



# → Redefining the digital: Contract management in purchasing ←

White paper on managing contracts  
digitally with an ECM system



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The challenge:

# Growing numbers of contracts and increasing risks

Risks and the associated costs can only be avoided if you have an overview of all your contracts.



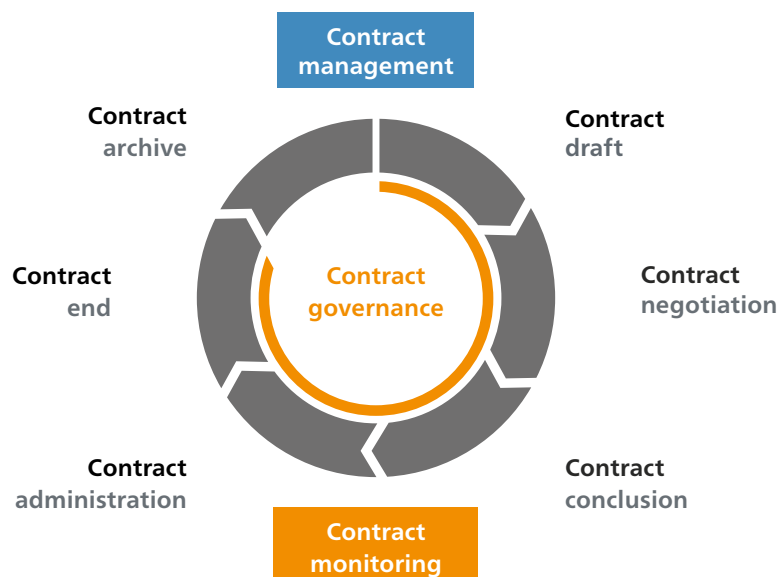
It is one of the purchasing department's main tasks to negotiate contracts minimizing all related costs.

## Risks include:

- > Termination and extension deadlines, limitation periods, leasing periods, supplementary performance deadlines, early-pay discount deadlines, etc.
- > Growing compliance requirements, for contracts with suppliers especially, as well as the current audit and General Data Protection Regulation (GDPR) requirements.

## A growing number of contracts...

From contract initiation and negotiations, to administration and governance, to contract archiving: It isn't easy to know what contracts are your responsibility and what they set out in every phase of the contract life cycle. The number of contracts increases continuously, and contracts often are not available to the responsible employees or departments in their entirety or at all, as they are spread across different departments or company locations. This makes it virtually impossible to ensure systematic, fast access to all required documents and information, not to mention keeping an overview.





The solution:

# Digital contract management with ECM as its foundation

This is where all company data and information converges.

A digital contract management system ensures professional handling of contracts. Combined with an ECM system, you are off to a good start.

Enterprise content management comprises all technologies, methods, and tools for capturing, digitizing, saving, managing, and providing all company information (documents, data, images, videos, etc.). It enables companies to optimize virtually all business processes. Those looking to digitize more than just their contract management, for example complete departments or the entire company, will have a hard time avoiding ECM systems.

## One central location for company information management

Some ECM systems can be extended with modules and interfaces to meet additional needs. Providers also offer standardized solutions for fast project implementation. Solutions can be intermeshed: not only can purchasing benefit from contract management, the HR department can also use the solution to manage its employment contracts and transfer them to a digital personnel file – provided all the software requirements are met.

### Why is that important?

Because an ECM system acts as a central data and information repository. It serves as the central location for company information management, rendering high-maintenance, cost-intensive standalone solutions and escalating administrative work unnecessary.

## It's all a matter of the interface

Numerous workflows and automatic processes within an ECM system ensure collaboration between departments fully automatically without forcing employees to switch programs. The required information is generated from the interfaces between the ECM system and the commercial applications, groupware, accounting programs, ERP systems, and business applications.

This is the only way to automatically capture and process the relevant data for a digital contract management system. The volume of data also has to be considered: Companies have thousands of contracts to manage and keep track of. This is where a fast ECM system comes into play, allowing you to file your contractual documents in compliance with law while providing you access to them company-wide.

