DocuSign®

The Rise of Modern

Systems of Agreement

Digital transformation gave rise to modern Systems of Record and Systems of Engagement for key business and communication processes. We are now seeing the rise of modern Systems of Agreement for automating and connecting the agreement process—allowing companies to accelerate and simplify how they do business.

SofE

SofA

SofR

Content

Executive Summary

Digital transformation is making it faster and easier to do business. Companies have invested billions of dollars to modernize their Systems of Record (SofR), such as CRM[1], HCM[2], and ERP[3], and their Systems of Engagement (SofE), such as Marketing Automation and internal collaboration applications. Yet for most companies, there is one critical system that has yet to be modernized, despite being central to the process of doing business. It is the company's *System of Agreement* (SofA): the collection of technologies and processes used for preparing, signing, acting on, and managing agreements.

SofE

Systems of Engagement (SofE)
Systems used by customers and employees for digital interactions with and within companies

SofA

Systems of Agreement (SofA)
Systems for preparing, signing, acting on, and managing agreements

SofR

Systems of Record (SofR)
Authoritative sources for various types of business data, such as customer records, employee records, and inventory

A System of Agreement is the connecting point for agreement processes that span SofR, SofE, and every business function—contracts for Sales, employment offers for Human Resources, non-disclosure agreements for Legal, among hundreds of other agreement types. (See the next page's figure for more than 70 types of agreements across ten business functions.)

If your System of Agreement is like most companies', it is rife with manual processes, slow turnaround times, and human errors. Such legacy Systems of Agreement are needlessly burning time and money. They are also undermining the experiences of customers, employees, and partners. More generally, when you consider that agreements are pervasive across every size and type of business, legacy Systems of Agreement are imposing a persistent and perennial drag on business productivity across all sectors of the economy.

Some companies have already taken the first step to transformation. They have implemented e-signature technology to break the bottleneck of needing a physical signature—a crucial and valuable breakthrough. But important as it is, e-signature addresses a single stage of the larger agreement process, leaving manual

[1] Customer Relationship Management
[2] Human Capital Management
[3] Enterprise Resource Planning

Agreements are the foundation of business, and they are everywhere.

Sales
- Sales Order Processing
- Customer Account Provisioning
- Special Deal Terms
- Referral Agreements
- Reseller Agreements
- Partner Agreements
- Sales Support
- Loan Documents
- Support Agreements and Renewals

Marketing
- Event Registration
- Customer Communication Approvals
- Mass Mailing/Email Approval
- Event Vendor Agreements
- Rebate Agreements
- Sponsorship Agreements
- Promotion Agreements
- Advertising Contracts
- Press Release Approvals
- Brand Licensing Agreements
- Media Plan Sign-offs

Services
- Account Change
- Service/Work Orders
- Terms Change
- Self-Service Requests
- Compliance
- Field Service
- New Policy Applications
- Policy Cancellations / Suspensions
- Independent Agency Licensing
- EFT Authorization

Human Resources
- Offer Letters
- New Hire Paperwork
- Candidate NDA
- On/Off-boarding Checklist
- Employee Policy Distribution and Signature
- Contractor Agreements
- Non-disclosure
- PTO Management
- Performance Appraisal
- Background Checks

Finance
- Invoice Processing
- Expense Processing
- Capitalization Management
- Audit Sign-off
- Policy Management
- Inventory Sign-off
- Asset Transfer/Retirement
- Grant Applications
- Sales and Use Tax Return
- Consumer Account Opening
- Deposit Products

IT/Operations
- Asset Tracking
- Change Requests
- Requirements Sign-off
- Access Management
- Incident Reporting
- Production Change Authorization
- Maintenance Authorization
- Authorization
- Real Estate Approval
- Project Budget Approvals

Legal
- NDAs
- Contract Management
- Internal Compliance
- IP Licensing
- Patent Applications
- Board Minutes
- Affidavits
- Summons
- Engagement Letters
- Memoranda of Understanding

Facilities
- Front Desk Sign-in
- Work Orders
- Lease Agreements
- Move In/Out Requests
- Parking Permits
- Building Maintenance
- Construction CAD Drawings
- Equipment Loan Agreements
- Change Justification Forms
- Building Permits
- Change Orders

