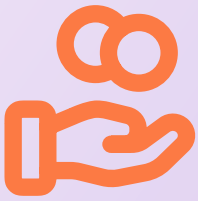


Private Equity and
Venture Capital

Documents and contracts:

a practical guide to automating them.

Josef

Documents sit at the center of the deals done by private equity and venture capital firms. Without the paperwork, deals cannot come to light. But lord knows, it's not the most exciting part of the job.

Some of those documents are highly tailored. Others, as we all know too well, are repetitive and sometimes downright boring (did someone say "Non-Disclosure Agreement?"). To automate these documents is to save time.

Harvard Business Review reported, after interviewing 900 venture capitalists, that on average they put 55 hours a week in on the job, spending 22 hours a week networking and sourcing deals and 18 hours working with portfolio companies. Imagine if even 10% of that time could be clawed back by automation?

According to an Apperio **report** on VC legal spending and sentiment, law firms experienced increased scrutiny over the past five years. With VC and private equity firms spending an average of $7.5m annually. Automation can significantly reduce money paid venture lawyers, or allow in-house VC lawyers to do more impactful, value-driven work.

Forget the traditional methods of streamlining these processes with excel spreadsheets or document archives (methods practically begging for human error to intervene). If you're investing in tech companies, why not leverage it in your own company too?

Fail to plan, plan to fail

Automation can assist with term sheet drafting, deal negotiations, closing logistics, fund formation, fundraising, side letters, mergers, acquisitions, public offerings, secondary investments, and more. More than document automation, you can create digital tools that can handle FAQs to triage requests from LPs or auditors, too.

To create user friendly automated processes, begin by keeping some basic planning principles front of mind.

Start simple. Don't reinvent the wheel. Start with a really basic document or process. It will help you understand the tools, to eventually build with speed and confidence when building more complex automations.

Automate repetitive documents. These are documents that require the same information again and again, like a confidentiality agreement. You already know what information you need.

Select valuable documents. Just because something is repetitive, doesn't mean it isn't highly valuable to your organization. For example, think about the value of a term sheet. It's the essence of the deal.

Consider metrics. Before you begin automating, think about the data you will collect from the tool you've built. You have the potential to analyze trends and really dig into the data of your fund.

Equity crowdfunding platform, Birchal, had to prepare multiple types of legal declaration documents for different directors and managers. This required identifying the right template documents, customizing and emailing them to the correct person, and following up. Some clients were simple, but others needed multiple declarations for up to 8 people.

“The goal was to stop tailoring multiple documents for companies. To have a nice form for people to complete, that they could very clearly understand what they needed to do. And it did exactly that.”

