



The Current State of Contract Management

2020

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Introduction & Survey Design

The purpose of this report is to provide a market view of the contract management space across industries. Its intended audience are those involved in the contracting process – from strategic executives such as Chief Legal Officers and General Counsels to more tactical staff members managing day-to-day legal operations.

This report can be used to provide a benchmark for how industry peers are handling contract management from a strategic standpoint. It includes findings on:

- How much time legal professionals are spending on different contract management activities, including drafting, signing, storing, analyzing, and locating contracts.
- What tools legal professionals are using to carry out contract-related tasks.
- Key trends and findings specifically around technology and the use of AI.

The findings of this report are based off a 2020 survey of 119 legal professionals. Participants represented:

- Individuals with roles ranging from CEO to General Counsel and Staff Attorney.
- Companies that are ranged in size from <250 to 20,000+ employees.
- Companies in industries including energy, professional services, and technology.

Key Findings

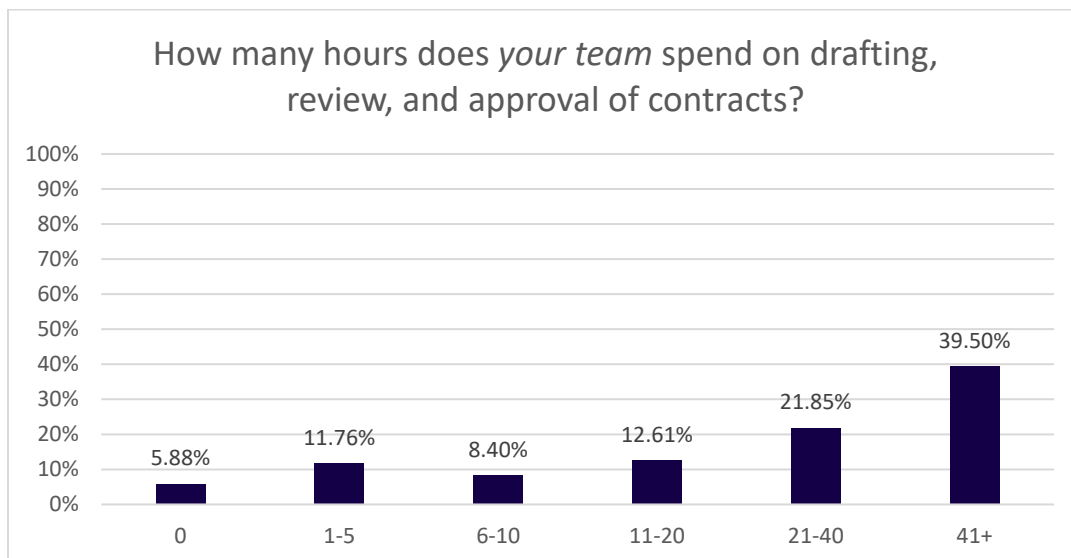
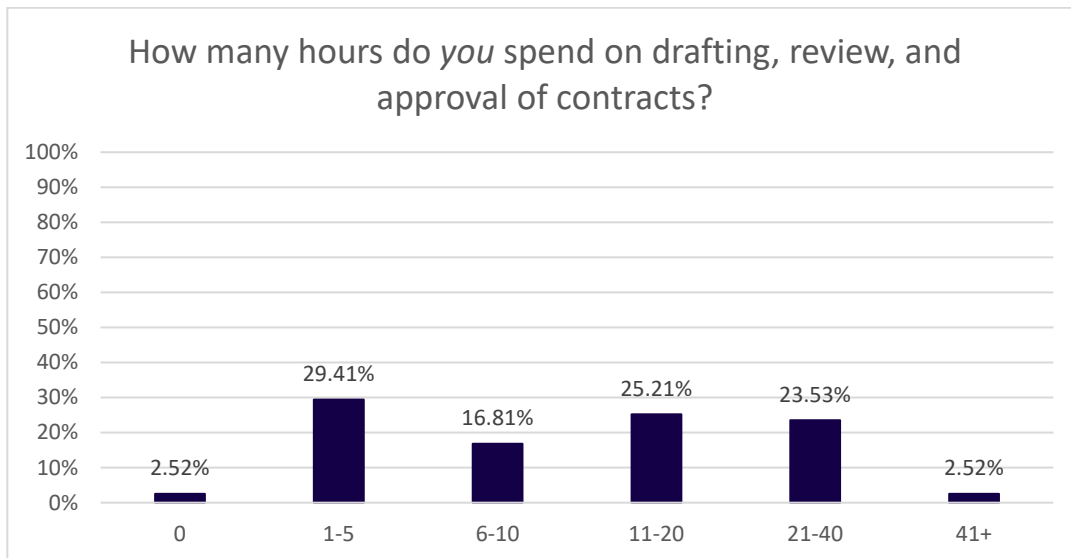
At a high level, the data from the survey told us that:

1. In the contract management process, **legal teams spend the majority of their time on the contract creation stage**. This is likely due to the fact that this stage encompasses the drafting, review, and approval of contracts, which can require lengthy back-and-forth exchanges. However, this may also be exacerbated by the dominant use of Microsoft Word rather than specialized contract management tools.
2. The market for contract management tools is generally fragmented – **other than Microsoft Office tools, respondents did not coalesce around specialized tools** for contract management.
3. The ongoing impact of **COVID-19 will likely encourage legal teams to be more efficient**, find ways to control budgets, and adapt to a remote work environment via greater adoption of technology.

1. Contract Creation

For the purposes of our survey, contract creation is defined as the process of drafting, reviewing, and approving contracts into final form.