Product Management
- Change Management
- Release Management
- Code Review Reporting
- Requirements Acceptance
- Release Scope Commitment
- Policy Approval
- Beta/SDK Agreements
- Developer Program Enrollment
- Product Development Methods
- New Product Evaluation
- New Offering Announcement

Procurement
- Purchase Order
- Statement of Work
- Master Services Agreement
- RFP Sign-off
- Supplier Compliance
- Service Level Agreements
- Termination Letters
- Software License Agreements
- Rate Cards
- Invoice Processing
- Subcontractor Agreements
- Vendor Contracts

processes elsewhere. For example, in preparing an agreement, people often end up rekeying data that exists in another system, such as customer, product, or pricing information. Or, when acting on a just-signed agreement, people often need to manually transfer the agreement terms into, for example, billing systems. Thus, what happens before and after the signature needs the same acceleration that e-signature has brought to the signing process.

This need is giving rise to the *modern System of Agreement*, which is automated and connected end-to-end. Whereas legacy Systems of Agreement had no underlying platform, modern Systems of Agreement have a purpose-built platform and applications to accelerate the process of doing business. A modern System of Agreement connects a variety of other systems, so an agreement can move from preparation through signature, enactment, and management in a highly automated way. Similar to how CRM platforms emerged for customer data, HCM platforms emerged for HR data, and ERP platforms emerged for Finance and Operations data, modern Systems of Agreement will play a similar role for agreements and agreement processing.

System of Agreement platforms will be distinguished by how they handle agreements' unique legality sensitivities; how connectable they are to other systems; how easy they are to try, deploy, and use; and how readily they can incorporate new developments in emerging technologies like artificial intelligence, blockchains, and smart contracts.

Given that agreements are everywhere within a business, companies that modernize now can realize substantial benefits in cost reduction and customer experience, as well as gain a competitive edge against slower movers. To benchmark your System of Agreement against best practices, and to identify next steps in modernization, a **three-minute interactive assessment tool** is available.

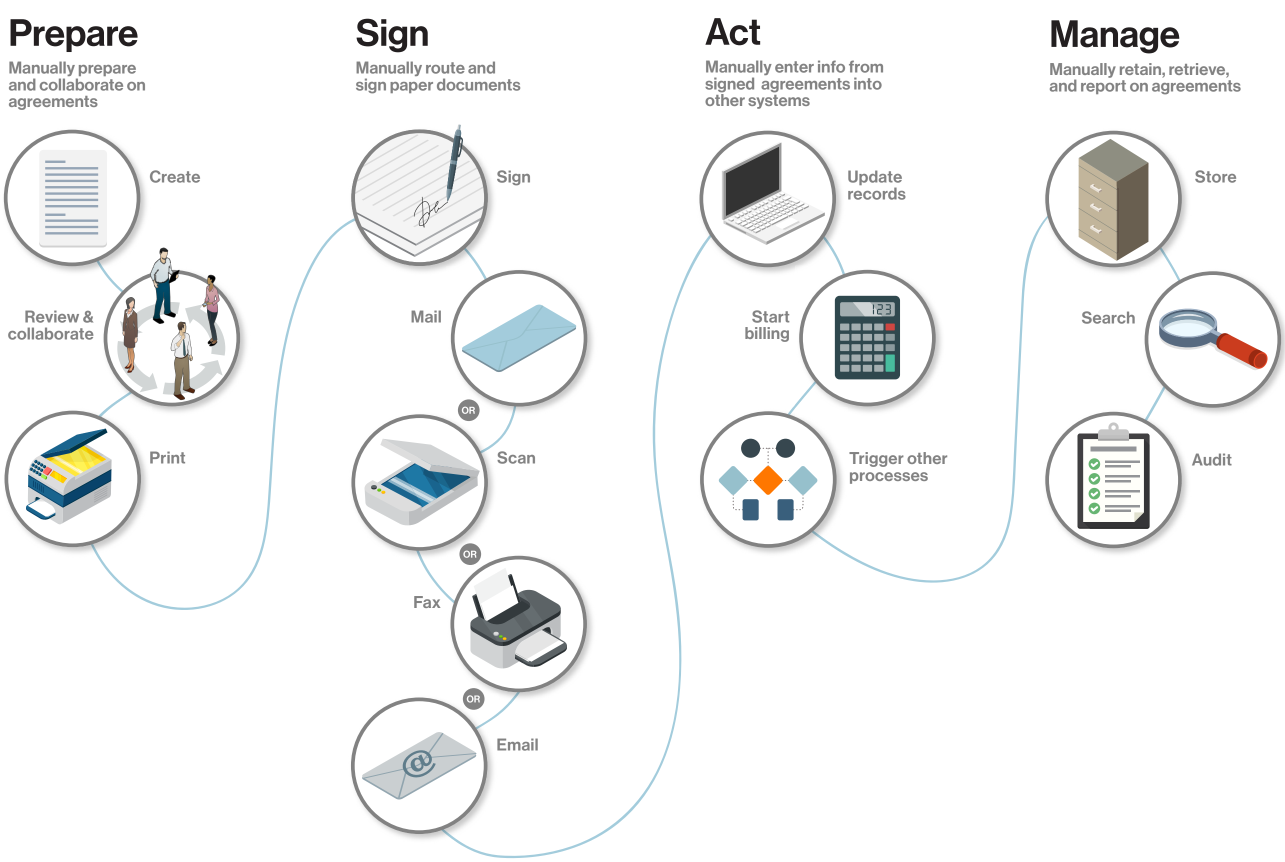
The core business process that has yet to be modernized

