Finding the Right Contract Management System

What are my options?

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One of the most confusing aspects of selecting a contract management system is the variety of solutions to choose from. Perhaps you've been to the websites, read the sales pitches, and poured through the testimonials, but none of that really helped you sort it out. One list of features and benefits sounded a lot like the other. How do you make sense of it all so you can focus on the best options for your company? That's precisely what this white paper helps you understand. After all, you don't need to be an expert on all the systems out there; you need to find and select the one system that is right for your company.

Although there are dozens of options and different kinds of systems available, a head-to-head comparison between most of them is impossible. It's not even comparing apples to oranges but rather, apples to hamburgers. Many systems are categorically different and therefore, not comparable at all. It is these differences that usually cause all the confusion. When you understand the categories, three-quarters of the work is done.

Essentially, contract management systems fall into one of five categories:

1. Internally built systems

2. IT built, internally developed systems

3. ERP integrated systems

4. Vendor built, installed systems

5. Vendor built, web-based systems

Considering categories of systems

Because the internally built "system" isn't really an option for achieving the necessary changes, you need to consider the other four categories. Each of these categories can be differentiated by the following four factors:

- **Function.** The functional capabilities of the system, such as field access, searching, reporting, and alerting

- **Workflow.** How well the system integrates with current workflow processes

- **Implementation.** The impact of system implementation on the company's time and resources

- **Cost.** The overall cost, including initial outlay, project management, implementation, training, and ongoing user support

You should also consider your company's culture, the strategic business goals, and other factors that are specific to the business. This white paper provides details on each of the system categories and their differentiating factors. Then, it provides a comparative analysis and guidance on how to determine the category that's likely the best fit for you.

Internally built systems: difficult to scale

Most companies considering a contract management system already manage their contracts with an internally built system that evolved out of an immediate need. The simple system that started as a few Excel® spreadsheets used to track one or 100 contracts has transformed into a large, confusing, scattered collection of data tracked in different ways, by different people, in different places. Even the contract data have multiple storage locations. The system has become inadequate, and the contract management team or its leaders have recognized they need to do something different.

One option is to try to fix the current system. Managers who take this route quickly realize it's a nearly impossible task. There are too many disparate business practices, locations for storage, and vested interests to get it done. Even when it does get done, many needs still go unmet without far better technology. For example, it remains difficult to search contracts stored in multiple databases, and alerts still can't be automated. Essentially, these systems enable you to react to issues, requests, and concerns, but you can't proactively manage contracts. Most likely, you already realize this, and that's why you are looking for a new contract management system.

IT built, internally developed systems: The price of a noble idea

At first glance, you and other leaders may look at the problem and think: "Can't IT fix this? After all, they are the technology experts and know how to build this stuff." Some companies go this way, but almost all of them have the same experience: high costs, long delays, and systems that are either cumbersome and overbuilt or just a simple patchwork of tools designed to improve access without systemic change. In most cases, the project is never completed. Even when an IT built system is rolled out, users tend not to like it. For example, in a 2013 survey of contract managers across many industries and company sizes, 63 percent of users of IT built systems indicated a satisfaction level of 6 or lower on an 11-point scale.[1]

While the big effort to develop an IT built system isn't normally recommended, you may still choose to go that way. If you do, here's what you can expect in terms of the four differentiation factors.

Function

The biggest functional advantage of an IT built, internally developed system is the ability to determine design specifications, such as:

- Searching, reporting, and alerting features that are tailored to meet the needs of different departments

- Uploading methodologies that quickly get the contracts into the system

- Storage locations that meet your needs

- Custom functions unique to your business (i.e., health care companies need to track rebates, construction contractors must track insurance expirations, and software companies focus on subscription expiration dates)

Workflow

Theoretically, the new system can also be customized to the existing contract management workflow. More practically, this might mean the new system is implemented incrementally, so the workflow shifts gradually and change management is easier. In either case, the system can match with the workflow of your team.

Implementation

In terms of implementation, an IT built system has two potential advantages:

- The system may be able to work within the existing infrastructure, so there's no need to purchase, install, or maintain additional hardware or software.

- The IT department can have full control over system development, implementation, and security.

Who are these IT built systems for?

When these realities are considered, most companies reject the idea of building their own robust, customized, in-house solution. The delays and costs are just too high. Purchasing a system is usually more effective in terms of cost and time to complete. That said, certain organizations have no choice but to build it themselves.

In reality, however, customized contract management systems are structurally complex and difficult to develop. A single IT department typically lacks the specialized knowledge required to take on, much less complete, such a significant project. The IT department is being asked to design, code, develop, implement, and sustain a highly complex system—all while maintaining business as usual without additional resources.

