

Contract Management Trends 2022: Best Practices for Accelerating the Contract Process

Executive Summary

To better understand the end-to-end agreement process at modern organizations, DocuSign is constantly studying the people, processes and technology involved in contract management. To collect data for this research, the DocuSign team conducted qualitative interviews and quantitative polling with more than 1,300 contracting professionals around the world. That data paints a clear picture of the way contracts are managed at today's leading organizations.

Here's a short overview of some key findings:

- Less than half of respondents consider their contract management to be reliable or efficient. If you feel that way about your contracts, you're not alone.
- Contracting takes place in five distinct stages. Each one has desired outcomes, common obstacles and suggested technologies to increase productivity.
- Poor contract management processes lead to wasted personnel time, additional cost, increased compliance risk and delays in closed deals.
- Nearly half (48%) of organizations have a dedicated contract lifecycle management tool. For teams that haven't already adopted one, it's time to start looking.
- Organizations that utilize a contract lifecycle management (CLM) solution report high levels (87%) of efficiency when generating contracts.
- CLM tools solve some contract management problems as standalone solutions, but are far more effective when integrated with other systems: CRM, ERP, etc.

The findings above are a broad overview of contract management trends. The following sections dive into the five individual contracting steps, sharing data and best practices for each. Throughout those pages, we'll cover the benefits today's organizations see from centralized contract storage, the fastest means of routing contracts and the trends shaping the future of integrated contracting systems.

In this eBook, you'll get all the information you need to make a case for investment in a more robust contract management system. It's possible to undergo a digital transformation that will connect the end-to-end agreement process and reduce unnecessary complexity. We'll show you how.

The 5 stages of contract management

Before examining some data-based trends and presenting best practices for each contracting step, that process needs to be defined. Here's a short overview of the five sequential steps that are necessary for contract management.

1/ Generation

To start a contract's lifecycle, the first draft of the document has to be created. This step usually starts with a template that must be populated with specific information about a certain account and the terms of the desired relationship.

2/ Negotiation

Once a contract has been generated, stakeholders from all parties need to review the language and make back-and-forth revisions until everyone agrees on the terms. This step usually involves several layers of review and may require new drafts of the contract.

3/ Routing

Throughout the agreement process, the document will be guided through workflows and stakeholders. Doing this step correctly means accounting for the order of approvals, notifications, signature notifications, billing kickoff, service provisioning, obligation fulfillment and a lot more.

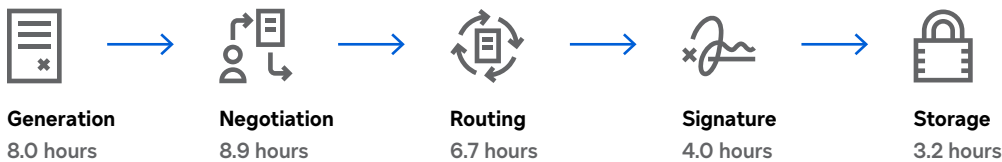
4/ Signature

Critical stakeholders from all involved parties sign their names to the contract to make the agreement official. It's often the case that signatures need to be collected in a specific order and the process can be managed using ink-and-paper or electronic signatures.

5/ Storage

When the terms of a contract go into effect, the agreement is stored in a secure location for reference, execution and management. At any time in the contract's lifecycle, it may need to be pulled out of storage, which requires a well-designed search function.

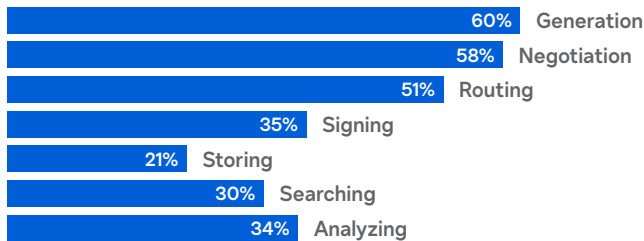
In total, respondents in our survey need an average of **30.8 hours** of active work per contract to complete these five steps, an increase of around 12% from last year's research. Here's a breakdown of how that time is spent:



1/ Generation

Respondents in our survey are in agreement that the most frustrating part of the contracting process is the very beginning. Contracting professionals are uncomfortable with the idea of creating contract language from scratch and are often frustrated with the insufficient support they receive from the systems in place at their organization.

