Aavenir

Contract Management Analytics

Measuring Metrics and KPIs using Analytics Dashboards



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Contents

What is Contract Analytics ? 03

6 KPIs that Every Contract Manager Should Track

- Contract Volume by Lifecycle Stage 04
- Contract Turnaround Time 06
- Costs Per Contract Processing 08
- Contract Value 09
- Contract Language Simplicity, Readability, and Consistency 10
- Contract Obligations Compliances 12

Track KPIs with Aavenir Contractflow 14



What is Contract Analytics ?

As a company grows its relationships transcend borders, boundaries, and languages—and so do business practices and controls. Contract Managers are increasingly expected to scale and support the organization's business transformation for new products, new geographies, new channel relationships, new ways of operating, new business models, faster sales cycles, etc. - while managing business risks.

Why tracking KPIs is important ?

To meet ever changing business needs, contract managers need to continuously monitor contracting process efficiency using defined contract management key performance indicators (KPIs) and look for a smarter way to meet expectations against all defined KPIs. This article explains how modern CLM solutions with digital workflow and AI-enabled features help the leading contract managers to achieve rising levels of contract KPIs.

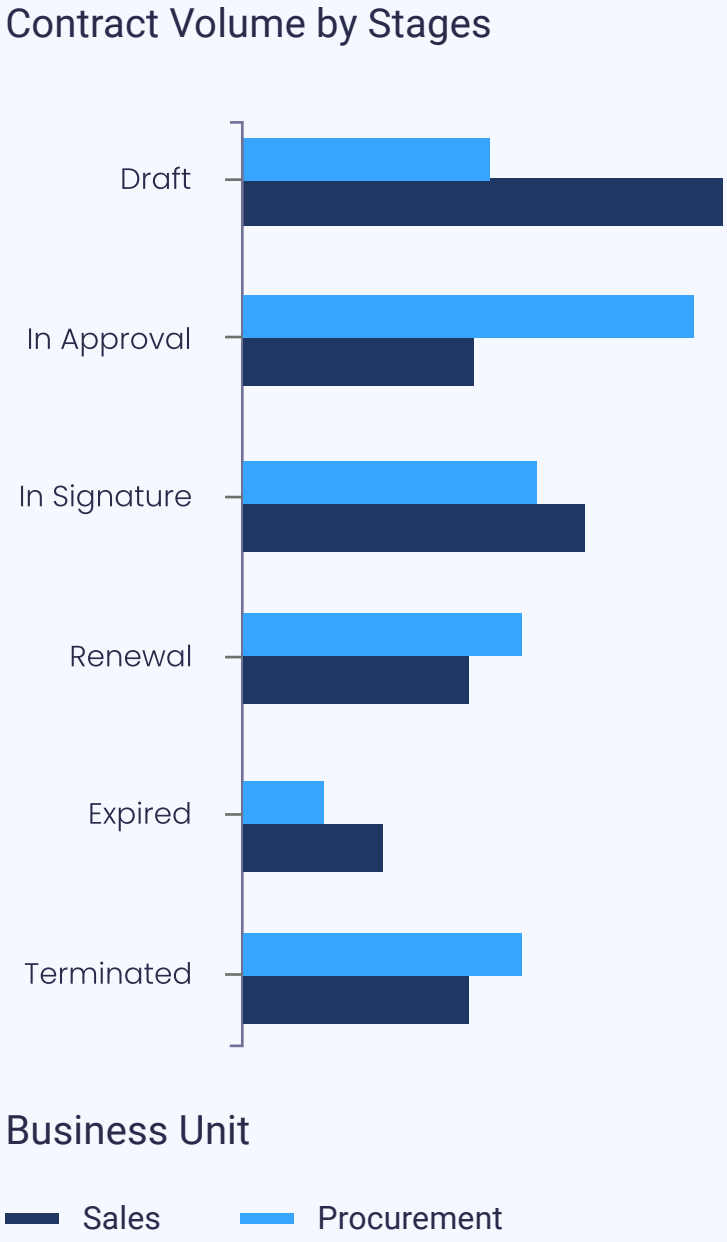
KPI #1

Contract Volume by Lifecycle Stage

Contract managers process the quantum of contracts in any given period. They need to know and track the volume of contracts they are processing in each contract lifecycle stage (i.e. active, draft, in review, in approval, in signature, renewal, expired, terminated, etc.). An approximate answer to this question is no longer acceptable.

