

MITRATECH

Building a Business Case for Contract Lifecycle Management (CLM)



A step-by-step guide to outlining strategic alignment for your contract lifecycle management system and ensuring stakeholder buy-in.

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Introduction: The Case for Automation

Today's legal teams spend just 2.5 hours each business day on billable work, according to the 2021 Legal Trends Report.¹ And the rest of the day? In addition to time-consuming administrative tasks like tracking hours, teams are responsible for gathering data, organizing forms, and finding documents that may be lost in a sea of back-and-forth emails.

Nowhere are these pain points more prevalent than in the contract management process; limited visibility into contract status, progress, or related matters can create process roadblocks, expose organizations to inconsistencies that increase risk, and even impact revenue. World Commerce & Contracting once found that poor contract management can cost companies 9% of their bottom line.²

Another important thing to understand about contract management is that many organizations still oversee most of the process manually. According to a survey commissioned by ContractWorks, 25% of in-house lawyers and corporate legal

professionals reported storing their contracts in desk drawers and filing cabinets, and 35% of respondents reported using multiple locations to do so.³ In addition to the time and resources spent tracking down key data across disparate systems, some additional frustrations surrounding poor contract management include:

- **Missing automatic renewals or terminations, which could result in increased, unnecessary costs**
- **Breach of contracts due to lack of monitoring**
- **Suffering regulatory consequences as a result of outdated templates and content**
- **Leaking confidential, proprietary information**

These are just a few reasons why today's executive leaders and sponsors are turning to technology to help automate and augment their contracts with vendors, customers, partners, and even their employees.

¹ Clio, "2021 Legal Trends Report," (2021), p. 46.

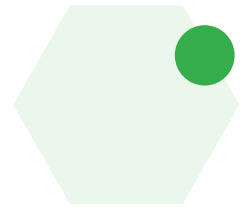
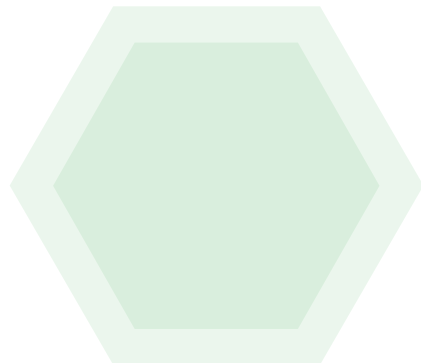
² World Commerce & Contracting, "Poor Contract Management Continues To Costs Companies 9% Of Their Bottom Line," (29 April, 2020).

³ Silverman, Andy, "The Legal and Financial Risks of Poor Contract Management," (Aug 25, 2022).

Enter Contract Lifecycle Management

To solve many of the aforementioned frustrations, forward-thinking organisations are introducing [Contract Lifecycle Management \(CLM\)](#) to their portfolios; an automated solution used to streamline the steps associated with the contract lifecycle. From initial drafting and negotiation through approval, management, and renewals, a modern CLM solution accelerates and bolsters each stage and touchpoint of the contract lifecycle with reliable, data-driven technology.

The result? Your organization lowers expenses, increases productivity, accelerates time-to-value, minimizes risk exposure, drives compliance, and more. But how do you know when you're ready to embark on the implementation process, and how can you ensure you'll get buy-in?



How to Know When It's Time for a CLM Solution

When legal operations leaders seek out CLM, they are usually coming from one of three places:

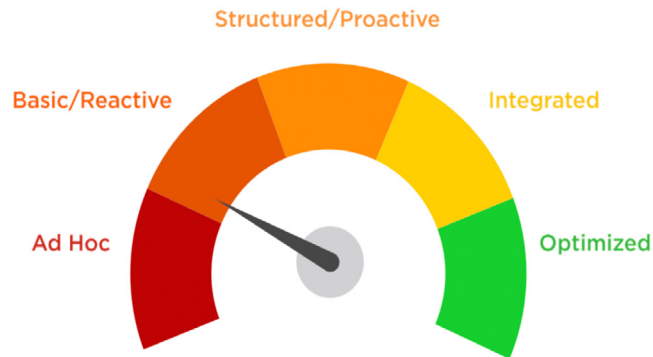
- 1. Scalability** — They have outgrown the functionality of their current CLM software and are looking for a more robust platform that can expand alongside their team.
- 2. Consolidation** — While undergoing the M&A process, for example, the two or more legal departments involved need consistent processes to drive reconciliation between their separate systems.
- 3. Innovation** — To keep up with evolving department needs or processes, companies are turning to digital transformation and looking to deploy their first CLM system.

