# Contract Management and Business Needs
Find the driving business need in your company

**MERRILL DATASITE**®

For months, maybe even years, you've been steadily trying to make a case for a new contract management solution in your company. But, like many contract managers, you've experienced the stops and starts, the ebbs and flows, and the back and forth discussions that simply haven't produced any real action. You feel like you're running in circles, while the challenges caused by your current system are continuing to grow. The truth is, a new solution is likely to remain only in the realm of ideas until you can do one critical thing: Make a solid connection between a new solution and your company's driving business need. This white paper will help you do that.

All companies have four core business needs:

- To grow sales
- To reduce costs
- To improve productivity
- To ensure compliance

## Core business needs

These needs are fundamental. They drive everything, from the mission and vision to the corporate strategies and business objectives. In the simplest of terms: If a company can't grow sales, it can't survive. If it can't reduce costs, it can't compete in today's economy. If it can't improve productivity, it can't serve its customers well, and if it can't ensure compliance, the business may be forced to shut its doors.

Although all four needs are present at any given time, strategy and culture typically makes one of the needs predominant. For example, in research interviews we conducted, one contract manager outlined the problem this way: "We have such a revenue-driven culture here that I can't see them ever approving the investment in an operational system like contract management." Another said: "Our budgets are so restricted that new expenditures for systems are pretty much impossible to get through." When you think about it, the first example is an indication that growing sales has become the predominant business need. In the second example, it is cost reduction.

While the predominant business need may not be clearly articulated at the executive level, it can be identified by observing executive decisions and considering company priorities. Whatever it looks like in your company, the bottom line is this: You have a predominant, driving need, and when it is identified, articulated, and aligned with the contract management function, a new contract management solution is feasible—even necessary—for the business.

## Align with company needs

To make the case for a new system, it is critical that you find and target the need that counts. Here's why: any organizational change, policy shift, or strategic goal that is formed at the executive level aims to address that predominant need. Tactical-level decisions, such as technology investment and talent acquisition, are judged in the context of that need as well. Hence, any proposal put forth to resolve contract management challenges is subject to the same litmus test.

To pinpoint which business need is best served by a new contract management system, you must be able to:

- Recognize what each of the four business needs looks like
- Identify the predominant business need in your company
- Articulate how a new system serves that predominant need

This white paper helps you accomplish these goals so you can build a business case that clearly aligns with and successfully addresses your company's need. Read through each section on business needs so you can recognize the determinants of each type of need. Then, use the form at the end of this paper to identify the predominant need in your business, and to articulate how the contract management solution you favor can be positioned with senior management. Doing so will help executives see the proposed new system as a good investment that serves their key business goals.

## Grow sales

Companies in high-growth situations have a laser focus on sales. The sales force is charged with increasing revenue as rapidly as possible, in order to:

- Secure a large customer base quickly
- Capture market share quickly while the competitive landscape is favorable
- Make the company more desirable to investors
- Solidify brand recognition and customer loyalty
- Increase cash flow

The contract management function has a direct impact on these efforts, either empowering the sales force for the future or actually restricting growth for the company. Many times, high growth companies rely on their existing, internally developed systems. Contract managers are typically the gatekeepers of these systems, which have multiple locations for storing contracts and disparate methods of searching, coding contracts, and reporting. An internally developed system such as this can cause sales to be hindered, even lost. Consider if you're seeing these issues in your company right now:

**Information bottleneck**—Because contract managers are the gatekeepers, they become a bottleneck to the flow of information the sales force needs to serve and satisfy their customers, in both new and renewal sales.

**Access and notification**—Sales reps do not have access to basic contract templates and important contract details, and they aren't proactively notified of renewal dates and upsell opportunities. As a result, they can't time their sales approach. They also miss sales opportunities, lose momentum, and spend time placating angry customers, instead of building relationships.

**Scalability**—High growth drives big changes in the business, and the current contract management system, which likely worked just fine in the beginning, is no longer sustainable.

Contract managers in high growth companies face a unique challenge: Rapid, substantial growth tends to mask these issues, making things look good on the surface, particularly in the eyes of senior management. Instead of seeing the bottleneck, all of the lost opportunities, and the negative word-of-mouth from customers, senior management sees good growth, renewals with a few drop-offs, and reasonable customer satisfaction rates, at least right now. They can't quantify the opportunity cost, nor can they see how the current system will impede growth in the not-too-distant future:

- The bottleneck will become tighter
- Sales throughput will decrease

- The number of customers who go past renewal without contact from sales will rise
- The time sales reps spend repairing customer relationships, due to unintended expirations and renewals, will increase
- Complaints from the field will also increase (i.e., complaints about delayed responses to information requests and lack of access to critical contract details)
- Access and notification issues will make sales delays larger and more costly, from both a financial and customer satisfaction standpoint

In other words, the internally developed system will simply be unable to scale with the growth of the business. Like all other areas of the business, it must transform.