Digital transformation has accelerated how companies do business. E-commerce lets customers get what they want, at any time, from anywhere. HCM software allows employee records to be accessed, updated, and shared far faster than when they were in file cabinets or spread among file servers. The same can be said of information managed in CRM, ERP, and other, now-common software platforms. They have each modernized key processes for getting business done, often replacing paper-based, manual processes. Yet there is one critical system that has yet to be modernized, despite being central to the process of doing business: the System of Agreement.

A System of Agreement is about automating the core of doing business: the agreement process. Every organization runs on agreements, from customer and partner contracts to employment agreements to various forms of internal approvals and sign-offs. Agreements are different from normal documents because they often involve legal commitments and can be subject to regulatory rules about how they are signed and retained. These rules may differ by the type of agreement and by regional laws. Thus, agreements need specialized processes and systems.

So, what exactly is a System of Agreement? It's the means by which an agreement goes through the four phases of its lifecycle: Prepare, Sign, Act, and Manage. For most companies, this lifecycle today involves a mess of manual processes, people, and legacy technologies, as illustrated below.

Legacy agreement processes are often manual and fragmented.



During the Prepare stage, numerous contributors create and review content in an almost entirely manual process of unpredictable duration. To be fair, word processing and email did wonders in bringing this process into the 20th century. Unfortunately, we are now almost two decades into the 21st century, and frankly, most enterprises have nothing new to show for it, just more and more email clamoring for more and more attention.

In contrast, when it comes to signing agreements, there has been a breakthrough. Electronic signature solutions from companies like DocuSign allow businesses to distribute, sign, and collect agreements without resorting to printed paper. This can accelerate turnaround time dramatically, reduce costs, and largely eliminate errors. As the research firm Gartner recently concluded, "Having reached mainstream adoption, the real-world benefits of e-signature are predictable, broadly acknowledged and have been realized by thousands of organizations across millions of users."[4]

E-signature has another important effect: It breaks the bottleneck imposed by pen-and-ink signatures, which are inherently manual. With that obstacle removed, there is a real possibility of digitally transforming the end-to-end agreement process.

Digital transformation holds particular promise for the next step in the agreement lifecycle: Act. Today, for an agreement's terms to be enacted, information must be extracted and entered into a variety of Systems of Record, triggering work orders, inventory purchasing, payments, and the like, as well as into Systems of Engagement, alerting employees, customers, and partners to changes. When all this is done manually, delays and errors are inevitable, dragging down productivity, not to mention creating the occasional escalation that can put even the most valuable relationships at risk.

