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# Guide to Digitalizing the Contracting Process

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# Introduction

**Over the past couple of years, a lot of progress has been made in deploying CLM and gaining efficiencies.** In the recent Pulse of Procurement survey, we found that the proportion of procurement organizations with some form of contract management solution stood at 63% in 2021. A contract management solution helps businesses centralize contract storage, track contract utilization & compliance, mitigate contract risks, and reduce contract creation cycle time.

But is it enough to automate the contracting process? While supply chains are recovering from the pandemic disruptions, we do not have time to send contracts and then wait a week for signatures. **Clients are realizing that a stand-alone contracting tool is not as useful and they need to deploy a contracting tool that is integrated with sourcing, e-procurement, e-invoicing, supplier management, etc. Only a few providers offer such a well-integrated tool:**

**The next phase in CLM involves**

- Advanced contract analytics
- Native eSignature tool for contract execution

**This white paper focuses on the latter.** It serves as a guide for businesses looking at contract automation and combining it with an e-signature solution to achieve greater synergies.

## Contracting challenges meet digital solutions

Contracts are usually visualized as either sell-side contracts (with your clients) or buy-side contracts (with your vendors). Even within the buy-side, the procure-to-pay process has use cases of eSignatures, e.g on a PR, or for invoice acceptance for onward discounting for financing it. Beyond this, employee contracts, internal memos & approvals, one-sided contracts (e.g entry into your office premise, authorization ahead of a medical process), etc. are use cases that often get ignored.

In each of these cases, while the actual contract drafting, reviewing, and finalizing is well addressed by the CLM tool unless the contract execution/signature process is addressed, we are leaving a large aspect of efficiency and risks open and on the table.

# Driving collaboration through contract management

The contracting process has always been a major point of discontent between procurement and legal functions within an organization. The goals of the legal department to achieve control and compliance often clash with procurement's objectives to build collaborative relationships with suppliers. This has become extremely pronounced now, that procurement feels that it needs to become a strategic value contributor pushing the business performance of the organization rather than simply focusing on getting the lowest price. A collaborative culture of contract authoring can be built using the right contract management technology, which can bring together the two functions and drive compliance and control while at the same time foster better supplier relationships, which in turn can deliver real savings with minimal risks to the supply chain.

## The need of the hour - Getting the right solution

The need of the hour is for the contracting process to enable collaboration between the procurement and legal functions rather than be a cause for dissent. At a strategic level, there is a growing need to redefine the relationship between the different functions in an organization. The contracting process needs to ensure:

- Real and incremental savings
- Improved contract outcomes
- Better process streamlining and compliance
- Mitigation of risks while taking advantage of dynamic market conditions and better renegotiation
- Proactive and collaborative management of change
- Powerful analytics that delivers strategic value

An ideal solution is one that streamlines all the steps of the contract management process. The solution should be able to create contracts with pre-defined workflows that not only incorporate feedback from all relevant stakeholders during the contract creation process but also take care of exceptions and approvals. The authoring process can be made easier and more compliant by having a central template repository that contains all pre-defined clauses. Legal teams should have access to this repository to continuously update the latest clauses and ensure that the organization has no unforeseen risk in getting into the contract. All contracts should be housed in a central repository where they can be tracked and managed. The contracts should also be easily available through simple search processes to ensure easy access to all necessary stakeholders. Contracts should contain well-defined service level agreements (SLA), which are transparent to suppliers. The contracts should be the basis of all supplier performance measurements and should be the guiding factor to defining the KPIs for all supplier performance management processes. Alerts should be configurable within the contract management system for tracking compliance both for users within the organization as well as supplier performance to contracted terms. Besides compliance alerts the solutions should also have alerts for contract renewals so that evergreen contracts don't get renewed repeatedly without the scope of renegotiation-something legal teams always have on their crosshairs. Contracting solutions should be able to match contracts with spending data to help track any maverick spend and in turn provide potential opportunities to save. Analytics should also be provided on supplier performance in terms of discounts adhered to and quality. Electronic signatures have to be mandatory for any contract management solution implemented and should be enabled during various stages of the contract creation and approval process.

# Reaping the desired results – Combining the synergies of electronic signatures and automated contracting

Electronic signatures are like traditional handwritten signatures, except that they are less prone to fraud as compared to handwritten ones. This ensures the protection of data and provides a controlled and seamless workflow.

The chances of losing a digital file are less as compared to a paper-based document. Digital signature solutions transform business by automating the business processes. The government's rules and regulations and therefore legal acceptance of digital signatures vary geographically. However, digital signatures are legally accepted and are becoming the norm.

Globally, governments are supporting the adoption of digital signature solutions because they create efficiency and security within the documentation processes. The Directive 1999/93/EC was implemented by the EU in 1999, and the U.S. passed the Global and National Commerce (E-Sign) Act in 2000 to grant such solutions legal validity.