As you might suspect, few IT developed systems ever reach completion because IT groups have very limited bandwidth. Forward momentum tends to be slow and is inevitably interrupted by other, more urgent business needs.

Cost

The cost of an IT built system can be very high. First, it takes an inordinate amount of time, resources, and money to build such a system. When built on a custom basis, there's no ability to leverage the cost—by selling to other firms, for example—so the company bears the entire cost. The unfortunate truth is that most of these systems are never completed, despite the significant investment of time and resources.

1. HMR Consulting Marketing and Research Analysis (2013). *Managing contracts: insights, challenges, and trends.* Merrill Corporation.

ERP integrated systems: Too much of a good thing

Many companies begin their search for a new contract management system by going to their software vendor—that is, their enterprise resource planning (ERP) software provider. These vendors offer contract management modules that are installed and integrated into a company's current ERP system, or they sell a complete, contract management enabled ERP system for companies that don't yet have one. In either case, the big advantage is a solution that fully integrates with the existing system and provides valuable capabilities, such as automated invoice creation and robust reporting functionality. On the other hand, an ERP system can be very rigid, enforces system compliance that removes flexibility and responsiveness, and ties you to a single vendor. Nonetheless, many companies consider this approach, so you need to consider the four differentiation factors.

Function

The advantages of an installed, ERP integrated system lie most notably in functionality:

- The power offered by an ERP system is undeniably impressive. Contract managers have multiple means of accessing and tracking contract data.

- Searching, reporting, and alerting are fast, highly detailed, and comprehensive. Contract managers can tap directly into financial metrics and other related business systems.

- Information can automatically be shared elsewhere in the system, once you know what needs to be shared and where it needs to go.

However, ERP systems often require stringent management to keep the database clean, thereby removing flexibility. For example, special permission may be required to set up a new customer or vendor in the system. If the team responsible for setup is running behind, the contract can't be entered or managed. This is one reason ERPs are often thought of as too much of a good thing. ERPs are enterprise wide solutions for companies that require fully integrated financial systems, but as a contract management solution, they require far more than what is actually needed to manage the job.

Workflow

ERP systems integrate completely into the existing organization level workflow. Individual contract managers must change their practices, but the systemic integration is viewed as worth the effort. Here are two advantages:

- Workflows across departments can be integrated to improve visibility and communication and to increase productivity within the contract management group.

- ERPs such as Oracle and SAP are designed to drive the entire business, not just contract management, so the whole business runs under one integrated system.

Who are these ERP integrated systems for? High cost and a long implementation time turn most companies toward a more practical, cost effective, vendor built system. ERP systems can be a good fit for companies primarily focused on controlling process, those that have thousands of field personnel who need access to contract information, and those that have other circumstances that leverage the advantages of these systems. Most contract managers can't wait that long, so they look to other system categories.

On the other hand, full integration can actually slow down the workflow. For example, the contract manager may be required to enter data that the system needs, but that contract management doesn't need at all.

Implementation

ERP systems can be fully integrated with existing IT infrastructure, but they take a long time to implement and create requirements that are typically beyond the scope of the business need. Consider the following:

- An ERP system typically builds web-based contract management modules on top of installed software for flexibility and ease of access, but the complexity of this framework makes implementation time consuming—usually extending for many months.

- The system must be customized to integrate with current contract management workflows and required functionality. Customization can take months to complete and be very costly.

- Installed, ERP integrated systems rely on existing data security, which as a result, gets stretched beyond its capacity. Required and ongoing security upgrades are time consuming and costly.

Cost

The initial purchase price for an ERP system can be very expensive. The real costs, however, are in the other terms buried in the ERP vendor contract—ongoing annual maintenance fees, additional user fees, costs of implementation, customization, training and adoption, and security.

Vendor built, installed systems: Function must meet form

A vendor built, installed system is an off-the-shelf software solution that is specifically designed to manage contracts. These systems do not integrate the way an ERP system does, even though they are installed and access is contained within the company's virtual private network (VPN). But because their functionality is designed specifically for contract management, contract managers can get all of the features they are looking for. You can compare these to other systems based on the same four differentiation factors.

Function

System functionality is perhaps the most significant consideration for this system type. A vendor built, installed system has an abundance of user features already built in, from searching and reporting capabilities to the development, creation, and ongoing maintenance of contracts. This abundance of features has advantages and disadvantages:

- The features are specifically designed for contract managers, so you usually get everything you need.

- The system may offer more features than you need. For example, for contract managers who routinely draft and track elaborate contract changes, robust tracking capabilities are a good fit. But, if your needs are less about contract creation and more about tracking terms and details, the contract creation features are overkill.

