



## AccuDraft Rewrites Contract Automation

*Takeaway: Leveraging an on-demand model for contract automation, AccuDraft targets a primary inefficiency in the contract process – the authoring of the document itself. With AccuDraft’s standards-based DocsEngine portal, businesses remove the biggest roadblock to contract creation – the attorneys themselves – by enabling deal generators to develop contracts at the point of contact.*

Contracts: They’re the crossroads of business, the points where the buy side and sell side intersect. They dictate the most intricate terms of this buy-sell relationship – encompassing all aspects of the who, what, when, and where – and, given the prominence of their role, must withstand microscopic scrutiny. Yet even highly successful companies continue to rely on manual processes for not only the creation of these legal frameworks, but the management of their entire lifecycle.

It’s an extremely risky and costly approach, considering the amount of business governed by contractual agreements: According to estimates by the Aberdeen Group, somewhere around 80 percent of business-to-business deals are predicated on some kind of contract, while Goldman Sachs estimates that U.S. companies incur between \$25 billion and \$30 billion in hard costs annually managing their contracts.

For large companies, which may have tens of thousands if not hundreds of thousands of suppliers and customers, manual contract management processes simply can’t scale. What’s more, the inherent complexities and costs of contract management – coupled with increasingly stringent and scrutinized regulatory compliance requirements – mean a reliance on manual processes hinders any business whose livelihood depends on contracts. These pressures have more and more businesses implementing contract lifecycle management (CLM) and enterprise contract management (ECM) systems that automate cradle-to-grave contract processes, or deploying point solutions that automate specific aspects of that lifecycle. Such systems access and store all information pertinent to the creation and management of individual contracts – language pertaining to pricing, effective dates, term lengths, compliance across functional, vertical and geographical sectors, and a host of other criteria – and can increasingly integrate with enterprise resource planning (ERP), customer relationship management (CRM) and other back- and front-office databases to optimize transactional and analytical data for supply-chain improvements.

Conventional wisdom behind in-house CLM implementations has suggested they be incorporated into a larger knowledge management infrastructure, leveraging natural language, keyword, Boolean, decision tree, associative, autoclassification, categorization, and other search and classification technologies to mine data with the intent of translating it into meaningful business information. Indeed, organizations that have adopted enterprise CLM systems have invested hundreds of thousands of dollars deploying and integrating them into their IT infrastructures. Yet, while those with the financial wherewithal can see significant returns on investment from the automation and management of their contract lifecycles, they typically fail to address one of the primary inefficiencies hindering the contractual development process, and no surprise – it’s a people issue. In this case, the roadblock involves the gatekeepers of the contracts themselves – the corporate and independent counsel who oversee the legalities that contracts comprise.

Because contracts represent legal agreements between two or more parties, attorneys have traditionally been involved in every step of the contract management process, from proposal development, term negotiations and drafting, to review, revisions and renewals. They’re required to manage existing and ever-evolving agreements, while drafting new documents and pushing them through the approval cycle. The level of oversight demanded means that one of the most important steps in the contract process – getting one into production – is necessarily compromised. In many cases, the people generating business end up sitting around waiting for legal counsel to draft contracts when they could be pushing them toward the bottom line.

The depth and breadth of attorney involvement is an ongoing problem even for those who have automated all aspects of their contract lifecycle, and a potential business killer for those who haven't. Compliance issues alone are demanding more attention from legal departments: In 2005, organizations will spend nearly \$15.5 billion on Sarbanes-Oxley, HIPAA, and other compliance-related initiatives, according to AMR Research, and around \$80 billion over the next five years. Attorneys must free themselves where possible from time-intensive paper-pushing activities so they can concentrate on the increasingly complex legal issues dictating business relations.

Enter AccuDraft, an on-demand contract management solutions provider that's turning the traditional contract creation paradigm on its head. Through years of experience as an on-demand pension document solutions provider, the company has identified and addressed one of the most prominent inefficiencies in the entire contract lifecycle – the process surrounding the creation of the document itself. AccuDraft believes the problem with the majority of CLM offerings and similar point solutions is that they're predicated on the assumption that a contract already exists, at which point they take over, handling management, storage and retrieval duties within a knowledge management infrastructure. In short, vendors of these kinds of product sets largely accept a business process that presents a leading roadblock to efficient contract management – the need for legal counsel to involve themselves with contract creation. And it's this step in the contract management process that's most amenable to change.

Through its on-demand DocsEngine portal, AccuDraft effectively turns attorneys into publishers by pushing contract authoring to the multiple points of entry every business has – corporate and independent sales representatives, original equipment manufacturers (OEMs), value-added resellers (VARs), contact center agents, and other sales-related constituents – so that the contract process can begin at the point of contact, through the people responsible for generating business and ultimately, revenues.

