

The State of Contract Management

Executive summary

Today's organizations are going through a rapid shift in the way they manage contracts. Complex approval processes and manual handoffs already create needless havoc with agreement workflows. The sudden adoption of remote work protocols has only amplified those process inefficiencies. These issues appear at every important stage of a contract's lifecycle and are generally caused by human error.

To understand exactly how modern businesses are handling these changes, DocuSign collected data from 1,300+ contracting professionals with the goal of painting a clear picture of contract management capabilities and headaches. At each contracting stage, we dive into the people, tools and processes that are in place across a contract's lifecycle and discuss how that work could be improved with modern technology. Here's a short overview of some of the key findings:

Human error is at the heart of contracting problems

More than 90% of respondents say that human error impacts their current contracting process and almost half say it happens often. Because of the needless complications, delays and inefficiencies introduced by manual work, less than half of contracting professionals consider their existing system to be reliable or efficient.

Approvals are the biggest hurdle

While the list of things that stall contracts is quite long, by far the most common obstacle is collecting various approvals and getting everyone to sign. One of the most common hangups in this process is workflows that force contracts out of the existing contract lifecycle solution for completion.

Some teams benefit more from contract lifecycle management (CLM) tools

Contract lifecycle improvements benefit every team at an organization, but the lines of business with the most to gain from a modern contract management solution are legal, procurement, sales and sales operations teams.

Contract management is replacing error-prone manual tasks

Organizations are already using contract management solutions to solve a number of problems, but the most common benefits are in contract generation, contract accuracy and contract analysis. These gains are frequently realized by a human and machine partnership that automates repetitive tasks and enhances human decision making during the contracting process.

This rest of this report will detail the findings of DocuSign's contract management research. Where possible, we will present solutions to today's common problems and highlight technology that can help contracting professionals do business faster, minimize risk and act on intelligent insights.

Contract management in 2020

To start the investigation into the way today's agreements are managed, DocuSign examined the people, tools and processes that are in place across a contract's lifecycle. Compared to last year, survey respondents showed a slight increase in adoption of contract management software and less reliance on Excel and shared drives, but there's not a single solution that is particularly popular. There was also an increase in email as a contract management tool. It may be the case that respondents got frustrated with spreadsheet or shared drive solutions and went back to using email.

Overall, a picture emerges of organizations sharing contract management responsibilities across three or four lines of business using a range of tools, but there's no clear combination of teams and technology that emerged as the most common.

How contracts are managed	2019	2020
Contract Management Software	27%	28%
Excel or other spreadsheet	31%	23%
Combination of contract management system and spreadsheet	22%	22%
Email	7%	18%
Shared drive	13%	9%

Departments involved in contract process



When asked to describe contract management at their organization, less than half of respondents said their contract process was reliable (47%), efficient (45%) or flexible (42%). At the same time, significant portions of respondents said their contract process was time consuming (26%), costly (18%) and tedious (17%).

Overall, survey respondents tell a story of contract management processes that evolve over time without significant improvement. These workflows are easy because they're the status quo, but they're frustrating because they're inefficient. **In general, organizations have been covering gaps with new tools and extra people rather than correcting larger structural problems.**

Stages of contract management

An important part of researching contract processes is breaking the entire lifecycle down into recognizable steps and identifying trends for each one. Here's a snapshot of five key stages of contract management and some interesting data we found about each one.

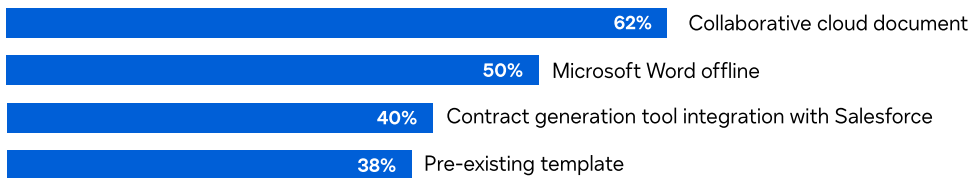
88%

of organizations need more than an hour to create a new contract

1/ Generation

The beginning of any contract's lifecycle is document generation. While organizations aren't starting contracts from scratch, this is still a lengthy process. While 40% of respondents use an integration with Salesforce to create new contracts, the most common tool for contract generation is still Microsoft Word, either in the cloud (62%) or offline (50%). Reluctance to move away from this technology has resulted in lengthy contract generation periods.