- Many installed systems have complicated means of assigning controlled access to users. Others only offer preset hierarchies. In both cases, system administration could simply become too complex for your business needs.

So, while these systems generally have everything you need, they may also have far too much. Research shows that, while many contract managers believe they want certain capabilities—contract creation tracking, for example—the actual user adoption of such capabilities is very low.[2]

Workflow

Vendor built, installed systems usually include contract creation capabilities, as previously mentioned. These capabilities help contract managers control and track the entire, end-to-end workflow of contract management. However, these capabilities often require the current workflow to completely change. Usually, the vendor tries to customize to your workflow needs, but the flexibility to do so is often limited. As a result, this change in workflow process can create as many challenges to adoption as basic usability of the system.

Because vendor built systems are off-the-shelf, a company must adjust its workflow to accommodate the rigid system. In many cases workarounds and new, complicated processes are put in place to get around system requirements. Productivity decreases and user adoption and satisfaction can be poor.

Implementation

Vendor built, installed systems require less infrastructure than ERPs and fewer internal resources than IT built systems, but they still stretch capacity. Consider the following:

- A multi-functional software system requires large amounts of "real estate." This type of a system uses a tremendous amount of processing power, stretching the capacity of your existing infrastructure and necessitating frequent IT involvement.

- A vendor built , installed system usually requires the purchase and installation of at least one new server, with all the associated costs and maintenance. Many systems also require the installation of new hardware on every desktop computer that accesses the system.

Cost

The initial cost of vendor built, installed systems varies widely, but it's the ongoing costs that can break the budget. Most vendors charge extra for project management, implementation services, initial training, and user and tech support. These costs increase as the company grows and business needs change.

2. HMR Consulting Marketing and Research Analysis (2013). *Managing contracts: insights, challenges, and trends.* Merrill Corporation.

Vendor built, web-based systems: Flexibility is key

A vendor built, web-based system is usually the easiest and fastest system to set up. There is little or nothing to install, and all the data resides on hosted servers. The system includes all the features most contract managers need and can be customized—usually just as much, if not more than, an installed system. On the other hand, because the system is web-based, integration is limited to exchanging data. Most contract managers find, that is it far easier to mimic current workflow—an advantage they prefer over full integration anyway.

Function

Vendor built, web-based systems offer the key functional benefits sought by most contract managers. Many of these features are also available through installed systems, but web-based systems generally do not include full integration. Still, the best web-based systems offer these features:

- Robust, page level searching

- Reporting

- Alerting

- Centralized contract storage

- Web-based access, especially desirable for field staff

The contract management team can enjoy an agile system that seamlessly integrates with current workflows, while promoting the development of new processes that proactively meet the needs of a growing business.
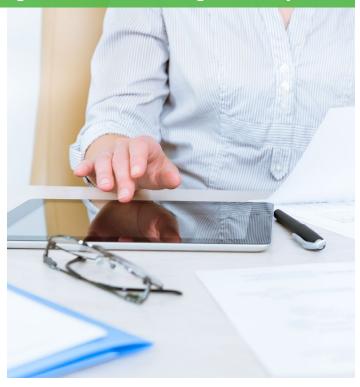
Workflow

Because of the functional flexibility of these systems, they don't predetermine a workflow for your company. Instead, the system can be customized to reflect your existing workflow. For example, if you have a periodic report to deliver to finance, you could try to mirror that report through an ERP integration, but it would likely take months to get it right. Alternatively, with a web-based system, you can create an automated report in the same format you use today. Instead of building the report from scratch, you simply access it and send it on.

Implementation

Of all the system types, vendor built, web-based systems have the smallest impact on IT resources, while still providing a secure environment for data storage and retrieval. A web-based system's implementation advantages include:

- Limited or no software requirements

- Easy set up; frequently, within 24 hours

- No additional hardware purchases, installations, or maintenance

- No internal tech support responsibilities

- High levels of data security; ideally, an ISO 27000 rating—the highest rating available for information management

The ideal web-based solution guides a company through the entire implementation process, from data upload to end-user training.

Cost

Like installed, vendor built systems, the initial cost of web-based solutions varies. Here again, most vendors charge extra for project management, implementation services, initial training, and user and tech support. The ideal solution, builds all of these services right into the system price.

What's right for our company?

Of course, only you and your colleagues can answer this question. Some of the critical criteria for your decision include:

- Company size
- Projected company growth
- Budgetary parameters
- Number of contracts to manage
- Number of users who require access to contracts
- IT infrastructure and bandwidth

Contract managers and their leadership teams are trending toward vendor built, web based systems primarily due to cost, flexibility, reduction of risk, and the immediacy of the benefit. That said, you should consider all the factors to determine what category of system best meets your needs.

