Contract Automation: A Guide for Small and Midsized Businesses

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Last Updated: December 2023

More small and midsized businesses are using contract automation to overcome challenges and positively affect their bottom line. The drive towards automation and the emergence of contract automation software designed for smaller companies continues to fuel this trend.

This article answers the following three most important contract automation questions for small and medium-sizes companies:

- **What contract challenges do businesses face?**
- **What are the benefits of contract automation?**
- **What contract automation features do small and midsized businesses need?**

What contract challenges do businesses face?

Most businesses must create, execute, and manage a variety of contracts to include employee agreements, NDA's, customer agreements, vendor agreements, and more. Customer-related product and service agreements are typically the most important contracts for small and midsized companies, especially those with either no or a small legal department. Businesses that have not embraced contract automation software can face the following problems with important contracts:

- **Wasted labor:** Manually creating, sending, following up on, and managing contracts can frequently involve multiple people and hours of lost time, especially for what should be a relatively repeatable process.

- **Slow turnaround:** Customers can rethink their decision to proceed with a purchase if there is extra time between communicating "yes" and receiving their contract to sign.

- **Signing friction:** Contract execution delays or worse can occur if clients are required to manually sign documents or use a cumbersome electronic signature process.

- **Errors:** Among the many mistakes that can result from relying on a manual contract process are:
    - The embarrassment of sending contracts to clients that include pricing and information from a previous contract.
    - Using an incorrect contract template which puts the business at risk with undesired terms.
    - Forgetting to include important contract language that should have been added to the base agreement because of specific triggers such as customer location, contract size, or other criteria.

- **Out-of-date contracts:** Google or Outlook calendars are not good places to capture contract renewal dates. Contracts that end without companies realizing it can lead to incorrect expectations from clients, lost revenue, or even legal trouble.

- **Missed milestones:** Some contracts have terms tied to specific dates or other milestones. With a manual contract process, these can be missed and prevent firms from reaping the benefits the contract was designed to provide.

- **Bottlenecks:** Too often manual contract processes are constrained by a single person or department. This can result in bottlenecks when priorities are elsewhere, key people are out-of-office, or when a salesperson needs a contract during off hours.

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- **No central repository:** Executed contracts are a crucial asset to any company, and many businesses store them on hard drives scattered across their organization. This makes contract management more difficult and can introduce potential security issues.

- **Not audit friendly:** Audits such as acquisition due diligence typically begin with a request for a complete list of all of the audited company's contracts, both active and expired. Without contract automation, it may be challenging for a company to confidently fulfill this request.

If these challenges sound familiar and you are looking to improve how your business manages contracts, then contract automation software could be a good fit.

> "AI Docs transformed how we create, sign, and manage our customer contracts. We have confidence in performing our contract-related tasks and eSignature steps using the built-in Signature Workflow. The people at AI Docs are always quick to respond and great to work with."

Mary Ann Geers
SVP Marketing & Corporate Strategy at GPA Acquisitions LLC

# What are the benefits of contract automation?

Contract automation software can help small and midsized businesses in setting up and running repeatable contract processes with minimal manual work. Contract automation helps companies to:

- **Save labor:** Manually putting together customer-specific contracts can take hours of employee effort that can be virtually eliminated through contract automation software. Time and manpower are wasted when an employee must find the correct version of the contract (usually in Microsoft Word), hunt down the customer-specific details from the sales team, enter the information into the Word template while simultaneously adhering to any contract conditional rules that have been annotated, and send the contract to sales for relay to the customer. Even after the contract is created, the effort required to manually

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execute and administer the contract can be labor intensive. Using contract automation software can reduce the effort employees spend on contracts by as much as 90%.

- **Improve quality:** With contract automation, small and midsized businesses can consistently produce contracts that are free of any embarrassing or costly errors. The most respected companies are often known for the overall quality of their products and processes. Investing in contract automation is an extension of this commitment by the finest companies to improve quality and eliminate waste.

- **Increase revenue:** More deals close when businesses can provide contracts to customers immediately upon request and facilitate simple electronic signatures from any device. Contract automation does this by creating contracts in minutes and eliminating bottlenecks by allowing a broader group of people (such as salespeople) to generate contracts from anywhere, at any time. Additionally, the time freed up with contract automation can often be spent on higher-value, revenue-generating activities.