The benefits:

## What does contract management software do?

More than just a digital repository: Contract management software streamlines business processes.



Digital contract management captures all contracts and their associated data, saving all this information to a central, revision-controlled contract file. To ensure improved organization and transparency, the contract file is created with a predefined structure.

You can add all documents belonging to the contract (e.g. drafts, correspondence) to the contract file via drag-and-drop. Newly negotiated or concluded contracts can be created right in the contract management program with the help of numerous assistants, specifications, and sample contracts.

### Simple, automatic filing

A good ECM solution makes all of this a breeze. The software also offers some fully automatic filing functions through tiles, as you may be familiar with from Windows

10. These tools, usually included, speed up and simplify filing significantly. You save valuable time while reducing potential sources for error.

Additional sidebars on the contract management software desktop are especially advantageous. Here, you can create customized filing tiles (e.g. for contract files) that you can extend and assign additional functions. Once configured, you can then drag e.g. a contract draft to the tile and the rest is automatic: The contract is assigned the correct metadata (generated by the ECM interfaces) and filed to the right location based on the filing tile configuration.

## Simplified collaboration with the document feed

As everyone who has permission can view the contracts and documents relevant to them at all times, this often results in questions, comments, suggestions, etc. Good ECM systems offer a document feed function for this, available in practically all forms, even in mobile applications. A sidebar in the form of a feed right next to the contract document allows users to discuss the document.

Feed posts are controlled entirely by means of permissions, meaning you can configure who is able to read them. You can also mention other colleagues, who then see your feed message, or create feed polls and much more. In this way, you can quickly communicate with everyone involved without having to send an e-mail, reducing e-mail correspondence significantly while saving space on the server and simplifying collaboration.

## Visualization: stay on top of governance

With a contract management solution, the entire life cycle of a contract is available practically at the press of a button, including all dates, deadlines, documents, notes, logs, and even change histories. This allows departments to stay informed and improves contract governance. A good contract management solution will also offer a dashboard for visualization. These custom-configured display options give an overview and analysis of all contracts and associated data (status, obligations, etc.). For example, you can open pie or bar charts to see which current contracts are in the repository and what tasks are pending all with

🔍 Search feed

Subscribed



**John Smith** has marked the contract as concluded.

Comment: Agreement reached with contractual partner.

36 minutes ago

Enter a comment



**Megan Wallace** has initiated negotiation.

One hour ago

Enter a comment



**Megan Wallace** has approved the contract.

Comment: Reviewed contract conditions again.

the click of a mouse. Set up payment plans, track financial transactions, and create reports or analyses.

**You may recall:** The ECM system accesses all company information through its interfaces, so these informative reports are created quickly, helping you tap into your resources fast.

## Deadlines and due dates at the press of a button

A reminder function integrated into the contract management software notifies you of contract terms, termination deadlines, and much more. But is that enough? Not really – keeping a rein on all this information requires an ECM system, which offers a structured overview of important deadlines or due dates in a calendar function, all at the press of a button. Much more than just a reminder function! An example: A timeline gives you full visibility into relationships between contracts. If you have taken out a long-term lease on a car for an employee with a temporary contract, for example, you can quickly compare renewal dates and deadlines.

## Minimizing contractual risks: comparing contracts for consistency

One crucial task of contract management in reducing risks is to ensure consistent contractual relationships: comparing customer contracts with supplier contracts to ensure they are based on the same conditions and terms (e.g. payment terms, guarantee periods, liability for delays, damages, lump-sum compensation). Differences or gaps in coverage in contracts in the supply chain can have negative financial consequences, for example if a recourse fails because a customer contract has a longer guarantee period than the contract of the supplier at the base of the warranty claim.

