E-BOOK

A CPOs Guide to Managing Buy-side Contracts with Lesser Risk, Greater Efficiency [in 2022]

How can an intelligent contract management system derisk buy-side contracts with greater efficiency and lesser risks?

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Introduction

As a modern procurement leader, you have many responsibilities. As part of your expanding role, you must confront rapid change and market uncertainty. You must evolve, innovate, and optimize, and most of all, you must capture opportunities for creating and driving value. This is a useful guide for any CPO in the industry attempting to navigate the world of Contract Lifecycle Management (CLM) and manage buy-side contracts with lesser risk, greater efficiency in 2022.



Insights into Buy-side Contracts

The difference between a buy-side contract and a sell-side contract seems straightforward, contained within the terms themselves. "Buy-side" contracts involve buying things, and "sell-side" contracts enable sales to your customers. Buy-side contracts arrange to obtain goods or services from the seller in exchange for some consideration, such as money. The staff members responsible for managing buy-side contracts at your organization most likely work in procurement, outsourcing, vendor management, legal department, facilities management, or some related department.



Procurement Teams + Legal Teams = Dream Teams for Buy-side Contracts Management

Managing buy-side contracts with vendors ensuring fewer risks, greater efficiency calls for smooth and efficient collaboration between your procurement and legal teams. If legal and procurement are not aligned with each other, it may create serious consequences as it relates to risk and price.

> According to a 2018 survey conducted by the Buying Legal Council published in Lawyers Weekly, legal departments that involve procurement in their purchasing help companies save 14.6 percent of legal spend; when procurement is well-aligned and works in tandem with the in-house legal team, companies save an average of 21 percent.



Procurement has traditionally been focused on bottom-line cost savings and mitigating supply risk, while Legal has sought to protect business assets and to ensure regulatory and jurisdictional compliance.



On the procurement or buy-side of contract management, information regarding historical product purchase volumes and prices, service level agreements (SLAs), terminations, extensions, and price revision rights are invaluable.



On the other hand, today's Legal team is multi-faceted, with their focus required across negotiations, reviews and approvals, risk mitigation, and compliance, not to mention the accompanying contract administration.

Contracts are often authored and executed in silos by different business units such as procurement, finance, and legal, without standardized templates or risk controls.

The risks associated with unsatisfactory contract management include:

- Ignored penalties,
- Failed income through ineffective terms,
- A damaged brand due to poorly constructed or missed terms,
- Lost savings and revenue leakage,
- Unpredictable renewals and expirations,
- Extra costs to expiate subcontract of nonstandard, terms and conditions, and
- Hidden clauses that leave the company open to penalties and other drawbacks.

Besides, with so many areas of responsibility, efficiency in operation is vital to ensure contracts are signed within the shortest possible time frames. When Legal and Procurement fail to collaborate, disruption can be felt more widely within the business, and vulnerabilities around risk, compliance, poor performance, and delinquent spend increase.



How Contract Management System can Derisk Buy-Side Contracts ?

By working within a robust contract management system, legal and procurement can:

- Decrease contract risk by improving compliance,
- Reduce the risk of loss or errors on contact paperwork, and
- Help to sharpen and speed up the contract process altogether.

Contract management demands a certain level of resilience for the parties interested and a readiness to regulate contract terms to follow any changing circumstances. Issues are unavoidable, which means companies must be trained for any unexpected situation and should have knowledge on negotiating contract terms when required. While there are many elements of contract management, we can outline the process by dividing it into five apparent stages: innovation, partnership, signing, tracking, and renewal. We can further detail out steps within each stage. In all, we can divide the process down into nine steps.



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This makes it easier to control the end-of-quarter crisis that often occurs when it's time for a new round of contracts. Each of these steps will allow you and your organization to manage your buy-side (as well as sell-side contracts) with less risk, greater efficiency, and increased obedience.

9 Steps of Contract Management:

Step 1. Requesting Contracts :

The contract management procedure initiates when one party initiates or requests the contracting process and then uses that information to draft the contract document.



Aavenir Tip :

When you centralize your contract requests, you can make it easy for anyone to submit and approve requests and speed up your contract cycles. Learn more on how you can easily request, approve, and prioritize contract requests with ContractFlow.

Download CLM Datasheet

Step 2. Authoring Contracts :

Documenting a contract by hand is time-consuming, but through automated contract management systems, the process can become relatively smooth.



Aavenir Tip :

When you opt for an AI-enabled contract management software, creating a contract with a template is very easy to use and highly beneficial for the author and all of the other users of the template.

Read Article

Step 3. Reviewing and Negotiating the Contract :

After drafting or assembling the contract, employees should be able to analyze versions of the contract and note any differences to lessen negotiation time.