Finally, once agreements are enacted, they need to be stored and managed. Once again, the 20th century made a terrific contribution: In virtually all enterprises, this phase of the lifecycle truly has become digital. Unfortunately, it has not become smart. That is, when an agreement is filed, it is too often forgotten—out of sight, out of mind. This means missed opportunities for changes in pricing at renewals, which can lead to revenue leakage; it can also mean missed entitlements, thereby wasting vigorously negotiated terms and conditions. Truth be told, when it comes to the Manage phase of their Systems of Agreement, most companies have no system at all.

[4] Gartner, *Market Guide for Electronic Signature*, January 16, 2017

Costs of legacy Systems of Agreement

In a survey conducted by Forrester Research,[5] the firm reported that, of those IT and line of business decision makers surveyed, all experienced a combination of challenges related to agreements:

- Difficulty maintaining visibility into the location and status of paper-based documents
- Lack of security over printed documents
- Difficulty administering and controlling documents over time
- Difficulty collecting and managing documents from multiple sources
- Cumbersome paper-oriented tasks such as scanning and document management
- Costs and delays due to human errors while executing manual processes

These are not niche problems. They apply to businesses of every size, industry, and geography. More generally, in addition to the specifics above, companies with legacy Systems of Agreement:

- **Waste time.** Where once it was accepted that turning around an agreement could take days or weeks, it should now be measured in minutes or hours.

- **Waste money.** If an agreement process has many manual steps, it will cost five to ten times as much as an automated equivalent, mostly due to unnecessary time spent on manual work. As well, if it still involves paper and printing, there is further unnecessary costs in materials.

- **Lose revenue** to competitors who can deliver a faster, easier process of doing business. Especially with sales agreements, if a company's closing process is slower and harder than its competitors', business and sales productivity will be lost; it is only a question of how much.

- **Damage customer and employee satisfaction with outdated paper processes that people hate.** Amazon, Netflix, and Uber have trained people to expect the speed and simplicity of on-demand services—anytime, anywhere, from any device. Companies that drag against this expectation will increasingly alienate their customers and employees.

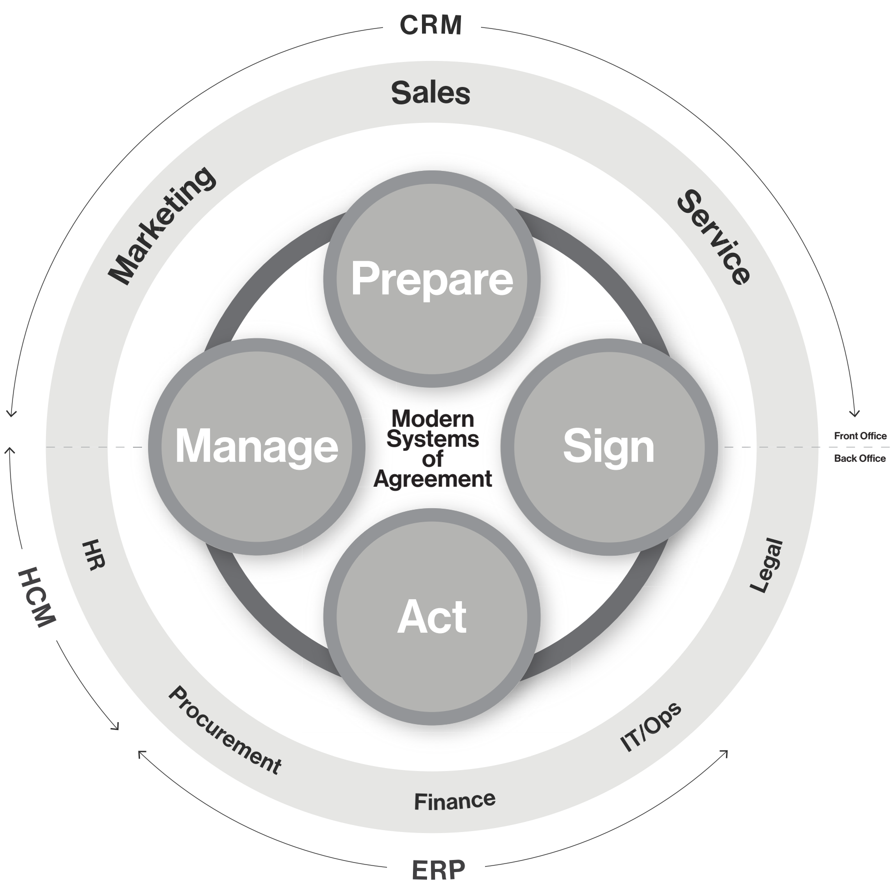
- **Risk legal and compliance exposure due to a lack of standardization and security.** Many companies cannot even find all their agreements, much less know that they are secure and were executed in a legally enforceable way. In addition, many companies have employees who are creating new agreements based on out-of-date templates that were downloaded from a file server in the past and never checked for updates. This lack of visibility into agreement processes and content can lead to very bad legal surprises.