Current contract generation tool usage



2/ Negotiation

Once the contract is generated, all parties involved need to negotiate back and forth until final terms are agreed. For respondents in our survey, this stage in the process is time intensive, with only one in six respondents able to complete contract negotiation in nine hours or less. To save time negotiating, respondents clearly preferred online collaboration tools to offline or paper-based processes.

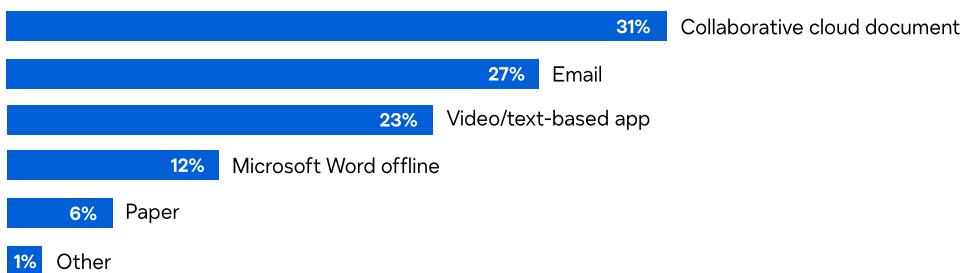
49%

of organizations spend more than 20 hours negotiating each contract

71%

of respondents generate 3+ new versions of a contract before it is ultimately signed

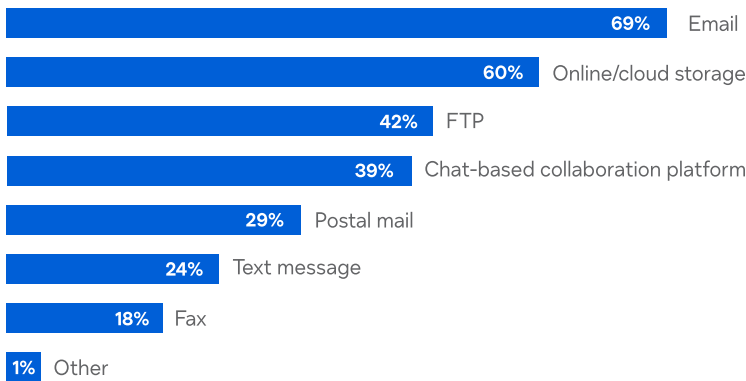
Preferred contract collaboration tool



3/ Routing

To share contracts internally and externally, respondents are using a wide range of tools. While the most popular tools are email and cloud storage systems, all of the common contract sharing methods have the same primary flaw: they take the contract and the users out of the CLM system. That opens the door for several new problems, such as sharing the contract with the wrong party.

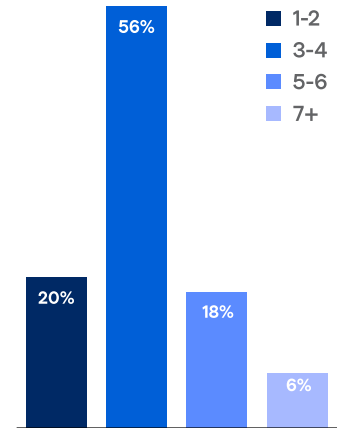
Contract sharing tools (used in last 12 months)



32%

of respondents have shared a contract with the wrong party

On average, how many people are involved in contract approval?



