

Expert paper

How your company's tech stack is hurting Legal Operations

And 3 easy contract management
improvements to fix it

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Dear legal, it's not you, it's them

In the ever-evolving landscape of business operations, the role of legal departments has become increasingly pivotal. As we explored in our previous paper, '[Redefining the Legal Ops of the future](#)', companies have recognized the imperative of efficient Legal Operations, viewing them not merely as guardians of compliance but as strategic partners contributing to organizational success. However, a pervasive issue persists—the incongruence between the technology adopted by businesses and the specialized needs of the legal department.

The point of business in which this occurs the most seems to be contract management. By lack of priority for other business units, this is a field in which the software that is being used is either too generalist ([Document Management Softwares](#), CRM's, [ERP](#)'s...), or too outdated (Excel & spreadsheets).

That is why, this time, we will delve deeper into a critical challenge faced by legal professionals in contemporary corporate environments: **the prevailing trend of expecting legal departments to seamlessly integrate with the broader tech stack for contract management.**

The majority of businesses rely on generic solutions, often one-size-fits-all software that is ill-equipped to address the unique complexities of legal workflows. These technologies fail to deliver tangible solutions to the real problems faced by legal professionals. The consequence is a misalignment between the technology in place and the intricacies of legal processes, hindering the efficacy and efficiency of Legal Operations.

As we aim to guide you, as a legal professional, in optimizing your technological infrastructure to better serve your unique needs, this paper will identify the shortcomings of a generic contract management tech stack for legal operations, as well as provide actionable insights and a clear roadmap to enhance your legal operations in a rapidly changing business landscape. If you have any questions or feedback after reading this article, we welcome your input on marketing@contractify.io.

Enjoy your read!

Understanding the Contract Process

The key to finding the right fit, in terms of technology solutions, is always **finding a technology that actually solves a real problem in the first place**. To know exactly what problems need solving (and which ones don't), it is crucial to understand how your current contract process is set up.

Contract processes are particularly focused on being compliant with internal agreements, legal and financial requirements, terms with 3rd parties, ESG standards and other interests. The main goal of implementing contract processes is to:

Reduce risk

Eliminate disputes

Increase efficiency

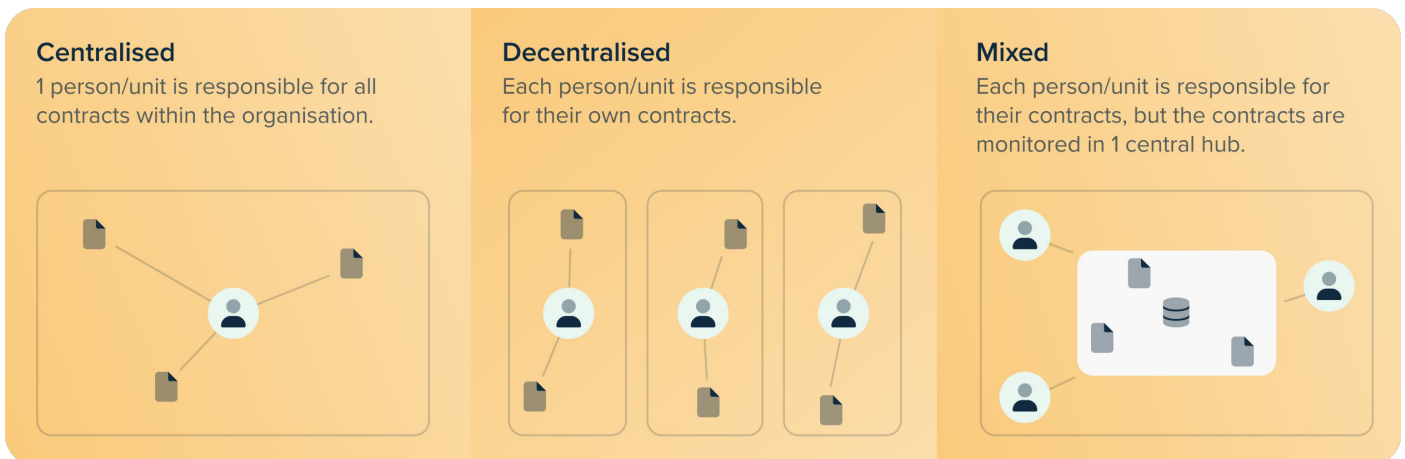
By providing the right play books, a performant contract process aligns your contracts with your business objectives. It can, for example, determine when contractual tasks or actions should be completed. As this varies depending on the contract stage (creation, negotiation, approval, signing, storage or follow-up), the timing of contractual tasks is commonly the most difficult part to manage, especially when contracts deviate from the standard. Another example is the distribution of authority. It might be the CFO who signs strategic contracts, but what happens with contracts of lesser value?

