have difficulty learning an entirely new system.

A key benefit of using ECM as the integrative "heart" of an automated contract process is that it enables organizations to standardize the central system while customizing the delivery of information based on departmental needs, providing consistency, security and transparency to users through familiar applications they use every day.

Integration saves time and money by automating manual tasks. It also reduces the need for end-user training by delivering additional functionality through line-of-business applications.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Laserfiche®
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How does this work? Data captured in a common intranet portal like Microsoft SharePoint can be automatically archived in the ECM system, expanding storage capacity and eliminating the need for staff to duplicate work from one system to another. Employees can later view files stored in the ECM system from the interface with which they're comfortable.

Oftentimes, employees are unaware they're even using an ECM solution. For them, **ECM is an invisible extension of the primary system.** They don't need training on how to use a new software system, nor do they have to waste time retrieving paper copies of important records.

5 Train Staff

Switching from a manual to an automated contract management process requires a significant change in employee behavior, but thorough and engaging training can help facilitate the transition. **Community Action Partnership**, a state agency in Minnesota, successfully automated its application approval process in several departments with the help of an engaging training program.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Laserfiche®
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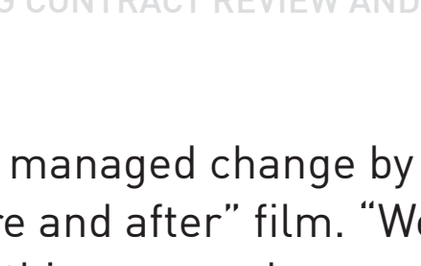
Catherine Fair, Director of Energy Assistance Programs, managed change by hosting a kickoff party and making an educational "before and after" film. "We created and screened a home movie illustrating the way things were done before ECM, with endless searches for files, frustrated staff and clients. Then we showed how easy paperless application processing would be."

The entertaining quality of the agency's training helped increase ECM adoption and awareness. Fair says, **"We have staff with varied computer competency, so a positive attitude to the new system was critical to the success of the project."**

Get more advice directly from your peers on the Solution Exchange.



Explore the Solution Exchange

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Contract Automation in Action

The Contracts Administration Office at Texas A&M University is responsible for processing, reviewing and approving contracts from various departments within the Health Science Center (HSC). Here is how ECM has decreased processing time from six to eight weeks to one to two weeks per contract.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

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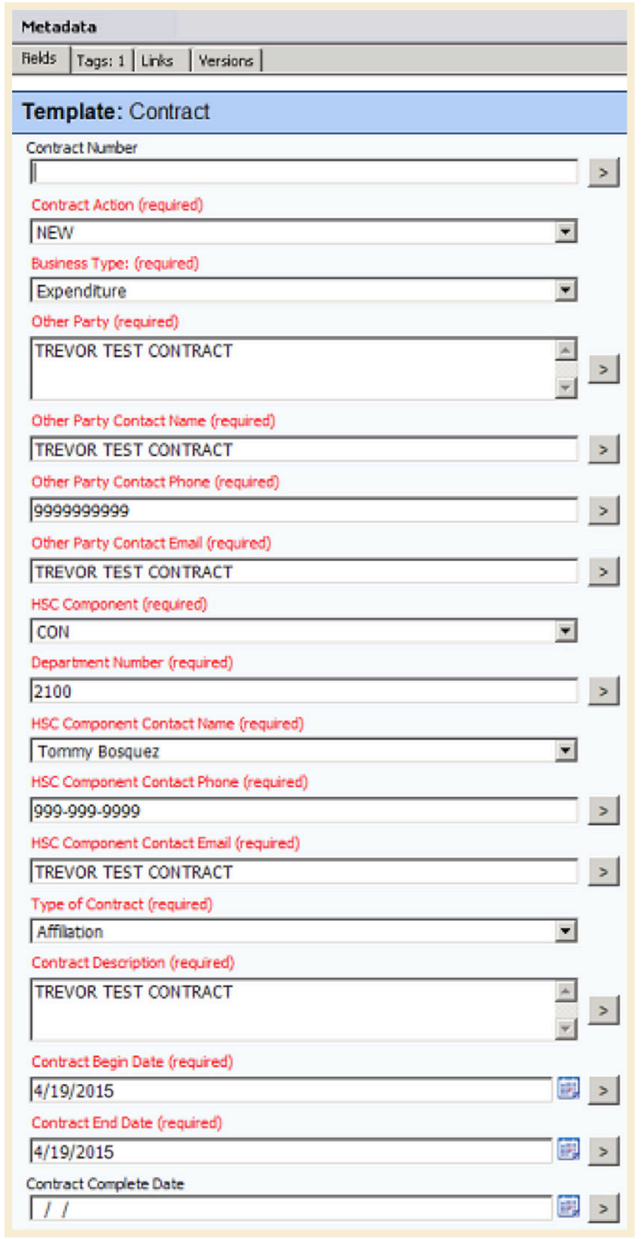
Store Initial Contracts