Time spent on contract creation

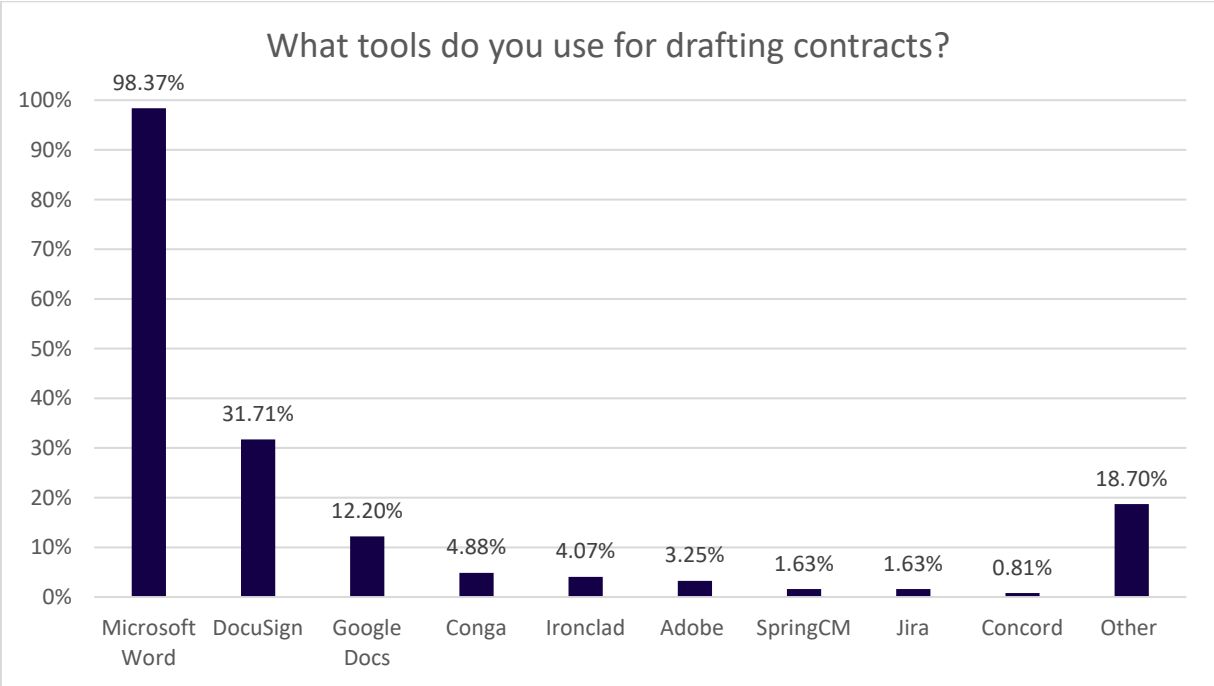


Response distribution for time spent on contract creation both for individual and team. (n=119)

According to the data, 40% of respondents reported that their team spends 41+ hours per week on contract creation tasks. This means that the equivalent of **one full-time employee or more is spent on contract creation.**

Of those surveyed, respondents themselves varied in how much time they individually spent on contract creation tasks, with a fairly even distribution across all answer choices greater than zero hours a week and less than 40 hours a week.

Tools used for contract creation



Response distribution for tools used for contract creation. Respondents were able to select multiple choices. (n= 119; total responses = 195)

Individuals surveyed overwhelmingly responded that they use Microsoft Word as part of their contract creation process with 98% stating that they use it. In terms of other tools that are being used as part of the contract creation process, it was highly fragmented: 32% use DocuSign, 12% use Google docs, and 19% use other tools, ranging from Plexus Gateway to self-developed tools. **Less than 5% of respondents reported using contract creation-specific tools** such as Conga, Ironclad, or SpringCM.

Of the 98% of respondents who use Microsoft Word, 60% indicated that they use at least one other tool. This suggests that Microsoft Word is ubiquitous in legal teams regardless of whether another tool is available. Notably, 38% of all respondents indicated that they use only Microsoft Word for drafting contracts. These firms are not currently investing in specialized drafting tools.

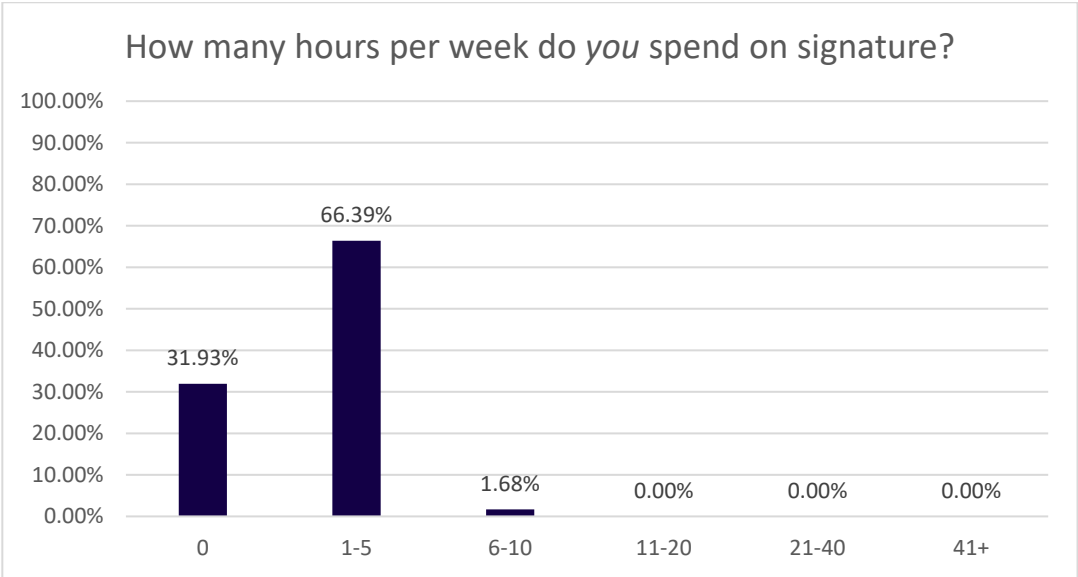
The lack of investment in specialized tools may be compounded by the back-and-forth required during this stage of contract management. Collaborating with teams outside the legal department to collect data, conduct reviews, and obtain approvals, may be a driving force behind both the time spent on this stage and the low levels of investment in drafting tools. If legal teams must work heavily with non-legal counterparts to draft contracts, it is simpler to employ the tools those non-legal staffers are already using.

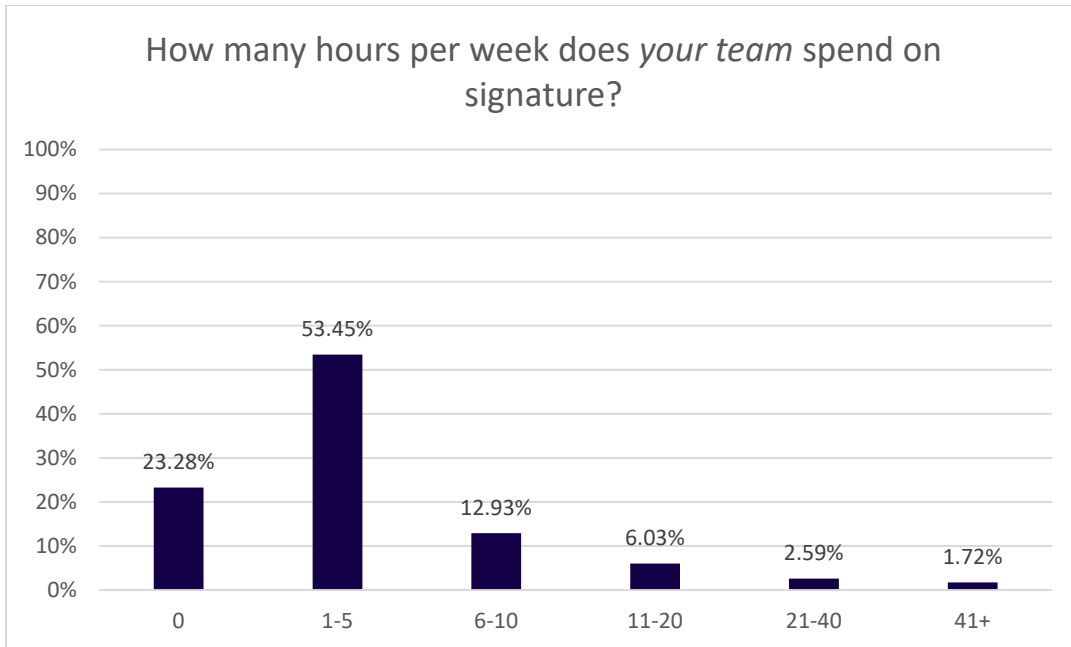
Note: At the time of the survey, LinkSquares had not yet launched their AI-powered CLM tool Finalize.

