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# 5 Myths About Contract Lifecycle Management Software

What are they, and what are the realities and best practices to follow in considering CLM?



# Introduction

Contract Lifecycle Management (CLM) solutions have been available for decades but many organizations have yet to fully embrace online collaboration and contract automation by deploying advanced CLM solutions.

This eBook explores 5 myths about CLM software, showing the realities along with practical guidance.

- 1 Contract lifecycle management software is expensive
- 2 Implementation is difficult and lengthy
- 3 Realizing a return on investment (ROI) may take years
- 4 A central contract repository is sufficient to manage contracts
- 5 Emailing redlined documents back and forth is still the standard

# Myth #1 Contract lifecycle management software is expensive

## Reality: Contract Management Software Can Should Pay for Itself and Deliver Rapid ROI

Managing your medications may seem expensive. But not managing them properly can be far worse. Research from International Association for Contract and Commercial Management (IACCM) shows that “Poor Contract Management Continues to Cost Companies 9% Of Their Bottom Line”.<sup>1</sup>



Four of the reasons noted by IACCM, which are solved by an enterprise Contract Lifecycle Management solution, include<sup>2</sup>:

- Protracted negotiations result in competitive exposure and delayed revenue.
- Poor handover from deal team to implementation team.
- Weak post-award process and governance.
- Inefficiencies and loss of quality in performance and analysis.

With a **9% effect** on your bottom line, how can you afford **not** to have an enterprise-grade Contract Lifecycle Management (CLM) system?



## Our Recommendation?

Evaluate your existing process, even if you have an existing contract management tool. If you don't have a CLM system, the verdict is clear from IACCM: CLM is not a "nice-to-have", it's **essential**. Even if you implemented a contract management system several years ago, there's a good chance that you may not be realizing the adoption and the value you anticipated (more on that in the next section!).

You should ask a CLM provider to help you do an **assessment** of your current contracting operations (and even your current software, which may not be satisfying your needs). In this way, you will be able to create a business case for to present to your internal stakeholders/executives.

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1 (n.d.). IACCM - The Global Contract Management Association. Retrieved July 12, 2020, from <https://www.iaccm.com/resources/?id=6845>

2 iaccm-10-pitfalls-to-avoid-in-contracting-v20-nov15.pdf

# Myth #2 Implementation of a Contract Lifecycle Management Solution is difficult and lengthy

Reality: You can be up and running with a full-fledged CLM solution in as little as 30 days

Many enterprise software implementations suffer from a variety of issues, ranging from scope creep to the overwhelming complexities of a “Big Bang” rollout. To avoid these, you have to decide, **what is your end game?** If you want to be up and running quickly, that’s absolutely feasible with the right solution. You just need to understand what the initial implementation looks like and how you can build on it going forward (in the form of “agile” phases or “waves”).



## Our Recommendation?

At the very beginning, make sure your requirements align with the business need and define what success looks like.

Next, gain internal consensus, which balances the need for speed and quick wins versus a huge monster rollout. **For example:** You may be facing one or two high-value problems like contract authoring or searching language in contracts. If you focus on getting one or two areas under control, you can start introducing additional functionality in phases (based on rollout of new content and/or new user groups).

Know what you're willing to postpone till a later date, and most importantly, be sure to work with an experienced CLM solution provider who understands the need for quick wins and ROI proof points. They should be able to implement solution essentials within 30-60 days, at most, with specific implementation programs and clearly defined milestones.

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## Myth #3 Realizing a return on investment (ROI) may take years

Reality: You should be able to realize an ROI your Contract Lifecycle Management solution within 1 year

Most of us can agree there are a ton of benefits from automating contracts - ranging from increased efficiency and speed to risk mitigation and contract analysis. But how does that translate into dollars and cents?

Until the advent of Contract Lifecycle Management, contracting groups lacked meaningful data to support the value of their business contribution and not just as a necessary cost center or risk avoidance. Tangible measurements, such as incremental revenues, margin or savings achieved





**MYTH #3:** Realizing a return on investment (ROI) may take years

can now be at your fingertips. By introducing elements such as Artificial Intelligence, CLM can assist in accelerating deals, making better decisions and resolving issues.

PwC has calculated that organizations can save as much as 2% of their total annual costs with improved compliance and obligation management. On the sales side, Aberdeen has found dramatic improvements, including 39% higher team attainment of sales quota and a 24% shorter sales cycle.<sup>3</sup>

## Our Recommendation?

As in the previous two areas, first **understand your objectives and priorities**.

To maximize the ROI, you must take a hard look at critical weaknesses in your current business and process.

Then the faster you go live, the quicker you can realize ROI. You should focus on gaining insights as part of a **continual “learning cycle”** you follow as you progress through the deployment process. Again, look for a provider who can deliver quick implementation, so you can realize quick wins and not pay for features you may not use.

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## Myth #4 An electronic contract repository is sufficient to manage contracts

Reality: A contract repository is merely a small step in managing your contracts

Storing your agreements electronically in a repository, is simply that - storing, not managing. Legal documents are all-too-often relegated to a shared server or cloud-based storage application that is little more than a digital file cabinet covered in digital dust.