Contracts originate in different HSC departments, including the College of Medicine, the College of Nursing, the College of Pharmacy, the College of Dentistry and the School of Rural Public Health. Staff members from those departments scan the collected documents directly into the For HSC Review folder.

During the scanning process, the contract is assigned a unique ID number. This number appears in a contract template that contains **additional metadata** like third party name, contact information and the start and end dates of the contract.



Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

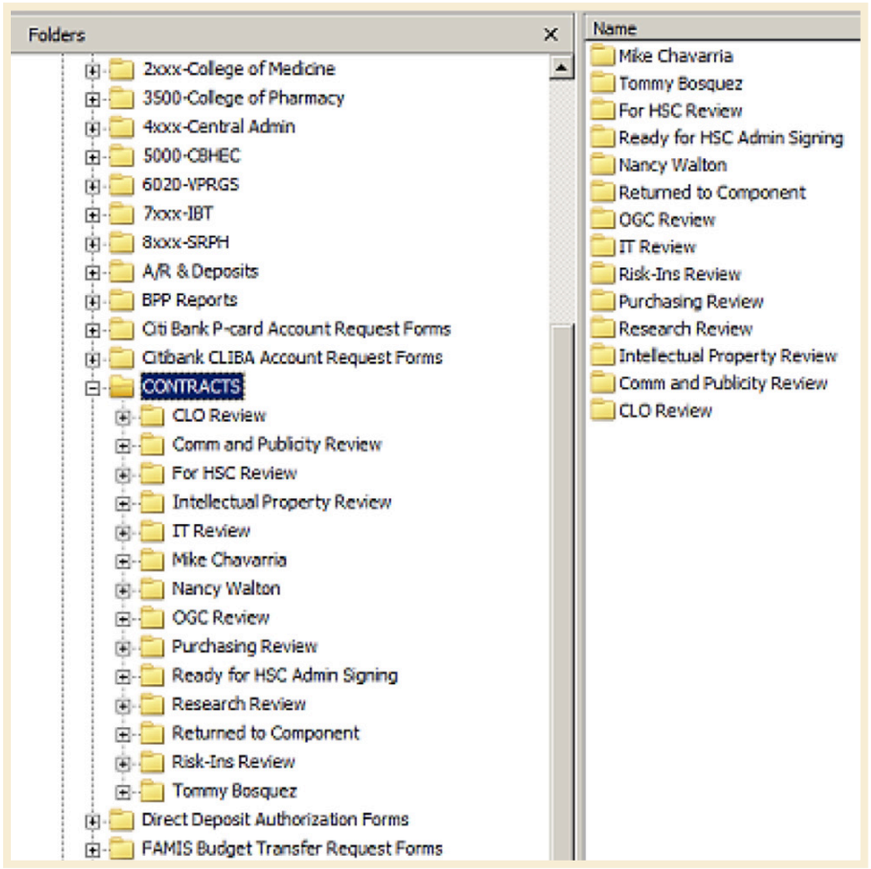
Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Review and Edit Contracts

Once a document has been stored in the ECM system, the review process begins. Business process automation facilitates the review process.



