

Do You Know Where Your Contracts Are?

Your company wastes time when it scatters its contracts across filing cabinets, local servers, and e-mail attachments. But that's not all. Your business may become involved in unnecessary litigation, hold weak bargaining positions, and incur penalties for breach of contract.

This is why it's important to tame the "three Ps" of managing contracts—paper, process, and provisions—with the help of a contract management solution.

WHAT GOES WRONG

When your corporate legal department lacks critical information about contracts held by colleagues in your business lines, a lot can go wrong. Some of the most common problems include terminating, renegotiating, or simply locating contracts.

Without legal department oversight, your business colleagues may slip up because they don't think like attorneys. They often mistakenly assume they can cancel contracts by simply refusing to pay invoices at the start of a new term.

This doesn't work when the terms of the contract call for advance notice—sometimes up to 90 days—to terminate. The result? Your company is in breach of contract. You may end up paying penalties or embroiled in litigation.

Adept contract management can also help you avoid improper management of your contract paperwork. Being unable to produce drafts of contracts (or even the executed contracts) weakens your company's bargaining power with clients and vendors.

When you can't find the contract right away, you may need to abide by inaccurate verbal statements made by

salespeople or other employees. When renegotiating, you may be unable to determine your strongest approach because you are unsure of your current terms. This is also an issue in litigation, where being unable to produce earlier versions of a contract could place the burden on your company to prove a breach of contract.

Your contracts attorneys should focus on high-value legal work instead of document management. By observing the three Ps of contract management, your attorneys can focus on the bottom line and boost your legal department's efficiency.

THE THREE Ps OF CONTRACT MANAGEMENT

Paper

Companies spend too much time on paper, the lowest-value part of the contract management process. Paper contracts are a problem for companies ranging from large, multinational organizations to small businesses.

This is especially true for Fortune 1000 companies, which typically have thousands of contracts on paper with vendors, customers, and technology service partners.

Your legal department may not hold the contracts, which are typically dispersed across the organization in both paper and electronic form. Employee turnover also contributes to the problem, with contracts lost indefinitely when the key negotiator leaves.

Many of the challenges of organizing and retrieving papers can be resolved by implementing a document management system that includes a central repository accessible by both the legal department and various business units.

CONTINUED ON BACK >

Process

Process refers to the “back and forth” between your corporate legal department, business line partners, and the outside parties with whom you negotiate. This workflow includes negotiations, drafts, execution, post-execution, follow-up, and termination of contracts. When the process is slow, corporate goals can be undercut.

A contract management system helps to improve your legal department’s service levels. When contracts are handled more quickly, it reduces risk and helps your bottom line. On a related note, a contract management system helps to ensure timely handling of hundreds, or perhaps thousands, of response dates for contracts.

Provisions

Your contracts attorneys typically spend the majority of their time on contract provisions. In other words, they ensure compliance with the terms and conditions of your contracts.

A contract management system can help boost your efficiency. This is especially important now, as companies ask their staff to do more with less. In addition, collaboration tools enable you to share the latest provisions with all necessary parties.

Efficient management of contract management’s three Ps can save time and money for legal departments. The corporate bottom line will benefit.

GUIDELINES FOR CHOOSING A CONTRACT MANAGEMENT SYSTEM

Boost your legal department’s efficiency and cost-effectiveness with the right contract management system. Look for the features listed below:

Feature: Central repository for contracts
Benefit: Your legal department doesn’t waste time tracking down contracts because the repository makes all documents, including drafts and executed contracts, easily accessible. This solves one of the biggest challenges for most legal departments.

Feature: Collaboration
Benefit: Your business partners can see all of the contracts for which they’re responsible, while the legal department gets a clear view across all business lines. This fosters more timely responses to contract issues, reducing your risks. Your company is also in a stronger bargaining position when you’re aware of all the other party’s relationships with you.

Feature: Automatic integration of related e-mails into the contract management system
Benefit: You don’t worry about critical information from e-mails not being captured. This is paramount, because most communication between legal departments and business units occurs via e-mail.

Feature: Ability to search contracts by word, phrase, or metadata
Benefit: You quickly and easily find the information you need, strengthening your position in litigation, negotiations, and daily business tasks.

Feature: Tickler system
Benefit: Never lose track of response dates again. Your business units are less likely to miss deadlines for terminating contracts and other key steps because automatic reminders go to them and your legal staff at the same time.

Feature: Turnkey implementation
Benefit: You reserve the time of your legal and IT staff for more important initiatives.

Feature: Reporting
Benefit: You can measure your legal department’s productivity. Now you can quantify your efficiency gains in your reports to senior management.

For more information about Corporation Service Company and our contract management systems, please contact us at 888-253-3731.