Seal

System of Agreement
MANAGE

Contents

Systems of Agreement – the Platform

On June 20, 2018, DocuSign announced an expanded company vision and new product innovations that deliver on that vision. Building on their Digital Transactional Management strategy which has proven to be very successful, DocuSign unveiled their Systems of Agreement (SofA) platform, with the endorsement of customers such as Salesforce and T-Mobile and the luminary organizational theorist and best-selling management author, Geoffrey 'Crossing The Chasm' Moore.

> "Systems of Agreement – the Jam in the "Systems Sandwich."

As Steve Krause, SVP Strategy & Product Marketing, DocuSign, states:

"The expanded vision is to modernize the world's Systems of Agreement: the technologies and processes companies use to prepare, sign, act on and manage agreements. This vision builds on the foundation of our leading e-signature technology, broadening the DocuSign platform to automate and connect what happens before, during and after an e-signature is executed. So, if you like what we did with e-signature, you'll love what we're doing for the rest of the agreement process".

Understanding what a System of Agreement is requires some background in, or appreciation of, enterprise software solutions. It all starts with two corporate systems, that of Records and Engagements. Every business needs a Systems of Record. Most companies also need Systems of Engagement. Once well versed in maximizing the value of these systems companies begin looking for more ways to improve. What companies are in search of today is a Systems of Agreement.

As Gartner terms it "No organization is immune from the complexities of modern contracts, or the fast pace of business in the global economy."[1] For this paper, an agreement can broadly be equated to a contract.

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1. Contract Risk and Compliance Report, Gartner 2016

SYSTEMS OF RECORD
Authoritative sources for various types
of business data, such as customer
records, employee records and inventory

SYSTEMS OF ENGAGEMENT
Systems used by customers
and employees for digital interactions
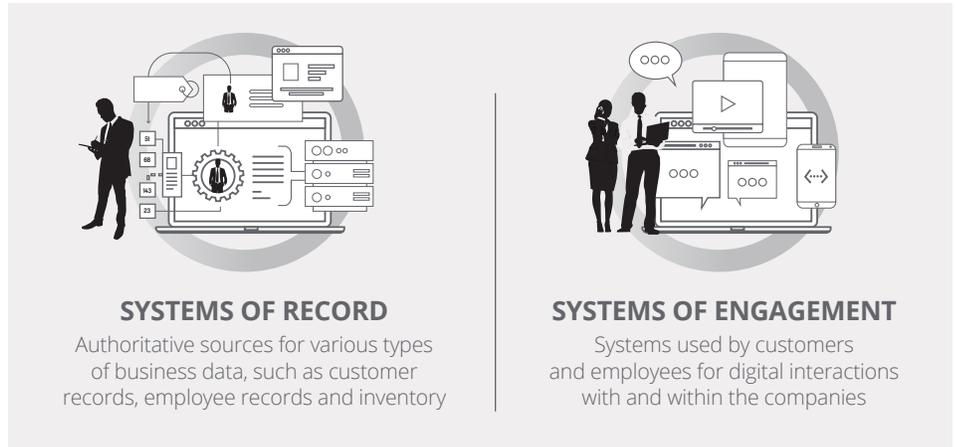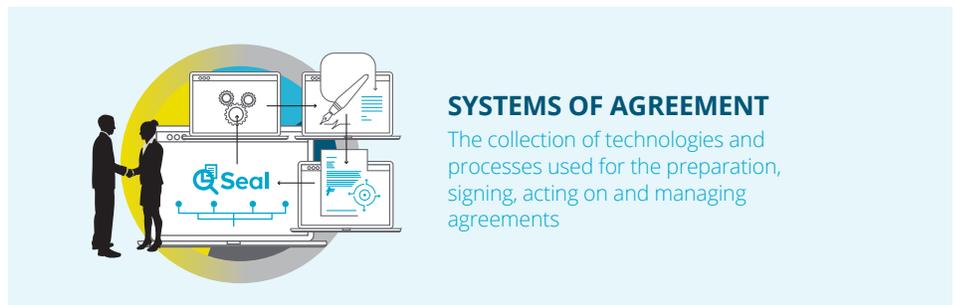with and within the companies

FIGURE 1: Geoffrey Moore, Digital System Maturity Model, May 2017

Systems of Record have been developing into very mature enterprise applications since the early 1990s. These have principally been focused around structured databases and systems often described as the "sources of truth." These have encompassed Enterprise Resource Planning, Supply Chain Management, Human Capital Management, and Customer Relationship Management amongst other core business applications. These are authoritative sources for various types of business data such as customer records, employee records, and inventory.

