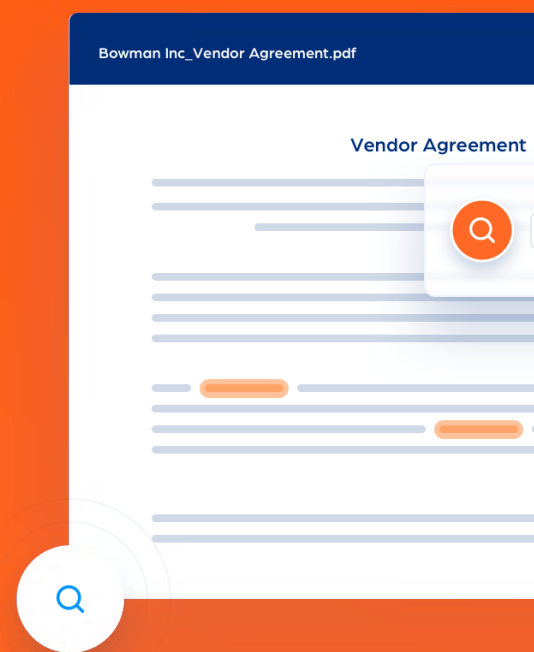
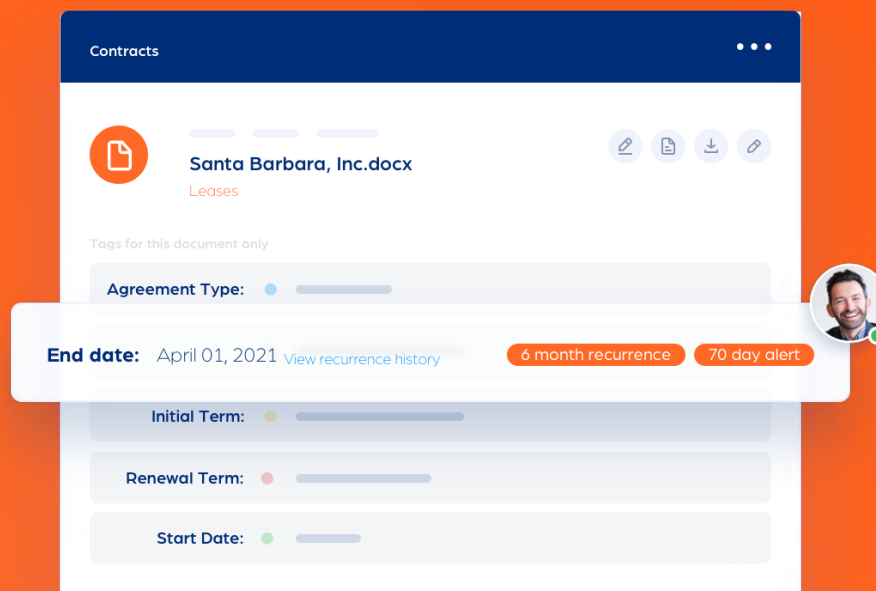
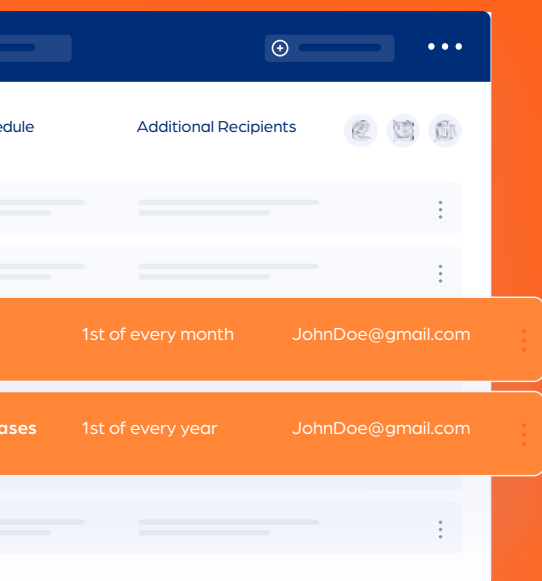