While digital storage does allow contracts to be retrieved more easily, by itself it doesn't do much else. Even adding spreadsheets to improve the process is only a simplistic improvement. To realize value from your contracts and processes you should consider important functionality such as:

- Contract authoring
- Online collaboration and negotiation
- E-signature
- Deep search and contract analytics
- Contract compliance and obligation management

## Our Recommendation?

At a minimum, a good contract lifecycle management system has a repository which will retain multiple iterations as versions of a single document, rather than a pile of separate documents in a digital folder. This makes **finding and comparing multiple versions much more practical** than traditional storage. But you need more, look for the following critical CLM components:

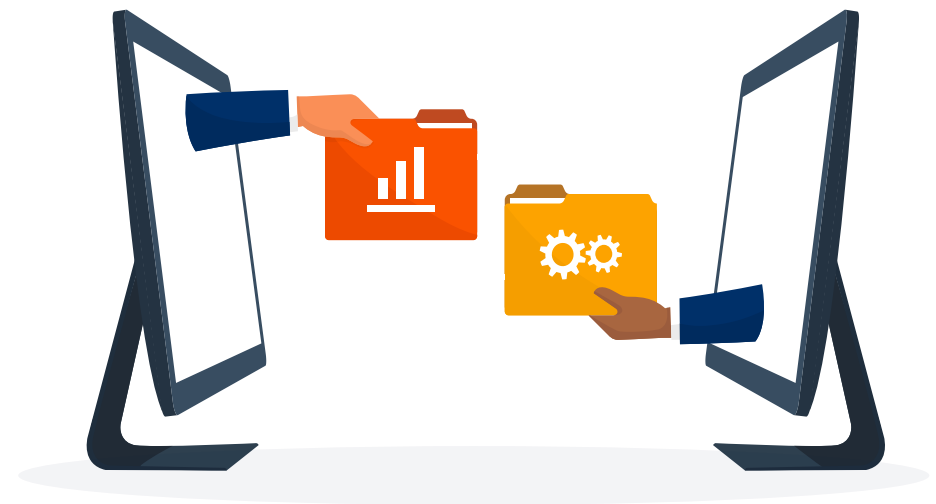


## Contract Authoring

You could store your contract templates in an electronic repository, but how will users be assured of finding the template they're looking for? What if they need guidance on which template and content to choose? A solid CLM system will **direct them to exactly the right contract template** and **assist with assembly** of the content ("terms and conditions") based on the criteria of the specific business engagement you're entering into.

## Online Collaboration and Negotiation

This is probably one of the most exciting and game-changing functionalities that's ever come to CLM systems. Exchanging redlines back and forth via emails is **incredibly inefficient, time-consuming and error-prone**. But it deserves more than just a mention in this section, so keep reading for a full explanation under Myth #5.



## eSignature

eSignature today is commonplace, and important in a contract lifecycle management solution. eSignature must be integrated in a CLM system to **fully leverage its benefits**. Unlike creating documents online and dumping them into an eSignature system, a true CLM system provides guardrails that speed up routine transactions while managing exceptions. Users are constrained to a playbook of approved terms, and rules-based routing and approvals ensure visibility for management.

## Deep Search and Contract Analytics

Deep Search and Contract Analytics powered by Artificial Intelligence delivers **360-degree insights** from legacy contracts and other similar documents and helps organizations extract, review, and analyze critical information from executed contracts. This functionality can even compare clauses and tell you how far a contract deviates from your standard clause language.



## Compliance and Obligation Management

An advanced Contract Lifecycle Management solution **must** automate obligation management and contract compliance. Instead of requiring humans to constantly refer back to the contracts or spreadsheets to ensure both parties are in compliance with their contractual commitments, an advanced CLM system can bring the terms contained in a contract to life. When an amendment is made, a milestone is met, or a deadline is approaching, all users can be notified. This automation should ideally be extracted through powerful algorithms making the setup nearly effortless.



## **Myth #5** Emailing redlined documents back and forth is still the standard

Reality: There are faster and more efficient ways to conduct contract collaboration and negotiation than outdated redlining

Redlining had its day, but there are so many flaws in the process, all of which slow down contracting to a crawl. The top three?



- **Creating redlines on top of redlines produces confusing documents:** It works fine comparing two versions (or edits by 2 users), but comparing multiple versions with numerous editors can be a nightmare.<sup>4</sup>
- **It's easy to reject or delete language without leaving a trace in the redline document:** If you just review underlined additions and strike-through deletions—which is the whole time-saving point of a redline—you won't notice changes. This happens all too frequently.
- **Negotiators, attorneys, and businesspeople alike have to constantly read through the whole agreement:** How ridiculous is it that you must read through an entire document every time a change is made to ensure you've caught any changes to the legal text? This is an incredibly inefficient and ineffective process.

There are more, such as difficulties with formatting, opening redlined documents in web-based services like Office 365 or Slack. But let's not belabor the point. It's time to bust the status quo and move into the 21st century.

<sup>4</sup> "Track Changes And Redlining - Law Technology Today." 30 Jun. 2017, <https://www.lawtechnologytoday.org/2017/06/track-changes-and-redlining/>. Accessed 12 Jul. 2020.



## Our Recommendation?

While redlining has the appearance of facilitating negotiations, it isn't up to the task. In fact, it may even cause unnecessary tensions...not something anybody wants when they're working a deal towards a "happy ending".

So, is fluid editing and contracting a possibility? Yes!

- Solutions which provide **real-time, online collaboration** can make the process so much easier.
- Look for multiple editing options available per document or even per transaction, allowing for editing, commenting, and sectioning.
- Sectioning allows a document to be broken down into sections or clauses that can be divided up based on whether it is negotiable or not; whether you want to direct content to different reviewers/negotiators; or only want a counterparty to edit some sections and comment on others.

And with real-time document revisions, it's easy to hammer out the details without any missed communication (and you can search the history of every change, updated in real-time).

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# 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.

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