says Matt Vitale, Birchal Co-Founder

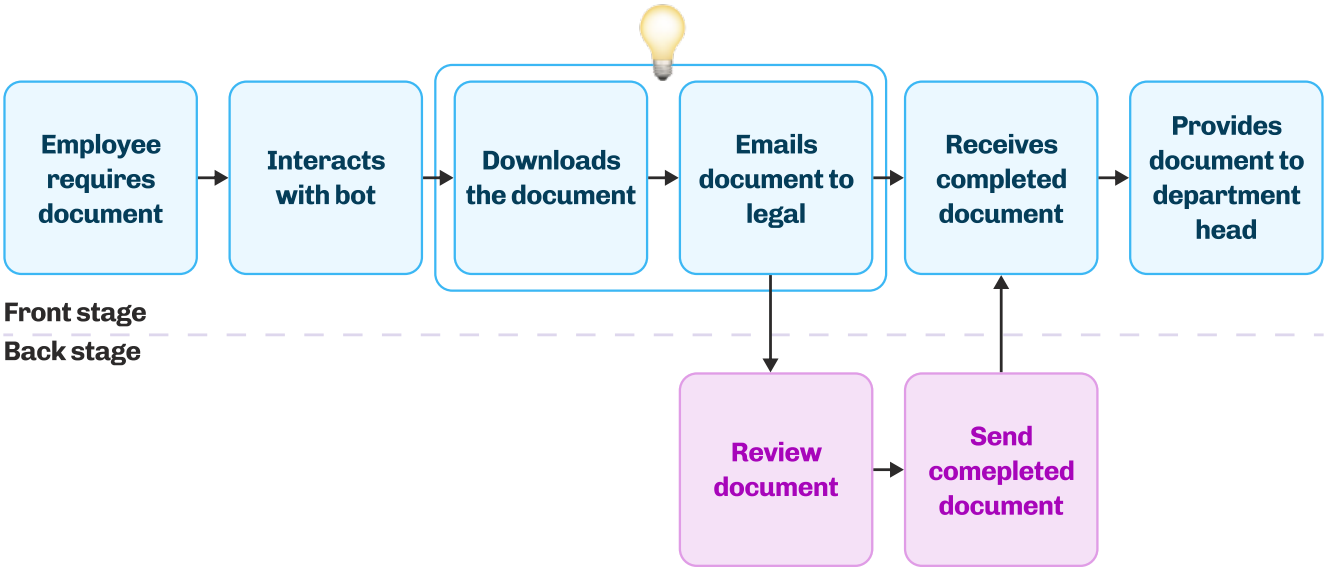
Preparation is key

Automating flawed processes or documents simply embeds bad habits in a company. Take the time to review what you're automating to see if it can be **improved or simplified** before you begin.

We recommend process mapping to see what happens before and after the document is generated. You can do this by:

- Performing process mapping in a visual way using mind mapping tools like **Coggle** and **Miro**, or even post-it notes with trusty pen and paper
- Requesting feedback from stakeholders to make sure you haven't missed any blindspots or pain points

Going through the process of mapping the journey before building anything on a third party tech platform will allow you to see where your current process is flawed or what an ideal process looks like. It exposes every stage of the journey for everyone involved, not just the lawyers.



Discover more invaluable **tips for process mapping** here.

Build with the user front of mind

When someone interacts with a bot, it's interacting with your firm or fund. And if people don't like that experience, it won't leave the best taste in their mouth. User experience design is a strategy that helps improve both the experience and adoption of your bot, aligning the user and organization's goals.

Here are some top tips to help you build a contract automation tool that people want to use:

1. **Put yourself in the end users' shoes:** when encountering a term in a contract, ask yourself if your users will understand it. For example, founders don't always come to the table with a strong grasp of legal concepts. Provide an explanation or more detail.

2. **Provide status updates:** Let your users know what they need to do next. Tell them how long an interaction will take and what they can expect.

3. **Shorter is better:** Is every step of the bot process essential? Trim the fat wherever possible.

4. **Hand over control:** Give users the ability to make (and remake) decisions along the way and let them know they have that authority. Add different pathways for different types of users, links and further information.

5. **Make it a pleasant experience:** Add some language that gives the tool personality and manners. Ps and Qs never go astray!

The best user experience is one where the end-user doesn't once think of the UX. It just works.

Shanice Choo, Legal Innovation Advisor, Clifford Chance Create+65, said:

> **"A common challenge that start-ups face is how to navigate the legal documentation for early stage financing. By adopting a co-design approach with our Create+65 start-up community, we were able to empathize with and understand how to make those documents more accessible to first-time entrepreneurs and investors. The result? Automated document solutions designed with the end-user in mind."**

Test and iterate

No matter how well you build the digital tool, iterating and testing is crucial to making sure that you've captured all the issues – think of it as proofreading for technology. One cheap and easy way of doing this is to gather a small group of testers and collect feedback through a short survey. Here are some tips on how to do that well:

1. Choose 5-9 individuals who represent your intended users.
2. Keep the questions short, simple and open.
3. Include quantum (e.g. "on a scale of 1-10, how much did you enjoy..."). This will allow you to measure impact over time.
4. Analyze the results carefully. Your users are experts in what they want, not what the solution should look like.

Connect it to your ecosystem

But what happens to the documents? Where do they go?

Sending them seamlessly into your document management system, or out for e-signature is a key component here. Look for solutions that integrate with platforms like Docusign, iManage, Google Drive, Sharepoint and others to make it possible at the click of a button. Learn more about integrations **here**.

Spread the word!

