

# STUCK IN TRAFFIC?

## TAKE THE TOLLWAY

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CONTRACT WORKFLOW  
TRAVELS THROUGH AN  
ORGANIZATION'S SYSTEM  
MUCH LIKE CARS MAKE THEIR  
WAY AROUND A CITY.



Whether your company is the size of a town or a sprawling urban metropolis, you need the right infrastructure to effectively move your contracts along the most efficient routes at the lowest costs.

If your contracts are stuck on the freeway in five o'clock traffic, stopped at a red light, or lost on a backstreet, you are wasting valuable time and using extra gas. That costs money. So why let your contracts meander about or get mired in gridlock when they can take the tollway?

Tollways, composed of a series of passenger lanes and toll booths, can be considered a contained system with a set of rules that ensure streamlined travel. Vehicles approaching a toll booth are routed into lanes depending on what category they fall into. Their speed of passage and the amount of service required are based on whether they have an EZ Pass, the exact change, or need to stop for full service.

In the contract management world, businesses also need rules to categorize requests and determine the best route for their transactional traffic. Corporations with automated contract lifecycle management systems are the ones that will be the most efficient, competitive and profitable.

## 80-20 RULE – THE VALUE OF SEGMENTATION

The contract lifecycle begins with a request. When a request is received from a customer or vendor, what parameters best determine the type of negotiation, appropriation of human resources, or other activities that are needed to process the ensuing contract?

As many know, the 80-20 rule in business states that approximately 80% of a company's revenue comes from 20% of its customers. That means those customers who fall in the 20% category are highly prized revenue generators and warrant special treatment. The rule is based on the discovery of Italian economist Vilfredo Pareto who, in 1906, found that 80% of the wealth in Italy was owned by 20% of the population. His observation, now commonly known as the 80-20 rule or Pareto's Law may be applied to many situations. This is not a ground breaking concept by any means, but what happens when this tried and true principle is applied to contract management?

The business model for an 80-20 contract lifecycle management system involves segmenting or categorizing your contracts based on the value of the transaction. Your primary resource allocation should be focused on the 20% of your contracts that are worth the most to the bottom line. A transaction's value may be defined either in terms of a dollar amount or the projected value of a customer or vendor relationship. For a highly valued customer or a prized multi-million dollar contract, there is no doubt that any company would gladly invest in deploying a sales team or bringing in legal counsel to negotiate the deal. However, transactions with a smaller value need to be executed in a low cost manner that uses minimal resources or there will be losses in productivity and profitability.

Right out of the gate, companies need the capability to easily identify where contracts fall along the value spectrum. An automated, rules-driven contract management system generates a highly efficient process where potential contracts are appropriately categorized during the request phase and seamlessly routed based on a set of pre-established criteria.

### Go, Go, Go – EZ PASS

EZ Pass is the fast lane where vehicles with a sticker on their windshield zip right through the tollbooth. Any contract that is simple, easy and straightforward would be routed into this lane. Your company certainly does not want an attorney who is getting paid \$300 an hour to review a \$50,000 standard contract. Instead, greater efficiency is achieved by having the legal team create a standard template with the appropriate clauses and language for a transaction that meets this type of criteria. Any contract that

falls within the predetermined parameters would be automatically executed and processed using minimal resources. Volume centric contracts with large transaction numbers but low dollar per transaction value are what a company really wants to segment into this fast lane.



### A LITTLE MORE TIME – EXACT CHANGE

Drivers who pull into the exact change lane must stop and put in their toll while they wait for the gate to go up. The primary point being that the process takes a little more time. Contracts that are somewhat more complex, like a higher dollar volume transaction or one that may require some sort of non-standard terms and conditions would fall into this category. In this case, an automated contract lifecycle management system provides a template that can be easily modified. With a simple click, the sales team can easily select and insert the appropriate clause from a list of non-standard items that legal has drafted and pre-approved. Sales personnel can indeed make an "exact change" in the contract language with little time wasted before the gate is raised and the contract zooms on to the next destination. The legalities are managed and the sales cycle is shortened which not only boosts productivity but also improves the bottom line.