These are the kinds of questions that should be carefully considered. A predefined contract process supports internal stakeholders in

- ✓ making the right decisions,
- ✓ including the right people for each contract,
- ✓ protecting the business from unwanted risks.



How contract processes are developed will depend on the company's culture. Generally speaking, you can distinguish 3 approaches:



At **Contractify**, we believe in a mixed approach where all contracts are managed by different stakeholders in one digital environment: **decentralised ownership, centralised overview**. Why? Because it allows the business to manage its own contracts while reducing the administrative workload for the legal department. To achieve such a state, the way you organize your contract operations will be an important cornerstone of your legal operations.

Want to learn more about the mixed contract management approach? Take a look at the Legal Counsel's Manifesto.

[View Legal Counsel's Manifesto](#)

The 3 Contract Management challenges in Legal Operations

Contract operations refer to the administrative part of your contracts. It determines

- how the contract process is integrated within each department,
- where contracts and related documents are stored, and
- what technology is being used to support each step of the contract process.

Generally speaking, most Legal Operations professionals will bump into 3 main challenges when improving the contract management process:

1. Stakeholder buy-in

Decentralised ownership sounds great, but you need buy-in from the right stakeholders. To be honest, contract management probably isn't the priority for most of your colleagues. Everyone has to fight their own daily battles, meaning contracts tend to fade into the background. The question is how to make this work either way. **If you want the business to embrace your contract management process, it is essential to make it as easy as possible for them.** This means clear communication, predefined rules and a slick user interface (UI) for the tools you use. In other words: you need to make contract management a no-brainer.

2. Contract complexity

In this context, contracts are not your best friends, as contract data is very hard to process. It might be doable to consult information on an individual contract, but it becomes almost impossible to draw aggregated insights from different contracts. Yet, this is exactly where the real value of contracts lies: **gaining valuable insights from your data library in order to make better decisions and remain compliant.** Making it easy to compare agreements between contracts and suppliers, for example, allows the purchase department to take up a stronger position during negotiations.

3. General lack of uniformity

Having a clear overview of your contract data is one thing, but keeping them up to date is another challenge to take into account. **Contracts are a very formal and complex type of document that is constantly subject to changing laws and regulations.** On top of that, all contracts differ due to their specific timelines, clauses, and terms. These characteristics hinder making contracts easily digestible for your colleagues. That is why using the right technology is of paramount importance. ERPs, for instance, work well for structured documents and flows, but often fall short when they are used as a specific contract management solution. Why this is the case and how you can improve your tech stack to better meet your contracts' specific needs, will be explained in the next chapter.

Hacking the Legal Tech Stack: solutions for contract operations

It is common knowledge that technology helps to facilitate your ideal state by automating the contract process and improving internal cooperation. The caveat is to automate the right flows in your process, and to find the right technology that supports every stakeholder's particular needs. This chapter offers you the simple solutions to do exactly that.

1. Automating the contract process

In this chapter, we discuss which parts of the contract lifecycle benefit the most from automation. Contract automation is **the use of technology to streamline and improve repetitive tasks related to the contract lifecycle**. It can significantly improve the efficiency and effectiveness of contract management, leading to a variety of benefits. The main advantage is the bridge it builds between legal and the rest of the business by enhancing collaboration and providing more clarity.

Signing authority and approval procedures tend to hinder this collaboration the most and are often prone to confusion. Does the fact that your Sales Manager is responsible for sales contracts after signing them also mean that he or she is allowed to sign them? Or even more so, can they decide to work with a certain supplier on their own? Probably not. That is why automating your approval and signing process is important. It helps to make sure that the business is not exposed to unwanted risks, without compromising on efficiency and velocity, of course.

First, an approval process should determine how each type of contract is handled in your organisation. To do so, there should be **a customised process for different types of contracts**. The rental or loan contract for a new office will probably follow a different route than the contract for a collaboration with a consultant or a contract with the new energy supplier. Moreover, the specific processing method should **be clear to all colleagues**. You cannot predict 100% where a contract will enter the business. With predefined approval flows, everyone knows what to do with each type of contract. If your flow includes a signing step, you will have a watertight process in which documents are automatically sent to the people with the authority to sign a specific contract.