The #1 way to know if you're ready for a CLM platform is to [perform an audit](#) of your internal contracting processes, content, controls, and systems in the following areas:

- Organizational & structural alignment
- Contracting & administrative processes
- Contract & compliance visibility
- Contract system infrastructure/tools
- Performance metrics & output



How Would You Rank Your Contracting Processes on the Following Scale?



By starting with an internal audit, you are taking the first steps to identifying for yourself — and eventually, your stakeholders — whether or not you are ready for CLM. It encourages you to research your department's needs within the context of your key initiatives, building towards holistic strategic alignment.

Your next step before starting your business case is to start building out your functional requirements, giving thought to how your needs intersect with the interests and strategic goals of the broader enterprise. Defining functional requirements for your CLM solution involves specifying your requirements and deadlines in detail. Start with the basics, then identify new improvements and functional add-ons as you go.

Some questions to get you started:

- What matters to you? Speed, control, insights?
- How do you define success?
- How will you measure it?
- How often will you measure it?
- Who will be responsible for what?
- What are your benchmarks?
- Are your goals realistic? In what timeframe?

Some benefit metrics to consider:

- Time to draft
- Time to close
- Time to report
- Template selection error rate
- Content error rate
- Access and visibility (% of contracts archived and searchable)
- % of data captured (from originally-identified and scoped data points)

For a closer look at which questions you should be asking to gauge your CLM readiness and align your key initiatives, please visit our comprehensive [CLM-Readiness Checklist](#).

Explore CLM-Readiness Checklist

Building a Business Case for CLM

Before you can modernize contracting processes with a CLM solution, you'll need to create a compelling business case to secure executive buy-in. Your goal is to paint a picture of how this investment will align with broader organizational initiatives, deliver quick time-to-value, and secure ROI. When executed properly, your business case should not only inspire stakeholders to support your project, but get them excited about the potential outcomes of a successful implementation.

Step One: Understanding the Needs of Your Key Stakeholders

The qualitative and quantitative benefits associated with a modern contract lifecycle management (CLM) software appeal to department leaders enterprise-wide, such as the GC, CFO, COO, CIO, CPO, and CRO. Therefore, it is critical that you consider how each stakeholder defines a successful implementation, whether for the business as a whole or on a personal level (through fewer mistakes or more streamlined requests, for example).

Legal - General Counsel (GC), Deputy GC, Head of Legal Ops

GCs and legal departments focus on contract creation and negotiation. For these people, the biggest value of CLM lies in its potential to reduce the amount of time they spend drafting and reviewing contracts. They also benefit from no longer having to handle the requests for a copy of a contract, which can be automated for “self-service.” Additionally, access to powerful insights into the contract portfolio through reports and analytics (as part of informative CLM dashboards) empowers GCs and legal departments to continuously improve contract negotiation.

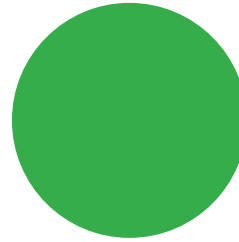


Finance - Chief Financial Officer (CFO), Financial Controller

CFOs look to CLM for contract reports and analysis. Financial officers may not be heavy users of your CLM, but they will use its reporting capabilities to gain insight into the financial implications of their corporation's contracts, both for payments owed to others and receipts from customers.

Sales - Chief Revenue Officer (CRO), VP of Sales

Sales leaders, such as a CRO, value CLM for contract creation and contract compliance. CLM offers them the opportunity to shorten the legal review of proposed contracts, leading to faster sales. With access to behavioral analytics, sales leaders leverage CLM to improve the contracting process and contract terms. Because sales operations ensure transactions, customer service, and IT comply with contract terms, they view integration of the CLM terms into a CRM — or a transaction and services system (such as Salesforce) — as a key objective of CLM implementation.