These factors are driving companies to modernize their Systems of Agreement. Even if some of the parts have already been digitized—such as with word processing, email, and electronic signature—a legacy System of Agreement is a collection of disconnected parts that rely on manual processes to make the parts work together. What's necessary is a technology platform that connects the parts into an automated whole.

[5] Forrester Research, *Digital Transforms the Game of Businss: Digital Transaction Management Emerging As Key Solution* (March 2015)

Modern Systems of Agreement

Just as CRM, HCM, and ERP developed purpose-built platforms to manage data and to drive workflows in their respective areas, a modern System of Agreement needs its own purpose-built platform. This platform must act as a hub to coordinate and connect with all the other systems and processes that feed, support, or consume agreements—including CRM, HCM, and ERP systems themselves.



Such platform technology is emerging now. A useful way to think about it is in terms of the Prepare, Sign, Act, and Manage stages' activities.

Prepare

These activities are about creating an agreement to the point that it is ready for signing.
For example:

- Create a document in a productivity application like Microsoft Word or Google Docs, then easily transfer the document into an agreement process.
- Provide industry-approved agreement templates, such as those required by regional real estate associations.
- Pull data from systems of record—like CRM, HCM, and ERP—to automatically populate parts of an agreement, such as customer, product, and pricing information.

- Automatically generate an agreement with content blocks that dynamically configure themselves based on, for example, the signer's geographic region.
- With a wizard-like experience, guide the signer to provide information necessary to automatically create an agreement customized to his or her needs, such as for a loan application.
- Allow multiple parties to collaborate and comment on the draft agreement in real time, so the deliberations are retained as part of the agreement's legally admissible record.

Sign

These activities are about getting the signature executed in a legally valid manner.
For example:

- Route the agreement to multiple parties with different roles, like reviewers, approvers, and signers. For signers, some may only sign in a certain order, and others may sign in parallel.
- Identify each signer with a method appropriate to the agreement type and regional laws. This could range from a simple email authentication to the signer's presenting an official document via video conference.
- Monitor the status of each participant in the process, so it's clear who still needs to do what.
- Certify the signing process and the completed agreement, including a detailed record of who did what, how they were authenticated, and other contextual information.

Act

These activities are about fulfilling the signed agreement's terms.
For example:

- If the agreement requires a payment, automatically transfer the amount to a billing system or, better, collect the payment as part of the signing process.
- If the signer has provided new or updated information as part of the process, automatically transfer that information back to the relevant system of record, such as a CRM system.
- Trigger other processes based on an agreement's completion, such as to provision a new customer account.

Manage

These activities are about managing agreements after they are completed.
For example:

- Retain agreements securely in a centralized place, or maintain centralized access to agreements that reside across different repositories.
- Retrieve agreements based on a variety of criteria, including AI-driven[6] concept search.
- Report on agreement completion, turnaround time, and various other trends.
- Reuse new agreements as templates for future agreements.

These capabilities are not futures. A modern System of Agreement platform can enable them today. The result is reduced time, cost, and risk, as well as an enhanced customer and employee experience.

[6] AI is artificial intelligence technology.

Success factors for modern Systems of Agreement

The previous section explained *what* a modern System of Agreement does. It is as important to understand *how* these activities need to be accomplished for success. This leads to the key requirements of a System of Agreement platform (SofA platform hereafter).