After an agreement has been signed and stored in a central repository, **contract task management** can be automated as well. The right stakeholder needs to receive a reminder on time when a certain task needs to be completed. This can vary from tasks related to the timeline of the contract (end date, renewal date, notice period, etc.) to getting the discount you negotiated, reclaiming a deposit after the contract has ended, or complying with agreed-upon terms and conditions. It will help to give more ownership to the business, without increasing the admin workload. Technology can be extremely powerful here if it understands the dynamics of a contract. Meaning that if you decide to extend the contract, all other tasks are updated automatically. More examples of software that can facilitate this process will be explored in the next section.

2. Finding the right technology fit

In today's technology landscape, it is challenging to know what exact software will be the best fit to solve your specific problem(s). To do so, we provide you with

1. A complete overview of one-size-fits-all solutions that are wrongfully used for contract management (and why they are not sufficient).
2. How contract management software can be used as a powerful tool in automating the contract workload, when it is integrated with your existing tech stack.

Spreadsheets vs. CMS

While Excel and spreadsheets have long been versatile tools for various tasks, they fall short when it comes to managing contracts efficiently. Manual management in spreadsheets is cumbersome and requires a significant investment of time and effort.

This contract management method is considered as too risky and is therefore advised against. In this next bit, we will explain why exactly.

1. Automation and user-friendliness

Spreadsheets	Contract Management Software
<ul style="list-style-type: none"> Relies on manual inputs and formula expertise, creating a knowledge gap and continuity concerns. Prone to errors, with the risk of unintended changes or accidental deletion of worksheets. 	<ul style="list-style-type: none"> Automates contract management processes, reducing reliance on manual inputs and formula expertise. Minimizes the risk of errors and ensures continuity even when key stakeholders leave.

2. Access control

Spreadsheets	Contract Management Software
<ul style="list-style-type: none"> Offers access controls that are either too broad (link or mail address) or too tight (password), making it complex to manage access to sensitive contract information. Increases the vulnerability to data breaches and unauthorized modifications 	<ul style="list-style-type: none"> Offers detailed access controls per contract type, department or team to address challenges in determining and managing access rights. Enhances security with 2-factor authentication and secure cloud back-ups, reducing the vulnerability to data breaches and unauthorized modifications.

3. Adaptability

Spreadsheets	Contract Management Software
<ul style="list-style-type: none">• Static to dynamic contract changes, posing challenges in adapting to evolving terms.• May lead to non-compliance and missed opportunities for optimization.	<ul style="list-style-type: none">• Specialised in adaptability to changes in legislation, addenda, or general conditions.• Ensures seamless adaptation to evolving contract terms, minimizing non-compliance risks.

4. Collaboration

Spreadsheets	Contract Management Software
<ul style="list-style-type: none">• Hindered by diverse software preferences, causing compatibility issues and limited accessibility.• Falls short in promoting seamless collaboration, especially in an era emphasizing unified platforms.	<ul style="list-style-type: none">• Facilitates collaboration by providing a uniform platform, overcoming compatibility issues.• Enhances accessibility, ensuring stakeholders can work together seamlessly within the same tool, or through integrations with other technologies.

5. Usability throughout the contract lifecycle

Spreadsheets	Contract Management Software
<ul style="list-style-type: none">• Limited functionality for comprehensive contract management processes.• Insufficient for contract creation, negotiation, renewal, and analysis.	<ul style="list-style-type: none">• Covers the entire contract lifecycle, from creation and negotiation to renewal and analysis.• Offers features beyond tracking dates, addressing the multifaceted aspects of contract management.

In conclusion, while spreadsheets have served as a versatile solution for various tasks, switching to a different solution is strongly recommended. With its centralized repository, robust access controls, and dynamic tracking of changes, contract management software emerges as the ideal solution as it addresses the shortcomings of Excel. It ensures greater transparency, reduces errors, and enhances collaboration, ultimately supporting the entire contract lifecycle, instead of just part of it.

Want to read more on this topic? Explore our [blogpost on the differences between spreadsheets & Contract Management Software](#) for efficient contract management.



DMS vs. CMS

In the era of digital transformation, the choice between Contract Management Software (CMS) and Document Management Software (DMS) has become a pivotal decision for companies aiming to optimize their document workflows in a cost-efficient way.