2. Signature

The signature stage of contract management is defined as the time spent coordinating each party’s signature on the finalized contract.

Time spent on signature

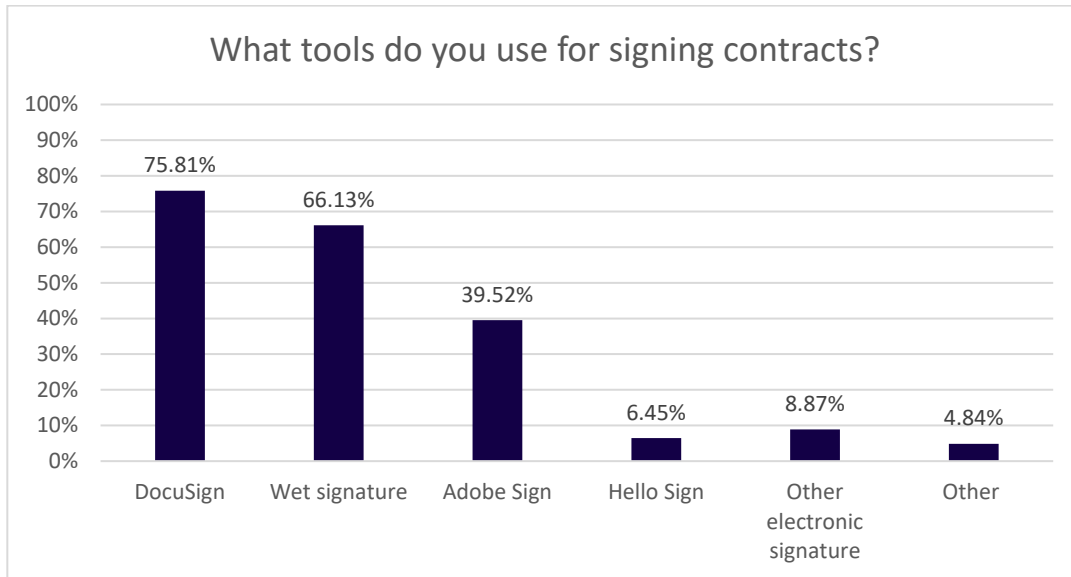




Response distribution for time spent on signature both for individual and team. (n=119)

53% of respondents reported that their teams spend the equivalent of half a day (1-5 hours) per week on the signature process. From the team perspective, the signature process generally appears to be less time intensive compared to the contract creation stage. Only 2% of respondents said their teams spend 41+ hours on signature per week, compared to 40% for contract creation. This is likely a reflection of the nature of the signature stage compared to the more intensive work of contract creation. However, this may also be driven by the greater use of specialized tools in the signature stage (graph below) compared to the contract creation, which is dominated by a non-legal-specific tool, Microsoft Word.

Tools used for signature



Response distribution for tools used for signature. Respondents were able to select multiple choices. (n=119; total responses=250)

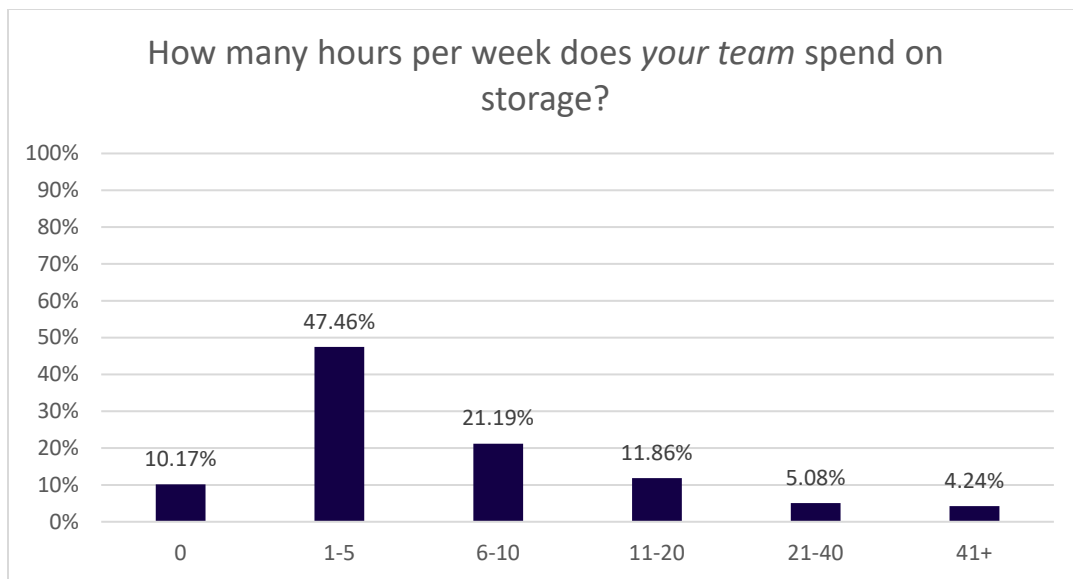
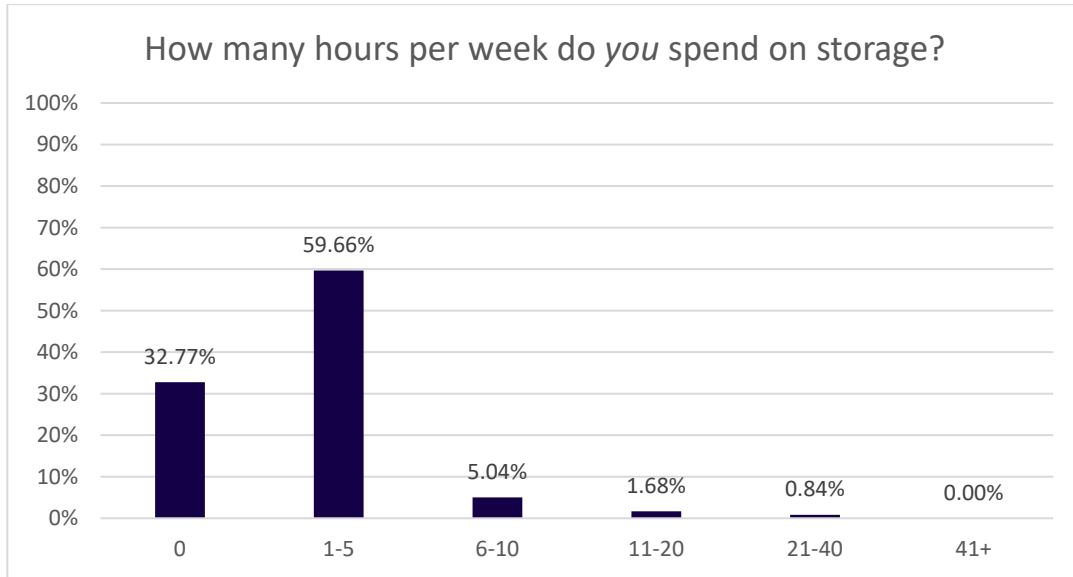
With 76% of respondents using DocuSign, 66% using wet signature, and 39% using Adobe Sign, a clear trend emerges of respondents using more than one method for signing documents. One reason behind this could be that legal teams are accommodating the preferences of external parties when signing documents originated outside their organization. For example, a company may use DocuSign for contracts they originate, but use wet signature for 3rd-party paper if the 3rd-party doesn't use an e-signature tool or vice versa. This is supported by the fact that only 7% of all respondents reported *only* using wet signature.

