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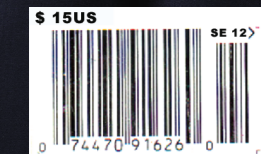
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 CIO REVIEW

## Three Game-Changing Technologies That Are the Next Generation in Contract Management

By Rebecca Thorkildsen, Director of Legal Solutions, Pangea3

Contract management technology is not new. Most law departments have repositories to store contracts they have drafted or reviewed, commonly using the department's document or matter management system or corporate intranet. When available, some leverage full-featured contract management systems. A few more progressive departments have spent time building template libraries or clause banks. These tools have their place, and when utilized consistently, can have meaningful impact. The real challenge with all these technologies, however, is that keeping them current and the data accurate takes time—a scarce resource in most law departments.

Contract management technology recently has made a tremendous leap forward, affording lawyers opportunities to mitigate risk while simultaneously becoming more efficient at contract review and archival. There is a burgeoning industry of providers with solutions that address a few of the challenges facing law departments with high volumes of contracts. However, very few offer tools enabling a large law department to develop a standard approach to contracting, minimize deviations in contracts and readily extract metadata.

### Creating a Standard

Any law department with high volumes of contracts understands the inherent benefits in developing a systematic approach to contracting. Using a consistent approach controls risks, helps to manage obligations and should accelerate the negotiation process. But trying to identify what that standard should be is incredibly tricky, particularly in global organizations or large, dispersed law departments. Some companies start by looking for a few good internal examples and then try to gather feedback from a wide group of lawyers.

Others evaluate a large collection of historical contracts and prepare an outline of

component clauses and sample language, ultimately selecting the best or most-used clauses. Because both approaches are time-consuming at best and easily can become adversarial as lawyers defend “my methodology,” many departments never make the effort.

Today, there are a number of game-changing technologies that enable a law department to create quickly an internal standard by evaluating large groups of legacy contracts. An example of one of these tools is KM Standards which was developed by lawyers who spent a lot of time trying to build model documents the old fashioned way and realized there had to be a better way.

An organization can collect a pool of its own contracts and run them through this new analysis engine. What comes out the other side is an outline showing all the clauses found within the set, the frequency with which clause types appear and the level of language variation amongst the same clause written in different ways.

The outline also provides an objective view of a company's historical approach to different situations and enables discussion about what should be in a model document and a consistent contract approach, based on fact rather than opinion. With the facts clearly stated, a legal team can achieve consensus on what clauses must appear, which are optional and under what circumstances they should be used. This standard can in turn be used to develop templates, clause libraries, checklists and playbooks to maintain consistency in preparing or reviewing new contracts.

### Maintaining the Standard

Once a department sets a standard, the lawyers now must maintain it. Certainly, providing a contract based upon the company's own template is the easiest way to start. But often, lawyers also must review contracts on third-party paper. Historically, the only way to spot deviations, issues and risks is to read every clause. However, even seasoned lawyers can't remember every phrase, approach and position the department deems desirable. This leads to contracts with substan-

tially varying positions and resultant risk.

There are a few tools that provide efficient means for comparing a new contract against a standard and highlighting key deviations from preferred positions. An example of one of these tools, resolve, shows which clauses meet the standard, which are divergent and which important clauses are missing. A good contract professional can zero in speedily on the issues, suggest language (from the clause bank) more desirable for meeting the organization's objective, and



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advance the contract to the next stage. When optimizing resources (e.g. pushing work to the best resource to perform the function), this tool ensures that the first-pass review, regardless of who handles the task, catches issues a lawyer normally would spot if performing the task alone. Most lawyers are happy to remove these mechanical steps from their day, focusing instead on the advisory activities around requests for exceptions or the legal strategy around complex contracts.

### Documenting the Results

In an ideal world, a company's contracts would follow the standards without fail. But industries change, business needs differ and the most progressive companies push the envelope. These situations periodically require variations in contract approach. Once Legal approves a deviation from a standard, the company must meet its obligations. For departments taking a more active role in contract risk management, maintaining a record of the executed contract and its obligations is a necessity. Traditionally, this means storing a copy of the executed contract. In some cases, law departments will extract key metadata. These tasks often are performed by brute force – data entry. There is a better way!

Technology-assisted metadata extraction is coming of age. In its simplest form, this technology identifies and extracts dates, names, numbers and other standard values found within clauses inside a contract. Though any automated extraction should be quality-checked, using technology to assist in the extraction process minimizes data entry errors and liberates professionals' time to perform



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higher-value tasks, such as summarizing complex provisions, performing due diligence activities or evaluating risk. Further, by enabling greater capacity to capture metadata, organizations now can turn the data into intelligence via reports, analytics or conduct rules prompting businesses to do something (e.g. meet an obligation).

This technology also is effective for auditing large groups of contracts to spot trends in deviations. This revolutionary process brings an organization full-circle back to the standards that govern the contract review. Legal can determine easily which clauses it has routinely allowed exceptions to a standard. Why spend time repeatedly reviewing and negotiating deviations, when updating the standard saves future time doing that? Plus, it keeps the standard evergreen.

These three tools represent a new trend in legal contract management. Creating a standard can evolve from an activity often requiring months of effort to one taking a few weeks or less. Contract review can be reduced from a week or more to just a day or two, and many steps can be allocated to lower-level resources or outsourced, giving lawyers additional capacity to perform higher-value legal activities. Most importantly, these technologies help drive consistency, identify variation and manage the risk when variation is necessary. Truly, the silver bullet of less time, lower cost and mitigated risk is a welcome change. [CR](#)