Key Challenges : Without real-time access to contract data one would be unable to answer these basic questions from the executive leaders. The bigger challenge which lies here is the volume of contracts within enterprises adds up very fast, reaching levels as high as tens of thousands contracts for larger businesses. This makes it difficult to manually monitor the number of contracts and their lifecycle stages just using spreadsheets or centralized repositories. Contract Managers might be able to find the volume of contracts in a centralized repository but monitoring their lifecycle stage is a real nightmare task. Contract managers need to manually find the latest version of each contract document, enter information in a spreadsheet, and monitor its lifecycle status.





Tracking KPI #1 using CLM Solution

Gain Real-time Insights into Contract Volume

A digital contract lifecycle management solution lets the contract management team to create and store contracts on a centralized, cloud-based, and full-text searchable contract repository. The CLM solution's contract analytics dashboard would give a real-time visibility over the volume of contracts in each contract lifecycle stage (i.e. Active, Draft, In Review, In Approval, In Signature, Renewal, Expired, Terminated, etc.). A robust CLM solution also provides faster roles and permissions based access to the latest version of any contract within any lifecycle stage along with the complete audit trail history. Using CLM solution contract managers may also prepare automated reports for volume of contracts per customer type, per vendor type, per channel partner type, or per geography to track its status and take next actions.

KPI #2

Contract Turnaround Time

Every Contract Manager at some point faces the perception that they ‘take too long’ or there is too much dependency on them. Sometimes such complaints are unwarranted and unfair, as in reality each contract requires multiple tasks to be performed by different internal and external stakeholders, and hence the bottleneck is not only at the contract manager’s desk. Contract managers need to know the time they spend in each task across the contract management workflow and find out some smarter ways to resolve bottlenecks or escalate to the appropriate leadership authorities.

Key Challenges : In the real world, it would typically take multiple emails before a contract request gets even responsed for the first time. It is impossible to log and track subsequent interactions between contract managers, legal, and external stakeholders - manually or in spreadsheets and other ad-hoc tools. This means, if I ever needed real-time visibility on the status of a contract manager’s workload or contract turnaround time it is simply not possible to determine that.



Request-Response Time

Amount of time is spent from contract request to draft, including required approvals and work prioritization as per the type of contract request.



Average Review Cycle Time

Average time and effort spent behind the first and final draft of the contract. This is a critical metric that every organization should improve upon as it helps improve save time and focus on closing deals.



Time to Signature

Whether due to lack of momentum, changing corporate priorities or other factors, getting contracts signed is also a frequent challenge.



Tracking KPI #2 using CLM Solution

Automated Contract Workload and Reminders

CLM solution can auto respond to the contract request and accelerate the approval processes, thus resulting in the faster turnaround time of the contracts.. The dashboard can provide visibility into pending approvals and signatures. Using the audit trail feature of CLM solution, contract managers can measure the time spent in each contract stage and identify the bottllenecks. An automated workflow feature of CLM solution can even route the requests to other contract managers when the one is on leave or facing heavy workload.