A General Counsel's Guide to Contract Execution, Storage, and Renewal

Harnessing the power of contract management to reduce legal and financial risks



Introduction

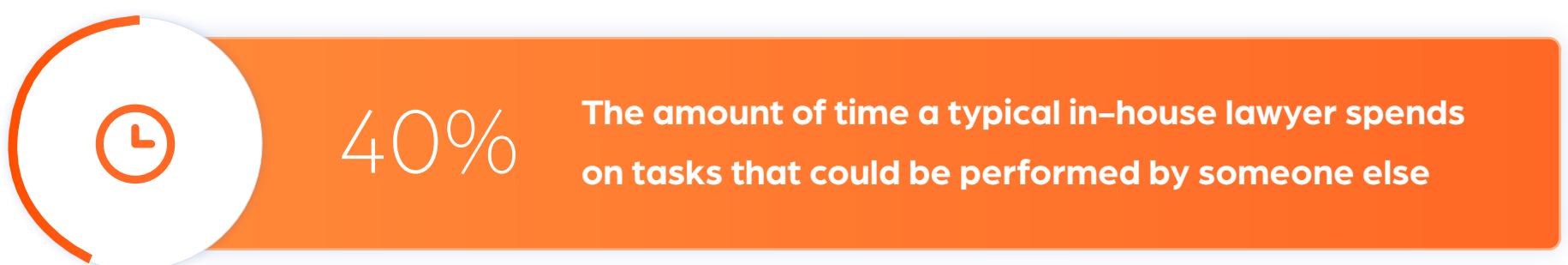
As General Counsel, you have dozens of things on your plate every day. Whether you're fielding legal inquiries, negotiating contracts, advising company leadership on strategic business matters, or monitoring compliance with industry regulations, it's likely that your schedule is filled with tasks crucial to the company's legal health.

Given your busy calendar, it may be difficult to keep tabs on your company's contracts, particularly since large organizations manage an average of 350 contracts a week, according to the professional services company EY¹. Not properly managing your contracts, however, can come with serious legal and financial risks.

The risks of not properly managing your contracts include:

- **Failing to notice if a contract has auto-renewed, which can cost the company money.**
- **Being in breach of contract without realizing it, which can damage a company's reputation and lead to lawsuits.**
- **Being unable to locate a contract quickly, which can impact the company's ability to make informed business decisions.**
- **Losing a deal due to slow contract execution.**

Overall, inadequate contract management costs organizations 9% of their bottom line, according to World Commerce and Contracting². And disorganized contracts can be a time drain, as well. A typical in-house attorney already spends 25% to 40% of their time on things that don't need to be performed by a lawyer³ – you don't need to waste additional time searching for a misplaced contract.



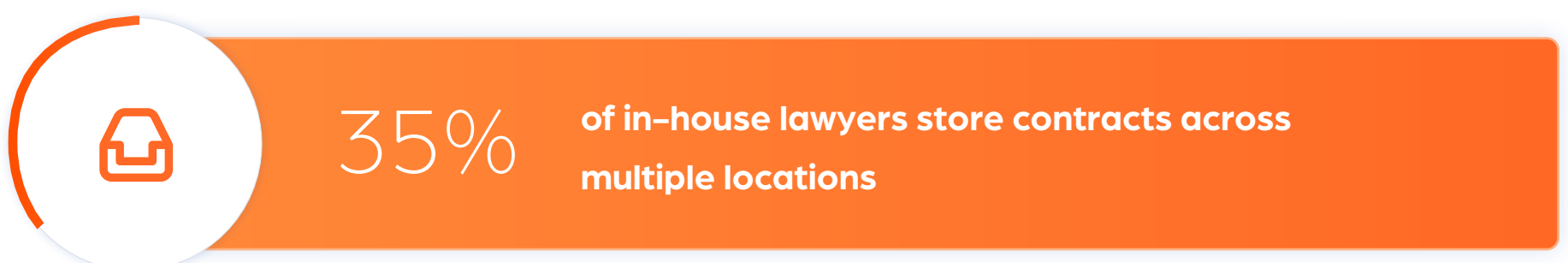
In this white paper, we'll examine the many legal and financial risks associated with poor contract management, and discuss simple, effective strategies for managing your contracts better. These strategies will ensure that your contracts are always readily available, and that you don't make costly – and avoidable – contract management mistakes. By identifying and addressing your contract issues now, you'll be able to ensure they don't become bigger headaches down the road.

What Does Poor Contract Management Look Like?