Systems of Engagement have developed mainly over the last decade to focus on how end users directly engage with organizations and their systems. These include Customer Experience Management systems, Social Media Management systems, eCommerce systems, and Omni-channel Management systems.

Closing the Gaps

Both the System of Record and System of Engagement have proven successful, but there are gaps between the two that have not been digitally transformed and this means there is a lack of intelligence and an opportunity to improve. One critical system that has yet to be modernized is the end-to-end creation, fulfillment and on-going management and analysis of business agreements.

SYSTEMS OF AGREEMENT
The collection of technologies and
processes used for the preparation,
signing, acting on and managing
agreements

The steps to create an agreement are usually well-known, but even with a Contract Lifecycle Management (CLM) system, many steps are manual, and the results are not (well) connected into the other processes or the systems outlined above. A modern System of Agreement is about automating the core of doing business: the agreement process. DocuSign's System of Agreement addresses this challenge, providing a platform for connecting existing systems with a digitally transformed agreement processes.
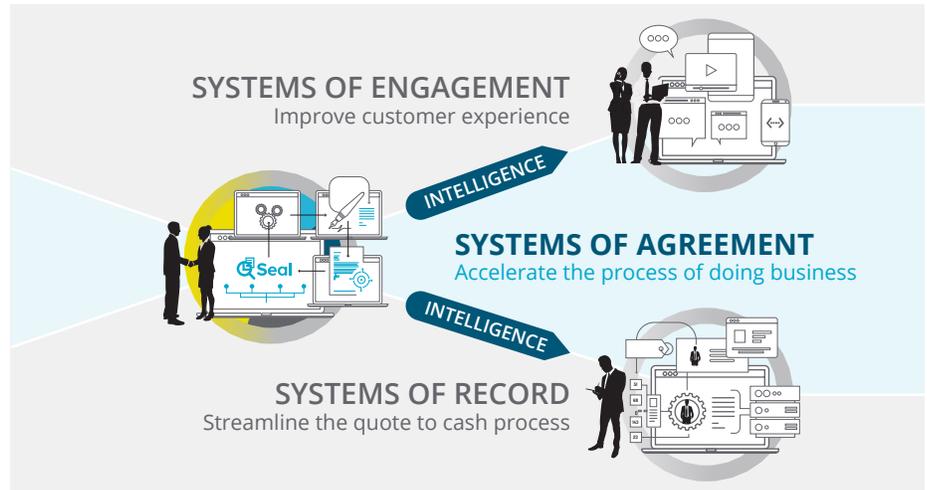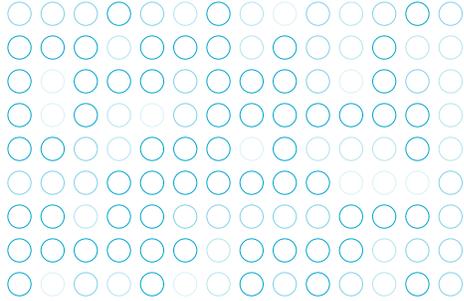

Agreements are the very foundation of business – formal contracts, finance documents, purchase orders, invoices, marketing agreements and so on. DocuSign has identified over 70 common business agreements. A System of Agreement needs to take care of the preparation of the agreement – the authoring process, the digital signing, the integration with other business systems to fulfill the terms and finally the management component - how agreements are stored, analyzed and reported on. As importantly, data and information are not static and change just as the business environment changes, the System of Agreement platform and tools must be dynamic and able to adapt on the fly.

"The DocuSign System of Agreement platform is now enabling downstream automation for us."