KPI #3

Costs Per Contract Processing

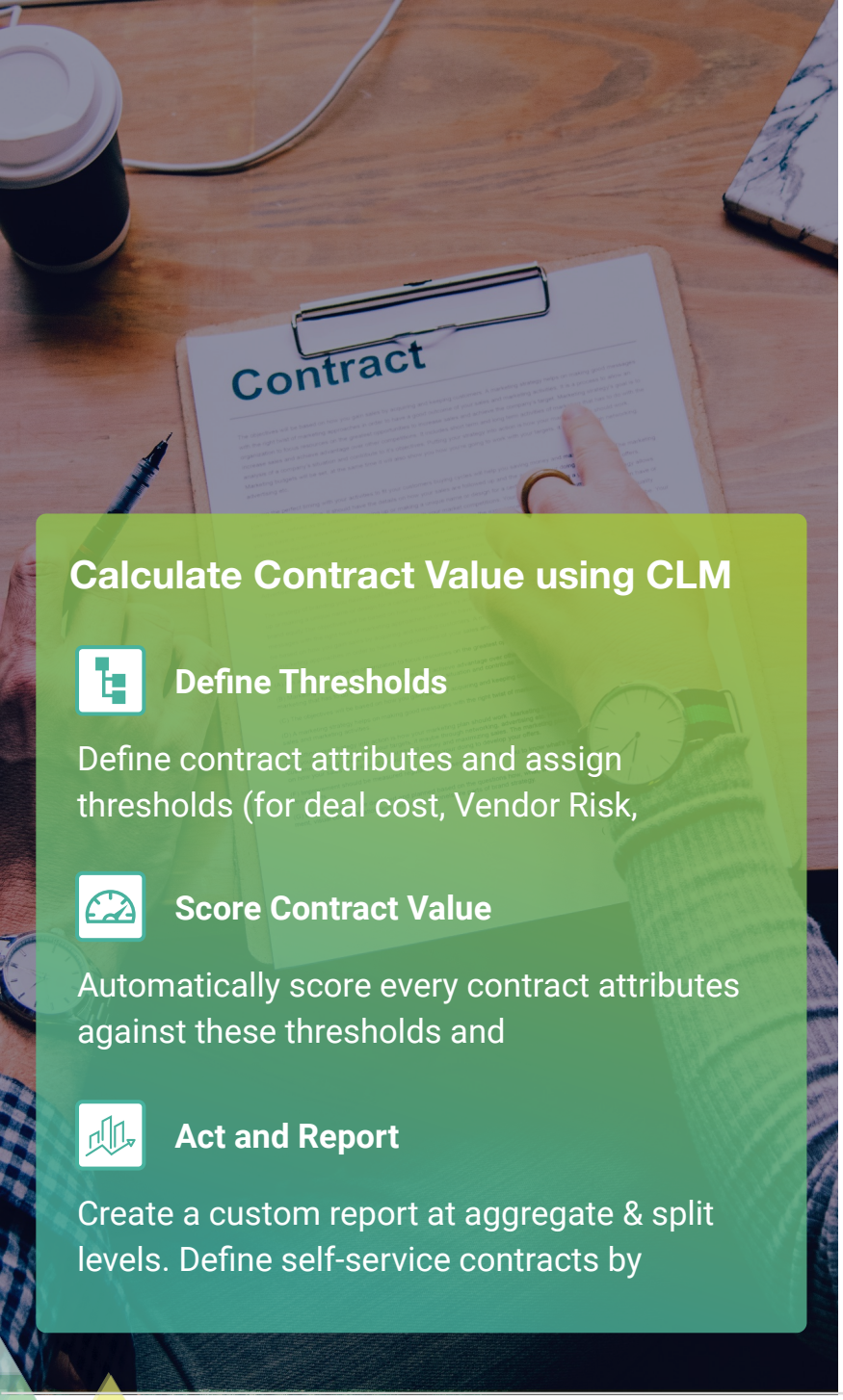
As the contract management function becomes more mature, you may want to start tracking the cost per contract, which is a really interesting number to share with your stakeholders. Cost per contract can include internal costs, technology costs, administrative cost, the full work time of each legal team member, who was involved in the process, and more. The awareness of the contract cost is a fantastic metric to help contract managers make a business case for additional headcount, for using a CLM solution or having an alternative Legal Service Provider for future operations.

Tracking KPI #3 using CLM Solution

Reducing Cost Per Contract

CLM solution can provide complete visibility on user workload, the number of contracts, contract turnaround time, and number of persons involved, etc. CLM solution reduces the man-hours spent in the contract workflow (involving drafting, review, approval, negotiation signature, performance management, renewal, and termination), thus reducing the overall cost.





Calculate Contract Value using CLM

Define Thresholds

Define contract attributes and assign thresholds (for deal cost, Vendor Risk,

Score Contract Value

Automatically score every contract attributes against these thresholds and

Act and Report

Create a custom report at aggregate & split levels. Define self-service contracts by

KPI #4

Contract Value

Tracking the value of a contract allows organization to set benchmarks at which legal does and doesn't need to be involved. There are many factors that go into calculating contract value - dollar value of the deal, recurring revenue, contract term length, vendor risk, etc. Contract managers need to manually evaluate contracts and amendments that are being negotiated or renewed on a continual basis to estimate the contract value.

Tracking KPI #4 using CLM Solution

Work Prioritization and Risk Scoring

An AI-enabled CLM solution can calculate the value of a contract as per defined thresholds for each contract attribute and segregate your contracts into buckets. For example; #no. of contracts by dollar value, #no. of contracts with vendor risk (high, medium or low). CLM solution lets the legal department understand the pipeline, focus on high value contract work, and maximize their value to the business. On the other hand, it empowers employees to self-serve and take ownership of routine contracts that don't need legal team input.

