THE FOUR PILLARS *of* CONTRACT COMPLIANCE

INTRODUCTION

Achieving contract compliance is pivotal for organizations—not only to keep away from the legal risks involved but also to avoid financial losses, missed opportunities for revenue capture, and to minimize lost savings.

Ensuring contract compliance is one of the most talked about and sought-after goals for organizations. However, they often face a host of challenges in doing so.

The biggest challenge is contracts distributed globally across multiple disparate systems. Most enterprises today do not have a central repository to hold contracts. Organizations must consolidate their contracts across all their business units. The aim is to close process gaps and ensure visibility, as well as to validate the presence of relevant supporting documents.

It has been seen that the best in class organizations achieve up to 80% more savings than others through a set system of contract compliance!

This whitepaper discusses the four pillars on which the foundation of contract compliance stands. Ensuring the presence and solid foundation of these four pillars will, in turn, guarantee the attainment of your contract compliance objective.

These four pillars of contract compliance are:

- Repository, templates, and clause libraries
- Well-defined contract performance benchmarks
- Standardized workflows
- Audit system for internal processes

Read ahead for information on each of these pillars and learn how to establish them firmly in your organization.

1

REPOSITORY, TEMPLATES, & CLAUSE LIBRARIES

A consolidated, centralized repository provides secured storage for all contracts, agreements, templates, clauses, playbooks, and other supporting documents required by teams to ensure compliance. It is an absolute must to maintain such a repository in your organization. Ensure the repository offers easy search capabilities to allow convenient access to contracts and other contents.

Enforcing standards is pivotal to achieve compliance.
And
Standardized contract creation = Faster contract creation!

Drafting contracts from scratch makes authoring time-consuming and error-prone. Using configurable templates standardizes the contract language across contract categories and reduces the chances of errors. Establish a comprehensive library of pre-approved clauses including alternate and fallback clauses. Make important clauses mandatory and non-editable, as appropriate. Define templates and clauses as per different geographies, languages, and categories, to standardize the language and mitigate risks of violating regulations or skipping details, while also making drafting and negotiation quicker.

Standardizing is a continuous process. Set templates can create challenges when amendments and modifications must be made, especially during the preparation of customized contracts. Ensure regular updating of templates and clauses for any changes due to regulations, processes, or industry measures, under the guidance of the concerned domain experts with constant monitoring.

KEY TAKEAWAYS

- Maintain a centralized repository to store all contracts
- Define mandatory / non-mandatory clauses
- Define templates and clauses based on geographies and categories
- Ensure continuous updates to all clauses and templates by relevant stakeholders

2 WELL-DEFINED CONTRACT PERFORMANCE BENCHMARKS

The key step to demonstrating compliance is to be able to measure contract performance.

It is necessary to have *quantifiable* performance measurement across the organization with regards to the contract compliance process. This establishes transparency in the system and helps define targets. Having a quantifiable measure for contract compliance also helps to enforce entitlements and identify processes or business units which are underperforming.

The challenge is to establish acceptable parameters for measuring performance across business. Define Key Performance Indicators (KPIs) such that they are relevant to the success of a contract and can be easily measured and tracked periodically (preferably in real-time)—for example, milestones of payment, delivery, and quality of goods. Having measurable KPIs simplifies and quantifies the innately complex nature of measuring contractual performance.

In most organizations, performance data is entered manually and involves a large number of man hours. Modern CLM systems efficiently address this challenge by integrating seamlessly with enterprise systems such as ERP, CRM, HRMS, FMIS, and other BI tools. This ensures data is fetched in real-time and is readily available in the form of granular reports and dashboards. It helps mitigate legal and financial risks associated with erroneous contract terms, non-enforcement of clauses, and missing of contractual obligations.

KEY TAKEAWAYS

- Define measurable Key Performance Indicators
- Define transactional data sources to support the performance metrics
- Prioritize objective over subjective measurements

3 STANDARDIZED WORKFLOWS

Creating standardized workflows helps you achieve compliance for your contracts.