Among the specialized signature tools, DocuSign is leading the market compared to Adobe Sign and Hello Sign. The clear leadership of DocuSign suggests that legal teams may have coalesced around the tool, in contrast to other stages of the contract management process which are more fragmented.

3. Storage

Contract storage is defined as permanently storing finalized contract to facilitate easy retrieval.

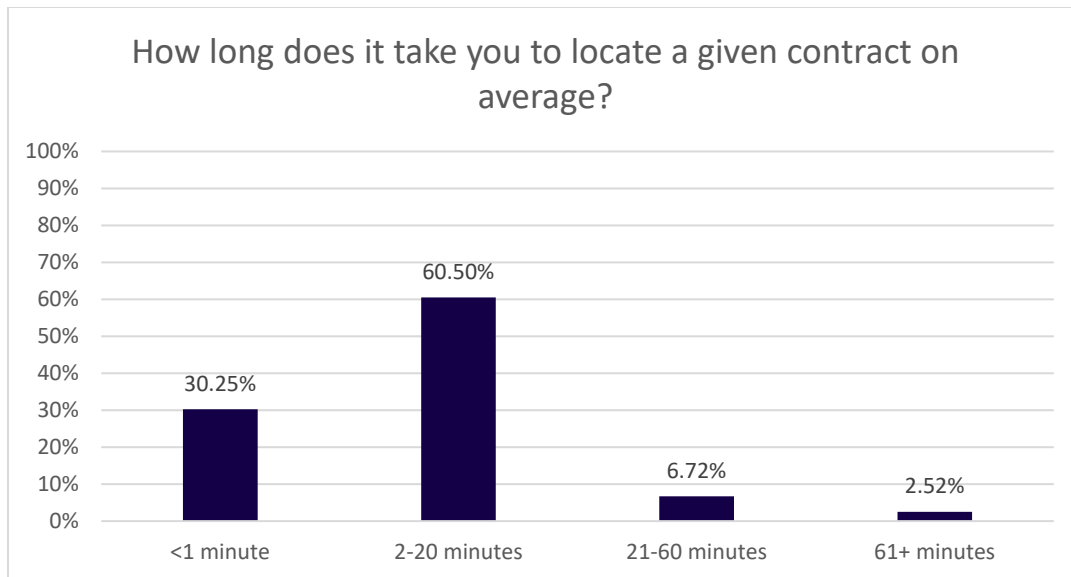
Time spent on storage



Response distribution for time spent on storage both for individual and team. (n=119)

47% of teams appear to spend the equivalent of half a day (1-5 hours per week) on storage.

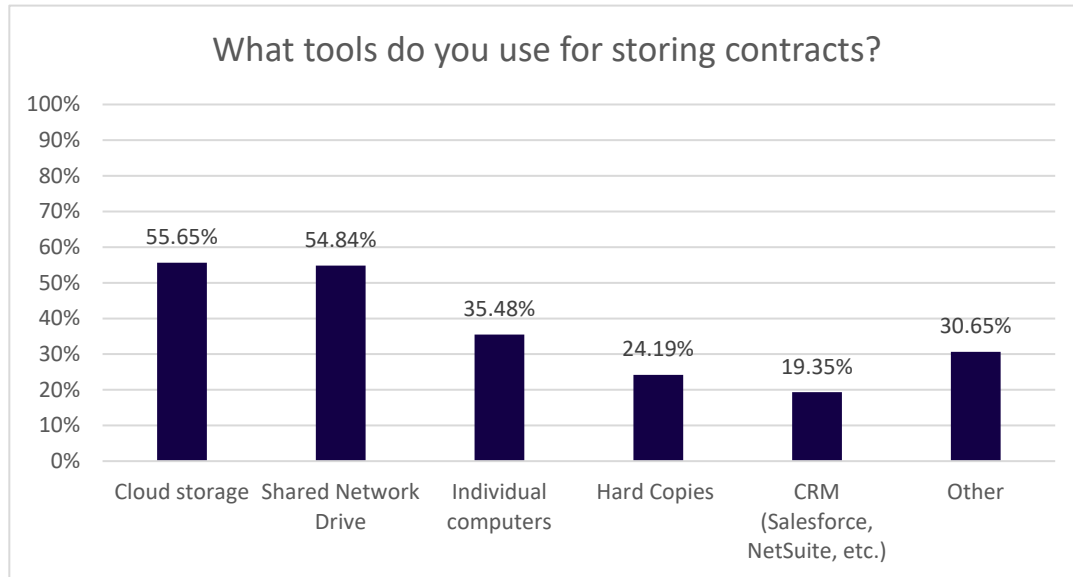
Time spent retrieving contracts



Response distribution for time spent locating a contract. (n=119)

61% of respondents reported spending 2-20 minutes to locate a given contract. About a third, 30% of respondents, reported spending less than a minute to locate a contract. Only eight respondents cited spending more than 21 minutes locating a contract (21-60 minutes, 61+ minutes). Of the 36 respondents who reported spending <1 minute locating a contract, 17% reported storing their contracts in hard copy form versus 24% of all respondents. Not surprisingly, there is a correlation between storing documents in hard copy form and taking more time to locate documents when they're needed. Storing contracts digitally makes them easier to locate.

Tools used for storage



Response distribution for tools used for storage. Respondents were able to select multiple choices. (n= 119; total responses=273)

The storage market is marked by the use of multiple locations to store contracts. 56% of respondents said they use a form of cloud storage, 55% said they use a shared network drive, and 34% said they used individual computers. The “cloud storage” category includes Google Drive, Box, Dropbox, and other cloud storage services.