KPI #5

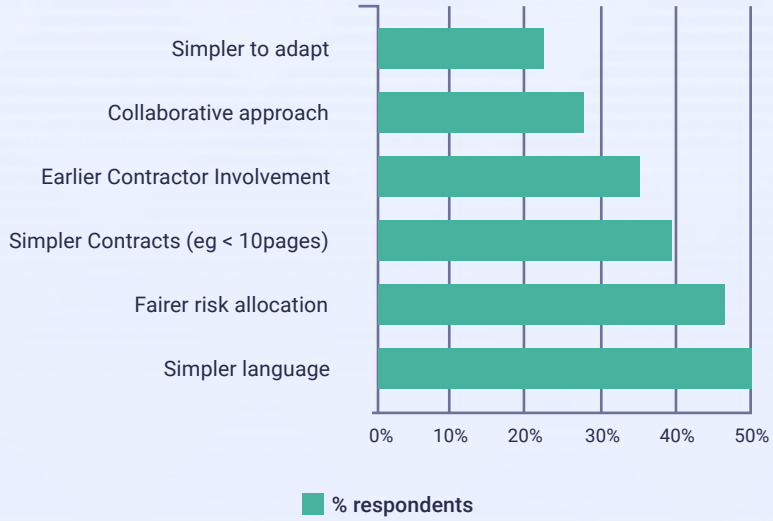
Contract Language Simplicity, Readability, and Consistency

With the increasing level of competition and changing business dynamics, organizations should not only measure contracting efficiency using quantitative metrics but also from the qualitative metrics. Contract language being one such qualitative metrics remains a huge problem. The overwhelming majority of contracts are built with blocks that don't make sense. The ubiquity of copy and paste for generations has meant there's a disconnect between what managers think is in contracts, and what's actually in them.

Key Challenges : Drafting contracts has many complexities and a lack of readability which cause contracts to take a long time for review and approval. Organizations need to know what needs to change, whether that's formatting, designing, vocabulary, numbering and lists, or any other useful technique to make documents more readable.Legal need to perform below mentioned actions items to help the organisation in gradually reducing the contract language deviations from standard contract language and bringing error percentage as close to zero as possible.

> "When 32% of both buy- and sell-side contract managers identify improving internal processes as a major challenge in their profession, this is a signal of a need for change"

What do Users want?





KPI #5 : The Solution

Standardized Contract Language

Using the CLM solution, the legal team can create a library of legal-approved contract templates and alternative clauses that can be used as appropriate during the drafting and review process. CLM solutions can help ensure that the latest version of clauses and templates are available and being used.

Some CLM solution also has language comparison tools for comparing contracts against pre-approved templates and clauses. An up-to-date legal playbook within the CLM solution can ensure that all boilerplate languages remain relevant and if there is any update it can also trigger re-approval and re-signature process.

KPI #6

Contract Obligations Compliances

Interpreting contract commitments – exposing key commitments, identifying deliverables and obligations, deadlines, impacts of non-delivery and associated business implications – is an arduous undertaking. There has to be complete transparency in contractual commitments from both parties in absolute terms like knowing the specific deliverables, timelines, cost of noncompliance, remedies, process framework, communication and ownership.

Key Challenges : Managing contractual risk and ensuring compliance becomes much more difficult with poor contract visibility.

- Manual identification of obligations hidden in complex contract language is time-consuming and prone to errors and higher costs
- Highly fragmented contract data across different IT systems (ERPs, S2P, CRM)
- Unable to get a complete picture of obligations by business unit, supplier category, or customer type
- No clearly defined ownership to ensure obligations are met.



