

## Legal Operations Success Strategy: The Role of Modern Contract Management

### Yesterday's Paper is Today's Data Goldmine

The legal industry has become increasingly aware of the value it holds in the data it manages. This is perhaps most clearly seen in the area of Contract Management and it explains the decision of forward-thinking companies to re-organize their legal teams for the future.

The hallowed paper-based contract of yesterday is becoming the data goldmine of today as lawyers and technologists start to collaborate with other peers in extracting its greater value. Recognition is growing among legal professionals that there is a great deal of business value to be gained both in better organization and better data mining of existing contract portfolios. Indeed the commercial data that is emerging from within contract portfolios could itself become a revenue stream in its own right. Whether stand-alone, or bundled, and anonymized with other sources contract data holds powerful indicators about corporate buying behavior. Along with this realization has dawned a sense of new opportunity for both greater efficiencies and savings. Not only cutting costs but, literally, doing more with less. The latter is a common goal for countless General Counsel in the modern legal industry.

This white paper offers some timely observations on the issues arising and the opportunity for improvement that exists in corporations with regard to Contract Management. Along with some practical pointers, it offers expert insights from experienced marketplace practitioner Mary Iazzetta. Mary started as a legal contractor who became a full-time Contract Attorney for a Fortune 500 corporation. Hired as a practitioner and leader, she was put in charge of realigning, operationalizing, maximizing efficiency and streamlining processes for the Contract Management Team.

### Corporate Legal Department: Legal Ops and the Reinvention of Legal Teams

Contract Management is a remarkably pervasive aspect of modern legal management within corporations, with threads weaved into almost every commercial and operational area of the business. Commonly, or at least, historically thought only to be the domain of lawyers and the legal department, many organizations have seen a big uptick in interest from areas like Marketing, Sales, Operations and Finance – in what the legal department has in its contract portfolio. Traditionally, the block-and-tackle work of Contract Management has been divided between attorneys on the one hand and Contract Managers on the other. The precise division of labor has been vague and situation-specific though many would say that too much attorney time has been spent on tasks that could be better and more efficiently done by others. Furthermore, depending on the level of digital sophistication in place, these roles can be highly “virtual” or distinctly “hands on.” Even following a digital conversion i.e. paper documents scanned and converted into PDFs, there remains the critical organizational role of managing the information, which in turn feeds areas like Compliance. With increased scrutiny on the legal department generally these days, and Contract Management especially, role expectations and opportunities are changing.

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Firms looking to improve their Contract Management capabilities in the next 12 months



Noted focus on improvements including better and more time-efficient contracting processes

<sup>1</sup> It's Time To Evolve Past Basic Contract Management, a March 2018 commissioned study conducted by Forrester Consulting on behalf of SpringCM.

One of the many benefits of bifurcation of roles is the helpful clarity it brings in ownership of processes and deliverables, and answering the essential question of who is responsible for what. Many legal department structures evolve over time. New team members will be taught what others know or pick it up for themselves based on what they see or assume. As such, the introduction of bifurcation represents a helpful “lightning rod” moment in which to clear up any legacy confusion and set clear, helpful expectations for all participants.

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The paradigm shift toward the importance of legal operations and the business of law proves that law is no longer just law. Teams, corporations, and law firms all need people with business acumen and operational expertise to keep the engine running smoothly. The practice of law is becoming more specialized and the bifurcation and clear definition of roles is critical.

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It is increasingly common to hear stories of organizations “re-inventing” and re-organizing their legal department and, specifically, re-thinking individual roles. The rise of the Legal Operations discipline (“Legal Ops”) has been an accelerant in this regard, bringing additional focus and ideas to the fore. The role of the Contract Manager is on the ascent. Corporations are starting to identify the commercial benefits of (a) better organization, (b) talent/task/time alignment in the team and (c) the commercial value to be found in contract portfolios. This is a perfect storm of opportunity.

Mary Iazzetta’s story of re-engineering the team for the future is becoming increasingly common – that of being a catalyst for organizational and technical changes in the legal department. In Mary’s case, there was no existing road map or model to follow. She was charged with stepping in and starting small, working out the issues, and determining how to optimize the existing operation. Her brief was to engage the members of a small team of people initially. Mary was deliberate in her selection of the contract categories they worked on first, which provided a rich baseline learning experience for everyone and an opportunity to see what worked well for the business. In turn, they added new categories and pulled in additional legal professionals, with the help of an outsourced legal staffing provider and drawing on the core knowledge gained and the process extracted. With Mary’s leadership, the team headcount grew eight-fold, with employees who worked in the US and internationally.