Meredith Schmidt, EVP & GM Salesforce Essentials & SMB

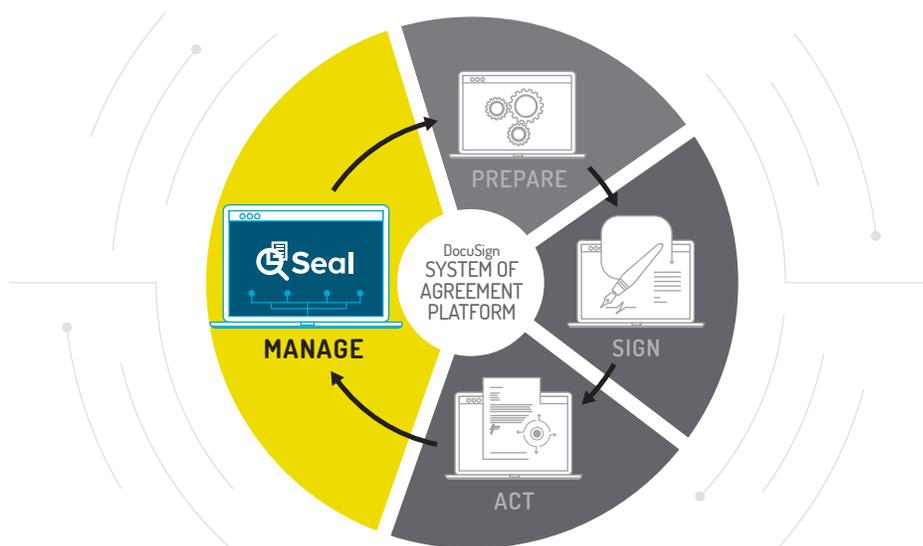# DocuSign System of Agreement Platform Extensions
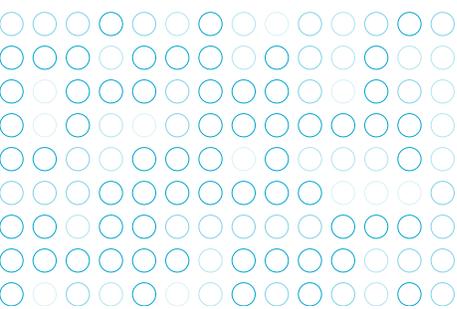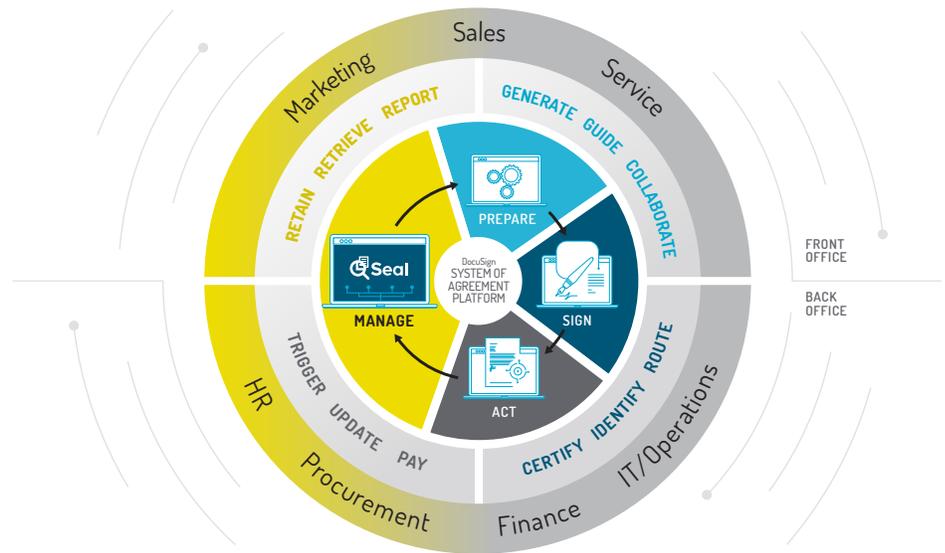
It requires a flexible ecosystem to enable and deliver this effectively, and DocuSign's platform extension partner program has been designed to fulfill this function. The DocuSign Platform Extension program for connected apps allows new functionality to be seamlessly added to the platform. By enabling DocuSign partners to plug directly into the ecosystem, DocuSign Platform Extensions advance the opportunities to create a functionally rich and seamless user experience. The savings and revenue possibilities are on par with those achieved through the digital transformation of the systems of record and engagement.

Recognizing the importance of the platform extensions, DocuSign co-announced the SofA platform and a partnership with Seal Software in which DocuSign will resell Seal Software's content discovery and analytics technology as platform extension apps under the DocuSign product names of a) Total Search and b) Intelligent Insights.