Different people in the Contracts Administration Office are responsible for managing different types of contracts. For example, contracts from the College of Medicine and College of Nursing are assigned to one staff member, called the HSC component contact, while contracts from the School of Rural Public Health are assigned to another HSC component contact. To begin, each contract from the For HSC Review folder routes to the folder of the appropriate HSC component contact.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

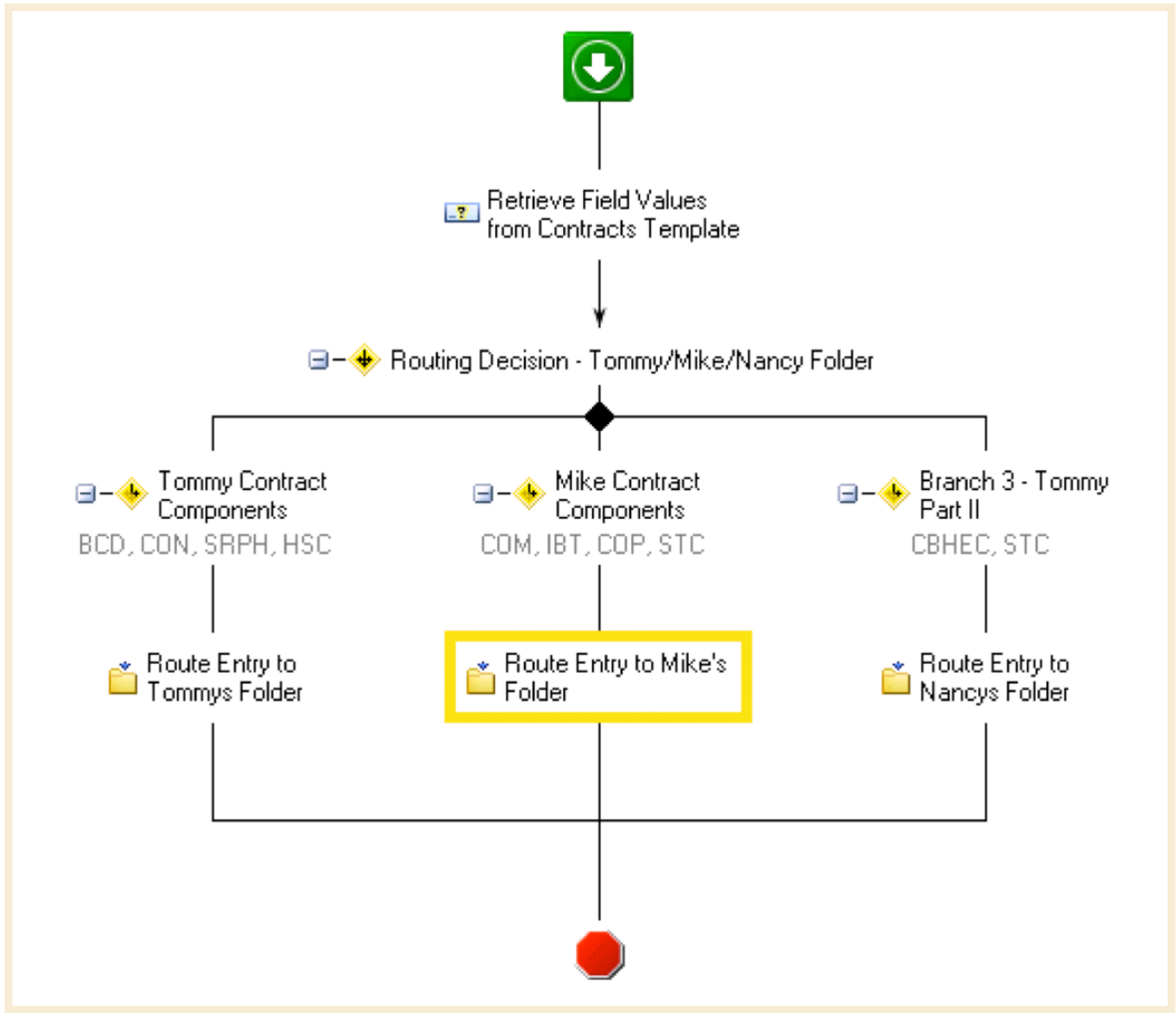
5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Both the HSC component contact and the person submitting the contract receive an email stating that the contract has been received. This email also contains the contract number in order to simplify tracking.



Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

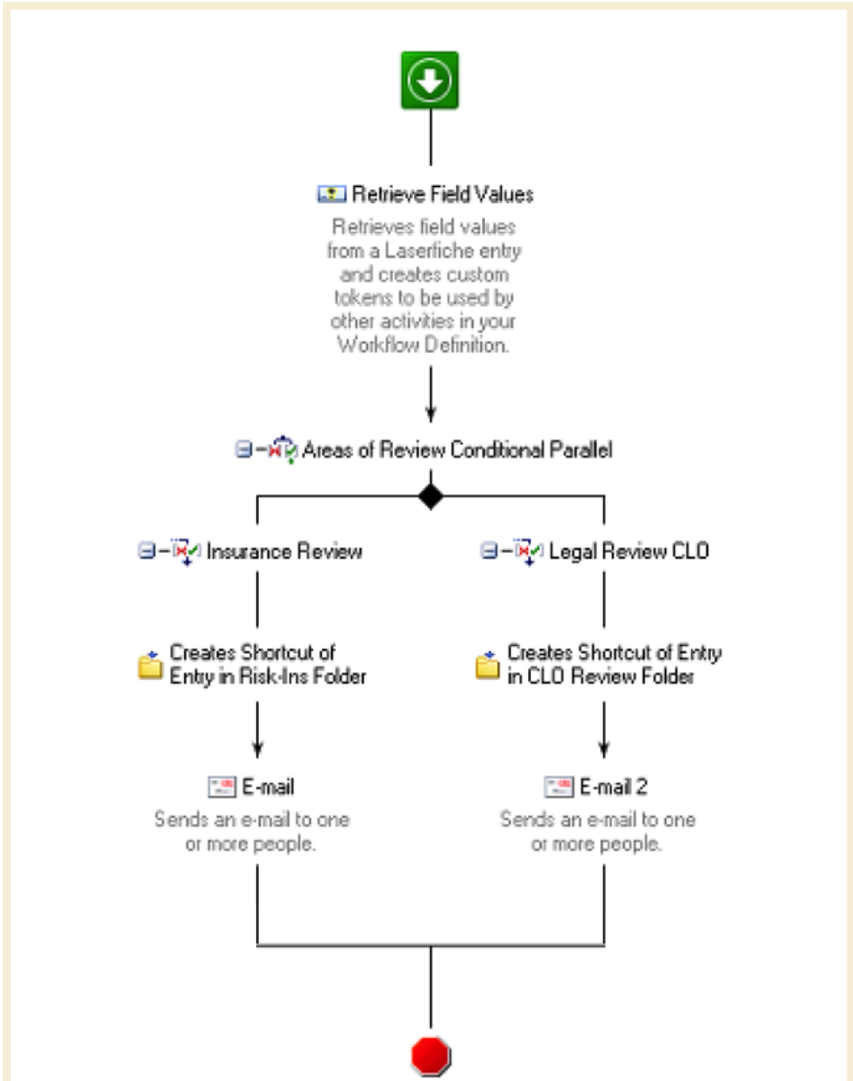
5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Once the HSC component contact receives the contract, he populates the template with the names of the people who will need to review the contract. The ECM system can then email a shortcut of the contract to each reviewer. This method allows the reviewers to see each other's notes and make their own comments within the same, original document.



Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

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After review is complete, the HSC component contact who initially submitted the contract receives an email saying the contract has been reviewed and requires changes. From the email, he opens the contract in the ECM system and creates a new contract with all the necessary changes. The pages of the revised contract are appended to the old contract so staff can easily track changes.

The review process is repeated until everyone agrees on the finalized version of the contract.

Sign Finalized Contracts

After the contract has been finalized, it must obtain approval signatures. The HSC component contact sends an email to each person who needs to sign the contract. Again, the email contains a shortcut to the final contract, allowing for approvers to sign the same document simultaneously. In this example, approvers sign the contract by appending a personal stamp to the document and then updating a particular field in the template.

