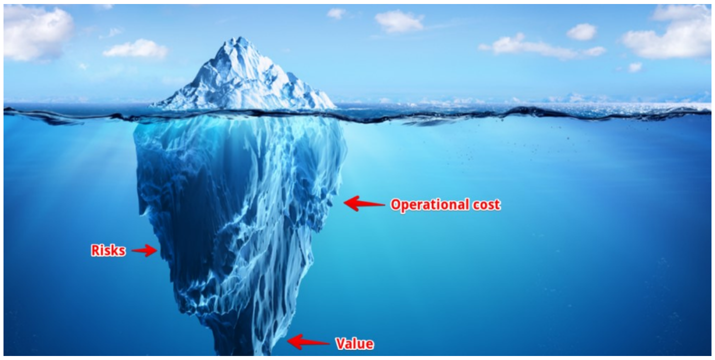
3 Hidden Contract Management Economic Factors that Impact Revenue



Contracts govern the flow of an organization's finances. Whether they are with clients, vendors, employees, or business partners, contract terms determine a great deal about the money coming in and out of your company.

How you manage contracts also influences your company's revenue in surprisingly hidden ways. Factors that impact the economics of contract management, include conditions and activities related to creating and negotiating contracts, managing risk, and monitoring the performance of contracts. Though they are often sources of significant amounts of avoidable costs, these factors are not always obvious.

Thankfully, today's technology improves how to discover and subsequently manage these economic factors, in turn helping you gain efficiencies and avoid unnecessary costs.

In-house counsel and business leaders increasingly rely on contract management technology for more thorough and accurate insights into their company's contract portfolios and obligations. Consequently, they develop a deeper understanding of the hidden contract management economic factors that influence their organization's revenue.

Take a closer look and learn how, by uncovering and addressing these economic factors early and at their sources, you can:

1) Reduce the costs of contract negotiation and review.

Managing complex contracts includes preparation, often extensive negotiation, approval, and execution processes. At each state, a reliance on outdated technologies creates difficulties in collaboration and raises barriers to swift resolution.

Complications arise from issues such as emailing and printing files of varying formats, trying to locate documents stored in multiple locations, attempting to decipher jumbled mazes of redlines while switching among multiple versions of a document, and mailing hard copies or requiring in-person signatures.

Major bottlenecks are also created when attorneys are required to review pages and pages of contract language to ensure it complies with legal standards and guidelines. Errors that slip through during contract creation, review, and negotiation can lead to extensive additional costs later.

The resulting delays, confusion, and miscommunications hammer office efficiency. And when time is of the essence, delays in finalizing contracts can result in missed business opportunities, but can be reduced or avoided altogether with technology that streamlines the contract lifecycle process through advanced features such as:

- Contract repositories that give the right people easy access to information they need
- A collection of customizable contract structures templates and terms and conditions clauses
- Automatic identification of non-standard clauses
- Collaborative tools that capture real-time feedback and revisions in an iterative. online discussion format

● Automated routing of contracts to obtain appropriate approvals and e-signatures

● Easy integration with sales, calendaring, document management and other business technologies

2) Predict and manage the financial impact of risk in your contracts.

Globalization and the growing number of regulations and compliance requirements drive the need for increasingly complex contracts, many of which require risk assessment, acceptance, and management.

Contracts that require risk evaluations demand extra care during the negotiation process to ensure your interests remain protected. Contract management software that flags non-standard clauses improves recognition of potential risks. Determining the potential financial impact of accepting risk empowers you to:

● Achieve better clarification using appropriate risk meta language ("Because of", "might occur", "which would lead to")

● More accurately quantify the impact of potential risk and failure

● Know when to require and develop more specific strategies to reduce risk (e.g., safety or training programs)

● Determine when to involve a third party, such as your insurance department, to help mitigate risk

● Prepare for negative financial impacts of risk (e.g., set aside contingency funds)

By better predicting the financial impact of risk acceptance, you are sufficiently prepared to take the appropriate actions to manage its costs. You can also more accurately determine the overall value of a contract after you've ascertained that costs include safeguards such as additional insurance policies, etc.

3) Reduce the operational costs associated with managing contract performance.

Companies striving to ensure thousands of contracts perform to their full potential benefit from contract management software that automatically performs critical functions such as:

● Proactive alerts to upcoming responsibilities, obligations, expirations and renewals

● Reconciliation of obligations when conditions are met

● Tracking key performance indicators, service levels and milestones

● Monitoring vendor performance

The number of employees needed to manually monitor contract performance in large organizations is prohibitive, especially when expertise is needed in order to do it effectively. Similarly, an Excel spreadsheet won't point out when or how certain conditions have changed so you can maximize the benefits of renegotiating a contract.

Without the appropriate technology to monitor contract performance, many businesses can't actively address the economic factors discussed here. If you aren't made aware that a vendor isn't meeting its obligations, you won't know when to require corrective actions. Instead of remedying the situation, you company will continue to take on the costs of meeting your responsibilities while losing the other parties' contributions to the contract's value.

You also miss out on opportunities to stop money leakage, such as when a lower service level becomes more appropriate. Technology that alerts you to upcoming contract renewal dates prevents the auto-renewal of costly contracts that are no longer needed. And without an awareness of key dates and milestones, your company could miss important obligations of its own, which can lead to disputes and the potential for costly litigation.

Better Business Outcomes through Contract Management Software

Understanding the factors that influence the economic factors of contract management guides you toward actions that lead to better business outcomes, including increased revenue and profits.

Removing bottlenecks and hindrances during the contract life cycle allow you to take advantage of fast-moving opportunities and speeds incoming cash flow. Controlling risk appropriately helps you prepare for, mitigate, and avoid additional costs. And, more effective contract performance monitoring protects the interests of your company throughout a contract's lifetime.

Parley Pro protects you from the negative impacts of these hidden economic factors, delivering advanced technology that bring greater efficiencies and reduce costs throughout the entire contract life cycle.