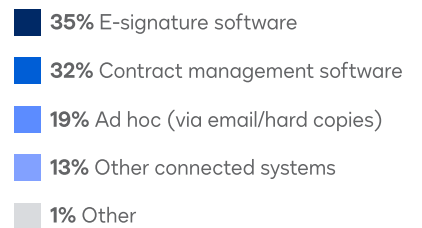
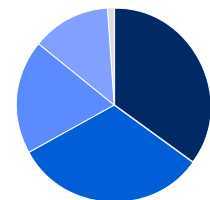
4/ Approval/signature

When it's time to finalize a contract by collecting signatures, respondents have matured to utilize modern tools. Around two-thirds of respondents currently use e-signature software or a CLM tool with defined workflows. When it comes to workflow obstacles that slow down contract completion, a range of different departmental approvals (legal, pricing, procurement) and signature collection delay around 30-40% of organizations.

What commonly stalls contract approvals?



How do you route agreements for signature?



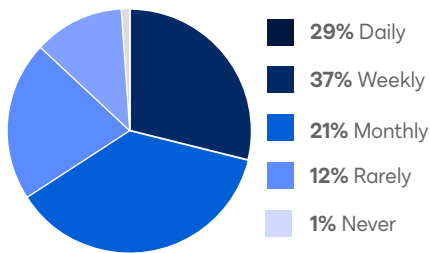
5/ Storage

When a contract is finalized, cloud storage is popular with today’s organizations. Around two-thirds of respondents use cloud storage—either exclusively or in conjunction with on-premises servers—to manage completed contracts. Among participants who have not yet moved to the cloud, 53% plan to do so and 16% are not yet sure of their plans. Making these contracts easy to find is also critical to management workflows since more two-thirds of respondents need to locate archived contracts on a daily or weekly basis.

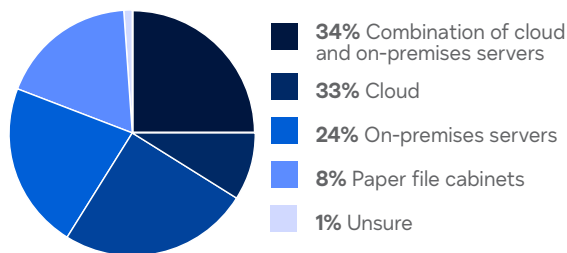
43%

of respondents report being unable to locate a stored contract

Frequency of accessing stored contracts



Primary contract storage method



Considering all parts of the contracting process, it takes an average of 29 hours of staff time to generate, negotiate and locate a contract. At the scale of 500 contracts in a year, that works out to 7 full-time employees worth of annual labor.

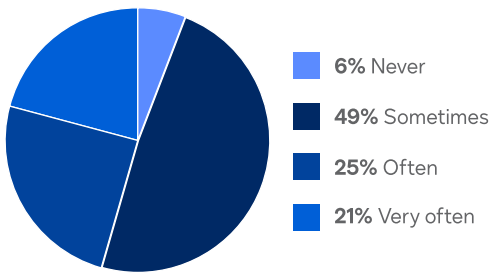
Contracting stage	Average hours
Generation	2.5
Negotiation	25
Location	1.5
Total time per contract	29

Human error in contract management

Each of the five traditional contract management stages contain several human touchpoints. Any time a human enters data or hands off a contract, there's an opportunity for error. Unfortunately, these mistakes are extremely common. In our survey, half of respondents said that human error sometimes impacts the contract process and a startling 46% said human error occurs often or very often.

40%
of professionals find it frustrating to locate stored contracts

How often does human error impact the contract process?



The results of human error in the contracting process are varied, but the most common problems reported by our respondents were delays in closed deals, increased costs, missed opportunities due to misunderstood contracts and increased noncompliance risk.

Results of challenges faced in contract management process



These human errors and their consequences are likely the reason that so many contracting professionals identified their CLM processes as "frustrating." A common way these inefficiencies impact the workflow is in contract access. Time wasted looking for completed contracts causes frustration and delays revenue.