With AccuDraft's approach to contract management, anyone generating business can simply log-in to the DocsEngine portal, and using templates created specifically for their organization, generate a contract. DocsEngine templates incorporate sophisticated business rules that dictate what elements need to be included in any contract, ensuring that if the author doesn't follow prescribed routes or tries to incorporate elements that would make agreements non-compliant, he or she is redirected to take the appropriate steps. Via this business logic and an intelligent workflow, authors are directed through the contract creation process, taking advantage of free-text data entry, specified pick lists, check boxes and other streamlined data entry mechanisms that ensure compliance. For example, if an agreement has a pre-pay requirement in place, the system could automatically direct the author to complementary elements – a selection might dictate that all financial transactions be conducted through wire transfers – and generate the necessary language within the contract.

Not only does the framework speed creation, but the streamlined interface and predetermined business rules mean anyone can utilize the DocsEngine system, allowing attorneys to remove themselves from the authoring process. As the contract process proceeds, they get involved as required, giving them more time to focus on their organization's core legal issues. Meanwhile, the deal generators, who traditionally go into stand-by mode while attorneys busy themselves with contract creation, can concentrate on their own competencies – driving new business.

## On-Demand Answers Immediate Demand

AccuDraft understands that introducing contract automation efficiencies dramatically improves the way businesses work with customers and partners. Not only do AccuDraft customers expedite contract processes but they ensure they follow regulations during a time when compliance can mean the life or death of a business. Staying compliant with an ever-evolving mix of regulations becomes particularly difficult during high-yield sales cycles – for instance, during the last quarter of the fiscal year – when companies in certain sectors sign contracts representing as much as 60 percent of their annual business. During this hectic time, it's even more difficult to provide the scrutiny needed to obviate errors and ensure compliance, making automated contract creation and management even more critical.

The problem is, while some Fortune 1000 companies can afford to purchase IT-intensive CLM solutions and spend the time integrating them into their infrastructures, many reach a critical point when they realize they need to do something immediately and can't afford to weather a long implementation cycle. Meanwhile, there's a huge and underserved market of small and mid-sized businesses – and lines-of-business within larger organizations – that don't have the IT resources or the budget approval to implement a large-scale system, nor do they want to take on the maintenance such a system entails.

These situations are tailor-made for an on-demand model of software delivery, where the business can get up and running immediately with its contract automation solutions. Software as a service has stepped up to take its place as a hard-charging alternative to in-house software implementation, enabling organizations to bypass vastly overburdened IT departments – who are dealing with difficult infrastructure demands and supporting hundreds of mission-critical applications for an ever-changing and mobile workforce – and start to automate specific business processes the day they pay their first monthly per-seat fee. Through its hosted software delivery model, AccuDraft enables businesses to quickly take advantage of the DocsEngine portal so they can leverage the efficiencies that come from automating their contract processes. DocsEngine is hosted by Rackspace Managed Hosting, leaders in the managed services market by virtue of their secure, high-performance ASP infrastructure and service delivery.

The DocsEngine solution not only expedites the creation of documents, but provides tools that streamline management of the entire contract lifecycle. Through its portal, AccuDraft brings together all elements of contract automation, enabling attorneys, compliance officers, contract managers and other key personnel to oversee authoring, production, reporting, analysis, and management functions in real-time. The portal model delivers true collaboration capabilities, enabling stakeholders in the contract process to work together online should the situation demand. It also incorporates role-based security that let managers determine which users are authorized to access various contract elements.

The DocsEngine portal technology differentiates AccuDraft from its document creation competitors, which typically provide the authoring tools but require that customers build or buy their own portal. Through DocsEngine, AccuDraft customers get a user-friendly front-end, behind which sit document management tools, business logic, and workflow tracking mechanisms. Further, the system produces documents in standardized, ubiquitous formats, such as Microsoft Word or Adobe .pdf, to simplify collaboration and data-sharing. It's a model that enables businesses to be up and running out of the box.

AccuDraft believes the software-free model provides other benefits as well. Unlike enterprise application vendors, who deliver upgrades infrequently and charge a great deal of money for maintenance, AccuDraft delivers upgrades regularly, incrementally improving their feature set and their clients' ability to do business, for the same fixed monthly price. The company can more easily incorporate customer suggestions, and because it isn't locked into long-term contracts, feel it's more accountable than its enterprise application counterparts.