### **The Drivers of Change**

Several key factors jump out here and each speaks powerfully to the timely role of re-organizing legal teams to align time, talent and process in a more efficient blend:

- ROI - the requirement for legal departments to demonstrate and prove it
- Efficiency - the need to move more quickly to facilitate business operations
- Volume - the need to meet the ever-increasing the volume of contracts and demands of the business

A common refrain of legal departments facing the dilemma of shifting priorities is the constant demand of “more with less”. Contract Management is a critical element of most businesses with the potential to make them highly effective. If the Contract Management function is going to work and support the business, there must be someone dedicated with those skills to manage and oversee such vital functions in the business. This model can apply to both small and very large groups equally effectively.

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Contract Management is in great demand given that it is a core legal function for most corporations in a wide variety of industries. Implementations may of course vary in scale and level of complexity but the fundamental benefits apply across the range of organizations and for regulated industries, the need is even more pressing in achieving necessary controls and compliance internally.

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### **The Right Talent is Key**

Experts say the key is labor alignment – both technical and financial – within the specific organization. Differentiating between Contract Attorney and Contract Manager roles will help define the balance of attorneys versus administrative individuals. In turn, this will drive the operating budget of the unit. It is also important to look at the nature of the contract activity in question. Some organizations field large volumes of standard or relatively simple / low risk contracts that would tend to suggest the emphasis be on administration more so than review. For others, the volume may be far lower but the issues more complex and the risk far higher, suggesting greater emphasis on attorney review. In a “do-more-with-less” environment, it is essential to look at existing resources and map them to the new model first, if they are indeed suited for this change. There are robust, agile labor solutions “on the outside” and readily available to augment in-house teams in either role.

Aside legal and technical skills, industry experts emphasize the importance of people and situational skills, such as the following:

- Project management
- Agility to communicate and operate in cross-functional settings
- Team-building
- Negotiation
- Communication
- Active listening
- Commercial awareness

### **How Success is Defined in the New Contract Management Team Structure**

Contract Management is one of those Legal Ops areas that lends itself to metrics, in addition to qualitative measures. For many legal departments, this is great news and helps support improved internal communications and unit advocacy with senior management. Consider the following quantitative measures:

- How many transactions are processed and cycle times to process those transactions (utilization)
- How many people and how many contracts one person is able to manage appropriately
- How much (new) revenue is realized from improved Contract Management
- How many deadlines are met successfully
- How many risks are managed effectively
- How much attorney review time is saved and can be re-directed to members within the team

With hard quantitative data, it becomes easier and more compelling when introducing softer, qualitative measures. Consider the following:

- Customer satisfaction ratings from internal business partners and suppliers
- Is the team easy to work with and the process smooth
- How helpful the team is in facilitating business needs
- How effectively the team negotiates on behalf of the business
- How successfully target dates for product launches or other commercial initiatives are met
- How the contracting and procurement has been streamlined
- How the new structure and processes can identify efficiencies or simplifications in other contract forms being used throughout the business

In a modern economy with so many fast-moving demands on organizations – and now, increasingly, on the legal department itself – it is hard to over-state the benefits of good Contract Management. Indeed, it may be argued that it is no longer a “nice to have” but is now a new “must have.” In turn, these benefits are closely aligned with ROI, whether viewed in hard or softer terms. There are numerous benefits, data points around which helpful metrics can be mechanized. For purposes of this paper, we have bracketed a number of benefits and ROI data points together.

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**Firms say the biggest hurdles to enhanced Contract Management adoption or upgrading is cost.**



**Firms say it is lack of company urgency. If a company does not recognize its value to begin with, it will not recognize the potential value of an enhanced version.**

Consider how, for many organizations, time-to-market is the critical metric. In fast-moving markets, or in industries where large numbers of contracting parties need to be serviced, time-to-market can be a measure of Contract Management success. In such circumstances, the value placed on organizational efficiency will be high. Fundamentally, consider the value of greater knowledge arising from Contract Management – in turn, supporting the creation of sustainable procurement analytics over time. Whether for internal procurement purposes or for supporting external sales purposes, knowledge of buying patterns, sales and participants is invaluable.

### Strategic Gains and Value Creation

Contract Management can be a critical tool in helping to maximize corporate contractual performance (with associated financial benefits) while also reducing risk for the enterprise. Consider the following elements, any one of which can be used as an agenda to drive greater value in and for the organization as a whole:

- Define contract priorities
- Evaluate process, approvals and signature workflows
- Evaluate existing engagements
- Review and development of preferred terms
- Evaluate life cycle management
- Develop negotiation strategies
- Performance management

<sup>1</sup> It's Time To Evolve Past Basic Contract Management, a March 2018 commissioned study conducted by Forrester Consulting on behalf of SpringCM.

The field of Contract Management is rich with opportunity for the organization and, of course, for the professionals who are leading this discipline to the next level.

### Contract Management is Trending

Contract Management is trending positive. No question about it. The benefits to clients are clear, exciting and also extend to the individual. The role of the Contract Manager is becoming better understood with the professional standing associated with the change. Visions of endless volumes of data are giving way to an understanding that Contract Managers know how to effectively and strategically manage data assets. The new skills being learned and deployed are helpfully transferable and teachable. The sharing of knowledge is readily possible unlike past years in some IT functions, for example, where “only one person” knew how to use “that machine”. This also bodes well for the professional opportunity of the individual and the value they can bring to their employer or future employer.