### How does a new system support sales growth?

If you're currently in a high-growth company, you know how fast things move. Whether your company is expanding from 100 contracts to 100,000 or from $1 million in sales revenue to $100 million, the right contract management system must grow with your business, no matter how much or how fast it expands. The right system must have the following four capabilities:

**Centralized storage**– One method for storing, coding, searching, and accessing contracts helps everyone know where to find contracts and templates and simplifies fulfillment of information requests.

**Controlled access**–Need-to-know access protects sensitive information, while giving sales direct access to the things they need to answer customer questions, capitalize on sales opportunities, manage critical renewal negotiations, and maintain momentum in the sales process.

**Automatic notifications**–Automated, proactive notices of important terms such as renewal dates and opt-out clauses helps sales reps appropriately time the sales approach, capture add-on sales, and nurture customer relationships, instead of mending them.

**Fully scalable**–A fully scalable system prevents the need to change systems in the future and alleviates concerns about ever hitting capacity.

Merrill Corporation created a white paper titled, *Breaking the bottleneck: Enabling growth with a solution for contract management*. The white paper provides detailed information about the impact contract management has on sales in high-growth companies. You can download this complimentary white paper here.

## Reduce costs

Companies in a cost reduction environment are often said to be "managed by the numbers." Budget cuts, budget sweeps, staff reductions, and outsourcing are the focus more than driving revenue growth, for example. Frequently, these businesses have substantial legacy revenue streams, and they may be expected to decline due to changes in market demand. Growth investment might be made in new products and services, but the overall culture is to reduce costs and protect profit on the revenue the company has.

When contract managers are tasked with cost reduction, two action items typically come into focus:

- Shrink labor costs
- Better manage costs and discounts through contract term enforcement

Because most companies rely on their existing, internally developed contract management systems, at some point, the sheer volume of contracts, details to track, and information requests to fill simply become unmanageable. To cope, contract managers hire more internal staff, and often, outside contractors—a costly, but necessary, expense. In addition, when the contract management team is overwhelmed, important details are missed. Missing critical details in vendor contracts can increase expenses unnecessarily, whereas missing similar details in customer contracts may restrict revenue to which the company is entitled. Both can have a direct impact on the bottom line. For example:

Vendor Contracts—When vendor renewal dates are missed, a company has to pay full price for a service it needs or continue to pay for a service it no longer needs. Research shows this can cost the company up to 2% of its total revenue.

Customer contracts—When terms on customer contracts aren't enforced properly, discounts can be inadvertently continued. Research shows a 2% revenue impact here as well.

Given the organizational-level need to reduce costs, an important question rises to the surface: Why would a company spend money on a new system during a time of cost reduction? The answer seems paradoxical: To reduce costs.

**How contract management solutions reduce costs**

The right contract management system can be a powerful cost reduction measure by providing the following features:

- A centralized storage location for all contracts to allow easier, faster information searches
- Controlled, direct access to relevant details and documents, for internal business partners who need them
- Automated notifications to provide proactive reports to internal business partners on a regular basis
- High-priority alerts of urgent information to stay ahead of critical milestones and details that could be costly if missed

And the benefits?

- Reduced cost of lapsed subscription discounts
- Reduced cost of inadvertent discounts
- Reduced mistakes and missed details
- Reduced time and labor costs to search, report, and alert on key contract parameters, especially when this work is handled by outside contractors

### Improve productivity

Businesses focused on productivity typically express that focus in two ways: optimizing the front line for total throughput and/or optimizing the support and back office functions. Management in these companies will relentlessly ask: How do we get them what they need? How do we manage this proactively? How can we get more productivity with the same people? Improving productivity often means better systems, tools, and processes, and where the gains can be clarified, senior management is likely to invest.

Because contract management lies at the epicenter of so many critical business functions, it will both experience and contribute to many productivity challenges, including:

- Contract managers are bombarded with constant requests for contract minutiae—minor pieces of information that require a disproportionate amount of time to locate, retrieve, and deliver when compared with their importance.

- As minor requests build up, so do the larger, more strategic functions the team has little time to perform.

- An information bottleneck in contract management has a ripple effect on sales, customer service, finance, and procurement departments. Staff in these departments often spend a lot of time in back-and-forth exchanges, or waiting in the queue, as they try to obtain even the most basic information from the contract manager.

- The back-and-forth and wait-and-see approach not only decreases productivity across departments, but also impacts the ability of other staff members to do their jobs effectively, too.