Purchasing - Chief Procurement Officer (CPO), Head of Purchasing, Sourcing

CPOs benefit from the CLM's creation of a secure data and document repository, which leads to heightened contract compliance. For purchasing/procurement/sourcing staff, CLM can streamline vendor management by making the contracts that govern the relationships accessible. CLM can help enforce contract compliance by the vendor through approval in the eProcurement system of requisitions that comply with the contract, and disapproval of those that don't. Chief Procurement Officers (CPOs) also value reports and analysis of the contract portfolio to gain broader insight into their range of supplier contracts, and the ability to create and negotiate contracts with less direct legal involvement — but these are secondary benefits.

IT - Chief Information Officer (CIO), Head of Process Transformation

CIOs are both technology supporters and users of CLM for their contracts. CIOs, as buyers of tech goods and services, use CLM to manage these contracts. They also play a major role in helping CLM integrate with other systems that need access to contract data. Their teams could also be involved in assessing the overall technical performance of a CLM solution.



Step Two: Outlining Your Cost-Benefit Analysis

Once you have a comprehensive understanding of who your key stakeholders are and what they are looking to invest in, it's time to begin compiling your cost-benefit analysis. A compelling adoption proposal will outline everything your stakeholders can expect to compromise on and gain throughout the CLM process.

Try to itemize and give visibility into critical costs like:

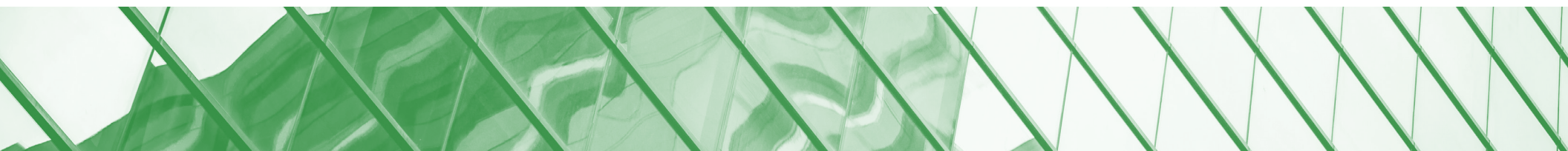
- Restatement
- Revenue loss
- Missed discounts
- Breach of contract litigation
- Productivity losses (time and money)

Of course, your benefits should (and will) far outweigh your costs. Advanced, enterprise-grade CLM solutions should have (at a minimum) the following six (6) core sources of value — in addition to driving automation.

1. Dynamic Storage

The solution should house a contract repository where all contracts are fully 'indexed' and stored digitally with controlled access. A CLM solution will put an end to paper contracts in filing cabinets and Word or PDF documents tucked away on shared servers. Instead, a firm can store its entire contract portfolio in the solution, accessible to anyone with the right credentials and access levels. This saves time and money in contract retrieval and keeps track of contract expiration so that low-value contracts aren't renewed by mistake, and high-value contracts are renewed on time. Further steps that can help streamline operations and drive time savings include:

- Creating contract templates
- Organizing your documents by contract type, with specific naming conventions for easy access
- Running reports to track clause uses
- Establishing a clause library of predefined and approved legal clauses
- Organizing a "playbook" of conditional rules and fallback provisions



2. Conditional Assembly

The solution should have contract creation tools to help business users initiate and create new contracts. Instead of tying up lawyers, CLM products should allow end-users to create their own contracts using software wizards and combinations of standard templates and custom contracts assembled from a library of terms. This is known as a “self-service model,” whereas a CLM that can also help with automatic routing of contract requests is known as a “queuing model.”

3. Collaborative Negotiation

The solution should track all changes made throughout the contract drafting and negotiation process, prevent key terms from being changed, route any changes that need approval to the right person for review, and retain all versions of the contract. Legal teams shouldn't have to read through every contract. In fact, legal teams should only need to get involved when the CLM solution automatically flags exceptions that require their attention. This hands-off automation leads to faster cycle times in closing contracts while effectively managing and mitigating risk elements. When contracts are flagged, however, the ability to edit or troubleshoot within the CLM is critical. Online, real-time collaboration has only become more

important in the wake of the pandemic, and ensures that when contracts need a second or third set of eyes, those eyes can review easily, quickly, and in sync with other key stakeholders. Meanwhile, pre-defined workflows and permissions allow for optimized version control, ensuring your collaborators are taking the right steps and working in the most up-to-date document.