We have entered the era of the Contract Manager – savvy, articulate professionals embedded in the business, in tune with its drivers, and defining the guardrails for corporate success.

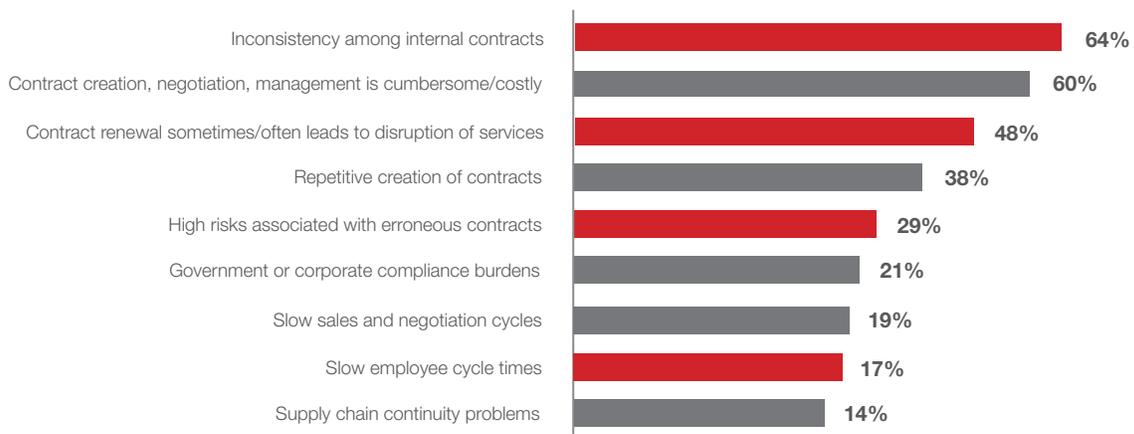
### What Lessons May be Learned – Key Takeaways for Clients

Experts in the field suggest the following:

- Be strategic with vendor selection – in identifying compatible, well-aligned vendors who share your goals and ambitions.
- Pay attention to vendor management – understanding the role, motivations and drivers of vendors versus clients in the overall process.
- Contract Management is not a “set it and forget it” proposition – it is operational in nature and operational requirements or opportunities will demand flexibility.

### Top Pain Point from Manual Contract Management Processes

Contract inconsistencies, missed renewals, and Contract Management are the top pain points resulting from Manual Contract Management Processes.<sup>1</sup>



<sup>1</sup> PayStream Advisors 2017 Contract Lifecycle Management Report

### Measuring Success Through ROI

For many organizations the ROI is clear, and it is strictly quantitative. It is very typical for organizations to look at savings in terms of budget percentages or dollar amounts, yet different organizations will define hard versus soft savings differently. Some savings may accrue to other parts of the business and be less immediately visible, though no less valuable. Let's take a look at the qualitative measurement of success as a result of improved Contract Management.

#### An Overview of the Benefits

A qualitative measurement of results by percentage include:<sup>1</sup>

Compliance Management	—————•	<b>55% Improvement Increase</b>
Rebate Management	—————•	<b>25%-30% Improvement Increase</b>
Material/Service Costs	—————•	<b>2-7% Reduction</b>
Contract Renewal Rates	—————•	<b>25% Increase</b>
Revenues	—————•	<b>1-2% Increase</b>
Evergreen Contracts	—————•	<b>Eliminated</b>
Contracting Cycles	—————•	<b>50% Reduction</b>
Procedures & Terms	—————•	<b>Standardized</b>
Contract Analysis	—————•	<b>Maximized Performance</b>
Administrative Costs	—————•	<b>25-30% Reduction</b>

<sup>1</sup> Practical Approaches to Contract Management Deployment, Aberdeen

The figures speak for themselves – the potential efficiencies and cost savings are significant when compared to traditional structures. Consider the following scenarios built around deployment of Contract Attorneys and Contract Managers (operating assumptions as stated):

#### Cost and Time Savings for Corporate Client: Compared to Outsourcing with Legal Staffing Provider

##### Contract Attorney



**Annual Cost Savings**  
of 15% per Contract Attorney with Staffing Provider vs. Hiring Directly



**Annual Cost Savings**  
of 225% per Contract Attorney with Staffing Provider vs. Engaging with Law Firm

##### Contract Manager



**Annual Cost Savings**  
of 11% per Contract Attorney with Staffing Provider vs. Hiring Directly

Corporate Clients would not typically seek a Law Firm to hire a Contract Manager. Instead, they would try hiring that role on their own. However, a key benefit of a Legal Staffing Solution Provider's expertise in this case is speed in finding great talent as well as ramping up multi-person teams quickly.

Hire Counsel's speed to fill is 30% faster (around 20 days) than the industry average.