Although keeping contracts organized is highly important, many legal departments may still be making worrisome contract management mistakes. Some examples of poor contract management practices include:

- **Storing contracts in scattered locations, such as various computers, hard drives, and filing cabinets.**
- **Retaining multiple versions of contracts, without a system for organizing them.**
- **Not having a standard protocol for naming contracts.**
- **Only using paper contracts, which are more vulnerable to being lost or damaged.**
- **Having an inefficient contract execution process.**

According to an exclusive survey of in-house lawyers and corporate legal professionals, commissioned by ContractWorks, 25% of respondents store contracts in desk drawers and filing cabinets, and 35% of respondents store them across multiple locations, including various inboxes and computers.



Storing contacts in scattered locations can reduce visibility into these agreements, making it hard to keep track of contractual obligations. According to Faye Moran, former Head of Legal Operations (interim) at Booking.com, not having a contract management system and clause-level data “can be critical.”

“Without clarity, you don’t know what’s been agreed to or why it was agreed to. If it all blows up two years later, Legal has to try and unpick it all. Better systems and information might prevent some of that.”

– Faye Moran, former Head of Legal Operations (interim) at Booking.com

What Happens When Your Contract Management Process Falls Short?

There are a host of risks that can come from inadequately tracking and managing contracts once they’ve been signed, including significant legal and financial dangers. Below, we outline some of the top risks associated with not properly managing post-signature contracts.

Missing Crucial Milestones

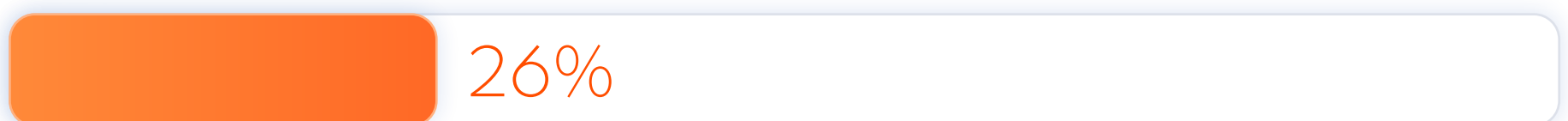
It’s also crucial to be aware of when your contracts automatically renew or terminate, since failing to track these dates can result in additional costs. If a company doesn’t realize that a contract is about to auto-renew, for instance, it could get locked into paying for a service that it no longer needs.

Auto-renewal clauses are a pervasive issue, as they can be found in software agreements, insurance policies, vendor contracts, leases, and many other kinds of agreements.

And indeed, missing contract renewals are a common problem for organizations. In ContractWorks’ survey, 46% of respondents said their organization missed at least one automatic renewal in the past year, with 26% missing at least four.



of companies missed at least one auto-renewing contract in the last year



of companies missed at least four auto-renewing contracts in the last year

Not paying attention to contract expiration dates can also impact a company's bottom line, as failing to renew a contract can result in lost business. What's more, if a company doesn't realize that a contract has expired and continues to produce goods according to the agreement, it could find itself with a costly surplus on its hands.

Finally, contract renewal and termination dates present excellent opportunities to renegotiate your agreements and secure more favorable terms. Keeping track of these milestones will ensure that you have plenty of time to renegotiate your contracts before they renew or expire.

Losing Contracts: Regulatory & Deal Trouble

Contracts can get lost for many reasons. Perhaps the person who had the contract left the company or the agreement only existed in a now-deleted email. Paper contracts are especially vulnerable, as they run the risk of being physically damaged or accidentally tossed into the recycling bin.



According to one figure from the Journal of Contract Management, 71% of companies couldn't locate at least 10% of their contracts⁴. But losing track of a contract can create major problems, particularly when it comes to satisfying regulators during an investigation. And if you can't produce a vital contract during a merger or acquisition, it's possible the deal could be slowed down or even scuttled altogether.

Regulatory Non-Compliant Contracts

While some employees may be tempted to use old templates to craft new contracts, a contract may not be legally compliant or enforceable if a template isn't up-to-date with the latest regulatory requirements.

"Legal could have totally updated and changed the template because of different regulations — like privacy and things like that — and so if they're using the wrong one, you're starting in the wrong place to begin with," noted Bart Mooney, Director of Global Legal Operations, Contracts Management and Innovation at Ingram Micro.