DMS, like OneDrive, Dropbox, and Google Drive, is designed for centralized document storage, focussing on collaboration on general documents, easy accessibility, and user-friendly interfaces. Contract Management Software, on the other hand, centres around the lifecycle of contracts by supporting tasks related to approvals, obligation tracking, and privacy-compliant storage. As you can imagine, these systems do not mutually exclude each other. Let us explore their pros, cons, and how they can work together towards an efficient workflow.

1. Collaborative Capabilities

Document Management System (DMS)	Contract Management Software
<ul style="list-style-type: none">Excels in day-to-day collaborative tasks within teams, offering easy access (with broader user rights) and support for common document formats.	<ul style="list-style-type: none">Facilitates collaborative work on vital documents, enforcing stricter user rights to establish smooth workflows and automated approval processes.

2. Security and Privacy Compliance

Document Management System (DMS)	Contract Management Software
<ul style="list-style-type: none">Provides SSL encryption and admin rights management, suitable for general, non-sensitive document collaboration.	<ul style="list-style-type: none">Ensures heightened security and privacy compliance, crucial for contracts that contain sensitive information.

3. Admin Rights and Access Control

Document Management System (DMS)	Contract Management Software
<ul style="list-style-type: none">Allows for bulk access based on location, department, and role, simplifying access management in large, decentralized organizations.	<ul style="list-style-type: none">Offers advanced user restriction options, ensuring that only the right individuals have access to contracts at the right time.

4. Automated Approvals and Obligation Tracking

Document Management System (DMS)	Contract Management Software
<ul style="list-style-type: none">Typically lacks extensive automated approval and obligation tracking features, making it less suitable for intricate contract management processes.	<ul style="list-style-type: none">Streamlines workflows with automated approval flows and built-in obligation tracking, reducing administrative workload and minimizing the risk of errors.

5. Flexibility in Document Storage

Document Management System (DMS)	Contract Management Software
<ul style="list-style-type: none">Ensures an organized file structure and overview by allowing specific individuals to create new files, preventing the loss of important documents.	<ul style="list-style-type: none">Not solely for contracts. It contains all documents related to contracts, like meeting notes or financial sheets that support the content of a contract.

In summary, by recognizing the strengths and weaknesses of both CMS and DMS, organizations can strategically combine their usage. Leveraging CMS for vital contracts (and their related documents) and DMS for general collaborative documents ensures a comprehensive approach that maximizes collaboration without compromising on security and efficiency.

Want to read more on this topic? Explore our [blogpost on how Contract Management Software and DMS reinforce each other.](#)

ERP vs CMS

In the intricate landscape of legal contract management, Enterprise Resource Planning (ERP) systems emerge as valuable tools for holistic business operations. However, relying solely on ERPs for managing legal contracts unveils certain limitations. Let's explore the key differences and how these systems can reinforce each other.

1. Scope of Functionality

Enterprise Resource Planning (ERP)	Contract Management Software
<ul style="list-style-type: none">Offer broad functionality, covering various business processes beyond contract management.	<ul style="list-style-type: none">Focuses exclusively on optimizing contract-related workflows and integrations with existing technology.



2. Customization and Flexibility

Enterprise Resource Planning (ERP)	Contract Management Software
<ul style="list-style-type: none">• Can be complex and may lack flexibility, especially in adapting to changing contract management needs.• Require regular technical maintenance to keep them up-to-date with changing procedures.	<ul style="list-style-type: none">• Focuses on customization, ensuring tailored solutions that are adaptable and easy to integrate into everyday workflows.

3. Ease of Use

Enterprise Resource Planning (ERP)	Contract Management Software
<ul style="list-style-type: none">• May become static and challenging for those not daily engaged, such as marketing managers and legal counsels. There is a risk of complexity overload, as they cover a lot of processes, making daily tasks cumbersome.	<ul style="list-style-type: none">• Prioritizes user-friendly interfaces, streamlining tasks for both regular users and occasional participants. This enhances both daily routines and facilitates the onboarding of new colleagues into the contract process.

4. Cost Considerations

Enterprise Resource Planning (ERP)	Contract Management Software
<ul style="list-style-type: none">• Higher costs due to their comprehensive nature, irrespective of the extent to which features are utilized.	<ul style="list-style-type: none">• Cost-effectiveness by concentrating resources on essential contract management features and integrations with other software.