## Find documents faster with powerful search functions

With its wide range of search functions, an ECM system in the background helps you find documents faster and easier. Why? Because you can search for metadata, and not just the name. You can find what you are looking for even if you are no longer sure of the exact name or what kind of contract it was. The numerous search functions allow you to search for keywords, dates, contract numbers, hashtags, or anything you can remember. It doesn't get much easier than that.

## Define users and permissions: Control access conveniently applying a rights concept

Contracts contain sensitive data that must be protected from unauthorized access. An integrated permissions management system lets you assign unique roles so that you can control who has access to what. For example, purchasing can give the legal department exclusive access rights during the negotiation process for review, minimizing contractual risks as far as possible.

## Automation: The software takes the work out of it

The contract management software doesn't do all the work by itself – it helps you stay organized. Generally, you have to scan all contract documents available in paper form, enter the relevant data (deadlines, term, etc.) into the corresponding forms, and finally file them to the right location or based on the program specifications.

ECM systems offer tools to automate this process. Once configured, these tools can classify the scanned document, meaning they can recognize the document type (e.g.

a contract). Next, the document undergoes full text analysis to filter out information required to keyword the contract document, which is automatically entered to the relevant index fields in the keywording form. The document is then filed to the right location in the repository (filing path) via the preconfigured keywording form. Programming skills are only required to set up the contract management software (and the ECM system), offering a quick return on investment overall.

## The right contract management software:

# What really matters!

There are plenty of digital contract management solutions on the market. The following checklist will show you what really matters.

Of course, the software functions a business needs also depends on the company itself and its requirements. But remember: Your company is continuously growing and some functions are must

haves! Data transfer from common Office programs, a full text search function, interfaces to other systems (ERP), and much more – Here, you will see how digital contract management sets itself apart.

### Contract management software should...

- ✓ be connected to a **future-proof ECM system**.
- ✓ be **user-friendly** and easy to understand with a self-explanatory user interface.
- ✓ meet **legal and regulatory requirements**, enabling compliant contracts and minimizing risks on contract conclusion.
- ✓ **support** heterogeneous **contract landscapes** in purchasing.
- ✓ offer a **full text search function**.
- ✓ have a **filter function** to narrow down contract-relevant information for structured handling.
- ✓ process scanned documents using **OCR text recognition**.
- ✓ apply **data** from standard **Office programs** (MS Word or MS Excel).
- ✓ offer **version control** so you are always accessing the latest version.
- ✓ allow flexible **customizable date and deadline management**. The reminder function not only warns you of upcoming contract deadlines. It also reminds you of important dates, such as **contract audits** performed at regular intervals, or of required credit limit changes, for example.
- ✓ have a **workflow** function that notifies the responsible staff by e-mail of expiring conditions (possible renegotiations), for example. If the employee does not respond within a defined period, the system automatically escalates the task (another employee or the supervisor is informed).
- ✓ can **define contracts as framework contracts**. All the subcontracts belonging to a framework contract are then easily identifiable.
- ✓ offer **flexible user administration with a permissions structure** to ensure only authorized employees or departments can access data. The type of access (e.g. read only, read and write, full access) should also be freely configurable for each contract type. This allows employees from external departments or external users, such as auditors or budget analysts, to be given read rights.
- ✓ offer an **interface to the ERP system**. Supplier and customer data is kept up-to-date automatically and at all times.



Bottom line:

# Contract management can be so much more!

With a digital contract management system, you can take charge of all types of contracts across their entire life cycle. Generally, the solutions offer a standardized, best practice procedure for each phase of a contract, from requesting a contract and creating a first draft through to the final version and archiving. But there are software solutions that are extremely user-friendly, requiring little or no training, and others that aren't. Make sure

to seek expert consultation. When selecting a contract management software, you should pay close attention to the associated ECM system and its interfaces to the IT systems already in place at your company. What's important is for the ECM system to seamlessly integrate with existing ERP and CRM software. Only then can you unlock the full potential of contract management software for a future-proof investment.



White paper

# Digital contract management in purchasing

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More information:  
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