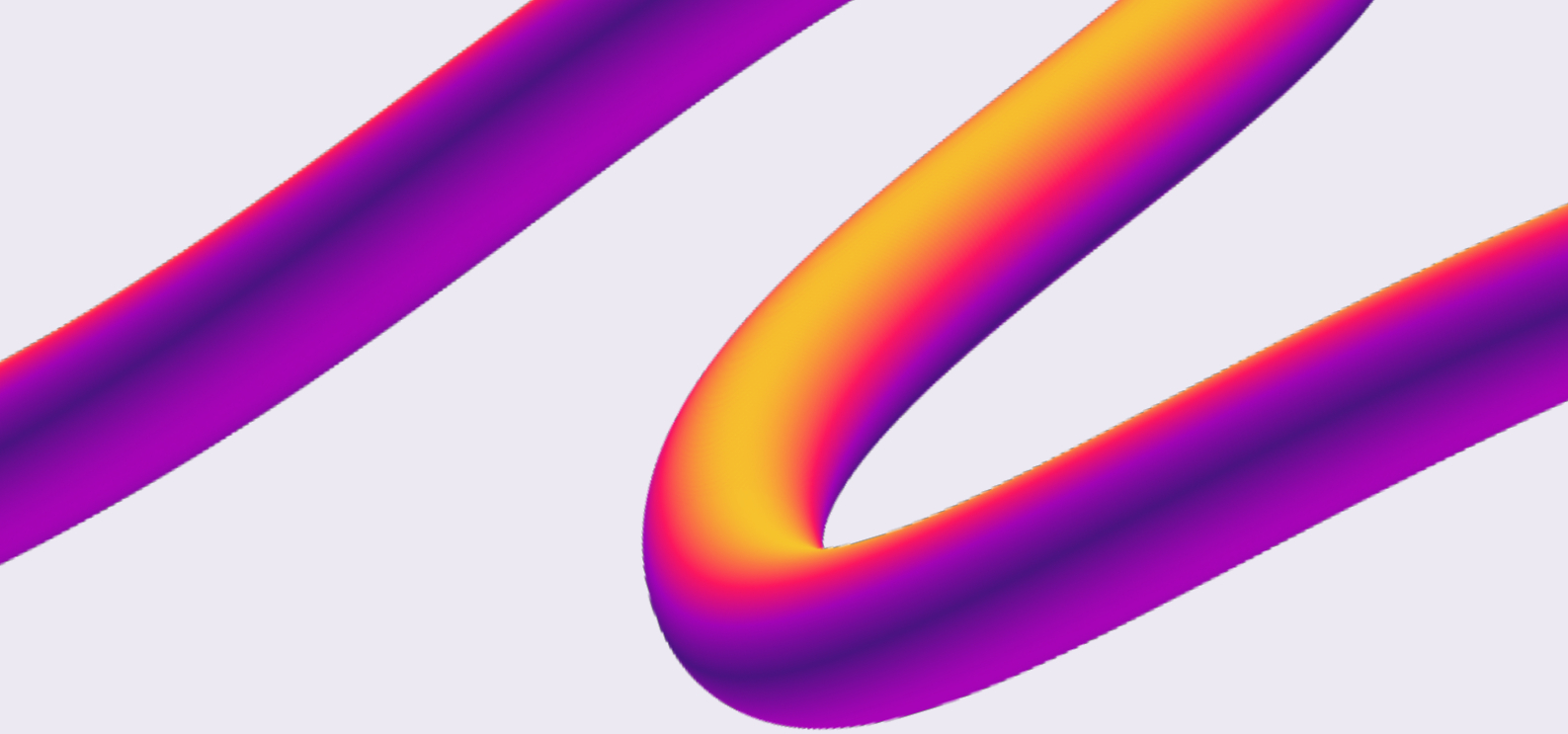
Finally, you need to make sure that people can find and use the document automation tools that you build. Here are three key tips to making sure that your document automation tools deliver the value that they should:

1. **Meet your users where they are:** think about where your users currently look for legal help (e.g. on a Sharepoint page or the intranet) and consider embedding the tools there. There's no need to reinvent the wheel!
2. **Don't be shy!** Tell users about your tool and why it matters to them. And your job isn't finished with one launch email. Host stakeholder meetings, use various channels, and send reminders in the months after launch too.
3. **Post-launch:** Make sure you keep the bots up-to-date, that you keep getting feedback from users, and that you keep checking usage over time.

In a statement to the media, Kai Schneider, Singapore Managing Partner, Clifford Chance, said after using Josef to automate,

> **"[it is] a great example of how our Create+65 innovation lab has harnessed the power of legaltech to transform the delivery of legal services. It is our hope that wider adoption of Venture Capital Investment Model Agreements (VIMA), now made easier through user-centric chatbots and auto-fill questionnaires, will help further reinforce Singapore's position as a leading start-up hub in South East Asia, and encourage the development of legal technology and innovation."**

Continue your learning journey by **organizing a demo with Josef** today.



So, where next?

Explore what Josef can do for you.

Learn how you can build legal bots to:

- Automate attorney-client interactions
- Seamlessly generate automated documents
- Provide scalable legal guidance and advice

Schedule a 30-minute live demo to see the platform in action and learn how legal professionals around the world are saving time, scaling their services, helping more people and delighting clients with Josef. Book a demo today.

Book my demo