Most frustrating contract management step

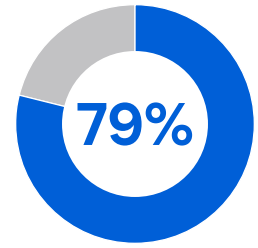


A big part of the frustration with contract generation is likely respondents using disconnected tools. The two most popular tools for creating contracts are standard word processing technologies: Microsoft Word (68%) and Google Docs (50%). These tools can get the job done, but aren't inherently connected with the other parts of an agreement process.

It's clear that most organizations have taken steps to standardize contract preparation work—copy/pasting template documents and building out libraries of approved contract language—they just haven't gone far enough. At the beginning of an organization's digital transformation, ad hoc contracting processes can suffice, but a discordant system has more opportunities to break down as the work scales to include more stakeholders, more teams and more systems.

Best practice for contract generation

Utilize a contract-specific platform to generate new agreements. Contracts are not like other text-based documents and they should not be generated in the same way. A contracting platform speeds up the creation process with reusable templates, libraries of approved legal language and integrations that can autofill necessary information. It also removes the inherent risk and pain of errors resulting from copy/paste mistakes.



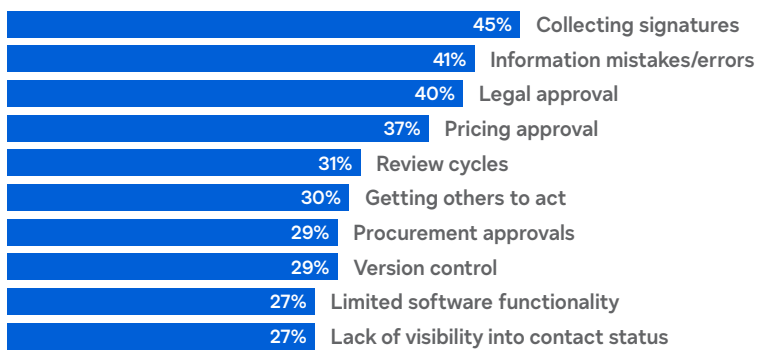
79% of organizations utilize clause libraries to assist with drafting

2/ Negotiation

Of all of the steps in the contracting lifecycle, negotiation is the most time-consuming. It's also the least likely of the steps for respondents to describe as "very efficient." While there are a lot of reasons for negotiation bottlenecks, the most common hurdles are collecting approvals and correcting bad information.

While some negotiation steps will always require a significant amount of time (particularly line-of-business approvals), process issues like approval collection, information quality, version control and visibility can be easily improved.

Why is contract approval delayed?



One of the root causes of negotiation problems is the lack of a common method to share contracts and collaborate on revisions. Respondents in our survey simply use too many disparate collaboration tools to maintain stability. With a contract spread across too many locations and file types, the inconsistencies begin to stack up and stakeholders from all parties lose track of progress. The effect of that inconsistency is constant version uncertainty that makes final approvals difficult to collect. The result is needless error and lost time.

Best practice for negotiation

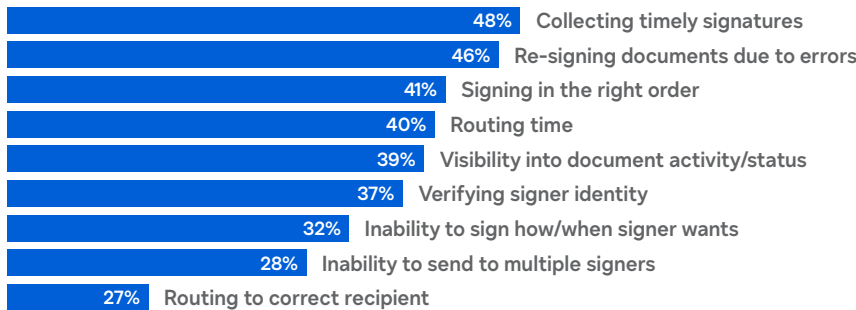
Standardize negotiations by committing to a single live contract version. At any given time in the negotiation process, there should only be one live version of a contract. CLM solutions make it easy to send contracts for review, track changes across versions and maintain a single source of truth for who did what, when. Eliminating extraneous, unofficial drafts of the contract will reduce room for error and provide maximum visibility for individual stakeholders. It will also ensure that approvals happen in the correct order, which will minimize rework.