5. Implementation Time

Enterprise Resource Planning (ERP)	Contract Management Software
<ul style="list-style-type: none">• Longer implementation times due to their intricate nature, both technically and in terms of user training.	<ul style="list-style-type: none">• Can be easily integrated within your existing tech stack and is designed to be up and running in under two weeks. User training is concluded faster, as the tool is designed to be self-explanatory.

In conclusion, we want to advocate for a nuanced approach to legal contract management by recognizing the limitations of standalone ERP systems. Especially when it comes to user-friendliness. User- and flow-centric contract management software ensure that all stakeholders, including those not consistently interacting with contracts, can securely collaborate in the same tools and benefit from them. **A strategic integration with your ERP system and specialized contract management software can easily create a win-win relationship** that optimizes legal workflows without compromising the broader organizational benefits offered by ERP systems. This integrative approach reflects a forward-looking strategy, acknowledging the evolving role of legal departments within the contemporary business landscape.

Explore more insights on this integrative strategy in [this blogpost on ERP software and CMS](#).

CRM vs CMS

The use of a Customer Relationship Management (CRM) software, is actually quite similar to how ERPs are leveraged to support the contract processes in an organization. Just as with ERPs, a customer relationship management (CRM) serves distinct purposes within business operations, which makes it a rather generic software. However, for signing, managing, and following up on contracts, a more specialized approach to this specific type of documents is needed.

1. Business objective

Customer Relationship Management (CRM)	Contract Management Software
<ul style="list-style-type: none"> Primarily focuses on customer relationships, sales, and marketing. Offers limited tools for comprehensive contract management. 	<ul style="list-style-type: none"> Specifically designed for the entire contract lifecycle. Includes tailored features for efficient contract management.

2. Workflow Optimization

Customer Relationship Management (CRM)	Contract Management Software
<ul style="list-style-type: none"> Only includes basic contract tracking capabilities, lacking negotiation and compliance tools. Not inherently equipped for complex contract processes. 	<ul style="list-style-type: none"> Offers automated approval workflows, e-signatures, and version control. Streamlines the contract lifecycle, reducing errors and delays.

3. Comprehensive Document Management

Customer Relationship Management (CRM)	Contract Management Software
<ul style="list-style-type: none"> Allows document attachment and version control. Features are limited to rather simple document types that do not need active follow-up. 	<ul style="list-style-type: none"> Showcases contracts in a centralized repository for easy access and collaboration. Ensures robust document management, version tracking, and audit trails.

4. Legal compliance

Customer Relationship Management (CRM)	Contract Management Software
<ul style="list-style-type: none">• Focused on sales and marketing, may not meet stringent legal and compliance needs.• Limited to no contract-centric features.	<ul style="list-style-type: none">• Built around contracts, prioritizes legal compliance.• Uses tools for tracking milestones, managing obligations, and ensuring regulatory adherence.

5. Renewal and Expiry Management

Customer Relationship Management (CRM)	Contract Management Software
<ul style="list-style-type: none">• Does not automatically recognize different contract milestones.• Lacks advanced features for proactive contract management, leading to potential misses.	<ul style="list-style-type: none">• Automatically alerts on contract milestones.• Provides renewal alerts and expiry notifications, reducing the risk of oversight.

In summary, while CRM systems excel in managing customer relationships and sales processes, contract management software offers specialized features essential for handling contracts throughout their lifecycle. The latter provides a dedicated and comprehensive solution tailored to the intricacies of contract management, making it the preferred choice for signing, managing, and following up on contracts

Dig further into this topic with [this blogpost on CRM software and CMS](#).

Need help figuring out how your current contract management solution or technology can be reinforced? Discuss your specific business case with one of Contractify's experts.

Get in touch



3. Artificial Intelligence in Contract Management

Since the introduction of ChatGPT, Artificial Intelligence (AI) and Machine Learning have been all over the legal tech space. In 2024, new innovative applications are expected to continue revolutionizing contract management. But, these come with a warning: a lot of features you see are claimed to be AI-driven, while they are actually nothing more than automation, or worse, cheap manual labour. Therefore, it is important to establish how they are different.

Contract automation is the use of software to automate repetitive tasks in the contract management process, such as data entry, contract review, and approval. It can help to improve efficiency and reduce costs, but it does not have the ability to provide intelligent insights or make decisions. Automation is based on a set of predefined rules: if X, then Y.