Legality

The Sign stage was—and, for many companies, still is—the bottleneck in modernizing Systems of Agreement because of sensitivities around legality. The signature is the moment of legal commitment. Done wrong, it can have disproportionately severe consequences. So, any SofA platform needs to start with getting e-signature right: Does it provide all the options for properly authenticating signers? How does it generate court-admissible evidence? For global companies, is it accepted worldwide? For companies in regulated industries, does it support the relevant laws and rules? There are many more of these questions, each with their own consequences.

Connectivity

The "system" in System of Agreement refers to a collection of connected components. The central component is the SofA platform, which must readily connect to a large number of other systems. The three kinds of connectivity that matter are:

- **Integrations with companies' existing systems.** These are prebuilt connections to CRM, ERP, HCM, office-productivity, and other applications that companies already use. Wherever it makes sense, integrations should exchange data in both directions and allow the option of embedding agreement workflows in the applications that employees already use.

- **Extensions to the SofA platform.** These are prebuilt connections to specialist software vendors, which add extra functionality to the SofA platform—for example, e-vaulting for financial services, real estate forms specific to various local realtor associations, and identity-verification capabilities for specialized situations.

- **Custom connectivity.** To enable connectivity with proprietary applications, a rich, well-documented API[7] is mandatory.

Reliability

Companies run on agreements, so it's not an option for the SofA platform to be down for maintenance or unanticipated problems. And it's not enough for a vendor to offer a Service Level Agreement (SLA) with high uptime if that vendor regularly fails to achieve the SLA. It's worth understanding the actual track record of uptime over a period of years.

Security and Privacy

Agreements often contain sensitive customer and business-terms information. Thus, it is important to understand how far an SofA platform has gone to secure itself: Does it comply with privacy and security

[7] API is application programming interface. It is the specification for how one software system can be controlled by other software systems.

standards like ISO 27001[8] and SSAE 18 (SOC 1 Type 2, SOC 2 Type 2),[9] PCI,[10] and HIPAA?[11] Has it gone beyond the European Union's GDPR[12] requirements to achieve EU-approved Binding Corporate Rules?[13] How many large financial institutions use the platform?

Deployment Flexibility
Although most companies are buying new software as cloud-only, some industries require or prefer to keep sensitive customer data on-premise. Best case, an SofA platform allows the option of cloud, on-premise, or hybrid deployment.

Adoption Flexibility
Modernizing a System of Agreement has the potential to be a large project. A well-designed SofA platform allows incremental adoption—starting with quick, high-impact wins, which can then be built on.

Customer Success Services
Especially for larger organizations, modernizing a System of Agreement can involve significant complexity in planning and execution. Thus, it is important that an SofA platform vendor brings not just the technology but also the human expertise to drive success. Look for a services organization that goes beyond standard technical support and training to advisory capabilities in planning, architecting, and implementing the SofA platform and its connections to other components. These capabilities should range from technical expertise (for example, how to best use a particular API) to business and organizational guidance (for example, best practices for creating an internal Center of Excellence around your System of Agreement).

Ease of Use
Last but not least is another factor that, if weakly fulfilled, can drag down everything else: ease of use. Put simply, if an SofA platform is hard to use, it won't get used. This applies to end users who sign agreements, employees who prepare and manage agreements, and developers who write software to connect to the SofA platform. Thus, it is important for an SofA platform to prove its usability via trial, letting the relevant constituents judge the experience for themselves. Also, where apps are involved, it is good to check ratings and download counts in app stores.

[8] ISO is the International Organization for Standardization.

[9] SSAE (Statement on Standards for Attestation Engagements) 18 is an auditing standard for service organizations. SOC (Service Organization Control) 1 Type 2 and SOC 2 Type 2 are the relevant reporting requirements for cloud-software businesses.

[10] Payment Card Industry (PCI) Data Security Standard is a security standard for safeguarding credit-card data.

[11] The U.S. Health Insurance Portability and Accountability Act of 1996 (HIPAA) includes security and privacy standards for protecting individuals' health information.

[12] The General Data Protection Regulation (GDPR) is a European Union regulation for personal data protection and privacy.

[13] With Binding Corporate Rules (BCRs), the European Union reviews and certifies a company's practices for handling transfers of personal data outside the European Union.