The e-signature solution must be integrated with CLM, workflow tool, and e-invoicing/e-procurement tools. Integrations ensure ease of use:

- **With Request Management**

  Easy submission of requests by the business users to the signers with digital signing and progress tracking in real-time.

- **With Contract Management**

  Managing the signature workflow process through an integrated CLM and eSign offering makes it fast, efficient, and reduces the overall cost.

- **With Other Enterprise Applications**

  Solutions offering robust APIs for integrating with third-party business applications allow maximum synergies from a combination of tools.

# Benefits of Using Electronic Signatures to Sign Contracts

According to the International Association for Contract & Commercial Management (IACCM), 83% of legal departments face pressure to improve efficiency and lower costs. Electronic signatures are a quick and easy solution that addresses both operational efficiency and cost reduction. Few benefits of adopting e-signatures:

### Agility

The COVID-19 pandemic has made the digital ecosystem play a pivotal role in people's lives across the world. The global digital signature market is projected to reach USD 14.1 billion by 2026, at a Compound Annual Growth Rate (CAGR) of 31.0%. The global pandemic boosted the use of e-signatures because e-signatures allow users to business from anywhere.

### Speed

With electronic signature businesses greatly reduce the time it takes to execute agreements, eliminating the need to physically send contracts. With the reduction in the contract turnaround time, new agreements are completed and put into effect faster, which typically translates to recognizing value from the contract sooner.

### Productivity

Assuming you are already using Zycus's Contract Lifecycle Management solution, your employees will be able to save an additional 1-1.5 hours per contract by integrating Certinal e-signatures into the Zycus CLM. At an approximate employee cost of $40-60, and assuming a 50% value capture, each signature can save $20- $45 in terms of employee-related costs. Or put differently, the employee can gainfully use this time for more value-adding work instead of signing contracts or chasing up behind signatures.

If you are yet to implement Zycus CLM, the savings would be significantly higher.

### Real-time updates

An e-signature solution when integrated with a Contract Management solution provides real-time updates into where a contract is in the signing process. Users can also track who signed the contract, when was it signed, who still needs to sign, and the current state of the document. This also helps during audits.

### Risk Mitigation

Digital signatures reduce the chances of forgery and detailed audit logs prevent disputes. It is always a bonus to have an AIpowered eSignature solution that can highlight risk areas in contracts. An eSignature solution meets some of the most stringent global security standards — and complies with the U.S. ESIGN Act, UETA, and EU eIDAS Regulation. These legally binding agreements also come with a detailed audit trail.

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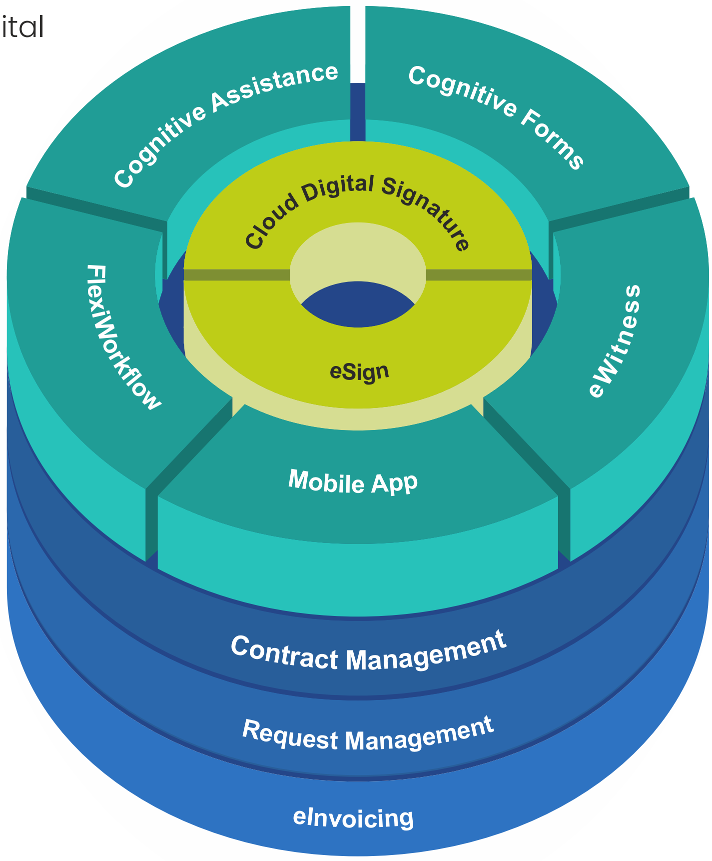


Certinal eSign is a future-ready Digital Transaction Management solution that provides trust, security, and compliance. It is committed to providing a one-stop solution to its customers' global regulatory compliance requirements for enterprise clients. It is compliant with various security standards confirming different regional regulations.

It is your trusted partner delivering the highest compliance standards across the industries.

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