Artificial Intelligence (AI), on the other hand, can analyse data, learn from patterns, and make predictions. It can be used to automate more complex tasks, such as contract negotiation, risk assessment, and analytics. AI is able to understand and interpret context. As a result, it can provide valuable insights that help businesses make better decisions about their contracts.

It is important to note that contract management will thrive when both automation and AI are involved. A couple of examples:

- Contract automation can be used to manage the approval process, while AI can be used to identify and approve contracts that are compliant and low risk.
- Contract automation can be used to track contract renewals, while AI can be used to predict which contracts are likely to be renewed and negotiate favourable terms.
- Contract automation can be used to delegate task management, while AI can be used to extract the contract metadata necessary to execute said tasks.

The screenshot displays a contract management software interface. On the left, a sidebar contains tabs for 'Details', 'Timeline', 'Custom fields', 'Tasks', 'Summary', and 'Linked contracts'. The 'Timeline' tab is active, showing a calendar grid with dates from 17 to 30. Below the calendar, there are fields for 'End date' and radio buttons for 'End date initial term', 'Initial term' (selected), and 'Open-ended'. A '10 years' duration is shown, along with a 'page 1' indicator and a search bar. A 'Next' button is visible. On the right, a scrollable document view shows contract clauses. A blue arrow points from the 'Initial term' radio button to the 'Term and Renewal' clause in the document. The document text includes: 'The Franchisee does not have the right to relocate or conduct sales away from the premises established as the place of operation.', 'Term and Renewal: This contract shall commence on the Effective Date, January 21st 2022 and shall continue for a period of 10 years (initial term). Thereafter, this contract shall be automatically renewed for successive periods of 1 year unless either party notifies the other party of termination in writing at least 30 days before the end of the initial term or any renewal period, in which case this Agreement shall terminate upon the expiry of the applicable initial period or renewal period as applicable.', 'Gross Sales: The franchise fee shall be paid as a percentage of gross sales from the Franchisee's business operations. Gross sales are defined as all revenue derived from the sale at regular prices prior to the application of any sales or discounts of all merchandise. Excluded from this total are the incidental sale of gift cards, sales taxes, excise taxes, and the sale of equipment or fixtures used on the premises.', 'Good Business Practices: The Parent Company reserves the right at any time to request a comprehensive audit of all sales-to-date. In such a case, a full and detailed record of all sales shall be provided no less than 30 days from the time the request is made in writing.', and 'Law and Jurisdiction: The Franchisee is required to do everything legally possible to maintain profitability and market exposure during the term of this contract. This includes the expenditure of a reasonable portion of resources for advertising and marketing. Failure to properly promote the business, or the deliberate implementation of poor business practices, may lead to the termination of this contract. All terms of this agreement are subject to the Jurisdiction of [State and Country Name] and are subject to all laws and regulations therein. Any claim against either the Parent Company or the

Businesses that want to leverage their contracts to gain intelligent insights and improve decision-making, will start using AI to do so. Storing your contracts in a central environment also helps to facilitate this, as **AI has the ability to consult your entire contract data library in a couple of seconds**. It will draw conclusions from its analysis and provide the information you asked for. You can use AI to quickly summarise contracts, assess risks or identify opportunities.

Although AI seems to have unlimited potential in reducing errors and improving decision-making and efficiency, you will still need to take a critical look at the information it provides you to confirm its accuracy. ChatGPT, for instance, is said to sometimes produce biased and untrue answers. Therefore, we believe **it is key to always include a human in the loop**. If you have AI extract contract metadata, make sure you can ask where it found the information.

Conclusion

Dear reader, congratulations! You have made it this far.

You are now the proud owner of all the information you need to make educated choices on how to tackle the challenges in your contract technology journey. You know what the contract process entails, which parts you can easily automate, and what challenges you might encounter in automating your processes. Even so, **you now possess the knowledge to pinpoint exactly what technology is best fit to your specific contract management needs** and how this integrates into your existing business processes. And, last but not least, you have gotten a glimpse on how the newest technologies can heavily simplify and elevate the automation of your processes.

Or... did you miss anything?

In that case, let us help you further along the road to an easier way of doing contract management. Get in touch with one of [Contractify](#)'s contract enablers to get a fee expertise on your contract management challenges.

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The Legal Counsel Manifesto

Redefining the Legal Ops of the Future