Case study: Salesforce

An excellent example of a company running a modern System of Agreement is Salesforce, one of the world's leading software companies. In the past, Salesforce reps sent out contracts by email and postal mail, receiving completed agreements back in an average of two days. Once the contract was finalized, the Sales Operations team had to follow up with the customer to get a Purchase Order (PO) number for invoicing. Only once that process was complete would the customer be provisioned.

Using DocuSign as its System of Agreement platform, Salesforce now creates and automatically populates agreements with data from any Salesforce CRM record, then sends the agreement for signature, all directly from within the Salesforce application. The customer enters the PO number during the signing process, then the PO number is written back to the Salesforce CRM record. A new instance of Salesforce's software is then automatically provisioned for the customer.

With its modernized System of Agreement, over 90% of Salesforce contracts are completed within the same day and 71% within an hour. This large time savings means a better customer and employee experience and faster revenue recognition. As well, there is a major cost savings due to manual work saved.

Beyond using its System of Agreement for its 3,000+ sales reps, Salesforce has also deployed it for use by HR, Purchasing/Procurement, and other departments.

Future Systems of Agreement: smart contracts, blockchains, AI

Because modern Systems of Agreement are part of the much larger trend of digitally transforming business processes end-to-end, it is especially important to consider a platform's innovation readiness—that is, how will it allow companies to take advantage of new technologies as they emerge?

For example, agreements have evolved from paper to PDF[14] documents. PDFs are digital, but they are like pictures of paper. Displayed on a phone, a normal-size PDF document's text can shrink to being unreadable. Today's end users expect more. They expect documents that automatically adjust their formatting for readability on devices ranging from desktop computers to smartphones. As agreements evolve in that direction, an SofA platform should handle that evolution seamlessly.

Similarly, if other systems will take action on an agreement's content, it is important to extract the actionable parts. This includes not only the numbers and words on the page; it also includes higher-level concepts that may need to be inferred, such as types of contract clauses—each with their own business logic and workflows. This is one potential use of artificial-intelligence technologies in Systems of Agreement. We mention others below.

More generally, what if agreements go beyond documents to incorporating executable computer code? That is the vision for smart contracts, which can automatically execute agreement terms—for example, make a crop-insurance payout when the weather exceeds 85 degrees in April. In the smart-contract future, preparing an agreement will need authoring and testing tools suitable for code, not just prose. And enacting agreements has a new meaning when the action is executed by the agreement itself—entailing requirements for alerts, notifications, and validating sources of data. Today's SofA platforms need to be architected for that future.

Similarly, emerging technologies like blockchains and AI will have places in the agreement process. For example:

- As the technology matures, blockchains will have a role to play in providing a secure record of an agreement's existence and its relevant data, which a company's partners can use. Blockchains may also enable new ways to manage identity. Finally, they can be infrastructures on which to run smart contracts.

- Artificial intelligence is already being used for smart search, extraction, and discovery—for example, find all agreements that involve the concept of privacy, without needing to know or specify all the possible keywords. Going forward, AI will be able to automatically classify agreements by risk level, redact sensitive information, and analyze and optimize agreement processes, among many other potential uses.

Given the inevitability of these and other technology developments, SofA platforms must be able to embed or connect to these capabilities. Otherwise, modern System of Agreements will themselves become legacy.

[14] The Portable Document Format (PDF) is a file format developed in the 1990s to present documents independent of the underlying application or operating system.

Benchmarking and best practices

Every company has a System of Agreement, but most have yet to be modernized. As a result, they—the systems and the companies—are unable to keep up with the speed of business in an accelerated world. Given the pervasiveness of agreements in business, companies that modernize now can realize substantial benefits in cost reduction and customer experience, as well as gain a competitive edge against slower movers.

To benchmark your System of Agreement against best practices, and to identify next steps in modernization, a **three-minute interactive assessment tool** is available.

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About the company

DocuSign pioneered the development of e-signature technology, and today offers the world's #1 e-signature solution as part of its broader System of Agreement Platform. Our cloud-based platform allows companies of all sizes and across all industries to modernize the entire agreement process—all the way from preparing agreements to signing, enacting, and managing them. As a result, today we enable more than 400,000 customers and hundreds of millions of users in over 180 countries worldwide to accelerate business and simplify life.

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