The average contract goes through **3.1 versions** before it is finalized

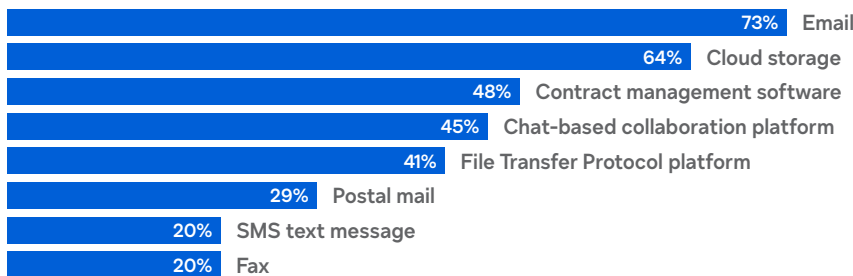
3/ Routing

Once negotiations are complete and contracts are ready to send out for signature, a lot of the same problems persist. The biggest routing obstacles echo the negotiation problems: approval timeliness and incorrect information. Delays at this stage are a very common issue: 41% of respondents say mistakes or errors stall contract approvals.

Biggest contract routing challenges



Methods for sharing a contract



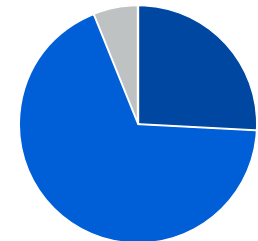
Looking more closely at the tools used to send contracts, it's easy to see how inefficiencies can stack up. Over 40% of respondents reported using email, cloud storage, contract management software, chat-based platforms and File Transfer Protocol platforms to share contracts. At least 20% of them were still using postal mail and fax.

Routing processes that routinely cobble together all of those technologies are bound to fail. Every time a document is handed off from one system to another, there's risk of delay, bad information or a security lapse. Almost three quarters of respondents still use email—a medium full of security problems—to share contracts.

Best practice for routing

Send all contracts for signature via a Contract Lifecycle Management (CLM) tool. Our research shows that organizations are able to significantly reduce routing pain points with CLM technology that offers automated routing, alerts and a series of other time-saving features. Teams that utilize a CLM tool for routing experience a 10% time savings per contract and are more likely to report being "very confident" they are accessing the correct version of a contract.

Have you accidentally shared a contract with the wrong party?



■ 26% Yes
 ■ 68% No
 ■ 6% Unsure

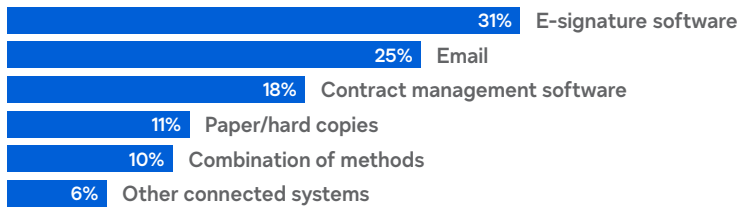
4/ Signature

In the current business landscape, electronic signature technology has made its way into most organizations at some level. In parallel research commissioned by DocuSign, 95% of respondents reported either already using an e-signature tool or planning to purchase a solution soon.

It's no surprise that e-signature is the most common technology used to collect signatures on contracts. Around half of respondents report using modern technology (e-signature and contract management software), while a little more than a third use outdated signature processes (email or paper copies).

The average contract has
4.79
total signers

Primary method used to share contracts for signature



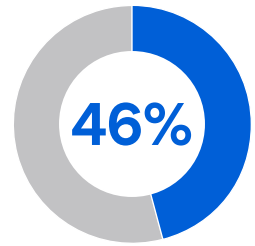
E-signature offers a simple solution to solve many of the pain points common throughout the contracting process: delays, unknown status, incorrect routing and out-of-date versions. It's a proven, effective way to collect signatures, and it will only become more prevalent as a means of finalizing contracts, especially as remote and hybrid workflows become more common.

