

Expert Opinion

# Why Collaboration Is the Key to Contract Management Success

Contract lifecycle management (CLM) tools have provided some relief to the cumbersome and resource-intensive contract management process.

By **Monica Zent** | August 28, 2019 at 02:20 PM



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The average business manages between 20,000 and 40,000 contracts at any given time. With that kind of volume, and the risk of compounding

inefficiencies in time and cost, firms simply can't afford to get contract management wrong.

Contract lifecycle management (CLM) tools have provided some relief to the cumbersome and resource-intensive contract management process. Many of these tools, however, don't go far enough in their ability to streamline the complete contract process, from creation to negotiation, review and archival. Most CLMs focus on automating the contracting process and facilitate the maintenance and storage of contracts.

There is a key component of contracting, however, that is being overlooked—collaboration.

Collaboration is inherent to the contracting process with multiple stakeholders, including attorneys, outside counsel, accountants and other legal professionals, weighing in, escalating requests, and answering questions. The time spent on a typical contract averages about 40 hours according to the International Association for Contract and Commercial Management, with work divided among legal, procurement, operations, project management, finance and compliance professionals.

The vast majority of this effort takes place over email requiring attorneys to spend precious time sifting through their inbox, shuffling tabs and searching folders. More than 60% of legal professionals said administrative tasks, like these, were their biggest source of frustration at work. These tasks add up to a lot of churn when multiplied across the many contracts that an in-house legal department or their law firm services which, collectively, create drag on the contracting process.

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### **The Next Evolution in Contract Management**

The current process is inefficient and represents a missed opportunity for businesses to enhance productivity and improve knowledge capture. The emergence of what I call “collaborative contract management” or CCM solves this problem by taking a disjointed and disorganized process and integrating it into one platform.

CCM goes far beyond a simple contract repository. CCM introduces collaborative capability into contract management tools to facilitate real-time editing and communication across all stakeholders. By streamlining the contract workflow, business and legal professionals are not only able to work more productively but can also more easily leverage input and insight from one another.

### **The Benefits of Collaboration**

Research from Harvard Law Distinguished Fellow Heidi Gardner has found that average revenue per customer rises among firms that have a high degree of collaboration. Better collaboration enables organizations to recognize and

elevate employee contributions. Studies show businesses that highlight employee contributions enjoy higher morale. CCM ensures all individuals are able to contribute to the contract process in a visible and valuable way. Such collaboration can also build stronger bonds between colleagues.

The use of technology is increasingly popular among legal professionals. Nearly 60% of attorneys under the age of 40 access their documents and case information, including contracts, online according to the American Bar Association. Adopting innovative and synergistic technology, such as CCMs, may help businesses attract better talent.

CCM also allows organizations to better control contract costs, which continue to increase. The International Association for Contract and Commercial Management estimates the amount businesses spend on low-risk contracts increased by nearly 40% from 2011 to 2017. While these low-risk contracts average \$6,900, moderately complex contracts average \$21,300 and highly complex contracts can exceed \$100,000.

When the already costly contracts process is not managed as efficiently as possible, firms stand to lose valuable time and money. Businesses lose an estimated 9% of annual revenue from ineffective contract management. The ability of CCMs to improve productivity and workflow can help cut unnecessary cost in this area.

## **Investing in the Future**

Recognizing the need to retool the contract management process, the legal industry has embraced new solutions. The market for contract management is expected to reach \$3.2 billion globally by 2023.

In 2019 alone, disruptors in the legal technology space have received major investments. Aavenir, for example, is among the companies that are leading in the evolving CLM space. ContractPodAi, a U.K.-based AI powered CLM platform just secured \$55 million in investment funding. Cloud-based contracts management firm Icertis also raised \$115 million in funding this year.

As organizations invest in CLMs and other contract management solutions, it's important to look for collaborative capability or, rather, a true CCM solution. Without it, they'll be missing out on the full potential of contract management technology.

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