Over 90% of respondents reported using 2+ tools for storing contracts. None of the 24% of respondents who reported using hard copies indicated that they *only* use hard copies; in most cases hard copy users reported using multiple other storage tools. These findings suggest that legal teams do not rely on a single method of storing contracts, and instead combine storage tools. This might be a result of diverse individual preferences and adoption of technology, the needs of external stakeholders, or a desire to store the same contracts in multiple locations for security reasons.

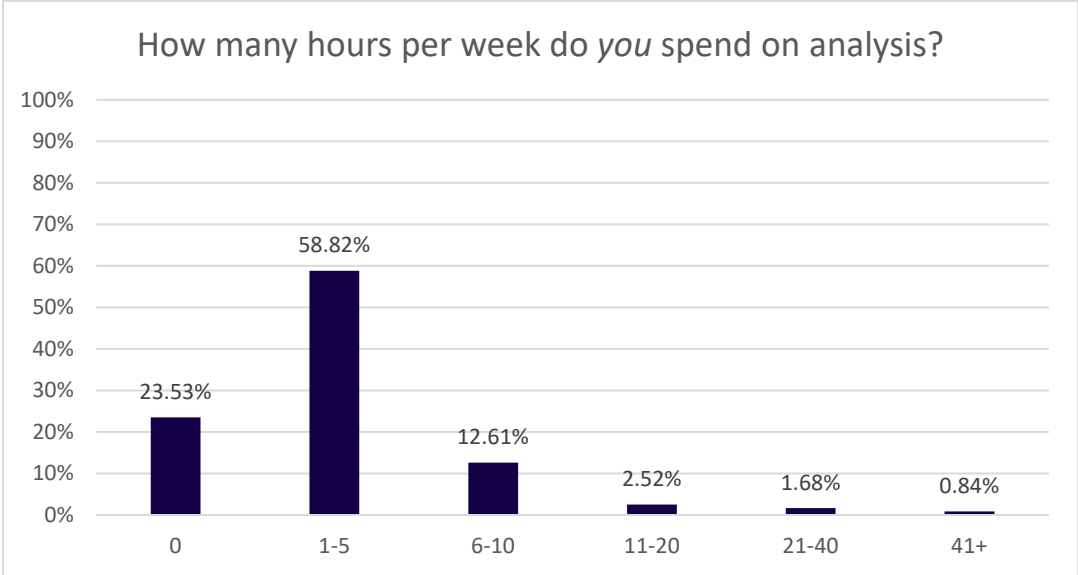
None of 35% of respondents who reported using individual computers use *only* individual computers. This makes sense – broadly speaking, the use of individual computers or hard copies exposes companies to risk. For example, if a computer is not backed up or a physical record is damaged or lost, there is no record of that signed agreement. Moreover, hard copies also present challenges for locating and analyzing contracts.

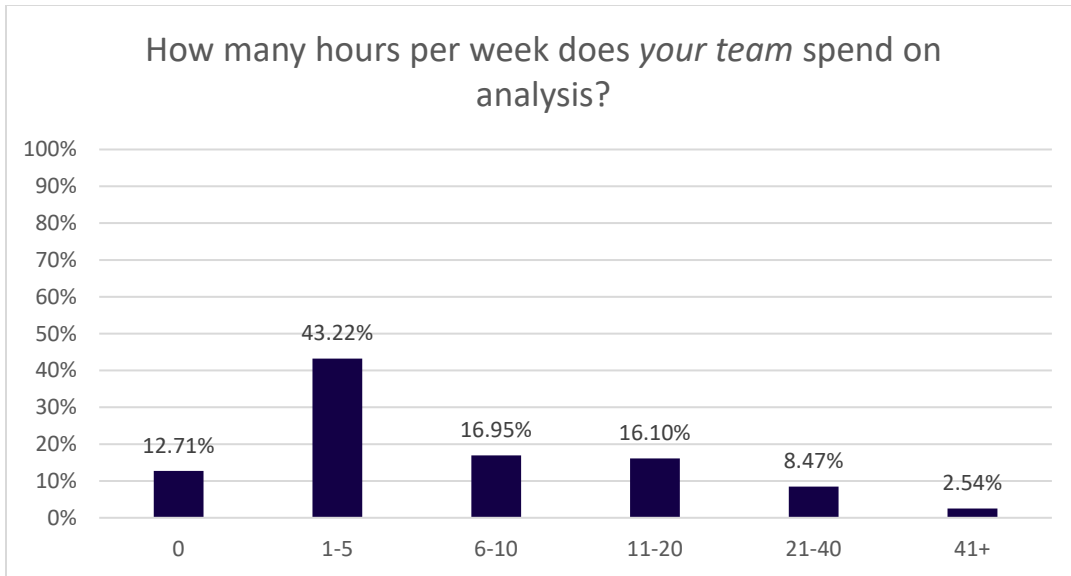
It should also be noted that a lack of centralized contract storage can present additional challenges for organizations when it comes to forming a clear, complete picture of everything that has been agreed to in the past. For example, during M&A activity or as part of a variety of other due diligence projects. Increasing the number of places that contracts can be stored (with none of them providing a “single source of truth” for all agreements) can make contract review difficult and sometimes incomplete.

4. Analysis

Contract analysis is defined as examining or reviewing an executed agreement to pull out key information.

Time spent on analysis

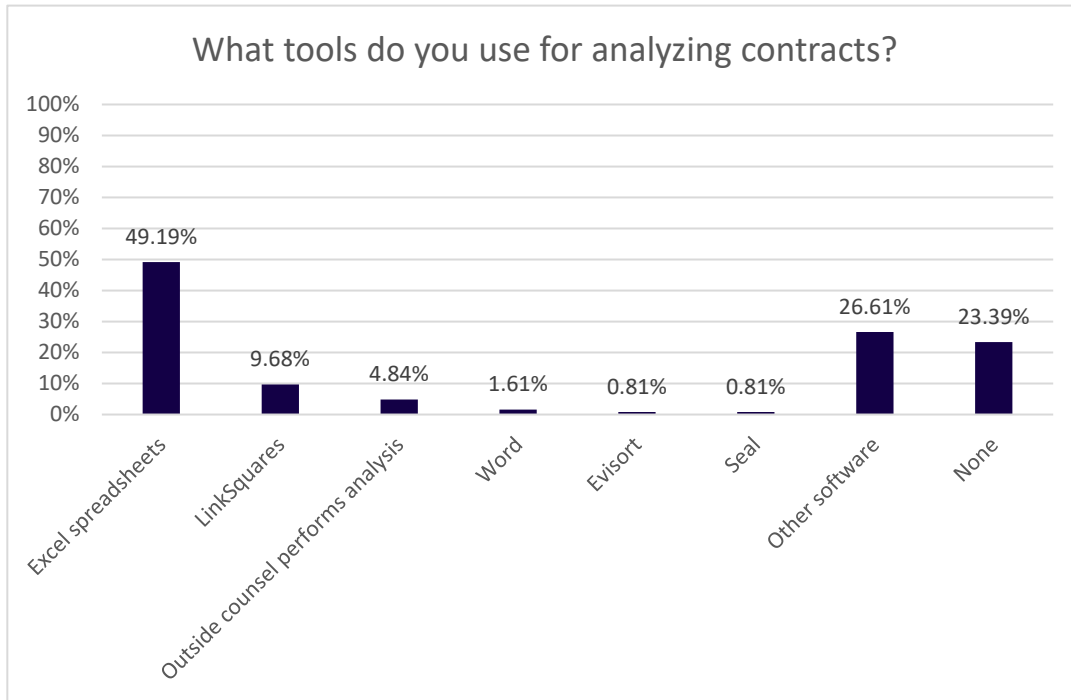




Response distribution for time spent on analysis for both for individual and team. (n=119)