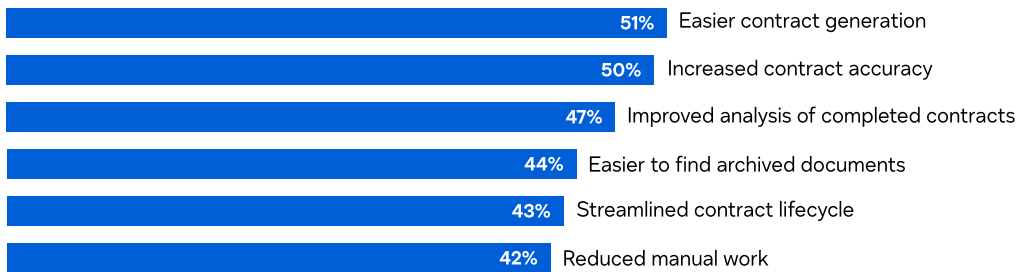
Only 23% of contract professionals can find a contract in 10 minutes or less, compared to 32% in last year's report. While it's hard to pinpoint a specific reason for longer contract search processes in 2020, the most common problems related to finding stored contracts are contracts saved in incorrect locations (43%) or contracts stored in unsearchable PDFs (39%).

Improving contract management using a CLM tool + AI

The best way to avoid human mistakes is to remove manual processes from contract management when possible. A modern CLM platform includes automation that minimizes human involvement, reducing wasted time and the possibility for error. When asked about the contract activities that are important to automate, the most popular responses tend to streamline high-effort contracting stages (contract generation, analyzing contract data, minimizing risk, e-signature) or improve transfers between stages (tracking, version control, document location).

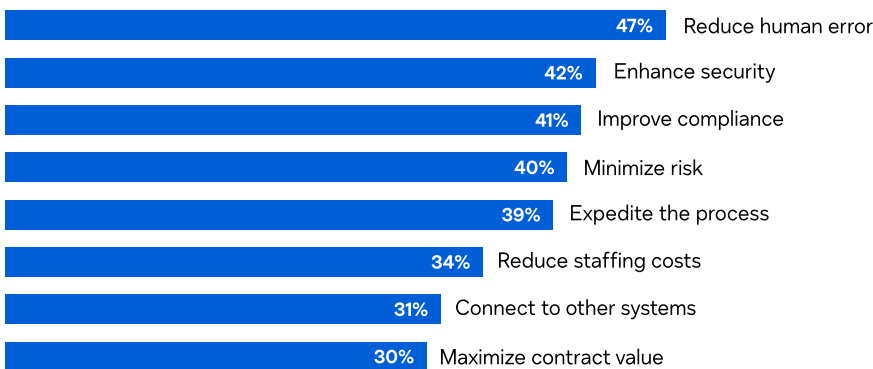
In our survey, 28% of respondents were already using a CLM solution as the exclusive means of managing contracts. When asked about the benefits of that solution, respondents focused on improvements to processes that previously contained a high volume of manual reviews and handoffs.

Benefits of contract management software



Looking forward, contract professionals are seeing opportunities for AI to improve their contract management process. By automating tasks like contract generation, risk analysis, document tracking and workflow handoff, AI can reduce human error and standardize a large percentage of contracting activities, which produces a range of benefits.

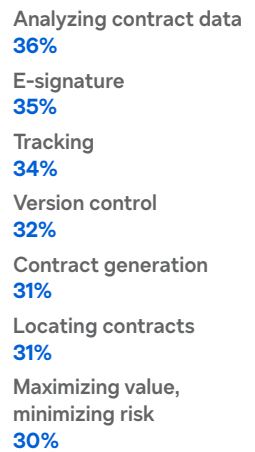
How will AI impact contract management?



Biggest contract management challenges



Which contract processes are important to automate?

