



WHITE PAPER

People or machines: Understanding the future of contract management

Contracting: How to do more with less

Contracts play a primary and ever-growing role in today's business landscape. The central importance of contracts, and the business processes used to manage them, have significant implications across the enterprise.

- 60-80% of B2B transactions are governed by contracts. (Gartner)

Contract management teams are under pressure to handle an ever-growing volume of contracts and greater compliance requirements—often with the same headcount, or in many cases, even fewer employees. Contract management professionals are in the classic conundrum of having to do ever more with less across multiple functions.

- Organizations maintain 20,000 – 40,000 contracts, on average (PriceWaterhouseCoopers)

This pressure to achieve greater efficiency at the team level mirrors

a growing mandate across the entire business landscape. Steps to drive revenue growth while reducing costs are a priority, with continual emphasis on speed and efficiency, even as performance demands grow more complex. Successfully integrating technology into business processes is a key component to achieving these goals.

Contract management is an area that is ripe for innovation and digital transformation. Often contracting processes are bureaucratic, burdensome, and a major source of delays. Yet new technological solutions are emerging quickly, affording the opportunity for machines to manage much of the process, while freeing up people—contract management staff—to focus on strategic tasks. The new contracting landscape is drastically different from what it used to be, creating the need for contracting and legal professionals to rethink their roles and expand their skills.



Technology: Helping contracting professionals – or replacing them?

Specialized, highly developed expertise will always have a role in intricate or unique business scenarios. And people are needed to address those situations. However, there are cases where automation can replace many repetitive tasks, or tasks that could be made repetitive. The challenge in integrating this type of automation is in determining where variations are occurring unnecessarily in contract processes. Variations that occur without being needed often are introduced without benefit, and at the cost of considerable effort for no justifiable end result.

Take the case of clause language in contract creation. Often clause language is generated anew every time a contract is written. A clause with a certain function in the contract can be written multiple ways with the same purpose, and with repeated time and effort spent for each drafting. On the other hand, language (or even several versions of language to be used as the basis for negotiation) can be established one time with legal oversight, and then reused, whenever the intention of the clause is the same.

If a pattern can be established and normalized around how we generate contracts, many lower-level, manual functions can be eliminated. Steps can be taken out of the contract management cycle, saving time and labor. The human effort required to perform unneeded steps can be spent elsewhere to greater effect. In short, let people do the advanced, more intellectual work—and let machines take care of the rest.

Core areas where technology can help

There are a number of core competencies that technology can offer across the contract lifecycle:

- **Storing and finding contracts**—The most basic function is to store and index contracts electronically, so that they can be accessed easily.
- **Controlling access**—Protect sensitive information with appropriate permissions for different user sets and maintain confidentiality.
- **Drafting, revising, and negotiating**—Maintain language pre-approved by legal for accelerated drafting; automatically track and store revisions and redlines in the CRM; provide a secure platform for fast, seamless negotiations.
- **Reminders**—Automate reminders to key parties regarding upcoming contract events, including deliverables, renewals, and expirations, to effectively manage delivery of commitments.
- **Comparisons**—Reveal how contracts compare to past patterns and former versions.
- **Renewing, extending, amending, or terminating contracts**—Steps, reminders and workflows in place to handle these procedures appropriately and accurately.
- **Assessing and managing risk**—Leverage data within the contract to identify, assess and manage risk, and trigger business workflows to effectively control for risk.

Level of maturity: Leveraging technology to achieve higher ROI

The greater the number of these core competencies implemented, and the more completely they are implemented, the higher the level of contract management maturity an organization achieves. Maturity in this sense means that an organization is able to effectively leverage more benefits of contract management technology, leading to more sophisticated, coordinated, and streamlined contract practices.

The higher the level of an organization's contract optimization, the greater the ROI for the contract solution.

The benefits of mature contract management practices

Technology that is deeply integrated into contract lifecycle management has the following system-wide desired outcomes:

- **Visibility that creates insights:** All contract processes can be stored, viewed and analyzed in a contract lifecycle management solution, creating overall visibility into process data. This can provide insights and more complete information regarding contracting behaviors.
- **Well-crafted patterns of behavior:** The ideal is to discern patterns that exist and optimize procedures to promote behaviors that are artfully crafted and highly repeatable, creating consistency and efficiency.
- **The ability to spot variations:** If it is easier to find variations among contracts, it becomes easier to manage risks and dependencies appropriately.
- **Identify risk:** Finding variations in contract language, in processes, or in management steps after execution aids in identifying risk.
- **Effectively manage next steps:** Once a contract is executed, there are many other factors to consider and follow in order to manage the contract effectively, including all dependencies and requirements for both parties.
- **Integration with systems across the organization:** How well a contract management solution integrates and shares data through other systems (such as CRM and ERP systems) is a key factor. All of these systems need to tie together and share data effectively in order to optimize operations.



Understanding intelligent contract management technologies

Today's intelligent technologies are a key component in obtaining the full benefit of deep technology integration into contract management processes.

Artificial Intelligence

Artificial intelligence often enables people to make better decisions. AI systems learn at scale, getting better through repeated exposure and refining processes to interact with humans in a more natural way.

For legal teams and contract management professionals, artificial intelligence and its subsets (particularly machine learning and natural language processing) have tremendous potential to enable teams to do more with less.

Machine Learning

Machine learning is a type of AI that allows computers to learn autonomously without being explicitly programmed. In this case, computer programs teach themselves to grow and change when exposed to new data.

In contracts, machine learning gleans patterns from large data sets. It can be harnessed to achieve effective analytics, giving insight into large sets of contract and process-related data.