Contracts that have been signed and finalized move into a record series where authorized staff can access and review them as needed.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

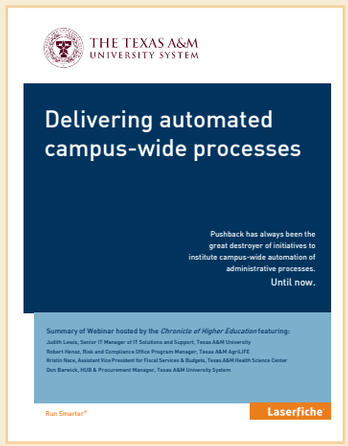
Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Benefits

- Contracts are processed up to six times faster.
- Contracts can be simultaneously reviewed by multiple parties.
- Finalized contracts are accessible by all involved HSC personnel, making the auditors happy.



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Laserfiche®
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Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Contract Automation: A Before & After Story

From its Onamia, MN, headquarters, the Corporate Commission of the Mille Lacs Band of Ojibwe Indians operates 12 separate businesses spread out over 55 miles. More than 500 contracts keep these businesses serviced, supplied and staffed.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Before

Missing deadlines frequently resulted in 10-15% fee increases due to penalties or because a discounted quote had expired. In addition, service contracts sometimes lapsed. “We could have a major piece of equipment go down and find out we had no contract,” says Lance Dutcher, Systems Engineer for the Corporate Commission.

To address these problems, the Corporate Commission identified **a need for an automated contract management system with the ability to:**

- Route documents from outlying properties to the Corporate Commission’s office in a time sensitive manner.
- Track documents to enforce deadlines and address bottlenecks.
- Generate a monthly report summarizing the activity/expiration of contract-related documents.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

After

Dutcher worked with a five-member project team drawn from Management, Legal, Training, Purchasing and IT to develop and refine contract workflows over a two-month period. The team worked out routing processes, deadline times and designated approvers.

Following a month of designing and programming workflows, Dutcher led three months of trial testing using the IT department's own contracts. After training users in-house, the system went live with all 39 departments in 12 businesses.

As a result of using ECM for contract management, the Mille Lacs Band has been able to:

- Standardize the management and storage of contracts.
- Share documents more efficiently between businesses and departments.
- Eliminate printing and storage costs of paper contracts.
- Automatically generate reports of expiring contracts.

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

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According to Dutcher, the greatest benefit is time. "**Most of our documents are now routed within three days or less, instead of weeks or months.** We used to have an administrator at each location distribute paper copies for signatures that were faxed—and sometimes re-faxed if they weren't legible. Now the documents are emailed to a single contract administrator, uploaded into the ECM system and automatically routed for approval," Dutcher says.

"We've been able to have 12 people at different properties sign a document in less than 90 minutes."

Contracts aren't the only documents that need signatures.

See how ECM supports all document-based processes in this free guide.

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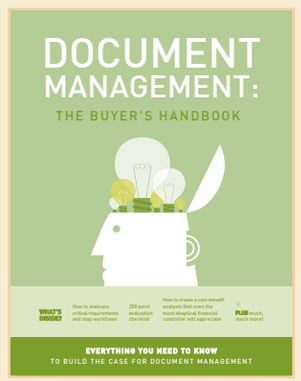

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

Conclusion

Contracts play an important role in any organization, but for those without contract automation, contracts are as much a source of frustration as revenue. Rather than hire more staff or increase administrative tasks to regain control over contracts, organizations can **automate and standardize** the contract process.

ECM streamlines the entire lifecycle of contracts, from internal contract requests to final signatures to archiving. Through electronic document storage, process automation and records management, organizations can transform contract management from a source of inefficiency to a profit powerhouse.

> “Contracts are where you record your promises. By managing their formation and execution, you avoid crises—and ensure you deliver on those promises.”
>
> **PricewaterhouseCoopers study:** Contract Management: Control Value and Minimize Risks

Introduction

Why Automate Contract Management?