Aavenir Tip :

Get immediate visibility into vendor management risk exposure covering key components of enterprise-class supplier risk assessment programs with an easy-to-use checklist.

Download Contract Review & Negotiation Checklist

Step 4. Approving the Contract :

Acquiring management approval is the stage where most blockages occur. Users can preemptively fight this by making tailored approval workflows, including parallel and serial workflows to keep judgments progressing at a fast pace.



Aavenir Tip :

Explore the latest technologies such as Digital Workflow and Artificial Intelligence that will transform how companies will manage contracts in the future.

Download Contract Management E-Book

Step 5. Execution and Implementation of the Contract :

Executing the agreement allows users to manage and lessen the signature process with the help of electronic signature and fax support.



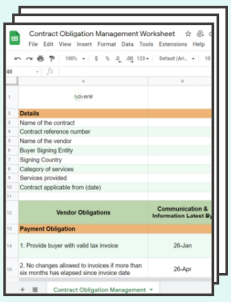
Aavenir Tip :

Save time and money by having your legal documents signed digitally and overall streamline the contract creation process on the fly.

Read Article

Step 6. Obligation and Compliance Management :

This demands a tremendous deal of project management to guarantee results are being met by necessary stakeholders and the significance of the contract isn't declining throughout its early stages of growth.



Aavenir Tip :

Mitigate consequences of non-compliance and breach of contract by using this editable contract obligations tracker which will help you achieve a high level of contract compliance.

Download Contract Obligations Tracker

Step 7. Modifications and Amendments :

Assembling all documents relevant to the contract's initial drafting is a complicated task. When ignored objects are found, the systems must be in place to amend the initial agreement.



Aavenir Tip :

Mitigate legal risk with increased compliance, mitigate security risk with contract version control within a secure, centralized repository, and mitigate financial risk by shortening time-to-signature with secured approvals and e-Signatures.

Read Article

Step 8. Auditing and Reporting :

Contract management does not imply drafting a contract and then thrusting it into the filing cabinet without another thought. Contract audits are necessary for selecting both organizations' compliance with the terms of the agreement and any possible issues that might occur.



Aavenir Tip :

Take control of your contracts with the visibility provided by contract audit trails, preemptively identify risks, and mitigate them before they happen.

Read Article

Step 9. Renewal of Contract:

Manual contract management practices can often result in missed renewals and lost company revenue. Automating the process allows a company to recognize renewal opportunities and create new contracts.



Aavenir Tip :

As part of your vendor relationship management, it is essential to stay on top of upcoming contract renewals. Long before your contract expires, you should be planning your approach to the contract close-out phase.

Download Contract Renewal Checklist

Conclusion

From requests to renewals, procurement contract lifecycle management is critical. As various contract types go via their different stages, contract managers need to observe any possible changes or violations of the contract. If an employee or business is dissatisfied with their contract, it might be worth making changes to the agreement. It is necessary to follow contractual commitments while also making sure both sides of the parties are happy. In times like these, during the contract management process is when lifecycle management becomes necessary. A CLM solution can help business teams come together on a single platform to collaborate across the different stages of contracting – from authoring to negotiation and execution.



Explore Key Resources & Get Started

Here are some more resources about accounts payable automation that you might find helpful.



Checklist

CLM Solution Readiness Assessment

Assess your organization's contract lifecycle management process maturity and find out the readiness for CLM solution adoption. with CLM readiness checklist.

Download Now



Checklist

CLM Evaluation Checklist

Are you on the verge of investing in the right CLM solution for your contract management needs? You should consider the CLM evaluation checklist designed by our experts during your CLM evaluation process.

Download Now



Checklist

CLM Implementation Checklist

Regardless of your CLM process maturity level, this CLM implementation checklist is intended to help you ensure successful implementation.

Download Now

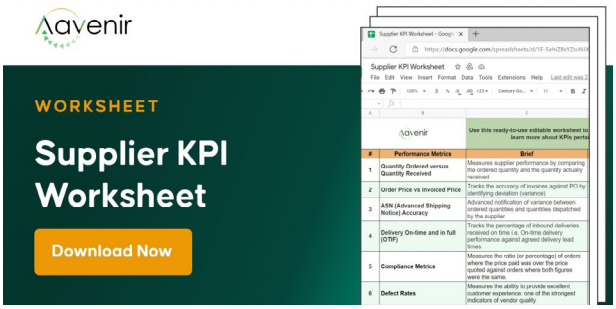


Checklist

Vendor Management Risk Assessment Checklist

Leverage this vendor management risk assessment checklist to get immediate visibility into vendor management risk exposure covering key components of enterprise-class supplier risk assessment programs.