Natural Language Processing

Natural language processing (NLP) is necessary for language to be interpreted in context by machines. On a basic level, this means turning soundwaves into words. But language can only be understood with knowledge of how it functions in different scenarios. Effective NLP requires mastery not only of linguistic structures, but also of semantic context.

In many ways, NLP in contracts is comparable to the complexity of accurate translation. As an example, the word "governing" by itself is translated from English to French as "gouvernant." However, "governing law" (a term which is of central importance in the legal domain) is translated as "loi applicable." An instance of natural language processing would take place when a computer could understand this syntax in context and translate "governing law" accurately. NLP can also review and analyze a large number of contracts to predict what the most effective, least controversial and least risk-laden version of a clause is likely to be.

Benefits of intelligent technologies in contract management

With a long, complex agreement, it is difficult for humans to keep all relevant patterns and practices in mind. This is where technology can step in, and even perform better than humans.

- **Risk management**—Language with greater risk can be identified. Example: "Protons (your company) will keep **all some** of Neutron's (the negotiating party's) information secret." The NLP function can identify this change as creating greater risk on the clause.
- **Change analysis**—The system should detect if there are significant implications to changes made. Example: "This agreement and any disputes will be governed **by the laws of Texas Courts-of-the-State-of-Hawaii**." NLP can analyze whether there are significant changes, such as a change in governing law (Hawaii to Texas), which also can introduce risk if the law in Hawaii is more to our benefit. We can also compare the changed text to our preferred clauses.
- **Tuning to scenarios**—We want to understand how the changes made can be understood in the light of our best case or acceptable scenarios. We might be able to accept Texas law as the governing law for a confidentiality agreement, but not for a product purchase or sale agreement, because we don't benefit from the way the practice of Texas law applies in those cases.
- **Cycle optimization**—The system should be able to help contracting professionals manage changes in an efficient way, using as little time as possible. It should bring to attention changes that are significant, and greater instances of risk, to make process more streamlined.

The following functionalities are examples of some ways that cycle optimization can occur:

- **Raise changed data to update systems**—Identify the data changes embodied in language changes and tie them back into our other systems; for example, fulfillment systems will automatically be informed of our fulfillment obligation (6 weeks versus 6 months, for instance).
- **Automatically index new documents**—Index new documents and detect whether other systems need to be updated, and which systems with which information (such as ERP or CRM). All necessary information can be appropriately relayed and stored, so that there is no more manual effort required to keep multiple platforms up to date and in sync.
- **Controlled editing during collaboration**—Identify which types of clauses different employees in different roles should have access to during contract negotiation. The platform can decide who can manage what contract language and to what degree. This creates secure and efficient collaboration during the contract process.



Blockchain & smart contracts: The wave of the future

Blockchain is thought to be an important trend of the future in contracts, introducing what are called smart contracts. In blockchain, all concerned parties use a decentralized, electronic repository to create and maintain authenticated, tamper-proof records. The records cannot be changed, so that all transactions can be verified and tracked.

This process establishes a shared ledger of actions that have transpired around a set of data – the smart contract. Smart contracts can be self-executing, allowing for specific contractual actions or instructions to be triggered automatically, such as submitting payment upon delivery of goods or services.

As parties to the contract construct, negotiate, and manage the contract across its lifecycle, the smart contract exists as a truly shared version (even if certain attributes are only visible to one party or the other), with a shared audit trail of changes over time. This creates public transparency and trust in the record for all parties involved.

In addition to greater trust and transparency, the advantages of blockchain technology in contracting would be a stronger guarantee of interactions and reduction of risk. The highly automated component of smart contracts also promises significant gains in efficiency through standardization of processes and legal language.

Conclusion: People and machines

When considering how humans and machines intertwine in contract management, there are certain questions to consider. Can you staff roles fully to carry out all contract management functions? If you choose to rely on automation, rather than on functions performed by humans, can you trust the outcomes? What performs better: well-tuned machine systems or human-run processes? Often the former performs automated steps better, with humans able to focus on tasks that require greater judgement or expertise.

It is incumbent on contract managers to find the most efficient processes for their organizations. There is no single answer as

to how to best arrive at that goal, but contracting professionals must strive to integrate technology where appropriate.

Conga’s contract management solutions

The creator of one of the first apps on the Salesforce AppExchange, today Conga is a dominant player in the contract lifecycle management market.

Regardless of the combination of human and machine functionality that an organization chooses, Conga’s contract solutions serve the needs of organizations seeking streamlined, technological solutions to optimize contract management and related business processes. Conga’s customizable solutions are at the forefront of innovation in smart technologies, employing artificial intelligence, machine learning, and natural language processing.

- **Conga Contracts** offers the essential contract management capabilities within Salesforce, including contract generation, negotiation, version tracking, and execution, while writing contract data back into the account record.
- **Conga Novatus** offers a comprehensive contract management solution to administer all aspects of the contract lifecycle. Our innovative SaaS solution allows contract creation using company standard agreements, negotiating in a secure environment, comparing revisions, routing tasks to the appropriate parties, tracking interactions and cycle times, electronically signing agreements, searching and reporting on text-based documents, and much more.
- **Conga Composer** is a document generation application used by many organizations to generate contract documents, pushing CRM data into pre-configured templates.

Some organizations are best served by one of these two contract management platforms, whereas others need a combination of the features and functionality offered by Conga Contracts and Conga Novatus. Structured to meet diverse contracting requirements, Conga’s platforms can support any contract type, team, or business.

For more information on Conga’s robust contract management

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