4. Guided Compliance

The solution should integrate (connect) seamlessly with transaction systems (ERP, Finance, HR, Compliance, etc.) that depend on contract data. Contracts define the key parameters of a business and legal engagement, but that relationship will likely be transacted through systems like procurement and invoicing on the buy-side of the business, or order management and customer services on the sell-side. These systems need contract data to ensure all parties conduct business according to contract terms. Integrating contract data across transaction systems will enable your organization to ensure that your suppliers are living up to the contracts and that they themselves are doing so when handling orders, serving customers, or generating invoices or bills. Additionally, integrated systems help eliminate duplicate data entry and errors. The end result should be acceleration of savings and/or revenue recognition as well as lower risk exposure to the enterprise.



5. Predictive Analytics

The solution should leverage AI techniques such as Machine Learning (ML) and Natural Language Processing (NLP). Through contract analysis and reporting, both business and legal users should be able to see a contract portfolio's risks and characteristics in just a few clicks. Using a CLM solution to analyse a contract portfolio can help with tasks such as:

- a) Identifying contracts that are missing key clauses
- b) Finding terms that differ in contracts with the same or similar vendors
- c) Mapping the timing and future payments owed to partners or to be received from them
- d) Flagging issues with interconnected contracts with two partners (such as two firms working together on a joint project)

These types of capabilities help companies maximize the returns from their contract portfolio and minimize the risks associated with those contracts.

Additionally, keeping a digital record of the end-to-end contract process helps identify why and how agreements are reached — insights that could boost party approval and accelerate time-to-agreement significantly. For example, if you know that party **X** will have a **Y** response to a specific clause 78% of the time, actions on that clause can be adjusted, streamlined, and confidently pushed forward. Some behavioral insights gained from clients and stakeholders each time you reach an agreement (if you're paying attention and using data-driven technology) may include:

- What shifted the tides in the agreement?
- Who was the best person to go to for each stage of approval?
- Were there any addendums made?
- Which sections of the contracts presented roadblocks?
- Where in the contract process did your team spend the most time?

When data informs your efforts throughout the contract process, everyone spends less time negotiating, and reaching an agreement becomes faster and more favorable.

6. Optimized Operations

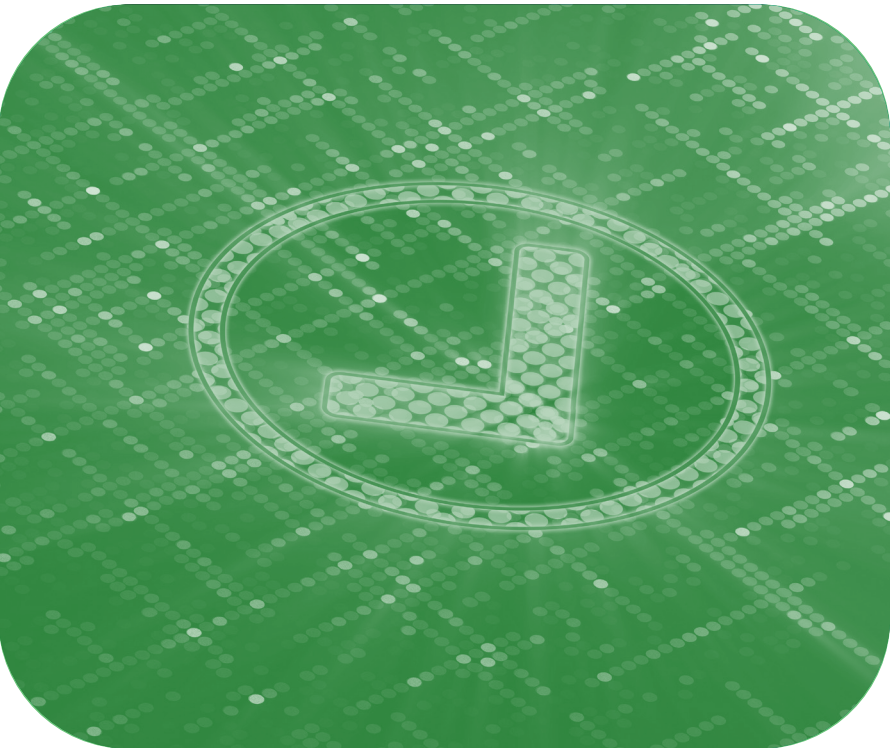
To sum it all up: the overarching capability of an advanced CLM solution is to improve the contract process and contract quality enterprise-wide — for both the buy-side and sell-side. In addition to optimizing routing to standardise and accelerate the contracting process, your CLM solution should have an ability to capture big data sets from the transaction and the behaviors of all the players (users) involved in contract negotiation, allowing you to tap into the “collective intelligence” of your organization. Thus, business and legal executives need to view contracts as business objects that can evolve to meet new business needs, and see the contracting process as something that can be improved with time and experience.