Meanwhile, AccuDraft can point to long-term success in the on-demand arena – leveraging the experience gained from the pension document solution it launched in 1992 – unlike start-ups who are in the process of developing on-demand solutions or enterprise vendors trying to complement their in-house suite offerings with hosted models. It's a difficult model for inexperienced vendors to adopt, as it requires a lot of upfront development work, and particularly difficult for those who've made their names selling licensed applications because it represents a different sales paradigm; essentially, they must cannibalize their licensed software business in order to sell managed services.

As part of its own services, AccuDraft works with corporate legal counsel and other subject matter experts to create the initial templates that get the contract automation process moving. As businesses get comfortable with the template creation process, these experts can generate new templates themselves or continue to contract with AccuDraft to provide that service.

## Mining Intelligence

Many of the companies in the CLM space tout their products' abilities to pull business intelligence from documents, largely based on keyword searches and other retrieval methods that home in on specific language and corresponding numbers such as renewal dates, available pricing, terms and conditions, etc. Such capabilities have been promoted by knowledge management proponents ever since KM systems began to appear on the scene, but the reality has been that these systems have largely failed to deliver on their potential, offering up reams of information that aren't tied to business results.

AccuDraft takes a different approach to making their documents "intelligent" – that is, capable of delivering pertinent information so business analysts can use it for data mining. Unlike competitors, AccuDraft believes the intelligence embedded within any contract lies in the answers to the questions posed – the liability period, pricing, length of contracts, transaction requirements, etc. The company works with customers during the template creation process to determine key elements in contracts to track and measure. Then, rather than applying search technologies that might merely parse for keywords that don't necessarily translate to business indicators, AccuDraft captures the answers entered during the client interview process and

drives that information to pertinent databases for analysis. The captured answers can, for example, be transferred as XML data to an SAP system to trigger a financial transaction, or sent to a compliance officer as an Excel spreadsheet so he or she can check a range of variables.

Further, when organizations implement in-house CLM systems, they often feel obligated to fully exploit their investments by resurrecting thousands of documents locked in file cabinets and applying XML tags and schemas so they can tie them to a larger knowledge-based document management architecture. For some companies it makes sense to do so – if they're consistently missing deadlines to renew on thousands of contracts, say – but as businesses across every vertical segment are discovering, it can be financially prohibitive to digitize the mountains of paper documents across their organizations as they move toward becoming electronic enterprises.

AccuDraft believes it's far more cost-efficient and expedient for businesses who decide to adopt contract automation technologies to start digitizing their new contracts rather than trying to apply schemas to drawers, rooms and even buildings worth of existing documents. As part of the document creation process, DocsEngine incorporates the ubiquitous XML standard and Web services so that businesses can easily pull contract data and distribute it to pertinent databases, making it available for analysis by business executives. XML also enables that data to be easily "repurposed" across various applications as needs dictate.

## Prototyping a New Paradigm

AccuDraft doesn't intend to be everything to everyone. While DocsEngine's scalability ensures it can address the needs of any business, the company believes its best targets lie in organizations where small groups of people sell to large groups of clients. Licensed CLM systems, according to AccuDraft, have their place in enterprises with large numbers of fairly static agreements; where more than 40 percent of business is conducted by contracts; where there are numerous legacy documents that need to be memorialized due to Sarbanes-Oxley and other compliance issues; and where there needs to be tight integration between contract automation and ERP, CRM and other systems.

Even in these cases, however, the upfront costs associated with ECM systems are driving more large enterprises to prototype future in-house implementations by starting with on-demand contract automation. Because DocsEngine is built on and uses industry-standard technologies, companies can easily move the data they've generated to whichever in-house platform they select when they decide to migrate. For those that decide to make software-as-a-service a long-term strategy, AccuDraft supports private labeling, enabling customers to run in their own dedicated server environment.

Increasingly, businesses are choosing not to migrate at all. The benefits of the software-as-a-service model – best-in-class security, frequent upgrades, zero software maintenance, significant scalability, monthly pricing with no long-term contracts – have even large companies with a dedicated IT infrastructure staying with on-demand solutions once they try them. Between implementing such IT- and budget-hungry systems as ERP, CRM, supply-chain optimization, analytics, and WiFi, IT professionals have too much on their plates to worry about contract automation, no matter how much time and money it will save their organization. And for small and mid-sized businesses, particularly those with thin IT resources and even thinner IT budgets, software-free models may be the only reasonable option.



940 Centre Circle  
Suite 2020  
Altamonte Springs, Fla. 32714  
407.774.8321

2 Penn Plaza  
Suite 1500  
New York, NY10121  
212.292.5080

[info@accudraft.com](mailto:info@accudraft.com)