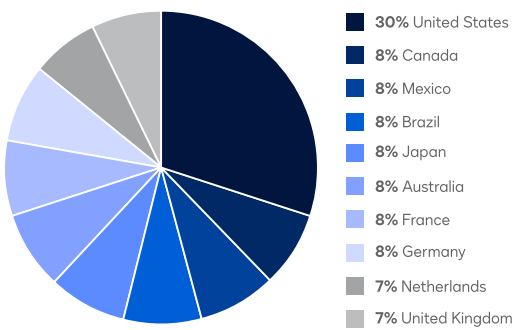


Methodology

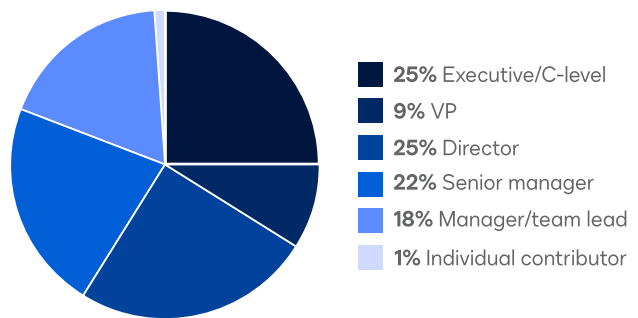
Data for the State of Contract Management report was collected in September and October of 2020. A total of 1,333 respondents completed an online survey with quantitative questions about CLM tools and the contracting process at their organization. The survey participants were all decision makers or users of CLM technology and were involved in the contracting process at their organization.

Respondents came from 10 countries, with the largest percentage in the United States (30%). The two most common lines of business for survey participants were information technology (22%) and finance (20%), but there was an even mixture of seniority levels. Slightly more than half of the organizations polled (52%) had 501-5,000 employees and the blend of industries is evenly balanced.

Respondent location

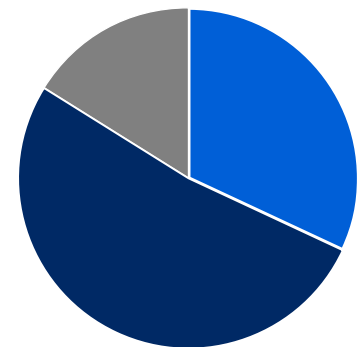


Role



Department

Department	Percentage	Industry	Percentage
Information Technology	22%	Banking/Finance	17%
Finance	20%	Technology (Hardware/Software)	16%
Human Resources	11%	Retail/Wholesale	13%
Product Management	9%	Manufacturing	12%
Marketing Ops	8%	Healthcare/Life Sciences	7%
Sales Ops	6%	Construction	7%
Sales	6%	Business Services	7%
Procurement	4%	Education	5%
Other	4%	Government	5%
Facilities	3%	Telecommunications	3%
Marketing	3%	Energy & Utilities	3%
Legal/Compliance	2%	Food/Beverage	2%
Legal Ops	2%	Legal	1%
Support	1%	Marketing/Advertising	1%



Company size

- 32% Mid-Market (126–500)
- 52% Majors (501–5,000)
- 16% Enterprise (5,000+)

Modern tools end contract management frustration

While every team benefits from improved contract management tools, respondents in our survey indicated that legal, procurement, sales and sales operations teams experienced the most benefits. Across all lines of business, the most common improvements were ease of contract generation, better contract accuracy and improved analysis of terms in completed contracts.

Today's cutting-edge CLM solutions improve traditional workflows by using automation to remove human error from the process. DocuSign CLM accelerates a range of contract activities by introducing automation throughout the process. This broad standardization ensures every agreement has maximum value and minimal risk. There's even additional AI integrations to further analyze existing contracts for risk and make intelligent suggestions about more favorable language in new agreements.

Orchestrate complex workflows

Set up workflows to conditionally route contracts based on any important criteria. This setup accelerates contract cycle times and improves communication between sales, procurement and legal teams.

AI-driven insights streamline workflows

Clause level approvals automatically analyze a contract and route it with highlights to specify sections for review. This reduces manual review time while improving contract accuracy and minimizing risk.

“People would search their email inbox looking for the last email with a contract attachment, having to make sure it’s the right one... We wanted tools and solutions that would harmonize, simplify and bring efficiencies.”

Wei Ling Lim
General Counsel for Global Supply Chain
Unilever

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