- **Gain control:** Often the driving force behind the implementation of contract automation is a business' discomfort with the way it manages contracts. Contract automation software helps small and midsized businesses gain control by automating contract creation, contract workflows, and the storing of contracts in a central location. Having a single repository for contracts and related data, reminders, and tasks can provide greater visibility to management and tighten contract security.

Although not all businesses experience the same benefits, the advantages of automating your contracts become clear when you consider how tedious and time-consuming it is to oversee contracts manually.
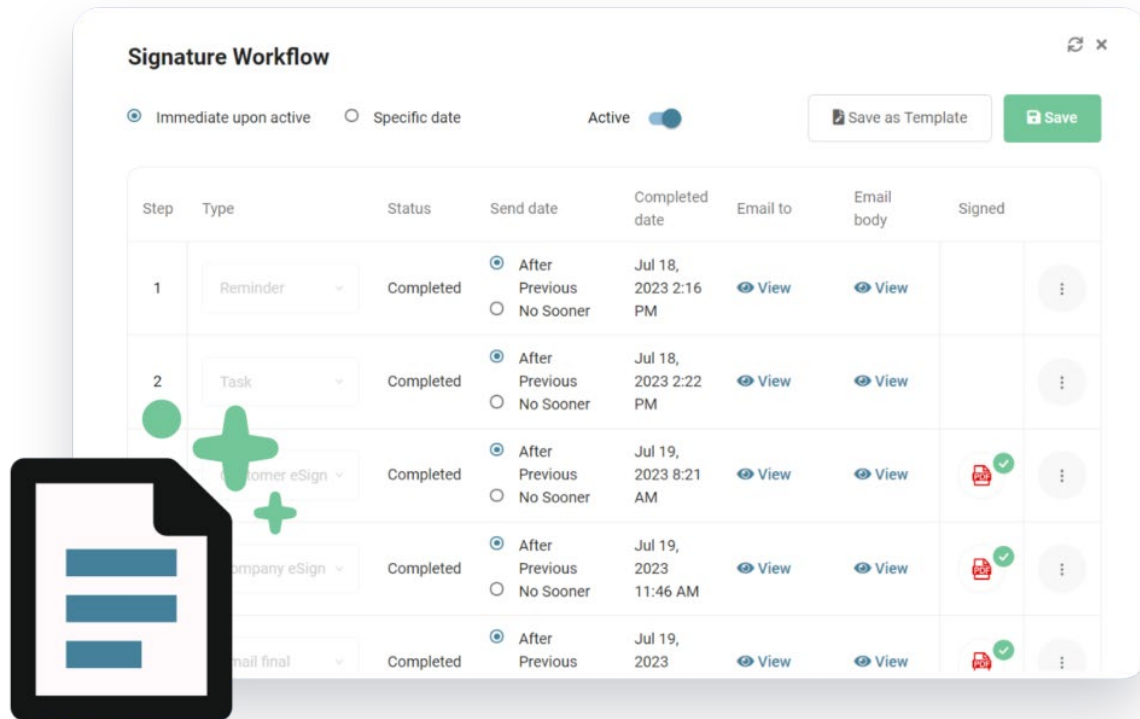
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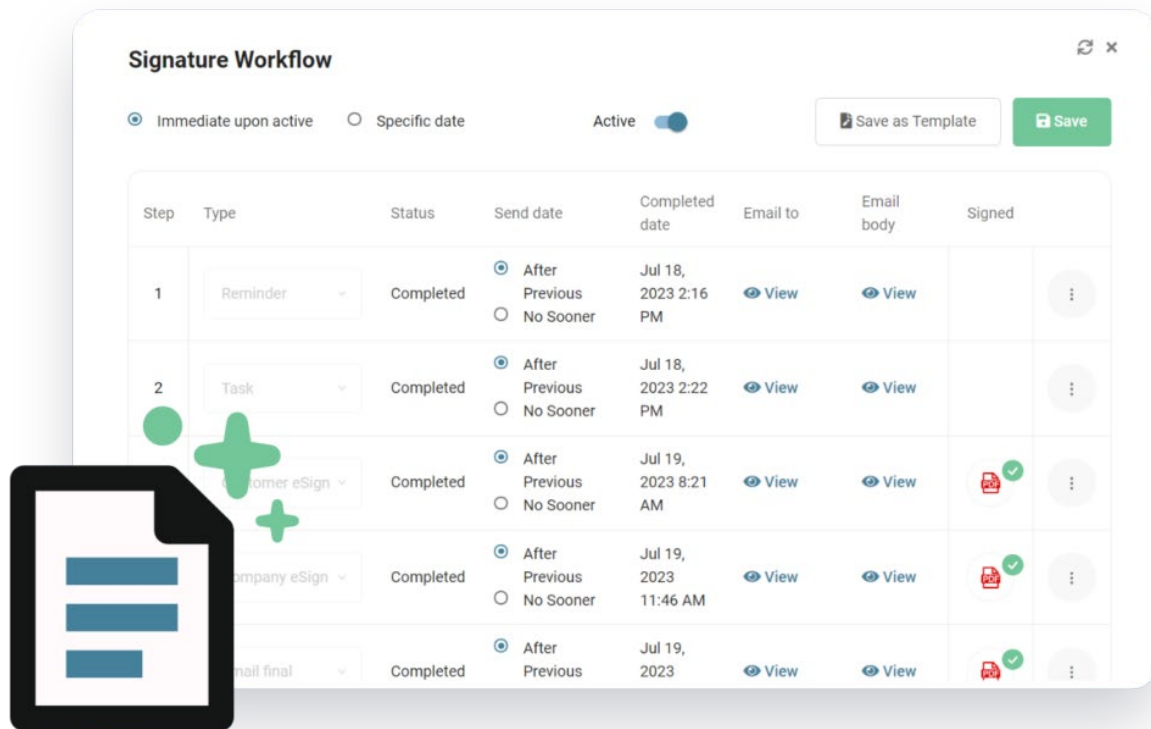See a live demo of contract automation software built for small & midsized businesses.