Where does the Seal Software technology fit within a System of Agreement strategy?

Seal's market-leading content analytics technology and repository fit within the 'Manage' phase of the SofA.

The Manage Phase

The platform extensions by Seal Software add 360-degree visibility into what is inside agreements, regardless of source location.

Challenges in the Manage phase include:

- **Finding and consolidating agreements**

  Agreements and DocuSign envelopes can be in multiple DocuSign instances or completely separate repositories, each with a siloed search functionality. In addition, many agreements have associated documents (addenda, XLS spreadsheets, etc.), which might not be part of the primary contract file or DocuSign envelope. Finding and associating these files with the master agreement is also vital.

- **Understanding and leveraging what's inside agreements**

  Good decisions depend on a good understanding of the situation, for decisions based on agreements that means understanding what is and isn't in them. What are the business terms, what non-standard language exists, what are the rights and obligations of each party, what is the regulatory exposure (GDPR, industry-specific regulations such as IFRS15, IFRS16, ISDA MAs, NDA, LIBOR, etc)? The list of questions never stops, and each requires a timely, well researched answer.

The platform extensions by Seal Software add 360-degree visibility into what is inside agreements, regardless of source location. Here is a breakdown of the new platform extension capabilities:

Total Search (Powered by Seal): Single Search – Total Results

Searching for information contained in DocuSign envelopes is not straightforward today. DocuSign has no native capability to federate data contained across multiple DocuSign instances. If you use in documents that reside in other systems or that have not been through a DocuSign process, then the unified solution Total Search provides is paramount.

Total Search includes these key capabilities:

- Search all documents, in all envelopes, across all DocuSign instances

- Simple, automated import, and OCR as necessary, non-envelope documents into DocuSign, providing a simple unified search across the entire system of agreement portfolio and related documents

- Global search and filtering by the DocuSign envelope metadata speeds locating and categorizing envelopes for reporting and further processing

Total Search provides the functionality to deliver insight on many levels. For example, the number of agreements under management; how many do not have signatures; which contracts have not been through a DocuSign process or even which were signed with another eSignature product. This valuable insight can be reviewed within Seal or directed to an enterprise visualization and reporting system.

Intelligent Insights (Powered by Seal), includes all Total Search capabilities plus AI-powered Search, Extraction, and Intelligence.

While Total Search provides much-needed insight into agreements and other documents, the level of sophistication may be enhanced considerably by deploying Intelligent Insights, powered by Seal. Intelligent Insights leverages Seal's Artificial Intelligence / Machine Learning analytics platform, enabling data extraction from the agreements, side-by-side comparisons, advanced content analysis and reporting via dashboards and graphical representation.

Intelligent Insights, which builds on Total Search, has these key capabilities:

- Automated AI/ML extraction of terms and clauses from all envelopes and documents - including those imported from other repositories - using semantic, natural language processing (Base package includes 20 key terms, additional terms available.)

- Quickly create custom extraction policies and add extraction packs (see below)

- Built-in BI reporting and dashboard capabilities that eliminate the traditional silos separating contract repositories, enabling rapid response to ad-hoc and complex requests

- DocuSign Signature Audit (ex. % of agreements being DocuSigned by year)

This higher-order functionality enables a broad range of digital transformations. With Intelligence Insights, companies can easily employ the full power of the Seal AI and Machine Learning models to understand what contained in the agreements. This level of analytical intelligence is the core Seal value proposition – bringing agreements to life – leveraging the information to drive savings, minimize risk and uncover opportunity.

The simplicity of using the Seal's platform starts with the Natural Language Processing engine (NLP). The Google-like search interface encapsulates a wealth of domain expertise – including that of lawyers, regulatory specialists, process engineers, contract managers, and data scientists; all simplified for the average business user that wants answers without learning anything about advanced AI search techniques.