### NEED SOME HELP – FULL SERVICE

Drivers who need a receipt or change at the toll station have to stop for a little extra service. In our automated contract model, this category is reserved for the most complex situations or the most valuable customers and transactions. Perhaps the contract is being executed on third party paper and the legal team may need to negotiate specific language and terms. Or it could be a high dollar transaction, that warrants unique terms with iterative back-and-forth redline negotiations. In this lane, you are allocating your more highly paid human resources on your higher valued, more complex agreements.

### WHO BENEFITS FROM THE MODEL?

Businesses that need to respond in different ways to a range of diversified market segments stand to greatly benefit from automating their contract system to categorize requests based on value. A prime example is a high tech software or hardware manufacturer that sells to thousands of consumers in addition to small businesses and large corporations. A rules-driven approach allows such companies to set the parameters that will automatically segment contracts at the point of request to ensure their contracting resources are proportionately allocated.

The model also applies to the financial service industry where a company may cater to a spectrum of clients ranging from small investors to larger institutions. These industries need an automated contract lifecycle management system in order to be effective in a high volume arena as well as take care of high dollar clients that require more complex contracts. Profit margins are protected and the result is an efficient process that deploys human resources such as sales, legal or finance only when specific preset criteria are met and conditions warrant.

### THE MODEL IN ACTION – HEALTH INSURANCE INDUSTRY

In 2013, the recently passed healthcare legislation will flood the insurance market with approximately 30 million new policy holders and force dramatic changes on the way the industry conducts business. Underwriters and insurance staff will no longer have the time or luxury of the using the normal labor intense process to review a policy request. The need to adapt to legislative changes will force a new business model on the industry and companies will have to find a lower cost method of qualifying and provisioning customers.

Since the new market segment will fall on the lower end of the spectrum with tighter profit margins the only way to provide services without sustaining losses will be to streamline and automate the policy request process.

Companies will have to offer these policies at a price point that allows them to effectively compete for that business and make insurance for the masses more affordable. They must capture the request, provide a quote, qualify the policy holder and convert the quote into a policy in a very cost effective manner.

In the tollway paradigm, the consumer that requires a lower cost policy would be routed to the EZ pass lane. They will be able to make an online purchase of a no frills "policy in the box" at a set price point. Prospects segmented to the next lane would make an online request but meet such predetermined criteria that now the company would have an inside sales person speak to them.

In the full service lane, a client such as a small business would be considered a higher value transaction that merits additional attention.

**The bottom line is:** to profitably serve this range of customers, it will be necessary to implement some form of rules-driven segmentation model that automatically categorizes and routes requests. With the enactment of the new legislation in the coming years, the health insurance industry will certainly be adopting this model.

### LIFE IN THE FAST LANE

Today's world is changing at a highly accelerated pace. One only need look at the phenomenon of social media to see how a technologically-based concept can have a rapid and unprecedented impact. The deployment of high tech solutions such as those applied to the contract process are a must if companies are to successfully adapt to evolving market conditions. Using an archaic contract management system is like driving on a congested old highway that cannot handle the increased volume of traffic that comes with growth. The result is damage to productivity and the bottom line.

When you view a portfolio of current and prospective clients, what are the criteria that define the threshold of how to engage with them? The more labor intensive the actions are, the more costly the process is. The dynamic exchange initiated in the request process can be effectively managed by a rules-driven contract engine so both high volume and high dollar transactional needs are easily served without hurting profit margins. Just like an efficiently run tollway, an automated contract lifecycle management system provides the infrastructure that will segment your traffic, streamline your workflow and allow you to take the fast lane to success.



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### ABOUT CLM MATRIX

CLM Matrix is the market leader in Contract Lifecycle Management (CLM) software solutions on Microsoft Office and SharePoint technology platforms. Our solution extends the functionality of traditional contract management software by adding features such as:

- Rule-based document creation
- Clause libraries
- Policy-based approval workflow
- Automated reminders and alerts
- Real time user defined reporting
- Integration with legacy enterprise software
- Contract compliance tracking
- Multi-language capabilities
- Support for global environments
- Fully configurable to specific process and document types without code (wizard driven)



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