

The Metropolitan Corporate Counsel®

www.metrocorpcounsel.com

Volume 19, No. 10

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October 2011

Using Contract Automation To Improve Efficiency For In-house Legal *And* Business Teams

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BUSINESS INTEGRITY, INC.

Improving Efficiency – A Common Challenge For In-House Legal Teams

In-house legal departments are under constant pressure to “do more with less.” Yet, as the organization grows, the in-house legal team often does not. Over the past several years, as the economy has faltered, many legal departments have been forced to reduce head count, yet the level of work and demand on the legal team has remained the same or, in many cases, has increased. It is up to the legal department to figure out how to constantly provide better service to the organization by becoming more efficient. However, creating efficiency for the legal department alone is not sufficient. In today’s climate, it is essential that the legal department also create efficiencies that benefit the company and support its corporate goals. Doing so will enhance both the actual and perceived value of the legal department. Most corporate legal departments have implemented some measures to improve efficiency, yet they still struggle to meet the daily demands of the business that require legal attention.

An area of growing interest among corporate legal departments (and law firms) as a means of improving efficiency is the use of contract automation. After talking to several in-house legal departments, there appears to be some confusion or lack of understanding around what contract automation means in today’s market, possibly because there is

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a general assumption that it has limited use within the organization (e.g., solely to help the legal team create template agreements), or because purchasing decisions within the company are generally entrusted to IT or

procurement groups who do not have a clear understanding of how the legal team operates or how to help the legal team improve efficiency. Many in-house legal teams don’t use any form of contract automation, while some use methods like forms and macros or applications like HotDocs – and even fewer use full solutions like ContractExpress.



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“An area of growing interest among corporate legal departments (and law firms) as a means of improving efficiency is the use of contract automation.”

Manual processing of legal agreements is not only outdated, it is highly inefficient. In-house legal department processes are generally paper-based, requiring varying levels of administrative effort. On the drafting/negotiation side, even if the company has a base template to start with each agreement that is negotiated must be modified. Without automation, the attorney must draft the modified language on a case-by-case basis. Even if the company has established fall-back provisions, without automation, the approved fall-back provisions must be

cut and pasted into the agreement by the attorney. Once the drafting/negotiating has been completed, there is additional administrative effort, depending on whether duplicate originals are exchanged and whether hard copy files are maintained in addition to electronic files. In a manual process, someone has to track the return of documents, file them and/or scan them into a database. This can lead to confusion and can result in duplicate effort by different individuals all trying to track down the same documents. Depending on the type of system used for storing contracts (hard files/database, etc.), simply searching for an existing agreement can be a significant drain on valuable legal resources. The manual process puts business users at the mercy of the legal team, sometimes requiring them to jockey for position or compete for limited legal resources. When such confusion and inefficiency is visible to those outside of the legal department, it can have a negative impact on how the legal team is perceived by the business in general. As a result, it is not uncommon for legal departments to be perceived as the “deal prevention department” rather than as a valued business partner who can help facilitate business in an effective and efficient manner.

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What Is Document Automation?

Wikipedia provides the following definition for document automation:

Document automation (also known as **document assembly**) is the design of systems and workflow that assist

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in the creation of electronic documents. These include logic-based systems that utilize segments of pre-existing text and/or data to assemble a new document. This process is increasingly used within certain industries to assemble legal documents, contracts and letters. Document automation systems can also be used to automate all conditional text, variable text, and data contained within a set of documents.

Automation systems allow companies to minimize data entry, reduce the time spent proofreading, and reduce the risks associated with human error. Additional benefits include savings due to less paper handling, document loading, storage, distribution, postage/shipping, faxes, telephone, labor and waste.

This definition does a good job of generally summarizing document automation and includes some of the benefits of using document automation, but what does it mean from an operations standpoint in terms of improving efficiency, not just for the legal team but also for the business users, in a way that can significantly impact the company's bottom line?

How Can Document Automation Improve Efficiency For The Legal And Business Teams?

Historically, document automation has been used mainly by legal departments or law firms to enable the legal team to assemble template documents or to more efficiently use approved fall-back provisions during the negotiation process. However, with today's cutting edge technology, the face of contract automation has changed dramatically, and now the benefits of using contract automation can extend directly to the business users.

For example, Business Integrity's ContractExpress is a complete contract automation solution that not only allows the legal team to be more efficient in the creation and negotiation of contracts by using consistent templates and fall-back provisions, but it also, and perhaps more importantly, allows the business users to go directly to the customer without being slowed down by the legal department – without compromising the company's

risk tolerance.

Specifically, ContractExpress presents business users with an intuitive and easy-to-use, self-service, browser-based, business-orientated questionnaire, which has been configured to the company's business and risk tolerance levels. The automatic workflow at the heart of ContractExpress enforces compliance by allowing a business user to access an approved, signature-ready, locked PDF version of the generated contract if their answers conform to the company's standard positions. If the answers are non-standard (such as a request by the counterparty either for changes to the contract or relating to joint development or merger or other issues that could impact the company's intellectual property), the matter is routed with an alerting email to defined legal and/or business approvers.

Approvers can view and edit the user's answers and then approve, reject, or reassign to another approver. Lawyers can access fully styled and versioned Word documents generated from the user's answers for negotiation with the counterparty's lawyers. When legal review is required, legal is notified and gets involved; where no legal issues arise, the business user can proceed without ever having to speak with legal. As a result, business users receive approved contracts more quickly, freeing up valuable time for the lawyers to focus on non-standard, high-value matters.

Every step of the process is logged for audit and management reporting. Executed contracts and their matching answer files are exported to a SharePoint contract management site for searching, alerting and reporting. Overall, ContractExpress shortens the time to create and complete contracts, brings forward the time when revenue can be compliantly recognized, improves the service provided to clients, makes more effective use of experienced in-house attorneys and reduces dependency on outside counsel. Another key benefit is that ContractExpress provides immediate access on any day at any time – the business team no longer has to wait for someone in legal to be available to get the contract to the customer.

Corporations using ContractExpress to provide their business users with safe, self-service contract creation and management for NDAs, license agreements, and sales agreements include Cisco, Cadence, Microsoft, Pepsi, Henkel, AXA PPP Healthcare, and SolarCity.

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Share Your Experience – Participate In A Survey

Business Integrity is conducting a survey of in-house legal departments to gather additional data on the use of contract automation among in-house legal departments. The goal of the survey is to determine to what extent corporate in-house legal departments currently use contract automation, the type of contract automation used, and what efficiencies (for both the legal team and the company's business) have resulted from such use.

To participate in or obtain the results of the survey, please visit <http://www.business-integrity.com/contract-management-survey/>. Business Integrity will publish the results later this year in *The Metropolitan Corporate Counsel*.

Business Integrity will also be surveying participants on-site at the 2011 ACC annual meeting in Denver, Colorado on October 23-26, at booth # 718. The company will be showcasing its ContractExpress suite of products for intranet, extranet, SharePoint, and the cloud. For more information about contract automation and Business Integrity's ContractExpress solution, contact us at: (800) 569-2430 or sales.us@business-integrity.com, or visit www.business-integrity.com.