A comparative analysis

The following chart summarizes the contract management options available to you, based on the differentiation factors presented in this white paper. This chart can help you make an informed decision as to the best contract management solution for your company. Use this chart to review and consider the capabilities of each system type and match them to your specific needs.

System type	Functionality	Workflow Integration	Implementation Timeframe	Impact on IT Resources and Infrastructure	Overall Cost
IT built, internally developed system	Can be custom built to needs and specifications, but IT may not have the expertise, time, or budget to fully develop	Can be custom built to specifications, but relies on IT expertise, time, and budget for any future changes	Long term, often never completed	Very high impact on both	High, shouldered only by the company, who also pays for ongoing training and support
ERP integrated system	Field accessible; integrates across entire business; powerful and comprehensive functionality	Cross department integration improves visibility, communication, and productivity	Several months of intensive implementation, customization, and testing	Very high impact on resources; moderate impact on current infrastructure	Very high, includes initial outlay, annual maintenance fees, and additional system fees; company pays for ongoing training and support
Vendor built, installed system	Field accessible; pre-built access levels for users; robust set of user features that may go unused	Must accommodate rigid system structure	Can be long term, varies according to system	Moderate impact on both	Varies; most vendors charge extra for project management, implementation, training, and user support
Vendor built, web-based system	Field accessible; customizable controlled access for users; robust, flexible user features that flex to role and security requirements	Mirrors and enhances existing workflows; flexible for developing new processes to meet growing business needs	Short term, in as little as 24 hours; the ideal solution guides the company through the whole process, from data upload to end-user training	Minimal impact on both	Varies; the ideal solution builds project management, implementation, training, user support, and tech support right into the system cost

What else do I need to know?

Every company has its own, unique set of contract management requirements and business needs, but there are four universal factors to consider when deciding the feasibility of a new system. They are:

- The business need(s) underlying the need for a new system (i.e., high growth, compliance requirements, productivity issues, cost-reduction initiatives)

- The urgency driver(s), if any, that necessitate immediate action (i.e., imminent system phase-out, missed sales and lost revenue, poor audit results, recent errors and disasters, and impending mergers and acquisitions)

- The technical feasibility of a new system

- Preliminary budget considerations

Merrill Corporation has created a tool, called *30 Minutes from No to Yes*, to help you work through each of these factors in your particular situation. You can download the tool here, at no cost. This tool guides you through the process of determining how a new system will impact your business, and in doing so, provides you with the insights and questions you need to answer to make your business case internally.

Is a vendor built, web-based system the right solution for us?

For many companies, the answer is yes. The features and benefits derived from robust system functionality, customizable user access, limited IT impact, short implementation time, and lower comparative costs make this type of system attractive. When searching for the ideal web-based, vendor built solution, look for a vendor who stands out from the rest. That vendor should provide:

- A dedicated, experienced project manager always available at no additional cost

- Contract data migration, user setup, access control, and best practices consultation included in the system cost

- Built-in user training at no extra charge

- Unlimited, readily available user and tech support already included

- High level of data security; ideally an ISO 2700 rating

Merrill DataSite® for contract management is the only vendor built, web-based solution that incorporates these end-to-end implementation services right into the system price.

About the author

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Tony Signorelli is President of Signorelli Consulting Group, which consults with organizations to improve the effectiveness of their sales force. Tony is an expert in business processes, customer engagement, and sales enablement within large organizations. Tony is the author of five books and e-books on business and other subjects. Please see more at http://signorelli.biz.

About Merrill DataSite for contract management

Merrill DataSite, a tool developed to solve the unique challenges of contract management, was born out of Merrill Corporation's more than 40 years of experience in managing confidential information for the world's largest companies. Merrill DataSite provides a flexible, customizable solution that can be tailored to meet unique user needs. All contract data is stored in one centralized location, with full-text searching to ensure no relevant information is overlooked. Merrill DataSite is a powerful tool to enhance compliance, while minimizing risks, reducing costs and maximizing revenues.

About Merrill Corporation

Founded in 1968 and headquartered in St. Paul, Minn., Merrill Corporation (www.merrillcorp.com) is a leading provider of outsourced solutions for complex business communication and information management. Merrill's services include document and data management, litigation support, language translation services, fulfillment, imaging and printing. Merrill serves the corporate, legal, financial services, insurance and real estate markets. With more than 5,000 people in over 40 domestic and 22 international locations, Merrill empowers the communications of the world's leading organizations.

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