Although everyone who makes a request gets what they need eventually, the contract management team must constantly react to requests, and business partners must keep making them. To break out of this cycle, you need a system that provides most of what the company needs proactively and ideally, automatically.

**How does a new system help improve productivity?**

Companies will always need information, but it's the way this information is provided that can make all the difference. The right contract management system can improve productivity in the following areas:

**Proactive reporting**—To provide standardized, periodic information to the people who need it

**Automated alerts and notifications**—To deliver critical information on time, every time

The right solution enables contract management to move from a *reactive* function that requires requests and fire drills to meet the needs of business partners, into a *proactive* function that anticipates those needs and responds to them before the request can be made.

**Controlled access**—To allow the right people to locate the information they need, without all the long wait times and frustrating exchanges

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## Ensure compliance

All companies must ensure compliance with regulations and monitor compliance among vendors. However, ensuring compliance rises to the top concern of senior executives when there are or have been existential threats to the organization—such as regulatory investigations or significant lawsuits. In addition, some highly regulated industries such as defense contracting and health care must proactively report to comply with the law. Finally, the organization may seek to ensure vendor and customer compliance with certain stipulations in the contracts to protect intellectual capital, limit product use to those contracted for, limit risk through insurance, or any other condition set forth in the terms with vendors and customers. Contracts will stipulate compliance requirements or hold the information necessary to demonstrate compliance. Quick and easy access to the right contracts is essential in those situations.

**Ensuring compliance with a contract management solution**

The right contract management solution enables you to ensure compliance proactively. Specifically, it will:

- Empower monitoring compliance with contract terms among vendors
- Empower monitoring of customer data and reports as it pertains to provisions of international business
- Enable quick and responsive detailed searching when necessary
- Utilize pre-set reports to review the key parameters in the compliance monitoring regimen
- Provide alerts when terms are expiring so these terms can be managed

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## Identify the predominant business need in your company

In almost every business, senior management is focused on one or more of the business needs described. When you want to present a proposal for a contract management solution, tying it to the most important business need will increase the likelihood of success.

Use the table to think through how your company addresses and prioritizes the business needs. Rank each business need 1-4, with 1 being the most frequent. Then, add them together to get a total ranking. This will give you a profile of the business

and clearly identify your company's predominant business need. You don't need to get data or find out actual spending numbers—estimates and impressions are fine. This quick exercise will give you a very clear picture of the priorities in your company.

The lowest Total Ranking score is likely to be the predominant business need in your company. If you want to validate your judgment, do the same exercise with a trusted peer in another department.

If you have two key business needs, repeat step two so you have a real framework for discussing your proposal.

### Step 1: Find the main business need

|  | Frequency as topic of discussion (Rank 1-4) | Frequency and size of investment (Rank 1-4) | Frequency of reason cited to NOT do something (Rank 1-4) | Total Ranking (Add the scores) |
|---|---|---|---|---|
| Grow sales | 1 2 3 4 | 1 2 3 4 | 1 2 3 4 | |
| Reduce costs | 1 2 3 4 | 1 2 3 4 | 1 2 3 4 | |
| Improve productivity | 1 2 3 4 | 1 2 3 4 | 1 2 3 4 | |
| Ensure compliance | 1 2 3 4 | 1 2 3 4 | 1 2 3 4 | |

### Step 2: Determine key problems and likely answers

Predominant Business Need:

| Key Issue in your business (see description in this white paper) | List feature(s) of the contract management solution that address the problem | List the benefits of solving it with the right solution |
|---|---|---|
| | | |

## Feasibility of contract management solution in your business

At this point, you probably recognize you have a real need, and you might be wondering whether or not a new contract management system is feasible in your company. Will senior management actually make the investment? Is this the right time? Who are vendors anyway? What's it likely to cost? Merrill Corporation has created a tool called *Building your business case for a contract management solution: 30 minutes from no to yes* to help you assess your company's readiness in making an investment

in a new contract management system. You can download that complimentary tool here. It will guide you through the process of determining the impact on your business, and in so doing, will provide you with the insights and questions you need to answer to make the case internally, should you determine that is necessary.

Business leaders across many industries find themselves facing the same contract management challenges again and again. Merrill DataSite® for contract management is a fully scalable solution designed to handle these challenges and meet the ongoing needs of your business.

## About the author

**Tony Signorelli**
**President,** *Signorelli Consulting Group*
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.

**Corporate Headquarters**
One Merrill Circle
St. Paul, MN 55108
800.944.1331

**European Headquarters**
101 Finsbury Pavement
London EC2A 1ER, UK
+44 (0) 845 602 6916

**New York Office**
1345 Avenue of the Americas
17th Floor
New York, NY 10105
800.944.1331

Offices in major cities
throughout the world

contractmanagement@datasite.com
**www.datasite.com/cm**

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