Pain Points from Poor Contract Management

Benefits of Contract Automation

How Contract Automation Works

5 Steps to Contract Management

Contract Automation in Action

Contract Automation: A Before & After Story

Conclusion

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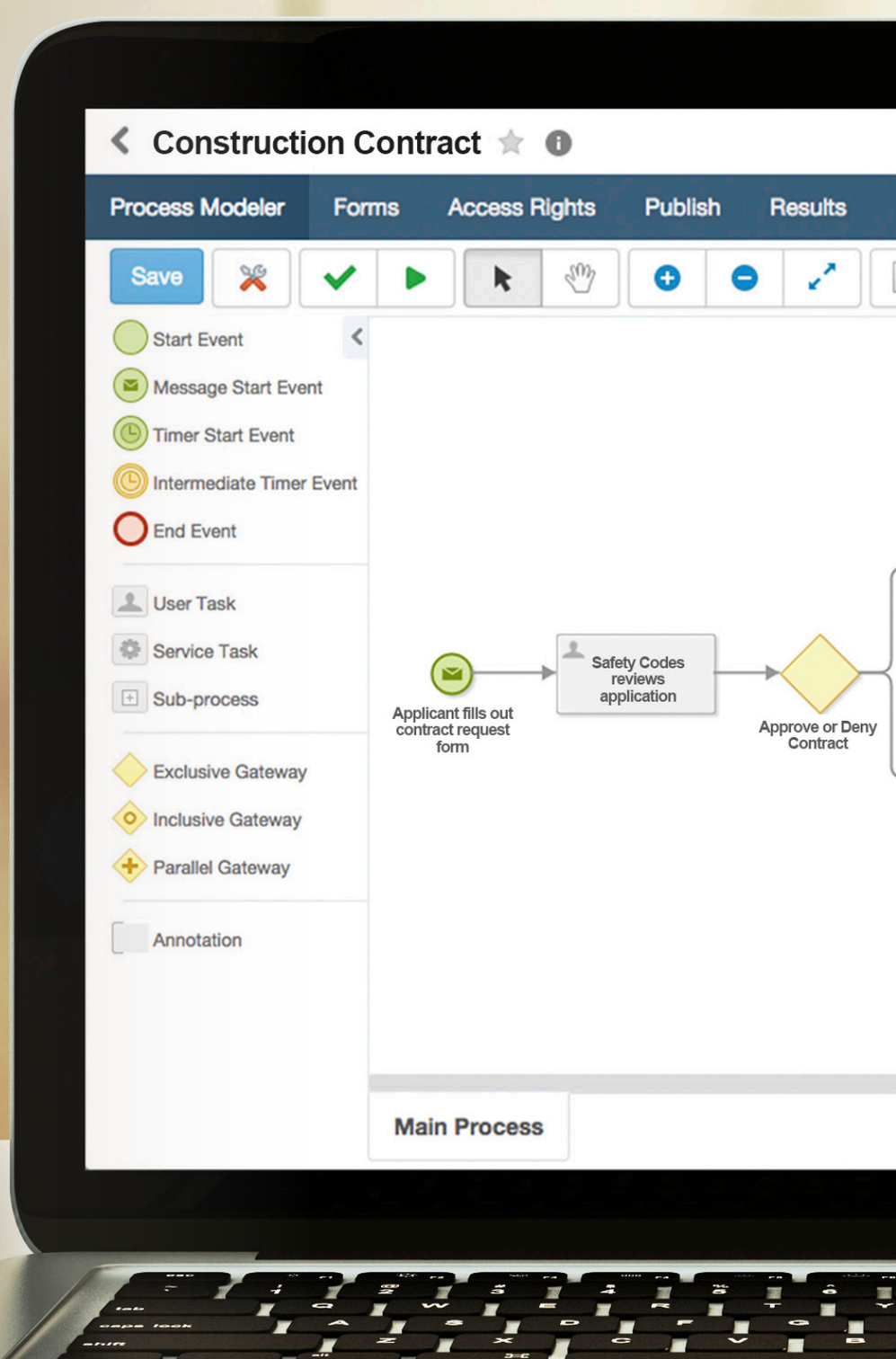
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