In addition to compliance concerns, a company may have decided to update its contract templates for business reasons. By using an older template, an employee could be excluding the company's new preferred contract language.

Breaching a Contract

While contracts receive plenty of attention during negotiations, monitoring a contract after it has been signed can sometimes prove difficult. In fact, in the survey commissioned by ContractWorks, 72% of respondents said their team does not focus enough on managing post-signature contract obligations.



72%

of ContractWorks survey respondents said their team doesn't focus enough on managing contract obligations

But not monitoring the terms of your contracts comes with legal risks, as breaching a contract – even accidentally – could result in possible litigation.

“Accidental or intentional breaches are all treated the same. So, if you just forgot about something, yeah, you could find yourself in court.”

– Sterling Miller, CEO of Hilgers Graben and former General Counsel of Marketo, Sabre, and Travelocity

Confidentiality Violations

It's crucial to know exactly who has access to a contract, particularly if it contains sensitive information, like trade secrets. Allowing widespread internal access to your contracts makes it more likely that sensitive information could leak from them, potentially hurting your company's reputation or bottom line.

Maintaining tight control over who can access employee documents, such as employment agreements or stock option grants, is also important. If an employee's confidential information is exposed, staff morale or trust in the organization could be impacted.

In a worst-case scenario, having employee information compromised can lead to litigation. In 2015, Sony Pictures Entertainment decided to pay up to \$8 million to end a lawsuit from staff members who said their personal information was stolen in a hack, according to Reuters⁵.

Frustration with the Legal Department

Fairly or not, contract hold-ups can also lead to frustration with the legal department. Law departments seeking to build a reputation for accelerating business will want to look for ways to speed up the signing portion of the contract process.

Strategies for Better Contract Management

Despite the risks associated with poor contract management, there are fortunately several straightforward strategies for quickly improving your process. Below, find some of the top methods for staying on top of your contracts.

Centralize Your Contracts

Perhaps one of the most simple but effective things you can do to improve your contract management is to centralize your contracts in a single, secure online location. This will help you avoid having to search for misplaced contracts and will protect your contracts from being hacked.

Keeping your contracts organized in a searchable database is a hallmark of strong contract management – according to a report from the Aberdeen Group, “best-in-class” organizations have over 75% of their contracts in a “searchable repository,” versus others who have roughly a third of their data stored in such a location⁶.

Keeping your contracts in a digital location also allows team members to access from anywhere, which is critical in today’s era of remote work. According to a recent ContractWorks survey on the impacts of the events of 2020, 58% of respondents indicated that adopting solutions that promote remote working is now a greater focus for the business⁷.



Tip

It’s also helpful to design a uniform naming system for your contracts, so they’re clearly and consistently labeled. Instead of having a dozen contracts labeled “NDA-1,” “NDA-2,” for example, you might choose to include the relevant party’s name and the year the agreement was signed (so, perhaps you would opt for something like: “2021SmithNDA”).



Centralizing your contracts enables you to:

- **Know where your contracts are at all times, allowing you to quickly find the information you need to move business forward and make better strategic decisions.**
- **Avoid losing contracts due to employees storing them in a variety of locations.**
- **Review your contracts more easily, allowing you to take timely action on key issues like renewals and renegotiations.**

Set Milestone Reminders

Creating reminders for contract milestones — such as expiration or auto-renewal dates — will ensure that you have enough time to re-evaluate a contract. By giving yourself enough notice, you'll have time to terminate the contract before it auto-renews, or you may decide to take this opportunity to renegotiate the agreement. The Aberdeen Group notes that top-performing organizations annually renegotiate 49% of their contracts, while all others only renegotiate 20% of their contracts each year⁸.

To avoid missing contract milestones, consider adding important contract dates to your calendar or setting up phone reminders for them. Contract management software can also track key milestones, thereby eliminating the hassle of having to add these dates to your calendar yourself.



Scheduling reminders for contract deadlines allow you to:

- **Avoid missing auto-renewals and having to pay for services you no longer need.**
- **Avoid price increases that may be included in auto-renewals.**
- **Renegotiate contracts to get more favorable terms.**

Digitize Paper Contracts

Digitizing paper contracts – including older contracts – will vastly improve your ability to preserve your documents. You'll also be able to find information in your contracts much more easily, as you'll be able to run a search for key clauses and terms.

