

Is Your Contract Management Solution Putting Your Company at Risk

Description

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I find it amazing how many legal departments still manage contracts with email and Microsoft Word. Sure, some of them also use a document repository to organize contracts. And yes, this system might work. But is it safe? The truth is that a fragmented, ad-hoc contract management process puts your company's revenue and compliance on the line, not to mention it also increases your risk of unknowingly committing to unfavorable terms.

But if the consequences are so dire, why don't more organizations replace these inefficient and risky practices? Too many companies live by the policy of "if it ain't broke, don't fix it." Unfortunately, when contract management does break – whether through an audit, a compliance failure or a deal gone sour – resulting lawsuits and missed milestones can end up costing your company an arm and a leg in fines and other penalties.

Over the years, I've heard countless stories about contract management gone wrong and how contract management solutions have improved organizational efficiency. Here are five stories from real companies that demonstrate why you should take a more proactive approach to improving contract management:

1. Manual processes can't keep up. A small U.S.-based startup was experiencing exponential growth across the globe. But its legal department couldn't scale itself to keep up with the volume of contract requests, particularly those from international sales reps. Because legal reviews and approvals couldn't keep pace, rogue contracting sprang up, cornering the company into unfavorable terms in their contracts.

2. Information silos are dangerous. A midsize multi-divisional global company stored its contracts in various formats and in different offices. The company struggled to find agreements, let alone monitor the commitments or expirations they contained. In fact, this system cost the company hundreds of thousands of dollars in unnecessary payments when auto-renewal clauses triggered unwanted renewals. The company simply wasn't aware of the timing and couldn't notify the third party to cancel the contract in time. As if that wasn't bad enough, this company saw more problems when it tripled its size in a year as a result of several mergers and acquisitions. The acquired companies came with their own contract volumes, creating further need for a consolidated contract management solution to support this rapid growth.

3. Boxes are not a contract management solution. I once spoke with a company representative who was not shy to admit that his company's contract repository consisted of a filing room full of boxes

stuffed with paper contracts. Needless to say, his company struggled to manage renewals, amendments and other milestones.

4. Contract management greases transitions. The Great Recession forced many organizations into acquisitions or bankruptcy and restructuring. One such company filing for bankruptcy was required to submit various artifacts and data about active contracts and commitments for each of its global offices. Its contract management solution turned out to be invaluable in facilitating this process.

5. Contract management increases efficiency. A legal department was swamped with a heavy volume of contract requests from internal divisions. Worse, emails flooded in requesting status updates on the progress of those contracts. To alleviate this pressure, the company implemented a solution that created a portal to handle these functions. Now the legal department receives far fewer emails, as internal divisions submit contract requests electronically through the portal. Each request automatically drafts a new contract, and users can check the status of their requests in real time.

These stories illustrate how manual contract processes put revenue at risk and how automated solutions can remove risk and boost productivity. If your company is still using a fragmented, manual process, it'd be wise to be proactive and implement a scalable, enterprise-grade contract management solution.

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