> Intelligent Insights leverages Seal's Artificial Intelligence / Machine Learning analytics platform, enabling data extraction from the agreements, side–by–side comparisons, advanced content analysis and reporting via dashboards and graphical representation.
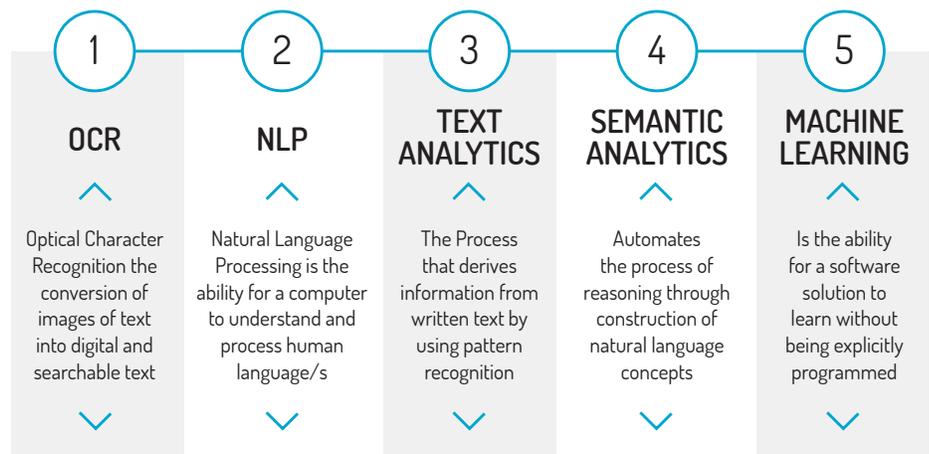
But it is not just about NLP; Seal utilizes a variety of models to derive insight from the documents. Individually each model has limited effectiveness, so Seal uniquely combines models to drive accuracy, precision, and recall. The table below outlines the primary methods used.

One worth further explanation is semantic analytics. As stated above, Seal helps bring agreements to life. In agreements, there are many shades of grey and nuance. A similar clause from two different contracts might be written with significantly different natural language (e.g., different words) but have the same meaning. Using Latent Semantic Indexing (LSI) Seal can identify this and surface this similarity in meaning even though there is a limited similarity in the words used. Combining this information with deep neural network capabilities enables Intelligent Insights to learn what to look for and expose across a large corpus of agreements.

So, the power of Seal lies in its ability to utilize a range of models, using the right capabilities in the right order for the task at hand, often nesting the methods so that the output of one become the input of another, dependent on the precision and recall goals of the task.

> "This is the core Seal value proposition – bringing agreements to life"

Seal Artificial Intelligence: Five Key Technologies

1	2	3	4	5
OCR	**NLP**	**TEXT ANALYTICS**	**SEMANTIC ANALYTICS**	**MACHINE LEARNING**
Optical Character Recognition the conversion of images of text into digital and searchable text	Natural Language Processing is the ability for a computer to understand and process human language/s	The Process that derives information from written text by using pattern recognition	Automates the process of reasoning through construction of natural language concepts	Is the ability for a software solution to learn without being explicitly programmed

Intelligent Insights can be further enhanced by the addition of accelerator packs available from DocuSign and Seal. These include:

- GDPR (General Data Protection Regulation) Insight
- Procurement Insight
- NDA (Non-disclosure Agreement) Insight
- Brexit Insight
- QFC (Qualified Financial Contracts) Insight
- M&A (Merger & Acquisition) Insight

Each of these "packs" is a set of pre-built extraction policies (analytics) that identify the important clauses and sections that relate to the particular focus area, along with standardized reporting templates, a user guide, user views and queries, and regular updates.

For instance, the GDPR Insight technology, which requires the Intelligent Insights powered by Seal to be installed (as all packs do), will identify clauses pertinent to that regulation such as how termination rights for data events are treated, what co-operation clauses with auditors have been included in the contract, what data breach language is present, and other key information. But each pack does much more than identify whether a topic is addressed. It is a detailed analytic set designed to dovetail with the specific regulatory requirements and the detailed implications of a holistic implementation plan. For example, GDPR Insight doesn't merely answer the question: "Are data breaches addressed?". GDPR Insight asks and answers additional detailed questions for a series of breach-related topics. Each pack follows the same philosophy – providing answers not just data.

Why and when is it necessary to understand what the agreements contain?

Increasingly large organizations realize that the data contained within their contracts are extremely valuable and represent savings and revenue opportunities as well as potential risk exposures. The sheer number of agreements is overwhelming, and manual processes to read and digest them in a timely manner is costly, if not impossible. Automating the extraction key information has been the raison d'être of the Legal AI market, ever since Seal established the category in 2010.