Accelerate time-to-agreement like never before with simple, intuitive contract lifecycle management.

Explore EraCLM

Let’s Recap: A Summary of Benefits and Stakeholder Priorities to Include in Your Business Case Analysis

Now that we have explored how different stakeholders prioritize varying features of CLM, and we have explored how CLM has many overlapping and mutually-advantageous benefits, we can begin to see how these stakeholders and benefits intersect.



| Automation | GC / Legal | CPO | CRO | CFO | CIO |
|---------------------------|------------|-----|-----|-----|-----|
| Dynamic Storage | ✓ | ✓ | | | ✓ |
| Conditional Assembly | ✓ | | ✓ | | |
| Collaborative Negotiation | ✓ | ✓ | ✓ | | |
| Guided Compliance | ✓ | | ✓ | ✓ | ✓ |
| Predictive Analytics | ✓ | ✓ | | ✓ | |
| Optimized Operations | ✓ | ✓ | | | ✓ |

Step Three: Navigating Your Roadblocks

There can be challenges with having multiple stakeholders involved in the planning, design, and implementation phases. The CLM implementation teams (both client and vendor) must anticipate and manage the following key challenges (the 4 “F”s):

Focus: Each of these stakeholders will want the CLM implementation to focus on what is most important to them. GCs, for example, are primarily interested in storage, assembly, and negotiation. CFOs and CIOs may put more emphasis on analysis and optimization. Successful CLM implementations involve all of these stakeholders from the beginning, both in the vendor selection and implementation. Therefore, it is important to get active involvement and agreement among all key stakeholders.

Funding: Each stakeholder group tends to support funding just for the phases that matter most to them. As a result, contract stages with a disproportionate number of users like repository, reporting and analysis, and contract drafting can hog most of the funding. On the other hand, many CLM customers struggle to find appropriate funding to integrate the CLM solution with other transaction systems and put significant power behind contract optimization capabilities, which might have a smaller user base, but still have an outsized effect on delivering ROI.

Fatigue: All these struggles over what to focus on, how to keep each stakeholder happy and engaged, and how to secure funding can be frustrating and time-consuming. It is no surprise that some CLM implementers decide to declare victory and go home after they have successfully implemented the 1st 2 phases — for example, “storage” and “assembly” — and ignore the following phases.

Factions: There can be pre-existing tensions among deal teams (e.g., legal versus sales and/or procurement). Sometimes, it can also be common that these teams have already purchased a niche-oriented CLM solution in the past. For example, the sales group may have purchased a CLM solution for its own needs while the procurement group bought a different CLM product to suit their specific needs (or it’s a module in their eProcurement solution). Then, legal would be left to try to find ways to carry out searches and analysis across the divergent, disconnected contract repositories, struggling to determine which product to use for its own nondisclosure agreements, employee contracts, intellectual property licensing, and other general contracts.

Having insight into these roadblocks can help you plan to navigate around them. Be ready to assert your project expectations, timeline, and key results across all departments in your business proposal to ensure each stakeholder has early visibility into what it will take to make this implementation an enterprise-wide success.