Best practice for signature

Integrate e-signature with CLM technology. Widespread e-signature adoption is great news for improving the signature collection part of the contracting process. But if organizations have to transfer documents in and out of disparate systems before and after signing as well as manually execute the rest of the contracting process, those efficiency gains start to fade away. The best CLM platforms will include built-in e-signature functionality so there's a seamless flow from initial terms to a signed contract to secure storage.

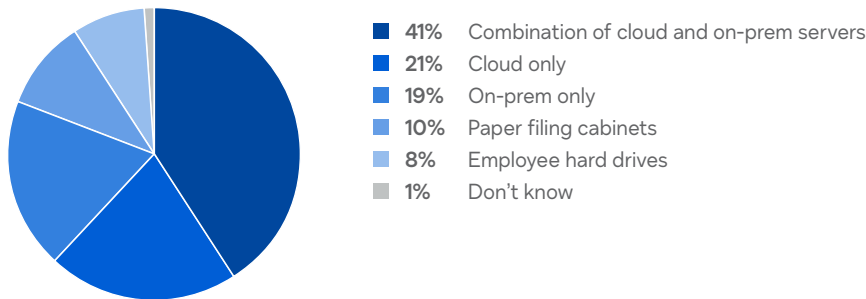
5/ Storage

To be useful, finalized contracts have to be easily accessed by the right people at the right time. There are a wide range of events that can cause an organization to go into its contract library to find specific language in completed agreements. In these searches, speed and accuracy are both important. Teams need to be able to find exactly the right portions of contracts so they can quickly determine opportunities, obligations, risks and exposure in time to act appropriately.

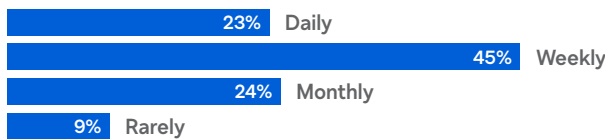


of respondents have been unable to find a completed contract

Primary contract storage method



Frequency of contact access



Today, the need to locate information in completed contracts is common and often inefficient.

- **68% of contracting professionals** need access to a completed agreement at least weekly
- It takes an average of **45 minutes** to find a specific document
- It takes an average of **1 hour and 24 minutes** to find specific terms in a document

Sometimes the right contract can't even be found. In those cases, the most common reasons were incorrect file saving (reported by 50% of respondents), non-searchable file formats (34%), incomplete search functionality (34%) and documents owned by former employees (33%). These issues are primarily relics of reliance on manual systems and are easily fixed with commitment to modern contract storage.

Best practice for storage

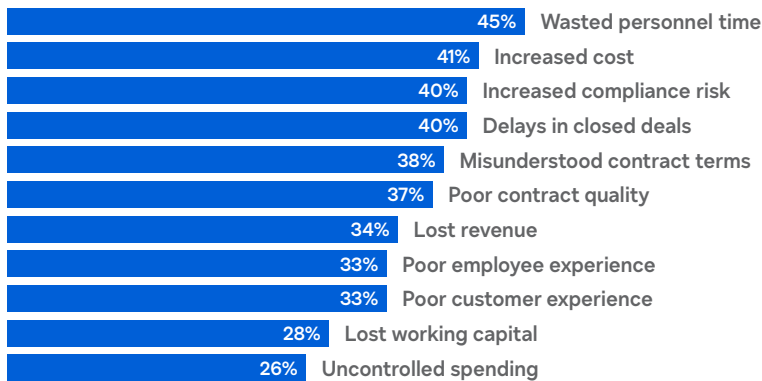
Utilize your CLM system as a central contract repository. The easiest way to find important contract details is to keep your contracts all in the same place. No more paper copies in a filing cabinet or PDFs stored on someone's desktop. Standardize rules for a naming convention and store contracts in a digital CLM system. Design a process that can accommodate all existing contracts, renewed versions of the same documents as well as net new agreements. Keep in mind that upfront attention paid to tagging and organizing will save a lot of time later. Once a well-connected CLM is put in place, AI and advanced analytics can be used to find valuable data-based insights.