"I needed to be able to search our document repository quickly to provide answers to my team and stay on top of any action items in our contracts and vendor agreements," noted Renee Leduc-Pereira, an Ampla Health patient navigator and ContractWorks customer.



Digitizing your paper contracts allows you to:

- **Reduce the risk of contracts being lost or damaged.**
- **Access contracts remotely.**
- **Spend less time searching for contracts and clauses.**

Keep Up-to-Date Templates

It's vitally important to keep up-to-date templates of frequently used contracts – such as non-disclosure agreements – in your centralized contract repository, so team members can access them easily. Enabling colleagues outside of the legal department to create routine contracts will also save in-house attorneys time and allow them to focus on more complex matters.

"I often see lawyers and paralegals who are overburdened with reviews of routine contracts. Most of these individuals would rather spend their time sitting in a more strategic role focused on complex, challenging work."

– Rebecca Thorkildsen, EY Global Law Contracts Co-Lead

"We've seen people make a wide range of career moves to avoid this kind of work. The bottom line is that if organizations want to keep their best people, they need to find a way to keep them engaged."



Keeping up-to-date templates allows you to:

- **Prevent employees from creating contracts that use outdated or non-compliant language.**
- **Save in-house attorneys time, as other departments will be able to create routine contracts on their own.**

Control Who Can Access Contracts

Limiting access to your contracts is an important strategy for protecting sensitive information. Contract management software allows you to control who can access each contract, ensuring confidential information isn't improperly viewed.



Controlling contract access allows you to:

- **Limit access to sensitive information, such as trade secrets, employee information, or a company's financial details – to those who need to see it.**
- **Reduce the chance that confidential information from your contracts will leak.**

Track Contracts During the Signing Process

During the contract signing process, it's helpful to track who has the contract and whether they've signed it. This can be done with a spreadsheet or by using contract management software.

If using software, consider opting for a system with electronic signature capabilities.

E-signatures can lead to contracts being signed faster, which is significant when you consider that companies lose an average of \$215,000 each day the contract process goes on¹⁰.

E-signatures are also conducive to remote work, which continues to be a mainstay for today's workforce.

"With remote work here to stay, digital solutions like e-signatures are key to keeping businesses moving," noted a recent Forrester report¹¹. The report also found that 60% of its surveyed business and technology leaders said that, "e-signatures are a critical requirement in supporting business continuity and agility."



60%

of business and technology leaders said e-sign is critical in supporting business continuity and agility



Tracking contracts and using e-signatures allows you to:

- **Create clarity during the signing process – you'll know who signed the contact and when.**
- **Speed up the signing process, thereby helping the company realize revenue faster and avoiding delays that can jeopardize deals.**

Summarize Your Contract Achievements

Lastly, consider summarizing your key contract achievements in an easily digestible report. Summaries of contract-related accomplishments are a concrete way to show company leadership how you're helping to get business done and can provide valuable insights into your contracting process.

"I share my reports with compliance and risk management, and they love receiving so much detailed and timely data."

– Renee Leduc-Pereira of Ampla Health

Another ContractWorks customer also shared that she runs reports to show how many customer contracts have been sent out for signature each year, as a way to help measure success and growth.

Summarizing your contract activity can be done manually or through contract management software, which is able to produce reports on a broad range of issues.



Compiling contract achievements allows you to:

- **Show stakeholders which contracts are driving the most revenue.**
- **Demonstrate value to the company by showing how many contracts have been completed in a given time.**

Conclusion

Organizing your contracts will go a long way towards reducing the legal and financial risks associated with poor contract management. GCs may want to consider contract management software, which provides quick access to contracts and contract data, thereby giving you the information you need to make informed, strategic decisions.

ContractWorks allows you to store your contracts in a single, online location and features automated reminders, so you'll never miss another renewal deadline. GCs looking to improve their contract management can learn more at contractworks.com.

How ContractWorks Can Help

ContractWorks is the fast and affordable way to organize, monitor, and report on your contracts from anywhere. Businesses choose ContractWorks over other solutions because it helps you quickly take control of your contracts and offers a user-friendly interface, short implementation process, and highly rated customer support team. Starting at \$600/month for unlimited users, ContractWorks makes contract management software accessible to businesses of all sizes.

Schedule a demo today to learn more about ContractWorks
Contract Management Software.

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Contact Us Today:

 info@contractworks.com

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