43% respondents report that their teams spend 1-5 hours per week on contract analysis. This spread is similar to the storage and signature stages of the contract management process. At this stage, **49% of respondents are using Excel spreadsheets to track and analyze specific contract terms**. This often requires someone to read each contract and manually enter data from the contract into a spreadsheet for later analysis. From the survey, we saw that **teams cumulatively spend the equivalent of an afternoon in Excel each week doing analysis**.

Tools used for analysis

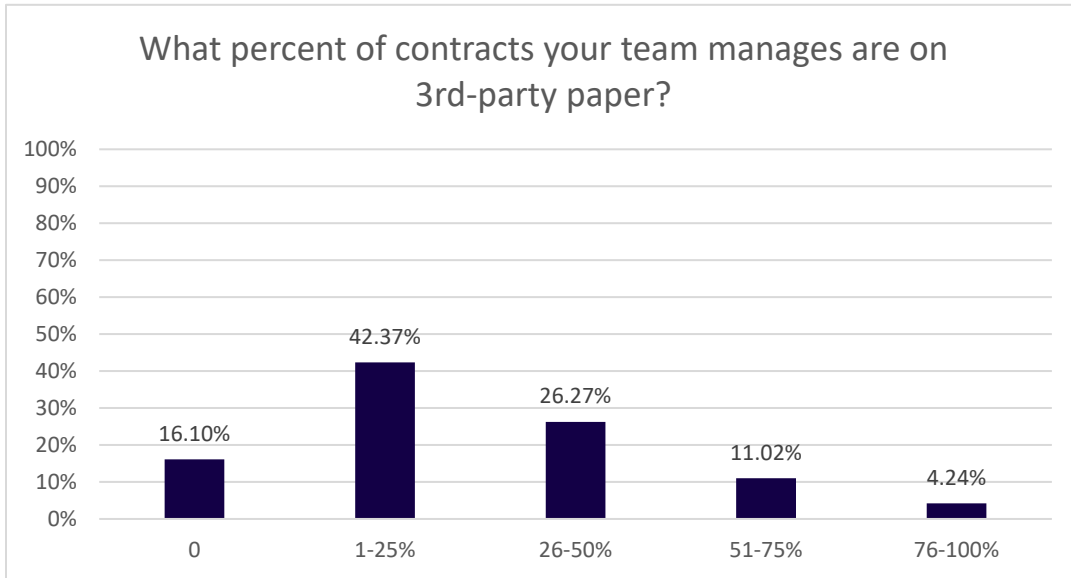


*Response distribution for tools used storage. Respondents were able to select multiple choices.
(n=119; total responses=124)*

The contract analysis market appears to be primarily centered around Excel spreadsheets (49% of respondents), with some investment in various software specific to contract analysis. Compared to storage, signing, and drafting, respondents selected fewer choices for contract analysis, indicating that a larger number of respondents only work with one tool rather than using a Microsoft Office product in addition to a specialized software. This contrasts with other stages of the contract management process in which respondents indicated they use multiple tools, such as DocuSign and wet signature for the signature stage.

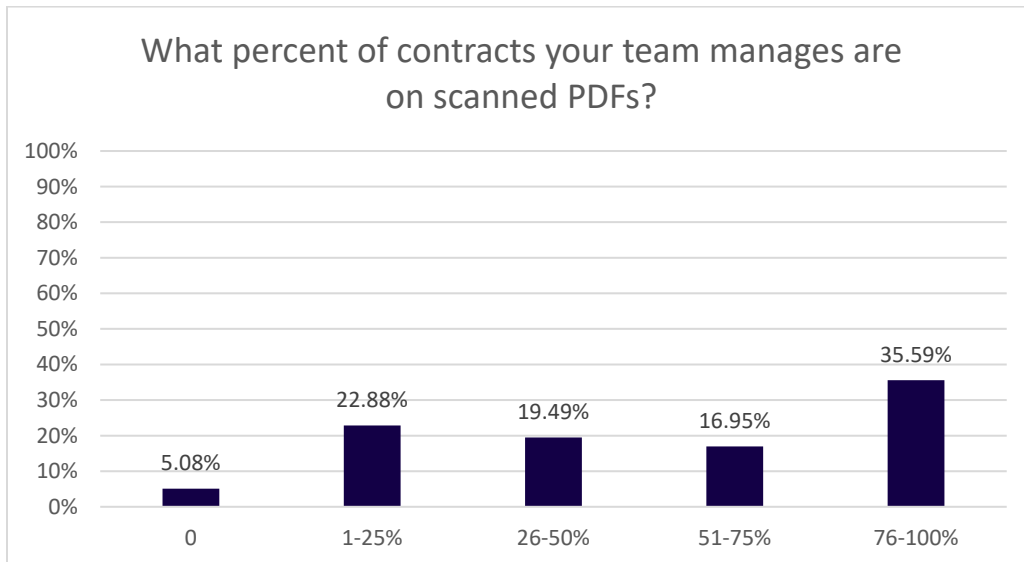
Notably, **23% of respondents reported that they use no contract analysis tools**, instead stating that they used “in-house attorney analysis” or “manual analysis.” Of this pool of respondents, none of them are currently using any artificial intelligence tools for contract management tasks, compared to 17% of all respondents (graph below).

5. Contract Format



Response distribution for contract format. (n=119)

85% of respondents reported that 0-50% of their contracts are on 3rd-party paper. Typically, companies prefer to have contracts on their own paper because in most circumstances, it means they enjoy more favorable terms in addition to quicker drafting, review, and approval.