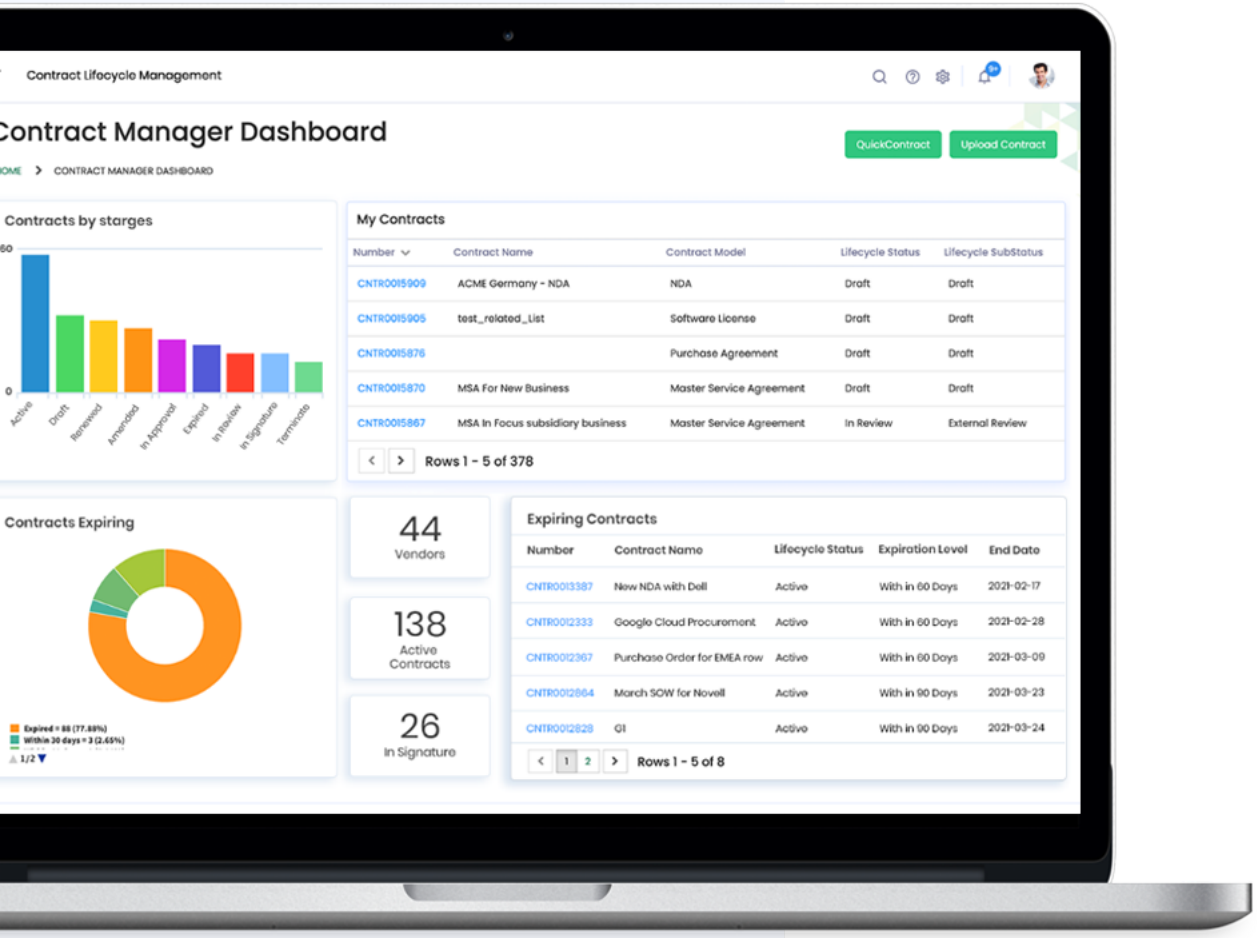


KPI #6 : The Solution

Obligations Fulfillment and Monitor Compliances

Put simply, a good contract obligation management solution, which can help organizations ensure both parties meet milestones, maximize revenue, minimize disputes, chargebacks, and refunds. Using CLM with obligation

- 70% faster obligation identification cycle time using AI-enabled automatic contract obligation extraction
- 35% cost savings with centralized obligations fulfilment approach
- 98% on-time obligation fulfilment
- Significantly increase compliance and reduce business risks
- Automate the obligation fulfillment process through a workflow engine instead of traditional email/Excel based approach.
- Enables the team to leverage insights gained for better outcomes in future contract negotiations and renewals



Track KPIs with Aavenir Contractflow

Aavenir Contractflow manages end-to-end contract lifecycle and provides real-time visibility into every stage of contract workflow. Track all contract management KPIs or implement custom reports for comprehensive contract analytics using Aavenir Contractflow. Ready to see how it works for your organization ?

Schedule a Demo

About Aavnir

Aavenir offers AI-enabled Source-to-Pay solutions, which includes Aavenir Contractflow – Contract lifecycle management , Aavenir Invoiceflow – Accounts Payable Automation, and Aavenir RFPflow – Request for Proposal Management. Aavenir Source-to-Pay solutions revolutionize age-old processes using latest technologies such as Machine Learning and Natural Language Processing to eliminate manual work, reduce cycle time, and offer insightful smart suggestions based on historical data. For more information, visit: www.aavenir.com

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6 Contract Management KPIs

How to Track using Contract Analytics Dashboard

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