Inefficient contracting leads to bad business results

At each of the five stages of contract management, there are several opportunities for mistakes and errors. Respondents in our survey reported significant issues with both optimizing new contracts and acting on existing ones. Around half (49%) face challenges minimizing risk and maximizing value throughout a contract. A similar number reported difficulty finding information in completed contracts (44%) and understanding the responsibilities expressed in final terms (44%).

How do all of those contract obstacles impact a business? Looking at the high percentage of reported setbacks—nine separate bad consequences are reported by at least a third of respondents—it’s a safe conclusion that the average organization is enduring several of these problems at once. Poor contract management is directly damaging internal operations, external relationships and the bottom line.

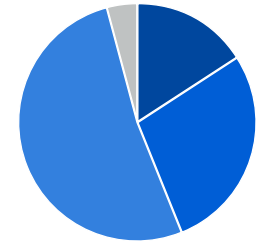
Consequences of poor contract management



While a poor technological framework is likely at the heart of these problems, human error is also a factor for nearly every organization. The most efficient systems of agreement will automate manual work to reduce the number of human touchpoints.

In general, the simplest solution to the series of contract-related challenges is to centralize the tools involved in the contracting process onto a single platform. Any team can decrease the pain of the resulting consequences by standardizing workflow steps, minimizing document handoffs and reducing platform switches.

How often does human error impact contracting?



- 16% Very often
- 28% Often
- 52% Sometimes
- 4% Never

96%

of respondents think human error impacts contract processes at least sometimes

How well-connected CLM technology supercharges the contracting processes

A powerful central CLM platform offers improvements at each of the five stages of contract management. Overwhelming majorities of survey respondents report that CLM increases efficiency for each of the following processes: generation (87%), negotiation (84%), storage (81%), analysis (80%), signing (79%), routing (78%) and search (78%).

Here are a few steps your team can take to improve each contracting step:

Generation

- Create templates to serve as a starting point for common contract types
- Integrate CLM with systems of record (i.e., Salesforce) to automatically populate contracts with existing data from those systems

Negotiation

- Digitize negotiation and maintain a single source of truth by sending contracts for review from a central platform
- Catalog contract revisions and track changes over time with a robust version archival
- Comment and assign tasks to improve visibility and speed up review and approval
- Establish a clause library to ensure that all contracts contain approved language, resulting in standard terms across agreements

Routing/Signature

- Define standard workflows for specific types of contracts to follow (including review, signature, delivery, payment and more) to automate actions where possible
- Manage workflows with a drag-and-drop editor built for nontechnical administrators
- Adopt a CLM system with a built-in electronic signature functionality to get contracts approved and signed faster

Storage/Search

- Organize all contacts in a single searchable repository with strictly controlled access
- Automate alerts and reminders to assist with time-sensitive contract actions like renewals
- Track performance on both commitments made to customers and obligatory promises made by vendors

DocuSign CLM automates manual tasks, orchestrates complex workflows and eliminates bottlenecks to get work done faster and more accurately. It's been named a leader in the Gartner Magic Quadrant and the Forrester Wave. As a core piece of the DocuSign Agreement Cloud, CLM empowers any organization to fast track contracts and increase efficiencies throughout the contract lifecycle.

Additional resources

If your team wants to learn more about DocuSign CLM, here are a few recommendations. In this list, you'll find questions to help you get started, tools to calculate the ROI of CLM investment and everything you need to make a convincing business case for a CLM.

- [Does Your Business Need Enterprise Contract Management Software?](#)
- [How to Choose the Right Enterprise CLM Software for Your Business](#)
- [Gartner Magic Quadrant for Contract Lifecycle Management](#)
- [Building a Contract Lifecycle Management Business Case](#)
- [Forrester: The Total Economic Impact™ of DocuSign CLM](#)
- [How to Hit the Ground Running With CLM](#)

DocuSign CLM success stories

Unilever reduced average contract completion time by

50%

Celonis decreased in time to signature by

70%

Genesys reduced average turnaround time for standardized contract under

30 minutes

Finemark decreased time to prepare trust packet documents by

90%

Contact us to start a conversation about how your team can use a contract management solution. Our experts can help your team map out plans for an audit, implementation, training integrations, change management and continued support throughout adoption.