Schedule Demo

What contract automation features do small and midsized businesses need?

When considering a software product to automate your contracts, it is important to understand that contract automation software is not one size fits all. Small and midsized companies require a tool with different features than companies with large legal and IT departments. The most important features of contract automation software for a small or midsized company are:

- **Affordability:** Not all contract automation software is affordable for small and midsized companies. Looking at pricing early in the evaluation process can help businesses eliminate solutions that are out of the realm of possibility. Software companies that allow you to start with a less expensive or free plan until you start to see success are good options. Also, plans that do not charge for lite users and/or have unlimited user plans can be great options for small and midsized

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companies. Lite users may be employees who do not initiate the contract workflow process but simply need to get notifications for contract-related tasks and reminders like countersigning contracts.

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- **Simple to implement:** Since every company's contracts are different, implementing certain document-related and workflow rules is necessary when setting up contract automation software. Small and midsized businesses are wise to consider products that are either easy to implement or ones in which the software vendor sets up your company-specific contract templates for you.

- **Configurator functionality:** For businesses that intend to empower less contract-savvy employees to generate contracts, it is important to consider products with configurator functionality. Configurator functionality guides the user through a series of fields in an extremely efficient way using rules and logic stored behind the scenes. For example, the user's answer to a field titled "Does this contract include special pricing?" will determine if the user sees further fields

related to special pricing. The rules and logic that drive the configuration user interface are usually captured in a no-code environment as part of the contract automation software implementation process.

Image shows an AI Docs user interface rule that determines under what conditions the user is presented with additional special pricing fields.

- **Document logic:** When considering contract automation software, you should consider products with document logic capabilities that can systematically translate users' entries into the appropriately configured contract document. Document logic is separate from the rules and logic described in the configurator functionality above. An example of document logic is the ability to automatically include a specific paragraph in the contract whenever users choose the state of California. The best contract automation products will provide the option to do nested document logic. An example of nested document logic is having the functionality to adjust a given sentence in the California-specific paragraph depending on other attributes such as the dollar amount of the specific contract.

By combining configurator functionality and document logic, the bottleneck of requiring subject-matter expert involvement for each contract generated is removed.