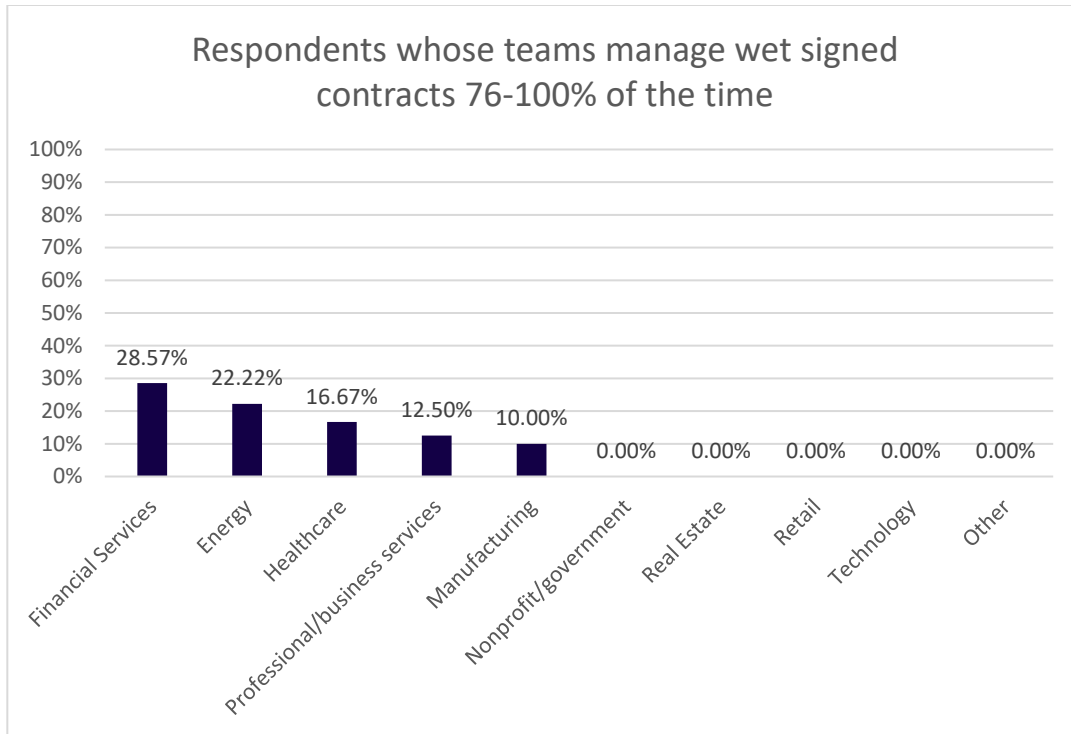
Response distribution for contract format. (n=119)

When asked what percent of contracts are scanned PDFs, respondents were somewhat evenly split. **53% reported that the majority of their contracts are scanned PDFs.** Scanned PDFs make for easier storage and sharing than physical copies of documents.



Response distribution for contract format. (n=119)

A little more than half (52%) of respondents reported that wet signed contracts represent up to a quarter of their contract database.



Response distribution for contract format. (n=119)

Industry may be a factor in the choice of contract format. Notably, 29% and 22% of respondents from the financial services and energy industries, respectively, reported that more than 75% of the contracts their team manages are wet-signed. These were the highest proportions of wet-signed contracts across industries (see below). The use of wet-signed contracts could speak to the level of regulation in those industries in addition to trends within those fields around use of technology in legal agreements.

6. Pain Points in Contract Management

In response to the question, “What are your biggest pain points in the contracts process?” respondents provided varied responses. Respondents listed pain points across the contract management lifecycle.

Manual processes

Manual processes are not just time-consuming for teams, but also can create additional opportunities for human error.

“In most cases, [collecting the data on the contract] is a very manual process that can be comprised of multiple people entering data and then someone like myself ensuring accuracy and updating as needed.”

- Contracts Manager, Tech Industry

“Making sure all approvals are in place before we start drafting [is a challenge].”

- Associate General Counsel, Tech Industry

Lack of consistency across organization

Legal teams also struggle with adapting to changes implemented by other teams that need to be carried through to legal documents and the contract approval process.

“Lack of consistent practices across business lines [is a problem].”

- Chief Legal Officer/General Counsel, Manufacturing Industry

“As a growing business, we're constantly offering new products and services, so our templates change often. We're also a global organization, so we maintain many different versions of client contracts to accommodate different languages and local laws. Also, ensuring that other areas of the organization have approved the deal (such as pricing, credit risk, compliance/KYC et al) before countersignature is a challenge.”

- Associate General Counsel, Financial Services

“[We have] [c]ontracts scattered everywhere in different drives across several departments.”

- Paralegal, Tech Industry

“[Our contracts are often] [r]eceived in format not permitting redlining or edits (in .docx or .pdf), received without all relevant documents (Exhibits, Supplemental conditions, etc.), wrong governing law affecting indemnity, insurance, and other risk-transfer language and analysis.”

- Senior Legal Counsel, Retail Industry

Back-and-forth/negotiations

The number of versions that a contract needs to go through between parties involved can be a time-consuming and cumbersome process for legal teams. Additionally, keeping track of all the different versions and sharing them can prove difficult.

“Contract storage and data retrieval, especially unique provisions and provisions of standard agreements that have been changed [is a challenge].”

- Senior Legal Counsel, Tech Industry

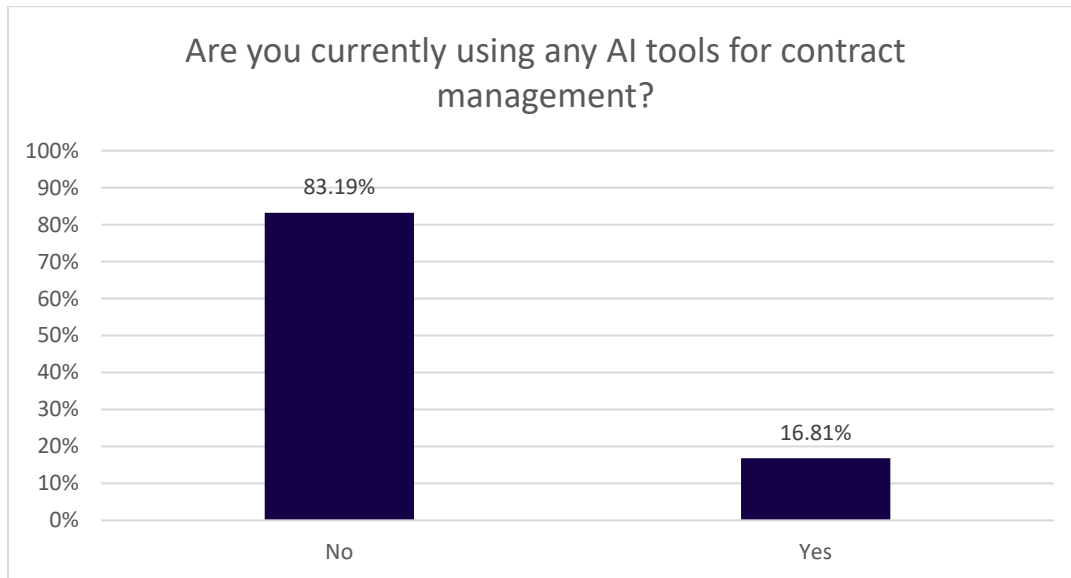
“Negotiation and data collection/reporting [are our biggest challenges]. Typical negotiations go through one or two intermediaries, a point of contact from either side, and the legal teams at the end points. Communicating thoughtfully and being thorough is often an issue, especially when you have someone that is not familiar with contracts involved. The second point is collecting the data on the contract (Effective Date, Renewals, \$ amount of contract, etc.). In most cases, this is a very manual process.”