How does contract management software help your organization?

43%

Reduce manual work

39%

Increase contract accuracy

41%

Find archived documents

38%

Improve contract visibility

40%

Easier contract generation

“DocuSign has shortened our sales cycle by at least 25% in large part because we now use DocuSign to create our contracts instead of copying and pasting custom product details and other terms. It’s also especially convenient for our customers who are always on the move because they can securely sign anywhere, 24x7.”

Cheryl Kleiman
Regional Vice President of Sales
Flexential

About DocuSign

DocuSign helps organizations connect and automate how they prepare, sign, act on and manage agreements. As part of the DocuSign Agreement Cloud, DocuSign offers eSignature, the world's #1 way to sign electronically on practically any device, from almost anywhere, at any time. Today, over a million customers and more than a billion users in over 180 countries use the DocuSign Agreement Cloud to accelerate the process of doing business and simplify people's lives.

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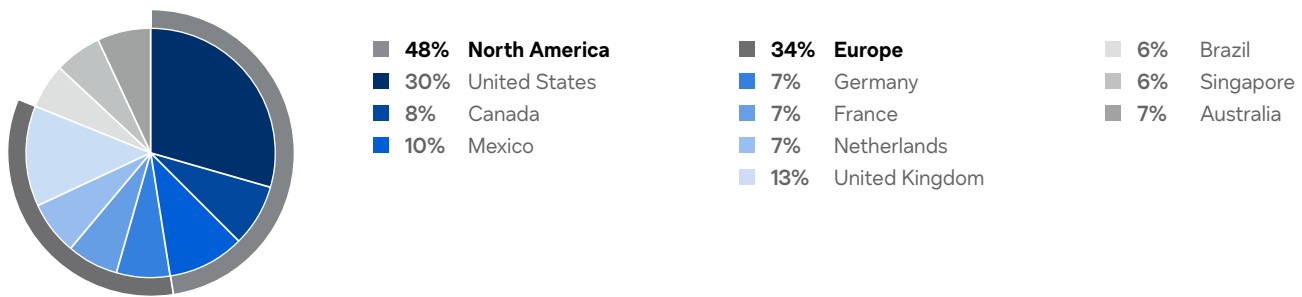
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Methodology

Data for the Contract Management Trends report was collected in the fall of 2021. A total of 1,319 respondents completed an online survey with quantitative and qualitative questions about CLM tools and their organization's contracting process.

Respondents came from 10 countries, with the largest percentage in the United States (30%). The three most common lines of business for survey participants were sales/sales operations (28%), IT (20%) and finance (19%), but there was an even mixture of seniority levels. Slightly more than half of the organizations polled (54%) had more than 501 employees and the blend of industries was evenly balanced.

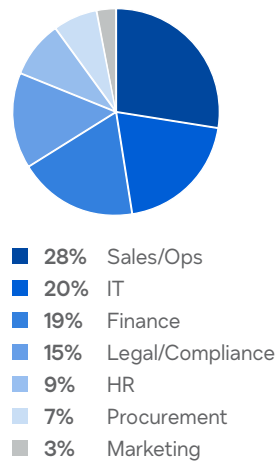
Geography



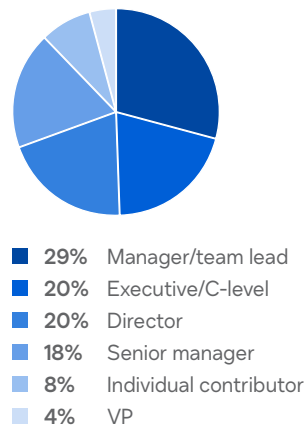
Industry

- 15% Banking/Finance
- 14% Retail
- 13% Technology
- 9% Manufacturing
- 8% Construction
- 7% Business Services
- 7% Healthcare/Life Sciences
- 5% Legal
- 5% Government
- 4% Education
- 4% Food/Beverage
- 3% Telecommunications
- 3% Utilities
- 2% Marketing/Advertising
- 2% Insurance

Line of Business



Role



Company Size