- **Workflow:** Contract automation software should have robust capabilities to establish multistep workflows made up of both reminders and tasks. The software should allow for the option to initiate the workflow immediately or on a specific date in the future. For busy small and midsized businesses, it is important that these workflow steps are delivered to the assigned people via email so that employees are not required to monitor yet another queue. Reminder workflow steps are notifications that do not require deliberate action, such as receiving an email reminding you that your customer's contract is due for renewal in 60 days. Task steps require an emailed recipients to act and then select a 'Complete' button included in the email body. The most desired contract workflows will have the ability to manage steps before and after contracts are signed. Pre-signature workflow steps are typically used to do the steps required to prepare for, create, and approve a contract. An example of the use of post-signature workflow steps is for sales to follow up every 90 days on whether the customer is hitting the purchasing milestones established in their contract.

- **Workflow templates:** For most businesses, setting up contract workflow steps from scratch for each individual contract is inefficient. Workflow templates allow businesses to pre-establish and call up a series of contract workflow steps. Different workflow templates may be necessary for various contract types such as one workflow template for NDA's and another workflow template used for customer agreements. Similarly, multiple workflow templates for the same contract type may be required if, for example, the customer's region results in different employees being involved in the contract workflow.

- **Easy e-sign:** Small and midsized businesses work hard to earn the business of a new partner or customer. Having an easy, frictionless electronic signature process starts the relationship off right and gives the best chance of quick contract execution. An easy e-sign process includes the ability to let your customers and your internal countersigners securely sign contracts from any device without requiring them to login or download an application.

- **Contract Statuses:** Contract automation software should have customizable yet integrated contract status functionality. As individual contracts go through their lifecycle, the assigned status of the document should change. For example, a contract may begin with 'Initiated' status, advance to 'In Progress' once the contract workflow has begun, be at 'Requested Signature' once the customer e-sign email has been sent, progress to 'Customer Signed' when the contract is awaiting countersignature, and finally move to 'Fully Signed' status once the contract is signed by all parties. Contract statuses should also be tied to user permissions to control things such as whether a given user of the software can edit a contract that has already been emailed to a customer for the customer's signature.

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- **PDF and Word:** Every contract document should ideally be created by the contract automation software in both Word and PDF formats, with access to each document being restricted by security and permissions. Typically, the PDF is the only format needed but the Word version can be useful to have when contract modifications are required that go beyond what is included in the captured rules and logic.

- **Freeform edits:** Large companies with significant legal departments need to routinely author contracts from scratch and are constantly negotiating contract language as part of their normal course of business. These larger companies require their contract automation software to have robust authoring and freeform editing capabilities. Small and midsized companies normally do not need their contract automation software to help with authoring new contract templates, but they do require at least the basic ability to manage freeform edits to contracts when requested by their customers.

- **Upload files:** It is useful for the contract automation software to allow files to be uploaded and associated with specific contracts. This is a benefit when there needs to be historical records of redlines or when the company wants to associate corresponding documents like proposals with contracts.

- **Search and filters:** Small and midsize businesses can leverage the benefits of having their contracts stored in a modern cloud-based architecture. Advanced filter functionality allows users to see all contracts that are at a certain status or that have been updated within a certain time frame. It can also be extremely helpful to include search capability that enables searching of freeform notes and standard contract fields. Permission settings that regulate which users can see the contracts of the other users can be useful.

Small and midsized businesses are increasingly relying on contract automation to save labor, improve quality, increase revenue, and gain control of their contracts. AI Docs is an excellent product to accomplish all aspects of contract automation that small and midsized businesses most commonly require.

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LET'S CHAT!

Schedule a call with the author, Ron Mouw

Select a date and time on Ron's calendar that works best for you to discuss anything you'd like about contract automation or the AI Docs contract automation software.

[Schedule Call]

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AI Docs, Inc. is a veteran-owned software company based in Oak Brook, IL, a suburb of Chicago. Our AI Docs contract automation software empowers small and midsized businesses to efficiently create, execute and manage their contracts with simple rules. AI Docs guides your less contract-savvy users such as salespeople to generate contracts faster and error-free. The software also provides a frictionless native electronic signature process and easy access to your contracts and supporting data in a secure cloud environment at Amazon Web Services (AWS).

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