

Contract management (or contract administration)

Is the management of contracts made with customers, vendors, partners, or employees. Contract management includes negotiating the terms and conditions in contracts and ensuring compliance with the terms and conditions, as well as documenting and agreeing on any changes that may arise during its implementation or execution. It can be summarized as the process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk.¹

Common commercial contracts include employment letters, sales invoices, purchase orders, and utility contracts. Complex contracts are often necessary for construction projects, goods or services that are highly regulated, goods or services with detailed technical specifications, intellectual property (IP) agreements, and international trade.

A study has found that for "42% of enterprises...the top driver for improvements in the management of contracts is the pressure to better assess and mitigate risks" and additionally, "nearly 65% of enterprises report that contract lifecycle management (CLM) has improved exposure to financial and legal risk."¹

The business-standard contract management model, as employed by many organizations in the United States, typically exercises purview over the following business disciplines:

- Authoring and negotiation
- Baseline management
- Commitment management
- Communication management
- Contract visibility and awareness
- Document management
- Growth (for Sales-side contracts)
- Issue and change management
- Savings (for Procurement-side contracts)
- Service level agreement compliance
- Transaction compliance