Compelling reasons identified by Seal clients for automating the analysis of contracts include:

- Adhering to regulatory requirements and regulatory changes (complying with new laws for example)

- Responding to key events like a data breach, act of God

- Carrying out planning, due diligence, and post-merger integration in an M&A scenario

- Understanding whether agreements have been signed and whether they contain any non-standard clauses

- Responding to auditors, litigators and other official requestors for information

- Unearthing savings and revenue opportunities like missed auto-renewals, pricing thresholds

- Understanding levels of risk or exposure in contracts with customers and suppliers

These capabilities fall within the fourth phase of the System of Agreement - they enable organizations to "manage" their contract data with same efficient slice and dice capabilities they rely on for their management of spend and sales.

> Automating the extraction key information has been the raison d'être of the Legal AI market, ever since Seal established the category eight years ago.

Our customers and the answers they are getting

There is a wide range of possible use cases, with the priority use cases focused on procurement, M&A, regulatory reporting, revenue recovery, cost containment, and governance. Seal use cases cover industries from high tech, pharmaceutical & healthcare, financial services, process & discrete manufacturing and telecoms. If an enterprise has a significant contract corpus (~5,000+), then there is nearly always an opportunity to apply the Seal discovery and analytics platform.

CUSTOMER EXAMPLES

An energy company who had executed a takeover four years ago and closed some facilities as part of the M&A process, discovered after three years that they had spent $1.2M auto-renewing a lease for a closed property. No surprise, the other contracting party failed to point this out. Without Seal, this $400k/year expense would have continued to impact the company's bottom line. This auto-renewing lease represents just one of the savings opportunities revealed by Seal.

A major US Pharmaceutical distributor wanted to get visibility into their procurement efficiency and so initiated a multiyear sourcing and procurement initiative with the aim of improving efficiency, focused initially on contract visibility. By being able to identify contractual payments terms and matching them to actual spend (taken from their spend management systems) they were able to identify very significant working capital savings and make their payment processes far leaner.

A major US cell provider manages many thousands of land leases for their cell towers. Agreements can overlap and have clauses that could allow for renegotiation and cost savings. They analyzed over 600,000 contracts with Seal and extracted the data relevant to the leases. They realized $30m of in-year savings by taking advantage of rights written into the contracts, but that had not been holistically managed or were utterly unknown by the current management unit.

A major global bank headquartered in New York implemented the Seal Platform for consolidation of agreements and Fed Reporting. Seal's ability to adapt to ever-changing requirements and scale was a major deciding factor in selecting the software and with over 900,000 documents, 40+ types of agreements across 26 business units. Many of the contracts had over 90 metadata fields identified for extraction, 65 of which are required for regulatory reporting. This repetitive and detailed task is one that humans do not do accurately – if they do it at all. The bank significantly lowered their risk exposure while improving the efficiency of the contract management process.

A medical insurance company preparing for a merger with a life insurance company utilized Seal to satisfy the M&A regulatory review requirements. In a two-week period, Seal completed the triage, review, and analysis of over 40,000 contract documents. Again, a complex and detailed task that humans would not have finished in the limited time frame or with the same level of depth or accuracy.

Finally, a major IT company had negotiated price increases of their products with a large number of their customers at deal-time to include annual and bi-annual price increases based on retail price indices. They had not enforced these revenue-increasing terms over time because access to, and analysis of the contracts was considered too time-consuming and costly. Seal's technology was able to identify those contracts and addenda relevant to the case. The company estimated a lost opportunity over the years of between 4% and 8% of revenue with those customers

Summary

The System of Agreement strategy is well thought out to manage the lifecycle of agreements within organizations. As stated earlier, no enterprise can ignore the complexities of modern contracts. Over 400,000 organizations digitally sign their agreements through the DocuSign infrastructure. Extending the DocuSign platform to include the prepare, act and manage stages simplifies the digital transformation of their System of Agreement. The Seal powered DocuSign Platform Extensions provide the capabilities for the "Manage" stage of SofA - consolidate search access to all the agreements in the organization, extraction, and analysis of key data and clauses and the delivery of actionable insights.

For more information on System of Agreement MANAGE please see

https://www.seal-software.com/

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