Standardized workflows not only accelerate contract authoring and approval but also ensure necessary input from all relevant stakeholders. The standardization of workflows is essential to reduce contract cycles and guarantee every stakeholder's involvement, thereby eliminating ambiguity and confusion.

The business-specific rules in workflow ensure that each step of the approval process—contract modifications, addition of supporting certificates and documents, and final approvals—go through the right people in the right order. This leads to lowered risks of skipping or violating crucial regulations.

The challenge is to bring all stakeholders together on a unified interface. This is successfully addressed by a Contract Lifecycle Management solution, which provides a common platform to all stakeholders with user-defined access. CLM also enables you to configure email / SMS alerts whenever a new contract comes to you for approval, further boosting the efficiency of the approval process.

KEY TAKEAWAYS

- Create standard workflows with set protocols and procedures
- Define hierarchies for approval process
- Ensure access to all necessary stakeholders during the contract authoring and amendment process

4 AUDIT SYSTEM FOR INTERNAL PROCESSES

Conducting audits periodically will ensure adherence to various contractual terms and conditions and reinforce timely fulfillment of obligations. This, in turn, will facilitate effective enforcement of penalty clauses (for missed milestones of payment, etc.), identification of opportunities for cross-selling and up-selling of products and services, and an overall prevention of financial losses.

But there's a major roadblock to efficient auditing—disparate data. Trying to consolidate and audit contract data spread across different geographies requires a huge effort.

CLM capabilities such as a centralized contract repository supports the establishment of a smooth internal audit system. The repository stores all your contracts and supporting documents such as regulatory approvals, insurance certificates, and more. It is easily accessible to designated individuals and offers various search capabilities such as the free text and metadata-based search, while also maintaining an audit trail of who did what and when.

To make things easier, organizations must determine several key parameters of the audit process beforehand: time, duration, frequency, objectives, contract types under purview, and so on. This will ensure audit preparedness among the employees, streamline the entire process, and hence produce better results.

Increasing visibility and developing the necessary infrastructure and organizational commitment towards contract compliance is one of the key steps in embracing best practices. Having a system in place which measures internal processes and puts in plain sight what needs to be done, helps in achieving it.

KEY TAKEAWAYS

- Develop necessary infrastructure towards contract compliance practices
- Maintain a searchable repository of contracts and supporting documents

CONCLUSION

Establishing a firm foundation for these four pillars is imperative to have fully-compliant contracts in your organization at all times. Using an automated contract lifecycle management solution (such as Ultria CLM) can help immensely in this regard. CLM solutions offer many capabilities that support the attainment of contract compliance and ensure it throughout the contract lifecycle. They automate the most common tasks involved in contract management while providing a simpler and more intuitive way of building contracts in the first place.

Contact info@ultria.com to get started on your journey to ensure compliance for all your contracts.

ULTRIA CLM MODULES

AUTHORING: Wizard-Based Authoring, Word Plugin, Configurable Templates, Version Tracking, Clause Library, Approval Workflows

REPOSITORY: Request Portals, Reports & Dashboards, Alerts & Reminders, Centralized Storage, User-Defined Access, Multi-Parameter Search

POST-AWARD ANALYTICS: Renewals Management, Obligation Management, CRM & ERP Integration, Performance Management, Regulatory Compliance, Risk Profiling

ABOUT ULTRIA CLM

Ultria CLM is built around an intuitive user experience, leveraging a comprehensive knowledge base, robust Artificial Intelligence technology, and encapsulates industry's best-of-breed processes and methodologies. Contract Lifecycle Management software from Ultria centralizes contract storage, tracks compliance across multiple dimensions, and reduces creation cycle time. Ultria can be configured to meet specific enterprise objectives to influence business performance through:

- Accelerated contracting processes and enhanced compliance across multiple legal and government regulatory systems.
- Enhanced stewardship, security, and continuity around important contract documents.

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