- Contracts Manager, Tech Industry

“[Our challenges include] [d]etermining signature approval hierarchy; vendor responses; keeping up output with contract volume input; contract management system interface with eSignature tool; contract management system interface with ERP system.”

- Senior Legal Counsel, Healthcare Industry

7. Use of AI in Contract Management



Response distribution for use of AI tools. (n=119)

The vast majority of respondents (83%) said they are not currently using any artificial intelligence tools for contract management. When asked why they are not currently using any AI tools, responses fell into a few different categories.

Lack of awareness

Several respondents noted that there is simply not discussion about the use of AI tools for contract management at their firm. One respondent explained that their firm was “not up to date on how AI relates to contract management.”

“I do not believe it is a conscious decision not to [use AI tools for contract management.]”

- Legal Counsel, Manufacturing Industry

Lack of budget

For another group of respondents, the cost of AI tools relative to the volume of contracts their team manages is the primary barrier. One respondent cited the “prohibitive” costs. This pool of respondents may see the case for AI tools, but cannot justify the expense given the size of their team’s workload.

“I have looked into [AI tools for contract analysis] and the cost is too high for what is provided and not warranted for the volume of contracts.”

- Non-Legal Management, Retail Industry

Not seeing the business case for AI tools

A third group of respondents observed that they or their firms do not see the value of AI tools for contract management. A respondent described the reasoning as “cost principally, but also legacy resistance within the company.”

“I haven’t seen the utility [of AI tools for contract management] for our business.”

- Associate General Counsel, Tech Industry

Respondents who are currently using AI tools

Respondents who said they are currently using AI tools primarily cited the automation of manual or repetitive tasks as the reason why. In a resource-constrained environment, AI tools appear useful for legal teams that are looking to divert time away from rote or repetitive tasks.

“[AI is helpful] for scanning and tagging key contract terms. This helps automate our tasks, and allows us to report on contract terms for risk analysis purposes.”

- Contracts Manager, Tech Industry

“Yes, [we use AI for contract management] because it automates repetitive tasks.”

- Senior Legal Counsel, Tech Industry

8. Software Purchasing Plans

63% of respondents indicated that they are not planning to buy any software or tools for contract management this year. 37% of respondents said they planned to purchase a contract lifecycle management (CLM) tool or other software. Given that many teams have not adopted

specialized software for contract management, it makes sense that this is an investment that around 37% of respondents plan to make in the next year.

“[We are looking into] a ready database with contract templates, a way to streamline negotiations, automatic reminders for replies, perhaps even software that changes the language (insert a clause automatically), a way to get business approval clearly (checkmark or initials).”

- Legal Counsel, Professional/business services Industry

“Given current economics, [I don’t plan to buy any new software this year]. However, a contract management system is on my wish list, as is the “AI” contract drafting assistance software.”

- Chief Legal Officer/General Counsel, Retail Industry

9. Impact of COVID-19

Given the dramatic changes to the global business environment triggered by the ongoing COVID-19 pandemic, we asked survey respondents: “What are your legal team’s goals and initiatives in 2020? How has COVID-19 changed your 2020 business and legal priorities?” The open responses to these questions illustrated three likely trends in the contract management space going forward.

Streamlining internal processes

As a direct result of the economic contraction caused by COVID-19, legal teams see an opportunity to streamline internal processes and smooth out inefficiencies. In addition to needing to be “faster and leaner” as one respondent put it, legal teams see a need to “increase operational efficiency to avoid having to hire more lawyers.” Goals such as “cleaning up infrastructure,” “automating manual work,” and improving processes have risen in priority. That said, efforts to streamline come into tension with financial concerns around shrinking budgets, outlined more below.

“[My team’s] goals are related to (a) cleaning up infrastructure, and (b) improving processes. COVID has pushed those plans back as there has not been time to attend to them over the past 3 months.”

- Chief Legal Officer/General Counsel, Healthcare Industry

Transition to a more digitized contracts management process

Many legal teams who were already focused on adopting a more technology-enabled contract management process have elevated this priority as a result of COVID-19. As one respondent stated, “everything needs to be done online.” Part of this imperative stems from the rapid transition to a virtual work environment; part of it reflects the greater need for efficiency listed above. “The priority is now running the legal aspect of the business remotely,” one respondent stated, while another noted that “leveraging technology to improve efficiency, expanding internal resources and training, updating and improving [our] trade secret protection program, [and] increasing knowledge of cyber liability related concerns” are all 2020 business goals.

“[My team’s] goals have completely changed and the priority is now running the legal aspect of the business remotely.”

- Non-Legal Management, Retail Industry

Reducing spend on legal teams

While not all industries have been hit equally hard by the economic impacts of COVID-19, many respondents noted the fiscal pressures put on legal teams because of the pandemic. “My initial goals were to reorganize and improve the way contract review is done,” stated one respondent, “But COVID-19 has slowed down that goal and has likely limited the amount of money my company is willing to or can spend on implementing new AI contract management systems.” This trend is especially relevant in hard-hit sectors.

“Being in oil and gas, revenues have been hit quite hard and as such cost cutting measures are being implemented throughout the organization. My goal is to reduce legal spend by implementing AI, etc.”

- Chief Legal Officer/General Counsel, Energy Industry

Final Thoughts

Consider how your own legal team can most efficiently use specialized software to manage contracts. As shown in this survey, many respondents make do with repurposed Microsoft Office products rather than specialized tools for contract management. The result is an enormous investment of time -- equivalent, in many organizations, to the work of a full-time employee – in contract management processes. Thoughtful use of specialized contract management software can position teams to move towards a more streamlined approach.

In light of COVID-19, teams have shifted to remote work and may be experiencing a budget-constrained environment. This may be an opportune moment to evaluate how your team can “digitize” the contract management process.

Compared to firms of similar size in similar industries, how much time do you spend on each stage of the contract life cycle? This survey could support an effort to adopt new contract management tools and processes that create greater efficiency in your contract development pipeline.

Drafting, executing, storing, and analyzing your company’s legal agreements isn’t going to become less important during these uncertain times. If you’re spending more time and resources than your peers developing contracts, now is the time to address those inefficiencies with better contract management software. And if you’re already more efficient than your competitors, now is the best time to press that advantage by becoming even more effective at contract management.

About LinkSquares

LinkSquares helps legal and finance teams work smarter across the entire contract management lifecycle. Their AI-powered contract lifecycle management platform provides end-to-end support for contract drafting, as well as key insights and analytics into executed contracts. With their Analyze and Finalize products, in-house legal teams gain new transparency, capabilities, and tools to standardize and collaborate on the contract creation process. LinkSquares is the first easy-to-use contract lifecycle management platform built for enterprise-level security.