Download Now

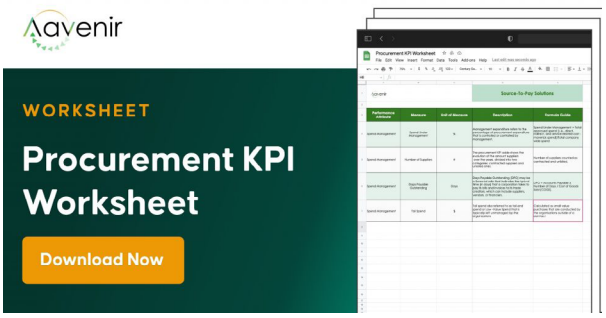


Worksheet

Supplier KPI Worksheet

Download this ready-to-use editable supplier KPI worksheet to start measuring your suppliers' performance, positively impacting your organization, and turning procurement into a value driver.

Download Now

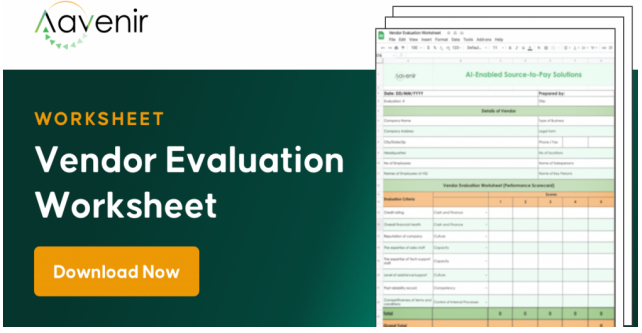


Worksheet

Procurement KPI Worksheet

Track procurement metrics and create a comprehensive procurement dashboard to enhance the vendor data analysis and improve procurement performance

Download Now



Worksheet

Vendor Evaluation Worksheet

Use this ready-to-use worksheet to evaluate the overall performance of your vendors based on Carter's 10 Cs model. It helps either you are already engaged with vendors or are planning to work with them.

Download Now



ROI Calculator

ROI Calculator on Contract Automation

Takes a few minutes to generate a personalized report showing how Contract Lifecycle Management Software can help your organization to realize better ROI with more long-term savings.

Calculate Now

Manage your Contract Automation on ServiceNow

Want to transform your contract management with AI-enabled workflows?

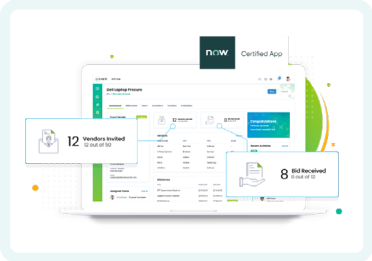
Get a custom demo of the Aavenir software now, and find out how you can manage your contracts for better business outcomes.



About Aavenir

With Aavenir, you get a partner to solve complex problems using the most innovative technologies. For years, the team behind Aavenir is committed to creating business solutions for the future. Aavenir's next-gen Source-to-Pay suite revolutionizes age-old procurement processes by using the latest Machine Learning and Natural Language Processing technologies to reduce cycle time, yet offering insightful best practices suggestions based on historical data. For example, Aavenir's Contract Lifecycle Management (CLM) solves the hardest text analytics problems for risk and obligation management while, Accounts Payable (AP)automation solves multi-vendor invoice processing problems by harnessing the power of AI & ML technologies. For more information, visit: www.aavenir.com

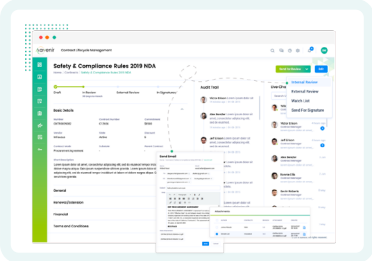
Explore Aavenir Source-to-Pay Solutions on ServiceNow



Aavenir RFPflow

Aavenir RFP/RFI/RFQ management software accelerates the vendor qualification process using milestone-based RFX-to-award workflow and collaborative vendor scoring.

- Create RFP/RFI/RFQ
- Request Responses
- Score Responses
- Award-a-Bid



Aavenir Contractflow

Aavenir Contractflow (CLM) enables enterprises to efficiently create and manage bilateral contracts for procurement, sales, services, legal, NDA, HR or any other type of internal and external enterprise operations.

- Create Contract
- Review & Negotiation
- Approval & E-Signature
- Dashboard & Reports



Aavenir Invoiceflow

AI-enabled Aavenir AP Automation solution learns an organization's unique invoices patterns to simplify invoice-coding, automate invoice data entry, and identifies exceptions to ensure data accuracy.

- Import Non PO & PO Invoice
- Automated Invoice Data Entry
- Invoice Approval Workflow
- Dashboard & Reports

Get Started


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