Preparing for a Successful Implementation

Gathering information on your starting point and implementation needs is only half of the battle. To ensure your stakeholders feel confident in funding your CLM project, having a robust deployment plan and supporting resources is critical to your business case. Plus, you'll win points and smooth out wrinkles by coming to them well-prepared with enterprise buy-in and use cases. The key aspects of this involve:

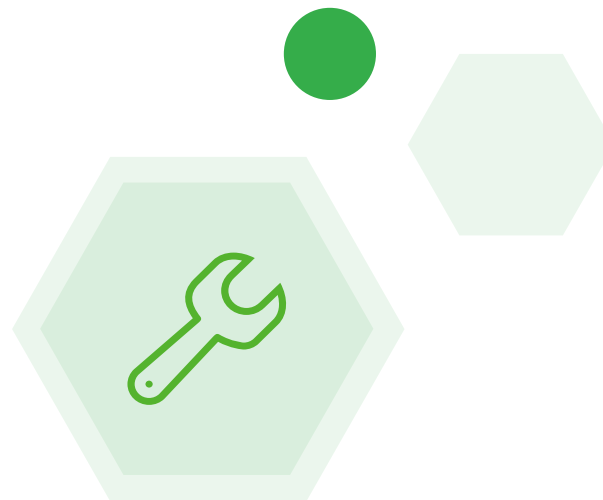
- Identifying a project champion
- Organizing a steering committee
- Having a trusted implementation partner in mind

Identify a Project Champion

Dedicate and empower a CLM program champion to communicate new policies and system enhancements to your team, with a focus on driving engagement and incorporating early feedback from the frontlines (key users/stakeholders).

Your CLM project champion should:

- ✓ Help define, evolve, and share system use cases
- ✓ Promote access to self-service training and support materials
- ✓ Document success stories, product updates, and value creation initiatives
- ✓ Promote proactive change management by keeping users actively represented and involved in the CLM project
- ✓ Track participation of team members



Organize a Steering Committee

It's not enough to successfully implement a CLM system — you need your users to love it. The next step is to establish a CLM governance committee to ensure support from functional and business unit leaders while driving system adoption enterprise-wide.

Your CLM steering committee should:

- ✓ Secure alignment on program and system goals and support
- ✓ Assign representatives to use cases, training programs, and ambassador roles
- ✓ Identify and address issues early and often
- ✓ Schedule frequent follow-up sessions in which key users/stakeholders can weigh in
- ✓ Test, document, communicate, and monitor system changes whenever an update is made
- ✓ Maintain open feedback loops with users and project champions



Find a Trusted Implementation Partner

While a modern contract management solution can transform the contracting operations for the entire enterprise with tangible benefits — lower expense, higher productivity, faster revenue recognition, lower risk exposure, more compliant processes, deep insights, etc. — choosing the right implementation partner is critical to long-term success.

You wouldn't buy a brand new car without getting your licence — even if a friend or family member has already given you some useful tips and tricks. Likewise, even with the support of your in-house IT team, you shouldn't invest in a new software without the expert knowledge of how to optimize the platform. If you leave some functionalities on the table or misuse features, you could end up creating more work for yourself down the line, which would only transform your manual frustrations into digital ones.

With reliable support, on the other hand, you can ensure the best technologies are implemented by the best advisors, enabling superior outcomes for your organization. More importantly, you receive tangible insights on how to avoid common implementation missteps and benefit from ongoing support, which means that you don't waste any time, talent, or money on your deployment.

Likewise, the challenges of change management should not be underestimated. A past-proven implementation partner will know exactly how to translate your platform into a superior user experience and can help your organization keep up with training and resources to drive adoption well into the future.

If you have any CLM-related questions, or would like to learn more about our implementation partners, please visit: info@mitratech.com.



About Mitratesch

Mitratesch is a proven global technology partner for corporate legal, risk & compliance, and HR professionals seeking to maximize productivity, control expense, and mitigate risk by deepening operational alignment, increasing visibility, and spurring collaboration across their organization.

With Mitratesch's proven portfolio of end-to-end solutions, organizations worldwide are able to implement best practices and standardize processes across all lines of business to manage risk and ensure business continuity.

Mitratesch serves over 1,800 organisations worldwide, including 30% of the Fortune 500 and over 500,000 users in 160 countries.

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